UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-15749

ALLIANCE DATA SYSTEMS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**31-1429215** **(I.R.S. Employer Identification No.)**
3075 Loyalty Circle **Columbus, Ohio** **(Address of principal executive offices)**	**43219** **(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	ADS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $2.1 billion, based upon the closing price of $45.12 per share on the New York Stock Exchange on June 30, 2020, which was the last business day of the registrant's most recently completed second fiscal quarter.

As of February 18, 2021, 49,695,051 shares of common stock were outstanding.

Documents Incorporated By Reference

Certain information called for by Part III is incorporated by reference to certain sections of the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2020.

ALLIANCE DATA SYSTEMS CORPORATION

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Caution Regarding Forward-Looking Statements

This Form 10-K 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 strategic initiatives, our expected operating results, future economic conditions including currency exchange rates, future dividend declarations and the guidance we give with respect to our anticipated financial performance. We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this report, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, the following:

- continuing impacts related to COVID-19, including government economic stimulus, relief measures for impacted borrowers and depositors, labor shortages due to quarantine, reduction in demand from clients, supply chain disruption for our reward suppliers and disruptions in the airline or travel industries;
- loss of, or reduction in demand for services from, significant clients;
- increases in fraudulent activity, net charge-offs in credit card and loan receivables or increases or volatility in the allowance for loan loss that may result from the application of the current expected credit loss model;
- failure to identify, complete or successfully integrate or disaggregate business acquisitions or divestitures;
- 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;
- inability to access financial or capital markets, including asset-backed securitization funding or deposits markets;
- loss of active AIR MILES® Reward Program collectors;
- increased redemptions by AIR MILES Reward Program collectors;
- unfavorable fluctuations in foreign currency exchange rates;
- limitations on consumer credit, loyalty or marketing services from new legislative or regulatory actions related to consumer protection and consumer privacy;
- increases in Federal Deposit Insurance Corporation (“FDIC”), Delaware or Utah regulatory capital requirements or other support for our banks;
- failure to maintain exemption from regulation under the Bank Holding Company Act;
- loss or disruption, due to cyber attack or other service failures, of data center operations or capacity;
- loss of consumer information due to compromised physical or cyber security; and
- those factors discussed in Item 1A of this Form 10-K, elsewhere in this Form 10-K and in the documents incorporated by reference in this Form 10-K.

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. Further risks and uncertainties include, but are not limited to, the impact of strategic initiatives on us or our business if any transactions are undertaken, and whether the anticipated benefits of such transactions can be realized.

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

PART I

Item 1. Business.

We are a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. We create and deploy customized solutions that measurably change consumer behavior while driving business growth and profitability for some of today's most recognizable brands. We help our partners create and increase customer loyalty across multiple touch points using traditional, digital, mobile and emerging technologies. Our LoyaltyOne® business owns and operates the AIR MILES Reward Program, Canada's most recognized loyalty program, and Netherlands-based BrandLoyalty, a global provider of tailor-made loyalty programs for grocers. Our Card Services business is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread®, and Comenity-branded financial services.

Our client base of more than 900 companies and online merchants consists primarily of large consumer-based businesses, including well-known brands such as Victoria's Secret, Signet, IKEA, Ulta, Caesars Entertainment, Sephora, Bank of Montreal, Amex Bank of Canada, Sobeys Inc., Shell Canada Products, Rewe and Albert Heijn. Our client base is diversified across a broad range of end-markets, including financial services, specialty retail, grocery and drugstore chains, petroleum retail, home furnishings and hardware, beauty and jewelry, hospitality and travel and telecommunications. We believe our comprehensive suite of payment and marketing solutions offers us a significant competitive advantage, as many of our competitors offer a more limited range of services. We believe the breadth and quality of our service offerings have enabled us to establish and maintain long-standing client relationships.

Business Strategy

Beginning in 2018, our board of directors undertook a series of strategic initiatives based on an evaluation of the portfolio of businesses that constituted our company. Subsequently, we completed the sale of Epsilon on July 1, 2019 and our Precima® business from the LoyaltyOne segment in January 2020. Additional initiatives to further simplify our business structure as well as focus capital on our highest earning and growth assets remain ongoing. We continue to make strategic investments in people, data management tools and digital capabilities to further improve our competitive position and drive future growth.

These investments also further our objective to make our Card Services segment the best payment and lending solution for traditional retail partners and emerging digital players, growing sales and credit card and loan receivables by making it easier for consumers to finance purchases and make payments wherever they occur— online, in store and in-app. We intend to support and grow alongside our key retail partners with leading product, digital and analytic capabilities to power their business, private label, co-brand, general purpose and business credit cards, point-of-sale lending solutions, installment products and analytical capabilities. We also intend to rebalance our portfolio, prioritizing and investing in profitable, strong performing partners, targeting core and new verticals by improving our cost base and becoming a more efficient cost provider. In addition, we expect to selectively branch into direct-to-consumer lending and payment products for existing cardholders, including debt consolidation products and proprietary credit cards for growth and value retention. We intend to be the best provider of payment solutions and credit to revolving consumers, increasing Comenity's brand awareness without directly competing with our retail partners. In December 2020, we completed the acquisition of Lon Inc., a technology-driven digital payments company operating under the trademark Bread, offering an omnichannel solution for retailers and platform capabilities to bank partners. Bread's offerings and on-boarding capabilities enhance the growth prospects of our Card Services' verticals and increase the addressable market of small- and medium-sized merchants. Bread also offers our existing partners a broader digital product suite and additional white-label product solutions.

Products and Services

Our products and services are reported under two segments—LoyaltyOne and Card Services, and are listed below. Effective March 31, 2019, our former Epsilon segment was treated as a discontinued operation, and was subsequently sold on July 1, 2019. Financial information about our segments and geographic areas appears in Note 25, "Segment Information," of the Notes to Consolidated Financial Statements.

Segment	Products and Services
LoyaltyOne	• AIR MILES Reward Program • Short-term Loyalty Programs • Loyalty Services —Loyalty consulting —Customer analytics —Creative services —Mobile solutions
Card Services	• Receivables Financing —Underwriting and risk management —Receivables funding —Comenity Card[SM] —Private label and co-brand credit card programs —Installment lending (including buy now, pay later) • Processing Services —New account processing —Bill processing —Remittance processing —Customer care • Marketing Services • Digital Offerings —Digital payments platform —Enhanced Digital Suite[SM]

LoyaltyOne

Our LoyaltyOne clients are focused on acquiring and retaining loyal and profitable customers. We use the information gathered through our loyalty programs to help our clients design and implement effective marketing programs. Our clients within this segment include financial services providers, grocers, drug stores, petroleum retailers and specialty retailers. LoyaltyOne operates the AIR MILES Reward Program and BrandLoyalty.

The AIR MILES Reward Program is a full service outsourced coalition loyalty program for our sponsors, who pay us a fee per AIR MILES reward mile issued, in return for which we provide all marketing, customer service, rewards and redemption management. We typically grant participating sponsors exclusivity in their market category, enabling them to realize incremental sales and increase market share as a result of their participation in the AIR MILES Reward Program coalition.

The AIR MILES Reward Program enables consumers, referred to as collectors, to earn AIR MILES reward miles as they shop across a broad range of retailers and other sponsors participating in the AIR MILES Reward Program. These AIR MILES reward miles can be redeemed by our collectors for travel or other rewards. Through our AIR MILES Cash program option, collectors can also instantly redeem their AIR MILES reward miles collected in the AIR MILES Cash program option toward in-store purchases at participating sponsors. Approximately two-thirds of Canadian households actively participate in the AIR MILES Reward Program, and it has been named a “most influential” Canadian brand in Canada’s Ipsos Influence Index.

The three primary parties involved in our AIR MILES Reward Program are: sponsors, collectors and suppliers, each of which is described below.

Sponsors. Approximately 135 brand name sponsors participate in our AIR MILES Reward Program, including Shell Canada Products, Jean Coutu, Amex Bank of Canada, Sobeys Inc. and Bank of Montreal.

Collectors. Collectors earn AIR MILES reward miles at thousands of retail and service locations, typically including any online presence the sponsor may have. Collectors can also earn AIR MILES reward miles at the many locations where collectors can use certain credit cards issued by Bank of Montreal and Amex Bank of Canada. This enables collectors to rapidly accumulate AIR MILES reward miles across a significant portion of their everyday spend. The AIR MILES Reward Program offers a reward structure that provides a quick, easy and free way for collectors to earn a broad selection of travel, entertainment and other lifestyle rewards through their day-to-day shopping at participating sponsors.

Suppliers. We enter into agreements with airlines, manufacturers of consumer electronics, supplier platforms and other providers to supply rewards for the AIR MILES Reward Program. The broad range of rewards that can be redeemed is one of the reasons the AIR MILES Reward Program remains popular with collectors. Hundreds of brands use the AIR MILES Reward Program as an additional distribution channel for these products. Suppliers include well-recognized companies in diverse industries, including travel, hospitality, electronics and entertainment.

BrandLoyalty designs, implements, conducts and evaluates innovative and tailor-made loyalty programs for grocers worldwide. These loyalty programs are designed to generate immediate changes in consumer behavior and are offered through leading grocers across Europe and Asia, as well as around the world. These short-term loyalty programs are designed to drive traffic by attracting new customers and motivating existing customers to spend more because the reward is instant, topical and newsworthy. These programs are tailored for the specific client and are designed to reward key customer segments based on their spending levels during defined campaign periods. Rewards for these programs are sourced from, and in some cases produced by, key suppliers in advance of the programs being offered based on expected demand. Following the completion of each program, BrandLoyalty analyzes spending data to determine the grocer’s lift in market share and the program’s return on investment.

Card Services

Our Card Services segment assists some of the best-known retailers in extending their brand through an expanding suite of payment solutions, including private label, co-brand, general purpose and business credit card programs, digital payments, including Bread, and Comenity-branded financial services that can be used by their customers in the store, or through online or catalog purchases. Our partners benefit from customer insights and analytics, with each of our credit card branded programs tailored to our partner's brand and their unique card members.

Receivables Financing. Our Card Services segment provides risk management solutions, account origination and funding services for our more than 130 private label and co-brand credit card programs, as well as through Bread partnerships, with over 500 online merchants. In 2020, we launched our Comenity-branded general purpose cash-back credit card, an important new product for us to serve and retain our cardholders and capture incremental spend. As of December 31, 2020, we had $16.0 billion in principal receivables from 40.2 million active accounts, with an average balance for the year ended December 31, 2020 of approximately $832 for accounts with outstanding balances.

We process millions of credit card applications each year using automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new credit card accountholders and establishing their credit limits. Credit quality is monitored at least monthly during the life of a credit card account. We augment these procedures with credit risk scores provided by credit bureaus. This information helps us segment prospects into narrower risk ranges, allowing us to better evaluate individual credit risk.

We use securitization and deposit programs as principal funding vehicles for our credit card and loan receivables. Securitizations involve the packaging and selling of both current and future receivable balances of credit card and loan receivables to a trust, which is a variable interest entity, or VIE. These VIEs are consolidated in our financial statements.

Processing Services. We perform processing services and provide service and maintenance for private label, co-brand, general purpose and business credit card programs and digital payments, including Bread. We use automated technology for bill preparation, printing and mailing, and also offer consumers the ability to view, print and pay their bills online. By doing so, we improve the funds availability for both our clients and for those credit card and loan receivables that we own or securitize. We also provide collection activities on delinquent accounts to support our programs. Our customer care operations are influenced by our retail heritage and we view every customer touch point as an opportunity to generate or reinforce a sale. Our customer care centers are equipped to handle a variety of inquiry types, including phone, mail, fax, email, text and web. We provide focused training programs in all areas to achieve the highest possible customer service standards and monitor our performance by conducting surveys with our clients and their customers. In 2020, for the fifteenth time since 2003, we were certified as a Center of Excellence for the quality of our operations, the most prestigious ranking attainable, by BenchmarkPortal. Founded by Purdue University in 1995, BenchmarkPortal is a global leader of best practices for customer care centers. In 2020, Card Services entered into an agreement to transition its credit card processing services to Fiserv, a leading global provider of payments and financial services technology solutions. With the transition of Card Services' core processing to Fiserv, we expect to improve our brand partner conversions and speed to market, including the ability to quickly and seamlessly add new products and capabilities that benefit our partners and cardholders. The platform enables efficient integration and use of mobile wallets and virtual cards, while supporting our data and analytics capabilities and improving operational efficiencies, with the integration and transition beginning in 2021.

Marketing Services. Through our integrated marketing services, we design and implement strategies that assist our clients in acquiring, retaining and managing valuable repeat customers. Our programs capture transaction data that we analyze to better understand consumer behavior and use to increase the effectiveness of our clients' marketing activities. We use multi-channel marketing communication tools, including in-store, web, permission-based email, mobile messaging and direct mail to reach our clients' customers.

Digital Offerings. In 2020, we launched our Enhanced Digital Suite, a group of marketing and credit application features to help our brand partners capitalize on the accelerated adoption of e-commerce, by bringing through more qualified applicants, a higher average purchase value, and a higher credit sales conversion rate. Enhanced Digital Suite promotes credit payment options earlier in the shopping experience and pre-screens customers in real-time, allowing for immediate credit approval without leaving the brand partner's site.

During 2020, we also acquired technology-driven digital payments company Lon Inc., operating under the trademark Bread, expanding Card Services’ offerings to include pay-over-time products. Our acquisition of Bread opens new opportunities to leverage our digital offerings to build both strategic technology platform partnerships and more traditional brand partnership sales and loan receivables. Bread's flexible platform and robust suite of application programming interfaces (APIs) allow merchants and partners to integrate point-of-sale financing and other digital payment products, including installment and buy now, pay later solutions. Bread’s offerings and on-boarding capabilities enhance the growth prospects of our Card Services’ verticals and increase the addressable market of small- and medium-sized merchants. At the same time, Bread offers our existing partners a broader digital product suite and additional white-label product solutions.

Disaster and Contingency Planning

We operate, either internally or through third-party service providers, multiple data processing centers to process and store our customer transaction data. Given the significant amount of data that we or our third-party service providers manage, much of which is real-time data to support our clients’ commerce initiatives, we have established redundant capabilities for our data centers. We have a number of safeguards in place that are designed to protect us from data-related risks and in the event of a disaster, to restore our data centers’ systems.

Protection of Intellectual Property and Other Proprietary Rights

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology used in each segment of our business. We generally enter into confidentiality or license agreements with our employees, consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We have a number of domestic and foreign patents and pending patent applications. We pursue registration and protection of our trademarks primarily in the United States and Canada, although we also have either registered trademarks or applications pending for certain marks in other countries. No individual patent or license is material to us or our segments other than that we are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a perpetual license agreement with Diversified Royalty Corp., for which we pay a royalty fee. We believe that the AIR MILES family of trademarks and our other trademarks are important for our branding, corporate identification and marketing of our services in each business segment.

Competition

The markets for our products and services are highly competitive. We compete with marketing services companies, financial institutions, fintechs and payment networks, as well as with the in-house staffs of our current and potential clients.

LoyaltyOne. As a provider of marketing services, our LoyaltyOne segment generally competes with advertising and other promotional and loyalty programs, both traditional and online, for a portion of a client’s total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. We expect competition to intensify as more competitors enter our market. Competitors may target our sponsors, clients and collectors as well as draw rewards from our rewards suppliers. Our ability to generate significant revenue from clients and loyalty partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our loyalty and rewards programs to consumers. The continued attractiveness of our loyalty and rewards programs will also depend on our ability to remain affiliated with sponsors and suppliers that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers.

Card Services. Our Card Services segment competes primarily with financial institutions whose marketing focus has been on developing credit card programs with large revolving balances. These competitors further drive their businesses by cross-selling their other financial products to their cardholders. We also compete for partners on the basis of a number of factors including program financial and other terms, underwriting standards, marketing expertise, service levels, the breadth of our product and service offerings, technological and integration capabilities, brand recognition and reputation. Our focus has been on targeting specialty retailers and other brand partners that understand the competitive advantage of developing loyal customers. Typically, these partners seek customers that make more frequent but smaller transactions at their retail locations. As a result, we are able to analyze transaction data we obtain through managing our lending programs, including customer specific transaction data and overall consumer spending patterns, to develop and implement successful marketing strategies for our clients. As an issuer of private label retail credit cards, co-brand and Comenity general purpose, Visa®, MasterCard® and Discover® credit cards, we also compete with general purpose credit cards issued by other financial institutions, as well as cash, checks and debit cards. As the payments industry continues to evolve, in the future we expect increasing competition with emerging payment technologies from financial technology firms and payment networks. Moreover, some of our competitors, including new and emerging competitors in the digital and mobile payments space, are not subject to the same regulatory requirements or legislative scrutiny to which we are subject, which could place us at a competitive disadvantage.

Regulation

Federal and state laws and regulations extensively regulate the operations of our bank subsidiaries, Comenity Bank and Comenity Capital Bank. Many of these laws and regulations are intended to maintain the safety and soundness of Comenity Bank and Comenity Capital Bank, and they impose significant restraints to which other non-regulated companies are not subject. Because Comenity Bank is deemed a credit card bank and Comenity Capital Bank is an industrial bank within the meaning of the Bank Holding Company Act, we are not subject to regulation as a bank holding company. If we were subject to regulation as a bank holding company, we would be constrained in our operations to a limited number of activities that are closely related to banking or financial services in nature. As a state bank, Comenity Bank is subject to overlapping supervision by the FDIC and the State of Delaware; as an industrial bank, Comenity Capital Bank is subject to overlapping supervision by the FDIC and the State of Utah. Both Comenity Bank and Comenity Capital Bank are under the supervision of the Consumer Financial Protection Bureau, or CFPB—a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations—who may, from time to time, conduct reviews of their practices.

Comenity Bank and Comenity Capital Bank must maintain minimum amounts of regulatory capital, including maintenance of certain capital ratios, paid-in capital minimums, and an appropriate allowance for loan loss, as well as meeting specific guidelines that involve measures and ratios of their assets, liabilities, regulatory capital and interest rate, among other factors. If Comenity Bank or Comenity Capital Bank does not meet these capital requirements, their respective regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial statements. To pay any dividend, Comenity Bank and Comenity Capital Bank must maintain adequate capital above regulatory guidelines.

We are limited under Sections 23A and 23B of the Federal Reserve Act in the extent to which we can borrow or otherwise obtain credit from or engage in other “covered transactions” with Comenity Bank or Comenity Capital Bank, which may have the effect of limiting the extent to which Comenity Bank or Comenity Capital Bank can finance or otherwise supply funds to us. “Covered transactions” include loans or extensions of credit, purchases of or investments in securities, purchases of assets, including assets subject to an agreement to repurchase, acceptance of securities as collateral for a loan or extension of credit, or the issuance of a guarantee, acceptance, or letter of credit. Although the applicable rules do not serve as an outright bar on engaging in “covered transactions,” they do require that we engage in “covered transactions” with Comenity Bank or Comenity Capital Bank only on terms and under circumstances that are substantially the same, or at least as favorable to Comenity Bank or Comenity Capital Bank, as those prevailing at the time for comparable transactions with nonaffiliated companies. Furthermore, with certain exceptions, each loan or extension of credit by Comenity Bank or Comenity Capital Bank to us or our other affiliates must be secured by collateral with a market value ranging from 100% to 130% of the amount of the loan or extension of credit, depending on the type of collateral.

We are required to monitor and report unusual or suspicious account activity as well as transactions involving amounts in excess of prescribed limits under the Bank Secrecy Act, Internal Revenue Service, or IRS, rules, and other regulations. Congress, the IRS and the bank regulators have focused their attention on banks’ monitoring and reporting of suspicious activities. Additionally, Congress and the bank regulators have proposed, adopted or passed a number of new laws and regulations that may increase reporting obligations of banks. We are also subject to numerous laws and regulations that are intended to protect consumers, including state laws, the Truth in Lending Act, as amended by the Credit Card Accountability, Responsibility and Disclosure Act of 2009, or the CARD Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. These laws and regulations mandate various disclosure requirements and regulate the manner in which we may interact with consumers. These and other laws also limit finance charges or other fees or charges earned in our lending activities. We conduct our operations in a manner that we believe excludes us from regulation as a consumer reporting agency under the Fair Credit Reporting Act. If we were deemed a consumer reporting agency, however, we would be subject to a number of additional complex regulatory requirements and restrictions.

Data protection and consumer privacy laws and regulations continue to evolve, increasing restrictions on our ability to collect and disseminate customer information. In addition, the enactment of new or amended legislation or industry regulations pertaining to consumer, public or private sector privacy issues may impact our marketing services, including placing restrictions upon the collection, sharing and use of information that is currently legally available. There are also a number of specific laws and regulations governing the collection and use of certain types of consumer data primarily in connection with financial services transactions that are relevant to our various businesses and services. In the United States, federal laws such as the Gramm-Leach-Bliley Act, or GLBA, and the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003, as well as similar and applicable state laws, make it more difficult to collect, share and use information that has previously been legally available and may increase our costs of collecting some data. These laws give bank customers, including cardholders and depositors, the ability to “opt out” of having certain information generated by their applicable financial services transactions shared with other affiliated and unaffiliated parties or the public. Our ability to gather, share and utilize this data will be adversely affected if a significant percentage of the consumers whose purchasing behavior we track elect to “opt out,” thereby precluding us and our affiliates from using their data.

In the United States, the federal Do-Not-Call Implementation Act makes it more difficult to telephonically communicate with prospective and existing customers. Similar measures were implemented in Canada beginning September 1, 2008. Regulations in both the United States and Canada give consumers the ability to “opt out,” through a national do-not-call registry and state do-not-call registries, of having telephone solicitations placed to them by companies that do not have an existing business relationship with the consumer. In addition, regulations require companies to maintain an internal do-not-call list for those who do not want the companies to solicit them through telemarketing. These regulations could limit our ability to provide services and information to our clients. Failure to comply with these regulations could have a negative impact on our reputation and subject us to significant penalties. Further, the Federal Communications Commission has approved interpretations of rules related to the Telephone Consumer Protection Act defining robo-calls broadly, which may affect our ability to contact customers and may increase our litigation exposure.

In the United States, the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 restricts our ability to send commercial electronic mail messages, the primary purpose of which is advertising or promoting a commercial product or service, to our customers and prospective customers. The act requires that a commercial electronic mail message provide the customers with an opportunity to opt-out from receiving future commercial electronic mail messages from the sender.

In the United States, California enacted the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020. The CCPA provides individual privacy rights for California consumers and places increased privacy and security obligations on entities handling certain personal data of consumers and households. The CCPA requires disclosures to consumers about companies’ data collection, use and sharing practices; provides consumers ways to opt-out of certain sales or transfers of personal information; and provides consumers with additional causes of action. The CCPA prohibits companies from discriminating against consumers who have opted out of the sale of their personal information, subject to a narrow exception. The CCPA provides for certain monetary penalties and for enforcement of the statute by the California Attorney General or by consumers whose rights under the law are not observed. It also provides for damages, as well as injunctive or declaratory relief, if there has been unauthorized access, theft or disclosure of personal information due to failure to implement reasonable security procedures. The CCPA contains several exemptions, including a provision to the effect that the CCPA does not apply where the information is collected, processed, sold or disclosed pursuant to the GLBA if the GLBA is in conflict with the CCPA.

In November 2020, California voters passed Proposition 24, known as the California Privacy Rights Act or CPRA. CPRA, which will amend existing CCPA requirements effective January 2023 with a one-year lookback period, includes limitations on the sharing of personal information for cross-context behavioral advertising and the use of “sensitive” personal information; the creation of a new correction right; and the establishment of a new agency to enforce California privacy law.

Further, there continues to be an increased interest in privacy laws at the federal and state levels where legislators are reviewing or proposing the need for greater regulation of the collection, processing, sharing and use of consumer data for marketing purposes or otherwise, including two federal privacy regulations introduced in late 2020.

In Canada, the Personal Information Protection and Electronic Documents Act, or PIPEDA, requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. We allow our customers to voluntarily "opt out" from receiving either one or both promotional and marketing mail or promotional and marketing electronic mail. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus and promotional offers and therefore those customers may collect fewer AIR MILES reward miles. The Government of Canada has created a Digital Charter providing new rights and expectations, including expected changes to PIPEDA.

Canada's Anti-Spam Legislation, or CASL, may restrict our ability to send "commercial electronic messages," defined to include text, sound, voice and image messages to email, or similar accounts, where the primary purpose is advertising or promoting a commercial product or service to our customers and prospective customers. CASL requires, in part, that a sender have consent to send a commercial electronic message, and provide the customers with an opportunity to opt out from receiving future commercial electronic email messages from the sender.

On May 25, 2018, The General Data Protection Regulation, or GDPR, a European Union-wide legal framework to govern data collection, use and sharing and related consumer privacy rights came into force. The GDPR replaced the European Union Directive 95/46/EC and applies to and binds the EU Member States and the European Economic Area countries, which includes a total of 30 countries. The GDPR details greater compliance obligations on organizations, including the implementation of a number of processes and policies around data collection and use. These, and other terms of the GDPR, could limit our ability to provide services and information to our customers. In addition, the GDPR includes significant penalties for non-compliance.

In general, GDPR, and other European Union and Member State specific privacy and data governance laws, could also lead to adaptation of our technologies or practices to satisfy local privacy requirements and standards that may be more stringent than in the U.S. Similarly, it is possible that in the future, U.S. and foreign jurisdictions may adopt legislation or regulations that impair our ability to effectively track consumers' use of our advertising services, such as the FTC's proposed "Do-Not-Track" standard or other legislation or regulations similar to EU Directive 2009/136/EC, commonly referred to as the "Cookie Directive," which directs EU Member States to ensure that accessing personal information on an internet user's computer, such as through a cookie, is allowed only if the internet user has given his or her consent. In July 2020, the Court of Justice of the European Union, or CJEU, ruled the EU-US Privacy Shield Framework invalid, but noted the use of standard contractual clauses for data transfers is still valid. On January 31, 2020, the United Kingdom left the European Union and entered into a Brexit transition period. Effective January 1, 2021, the EU and UK have adopted a new agreement providing that all transfers of personal data between stakeholders subject to GDPR and UK entities will not be considered as transfers to a third country provided that the UK's current data protection scheme stays in place for the designated maximum period of six months through June 30, 2021. It is not yet known what the data protection landscape will look like at the end of the transition period.

In addition to the jurisdictions noted above, there is also rapid development of new privacy laws and regulations elsewhere around the globe, including amendments of existing data protection laws, to the scope of such laws and penalties for noncompliance. Failure to comply with these international data protection laws and regulations could have a negative impact on our reputation and subject us to significant penalties.

While all 50 U.S. states and the District of Columbia have enacted data breach notification laws, there is no such U.S. federal law generally applicable to our businesses. Data breach notification legislation and regulations relating to mandatory reporting came into force in Canada on November 1, 2018. Data breach notification laws have been proposed widely and exist in other specific countries and jurisdictions in which we conduct business. Legislative and regulatory measures, such as mandatory breach notification provisions, impose, among other elements, strict requirements on reporting time frames and providing notice to individuals.

We also have systems and processes to comply with the USA PATRIOT ACT of 2001, which is designed to deter and punish terrorist acts in the United States and around the world, to enhance law enforcement investigatory tools, and for other purposes.

Ontario's Protecting Rewards Points Act (Consumer Protection Amendment), 2016, and additional related regulations, prohibit suppliers from entering into or amending consumer agreements to provide for the expiry of rewards points due to the passage of time alone, while permitting the expiry of rewards points if the underlying consumer agreement is terminated and that agreement provides that reward points expire upon termination. Similar legislation pertaining to the expiry of rewards points due to the passage of time alone is also in effect in Quebec.

Human Capital

As of December 31, 2020, we employed approximately 8,000 associates worldwide, with the majority concentrated in the United States and Canada. Our key human capital management objectives are to attract, develop and retain top talent. To support these objectives, we take a holistic approach to our associates' experience as an employee, recognizing that an engaged workforce drives our long-term growth and sustainability. Our board of directors and designated committees provide the important oversight of our human capital management strategy, including diversity, equity and inclusion, or DE&I, efforts, which are led by our global senior vice president of human resources. The board of directors and relevant committees receive regular updates on human capital trends and developments from senior management and third-party consultants on key human capital matters that drive our ongoing success and performance.

With COVID-19 impacting the majority of 2020, we adapted to support and empower our associates throughout the significant transformation of their work experience. In March 2020, approximately 95% of our total workforce successfully transitioned to working from home with minimal business disruption. Numerous initiatives designed to connect, recognize and engage our workforce in a virtual work environment were implemented, including providing the necessary new technology, support and lines of communications for our associates to be successful in their roles in this unique environment. Recognizing the importance of health and wellbeing on an associate's ability to do their best work, we provided timely reminders and access to numerous existing and new resources and support, including mental health awareness and counselling, financial education and wellness courses; a variety of online fitness and meditation classes, a fitness cost reimbursement program and other benefits to promote mental and physical health, and overall wellbeing.

Additionally during 2020, we took steps to improve the competitiveness of our associate benefits including a comprehensive review and update of associate and executive compensation and bonus structures, the addition of new paid holidays and improved parental leave plans.

Despite various challenges associated with the pandemic, we maintained high levels of associate engagement and retention as well as success with talent acquisition, hiring several top industry leaders in key positions that further supported our transformation initiatives and business priorities. For 2020, we recorded a new associate acquisition rate of approximately 10%, calculated as total external hires divided by average associate headcount, with voluntary turnover at approximately 13%, calculated as total voluntary terminations divided by average associate headcount, across both professional and care center operations. During 2020, the recruitment team focused on reducing geographic barriers in the talent acquisition process, yielding a greater talent pool to fill roles that require specific skills in the competitive market.

As part of our broader multi-year business transformation, we formed a "future workforce" steering committee comprised of senior human resources, technology and operations management to develop and execute human capital-intensive strategies to ensure our workforce readiness. New initiatives intended to attract talent, as well as maintain engaged, equipped and empowered associates, include "talent mobility" strategies designed to identify, nurture and grow promising talent in existing channels and identifying cross-functional or non-traditional opportunities for career growth and advancement. Robust training and development remains central to our human capital strategy. Due to the pandemic, all learning and development courses were moved to a virtual environment, which increased the rate of associate participation. In addition to career-oriented training and development, we require certain annual associate training to ensure ongoing adherence to responsible business practices and ethical conduct.

In 2020, we undertook significant steps to improve our commitment to DE&I, starting with a formal process initiated by our president and Chief Executive Officer. Specific actions taken have included executive leadership involvement and accountability; and formation of a DE&I steering committee with clear objectives, including identifying and engaging a third-party, minority-owned DE&I consulting firm to guide our development of a comprehensive, integrated DE&I strategy and measurement framework. Significant progress made over the back half of 2020 includes associate surveys, focus groups and numerous associate "listening sessions" to provide important input on our approach to improving our long-term DE&I commitments. Our entire executive leadership team underwent unconscious bias awareness training, and new tools were introduced in our recruiting and hiring practices to further improve our processes in this area. As of December 31, 2020, approximately 62% of our total work force and 44% of our senior leaders were female, while approximately 43% of our total work force and 16% of our senior leaders were minorities.

Other Information

Our corporate headquarters are located at 3075 Loyalty Circle, Columbus, Ohio 43219, where our telephone number is 614-729-4000.

We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC's website at *www.sec.gov*. You may also obtain copies of our annual, quarterly and current reports, proxy statements and certain other information filed or furnished with the SEC, as well as amendments thereto, free of charge from our website, *www.AllianceData.com*. No information from this website is incorporated by reference herein. These documents are posted to our website as soon as reasonably practicable after we have filed or furnished these documents with the SEC. We post our audit committee, compensation committee and nominating and corporate governance committee charters, our corporate governance guidelines, and our code of ethics, code of ethics for senior financial officers, and code of ethics for board members on our website. These documents are available free of charge to any stockholder upon request.

Item 1A. Risk Factors.

RISK FACTORS

Summary

The following summary of our principal risks provides an overview of the inherent uncertainty investing in us presents. This summary is qualified in its entirety by reference to the complete description of our risk factors set forth immediately below. With regard to strategic business risks and our competitive environment, we caution that the impacts of COVID-19 on the macroeconomic environment will continue to heighten all of our risks for an indeterminate duration.

Risks related to our strategic business and competitive environment include client concentration, new credit loss profiles, charge-off experience, fraudulent activity, competition for new business, and changes in consumer behavior.

- Our ten largest clients represented nearly half of our consolidated revenue in 2020.
- Underwriting performance of acquired or new lending programs may not be consistent with existing experience.
- Unsecured consumer and business lending leads to losses from bankruptcies and inability to collect from borrowers.
- Access to credit provides the opportunity for fraudulent activity.
- Opportunities to grow our business may be limited by aggressive pricing or capital-intensive regulatory requirements.
- Loss of clients or business by our brand partners or changes in collector redemption amounts or patterns may reduce both growth and profitability.

Risks related to our liquidity, market and credit risk include difficulties accessing capital or equity markets due to macroeconomic or other factors, competition for funding sources, regulatory restrictions, high levels of indebtedness, limitations imposed by existing indebtedness and market interest and exchange rates.

- Inability to effectively access the securitization or other capital markets limits our funding opportunities for receivables and other business opportunities.
- Competition for deposits and regulatory restrictions on deposit products can impact availability and cost of funds.
- High levels of indebtedness restrict our ability to compete and grow our business.
- Fluctuations in interest rates impact our profitability while volatility in foreign exchange rates impacts our financial results.
- Our market valuation has been volatile, and returns to stockholders have been impacted by a lower dividend rate, cessation of share repurchase programs and issuance of shares for acquisitions.

Risks related to our regulatory environment include existing and potential limitations on various aspects of our business model as a non-Bank holding company.

- Regulations promulgated by the FDIC, CFPB and other federal and state authorities, limit the products and services our banks offer and the manner in which they do.
- Consumer protection, data protection and data privacy laws restrict functionality that enhances loyalty and marketing program capabilities.
- Financial institution capital requirements may limit cash available for business operations, growth and returns to stockholders.
- Failure to remain exempt from the Bank Holding Company Act would further limit business opportunities, requiring us to cease all non-banking activities. Inability to effectively access the securitization or other capital markets limits our funding opportunities for credit card and loan receivables and other business opportunities.

Risks related to our operations and other considerations include reliance on third party providers, potential for data breach or other service failures, exposure to both complex and underdeveloped global legal and regulatory systems and strategic restrictions.

- Reliance on third-party vendors and current efforts to transition to multiple strategic outsourcing partners may result in service failures outside our control.
- Failures in data protection, cyber and information security and intellectual property rights could critically impair our products, services and ability to conduct business.
- Complex international laws as well as operating in jurisdictions lacking developed regulatory and legal systems requires extensive effort to manage compliance.
- Our charter documents and Delaware law both restrict certain strategic activity that may be beneficial to our stockholders.

Strategic Business Risk and Competitive Environment

Impacts related to the COVID-19 pandemic are expected to continue to pose risks to our business for the foreseeable future, heighten many of our known risks and may have a material adverse impact on our results of operations, financial condition and liquidity.

In the first quarter of 2020, the WHO declared the current coronavirus, or COVID-19, outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19, international, provincial, federal, state and local government or other authorities have instituted certain preventative measures, including border closures, travel bans, prohibitions on group events and gatherings, shutdowns or other operational restrictions on certain businesses, curfews, shelter-in-place orders, quarantines and recommendations to practice social distancing. Certain jurisdictions have begun reopening only to return to more stringent restrictions where increases in COVID-19 cases occur. These restrictions have continued to disrupt economic activity worldwide, resulting in volatility in the global capital markets, instability in the credit and financial markets, reduced commercial and consumer confidence and spending, widespread furloughs and layoffs, closure or restricted operating conditions for retail stores, labor shortages, regulatory recommendations to provide relief for impacted consumer borrowers and depositors, disruption in supply chains (including availability of raw materials, ability to manufacture goods and delivery of finished products to suppliers and retailers), and near complete cessation of many hospitality and travel industry operations. Even as vaccines are introduced and administered, governmental restrictions are lifted and economies gradually reopen, the ongoing economic impacts, including government economic stimulus, and health concerns associated with the pandemic and the availability and efficacy of those vaccines, may continue to affect consumer behavior, spending levels and retail preferences.

Specific impacts on our operations and financial results include, but are not limited to, the following:

- Short and long-term difficulties of our retail partners in consumer-based businesses due to restricted foot traffic, any inability to convert in-store sales to e-commerce, trouble maintaining supply chain integrity for both availability of desired products and delivery to end consumers, and reduced consumer confidence and spending may result in increased bankruptcy risk for our retail partners, decreased retail credit sales and decreases in our credit card and loan receivables balances.

- Decreased retail credit sales reduces the usage of our private label and co-brand credit cards and installment lending platform, which reduces our revenue from finance charges and other servicing fees.

- Rising unemployment, the potential for rising consumer bankruptcies and the expectation that we will offer, for a temporary period of time, forbearance programs for impacted cardholders both reduces or delays our revenue from finance charges and other servicing fees and increases our exposure to rising delinquencies, net charge-offs in credit card and loan receivables and increases to our allowance for loan loss.

- Deferral of short-term loyalty programs or the inability to source or deliver rewards for these programs across borders may reduce or defer revenue or increase our costs of operations.

- Reduced demand for hospitality, airline and other travel-related rewards within our AIR MILES Reward Program due to the various COVID-19 restrictions negatively impacts redemption revenue as collectors both changed existing reward travel and are unable to schedule future reward travel with any certainty as to the duration of restrictions.

- Volatility in the financial markets may increase our cost of capital and/or limit its availability, and prolonged periods of increased financial stress enhance the potential for a rating downgrade on our asset-backed debt, the occurrence of early amortization events as well as non-compliance with financial covenants or other events of default across our significant asset-backed and other indebtedness.

- Increased operational risk, including impacts to our data, customer care center, digital and installment lending platform and other network integrity and availability in addition to heightened cybercriminal activity and other payment fraud risk in this environment of e-commerce and online banking reliance, may affect our ability to timely and effectively meet the needs of our clients, cardholders, collectors or other consumers across our lines of business.

- Increased risks to the health and safety of our associates and that of our third-party vendors may impact our ability to maintain service levels for our partners.

Despite the emergence of vaccines, surges in COVID-19 cases, including variants of the strain, such as those recently experienced in Europe and the United States, may cause people to self-quarantine or governments to shut down nonessential businesses again. Given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our future results of operations or cash flows at this time. To the extent the COVID-19 pandemic continues to adversely affect our business, results of operations, financial condition and liquidity, many of the other risks described in the “Risk Factors” section of this Annual Report may also be heightened.

Our 10 largest clients represented 48% and 44%, respectively, of our consolidated revenue for the years ended December 31, 2020 and 2019, and the loss of any of these clients could cause a significant drop in our revenue.

We depend on a limited number of large clients for a significant portion of our consolidated revenue. Our 10 largest clients represented approximately 48% and 44%, respectively, of our consolidated revenue during the years ended December 31, 2020 and 2019. L Brands and its retail affiliates represented approximately 10% and 11% of our consolidated revenue during these same respective periods. Our contract with L Brands and its retail affiliates expires in 2026, subject to contract terms. A decrease in revenue from any of our significant clients for any reason, including a decrease in pricing or activity, or a decision either to utilize another service provider or to no longer outsource some or all of the services we provide, could have a material adverse effect on our consolidated revenue.

We expect growth in our Card Services segment to result from new and acquired credit card and other installment lending programs whose credit card and loan receivables performance could result in increased portfolio losses and negatively impact our profitability.

We expect an important source of growth in our Card Services segment to come from the acquisition of existing credit card programs and initiating credit card and other installment lending programs with retailers and other merchants who either do not currently offer a private label or co-brand credit card or are initiating or transitioning from another installment lending platform. Although we believe our pricing and models for determining credit risk are designed to evaluate the credit risk of existing programs and the credit risk we are willing to assume for acquired and start-up programs, we cannot be assured that the loss experience on acquired and start-up programs will be consistent with our more established programs. The failure to successfully underwrite these new or acquired credit card or installment lending programs may result in defaults greater than our expectations and could have a material adverse impact on us and our profitability.

Increases in net charge-offs could have a negative impact on our net income and profitability.

The primary risk associated with unsecured consumer lending is the risk of default or bankruptcy of the borrower, resulting in the borrower’s balance being charged-off as uncollectible. We rely principally on the borrower’s creditworthiness for repayment of the loan and therefore have no other recourse for collection. We may not be able to successfully identify and evaluate the creditworthiness of borrowers to minimize delinquencies and losses. An increase in defaults or net charge-offs could result in a reduction in net income. General economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies that lead to greater credit losses. In addition to being affected by general economic conditions and the success of our collection and recovery efforts, the stability of our delinquency and net charge-off rates are affected by the credit risk of our credit card and loan receivables and the average age of our various credit card account portfolios. Further, our pricing strategy may not offset the negative impact on profitability caused by increases in delinquencies and losses, thus any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. For 2020, our net charge-off rate was 6.6%, compared to 6.1% and 6.1% for 2019 and 2018, respectively. Delinquency rates were 4.4% of principal credit card and loan receivables at December 31, 2020, compared to 5.8% at December 31, 2019.

Fraudulent activity associated with our products and services could negatively impact our operating results, brand and reputation and cause the use of our products and services to decrease and our fraud losses to increase.

We are subject to the risk of fraudulent activity associated with retailers, clients, other merchant parties or third-party service providers handling consumer information. Our fraud-related operational losses were $140.8 million, $194.7 million and $144.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our products are susceptible to application fraud, because among other things, we provide immediate access to credit at the time of approval. In addition, digital sales on the internet and through mobile channels are becoming a larger part of our business and fraudulent activity is higher as a percentage of sales in those channels than in stores. Private label and general purpose co-branded credit cards are susceptible to different types of fraud, and, depending on our product channel mix, we may continue to experience variations in, or levels of, fraud-related expense that are different from or higher than that experienced by some of our competitors or the industry generally. The risk of fraud continues to increase for the financial services industry, and credit card fraud, identity theft and related crimes are likely to continue to be prevalent, with perpetrators increasingly sophisticated. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. High profile fraudulent activity could also negatively impact our brand and reputation, which could negatively impact the use of our services, leading to a material adverse effect on our results of operations. In addition, significant increases in fraudulent activity could lead to regulatory intervention, including, but not limited to, additional consumer notification requirements, increasing our costs and negatively impacting our operating results, net income and profitability.

A new accounting standard required us to increase our allowance for loan loss and may have a material adverse effect on our financial condition, results of operations and opportunity to pursue new business.

The Financial Accounting Standards Board has adopted a new accounting standard that became effective for us January 1, 2020. This standard, referred to as Current Expected Credit Loss, or CECL, requires us to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan loss. The adoption of this standard resulted in an increase in our allowance for loan loss of $644.0 million. For additional information regarding the impact of the adoption of CECL, see “Recently Issued Accounting Standards” under Note 2, “Summary of Significant Accounting Policies,” of the Notes to Consolidated Financial Statements. The ongoing impact of CECL will be significantly influenced by the composition, characteristics and quality of our credit card and loan portfolio, as well as the prevailing economic conditions and forecasts utilized. The CECL model may create more volatility in the level of our allowance for loan loss. If we are required to materially increase our level of allowance for loan loss, such increase could adversely affect or our business, financial condition, results of operations and opportunity to pursue new business.

If we fail to identify suitable acquisitions, dispositions or new business opportunities, or to effectively integrate the businesses we acquire or disaggregate the businesses we divest, it could negatively affect our business.

We believe that acquisitions and the identification and pursuit of new business opportunities will be a key component of our growth strategy. However, we may not be able to locate and secure future acquisition candidates or to identify and implement new business opportunities on terms and conditions that are acceptable to us. If we are unable to identify attractive acquisition candidates or accretive new business opportunities, our growth could be limited.

Similarly, we may evaluate the potential disposition of, or elect to divest, assets or businesses that no longer complement our long-term strategic objectives. When a determination is made to divest assets or businesses, we may encounter difficulty attaining buyers or effecting desired exit strategies in a timely manner or on acceptable terms and may be subject to market forces leading to a divestiture on less than optimal price or other terms.

In addition, there are numerous risks associated with acquisitions, dispositions and the implementation of new businesses, including, but not limited to:

- the difficulty and expense that we incur in connection with the acquisition, disposition or new business opportunity;
- the inability to satisfy pre-closing conditions preventing consummation of the acquisition, disposition or new business opportunity;
- the potential for adverse consequences when conforming the acquired company’s accounting policies to ours;
- the diversion of management’s attention from other business concerns;
- the potential loss of customers or key employees of the acquired company;
- the impact on our financial condition due to the timing of the acquisition, disposition or new business implementation or the failure of the acquired or new business to meet operating expectations;

- the acceptance of continued financial responsibility with respect to a divested business, including required equity ownership, guarantees, indemnities or other financial obligations;
- the assumption of unknown liabilities of the acquired company;
- the uncertainty of achieving expected benefits of an acquisition or disposition, including revenue, human resources, technological or other cost savings, operating efficiencies or synergies;
- the reduction of cash available for operations, stock repurchase programs or other uses and potentially dilutive issuances of equity securities or incurrence of additional debt;
- the requirement to provide transition services in connection with a disposition resulting in the diversion of resources and focus; and
- the difficulty retaining and motivating key personnel from acquisitions or in connection with dispositions.

For example, upon the disposition of Epsilon in July 2019, we agreed to indemnify Publicis Groupe S.A. for the matter included in Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements, which to date has resulted in a $150.0 million loss contingency associated with Epsilon’s deferred prosecution agreement with the United States Department of Justice requiring two $75.0 million payments in January 2021 and January 2022, respectively.

Furthermore, if the operations of an acquired or new business do not meet expectations, our profitability may decline and we may seek to restructure the acquired business or to impair the value of some or all of the assets of the acquired or new business.

If actual redemptions by AIR MILES Reward Program collectors are greater than expected, or if the costs related to redemption of AIR MILES reward miles increase, our profitability could be adversely affected.

A portion of our revenue is based on our estimate of the number of AIR MILES reward miles that will go unused by the collector base. The percentage of AIR MILES reward miles not expected to be redeemed is known as “breakage.”

Breakage is based on management’s estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure, the introduction of new program options and changes to rewards offered. Any significant change in or failure by management to reasonably estimate breakage, or if actual redemptions are greater than our estimates, our profitability could be adversely affected.

Our AIR MILES Reward Program also exposes us to risks arising from potentially increasing reward costs. Our profitability could be adversely affected if costs related to redemption of AIR MILES reward miles increase. A 10% increase in the cost of redemptions would have resulted in a decrease in pre-tax income of $21.6 million for the year ended December 31, 2020.

The loss of our most active AIR MILES Reward Program collectors could adversely affect our growth and profitability.

Our most active AIR MILES Reward Program collectors drive a disproportionately large percentage of our AIR MILES Reward Program revenue. The loss of a significant portion of these collectors, for any reason, could impact our ability to generate significant revenue from sponsors. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to collectors and to offer rewards that are both attainable and attractive.

Airline or travel industry disruptions, such as an airline insolvency, could negatively affect the AIR MILES Reward Program, our revenues and profitability.

Air travel is one of the appeals of the AIR MILES Reward Program to collectors. If one of our existing airline suppliers sharply reduces its fleet capacity and route network, we may not be able to satisfy our collectors’ demands for airline tickets. Tickets or other travel arrangements, if available, could be more expensive than a comparable airline ticket under our current supply agreements with existing suppliers, and the routes offered by other airlines or travel services may be inadequate, inconvenient or undesirable to the redeeming collectors. As a result, we may experience higher air travel redemption costs, and collector satisfaction with the AIR MILES Reward Program might be adversely affected.

As a result of airline or travel industry disruptions, including, but not limited to, the current impacts of COVID-19, political instability, terrorist acts or war, some collectors could determine that air travel is too dangerous or burdensome. Consequently, collectors might forego redeeming AIR MILES reward miles for air travel and therefore might not participate in the AIR MILES Reward Program to the extent they previously did, which could adversely affect our revenue from the program.

The markets for the services that we offer may contract or fail to expand and competition in our industries is intense, each of which could negatively impact our growth and profitability.

The markets for our products and services are highly competitive and we expect the continued evolution of financial and loyalty products and services and competition to provide the same to intensify in each of those markets. Our growth and continued profitability depend on continued acceptance or adoption of the products and services that we offer. Some of our current competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than we do. Our clients may not continue to use the financial products and services, or loyalty programs that we offer. Changes in technology may enable merchants and retail companies to directly process transactions in a cost-efficient manner without the use of our services. Additionally, downturns in the economy or the performance of retailers, including the impact of COVID-19, may result in a decrease in the demand for our products and services. Our ability to generate significant revenue from clients and partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our programs to consumers. We may not be able to continue to compete successfully against our current and emerging competitors. Any decrease in the demand for our products and services for the reasons discussed above or any other reasons could have a material adverse effect on our growth, revenue and operating results.

Liquidity, Market and Credit Risk

If we are unable to securitize our credit card and loan receivables due to changes in the market, we may not be able to fund new credit card receivables, which would have a negative impact on our operations and profitability.

A number of factors affect our ability to fund our credit card and loan receivables in the securitization market, some of which are beyond our control, including:

- conditions in the securities markets in general and the asset-backed securitization market in particular;
- conformity in the quality of our credit card receivables to rating agency requirements and changes in that quality or those requirements; and
- ability to fund required overcollateralizations or credit enhancements, which are routinely utilized in order to achieve better credit ratings to lower borrowing cost.

In addition, on August 27, 2014, the SEC adopted a number of rules that changed the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. The adopted rules finalize rules that were originally proposed on April 7, 2010 and re-proposed on July 26, 2011. A number of rules proposed by the SEC in 2010 and 2011, such as requiring group-level data for the underlying assets in credit card securitizations, were not adopted in the final rulemaking but may be adopted by the SEC in the future with or without further modifications. The adoption of further rules affecting disclosure, reporting and the offering process for publicly registered offerings of asset-backed securities may impact our ability or desire to issue asset-backed securities in the future.

Regulations adopted by the FDIC, the SEC, the Federal Reserve and certain other federal regulators mandate a minimum five percent risk retention requirement for securitizations issued on and after December 24, 2016. 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.

Early amortization events may occur as a result of certain adverse events specified for each asset-backed securitization transaction, including, among others, deteriorating asset performance or material servicing defaults. In addition, certain series of funding securities issued by our securitization trusts are subject to early amortization based on triggers relating to the bankruptcy of one or more retailers. Deteriorating economic conditions and increased competition in the retail industry, among other factors, may lead to an increase in bankruptcies among retailers who have entered into credit card programs with us. The bankruptcy of one or more retailers could lead to a decline in the amount of new receivables and could lead to increased delinquencies and defaults on the associated receivables. Any of these effects of a retailer bankruptcy could result in the commencement of an early amortization for one or more series of such funding securities, particularly if such an event were to occur with respect to a retailer relating to a large percentage of such securitization trust's assets. The occurrence of an early amortization event may significantly limit our ability to securitize additional receivables.

As a result of Basel III, which refers generally to a set of regulatory reforms adopted in the U.S. and internationally that are meant to address issues that arose in the banking sector during the 2008-2010 financial crisis, banks have become subject to more stringent capital, liquidity and leverage requirements. In response to Basel III, investors of our securitization trusts' funding securities have sought and obtained amendments to their respective transaction documents permitting them to delay disbursement of funding increases by up to 35 days. Although funding may be requested from other investors who have not delayed their funding, access to financing could be disrupted if all of the investors implement such delays or if the lending capacities of those who did not do so were insufficient to make up the shortfall. In addition, excess spread may be affected if the issuing entity's borrowing costs increase as a result of Basel III. Such cost increases may result, for example, because the investors are entitled to indemnification for increased costs resulting from such regulatory changes.

The inability to securitize card receivables due to changes in the market, regulatory proposals, the unavailability of credit enhancements, or any other circumstance or event would have a material adverse effect on our operations and profitability.

Inability to grow our deposits in the future could have a material adverse effect on our liquidity, ability to grow our business and profitability.

We obtain deposits directly from retail and commercial customers or through brokerage firms that offer our deposit products to their customers. Our funding strategy includes continued growth of our liquidity through deposits. The deposit business continues to experience intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain retail deposits remains highly dependent on the strength of our bank subsidiaries, the reputability of our business practices and our financial health. Adverse perceptions regarding our lending practices, regulatory compliance, protection of customer information or sales and marketing practices, or actions taken by regulators or others with respect to our bank subsidiaries, could impede our competitive position in the deposits market.

The demand for the deposit products we offer may also be reduced due to a variety of factors, including changes in consumers' preferences, demographics or discretionary income, regulatory actions that decrease consumer access to particular products or the development or availability of competing products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Adjustments we make to the rates offered on our deposit products to remain competitive may adversely affect conversely our liquidity or our profitability.

The Federal Deposit Insurance Act, or FDIA, prohibits an insured bank from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank's normal market area or nationally (depending upon where the deposits are solicited), unless it is "well capitalized," or it is "adequately capitalized" and receives a waiver from the FDIC. A bank that is "adequately capitalized" and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. There are no such restrictions under the FDIA on a bank that is "well capitalized" and at December 31, 2020, each of our bank subsidiaries met or exceeded all applicable requirements to be deemed "well capitalized" for purposes of the FDIA. However, there can be no assurance that our bank subsidiaries will continue to meet those requirements. Limitations on our bank subsidiaries' ability to accept brokered deposits for any reason (including regulatory limitations on the amount of brokered deposits in total or as a percentage of total assets) in the future could materially adversely impact our liquidity, funding costs and profitability. For example, effective April 21, 2021, with an extended compliance date of January 1, 2022, the FDIC amended its regulations relating to the brokered deposits and interest rate restrictions that apply to "less than well capitalized" insured depository institutions, including (1) providing a new framework for analyzing certain provisions of the "deposit broker" definition with respect to "facilitating" and "primary purpose" to narrow the categories of deposits that may be deemed brokered; and (2) for the interest rate restrictions, amending its methodology for calculating the national rate, the national rate cap, and the local market rate cap, in each case, to account for economic cycles and differing deposits products offered. Any limitation on the interest rates our bank subsidiaries can pay on deposits may competitively disadvantage us in attracting and retaining deposits, resulting in a material adverse effect on our business.

At December 31, 2020, we had $9.8 billion in deposits, with approximately $3.8 billion in money market deposits that are redeemable on demand and approximately $6.0 billion in certificates of deposit.

Our level of indebtedness could materially adversely affect our ability to generate sufficient cash to repay our outstanding debt, our ability to react to changes in our business and our ability to incur additional indebtedness to fund future needs.

We have a high level of indebtedness, which requires a high level of interest and principal payments. Subject to the limits contained in our credit agreement, the indentures governing our senior notes and our other debt instruments, we may be able to incur substantial additional indebtedness from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of indebtedness could intensify. Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our higher level of indebtedness, combined with our other financial obligations and contractual commitments, could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under our credit agreement, the indentures governing our senior notes and the agreements governing our other indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions or other new business and other corporate purposes;
- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage or require us to dispose of assets to raise funds if needed for working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other new business and other corporate purposes;
- delay investments and capital expenditures;
- cause any refinancing of our indebtedness to be at higher interest rates and require us to comply with more onerous covenants, which could further restrict our business operations; and
- prevent us from raising the funds necessary to repurchase all notes tendered to us upon the occurrence of certain changes of control.

Restrictions imposed by the indentures governing our senior notes, our credit agreement and our other outstanding or future indebtedness may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.

The terms of the indentures governing our senior notes, our credit agreement and agreements governing our other debt instruments limit us and our subsidiaries from engaging in specified types of transactions. These covenants limit our and our subsidiaries' ability, among other things, to:

- incur additional debt;
- declare or pay dividends, redeem stock or make other distributions to stockholders;
- make investments;
- create liens or use assets as security in other transactions;
- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;

- enter into transactions with affiliates;
- sell or transfer certain assets; and
- enter into any consensual encumbrance or restriction on the ability of certain of our subsidiaries to pay dividends or make loans or sell assets to us.

As a result of these covenants and restrictions, we may be limited in how we conduct our business and we may be unable to raise additional indebtedness to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Changes in market interest rates could negatively affect our profitability.

Changes in market interest rates cause our finance charges, net and our interest expense, net to increase or decrease, as certain of our assets and liabilities carry interest rates that fluctuate with market benchmarks. At December 31, 2020, 21% of our credit card and loan receivables were priced at a fixed interest rate to the accountholder, with the remaining 79% at a floating interest rate. We fund credit card and loan receivables with a combination of fixed rate and floating rate funding sources that include deposits and asset-backed securities, of which 68% were fixed and 32% were floating at December 31, 2020. We also have unsecured term debt that is subject to variable interest rates.

The interest rate benchmark for our floating rate assets is the prime rate, and the interest rate benchmark for our floating rate liabilities is generally either the London interbank offered rate (LIBOR) or the federal funds rate. The prime rate and LIBOR or the federal funds rate could reset at different times or could diverge, leading to mismatches in the interest rates on our floating rate assets and floating rate liabilities. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, the competitive environment within our markets, consumer preferences for specific loan and deposit products, and policies of various governmental and regulatory agencies, in particular, the U.S. Federal Reserve. Changes in monetary policy, including changes in interest rate controls being applied by the U.S. Federal Reserve, could influence the amount of interest we receive on our credit card and loan receivables and the amount of interest we pay on deposits and borrowings.

On July 27, 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established or if LIBOR continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR. The selection of SOFR as the alternative reference rate, however, currently presents certain market concerns because a term structure for SOFR has not yet developed, and there is not yet a generally accepted methodology for adjusting SOFR. To facilitate an orderly transition away from LIBOR, we have established an enterprise-wide initiative to assess and implement necessary changes to our contracts, systems, processes, documentation, and models. These changes may introduce operational challenges and have a negative impact on our interest expense and profitability.

If the interest we pay on deposits and other borrowings increases at a faster rate than the interest we receive on our credit card and loan receivables, our profitability would be adversely affected. Conversely, our profitability could also be adversely affected if the interest we receive on our credit card and loan receivables falls more quickly than the interest we pay on deposits and other borrowings.

Future sales of our common stock, or the perception that future sales could occur, may adversely affect our common stock price.

As of February 18, 2021, we had an aggregate of 79,016,657 shares of our common stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We have reserved 4,058,625 shares of our common stock for issuance under our employee stock purchase plan and our long-term incentive plans, of which 514,112 shares have been issued and 1,007,364 shares are issuable upon vesting of restricted stock awards and restricted stock units. We have reserved for issuance 1,500,000 shares of our common stock, 341,096 of which remain issuable, under our 401(k) and Retirement Savings Plan as of December 31, 2020. In addition, we may issue shares of our common stock in connection with acquisitions. For example, on December 3, 2020, we issued 1,903,868 shares of our common stock in a private placement completed with our acquisition of Lon

Inc. Sales or issuances of a substantial number of shares of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock, and any sale or issuance of our common stock will dilute the ownership interests of existing stockholders.

The market price and trading volume of our common stock may be volatile and our stock price could decline.

The trading price of shares of our common stock has from time to time fluctuated widely and in the future may be subject to similar fluctuations. The trading price of our common stock may be affected by a number of factors, including our operating results, changes in our earnings estimates, additions or departures of key personnel, our financial condition, legislative and regulatory changes, general conditions in the industries in which we operate, general economic conditions, and general conditions in the securities markets. Other risks described in this report could also materially and adversely affect our share price.

There is no guarantee that we will pay future dividends or repurchase shares at a level anticipated by stockholders, which could reduce returns to our stockholders. Decisions to declare future dividends on, or repurchase, our common stock will be at the discretion of our board of directors based upon a review of relevant considerations.

Since October 2016, our board of directors has declared quarterly cash dividend payments on our outstanding common stock. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by our board of directors. In the approximately 20 years since our initial public offering, our board of directors has approved various share repurchase programs resulting in the repurchase of approximately 67.4 million shares of our common stock, although there is no active share repurchase program at this time. The board's determination to declare dividends on, or repurchase shares of, our common stock will depend upon our profitability and financial condition, contractual restrictions, restrictions imposed by applicable law and other factors that the board of directors deems relevant. For example, beginning with the second quarter of 2020, our board of directors reduced our quarterly dividend payment by 67% from $0.63 to $0.21 per quarter. Based on an evaluation of these factors, the board of directors may determine not to declare future dividends at all, to declare future dividends at a reduced amount, not to repurchase shares or to repurchase shares at reduced levels compared to historical levels, any or all of which could reduce returns to our stockholders.

Our reported financial information will be affected by fluctuations in the exchange rate between the U.S. dollar and certain foreign currencies.

The results of our operations are exposed to foreign exchange rate fluctuations. We are exposed primarily to fluctuations in the exchange rate between the U.S. and Canadian dollars and the exchange rate between the U.S. dollar and the Euro. Upon translation, operating results may differ from our expectations. For the year ended December 31, 2020, foreign currency movements relative to the U.S. dollar positively impacted our revenue by approximately $6.5 million and negatively impacted our income from continuing operations before income taxes by approximately $1.7 million.

Regulatory Environment

Current and proposed regulation and legislation relating to our card services could limit our business activities, product offerings and fees charged and may have a significant impact on our business, results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, includes a sweeping reform of the regulation and supervision of financial institutions, as well as of the regulation of derivatives and capital market activities.

The full impact of the Dodd-Frank Act is not yet known because some of the final implementing regulations have not yet been issued by the requisite federal agencies. In addition, the Dodd-Frank Act mandates multiple studies, which could result in future legislative or regulatory action. In particular, the Government Accountability Office issued its study on whether it is necessary, in order to strengthen the safety and soundness of institutions or the stability of the financial system of the United States, to eliminate the exemptions to the definition of "bank" under the Bank Holding Company Act for certain institutions including limited purpose credit card banks and industrial loan companies. The study did not recommend the elimination of these exemptions. However, if legislation were enacted to eliminate these exemptions without any grandfathering of or accommodations for existing institutions, we could be required to become a bank holding company and cease certain of our activities that are not permissible for bank holding companies or divest our credit card bank subsidiary, Comenity Bank, or our industrial bank subsidiary, Comenity Capital Bank.

The Dodd-Frank Act created the CFPB, a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations. The CFPB assumed rulemaking authority under the existing federal consumer financial protection laws, and enforces those laws against and examines certain non-depository institutions and insured depository institutions with total assets greater than $10 billion and their affiliates.

Since October 2016, both Comenity Bank and Comenity Capital Bank are under the CFPB's supervision and the CFPB may, from time to time, conduct reviews of their practices. In addition, the CFPB's broad rulemaking authority is expected to impact their operations, including with respect to deferred interest products. For example, the CFPB's rulemaking authority may allow it to change regulations adopted in the past by other regulators including regulations issued under the Truth in Lending Act by the Board of Governors of the Federal Reserve System. The CFPB's ability to rescind, modify or interpret past regulatory guidance could increase our compliance costs and litigation exposure. Further, the CFPB has broad authority to prevent "unfair, deceptive or abusive" acts or practices and has taken enforcement action against other credit card issuers and financial services companies. Evolution of these standards could result in changes to pricing, practices, procedures and other activities relating to our credit card accounts in ways that could reduce the associated return. While the CFPB has taken public positions on certain matters, it is unclear what additional changes may be promulgated by the CFPB and what effect, if any, such changes would have on our credit accounts.

The Dodd-Frank Act authorizes certain state officials to enforce regulations issued by the CFPB and to enforce the Dodd-Frank Act's general prohibition against unfair, deceptive or abusive practices. To the extent that states enact requirements that differ from federal standards or courts adopt interpretations of federal consumer laws that differ from those adopted by the federal banking agencies, we may be required to alter products or services offered in some jurisdictions or cease offering products, which will increase compliance costs and reduce our ability to offer the same products and services to consumers nationwide.

Various federal and state laws and regulations significantly limit the retail credit card services activities in which we are permitted to engage. Such laws and regulations, among other things, limit the fees and other charges that we can impose on consumers, limit or proscribe certain other terms of our products and services, require specified disclosures to consumers, or require that we maintain certain licenses, qualifications and minimum capital levels. In some cases, the precise application of these statutes and regulations is not clear. In addition, numerous legislative and regulatory proposals are advanced each year which, if adopted, could have a material adverse effect on our profitability or further restrict the manner in which we conduct our activities. The CARD Act, as implemented by regulations issued under the Truth in Lending Act, acts to limit or modify certain credit card practices and requires increased disclosures to consumers. The credit card practices addressed by the rules include, but are not limited to, restrictions on the application of rate increases to existing and new balances, payment allocation, default pricing, imposition of late fees and two-cycle billing. The failure to comply with, or adverse changes in, the laws or regulations to which our business is subject, or adverse changes in their interpretation, could have a material adverse effect on our ability to collect our receivables and generate fees on the receivables, thereby adversely affecting our profitability.

In the normal course of business, from time to time, Comenity Bank and Comenity Capital Bank have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with their business activities. While historically the arbitration provision in each bank's customer agreement has generally limited such bank's exposure to consumer class action litigation, there can be no assurance that the banks will be successful in enforcing the arbitration clause in the future. There may also be legislative, administrative or regulatory efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses.

Comenity Bank and Comenity Capital Bank are also involved, from time to time, in reviews, investigations, and proceedings (both formal and informal) by governmental agencies regarding the banks' business, which could subject the banks to significant fines, penalties, obligations to change its business practices or other requirements. In September 2015, each bank entered into a consent order with the FDIC in settlement of the FDIC's review regarding the marketing, promotion and sale of certain add-on products; these consent orders were terminated in August 2018.

On September 10, 2019, Comenity Capital Bank submitted a bank merger application to the FDIC seeking the FDIC's approval to merge Comenity Bank with and into Comenity Capital Bank as the surviving bank entity. On the same date, Comenity Capital Bank and Comenity Bank each submitted counterpart bank merger applications to the Utah Department of Financial Institutions and the Delaware Office of the State Bank Commissioner, respectively, in connection with the proposed merger. The merger application remains subject to regulatory review and approval and no guarantee can be provided as to the outcome or timing of such review.

The effect of the Dodd-Frank Act on our business and operations, which will depend upon final implementing regulations, the actions of our competitors, the behavior of other marketplace participants and its interpretation and enforcement by federal or state officials or regulators, could be significant. In addition, we may be required to invest significant management time and resources to address the provisions of the Dodd-Frank Act and the regulations that are required to be issued under it. The Dodd-Frank Act and any related legislation or regulations and their interpretation and enforcement may have a material impact on our business, results of operations and financial condition.

Legislation relating to consumer privacy and security may affect our ability to collect data that we use in providing our loyalty and marketing services, which, among other things, could negatively affect our ability to satisfy our clients' needs.

Data protection and consumer privacy laws and regulations continue to evolve, increasing restrictions on our ability to collect and disseminate customer information. In addition, the enactment of new or amended legislation or industry regulations pertaining to consumer, public or private sector privacy issues could have a material adverse impact on our marketing services, including placing restrictions upon the collection, sharing and use of information that is currently legally available. There are also a number of specific laws and regulations governing the collection and use of certain types of consumer data primarily in connection with financial services transactions that are relevant to our various businesses and services. In the United States, federal laws such as the Gramm-Leach-Bliley Act, or GLBA, and the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003, as well as similar and applicable state laws, make it more difficult to collect, share and use information that has previously been legally available and may increase our costs of collecting some data. These laws give bank customers, including cardholders and depositors, the ability to "opt out" of having certain information generated by their applicable financial services transactions shared with other affiliated and unaffiliated parties or the public. Our ability to gather, share and utilize this data will be adversely affected if a significant percentage of the consumers whose purchasing behavior we track elect to "opt out," thereby precluding us and our affiliates from using their data.

In the United States, the federal Do-Not-Call Implementation Act makes it more difficult to telephonically communicate with prospective and existing customers. Similar measures were implemented in Canada beginning September 1, 2008. Regulations in both the United States and Canada give consumers the ability to "opt out," through a national do-not-call registry and state do-not-call registries, of having telephone solicitations placed to them by companies that do not have an existing business relationship with the consumer. In addition, regulations require companies to maintain an internal do-not-call list for those who do not want the companies to solicit them through telemarketing. These regulations could limit our ability to provide services and information to our clients. Failure to comply with these regulations could have a negative impact on our reputation and subject us to significant penalties. Further, the Federal Communications Commission has approved interpretations of rules related to the Telephone Consumer Protection Act defining robo-calls broadly, which may affect our ability to contact customers and may increase our litigation exposure.

In the United States, the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 restricts our ability to send commercial electronic mail messages, the primary purpose of which is advertising or promoting a commercial product or service, to our customers and prospective customers. The act requires that a commercial electronic mail message provide the customers with an opportunity to opt-out from receiving future commercial electronic mail messages from the sender.

In the United States, California enacted the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020. The CCPA provides individual privacy rights for California consumers and places increased privacy and security obligations on entities handling certain personal data of consumers and households. The CCPA requires disclosures to consumers about companies' data collection, use and sharing practices; provides consumers ways to opt-out of certain sales or transfers of personal information; and provides consumers with additional causes of action. The CCPA prohibits companies from discriminating against consumers who have opted out of the sale of their personal information, subject to a narrow exception. The CCPA provides for certain monetary penalties and for enforcement of the statute by the California Attorney General or by consumers whose rights under the law are not observed. It also provides for damages, as well as injunctive or declaratory relief, if there has been unauthorized access, theft or disclosure of personal information due to failure to implement reasonable security procedures. The CCPA contains several exemptions, including a provision to the effect that the CCPA does not apply where the information is collected, processed, sold or disclosed pursuant to the GLBA if the GLBA is in conflict with the CCPA.

In November 2020, California voters passed Proposition 24, known as the California Privacy Rights Act or CPRA. CPRA, which will amend existing CCPA requirements effective January 2023 with a one-year lookback period, includes limitations on the sharing of personal information for cross-context behavioral advertising and the use of "sensitive" personal information; the creation of a new correction right; and the establishment of a new agency to enforce California privacy law.

Further, there continues to be an increased interest in privacy laws at the federal and state levels where legislators are reviewing or proposing the need for greater regulation of the collection, processing, sharing and use of consumer data for marketing purposes or otherwise, including two federal privacy regulations introduced in late 2020.

In Canada, the Personal Information Protection and Electronic Documents Act, or PIPEDA, requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. We allow our customers to voluntarily "opt out" from receiving either one or both promotional and marketing mail or promotional and marketing electronic mail. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus and promotional offers and therefore those customers may collect fewer AIR MILES reward miles. The Government of Canada has created a Digital Charter providing new rights and expectations, including expected changes to PIPEDA.

Canada's Anti-Spam Legislation, or CASL, may restrict our ability to send "commercial electronic messages," defined to include text, sound, voice and image messages to email, or similar accounts, where the primary purpose is advertising or promoting a commercial product or service to our customers and prospective customers. CASL requires, in part, that a sender have consent to send a commercial electronic message, and provide the customers with an opportunity to opt out from receiving future commercial electronic email messages from the sender.

On May 25, 2018, The General Data Protection Regulation, or GDPR, a European Union-wide legal framework to govern data collection, use and sharing and related consumer privacy rights came into force. The GDPR replaced the European Union Directive 95/46/EC and applies to and binds the EU Member States and the European Economic Area countries, which includes a total of 30 countries. The GDPR details greater compliance obligations on organizations, including the implementation of a number of processes and policies around data collection and use. These, and other terms of the GDPR, could limit our ability to provide services and information to our customers. In addition, the GDPR includes significant penalties for non-compliance.

In general, GDPR, and other European Union and Member State specific privacy and data governance laws, could also lead to adaptation of our technologies or practices to satisfy local privacy requirements and standards that may be more stringent than in the U.S. Similarly, it is possible that in the future, U.S. and foreign jurisdictions may adopt legislation or regulations that impair our ability to effectively track consumers' use of our advertising services, such as the FTC's proposed "Do-Not-Track" standard or other legislation or regulations similar to EU Directive 2009/136/EC, commonly referred to as the "Cookie Directive," which directs EU Member States to ensure that accessing personal information on an internet user's computer, such as through a cookie, is allowed only if the internet user has given his or her consent. In July 2020, the Court of Justice of the European Union, or CJEU, ruled the EU-US Privacy Shield Framework invalid, but noted the use of standard contractual clauses for data transfers is still valid.On January 31, 2020, the United Kingdom left the European Union and entered into a Brexit transition period. Effective January 1, 2021, the EU and UK have adopted a new agreement providing that all transfers of personal data between stakeholders subject to GDPR and UK entities will not be considered as transfers to a third country provided that the UK's current data protection scheme stays in place for the designated maximum period of six months through June 30, 2021. It is not yet known what the data protection landscape will look like at the end of the transition period.

In addition to the jurisdictions noted above, there is also rapid development of new privacy laws and regulations elsewhere around the globe, including amendments of existing data protection laws, to the scope of such laws and penalties for noncompliance. Failure to comply with these international data protection laws and regulations could have a negative impact on our reputation and subject us to significant penalties.

While all 50 U.S. states and the District of Columbia have enacted data breach notification laws, there is no such U.S. federal law generally applicable to our businesses. Data breach notification legislation and regulations relating to mandatory reporting came into force in Canada on November 1, 2018. Data breach notification laws have been proposed widely and exist in other specific countries and jurisdictions in which we conduct business. Legislative and regulatory measures, such as mandatory breach notification provisions, impose, among other elements, strict requirements on reporting time frames and providing notice to individuals.

Legislation relating to consumer protection may affect our ability to provide our loyalty and marketing services, which, among other things, could negatively affect our ability to satisfy our clients' needs.

The enactment of new or amended legislation or industry regulations pertaining to consumer protection, or any failure to comply with such changes, could have a material adverse impact on our loyalty and marketing services. Such changes could result in a negative impact to our reputation, an adverse effect on our profitability or an increase in our litigation exposure.

For example, Ontario's Protecting Rewards Points Act (Consumer Protection Amendment), 2016, and additional related regulations, prohibit suppliers from entering into or amending consumer agreements to provide for the expiry of rewards points due to the passage of time alone, while permitting the expiry of rewards points if the underlying consumer agreement is terminated and that agreement provides that reward points expire upon termination. Similar legislation pertaining to the expiry of rewards points due to the passage of time alone is also in effect in Quebec.

Our bank subsidiaries are subject to extensive federal and state regulation that may require us to make capital contributions to them, and that may restrict the ability of these subsidiaries to make cash available to us.

Federal and state laws and regulations extensively regulate the operations of Comenity Bank, as well as Comenity Capital Bank. Many of these laws and regulations are intended to maintain the safety and soundness of Comenity Bank and Comenity Capital Bank, and they impose significant restraints on them to which other non-regulated entities are not subject. As a state bank, Comenity Bank is subject to overlapping supervision by the State of Delaware and the FDIC. As a Utah industrial bank, Comenity Capital Bank is subject to overlapping supervision by the FDIC and the State of Utah. Comenity Bank and Comenity Capital Bank must maintain minimum amounts of regulatory capital. If Comenity Bank and Comenity Capital Bank do not meet these capital requirements, their respective regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial statements. Comenity Bank and Comenity Capital Bank, as institutions insured by the FDIC, must maintain certain capital ratios, paid-in capital minimums and adequate allowances for loan loss. If either Comenity Bank or Comenity Capital Bank were to fail to meet any of the capital requirements to which it is subject, we may be required to provide them with additional capital, which could impair our ability to service our indebtedness. To pay any dividend, Comenity Bank and Comenity Capital Bank must each maintain adequate capital above regulatory guidelines. Accordingly, neither Comenity Bank nor Comenity Capital Bank may be able to make any of its cash or other assets available to us, including to service our indebtedness.

If our bank subsidiaries fail to meet certain criteria, we may become subject to regulation under the Bank Holding Company Act, which could force us to cease all of our non-banking activities and lead to a drastic reduction in our revenue and profitability.

If either of our depository institution subsidiaries failed to meet the criteria for the exemption from the definition of "bank" in the Bank Holding Company Act under which it operates (which exemptions are described below), and if we did not divest such depository institution upon such an occurrence, we would become subject to regulation under the Bank Holding Company Act. This would require us to cease certain of our activities that are not permissible for companies that are subject to regulation under the Bank Holding Company Act. One of our depository institution subsidiaries, Comenity Bank, is a Delaware State FDIC-insured bank and a limited-purpose credit card bank located in Delaware. Comenity Bank will not be a "bank" as defined under the Bank Holding Company Act so long as it remains in compliance with the following requirements:

- it engages only in credit card operations;

- it does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties;
- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for its extensions of credit;
- it maintains only one office that accepts deposits; and
- it does not engage in the business of making commercial loans (except small business loans).

Our other depository institution subsidiary, Comenity Capital Bank, is a Utah industrial bank that is authorized to do business by the State of Utah and the FDIC. Comenity Capital Bank will not be a "bank" as defined under the Bank Holding Company Act so long as it remains an industrial bank in compliance with the following requirements:

- it is an institution organized under the laws of a state which, on March 5, 1987, had in effect or had under consideration in such state's legislature a statute which required or would require such institution to obtain insurance under the Federal Deposit Insurance Act; and
- it does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties.

Operational and Other Risk

We rely on third party vendors to provide products and services and are transitioning additional services to strategic outsourcing partners. Our business operations, reputation and profitability could be adversely impacted if our vendors fail to fulfill their obligations.

The failure of our suppliers to deliver products and services at contracted service levels or standards or in sufficient quantities and in a timely manner could adversely affect our business. These impacts arise from and include, but are not limited to, closures or restricted operating conditions and supply chain disruptions resulting from the current impacts of COVID-19. If our significant vendors were unable or unwilling to fulfill or renew our existing contracts on current terms, we might not be able to replace the related product or service at the same cost, in a timely fashion, or at all, any of which could negatively impact our profitability. In addition, if a third party vendor fails to meet contractual requirements, such as compliance with applicable laws and regulations, our business operations could suffer economic or reputational harm that could have a material adverse impact on our business and results of operations.

Further, in 2020, we have selected to transition our credit card processing, as well as certain print and mail and remittance processing functions associated with our Card Services segment, to strategic outsourcing partners, with targeted completion in 2022. Transitioning these services from our legacy platforms to strategic partners with established systems and functionality presents significant risks, including, but not limited to, potential losses or corruption of data, changes in security processes, implementation delays and cost overruns, resistance from current clients and account holders, disruption to operations, loss of customization or functionality, reliability issues with legacy systems prior to cutover and incurrence of outsized consulting costs to complete the transition. In addition, the pursuit of multiple new product integrations and outsourcing transitions simultaneously could increase the complexity and risk, as well as magnify the unintended consequences, including an inability to retain or replace key personnel during the transition as well as the incurrence of unexpected expenses as we adopt new processes for managing these service providers and establish controls and procedures to ensure regulatory compliance. Any transition or implementation delays, errors or difficulties may result in operational challenges, security failures, increased costs or reputational harm, any of which could materially adversely impact our profitability.

Failure to safeguard our data and consumer privacy could affect our reputation among our clients and their customers, and may expose us to legal claims.

Although we have extensive physical and cyber security controls and associated procedures, our data has in the past been and in the future may be subject to unauthorized access. In such instances of unauthorized access, the integrity of our data has in the past been and may in the future be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support our loyalty and marketing programs. Information security risks for large financial institutions have increased with the adoption of new technologies, including those used on mobile devices, to conduct financial and other business transactions, and the increased sophistication and activity level of threat actors. The use of our loyalty, marketing services or credit card programs could decline if any compromise of physical or cyber security occurred. In addition, any unauthorized release of customer information or any public perception that we released consumer information without authorization, could subject us to legal claims from our clients or their customers, consumers or regulatory enforcement actions, which may adversely affect our client relationships.

Loss of data center capacity, interruption due to cyber-attacks, loss of network connectivity or inability to utilize proprietary software of third party vendors could affect our ability to timely meet the needs of our clients and their customers.

Our ability, and that of our third-party service providers, to protect our data centers against damage, loss or performance degradation from fire, power loss, network failure, cyber-attacks, including ransomware or denial of service attacks, and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large amounts of data as well as periodically expand and upgrade our technology capabilities. Any damage to our data centers, or those of our third-party service providers, any failure of our network links that interrupts our operations or any impairment of our ability to use our software or the proprietary software of third party vendors, including impairments due to cyber-attacks, could adversely affect our ability to meet our clients' needs and their confidence in utilizing us for future services.

Our failure to protect our intellectual property rights and use of open source software may harm our competitive position, litigation to protect our intellectual property rights or defend against third party allegations of infringement may be costly, any of which could negatively impact our business, results of operations and profitability.

Third parties may infringe or misappropriate our trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. Third parties may also assert infringement claims against us. Any claims and an adverse determination in any resulting litigation could subject us to significant liability for damages and require us to either design around a third party's patent or license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of our time and resources. Further, our competitors or other third parties may independently design around or develop similar technology, or otherwise duplicate our services or products in a way that would preclude us from asserting our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure.

Aspects of our platform include software covered by open source licenses. United States courts have not interpreted the terms of various open source licenses, but could interpret them in a manner that imposes unanticipated conditions or restrictions on our platform. If portions of our proprietary software are determined to be subject to an open source license, we could also be required to, under certain circumstances, publicly release or license, at no cost, our products that incorporate the open source software or the affected portions of our source code. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or other contractual protections regarding infringement, misappropriation, security vulnerabilities, defects or errors in the code or other violations, any of which could result in liability to us and negatively impact our business, results of operations, financial condition and profitability.

Our international operations, acquisitions and personnel subject us to complex U.S. and international laws and regulations, which if violated could subject us to penalties and other adverse consequences.

Our operations, acquisitions and employment of personnel outside the United States require us to comply with numerous complex laws and regulations of the U.S. government and the various international jurisdictions where we do business. These laws and regulations may apply to our company, or our individual directors, officers, employees or agents, and may restrict our operations, investment decisions or other activities. Specifically, we are subject to anti-corruption and anti-bribery laws and regulations, including, but not limited to, the U.S. Foreign Corrupt Practices Act, or FCPA; the U.K. Bribery Act 2010, or UKBA; and Canada's Corruption of Foreign Public Officials Act, or CFPOA. These laws generally prohibit providing anything of value to foreign officials for the purpose of influencing official decisions, obtaining or retaining business, or obtaining preferential treatment, and require us to maintain books and records that fairly and accurately reflect transactions and maintain an adequate system of internal accounting controls. As part of our business, we or our partners may do business with state-owned enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA, UKBA or CFPOA. There can be no assurance that our policies, procedures, training and compliance programs will effectively prevent violation of all U.S. and international laws and regulations with which we are required to comply. Violations of such laws and regulations could subject us to penalties that could adversely affect our reputation, business, financial condition or results of operations. In addition, some international jurisdictions in which we operate could subject us to other obstacles, including lack of a developed legal system, elevated levels of corruption, strict currency controls, adverse tax consequences or foreign ownership requirements, difficult or lengthy regulatory approvals, or lack of enforcement for non-compete agreements.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent or delay change of control transactions or attempts by our stockholders to replace or remove our current management.

Delaware law, as well as provisions of our certificate of incorporation, including those relating to our board’s authority to issue series of preferred stock without further stockholder approval, our bylaws and our existing and future debt instruments, could discourage unsolicited proposals to acquire us, even though such proposals may be beneficial to our stockholders.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including a merger, tender offer or proxy contest involving us. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline or delay or prevent our stockholders from receiving a premium over the market price of our common stock that they might otherwise receive.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2020, we lease approximately 45 general office properties worldwide, comprised of approximately three million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

Location	Segment	Approximate Square Footage	Lease Expiration Date
Columbus, Ohio	Corporate, Card Services	567,006	September 12, 2032
Toronto, Ontario, Canada	LoyaltyOne	205,525	March 31, 2033
Mississauga, Ontario, Canada	LoyaltyOne	13,699	February 28, 2025
Den Bosch, Netherlands	LoyaltyOne	132,482	December 31, 2033
Maasbree, Netherlands	LoyaltyOne	668,923	September 1, 2033
New York, New York	Card Services	18,500	January 31, 2023
Draper, Utah	Card Services	22,869 (1)	August 31, 2031
Columbus, Ohio	Card Services	103,161	December 31, 2027
Wilmington, Delaware	Card Services	5,198	June 30, 2021

(1) Excludes square footage of subleased portion.

We believe our current facilities are suitable to our businesses and that we will be able to lease, purchase or newly construct additional facilities as needed.

Item 3. Legal Proceedings.

From time to time we are involved in various claims and lawsuits arising in the ordinary course of our business that we believe will not have a material effect on our business or financial condition, including claims and lawsuits alleging breaches of our contractual obligations. See *Indemnification* in Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange, or NYSE, and trades under the symbol "ADS."

Holders

As of February 18, 2021, the closing price of our common stock was $83.70 per share, there were 49,695,051 shares of our common stock outstanding, and there were 97 holders of record of our common stock.

Dividends

Payment of future dividends is subject to declaration by our board of directors. Factors considered in determining dividends include, but are not limited to, our profitability, expected capital needs, and contractual restrictions. See also "Risk Factors—*There is no guarantee that we will pay future dividends or repurchase shares at a level anticipated by stockholders, which could reduce returns to our stockholders.*" Subject to these qualifications, we presently expect to continue to pay dividends on a quarterly basis.

On January 28, 2021, our board of directors declared a quarterly cash dividend of $0.21 per share on our common stock, payable on March 18, 2021 to stockholders of record at the close of business on February 12, 2021.

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases of our common stock made during the three months ended December 31, 2020:

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 [(2)]
				(Dollars in millions)
During 2020:				
October 1-31	8,058	$ 51.55	—	$ —
November 1-30	2,742	66.66	—	—
December 1-31	6,976	75.05	—	—
Total	17,776	$ 63.10	—	$ —

(1) During the period represented by the table, 17,776 shares of our common stock were purchased by the administrator of our 401(k) and Retirement Saving Plan for the benefit of the employees who participated in that portion of the plan.

(2) The Company's stock repurchase program expired on June 30, 2020.

Performance Graph

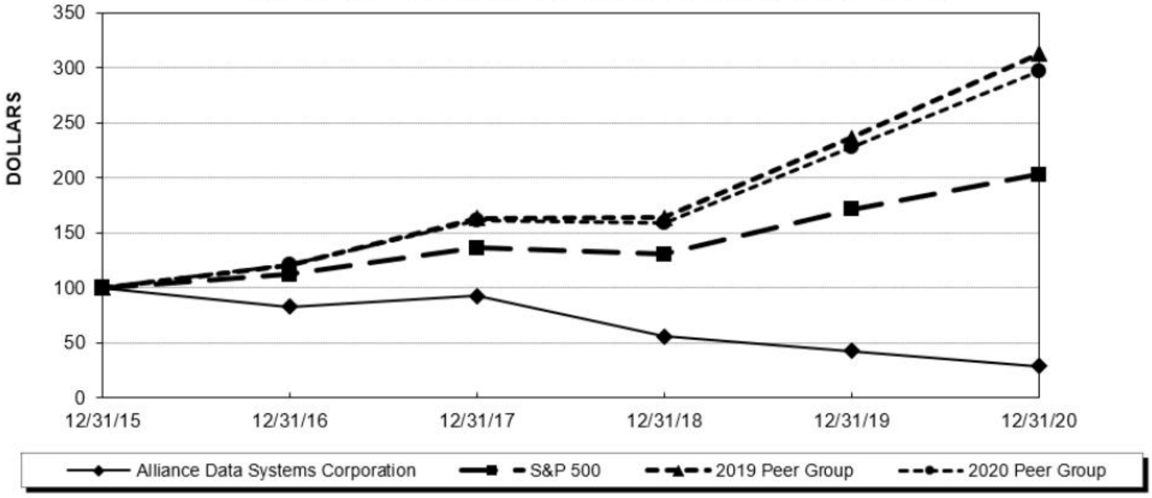
The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock since December 31, 2015, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) a peer group of fifteen companies selected by us and utilized in our prior Annual Report on Form 10-K, which we will refer to as the 2019 Peer Group Index, and (3) a new peer group of fifteen companies selected by us, which we will refer to as the 2020 Peer Group Index.

The fifteen companies in the 2019 Peer Group Index are PayPal Holdings, Inc., MasterCard Incorporated, Synchrony Financial, Discover Financial Services, Fifth Third Bancorp, Key Corp, Citizens Financial Group, Inc., Ally Financial Inc., M&T Bank Corporation, Regions Financial Corporation, Huntington Bancshares Incorporated, Santander Consumer USA Holdings Inc., Comerica Incorporated, SVB Financial Group and Popular, Inc.

The fifteen companies in the 2020 Peer Group Index are PayPal Holdings, Inc., MasterCard Incorporated, Synchrony Financial, Discover Financial Services, Fifth Third Bancorp, Key Corp, Citizens Financial Group, Inc., Ally Financial Inc., M&T Bank Corporation, Regions Financial Corporation, Huntington Bancshares Incorporated, Santander Consumer USA Holdings Inc., Comerica Incorporated, SVB Financial Group and Capital One Financial Corporation.

Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 31, 2015 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN*
AMONG ALLIANCE DATA SYSTEMS CORPORATION,
S&P 500 INDEX, 2019 PEER GROUP AND 2020 PEER GROUP



*$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Alliance Data Systems Corporation	S&P 500	2019 Peer Group Index	2020 Peer Group Index
December 31, 2015	$ 100.00	$ 100.00	$ 100.00	$ 100.00
December 31, 2016	82.83	111.96	120.83	120.85
December 31, 2017	92.72	136.40	163.13	161.51
December 31, 2018	55.62	130.42	164.03	158.55
December 31, 2019	42.38	171.49	236.41	228.14
December 31, 2020	28.54	203.04	312.95	297.06

Our future filings with the SEC may "incorporate information by reference," including this Form 10-K. Unless we specifically state otherwise, this Performance Graph shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 6. Selected Financial Data.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table sets forth our summary historical consolidated financial information for the periods ended and as of the dates indicated. You should read the following historical consolidated financial information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-K.

	Years Ended December 31,				
	2020	2019	2018	2017	2016
	(in millions, except per share amounts)				
Income statement data					
Total revenue	$ 4,521.4	$ 5,581.3	$ 5,666.6	$ 5,474.7	$ 5,013.2
Cost of operations (exclusive of amortization and depreciation disclosed separately below)	2,077.3	2,687.8	2,537.2	2,469.5	2,600.3
Provision for loan loss	1,266.2	1,187.5	1,016.0	1,140.1	940.5
General and administrative	105.7	150.6	162.5	159.3	135.6
Depreciation and other amortization	98.5	79.9	80.7	73.7	67.3
Amortization of purchased intangibles	85.3	96.2	112.9	114.2	119.6
Loss on extinguishment of debt	—	71.9	—	—	—
Total operating expenses	3,633.0	4,273.9	3,909.3	3,956.8	3,863.3
Operating income	888.4	1,307.4	1,757.3	1,517.9	1,149.9
Interest expense, net	493.9	569.0	542.3	455.4	370.9
Income from continuing operations before income taxes	394.5	738.4	1,215.0	1,062.5	779.0
Provision for income taxes	99.5	165.8	269.5	293.3	298.8
Income from continuing operations	$ 295.0	$ 572.6	$ 945.5	$ 769.2	$ 480.2
(Loss) income from discontinued operations, net of taxes	(81.3)	(294.6)	17.6	19.5	37.4
Net income	$ 213.7	$ 278.0	$ 963.1	$ 788.7	$ 517.6
Less: Net income attributable to non-controlling interest	—	—	—	—	1.8
Net income attributable to common stockholders	$ 213.7	$ 278.0	$ 963.1	$ 788.7	$ 515.8
Basic income attributable to common stockholders per share:					
Income from continuing operations	$ 6.17	$ 11.25	$ 17.24	$ 13.82	$ 6.73
(Loss) income from discontinued operations	$ (1.70)	$ (5.89)	$ 0.32	$ 0.35	$ 0.64
Net income attributable to common stockholders per share	$ 4.47	$ 5.36	$ 17.56	$ 14.17	$ 7.37
Diluted income attributable to common stockholders per share:					
Income from continuing operations	$ 6.16	$ 11.24	$ 17.17	$ 13.75	$ 6.71
(Loss) income from discontinued operations	$ (1.70)	$ (5.78)	$ 0.32	$ 0.35	$ 0.63
Net income attributable to common stockholders per share	$ 4.46	$ 5.46	$ 17.49	$ 14.10	$ 7.34
Weighted average shares:					
Basic	47.8	50.0	54.9	55.7	58.6
Diluted	47.9	50.9	55.1	55.9	58.9
Dividends declared per share:	$ 1.26	$ 2.52	$ 2.28	$ 2.08	$ 0.52

	As of December 31,				
	2020	2019	2018 (in millions)	2017	2016
Balance sheet data					
Credit card and loan receivables, net	$ 14,776.4	$ 18,292.0	$ 16,816.7	$ 17,494.5	$ 15,595.9
Redemption settlement assets, restricted	693.5	600.8	558.6	589.5	324.4
Total assets	22,547.1	26,494.8	30,387.7	30,684.8	25,514.1
Deferred revenue	1,004.0	922.0	875.3	966.9	931.5
Deposits	9,792.6	12,151.7	11,793.7	10,930.9	8,391.9
Non-recourse borrowings of consolidated securitization entities	5,709.9	7,284.0	7,651.7	8,807.3	6,955.4
Long-term and other debt, including current maturities	2,805.7	2,849.9	5,725.4	6,070.9	5,595.4
Total liabilities	21,025.5	24,906.5	28,055.6	28,829.5	23,855.9
Total stockholders' equity	1,521.6	1,588.3	2,332.1	1,855.3	1,658.2

	Years Ended December 31,				
	2020	2019	2018 (in millions)	2017	2016
Cash flow data					
Cash flows from operating activities	$ 1,882.7	$ 1,217.7	$ 2,754.9	$ 2,599.1	$ 2,127.2
Cash flows from investing activities	$ 1,774.3	$ 2,860.8	$ (1,872.0)	$ (4,268.1)	$ (4,291.5)
Cash flows from financing activities	$ (4,166.5)	$ (4,091.7)	$ (1,217.9)	$ 4,004.9	$ 2,637.4
Non-GAAP Financial Measures					
Adjusted EBITDA	$ 1,156.9	$ 1,710.3	$ 1,995.3	$ 1,747.1	$ 1,620.0
Adjusted EBITDA, net	$ 771.5	$ 1,271.3	$ 1,609.4	$ 1,465.4	$ 1,404.2
Segment operating data					
Credit card statements generated	235.0	281.1	300.7	296.7	279.4
Credit sales	$ 24,707.3	$ 30,986.9	$ 30,702.3	$ 31,001.6	$ 29,271.3
Average credit card and loan receivables	$ 16,367.3	$ 17,298.2	$ 17,412.1	$ 16,185.5	$ 14,085.8
Normalized average credit card and loan receivables (1)	$ 16,468.0	$ 18,941.5	$ 18,728.8	$ 16,775.1	$ 14,417.6
AIR MILES reward miles issued	4,963.8	5,511.1	5,500.0	5,524.2	5,772.3
AIR MILES reward miles redeemed	3,127.8	4,415.7	4,482.0	4,552.1	7,071.6

(1) Normalized average credit card and loan receivables includes held for sale receivables.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure equal to income from continuing operations, the most directly comparable financial measure based on accounting principles generally accepted in the United States of America, or GAAP, plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, and the amortization of purchased intangibles. Adjusted EBITDA excludes the gain on the sale of Precima, strategic transaction costs, which represent costs for professional services associated with strategic initiatives, asset impairments, and restructuring and other charges. In 2019, adjusted EBITDA also excluded loss related to the extinguishment of debt in July 2019. In 2016, adjusted EBITDA excluded the impact of the cancellation of the AIR MILES Reward Program's five-year expiry policy on December 1, 2016. These costs, as well as stock compensation expense, were not included in the measurement of segment adjusted EBITDA as the chief operating decision maker did not factor these expenses for purposes of assessing segment performance and decision making with respect to resource allocations.

Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. Effective April 1, 2016, we acquired the remaining 20% interest in BrandLoyalty, which increased our ownership percentage to 100%.

We use adjusted EBITDA and adjusted EBITDA, net as an integral part of our internal reporting to measure the performance of our reportable segments and to evaluate the performance of our senior management, and we believe it provides useful information to our investors regarding our performance and overall results of operations. Adjusted EBITDA and adjusted EBITDA, net are each considered an important indicator of the operational strength of our businesses. Adjusted EBITDA eliminates the uneven effect across all business segments of considerable amounts of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible assets, such as capital expenditures, investment spending and return on capital and therefore the effects are excluded from adjusted EBITDA. Adjusted EBITDA also eliminates the non-cash effect of stock compensation expense.

Adjusted EBITDA and adjusted EBITDA, net are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, either income from continuing operations or net income as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, adjusted EBITDA and adjusted EBITDA, net are not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The adjusted EBITDA and adjusted EBITDA, net measures presented in this Annual Report on Form 10-K may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

	Years Ended December 31,				
	2020	2019	2018	2017	2016
			(in millions)		
Income from continuing operations	$ 295.0	$ 572.6	$ 945.5	$ 769.2	$ 480.2
Stock compensation expense	21.3	25.1	44.4	41.3	41.5
Provision for income taxes	99.5	165.8	269.5	293.3	298.8
Interest expense, net	493.9	569.0	542.3	455.4	370.9
Depreciation and other amortization	98.5	79.9	80.7	73.7	67.3
Amortization of purchased intangibles	85.3	96.2	112.9	114.2	119.6
Impact of expiry (1)	—	—	—	—	241.7
Gain on sale of business, net of strategic transaction costs (2)	(8.0)	—	—	—	—
Strategic transaction costs (3)	15.9	11.7	—	—	—
Asset impairments (4)	63.7	—	—	—	—
Restructuring and other charges (5)	(8.2)	118.1	—	—	—
Loss on extinguishment of debt (6)	—	71.9	—	—	—
Adjusted EBITDA	$ 1,156.9	$ 1,710.3	$ 1,995.3	$ 1,747.1	$ 1,620.0
Less: Securitization funding costs	165.9	213.4	220.2	156.6	125.6
Less: Interest expense on deposits	219.5	225.6	165.7	125.1	84.7
Less: Adjusted EBITDA attributable to non-controlling interest	—	—	—	—	5.5
Adjusted EBITDA, net	$ 771.5	$ 1,271.3	$ 1,609.4	$ 1,465.4	$ 1,404.2

(1) Represents the impact of the cancellation of the AIR MILES Reward Program's five-year expiry policy on December 1, 2016.

(2) Represents gain on sale of Precima in January 2020, net of strategic transaction costs. Precima was included in the Company's LoyaltyOne segment. See Note 6, "Disposition," of the Notes to Consolidated Financial Statements for more information.

(3) Represents costs for professional services associated with strategic initiatives.

(4) Represents asset impairment charges related to certain deferred contract costs, fixed assets and right of use assets. See Note 3, "Revenue," Note 12, "Leases," and Note 13, "Property and Equipment," of the Notes to Consolidated Financial Statements for more information.

(5) Represents costs associated with restructuring or other exit activities. See Note 15, "Restructuring and Other Charges," of the Notes to Consolidated Financial Statements for more information.

(6) Represents loss on extinguishment of debt resulting from the redemption price of senior notes and the write-off of deferred issuance costs related to the July 2019 early extinguishment of $1.9 billion of outstanding senior notes and the amendment to the credit agreement, which was effective upon the consummation of the sale of Epsilon.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. We create and deploy customized solutions that measurably change consumer behavior while driving business growth and profitability for some of today's most recognizable brands. We help our partners create and increase customer loyalty across multiple touch points using traditional, digital, mobile and emerging technologies. We operate under two segments—LoyaltyOne and Card Services. Our LoyaltyOne business owns and operates the AIR MILES Reward Program, Canada's most recognized loyalty program, and Netherlands-based BrandLoyalty, a global provider of tailor-made loyalty programs for grocers. Our Card Services business is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread, and Comenity-branded financial services. Effective March 31, 2019, our Epsilon segment was treated as a discontinued operation, and was subsequently sold on July 1, 2019.

Year in Review

- Effective January 1, 2020, we adopted Accounting Standards Codification, or ASC, 326, "Financial Instruments —Credit Losses," and applied a current expected credit loss, or CECL, model to determine our allowance for loan loss, which is measured over the estimated life of the credit card and loan receivable. Our adoption of CECL on January 1, 2020 resulted in an increase in our allowance for loan loss at adoption of $644.0 million, which was recorded through a cumulative-effect adjustment to retained earnings, net of taxes. See Note 8, "Credit Card and Loan Receivables," of the Notes to Consolidated Financial Statements for more information.
- In January 2020, we sold Precima, a provider of retail strategy and customer data applications and analytics, for total consideration of approximately $43.8 million. Precima was included in our LoyaltyOne segment.
- During 2020, we paid dividends and dividend equivalent rights of $60.6 million.
- During 2020, we sold one credit card portfolio for cash consideration of $289.5 million.
- We launched our direct-to-consumer Comenity-branded general purpose credit card, the Comenity Card℠, which provides Alliance Data with an additional product to both attract and retain our cardholders.
- In October 2020, we entered into an agreement to transition hosting of our credit card processing services to Fiserv, a leading global provider of payments and financial services technology solutions.
- In December 2020, we completed the acquisition of Bread for aggregate consideration of approximately $491.0 million, net of cash and restricted cash acquired, subject to closing purchase price adjustments. Bread provides technology solutions for merchants to provide digital purchase financing options to customers in the form of installment credit as well as credit and debit multi-pay solutions. Bread is included in our Card Services segment.

COVID-19 Update

In the first quarter of 2020, the WHO declared the current coronavirus, or COVID-19, outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19, international, provincial, federal, state and local government or other authorities have imposed varying degrees of restrictions on social and commercial activity in an effort to improve health and safety. In response to the COVID-19 pandemic, first and foremost, we have prioritized the health and safety of our associates. Effective teleworking protocols are in place for approximately 95% of our associates.

COVID-19 restrictions have adversely impacted and continue to adversely impact our associates, our business partners, and our customers, which has negatively impacted our financial performance, as revenue and adjusted EBITDA, net significantly declined from the prior year. In response to the COVID-19 pandemic, the Company offered forbearance programs, which provide for short-term modifications in the form of payment deferrals and late fee waivers to borrowers who were current with their payments prior to any relief. However, in the third and fourth quarter of 2020, we began to experience a gradual recovery in the economy coupled with the holiday season. Credit sales and AIR

MILES reward miles issued and redeemed all increased sequentially in the third and fourth quarter of 2020. Further, credit metrics remained resilient, reflecting strong payment trends across our consumer borrower base, which may have benefitted from government economic stimulus programs, and delinquency rates improved in the second half of the year. Nonetheless, we continue to monitor the evolving situation and guidance from international, provincial, federal, state and local government and public health authorities. Despite the emergence of vaccines, surges in COVID-19 cases, including variants of the strain, such as those recently experienced in Europe and the United States, may cause people to self-quarantine or governments to shut down nonessential businesses again. Given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our future results of operations or cash flows at this time.

Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 to 2019	2019 to 2018
	(in millions, except percentages)				
Revenues					
Services	$ 116.9	$ 215.5	$ 295.4	(46)%	(27)%
Redemption, net	473.1	637.3	676.3	(26)	(6)
Finance charges, net	3,931.4	4,728.5	4,694.9	(17)	1
Total revenue	4,521.4	5,581.3	5,666.6	(19)	(2)
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	2,077.3	2,687.8	2,537.2	(23)	6
Provision for loan loss	1,266.2	1,187.5	1,016.0	7	17
General and administrative	105.7	150.6	162.5	(30)	(7)
Depreciation and other amortization	98.5	79.9	80.7	23	(1)
Amortization of purchased intangibles	85.3	96.2	112.9	(11)	(15)
Loss on extinguishment of debt	—	71.9	—	(100)	100
Total operating expenses	3,633.0	4,273.9	3,909.3	(15)	9
Operating income	888.4	1,307.4	1,757.3	(32)	(26)
Interest expense					
Securitization funding costs	165.9	213.4	220.2	(22)	(3)
Interest expense on deposits	219.5	225.6	165.7	(3)	36
Interest expense on long-term and other debt, net	108.5	130.0	156.4	(16)	(17)
Total interest expense, net	493.9	569.0	542.3	(13)	5
Income from continuing operations before income taxes	394.5	738.4	1,215.0	(47)	(39)
Provision for income taxes	99.5	165.8	269.5	(40)	(38)
Income from continuing operations	295.0	572.6	945.5	(48)	(39)
(Loss) income from discontinued operations, net of taxes	(81.3)	(294.6)	17.6	(72)	nm *
Net income	$ 213.7	$ 278.0	$ 963.1	(23)%	(71)%
Key Operating Metrics:					
Credit card statements generated	235.0	281.1	300.7	(16)%	(7)%
Credit sales	$ 24,707.3	$ 30,986.9	$ 30,702.3	(20)%	1 %
Average credit card and loan receivables	$ 16,367.3	$ 17,298.2	$ 17,412.1	(5)%	(1)%
Normalized average credit card and loan receivables	$ 16,468.0	$ 18,941.5	$ 18,728.8	(13)%	1 %
AIR MILES reward miles issued	4,963.8	5,511.1	5,500.0	(10)%	— %
AIR MILES reward miles redeemed	3,127.8	4,415.7	4,482.0	(29)%	(1)%

* not meaningful

Year ended December 31, 2020 compared to the year ended December 31, 2019

Revenue. Total revenue decreased $1,059.9 million, or 19%, to $4,521.4 million for the year ended December 31, 2020 from $5,581.3 million for the year ended December 31, 2019. The net decrease was due to the following:

- *Services*. Revenue decreased $98.6 million, or 46%, to $116.9 million for the year ended December 31, 2020 primarily due to the sale of Precima in January 2020, which resulted in a $79.3 million decrease in revenue as compared to the prior year. Service revenue also declined by $43.4 million due to lower volumes. These decreases were offset in part by a $32.6 million increase in merchant fee revenue due to decreased royalty payments to our retailers.

- *Redemption*. Revenue decreased $164.2 million, or 26%, to $473.1 million for the year ended December 31, 2020 as redemption revenue from our short-term loyalty programs decreased $158.1 million due to a decline in programs in markets across most regions due to the impact of COVID-19. In response to COVID-19, certain of our customers have delayed their short-term loyalty programs.

- *Finance charges, net*. Revenue decreased $797.1 million, or 17%, to $3,931.4 million for the year ended December 31, 2020. The decline was due to a 13% decrease in normalized average receivables that decreased revenue by $617.5 million, and an approximate 110 basis point decrease in finance charge yield, which decreased revenue by $179.6 million. The decrease in normalized average receivables was due to a 20% decline in credit sales compared to the prior year due to COVID-19 and sales of credit card portfolios. The decrease in finance charge yield was due primarily to forbearance programs offered, including waivers of late fees, in response to COVID-19, as well as the lowering of market interest rates.

Cost of operations. Cost of operations decreased $610.5 million, or 23%, to $2,077.3 million for the year ended December 31, 2020 as compared to $2,687.8 million for the year ended December 31, 2019. The net decrease was due to the following:

- Within the LoyaltyOne segment, cost of operations decreased $270.8 million, including a $149.9 million decrease in cost of redemptions due to the decline in redemption revenue discussed above and restructuring and other charges incurred in the prior year. Additionally, the sale of Precima in January 2020 resulted in a $78.4 million decrease in cost of operations excluding the gain on sale, and cost of operations decreased due to cost saving initiatives executed in 2019 and 2020, with a reduction of expenses across several categories.
- Within the Card Services segment, cost of operations decreased $339.6 million, including a $182.2 million decrease in valuation adjustments to certain portfolios within credit card receivables held for sale, a $92.1 million decrease in payroll and benefits costs due to cost saving initiatives executed in the fourth quarter of 2019 and in 2020, a $61.3 million decrease in marketing expense due to the decline in volumes, and a $81.7 million decline in various other credit card costs due to reductions in volume, including a reduction in fraud losses, and cost saving initiatives. These decreases were offset in part by a $23.5 million decrease in gains recognized on sales of credit card portfolios as compared to the prior year and $63.7 million in asset impairment charges recorded in 2020, related to certain deferred contract costs, fixed assets and right of use assets.

Provision for loan loss. Provision for loan loss increased $78.7 million, or 7%, to $1,266.2 million for the year ended December 31, 2020 as compared to $1,187.5 million for the year ended December 31, 2019, due to a higher allowance for loan loss related to estimated lifetime losses under the CECL model, including the projected impacts of COVID-19. This was offset in part by the decline in credit card and loan receivables of $2.7 billion.

General and administrative. General and administrative expenses decreased $44.9 million, or 30%, to $105.7 million for the year ended December 31, 2020 as compared to $150.6 million for the year ended December 31, 2019, due to cost saving initiatives implemented in 2019 and 2020, which among other items included reduced headcount, office space, charitable contributions and overall corporate overhead costs. In addition, the prior year was impacted by $37.9 million in restructuring charges incurred related to our Corporate reorganization.

Depreciation and other amortization. Depreciation and other amortization increased $18.6 million, or 23%, to $98.5 million for the year ended December 31, 2020, as compared to $79.9 million for the year ended December 31, 2019, due to $24.7 million in accelerated depreciation expense of fixed assets associated with certain real estate properties that have ceased use but intend to sublease. See Note 13, “Property and Equipment,” of the Notes to Consolidated Financial Statements for more information. This increase was offset in part by certain fully amortized capitalized software.

Amortization of purchased intangibles. Amortization of purchased intangibles decreased $10.9 million, or 11%, to $85.3 million for the year ended December 31, 2020, as compared to $96.2 million for the year ended December 31, 2019, primarily due to certain fully amortized intangible assets, including portfolio premiums.

Loss on extinguishment of debt. For the year ended December 31, 2019, we recorded a $71.9 million loss on extinguishment of debt resulting from the $49.9 million redemption price of the senior notes and the write-off of $22.0 million of deferred issuance costs related to the July 2019 early extinguishment of $1.9 billion of outstanding senior notes and an amendment to the credit agreement that was effective upon the consummation of the sale of Epsilon.

Interest expense, net. Total interest expense, net decreased $75.1 million, or 13%, to $493.9 million for the year ended December 31, 2020 as compared to $569.0 million for the year ended December 31, 2019. The net decrease was due to the following:

- *Securitization funding costs*. Securitization funding costs decreased $47.5 million due to lower average borrowings, which decreased funding costs by approximately $55.9 million, offset in part by higher average interest rates, due to the timing of asset-backed debt maturities, which increased funding costs by approximately $8.4 million.

- *Interest expense on deposits*. Interest expense on deposits decreased $6.1 million due to lower average balances outstanding, which decreased funding costs by approximately $19.4 million, offset in part by higher average interest rates, due to the maturity of lower rate deposits, which increased funding costs by approximately $13.3 million.

- *Interest expense on long-term and other debt, net*. Interest expense on long-term and other debt, net decreased $21.5 million primarily due to a $72.4 million decrease in interest expense on term debt due to lower average borrowings, as well as a result of an amendment to the credit agreement, which included a $493.8 million repayment in September 2020. This decrease was offset in part by a $48.8 million increase in interest expense due to the issuance of senior notes in December 2019 and September 2020.

Taxes. Provision for income taxes decreased $66.3 million, or 40%, to $99.5 million for the year ended December 31, 2020 from $165.8 million for the year ended December 31, 2019, primarily related to a $343.9 million reduction in earnings before taxes in the current year. The effective tax rate for the current year was 25.2% as compared to 22.5% for the prior year. The lower effective tax rate in the prior year included a decrease in tax reserves resulting from a change in accounting method for tax purposes. See Note 22, "Income Taxes," of the Notes to Consolidated Financial Statements for more information.

Loss from discontinued operations, net of taxes. Loss from discontinued operations, net of taxes was $81.3 million for the year ended December 31, 2020 due to resolution of a loss contingency as described in Note 18, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements. Loss from discontinued operations, net of taxes was $294.6 million for the year ended December 31, 2019, due to the after-tax loss on the sale of Epsilon completed July 1, 2019 and a $32.9 million initial estimate for the loss contingency referenced above.

Year ended December 31, 2019 compared to the year ended December 31, 2018

Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Form 10-K for a discussion of our 2019 results compared to 2018, which discussion is incorporated by reference herein.

Segment Revenue and Adjusted EBITDA, net

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 to 2019	2019 to 2018
	(in millions, except percentages)				
Revenue:					
LoyaltyOne	$ 764.8	$ 1,033.1	$ 1,068.4	(26)%	(3)%
Card Services	3,756.5	4,547.8	4,597.6	(17)	(1)
Corporate/Other	0.1	0.4	0.6	nm*	nm*
Total	$ 4,521.4	$ 5,581.3	$ 5,666.6	(19)%	(2)%
Adjusted EBITDA, net:					
LoyaltyOne	$ 186.2	$ 244.5	$ 254.2	(24)%	(4)%
Card Services	667.0	1,119.7	1,496.0	(40)	(25)
Corporate/Other	(81.7)	(92.9)	(140.8)	(12)	(34)
Total	$ 771.5	$ 1,271.3	$ 1,609.4	(39)%	(21)%

* not meaningful

Year ended December 31, 2020 compared to the year ended December 31, 2019

Revenue. Total revenue decreased $1,059.9 million, or 19%, to $4,521.4 million for the year ended December 31, 2020 from $5,581.3 million for the year ended December 31, 2019. The decrease was due to the following:

- *LoyaltyOne*. Revenue decreased $268.3 million, or 26%, to $764.8 million for the year ended December 31, 2020 as revenue from our short-term loyalty programs decreased $161.4 million due to a decline in programs in markets across most regions due to the impact of COVID-19. Additionally, the sale of Precima in January 2020 resulted in a $79.3 million decrease in revenue. Redemption revenue and servicing revenue in our coalition loyalty program were negatively impacted by a 10% decline in AIR MILES reward miles issued and a 29% decline in AIR MILES reward miles redeemed.

- *Card Services*. Revenue decreased $791.3 million, or 17%, to $3,756.5 million for the year ended December 31, 2020, driven by a $797.1 million decrease in finance charges, net due to a decline in credit card and loan receivables due to lower sales volumes resulting from COVID-19 and portfolios sold in 2019 and 2020, and a decrease in yield due to forbearance programs offered in response to COVID-19 and interest rate cuts.

Adjusted EBITDA, net. Adjusted EBITDA, net decreased $499.8 million, or 39%, to $771.5 million for the year ended December 31, 2020 from $1,271.3 million for the year ended December 31, 2019. The net decrease was due to the following:

- *LoyaltyOne*. Adjusted EBITDA, net decreased $58.3 million, or 24%, to $186.2 million for the year ended December 31, 2020, due to lost margin on the revenue declines discussed above, offset in part by improved expense management, including cost saving initiatives executed in 2019. For the year ended December 31, 2020, the $8.0 million gain on the sale of Precima, net of transaction costs was excluded from adjusted EBITDA, net. For the year ended December 31, 2019, restructuring and other charges of $50.8 million were excluded from adjusted EBITDA, net.

- *Card Services*. Adjusted EBITDA, net decreased $452.7 million, or 40%, to $667.0 million for the year ended December 31, 2020 primarily due to the decrease in revenue as discussed above and a $78.7 million increase in provision for loan loss due to the impact of COVID-19, as well as the implementation of the CECL model, offset in part by a $2.7 billion decline in credit card and loan receivables. These decreases were offset in part by a $182.2 million decrease in valuation adjustments to certain portfolios within credit card receivables held for sale and reductions in cost of operations due to cost saving initiatives executed in the fourth quarter of 2019 and in 2020. For the year ended December 31, 2020, asset impairments of $63.7 million were excluded from adjusted EBITDA, net. For the year ended December 31, 2019, restructuring and other charges of $29.4 million were excluded from adjusted EBITDA, net.

- *Corporate/Other*. Adjusted EBITDA, net improved $11.2 million to a loss of $81.7 million for the year ended December 31, 2020 due to cost saving initiatives implemented in 2019 and 2020, which among other items included reduced headcount, office space, charitable contributions and overall corporate overhead costs. For the year ended December 31, 2020, strategic transaction costs of $15.2 million were excluded from adjusted EBITDA, net. For the year ended December 31, 2019, loss on extinguishment of debt of $71.9 million, restructuring and other charges of $37.9 million and strategic transaction costs of $10.7 million were excluded from adjusted EBITDA, net.

Year ended December 31, 2019 compared to the year ended December 31, 2018

Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2019 Form 10-K for a discussion of our 2019 segment results compared to 2018, which discussion is incorporated by reference herein.

Asset Quality

Our delinquency and net charge-off rates reflect, among other factors, the credit risk of our credit card and loan receivables, the success of our collection and recovery efforts, and general economic conditions.

Delinquencies. An account is contractually delinquent if we do not receive the minimum payment 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 other fees are paid or charged-off, typically at 180 days delinquent for credit card receivables and 120 days delinquent for installment loan receivables. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If we are unable to make a collection after exhausting all in-house collection efforts, we may engage collection agencies and outside attorneys to continue those efforts.

The following table presents the delinquency trends of our credit card and loan receivables portfolio based on the principal balances of our credit card and loan receivables:

	December 31, 2020	% of Total	December 31, 2019	% of Total
	(in millions, except percentages)			
Receivables outstanding — principal	$ 15,963.3	100.0 %	$ 18,413.1	100.0 %
Principal receivables balances contractually delinquent:				
31 to 60 days	$ 229.9	1.4 %	$ 337.4	1.8 %
61 to 90 days	162.8	1.0	233.6	1.3
91 or more days	315.2	2.0	496.5	2.7
Total	$ 707.9	4.4 %	$ 1,067.5	5.8 %

In response to the COVID-19 pandemic, we have offered forbearance programs, which provide for short-term modifications in the form of payment deferrals and late fee waivers to borrowers who were current as of their most recent billing cycle prior to the announcement of the forbearance programs. Those accounts receiving forbearance relief may not advance to the next delinquency cycle, including eventually to charge-off, in the same timeframe that would have occurred had the forbearance relief not been granted.

Net Charge-Offs. Our net charge-offs include the principal amount of losses that are deemed uncollectible, less recoveries and exclude charged-off interest, fees and fraud losses. Charged-off interest and fees reduce finance charges, net while fraud losses are recorded as an expense. Credit card receivables, including unpaid interest and fees, are charged-off in the month during which an account becomes 180 days contractually past due, except in the case of customer bankruptcies or death. Installment loan receivables, including unpaid interest, are charged-off when a loan is 120 days past due. Credit card receivables, including unpaid interest and fees, associated with customer bankruptcies or death are charged-off in each month subsequent to 60 days after the receipt of notification of the bankruptcy or death, but in any case, not later than the 180-day contractual time frame.

The net charge-off rate is calculated by dividing net charge-offs of principal receivables for the period by the average credit card and loan receivables for the period. Average credit card and loan receivables represent the average balance of the cardholder receivables at the beginning of each month in the periods indicated. The following table presents our net charge-offs for the periods indicated:

	Years Ended December 31,		
	2020	2019	2018
	(in millions, except percentages)		
Average credit card and loan receivables	$ 16,367.3	$ 17,298.2	$ 17,412.1
Net charge-offs of principal receivables	1,083.3	1,054.7	1,067.2
Net charge-offs as a percentage of average credit card and loan receivables	6.6 %	6.1 %	6.1 %

Liquidity and Capital Resources

Our primary sources of liquidity include cash generated from operating activities, our credit agreements and issuances of debt or equity securities, our securitization programs and deposits issued by Comenity Bank and Comenity Capital Bank. In addition to our efforts to renew and expand our current liquidity sources, we continue to seek new funding sources.

Our primary uses of cash are for ongoing business operations, repayments of our debt, capital expenditures, investments or acquisitions, any stock repurchases and dividends.

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

We believe that internally generated funds and other sources of liquidity discussed below will be sufficient to meet working capital needs, capital expenditures, and other business requirements for at least the next 12 months. However, continued volatility in the financial and capital markets due to COVID-19 may limit our access to or increase our cost of capital or make capital unavailable on terms acceptable to us or at all.

Cash Flow Activity

Operating Activities. We generated cash flow from operating activities of $1,882.7 million and $1,217.7 million for the years ended December 31, 2020 and 2019, respectively. The year-over-year increase in operating cash flows of $665.0 million was due to an increase in working capital and the impact of the sale of Epsilon.

Investing Activities. Cash provided by investing activities was $1,774.3 million and $2,860.8 million for the year ended December 31, 2020 and 2019, respectively. Significant components of investing activities are as follows:

- *Credit card and loan receivables.* Cash increased $1,783.5 million for the year ended December 31, 2020 due to a decrease in credit card and loan receivables in 2020 resulting from lower sales volumes due to COVID-19, as strong payment rates were maintained. Cash decreased $2,586.8 million for the year ended December 31, 2019 due to growth in credit card and loan receivables.
- *Proceeds from sale of businesses.* During the year ended December 31, 2020, we received cash consideration of $26.7 million from the sale of Precima. During the year ended December 31, 2019, we received cash consideration of $4,409.7 million from the sale of Epsilon.
- *Payments for acquired businesses.* During the year ended December 31, 2020, we paid cash consideration of $266.8 million for the acquisition of Bread on December 3, 2020. During the year ended December 31, 2019, we paid cash consideration of $6.7 million for the acquisition of Blispay on February 7, 2019.
- *Purchase of credit card portfolios.* During the year ended December 31, 2019, we paid cash consideration of $924.8 million to acquire four credit card portfolios. No credit card portfolios were acquired in 2020.
- *Proceeds from sale of credit card portfolios.* During the year ended December 31, 2020, we received cash consideration of $289.5 million from the sale of a credit card portfolio. During the year ended December 31, 2019, we received cash consideration of $2,061.8 million from the sale of thirteen credit card portfolios.
- *Capital expenditures.* Cash paid for capital expenditures was $54.0 million and $142.3 million for the years ended December 31, 2020 and 2019, respectively. Capital expenditures for the year ended December 31, 2019 included $55.8 million related to our divested Epsilon segment, which was presented as a discontinued operation in the prior year. We anticipate capital expenditures to continue to be less than 3% of annual revenue.

Financing Activities. Cash used in financing activities was $4,166.5 million and $4,091.7 million for the years ended December 31, 2020 and 2019, respectively. Significant components of financing activities are as follows:

- *Debt.* Cash decreased $44.5 million for the year ended December 31, 2020 due to repayments of our term loans. In September 2020, we issued $500.0 million in senior notes and used the net proceeds of $493.8 million to make a prepayment of our term debt under our amended credit agreement. Cash decreased $2,870.5 million as a result of net repayments for the year ended December 31, 2019, primarily due to the July 2019 early extinguishment of $1.9 billion outstanding senior notes upon consummation of the sale of Epsilon and the mandatory payment of $500.0 million on our revolving credit facility. In December 2019, we issued $850.0 million in senior notes, of which the net proceeds of $833.0 million were used to make a prepayment of our term debt under the credit agreement.

- *Non-recourse borrowings of consolidated securitization entities.* Cash decreased $1,676.5 million and $367.2 million for the years ended December 31, 2020 and 2019, respectively, due to net repayments and maturities under the asset-backed term notes and conduit facilities as well as declines in credit card and loan receivables for the year ended December 31, 2020.
- *Deposits.* During the year ended December 31, 2020, cash decreased $2,370.0 million due to net maturities of deposits. During the year ended December 31, 2019, cash increased $355.6 million due to net issuances of deposits. The volume of deposits as of December 31, 2020 and 2019 was impacted by changes in credit card and loan receivables in the respective years.
- *Dividends.* Cash paid for quarterly dividends and dividend equivalents was $60.6 million and $127.4 million for the years ended December 31, 2020 and 2019, respectively. In the second quarter of 2020, the quarterly dividend was reduced from $0.63 to $0.21 per common share.
- *Treasury shares.* Cash paid for treasury shares was $976.1 million for the year ended December 31, 2019. We did not repurchase any shares of our outstanding common stock for the year ended December 31, 2020.

Debt

Credit Agreement

In September 2020, we amended our credit agreement to (a) increase the maximum total leverage ratio, (b) decrease the minimum interest coverage ratio, and (c) increase the maximum permitted average delinquency ratios, for the periods ending March 31, 2021 through June 30, 2022, and to make certain other amendments. The amendment also required us to prepay the term loans upon consummation of the offering of the Senior Notes due 2026 with a prepayment in an amount equal to the net proceeds from the offering, which obligation was satisfied in full with a prepayment of $493.8 million. The prepayment was first applied to the scheduled quarterly installments payable in September 2020 and December 2020, and second, to the bullet payment of the term loans due at maturity. See Note 17, “Debt,” of the Notes to Consolidated Financial Statements for additional information.

At December 31, 2020, we had $1,484.3 million in term loans outstanding and a $750.0 million revolving line of credit. As of December 31, 2020, we had no amounts outstanding under our revolving line of credit and total availability of $750.0 million. Our total leverage ratio, as defined in our credit agreement, was under 2.5 to 1 at December 31, 2020, as compared to the maximum covenant ratio of 3.5 to 1.

As of December 31, 2020, we were in compliance with our debt covenants.

BrandLoyalty Credit Agreement

In April 2020, BrandLoyalty terminated its existing facility and entered into a new credit agreement that provides for a committed revolving line of credit of €30.0 million ($36.6 million as of December 31, 2020), an uncommitted revolving line of credit of €30.0 million ($36.6 million as of December 31, 2020), and an accordion feature permitting BrandLoyalty to request an increase in either the committed or uncommitted line of credit up to €80.0 million ($97.7 million as of December 31, 2020) in aggregate. The revolving lines of credit mature in April 2023, subject to BrandLoyalty’s request to extend for two additional one-year terms at the absolute discretion of the lenders at the time of such requests. As of December 31, 2020, there were no amounts outstanding under these revolving lines of credit.

Senior Notes

In September 2020, we issued and sold $500.0 million aggregate principal amount of 7.000% senior notes due January 15, 2026. The Senior Notes due 2026 accrue interest on the principal amount at the rate of 7.000% per annum from September 22, 2020, payable semi-annually in arrears, on March 15 and September 15 of each year, beginning on

March 15, 2021. The Senior Notes due 2026 will mature on January 15, 2026, subject to earlier repurchase or redemption.

See Note 17, “Debt,” of the Notes to Consolidated Financial Statements for additional information regarding our debt.

Funding Sources

Deposits

We utilize money market deposits and certificates of deposit to finance the operating activities, including funding for our non-securitized credit card and loan receivables, and fund securitization enhancement requirements of our bank subsidiaries, Comenity Bank and Comenity Capital Bank. In April 2019, Comenity Capital Bank launched a consumer retail deposit platform, Comenity Direct™, to the public; retail deposits comprised approximately $1.7 billion of our $9.8 billion deposits outstanding at December 31, 2020.

Comenity Bank and Comenity Capital Bank offer non-maturity deposit programs through contractual arrangements with various financial counterparties. As of December 31, 2020, Comenity Bank and Comenity Capital Bank had $3.8 billion in money market deposits outstanding with interest rates ranging from 0.38% to 3.50%. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date.

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of at least $100,000 and $1,000, respectively, in various maturities ranging between January 2021 and December 2025 and with effective annual interest rates ranging from 0.15% to 3.75%. As of December 31, 2020, we had $6.0 billion of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Securitization Programs

We sell a majority of the credit card receivables originated by Comenity Bank and Comenity Capital Bank to certain master trusts. These securitization programs are a principal vehicle through which we finance Comenity Bank’s and Comenity Capital Bank’s credit card receivables. Historically, we have used both public and private term asset-backed securitization transactions as well as private conduit facilities as sources of funding for our securitized credit card receivables. Private conduit facilities have been used to accommodate seasonality needs and to bridge to completion of asset-backed securitization transactions.

During the year ended December 31, 2020, $1.7 billion of asset-backed term notes matured and were repaid, of which $228.2 million were retained by us and eliminated from the consolidated balance sheets.

We have access to committed undrawn capacity through three conduit facilities to support the funding of our credit card and loan receivables through the trusts. During the year ended December 31, 2020, we reduced the commitments under our conduit facilities by $1.5 billion and extended the respective maturities to April 2022 and October 2022. As of December 31, 2020, total capacity under the conduit facilities was $3.2 billion, of which $2.2 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets.

With the acquisition of Bread in December 2020, we assumed two warehouse facilities used to fund their securitized loan receivables. In December 2020, one of the warehouse facilities was terminated and we repaid $28.5 million owed under the agreement. The second warehouse facility was amended to a secured loan facility with an outstanding balance of $86.3 million at December 31, 2020. The secured loan facility accrues interest on the principal amount at the rate of LIBOR plus an applicable margin. The principal amount is due upon maturity in November 2022, with prepayment permitted.

As of December 31, 2020, we had approximately $11.2 billion of securitized credit card and loan receivables. Securitizations require credit enhancements in the form of cash, spread deposits, additional receivables 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 and loan receivables in the trusts.

The following table shows the maturities of borrowing commitments as of December 31, 2020 for the trusts by year:

	2021	2022	2023	2024	Thereafter	Total
			(in millions)			
Fixed rate asset-backed term note securities	$ 1,852.1	$ 1,571.7	$ —	$ —	$ —	$ 3,423.8
Conduit facilities (1)	—	3,200.0	—	—	—	3,200.0
Secured loan facility	—	86.3	—	—	—	86.3
Total (2)	$ 1,852.1	$ 4,858.0	$ —	$ —	$ —	$ 6,710.1

(1) Amount represents borrowing capacity, not outstanding borrowings.

(2) Total amounts do not include $1.1 billion of debt issued by the trusts, which was retained by us and has been eliminated in the consolidated financial statements.

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, the trustee of the particular trust would retain the interest in the receivables along with the excess interest income 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 and loan receivables.

We have secured and continue to secure the necessary commitments to fund our credit card and loan receivables. However, certain of these commitments are short-term in nature and subject to renewal. There is not a 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.

See Note 17, “Debt,” of the Notes to Consolidated Financial Statements for additional information regarding our securitized debt.

Stock Repurchase Programs

We had an authorized stock repurchase program to acquire up to $1.1 billion of our outstanding common stock from July 5, 2019 through June 30, 2020. At December 31, 2019, we had $347.8 million remaining under the stock repurchase program. The stock repurchase program expired on June 30, 2020, and $347.8 million of this program expired unused. During 2020, the Company did not repurchase any shares of its outstanding common stock under its authorized stock repurchase program.

Dividends

For the year ended December 31, 2020, we paid quarterly cash dividends of $0.63 per share for the three months ended March 31, 2020 and $0.21 per share for each of the three months ended June 30, 2020, September 30, 2020 and December 31, 2020 of $60.1 million and $0.5 million in cash related to dividend equivalent rights, for a total of $60.6 million.

For the year ended December 31, 2019, we paid quarterly cash dividends of $0.63 per share of $126.3 million and $1.1 million in cash related to dividend equivalent rights, for a total of $127.4 million.

On January 28, 2021, our board of directors declared a quarterly cash dividend of $0.21 per share on our common stock, payable on March 18, 2021 to stockholders of record at the close of business on February 12, 2021.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that may require future cash payments. Our future cash payments associated with our contractual obligations and commitments to make future payments by type and period as of December 31, 2020 are summarized below:

	2021	2022	2023	2024	2025	Thereafter	Total
				(in millions)			
Deposits [1]	$ 6,672.6	$ 1,786.2	$ 987.3	$ 533.6	$ 13.3	$ —	$ 9,993.0
Non-recourse borrowings of consolidated securitization entities [1]	1,958.1	3,897.3	—	—	—	—	5,855.4
Long-term and other debt [1]	206.5	1,486.0	75.4	923.7	35.0	501.5	3,228.1
Operating leases	38.8	41.2	38.3	36.0	35.2	209.6	399.1
Software licenses	10.9	8.1	6.0	3.8	0.3	—	29.1
ASC 740 obligations [2]	—	—	—	—	—	—	—
Purchase obligations [3]	361.9	160.7	169.5	71.1	65.5	310.8	1,139.5
Total	$ 9,248.8	$ 7,379.5	$ 1,276.5	$ 1,568.2	$ 149.3	$ 1,021.9	$ 20,644.2

(1) The deposits, non-recourse borrowings of consolidated securitization entities and long-term and other debt represent our estimated debt service obligations, including both principal and interest. Interest was based on the interest rates in effect as of December 31, 2020, applied to the contractual repayment period.

(2) ASC 740 obligations do not reflect unrecognized tax benefits of $314.2 million, of which the timing remains uncertain.

(3) Purchase obligations are defined as an agreement to purchase goods or services that is enforceable and legally binding and specifying all significant terms, including the following: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. Purchase obligations include sponsor commitments under our AIR MILES Reward Program, minimum payments under support and maintenance contracts and agreements to purchase other goods and services.

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

Inflation and Seasonality

Although we cannot precisely determine the impact of inflation on our operations, we do not believe that we have been significantly affected by inflation. For the most part, we have relied on operating efficiencies from scale, technology and expansion in lower cost jurisdictions in select circumstances, as well as decreases in technology and communication costs, to offset increased costs of employee compensation and other operating expenses. 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 loan receivable balances are paid down.

Legislative and Regulatory Matters

Comenity Bank is subject to various regulatory capital requirements administered by the State of Delaware and the FDIC. Comenity Capital Bank is subject to regulatory capital requirements administered by both the FDIC and the State of Utah. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both Comenity Bank and Comenity Capital Bank must meet specific capital guidelines that involve quantitative measures of its 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. Both Comenity Bank and Comenity Capital Bank are limited in the amounts that they can pay as dividends to ADSC.

On September 10, 2019, Comenity Capital Bank submitted a bank merger application to the FDIC seeking the FDIC's approval to merge Comenity Bank with and into Comenity Capital Bank as the surviving bank entity. On the same date, Comenity Capital Bank and Comenity Bank each submitted counterpart bank merger applications to the Utah Department of Financial Institutions and the Delaware Office of the State Bank Commissioner, respectively, in connection with the proposed merger. The merger application remains subject to regulatory review and approval and no guarantee can be provided as to the outcome or timing of such review.

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets. Comenity Bank and Comenity Capital Bank are considered well capitalized. The actual capital ratios and minimum ratios as of December 31, 2020 are as follows:

	Actual Ratio	Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio to be Well Capitalized under Prompt Corrective Action Provisions
Comenity Bank			
Tier 1 capital to average assets	19.0 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	20.7	4.5	6.5
Tier 1 capital to risk-weighted assets	20.7	6.0	8.0
Total capital to risk-weighted assets	22.0	8.0	10.0
Comenity Capital Bank			
Tier 1 capital to average assets	14.8 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	15.6	4.5	6.5
Tier 1 capital to risk-weighted assets	15.6	6.0	8.0
Total capital to risk-weighted assets	16.9	8.0	10.0

Comenity Bank and Comenity Capital Bank have adopted the option provided by the interim final rule issued by joint federal bank regulatory agencies, which largely delays the effects of CECL on its regulatory capital for two years, after which the effects will be phased-in over a three-year period from January 1, 2022 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 at 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.

Regulation RR adopted by the FDIC, the SEC, the Federal Reserve 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.

Discussion of Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting policies that are described in the Notes to Consolidated Financial Statements. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our judgments and estimates in determination of our financial condition and operating results. Estimates are based on information available as of the date of the financial statements and, accordingly, actual results could differ from these estimates, sometimes materially. Critical accounting estimates are defined as those that are both most important to the portrayal of our financial condition and operating results and require management's most subjective judgments. The primary critical accounting estimates are described below.

Allowance for Loan Loss.

Effective January 1, 2020, we adopted ASC 326 on a modified retrospective approach and applied a CECL model to determine our allowance for loan loss. The allowance for loan loss is an estimate of expected credit losses, measured over the estimated life of our credit card and loan receivables that considers forecasts of future economic conditions in addition to information about past events and current conditions. The estimate under the CECL model is significantly influenced by the composition, characteristics and quality of our portfolio of credit card and loan receivables, as well as the prevailing economic conditions and forecasts utilized. The estimate of the allowance for loan loss includes an estimate for uncollectible principal as well as unpaid interest and fees. Charge-offs of principal amounts, net of recoveries are deducted from the allowance. The allowance is maintained through an adjustment to the provision for loan loss and is evaluated for appropriateness. Prior to January 1, 2020, our allowance for loan loss was determined utilizing an incurred loss model under ASC 450, “Contingencies.”

In estimating our allowance for loan loss, for each identified group, we utilize various models and estimation techniques based on historical loss experience, current conditions, reasonable and supportable forecasts and other relevant factors. These models utilize historical data and applicable macroeconomic variables with statistical analysis and behavioral relationships with credit performance. Our quantitative estimate of expected credit losses under CECL is impacted by certain forecasted economic factors. We consider the forecast used to be reasonable and supportable over the estimated life of the credit card and loan receivables, 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 economic conditions that may not be captured in the quantitatively derived results, or other relevant factors to ensure the allowance for loan loss reflects our best estimate of current expected credit losses.

If we used different assumptions in estimating current expected credit losses, the impact to the allowance for loan loss could have a material effect on our consolidated financial condition and results of operations. For example, a 100 basis point increase in the allowance as a percentage of the amortized cost of our credit card and loan receivables could have resulted in a change of approximately $164.9 million in the allowance for loan loss at December 31, 2020, with a corresponding change in the provision for loan loss.

Revenue Recognition.

We recognize revenue when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In that determination, under ASC 606, we follow a five-step model that includes: (1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied.

We enter into contracts with customers that may include multiple performance obligations. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. If the standalone selling price is not directly observable, we estimate the standalone selling price based on either the adjusted market assessment or cost plus a margin approach.

Certain of our contracts may provide for variable consideration. We estimate these amounts based on either the expected amount or most likely amount to be provided to the customer to determine the transaction price for the contract. The estimation method is consistent for contracts with similar terms and is applied consistently throughout each contract. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information that is reasonably available.

AIR MILES Reward Program. The AIR MILES Reward Program collects fees from its sponsors based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of redemption and service revenue is deferred. Under certain of our contracts, a portion of the consideration is paid to us upon the issuance of AIR MILES reward miles and a portion is paid at the time of redemption and therefore, we do not have a redemption obligation related to these contracts.

Total consideration from the issuance of AIR MILES reward miles is allocated to three performance obligations: redemption, service, and brand, based on a relative standalone selling price basis.

The estimated standalone selling price for the redemption and the service performance obligations are based on cost plus a reasonable margin. The estimated standalone selling price of the brand performance obligation is determined using a relief from royalty approach. Accordingly, management determines the estimated standalone selling price by considering multiple inputs and methods, including discounted cash flows and available market data in consideration of applicable margins and royalty rates to utilize. The number of AIR MILES reward miles issued and redeemed are factored into the estimates, as management estimates the standalone selling prices and volumes over the term of the respective agreements in order to determine the allocation of consideration to each performance obligation delivered. The redemption performance obligation incorporates the expected number of AIR MILES reward miles to be redeemed, and therefore, the amount of redemption revenue recognized is subject to management’s estimate of breakage, or those AIR MILES reward miles estimated to be unredeemed by the collector base. Additionally, the estimated life of an AIR MILES reward mile impacts the timing of revenue recognition.

Breakage and the life of an AIR MILES reward mile are based on management’s estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure.

For the years ended December 31, 2018, 2019 and 2020, our estimated breakage rate remained 20%. Our cumulative redemption rate, which represents program to date redemptions divided by program to date issuance, is 69% as of December 31, 2020. We expect the ultimate redemption rate will approximate 80% based on our historical redemption patterns, statistical regression models, and consideration of enacted program changes, as applicable.

For the years ended December 31, 2018, 2019 and 2020, our estimated life of an AIR MILES reward mile remained 38 months. We estimate that a change to the estimated life of an AIR MILES reward mile of one month would impact revenue by approximately $4 million. Any future changes in collector behavior could result in further changes in our estimates of breakage or life of an AIR MILES reward mile.

As of December 31, 2020, we had $1,004.0 million in deferred revenue related to the AIR MILES Reward Program that will be recognized in the future. Further information is provided in Note 3, “Revenue,” of the Notes to Consolidated Financial Statements.

Goodwill.

We test goodwill for impairment annually, or when events and circumstances change that would indicate the carrying value may not be recoverable.

For the 2020 annual impairment test, we performed a quantitative analysis for the Card Services reporting unit and the reporting units within the LoyaltyOne segment, identified as BrandLoyalty and LoyaltyOne excluding BrandLoyalty. The fair value of the reporting units was estimated using a discounted cash flow analysis based on management's estimates of forecasted cash flows, with those cash flows discounted to present value using rates commensurate with the risks associated with those cash flows. The valuation includes assumptions related to revenue growth and profit performance, capital expenditures, the discount rate and other assumptions that are judgmental in nature. Changes in these estimates and assumptions could materially affect the results of our tests for goodwill impairment. We determined there was no impairment of goodwill on these reporting units.

As of December 31, 2020, we had goodwill of approximately $1,369.6 million. The following table presents the percentage by which fair value of the reporting units exceeded carrying value as of the 2020 annual impairment test and goodwill for each respective reporting unit as of December 31, 2020:

Reporting Unit	Approximate Excess Fair Value % as of July 1, 2020	Goodwill as of December 31, 2020
		(in millions)
BrandLoyalty	≤ 10%	$ 542.7
LoyaltyOne excluding BrandLoyalty	> 250%	193.3
Card Services	> 70%	633.6
Total		$ 1,369.6

As with all assumptions, there is an inherent level of uncertainty and actual results, to the extent they differ from those assumptions, could have a material impact on fair value. For example, a reduction in customer demand would impact our assumed growth rate resulting in a reduced fair value, or multiples for similar type reporting units could deteriorate due to changes in technology or a downturn in economic conditions. Potential events or circumstances could have a negative effect on the estimated fair value. The loss of a major customer or program could have a significant impact on the future cash flows of the reporting unit(s).

We do not currently believe there is a reasonable likelihood that there will be a material change in estimates or assumptions used to test goodwill and other intangible assets for impairment. However, due to the COVID-19 pandemic and continuing uncertainty in the macroeconomic environment, future deterioration in the economy could adversely impact our reporting units and result in a goodwill impairment charge that could be material.

Income Taxes.

We account for uncertain tax positions in accordance with Accounting Standards Codification, or ASC, 740, “Income Taxes.” The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of, and guidance surrounding, income tax laws and regulations change over time. Changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 22, “Income Taxes,” of the Notes to Consolidated Financial Statements for additional detail on our uncertain tax positions and further information regarding ASC 740.

Recent Accounting Pronouncements

See “Recently Issued Accounting Standards” under Note 2, “Summary of Significant Accounting Policies,” of the Notes to Consolidated Financial Statements for a discussion of certain accounting standards that we have recently adopted and certain accounting standards that we have not yet been required to adopt and may be applicable to our future financial condition, results of operations or cash flow.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our primary market risks include interest rate risk, credit risk and foreign currency exchange rate risk.

***Interest Rate Risk*.** We have both fixed-rate and variable-rate debt, and are subject to interest rate risk in connection with the issuance of variable-rate debt. Our interest expense, net was $493.9 million for 2020. To manage our risk from market interest rates, we actively monitor interest rates and other interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we may enter into derivative instruments such as interest rate swaps and interest rate caps to mitigate our interest rate risk on related financial instruments or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes.

The approach we use to quantify interest rate risk is a sensitivity analysis, which we believe best reflects the risk inherent in our business. This approach calculates the impact on pre-tax income from an instantaneous and sustained increase or decrease in interest rates of 1%. In 2020, a 1% increase or decrease in interest rates on our variable-rate debt would have resulted in a change to our interest expense of approximately $68.8 million. Our use of this methodology to quantify the market risk of financial instruments should not be construed as an endorsement of its accuracy or the appropriateness of the related assumptions.

***Credit Risk*.** We are exposed to credit risk relating to the credit card, installment or other loans we make to our clients’ customers. Our credit risk relates to the risk that consumers using the private label, co-brand, general purpose or business credit cards or installment or other loans that we issue will not repay their revolving credit card, installment or other loan balances. To minimize our risk of credit card, installment or other loan charge-offs, we have developed automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new accountholders, establishing or adjusting their credit limits and applying our risk-based pricing. We also utilize a proprietary collection scoring algorithm to assess accounts for collections efforts if they become delinquent;

after exhausting all in-house collection efforts, we may engage collection agencies and outside attorneys to continue those efforts.

Foreign Currency Exchange Rate Risk. We are exposed to fluctuations in the exchange rate between the U.S. and the Canadian dollar and between the U.S. dollar and the Euro. For the year ended December 31, 2020, an additional 10% decrease in the strength of the Canadian dollar versus the U.S. dollar and the Euro versus the U.S. dollar would have resulted in an additional decrease in pre-tax income of approximately $12.2 million and $2.4 million, respectively. Conversely, a corresponding increase in the strength of the Canadian dollar or the Euro versus the U.S. dollar would result in a comparable increase to pre-tax income in these periods.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements begin on page F-1 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2020, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal controls over financial reporting are designed 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 in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

In December 2020, we completed the acquisition of Lon Inc., operating under the trademark Bread. Because of the timing of the acquisition, Bread was excluded from our evaluation of and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2020. The total assets of Lon Inc., as of December 31, 2020, represented less than 3% of our total assets, for the respective period, and contributed less than 1% of total revenues, and less than 3% of pre-tax income, on an absolute basis, for the year ended December 31, 2020.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting. In conducting this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on this evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited our consolidated financial statements. Deloitte & Touche's attestation report on the effectiveness of our internal control over financial reporting appears on page F-5.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference to the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2020.

Item 11. Executive Compensation.

Incorporated by reference to the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated by reference to the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Incorporated by reference to the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2020.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference to the Proxy Statement for the 2021 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

a) The following documents are filed as part of this report:

(1) Financial Statements
(2) Financial Statement Schedule
(3) The following exhibits are filed as part of this Annual Report on Form 10-K or, where indicated, were previously filed and are hereby incorporated by reference.

			Incorporated by Reference		
Exhibit No.	**Filer**	**Description**	**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 Designations of Series A Preferred Non-Voting Convertible Preferred Stock of the Registrant	8-K	3.1	4/29/19
3.3	(a)	Fifth Amended and Restated Bylaws of the Registrant.	8-K	3.1	2/1/16
4.1	(a)	Specimen Certificate for shares of Common Stock of the Registrant.	10-Q	4	8/8/03
4.2	(a)	Description of Registrant's Common Stock	10-K	4.2	2/28/20
+10.1	(a)	Alliance Data Systems Corporation Executive Deferred Compensation Plan, amended and restated effective January 1, 2018.	8-K	10.1	11/24/17
+10.2	(a)	Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	DEF 14A	A	4/20/10
+10.3	(a)	Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	DEF 14A	B	4/20/15
+10.4	(a)	Alliance Data Systems Corporation 2020 Omnibus Incentive Plan.	DEF 14A	A	4/23/20
+10.5	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	8-K	10.1	2/20/18
+10.6	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2020 grant EBT).	8-K	10.1	2/20/20
+10.7	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2020 grant rTSR).	8-K	10.2	2/20/20
+10.8	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2020 grant Strategic)	8-K	10.3	2/20/20
+10.9	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2020 Omnibus Incentive Plan.	8-K	10.1	2/18/21
ˆ+10.10	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2020 Omnibus Incentive Plan (2021 grant).	8-K	10.2	2/18/21

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
+10.11	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	10-K	10.52	2/28/13
+10.12	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	10-Q	10.6	8/7/17
+10.13	(a)	Alliance Data Systems Corporation Non-Employee Director Deferred Compensation Plan.	8-K	10.1	6/9/06
+10.14	(a)	Form of Alliance Data Systems Associate Confidentiality Agreement.	10-K	10.18	2/27/17
+10.15	(a)	Form of Alliance Data Systems Corporation Indemnification Agreement for Officers and Directors.	8-K	10.1	6/5/15
+10.16	(a)	Alliance Data Systems Corporation 2015 Employee Stock Purchase Plan, effective July 1, 2015.	DEF 14A	C	4/20/15
+10.17	(a)	LoyaltyOne, Inc. Registered Retirement Savings Plan, as amended.	10-Q	10.1	5/7/10
+10.18	(a)	LoyaltyOne, Inc. Deferred Profit Sharing Plan, as amended.	10-Q	10.2	5/7/10
+10.19	(a)	LoyaltyOne, Inc. Canadian Supplemental Executive Retirement Plan, effective as of January 1, 2009.	10-Q	10.3	5/7/10
+10.20	(a)	Separation Agreement, dated as of June 22, 2020, by and among LoyaltyOne, Co., Alliance Data Systems Corporation and Bryan A. Pearson.	8-K	10.1	6/26/20
10.21	(a)	Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc. (assigned by Air Miles International Holdings N.V. to Air Miles International Trading B.V. by a novation agreement dated as of July 18, 2001 and further assigned to AM Royalties Limited Partnership, a wholly owned subsidiary of Diversified Royalty Corp., in connection with an asset purchase agreement dated August 25, 2017).	S-1	10.43	1/13/00
10.22	(a)	Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, dated July 24, 1998, by and between Air Miles International Trading B.V. and Loyalty Management Group Canada Inc. as assigned by Air Miles International Trading B.V. to AM Royalties Limited Partnership, a wholly owned subsidiary of Diversified Royalty Corp., in connection with an asset purchase agreement dated August 25, 2017.	S-1	10.44	1/13/00
#10.23	(a)	Private Label Credit Card Program Agreement, dated as of June 1, 2018, by and between Victoria's Secret Stores, LLC, Lone Mountain Factoring, LLC, L Brands Direct Marketing, Inc., L Brands Direct Fulfillment, Inc., Far West Factoring, LLC, Puerto Rico Store Operations LLC, and Comenity Bank.	10-K	10.26	2/28/20
10.24	(a)	First Amendment to Private Label Credit Card Program Agreement, dated as of July 1, 2019, by and between Victoria's Secret Stores, LLC, Lone Mountain Factoring, LLC, L Brands Direct Marketing, Inc., L Brands Direct	10-K	10.27	2/28/20

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
		Fulfillment, Inc., Far West Factoring, LLC, Puerto Rico Store Operations LLC, and Comenity Bank.			
#10.25	(a)	Second Amendment to Private Label Credit Card Program Agreement, dated as of October 23, 2020, by and among Victoria's Secret Stores, LLC, VS Service Company, LLC by change of name and organizational form from L Brands Direct Marketing, Inc., and L Brands Direct Fulfillment, LLC by change of organizational form from L Brands Direct Fulfillment, Inc., and VSPR Store Operations, LLC by change of name from Puerto Rico Store Operations, LLC and Comenity Bank.	10-Q	10.4	11/4/20
10.26	(b) (c)	Second Amended and Restated Pooling and Servicing Agreement, dated as of January 17, 1996 as amended and restated as of September 17, 1999 and August 1, 2001, by and among WFN Credit Company, LLC, World Financial Network National Bank, and BNY Midwest Trust Company.	8-K	4.6	8/31/01
10.27	(b) (c) (d)	Second Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 19, 2004, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	8/4/04
10.28	(b) (c) (d)	Third Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2005, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	4/5/05
10.29	(b) (d)	Fourth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 13, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	6/15/07
10.30	(b) (c) (d)	Fifth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	10/31/07
10.31	(b) (d)	Sixth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 27, 2008, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Trust Company, N.A.	8-K	4.1	5/29/08
10.32	(b) (d)	Seventh Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	6/30/10
10.33	(b) (d)	Supplemental Agreement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	8/12/10

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.34	(b) (c) (d)	Eighth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	11/14/11
10.35	(b) (c) (d)	Ninth Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of December 1, 2016, among Comenity Bank, WFN Credit Company, LLC, and MUFG Union Bank, N.A.	8-K	4.1	12/2/16
10.36	(b) (c) (d)	Tenth Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 16, 2018, among Comenity Bank, WFN Credit Company, LLC, and MUFG Union Bank, N.A.	8-K	4.1	8/20/18
10.37	(b) (c) (d)	Eleventh Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of June 11, 2020, among Comenity Bank, WFN Credit Company, LLC, and MUFG Union Bank, N.A.	8-K	4.2	6/16/20
10.38	(b) (c) (d)	Twelfth Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of October 27, 2020, among WFN Credit Company, LLC, as transferor, Comenity Bank, as servicer, and MUFG Union Bank, N.A., as trustee.	8-K	4.1	10/30/20
10.39	(b) (c)	Collateral Series Supplement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 21, 2001, among WFN Credit Company, LLC, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4.7	8/31/01
10.40	(b) (c)	First Amendment to Collateral Series Supplement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4.3	11/20/02
10.41	(b) (c) (d)	Second Amendment to Collateral Series Supplement, dated as of July 6, 2016, among WFN Credit Company, LLC, Comenity Bank and MUFG Union Bank, N.A.	8-K	4.1	7/8/16
10.42	(b) (c)	Transfer and Servicing Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC, World Financial Network National Bank, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/31/01
10.43	(b) (c)	First Amendment to the Transfer and Servicing Agreement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	11/20/02
10.44	(b) (c) (d)	Third Amendment to the Transfer and Servicing Agreement, dated as of May 19, 2004, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	8/4/04
10.45	(b) (c) (d)	Fourth Amendment to the Transfer and Servicing Agreement, dated as of March 30, 2005, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	4/5/05

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.46	(b) (d)	Fifth Amendment to the Transfer and Servicing Agreement, dated as of June 13, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	6/15/07
10.47	(b) (c) (d)	Sixth Amendment to the Transfer and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	10/31/07
10.48	(b) (d)	Seventh Amendment to Transfer and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.4	6/30/10
10.49	(b) (d)	Supplemental Agreement to Transfer and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/12/10
10.50	(b) (c) (d)	Eighth Amendment to Transfer and Servicing Agreement, dated as of June 15, 2011, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.1	6/15/11
10.51	(b) (c) (d)	Ninth Amendment to Transfer and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	11/14/11
10.52	(b) (c) (d)	Tenth Amendment to the Transfer and Servicing Agreement, dated as of July 6, 2016, among Comenity Bank, WFN Credit Company, LLC and World Financial Network Credit Card Master Note Trust.	8-K	4.4	7/8/16
10.53	(b) (c)	Receivables Purchase Agreement, dated as of August 1, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.8	8/31/01
10.54	(b) (d)	First Amendment to Receivables Purchase Agreement, dated as of June 28, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.3	6/30/10
10.55	(b) (d)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.2	8/12/10
10.56	(b) (c) (d)	Second Amendment to Receivables Purchase Agreement, dated as of November 9, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	8-K	4.2	11/14/11
10.57	(b) (c) (d)	Third Amendment to Receivables Purchase Agreement, dated as of July 6, 2016, between Comenity Bank and WFN Credit Company, LLC.	8-K	4.2	7/8/16

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.58	(b) (c) (d)	Fourth Amendment to Receivables Purchase Agreement, dated as of June 11, 2020, between Comenity Bank and WFN Credit Company, LLC.	8-K	4.3	6/16/20
10.59	(b) (c)	Master Indenture, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.1	8/31/01
10.60	(b) (c)	Omnibus Amendment, dated as of March 31, 2003, among WFN Credit Company, LLC, World Financial Network Credit Card Master Trust, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4	4/22/03
10.61	(b) (c)	Supplemental Indenture No. 1, dated as of August 13, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.2	8/28/03
10.62	(b) (d)	Supplemental Indenture No. 2, dated as of June 13, 2007, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.3	6/15/07
10.63	(b) (d)	Supplemental Indenture No. 3, dated as of May 27, 2008, between World Financial Network Credit Card Master Note Trust and The Bank of New York Trust Company, N.A.	8-K	4.2	5/29/08
10.64	(b (d)	Supplemental Indenture No. 4, dated as of June 28, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	6/30/10
10.65	(b) (c) (d)	Supplemental Indenture No. 5, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	2/22/13
10.66	(b) (c) (d)	Supplemental Indenture No. 6 to Master Indenture, dated as of July 6, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.3	7/8/16
10.67	(b) (c) (d)	Supplemental Indenture No. 7 to Master Indenture, dated as of June 11, 2020, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	6/16/20
10.68	(b) (c) (d)	Omnibus Amendment, dated as of July 10, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	7/11/17
10.69	(b) (c) (d)	Omnibus Amendment, dated as of June 11, 2020, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.4	6/16/20
10.70	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among World Financial Network Bank, World Financial Network Credit Card Master Note Trust, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.1	6/26/12

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.71	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among WFN Credit Company, LLC, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.2	6/26/12
10.72	(b) (c) (d)	Series 2016-A Indenture Supplement, dated as of July 27, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	7/28/16
10.73	(b) (c) (d)	Series 2018-A Indenture Supplement, dated as of February 28, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	3/5/18
10.74	(b) (c) (d)	Omnibus Amendment, dated as of May 3, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	5/4/18
10.75	(b) (c) (d)	Series 2018-B Indenture Supplement, dated as of September 27, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	9/28/18
10.76	(b) (c) (d)	First Amendment to Series 2018-B Indenture Supplement, dated as of November 7, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.2	11/8/18
10.77	(b) (c) (d)	Series 2018-C Indenture Supplement, dated as of November 7, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	11/8/18
10.78	(b) (c) (d)	Series 2019-A Indenture Supplement, dated as of February 20, 2019, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	2/21/19
10.79	(b) (c) (d)	Series 2019-B Indenture Supplement, dated as of June 26, 2019, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	6/28/19
10.80	(b) (c) (d)	Series 2019-C Indenture Supplement, dated as of September 18, 2019, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	9/20/19
10.81	(b) (c)	Amended and Restated Trust Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC and Chase Manhattan Bank USA, National Association.	8-K	4.4	8/31/01
10.82	(b) (c)	Administration Agreement, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and World Financial Network National Bank.	8-K	4.5	8/31/01
10.83	(b) (d)	First Amendment to Administration Agreement, dated as of July 31, 2009, between World Financial Network Credit Card Master Note Trust and World Financial Network National Bank.	8-K	4.1	7/31/09

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.84	(b) (c) (d)	Third Amended and Restated Service Agreement, dated as of April 23, 2019, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	4/23/19
10.85	(b) (c) (d)	First Addendum to Appendix A of Third Amended and Restated Service Agreement, dated as of April 28, 2020, by and between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	11/1/19
10.86	(b) (c) (d)	Second Addendum to Appendix A of Third Amended and Restated Service Agreement, dated as of October 16, 2019, between Comenity Servicing LLC and Comenity Bank.	8-K	99.2	11/1/19
10.87	(b) (c) (d)	Amendment to Third Amended and Restated Service Agreement, dated as of February 20, 2020, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	2/25/20
10.88	(b) (c) (d)	First Addendum to Appendix A of Third Amended and Restated Service Agreement, as Amended, dated as of April 28, 2020, by and between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	5/4/20
10.89	(b) (c) (d)	Second Addendum to Appendix A of Third Amended and Restated Service Agreement, as Amended, dated as of August 26, 2020, between Comenity Servicing LLC and Comenity Bank.	10-D	99.2	9/14/20
10.90	(b) (c) (d)	Third Addendum to Appendix A of Third Amended and Restated Service Agreement, as Amended, dated as of January 26, 2021, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	1/29/21
10.91	(b) (c) (d)	Asset Representations Review Agreement, dated as of July 6, 2016, among Comenity Bank, WFN Credit Company, LLC, World Financial Network Credit Card Master Note Trust and FTI Consulting, Inc.	8-K	10.1	7/8/16
10.92	(a)	Receivables Purchase Agreement, dated as of September 28, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	10-Q	10.5	11/7/08
10.93	(a)	First Amendment to Receivables Purchase Agreement, dated as of June 24, 2008, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.94	3/2/09
10.94	(a)	Second Amendment to Receivables Purchase Agreement, dated as of March 30, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.127	2/28/11
10.95	(a)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.128	2/28/11
10.96	(a)	Third Amendment to Receivables Purchase Agreement, dated as of September 30, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	10-Q	10.4	11/7/11

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.97	(a)	World Financial Network Credit Card Master Trust III Amended and Restated Pooling and Servicing Agreement, dated as of September 28, 2001, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.6	11/7/08
10.98	(a)	First Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of April 7, 2004, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.7	11/7/08
10.99	(a)	Second Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of March 23, 2005, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association	10-Q	10.8	11/7/08
10.100	(a)	Third Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank of California, N.A. (successor to JPMorgan Chase Bank, N.A.).	10-Q	10.9	11/7/08
10.101	(a)	Fourth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-Q	10.9	5/7/10
10.102	(a)	Fifth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 30, 2011, among WFN Credit Company, LLC, World Financial Network Bank, and Union Bank, N.A.	10-Q	10.3	11/7/11
10.103	(a)	Sixth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of December 1, 2016, among WFN Credit Company, LLC, Comenity Bank, and Deutsche Bank Trust Company Americas.	10-K	10.94	2/27/17
10.104	(a)	Seventh Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 1, 2017, among WFN Credit Company, LLC, Comenity Bank, and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-K	10.96	2/27/18
*10.105	(a)	Eighth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of November 16, 2020, among WFN Credit Company, LLC, Comenity Bank, and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).			
10.106	(a)	Supplemental Agreement to Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-K	10.134	2/28/11
10.107	(a)	Receivables Purchase Agreement, dated as of September 29, 2008, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.3	11/7/08

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
10.108	(a)	Amendment No. 1 to Receivables Purchase Agreement, dated as of June 4, 2010, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.11	8/9/10
10.109	(a)	Transfer and Servicing Agreement, dated as of September 29, 2008, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.4	11/7/08
10.110	(a)	Amendment No. 1 to Transfer and Servicing Agreement, dated as of June 4, 2010, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.12	8/9/10
10.111	(a)	Master Indenture, dated as of September 29, 2008, between World Financial Capital Master Note Trust and U.S. Bank National Association, together with Supplemental Indenture Nos. 1 - 3.	10-K	10.104	2/27/18
10.112	(a)	Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	10-K	10.129	2/27/15
10.113	(a)	First Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of July 10, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-Q	10.8	8/7/17
10.114	(a)	Second Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of December 1, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-K	10.109	2/27/18
10.115	(a)	Third Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of May 3, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-K	10.110	2/26/19
10.116	(a)	Fourth Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of August 31, 2018, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-K	10.111	2/26/19
10.117	(a)	Fifth Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 1, 2019, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-K	10.112	2/26/19
*10.118	(a)	Sixth Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of June 11, 2020, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.			
*10.119	(a)	Seventh Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of September 10, 2020, between World			

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
		Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.			
10.120	(a)	Third Amended and Restated Series 2009-VFC1 Supplement, dated as of April 28, 2017, among WFN Credit Company, LLC, Comenity Bank and Deutsche Bank Trust Company Americas.	10-Q	10.7	8/7/17
10.121	(a)	First Amendment to Third Amended and Restated Series 2009-VFC1 Supplement, dated as of October 19, 2017, among WFN Credit Company, LLC, Comenity Bank and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-Q	10.4	11/8/17
10.122	(a)	Second Amendment to Third Amended and Restated Series 2009-VFC1 Supplement, dated as of August 31, 2018, among WFN Credit Company, LLC, Comenity Bank and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-K	10.115	2/26/19
*10.123	(a)	Third Amendment to Third Amended and Restated Series 2009-VFC1 Supplement, dated as of June 28, 2019, among WFN Credit Company, LLC, Comenity Bank and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).			
*10.124	(a)	Fourth Amendment to Third Amended and Restated Series 2009-VFC1 Supplement, dated as of April 17, 2020, among WFN Credit Company, LLC, Comenity Bank and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).			
10.125	(a)	Fifth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of November 1, 2016, between World Financial Capital Master Note Trust and Deutsche Bank Trust Company Americas.	10-K	10.102	2/27/17
10.126	(a)	First Amendment to Fifth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of November 1, 2017, between World Financial Capital Master Note Trust and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-Q	10.5	11/8/17
10.127	(a)	Second Amendment to Fifth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of September 28, 2018, between World Financial Capital Master Note Trust and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-Q	10.3	11/6/18
#10.128	(a)	Secured Facilities Agreement, dated as of April 3, 2020, by and among Brand Loyalty Group B.V. and certain subsidiaries parties thereto, as borrowers and guarantors, Deutsche Bank AG, Amsterdam Branch (as Arranger) and Coöperatieve Rabobank U.A. (as Arranger, Agent and Security Agent).	8-K	10.1	4/8/20
10.129	(a)	Amended and Restated Credit Agreement, dated as of June 14, 2017, by and among Alliance Data Systems Corporation, certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other agents and lenders.	8-K	10.1	6/19/17

			Incorporated by Reference		
Exhibit No.	Filer	Description	Form	Exhibit	Filing Date
10.130	(a)	First Amendment to Amended and Restated Credit Agreement and Incremental Amendment, dated as of June 16, 2017, by and among Alliance Data Systems Corporation, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other lenders.	8-K	10.2	6/19/17
10.131	(a)	Second Amendment to Amended and Restated Credit Agreement, dated as of July 5, 2018, by and among Alliance Data Systems Corporation, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other lenders.	10-Q	10.2	8/7/18
10.132	(a)	Third Amendment to Amended and Restated Credit Agreement, dated as of April 30, 2019, by and among Registrant, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other lenders.	10-Q	10.7	5/6/19
10.133	(a)	Fourth Amendment to Amended and Restated Credit Agreement, dated as of December 20, 2019, by and among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, as administrative agent, and various other agents and lenders.	8-K	10.2	12/23/19
10.134	(a)	Fifth Amendment to Amended and Restated Credit Agreement, dated as of February 13, 2020, by and among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, as administrative agent, and various other agents and lenders.	10-K	10.125	2/28/20
10.135	(a)	Sixth Amendment to Amended and Restated Credit Agreement, dated as of September 22, 2020, by and among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, as administrative agent, and various other agents and lenders.	8-K	10.2	9/23/20
10.136	(a)	Indenture, dated as of December 20, 2019, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors and MUFG Union Bank, N.A., as trustee (including the form of the Company's 4.750% Senior Note due December 15, 2024).	8-K	4.1	12/23/19
^10.137	(a)	Indenture, dated as of September 22, 2020, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors and MUFG Union Bank, N.A., as trustee (including the form of the Company's 7.000% Senior Note due January 15, 2026).	8-K	4.1	9/23/20
*21	(a)	Subsidiaries of the Registrant			
*23.1	(a)	Consent of Deloitte & Touche LLP			
*31.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation 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 Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			

Exhibit No.	Filer	Description	Incorporated by Reference Form	Exhibit	Filing Date
*32.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation 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 Alliance Data Systems Corporation 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 Alliance Data Systems Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.			
*104	(a)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			

* Filed herewith
\+ Management contract, compensatory plan or arrangement
\# Pursuant to Item 601(b)(10)(iv) of Regulation S-K, certain identified information has been excluded from this exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed. Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Registrant hereby undertakes to furnish supplementally an unredacted copy of the exhibit or a copy of any omitted schedule upon request by the U.S. Securities and Exchange Commission.
^ Certain exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Alliance Data hereby undertakes to furnish supplementally copies of any of the omitted exhibits upon request by the U.S. Securities and Exchange Commission.
(a) Alliance Data Systems Corporation
(b) WFN Credit Company
(c) World Financial Network Credit Card Master Trust
(d) World Financial Network Credit Card Master Note Trust

Item 16. Form 10-K Summary.

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ALLIANCE DATA SYSTEMS CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alliance Data Systems Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach on January 1, 2019, and adopted ASC 326, *Measurement of Credit Losses on Financial Instruments* ("CECL"), using the modified retrospective approach on January 1, 2020.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Loss — Refer to Notes 2 and 8 to the financial statements

Critical Audit Matter Description

Starting with the January 1, 2020 adoption of CECL, the Company recognizes an allowance for loan loss immediately upon the origination of a loan and reassesses that estimate in each subsequent reporting period. The allowance for loan loss is an estimate of expected credit losses, measured over the estimated life of its credit card and loan receivables that considers forecasts of future economic conditions in addition to information about past events and current conditions. The estimate under the CECL model is significantly influenced by the composition, characteristics and quality of the Company's portfolio of credit card and loan receivables, as well as the prevailing economic conditions and forecasts utilized.

In estimating its allowance for loan loss, the Company segregates its credit card receivables into four groups with similar risk characteristics, on the basis of delinquency status and credit quality risk score. The Company then determines the estimated life of each group of credit card receivables.

Management applies significant judgment in estimating its allowance for loan loss for each identified group, utilizing various models, historical data, statistical analysis, behavioral relationships of credit performance, and forecasted economic factors**.** In addition to the quantitative estimate of expected credit losses, management also applies significant judgment by incorporating qualitative adjustments for certain factors such as Company-specific risks, changes in current economic conditions that may not be captured in the quantitatively derived results, and other relevant factors to ensure the allowance for loan loss reflects the Company's best estimate of current expected credit losses.

Given the significant judgments made by management in estimating its allowance for loan loss, performing audit procedures to evaluate the reasonableness of the estimated allowance for loan loss, including procedures to evaluate the qualitative adjustments, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our credit modeling specialists.

How the Critical Audit Matter Was Addressed in the Audit

- We tested the design and operating effectiveness of management's controls over the various models and qualitative adjustments, including controls over the determination of the most significant risk characteristics for estimating expected credit losses, estimates of expected credit card payments applied to existing credit card balances, macroeconomic variables applied over the forecast period, qualitative adjustments, and changes in current economic conditions that may not be captured in the quantitatively derived results.
- We tested the completeness and accuracy of the historical data used in management's models.
- We evaluated the reasonableness of the selection of forecasted macroeconomic variables, considered alternative forecasted scenarios and evaluated any contradictory evidence.
- We evaluated the reasonableness of the qualitative adjustments for factors such as Company-specific risks, changes in current economic conditions that may not be captured in the quantitatively derived results, and other relevant factors.
- We used our credit modeling specialists to assist us in evaluating the various models and management's assumptions, including the following:
  - the conceptual soundness of the approach to how expected credit card payments are applied to existing credit card balances.
  - the reasonableness of the determination of the most significant risk characteristics for estimating expected credit losses used to segregate the credit card and loan receivables into groups.
  - the reasonableness of the macroeconomic variables over the forecast period used by comparing such variables to independent sources.

Goodwill — BrandLoyalty Reporting Unit — Refer to Notes 2 and 14 to the financial statements

Critical Audit Matter Description

The Company tests goodwill of the BrandLoyalty reporting unit for impairment annually, as of July 1, or when events and circumstances change that would indicate the carrying amount may not be recoverable. The Company's evaluation of goodwill for impairment involves the comparison of the fair value of the reporting unit to its carrying value. The Company estimated the fair value of its reporting unit using an income-based approach. The Company's income approach utilizes a discounted cash flow model based on management's estimates of forecasted cash flows, with those cash flows discounted to present value using rates commensurate with the risks associated with those cash flows. The valuation includes assumptions related to revenue growth and profit performance, capital expenditures, the discount rate, and other assumptions that are judgmental in nature. The fair value of the BrandLoyalty reporting unit exceeded its carrying value as of the measurement date by less than 10% and, therefore, no impairment was recognized.

Given the significant judgments made by management to estimate the fair value, and the difference between the fair value over carrying value of the BrandLoyalty reporting unit, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of revenue growth and profit performance and the selection of the discount rate required a high degree of auditor judgment and an increased extent of effort, including involvement of our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

- We tested the effectiveness of controls over goodwill, including those over the forecasts of future revenue growth and profit performance and the selection of the discount rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts of future revenues and profit performance, including operating margins, earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) by comparing the forecasts to:
  - Historical results.
  - Internal communications to management and the Board of Directors.
  - Forecasted information included in Company press releases, as well as analyst and industry reports for the Company and certain peer companies.
- We evaluated the impact of actual results of revenues, operating margins, EBIT, and EBITDA from the measurement date through year-end to the forecasted amounts.
- With the assistance of our fair value specialists, we evaluated the valuation methodologies and the discount rate by:
  - Testing the source information underlying the determination of the discount rate.
  - Testing the mathematical accuracy of the calculations.
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 26, 2021

We have served as the Company's auditor since 1998.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alliance Data Systems Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 26, 2021, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of new accounting standards.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Lon Inc. ("Bread"). The Company acquired the business of Bread on December 3, 2020, whose financial statements constitute less than 3% of total assets (including goodwill and intangible assets), less than 1% of revenues, and less than 3% of pre-tax income, on an absolute basis, of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at Bread.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 26, 2021

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
	(in millions, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 3,081.5	$ 3,874.4
Accounts receivable, net, less allowance for doubtful accounts ($4.0 and $3.4 at December 31, 2020 and 2019, respectively)	383.8	451.1
Credit card and loan receivables:		
Credit card and loan receivables – restricted for securitization investors	11,208.5	13,504.2
Other credit card and loan receivables	5,575.9	5,958.9
Total credit card and loan receivables	16,784.4	19,463.1
Allowance for loan loss	(2,008.0)	(1,171.1)
Credit card and loan receivables, net	14,776.4	18,292.0
Credit card receivables held for sale	—	408.0
Inventories, net	164.3	218.0
Other current assets	534.9	268.4
Redemption settlement assets, restricted	693.5	600.8
Total current assets	19,634.4	24,112.7
Property and equipment, net	310.9	282.3
Right of use assets - operating	233.2	264.3
Deferred tax asset, net	359.2	45.2
Intangible assets, net	81.7	153.3
Goodwill	1,369.6	954.9
Other non-current assets	558.1	682.1
Total assets	$ 22,547.1	$ 26,494.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 328.2	$ 300.8
Accrued expenses	444.7	327.8
Current operating lease liabilities	23.6	22.6
Current portion of deposits	6,553.9	6,942.4
Current portion of non-recourse borrowings of consolidated securitization entities	1,850.7	3,030.8
Current portion of long-term and other debt	101.4	101.4
Other current liabilities	220.9	338.3
Deferred revenue	898.5	807.9
Total current liabilities	10,421.9	11,872.0
Deferred revenue	105.5	114.1
Deferred tax liability, net	—	80.0
Long-term operating lease liabilities	276.4	291.7
Deposits	3,238.7	5,209.3
Non-recourse borrowings of consolidated securitization entities	3,859.2	4,253.2
Long-term and other debt	2,704.3	2,748.5
Other liabilities	419.5	337.7
Total liabilities	21,025.5	24,906.5
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, $0.01 par value; authorized, 200.0 shares; issued, 117.1 and 115.0 shares at December 31, 2020 and 2019, respectively	1.2	1.1
Additional paid-in capital	3,427.2	3,257.7
Treasury stock, at cost, 67.4 shares at each of December 31, 2020 and 2019	(6,733.9)	(6,733.9)
Retained earnings	4,832.1	5,163.3
Accumulated other comprehensive loss	(5.0)	(99.9)
Total stockholders' equity	1,521.6	1,588.3
Total liabilities and stockholders' equity	$ 22,547.1	$ 26,494.8

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2020	2019	2018
	(in millions, except per share amounts)		
Revenues			
Services	$ 116.9	$ 215.5	$ 295.4
Redemption, net	473.1	637.3	676.3
Finance charges, net	3,931.4	4,728.5	4,694.9
Total revenue	4,521.4	5,581.3	5,666.6
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	2,077.3	2,687.8	2,537.2
Provision for loan loss	1,266.2	1,187.5	1,016.0
General and administrative	105.7	150.6	162.5
Depreciation and other amortization	98.5	79.9	80.7
Amortization of purchased intangibles	85.3	96.2	112.9
Loss on extinguishment of debt	—	71.9	—
Total operating expenses	3,633.0	4,273.9	3,909.3
Operating income	888.4	1,307.4	1,757.3
Interest expense			
Securitization funding costs	165.9	213.4	220.2
Interest expense on deposits	219.5	225.6	165.7
Interest expense on long-term and other debt, net	108.5	130.0	156.4
Total interest expense, net	493.9	569.0	542.3
Income from continuing operations before income taxes	394.5	738.4	1,215.0
Provision for income taxes	99.5	165.8	269.5
Income from continuing operations	295.0	572.6	945.5
(Loss) income from discontinued operations, net of taxes	(81.3)	(294.6)	17.6
Net income	$ 213.7	$ 278.0	$ 963.1
Basic income (loss) per share (Note 4):			
Income from continuing operations	$ 6.17	$ 11.25	$ 17.24
(Loss) income from discontinued operations	$ (1.70)	$ (5.89)	$ 0.32
Net income per share	$ 4.47	$ 5.36	$ 17.56
Diluted income (loss) per share (Note 4):			
Income from continuing operations	$ 6.16	$ 11.24	$ 17.17
(Loss) income from discontinued operations	$ (1.70)	$ (5.78)	$ 0.32
Net income per share	$ 4.46	$ 5.46	$ 17.49
Weighted average shares (Note 4):			
Basic	47.8	50.0	54.9
Diluted	47.9	50.9	55.1

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Net income	$ 213.7	$ 278.0	$ 963.1
Other comprehensive income:			
Unrealized gain (loss) on securities available-for-sale	22.3	15.5	(3.1)
Tax (expense) benefit	(1.6)	(2.3)	1.1
Unrealized gain (loss) on securities available-for-sale, net of tax	20.7	13.2	(2.0)
Unrealized (loss) gain on cash flow hedges	(0.7)	0.1	(0.1)
Tax benefit	0.1	—	—
Unrealized (loss) gain on cash flow hedges, net of tax	(0.6)	0.1	(0.1)
Unrealized gain on net investment hedge	—	6.5	39.1
Tax expense	—	(1.6)	(9.5)
Unrealized gain on net investment hedge, net of tax	—	4.9	29.6
Foreign currency translation adjustments (inclusive of deconsolidation of $3.8 million and $26.8 million for the years ended December 31, 2020 and December 31, 2019, respectively, related to sale of businesses)	74.8	20.0	(25.4)
Other comprehensive income, net of tax	94.9	38.2	2.1
Total comprehensive income, net of tax	$ 308.6	$ 316.2	$ 965.2

See accompanying notes to consolidated financial statements.

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ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Preferred Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
	(in millions)								
January 1, 2018	112.8	$ 1.1	—	$ —	$ 3,099.8	$ (5,272.5)	$4,167.1	$ (140.2)	$ 1,855.3
Net income	—	—	—	—	—	—	963.1	—	963.1
Other comprehensive income	—	—	—	—	—	—	—	2.1	2.1
Stock-based compensation	—	—	—	—	80.8	—	—	—	80.8
Repurchases of common stock	—	—	—	—	—	(443.2)	—	—	(443.2)
Dividends and dividend equivalent rights declared ($0.57 per common share)	—	—	—	—	—	—	(125.9)	—	(125.9)
Cumulative effect adjustment to retained earnings in accordance with ASC 606 adoption	—	—	—	—	—	—	9.6	—	9.6
Cumulative effect adjustment to retained earnings in accordance with ASU 2016-01 adoption	—	—	—	—	—	—	(1.5)	—	(1.5)
Other	0.2	—	—	—	(8.2)	—	—	—	(8.2)
December 31, 2018	113.0	$ 1.1	—	$ —	$ 3,172.4	$ (5,715.7)	$5,012.4	$ (138.1)	$ 2,332.1
Net income	—	—	—	—	—	—	278.0	—	278.0
Other comprehensive income	—	—	—	—	—	—	—	38.2	38.2
Stock-based compensation	—	—	—	—	54.5	—	—	—	54.5
Issuance of preferred stock	—	—	0.2	—	42.1	(42.1)	—	—	—
Conversion of preferred stock to common stock	1.5	—	(0.2)	—	—	—	—	—	—
Repurchases of common stock	—	—	—	—	—	(976.1)	—	—	(976.1)
Dividends and dividend equivalent rights declared ($0.63 per common share)	—	—	—	—	—	—	(127.1)	—	(127.1)
Other	0.5	—	—	—	(11.3)	—	—	—	(11.3)
December 31, 2019	115.0	$ 1.1	—	$ —	$ 3,257.7	$ (6,733.9)	$5,163.3	$ (99.9)	$ 1,588.3
Net income	—	—	—	—	—	—	213.7	—	213.7
Cumulative effect adjustment to retained earnings in accordance with ASU 2016-13 adoption	—	—	—	—	—	—	(485.0)	—	(485.0)
Other comprehensive income	—	—	—	—	—	—	—	94.9	94.9
Stock-based compensation	—	—	—	—	21.3	—	—	—	21.3
Common stock issued as consideration for acquired business	1.9	0.1	—	—	149.1	—	—	—	149.2
Dividends and dividend equivalent rights declared ($0.63 per common share for the three months ended March 31, 2020 and $0.21 per common share for each of the three months ended June 30, 2020, September 30, 2020 and December 31, 2020)	—	—	—	—	—	—	(59.9)	—	(59.9)
Other	0.2	—	—	—	(0.9)	—	—	—	(0.9)
December 31, 2020	117.1	$ 1.2	—	$ —	$ 3,427.2	$ (6,733.9)	$4,832.1	$ (5.0)	$ 1,521.6

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2020	2019	2018
		(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 213.7	$ 278.0	$ 963.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	183.8	249.3	487.3
Deferred income taxes	(222.8)	(186.1)	16.3
Provision for loan loss	1,266.2	1,187.5	1,016.0
Non-cash stock compensation	21.3	54.8	80.8
Amortization of deferred financing costs	36.5	43.4	47.3
Gain on sale of business	(13.7)	(512.2)	—
Loss on extinguishment of debt	—	71.9	—
Asset impairment charges	63.7	52.0	—
Change in other operating assets and liabilities, net of acquisitions and sales of businesses:			
Change in deferred revenue	60.8	2.9	(17.5)
Change in accounts receivable	64.9	4.1	(93.0)
Change in accounts payable and accrued expenses	62.1	(255.0)	(93.7)
Change in other assets	145.4	(46.8)	(29.8)
Change in other liabilities	(50.3)	32.9	49.8
Originations of credit card and loan receivables held for sale	—	—	(4,799.0)
Sales of credit card and loan receivables held for sale	—	—	4,928.8
Other	51.1	241.0	198.5
Net cash provided by operating activities	1,882.7	1,217.7	2,754.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in redemption settlement assets	(40.7)	(9.5)	(42.2)
Change in credit card and loan receivables	1,783.5	(2,586.8)	(2,749.6)
Proceeds from sale of businesses	26.7	4,409.7	—
Payments for acquired businesses, net of cash and restricted cash	(266.8)	(6.7)	—
Proceeds from sale of credit card portfolios	289.5	2,061.8	1,153.5
Purchase of credit card portfolios	—	(924.8)	—
Proceeds from sale of real estate	—	15.1	—
Capital expenditures	(54.0)	(142.3)	(199.8)
Purchases of other investments	(40.4)	(20.2)	(89.5)
Maturities/sales of other investments	76.5	60.0	47.4
Other	—	4.5	8.2
Net cash provided by (used in) investing activities	1,774.3	2,860.8	(1,872.0)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	1,276.0	3,111.3	4,575.3
Repayments of borrowings	(1,320.5)	(5,981.8)	(4,893.0)
Non-recourse borrowings of consolidated securitization entities	2,419.2	4,851.8	3,714.6
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(4,095.7)	(5,219.0)	(4,871.0)
Net (decrease) increase in deposits	(2,370.0)	355.6	864.1
Payment of debt extinguishment costs	—	(46.1)	—
Payment of deferred financing costs	(18.8)	(45.4)	(25.8)
Proceeds from issuance of common stock	2.8	12.4	17.6
Dividends paid	(60.6)	(127.4)	(125.2)
Purchase of treasury shares	—	(976.1)	(443.2)
Other	1.1	(27.0)	(31.3)
Net cash used in financing activities	(4,166.5)	(4,091.7)	(1,217.9)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	14.6	3.6	(12.0)
Change in cash, cash equivalents and restricted cash	(494.9)	(9.6)	(347.0)
Cash, cash equivalents and restricted cash at beginning of year	3,958.1	3,967.7	4,314.7
Cash, cash equivalents and restricted cash at end of year	$ 3,463.2	$ 3,958.1	$ 3,967.7
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 487.6	$ 671.9	$ 719.8
Income taxes paid, net	$ 267.5	$ 1,070.6	$ 234.0

The consolidated statements of cash flows are presented with the combined cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category.

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of the Business—Alliance Data Systems Corporation ("ADSC" or, including its consolidated subsidiaries and variable interest entities, the "Company") is a leading provider of data-driven marketing, loyalty and payment solutions serving large, consumer-based industries. The Company creates and deploys customized solutions that measurably change consumer behavior while driving business growth and profitability for our clients and brand partners. The Company operates in two reportable segments: LoyaltyOne® and Card Services. LoyaltyOne provides coalition and short-term loyalty programs through the Canadian AIR MILES® Reward Program and BrandLoyalty Group B.V. ("BrandLoyalty"). Card Services is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread®, and Comenity-branded financial services.

Basis of Presentation—The Company's financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation. The Company's consolidated financial statements have been presented with its former Epsilon® segment as a discontinued operation. See Note 7, "Discontinued Operations," for more information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of ADSC and all subsidiaries in which the Company has a controlling financial interest. Controlling financial interest is determined either by a majority voting interest and the absence of substantive third party participating rights or in the case of variable interest entities, by whether ADSC has power and potentially significant economic exposure through its direct and indirect interests. All intercompany transactions have been eliminated.

In accordance with Accounting Standards Codification ("ASC") 860, "Transfers and Servicing," and ASC 810, "Consolidation," the Company is the primary beneficiary of certain trusts. The Company, through its involvement in the activities of these trusts, has the power to direct the activities that most significantly impact the economic performance of such trusts, and the obligation (or right) to absorb losses (or receive benefits) of the trusts that could potentially be significant. As such, the Company consolidates these trusts in its consolidated financial statements.

For investments in any entities in which the Company owns 50% or less of the outstanding voting stock but in which the Company has significant influence over operating and financial decisions, the Company applies the equity method of accounting.

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, net—Accounts receivable, net consist primarily of amounts receivable from customers, which are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated credit losses inherent in its accounts receivable. The Company analyzes the appropriateness of its allowance for doubtful accounts based on its assessment of various factors, including customer-specific experience, the age of the accounts receivable balance, customer creditworthiness, current economic trends, and changes in its customer payment terms and collection trends. Account balances are charged-off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote.

Credit Card and Loan Receivables— Credit card and loan receivables consist of credit card and loan receivables held for investment. The Company sells a majority of the credit card receivables originated by Comenity Bank and by Comenity Capital Bank to master trusts, which are restricted for securitization investors. All new originations of credit card and loan receivables are deemed to be held for investment at origination because management has the intent and ability to hold them for the foreseeable future. In determining what constitutes the foreseeable future, management considers the short average life and homogenous nature of the Company's credit card and loan receivables. In assessing whether these credit card and loan receivables continue to be held for investment, management also considers capital levels and scheduled maturities of funding instruments used. Management believes that the assertion regarding its intent and ability to hold credit card and loan receivables for the foreseeable future can be made with a high degree of certainty given the maturity distribution of the Company’s money market deposits, certificates of deposit and other funding instruments; the historic ability to replace maturing certificates of deposits and other borrowings with new deposits or borrowings; and historic credit card and loan payment activity. Due to the homogenous nature of the Company’s credit card and loan receivables, amounts are classified as held for investment on an individual client portfolio basis.

Credit Card and Loan Receivables Held for Sale—Credit card and loan receivables held for sale are determined on an individual client portfolio basis. The Company carries these assets at the lower of aggregate cost or fair value. The fair value of the credit card and loan receivables held for sale is determined on an aggregate basis. The Company continues to recognize finance fees on these credit card and loan receivables on the accrual basis. Cash flows associated with credit card and loan portfolios that are purchased with the intent to sell are included in cash flows from operating activities. Cash flows associated with credit card and loan receivables originated or purchased for investment are classified as investing cash flows, regardless of a subsequent change in intent.

Transfers of Financial Assets—The Company accounts for transfers of financial assets under ASC 860, “Transfers and Servicing,” as either sales or financings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee’s right to pledge or exchange the assets and provides more than a trivial benefit to the transferor and (3) the transferor does not maintain effective control over the transferred assets. If the transfer of financial assets does not meet these criteria, the transfer is accounted for as a financing. Transfers of financial assets that are treated as sales are removed from the Company’s accounts with any realized gain or loss reflected in the consolidated statements of income during the period of sale.

Allowance for Loan Loss— Effective January 1, 2020, the Company adopted Accounting Standards Update (“ASU”) 2016-13, “Measurement of Credit Losses on Financial Instruments.” Under this standard, referred to as Current Expected Credit Loss (“CECL”), the Company utilizes a financial instrument impairment model to establish an allowance based on expected losses over the life of the exposure rather than a model based on an incurred loss approach, which was the Company’s historic accounting prior to January 1, 2020.

Under CECL, the allowance for loan loss is an estimate of expected credit losses, measured over the estimated life of its credit card and loan receivables that considers forecasts of future economic conditions in addition to information about past events and current conditions. The estimate under the CECL model is significantly influenced by the composition, characteristics and quality of the Company’s portfolio of credit card and loan receivables, as well as the prevailing economic conditions and forecasts utilized. The estimate of the allowance for loan loss includes an estimate for uncollectible principal as well as unpaid interest and fees. Charge-offs of principal amounts, net of recoveries are deducted from the allowance. Charge-offs for unpaid interest and fees as well as any adjustments to the allowance associated with unpaid interest and fees are recorded as a reduction to finance charges, net. The allowance is maintained through an adjustment to the provision for loan loss and is evaluated for appropriateness.

In estimating its allowance for loan loss, for each identified group, management utilizes various models and estimation techniques based on historical loss experience, current conditions, reasonable and supportable forecasts and other relevant factors. These models utilize historical data and applicable macroeconomic variables with statistical analysis and behavioral relationships with credit performance. The Company’s quantitative estimate of expected credit losses under CECL is impacted by certain forecasted economic factors. The Company considers the forecast used to be reasonable and supportable over the estimated life of the credit card and loan receivables, with no reversion period. In addition to the quantitative estimate of expected credit losses, the Company also incorporates qualitative adjustments for certain factors such as Company-specific risks, changes in current economic conditions that may not be captured in the quantitatively derived results, or other relevant factors to ensure the allowance for loan loss reflects the Company’s best estimate of current expected credit losses. As permitted by ASC 326, “Financial Instruments—Credit Losses,” the Company excludes unbilled finance charges from its amortized cost basis of credit card and loan receivables. See Note 8, “Credit Card and Loan Receivables,” for more information about the Company’s allowance for loan loss.

Inventories, net—Inventories, net are stated at the lower of cost and net realizable value and valued primarily on a first-in-first-out basis. The Company records valuation adjustments to its inventories if the cost of inventory exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future market conditions and an analysis of historical experience.

Redemption Settlement Assets, Restricted—The cash and investments related to the redemption fund for the AIR MILES Reward Program are subject to a security interest which is held in trust for the benefit of funding redemptions by collectors. These assets are restricted to funding rewards for the collectors by certain of the Company's sponsor contracts. Investments in equity securities are stated at fair value, with holding gains and losses recognized through net income. Investments in debt securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive loss, as the investments are classified as available-for-sale.

Property and Equipment—Furniture, equipment, computer software and development, buildings and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Land is carried at cost and is not depreciated. Depreciation and amortization for furniture, equipment and buildings are computed on a straight-line basis, using estimated lives ranging from one to eleven years. Software development is capitalized in accordance with ASC 350-40, "Intangibles – Goodwill and Other – Internal–Use Software," and is amortized on a straight-line basis over the expected benefit period, which ranges from three to seven years. Leasehold improvements are amortized over the remaining lives of the respective leases or the remaining useful lives of the improvements, whichever is shorter. Long-lived assets are tested for impairment when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows. See Note 13, "Property and Equipment," for additional information.

Goodwill—Goodwill is not amortized, but is reviewed at least annually for impairment or more frequently if circumstances indicate that an impairment is probable, using qualitative or quantitative analysis.

Intangible Assets—The Company's identifiable intangible assets consist of both amortizable and non-amortizable intangible assets. Definite-lived intangible assets are subject to amortization and are amortized on a straight-line basis over their respective estimated useful lives. Definite-lived intangible assets are tested for impairment when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows. Indefinite-lived intangible assets are not amortized, but are reviewed at least annually for impairment or more frequently if circumstances indicate that an impairment is probable, using qualitative or quantitative analysis.

Income Taxes— Income tax returns are filed in federal, state, local and foreign jurisdictions as applicable. Provisions for current income tax liabilities are calculated and accrued on income and expense amounts expected to be included in the income tax returns for the current year. Income taxes reported in earnings also include deferred income tax provisions and provisions for uncertain tax positions.

Deferred income tax assets and liabilities are computed on differences between the financial statement bases and tax bases of assets and liabilities at the enacted tax rates. Changes in deferred income tax assets and liabilities associated with components of other comprehensive income are charged or credited directly to other comprehensive income. Otherwise, changes in deferred income tax assets and liabilities are included as a component of income tax expense. The effect on deferred income tax assets and liabilities attributable to changes in enacted tax rates are charged or credited to income tax expense in the period of enactment. Valuation allowances are established for certain deferred tax assets when realization is less than more-likely-than-not.

Liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions, in our judgment, do not meet a more-likely-than-not threshold based on the technical merits of the positions. Additionally, liabilities may be established for uncertain tax positions when, in our judgment, the more-likely-than-not threshold is met, but the position does not rise to the level of highly certain based upon the technical merits of the position. Estimated interest and penalties related to uncertain tax positions are included as a component of income tax expense.

The Company uses the portfolio approach relating to the release of stranded tax effects recorded in accumulated other comprehensive loss. Under the portfolio approach, the net unrealized gains or losses recorded in accumulated other comprehensive loss would be eliminated only on the date the entire portfolio of available-for-sale securities is sold or otherwise disposed of.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Derivative Instruments—The Company uses derivatives to manage its exposure to various financial risks. The Company does not enter into derivatives for trading or other speculative purposes. Certain derivatives used to manage the Company's exposure to foreign currency exchange rate movements are not designated as hedges and do not qualify for hedge accounting.

Derivatives Designated as Hedging Instruments—The Company assesses both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction, including net investment hedges, have been highly effective in offsetting changes in the cash flows or remeasurement of the hedged items and whether the derivatives may be expected to remain highly effective in future periods. The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in cash flow of the hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) it determines that designating the derivative as a hedging instrument is no longer appropriate. Changes in the fair value of derivative instruments designated as hedging instruments, excluding any ineffective portion, are recorded in other comprehensive income (loss) until the hedged transactions affect net income. The ineffective portion of this hedging instrument is recognized through net income when the ineffectiveness occurs.

Derivatives not Designated as Hedging Instruments—Certain foreign currency exchange forward contracts are not designated as hedges as they do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging." Changes in the fair value of the derivative instruments not designated as hedging instruments are recorded in the consolidated statements of income as they occur.

The Company's derivative instruments were immaterial to the consolidated balance sheets and statements of income for the periods presented.

Other Investments—Other investments consist of marketable securities and U.S. Treasury bonds and are included in other current assets and other non-current assets in the Company's consolidated balance sheets. Investments in equity securities are stated at fair value, with holding gains and losses recognized through net income. Investments in debt securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive loss, as the investments are classified as available-for-sale.

Revenue Recognition—The Company recognizes revenue in accordance with ASC 606, "Revenue from Contracts with Customers." The Company recognizes revenues when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In that determination, under ASC 606, the Company follows a five-step model that includes: (1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied.

See Note 3, "Revenue," for more information about the Company's revenue and the associated timing and basis of revenue recognition.

Earnings Per Share—Basic earnings per share is based only on the weighted average number of common shares outstanding, excluding any dilutive effects of options or other dilutive securities. Diluted earnings per share is based on the weighted average number of common and potentially dilutive common shares (dilutive stock options, unvested restricted stock units and other dilutive securities outstanding during the year) pursuant to the treasury stock method. For periods with participating securities, the Company computes earnings per share using the two-class method, which is an allocation of earnings between the holders of common stock and a company's participating security holders.

Currency Translation—The assets and liabilities of the Company's subsidiaries outside the U.S. are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates, primarily from Canadian dollars and Euros. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions are recognized currently in income and those resulting from translation of financial statements are included in accumulated other comprehensive loss. The Company recognized net foreign transaction losses of $0.5 million for the year ended December 31, 2020, gains of $1.3 million for the year ended December 31, 2019, and gains of $0.6 million for the year ended December 31, 2018.

Leases —The Company determines if an arrangement is a lease or contains a lease at inception. Operating lease right-of-use assets and lease liabilities are recognized at commencement based on the present value of lease payments over the lease term. As the implicit rate is typically not readily determinable in the Company's lease agreements, the Company uses its incremental borrowing rate as of the lease commencement date to determine the present value of the lease payments. The incremental borrowing rate is based on the Company's specific rate of interest to borrow on a collateralized basis, over a similar term and in a similar economic environment as the lease. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recognized on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Additionally, the Company accounts for lease and nonlease components as a single lease component for its identified asset classes. As of December 31, 2020, the Company does not have any finance leases. Similar to other long-lived assets, right-of-use assets are tested for impairment when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows. See Note 12, "Leases," for additional information.

Marketing and Advertising Costs—The Company participates in various marketing and advertising programs with certain clients. The cost of marketing and advertising programs is expensed in the period incurred. The Company has recognized marketing and advertising expenses, including on behalf of its clients, of $165.7 million, $229.4 million and $244.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Stock Compensation Expense—The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation." Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized ratably over the requisite service period.

Management Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, "Simplifying the Accounting for Income Taxes." ASU 2019-12 eliminates certain exceptions within ASC 740, "Income Taxes," and clarifies certain aspects of ASC 740 to promote consistency among reporting entities. ASU 2019-12 is effective for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company does not expect the adoption of ASU 2019-12 to have a material impact on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. This ASU is elective and is effective upon issuance for all entities. The Company is evaluating the impact that adoption of ASU 2020-04 will have on its consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," or ASC 326. This standard, referred to as CECL, required entities to utilize a financial instrument impairment model to establish an allowance based on expected losses over the life of the exposure rather than a model based on an incurred loss approach. Estimates of expected credit losses under the CECL model are based on relevant information about past events, current conditions, and reasonable and supportable forward-looking forecasts regarding the collectability of the loan portfolio. The Company adopted CECL on January 1, 2020 and recorded an increase in its allowance for loan loss at adoption of $644.0 million, which was recorded through a cumulative-effect adjustment to retained earnings, net of taxes. CECL also expanded the disclosure requirements regarding an entity's assumptions, models, and methods for estimating its allowance for loan loss. See Note 8, "Credit Card and Loan Receivables," for the Company's CECL disclosures. In addition, CECL modified the impairment model for available-for-sale debt securities and provided for a simplified accounting model for purchased financial assets with credit deterioration since their origination. CECL impacts the Company's valuation of its accounts receivable and available-for-sale debt securities. The Company's adoption of CECL with respect to accounts receivable and available-for-sale debt securities did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 modifies the disclosure requirements on fair value measurements from ASC 820, "Fair Value Measurement." The Company's adoption of this standard on January 1, 2020 did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." ASU 2018-15 requires customers in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40, "Intangibles—Goodwill and Other—Internal-Use Software," to determine which implementation costs may be capitalized. The amendments in ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted ASU 2018-15 on January 1, 2020 on a prospective basis and the adoption did not have a material impact on its consolidated financial statements.

3. REVENUE

Under ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company's contracts with its customers state the terms of sale, including the description, quantity, and price of the product or service purchased. Payment terms can vary by contract, but the period between invoicing and when payment is due is not significant. Taxes assessed on revenue-producing transactions are excluded from revenues.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company’s products and services are reported under two segments—LoyaltyOne and Card Services, as shown below. The following tables present revenue disaggregated by major source, as well as geographic region based on the location of the subsidiary that generally correlates with the location of the customer:

Year Ended December 31, 2020	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Major Source:				
Coalition loyalty program	$ 262.5	$ —	$ —	$ 262.5
Short-term loyalty programs	487.7	—	—	487.7
Servicing fees, net	—	(174.9)	—	(174.9)
Other	1.8	—	0.1	1.9
Revenue from contracts with customers	$ 752.0	$ (174.9)	$ 0.1	$ 577.2
Finance charges, net	—	3,931.4	—	3,931.4
Investment income	12.8	—	—	12.8
Total	$ 764.8	$ 3,756.5	$ 0.1	$ 4,521.4

Year Ended December 31, 2019	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Major Source:				
Coalition loyalty program	$ 290.1	$ —	$ —	$ 290.1
Short-term loyalty programs	635.5	—	—	635.5
Servicing fees, net	—	(180.7)	—	(180.7)
Other	94.9	—	0.4	95.3
Revenue from contracts with customers	$ 1,020.5	$ (180.7)	$ 0.4	$ 840.2
Finance charges, net	—	4,728.5	—	4,728.5
Investment income	12.6	—	—	12.6
Total	$ 1,033.1	$ 4,547.8	$ 0.4	$ 5,581.3

Year Ended December 31, 2018	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Major Source:				
Coalition loyalty program	$ 352.3	$ —	$ —	$ 352.3
Short-term loyalty programs	613.8	—	—	613.8
Servicing fees, net	—	(97.3)	—	(97.3)
Other	90.7	—	0.6	91.3
Revenue from contracts with customers	$ 1,056.8	$ (97.3)	$ 0.6	$ 960.1
Finance charges, net	—	4,694.9	—	4,694.9
Investment income	11.6	—	—	11.6
Total	$ 1,068.4	$ 4,597.6	$ 0.6	$ 5,666.6

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Year Ended December 31, 2020	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Geographic Region:				
United States	$ 11.1	$ 3,756.5	$ 0.1	$ 3,767.7
Canada	286.9	—	—	286.9
Europe, Middle East and Africa	332.6	—	—	332.6
Asia Pacific	80.5	—	—	80.5
Other	53.7	—	—	53.7
Total	$ 764.8	$ 3,756.5	$ 0.1	$ 4,521.4

Year Ended December 31, 2019	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Geographic Region:				
United States	$ 40.1	$ 4,547.8	$ 0.4	$ 4,588.3
Canada	352.2	—	—	352.2
Europe, Middle East and Africa	449.1	—	—	449.1
Asia Pacific	121.7	—	—	121.7
Other	70.0	—	—	70.0
Total	$ 1,033.1	$ 4,547.8	$ 0.4	$ 5,581.3

Year Ended December 31, 2018	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Disaggregation of Revenue by Geographic Region:				
United States	$ 23.1	$ 4,597.6	$ 0.6	$ 4,621.3
Canada	411.3	—	—	411.3
Europe, Middle East and Africa	463.2	—	—	463.2
Asia Pacific	122.0	—	—	122.0
Other	48.8	—	—	48.8
Total	$ 1,068.4	$ 4,597.6	$ 0.6	$ 5,666.6

LoyaltyOne

LoyaltyOne provides coalition and short-term loyalty programs through the Company's Canadian AIR MILES Reward Program and BrandLoyalty. The AIR MILES Reward Program is a coalition loyalty program for sponsors, who pay LoyaltyOne a fee per AIR MILES reward mile issued, in return for which LoyaltyOne provides all marketing, customer service, rewards and redemption management. BrandLoyalty designs, implements, conducts and evaluates innovative and tailor-made short-term loyalty programs for grocers worldwide.

Total consideration from the issuance of AIR MILES reward miles is allocated to three performance obligations: redemption, service, and brand, based on a relative standalone selling price basis. Because the standalone selling price is not directly observable for the three performance obligations, the Company estimates the standalone selling price for the redemption and the service performance obligations based on cost plus a reasonable margin. The Company estimates the standalone selling price of the brand performance obligation using a relief from royalty approach. Accordingly, management determines the estimated standalone selling price by considering multiple inputs and methods, including discounted cash flows and available market data in consideration of applicable margins and royalty rates to utilize. The number of AIR MILES reward miles issued and redeemed are factored into the estimates, as management estimates the standalone selling prices and volumes over the term of the respective agreements in order to determine the allocation of consideration to each performance obligation delivered. The redemption performance obligation incorporates the expected number of AIR MILES reward miles to be redeemed, and therefore, the amount of redemption revenue

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

recognized is subject to management's estimate of breakage, or those AIR MILES reward miles estimated to be unredeemed by the collector base.

Redemption revenue is recognized at a point in time, as the AIR MILES reward miles are redeemed. For the fulfillment of certain rewards where the AIR MILES Reward Program does not control the goods or services before they are transferred to the collector, revenue is recorded on a net basis. Service revenue is recognized over time using a time-elapsed output method, the estimated life of an AIR MILES reward mile. Revenue from the brand is recognized over time, using an output method, when an AIR MILES reward mile is issued. Revenue associated with both the service and brand is included in service revenue in the Company's consolidated statements of income.

The amount of revenue recognized in a period is subject to the estimate of breakage and the estimated life of an AIR MILES reward mile. Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure. For the years ended December 31, 2018, 2019 and 2020, the Company's breakage rate was 20%. For the years ended December 31, 2018, 2019 and 2020, the Company's estimated life of a mile was 38 months.

The short-term loyalty programs typically last between 6 and 20 weeks, depending on the nature of the program, with contract terms usually less than one year in length. These programs are tailored for the specific retailer client and are designed to reward key customer segments based on their spending levels during defined campaign periods. Revenue is recognized at the point in time control passes from BrandLoyalty to the retailer.

Contract Liabilities. The Company records a contract liability when cash payments are received in advance of its performance, which applies to the service and redemption of an AIR MILES reward mile and the reward products for its short-term loyalty programs.

A reconciliation of contract liabilities for the AIR MILES Reward Program is as follows:

	Deferred Revenue		
	Service	Redemption (in millions)	Total
Balance at January 1, 2019	$ 248.0	$ 627.3	$ 875.3
Cash proceeds	192.0	313.3	505.3
Revenue recognized (1)	(193.7)	(309.2)	(502.9)
Other	—	0.6	0.6
Effects of foreign currency translation	12.3	31.4	43.7
Balance at December 31, 2019	$ 258.6	$ 663.4	$ 922.0
Cash proceeds	173.1	286.2	459.3
Revenue recognized (1)	(188.8)	(211.5)	(400.3)
Other	—	1.4	1.4
Effects of foreign currency translation	4.3	17.3	21.6
Balance at December 31, 2020	$ 247.2	$ 756.8	$ 1,004.0
Amounts recognized in the consolidated balance sheets:			
Deferred revenue (current)	$ 141.7	$ 756.8	$ 898.5
Deferred revenue (non-current)	$ 105.5	$ —	$ 105.5

(1) Reported on a gross basis herein.

The deferred redemption obligation associated with the AIR MILES Reward Program is effectively due on demand from the collector base, thus the timing of revenue recognition is based on the redemption by the collector. Service revenue is amortized over the expected life of a mile, with the deferred revenue balance expected to be recognized into revenue in the amount of $141.7 million in 2021, $75.1 million in 2022, $29.5 million in 2023, and $0.9 million in 2024.

Additionally, contract liabilities for the Company's short-term loyalty programs are recognized in other current liabilities in the Company's consolidated balance sheets. In 2020, the beginning balance as of January 1, 2020 was $122.8 million and the closing balance as of December 31, 2020 was $66.9 million, with the change due to revenue recognized of approximately $375.9 million, offset in part by cash payments received in advance of program performance revenue during the year ended December 31, 2020. In 2019, the beginning balance as of January 1, 2019 was $110.2 million and the closing balance as of December 31, 2019 was $122.8 million, with the change due to cash payments received in advance of program performance, offset in part by revenue recognized of approximately $526.6 million during the year ended December 31, 2019.

Card Services

Card Services is a comprehensive provider of market-leading private label, co-brand, general purpose and business credit card programs, digital payments, including Bread, and Comenity-branded financial services. Card Services provides risk management solutions, account origination, funding, transaction processing, customer care, collections and marketing services.

Finance charges, net. Finance charges, net represents revenue earned on customer accounts owned by the Company, and is recognized in the period in which it is earned. The Company recognizes earned finance charges, interest income and fees on credit card and loan receivables in accordance with the contractual provisions of the credit arrangements, which are within the scope of ASC 310, "Receivables." Interest and fees continue to accrue on all accounts, except in limited circumstances, until the account balance and all related interest and other fees are paid or charged-off, in the month during which an account becomes 180 days delinquent for credit card receivables or 120 days for installment loan receivables. Charge-offs for unpaid interest and fees as well as any adjustments to the allowance associated with unpaid interest and fees are recorded as a reduction to finance charges, net. Pursuant to ASC 310-20, "Receivables - Nonrefundable Fees and Other Costs," direct loan origination costs on credit card receivables are deferred and amortized on a straight-line basis over a one-year period or over the life of the loan for loan receivables and recorded as a reduction to finance charges, net. As of December 31, 2020 and 2019, the remaining unamortized deferred costs related to loan origination were $38.0 million and $47.1 million, respectively.

Servicing fees, net. Servicing fees, net represents revenue earned from retailers and cardholders from processing and servicing accounts, and is recognized as such services are performed. Our credit card program agreements may also provide for payments to the retailer based on purchased volume or if certain contractual incentives are met, such as if the economic performance of the program exceeds a contractually defined threshold. These amounts are recorded as a reduction of revenue.

Revenue earned from retailers primarily consists of merchant and interchange fees, which are transaction fees charged to the merchant for the processing of credit card transactions. Merchant and interchange fees are recognized at a point in time upon the cardholder purchase.

Revenue earned from cardholders primarily consists of monthly fees from the purchase of certain payment protection products purchased by our cardholders. The fees are based on the average cardholder account balance, and these products can be cancelled at any time by the cardholder. Revenue is recognized over time using a time-elapsed output method.

Contract Costs. The Company recognizes an asset for the incremental costs of obtaining or fulfilling a contract with the retailer to the extent it expects to recover those costs, in accordance with ASC 340-40. Contract costs are deferred and amortized on a straight-line basis that is consistent with the transfer of services, which is generally the term of the contract. Depending on the nature of the contract costs, the amortization is recorded as a reduction to revenue, or costs of operations, in the Company's consolidated statements of income. As of December 31, 2020 and 2019, the remaining unamortized contract costs were $311.1 million and $406.8 million, respectively, and are included in other current assets and other non-current assets in the Company's consolidated balance sheets.

Amortization of contract costs recorded as a reduction to revenue totaled $65.3 million, $71.8 million and $68.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amortization of contract costs recorded to cost of operations expense totaled $11.9 million, $11.9 million and $9.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company performs an impairment assessment when events or changes in circumstances indicate that the carrying amount of contract costs may not be recoverable. Due to deteriorated economic conditions from COVID-19 resulting in retail store closures and a significant decline in credit sales, the Company's impairment assessments for certain of its Card Services deferred contract costs resulted in asset impairment charges of $38.1 million that are included in cost of operations in its consolidated statement of income for the year ended December 31, 2020. No impairment related to deferred contract costs was incurred during the years ended December 31, 2019 and 2018.

Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which the Company has the right to invoice for services performed.

The Company has elected the practical expedient from ASC 340-40 with respect to contract costs, and expenses the incremental costs as incurred for those costs that would otherwise be recognized with an amortization period of one year or less. These costs are recorded to cost of operations expense in the Company's consolidated statements of income.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income per share of common stock for the periods indicated:

	Years Ended December 31,		
	2020	2019	2018
	(in millions, except per share amounts)		
Basic income per share:			
Numerator:			
Income from continuing operations	$ 295.0	$ 572.6	$ 945.5
Less: Dividends declared on preferred stock	—	2.8	—
Less: Allocation of undistributed earnings	—	6.8	—
Income from continuing operations - basic	295.0	563.0	945.5
(Loss) income from discontinued operations, net of tax	(81.3)	(294.6)	17.6
Net income - basic	$ 213.7	$ 268.4	$ 963.1
Denominator:			
Weighted average shares, basic	47.8	50.0	54.9
Basic income (loss) attributable to common stockholders per share:			
Income from continuing operations	$ 6.17	$ 11.25	$ 17.24
(Loss) income from discontinued operations	$ (1.70)	$ (5.89)	$ 0.32
Net income per share	$ 4.47	$ 5.36	$ 17.56
Diluted income per share [(1)]:			
Numerator:			
Income from continuing operations	$ 295.0	$ 572.6	$ 945.5
(Loss) income from discontinued operations, net of tax	(81.3)	(294.6)	17.6
Net income	$ 213.7	$ 278.0	$ 963.1
Denominator:			
Weighted average shares, basic	47.8	50.0	54.9
Weighted average effect of dilutive securities:			
Shares from assumed conversion of preferred stock	—	0.8	—
Net effect of dilutive stock options and unvested restricted stock [(2)]	0.1	0.1	0.2
Denominator for diluted calculation	47.9	50.9	55.1
Diluted income (loss) attributable to common stockholders per share:			
Income from continuing operations	$ 6.16	$ 11.24	$ 17.17
(Loss) income from discontinued operations	$ (1.70)	$ (5.78)	$ 0.32
Net income per share	$ 4.46	$ 5.46	$ 17.49

(1) Computed using the if-converted method, as the result was more dilutive.

(2) For the years ended December 31, 2020, 2019 and 2018, a de minimis amount of restricted stock units was excluded from each calculation of weighted average dilutive common shares as the effect would have been anti-dilutive.

On April 25, 2019, the Company entered into an exchange agreement with ValueAct Holdings, L.P. pursuant to which ValueAct exchanged an aggregate of 1,500,000 shares of the Company’s common stock for an aggregate of 150,000 shares of Series A Non-Voting Convertible Preferred Stock (“preferred stock”). In October 2019, ValueAct converted all 150,000 shares of preferred stock back to common stock.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

For the year ended December 31, 2019, the Company's calculation of basic and diluted EPS was computed using the two-class method for those periods in which participating securities were outstanding. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings.

5. ACQUISITIONS

2020 Acquisitions:

Bread

On September 28, 2020, the Company acquired 3.5 million preferred Series D Shares of Lon Inc., a Delaware corporation ("Bread"), for approximately $25.0 million, which represented an approximate 6% ownership interest in Bread. Bread is a technology-driven digital payments company, offering an omnichannel solution for retailers and platform capabilities to bank partners. On December 3, 2020, the Company acquired the remaining interest in Bread. In accordance with ASC 805, the Company's approximate 6% interest was remeasured at fair value when control of Bread was obtained on December 3, 2020; no gain or loss was recognized on the remeasurement.

Consideration for the 100% ownership of Bread consisted of cash of $275.0 million, equity of $149.2 million with the issuance of 1.9 million shares of the Company's common stock, and deferred cash consideration of $75.0 million due December 2021, subject to customary closing purchase price adjustments. Consideration, net of cash and restricted cash acquired, was $491.0 million.

The following table summarizes the allocation of the consideration and the respective fair values of the assets acquired and liabilities assumed in the Bread transaction as of the acquisition date, net of cash acquired:

	As of December 3, 2020 (in millions)
Installment loan receivables	$ 111.7
Accounts receivable	0.2
Other current assets	0.6
Property and equipment	0.3
Developed technology	90.7
Right of use assets - operating	3.6
Deferred tax asset, net	7.0
Intangible assets	11.3
Goodwill	369.6
Total assets acquired	595.0
Accounts payable	2.0
Accrued expenses	2.9
Operating lease liabilities	3.5
Non-recourse borrowings of consolidated securitization entities	95.6
Total liabilities assumed	104.0
Net assets acquired, net of cash and restricted cash	$ 491.0

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The goodwill resulting from the acquisition was not deductible for tax purposes. Bread utilizes certain statutory trusts to securitize its installment loan receivables. As part of its acquisition, the Company acquired $111.7 million of installment loan receivables restricted for securitization investors. In addition, the Company assumed two warehouse facilities of $95.6 million utilized to fund securitized loan receivables. See Note 17, "Debt," for more information.

2019 Acquisitions:

On February 7, 2019, the Company acquired certain assets as well as the assembled workforce and related office lease agreements of blispay inc. ("Blispay"), a financial technology company, for cash consideration of $6.7 million, and a $1.0 million limited guarantee was issued by the Company as part of the transaction. The acquisition was determined to constitute a business combination under ASC 805, "Business Combinations." Total assets acquired were $7.3 million, including $5.0 million of capitalized software and $2.3 million of goodwill, with the fair value of the guarantee determined to be approximately $0.6 million on the acquisition date.

6. DISPOSITION

On January 10, 2020, the Company sold Precima®, a provider of retail strategy and customer data applications and analytics, to Nielsen Holdings plc for total consideration of $43.8 million. The purchase and sale agreement provided for $10.0 million in contingent consideration based upon the occurrence of specified events and performance of the business, with two earnout determinations in September 2020 and September 2021, respectively. In September 2020, the Company received cash of $5.0 million upon the earnout determination date. At December 31, 2020, the Company estimated the fair value of the remaining contingent purchase price at approximately $1.5 million, which is included in the total consideration below. Precima was included in the Company's LoyaltyOne segment. The pre-tax gain was recorded in cost of operations in the Company's consolidated statements of income.

	January 10, 2020 (in millions)
Total consideration [(1)]	$ 43.8
Net carrying value of assets and liabilities (including other comprehensive income)	26.8
Allocation of goodwill	3.2
Strategic transaction costs	5.8
Pre-tax gain on sale of business, net of strategic transaction costs	$ 8.0

(1) Consideration as defined included cash associated with the sold Precima entities, which was $10.8 million.

7. DISCONTINUED OPERATIONS

Effective April 12, 2019, the Company entered into a definitive agreement to sell its Epsilon segment to Publicis Groupe S.A. for $4.4 billion in cash, subject to certain specified adjustments. Beginning in the first quarter of 2019, Epsilon met the criteria set forth in ASC 205-20, "Presentation of Financial Statements — Discontinued Operations."

The sale of Epsilon was completed on July 1, 2019, and the pre-tax gain is shown in the table below.

	July 1, 2019 (in millions)
Consideration received [(1)]	$ 4,451.9
Net carrying value of assets and liabilities (including other comprehensive income)	3,939.7
Pre-tax gain on deconsolidation	$ 512.2

(1) Consideration as defined included cash associated with the sold Epsilon entities, which was $42.2 million.

The Company recorded transaction costs of approximately $79.0 million for the year ended December 31, 2019 and recorded an after-tax loss on sale of $252.1 million, which is included in loss from discontinued operations, net of taxes.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Following the sale of Epsilon, Card Services has continued its existing contractual relationships with Epsilon for digital marketing services.

The following table summarizes the results of discontinued operations for the periods presented:

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Revenue	$ —	$ 999.6	$ 2,175.1
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	110.0	993.9	1,744.4
Depreciation and other amortization	—	29.7	115.4
Amortization of purchased intangibles	—	43.5	178.3
Interest expense [(1)]	—	64.1	128.3
Gain on sale of Epsilon	—	(512.2)	—
Income before (benefit) provision from income taxes	(110.0)	380.6	8.7
(Benefit) provision for income taxes	(28.7)	675.2	(8.9)
(Loss) income from discontinued operations, net of taxes	$ (81.3)	$ (294.6)	$ 17.6

(1) The Company's credit agreement, as amended, provided that upon consummation of the sale of Epsilon, a mandatory payment of $500.0 million of the revolving credit facility was required and all of the Company's outstanding senior notes were required to be redeemed. As such, interest expense has been allocated to discontinued operations on the basis of the Company's $500.0 million mandatory repayment of its revolving line of credit and redemption of its $1.9 billion in senior notes outstanding.

For the year ended December 31, 2020, loss from discontinued operations reflects a loss contingency associated with indemnification issues with the purchaser. For the years ended December 31, 2019 and 2018, loss from discontinued operations reflects the results of operations of the Company's former Epsilon segment, direct costs identifiable to the Epsilon segment including a loss contingency associated with indemnification issues with the purchaser and the allocation of interest expense on corporate debt. See Note 18, "Commitments and Contingencies," for additional information with respect to the loss contingency.

Depreciation and amortization and capital expenditures from discontinued operations for the periods presented are as follows:

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Depreciation and amortization	$ —	$ 73.2	$ 293.7
Capital expenditures	$ —	$ 55.8	$ 106.5

8. CREDIT CARD AND LOAN RECEIVABLES

Quantitative information about the components of the Company's credit card and loan receivables is presented in the table below:

	December 31, 2020	December 31, 2019
	(in millions)	
Credit card receivables	$ 16,376.4	$ 19,047.8
Installment loan receivables	118.0	—
Other	290.0	415.3
Total credit card and loan receivables	16,784.4	19,463.1
Less: Credit card and loan receivables – restricted for securitization investors	11,208.5	13,504.2
Other credit card and loan receivables	$ 5,575.9	$ 5,958.9

Allowance for Loan Loss

Effective January 1, 2020, the Company adopted ASC 326 on a modified retrospective approach and applied a CECL model to determine its allowance for loan loss. The allowance for loan loss is an estimate of expected credit losses, measured over the estimated life of its credit card and loan receivables that considers forecasts of future economic conditions in addition to information about past events and current conditions. The estimate under the CECL model is significantly influenced by the composition, characteristics and quality of the Company's portfolio of credit card and loan receivables, as well as the prevailing economic conditions and forecasts utilized. The estimate of the allowance for loan loss includes an estimate for uncollectible principal as well as unpaid interest and fees. Charge-offs of principal amounts, net of recoveries are deducted from the allowance. The allowance is maintained through an adjustment to the provision for loan loss and is evaluated for appropriateness. Prior to January 1, 2020, the Company's allowance for loan loss was determined utilizing an incurred loss model under ASC 450, "Contingencies."

Credit Card Receivables

ASC 326 requires entities to use a "pooled" approach to estimate expected credit losses for financial assets with similar risk characteristics. As part of its CECL implementation, the Company evaluated multiple risk characteristics of its credit card receivables portfolio, and determined delinquency status and credit quality to be the most significant characteristics for estimating expected credit losses. To estimate its allowance for loan loss, the Company segregates its credit card receivables into four groups with similar risk characteristics, on the basis of delinquency status and credit quality risk score. These risk characteristics are evaluated on at least an annual basis, or more frequently as facts and circumstances warrant. The Company's credit card receivables do not have stated maturities and therefore prepayments are not factored into the determination of the estimated life of the credit card receivables. In determining the estimated life of a credit card and loan receivable, payments were applied to the measurement date balance with no payments allocated to future purchase activity. The Company uses a combination of First In First Out ("FIFO") and the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 ("CARD Act") methodology to model balance paydown.

The Company's groups of pooled financial assets with similar risk characteristics and their estimated life is as follows:

	Estimated Life (in months)
Group A (Current, risk score - high)	14
Group B (Current, risk score - low)	19
Group C (Delinquent, risk score - high)	17
Group D (Delinquent, risk score - low)	26

In estimating its allowance for loan loss, for each identified group, management utilizes various models and estimation techniques based on historical loss experience, current conditions, reasonable and supportable forecasts and other relevant factors. These models utilize historical data and applicable macroeconomic variables with statistical analysis and behavioral relationships with credit performance. The Company's quantitative estimate of expected credit losses under CECL is impacted by certain forecasted economic factors. Management utilizes a third party service to analyze a number of scenarios, but uses one scenario to determine the macroeconomic variables over the forecast period. The Company considers the forecast used to be reasonable and supportable over the estimated life of the credit card receivables, with no reversion period. In addition to the quantitative estimate of expected credit losses, the Company also incorporates qualitative adjustments for certain factors such as Company-specific risks, changes in current economic conditions that may not be captured in the quantitatively derived results, or other relevant factors to ensure the allowance for loan loss reflects the Company's best estimate of current expected credit losses. As permitted by ASC 326, the Company excludes unbilled finance charges from its amortized cost basis of credit card and loan receivables. At December 31, 2020, unbilled finance charges were $219.4 million and included in other credit card and loan receivables in the Company's consolidated balance sheet.

Installment Loan Receivables

As part of its acquisition of Bread, the Company acquired certain installment loan receivables, and in accordance with ASC 326, the Company established on the date of acquisition, an allowance for loan loss of approximately $5.7 million, which was recorded through the provision for loan loss. The allowance for loan loss was established by utilizing a migration model over the remaining life of the loans. The model segmented accounts based on three attributes: delinquency, risk score and remaining term. As of December 31, 2020, the allowance for loan loss related to installment loan receivables was $5.7 million.

Allowance for Loan Loss Rollforward

The following table presents the Company's allowance for loan loss for its credit card and loan receivables for the years indicated.

	Years Ended December 31,		
	2020 (1)	2019	2018
		(in millions)	
Balance at beginning of year	$ 1,171.1	$ 1,038.3	$ 1,119.3
Adoption of ASC 326 (2)	644.0	—	—
Provision for loan loss	1,266.2	1,187.5	1,016.0
Allowance associated with credit card and loan receivables transferred to held for sale	—	—	(54.8)
Change in estimate for uncollectible unpaid interest and fees	10.0	—	25.0
Recoveries	204.6	234.5	214.2
Principal charge-offs	(1,287.9)	(1,289.2)	(1,281.4)
Balance at end of year	$ 2,008.0	$ 1,171.1	$ 1,038.3

(1) With the acquisition of Bread in December 2020, the Company acquired certain installment loans which represented a separate portfolio segment. As the amount of the allowance for loan loss was immaterial, the amounts were included in the above table.

(2) Recorded January 1, 2020 through a cumulative-effect adjustment to retained earnings, net of taxes.

During the year ended December 31, 2020, the increase in the allowance for loan loss was due to a $644.0 million cumulative-effect adjustment for the adoption of ASC 326 as well as deterioration of the macroeconomic outlook due to COVID-19.

Net Charge-offs

Net charge-offs include the principal amount of losses that are deemed uncollectible, less recoveries and exclude charged-off interest, fees and fraud losses. Charged-off interest and fees reduce finance charges, net while fraud losses are recorded as a cost of operations expense. Credit card receivables, including unpaid interest and fees, are charged-off in the month during which an account becomes 180 days contractually past due, except in the case of customer bankruptcies or death. Installment loan receivables, including unpaid interest, are charged-off when a loan is 120 days past due. Credit card receivables, including unpaid interest and fees, associated with customer bankruptcies or death are charged-off in each month subsequent to 60 days after the receipt of notification of the bankruptcy or death, but in any case, not later than the 180-day contractual time frame.

The Company records the actual charge-offs for unpaid interest and fees as a reduction to finance charges, net. For the years ended December 31, 2020, 2019 and 2018, actual charge-offs for unpaid interest and fees were $717.4 million, $808.6 million and $803.1 million, respectively.

Delinquencies

An account is contractually delinquent if the Company does not receive the minimum payment by the specified due date. It is the Company's policy to continue to accrue interest and fee income on all accounts, except in limited circumstances, until the account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent for credit card receivables and 120 days delinquent for installment loan receivables. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If the Company is unable to make a collection after exhausting all in-house collection efforts, the Company may engage collection agencies and outside attorneys to continue those efforts.

The following table presents the amortized cost basis of the aging analysis of the Company's credit card and loan receivables portfolio:

	Aging Analysis of Delinquent Amortized Cost Credit Card and Loan Receivables					
	31 to 60 days delinquent	61 to 90 days delinquent	91 or more days delinquent	Total delinquent	Current	Total
	(in millions)					
As of December 31, 2020 [(1)]	$ 272.5	$ 203.3	$ 439.8	$ 915.6	$ 15,578.8	$ 16,494.4
As of December 31, 2019	$ 399.1	$ 293.9	$ 698.4	$ 1,391.4	$ 17,656.4	$ 19,047.8

(1) With the acquisition of Bread in December 2020, the Company acquired certain installment loans. As the amount of the delinquencies related to installment loans was immaterial, the amounts were included in the above table.

The practice of re-aging an account may affect credit card receivables delinquencies and charge-offs. A re-age of an account is intended to assist delinquent cardholders who have experienced financial difficulties but who demonstrate both an ability and willingness to repay the amounts due. Accounts meeting specific defined criteria are re-aged when the cardholder makes one or more consecutive payments aggregating a certain pre-defined amount of their account balance. With re-aging, the outstanding balance of a delinquent account is returned to a current status. For the years ended December 31, 2020, 2019 and 2018, the Company's re-aged accounts represented 2.8%, 2.4% and 2.1%, respectively, of total credit card and loan receivables for each period and thus do not have a significant impact on the Company's delinquencies or net charge-offs. The Company's re-aging practices comply with regulatory guidelines.

Modified Credit Card Receivables

Forbearance Programs

In response to the COVID-19 pandemic, the Company offered forbearance programs, which provide for short-term modifications in the form of payment deferrals and late fee waivers to borrowers who were current with their payments prior to any relief. Specifically, the Company provided for late fee waivers and payment deferrals for up to two months for approximately $2.2 billion of credit card receivables, based on the balance in the month of enrollment, through December 31, 2020 and the extension of certain promotional plans of approximately $89.0 million for up to three months. As of December 31, 2020, the credit card receivables in these deferral forbearance programs was approximately $157.4 million. Additionally, the Company instituted two short-term programs with durations of three and six months, which provide concessions consisting primarily of a reduced minimum payment and an interest rate reduction, the balance of which was $67.3 million as of December 31, 2020.

As these short-term modifications were made in response to COVID-19 to borrowers who were current prior to any relief, these are not considered troubled debt restructurings under the Interagency Statement guidance on certain loan modifications and an interpretation of ASC 310-40, "Receivables—Troubled Debt Restructurings by Creditors."

Troubled Debt Restructurings

The Company holds certain credit card receivables for which the terms have been modified. The Company's modified credit card receivables include credit card receivables for which temporary hardship concessions have been granted and credit card receivables in permanent workout programs. These modified credit card receivables include concessions consisting primarily of a reduced minimum payment and an interest rate reduction. The temporary programs' concessions remain in place for a period no longer than twelve months, while the permanent programs remain in place through the payoff of the credit card receivables if the credit cardholder complies with the terms of the program. Additionally, the Company instituted two temporary hardship programs with durations of three and six months with similar terms to our short-term forbearance programs, for borrowers who were not current as of their most recent billing cycle prior to April 2020. As of December 31, 2020, the outstanding balance of credit card receivables in these two short-term temporary hardship programs treated as troubled debt restructurings totaled approximately $39.9 million.

Troubled debt restructuring concessions do not include the forgiveness of unpaid principal, but may involve the reversal of certain unpaid interest or fee assessments. In the case of the temporary hardship programs, at the end of the concession period, credit card receivable terms revert to standard rates. These arrangements are automatically terminated if the customer fails to make payments in accordance with the terms of the program, at which time their account reverts back to its original terms.

Credit card receivables for which temporary hardship and permanent concessions were granted are each considered troubled debt restructurings and are collectively evaluated for impairment. Modified credit card receivables are evaluated at their present value with impairment measured as the difference between the credit card receivable balance and the discounted present value of cash flows expected to be collected. Consistent with the Company's measurement of impairment of modified credit card receivables on a pooled basis, the discount rate used for credit card receivables is the average current annual percentage rate the Company applies to non-impaired credit card receivables, which approximates what would have been applied to the pool of modified credit card receivables prior to impairment. In assessing the appropriate allowance for loan loss, these modified credit card receivables are included in the general pool of credit card receivables with the allowance determined under the contingent loss model of ASC 450-20, "Loss Contingencies." If the Company applied accounting under ASC 310-40, "Troubled Debt Restructurings by Creditors," to the modified credit card receivables in these programs, there would not be a material difference in the allowance for loan loss.

The Company had $489.8 million and $308.7 million, respectively, as a recorded investment in impaired credit card receivables with an associated allowance for loan loss of $165.8 million and $75.4 million, respectively, as of December 31, 2020 and 2019. These modified credit card receivables represented less than 3.0% of the Company's total credit card receivables as of both December 31, 2020 and 2019.

The average recorded investment in the impaired credit card receivables was $412.4 million and $295.4 million for the years ended December 31, 2020 and 2019, respectively.

Interest income on these modified credit card receivables is accounted for in the same manner as other accruing credit card receivables. Cash collections on these modified credit card receivables are allocated according to the same payment hierarchy methodology applied to credit card receivables that are not in such programs. The Company recognized $30.1 million, $22.6 million and $27.9 million for the years ended December 31, 2020, 2019 and 2018, respectively, in interest income associated with modified credit card receivables during the period that such credit card receivables were impaired.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following table provides information on credit card receivables that are considered troubled debt restructurings as described above, which entered into a modification program during the specified periods:

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance
	(Dollars in millions)					
Troubled debt restructurings – credit card receivables	391,049	$ 554.5	$ 552.6	259,311	$ 381.4	$ 380.8

The table below summarizes troubled debt restructurings that have defaulted in the specified periods where the default occurred within 12 months of their modification date:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Number of Restructurings	Outstanding Balance	Number of Restructurings	Outstanding Balance
	(Dollars in millions)			
Troubled debt restructurings that subsequently defaulted – credit card receivables	118,600	$ 161.8	126,476	$ 170.8

Credit Quality

Credit Card Receivables

The Company uses proprietary scoring models developed specifically for the purpose of monitoring the Company's obligor credit quality for its credit card receivables. The proprietary scoring models are used as a tool in the underwriting process and for making credit decisions. The proprietary scoring models are based on historical data and require various assumptions about future performance, which the Company updates periodically. Information regarding customer performance is factored into these proprietary scoring models to determine the probability of an account becoming 91 or more days past due at any time within the next 12 months. Obligor credit quality is monitored at least monthly during the life of an account. The following table reflects the composition of the Company's credit card receivables by obligor credit quality as of December 31, 2020 and 2019:

	Amortized Cost Revolving Credit Card Receivables			
	December 31, 2020		December 31, 2019	
Probability of an Account Becoming 91 or More Days Past Due or Becoming Charged-off (within the next 12 months)	Amortized Cost Basis	Percentage of Amortized Cost Basis Outstanding	Amortized Cost Basis	Percentage of Amortized Cost Basis Outstanding
	(in millions, except percentages)			
No Score	$ 204.1	1.2 %	$ 298.4	1.6 %
27.1% and higher	1,390.4	8.5	1,648.8	8.7
17.1% - 27.0%	848.8	5.2	1,108.5	5.8
12.6% - 17.0%	937.0	5.7	1,171.7	6.2
3.7% - 12.5%	7,305.5	44.6	8,292.1	43.5
1.9% - 3.6%	2,939.5	17.9	3,375.3	17.7
Lower than 1.9%	2,751.1	16.9	3,153.0	16.5
Total	$ 16,376.4	100.0 %	$ 19,047.8	100.0 %

Note: The Company's credit card receivables are revolving receivables as they do not have stated maturities and are exempted from certain vintage disclosures required under ASC 326.

The proprietary scoring models are based on historical data and require various assumptions about future performance, which the Company updates periodically. Obligor credit quality is monitored at least monthly during the life of an account.

Installment Loan Receivables

With the December 3, 2020 acquisition of Bread, the Company acquired installment loan receivables. At origination of these loans, credit bureau scores from Fair Isaac Corporation ("FICO") were obtained relating to the customer's broader credit performance as a tool in the underwriting process and for making credit decisions. As of December 31, 2020, the amortized cost basis of the Company's installment loan receivables totaled $118.0 million, with approximately 86% of these loans originated by customers with FICO scores 660 or above, and approximately 14% of these loans originated by customers with FICO scores below 660.

Transfer of Financial Assets

During 2018, the Company originated loan receivables under one previous client agreement, and after origination, these loan receivables were sold to the client at par value plus accrued interest. These transfers qualified for sale treatment as they met the conditions established in ASC 860-10, "Transfers and Servicing." Following the sale, the client owned the loan receivables, assumed the risk of loss in the event of loan defaults and was responsible for all servicing functions related to the loan receivables. Effective July 2, 2018, the Company no longer originates loan receivables for this client. Originations and sales of these loan receivables held for sale were reflected as operating activities in the Company's consolidated statement of cash flows for the year ended December 31, 2018.

Portfolios Held for Sale

The Company had certain credit card portfolios held for sale, which are carried at the lower of cost or fair value, of $408.0 million as of December 31, 2019. As of December 31, 2020, there were no credit card portfolios held for sale.

During the year ended December 31, 2020, the Company sold a credit card portfolio for cash consideration of approximately $289.5 million and recognized a gain of approximately $20.4 million on the transaction, which was recorded in cost of operations in the Company's consolidated statements of income. The Company recorded portfolio valuation adjustments, which are reflected in cost of operations, of $7.5 million for the year ended December 31, 2020. In September 2020, one of the Company's credit card portfolios totaling approximately $81.9 million was transferred from held for sale to held for investment and was included in total credit card and loan receivables at December 31, 2020.

During the year ended December 31, 2019, the Company transferred one credit card portfolio totaling approximately $510.3 million into credit card receivables held for sale, and sold 13 credit card portfolios for cash consideration of approximately $2.1 billion and recognized approximately $43.9 million in net gains on the transactions. The Company recorded portfolio valuation adjustments of $189.8 million for the year ended December 31, 2019.

For the year ended December 31, 2019, the portfolio sales were as follows:

- In April 2019, the Company sold one credit card portfolio for final cash consideration of approximately $356.6 million and recognized a $0.4 million loss on the transaction.
- In June 2019, the Company sold three credit card portfolios for final cash consideration of approximately $217.7 million and recognized approximately $2.9 million in gains on the transactions.
- In August 2019, the Company sold one credit card portfolio for final cash consideration of approximately $70.4 million and recognized a $1.7 million gain on the transaction.
- In September 2019, the Company sold one credit card portfolio for final cash consideration of approximately $334.7 million and recognized a $15.2 million gain on the transaction.
- In December 2019, the Company sold seven credit card portfolios for final cash consideration of approximately $1,082.4 million and recognized approximately $24.5 million in net gains on the transactions.

Portfolio Acquisitions

During the year ended December 31, 2019, the Company acquired four credit card portfolios for cash consideration of approximately $924.8 million, which consisted of approximately $843.5 million of credit card receivables, $35.7 million of intangible assets and $45.6 million of other non-current assets. No portfolio acquisitions were made during the year ended December 31, 2020.

Securitized Credit Card and Loan Receivables

The Company regularly securitizes its credit card and loan receivables through its trusts. The Company continues to own and service the accounts that generate credit card and loan receivables held by the trusts. In its capacity as a servicer, each of the respective entities earns a fee from the trusts to service and administer the credit card and loan receivables, collect payments and charge-off uncollectible receivables. These fees are eliminated and therefore are not reflected in the consolidated statements of income for the years ended December 31, 2020, 2019 and 2018.

The trusts are VIEs and the assets of these consolidated VIEs include certain credit card receivables that are restricted to settle the obligations of those entities and are not expected to be available to the Company or its creditors. The liabilities of the consolidated VIEs include non-recourse secured borrowings and other liabilities for which creditors or beneficial interest holders do not have recourse to the general credit of the Company.

For its securitized credit card receivables, during the initial phase of a securitization reinvestment period, the Company generally retains principal collections in exchange for the transfer of additional credit card receivables 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.

The Company is required to maintain minimum interests ranging from 4% to 10% of the securitized credit card receivables. This requirement is met through transferor's interest and is supplemented through excess funding deposits. Excess funding deposits represent cash amounts deposited with the trustee of the securitizations. Cash collateral, restricted deposits are generally released proportionately as investors are repaid, although some cash collateral, restricted deposits are released only when investors have been paid in full. No cash collateral, restricted deposits were required to be used to cover losses on securitized credit card receivables in the years ended December 31, 2020, 2019 and 2018.

The tables below present quantitative information about the components of total securitized credit card and loan receivables, delinquencies and net charge-offs:

	December 31, 2020	December 31, 2019
	(in millions)	
Total credit card and loan receivables – restricted for securitization investors	$ 11,208.5	$ 13,504.2
Principal amount of credit card and loan receivables – restricted for securitization investors, 91 days or more past due	$ 200.8	$ 321.8

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Net charge-offs of securitized principal	$ 756.1	$ 907.7	$ 927.0

9. INVENTORIES, NET

Inventories, net of $164.3 million and $218.0 million at December 31, 2020 and 2019, respectively, primarily consist of finished goods to be utilized as rewards in the Company's loyalty programs. For the year ended December 31, 2019, asset impairment charges of $18.4 million related to the discontinuance of certain reward product lines within inventory were recorded to the LoyaltyOne segment.

10. OTHER INVESTMENTS

Other investments consist of marketable securities and U.S. Treasury bonds and are included in other current assets and other non-current assets in the Company's consolidated balance sheets. Marketable securities include available for sale debt securities, mutual funds and domestic certificate of deposit investments. The principal components of other investments, which are carried at fair value, are as follows:

	December 31, 2020				December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)							
Marketable securities	$ 219.0	$ 6.4	$ —	$ 225.4	$ 257.2	$ 3.0	$ (0.4)	$ 259.8
Total	$ 219.0	$ 6.4	$ —	$ 225.4	$ 257.2	$ 3.0	$ (0.4)	$ 259.8

The following table shows the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2019, aggregated by investment category and the length of time that individual securities have been in a continuous loss position. Unrealized losses as of December 31, 2020 were de minimis.

	December 31, 2019					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in millions)					
Marketable securities	$ 18.8	$ (0.2)	$ 13.1	$ (0.2)	$ 31.9	$ (0.4)
Total	$ 18.8	$ (0.2)	$ 13.1	$ (0.2)	$ 31.9	$ (0.4)

The amortized cost and estimated fair value of the marketable securities at December 31, 2020 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(in millions)	
Due in one year or less [(1)]	$ 44.9	$ 44.9
Due after one year through five years	1.0	1.0
Due after five years through ten years	—	—
Due after ten years	173.1	179.5
Total	$ 219.0	$ 225.4

(1) Includes mutual funds, which do not have a stated maturity.

Market values were determined for each individual security in the investment portfolio. Effective January 1, 2020, the Company adopted ASC 326, which replaced the other-than-temporary impairment model for available-for-sale debt securities. For available-for-sale debt securities in which fair value is less than cost, ASC 326 requires that credit-related impairment, if any, be recognized through an allowance for credit losses and adjusted each period for changes in credit risk. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity, and the Company performs an assessment each period for credit-related impairment. As of December 31, 2020, the Company does not consider its investments to be impaired

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2020, 2019 and 2018.

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11. REDEMPTION SETTLEMENT ASSETS

Redemption settlement assets consist of restricted cash and securities available-for-sale and are designated for settling redemptions by collectors of the AIR MILES Reward Program in Canada under certain contractual relationships with sponsors of the AIR MILES Reward Program. The principal components of redemption settlement assets, which are carried at fair value, are as follows:

	December 31, 2020				December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)							
Restricted cash	$ 55.4	$ —	$ —	$ 55.4	$ 39.3	$ —	$ —	$ 39.3
Mutual funds	26.9	—	—	26.9	25.1	—	—	25.1
Corporate bonds	592.3	19.1	(0.2)	611.2	536.0	2.4	(2.0)	536.4
Total	$ 674.6	$ 19.1	$ (0.2)	$ 693.5	$ 600.4	$ 2.4	$ (2.0)	$ 600.8

The following tables show the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2020 and 2019, respectively, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2020					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in millions)					
Corporate bonds	$ 46.2	$ (0.1)	$ 10.3	$ (0.1)	$ 56.5	$ (0.2)
Total	$ 46.2	$ (0.1)	$ 10.3	$ (0.1)	$ 56.5	$ (0.2)

	December 31, 2019					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in millions)					
Corporate bonds	$ 166.6	$ (1.3)	$ 155.1	$ (0.7)	$ 321.7	$ (2.0)
Total	$ 166.6	$ (1.3)	$ 155.1	$ (0.7)	$ 321.7	$ (2.0)

The amortized cost and estimated fair value of the securities at December 31, 2020 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(in millions)	
Due in one year or less [1]	$ 144.9	$ 146.0
Due after one year through five years	470.2	488.0
Due after five year through ten years	4.1	4.1
Total	$ 619.2	$ 638.1

(1) Includes mutual funds, which do not have a stated maturity.

Market values were determined for each individual security in the investment portfolio. Effective January 1, 2020, the Company adopted ASC 326, which replaced the other-than-temporary impairment model for available-for-sale debt securities. For available-for-sale debt securities in which fair value is less than cost, ASC 326 requires that credit-related impairment, if any, be recognized through an allowance for credit losses and adjusted each period for changes in credit risk. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity, and the Company performs an assessment each period for credit-related impairment. As of December 31, 2020, the Company does not consider its investments to be impaired.

There were no realized gains or losses from the sale of investment securities for the year ended December 31, 2020. For the years ended December 31, 2019 and 2018, realized gains and losses from the sale of investment securities were de minimis.

12. LEASES

The Company has operating leases for general office properties, warehouses, data centers, customer care centers, automobiles and certain equipment. As of December 31, 2020, the Company's leases have remaining lease terms of less than 1 year to 18 years, some of which may include renewal options.

The components of lease expense were as follows:

	Years Ended December 31,	
	2020	2019
	(in millions)	
Operating lease cost	$ 40.5	$ 41.1
Short-term lease cost	1.0	2.7
Variable lease cost	6.2	6.8
Total	$ 47.7	$ 50.6

Lease expense was $47.5 million for the year ended December 31, 2018.

Other information related to leases was as follows:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term (in years):		
Operating leases	10.8	11.5
Weighted-average discount rate:		
Operating leases	5.2%	5.2%

Supplemental cash flow information related to leases was as follows:

	Years Ended December 31,	
	2020	2019
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 45.8	$ 46.6
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 7.6	$ 28.4

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Maturities of the lease liabilities as of December 31, 2020 were as follows:

Year	Operating Leases
	(in millions)
2021	$ 38.8
2022	41.2
2023	38.3
2024	36.0
2025	35.2
Thereafter	209.6
Total undiscounted lease liabilities	399.1
Less: Amount representing interest	(99.1)
Total present value of minimum lease payments	$ 300.0
Amounts recognized in the December 31, 2020 consolidated balance sheet:	
Current operating lease liabilities	$ 23.6
Long-term operating lease liabilities	276.4
Total	$ 300.0

The Company evaluates its right of use ("ROU") assets for impairment in accordance with ASC 360, "Property, Plant and Equipment," when events or changes in circumstances indicate that a ROU asset's carrying amount may not be recoverable. The Company performed an impairment assessment for the ROU assets associated with its locations where it ceased use with the intent to sublease. As a result, the Company recorded an asset impairment charge of $18.4 million in its Card Services segment. The impairment charge is included in cost of operations in the Company's consolidated statements of income for the year ended December 31, 2020. Following the incurred impairment, the ROU assets for these locations will be amortized on an accelerated basis in accordance with ASC 842.

13. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2020	December 31, 2019
	(in millions)	
Computer software and development	$ 410.5	$ 327.1
Furniture and equipment	151.0	164.3
Land, buildings and leasehold improvements	122.7	126.0
Construction in progress	32.9	46.2
Total	717.1	663.6
Accumulated depreciation and amortization	(406.2)	(381.3)
Property and equipment, net	$ 310.9	$ 282.3

Depreciation expense totaled $65.5 million, $40.6 million and $41.2 million for the years ended December 31, 2020, 2019 and 2018, respectively, and includes purchased software. Amortization expense on capitalized software totaled $35.5 million, $39.3 million and $39.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the net amount of unamortized capitalized software costs included in the consolidated balance sheets was $165.5 million and $74.0 million, respectively. With the Bread acquisition on December 3, 2020, the Company acquired $90.7 million of developed technology, which is being amortized over a 5.0 year life. See Note 5, "Acquisitions," for more information.

In addition, with the acquisition of Bread, the Company determined certain capitalized software was no longer expected to be used and an impairment charge of $4.1 million was incurred, which is included in cost of operations in its consolidated statement of income for the year ended December 31, 2020.

In the fourth quarter of 2020, the Company determined it would reduce its real estate footprint and cease use of certain properties with the intent to sublease, which triggered an impairment analysis of certain property and equipment in accordance with ASC 360. As a result of the analysis, the Company recorded asset impairment charges of $3.0 million and accelerated depreciation expense of $24.7 million, both within its Card Services segment.

Sale of Real Estate

In October 2019, the Company sold a building and land for cash proceeds of $15.1 million and simultaneously entered into a new 15 year lease agreement for the building, with four consecutive tenant options to extend the lease for five-year terms. Under the criteria of ASC 842, the transaction met the definition of a sale and the Company recognized a $6.1 million gain on the transaction, which was included in cost of operations in the Company's consolidated statement of income for the year ended December 31, 2019.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of the following:

	December 31, 2020			
	Gross Assets	Accumulated Amortization (in millions)	Net	Amortization Life and Method
Definite-Lived Assets				
Customer contracts and lists	$ 363.0	$ (354.5)	$ 8.5	3-7 years—straight line
Premium on purchased credit card portfolios	137.2	(72.8)	64.4	3-13 years—straight line
Collector database	55.0	(54.5)	0.5	5 years—straight line
Tradenames	35.0	(30.1)	4.9	4-15 years—straight line
Non-compete agreements	2.2	—	2.2	5 years—straight line
	$ 592.4	$ (511.9)	$ 80.5	
Indefinite-Lived Assets				
Tradename	1.2	—	1.2	Indefinite life
Total intangible assets	$ 593.6	$ (511.9)	$ 81.7	

	December 31, 2019			
	Gross Assets	Accumulated Amortization (in millions)	Net	Amortization Life and Method
Definite-Lived Assets				
Customer contracts and lists	$ 325.1	$ (278.7)	$ 46.4	7 years—straight line
Premium on purchased credit card portfolios	192.6	(93.2)	99.4	1-13 years—straight line
Collector database	53.9	(52.9)	1.0	5 years—straight line
Tradenames	31.8	(26.5)	5.3	8-15 years—straight line
	$ 603.4	$ (451.3)	$ 152.1	
Indefinite-Lived Assets				
Tradename	1.2	—	1.2	Indefinite life
Total intangible assets	$ 604.6	$ (451.3)	$ 153.3	

With the Bread acquisition on December 3, 2020, the Company acquired $11.3 million of intangible assets, consisting of customer relationships of $8.8 million, a non-compete agreement of $2.2 million, and a tradename of $0.3

million, which are being amortized over weighted average lives of 3.0 years, 5.0 years, and 4.0 years, respectively. See Note 5, "Acquisitions," for more information.

As part of the portfolio acquisitions during the year ended December 31, 2019, the Company acquired $35.7 million of intangible assets, consisting of $21.8 million of customer relationships being amortized over a life of 2.7 years and $13.9 million of marketing relationships being amortized over a life of 5.9 years.

Amortization expense related to intangible assets was approximately $82.8 million, $96.2 million and $112.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The estimated amortization expense related to intangible assets for the next five years and thereafter is as follows:

	For the Years Ending December 31, (in millions)
2021	$ 25.8
2022	21.0
2023	16.1
2024	11.2
2025	2.4
Thereafter	4.0

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019, respectively, are as follows:

	LoyaltyOne	Card Services (in millions)	Total
Balance at January 1, 2019	$ 693.1	$ 261.7	$ 954.8
Goodwill acquired during the period	—	2.3	2.3
Effects of foreign currency translation	(2.2)	—	(2.2)
Balance at December 31, 2019	$ 690.9	$ 264.0	$ 954.9
Goodwill acquired during the period	—	369.6	369.6
Goodwill allocated to sale of Precima	(3.2)	—	(3.2)
Effects of foreign currency translation	48.3	—	48.3
Balance at December 31, 2020	$ 736.0	$ 633.6	$ 1,369.6

Approximately $3.2 million of LoyaltyOne goodwill was allocated to Precima upon sale in January 2020, based on a relative fair value allocation of the businesses.

As part of the acquisition of Bread in December 2020, the Company acquired $369.6 million of goodwill. See Note 5, "Acquisitions," for further information.

The Company completed annual impairment tests for goodwill on July 31, 2019 and 2018 and determined at each date that no impairment exists. On July 1, 2020, the Company voluntarily changed its annual goodwill impairment testing date from July 31 to July 1 to allow additional time for testing due to the COVID-19 pandemic and current uncertainty in the macroeconomic environment. Accordingly, management determined that the change in accounting principle is preferable under the circumstance. This change has been applied prospectively from July 1, 2020, as retrospective application is deemed impracticable due to the inability to objectively determine the assumptions and significant estimates used in earlier periods without the benefit of hindsight. This change was not material to the Company's consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge. As of December 31, 2020, the Company does not believe it is more-likely-than-not that the fair value of any reporting unit is less than its carrying amount. No further testing of goodwill impairments will be performed until July 1, 2021, unless events occur or circumstances indicate an impairment is probable.

15. RESTRUCTURING AND OTHER CHARGES

In 2019, the Company, under the direction of the board of directors, evaluated the cost structure and executed on certain cost saving initiatives at each segment. These charges included restructuring and other exit activities related to reductions in force, terminations of certain reward product lines, reduction or closure of certain leased office space, asset impairments, changes in management structure and fundamental reorganizations that affect the nature and focus of operations. Restructuring and other charges incurred at the Corporate segment were recorded to general and administrative expense in the Company's consolidated statements of income, and restructuring and other charges incurred in the LoyaltyOne and Card Services segments were recorded to cost of operations in the Company's consolidated statements of income. These charges related to actions taken in 2019 did not continue in 2020. The restructuring and other charges incurred in 2020 relate to changes in the Company's original estimate and consisted of adjustments to the Company's liability.

The following tables summarize the restructuring and other charges incurred by reportable segment for all restructuring activities for the periods presented:

Year Ended December 31, 2020	Termination Benefits	Asset Impairments	Lease Termination Costs	Other Exit Costs	Total
			(in millions)		
Corporate/Other	$ —	$ —	$ —	$ —	$ —
LoyaltyOne	0.1	—	—	—	0.1
Card Services	(8.3)	—	—	—	(8.3)
Total	$ (8.2)	$ —	$ —	$ —	$ (8.2)

Year Ended December 31, 2019	Termination Benefits	Asset Impairments	Lease Termination Costs	Other Exit Costs	Total
			(in millions)		
Corporate/Other	$ 18.6	$ 11.1	$ 7.0	$ 1.2	$ 37.9
LoyaltyOne	7.6	40.7	0.2	2.3	50.8
Card Services	27.3	0.2	1.9	—	29.4
Total	$ 53.5	$ 52.0	$ 9.1	$ 3.5	$ 118.1

The Company's liability for restructuring and other charges is recognized in accrued expenses and other liabilities in its consolidated balance sheets. The following table summarizes the activities related to the restructuring and other charges, as discussed above, for the periods presented:

	Termination Benefits	Asset Impairments	Lease Termination Costs	Other Exit Costs	Total
			(in millions)		
Liability as of January 1, 2019	$ —	$ —	$ —	$ —	$ —
Charged to expense	53.5	52.0	9.1	3.5	118.1
Adjustments for non-cash charges	—	(52.0)	0.7	(0.1)	(51.4)
Cash payments	(18.8)	—	(9.8)	(3.3)	(31.9)
Liability as of December 31, 2019	$ 34.7	$ —	$ —	$ 0.1	$ 34.8
Charged to expense	—	—	—	—	—
Adjustments for non-cash charges	(8.2)	—	—	—	(8.2)
Cash payments	(23.2)	—	—	(0.1)	(23.3)
Liability as of December 31, 2020	$ 3.3	$ —	$ —	$ —	$ 3.3

The Company's outstanding liability related to restructuring and other charges is expected to be settled by the end of 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

16. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31, 2020	December 31, 2019
	(in millions)	
Accrued payroll and benefits	$ 116.9	$ 133.4
Accrued taxes	57.6	18.1
Accrued other liabilities	270.2	176.3
Accrued expenses	$ 444.7	$ 327.8

17. DEBT

Debt consists of the following:

Description	December 31, 2020	December 31, 2019	Maturity	Interest Rate
	(Dollars in millions)			
Long-term and other debt:				
2017 revolving line of credit	$ —	$ —	December 2022	(1)
2017 term loans	1,484.3	2,028.8	December 2022	(2)
BrandLoyalty credit agreement	—	—	April 2023	(3)
Senior notes due 2024	850.0	850.0	December 2024	4.750%
Senior notes due 2026	500.0	—	January 2026	7.000%
Total long-term and other debt	2,834.3	2,878.8		
Less: Unamortized debt issuance costs	28.6	28.9		
Less: Current portion	101.4	101.4		
Long-term portion	$ 2,704.3	$ 2,748.5		
Deposits:				
Certificates of deposit	$ 6,014.9	$ 8,585.2	Various – Jan 2021 to Dec 2025	0.15% to 3.75%
Money market deposits	3,790.2	3,589.8	Non-maturity	(4)
Total deposits	9,805.1	12,175.0		
Less: Unamortized debt issuance costs	12.5	23.3		
Less: Current portion	6,553.9	6,942.4		
Long-term portion	$ 3,238.7	$ 5,209.3		
Non-recourse borrowings of consolidated securitization entities:				
Fixed rate asset-backed term note securities	$ 3,423.8	$ 4,891.0	Various – Feb 2021 to Sep 2022	2.03% to 3.95%
Conduit asset-backed securities	2,205.1	2,405.0	Various – Apr 2022 to Oct 2022	(5)
Secured loan facility	86.3	—	November 2022	(6)
Total non-recourse borrowings of consolidated securitization entities	5,715.2	7,296.0		
Less: Unamortized debt issuance costs	5.3	12.0		
Less: Current portion	1,850.7	3,030.8		
Long-term portion	$ 3,859.2	$ 4,253.2		

(1) The interest rate is based upon LIBOR plus an applicable margin.

(2) The interest rate is based upon LIBOR plus an applicable margin. The weighted average interest rate for the term loans was 1.90% and 3.30% at December 31, 2020 and 2019, respectively.

(3) The interest rate is based upon the Euro Interbank Offered Rate plus an applicable margin.

(4) The interest rates are based on the Federal Funds rate plus an applicable margin. At December 31, 2020, the interest rates ranged from 0.38% to 3.50%. At December 31, 2019, the interest rates ranged from 1.84% to 3.50%.

(5) The interest rate is based upon LIBOR or the asset-backed commercial paper costs of each individual conduit provider plus an applicable margin. At December 31, 2020, the interest rates ranged from 1.39% to 1.89%. At December 31, 2019, the interest rates ranged from 2.79% to 2.96%.

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(6) The interest rate is based upon LIBOR plus an applicable margin. At December 31, 2020, the weighted average interest rate for the secured loan facility was 3.90%.

At December 31, 2020, the Company was in compliance with its financial covenants.

Long-term and Other Debt

Credit Agreement

The Company, as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Alliance Data International LLC, Comenity LLC and Comenity Servicing LLC, as guarantors, are party to a credit agreement with various agents and lenders dated June 14, 2017 (the "2017 Credit Agreement").

On April 30, 2019, the Company amended its credit agreement to provide that, upon consummation of the sale of Epsilon, the maturity date of the credit agreement would be reduced by one year from June 14, 2022 to June 14, 2021, a mandatory payment of $500.0 million of the revolving credit facility would be required, the aggregate revolving credit commitments would be reduced in the same amount (to $1,072.4 million), all of the Company's outstanding senior notes would be required to be redeemed, net proceeds from future asset sales in excess of $50.0 million must be applied to repayment of the credit agreement and certain other minor amendments.

In July 2019, with the proceeds from the sale of Epsilon, the Company made the mandatory prepayment on the revolving credit facility and extinguished all of its then outstanding senior notes of $1.9 billion. As a result, the Company incurred a loss from the extinguishment of debt of approximately $71.9 million, resulting from the redemption price of each of the notes of $49.9 million and the write-off of deferred issuance costs of $22.0 million.

On December 20, 2019, the Company amended its credit agreement to extend the maturity date from June 14, 2021 to December 31, 2022, reduce the aggregate revolving credit commitments from $1,072.4 million to $750.0 million, add a consolidated minimum tangible net worth covenant upon certain triggering events and make certain other amendments. The amendment also required the Company to prepay the term loans to $2,028.8 million upon consummation of the offering of the $850.0 million aggregate principal amount of 4.750% senior notes due December 15, 2024 ("Senior Notes due 2024"), which obligation was satisfied in full with a prepayment of $833.0 million, representing the net proceeds from the offering of the Senior Notes due 2024.

At December 31, 2019, the credit agreement, as amended, provided for $2,028.8 million in term loans (the "2017 term loans"), subject to certain principal repayments, and a $750.0 million revolving credit facility (the "2017 revolving line of credit"). Total availability under the 2017 revolving line of credit at December 31, 2019 was $750.0 million.

The loans under the credit agreement are scheduled to mature on December 31, 2022. The 2017 term loans provide for aggregate principal payments of 1.25% of the $2,028.8 million term loan amount, payable in equal quarterly installments beginning on March 31, 2020. The credit agreement is unsecured.

The credit agreement contains the usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on the Company's ability and in certain instances, its subsidiaries' ability to consolidate or merge; substantially change the nature of its business; sell, lease, or otherwise transfer any substantial part of its assets; create or incur indebtedness; create liens; and make acquisitions. The negative covenants are subject to certain exceptions as specified in the credit agreement. The credit agreement also requires the Company to satisfy certain financial covenants, including a maximum total leverage ratio and a minimum ratio of consolidated operating EBITDA to consolidated interest expense, each as determined in accordance with the credit agreement. The credit agreement also includes customary events of default.

In September 2020, the Company amended its credit agreement to (a) increase the maximum total leverage ratio, (b) decrease the minimum interest coverage ratio, and (c) increase the maximum permitted average delinquency ratios, for the periods ending March 31, 2021 through June 30, 2022, and to make certain other amendments. The amendment also required the Company to prepay the term loans upon consummation of the offering of the Senior Notes due 2026 with a prepayment in an amount equal to the net proceeds from the offering, which obligation was satisfied in full with a prepayment of $493.8 million. The prepayment was first applied to the scheduled quarterly installments payable in September 2020 and December 2020, and second, to the bullet payment of the term loans due at maturity.

As of December 31, 2020, the Company had $1,484.3 million in term loans outstanding with $750.0 million total availability under the revolving line of credit.

BrandLoyalty Credit Agreement

BrandLoyalty and certain of its subsidiaries, as borrower and guarantors, were parties to a credit agreement that provided for an A-1 term loan facility of €90.0 million and an A-2 term loan facility of €100.0 million, subject to certain principal repayments, a committed revolving line of credit of €37.5 million and an uncommitted revolving line of credit of €37.5 million. In September 2019, the Company repaid the €115.0 million in term loans outstanding under the BrandLoyalty credit agreement, originally scheduled to mature in June 2020, and repaid the €32.5 million amount outstanding under the revolving line of credit.

In April 2020, BrandLoyalty and certain of its subsidiaries, as borrowers and guarantors, terminated its existing facility and entered into a new credit agreement (the "2020 BrandLoyalty Credit Agreement") that provides for a committed revolving line of credit of €30.0 million ($36.6 million as of December 31, 2020), an uncommitted revolving line of credit of €30.0 million ($36.6 million as of December 31, 2020), and an accordion feature permitting BrandLoyalty to request an increase in either the committed or uncommitted line of credit up to €80.0 million ($97.7 million as of December 31, 2020) in aggregate. Each of the committed and uncommitted revolving line of credit are scheduled to mature on April 3, 2023, subject to BrandLoyalty's request to extend for two additional one-year terms at the absolute discretion of the lenders at the time of such requests.

All advances under the 2020 BrandLoyalty Credit Agreement are denominated in Euros. The interest rate fluctuates and is equal to EURIBOR, as defined in the 2020 BrandLoyalty Credit Agreement, plus an applicable margin based on BrandLoyalty's senior net leverage ratio. The 2020 BrandLoyalty Credit Agreement contains a senior net leverage ratio financial covenant, as well as usual and customary negative covenants, representations, general and information undertakings and events of default.

As of December 31, 2020, there were no amounts outstanding under the 2020 BrandLoyalty Credit Agreement.

Senior Notes

The senior notes set forth below are each governed by their respective indenture that includes usual and customary negative covenants and events of default for transactions of these types. These senior notes are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic restricted subsidiaries that incurs or in any other manner becomes liable for any debt under the Company's domestic credit facilities, including the 2017 Credit Agreement.

Due 2024

In December 2019, the Company issued and sold $850.0 million aggregate principal amount of 4.750% senior notes due December 15, 2024 (the "Senior Notes due 2024"). The Senior Notes due 2024 accrue interest on the principal amount at the rate of 4.750% per annum from December 20, 2019, payable semi-annually in arrears, on June 15 and December 15 of each year, beginning on June 15, 2020. The Senior Notes due 2024 will mature on December 15, 2024, subject to earlier repurchase or redemption.

Due 2026

In September 2020, the Company issued and sold $500.0 million aggregate principal amount of 7.000% senior notes due January 15, 2026 (the "Senior Notes due 2026"). The Senior Notes due 2026 accrue interest on the principal amount at the rate of 7.000% per annum from September 22, 2020, payable semi-annually in arrears, on March 15 and

September 15 of each year, beginning on March 15, 2021. The Senior Notes due 2026 will mature on January 15, 2026, subject to earlier repurchase or redemption.

Deposits

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of at least $100,000 and $1,000, respectively, in various maturities ranging between January 2021 and December 2025 and with effective annual interest rates ranging from 0.15% to 3.75%, with a weighted average interest rate of 2.58%, at December 31, 2020. At December 31, 2019, interest rates ranged from 1.33% to 4.00%, with a weighted average interest rate of 2.66%. Interest is paid monthly and at maturity.

Comenity Bank and Comenity Capital Bank offer non-maturity deposit programs through contractual arrangements with various financial counterparties. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date. As of December 31, 2020, Comenity Bank and Comenity Capital Bank had $3.8 billion in money market deposits outstanding with annual interest rates ranging from 0.38% to 3.50%, with a weighted average interest rate of 1.00%. As of December 31, 2019, Comenity Bank and Comenity Capital Bank had $3.6 billion in money market deposits outstanding with annual interest rates ranging from 1.84% to 3.50%, with a weighted average interest rate of 2.05%.

Non-Recourse Borrowings of Consolidated Securitization Entities

An asset-backed security is a security whose value and income payments are derived from and collateralized (or “backed”) by a specified pool of underlying assets. The sale of the pool of underlying assets to general investors is accomplished through a securitization process. The Company regularly sells its receivables to its securitization trusts, which are consolidated on the balance sheets of the Company under ASC 860 and ASC 810. The liabilities of the consolidated VIEs include asset-backed securities for which creditors or beneficial interest holders do not have recourse to the general credit of the Company.

Asset-Backed Term Notes

For the year ended December 31, 2020, no asset-backed term notes were issued, and the following asset-backed term notes matured and were repaid:

- In May 2020, $450.7 million of Series 2017-A asset-backed term notes, $50.7 million of which were retained by the Company and eliminated from the Company’s consolidated balance sheets.
- In August 2020, $625.0 million of Series 2015-B asset-backed term notes, $150.0 million of which were retained by the Company and eliminated from the Company’s consolidated balance sheets.
- In October 2020, $619.7 million of Series 2017-C asset-backed term notes, $27.5 million of which were retained by the Company and eliminated from the Company’s consolidated balance sheets.

As of December 31, 2020, the Company collected $291.8 million of principal payments made by its credit cardholders during the accumulation period for the repayment of the Series 2018-A notes, which matured in February 2021. The cash is restricted to the securitization investors and is reflected in other current assets in the Company’s consolidated balance sheet as of December 31, 2020.

Conduit Facilities

The Company has access to committed undrawn capacity through three conduit facilities to support the funding of its credit card receivables for certain of its trusts. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. During the year ended December 31, 2020, the Company reduced the commitments under its conduit facilities by $1.5 billion and extended the respective maturities to April 2022 and October 2022. Total capacity under the conduit facilities was $3.2 billion, of which $2.2 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets.

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Secured Loan Facility

With the acquisition of Bread in December 2020, the Company assumed two warehouse facilities used to fund their securitized loan receivables. In December 2020, one of the warehouse facilities was terminated and the Company repaid $28.5 million owed under the agreement. The second warehouse facility was amended to a secured loan facility with an outstanding balance of $86.3 million at December 31, 2020. The secured loan facility accrues interest on the principal amount at the rate of LIBOR plus an applicable margin. The principal amount is due upon maturity at November 19, 2022, with prepayment permitted.

Maturities

The future principal payments for the Company's debt as of December 31, 2020 are as follows:

Year	Long-Term and Other Debt	Deposits	Non-Recourse Borrowings of Consolidated Securitization Entities
		(in millions)	
2021	$ 101.4	$ 6,555.6	$ 1,852.1
2022	1,382.9	1,739.6	3,863.1
2023	—	966.1	—
2024	850.0	530.6	—
2025	—	13.2	—
Thereafter	500.0	—	—
Total maturities	2,834.3	9,805.1	5,715.2
Unamortized debt issuance costs	(28.6)	(12.5)	(5.3)
	$ 2,805.7	$ 9,792.6	$ 5,709.9

18. COMMITMENTS AND CONTINGENCIES

AIR MILES Reward Program

The Company has entered into contractual arrangements with certain AIR MILES Reward Program sponsors that result in fees being billed to those sponsors upon the redemption of AIR MILES reward miles issued by those sponsors. The Company has obtained letters of credit and other assurances from those sponsors for the Company's benefit that expire at various dates. These letters of credit and other assurances totaled $150.5 million at December 31, 2020, which exceeds the amount of the Company's estimate of its obligation to provide travel and other rewards upon the redemption of the AIR MILES reward miles issued by those sponsors.

The Company currently has an obligation to provide AIR MILES Reward Program collectors with travel and other rewards upon the redemption of AIR MILES reward miles. The Company believes that the redemption settlement assets, including the letters of credit and other assurances mentioned above, are sufficient to meet that obligation.

The Company has entered into certain long-term arrangements with airlines and other suppliers in connection with reward redemptions under the AIR MILES Reward Program. These long-term arrangements allow the Company to retain preferred pricing subject to meeting agreed upon annual volume commitments for rewards purchased.

Regulatory Matters

Comenity Bank is regulated, supervised and examined by the State of Delaware and the Federal Deposit Insurance Corporation ("FDIC"). Comenity Bank remains subject to regulation by the Board of the Governors of the Federal Reserve System. The Company's industrial bank, Comenity Capital Bank, is regulated, supervised and examined by the State of Utah and the FDIC. Both Comenity Bank and Comenity Capital Bank are under the supervision of the

Consumer Financial Protection Bureau ("CFPB"), a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations, and the CFPB may, from time to time, conduct reviews of their practices.

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank (collectively, the "Banks") to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets. Based on these guidelines, the Banks are considered well capitalized.

The actual capital ratios and minimum ratios as of December 31, 2020 are as follows:

	Actual Ratio	Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio to be Well Capitalized under Prompt Corrective Action Provisions
Comenity Bank			
Tier 1 capital to average assets	19.0 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	20.7	4.5	6.5
Tier 1 capital to risk-weighted assets	20.7	6.0	8.0
Total capital to risk-weighted assets	22.0	8.0	10.0
Comenity Capital Bank			
Tier 1 capital to average assets	14.8 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	15.6	4.5	6.5
Tier 1 capital to risk-weighted assets	15.6	6.0	8.0
Total capital to risk-weighted assets	16.9	8.0	10.0

The actual capital ratios and minimum ratios as of December 31, 2019 are as follows:

	Actual Ratio	Minimum Ratio for Capital Adequacy Purposes	Minimum Ratio to be Well Capitalized under Prompt Corrective Action Provisions
Comenity Bank			
Tier 1 capital to average assets	12.9 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	14.6	4.5	6.5
Tier 1 capital to risk-weighted assets	14.6	6.0	8.0
Total capital to risk-weighted assets	15.9	8.0	10.0
Comenity Capital Bank			
Tier 1 capital to average assets	11.9 %	4.0 %	5.0 %
Common Equity Tier 1 capital to risk-weighted assets	14.4	4.5	6.5
Tier 1 capital to risk-weighted assets	14.4	6.0	8.0
Total capital to risk-weighted assets	15.7	8.0	10.0

On September 10, 2019, Comenity Capital Bank submitted a bank merger application to the Federal Deposit Insurance Corporation ("FDIC") seeking the FDIC's approval to merge Comenity Bank with and into Comenity Capital Bank as the surviving bank entity. On the same date, Comenity Capital Bank and Comenity Bank each submitted counterpart bank merger applications to the Utah Department of Financial Institutions and the Delaware Office of the State Bank Commissioner, respectively, in connection with the proposed merger. The merger application remains subject to regulatory review and approval and no guarantee can be provided as to the outcome or timing of such review.

Cardholders

The Company's Card Services segment is active in originating private label and co-brand credit cards in the United States. The Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and perceived willingness to repay. Credit card loans are made primarily on an unsecured basis. Cardholders reside throughout the United States and are not significantly concentrated in any one area.

Holders of credit cards issued by the Company have available lines of credit, which vary by cardholder. These lines of credit represent elements of risk in excess of the amount recognized in the financial statements. The lines of credit are subject to change or cancellation by the Company. At December 31, 2020, the Company had 45.5 million total accounts, including both active and inactive, having unused lines of credit averaging $2,367 per account.

Indemnification

On July 1, 2019, the Company completed the sale of its Epsilon segment to Publicis Groupe S.A. (“Publicis”). Under the terms of the agreement governing that transaction, the Company agreed to indemnify Publicis and its affiliates from and against any losses arising out of or related to a United States Department of Justice (“DOJ”) investigation. The DOJ investigation related to third-party marketers who sent, or allegedly sent, deceptive mailings and the provision of data and services to those marketers by Epsilon’s data practice. Epsilon actively cooperated with the DOJ in connection with the investigation. On January 19, 2021, Epsilon entered into a deferred prosecution agreement (“DPA”) with the DOJ to resolve the matters that were the subject of the investigation. Pursuant to the DPA, Epsilon agreed, among other things, to pay penalties and consumer compensation in the aggregate amount of $150.0 million, to be paid in two equal installments, the first in January 2021 and the second in January 2022. In accordance with ASC 450, the Company records a loss contingency when a loss is probable and an amount can be reasonably estimated. For the year ended December 31, 2019, the Company recorded a loss contingency of $40.0 million, or $32.9 million net of tax, which was included in loss from discontinued operations. For the year ended December 31, 2020, the Company recorded an additional loss contingency of $110.0 million, or $81.3 million net of tax, which was included in loss from discontinued operations.

Legal Proceedings

From time to time the Company is involved in various claims and lawsuits arising in the ordinary course of business that it believes will not have a material effect on its business, financial condition or cash flows, including claims and lawsuits alleging breaches of the Company’s contractual obligations.

19. STOCKHOLDERS’ EQUITY

Stock Repurchase Programs

During the year ended December 31, 2020, the Company did not repurchase any shares of its common stock. During the years ended December 31, 2019 and 2018, the Company repurchased approximately 6.3 million and 2.2 million and shares of its common stock, respectively, for an aggregate amount of $976.1 million and $443.2 million, respectively.

2018 Authorization

On July 26, 2018, the Company’s board of directors authorized a new stock repurchase program to acquire up to $500.0 million of the Company’s outstanding common stock from August 1, 2018 through July 31, 2019.

For the year ended December 31, 2018, the Company acquired approximately 0.8 million shares of its common stock for $166.0 million under its previously authorized stock repurchase program and acquired approximately 1.4 million shares of its common stock for $277.2 million under its authorized 2018 stock repurchase program.

For the six months ended June 30, 2019, the Company acquired a total of 1.3 million shares of its common stock for $222.8 million under its stock repurchase program. As of June 30, 2019, the Company did not have any amounts remaining under its authorized stock repurchase program.

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2019 Authorization

In July 2019, the Company's board of directors authorized a new stock repurchase program to acquire up to $1.1 billion of its outstanding common stock from July 5, 2019 through June 30, 2020.

On July 19, 2019, the Company commenced a "modified Dutch Auction" tender offer to acquire up to $750.0 million in aggregate purchase price of its issued and outstanding common stock at a price not greater than $162.00 nor less than $144.00 per share, to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in the Offer to Purchase dated July 19, 2019 and in the related Letter of Transmittal. The tender offer expired on August 15, 2019, and the Company repurchased 5,050,505 shares of its issued and outstanding common stock at a price of $148.50 per share, for an aggregate cost of approximately $750.0 million. Additionally, the Company incurred approximately $3.3 million of direct costs related to the repurchase, including $2.2 million in commissions, which have been recorded to treasury stock in the Company's consolidated balance sheets.

As of December 31, 2019, the Company had $347.8 million remaining under its authorized stock repurchase program.

The stock repurchase program expired on June 30, 2020, and $347.8 million of this program expired unused.

Stock Compensation Plans

The Company has adopted equity compensation plans to advance the interests of the Company by rewarding certain employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future.

The 2010 Omnibus Incentive Plan became effective July 1, 2010 and reserved 3,000,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants who performed services for the Company or its affiliates, with only employees eligible to receive incentive stock options. The 2010 Omnibus Incentive Plan expired on June 30, 2015.

The 2015 Omnibus Incentive Plan became effective July 1, 2015 and reserved 5,100,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants who performed services for the Company or its affiliates, with only employees eligible to receive incentive stock options. The 2015 Omnibus Incentive Plan expired on June 30, 2020.

In March 2020, the Company's board of directors adopted the 2020 Omnibus Incentive Plan (the "2020 Plan"), which was subsequently approved by the Company's stockholders on June 9, 2020. The 2020 Plan became effective July 1, 2020 and expires on June 30, 2030. The 2020 Plan reserves 2,400,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates, with only employees being eligible to receive incentive stock options. The maximum amount that may be awarded to any independent member of the Company's board of directors in any one calendar year may not exceed $1.0 million.

On June 9, 2020, the Company registered 2,400,000 shares of its common stock for issuance in accordance with the 2020 Plan pursuant to a Registration Statement on Form S-8, File No. 333-239040.

Beginning February 15, 2017, the restricted stock unit award agreements under the 2015 Plan and the 2020 Plan provide for dividend equivalent rights ("DERs"), which entitle holders of restricted stock units to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested restricted stock units. DERs are paid only when the underlying shares vest.

Terms of all awards under the 2020 Plan are determined by the board of directors or the compensation committee of the board of directors or its designee at the time of award.

Stock Compensation Expense

Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized ratably over the requisite service period.

Stock-based compensation expense recognized in the Company's consolidated statements of income for the years ended December 31, 2020, 2019 and 2018, is as follows:

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Cost of operations	$ 12.5	$ 16.5	$ 23.3
General and administrative	8.8	8.6	21.1
Total	$ 21.3	$ 25.1	$ 44.4

Effective April 12, 2019, the Company entered into a definitive agreement to sell its Epsilon segment to Publicis for $4.4 billion in cash, subject to certain specified adjustments. The agreement provided for certain unvested restricted stock units held by Epsilon employees to be modified, with original vesting conditions to be accelerated upon consummation of the sale of Epsilon. Additionally, the agreement provided for certain other awards held by Epsilon employees to be forfeited upon consummation of the sale of Epsilon, which occurred July 1, 2019. As a result, in April 2019 the Company recorded $19.4 million of incremental stock-based compensation expense in discontinued operations related to the modifications, net of forfeitures. Stock-based compensation expense included in loss from discontinued operations totaled $29.7 million and $36.4 million for the years ended December 31, 2019 and 2018, respectively.

The income tax benefits related to stock-based compensation expense for the years ended December 31, 2020, 2019 and 2018 were $3.0 million, $3.6 million and $7.3 million, respectively.

As the amount of stock-based compensation expense recognized is based on awards ultimately expected to vest, the amount recognized in the Company's results of operations has been reduced for estimated forfeitures. In connection with the Company's adoption of ASU 2016-09, the Company elected to continue to estimate forfeitures at each grant date, with forfeiture estimates to be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience, with a forfeiture rate of 5% for the years ended December 31, 2020, 2019 and 2018.

As of December 31, 2020, there was approximately $24.7 million of unrecognized expense, adjusted for estimated forfeitures, related to non-vested, stock-based equity awards granted to employees, which is expected to be recognized over a weighted average period of approximately 1.5 years.

Restricted Stock Unit Awards

During 2020, the Company awarded 241,610 service-based, 219,186 performance-based and 20,770 market-based restricted stock units. In accordance with ASC 718, the Company recognizes the estimated stock-based compensation expense, net of estimated forfeitures, over the applicable service period.

For service-based and performance-based awards, the fair value of the restricted stock units was estimated using the Company's closing share price on the date of grant. Service-based restricted stock unit awards typically vest ratably over a three year period. Performance-based restricted stock unit awards typically vest ratably over a three year period if specified performance measures tied to the Company's financial performance are met. For the performance-based restricted stock units awarded in 2020, the pre-defined 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. For the year ended December 31, 2020, stock compensation expense was not accrued for the 2020 performance-based awards, as the probable outcome was 0% achievement.

For the market-based award granted in 2020, the fair value of the restricted stock units was estimated utilizing Monte Carlo simulations of the Company's stock price correlation (0.52), expected volatility (32.5%) and risk-free rate (1.4%) over two-year time horizons matching the performance period. Upon determination of the market condition, the restrictions will lapse with respect to the entire award on February 15, 2022, provided that the participant is employed by the Company on such vesting date.

The following table summarizes restricted stock unit activity under the Company's equity compensation plans:

	Market-Based [(1)]	Performance-Based [(1)]	Service-Based	Total	Weighted Average Fair Value
Balance at January 1, 2018	28,172	450,579	329,059	807,810	$ 207.45
Shares granted	28,057	263,542	138,160	429,759	233.98
Shares vested	—	(188,680)	(130,823)	(319,503)	224.62
Shares forfeited	—	(102,199)	(18,955)	(121,154)	227.66
Balance at December 31, 2018	56,229	423,242	317,441	796,912	$ 218.81
Shares granted	37,878	420,239	246,118	704,235	161.05
Shares vested	—	(262,773)	(178,730)	(441,503)	218.45
Shares forfeited	(69,819)	(350,436)	(126,257)	(546,512)	188.40
Balance at December 31, 2019	24,288	230,272	258,572	513,132	$ 172.06
Shares granted	20,770	219,186	241,610	481,566	89.11
Shares vested	—	(42,097)	(127,921)	(170,018)	175.09
Shares forfeited	(22,831)	(186,135)	(38,447)	(247,413)	166.93
Balance at December 31, 2020	22,227	221,226	333,814	577,267	$ 103.89
Outstanding and Expected to Vest				345,266	$ 105.49

(1) Shares granted reflects a 100% target attainment of the respective market-based or performance-based metric. Shares forfeited include those restricted stock units forfeited as a result of the Company not meeting the respective market-based or performance-based metric conditions.

The total fair value of restricted stock units vested was $29.8 million, $96.4 million and $71.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. The aggregate intrinsic value of restricted stock units outstanding and expected to vest was $25.6 million at December 31, 2020. The weighted-average remaining contractual life for unvested restricted stock units was 1.5 years at December 31, 2020.

Stock Options

Stock option awards are granted with an exercise price equal to the market price of the Company's stock on the date of grant. Options typically vest ratably over three years and expire ten years after the date of grant. There were no stock options outstanding as of December 31, 2020.

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The following table summarizes stock option activity under the Company's equity compensation plans:

	Outstanding		Exercisable	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at January 1, 2018	11,859	$ 23.87	11,859	$ 23.87
Options granted	—	—		
Options exercised	(886)	12.70		
Options forfeited	(119)	2.74		
Balance at December 31, 2018	10,854	$ 25.01	10,854	$ 25.01
Options granted	—	—		
Options exercised	(10,854)	25.01		
Options forfeited	—	—		
Balance at December 31, 2019	—	$ —	—	$ —
Options granted	—	—		
Options exercised	—	—		
Options forfeited	—	—		
Balance at December 31, 2020	—	$ —	—	$ —

Based on the market value on their respective exercise dates, the total intrinsic value of stock options exercised was approximately $1.3 million and $0.2 million for the years ended December 31, 2019 and 2018, respectively. There were no stock options exercised during the year ended December 31, 2020.

Dividends

During the year ended December 31, 2020, the Company declared quarterly cash dividends of $0.63 per share for the three months ended March 31, 2020 and $0.21 per share for each of the three months ended June 30, 2020, September 30, 2020 and December 31, 2020, for a total of $59.9 million. The Company paid cash dividends and dividend equivalents aggregating $60.6 million for the year ended December 31, 2020, and $0.6 million of dividend equivalents were accrued but not yet paid at December 31, 2020.

During the year ended December 31, 2019, the Company declared quarterly cash dividends of $0.63 per share, for a total of $127.1 million. The Company paid cash dividends and dividend equivalents aggregating $127.4 million for the year ended December 31, 2019, and $1.2 million of dividend equivalents were accrued but not yet paid at December 31, 2019.

During the year ended December 31, 2018, the Company declared quarterly cash dividends of $0.57 per share, for a total of $125.9 million. The Company paid cash dividends and dividend equivalents aggregating $125.2 million for the year ended December 31, 2018, and $0.7 million of dividend equivalents were accrued but not yet paid at December 31, 2018.

On January 28, 2021 the Company's board of directors declared a quarterly cash dividend of $0.21 per share on the Company's common stock, payable on March 18, 2021 to stockholders of record at the close of business on February 12, 2021.

20. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

In March 2015, the Company's board of directors adopted the 2015 Employee Stock Purchase Plan (the "2015 ESPP"), which was subsequently approved by the Company's stockholders on June 3, 2015. The 2015 ESPP became effective July 1, 2015 with no definitive expiration date. The Company's board of directors may at any time and for any reason terminate or amend the 2015 ESPP. No employee may purchase more than $25,000 worth of stock under the 2015 ESPP in any calendar year, and no employee may purchase stock under the 2015 ESPP if such purchase would cause the employee to own more than 5% of the voting power or value of the Company's common stock. The 2015 ESPP provides for six month offering periods, commencing on the first trading day of the first and third calendar quarter of each year and ending on the last trading day of each subsequent calendar quarter. The purchase price of the common stock upon exercise shall be 85% of the fair market value of shares on the applicable purchase date as determined by averaging the high and low trading prices of the last trading day of the six-month period. An employee elects to participate and have contributions deducted through payroll deductions. The 2015 ESPP provides for the issuance of any remaining shares available for issuance under the 2005 ESPP, which were 441,327 shares at June 30, 2015. The 2015 ESPP reserved an additional 1,000,000 shares of the Company's common stock for issuance under the 2015 Plan, bringing the maximum number of shares reserved for issuance under the 2015 ESPP to 1,441,327 shares, subject to adjustment as provided in the 2015 ESPP.

On June 5, 2015, the Company registered 1,441,327 shares of its common stock for issuance in accordance with the 2015 ESPP pursuant to a Registration Statement on Form S-8, File No. 333-204759.

During the year ended December 31, 2020, the Company issued 65,430 shares of common stock under the 2015 ESPP at a weighted-average issue price of $46.73. Since its adoption on July 1, 2015, 514,112 shares of common stock have been issued, with 927,215 shares available for issuance under the 2015 ESPP.

401(k) Retirement Savings Plan

The Alliance Data Systems 401(k) and Retirement Savings Plan is a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code of 1986. The Company amended its 401(k) and Retirement Savings Plan effective December 3, 2020. The 401(k) and Retirement Savings Plan is an IRS-approved safe harbor plan design that eliminates the need for most discrimination testing. Eligible employees can participate in the 401(k) and Retirement Savings Plan immediately upon joining the Company and after 180 days of employment begin receiving company matching contributions. In addition, "seasonal" or "on-call" employees must complete a year of eligibility service before they may participate in the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan permits eligible employees to make Roth elective deferrals, which are included in the employee's taxable income at the time of contribution, but not when distributed. Regular, or Non-Roth, elective deferrals made by employees, together with contributions by the Company to the 401(k) and Retirement Savings Plan, and income earned on these contributions, are not taxable to employees until withdrawn from the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan covers U.S. employees, who are at least 18 years old, of ADS Alliance Data Systems, Inc., one of the Company's wholly-owned subsidiaries, and any other subsidiary or affiliated organization that adopts this 401(k) and Retirement Savings Plan. Employees of the Company, and all of its U.S. subsidiaries, are currently covered under the 401(k) and Retirement Savings Plan.

The Company matches an employee's contribution dollar-for-dollar up to five percent of the employee's eligible compensation. All company matching contributions are immediately vested. Company matching contributions for the years ended December 31, 2020, 2019 and 2018 were $15.7 million, $35.3 million and $44.8 million, respectively.

The participants in the plan can direct their contributions and the Company's matching contribution to numerous investment options, including the Company's common stock. On July 20, 2001, the Company registered 1,500,000 shares of its common stock for issuance in accordance with its 401(k) and Retirement Savings Plan pursuant to a Registration Statement on Form S-8, File No. 333-65556. As of December 31, 2020, 341,096 of such shares remain available for issuance.

Group Retirement Savings Plan and Deferred Profit Sharing Plan (LoyaltyOne)

The Company provides for its Canadian employees the Group Retirement Savings Plan of the Loyalty Group ("GRSP"), which is a group retirement savings plan registered with the Canada Revenue Agency. Contributions made by Canadian employees on their behalf or on behalf of their spouse to the GRSP, and income earned on these contributions, are not taxable to employees until withdrawn from the GRSP. Employee contributions eligible for company match may not exceed the overall maximum allowed by the Income Tax Act (Canada); the maximum tax-deductible GRSP contribution is set by the Canada Revenue Agency each year. The Deferred Profit Sharing Plan ("DPSP") is a legal trust registered with the Canada Revenue Agency. Eligible full-time employees can participate in the GRSP after three months of employment and eligible part-time employees after six months of employment. Employees become eligible to receive company matching contributions into the DPSP on the first day of the calendar quarter following twelve months of employment. Based on the eligibility guidelines, the Company matches an employee's contribution dollar-for-dollar up to five percent of the employee's eligible compensation. Contributions made to the DPSP reduce an employee's maximum contribution amounts to the GRSP under the Income Tax Act (Canada) for the following year. All company matching contributions into the DPSP vest after receipt of one continuous year of DPSP contributions. LoyaltyOne matching and discretionary contributions were $1.7 million, $1.8 million and $1.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Executive Deferred Compensation Plan and the Canadian Supplemental Executive Retirement Plan

The Company also maintains an Executive Deferred Compensation Plan ("EDCP"). The EDCP permits a defined group of management and highly compensated employees to defer on a pre-tax basis a portion of their base salary and incentive compensation (as defined in the EDCP) payable for services rendered. Deferrals under the EDCP are unfunded and subject to the claims of the Company's creditors. Each participant in the EDCP is 100% vested in their account, and account balances accrue interest at a rate established and adjusted periodically by the compensation committee.

The Company provides a Canadian Supplemental Executive Retirement Plan for a defined group of management and highly compensated employees of LoyaltyOne, Co., one of the Company's wholly-owned subsidiaries. Similar to the EDCP, participants may defer on a pre-tax basis a portion of their compensation and bonuses payable for services rendered and to receive certain employer contributions.

As of December 31, 2020 and 2019, the Company's outstanding liability related to these plans and included in accrued expenses in the Company's consolidated balance sheets was $19.9 million and $33.3 million, respectively.

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in each component of accumulated other comprehensive loss, net of tax effects, are as follows:

	Net Unrealized Gains (Losses) on Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains (Losses) on Net Investment Hedge	Foreign Currency Translation Adjustments [1]	Accumulated Other Comprehensive Loss
			(in millions)		
Balance as of January 1, 2018	$ (8.7)	$ (0.1)	$ (42.0)	$ (89.4)	$ (140.2)
Changes in other comprehensive income (loss)	(2.0)	(0.1)	29.6	(25.4)	2.1
Balance at December 31, 2018	$ (10.7)	$ (0.2)	$ (12.4)	$ (114.8)	$ (138.1)
Changes in other comprehensive income (loss)	13.2	0.1	4.9	(6.8)	11.4
Recognition resulting from the sale of Epsilon's foreign subsidiaries	—	—	—	26.8	26.8
Balance at December 31, 2019	$ 2.5	$ (0.1)	$ (7.5)	$ (94.8)	$ (99.9)
Changes in other comprehensive income (loss)	20.7	(0.6)	—	71.0	91.1
Recognition resulting from the sale of Precima's foreign subsidiaries	—	—	—	3.8	3.8
Balance at December 31, 2020	$ 23.2	$ (0.7)	$ (7.5)	$ (20.0)	$ (5.0)

(1) Primarily related to the impact of changes in the Canadian dollar and Euro foreign currency exchange rates.

In accordance with ASC 830, "Foreign Currency Matters," upon the sale of Precima on January 10, 2020, $3.8 million of accumulated foreign currency translation adjustments attributable to Precima's foreign subsidiaries sold were reclassified from accumulated other comprehensive loss and included in the calculation of the gain on sale of Precima. Upon the sale of Epsilon on July 1, 2019, $26.8 million of accumulated foreign currency translation adjustments attributable to Epsilon's foreign subsidiaries sold were reclassified from accumulated other comprehensive loss and included in the calculation of the gain/loss on sale of Epsilon segment. Additionally, as of January 1, 2018, a cumulative-effect adjustment of $1.5 million, net of tax, was reclassified from accumulated other comprehensive loss to retained earnings related to the adoption of ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Other reclassifications from accumulated other comprehensive loss into net income for each of the periods presented were not material.

22. INCOME TAXES

The components of income from continuing operations before income taxes and income tax expense are as follows:

	Years Ended December 31,		
	2020	2019 (in millions)	2018
Components of income from continuing operations before income taxes:			
Domestic	$ 281.7	$ 591.9	$ 1,052.7
Foreign	112.8	146.5	162.3
Total	$ 394.5	$ 738.4	$ 1,215.0
Components of income tax expense:			
Current			
Federal	$ 209.2	$ 126.0	$ 152.2
State	36.6	35.8	58.0
Foreign	47.8	11.5	52.8
Total current	293.6	173.3	263.0
Deferred			
Federal	(135.1)	(11.8)	48.0
State	(37.6)	6.7	14.7
Foreign	(21.4)	(2.4)	(56.2)
Total deferred	(194.1)	(7.5)	6.5
Total provision for income taxes	$ 99.5	$ 165.8	$ 269.5

A reconciliation of recorded federal provision for income taxes to the expected amount computed by applying the federal statutory rate for all periods to income from continuing operations before income taxes is as follows:

	Years Ended December 31,		
	2020	2019 (in millions)	2018
Expected expense at statutory rate	$ 82.8	$ 155.1	$ 255.1
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	(0.8)	33.6	57.4
Foreign rate differential	4.1	(2.3)	11.6
Foreign restructuring	3.6	—	(48.0)
Impact of 2017 Tax Reform	(2.4)	(30.2)	(29.7)
Global intangible low-taxed income	(7.8)	8.7	15.5
Non-deductible expenses (non-taxable income)	8.3	9.1	3.7
IRC Section 199, net of tax reserves	12.5	—	(0.8)
Other	(0.8)	(8.2)	4.7
Total	$ 99.5	$ 165.8	$ 269.5

H.R. 1, originally known as the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Reform") was enacted on December 22, 2017. The 2017 Tax Reform permanently reduced the corporate tax rate to 21% from 35%, effective January 1, 2018 and implemented a change from a system of worldwide taxation with deferral to a hybrid territorial system. This system taxes excess foreign profits above a deemed routine return through the Global Intangible Low-Taxed Income ("GILTI") regime. The Company recognizes tax on GILTI as an expense in the period incurred.

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For the year ended December 31, 2020, the Company recorded an income tax benefit of approximately $2.4 million related to the rate benefit for a capital loss that will be carried back to a year preceding the 2017 Tax Reform rate reduction. Additionally, the Company recorded a benefit of $7.8 million for the year ended December 31, 2020 related to the impact of the final regulations issued by the Treasury and Internal Revenue Service regarding GILTI. The Company is currently under audit with the Internal Revenue Service for years 2012-2017. For years 2012-2014, the audit is limited in scope to research and development tax credits and IRC Section 199 deductions claimed on amended returns. As a result of the preliminary audit findings, the Company increased its reserve for IRC Section 199 deductions by $12.5 million during the year ended December 31, 2020. For years ended December 31, 2019 and 2018, the Company recorded an income tax benefit of approximately $30.2 million related to a decrease in unrecognized tax benefits as a result of a tax accounting method change required by the 2017 Tax Reform and an income tax benefit of approximately $29.7 million related to the impact of the 2017 Tax Reform rate differential as a result of certain tax accounting method changes related to projects initiated in 2018, respectively.

Deferred tax assets and liabilities consist of the following:

	December 31, 2020	December 31, 2019
	(in millions)	
Deferred tax assets		
Deferred revenue	$ 29.2	$ 9.5
Allowance for loan loss	482.3	267.6
Net operating loss carryforwards and other carryforwards	106.2	69.0
Stock-based compensation and other employee benefits	3.8	13.7
Lease liabilities	74.4	74.4
Accrued expenses and other	81.0	40.3
Intangible assets	5.5	23.2
Total deferred tax assets	782.4	497.7
Valuation allowance	(50.1)	(64.0)
Deferred tax assets, net of valuation allowance	732.3	433.7
Deferred tax liabilities		
Deferred income	$ 290.9	$ 365.6
Depreciation	25.2	41.8
Right of use assets	57.0	61.1
Total deferred tax liabilities	373.1	468.5
Net deferred tax asset (liability)	$ 359.2	$ (34.8)
Amounts recognized in the consolidated balance sheets:		
Non-current assets	$ 359.2	$ 45.2
Non-current liabilities	—	(80.0)
Total – Net deferred tax asset (liability)	$ 359.2	$ (34.8)

At December 31, 2020, included in the Company’s U.S. tax returns are approximately $146.4 million of U.S. federal net operating loss carryovers (“NOLs”) and approximately $33.8 million of foreign tax credits. With the exception of NOLs generated after December 31, 2017, these attributes expire at various times through the year 2037. Pursuant to Section 382 of the Internal Revenue Code, the Company’s utilization of a portion of such NOLs is subject to an annual limitation. The Company does not believe it is more-likely-than-not that all of its NOLs will be utilized and has therefore, in accordance with ASC 740-10-30, “Income Taxes—Overall—Initial Measurement,” established a valuation allowance against a portion of the NOLs. At December 31, 2020, the Company has state income tax NOLs of approximately $232.3 million and state credits of approximately $3.0 million available to offset future state taxable income. The Company also has state capital losses of approximately $10.6 million to offset capital gains. The state NOLs, capital losses and credits will expire at various times through the year 2039. The Company believes a majority of these NOLs and all of the capital losses will expire before utilization and has therefore established a valuation allowance against those NOLs and capital losses expected to expire unutilized. The Company has $240.9 million of foreign NOLs and $6.6 million of foreign capital losses at December 31, 2020. The foreign NOLs and capital losses have an unlimited carryforward period. The Company does not believe it is more-likely-than-not that some of the NOLs or any of the capital losses will be utilized and has therefore, in accordance with ASC 740-10-30, established a valuation allowance against those unlikely to be utilized. The Company's valuation allowance, and corresponding NOLs, decreased $13.9 million during the year ended December 31, 2020, due primarily to nondeductible expenses in foreign jurisdictions. The Company's valuation allowance increased $27.7 million during the year ended December 31, 2019 and decreased $40.1 million during the year ended December 31, 2018.

Should certain substantial changes in the Company's ownership occur, there could be an annual limitation on the amount of carryovers and credits that can be utilized. The impact of such a limitation would likely not be significant.

At December 31, 2020, the Company did not have any excess financial reporting basis over tax basis from a U.S. federal tax perspective primarily as a result of the GILTI regime pursuant to the 2017 Tax Reform. The Company may have, in certain state or foreign jurisdictions, amounts of financial reporting basis that exceeds tax basis as of December 31, 2020. However, these amounts are immaterial and no additional state or foreign tax liability has been recorded. Finally, despite the immaterial nature, the Company intends to permanently reinvest any previously undistributed earnings of our foreign subsidiaries in the operations outside the United States to support its international growth.

Net deferred tax assets increased by $159.0 million in 2020 as a result of the adoption of CECL. This tax impact was recorded to retained earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

Balance at January 1, 2018	$ 208.3
Increases related to prior years' tax positions	41.3
Decreases related to prior years' tax positions	(9.6)
Increases related to current year tax positions	61.5
Settlements during the period	(1.0)
Lapses of applicable statutes of limitation	(4.2)
Balance at December 31, 2018	$ 296.3
Increases related to prior years' tax positions	2.7
Decreases related to prior years' tax positions	(76.6)
Increases related to current year tax positions	58.3
Settlements during the period	(0.6)
Lapses of applicable statutes of limitation	(5.8)
Balance at December 31, 2019	$ 274.3
Increases related to prior years' tax positions	64.7
Decreases related to prior years' tax positions	(63.5)
Increases related to current year tax positions	10.7
Settlements during the period	(4.6)
Lapses of applicable statutes of limitation	(8.3)
Balance at December 31, 2020	$ 273.3

Included in the balance at December 31, 2020 are tax positions reclassified from deferred income taxes. Deductibility or taxability is highly certain for these tax positions but there is uncertainty about the timing of such deductibility or taxability. Because of the impact of deferred tax accounting, other than interest and penalties, this timing uncertainty, if realized, would not have a material effect on the annual effective tax rate but could accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company has potential cumulative interest and penalties with respect to unrecognized tax benefits of approximately $74.7 million, $67.0 million and $66.7 million at December 31, 2020, 2019 and 2018, respectively. For the years ended December 31, 2020, 2019 and 2018, the Company recorded approximately an $7.6 million expense, a

$0.8 million benefit and a $24.5 million expense, respectively, for potential interest and penalties with respect to unrecognized tax benefits.

At December 31, 2020, 2019 and 2018, the Company had unrecognized tax benefits of approximately $257.8 million, $255.1 million and $247.7 million, respectively, that, if recognized, would impact the effective tax rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits over the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. With some exceptions, the tax returns filed by the Company 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 2013.

23. FINANCIAL INSTRUMENTS

In accordance with ASC 825, “Financial Instruments,” the Company is required to disclose the fair value of financial instruments for which it is practical to estimate fair value. To obtain fair values, observable market prices are used if available. In some instances, observable market prices are not readily available and fair value is determined using present value or other techniques appropriate for a particular financial instrument. These techniques involve judgment and as a result are not necessarily indicative of the amounts the Company 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.

Fair Value of Financial Instruments—The estimated fair values of the Company’s financial instruments are as follows:

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial assets				
Credit card and loan receivables, net	$ 14,776.4	$ 17,301.2	$ 18,292.0	$ 19,126.0
Credit card receivables held for sale	—	—	408.0	436.2
Redemption settlement assets, restricted	693.5	693.5	600.8	600.8
Other investments	225.4	225.4	259.8	259.8
Derivative instruments	0.4	0.4	0.2	0.2
Financial liabilities				
Derivative instruments	1.5	1.5	0.3	0.3
Deposits	9,792.6	10,015.9	12,151.7	12,303.6
Non-recourse borrowings of consolidated securitization entities	5,709.9	5,783.4	7,284.0	7,333.6
Long-term and other debt	2,805.7	2,875.1	2,849.9	2,878.8

The following techniques and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Credit card and loan receivables, net — The Company utilizes a discounted cash flow model using unobservable inputs, including estimated yields (interest and fee income), loss rates, payment rates and discount rates to estimate the fair value measurement of the credit card and loan receivables.

Credit card receivables held for sale — The Company utilizes a discounted cash flow model using unobservable inputs, including forecasted yields and net charge-off estimates to estimate the fair value measurement of the credit card portfolios held for sale, as well as market data as applicable.

Redemption settlement assets, restricted — Redemption settlement assets, restricted are recorded at fair value based on quoted market prices for the same or similar securities.

Other investments — Other investments consist of marketable securities and U.S. Treasury bonds and are included in other current assets and other non-current assets in the consolidated balance sheets. Other investments are recorded at fair value based on quoted market prices for the same or similar securities.

Deposits — For money market deposits, carrying value approximates fair value due to the liquid nature of these deposits. For certificates of deposit, the fair value is estimated based on the current observable market rates available to the Company for similar deposits with similar remaining maturities.

Non-recourse borrowings of consolidated securitization entities — The fair value is estimated based on the current observable market rates available to the Company for similar debt instruments with similar remaining maturities or quoted market prices for the same transaction.

Long-term and other debt — The fair value is estimated based on the current observable market rates available to the Company for similar debt instruments with similar remaining maturities or quoted market prices for the same transaction.

Derivative instruments — The Company's foreign currency cash flow hedges and foreign currency exchange forward contracts are recorded at fair value based on a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs.

Financial Assets and Financial Liabilities Fair Value Hierarchy

ASC 820, "Fair Value Measurement," establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs where little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The use of different techniques to determine fair value of these financial instruments could result in different estimates of fair value at the reporting date.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following tables provide information for the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2020 and 2019:

	Balance at December 31, 2020	Fair Value Measurements at December 31, 2020 Using Level 1	Level 2	Level 3
		(in millions)		
Mutual funds [1]	$ 26.9	$ 26.9	$ —	$ —
Corporate bonds [1]	611.2	—	611.2	—
Marketable securities [2]	225.4	34.2	191.2	—
Derivative instruments [3]	0.4	—	0.4	—
Total assets measured at fair value	$ 863.9	$ 61.1	$ 802.8	$ —
Derivative instruments [3]	$ 1.5	$ —	$ 1.5	$ —
Total liabilities measured at fair value	$ 1.5	$ —	$ 1.5	$ —

	Balance at December 31, 2019	Fair Value Measurements at December 31, 2019 Using Level 1	Level 2	Level 3
		(in millions)		
Mutual funds [1]	$ 25.1	$ 25.1	$ —	$ —
Corporate bonds [1]	536.4	—	536.4	—
Marketable securities [2]	259.8	26.2	233.6	—
Derivative instruments [3]	0.2	—	0.2	—
Total assets measured at fair value	$ 821.5	$ 51.3	$ 770.2	$ —
Derivative instruments [3]	$ 0.3	$ —	$ 0.3	$ —
Total liabilities measured at fair value	$ 0.3	$ —	$ 0.3	$ —

(1) Amounts are included in redemption settlement assets in the consolidated balance sheets.

(2) Amounts are included in other current assets and other non-current assets in the consolidated balance sheets.

(3) Amounts are included in other current assets and other current liabilities in the consolidated balance sheets.

There were no transfers between Levels 1 and 2 within the fair value hierarchy for the years ended December 31, 2020 and 2019.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Financial Instruments Disclosed but Not Carried at Fair Value

The following tables provide assets and liabilities disclosed but not carried at fair value as of December 31, 2020 and 2019:

	Fair Value Measurements at December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial assets:				
Credit card and loan receivables, net	$ 17,301.2	$ —	$ —	$ 17,301.2
Total	$ 17,301.2	$ —	$ —	$ 17,301.2
Financial liabilities:				
Deposits	$ 10,015.9	$ —	$ 10,015.9	$ —
Non-recourse borrowings of consolidated securitization entities	5,783.4	—	5,783.4	—
Long-term and other debt	2,875.1	—	2,875.1	—
Total	$ 18,674.4	$ —	$ 18,674.4	$ —

	Fair Value Measurements at December 31, 2019			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial assets:				
Credit card and loan receivables, net	$ 19,126.0	$ —	$ —	$ 19,126.0
Credit card receivables held for sale	436.2	—	—	436.2
Total	$ 19,562.2	$ —	$ —	$ 19,562.2
Financial liabilities:				
Deposits	$ 12,303.6	$ —	$ 12,303.6	$ —
Non-recourse borrowings of consolidated securitization entities	7,333.6	—	7,333.6	—
Long-term and other debt	2,878.8	—	2,878.8	—
Total	$ 22,516.0	$ —	$ 22,516.0	$ —

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 property and equipment, ROU assets, deferred contract assets, goodwill, and intangible assets. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, including when there is evidence of impairment. For the year ended December 31, 2020, the Company recorded asset impairment charges of $63.7 million related to certain deferred contract costs, fixed assets and ROU assets. The fair value was determined utilizing discounted cash flow models over the estimated life of each asset. The principal assumptions used in the Company's impairment analysis were forecasted future cash flows and the discount rate, which are considered Level 3 inputs. See Note 3, "Revenue," Note 12, "Leases," and Note 13, "Property and Equipment," for more information regarding asset impairments.

For the year ended December 31, 2019, as part of restructuring and other charges, the Company recorded asset impairments of $52.0 million. See Note 15, "Restructuring and Other Charges," for more information.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

24. PARENT-ONLY FINANCIAL STATEMENTS

The following ADSC financial statements are provided in accordance with the rules of the Securities and Exchange Commission, which require such disclosure when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets. Certain of the Company's subsidiaries may be restricted in distributing cash or other assets to ADSC, which could be utilized to service its indebtedness. The stand-alone parent-only financial statements are presented below.

Balance Sheets

	December 31, 2020	December 31, 2019
	(in millions)	
Assets:		
Cash and cash equivalents	$ 0.2	$ 0.2
Investment in subsidiaries	5,127.0	5,326.2
Other assets	41.8	3.4
Total assets	$ 5,169.0	$ 5,329.8
Liabilities:		
Current portion of long-term and other debt	$ 101.4	$ 101.4
Long-term and other debt	2,704.3	2,748.5
Intercompany liabilities, net	742.0	806.7
Other liabilities	99.7	84.9
Total liabilities	3,647.4	3,741.5
Stockholders' equity	1,521.6	1,588.3
Total liabilities and stockholders' equity	$ 5,169.0	$ 5,329.8

See Note 17, "Debt," for more information regarding the Company's long-term and other debt.

Statements of Income

	Years Ended December 31, 2020	2019	2018
		(in millions)	
Interest from loans to subsidiaries	$ 12.6	$ 19.2	$ 17.9
Dividends from subsidiaries	256.3	922.6	810.1
Total revenue	268.9	941.8	828.0
Loss on extinguishment of debt	—	71.9	—
Interest expense, net	109.5	130.0	281.2
Other expenses, net	1.7	(0.7)	(0.4)
Total expenses	111.2	201.2	280.8
Income before income taxes and equity in undistributed net income (loss) of subsidiaries	157.7	740.6	547.2
Benefit for income taxes	21.2	42.1	7.0
Income before equity in undistributed net income (loss) of subsidiaries	178.9	782.7	554.2
Equity in undistributed net income (loss) of subsidiaries	34.8	(504.7)	408.9
Net income	$ 213.7	$ 278.0	$ 963.1

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Statements of Comprehensive Income

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Net income	$ 213.7	$ 278.0	$ 963.1
Other comprehensive income, net of tax	—	4.9	29.6
Total comprehensive income, net of tax	$ 213.7	$ 282.9	$ 992.7

Statements of Cash Flows

	Years Ended December 31,		
	2020	2019	2018
		(in millions)	
Net cash (used in) provided by operating activities	$ (137.6)	$ (1,029.1)	$ 82.3
Investing activities:			
Investment in subsidiaries	(3.2)	(135.0)	—
Proceeds from sale of business	—	4,118.3	—
Dividends received	256.3	922.6	810.1
Net cash provided by investing activities	253.1	4,905.9	810.1
Financing activities:			
Borrowings under debt agreements	1,276.0	3,083.0	4,527.0
Repayments of borrowings	(1,320.5)	(5,778.2)	(4,838.3)
Payment of debt extinguishment costs	—	(46.1)	—
Payment of deferred financing costs	(9.1)	(20.7)	(4.6)
Purchase of treasury shares	—	(976.1)	(443.2)
Dividends paid	(60.6)	(127.4)	(125.2)
Proceeds from issuance of common stock	2.8	12.4	17.6
Other	(4.1)	(23.6)	(25.7)
Net cash used in financing activities	(115.5)	(3,876.7)	(892.4)
Change in cash, cash equivalents and restricted cash	—	0.1	—
Cash, cash equivalents and restricted cash at beginning of year	0.2	0.1	0.1
Cash, cash equivalents and restricted cash at end of year	$ 0.2	$ 0.2	$ 0.1

Non-cash investing and financing activities related to the parent-only statement of cash flows for the year ended December 31, 2020 included the issuance of approximately 1.9 million shares of the Company's common stock as non-cash consideration in the acquisition of Bread on December 3, 2020. For more information, see Note 5, "Acquisitions."

Non-cash investing activities related to the parent-only statement of cash flows for the year ended December 31, 2019 included a $3.0 billion non-cash dividend in the form of an intercompany return of capital from ADS Alliance Data Systems, Inc. to ADSC.

25. SEGMENT INFORMATION

Operating segments are defined by ASC 280, "Segment Reporting," as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and services.

As discussed in Note 7, "Discontinued Operations," in the first quarter of 2019, the Company's Epsilon segment was classified as a discontinued operation and was sold on July 1, 2019. The Company operates in the LoyaltyOne and Card Services reportable segments, which consist of the following:

- LoyaltyOne provides coalition and short-term loyalty programs through the Company's Canadian AIR MILES Reward Program and BrandLoyalty; and

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

- Card Services provides private label, co-brand, general purpose and business credit card programs, digital payments, including Bread, and Comenity-branded financial services. Card Services provides risk management solutions, account origination, funding, transaction processing, customer care, collections and marketing services.

Corporate and other immaterial businesses are reported collectively as an "all other" category labeled "Corporate/Other." Income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes and have also been included in "Corporate/Other."

Year Ended December 31, 2020	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Revenues	$ 764.8	$ 3,756.5	$ 0.1	$ 4,521.4
Income (loss) before income taxes	$ 111.0	$ 501.5	$ (218.0)	$ 394.5
Interest expense, net	(0.8)	385.4	109.3	493.9
Operating income (loss)	110.2	886.9	(108.7)	888.4
Depreciation and amortization	78.0	102.8	3.0	183.8
Stock compensation expense	5.5	7.0	8.8	21.3
Gain on sale of business, net of strategic transaction costs	(8.0)	—	—	(8.0)
Strategic transaction costs	0.4	0.3	15.2	15.9
Asset impairments	—	63.7	—	63.7
Restructuring and other charges	0.1	(8.3)	—	(8.2)
Adjusted EBITDA [(1)]	186.2	1,052.4	(81.7)	1,156.9
Less: Securitization funding costs	—	165.9	—	165.9
Less: Interest expense on deposits	—	219.5	—	219.5
Adjusted EBITDA, net [(1)]	$ 186.2	$ 667.0	$ (81.7)	$ 771.5
Capital expenditures	$ 24.3	$ 29.4	$ 0.3	$ 54.0

Year Ended December 31, 2019	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Revenues	$ 1,033.1	$ 4,547.8	$ 0.4	$ 5,581.3
Income (loss) before income taxes	$ 103.1	$ 991.7	$ (356.4)	$ 738.4
Interest expense, net	2.3	439.0	127.7	569.0
Operating income (loss)	105.4	1,430.7	(228.7)	1,307.4
Depreciation and amortization	80.1	89.3	6.7	176.1
Stock compensation expense	7.2	9.3	8.6	25.1
Strategic transaction costs	1.0	—	10.7	11.7
Restructuring and other charges	50.8	29.4	37.9	118.1
Loss on extinguishment of debt	—	—	71.9	71.9
Adjusted EBITDA [(1)]	244.5	1,558.7	(92.9)	1,710.3
Less: Securitization funding costs	—	213.4	—	213.4
Less: Interest expense on deposits	—	225.6	—	225.6
Adjusted EBITDA, net [(1)]	$ 244.5	$ 1,119.7	$ (92.9)	$ 1,271.3
Capital expenditures	$ 41.5	$ 44.2	$ 0.8	$ 86.5

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Year Ended December 31, 2018	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Revenues	$ 1,068.4	$ 4,597.6	$ 0.6	$ 5,666.6
Income (loss) before income taxes	$ 153.8	$ 1,381.6	$ (320.4)	$ 1,215.0
Interest expense, net	5.6	385.9	150.8	542.3
Operating income (loss)	159.4	1,767.5	(169.6)	1,757.3
Depreciation and amortization	84.8	101.1	7.7	193.6
Stock compensation expense	10.0	13.3	21.1	44.4
Adjusted EBITDA (1)	254.2	1,881.9	(140.8)	1,995.3
Less: Securitization funding costs	—	220.2	—	220.2
Less: Interest expense on deposits	—	165.7	—	165.7
Adjusted EBITDA, net (1)	$ 254.2	$ 1,496.0	$ (140.8)	$ 1,609.4
Capital expenditures	$ 34.0	$ 53.8	$ 5.5	$ 93.3

(1) Adjusted EBITDA is a non-GAAP financial measure equal to income from continuing operations, the most directly comparable financial measure based on GAAP plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, and amortization of purchased intangibles. Adjusted EBITDA also excludes the gain on the sale of Precima, strategic transaction costs, which represent costs for professional services associated with strategic initiatives, asset impairments, restructuring and other charges, and loss related to the Company's extinguishment of debt in July 2019.

Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs and interest expense on deposits. Adjusted EBITDA and adjusted EBITDA, net are presented in accordance with ASC 280 as they are the primary performance metrics utilized to assess performance of the segments.

The table below reconciles the reportable segments' total assets to consolidated total assets:

	LoyaltyOne	Card Services	Corporate/ Other	Total
		(in millions)		
Total Assets				
December 31, 2020	$ 2,422.3	$ 19,884.6	$ 240.2	$ 22,547.1
December 31, 2019	$ 2,338.0	$ 23,931.1	$ 225.7	$ 26,494.8

With respect to information concerning principal geographic areas, revenues are based on the location of the subsidiary that generally correlates with the location of the customer. Information concerning principal geographic areas is as follows:

	United States	Canada	Europe, Middle East and Africa	Asia Pacific	Other	Total
			(in millions)			
Revenues						
Year Ended December 31, 2020	$ 3,767.7	$ 286.9	$ 332.6	$ 80.5	$ 53.7	$ 4,521.4
Year Ended December 31, 2019	$ 4,588.3	$ 352.2	$ 449.1	$ 121.7	$ 70.0	$ 5,581.3
Year Ended December 31, 2018	$ 4,621.3	$ 411.3	$ 463.2	$ 122.0	$ 48.8	$ 5,666.6
Long Lived Assets						
December 31, 2020	$ 1,874.9	$ 310.7	$ 714.3	$ 11.4	$ 1.4	$ 2,912.7
December 31, 2019	$ 1,361.1	$ 311.1	$ 696.2	$ 12.8	$ 0.9	$ 2,382.1

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

As of December 31, 2020, 2019 and 2018, revenues from L Brands and its affiliates represented approximately 10.3%, 10.6% and 10.8%, respectively, of consolidated revenues and are included in the Card Services segment.

26. SUPPLEMENTAL CASH FLOW INFORMATION

The consolidated statements of cash flows are presented with the combined cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category. The following table provides a reconciliation of cash and cash equivalents to the total of the amounts reported in the consolidated statements of cash flows:

	December 31, 2020	December 31, 2019	December 31, 2018
		(in millions)	
Cash and cash equivalents	$ 3,081.5	$ 3,874.4	$ 3,863.1
Restricted cash included within other current assets [1]	326.3	44.4	60.7
Restricted cash included within redemption settlement assets, restricted [2]	55.4	39.3	43.9
Total cash, cash equivalents and restricted cash	$ 3,463.2	$ 3,958.1	$ 3,967.7

(1) Includes cash restricted for principal and interest repayments of non-recourse borrowings of consolidated securitized debt and other restricted cash within other current assets. At December 31, 2020, restricted cash included $291.8 million in principal accumulation for the repayment of non-recourse borrowings of consolidated securitized debt that matured in February 2021.

(2) See Note 11, "Redemption Settlement Assets," for additional information regarding the nature of restrictions on redemption settlement assets.

Non-cash investing and financing activities for the year ended December 31, 2020 included $75.0 million of deferred consideration and the issuance of approximately 1.9 million shares of the Company's common stock as non-cash consideration in the acquisition of Bread on December 3, 2020. For more information, see Note 5, "Acquisitions."

Non-cash financing activities for the year ended December 31, 2019 included an exchange agreement with ValueAct Holdings, L.P. pursuant to which ValueAct exchanged an aggregate of 1,500,000 shares of the Company's common stock for an aggregate of 150,000 shares of preferred stock, and ValueAct's subsequent conversion of all 150,000 shares of preferred stock back to common stock.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

27. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 2020 and 2019 are presented below.

	Quarter Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in millions, except per share amounts)			
Revenues	$ 1,381.8	$ 979.3	$ 1,050.5	$ 1,109.8
Operating expenses	1,217.8	804.6	759.5	851.1
Operating income	164.0	174.7	291.0	258.7
Interest expense, net	138.6	127.7	115.1	112.5
Income from continuing operations before income taxes	25.4	47.0	175.9	146.2
Provision for income taxes	(4.6)	8.6	42.6	52.9
Income from continuing operations	30.0	38.4	133.3	93.3
Loss from discontinued operations, net of taxes	—	—	—	(81.3)
Net income	$ 30.0	$ 38.4	$ 133.3	$ 12.0
Basic income (loss) per share:				
Income from continuing operations	$ 0.63	$ 0.81	$ 2.79	$ 1.93
Loss from discontinued operations	$ —	$ —	$ —	$ (1.68)
Net income per share	$ 0.63	$ 0.81	$ 2.79	$ 0.25
Diluted income (loss) per share:				
Income from continuing operations	$ 0.63	$ 0.81	$ 2.79	$ 1.93
Loss from discontinued operations	$ —	$ —	$ —	$ (1.68)
Net income per share	$ 0.63	$ 0.81	$ 2.79	$ 0.25

	Quarter Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
	(in millions, except per share amounts)			
Revenues	$ 1,334.2	$ 1,348.5	$ 1,437.6	$ 1,461.0
Operating expenses	977.3	1,011.2	1,133.4	1,152.0
Operating income	356.9	337.3	304.2	309.0
Interest expense, net	143.9	143.5	140.0	141.6
Income from continuing operations before income taxes	213.0	193.8	164.2	167.4
Provision for income taxes	34.8	51.4	42.6	37.0
Income from continuing operations	178.2	142.4	121.6	130.4
Loss from discontinued operations, net of taxes	(29.1)	(3.4)	(229.2)	(32.9)
Net income (loss)	$ 149.1	$ 139.0	$ (107.6)	$ 97.5
Basic income (loss) per share:				
Income from continuing operations	$ 3.36	$ 2.72	$ 2.47	$ 2.73
Loss from discontinued operations	$ (0.55)	$ (0.07)	$ (4.69)	$ (0.70)
Net income (loss) per share	$ 2.81	$ 2.65	$ (2.22)	$ 2.03
Diluted income (loss) per share:				
Income from continuing operations	$ 3.35	$ 2.71	$ 2.41	$ 2.74
Loss from discontinued operations	$ (0.55)	$ (0.07)	$ (4.54)	$ (0.69)
Net income (loss) per share	$ 2.80	$ 2.64	$ (2.13)	$ 2.05

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Alliance Data Systems Corporation has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLIANCE DATA SYSTEMS CORPORATION

By: /S/ RALPH J. ANDRETTA
Ralph J. Andretta
President and Chief Executive Officer

DATE: February 26, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Alliance Data Systems Corporation and in the capacities and on the dates indicated.

Name	Title	Date
/S/ RALPH J. ANDRETTA **Ralph J. Andretta**	President, Chief Executive Officer and Director	February 26, 2021
/S/ TIMOTHY P. KING **Timothy P. King**	Executive Vice President and Chief Financial Officer	February 26, 2021
/S/ LAURA SANTILLAN **Laura Santillan**	Senior Vice President and Chief Accounting Officer	February 26, 2021
/S/ ROGER H. BALLOU **Roger H. Ballou**	Chairman of the Board, Director	February 26, 2021
/S/ JOHN C. GERSPACH, JR. **John C. Gerspach, Jr.**	Director	February 26, 2021
/S/ RAJESH NATARAJAN **Rajesh Natarajan**	Director	February 26, 2021
/S/ TIMOTHY J. THERIAULT **Timothy J. Theriault**	Director	February 26, 2021
/S/ LAURIE A. TUCKER **Laurie A. Tucker**	Director	February 26, 2021
/S/ SHAREN J. TURNEY **Sharen J. Turney**	Director	February 26, 2021

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Write-Offs Net of Recoveries [1]	Balance at End of Year
		(in millions)		
Allowance for Doubtful Accounts—Accounts receivable:				
Year Ended December 31, 2020	$ 3.4	$ 1.1	$ (0.5)	$ 4.0
Year Ended December 31, 2019	$ 0.4	$ 3.5	$ (0.5)	$ 3.4
Year Ended December 31, 2018	$ 0.1	$ 0.4	$ (0.1)	$ 0.4

(1) Accounts written off during the year, net of recoveries and foreign exchange impact.

EIGHTH AMENDMENT TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This EIGHTH AMENDMENT TO AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT, dated as of November 16, 2020 (this "*Amendment*") is made among Comenity Bank (formerly known as World Financial Network Bank), a Delaware state chartered bank, as Servicer (the "*Servicer*"), WFN Credit Company, LLC, a Delaware limited liability company, as Transferor (the "*Transferor*"), and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas, successor to Union Bank, N.A., formerly known as Union Bank of California, N.A., successor to JPMorgan Chase Bank, N.A.), a national banking association, as Trustee (the "*Trustee*") of World Financial Network Credit Card Master Trust III, to the Amended and Restated Pooling and Servicing Agreement, dated as of January 30, 1998, among the Servicer, the Transferor and the Trustee (as amended and restated as of September 28, 2001, as further amended as of April 7, 2004, March 23, 2005, October 26, 2007, March 30, 2010, September 30, 2011, December 1, 2016 and September 1, 2017, and as modified by a Trust Combination Agreement, dated as of April 26, 2005, as amended, the "*Pooling Agreement*"). Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Pooling Agreement.

WHEREAS, the parties hereto are party to the Pooling Agreement and desire to amend the Pooling Agreement in certain respects as set forth herein;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. Amendment. Section 12.1 of the Pooling Agreement is hereby amended and restated in its entirety to read as follows:

> "*Termination of Trust.* The Trust and the respective obligations and responsibilities of Transferor, Servicer and Trustee created hereby (other than the obligation of Trustee to make payments to Investor Holders as hereinafter set forth) shall terminate, except with respect to the duties described in *Sections 7.4*, *8.4*, *9.2* and *12.2(b)*, upon the earlier of (i) the day following the Distribution Date on which the Invested Amount for each Series is zero (*provided* that Transferor has delivered a written notice to Trustee electing to terminate the Trust) and (ii) the date provided in *Section 9.2*."

SECTION 2. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Effective Date") upon which (i) each of the parties hereto receive counterparts of this Amendment, duly executed and delivered by each of the parties hereto and (ii) each of the conditions precedent described in Section 13.1(b) of the Pooling Agreement are satisfied.

SECTION 3. Effect of Amendment; Ratification. (a) On and after the Effective Date, this Amendment shall be a part of the Pooling Agreement and each reference in the Pooling Agreement to "this Agreement" or "hereof," "hereunder" or words of like import, and each reference in any other Transaction Document to the Pooling Agreement shall mean and be a reference to the Pooling Agreement as amended hereby.

(b) Except as expressly amended hereby, the Pooling Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 4. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS.

SECTION 5. Section Headings. Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

SECTION 6. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery by facsimile or electronic transmission of an executed signature page of this Amendment shall be effective as delivery of an executed counterpart hereof. Each party agrees that this Amendment may be electronically signed, and that any electronic signatures appearing on this Amendment are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

SECTION 7. Trustee Disclaimer. Trustee shall not be responsible for the validity or sufficiency of this amendment, nor for the recitals contained herein.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

WFN CREDIT COMPANY, LLC

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Mirtza J. Escobar
Name: Mirtza J. Escobar
Title: Vice President

COMENITY BANK

By: /s/ Gregory Opincar
Name: Gregory Opincar
Title: Chief Financial Officer

SIXTH AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT

This **SIXTH AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT**, dated as of June 11, 2020 (this "*Amendment*"), is made between World Financial Network Credit Card Master Note Trust, as Issuer (the "*Issuer*"), and MUFG Union Bank, N.A. ("*MUFG*"), formerly known as Union Bank, N.A., as successor in interest to The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as Indenture Trustee (in such capacity, the "*Indenture Trustee*") under the Master Indenture, dated as of August 1, 2001 (as further amended from time to time prior to the date hereof, the "*Master Indenture*"), between the Issuer and the Indenture Trustee, to the Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014 (as further amended from time to time prior to the date hereof, the "*Indenture Supplement*" and together with the Master Indenture, the "*Indenture*"), between the Issuer and the Indenture Trustee, and acknowledged and accepted by all of the Class A Noteholders and WFN Credit Company, LLC, as Transferor and as sole Class M Noteholder, Class B Noteholder and Class C Noteholder. Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Indenture.

Background

A. The Issuer and the Indenture Trustee have previously entered into the Indenture Supplement to create and designate a Series of Notes.

B. The Issuer and the Indenture Trustee wish to amend such Indenture Supplement, as set out in this Amendment.

Agreement

1. *Amendments to the Indenture Supplement.*

(a) Section 2.1 of the Indenture Supplement is hereby amended by inserting the following definitions in appropriate alphabetical order:

"Investor Interchange Allocation Percentage" means, with respect to any Monthly Period, the Allocation Percentage for such Monthly Period with respect to Finance Charge Receivables (or, if a Reset Date occurs during such Monthly Period, the average such Allocation Percentage for such Monthly Period determined as the quotient of the summation of the Allocation Percentages with respect to Finance Charge Receivables for all days during such Monthly Period, divided by the number of days in such Monthly Period).

"Investor Interchange Amount" means, with respect to any Monthly Period, an amount equal to the product of (a) the amount of Interchange attributed to the Accounts for such Monthly Period pursuant to Section 5.1(l) of the Receivables Purchase Agreement and (b) the Investor Interchange Allocation Percentage for such Monthly Period.

(b) Section 5.1 of the Indenture Supplement is hereby amended as follows:

(i) clause (b)(i) thereof is hereby amended by inserting the phrase "or the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is less than the Required Principal Balance" following the phrase "Specified Transferor Amount" where it appears in the last proviso thereof;

(ii) clause (b)(ii)(x)(1) thereof is hereby amended by inserting the phrase "and the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance" following the phrase "Specified Transferor Amount" where it appears in subclause *fourth* thereof;

(iii) clause (b)(ii)(y) thereof is hereby amended by inserting the phrase "and the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance" following the phrase "Specified Transferor Amount" where it appears in subclause *third* thereof;

(iv) clause (b)(ii)(z) thereof is hereby amended by inserting the phrase "and the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance" following the phrase "Specified Transferor Amount" where it appears in subclause *second* thereof; and

(v) the following new subsection (e) is hereby inserted following subsection (d) thereof:

> (e) Allocations of Interchange. Notwithstanding anything to the contrary in Section 5.1(b) of this Indenture Supplement or in the Indenture, Interchange for each Monthly Period equal to the Investor Interchange Amount shall be allocated to the Series 2009-VFN Noteholders, and shall be deposited into the Finance Charge Account not later 12:00 noon, New York City time, on the Transfer Date following the related Monthly Period.

2. *Conditions to Effectiveness; Binding Effect; Ratification*. (a) This Amendment shall become effective, as of the date first set forth above, when (i) counterparts hereof shall have been executed and delivered by the parties hereto and (ii) each of the conditions precedent described in Section 10.2 of the Master Indenture has been satisfied, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) On and after the execution and delivery hereof, this Amendment shall be a part of the Indenture Supplement and each reference in the Indenture Supplement to "this Indenture Supplement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Indenture Supplement shall mean and be a reference to the Indenture Supplement as amended hereby.

(c) Except as expressly amended hereby, the Indenture Supplement shall remain full force and effect and is hereby ratified and confirmed by the parties hereto.

3. *Miscellaneous*. (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE

JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS* AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(c) This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery by facsimile or electronic transmission of an executed signature page of this Amendment shall be effective as delivery of an executed counterpart hereof. Each party agrees that this Amendment may be electronically signed, and that any electronic signatures appearing on this Amendment are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

(d) The Indenture Trustee shall not be responsible for the validity or sufficiency of this Amendment nor for the recitals herein.

4. *Limitation on Liability*. It is expressly understood and agreed by the parties that (a) this document is executed and delivered by U.S. Bank Trust National Association, not individually or personally, but solely as Owner Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by U.S. Bank Trust National Association but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on U.S. Bank Trust National Association, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall U.S. Bank Trust National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST, as Issuer

By: U.S. Bank Trust National Association, not in its individual capacity, but solely as Owner Trustee

By: /s/ Mirtza J. Escobar
Name: Mirtza J. Escobar
Title: Vice President

MUFG UNION BANK, N.A., as Indenture Trustee

By: /s/ D. Amedeo Morreale
Name: D. Amedeo Morreale
Title: Vice President

Acknowledged and Accepted:

COMENITY BANK,
as Servicer

By: /s/ Gregory Opincar
Name: Gregory Opincar
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC
as Transferor

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

SEVENTH AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT

This **SEVENTH AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT**, dated as of September 10, 2020 (this "*Amendment*"), is made between World Financial Network Credit Card Master Note Trust, as Issuer (the "*Issuer*"), and MUFG Union Bank, N.A. ("*MUFG*"), formerly known as Union Bank, N.A., as successor in interest to The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as Indenture Trustee (in such capacity, the "*Indenture Trustee*") under the Master Indenture, dated as of August 1, 2001 (as further amended from time to time prior to the date hereof, the "*Master Indenture*"), between the Issuer and the Indenture Trustee, to the Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014 (as further amended from time to time prior to the date hereof, the "*Indenture Supplement*" and together with the Master Indenture, the "*Indenture*"), between the Issuer and the Indenture Trustee, and acknowledged and accepted by all of the Class A Noteholders and WFN Credit Company, LLC, as Transferor and as sole Class M Noteholder, Class B Noteholder and Class C Noteholder. Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Indenture.

Background

A. The Issuer and the Indenture Trustee have previously entered into the Indenture Supplement to create and designate a Series of Notes.

B. The Issuer and the Indenture Trustee wish to amend such Indenture Supplement, as set out in this Amendment.

Agreement

1. *Amendments to the Indenture Supplement.* Section 2.1(a) of the Indenture Supplement is hereby amended as follows:

(a) the definition of "Class A Pro Rata Percentage" is modified by replacing "75.00%" where it appears therein with "73.00%"; and

(b) the definition of "Class C Pro Rata Percentage" is modified by replacing "4.00%" where it appears therein with "6.00%".

2. *Conditions to Effectiveness; Binding Effect; Ratification*. (a) This Amendment shall become effective, as of the date first set forth above, when (i) counterparts hereof shall have been executed and delivered by the parties hereto and (ii) each of the conditions precedent described in Section 10.2 Section 10.3 and Section 12.1 of the Master Indenture has been satisfied, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) On and after the execution and delivery hereof, this Amendment shall be a part of the Indenture Supplement and each reference in the Indenture Supplement to "this Indenture Supplement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Indenture Supplement shall mean and be a reference to the Indenture Supplement as amended hereby.

(c) Except as expressly amended hereby, the Indenture Supplement shall remain full force and effect and is hereby ratified and confirmed by the parties hereto.

3. *Miscellaneous*. (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS* AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(c) This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery by facsimile or electronic transmission of an executed signature page of this Amendment shall be effective as delivery of an executed counterpart hereof. Each party agrees that this Amendment may be electronically signed, and that any electronic signatures appearing on this Amendment are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

(d) The Indenture Trustee shall not be responsible for the validity or sufficiency of this Amendment nor for the recitals herein.

4. *Limitation on Liability*. It is expressly understood and agreed by the parties that (a) this document is executed and delivered by U.S. Bank Trust National Association, not individually or personally, but solely as Owner Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by U.S. Bank Trust National Association but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on U.S. Bank Trust National Association, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall U.S. Bank Trust National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST, as Issuer

By: U.S. Bank Trust National Association, not in its individual capacity, but solely as Owner Trustee

By: /s/ Mirtza J. Escobar
Name: Mirtza J. Escobar
Title: Vice President

MUFG UNION BANK, N.A., as Indenture Trustee

By: /s/ D. Amedeo Morreale
Name: D. Amedeo Morreale
Title: Vice President

Acknowledged and Accepted:

COMENITY BANK,
as Servicer

By: /s/ Gregory Opincar
Name: Gregory Opincar
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC
as Transferor

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

Exhibit 10.123

THIRD AMENDMENT TO
THIRD AMENDED AND RESTATED SERIES 2009-VFC1 SUPPLEMENT

This **THIRD AMENDMENT TO THIRD AMENDED AND RESTATED SERIES 2009-VFC1 SUPPLEMENT**, dated as of June 28, 2019 (this "*Amendment*"), is made among Comenity Bank (formerly known as World Financial Network Bank), a Delaware state chartered bank (the "*Bank*"), as Servicer ("*Servicer*"), WFN Credit Company, LLC, a Delaware limited liability company ("*WFN Credit*"), as Transferor ("*Transferor*"), and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), not in its individual capacity but solely as Trustee ("*Trustee*") under the Amended and Restated Pooling and Servicing Agreement, dated as of January 30, 1998, as amended and restated as of September 28, 2001 (as further amended as of April 7, 2004, March 23, 2005, October 26, 2007, March 30, 2010, September 30, 2011 and September 1, 2017, and as modified by a Trust Combination Agreement dated as of April 26, 2005, and as further amended, restated or otherwise modified from time to time, the "*Agreement*"). Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Agreement, as supplemented by that certain Third Amended and Restated Series 2009-VFC1 Supplement, dated as of April 28, 2017, among the Servicer, the Transferor and the Trustee (as amended, restated or otherwise modified from time to time, the "*Series Supplement*").

Background

A. The parties hereto have entered into the Agreement and the Series Supplement.

B. The parties hereto wish to amend the Series Supplement as set forth in this Amendment.

Agreement

1. *Amendment of the Series Supplement*. Section 2 of the Series Supplement is hereby amended as follows:

(a) the definition of "Class A Pro Rata Percentage" is modified by replacing "76.00%" where it appears therein with "75.50%";

(b) the definition of "Class C Pro Rata Percentage" is modified by replacing "11.00%" where it appears therein with "11.50%"; and

2. *Binding Effect; Ratification*. (a) This Amendment shall become effective, as of the date first set forth above, when counterparts hereof shall have been executed and delivered by the parties hereto, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) On and after the execution and delivery hereof, this Amendment shall be a part of the Series Supplement and each reference in the Series Supplement to "this Series Supplement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Series Supplement shall mean and be a reference to such Series Supplement as amended hereby.

(c) Except as expressly amended hereby, the Series Supplement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

3. *Miscellaneous*. (a) THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. Counterparts of this Amendment may be delivered by facsimile or electronic transmission.

(d) The Trustee shall not be responsible for the validity or sufficiency of this Amendment, nor for the recitals contained herein.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COMENITY BANK, as Servicer

By: /s/ Randy J. Redcay
Name: Randy J. Redcay
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC, as Transferor

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Mirtza J. Escobar
Name: Mirtza J. Escobar
Title: Vice President

Acknowledged and consented to in their respective capacities as Class M Holder, as Class B Holder and as Class C Holder.

COMENITY BANK, as Class M Holder and as Class B Holder

By: /s/ Randy J. Redcay
Name: Randy J. Redcay
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC, as Class C Holder

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

FOURTH AMENDMENT TO
THIRD AMENDED AND RESTATED SERIES 2009-VFC1 SUPPLEMENT

This **FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED SERIES 2009-VFC1 SUPPLEMENT**, dated as of April 17, 2020 (this "*Amendment*"), is made among Comenity Bank (formerly known as World Financial Network Bank), a Delaware state chartered bank (the "*Bank*"), as Servicer ("*Servicer*"), WFN Credit Company, LLC, a Delaware limited liability company ("*WFN Credit*"), as Transferor ("*Transferor*"), and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), not in its individual capacity but solely as Trustee ("*Trustee*") under the Amended and Restated Pooling and Servicing Agreement, dated as of January 30, 1998, as amended and restated as of September 28, 2001 (as further amended as of April 7, 2004, March 23, 2005, October 26, 2007, March 30, 2010, September 30, 2011 and September 1, 2017, and as modified by a Trust Combination Agreement dated as of April 26, 2005, and as further amended, restated or otherwise modified from time to time, the "*Agreement*"). Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Agreement, as supplemented by that certain Third Amended and Restated Series 2009-VFC1 Supplement, dated as of April 28, 2017, among the Servicer, the Transferor and the Trustee (as amended, restated or otherwise modified from time to time, the "*Series Supplement*").

Background

A. The parties hereto have entered into the Agreement and the Series Supplement.

B. The parties hereto wish to amend the Series Supplement as set forth in this Amendment.

Agreement

1. *Amendment of the Series Supplement*.

(a) Section 2 of the Series Supplement is hereby amended as follows:

(i) the definition of "Base Rate" is modified by inserting the phrase "(to the extent not paid by the Transferor)" immediately following the phrase "Class A Non-Use Fee" where it appears therein;

(ii) the definition of "Floating Allocation Percentage" is modified by replacing the phrase "Finance Charge Receivables, Default Amounts or Principal Receivables" where it appears in clause (b) thereof with the phrase "Finance Charge Receivables or Principal Receivables";

(iii) the definition of "Investor Default Amount" is amended and restated in its entirety as follows:

"*Investor Default Amount*" means, with respect to any Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Investor Default Allocation Percentage for the Monthly Period in which such Account became a Defaulted Account.

(iv) the definition of "Investor Percentage" is modified by replacing the phrase "Finance Charge Receivables and Default Amounts" where it appears in clause (a) thereof with the phrase "Finance Charge Receivables";

(v) the following definitions are inserted in appropriate alphabetical order:

"*Investor Default Allocation Percentage*" means, with respect to any Monthly Period, the percentage equivalent of a fraction:

(a) the numerator of which shall be equal to the Weighted Average Invested Amount for such Monthly Period; and

(b) the denominator of which shall be equal to the Weighted Average Floating Allocation Percentage Denominator for such Monthly Period.

"*Weighted Average Floating Allocation Percentage Denominator*" means, for any Monthly Period, the quotient of (a) the summation of the amount determined in accordance with paragraph (b) of the definition of "Floating Allocation Percentage" set forth in this Section 2 (including the proviso thereto) as of each day in that Monthly Period, divided by (b) the number of days in that Monthly Period.

(b Section 4.10 of the Series Supplement is hereby amended by adding the parenthetical "(to the extent not paid by the Transferor)" immediately following the term "Class A Non-Use Fee" in each place where it appears therein.

(c) Exhibits A-1, A-2, A-3 and A-4 to the Series Supplement are hereby amended and restated in their entirety as set forth on Annex A hereto.

2. *Binding Effect; Ratification*. (a) This Amendment shall become effective, as of the date first set forth above, when counterparts hereof shall have been executed and delivered by the parties hereto, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) On and after the execution and delivery hereof, this Amendment shall be a part of the Series Supplement and each reference in the Series Supplement to "this Series Supplement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Series Supplement shall mean and be a reference to such Series Supplement as amended hereby.

(c) Except as expressly amended hereby, the Series Supplement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto. The parties hereto hereby agree that, notwithstanding the amendments effected by Section 1(c), the Certificates currently issued and outstanding under the Series Supplement shall remain valid in form until such Certificates are surrendered and exchanged for new Certificates or are otherwise no longer outstanding.

3. *Miscellaneous*. (a) THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. Counterparts of this Amendment may be delivered by facsimile or electronic transmission.

(d) The Trustee shall not be responsible for the validity or sufficiency of this Amendment, nor for the recitals contained herein.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COMENITY BANK, as Servicer

By: /s/ Gregory Opincar
Name: Gregory Opincar
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC, as Transferor

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Mirtza J. Escobar
Name: Mirtza J. Escobar
Title: Vice President

Acknowledged and consented to in their respective capacities as Class M Holder, as Class B Holder and as Class C Holder.

COMENITY BANK, as Class M Holder and as Class B Holder

By: /s/ Gregory Opincar
Name: Gregory Opincar
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC, as Class C Holder

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

Exhibit 21

Subsidiaries of
Alliance Data Systems Corporation
A Delaware Corporation
(as of December 31, 2020)

Subsidiary	**Jurisdiction of Organization**	**Other Business Names**
ADI Crown Helix Limited	Jersey	None
ADS Alliance Data Systems, Inc.	Delaware	None
ADS Apollo Holdings B.V.	Netherlands	None
ADS Card Services Foreign Holdings B.V.	Netherlands	None
ADS Foreign Holdings, Inc.	Delaware	None
ADS Reinsurance Ltd.	Bermuda	None
ADS Sky Oak LLC	Delaware	None
ALLDATA Card Services India LLP	India	None
Alliance Data Foreign Holdings, Inc.	Delaware	None
Alliance Data International LLC	Delaware	None
Alliance Data Lux Financing S.àr.l.	Luxembourg	None
Alliance Data Lux Holdings S.àr.l.	Luxembourg	None
Brand Loyalty Americas BV	Netherlands	None
Brand Loyalty Asia BV	Netherlands	None
Brand Loyalty Australia Pty. Ltd.	Australia	None
Brand Loyalty Brasil Marketing de Promocoes LTDA	Brazil	None
Brand Loyalty BV	Netherlands	Brand Loyalty Ventures Brand Loyalty Benelux Brand Loyalty Spain Brand Loyalty Hungary Brand Loyalty Austria Brand Loyalty France Brand Loyalty Poland Brand Loyalty Turkey Brand Loyalty EMEA
Brand Loyalty Canada Corp.	Nova Scotia, Canada	BrandLoyalty
Brand Loyalty Canada Holding B.V.	Netherlands	None
Brand Loyalty Development B.V.	Netherlands	None
Brand Loyalty Europe BV	Netherlands	None
Brand Loyalty France Sarl	France	None
Brand Loyalty Germany GmbH	Germany	None
Brand Loyalty Group B.V.	Netherlands	None
Brand Loyalty Holding BV	Netherlands	None
Brand Loyalty International BV	Netherlands	None
Brand Loyalty Italia S.p.A	Italy	None
Brand Loyalty Japan KK	Japan	None
Brand Loyalty Korea Co. Ltd.	South Korea	None
Brand Loyalty Limited (HK)	Hong Kong	None
Brand Loyalty OOO	Russia	None
Brand Loyalty Russia BV	Netherlands	None
Brand Loyalty Sourcing Americas Holding B.V.	Netherlands	None
Brand Loyalty Sourcing Asia Ltd	Hong Kong	None
Brand Loyalty Sourcing BV	Netherlands	Brand Loyalty Sourcing

Brand Loyalty Sourcing USA Inc.	Delaware	None
Brand Loyalty Special Promotions BV	Netherlands	None
Brand Loyalty Switzerland GmbH	Switzerland	None
Brand Loyalty Trading (Shanghai) Co. Ltd	China	None
Brand Loyalty UK Ltd	England	None
Brand Loyalty USA Holding BV	Netherlands	None
Brand Loyalty USA Inc.	Delaware	None
Brand Loyalty Worldwide GmbH	Switzerland	None
ClickGreener Inc.	Nova Scotia, Canada	None
Comenity LLC	Delaware	None
Comenity Bank	Delaware	None
Comenity Canada L.P.	Ontario, Canada	Comenity Canada
Comenity Capital Bank	Utah	None
Comenity Capital Credit Company, LLC	Delaware	None
Comenity Operating Co., LLC	Delaware	None
Comenity Servicing LLC	Texas	None
Edison International Concept & Agencies BV	Netherlands	BrandLoyalty Naarden
IceMobile Agency BV	Netherlands	IceMobile
Lon Administration LLC	Delaware	None
Lon Holdings LLC	Delaware	None
Lon Inc.	Delaware	Bread
Lon Operations LLC	Delaware	Bread Bread Operations
LoyaltyOne, Co.	Nova Scotia, Canada	AIR MILES airmilesshops.ca AIR MILES Corporate Incentives AIR MILES For Business AIR MILES Incentives AIR MILES My Planet AIR MILES Reward Program Alliance Data Alliance Data Loyalty Services GIFTED by AIR MILES Loyalty And Marketing Services LoyaltyOne Loyalty Services My Planet Squareknot Zero Gravity Labs
LoyaltyOne Travel Services Co.	Nova Scotia, Canada	AIR MILES Travel Services
Max Holding B.V.	Netherlands	None
Merison Groep B.V.	Netherlands	None
Merison Retail B.V.	Netherlands	Merison
Merison UK Ltd	United Kingdom	None
Rhombus Investments L.P.	Bermuda	None
WFC Card Services Holdings Inc.	Ontario, Canada	None
WFN Credit Company, LLC	Delaware	None
World Financial Capital Credit Company, LLC	Delaware	None
World Licenses BV	Netherlands	None

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-204759, 333-204758, 333-167525, 333-65556 and 333-239040 on Form S-8 and Registration Statement No. 333-251165 on Form S-3 of our reports dated February 26, 2021, relating to the financial statements of Alliance Data Systems Corporation and subsidiaries and the effectiveness of Alliance Data Systems Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Alliance Data Systems Corporation for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 26, 2021

Exhibit 31.1

**CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

I, Ralph J. Andretta, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

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.

/s/ Ralph J. Andretta

Ralph J. Andretta
Chief Executive Officer

Date: February 26, 2021

Exhibit 31.2

CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, Timothy P. King, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

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.

/s/ Timothy P. King

Timothy P. King
Chief Financial Officer

Date: February 26, 2021

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Ralph J. Andretta, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ RALPH J. ANDRETTA
Ralph J. Andretta
Chief Executive Officer

Date: February 26, 2021

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

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2020 (the “Form 10-K”) of Alliance Data Systems Corporation (the “Registrant”).

I, Timothy P. King, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Timothy P. King
Timothy P. King
Chief Financial Officer

Date: February 26, 2021

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