

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2022

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 001-39888

Affirm Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

84-2224323
(I.R.S. Employer Identification No.)

650 California Street
San Francisco, California
(Address of principal executive offices)

94108
(Zip Code)

(415) 984-0490
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.00001 per share	AFRM	The Nasdaq Global Select Market

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 the 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of February 3, 2023, the number of shares of the registrant's Class A common stock outstanding was 233,906,114 and the number of shares of the registrant's Class B common stock outstanding was 60,088,662.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”), as well as information included in oral statements or other written statements made or to be made by us, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this report, including statements regarding our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as “anticipate,” “believe,” “continue,” “could,” “design,” “estimate,” “expect,” “intend,” “may,” “plan,” “potentially,” “predict,” “project,” “should,” “will,” “would,” or the negative of these terms or other similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our future revenue, expenses, and other operating results and key operating metrics;
- our ability to attract new merchants and commerce partners and retain and grow our relationships with existing merchants and commerce partners;
- our ability to compete successfully in a highly competitive and evolving industry;
- our ability to attract new consumers and retain and grow our relationships with our existing consumers;
- our expectations regarding the development, innovation, introduction of, and demand for, our products;
- our ability to successfully engage new and existing originating bank partners;
- the availability of funding sources to support our business model;
- our ability to effectively price and score credit risk using our proprietary risk model;
- the performance of loans facilitated and originated through our platform;
- the future growth rate of our revenue and related key operating metrics;
- our ability to achieve or sustain profitability in the future;
- the impact of any reduction in our workforce, including our ability to realize certain cost savings anticipated as a result of the reduction and our ability to continue to attract and retain highly skilled employees;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business;
- our ability to protect our confidential, proprietary, or sensitive information;
- past and future acquisitions, investments, and other strategic investments;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- litigation, investigations, regulatory inquiries, and proceedings;
- the impact of macroeconomic conditions on our business, including the impacts of inflation, a rising interest rate environment and increasing recessionary concerns; and
- the size and growth rates of the markets in which we compete.

Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled “Risk Factors” and elsewhere in this Form 10-Q and our most recently filed Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (the “Annual Report”). Other sections of this Form 10-Q may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive, heavily regulated and rapidly changing

environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, events, or circumstances. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Form 10-Q and the documents that we have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

In addition, statements such as “we believe” and similar statements reflect our current beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

Investors and others should note that we may announce material business and financial information to our investors using our investor relations website (investors.affirm.com), our filings with the Securities and Exchange Commission (“SEC”), webcasts, press releases, conference calls, and social media. We use these mediums, including our website, to communicate with investors and the general public about our company, our products, and other issues. It is possible that the information that we make available on our website may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website. The contents of our website are not incorporated into this filing. We have included our investor relations website address as an inactive textual reference and do not intend it to be an active link to our website.

Part I - Financial Information

Item 1. Unaudited Financial Statements

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except shares and per share amounts)

	December 31, 2022	June 30, 2022
Assets		
Cash and cash equivalents	\$ 1,440,333	\$ 1,255,171
Restricted cash	424,460	295,636
Securities available for sale at fair value	914,923	1,595,373
Loans held for sale	344	2,670
Loans held for investment	3,655,504	2,503,561
Allowance for credit losses	(182,100)	(155,392)
Loans held for investment, net	3,473,404	2,348,169
Accounts receivable, net	201,622	142,052
Property, equipment and software, net	248,939	171,482
Goodwill	527,630	539,534
Intangible assets	63,755	78,942
Commercial agreement assets	220,082	263,196
Other assets	289,259	281,567
Total Assets	\$ 7,804,751	\$ 6,973,792
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 28,974	\$ 33,072
Payable to third-party loan owners	127,378	71,383
Accrued interest payable	11,971	6,659
Accrued expenses and other liabilities	220,619	237,598
Convertible senior notes, net	1,708,779	1,706,668
Notes issued by securitization trusts	1,314,212	1,627,580
Funding debt	1,882,670	672,577
Total liabilities	5,294,603	4,355,537
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A common stock, par value \$0.00001 per share: 3,030,000,000 shares authorized, 232,003,118 shares issued and outstanding as of December 31, 2022; 3,030,000,000 shares authorized, 227,255,529 shares issued and outstanding as of June 30, 2022	2	2
Class B common stock, par value \$0.00001 per share: 140,000,000 shares authorized, 60,088,662 shares issued and outstanding as of December 31, 2022; 140,000,000 authorized, 60,109,844 shares issued and outstanding as of June 30, 2022	1	1
Additional paid in capital	4,716,385	4,231,303
Accumulated deficit	(2,179,608)	(1,605,902)
Accumulated other comprehensive loss	(26,632)	(7,149)
Total stockholders' equity	2,510,148	2,618,255
Total Liabilities and Stockholders' Equity	\$ 7,804,751	\$ 6,973,792

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS, CONT.
(Unaudited)
(in thousands)

The following table presents the assets and liabilities of consolidated variable interest entities (“VIEs”), which are included in the interim condensed consolidated balance sheets above. The assets in the table below may only be used to settle obligations of consolidated VIEs and are in excess of those obligations. The liabilities in the table below include liabilities for which creditors do not have recourse to the general credit of the Company. Additionally, the assets and liabilities in the table below include third-party assets and liabilities of consolidated VIEs only and exclude intercompany balances that eliminate upon consolidation.

	December 31, 2022	June 30, 2022
Assets of consolidated VIEs, included in total assets above		
Restricted cash	\$ 248,612	\$ 164,530
Loans held for investment	3,153,253	2,179,026
Allowance for credit losses	(148,125)	(124,052)
Loans held for investment, net	3,005,128	2,054,974
Accounts receivable, net	8,196	8,195
Other assets	17,554	14,570
Total assets of consolidated VIEs	\$ 3,279,490	\$ 2,242,269
Liabilities of consolidated VIEs, included in total liabilities above		
Accounts payable	\$ 2,801	\$ 2,897
Accrued interest payable	11,937	6,525
Accrued expenses and other liabilities	17,045	15,494
Notes issued by securitization trusts	1,314,212	1,627,580
Funding debt	1,704,812	514,033
Total liabilities of consolidated VIEs	3,050,807	2,166,529
Total net assets	\$ 228,683	\$ 75,740

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Revenue				
Merchant network revenue	\$ 134,019	\$ 127,087	\$ 247,168	\$ 219,331
Virtual card network revenue	29,117	26,558	55,825	45,953
Total network revenue	163,136	153,645	302,993	265,284
Interest income	155,321	138,355	292,123	255,657
Gain on sales of loans	59,607	57,690	123,202	88,669
Servicing income	21,494	11,321	42,864	20,786
Total Revenue, net	\$ 399,558	\$ 361,011	\$ 761,182	\$ 630,396
Operating Expenses				
Loss on loan purchase commitment	\$ 38,422	\$ 65,265	\$ 74,032	\$ 116,943
Provision for credit losses	106,689	52,640	170,939	116,287
Funding costs	43,751	17,700	68,817	34,453
Processing and servicing	66,508	41,849	120,867	67,050
Technology and data analytics	156,747	94,989	301,708	173,002
Sales and marketing	188,334	143,476	352,207	207,436
General and administrative	158,639	141,292	319,611	277,496
Total Operating Expenses	759,090	557,211	1,408,181	992,667
Operating Loss	\$ (359,532)	\$ (196,200)	\$ (646,999)	\$ (362,271)
Other income (expense), net	35,527	36,741	71,545	(103,632)
Loss Before Income Taxes	\$ (324,005)	\$ (159,459)	\$ (575,454)	\$ (465,903)
Income tax (benefit) expense	(1,568)	276	(1,748)	447
Net Loss	\$ (322,437)	\$ (159,735)	\$ (573,706)	\$ (466,350)
Other Comprehensive Loss				
Foreign currency translation adjustments	\$ 4,522	\$ 2,341	\$ (17,024)	\$ (1,461)
Unrealized loss on securities available for sale, net	3,069	(657)	(2,459)	(936)
Net Other Comprehensive Loss	7,591	1,684	(19,483)	(2,397)
Comprehensive Loss	\$ (314,846)	\$ (158,051)	\$ (593,189)	\$ (468,747)
Per share data:				
Net loss per share attributable to common stockholders for Class A and Class B				
Basic	\$ (1.10)	\$ (0.57)	\$ (1.96)	\$ (1.70)
Diluted	\$ (1.10)	\$ (0.57)	\$ (1.96)	\$ (1.70)
Weighted average common shares outstanding				
Basic	293,683,331	281,533,888	292,306,300	273,588,094
Diluted	293,683,331	281,533,888	292,306,300	273,588,094

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2022	287,365,373	\$ 3	\$ 4,231,303	\$ (1,605,902)	\$ (7,149)	\$ 2,618,255
Issuance of common stock upon exercise of stock options	215,949	—	1,192	—	—	1,192
Forfeiture of common stock related to acquisitions	(243,384)	—	—	—	—	—
Repurchases of Common Stock	(12,437)	—	(109)	—	—	(109)
Vesting of restricted stock units	2,166,715	—	—	—	—	—
Vesting of warrants for common stock	—	—	108,742	—	—	108,742
Stock-based compensation	—	—	141,012	—	—	141,012
Tax withholding on stock-based compensation	—	—	(27,311)	—	—	(27,311)
Foreign currency translation adjustments	—	—	—	—	(21,546)	(21,546)
Unrealized loss on securities available for sale	—	—	—	—	(5,528)	(5,528)
Net Loss	—	—	—	(251,269)	—	(251,269)
Balance as of September 30, 2022	289,492,216	\$ 3	\$ 4,454,829	\$ (1,857,171)	\$ (34,223)	\$ 2,563,438
Issuance of common stock upon exercise of stock options	300,903	—	1,372	—	—	1,372
Issuance of common stock, employee share purchase plan	500,443	—	5,921	—	—	5,921
Vesting of restricted stock units	1,798,218	—	—	—	—	—
Vesting of warrants for common stock	—	—	128,054	—	—	128,054
Stock-based compensation	—	—	144,218	—	—	144,218
Tax withholding on stock-based compensation	—	—	(18,009)	—	—	(18,009)
Foreign currency translation adjustments	—	—	—	—	4,522	4,522
Unrealized loss on securities available for sale	—	—	—	—	3,069	3,069
Net Loss	—	—	—	(322,437)	—	(322,437)
Balance as of December 31, 2022	292,091,780	\$ 3	\$ 4,716,385	\$ (2,179,608)	\$ (26,632)	\$ 2,510,148

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2021	269,358,104	\$ 3	\$ 3,467,236	\$ (898,485)	\$ 6,773	\$ 2,575,527
Issuance of common stock upon exercise of stock options	7,403,503	—	37,470	—	—	37,470
Issuance of common stock in acquisition	183,733	—	10,000	—	—	10,000
Vesting of restricted stock units	772,653	—	—	—	—	—
Repurchases of common stock	(821)	—	(4)	—	—	(4)
Stock-based compensation	—	—	104,879	—	—	104,879
Tax withholding on stock-based compensation	—	—	(39,817)	—	—	(39,817)
Foreign currency translation adjustments	—	—	—	—	(3,802)	(3,802)
Unrealized loss on securities available for sale	—	—	—	—	(279)	(279)
Net Loss	—	—	—	(306,615)	—	(306,615)
Balance as of September 30, 2021	277,717,172	\$ 3	\$ 3,579,764	\$ (1,205,100)	\$ 2,692	\$ 2,377,359
Issuance of common stock upon exercise of stock options	4,689,973	—	21,674	—	—	21,674
Vesting of restricted stock units	803,263	—	—	—	—	—
Vesting of warrants for common stock	—	—	198,383	—	—	198,383
Stock-based compensation	—	—	101,920	—	—	101,920
Tax withholding on stock-based compensation	—	—	(72,963)	—	—	(72,963)
Foreign currency translation adjustments	—	—	—	—	2,341	2,341
Unrealized gain (loss) on securities available for sale	—	—	—	—	(657)	(657)
Net Loss	—	—	—	(159,735)	—	(159,735)
Balance as of December 31, 2021	283,210,408	\$ 3	\$ 3,828,778	\$ (1,364,835)	\$ 4,376	\$ 2,468,322

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Net Loss	\$ (573,706)	\$ (466,350)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	170,939	116,287
Amortization of premiums and discounts on loans, net	(68,853)	(87,678)
Gain on sales of loans	(123,202)	(88,669)
Changes in fair value of assets and liabilities	(11,035)	104,900
Amortization of commercial agreement assets	43,114	43,885
Amortization of debt issuance costs	1,752	9,568
Amortization of discount on securities available for sale	(14,923)	—
Commercial agreement warrant expense	236,796	64,854
Stock-based compensation	241,583	181,726
Depreciation and amortization	43,886	22,505
Other	1,136	(5,198)
Change in operating assets and liabilities:		
Purchases of loans held for sale	(3,323,750)	(2,614,002)
Proceeds from the sale of loans held for sale	3,428,673	2,607,759
Accounts receivable, net	(63,416)	(48,117)
Other assets	(13,727)	65,422
Accounts payable	(4,098)	(12,169)
Payable to third-party loan owners	55,995	21,436
Accrued interest payable	5,903	(131)
Accrued expenses and other liabilities	(10,400)	8,868
Net Cash Provided by (Used in) Operating Activities	22,667	(75,104)
Cash Flows from Investing Activities		
Purchases and origination of loans held for investment	(6,535,457)	(4,652,346)
Proceeds from the sale of loans held for investment	702,987	780,276
Principal repayments and other loan servicing activity	4,628,825	3,563,123
Acquisition, net of cash and restricted cash acquired	—	(5,999)
Additions to property, equipment and software	(65,401)	(38,159)
Purchases of securities available for sale	(105,629)	(511,724)
Proceeds from maturities and repayments of securities available for sale	798,149	59,126
Other investing cash inflows (outflows)	1,588	(13,870)
Net Cash Used in Investing Activities	(574,938)	(819,573)
Cash Flows from Financing Activities		
Proceeds from issuance of convertible debt, net	—	1,704,300
Proceeds from funding debt	3,367,729	1,497,674
Payment of debt issuance costs	(4,773)	(8,151)
Principal repayments of funding debt	(2,147,035)	(1,527,568)
Proceeds from issuance of notes and residual trust certificates by securitization trusts	250,000	499,640
Principal repayments of notes issued by securitization trusts	(559,383)	(102,467)
Proceeds from exercise of common stock options and warrants and contributions to ESPP	8,246	59,569
Repurchases of common stock	(109)	(4)
Payments of tax withholding for stock-based compensation	(45,320)	(112,780)
Net Cash Provided by Financing Activities	869,355	2,010,213
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,098)	6,635
Net Increase in Cash, Cash Equivalents and Restricted Cash	313,986	1,122,171
Cash, Cash equivalents and Restricted cash, Beginning of period	1,550,807	1,692,632
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 1,864,793	\$ 2,814,803

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONT.
(Unaudited)
(in thousands)

	Six Months Ended December 31,	
	2022	2021
Reconciliation to amounts on consolidated balance sheets (as of period end)		
Cash and cash equivalents	1,440,333	2,567,401
Restricted cash	424,460	247,402
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,864,793	\$ 2,814,803

	Six Months Ended December 31,	
	2022	2021
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest expense	\$ 55,900	\$ 23,143
Cash paid for operating leases	8,244	8,232
Cash paid for income taxes	212	80
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Stock-based compensation included in capitalized internal-use software	43,647	25,073
Issuance of common stock in connection with acquisition	—	10,000
Additions to property and equipment included in accrued expenses	—	107
Right of use assets obtained in exchange for operating lease liabilities	494	—

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Business Description

Affirm Holdings, Inc. (“Affirm,” the “Company,” “we,” “us,” or “our”), headquartered in San Francisco, California, provides consumers with a simpler, more transparent, and flexible alternative to traditional payment options. Our mission is to deliver honest financial products that improve lives. Through our next-generation commerce platform, agreements with originating banks, and capital markets partners, we enable consumers to confidently pay for a purchase over time, with terms ranging from one to sixty months. When a consumer applies for a loan through our platform, the loan is underwritten using our proprietary risk model, and once approved, the consumer selects their preferred repayment option. Loans are directly originated or funded and issued by our originating bank partners.

Merchants partner with us to transform the consumer shopping experience and to acquire and convert customers more effectively through our frictionless point-of-sale payment solutions. Consumers get the flexibility to buy now and make simple regular payments for their purchases and merchants see increased average order value, repeat purchase rates, and an overall more satisfied customer base. Unlike legacy payment options and our competitors’ product offerings, which charge deferred or compounding interest and unexpected costs, we disclose up-front to consumers exactly what they will owe — no hidden fees, no deferred interest, no penalties.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), as contained in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), disclosure requirements for interim financial information, and the requirements of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended June 30, 2022. The balance sheet as of June 30, 2022 has been derived from the audited financial statements at that date. Management believes these interim condensed consolidated financial statements reflect all adjustments, including those of a normal and recurring nature, which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Our interim condensed financial statements have been prepared on a consolidated basis. Under this basis of presentation, our financial statements consolidate all wholly owned subsidiaries and variable interest entities (“VIEs”), in which we have a controlling financial interest. These include various business trust entities and limited partnerships established to enter into warehouse credit agreements with certain lenders for funding debt facilities and certain asset-backed securitization transactions. All intercompany accounts and transactions have been eliminated in consolidation.

Our variable interest arises from contractual, ownership, or other monetary interests in the entity, which changes with fluctuations in the fair value of the entity’s net assets. We consolidate a VIE when we are deemed to be the primary beneficiary. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Use of Estimates

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts in the interim condensed consolidated financial statements and the accompanying notes. Material estimates that are particularly susceptible to significant change relate to determination of variable consideration for revenue, the allowance for credit losses, capitalized internal-use software development costs, valuation allowance for deferred tax assets, loss on loan

purchase commitment, the fair value of servicing assets and liabilities, discount on directly originated loans, the fair value of assets acquired and any contingent consideration transferred in business combinations, the evaluation for impairment of intangible assets and goodwill, the fair value of available for sale debt securities including retained interests in our securitization trusts, the fair value of residual certificates issued by our securitization trusts held by third parties, and stock-based compensation, including the fair value of warrants issued to nonemployees. We base our estimates on market-based inputs, historical experience, current events, and other factors we believe to be reasonable under the circumstances. These estimates are subjective in nature and to the extent that there are differences between these estimates and actual results, our financial condition or operating results in future periods may be affected.

These estimates are based on information available as of the date of the interim condensed consolidated financial statements; therefore, actual results could differ materially from those estimates.

Significant Accounting Policies

There were no material changes to our significant accounting policies as disclosed in Note 2. Summary of Significant Accounting Policies of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, which was filed with the SEC on August 29, 2022.

Recently Adopted Accounting Standards

Financial Instruments - Credit Losses

In March 2022, the FASB issued ASU 2022-02, “*Financial Instruments— Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosure*” which addresses areas identified by the FASB as part of its post-implementation review of the current expected credit losses model or “CECL” previously issued in ASU 2016-13, “*Financial Instruments — Credit Losses (Topic 326)*”. The amendments in this ASU eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing the disclosure requirements for loan refinancing and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases in the vintage disclosures. For entities that have adopted ASU 2016-13, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted if an entity has adopted ASU 2016-13. Amendments in this ASU should be applied prospectively except for the transition method related to the accounting for troubled debt restructurings in which an entity has the option to apply a modified retrospective transition method resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. We early adopted the new standard effective July 1, 2022 on a prospective basis. The adoption of the guidance did not have a material impact on our interim condensed financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Business Combinations

In October 2021, the FASB issued ASU 2021-08, “*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*”, which requires contract assets and contract liabilities, such as deferred revenue, acquired in a business combination to be recognized and measured in accordance with Topic 606 (Revenue from Contracts with Customers). ASU 2021-08 is expected to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. The ASU is effective for fiscal years beginning after December 15, 2022 and should be applied prospectively to acquisitions occurring on or after the effective date. Early adoption is permitted, including for interim periods, and is applicable to all business combinations for which the acquisition date occurs within the beginning of the fiscal year of adoption. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*”. Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Interbank Offered Rate (“LIBOR”). In January 2021, the FASB also issued ASU 2021-01, “*Reference Rate Reform (Topic 848): Scope*”, which provides additional optional expedients and exceptions applicable to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. In December 2022, the FASB issued ASU 2022-06, “*Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*”, to extend the temporary accounting rules under Topic 848 from December 31, 2022 to December 31, 2024. These ASUs are effective for all entities upon their respective issuance dates through December 31, 2024. We have reviewed all our financial agreements that utilize LIBOR as the reference rate and determined there is no impact to our interim condensed consolidated financial statements as of December 31, 2022. Throughout the remaining effective period for ASU 2020-04, ASU 2021-01 and ASU 2022-06, we will continue to evaluate the available relief measures within each of these amendments and will determine any impact on our consolidated financial statements and disclosures, as applicable.

3. Revenue

The following table presents the company’s revenue disaggregated by revenue source (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Merchant network revenue	\$ 134,019	\$ 127,087	\$ 247,168	\$ 219,331
Virtual card network revenue	29,117	26,558	55,825	45,953
Interest income	155,321	138,355	292,123	255,657
Gain on sales of loans	59,607	57,690	123,202	88,669
Servicing income	21,494	11,321	42,864	20,786
Total Revenue, net	<u>\$ 399,558</u>	<u>\$ 361,011</u>	<u>\$ 761,182</u>	<u>\$ 630,396</u>

Merchant Network Revenue

Merchant partners (or integrated merchants) are generally charged a fee based on gross merchandise volume (GMV) processed through the Affirm platform. The fees vary depending on the individual arrangement between us and each merchant and on the terms of the product offering. The fee is recognized at the point in time the merchant successfully confirms the transaction, which is when the terms of the executed merchant agreement are fulfilled. We may originate certain loans via our wholly-owned subsidiaries, with zero or below market interest rates. In these instances, the par value of the loans originated is in excess of the fair market value of such loans, resulting in a loss, which we record as a reduction to merchant network revenue. In certain cases, the losses incurred on loans originated for a merchant may exceed the total network revenue earned on those loans. To the extent we do not expect to recover the losses in future periods, we record the excess loss amounts as a sales and marketing expense.

A portion of merchant network revenue relates to affiliate network revenue, which is generated when a user makes a purchase on a merchant’s website after being directed from an advertisement on Affirm’s website or mobile application. We earn a fixed placement fee and/or commission as a percentage of the associated sale. Revenue is recognized at the point in time when the performance obligation has been fulfilled, which is when the sale occurs.

For the three and six months ended December 31, 2022, there were no merchants that exceeded 10% of total revenue. For the three and six months ended December 31, 2021, approximately 11% and 10% of total revenue, respectively, was driven by one merchant.

Virtual Card Network Revenue

We have agreements with issuer processors to facilitate transactions through the issuance of virtual debit cards to be used by consumers at checkout. Consumers can apply for a virtual debit card through the Affirm app and, upon approval, receive a single-use virtual debit card to be used for their purchase online or offline at a non-integrated merchant. The virtual debit card is funded at the time a transaction is authorized using cash held by the issuer processor in a reserve fund. Our originating bank partner then originates a loan to the consumer once the transaction is confirmed by the merchant. The non-integrated merchants are charged interchange fees by the issuer processor for virtual debit card transactions, and the issuer processor shares a portion of this revenue with us. We also leverage this issuer processor as a means of integrating certain merchants. Similarly, for these arrangements with integrated merchants, the merchant is charged interchange fees by the issuer processor and the issuer processor shares a portion of this revenue with us.

Interest Income

Interest income consisted of the following components (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Interest income on unpaid principal balance	\$ 125,858	\$ 88,674	\$ 231,996	\$ 171,615
Amortization of discount on loans	38,838	54,965	77,807	93,410
Amortization of premiums on loans	(4,580)	(2,995)	(8,954)	(5,732)
Interest receivable charged-off, net of recoveries	(4,795)	(2,289)	(8,726)	(3,636)
Total interest income	<u>\$ 155,321</u>	<u>\$ 138,355</u>	<u>\$ 292,123</u>	<u>\$ 255,657</u>

We accrue interest income using the effective interest method. Interest income on a loan is accrued daily, based on the finance charge disclosed to the consumer, over the term of the loan based upon the principal outstanding. The accrual of interest on a loan is suspended if a formal dispute with the consumer involving either Affirm or the merchant of record is opened, or a loan is 120 days past due. Upon the resolution of a dispute with the consumer, the accrual of interest is resumed, and any interest that would have been earned during the disputed period is retroactively accrued. As of December 31, 2022 and June 30, 2022, the balance of loans held for investment on non-accrual status was \$1.8 million and \$1.7 million, respectively.

Gain on Sales of Loans

We sell certain loans we originate or purchase from our originating bank partners directly to third-party investors or to securitizations. We recognize a gain or loss on sale of loans sold to third parties or to unconsolidated securitizations as the difference between the proceeds received and the carrying value of the loan, adjusted for the initial recognition of any assets or liabilities incurred upon sale, which generally include a net servicing asset or liability in connection with our ongoing obligation to continue to service the loans and a recourse liability based on our estimate of future losses in connection with our obligation to repurchase loans that do not meet certain contractual requirements and such information about the loan was unknown at the time of sale.

Servicing Income

Servicing income includes contractual fees specified in our servicing agreements with third-party loan owners and unconsolidated securitizations that are earned from providing professional services to manage loan portfolios on their behalf. Servicing income also includes fair value adjustments for servicing assets and servicing liabilities.

4. Loans Held for Investment and Allowance for Credit Losses

Loans held for investment consisted of the following (in thousands):

	December 31, 2022	June 30, 2022
Unpaid principal balance	\$ 3,691,398	\$ 2,516,733
Accrued interest receivable	32,855	20,697
Premiums on loans held for investment	9,081	8,911
Less: Discount due to loss on loan purchase commitment	(38,615)	(20,692)
Less: Discount due to loss on directly originated loans	(38,381)	(20,443)
Less: Fair value adjustment on loans acquired through business combination	(834)	(1,645)
Total loans held for investment	\$ 3,655,504	\$ 2,503,561

Loans held for investment includes loans originated through our originating bank partners and directly originated loans. The majority of the loans that are underwritten using our technology platform and originated by our originating bank partners are later purchased by us. We purchased loans from our originating bank partners in the amount of \$4.4 billion and \$7.9 billion during the three and six months ended December 31, 2022, respectively, and \$3.4 billion and \$5.6 billion during the three and six months ended December 31, 2021, respectively.

These loans have a variety of lending terms as well as maturities ranging from one to sixty months. Given that our loan portfolio focuses on one product segment, point-of-sale unsecured installment loans, we generally evaluate the entire portfolio as a single homogeneous loan portfolio and make merchant or program specific adjustments as necessary.

We closely monitor credit quality for our loan receivables to manage and evaluate our related exposure to credit risk. Credit risk management begins with initial underwriting, where loan applications are assessed against the credit underwriting policy and procedures for our directly originated loans and originating bank partner loans, and continues through to full repayment of a loan. To assess a consumer who requests a loan, we use, among other indicators, internally developed risk models using detailed information from external sources, such as credit bureaus where available, and internal historical experience, including the consumer's prior repayment history on our platform as well as other measures. We combine these factors to establish a proprietary score as a credit quality indicator.

Our proprietary score ("ITACs") is assigned to most loans facilitated through our technology platform, ranging from zero to 100, with 100 representing the highest credit quality and therefore the lowest likelihood of loss. The ITACs model analyzes the characteristics of a consumer's attributes that are shown to be predictive of both willingness and ability to repay including, but not limited to: basic features of a consumer's credit profile, a consumer's prior repayment performance with other creditors, current credit utilization, and legal and policy changes. When a consumer passes both fraud and credit policy checks, the application is assigned an ITACs score. ITACs is also used for portfolio performance monitoring. Our credit risk team closely tracks the distribution of ITACs at the portfolio level, as well as ITACs at the individual loan level to monitor for signs of a changing credit profile within the portfolio. Repayment performance within each ITACs band is also monitored to support both the integrity of the risk scoring models and to measure possible changes in consumer behavior amongst various credit tiers.

The following table presents an analysis of the credit quality, by ITACS score, of the amortized cost basis excluding accrued interest receivable, by fiscal year of origination on loans held for investment and loans held for sale (in thousands) as of December 31, 2022 and June 30, 2022:

December 31, 2022

	Amortized Costs Basis by Fiscal Year of Origination							Total
	2023	2022	2021	2020	2019	Prior		
96+	\$ 1,900,886	\$ 239,706	\$ 53,982	\$ 16,500	\$ 10	\$ 1	\$ 2,211,085	
94-96	770,581	127,269	2,079	360	6	2	900,297	
90-94	86,105	40,435	530	2	4	—	127,076	
<90	23,650	5,315	12	2	—	—	28,979	
No score ⁽¹⁾	217,011	110,920	24,002	3,266	328	29	355,556	
Total amortized cost basis	\$ 2,998,233	\$ 523,645	\$ 80,605	\$ 20,130	\$ 348	\$ 32	\$ 3,622,993	

⁽¹⁾ This balance represents loan receivables in new markets without sufficient data currently available for use by the Affirm scoring methodology including loan receivables originated in Canada and Australia.

	Net Charge-offs by Fiscal Year of Origination							Total
	2023	2022	2021	2020	2019	Prior		
Current period charge-offs	(15,426)	(131,629)	(5,142)	(337)	(45)	(19)	(152,598)	
Current period recoveries	1,106	7,963	3,107	1,017	684	494	14,371	
Current period net charge-offs	\$ (14,320)	\$ (123,666)	\$ (2,035)	\$ 680	\$ 639	\$ 475	\$ (138,227)	

June 30, 2022

	Amortized Costs Basis by Fiscal Year of Origination							Total
	2022	2021	2020	2019	2018	Prior		
96+	\$ 1,218,104	\$ 122,503	\$ 33,458	\$ 157	\$ 1	\$ —	\$ 1,374,223	
94-96	620,403	11,240	773	13	2	—	632,431	
90-94	220,056	3,886	6	4	—	—	223,952	
<90	44,300	135	2	—	—	—	44,437	
No score	186,044	20,554	3,368	444	79	2	210,491	
Total amortized cost basis	\$ 2,288,907	\$ 158,318	\$ 37,607	\$ 618	\$ 82	\$ 2	\$ 2,485,534	

Loan receivables are defined as past due if either the principal or interest have not been received within four calendar days of when they are due in accordance with the agreed upon contractual terms. The following table presents an aging analysis of the amortized cost basis excluding accrued interest receivable of loans held for investment and loans held for sale by delinquency status (in thousands):

	December 31, 2022	June 30, 2022
Non-delinquent loans	\$ 3,445,851	\$ 2,322,919
4 – 29 calendar days past due	79,930	77,963
30 – 59 calendar days past due	38,952	34,669
60 – 89 calendar days past due	29,261	26,919
90 – 119 calendar days past due ⁽¹⁾	28,999	23,064
Total amortized cost basis	<u>\$ 3,622,993</u>	<u>\$ 2,485,534</u>

⁽¹⁾ Includes \$27.8 million and \$22.7 million of loan receivables as of December 31, 2022 and June 30, 2022, respectively, that are 90 days or more past due, but are not on nonaccrual status.

We maintain an allowance for credit losses at a level sufficient to absorb expected credit losses based on evaluating known and inherent risks in our loan portfolio. The allowance for credit losses is determined based on our current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations as of each balance sheet date. Adjustments to the allowance each period for changes in our estimate of lifetime expected credit losses are recognized in earnings through the provision for credit losses presented on our interim condensed consolidated statements of operations and comprehensive loss. When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged against the allowance for credit losses. Loans are charged-off in accordance with our charge-off policy, as the contractual principal becomes 120 days past due. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses.

The following table details activity in the allowance for credit losses, including charge-offs, recoveries and provision for loan losses (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 153,025	\$ 152,021	\$ 155,392	\$ 117,760
Provision for credit losses	103,066	49,695	164,935	110,699
Charge-offs	(81,562)	(47,573)	(152,598)	(78,027)
Recoveries of charged-off receivables	7,571	4,146	14,371	7,857
Balance at end of period	<u>\$ 182,100</u>	<u>\$ 158,289</u>	<u>\$ 182,100</u>	<u>\$ 158,289</u>

5. Acquisitions

There were no acquisitions accounted for as business combinations completed in the three and six months ended December 31, 2022. During the three and six months ended December 31, 2021, we completed one acquisition accounted for as business combinations, discussed further below.

Acquisitions completed during the three and six months ended December 31, 2021

ShopBrain

On July 1, 2021, Affirm completed the acquisition of technology and intellectual property from Yroo, Inc. and entered into employment arrangements with certain of its employees (“the ShopBrain acquisition”). Yroo, Inc. is a data aggregation and cataloging technology company based in Canada (“ShopBrain”). The purchase price was comprised of (i) \$30.0 million in cash and (ii) 151,745 shares of our Class A common stock issued to the shareholders of ShopBrain at closing.

The acquisition date fair value of the consideration transferred was approximately \$40.0 million, which consisted of the following (in thousands):

Cash	\$	30,000
Fair value of Class A common stock transferred		10,000
Total acquisition date fair value of the consideration transferred	\$	40,000

The acquisition was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC Topic 805, “Business Combinations” (“ASC 805”). The acquired identifiable intangible assets have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The goodwill was primarily attributed to future synergies from integration and the value of the assembled workforce. The goodwill is expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately \$40.0 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Intangible assets	\$	9,488
Total net assets acquired		9,488
Goodwill		30,512
Total purchase price	\$	40,000

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

	Fair Value	Useful Life (in years)
Developed technology	\$ 9,488	3.0

The fair values of the intangible assets were determined by applying the replacement cost method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represents Level 3 measurements.

The transaction costs associated with the acquisition were approximately \$0.1 million and \$0.2 million for the three and six months ended December 31, 2021, respectively, which are included in general and administrative expense within the interim condensed consolidated statements of operations and comprehensive loss.

Other acquisitions

Fast

On April 19, 2022, Affirm completed the closing of the transaction contemplated by a Release and Waiver Agreement entered into with Fast AF, Inc., (“Fast”) relating to the hiring of certain of its employees or service providers and an option to acquire certain of its assets. The purchase price was comprised of (i) \$10.0 million in cash and (ii) forgiveness of a \$15.0 million senior secured note issued to Fast in April 2022 prior to the closing.

The acquisition was accounted for as an asset acquisition in accordance with ASC 805 since the assets acquired do not meet the definition of a business. The acquired identifiable intangible assets have been recorded at a total cost of \$25.4 million, which includes approximately \$0.4 million of transaction costs associated with the acquisition. The excess of the total cost of the assets over their total fair value was allocated between the assets on the basis of their relative fair values. The fair values of the intangible assets were determined by applying the replacement cost method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represent Level 3 measurements.

The following table sets forth the identifiable intangible assets acquired and the cost allocated to each asset as of the date of acquisition (in thousands):

Assembled workforce	\$	12,490
Option to purchase developed technology	\$	12,925
Total	\$	25,415

The assembled workforce intangible asset has an expected useful life of 1.5 years. The developed technology asset will be amortized over its expected useful life if the associated assets are purchased and entered into service.

6. Balance Sheet Components

Accounts Receivable, net

Our accounts receivable consist primarily of amounts due from payment processors, merchant partners, affiliate network partners and servicing fees due from third-party loan owners. We evaluate accounts receivable to determine management's current estimate of expected credit losses based on historical experience and future expectations and record an allowance for credit losses, as applicable. Our allowance for credit losses with respect to accounts receivable was \$11.8 million and \$13.9 million as of December 31, 2022 and June 30, 2022, respectively.

Property, Equipment and Software, net

Property, equipment and software, net consisted of the following (in thousands):

	December 31, 2022	June 30, 2022
Internally developed software	\$ 298,683	\$ 200,621
Leasehold improvements	19,394	16,169
Computer equipment	12,192	10,751
Furniture and equipment	6,827	4,279
Total Property, equipment and software, at cost	\$ 337,096	\$ 231,820
Less: Accumulated depreciation and amortization	(88,157)	(60,338)
Total Property, equipment and software, net	\$ 248,939	\$ 171,482

Depreciation and amortization expense on property, equipment and software was \$15.6 million and \$29.1 million for the three and six months ended December 31, 2022, respectively, and \$6.5 million and \$11.5 million for the three and six months ended December 31, 2021, respectively. Depreciation expense on leasehold improvements, furniture and equipment, and computer equipment is allocated between general and administrative, technology and data analytics, sales and marketing, and processing and servicing based on employee headcount in the interim condensed consolidated statements of operations and comprehensive loss. Amortization expense on internally developed software is included as a component of technology and data analytics in the interim condensed consolidated statements of operations and comprehensive loss.

No impairment losses related to property, equipment and software were recorded during the three and six months ended December 31, 2022 and 2021.

Goodwill and Intangible Assets

The changes in the carrying amount of goodwill during the six months ended December 31, 2022 were as follows (in thousands):

Balance as of June 30, 2022	\$	539,534
Additions		—
Effect of foreign currency translation		(11,904)
Balance as of December 31, 2022	\$	<u>527,630</u>

No impairment losses related to goodwill were recorded during the three and six months ended December 31, 2022 and 2021.

Intangible assets consisted of the following (in thousands):

	December 31, 2022			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	\$ 37,932	\$ (14,133)	\$ 23,799	3.1
Developed technology ⁽¹⁾	39,499	(22,173)	17,326	1.4
Assembled workforce	12,490	(5,857)	6,633	0.8
Trademarks and domains, definite	1,460	(884)	576	2.0
Trademarks and domains, indefinite	2,146	—	2,146	Indefinite
Other intangibles	350	—	350	Indefinite
Total intangible assets	<u>\$ 93,877</u>	<u>\$ (43,047)</u>	<u>\$ 50,830</u>	

	June 30, 2022			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	\$ 38,371	\$ (10,281)	\$ 28,090	3.6
Developed technology ⁽¹⁾	39,782	(15,882)	23,900	1.9
Assembled workforce	12,490	(1,664)	10,826	1.3
Trademarks and domains, definite	1,507	(802)	705	2.4
Trademarks and domains, indefinite	2,146	—	2,146	Indefinite
Other intangibles	350	—	350	Indefinite
Total intangible assets	<u>\$ 94,646</u>	<u>\$ (28,629)</u>	<u>\$ 66,017</u>	

⁽¹⁾ Excludes an intangible asset in the amount of \$12.9 million which represents the right to purchase developed technology in connection with the Fast asset acquisition. Amortization of this asset will begin when the purchase of the developed technology assets is complete and are placed into service. Refer to Note 5. Acquisitions for more information.

Amortization expense for intangible assets was \$7.4 million and \$14.8 million for the three and six months ended December 31, 2022, respectively, and \$5.5 million and \$11.0 million for the three and six months ended December 31, 2021, respectively. No impairment losses related to intangible assets were recorded during the three and six months ended December 31, 2022 and 2021.

The expected future amortization expense of these intangible assets as of December 31, 2022 is as follows (in thousands):

2023 (remaining six months)	\$	14,644
2024		21,520
2025		7,167
2026		4,988
2027 and thereafter		15
Total amortization expense	\$	<u>48,334</u>

Commercial Agreement Assets

During the year ended June 30, 2022, we granted warrants in connection with our commercial agreements with certain subsidiaries of Amazon.com, Inc. (“Amazon”). The warrants were granted in exchange for certain performance provisions and the benefit of acquiring new users. We recognized an asset of \$133.5 million associated with the portion of the warrants that were fully vested upon grant. The asset was valued based on the fair value of the warrants and represents the probable future economic benefit to be realized over the approximate 3.2 year term of the commercial agreement at the grant date. For the three and six months ended December 31, 2022, we recognized amortization expense of \$10.5 million and \$20.9 million, respectively, and \$5.8 million for both the three and six months ended December 31, 2021 in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense. Refer to Note 14. Stockholders’ Equity for further discussion of the warrants.

During the year ended June 30, 2021, we recognized an asset in connection with a commercial agreement with Shopify Inc. (“Shopify”), in which we granted warrants in exchange for the opportunity to acquire new merchant partners. This asset represents the probable future economic benefit to be realized over the expected benefit period and is valued based on the fair value of the warrants on the grant date. We recognized an asset of \$270.6 million associated with the fair value of the warrants, which were fully vested as of December 31, 2022. The expected benefit period of the asset was initially estimated to be four years, and the remaining useful life of the asset is reevaluated each reporting period. During fiscal year 2022, the remaining expected benefit period was extended by two years upon the execution of an amendment to the commercial agreement with Shopify which extended the term of the agreement. During the three and six months ended December 31, 2022, we recorded amortization expense related to the commercial agreement asset of \$9.1 million and \$18.1 million, respectively, and \$17.0 million and \$34.0 million for the three and six months ended December 31, 2021, respectively, in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

During the year ended June 30, 2021, we recognized an asset in connection with a commercial agreement with an enterprise partner, in which we granted stock appreciation rights in exchange for the benefit of acquiring access to the partner's consumers. This asset represents the probable future economic benefit to be realized over the three-year expected benefit period and is valued based on the fair value of the stock appreciation rights on the grant date. We initially recognized an asset of \$25.9 million associated with the fair value of the stock appreciation rights. During the three and six months ended December 31, 2022, we recorded amortization expense related to the asset of \$2.1 million and \$4.2 million, respectively, and \$2.1 million and \$4.0 million for the three and six months ended December 31, 2021, respectively, in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

Other Assets

Other assets consisted of the following (in thousands):

	December 31, 2022	June 30, 2022
Derivative instruments	\$ 69,615	\$ 49,983
Operating lease right-of-use assets	43,614	50,671
Equity securities, at cost	43,172	43,172
Processing reserves	35,411	26,483
Prepaid expenses	34,306	37,497
Prepaid payroll taxes for stock-based compensation	14,338	35,172
Other receivables	21,739	17,221
Other assets	27,064	21,368
Total other assets	\$ 289,259	\$ 281,567

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands)

	December 31, 2022	June 30, 2022
Collateral held for derivative instruments	\$ 68,374	\$ 55,779
Operating lease liability	57,492	65,713
Accrued expenses	52,865	67,343
Contingent consideration liability	12,510	23,348
Other liabilities	29,378	25,415
Total accrued expenses and other liabilities	\$ 220,619	\$ 237,598

7. Leases

We lease facilities under operating leases with various expiration dates through 2030. We have the option to renew or extend our leases. Certain lease agreements include the option to terminate the lease with prior written notice ranging from nine months to one year. As of December 31, 2022, we have not considered such provisions in the determination of the lease term, as it is not reasonably certain these options will be exercised. Leases have remaining terms that range from less than one year to eight years.

Several leases require us to obtain standby letters of credit, naming the lessor as a beneficiary. These letters of credit act as security for the faithful performance by us of all terms, covenants and conditions of the lease agreement. The cash collateral and deposits for the letters of credit have been recognized as restricted cash in the interim condensed consolidated balance sheets and totaled \$9.7 million as of both December 31, 2022 and June 30, 2022.

There was no impairment expense incurred related to leases during the three and six months ended December 31, 2022 and 2021.

The components of operating lease expenses are as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Operating lease expense	\$3,672	\$3,692	\$7,516	\$7,500

We have subleased a portion of our leased facilities. Sublease income totaled \$0.9 million and \$1.7 million during the three and six months ended December 31, 2022, respectively, and \$0.9 million and \$1.5 million during the three and six months ended December 31, 2021, respectively.

Lease term and discount rate information are summarized as follows:

	December 31, 2022
Weighted average remaining lease term (in years)	4.3
Weighted average discount rate	4.7%

Maturities of lease liabilities as of December 31, 2022 are as follows (in thousands) for the years ended:

2023 (remaining six months)	\$	6,291
2024		16,503
2025		16,317
2026		15,371
2027 and thereafter		10,368
Total lease payments		64,850
Less imputed interest		(7,358)
Present value of lease liabilities	\$	57,492

8. Commitments and Contingencies

Repurchase Obligation

Under the normal terms of our whole loans sales to third-party investors, we may become obligated to repurchase loans from investors in certain instances where a breach in representation and warranties is identified. Generally, a breach in representation and warranties would occur where a loan has been identified as subject to verified or suspected fraud, or in cases where a loan was serviced or originated in violation of Affirm's guidelines. We would only experience a loss if the contractual repurchase price of the loan exceeds the fair value on the repurchase date. This amount was not material as of December 31, 2022.

Legal Proceedings

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. The results of such matters often cannot be predicted with certainty. In accordance with applicable accounting guidance, we establish an accrued liability for legal proceedings and claims when those matters present loss contingencies which are both probable and reasonably estimable.

Toole v. Affirm Holdings, Inc.

On February 28, 2022, plaintiff Jeffrey Toole filed a putative class action against Affirm and Max Levchin in the U.S. District Court for the Northern District of California (the "Toole action"). The Toole action alleged that Affirm violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder by issuing and then subsequently deleting a tweet from its official Twitter account on February 10, 2022, which omitted full details of Affirm's second quarter fiscal 2022 financial results. Plaintiff sought class certification, unspecified

compensatory and punitive damages, and costs and expenses. On September 28, 2022, the Court granted Affirm’s motion to dismiss for failure to state a claim with leave to amend within 21 days. No amended complaint was filed by the deadline. On October 20, 2022, the Court dismissed the putative class action and entered judgment in Affirm’s favor.

Vallieres v Levchin, et al.

On April 25, 2022, plaintiff Michael Vallieres filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the “Vallieres action”) against Affirm, as a nominal defendant, and certain of Affirm’s current officers and directors as defendants based on allegations substantially similar to those in the Toole action. The Vallieres complaint purported to assert claims on Affirm’s behalf for breach of fiduciary duty, gross mismanagement, abuse of control, unjust enrichment, and contribution under the federal securities laws, and sought corporate reforms, unspecified damages and restitution, and fees and costs. On January 12, 2023, the Court dismissed the derivative action without prejudice.

Williams v. Levchin, et al.

On September 16, 2022, plaintiff Ron Williams filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the “Williams action”) against Affirm, as a nominal defendant, and certain of Affirm’s current and former officers and directors as defendants based on allegations substantially similar to those in the Toole action and Vallieres action. The Williams complaint purported to assert six causes of action on Affirm’s behalf—violation of Section 14(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The plaintiff in the Williams action also alleged a cause of action against defendant Levchin for contribution under 10(b) and 21D of the Exchange Act. The Williams complaint sought corporate reforms, unspecified damages and restitution, and fees and costs. On December 22, 2022, the Court dismissed the derivative action without prejudice.

Kusnier v. Affirm Holdings, Inc.

On December 8, 2022, plaintiff Mark Kusnier filed a putative class action lawsuit against Affirm, Max Levchin, and Michael Linford in the U.S. District Court for the Northern District of California (the “Kusnier action”). The Kusnier action alleges that Defendants caused Affirm to make materially false and/or misleading statements and/or failed to disclose that (i) Affirm’s BNPL service facilitated excessive consumer debt, regulatory arbitrage, and data harvesting; which (ii) subjected Affirm to a heightened risk of regulatory scrutiny and enforcement action; and (iii) as a result, Affirm’s public statements were materially false and misleading. In light of the above, Plaintiff asserts that Affirm violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and that Levchin and Linford violated Section 20(a) of the Exchange Act. Plaintiff seeks class certification, unspecified compensatory and punitive damages, and costs and expenses.

We have determined, based on current knowledge, that the aggregate amount or range of losses that are estimable with respect to our legal proceedings, including the matters described above, would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Amounts accrued as of December 31, 2022 were not material. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty.

9. Transactions with Related Parties

In the ordinary course of business, we may enter into transactions with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). Some of our directors, principal officers, and their immediate families have received loans facilitated by us, in accordance with our regular consumer loan offerings. As of December 31, 2022, the outstanding balance and interest earned on such accounts is immaterial.

10. Debt

Debt encompasses funding debt, convertible senior notes and our revolving credit facility.

Funding Debt

Funding debt and its aggregate future maturities consists of the following (in thousands):

	December 31, 2022	June 30, 2022
2023	\$ 177,864	\$ 158,547
2024	520,794	421,484
2025	460,715	—
2026	193,954	—
2027 and thereafter	541,125	103,364
Total	\$ 1,894,452	\$ 683,395
Deferred debt issuance costs	(11,782)	(10,818)
Total funding debt, net of deferred debt issuance costs	\$ 1,882,670	\$ 672,577

Warehouse Credit Facilities

Through subsidiaries, we entered into warehouse credit facilities with certain lenders to finance the purchase and origination of our loans. Borrowings under these agreements are referred to as funding debt and proceeds from the borrowings can only be used for the purposes of facilitating loan funding and origination, with advance rates ranging from 82% to 87% of the total collateralized balance. These revolving facilities mature between fiscal years 2023 and 2029, and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date of each respective facility. As of December 31, 2022, the aggregate commitment amount of these facilities was \$3.4 billion on a revolving basis, of which \$1.9 billion was drawn, with \$1.6 billion remaining available. Some of the loans originated by us or purchased from the originating bank partners are pledged as collateral for borrowings in our facilities. The unpaid principal balance of these loans totaled \$2.1 billion and \$549.6 million as of December 31, 2022 and June 30, 2022, respectively. Our U.S. based warehouse credit facilities and certain lending facilities funding the origination of loans outside of the U.S., have been classified as VIEs and are bankruptcy-remote special-purpose vehicles in which creditors do not have recourse against the general credit of Affirm. Funding debt, net of deferred issuance costs, within out VIEs represents \$1.9 billion and \$672.6 million, as of December 31, 2022 and June 30, 2022, respectively.

We accrue monthly interest expense on each warehouse based on the contractual terms set forth in the applicable credit agreement. Interest expense also includes capitalized transaction fees which are amortized on a straight-line basis over the term of the warehouse agreement. The contractual interest rate varies across each warehouse facility and is either based on a benchmark interest rate (such as LIBOR, SOFR, Canadian Prime Rate, CDOR, or the Government of Canada Central Bank Rate), or an alternative commercial paper rate (which is the per annum rate equivalent to the weighted-average of the per annum rates at which all commercial paper notes were issued by certain lenders to fund advances or maintain loans), plus a spread ranging from 1.25% to 4.25%. In addition, these agreements require payment of a monthly unused commitment fee ranging from 0.00% to 0.75% per annum on the undrawn portion available.

These agreements contain certain customary negative covenants and financial covenants including maintaining certain levels of minimum liquidity, maximum leverage, and minimum tangible net worth. As of December 31, 2022, we were in compliance with all applicable covenants in the agreements.

Repurchase Agreements

We entered into certain sale and repurchase agreements pursuant to our retained interests in our off-balance sheet securitizations where we have sold these securities to a counterparty with an obligation to repurchase at a future date and price. The repurchase agreements each have an initial term of three months and subject to mutual agreement by Affirm and the counterparty, we may enter into a repurchase date extension for an additional three month term at market interest rates on such extension date. As of December 31, 2022, the interest rates were 4.06% on the senior pledged securities and 5.71% on the residual certificate pledged securities. We had \$25.2 million and \$27.0 million in debt outstanding under our repurchase agreements disclosed within funding debt on the interim condensed consolidated balance sheets as of December 31, 2022 and June 30, 2022, respectively. The debt will be amortized through regular principal and interest payments on the pledged securities. The outstanding debt relates to \$32.8 million and \$32.4 million in pledged securities disclosed within securities available for sale at fair value on the interim condensed consolidated balance sheets as of December 31, 2022 and June 30, 2022, respectively.

Convertible Senior Notes

On November 23, 2021, we issued \$1,725 million in aggregate principal amount of 0% convertible senior notes due 2026 (the “2026 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The total net proceeds from this offering, after deducting debt issuance costs, were approximately \$1,704 million. The 2026 Notes represent senior unsecured obligations of the Company. The 2026 Notes do not bear interest except in special circumstances described below, and the principal amount of the 2026 Notes does not accrete. The 2026 Notes mature on November 15, 2026.

Each \$1,000 of principal of the 2026 Notes will initially be convertible into 4.6371 shares of our common stock, which is equivalent to an initial conversion price of approximately \$215.65 per share, subject to adjustment upon the occurrence of certain specified events set forth in the indenture governing the 2026 Notes (the “Indenture”). Holders of the 2026 Notes may convert their 2026 Notes at their option at any time on or after August 15, 2026 until close of business on the second scheduled trading day immediately preceding the maturity date of November 15, 2026. Further, holders of the 2026 Notes may convert all or any portion of their 2026 Notes at their option prior to the close of business on the business day immediately preceding August 15, 2026, only under the following circumstances:

- 1) during any calendar quarter commencing after March 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- 2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined in the indenture governing the 2026 Notes) per \$1,000 principal amount of the 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day;
- 3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- 4) upon the occurrence of certain specified corporate events.

Upon conversion of the 2026 Notes, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at the Company’s election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due

upon conversion will be based on a daily conversion value (as set forth in the Indenture) calculated on a proportionate basis for each trading day in a 40 trading day observation period.

No sinking fund is provided for the 2026 Notes. We may not redeem the notes prior to November 20, 2024. We may redeem for cash all or part of the notes on or after November 20, 2024 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid special interest, if any.

If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, holders of the 2026 Notes may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date. In addition, if specific corporate events occur prior to the maturity date of the 2026 Notes, we will be required to increase the conversion rate for holders who elect to convert their 2026 Notes in connection with such corporate events.

The convertible senior notes outstanding as of December 31, 2022 consisted of the following (in thousands):

	Principal Amount	Unamortized Discount and Issuance Cost	Net Carrying Amount
Convertible Senior Notes	\$ 1,725,000	\$ (16,221)	\$ 1,708,779

The 2026 Notes do not bear interest. During the three and six months ended December 31, 2022, we recognized \$1.1 million and \$2.1 million, respectively, of interest expense related to the amortization of debt discount and issuance costs in the interim condensed consolidated statement of operations and comprehensive loss within other (expense) income, net. As of December 31, 2022, the remaining life of the 2026 Notes is approximately 47 months.

Revolving Credit Facility

On February 4, 2022, we entered into a revolving credit agreement with a syndicate of commercial banks for a \$165.0 million unsecured revolving credit facility. On May 16, 2022, we increased unsecured revolving commitments under the facility to \$205.0 million. This facility bears interest at a rate equal to, at our option, either (a) a Secured Overnight Financing Rate (“SOFR”) rate determined by reference to the forward-looking term SOFR rate for the interest period, plus an applicable margin of 1.85% per annum or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the rate last quoted by the Wall Street Journal as the U.S. prime rate and (iii) the one-month forward-looking term SOFR rate plus 1.0% per annum, in each case, plus an applicable margin of 0.85% per annum. The revolving credit agreement has a final maturity date of February 4, 2025. The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.20% per annum on the undrawn balance available. There are no borrowings outstanding under the facility as of December 31, 2022.

11. Securitization and Variable Interest Entities

Consolidated VIEs

Warehouse Credit Facilities

We established certain entities, deemed to be VIEs, to enter into warehouse credit facilities for the purpose of purchasing loans from our originating bank partners and funding directly originated loans. Refer to Note 10. Debt

for additional information. The creditors of the VIEs have no recourse to the general credit of Affirm and the liabilities of the VIEs can only be settled by the respective VIEs' assets; however, as the servicer of the loans pledged to our warehouse funding facilities, we have the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, we retain significant economic exposure to the pledged loans and therefore, we are the primary beneficiary.

Securizations

In connection with our asset-backed securitization program, we sponsor and establish trusts (deemed to be VIEs) to ultimately purchase loans facilitated by our platform. Securities issued from our asset-backed securitizations are senior or subordinated, based on the waterfall criteria of loan payments to each security class. The subordinated residual interests issued from these transactions are first to absorb credit losses in accordance with the waterfall criteria. For these VIEs, the creditors have no recourse to the general credit of Affirm and the liabilities of the VIEs can only be settled by the respective VIEs' assets. Additionally, the assets of the VIEs can be used only to settle obligations of the VIEs.

We consolidate securitization VIEs when we are deemed to be the primary beneficiary and therefore have the power to direct the activities that most significantly affect the VIEs' economic performance and a variable interest that could potentially be significant to the VIE. Through our role as the servicer, we have the power to direct the activities that most significantly affect the VIEs' economic performance. In evaluating whether we have a variable interest that could potentially be significant to the VIE, we consider our retained interests. We also earn a servicing fee which has a senior distribution priority in the payment waterfall.

In evaluating whether we are the primary beneficiary, management considers both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIEs. Management assesses whether we are the primary beneficiary of the VIEs on an ongoing basis.

Where we consolidate the securitization trusts, the loans held in the securitization trusts are included in loans held for investment, and the notes sold to third-party investors are recorded in notes issued by securitization trusts in the interim condensed consolidated balance sheets.

For each securitization, the residual certificates represent the right to receive excess cash on the loans each collection period after all fees and required distributions have been made to the note holders on the related payment date. For the majority of consolidated securitization VIEs, we retain 100% of the residual trust certificates issued by the securitization trust. Any portion of the residual trust certificates sold to third-party investors are measured at fair value, using a discounted cash flow model, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. In addition to the retained residual certificates, our continued involvement includes loan servicing responsibilities over the life of the underlying loans.

We defer and amortize debt issuance costs for consolidated securitization trusts on a straight-line basis over the expected life of the notes.

The following tables present the aggregate carrying value of financial assets and liabilities within consolidated VIEs (in thousands):

	December 31, 2022		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	\$ 1,911,540	\$ 1,734,754	\$ 176,786
Securizations	1,367,950	1,316,053	51,897
Total consolidated VIEs	\$ 3,279,490	\$ 3,050,807	\$ 228,683

	June 30, 2022		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	\$ 563,207	\$ 534,422	\$ 28,785
Securitizations	1,679,062	1,632,107	46,955
Total consolidated VIEs	\$ 2,242,269	\$ 2,166,529	\$ 75,740

Unconsolidated VIEs

Our transactions with unconsolidated VIEs include securitization trusts where we did not retain significant economic exposure through our variable interests and therefore we determined that we are not the primary beneficiary as of December 31, 2022.

The following information pertains to unconsolidated VIEs where we hold a variable interest but are not the primary beneficiary (in thousands):

	December 31, 2022			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	\$ 653,754	\$ 635,677	\$ 18,077	\$ 32,719
Total unconsolidated VIEs	\$ 653,754	\$ 635,677	\$ 18,077	\$ 32,719

	June 30, 2022			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	\$ 996,242	\$ 965,909	\$ 30,333	\$ 51,248
Total unconsolidated VIEs	\$ 996,242	\$ 965,909	\$ 30,333	\$ 51,248

Maximum exposure to losses represents our exposure through our continuing involvement as servicer and through our retained interests. For unconsolidated VIEs, this includes \$32.8 million in retained notes and residual certificates disclosed within securities available for sale at fair value in our interim condensed consolidated balance sheets and \$47.0 thousand related to our net servicing assets and liabilities disclosed within our interim condensed consolidated balance sheets as of December 31, 2022.

Additionally, we may experience a loss due to future repurchase obligations resulting from breaches in representations and warranties in our securitization and third-party sale agreements. This amount was not material as of December 31, 2022.

Retained Beneficial Interests in Unconsolidated VIEs

The investors of the securitizations have no direct recourse to the assets of Affirm, and the timing and amount of beneficial interest payments is dependent on the performance of the underlying loan assets held within each trust. We have classified our retained beneficial interests in unconsolidated securitization trusts as “available for sale” and as such they are disclosed at fair value in our interim condensed consolidated balance sheets.

See Note 12. Investments and Note 13. Fair Value of Financial Assets and Liabilities for additional information on the fair value sensitivity of the notes receivable and residual certificates. Additionally, as of December 31, 2022, we have pledged each of our retained beneficial interests as collateral in a sale and repurchase agreement as described in Note 10. Debt.

12. Investments***Marketable Securities***

Marketable securities include certain investments classified as cash and cash equivalents and securities available for sale, at fair value, and consist of the following as of each date presented within the interim condensed consolidated balance sheets (in thousands):

	December 31, 2022	June 30, 2022
Cash and cash equivalents:		
Money market funds	\$ 899,736	\$ 162,483
Certificates of deposit	—	16,026
Commercial paper	—	229,272
Government bonds		
US	29,967	58,541
Securities available for sale:		
Certificates of deposit	181,758	300,390
Corporate bonds	314,014	368,671
Commercial paper	156,459	478,293
Government bonds		
Non-US	11,967	17,955
US	216,956	378,386
Securitization notes receivable and certificates ⁽¹⁾	32,766	51,678
Other	1,003	—
Total marketable securities:	<u>\$ 1,844,626</u>	<u>\$ 2,061,695</u>

⁽¹⁾ These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 10. Debt.

Securities Available for Sale, at Fair Value

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of securities available for sale as of December 31, 2022 and June 30, 2022 were as follows (in thousands):

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit ⁽¹⁾	\$ 182,547	\$ 27	\$ (816)	\$ —	\$ 181,758
Corporate bonds ⁽¹⁾	319,023	3	(5,012)	—	314,014
Commercial paper ⁽¹⁾	156,766	12	(319)	—	156,459
Government bonds					
Non-US	12,180	—	(213)	—	11,967
US ⁽¹⁾	250,095	10	(3,182)	—	246,923
Securitization notes receivable and certificates ⁽²⁾	34,093	—	(991)	(336)	32,766
Other	1,003	—	—	—	1,003
Total securities available for sale	\$ 955,707	\$ 52	\$ (10,533)	\$ (336)	\$ 944,890
	June 30, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit ⁽¹⁾	\$ 317,331	\$ 6	\$ (921)	\$ —	\$ 316,416
Corporate bonds ⁽¹⁾	371,907	7	(3,243)	—	368,671
Commercial paper ⁽¹⁾	708,694	16	(1,145)	—	707,565
Government bonds					
Non-US	18,196	—	(241)	—	17,955
US ⁽¹⁾	438,947	—	(2,020)	—	436,927
Securitization notes receivable and certificates ⁽²⁾	52,180	178	(659)	(21)	51,678
Total securities available for sale	\$ 1,907,255	\$ 207	\$ (8,229)	\$ (21)	\$ 1,899,212

⁽¹⁾ Certificates of deposit, corporate bonds, US government bonds, and commercial paper include \$30.0 million and \$303.8 million as of December 31, 2022 and June 30, 2022, respectively, classified as cash and cash equivalents within the interim condensed consolidated balance sheets.

⁽²⁾ These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 10. Debt

As of December 31, 2022 and June 30, 2022, there were no material reversals of prior period allowance for credit losses recognized for available for sale securities.

A summary of securities available for sale with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and the length of time that individual securities have been in a continuous loss position as of December 31, 2022 and June 30, 2022, are as follows (in thousands):

	December 31, 2022					
	Less than or equal to 1 year		Greater than 1 year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	\$ 120,276	\$ (816)	\$ —	\$ —	\$ 120,276	\$ (816)
Corporate bonds	258,665	(4,459)	46,305	(553)	304,970	(5,012)
Commercial paper	114,004	(319)	—	—	114,004	(319)
Government bonds						
Non-US	2,092	(55)	9,876	(158)	11,968	(213)
US	190,023	(3,041)	26,933	(141)	216,956	(3,182)
Total securities available for sale ⁽¹⁾	\$ 685,060	\$ (8,690)	\$ 83,114	\$ (852)	\$ 768,174	\$ (9,542)

	June 30, 2022					
	Less than or equal to 1 year		Greater than 1 year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	\$ 290,169	\$ (921)	\$ —	\$ —	\$ 290,169	\$ (921)
Corporate bonds	351,088	(3,243)	—	—	351,088	(3,243)
Commercial paper	679,272	(1,145)	—	—	679,272	(1,145)
Government bonds						
Non-US	17,955	(241)	—	—	17,955	(241)
US	431,903	(2,020)	—	—	431,903	(2,020)
Securitization notes receivable and certificates	722	(45)	—	—	722	(45)
Total securities available for sale ⁽¹⁾	\$ 1,771,109	\$ (7,615)	\$ —	\$ —	\$ 1,771,109	\$ (7,615)

⁽¹⁾ The number of positions with unrealized losses for which an allowance for credit losses has not been recorded totaled 135 and 270 as of December 31, 2022 and June 30, 2022, respectively.

The length of time to contractual maturities of securities available for sale as of December 31, 2022 and June 30, 2022 were as follows (in thousands):

	December 31, 2022					
	Within 1 year		Greater than 1 year, less than or equal to 5 years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Certificates of deposit ⁽²⁾	\$ 182,547	\$ 181,758	\$ —	\$ —	\$ 182,547	\$ 181,758
Corporate bonds ⁽²⁾	176,257	174,773	142,766	139,241	319,023	314,014
Commercial paper ⁽²⁾	156,766	156,459	—	—	156,766	156,459
Government bonds						
Non-US	10,033	9,875	2,147	2,092	12,180	11,967
US ⁽²⁾	205,898	204,097	44,197	42,826	250,095	246,923
Securitization notes receivable and certificates ⁽¹⁾	—	—	34,093	32,766	34,093	32,766
Other	1,003	1,003	—	—	1,003	1,003
Total securities available for sale	<u>\$ 732,504</u>	<u>\$ 727,965</u>	<u>\$ 223,203</u>	<u>\$ 216,925</u>	<u>\$ 955,707</u>	<u>\$ 944,890</u>

	June 30, 2022					
	Within 1 year		Greater than 1 year, less than or equal to 5 years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Certificates of deposit ⁽²⁾	\$ 317,331	\$ 316,416	\$ —	\$ —	\$ 317,331	\$ 316,416
Corporate bonds ⁽²⁾	206,208	204,614	165,699	164,057	371,907	368,671
Commercial paper ⁽²⁾	708,694	707,565	—	—	708,694	707,565
Government bonds						
Non-US	11,895	11,813	6,301	6,142	18,196	17,955
US ⁽²⁾	360,757	359,242	78,190	77,685	438,947	436,927
Securitization notes receivable and certificates ⁽¹⁾	—	—	52,180	51,678	52,180	51,678
Total securities available for sale	<u>\$ 1,604,885</u>	<u>\$ 1,599,650</u>	<u>\$ 302,370</u>	<u>\$ 299,562</u>	<u>\$ 1,907,255</u>	<u>\$ 1,899,212</u>

⁽¹⁾ Based on weighted average life of expected cash flows as of December 31, 2022 and June 30, 2022.

⁽²⁾ Certificates of deposit, corporate bonds, US government bonds, and commercial paper include \$30.0 million and \$303.8 million as of December 31, 2022 and June 30, 2022, respectively, classified as cash and cash equivalents within the interim condensed consolidated balance sheets.

Gross proceeds from matured or redeemed securities were \$473.3 million and \$2,154.4 million for the three and six months ended December 31, 2022, respectively, and \$584.9 million and \$635.6 million for the three and six months ended December 31, 2021, respectively.

For available for sale securities realized gains and losses from portfolio sales were not material for the three and six months ended December 31, 2022. There were no portfolio sales or associated realized gains or losses for the three and six months ended December 31, 2021.

Non-marketable Equity Securities

Equity investments without a readily determinable fair value held at cost were \$43.2 million as of both December 31, 2022 and June 30, 2022 and are included in other assets within the interim condensed consolidated balance sheets.

There have been no unrealized or realized gains and losses due to observable changes in orderly transactions and we did not record any impairment for the three and six months ended December 31, 2022 and 2021.

13. Fair Value of Financial Assets and Liabilities

ASC Topic 820, "Fair Value Measurement" ("ASC 820") establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- *Level 1:* Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Financial Assets and Liabilities Recorded at Fair Value

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 and June 30, 2022 (in thousands):

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	\$ 899,736	\$ —	\$ —	\$ 899,736
Government bonds - U.S.	—	29,967	—	29,967
Securities available for sale:				
Certificate of deposit	—	181,758	—	181,758
Corporate bonds	—	314,014	—	314,014
Commercial paper	—	156,459	—	156,459
Government bonds:				
Non-U.S.	—	11,967	—	11,967
U.S.	—	216,956	—	216,956
Securitization notes receivable and residual trust certificates	—	—	32,766	32,766
Other	—	—	1,003	1,003
Servicing assets	—	—	1,093	1,093
Derivative instruments	—	69,615	—	69,615
Total assets	\$ 899,736	\$ 980,736	\$ 34,862	\$ 1,915,334
Liabilities:				
Servicing liabilities	\$ —	\$ —	\$ 3,680	\$ 3,680
Performance fee liability	—	—	1,876	1,876
Residual trust certificates, held by third-parties	—	—	242	242
Contingent consideration	—	—	12,510	12,510
Profit share liability	—	—	3,697	3,697
Total liabilities	\$ —	\$ —	\$ 22,005	\$ 22,005

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	\$ 162,483	\$ —	\$ —	\$ 162,483
Certificates of deposit	—	16,026	—	16,026
Commercial paper	—	229,272	—	229,272
Government bonds - U.S.	—	58,541	—	58,541
Securities available for sale:				
Certificate of deposit	—	300,390	—	300,390
Corporate bonds	—	368,671	—	368,671
Commercial paper	—	478,293	—	478,293
Government bonds:				
Non-U.S.	—	17,955	—	17,955
U.S.	—	378,386	—	378,386
Securitization notes receivable and residual trust certificates	—	—	51,678	51,678
Servicing assets	—	—	1,192	1,192
Derivative instruments	—	49,983	—	49,983
Total assets	\$ 162,483	\$ 1,897,517	\$ 52,870	\$ 2,112,870
Liabilities:				
Servicing liabilities	\$ —	\$ —	\$ 2,673	\$ 2,673
Performance fee liability	—	—	1,710	1,710
Residual trust certificates, held by third-parties	—	—	377	377
Contingent consideration	—	—	23,348	23,348
Profit share liability	—	—	1,987	1,987
Total liabilities	\$ —	\$ —	\$ 30,095	\$ 30,095

There were no transfers between levels during the periods ended December 31, 2022 and June 30, 2022.

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Level 2)

Securities Available for Sale

As of December 31, 2022, we held marketable securities classified as available for sale. Management obtains pricing from one or more third-party pricing services for the purpose of determining fair value. Whenever available, the fair value is based on quoted bid prices as of the end of the trading day. When quoted prices are not available, other methods may be utilized including evaluated prices provided by third-party pricing services.

Derivative Instruments

Our primary objective in holding derivatives is to reduce the volatility in cash flows associated with our funding activities, arising from changes in interest rates. We do not employ derivatives for trading or speculative purposes.

As of December 31, 2022, we used a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risk associated with variable interest rates. Neither the interest rate caps or the interest rate swaps have been designated as hedging instruments.

As of December 31, 2022 and June 30, 2022, the interest rate caps and interest rate swaps are in a net asset position, and classified as Level 2 within the fair value hierarchy, based on prices quoted for similar financial instruments in markets that are not active. The fair values are presented gross within other assets and offsetting collateral received by the counterparty is presented as a liability within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of these financial instruments are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

Assets and Liabilities Measured at Fair Value on a Recurring Basis using Significant Unobservable Inputs (Level 3)

We evaluate our financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. Since our servicing assets and liabilities, performance fee liability, securitization notes and residual trust certificates, contingent consideration, and profit share liability do not trade in an active market with readily observable prices, we use significant unobservable inputs to measure fair value. This determination requires significant judgments to be made.

Servicing Assets and Liabilities

We sold loans with an unpaid balance of \$2.1 billion and \$4.1 billion for the three and six months ended December 31, 2022, respectively, and \$2.5 billion and \$3.6 billion for the three and six months ended December 31, 2021, respectively, for which we retained servicing rights.

As of December 31, 2022 and June 30, 2022, we serviced loans which we sold with a remaining unpaid principal balance of \$4.6 billion and \$4.5 billion, respectively.

We use discounted cash flow models to arrive at an estimate of fair value. Significant assumptions used in the valuation of our servicing rights are as follows:

Adequate Compensation

We estimate adequate compensation as the rate a willing market participant would require for servicing loans with similar characteristics as those in the serviced portfolio.

Discount Rate

Estimated future payments to be received under servicing agreements are discounted as a part of determining the fair value of the servicing rights. For servicing rights on loans, the discount rate reflects the time value of money and a risk premium intended to reflect the amount of compensation market participants would require.

Net Default Rate

We estimate the timing and probability of early loan payoffs, loan defaults and write-offs, thus affecting the projected unpaid principal balance and expected term of the loan, which are used to project future servicing revenue and expenses.

We earned \$21.5 million and \$42.9 million of servicing income for the three and six months ended December 31, 2022, respectively, and \$11.3 million and \$20.8 million for the three and six months ended December 31, 2021, respectively.

As of December 31, 2022 and June 30, 2022, the aggregate fair value of the servicing assets was measured at \$1.1 million and \$1.2 million, respectively, and presented within other assets on the interim condensed consolidated balance sheets. As of December 31, 2022 and June 30, 2022, the aggregate fair value of the servicing

liabilities was measured at \$3.7 million and \$2.7 million, respectively, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets.

The following table summarizes the activity related to the aggregate fair value of our servicing assets (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 1,142	\$ 2,287	\$ 1,192	\$ 2,349
Initial transfers of financial assets	404	645	433	1,114
Subsequent changes in fair value	(453)	(754)	(532)	(1,285)
Fair value at end of period	<u>\$ 1,093</u>	<u>\$ 2,178</u>	<u>\$ 1,093</u>	<u>\$ 2,178</u>

The following table summarizes the activity related to the aggregate fair value of our servicing liabilities (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 3,152	\$ 3,610	\$ 2,673	\$ 3,961
Initial transfers of financial assets	2,207	6,749	4,195	8,724
Subsequent changes in fair value	(1,679)	(1,733)	(3,188)	(4,059)
Fair value at end of period	<u>\$ 3,680</u>	<u>\$ 8,626</u>	<u>\$ 3,680</u>	<u>\$ 8,626</u>

The following tables presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of servicing assets and liabilities as of December 31, 2022 and June 30, 2022:

		December 31, 2022		
		Minimum	Maximum	Weighted Average
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation ⁽¹⁾	0.75 %	3.00 %	1.01 %
	Gross default rate ⁽²⁾	1.84 %	10.56 %	4.08 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation ⁽¹⁾	0.75 %	3.00 %	2.22 %
	Gross default rate ⁽²⁾	6.72 %	36.55 %	14.22 %

		June 30, 2022		
		Minimum	Maximum	Weighted Average
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation ⁽¹⁾	0.78 %	1.85 %	1.10 %
	Gross default rate ⁽²⁾	0.59 %	50.59 %	1.59 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation ⁽¹⁾	2.13 %	2.34 %	2.21 %
	Gross default rate ⁽²⁾	9.03 %	24.44 %	13.81 %

⁽¹⁾ Estimated annual cost of servicing a loan as a percentage of unpaid principal balance

⁽²⁾ Annualized estimated gross charge-offs as a percentage of unpaid principal balance

The following table summarizes the effect that adverse changes in estimates would have on the fair value of the servicing assets and liabilities given hypothetical changes in significant unobservable inputs (in thousands):

	December 31, 2022	June 30, 2022
<i>Servicing assets</i>		
Gross default rate assumption:		
Gross default rate increase of 25%	\$ (1)	\$ 11
Gross default rate increase of 50%	\$ (2)	\$ 22
Adequate compensation assumption:		
Adequate compensation increase of 10%	\$ (801)	\$ —
Adequate compensation increase of 20%	\$ (1,602)	\$ —
Adequate compensation increase of 25%	\$ —	\$ (3,513)
Adequate compensation increase of 50%	\$ —	\$ (7,026)
Discount rate assumption:		
Discount rate increase of 25%	\$ (40)	\$ (57)
Discount rate increase of 50%	\$ (77)	\$ (109)
<i>Servicing liabilities</i>		
Gross default rate assumption:		
Gross default rate increase of 25%	\$ (15)	\$ (10)
Gross default rate increase of 50%	\$ (31)	\$ (21)
Adequate compensation assumption:		
Adequate compensation increase of 10%	\$ 3,181	\$ —
Adequate compensation increase of 20%	\$ 6,363	\$ —
Adequate compensation increase of 25%	\$ —	\$ 6,139
Adequate compensation increase of 50%	\$ —	\$ 12,278
Discount rate assumption:		
Discount rate increase of 25%	\$ (75)	\$ (50)
Discount rate increase of 50%	\$ (145)	\$ (98)

Performance Fee Liability

In accordance with our agreements with our originating bank partners, we pay a fee for each loan that is fully repaid by the consumer, due at the end of the period in which the loan is fully repaid. We recognize a liability upon the purchase of a loan for the expected future payment of the performance fee. This liability is measured using a discounted cash flow model and recorded at fair value and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of the liability are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the performance fee liability (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 1,763	\$ 1,335	\$ 1,710	\$ 1,290
Purchases of loans	572	503	1,051	833
Settlements Paid	(501)	—	(501)	—
Subsequent changes in fair value	42	(308)	(384)	(593)
Fair value at end of period	\$ 1,876	\$ 1,530	\$ 1,876	\$ 1,530

Significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability are the discount rate, refund rate, and default rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability as of December 31, 2022 and June 30, 2022:

Unobservable Input	December 31, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Refund rate	4.50%	4.50%	4.50%
Default rate	1.78%	3.34%	2.63%

Unobservable Input	June 30, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Refund rate	4.50%	4.50%	4.50%
Default rate	1.78%	3.10%	2.42%

Residual Trust Certificates Held by Third-Parties in Consolidated VIEs

Residual trust certificates held by third-party investor(s) are measured at fair value, using a discounted cash flow model, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of the liability are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the residual trust certificates held by third-parties (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 308	\$ 745	\$ 377	\$ 914
Repayments	(78)	(148)	(177)	(403)
Subsequent changes in fair value	12	22	42	108
Fair value at end of period	\$ 242	\$ 619	\$ 242	\$ 619

Significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates held by third-parties are the discount rate, loss rate, and prepayment rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates held by third-parties as of December 31, 2022 and June 30, 2022:

Unobservable Input	December 31, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	10.00%	15.00%	10.00%
Loss rate	0.71%	1.07%	0.71%
Prepayment rate	6.50%	13.00%	13.00%

Unobservable Input	June 30, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Loss rate	0.75%	0.75%	0.75%
Prepayment rate	8.00%	8.00%	8.00%

Retained Beneficial Interests in Unconsolidated VIEs

As of December 31, 2022, the Company held notes receivable and residual trust certificates with an aggregate fair value of \$32.8 million in connection with unconsolidated securitizations. The balances correspond to the 5% economic risk retention the Company is required to maintain as the securitization sponsor.

These assets are measured at fair value using a discounted cash flow model, and presented within securities available for sale at fair value on the interim condensed consolidated balance sheets. Changes in the fair value, other than declines in fair value due to credit recognized as an allowance, are reflected in other comprehensive income (loss) on the interim condensed consolidated statements of operations and comprehensive loss. Declines in fair value due to credit are reflected in other (expense) income, net on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the residual trust certificates (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 41,503	\$ 13,744	\$ 51,678	\$ 16,170
Additions	—	13,695	—	13,695
Cash received (due to payments or sales)	(9,063)	(2,080)	(18,835)	(4,384)
Change in unrealized gain (loss)	138	(73)	(510)	(184)
Accrued interest	295	84	748	70
Reversal of (impairment on) securities available for sale	(107)	(51)	(315)	(48)
Fair value at end of period	\$ 32,766	\$ 25,319	\$ 32,766	\$ 25,319

Significant unobservable inputs used for our Level 3 fair value measurement of the notes and residual trust certificates are the discount rate, loss rate, and prepayment rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates as of December 31, 2022 and June 30, 2022:

Unobservable Input	December 31, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	4.45%	37.77%	7.28%
Loss rate	0.99%	15.30%	3.38%
Prepayment rate	6.75%	26.40%	18.35%

Unobservable Input	June 30, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	3.68%	22.50%	5.37%
Loss rate	0.61%	10.95%	2.65%
Prepayment rate	5.25%	35.00%	18.48%

The following table summarizes the effect that adverse changes in estimates would have on the fair value of the securitization residual trust certificates given hypothetical changes in significant unobservable inputs (in thousands):

	December 31, 2022		June 30, 2022	
Discount rate assumption:				
Discount rate increase of 25%	\$	(417)	\$	(1,410)
Discount rate increase of 50%	\$	(820)	\$	(2,295)
Loss rate assumption:				
Loss rate increase of 25%	\$	(297)	\$	(729)
Loss rate increase of 50%	\$	(460)	\$	(964)
Prepayment rate assumption:				
Prepayment rate decrease of 25%	\$	(59)	\$	(545)
Prepayment rate decrease of 50%	\$	(119)	\$	(519)

Contingent Consideration

Our acquisition of PayBright, Inc. (“PayBright”) on January 1, 2021 included consideration transferred and 2,587,362 shares of our common stock held in escrow, contingent upon the achievement of future milestones. At the acquisition date, we classified the contingent consideration as a liability and estimated its fair value using a Monte Carlo simulation utilizing assumptions of simulated revenue, equity volatility, and a discount rate. The liability is remeasured to its fair value at each reporting date, utilizing a Monte Carlo simulation for periods in which actual revenues are unknown, until the contingency is resolved. During the year ended June 30, 2022, one of these milestones was achieved and 1,293,681 shares of our Class A common stock were released from escrow, resulting in a reduction to the contingent liability. During the three and six months ended December 31, 2022, an additional milestone was achieved and the fair value was estimated based on the shares expected to be released from escrow multiplied by the estimated share price. The fair value estimate represents a Level 3 measurement, as the revenue milestone represents a significant unobservable input. The change in fair value of the contingent consideration at

each reporting date is recognized as a component of other (expense) income, net in the interim condensed consolidated statements of operations and comprehensive loss for the respective period.

The following table summarizes the activity related to the fair value of the PayBright contingent consideration (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 24,269	\$ 290,719	\$ 23,348	\$ 153,447
Subsequent changes in fair value	(12,062)	(34,026)	(9,302)	107,567
Effect of foreign currency translation	303	(2,943)	(1,536)	(7,264)
Fair value at end of period	\$ 12,510	\$ 253,750	\$ 12,510	\$ 253,750

Profit Share Liability

On January 1, 2021, we entered into a commercial agreement with an enterprise partner, in which we are obligated to share in the profitability of transactions facilitated by our platform. Upon capture of a loan under this program, we record a liability associated with the estimated future profit to be shared over the life of the loan based on estimated program profitability levels. This liability is measured using a discounted cash flow model and recorded at fair value and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets.

The following table summarizes the activity related to the fair value of the profit share liability (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fair value at beginning of period	\$ 1,876	\$ 1,400	\$ 1,987	\$ 2,464
Facilitation of loans	2,342	2,534	3,475	3,574
Actual performance	612	(1,011)	(2,264)	(1,011)
Subsequent changes in fair value	(1,133)	(871)	499	(2,975)
Fair value at end of period	\$ 3,697	\$ 2,052	\$ 3,697	\$ 2,052

Significant unobservable inputs used for our Level 3 fair value measurement of the profit share liability are the discount rate and estimated program profitability. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the profit sharing liability as of December 31, 2022 and June 30, 2022:

Unobservable Input	December 31, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	30.00%	30.00%	30.00%
Program profitability	0.07%	1.82%	1.72%

Unobservable Input	June 30, 2022		
	Minimum	Maximum	Weighted Average
Discount rate	30.00%	30.00%	30.00%
Program profitability	1.25%	3.54%	1.28%

Financial Assets and Liabilities Not Recorded at Fair Value

The following tables present the fair value hierarchy for financial assets and liabilities not recorded at fair value as of December 31, 2022 and June 30, 2022 (in thousands):

	December 31, 2022				Balance at Fair Value
	Carrying Amount	Level 1	Level 2	Level 3	
Assets:					
Loans held for sale	\$ 344	\$ —	\$ 344	\$ —	\$ 344
Loans held for investment, net	3,473,404	—	—	3,613,246	3,613,246
Other assets	11,367	—	11,367	—	11,367
Total assets	\$ 3,485,115	\$ —	\$ 11,711	\$ 3,613,246	\$ 3,624,957
Liabilities:					
Convertible senior notes, net ⁽¹⁾	\$ 1,708,779	\$ —	\$ 948,778	\$ —	\$ 948,778
Notes issued by securitization trusts	1,314,212	—	—	1,253,937	1,253,937
Funding debt ⁽²⁾	1,894,452	—	—	1,894,401	1,894,401
Total liabilities	\$ 4,917,443	\$ —	\$ 948,778	\$ 3,148,338	\$ 4,097,116
June 30, 2022					
	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Loans held for sale	\$ 2,670	\$ —	\$ 2,670	\$ —	\$ 2,670
Loans held for investment, net	2,348,169	—	—	2,412,871	2,412,871
Other assets	12,661	—	12,661	—	12,661
Total assets	\$ 2,363,500	\$ —	\$ 15,331	\$ 2,412,871	\$ 2,428,202
Liabilities:					
Convertible senior notes, net ⁽¹⁾	\$ 1,706,668	\$ —	\$ 984,285	\$ —	\$ 984,285
Notes issued by securitization trusts	1,627,580	—	—	1,529,401	1,529,401
Funding debt ⁽²⁾	683,395	—	—	683,388	683,388
Total liabilities	\$ 4,017,643	\$ —	\$ 984,285	\$ 2,212,789	\$ 3,197,074

⁽¹⁾ The estimated fair value of the convertible senior notes is determined based on a market approach, using the estimated or actual bids and offers of the notes in an over-the-counter market on the last business day of the period.

⁽²⁾ As of December 31, 2022 and June 30, 2022, debt issuance costs in the amount of \$11.8 million and \$10.8 million, respectively, was included within funding debt.

14. Stockholders' Equity

Common Stock

The Company had shares of common stock reserved for issuance as follows:

	December 31, 2022	June 30, 2022
Available outstanding under stock option plan	54,689,282	53,158,233
Available for future grant under stock option plan	39,443,744	31,156,746
Total	94,133,026	84,314,979

The common stock is not redeemable. We have two classes of common stock: Class A common stock and Class B common stock. Each holder of Class A common stock has the right to one vote per share of common stock. Each holder of Class B common stock has the right to 15 votes and can be converted at any time into one share of Class A common stock. Holders of Class A and Class B common stock are entitled to notice of any stockholders' meeting in accordance with the bylaws of the corporation, and are entitled to vote upon such matters and in such manner as may be provided by law. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the common stock are entitled to receive, when and as declared by the Board of Directors, out of any assets of the corporation legally available therefore, such dividends as may be declared from time to time by the Board of Directors.

Common Stock Warrants

Common stock warrants are included as a component of additional paid in capital within the interim condensed consolidated balance sheets.

In November 2021, we granted warrants to purchase 22,000,000 shares of common stock in connection with our commercial agreements with Amazon. 7,000,000 of the warrant shares have an exercise price of \$0.01 per share and a term of 3.5 years, while the remaining 15,000,000 warrant shares have an exercise price of \$100 per share and a term of 7.5 years. We valued the warrants at the grant date using the Black-Scholes-Merton option pricing model with the following assumptions: a dividend yield of zero; years to maturity of 3.5 and 7.5 years, respectively; volatility of 45%; and a risk-free rate of 0.93% and 1.47%, respectively. We recognized an asset of \$133.5 million associated with the portion of the warrants that were fully vested at the grant date. Refer to Note 6. Balance Sheet Components for more information on the asset and related amortization during the period. The remaining grant-date fair value of the warrants will be recognized within our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense as the warrants vest, based upon Amazon's satisfaction of the vesting conditions. During the three and six months ended December 31, 2022, a total of \$138.6 million and \$257.7 million, respectively, was recognized within sales and marketing expense which included \$10.5 million and \$20.9 million, respectively, in amortization expense of the commercial agreement asset and \$128.1 million and \$236.8 million, respectively, in expense based upon the grant-date fair value of the warrant shares that vested. During both the three and six months ended December 31, 2021, a total of \$70.6 million was recognized within sales and marketing expense which included \$5.8 million in amortization expense of the commercial agreement asset and \$64.9 million in expense based upon the grant-date fair value of the warrant shares that vested.

15. Equity Incentive Plans

2012 Stock Plan

Under our Amended and Restated 2012 Stock Plan (the "Plan"), we may grant incentive and nonqualified stock options, restricted stock, and restricted stock units ("RSUs") to employees, officers, directors, and consultants. As of December 31, 2022, the maximum number of shares of common stock which may be issued under the Plan is

146,209,197 Class A shares. As of December 31, 2022 and June 30, 2022, there were 39,443,744 and 31,156,746 shares of Class A common stock, respectively, available for future grants under the Plan.

Stock Options

For stock options granted before our IPO in January 2021, the minimum expiration period is seven years after termination of employment or 10 years from the date of grant. For stock options granted after our IPO, the minimum expiration period is three months after termination of employment or 10 years from the date of grant. Stock options generally vest over a period of four years or with 25% vesting on the 12 month anniversary of the vesting commencement date, and the remainder vesting on a pro-rata basis each month over the next three years.

The following table summarizes our stock option activity for the six months ended December 31, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of June 30, 2022	19,310,706	\$ 15.22	6.94	
Granted	1,523,736	21.22		
Exercised	(533,393)	4.55		
Forfeited, expired or cancelled	(908,703)	39.09		
Balance as of December 31, 2022	19,392,346	14.87	6.67	
Vested and exercisable, December 31, 2022	13,649,028	\$ 10.10	5.79	\$ 43,193
Vested and exercisable, and expected to vest thereafter ⁽¹⁾ December 31, 2022	19,342,618	\$ 14.87	6.64	\$ 44,086

⁽¹⁾ Options expected to vest reflect the application of an estimated forfeiture rate.

The weighted-average grant date fair value of options granted during the six months ended December 31, 2022 was \$11.81. As of December 31, 2022, unrecognized compensation expense related to unvested stock options was approximately \$58.0 million, which is expected to be recognized over a remaining weighted-average period of 2.2 years.

When an employee exercises stock options, we collect and remit taxes on the employee's behalf to applicable taxing authorities. As of December 31, 2022 and June 30, 2022, the balance of equity exercise taxes payable was \$1.9 million and \$10.9 million, respectively, which is included in accounts payable on the interim condensed consolidated balance sheets.

Value Creation Award

In November 2020, in connection with an overall review of the compensation of Max Levchin, our Chief Executive Officer, in advance of the IPO, and taking into account Mr. Levchin's leadership since the inception of the Company, the comparatively modest level of cash compensation he had received from the Company during his many years of service, and that he did not hold any unvested equity awards, the Company's Board of Directors approved a long-term, multi-year performance-based stock option grant providing Mr. Levchin with the opportunity to earn the right to purchase up to 12,500,000 shares of the Company's Class A common stock (the "Value Creation Award"). We recognize stock-based compensation on these awards based on the grant date fair value using an accelerated attribution method over the requisite service period, and only if performance-based conditions are considered probable of being satisfied. During the three and six months ended December 31, 2022, we incurred stock-based compensation expense of \$27.5 million and \$55.0 million, respectively, associated with the Value Creation Award as a component of general and administrative expense within the interim condensed consolidated

statements of operations and comprehensive loss. For the three and six months ended December 31, 2021, we incurred stock-based compensation expense of \$42.3 million and \$84.5 million, respectively.

As of December 31, 2022, unrecognized compensation expense related to the Value Creation Award was approximately \$152.5 million, which is expected to be recognized over a remaining weighted-average period of 3.0 years.

Restricted Stock Units

RSUs granted prior to the IPO were subject to two vesting conditions: a service-based vesting condition (i.e., employment over a period of time) and a performance-based vesting condition (i.e., a liquidity event in the form of either a change of control or an initial public offering, each as defined in the Plan), both of which must be met in order to vest. The performance-based condition was met upon the IPO. We record stock-based compensation expense for those RSUs on an accelerated attribution method over the requisite service period, which is generally four years. RSUs granted after IPO are subject to a service-based vesting condition. We record stock-based compensation expense for service-based RSUs on a straight-line basis over the requisite service period, which is generally one to four years.

The following table summarizes our RSU activity during the six months ended December 31, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of June 30, 2022	21,387,592	\$ 38.41
Granted	9,860,752	27.48
Vested	(6,263,666)	34.50
Forfeited, expired or cancelled	(2,106,144)	39.77
Non-vested as of December 31, 2022	<u>22,878,534</u>	<u>\$ 34.64</u>

As of December 31, 2022, unrecognized compensation expense related to unvested RSUs was approximately \$675.8 million, which is expected to be recognized over a remaining weighted-average period of 2.0 years.

2020 Employee Stock Purchase Plan

On November 18, 2020, our Board of Directors adopted and approved the 2020 Employee Stock Purchase Plan (“ESPP”). The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum effort towards the success of the Company and that of its affiliates. A total of 11.3 million shares of Class A common stock are reserved and available for issuance under the ESPP and 649,580 shares have been issued as of December 31, 2022. The ESPP provides for six-month offering periods beginning December 1 and June 1 of each year, with the initial six-month offering period beginning December 1, 2021. At the end of each offering period, shares of our Class A common stock are purchased on behalf of each ESPP participant at a price per share equal to 85% of the lesser of (1) the fair market value of the Class A common stock on first day of the offering period (the grant date) or (2) the fair market value of the Class A common stock on the last day of the offering period (the purchase date). We use the Black-Scholes-Merton option pricing model to measure the fair value of the purchase rights issued under the ESPP at the first day of the offering period, which represents the grant date. We record stock-based compensation expense on a straight-line basis over each six-month offering period, the requisite service period of the award.

Stock-Based Compensation Expense

The following table presents the components and classification of stock-based compensation (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
General and administrative	\$ 66,659	\$ 61,947	\$ 133,999	\$ 129,689
Technology and data analytics	48,534	21,427	91,962	41,494
Sales and marketing	5,549	4,633	13,677	9,657
Processing and servicing	1,033	530	1,945	886
Total stock-based compensation in operating expenses	121,775	88,537	241,583	181,726
Capitalized into property, equipment and software, net	22,443	13,383	43,647	25,073
Total stock-based compensation expense	\$ 144,218	\$ 101,920	\$ 285,230	\$ 206,799

In connection with the acquisition of Returnly on May 1, 2021, we issued 304,364 shares of our Class A common stock, which are held in escrow. Because the future payment of the escrowed shares is contingent on continued employment of certain employees, the arrangement represents stock-based compensation in the post combination period. The grant-date fair value was estimated based on the value of the shares at the date of closing. The escrowed shares have a requisite service period of two years and contain a performance-based vesting condition (i.e., the achievement of certain revenue targets). We record stock-based compensation expense on a straight-line basis for each tranche over the requisite service period, as long as the performance-based conditions are considered probable of being satisfied. During the six months ended December 31, 2022, the arrangement was modified, resulting in the release of 45,459 shares from escrow and the remittance of 243,384 shares back to the Company. The modification resulted in the recognition of \$2.0 million of incremental compensation cost within general and administrative expenses in our interim condensed statement of operations. As of December 31, 2022, 15,521 shares remain in escrow.

16. Income Taxes

The quarterly provision for income taxes is based on the current estimate of the annual effective income tax rate and the tax effect of discrete items occurring during the quarter. The Company's quarterly provision and the estimate of the annual effective tax rate are subject to significant variation due to several factors, including variability in the pre-tax jurisdictional mix of earnings and the impact of discrete items.

For the three and six months ended December 31, 2022, we recorded income tax expense (benefit) of \$(1.6) million and \$(1.7) million, respectively, which was primarily attributable to the effects of foreign income taxes on our Canadian subsidiary and partially offset by various U.S. state and other foreign income taxes, as well as the tax amortization of certain intangibles. For the three and six months ended December 31, 2021, we recorded income tax expense (benefit) of \$0.3 million and \$0.4 million, respectively, which was primarily attributable to various U.S. state and foreign income taxes and the tax amortization of certain intangibles.

As of December 31, 2022, we continue to recognize a full valuation allowance against our U.S. federal and state net deferred tax assets. This determination was based on the assessment of the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred by the Company for the prior three fiscal years. The presence of a three-year cumulative loss limits the ability to consider other subjective evidence, such as our expectations of future taxable income and projections for growth.

As a result of the integration and consolidation of our PayBright business into and with Affirm's Canadian business and the expansion of our overall business in Canada, as well as other objectively verifiable positive evidence, all of which we have concluded is sufficient to outweigh the existing negative evidence – including the presence of a three-year cumulative loss attributable to the related foreign jurisdiction, we have determined that it is more likely than not that our Canadian deferred tax assets will be realized and a valuation allowance is not required.

On August 16, 2022, the Inflation Reduction Act was enacted into U.S. federal law. The Company does not currently expect that the Inflation Reduction Act will have a material impact on its income taxes.

17. Net Loss per Share Attributable to Common Stockholders

The following table presents basic and diluted net loss per share attributable to common stockholders for Class A and Class B common stock (in thousands, except share and per share data):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022		2022	
	Class A	Class B	Class A	Class B
Numerator:				
Net loss	\$ (256,451)	\$ (65,986)	\$ (455,739)	\$ (117,967)
Net loss attributable to common stockholders - basic and diluted	\$ (256,451)	\$ (65,986)	\$ (455,739)	\$ (117,967)
Denominator:				
Weighted average shares of common stock - basic	233,581,678	60,101,653	232,201,361	60,104,939
Weighted average shares of common stock - diluted	233,581,678	60,101,653	232,201,361	60,104,939
Net loss per share:				
Basic	\$ (1.10)	\$ (1.10)	\$ (1.96)	\$ (1.96)
Diluted	\$ (1.10)	\$ (1.10)	\$ (1.96)	\$ (1.96)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021		2021	
	Class A	Class B	Class A	Class B
Numerator:				
Net loss	\$ (121,609)	\$ (38,126)	\$ (332,251)	\$ (134,099)
Net loss attributable to common stockholders - basic and diluted	\$ (121,609)	\$ (38,126)	\$ (332,251)	\$ (134,099)
Denominator:				
Weighted average shares of common stock - basic	214,335,757	67,198,131	194,918,082	78,670,012
Weighted average shares of common stock - diluted	214,335,757	67,198,131	194,918,082	78,670,012
Net loss per share:				
Basic	\$ (0.57)	\$ (0.57)	\$ (1.70)	\$ (1.70)
Diluted	\$ (0.57)	\$ (0.57)	\$ (1.70)	\$ (1.70)

The following common stock equivalents, presented based on amounts outstanding, were excluded from the calculation of diluted net loss per share attributable to common stockholders because their inclusion would have been anti-dilutive:

	As of December 31,	
	2022	2021
Restricted stock units	22,878,534	13,345,552
Stock options, including early exercise of options	19,392,346	18,851,935
Common stock warrants	6,178,730	6,075,005
Employee stock purchase plan shares	1,121,878	123,093
Total	49,571,488	38,395,585

18. Segments and Geographical Information

We conduct our operations through a single operating segment and, therefore, one reportable segment.

Revenue

Revenue by geography is based on the billing addresses of the borrower or the location of the merchant's national headquarters. The following table sets forth revenue by geographic area (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
United States	\$ 390,389	\$ 350,486	\$ 742,974	\$ 612,089
Canada	9,121	10,525	18,135	18,307
Other	48	—	73	—
Total	\$ 399,558	\$ 361,011	\$ 761,182	\$ 630,396

Long-Lived Assets

The following table sets forth our long-lived assets, consisting of property, equipment and software, net and operating lease right-of-use assets, by geographic area (in thousands):

	December 31, 2022	June 30, 2022
United States	\$ 288,989	\$ 217,532
Canada	3,195	4,390
Other	\$ 369	\$ 231
Total	\$ 292,553	\$ 222,153

19. Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2022, through the date of the interim condensed consolidated financial statements were filed with the SEC. There were no significant subsequent events identified other than the matters described below.

Business Combination

On February 1, 2023, we completed the closing of the transaction contemplated by a share purchase agreement entered into with certain sellers (as set forth therein) to acquire the entire issued share capital of Butter Holdings Ltd., a buy now, pay later company based in the United Kingdom. The purchase price was comprised of \$14.9 million in cash, subject to adjustments in accordance with the purchase agreement, and \$1.5 million settlement of subordinated secured notes. The initial accounting for the business combination is incomplete at the time of this filing due to the limited amount of time between the acquisition date and the date that these financial statements are issued. As a result, it is impracticable for us to provide all of the disclosures required for a business combination pursuant to ASC 805.

Restructuring

On February 8, 2023, we committed to a restructuring plan (the “Plan”) designed to manage our operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts. The Plan provides for a reduction of our workforce by approximately 500 employees, representing approximately 19% of our employees. In connection with the Plan, we are reevaluating our need for leased office space and have made the decision to fully vacate a portion of our San Francisco office. We expect implementation of the Plan to be substantially complete by the end of fiscal 2023.

We expect to incur approximately \$35 million to \$39 million in total restructuring costs, which includes cash expenditures of \$24 million to \$28 million relating to one-time employee severance and other employment termination benefits and non-cash expenditures of approximately \$11 million relating to the acceleration of amortization expense for the lease asset that we expect to incur in connection with the partial office closure. We expect to record the majority of the associated charges and the majority of the associated cash expenditures in the third fiscal quarter of 2023.

The estimates of the costs and expenses that we expect to incur are subject to a number of assumptions and actual expenses may differ materially from the estimates disclosed above. We may also incur costs and expenses not currently contemplated due to unanticipated events that may occur with the implementation of the Plan.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (“Form 10-Q”) and our audited consolidated financial statements and the related notes and the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the fiscal year ended June 30, 2022 included in our Annual Report on Form 10-K. Some of the information contained in this discussion and analysis, including information with respect to our planned investments to drive future growth, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” of this Form 10-Q and our most recently filed Annual Report on Form 10-K for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. For the periods presented, references to originating bank partners are to Cross River Bank and Celtic Bank.

Overview

We are building the next generation platform for digital and mobile-first commerce. We believe that by using modern technology, the very best engineering talent, and a mission-driven approach, we can reinvent payments and commerce. Our solutions, which are built on trust and transparency, make it easier for consumers to spend responsibly and with confidence, easier for merchants to convert sales and grow, and easier for commerce to thrive.

Our point-of-sale solutions allow consumers to pay for purchases in fixed amounts without deferred interest, late fees, or penalties. We empower consumers to pay over time rather than paying for a purchase entirely upfront. This increases consumers’ purchasing power and gives them more control and flexibility. Our platform facilitates both true 0% APR payment options and interest-bearing loans. On the merchant side, we offer commerce enablement, demand generation, and customer acquisition tools. Our solutions empower merchants to more efficiently promote and sell their products, optimize their customer acquisition strategies, and drive incremental sales. We also provide valuable product-level data and insights — information that merchants cannot easily get elsewhere — to better inform their strategies. Finally, our consumer app unlocks the full suite of Affirm products for a delightful end-to-end consumer experience. Consumers can use our app to manage payments, open a high-yield savings account, and access a personalized marketplace.

Our company is predicated on the principles of simplicity, transparency, and putting people first. By adhering to these principles, we have built enduring, trust-based relationships with consumers and merchants that we believe will set us up for long-term, sustainable success. We believe our innovative approach uniquely positions us to define the future of commerce and payments.

Technology and data are at the core of everything we do. Our expertise in sourcing, aggregating, and analyzing data has been what we believe to be the key competitive advantage of our platform since our founding. We believe our proprietary technology platform and data give us a unique advantage in pricing risk. We use data to inform our risk scoring in order to generate value for our consumers, merchants, and capital partners. We collect and store petabytes of information that we carefully structure and use to regularly recalibrate and revalidate our models, thereby getting to risk scoring and pricing faster, more efficiently, and with a higher degree of confidence. We also prioritize building our own technology and investing in product and engineering talent as we believe these are enduring competitive advantages that are difficult to replicate. Our solutions use the latest in machine learning, artificial intelligence, cloud-based technologies, and other modern tools to create differentiated and scalable products.

Our total revenue, net was approximately \$399.6 million and \$761.2 million for the three and six months ended December 31, 2022, respectively, and \$361.0 million and \$630.4 million for the three and six months ended December 31, 2021, respectively. We incurred net losses of \$322.4 million and \$573.7 million for the three and six months ended December 31, 2022, respectively, and \$159.7 million and \$466.4 million for the three and six months ended December 31, 2021, respectively.

Our business is designed to scale efficiently. Our partnerships with a diverse set of capital partners, including our warehouse facilities, securitization trusts and forward flow arrangements, have allowed us to remain equity capital efficient through market cycles. Since July 1, 2016, we have processed approximately \$43.0 billion of GMV on our platform. As of December 31, 2022, we had over \$10.5 billion in funding capacity from our capital partners, a decrease of \$0.1 billion from \$10.6 billion as of June 30, 2022.

The equity capital required to build our total platform portfolio has increased from approximately 3% of the total platform portfolio as of June 30, 2022, to approximately 5% as of December 31, 2022. This metric measures the equity intensity of our business or the amount of capital used in relation to the scale of our enterprise. We define our total platform portfolio as the unpaid principal balance outstanding of all loans facilitated through our platform as of the balance sheet date, including loans held for investment, loans held for sale, and loans owned by third-parties. This amount totaled \$8.4 billion and \$7.1 billion as of December 31, 2022 and June 30, 2022, respectively. Additionally, we define the equity capital required as the balance of loans held for investment plus loans held for sale less funding debt and notes issued by securitization trusts, per our interim condensed consolidated balance sheet. This amount totaled \$459.0 million and \$206.1 million as of December 31, 2022 and June 30, 2022, respectively. Equity capital required as a percent of the last twelve months' GMV was 2% and 1% as of December 31, 2022 and June 30, 2022, respectively.

We believe that our continued success will depend on many factors, including our ability to attract additional merchant partners, retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, help our merchants grow their revenue on our platform, and develop new innovative solutions to establish the ubiquity of our network and breadth of our platform.

Our Financial Model

Our Revenue Model

From merchants, we earn a fee when we help them convert a sale and facilitate a transaction. We have two loan product offerings: Pay-in-4 and Core loans. Pay-in-4 is a short-term payment plan with four biweekly 0% APR installments, while Core loans include all interest bearing installment loans and 0% APR monthly installment loans. While merchant fees depend on the individual arrangement between us and each merchant and vary based on the terms of the product offering, we generally earn larger merchant fees on 0% APR financing products. For the three and six months ended December 31, 2022, Pay-in-4 represented 23% and 21% of total GMV facilitated through our platform, respectively, while 0% APR Core loans represented 10% and 13%, respectively. For the three and six months ended December 31, 2021, Pay-in-4 represented 18% and 17% of total GMV facilitated through our platform, respectively, while 0% APR Core loans represented 26% and 27%, respectively.

From consumers, we earn interest income on the simple interest loans that we originate or purchase from our originating bank partners. Interest rates charged to our consumers vary depending on the transaction risk, creditworthiness of the consumer, the repayment term selected by the consumer, the amount of the loan, and the individual arrangement with a merchant. Because our consumers are never charged deferred or compounding interest, late fees, or penalties on the loans, we are not incentivized to profit from our consumers' hardships. In addition, interest income includes the amortization of any discounts or premiums on loan receivables created upon either the purchase of a loan from one of our originating bank partners or the origination of a loan.

In order to accelerate our ubiquity, we facilitate the issuance of virtual cards directly to consumers through our app, allowing them to shop with merchants that may not yet be fully integrated with Affirm. When these virtual cards are used over established card networks, we earn a portion of the interchange fee from the transaction.

Our Loan Origination and Servicing Model

When a consumer applies for a loan through our platform, the loan is underwritten using our proprietary risk model. Once approved for the loan, the consumer then selects his/her/their preferred repayment option. A portion of these loans are funded and issued by our originating bank partners: Cross River Bank, an FDIC-insured New Jersey state-chartered bank, and Celtic Bank, an FDIC-insured Utah state-chartered industrial bank. These partnerships allow us to benefit from our partners' ability to originate loans under their banking licenses while complying with various federal, state, and other laws. Under this arrangement, we must comply with our originating bank partners' credit policies and underwriting procedures, and our originating bank partners maintain ultimate authority to decide whether to originate a loan or not. When an originating bank partner originates a loan, it funds the loan through its own funding sources and may subsequently offer and sell the loan to us. Pursuant to our agreements with these partners, we are obligated to purchase the loans facilitated through our platform that such partner offers us and our obligation is secured by cash deposits. To date, we have purchased all of the loans facilitated through our platform and originated by our originating bank partners. When we purchase a loan from an originating bank partner, the purchase price is equal to the outstanding principal balance of the loan, plus a fee and any accrued interest. The originating bank partner also retains an interest in the loans purchased by us through a loan performance fee that is payable by us on the principal amount of a loan that is paid by a consumer. See Note 13. Fair Value of Financial Assets and Liabilities for more information on the performance fee liability.

We are also able to originate loans directly under our lending, servicing, and brokering licenses in Canada and across various states in the U.S. through our consolidated subsidiaries. For the three and six months ended December 31, 2022, we originated approximately \$261.3 million, or 5%, and \$430.4 million, or 4%, respectively, of loans in Canada compared to approximately \$293.4 million, or 7%, and \$429.7 million, or 6%, of loans for the three and six months ended December 31, 2021, respectively. For the three and six months ended December 31, 2022, we directly originated \$807.7 million, or 14%, and \$1,512.4 million, or 15%, respectively, of loans in the U.S. pursuant to our state licenses, compared to approximately \$728.3 million and \$1,114.6 million, or 16%, of loans for both the three and six months ended December 31, 2021, respectively.

We act as the servicer on all loans that we originate directly or purchase from our originating bank partners and earn a servicing fee on loans we sell to our funding sources. We do not sell the servicing rights on any of the loans, allowing us to control the consumer experience end-to-end. To allow for flexible staffing to support overflow and seasonal traffic, we partner with several sub-servicers to manage customer care, first priority collections, and third-party collections in accordance with our policies and procedures.

Key Operating Metrics

We focus on several key operating metrics to measure the performance of our business and help determine strategic direction. In addition to revenue, net (loss) income, and other results under U.S. GAAP, the following tables set forth key operating metrics we use to evaluate our business.

	Three Months Ended December 31,			Six Months Ended December 31,		
	2022	2021	% Change	2022	2021	% Change
	(in thousands, except per consumer data)					
Gross Merchandise Volume (GMV)	\$ 5,658,286	\$ 4,457,574	27 %	\$ 10,047,703	\$ 7,170,513	40 %

GMV

We measure GMV to assess the volume of transactions that take place on our platform. We define GMV as the total dollar amount of all transactions on the Affirm platform during the applicable period, net of refunds. GMV does not represent revenue earned by us. However, the GMV processed through our platform is an indicator of the success of our merchants and the strength of our platform. For the three months ended December 31, 2022, GMV was \$5.7 billion, which represented an increase of approximately 27% as compared to \$4.5 billion for the same period in 2021.

For the six months ended December 31, 2022, GMV was \$10.0 billion, which represented an increase of approximately 40% as compared to \$7.2 billion for the same period in 2021. The increase in GMV was driven by the strong network effects of the expansion of our active merchant base, an increase in active consumers, and an increase in average transactions per consumer.

	December 31, 2022	December 31, 2021	% Change
	(in thousands, except per consumer data)		
Active Consumers	15,615	11,231	39 %
Transactions per Active Consumer (x)	3.5	2.5	38 %

Active Consumers

We assess consumer adoption and engagement by the number of active consumers across our platform. Active consumers are the primary measure of the size of our network. We define an active consumer as a consumer who engages in at least one transaction on our platform during the 12 months prior to the measurement date. As of December 31, 2022, we had 15.6 million active consumers, representing an increase of approximately 39% compared to 11.2 million as of December 31, 2021.

Transactions per Active Consumer

We believe the value of our network is amplified with greater consumer engagement and repeat usage, highlighted by increased transactions per active consumer. Transactions per active consumer is defined as the average number of transactions that an active consumer has conducted on our platform during the 12 months prior to the measurement date. As of December 31, 2022, we had approximately 3.5 transactions per active consumer, an increase of approximately 38% compared to December 31, 2021, primarily as a result of platform growth and higher frequency repeat users driven by consumer engagement.

Factors Affecting Our Performance

Expanding our Network, Diversity, and Mix of Funding Relationships

Our capital efficient funding model is integral to the success of our platform. As we scale the number of transactions on our network and grow GMV, we maintain a variety of funding relationships in order to support our network. Our diversified funding relationships include warehouse facilities, securitization trusts, forward flow arrangements, and partnerships with banks. Given the short duration and strong performance of our assets, funding can be recycled quickly, resulting in a high-velocity, capital efficient funding model. While we have continued to improve our equity capital efficiency, the percentage of our equity capital required as a percent of the last twelve months' GMV increased from approximately 1% as of June 30, 2022, to approximately 2% as of December 31, 2022. The increase is due to an increase in on-balance sheet loans, and a lower percentage of our on balance sheet loans funded through securitizations, which generally require a lower percentage of equity capital compared to our warehouse credit facilities. We have elected this shift in our funding mix in response to the current market environment given our ability to allocate loans to warehouse facilities with better economic terms at a given time to support the growth of our business while optimizing cost of funds. The mix of on-balance sheet and off-balance sheet funding is a function of how we choose to allocate loan volume, which is determined by the economic arrangements and supply of capital available to us, both of which may also impact our results in any given period.

Mix of Business on Our Platform

The shifts in volume among merchants and the mix of products that our merchants offer and our consumers purchase in any period affects our operating results. These mix impacts affect GMV, revenue, our financial results, and our key operating metric performance for that period. Differences in product mix relate to different loan durations, APR mix, and varying proportion of 0% APR versus interest-bearing financings.

Product and economic terms of commercial agreements vary among our merchants. For example, our low average order value (“AOV”) products generally benefit from shorter duration, but also have lower revenue as a percentage of GMV when compared to high AOV products. Merchant mix shifts are driven in part by the products offered by the merchant, the economic terms negotiated with the merchant, merchant-side activity relating to the marketing of their products, whether the merchant is fully integrated within our network, and general economic conditions affecting consumer demand. Our revenue as a percentage of GMV in any given period varies across products. As such, as we continue to expand our network to include more merchants, revenue as a percentage of GMV will vary. In addition, our commercial agreement with Shopify to offer Shop Pay Installments powered by Affirm and our Pay-in-4 offering will continue to impact the mix of our shorter duration, low AOV products. Differences in the mix of high versus low AOV will also impact our results. For example, we expect that transactions per active consumer may increase while revenue as a percentage of GMV may decline in the medium term to the extent that a greater portion of our GMV comes from Pay-in-4 and other low-AOV offerings.

Seasonality

We experience seasonal fluctuations in our revenue as a result of consumer spending patterns. Historically, our revenue has been the strongest during the second quarter of our fiscal year due to increases in retail commerce during the holiday season. Adverse events that occur during these months could have a disproportionate effect on our financial results for the fiscal year.

Results of Operations

The following tables set forth selected interim condensed consolidated statements of operations and comprehensive loss data for each of the periods presented in dollars:

	Three Months Ended December 31,				Six Months Ended December 31,			
	2022	2021	\$	%	2022	2021	\$	%
(in thousands, except percentages)								
Revenue								
Merchant network revenue	\$ 134,019	\$ 127,087	\$ 6,932	5 %	\$ 247,168	\$ 219,331	\$ 27,837	13 %
Virtual card network revenue	29,117	26,558	2,559	10 %	55,825	45,953	9,872	21 %
Total network revenue	163,136	153,645	9,491	6 %	302,993	265,284	37,709	14 %
Interest income ⁽¹⁾	155,321	138,355	16,966	12 %	292,123	255,657	36,466	14 %
Gain on sales of loans ⁽¹⁾	59,607	57,690	1,917	3 %	123,202	88,669	34,533	39 %
Servicing income	21,494	11,321	10,173	90 %	42,864	20,786	22,078	106 %
Total Revenue, net	\$ 399,558	\$ 361,011	\$ 38,547	11 %	\$ 761,182	\$ 630,396	\$ 130,786	21 %
Operating Expenses ⁽²⁾								
Loss on loan purchase commitment	\$ 38,422	\$ 65,265	\$ (26,843)	(41) %	\$ 74,032	\$ 116,943	\$ (42,911)	(37) %
Provision for credit losses	106,689	52,640	54,049	103 %	170,939	116,287	54,652	47 %
Funding costs	43,751	17,700	26,051	147 %	68,817	34,453	34,364	100 %
Processing and servicing	66,508	41,849	24,659	59 %	120,867	67,050	53,817	80 %
Technology and data analytics	156,747	94,989	61,758	65 %	301,708	173,002	128,706	74 %
Sales and marketing	188,334	143,476	44,858	31 %	352,207	207,436	144,771	70 %
General and administrative	158,639	141,292	17,347	12 %	319,611	277,496	42,115	15 %
Total Operating Expenses	759,090	557,211	201,879	36 %	1,408,181	992,667	415,514	42 %
Operating Loss	\$ (359,532)	\$ (196,200)	\$ (163,332)	83 %	\$ (646,999)	\$ (362,271)	\$ (284,728)	79 %
Other income (expense), net	35,527	36,741	(1,214)	(3) %	71,545	(103,632)	175,177	(169) %
Loss Before Income Taxes	\$ (324,005)	\$ (159,459)	\$ (164,546)	103 %	\$ (575,454)	\$ (465,903)	\$ (109,551)	24 %
Income tax (benefit) expense	(1,568)	276	(1,844)	(668) %	(1,748)	447	(2,195)	(491) %
Net Loss	\$ (322,437)	\$ (159,735)	\$ (162,702)	102 %	\$ (573,706)	\$ (466,350)	\$ (107,356)	23 %

⁽¹⁾ Upon purchase of a loan from our originating bank partners at a price above the fair market value of the loan or upon the origination of a loan with a par value in excess of the fair market value of the loan, a discount is included in the amortized cost basis of the loan. For loans held for investment, this discount is amortized over the life of the loan into interest income. When a loan is sold to a third-party loan buyer or off-balance sheet securitization trust, the unamortized discount is released in full at the time of sale and recognized as part of the

gain or loss on sales of loans. However, the cumulative value of the loss on loan purchase commitment or loss on origination, the interest income recognized over time from the amortization of discount while retained, and the release of discount into gain on sales of loans, together net to zero over the life of the loan. The following table details activity for the discount, included in loans held for investment, for the periods indicated:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
	(in thousands)			
Balance at the beginning of the period	\$ 57,477	\$ 53,657	\$ 42,780	\$ 53,177
Additions from loans purchased or originated, net of refunds	72,650	121,603	143,044	198,873
Amortization of discount	(38,838)	(54,965)	(77,807)	(93,410)
Unamortized discount released on loans sold	(13,779)	(72,335)	(28,953)	(110,680)
Impact of foreign currency translation	320	—	(1,234)	—
Balance at the end of the period	\$ 77,830	\$ 47,960	\$ 77,830	\$ 47,960

⁽²⁾ Amounts include stock-based compensation as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
	(in thousands)			
General and administrative	\$ 66,659	\$ 61,947	\$ 133,999	\$ 129,689
Technology and data analytics	48,534	21,427	91,962	41,494
Sales and marketing	5,549	4,633	13,677	9,657
Processing and servicing	1,033	530	1,945	886
Total stock-based compensation in operating expenses	121,775	88,537	241,583	181,726
Capitalized into property, equipment and software, net	22,443	13,383	43,647	25,073
Total stock-based compensation expense	\$ 144,218	\$ 101,920	\$ 285,230	\$ 206,799

Comparison of the Three and Six Months Ended December 31, 2022 and 2021

Total Revenue, net

Total Revenue, net increased by \$38.5 million, or 11%, and \$130.8 million, or 21%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. The increase is primarily attributable to an increase of \$1.2 billion and \$2.9 billion in GMV on our platform, from \$4.5 billion and \$7.2 billion for the three and six months ended December 31, 2021 to \$5.7 billion and \$10.0 billion for the three and six months ended December 31, 2022. The increase in GMV was driven by the strong network effects of the expansion of our active merchant base from 168,030 as of December 31, 2021 to 243,371 as of December 31, 2022, an increase in active consumers from 11.2 million as of December 31, 2021 to 15.6 million as of December 31, 2022, and an increase in average transactions per consumer from 2.5 as of December 31, 2021 to 3.5 as of December 31, 2022.

No single merchant partner represented 10% or more of total revenue during the three or the six months ended December 31, 2022 or during the three and six months ended December 31, 2021. However, GMV from loans facilitated on our platform relating to consumer purchases from Amazon, our largest merchant partner based on fiscal 2023 GMV, represented approximately 23% and 20% of total GMV during the three and six months ended December 31, 2022, respectively, while GMV from such loans represented less than 10% of total GMV during both

the three and six months ended December 31, 2021. The year-over-year increase in Amazon GMV is due primarily to Affirm being an available payment option to Amazon consumers throughout the first half of fiscal 2023, while Affirm was a payment option to Amazon consumers only during a portion of the first half of fiscal 2022.

Merchant network revenue increased by \$6.9 million, or 5%, and \$27.8 million, or 13%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. Merchant network revenue growth is generally correlated with both GMV growth and the mix of loans on our platform as different loan characteristics are positively or negatively correlated with merchant fee revenue as a percentage of GMV. In particular, merchant network revenue as a percentage of GMV typically increases with the term length and AOV of our loans, and typically decreases with shorter duration and higher APR loans. Specifically, long-term 0% APR loans typically carry higher merchant fees as a percentage of GMV and have higher AOVs.

The increase in merchant network revenue during the three and six month period was primarily driven by an increase in GMV, partially offset by reductions in the concentration of long-term 0% APR loans, our highest merchant fee category, which decreased from 13% of total GMV during both the three and six months ended December 31, 2021, to 4% and 5% during the three and six months ended December 31, 2022, respectively, driven by the increased adoption of our Pay-in-4 product and a more diversified merchant base with a larger concentration of GMV coming from partnerships with merchants that primarily offer interest-bearing loans. During the three and six months ended December 31, 2022, approximately 2% of total revenue was associated with one of our largest merchant partners by merchant network revenue for which we facilitate long-term 0% APR and long-term interest-bearing loans with higher merchant fees, compared with 11% and 10% of total revenue in the prior-year periods, respectively. More broadly, for the three and six months ended December 31, 2022, loans with term lengths greater than 12 months accounted for 18% of GMV compared to 21% for the same period in 2021. AOV was lower at \$307 and \$317 for the three and six months ended December 31, 2022, respectively, compared to \$365 and \$379 for the same period in 2021, respectively, primarily as a result of the increased adoption of our Pay-in-4 product during the period.

Additionally, during the three and six months ended December 31, 2022, the reduction of merchant fee revenue was \$16.1 million and \$29.6 million, respectively, associated with the creation of discounts upon direct origination of loans with par values in excess of the fair value of such loans, compared to \$28.7 million and \$42.2 million during the same period in 2021. For the three and six months ended December 31, 2022, we directly originated \$1.1 billion and \$1.9 billion of loans, an increase of 4.6% and 25.9%, respectively, compared to \$1.0 billion and \$1.5 billion for the same period in 2021. While the discounts created upon the direct origination of a loan reduce merchant network revenue at the time of origination, the discounts are amortized into interest income over the life of the respective loans when retained on the balance sheet and any unamortized discount is reflected in the cost basis when determining gain on sale of loans.

Virtual card network revenue increased by \$2.6 million, or 10%, and \$9.9 million, or 21%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, primarily driven by an increase in GMV processed through our issuer processor as a result of increased activity on our virtual card-enabled mobile application, as well as growth in existing and new merchants integrated using our virtual card platform, growing from 966 merchants as of December 31, 2021 to 1,175 merchants as of December 31, 2022. Virtual card network revenue is also impacted by the mix of merchants as different merchants can have different interchange rates depending on their industry or size, among other factors.

Interest income increased by \$17.0 million, or 12%, and 36.5 million, or 14%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. Generally, interest income is correlated with the changes in the average balance of loans held for investment, as we recognize interest on loans held for investment using the effective interest method over the life of the loan. The average balance of loans held for investment increased by 36% to \$3.2 billion and 33% to \$2.9 billion for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. The increase was partially offset by a decrease in the average concentration of 0% APR loans held on our interim consolidated balance sheet, which decreased from 41% for the three and six months ended December 31, 2021 to 36% and 37% for three and six months ended December 31, 2022.

Gain on sales of loans increased by \$1.9 million, or 3%, for the three months ended December 31, 2022 compared to the same period in 2021. We sold loans with an unpaid balance of \$2.1 billion for the three months ended December 31, 2022 compared to \$2.5 billion for the same period in 2021, for which we retained servicing rights. This decrease in volume was offset by favorable loan sale pricing terms.

Gain on sales of loans increased by \$34.5 million, or 39%, for the six months ended December 31, 2022, compared to the same period in 2021, mainly driven by increased loan sale activity to third-party loan buyers. We sold loans with an unpaid balance of \$4.1 billion for the six months ended December 31, 2022 compared to \$3.6 billion for the same period in 2021, for which we retained servicing rights. This increase was driven by higher loan sale volume to third-party loan buyers, favorable loan sale pricing terms, and optimizing the allocation of loans to loan buyers with higher pricing terms.

Servicing income increased by \$10.2 million, or 90%, and 22.1 million, or 106%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, driven primarily by an increase in the average unpaid principal balance of loans owned by third-party loan owners, which increased from \$3.3 billion and \$3.0 billion during the three and six months ended December 31, 2021, respectively, to \$4.7 billion and \$4.0 billion during the three and six months ended December 31, 2022, respectively. Additionally, during the three and six months ended December 31, 2022, an increase of \$2.5 million and \$3.7 million, respectively, related to the changes in fair value of servicing assets and liabilities contributed to the overall increase in servicing income, compared to the same period in 2021.

Loss on Loan Purchase Commitment

We purchase certain loans from our originating bank partners that are processed through our platform and our originating bank partners put back to us. Under the terms of the agreements with our originating bank partners, we are generally required to pay the principal amount plus accrued interest for such loans. In certain instances, our originating bank partners may originate loans with zero or below market interest rates that we are required to purchase. In these instances, we may be required to purchase the loan for a price in excess of the fair market value of such loans, which results in a loss. These losses are recognized as loss on loan purchase commitment in our interim condensed consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Loss on loan purchase commitment decreased by \$26.8 million, or 41%, and \$42.9 million, or 37%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. This decrease was due to a decrease in the volume and concentration of long-term 0% APR loans purchased from our originating bank partners compared to the prior period, which are purchased above fair market value. The difference between fair value and purchase price for our loans is generally correlated with the term length and APR of the loan. As such, the reduction in long term 0% loans purchased from our bank partner contributed to the decline in loss on loan purchase commitment. During the three and six months ended December 31, 2022, we purchased \$353.8 million and \$750.4 million, respectively, of long-term 0% APR loan receivables from our originating bank partners, representing a decrease of \$273.5 million, or 44%, and \$335.0 million, or 31%, respectively, compared to the same period in 2021.

Provision for Credit Losses

Provision for credit losses generally represents the amount of expense required to maintain the allowance for credit losses on our interim consolidated balance sheet, which represents management's estimate of future losses. In the event that our loans outperform expectation and/or we reduce our expectation of credit losses in future periods, we may release reserves and thereby reduce the allowance for credit losses, yielding income in the provision for credit losses. The provision is determined by the change in estimates for future losses and the net charge-offs incurred in the period. We record provision expense for each loan we retain as loans held for investment, whether we originate the loan or purchase it from one of our originating bank partners.

Provision for credit losses increased by \$54.0 million, or 103%, and \$54.7 million, or 47%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, driven by growth in the volume of loans held for investment, partially offset by improvements in credit quality of loans outstanding and updates to the assumptions used in our credit loss valuation model, including a refinement to the application of our stress loss multiple. Total loans held for investment was \$3.7 billion and \$2.4 billion as of December 31, 2022 and 2021, respectively. The allowance for credit losses as a percentage of loans held for investment decreased from 6.3% as of December 31, 2021 to 5.0% as of December 31, 2022, primarily driven by a decrease in allowance loss rate.

Funding Costs

Funding costs consist of interest expense and the amortization of fees for certain borrowings collateralized by our loans including on balance sheet VIEs, sale and repurchase agreements collateralized by our retained securitization interests, and other costs incurred in connection with funding the purchases and originations of loans. Funding costs for a given period are correlated with the sum of the average balance of funding debt and the average balance of notes issued by securitization trusts.

Funding costs increased by \$26.1 million, or 147%, and \$34.4 million, or 100%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. The increase was primarily due to higher benchmark interest rates, increased utilization fees and an increase of funding debt during the current fiscal year. Additionally, the increase is attributable to a larger volume of on-balance sheet loans being retained during the period. The average balance of notes issued by securitization trusts during the three and six months ended December 31, 2022 was \$1.5 billion and \$1.6 billion, respectively, compared with \$1.6 billion and \$1.5 billion during the same periods in 2021, respectively. The average balance of funding debt for the three and six months ended December 31, 2022 was \$1.3 billion and \$1.1 billion, respectively, compared with \$565.4 million and \$603.8 million during the same periods in 2021, respectively. Additionally, the average loan balance on-balance sheet was \$3.2 billion and \$3.0 billion for the three and six months ended December 31, 2022, respectively, compared to \$2.3 billion and \$2.2 billion during the same period in 2021, respectively. Average total funding debt from warehouses and securitizations for the three and six months ended December 31, 2022 increased by \$690.3 million, or 32%, and \$607.8 million, or 29%, respectively, compared to the same period in 2021.

Processing and Servicing

Processing and servicing expense consists primarily of payment processing fees, third-party customer support and collection expense, salaries and personnel-related costs of our customer care team, platform fees, and allocated overhead.

Processing and servicing expense increased by \$24.7 million, or 59%, and \$53.8 million, or 80%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. This increase was primarily driven by an increase in payment processing fees related to increased payment volume of \$11.1 million, or 49%, and \$39.3 million, or 167%, for the three and six months ended December 31, 2022, respectively, and an increase of \$6.6 million and \$15.0 million, respectively, in processing fees paid to our platform partners due to platform integrations, as well as short term promotions during the period. Additionally, during the three and six months ended December 31, 2022, third-party customer support and collections spend increased by \$4.9 million, or 50%, and \$11.7 million, or 77%, respectively, compared to the same period in 2021 due to increased loan volume and transaction growth during the period.

Technology and Data Analytics

Technology and data analytics expense consists primarily of the salaries, stock-based compensation, and personnel-related costs of our engineering and product employees as well as our credit and analytics employees who develop our proprietary risk model and internally-developed software.

Technology and data analytics expense increased by \$61.8 million, or 65%, and \$128.7 million, or 74%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. This increase is primarily driven by an increase of \$39.5 million, or 74%, and \$74.6 million, or 72%, in payroll and personnel-related costs for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, resulting from increased headcount as we continue to support our growth and technology platform. Additionally, data infrastructure and hosting costs increased by \$8.4 million, or 34%, and \$24.3 million, or 61%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, due to increased capacity requirements of our technology platform driven by increases in active users and transactions per active consumer.

Furthermore, amortization of internally-developed software increased by \$8.9 million, or 168%, and \$17.2 million, or 194%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021, primarily as a result of an increase in the number of capitalized projects during the period due to our ongoing investment in software development. Capitalized projects grew by 129% from 170 projects to 389 projects as of December 31, 2022, compared to the same period in 2021.

Sales and Marketing

Sales and marketing costs consist of the expense related to warrants and other share-based payments granted to our enterprise partners, salaries and personnel-related costs, as well as costs of general marketing and promotional activities, promotional event programs, sponsorships, and allocated overhead.

Sales and marketing expense increased by \$44.9 million, or 31%, and \$144.8 million, or 70%, during the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. The increase was primarily driven by expense related to warrants which was \$138.5 million and \$257.7 million for the three and six months ended December 31, 2022, respectively. During the prior year period, we recognized expense associated with the warrants of \$70.6 million for both the three and six months ended December 31, 2021. The increase was partially offset by a \$12.5 million, or 58%, and \$21.0 million, or 63%, decrease in brand and consumer marketing spend associated with our brand-activation, holiday shopping, lifestyle, and travel marketing campaigns, as well as a decrease of \$3.1 million, or 79%, and \$7.6 million, or 76%, in business-to-business marketing spend during the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. Additionally, the sales and marketing expenses related to our Shopify commercial agreement decreased by \$8.0 million and \$16.0 million, or 47%, during both the three and six months ended December 31, 2022, respectively, compared to the same period in 2021 driven by an extension of our partnership agreement, which also extended the amortization period.

General and Administrative

General and administrative expenses consist primarily of expenses related to our finance, legal, risk operations, human resources, and administrative personnel. General and administrative expenses also include costs related to fees paid for professional services, including legal, tax and accounting services, allocated overhead, and certain discretionary expenses incurred from operating our technology platform.

General and administrative expense increased by \$17.3 million, or 12% and \$42.1 million, or 15%, during the three and six months ended December 31, 2022 compared to the same period in 2021, primarily due to an increase of \$17.2 million and \$35.3 million, respectively in payroll and personnel-related costs resulting from an increased headcount during the period. The largest component of these personnel costs was stock-based compensation, which increased by \$4.7 million, or 8%, and \$4.3 million, or 3%, for the three and six months ended December 31, 2022, respectively, compared to the same period in 2021. For the three months ended December 31, 2022, the increase was partially offset by a \$6.6 million, or 76%, decrease in professional service fees.

Other Income (Expense), net

Other income (expense), net consists primarily of interest earned on our money market funds included in cash and cash equivalents and restricted cash, interest earned on securities available for sale, gains on derivative agreements driven by increases in fair value, amortization of convertible debt issuance cost and revolving credit facility issuance costs, and fair value adjustments resulting from changes in the fair value of our contingent consideration liability, primarily driven by changes in the market price of our Class A common stock.

Other income (expense), net decreased by \$1.2 million, or 3%, during the three months ended December 31, 2022 compared to the same period in 2021. The decrease is primarily driven by a \$12.1 million gain related to a decrease in the fair value of our contingent consideration liability, as compared to a gain of \$34.0 million in the same period in 2021, a change of \$22.0 million. The gain in both periods was primarily due to changes in the fair value of our common stock. This was partially offset by an increase in interest income on investments of \$15.9 million and a gain of \$3.5 million on derivative instruments.

Other income (expense), net increased by \$175.2 million, or 169%, during the six months ended December 31, 2022 compared to the same period in 2021. The increase is primarily driven by a \$9.3 million gain related to the fair value of our contingent consideration liability as compared to a loss of \$107.6 million in the same period in 2021, a change of \$116.9 million. The gain in both periods was primarily due to changes in the fair value of our common stock. Additionally, interest income on investments increased by \$27.3 million, and the gain on derivative instruments increased by \$30.7 million compared to the prior year period, primarily due to additional derivative instruments being entered into during the period and increases in their fair value associated with upward shifts in forward curves and positive market adjustments.

Liquidity and Capital Resources

Sources and Uses of Funds

We maintain a capital-efficient model through a diverse set of funding sources. When we originate a loan directly or purchase a loan originated by our originating bank partners, we often utilize warehouse facilities with certain lenders to finance our lending activities or loan purchases. We sell the loans we originate or purchase from our originating bank partners to whole loan buyers and securitization investors through forward flow arrangements and securitization transactions, and earn servicing fees from continuing to act as the servicer on the loans. We proactively manage the allocation of loans on our platform across various funding channels based on several factors including, but not limited to, internal risk limits and policies, capital market conditions and channel economics. With rising interest rates and inflation, our excess funding capacity and committed and long-term relationships with a diverse group of existing funding partners help provide flexibility as we optimize our funding to support the growth in loan volume.

Our principal sources of liquidity are cash and cash equivalents, available for sale securities, available capacity from warehouse and revolving credit facilities, revolving securitizations, forward flow loan sale arrangements, and certain cash flows from our operations. As of December 31, 2022, we had \$2.4 billion in cash and cash equivalents and available for sale securities, \$1.6 billion in funding capacity remaining across our primary funding channels and \$205.0 million in borrowing capacity available under our revolving credit facility.

The following table summarizes our cash, cash equivalents and investments in debt securities (in thousands):

	December 31, 2022	June 30, 2022
Cash and cash equivalents ⁽¹⁾	\$ 1,440,333	\$ 1,255,171
Investments in short-term debt securities ⁽²⁾	697,998	1,295,811
Investments in long-term debt securities ⁽²⁾	216,925	299,562
Cash, cash equivalent and investments in debt securities	\$ 2,355,256	\$ 2,850,544

⁽¹⁾ Cash and cash equivalents consist of bank accounts, money market funds, certificates of deposits, other commercial paper, and government bonds with maturities less than three months.

⁽²⁾ Securities available for sale at fair value primarily consist of certificates of deposits, corporate bonds, commercial paper, and government bonds. Short-term securities have maturities less than or equal to one year, and long-term securities range from greater than one year to less than five years.

Available Credit and Funding Debt

Our available capacity as of December 31, 2022 primarily include warehouse credit facilities, convertible senior notes, revolving credit facilities and repurchase liabilities. A detailed description of each of our borrowing arrangements is included in Note 10. Debt in the notes to the interim condensed consolidated financial statements.

The following table summarizes our funding credit facilities as of December 31, 2022. The funding debt consists of warehouse credit facilities, revolving credit facilities, and repurchase liabilities:

Maturity Fiscal Year	Borrowing Capacity	Principal Outstanding
	(in thousands)	
2023	\$ 184,551	\$ 177,864
2024	953,006	520,794
2025	850,000	460,715
2026	584,551	193,954
2027 and thereafter	850,000	541,125
Total	\$ 3,422,108	\$ 1,894,452

Warehouse Credit Facilities

Our warehouse credit facilities, which allow us to borrow up to an aggregate of \$3.4 billion, mature between 2023 and 2029 and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date. As of December 31, 2022, we have drawn an aggregate of \$1.9 billion on our warehouse facilities. As of December 31, 2022, we were in compliance with all applicable covenants in the agreements. Refer to Note 10. Debt in the notes to the interim condensed consolidated financial statements included elsewhere in this Form 10-Q for further details on our warehouse credit facilities.

Convertible Senior Notes

In November 2021, we closed on the issuance of \$1.7 billion aggregate principal amount of a convertible senior note which does not bear regular interest, and will mature on November 15, 2026 unless earlier converted, redeemed, or repurchased in accordance with their terms. Refer to Note 10. Debt in the notes to the interim condensed consolidated financial statements for further details on our convertible debt note.

Revolving Credit Facility

In February 2022, we entered into a revolving credit agreement for a \$165.0 million unsecured revolving credit facility, maturing on February 4, 2025, which was subsequently amended to increase the unsecured revolving commitments to \$205.0 million. The facility contains certain covenants and restrictions, including certain financial maintenance covenants. As of December 31, 2022, we were in compliance with all applicable covenants in the agreements. To date, there are no borrowings outstanding under the facility. Refer to Note 10. Debt in the notes to the interim condensed consolidated financial statements for further details on our revolving credit facility.

Securizations

In connection with asset-backed securitizations, we sponsor and establish trusts (deemed to be VIEs) to ultimately purchase loans facilitated by our platform. Securities issued from our asset-backed securitizations are senior or subordinated, based on the waterfall criteria of loan payments to each security class. The subordinated residual interests issued from these transactions are first to absorb credit losses in accordance with the waterfall criteria. We consolidate securitization VIEs when we are deemed to be the primary beneficiary and therefore have the power to direct the activities that most significantly affect the VIEs' economic performance and a variable interest that could potentially be significant to the VIE. Where we consolidate the securitization trusts, the loans held in the securitization trusts are included in loans held for investment, and the notes sold to third-party investors are recorded in notes issued by securitization trusts in the interim condensed consolidated balance sheets. Refer to Note 11. Securitization and Variable Interest Entities.

Factors Impacting Liquidity

We believe our current levels of cash, cash equivalents, marketable debt securities, available borrowing capacity under our revolving credit facilities and other liquidity actions currently available to us are sufficient to meet our liquidity requirements for at least the next 12 months. However, we cannot provide assurance that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs in the long-term. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control.

The principal factors that could impact our liquidity and capital needs are customer delinquencies and defaults, a prolonged inability to adequately access capital market funding, declines in loan purchases and therefore revenue, and fluctuations in our financial performance. If our available cash balances are insufficient to satisfy our liquidity requirements, we will seek additional equity or debt financing. In a rising interest rate environment, our ability to issue additional equity or incur debt may be impaired and our borrowing costs may increase. Additionally, we may be subject to restrictions and covenants in the agreements governing these transactions that may place limitations on us, and we may be required to pledge additional collateral as security. If we are unable to raise additional capital or generate the necessary cash flows, our results of operations and financial condition could be materially and adversely impacted.

Cash Flow Analysis

The following table provides a summary of cash flow data during the periods indicated:

	Six Months Ended December 31,	
	2022	2021
	(in thousands)	
Net Cash Provided by (Used in) Operating Activities	22,667	(75,104)
Net Cash Used in Investing Activities	(574,938)	(819,573)
Net Cash Provided by Financing Activities ⁽¹⁾	869,355	2,010,213

⁽¹⁾ Amounts include net cash provided by the issuance of convertible debt as follows:

	Six Months Ended December 31,	
	2022	2021
	(in thousands)	
Proceeds from issuance of common stock, net of repurchases	8,137	59,565
Proceeds from issuance of convertible debt, net	—	1,704,300
Net cash provided by equity-related financing activities	<u>\$ 8,137</u>	<u>\$ 1,763,865</u>
Net cash provided by debt-related financing activities	906,538	359,128
Payments of tax withholding for stock-based compensation	(45,320)	(112,780)
Net cash provided by financing activities	<u>\$ 869,355</u>	<u>\$ 2,010,213</u>

Cash Flows from Operating Activities

Our largest sources of operating cash are fees charged to merchant partners on transactions processed through our platform and interest income from consumers' loans. Our primary uses of cash from operating activities are for general and administrative, technology and data analytics, funding costs, processing and servicing, and sales and marketing expenses.

For the six months ended December 31, 2022, net cash provided by operating activities of \$22.7 million stemmed from a favorable change in net proceeds from sale and purchase of loans of \$104.9 million and a positive adjustment for non-cash items of \$521.2 million, offset by a net loss of \$573.7 million and change in our operating assets net of operating liabilities of \$75.2 million. The change in operating assets net of operating liabilities was primarily a result of our purchase and sale of loans held for sale activities. We purchased loans of \$3.3 billion, which was offset by proceeds from loan sales of \$3.4 billion. The positive adjustment for non-cash items was primarily driven by commercial agreement assets of \$236.8 million which increased compared to the second quarter of the prior year as a result of our commercial agreements with Amazon, provision for credit losses of \$170.9 million which increased by \$54.7 million compared to the second quarter of the prior year, and stock-based compensation of \$241.6 million which increased by \$59.9 million compared to the second quarter of the prior year resulting from incremental compensation recognized from award modifications and increased headcount.

For the six months ended December 31, 2021, net cash used in operating activities was \$75.1 million. This reflects a net loss of \$466.4 million, adjusted for non-cash charges of \$362.2 million, net cash outflows of \$6.2 million from the purchase and sale of loans held for sale, partially offset by net cash inflows of \$35.3 million provided by changes in our operating assets and liabilities.

Cash Flows from Investing Activities

For the six months ended December 31, 2022, net cash used in investing activities of \$574.9 million was primarily attributable to purchases and origination of loans held for investment of \$6.5 billion, partially offset by repayments of loans and proceeds from sale of loans of \$5.3 billion. During the period we originated loans of \$1.9 billion and purchased loans of \$4.7 billion, representing a combined increase of \$1.9 billion compared to the same period in 2021, due partly to continued growth in GMV. Loan repayments and sale of loans of \$5.3 billion during the period, represented an increase of \$1.0 billion, compared to the same period in 2021, due in part to shifting of the length of loan terms on our balance sheet netted of by higher average balance of loans held for investment. The additional offset during the six months ended December 31, 2022 related to the net proceeds from maturities of securities available for sale of \$0.7 billion, representing an increase of \$1.1 billion compared to the same period in 2021.

For the six months ended December 31, 2021, net cash used in investing activities of \$819.6 million was primarily attributable \$4.7 billion of purchases of loans, due partly to continued growth in GMV. We recorded cash outflows of approximately \$511.7 million related to purchases of available for sale securities in the current period. These cash outflows were partially offset by repayments of loans of \$3.6 billion, due to a higher average balance of loans held for investment and generally increasing credit quality of the portfolio. Additionally, we obtained \$780.3 million in cash from selling loans to whole loan buyers and securitization investors.

Cash Flows from Financing Activities

For the six months ended December 31, 2022, net cash provided by financing activities of \$869.4 million, was primarily attributable to net cash inflows from funding debt of \$1.2 billion, partially offset by net cash outflows from the issuance and repayment of notes and certificates issued by securitization trust of \$309.4 million. Our payments of debt issuance costs were in the normal course of business and reflective of our recurring debt warehouse facility activity, which involves securing new warehouse facilities and extending existing warehouse facilities. Finally, we paid taxes related to RSU vesting of \$45.3 million.

For the six months ended December 31, 2021, net cash provided by financing activities of \$2,010.2 million, was primarily driven by the issuance of convertible debt which resulted in net cash inflows of \$1,704.3 million, net of debt issuance costs. Additionally, the issuance of notes by securitization trusts resulted in net cash inflows of \$397.2 million, net of in-period principal repayments. These cash inflows were partially offset by \$29.9 million of net cash outflows from funding debt as principal repayments on debt exceeded proceeds from draws on these revolving credit facilities. Additionally, we paid taxes related to RSU vesting of \$112.8 million.

Contractual Obligations

There were no material changes outside of the ordinary course of business in our commitments and contractual obligations for the three and six months ended December 31, 2022 from the commitments and contractual obligations disclosed in the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations*,” set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, which was filed with the SEC on August 29, 2022.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities that are not reflected on our condensed consolidated balance sheets, generally referred to as off-balance sheet arrangements. These activities involve transactions with unconsolidated VIEs, including our sponsored securitization transactions, which we contractually service.

For off-balance sheet loan sales where servicing is the only form of continuing involvement, we would only experience a loss if we were required to repurchase such a loan due to a breach in representations and warranties associated with our loan sale or servicing contracts. For unconsolidated securitization transactions where Affirm is the sponsor and risk retention holder, Affirm could experience a loss of up to 5% of both the senior notes and residual certificates. As of December 31, 2022, the aggregate outstanding balance of loans held by third-party investors or off-balance sheet VIEs was \$4.6 billion. In the unlikely event principal payments on the loans backing any off-balance sheet securitization are insufficient to pay note holders, including any retained interest, then any amounts the Company contributed to the securitization reserve accounts may be depleted. Refer to Note 11. Securitization and Variable Interest Entities of the accompanying notes to our interim condensed consolidated financial statements for more information.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In preparing our condensed consolidated financial statements, we make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, as well as revenues and expenses. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. The results involve judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly evaluate our estimates, assumptions and judgments, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. We evaluate our critical accounting policies and estimates on an ongoing basis and update them as necessary based on changes in market conditions or factors specific to us. There have been no material changes in our significant accounting policies or critical accounting estimates during the three and six months ended December 31, 2022.

For a complete discussion of our significant accounting policies and critical accounting estimates, refer to our Annual Report on Form 10-K for the year ended June 30, 2022 within Note 2 to the Notes to Consolidated Financial Statements and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations— Critical Accounting Policies and Estimates*”.

Recent Accounting Standards Issued, But Not Yet Adopted

Refer to Note 2. Summary of Significant Accounting Policies within the notes to the interim condensed consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations within the United States, Canada and Australia, and we are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and interest rates. Our market risk exposure is primarily the result of fluctuations in interest rates. Foreign currency exchange rates do not pose a material market risk exposure, as most of our revenue is earned in U.S. dollars.

Interest Rate Risk

Our cash and cash equivalents and certain of our restricted cash as of December 31, 2022 were held primarily in checking, money market, and savings accounts. As of December 31, 2022, we had \$929.7 million of cash equivalents invested in money market funds, certificates of deposit, government bonds, and other commercial paper with maturities less than three months. Our cash and cash equivalents are held for working capital purposes. The fair value of our cash and cash equivalents and certain restricted cash would not be significantly affected by a change in interest rates due to their short-term nature.

Our securities available for sale at fair value as of December 31, 2022 included \$913.9 million of marketable debt securities with maturities greater than three months. A rise in interest rates would have an adverse impact on the fair market value of our fixed rate securities while floating rate securities would produce less income than expected if interest rates were to decrease. Because our investment policy is to invest in conservative, liquid investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on marketable debt securities to be significant.

Continued volatility in interest rates and potentially inflation, which may persist longer than previously expected, may adversely impact our customers' spending levels and ability and willingness to pay outstanding amounts owed to us. Higher interest rates may lead to higher payment obligations on our future credit products, or to their lenders under mortgage, credit card, and other loans. Therefore, higher interest rates may lead to increased delinquencies, charge-offs, and allowances for loans and interest receivable, which could have an adverse effect on our operating results.

We rely on a variety of funding sources with varying degrees of interest rate sensitivities. Certain of our funding arrangements bear a variable interest rate. Given the fixed interest rates charged on the loans that we purchase from our originating bank partners or originate ourselves, a rising variable interest rate would reduce our interest margin earned in these funding arrangements. Additionally, certain of our loan sale agreements are repriced on a recurring basis using a mechanism tied to interest rates as well as loan performance. Increases in interest rates could reduce our loan sale economics. We also rely on securitization transactions, with notes typically bearing a fixed coupon. Increases in interest rates may result in higher coupons and therefore lower interest income received on securitizations where we retain the residual interest and a lower gain on sale for securitizations in which we sell the equity interest. We maintain an interest rate hedging program which eliminates some, but not all, of the interest rate risk. Factoring in this program, as of December 31, 2022, we estimate that a hypothetical instantaneous 100 basis point upward parallel shock to interest rates would have a less than \$20.0 million adverse impact on our annual financial results over the next 12 months.

Credit Risk

We have credit risk primarily related to our consumer loans held for investment. We are exposed to default risk on both loan receivables purchased from our originating bank partners and loan receivables that are directly originated. The ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in economic and market conditions. To manage this risk, we utilize our ITACs models to underwrite, score, and price loans in a manner that we believe is reflective of the credit risk. Other credit levers such as user limits and/or down payment requirements are used to ensure a sufficient expectation of a customer's ability to repay.

To monitor portfolio performance, we utilize a wide range of internal and external metrics to review user and loan populations. Each week management reviews performance for each customer segment, typically split by ITACs model score, financial product originated, age of loan, and delinquency status. Internal performance trendlines are measured against external factors such as unemployment, CPI, and consumer sentiment to determine what changes, if any, in risk strategy is warranted.

As of December 31, 2022 and June 30, 2022, we were exposed to credit risk on \$3.7 billion and \$2.5 billion, respectively, of loans held on our interim condensed consolidated balance sheet. Loan receivables are diversified geographically. As of December 31, 2022 and June 30, 2022, approximately 11% and 12% of loan receivables related to customers residing in the state of California, respectively. No other states or provinces exceeded 10%.

We are also exposed to credit risk in the event of nonperformance by the financial institutions holding our cash and the issuers of our cash equivalents and available for sale securities. We maintain our cash deposits and cash equivalents in highly-rated, federally-insured financial institutions in excess of federally insured limits. We manage this risk by conducting business with well established financial institutions, diversifying our counterparties and having guidelines regarding credit rating and investment maturities to safeguard liquidity. We have not historically experienced any credit losses related to these financial instruments and do not believe we are exposed to significant credit risk in these accounts.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our CEO and CFO concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q and designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

Please refer to Note 8. “Commitments and Contingencies” of the accompanying notes to our interim condensed consolidated financial statements.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. We are not presently a party to any such other legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

The risks described under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 could materially and adversely affect our business, financial condition, and results of operations, future prospects, and the trading price of our Class A common stock could decline. The risks and uncertainties described therein are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that adversely affect our business.

You should carefully read and consider such risks, together with all of the other information in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, in this Quarterly Report on Form 10-Q (including the disclosures in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in our interim condensed consolidated financial statements and related notes), and in the other documents that we file with the SEC.

Except as may be reflected in the updated risk factors included below, there have been no material changes from the risk factors previously disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and future prospects.

We operate in a highly competitive and dynamic industry. Our technology platform faces competition from a variety of players, including those who enable transactions and commerce via digital payments. Our primary competition consists of: legacy payment methods, such as credit and debit cards, including those provided by card issuing banks such as Synchrony, J.P. Morgan Chase, Citibank, Bank of America, Capital One, Goldman Sachs and American Express; technology solutions provided by payment companies such as Visa and MasterCard; mobile wallets such as Apple and PayPal; other pay-over-time solutions offered by companies such as Block and Klarna; and new pay-over-time offerings by legacy financial and payments companies, including those mentioned above. Additionally, merchants are increasingly offering proprietary pay-over-time options to customers, and in some cases, these are presented parallel to our offerings at checkout. We expect competition to intensify in the future, especially as the pay-over-time industry has low barriers to entry, both as emerging technologies continue to enter the marketplace and as large financial incumbents increasingly seek to innovate the services that they offer to compete with our platform. Technological advances and the continued growth of e-commerce activities have increased consumers’ accessibility to products and services and led to the expansion of competition in digital payment options such as pay-over-time solutions. We expect that our pay-over-time offerings may increasingly be presented alongside competitor options at checkout.

Some of our competitors, particularly the credit issuing banks set forth above, are substantially larger than we are and have longer operating histories than we do, which gives those competitors advantages we do not have, such as a more diversified products, a broader consumer and merchant base, greater brand recognition and brand loyalty, the ability to reach more consumers, the ability to cross sell their products, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, broad-based local distribution capabilities, and lower-cost funding. In addition, because many of our competitors are large financial institutions that fund themselves through low-cost insured deposits and continue to own the loans that they originate, they have certain revenue and funding opportunities not available to us.

Increased competition could result in the need for us to alter the pricing we offer to merchants or consumers. If we are unable to successfully compete, the demand for our platform and products could stagnate or substantially decline, and we could fail to retain or grow the number of consumers or merchants using our platform, which would reduce the attractiveness of our platform to other consumers and merchants, and which would materially and adversely affect our business, results of operations, financial condition, and future prospects.

We rely on a small number of merchant partners and e-commerce platforms, and the loss of any of these significant relationships would adversely affect our business, results of operations, financial condition, and future prospects.

As discussed in Part II, Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, and as may be updated from time to time in the Company’s future periodic reports and other filings with the SEC, a single merchant partner or e-commerce platform, or a small number of merchant partners or e-commerce platforms, may represent a disproportionately large amount of our revenue and/or GMV during any given fiscal period. The loss of, or decrease in business with, any one of our significant merchant partner or e-commerce platform relationships, such as with Amazon or Shopify, due to a lapse in exclusivity or otherwise, would adversely affect our business. To the extent that any merchant partner or e-commerce platform constitutes a material portion of our total revenue or GMV for a fiscal period for which financial results are being reported in a Quarterly Report on Form 10-Q or Annual Report on Form 10-K, we will disclose the respective percentage contribution in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for that period.

The concentration of a significant portion of our business and transaction volume with a limited number of merchant partners or e-commerce platforms, or type of merchant or industry, exposes us disproportionately to any of those merchants choosing to no longer partner with us or choosing to partner with a competitor, to the economic performance of those merchants or industry or to any events, circumstances, or risks affecting such merchants or industry. In addition, a material modification in the production levels (including supply chain issues impacting component parts of products sold by our merchant partners) and/or financial operations of any significant merchant partner could affect the results of our operations, financial condition, and future prospects.

The success of our business depends on our ability to work with our originating bank partners to enable effective underwriting of loans facilitated through our platform and accurately price credit risk. We currently rely on Celtic Bank to originate a majority of the loans facilitated through our platform. If our agreement with Celtic Bank is terminated, and we are unable to engage another originating partner on a timely basis or at all, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

We believe that one of our core competitive advantages, and a core tenet of our platform, is our ability to work with originating bank partners to use our data-driven risk model to enable the effective underwriting of loans facilitated through our platform and to accurately and effectively price credit risk. Any deterioration in the performance of the loans facilitated through our platform, or unexpected losses on such loans, would materially and adversely affect our business and results of operations. Loan repayment underperformance would impact our interest-related and gain-on-sale income generated from loans we purchase from our originating bank partners, which are underwritten in accordance with each bank’s credit policy. Additionally, incremental charge-offs may affect future credit decisioning, growth of transaction volume, and the amount of provisions for underperforming loans we will need to take.

As of the end of the second quarter of fiscal 2023, we relied on Cross River Bank and Celtic Bank to originate a majority of the loans facilitated through our platform and to comply with various federal, state, and other laws, with the balance of the loans facilitated on our platform being originated directly under our lending, servicing, and brokering licenses in Canada and across various states in the United States through our consolidated subsidiaries. During the first half of fiscal 2023, we began accelerating the execution of an existing strategy of identifying and engaging new originating bank partners in order to diversify our sources of loan originations. In January 2023, we made the strategic decision to begin reducing the volume of loans originated by Cross River Bank on our platform while at the same time continuing our ongoing work to identify and engage new originating bank partners. Consequently, as of January 31, 2023, a majority of the loans facilitated through our platform are originated by Celtic Bank. As a result, the risks discussed in the paragraphs below relating to our reliance on Celtic Bank have increased and will remain as such unless and until we complete the process of engaging and onboarding one or more new originating bank partners. The process of engaging and onboarding new originating bank partners is inherently uncertain, and there can be no assurances as to when we will be able to complete that process, if at all.

Celtic Bank handles a variety of consumer and commercial financing programs. The Celtic Bank loan program agreement has an initial three-year term, which is scheduled to expire in calendar year 2023. In addition, upon the occurrence of certain early termination events, either we or Celtic Bank may terminate the loan program agreement immediately upon written notice to the other party. Our Celtic Bank loan program agreement does not prohibit Celtic Bank from working with our competitors or from offering competing services, and Celtic Bank currently offers loan programs through other competing platforms. Celtic Bank could decide not to work with us for any reason, could make working with us cost-prohibitive, or could decide to enter into an exclusive or more favorable relationship with one or more of our competitors. In addition, Celtic Bank may not perform as expected under our loan program agreement. We could in the future have disagreements or disputes with Celtic Bank, which could negatively impact or threaten our relationship with other originating banks with whom we may seek to partner. For a further discussion of our relationship with Celtic Bank, particularly the regulations applicable to this relationship, see “Business — Regulatory Environment” in the Annual Report on Form 10-K we filed with the SEC on August 29, 2022.

If Celtic Bank were to suspend, limit, or cease its operations, or if our relationship with Celtic Bank were to otherwise terminate for any reason (including, but not limited to, its failure to comply with regulatory actions), we may need to implement an additional substantially similar arrangement with another bank, obtain additional state licenses, or curtail our operations. If we need to enter into alternative arrangements with a different bank to replace our existing arrangement, we may not be able to negotiate a comparable alternative arrangement in a timely manner or at all. In addition, transitioning loan originations to a new bank is untested and may result in delays in the issuance of loans or, if our platform becomes inoperable, may result in the inability to facilitate loans through our platform. If we are unable to enter into an alternative arrangement with different banks to fully replace or supplement our relationship with Celtic Bank, we would potentially need to obtain additional state licenses to enable us to originate loans directly, as well as comply with other state and federal laws, which would be costly and time consuming, and there can be no assurances that any such licenses could be obtained in a timely manner or at all.

Our business depends on our ability to attract and retain highly skilled employees.

Our future success depends on our ability to identify, hire, develop, motivate, and retain highly qualified personnel for all areas of our organization, in particular, a highly experienced sales force, data scientists, and engineers. Competition for these types of highly skilled employees is extremely intense, particularly in the San Francisco Bay Area. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop, and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to maintain and build our highly experienced sales force, or are unable to continue to attract experienced engineering and technology personnel, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

In addition, in March 2020, we transitioned our entire staff to a remote working environment. Over time such remote operations may decrease the cohesiveness of our teams and our ability to maintain our culture, both of which are critical to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, to foster a creative environment, to hire new team members, and to retain existing team members. Such effects may adversely affect the productivity of our team members and overall operations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Furthermore, we have at times undertaken workforce reductions to better align our operations with our strategic priorities. For example, to manage operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts, we recently took certain cost-saving measures, including a reduction of our workforce. There can be no assurance that these actions will not adversely affect employee morale, our culture, our ability to attract and retain employees and our ability to grow in accordance with our overall strategy. If we are not able to maintain our culture, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

Our business is subject to extensive regulation, examination, and oversight in a variety of areas, all of which are subject to change and uncertain interpretation. Changing international, federal, state, and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects.

We are subject to extensive regulation, supervision, and examination by federal and state governmental authorities under United States federal and state laws and regulations. As we continue to expand our operations internationally, we may also become subject to extensive regulation, supervision, and examination by international authorities. We are required to comply with constantly changing international, federal, state, and local laws and regulations that regulate, among other things, the terms of the loans that we and our originating bank partners originate and the associated fees that may be charged. A change in these laws that enables our credit scoring and pricing model, including our ability to export interest rates across state lines, could have a material impact on our business model and financial position.

New laws or regulations could also require us to incur significant expenses and devote significant management attention to ensure compliance. In addition, our failure to comply (or to ensure that our agents and third-party service providers comply) with these laws or regulations may result in litigation or enforcement actions, the penalties for which could include: revocation of licenses; fines and other monetary penalties; civil and criminal liability; substantially reduced payments by borrowers; modification of the original terms of loans, permanent forgiveness of debt, or inability to, directly or indirectly, collect all or a part of the principal of or interest on loans; and increased purchases of loan receivables for loans originated by our originating bank partners and indemnification claims.

We are subject to the regulatory and enforcement authority of the CFPB as a facilitator, servicer, acquirer or originator of consumer credit. In December 2021, the CFPB issued a Request for Information to five of the largest BNPL providers, including Affirm, requesting information by March 1, 2022. Affirm timely complied with that Request for Information, but Affirm expects to receive additional Requests for Information from time to time in the future. For further discussion on the CFPB's enforcement authority, see "Business — Regulatory Environment — U.S. federal consumer protection requirements" included in our Annual Report on Form 10-K filed with the SEC on August 29, 2022.

In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management.

Further, we are regulated by many international and state regulatory agencies through licensing and other supervisory or enforcement authority, which includes regular examination by international and state governmental authorities.

Such regulatory actions could result in penalties and reputational harm to us and a loss of consumers participating in our platform, and our compliance costs and litigation exposure could increase if the CFPB, for instance, or other regulatory agencies enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted, any of which could adversely affect our ability to perform. Further, in some cases, regardless of fault, it may be less time-consuming or costly to settle these matters, which may require us to implement certain changes to our business practices, provide remediation to certain individuals or make a settlement payment to a given party or regulatory body.

Further, we may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, we may become subject to audits, inquiries, whistleblower

complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Third Program Outline to the Customer Installment Program Agreement, dated as of October 28, 2022, by and between Shopify Inc. and Affirm, Inc.*					X
10.2	Amendment No. 4 to Customer Installment Program Agreement, dated as of December 16, 2022, by and between Shopify Inc. and Affirm, Inc.*					X
10.3	Amended and Restated 2012 Stock Plan					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X
*	Portions of the exhibit have been omitted as the Company has determined that: (i) the omitted information is not material; and (ii) the omitted information would likely cause competitive harm to the Company if publicly disclosed.					

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized,

AFFIRM HOLDINGS, INC.

Date: February 8, 2023

By: /s/ Max Levchin
Max Levchin
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Linford
Michael Linford
Chief Financial Officer
(Principal Financial Officer)

Certain identified information in this document has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed, and has been marked with “[***]” to indicate where omissions have been made.

**THIRD PROGRAM OUTLINE
POS Product**

This Third Program Outline entered into and effective on October 28, 2022 (the “**Third Program Effective Date**”), is made pursuant to, and is a part of, that certain Customer Installment Program Agreement between Shopify Inc., a Canadian corporation (“**Shopify**”) and Affirm, Inc., a Delaware corporation (“**Affirm**”) with an effective date of July 16, 2020, as amended (the “**Agreement**”). To the extent applicable and not otherwise expressly contradicted herein, the terms of the Agreement shall apply mutatis mutandis to the Customer Installment Program (as described below). All capitalized terms not defined in this Program Outline shall take their respective meanings as set forth in the Agreement.

This Third Program Outline describes the Customer Installment Program to be incorporated into the Agreement.

IN WITNESS WHEREOF, the Parties have caused this Third Program Outline to be duly executed by their authorized representatives below.

Affirm, Inc.	Shopify Inc.
Signature: /s/ Scott Williams	Signature: /s/ Amy Shapero
Printed Name: Scott Williams	Printed Name: Amy Shapero
Title: VP of Strategic Partnerships	Title: Chief Financial Officer
Date: 10/28/22	Date: 10/28/22

- 1) **Program Description.** The Program will be offered only in the United States and its territories further outlined in the Merchant Agreement. The Financial Product associated with the Program (the “**POS Product**”) shall enable Merchants to offer Buyers a Shopify-native installments solution for in person purchases (the “**POS Product**”). The POS Product will allow the Merchant to offer all other Financial Products set forth in any other Program Outline, in store.
- 2) **Product Construct.** For purposes of the POS Product only, and in addition to (i) Section 2 of the First Program Outline dated July 16, 2020 (*Low AOV Product*) (as amended, the “**Low AOV Program Outline**”) and (ii) Section 2 of the Second Program outline dated May 6, 2022 (*High AOV Product*) (as amended, the “**High AOV Program Outline**”), the Parties have agreed to the following as the minimum requirements necessary for the “Product Construct” for the POS Product. To the extent that there are any changes to the POS Product the Parties will mutually agree to such changes (email sufficient).
 - a) **Onboarding and Signup.**
 - i) [***]
 - b) **Merchant Training.** Affirm will create, host, maintain and Shopify will make available to Merchants the minimum training necessary for compliance with all Applicable Laws in connection with the POS Product (“**POS Merchant Training**”). The POS Merchant

Training will be an online module that is easily accessible for Merchants, including their employees. Shopify shall have the right to review the POS Merchant Training for marketing, branding or other purposes and request updates, which Affirm (i) if related to marketing and branding, shall make, unless doing so would violate Applicable Laws or bank partner requirements and (ii) will consider in good faith all other requests.

- 3) **Launch.** This Program Outline will only be applicable for the Alpha Phase (as defined below). The Parties will enter into an amendment prior to the Beta Phase that will set forth any additional requirements for the Beta Phase and the GA Phase, which will include any additional minimum requirements for the “Product Construct”. The Parties will launch the POS Product on the Platform in three (3) phases: (i) Alpha Phase: with a certain number of Eligible Merchants to be mutually agreed upon by the Parties not to exceed [***] Eligible Merchants (“**Alpha Phase**”), and launched by the Launch Date; (ii) Beta Phase, promptly following the Alpha Phase on a mutually agreed upon date by the Parties with a certain number of Eligible Merchants to be mutually agreed upon by the Parties (the “**Beta Phase**”); and (iii) GA Phase: promptly following the Beta Phase on a mutually agreed upon date by the Parties (the “**GA Phase**”). Prior to the launch of the POS Product with each potential Eligible Merchant, Shopify will notify Merchants that the POS Product is available and provide any updates to the Merchant Agreement to all Merchants, which shall be substantially in the form attached hereto as Exhibit A, between Affirm and such Merchant (each, a “**Merchant Agreement**”).
- 4) **Fraud.** Shopify and Affirm will mutually agree on the tools or data necessary to launch the Alpha Phase (email sufficient). The Parties will work together and sign an amendment setting forth the requirements for the Beta Phase and GA Phase, as applicable.
- 5) **Merchant Engagement, Marketing.**
 - a) With respect to Merchant engagement and marketing, Shopify agrees to: (i) consult with Affirm on its plan for engagement with potential Eligible Merchants; (ii) to use commercially reasonable efforts to launch the POS Product with all potential Eligible Merchants on the Platform during the GA Phase; (iii) to use commercially reasonable efforts to configure the Platform such that all Eligible Merchants will have the option, by default, to offer the Financial Product to Customer; (iv) work with Affirm in good faith to develop a marketing plan for the Program; and (v) work with Affirm in good faith to drive repeat purchases for the program.
- 6) **Merchant Fees and Payout.**
 - a) Merchant Fees. During the Alpha Phase, each Eligible Merchant that makes the POS Product available shall pay Merchant Fees to Affirm associated with the Financial Product being offered as set forth in Addendum A-2 of the Low AOV Program Outline and Section 1 of Addendum A-1 of the High AOV Program Outline, as applicable, and in accordance with their applicable Merchant Agreement (“**Merchant Fees**”). The tiers of Merchant Fees that may be offered to a Merchant are set forth in the tables in the Exhibits in the Program Outline of the applicable Financial Product. For instance, the tiers of Merchant Fees for High AOV are set forth in the High AOV Program. The Parties will work together and sign an amendment setting forth the fees for the Beta Phase and GA Phase, as applicable.
 - b) Payouts to Eligible Merchants. Affirm and/or its Affiliates shall disburse funds in connection with this Program Outline to each Eligible Merchant in accordance with the disbursement requirements associated with the Financial Product being offered as set forth in the Low AOV Program Outline or the High AOV Program Outline, as

applicable, and as stated in the applicable Merchant Agreement. For instance, if a Merchant is offering Low AOV via the POS Product, then the Payouts to Eligible Merchants will be as set forth in the Low AOV Program Outline. Affirm and/or its Affiliates shall disburse funds in connection with the Program to each Eligible Merchant in accordance with this Section 6(b) and as stated in the applicable Merchant Agreement.

7) **Shopify Fees and Payout.**

- a) **Shopify Fees.** During the Alpha Phase, Affirm shall pay to Shopify a fee (“**Shopify Fee**”) equal to the fee associated with the Financial Product being offered to the applicable Eligible Merchant as set forth in Addendum A-2 of the Low AOV Program Outline and Section 1 of Addendum A-1 of the High AOV Program Outline as applicable. The tiers of Merchant Fees and associated Shopify Fee are set forth in the tables in the Exhibits in the Program Outline of the applicable Financial Product. For instance, the Shopify Fee for the High AOV Product offered via the POS Product, are as set forth in the High AOV Program Outline. The Parties will work together and sign an amendment setting forth the fees for the Beta Phase and GA Phase, as applicable.
 - b) **Payouts to Shopify.** Payouts to Shopify shall be as set forth in the applicable Program Outline associated with the Financial Product being offered through the POS Product.
 - c) **Payment Processing:** Payment processing shall be as set forth in the applicable Program Outline associated with the Financial Product being offered.
- 8) **Customer Installment Program Delay.** The Parties will use reasonable efforts to launch the Alpha Phase of the POS Product no later than a date mutually agreed to by the Parties (the “**Launch Date**”).
- 9) **Merchant Underwriting and AML/OFAC Screening.** Merchant underwriting and AML/OFAC screening shall be conducted in accordance with the Financial Product being offered as set forth in the Low AOV Program Outline or the High AOV Program Outline, as applicable. The Parties will work together and sign an amendment setting forth any additional requirements for the Beta Phase and GA Phase, as applicable.
- 10) **Reports.** Affirm shall include a section related to the POS Product in the Reports it delivers to Shopify in accordance with any other Program Outline; provided, that Shopify will provide Affirm with necessary information in order for Affirm to identify transactions completed through the POS Product. The details necessary for any Reports that are related to the POS Product will be mutually agreed to between the Parties.
- 11) **Program Modifications.** To the extent Shopify requests a modification of the POS Product that requires development beyond that contemplated by this Agreement, the Parties will review the incremental cost of any such development. If the Parties agree to such modification, the incremental costs will be shared equally between the Parties unless the Parties mutually agreed to a different allocation of costs.

Certain identified information in this document has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed, and has been marked with “[***]” to indicate where omissions have been made.

AMENDMENT NO. 4 TO
CUSTOMER INSTALLMENT PROGRAM AGREEMENT

This AMENDMENT NO. 4 TO CUSTOMER INSTALLMENT PROGRAM AGREEMENT (this “Amendment”) is entered into and made effective as of December 16, 2022 (the “Amendment Effective Date”) and amends the Customer Installment Program Agreement, dated July 16, 2020, as amended (together with any exhibits, schedules, amendments or addendums, the “Agreement”), by and between Shopify Inc., a Canadian corporation (“Shopify”), and Affirm, Inc., a Delaware corporation (“Affirm”). Capitalized terms used but not defined herein shall have the same meaning as those in the Agreement.

WHEREAS, Section 30 of the Agreement provides that no modification of the Agreement shall be effective unless made in writing and duly signed by the Parties referring specifically to the Agreement; and

WHEREAS, pursuant to Section 30 of the Agreement, Shopify and Affirm desire to amend the Agreement to the extent set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Effective as of the Amendment Effective Date, the Agreement shall be amended as set forth in the attached changed sections/items of the “Exhibit A-3 Program Outline” as set forth on Exhibit A.
2. Effect of Amendment. This Amendment shall not constitute an amendment or waiver of any provision of the Agreement not expressly amended or waived herein and shall not be construed as an amendment, waiver or consent to any action that would require an amendment, waiver or consent except as expressly stated herein. The provisions and agreements set forth herein shall not establish a custom or course of dealing or conduct among the Parties. The Agreement, as amended by this Amendment, is and shall continue to be in full force and effect and is in all respects ratified and confirmed hereby. In the event of any inconsistency, conflict or ambiguity as to the rights and obligations of the Parties under this Amendment, the terms of this Amendment shall control and supersede any such inconsistency, conflict or ambiguity.
3. Reference to the Agreement. After giving effect to this Amendment, unless the context otherwise requires, each reference in the Agreement to “this Agreement”, “hereof”, “hereunder”, “herein” or words of like import referring to the Agreement shall refer to the Agreement as amended by this Amendment; provided that references in the Agreement to “as of the date hereof” or “as of the date of this Agreement” or words of like import shall continue to refer to July 16, 2020.
4. Miscellaneous. The provisions of Sections 23 (Notices), and Sections 28-31, and 33 of the Agreement shall apply to this Amendment mutatis mutandis as if set forth herein to the extent applicable.

[Signature page to follow]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be duly executed by their authorized representatives below.

Shopify Inc.	Affirm, Inc.		
Signature: /s/ Jeff Hoffmeister	Signature: /s/ Scott Williams		
Name: Jeff Hoffmeister	Name: Scott Williams		
Title: Chief Financial Officer	Title: VP Strategic Partnerships		
Date: 12/16/2022	Date: 12/19/2022		
<p>Notices. Notices required under this Agreement shall be delivered pursuant to Section 23 (Notice), and addressed as set forth below:</p> <table border="0"> <tr> <td style="vertical-align: top;"> <p>If to Shopify:</p> <p>Shopify Inc. 150 O'Connor Street, Ground Floor Ottawa, ON K2P 2L8 Canada [***]</p> </td> <td style="vertical-align: top;"> <p>If to Affirm:</p> <p>Affirm, Inc. 650 California Street, 12th Floor San Francisco, CA 94108 Attention: Chief Legal Officer [***]</p> </td> </tr> </table>		<p>If to Shopify:</p> <p>Shopify Inc. 150 O'Connor Street, Ground Floor Ottawa, ON K2P 2L8 Canada [***]</p>	<p>If to Affirm:</p> <p>Affirm, Inc. 650 California Street, 12th Floor San Francisco, CA 94108 Attention: Chief Legal Officer [***]</p>
<p>If to Shopify:</p> <p>Shopify Inc. 150 O'Connor Street, Ground Floor Ottawa, ON K2P 2L8 Canada [***]</p>	<p>If to Affirm:</p> <p>Affirm, Inc. 650 California Street, 12th Floor San Francisco, CA 94108 Attention: Chief Legal Officer [***]</p>		

Exhibit A
AMENDMENT TO THE THIRD PROGRAM OUTLINE (POS PRODUCT)

The following terms and conditions are intended to be added to the Third Program Outline (*POS Product*) attached to the Agreement as Exhibit A-3, and, where such terms conflict with an existing section in the Third Program Outline, entirely replace such sections of the Third Program Outline.

The amended sections below shall entirely replace those same sections in the Agreement. All other sections that are not amended or replaced herein shall remain unmodified as expressly stated in the Agreement.

1. New clauses (c) and (d) will be added to Section 2 of the Third Program Outline:

- c) **Identifiers.** With respect to Beta Phase and GA Phase, Shopify will collect and send to Affirm identifiers for retail merchants: (i) store location address (“**Store Location Data**”) and (ii) any other identifiers agreed to by the Parties. With respect to the Alpha Phase, Beta Phase and GA Phase, Shopify will create a designation to easily identify transactions as either e-commerce or in-store transactions (“**Channel Data**”).
- d) **Pre-Qualification Support.** Shopify will make commercially reasonable efforts to build pre-qualification for Customers in the Shopify App (“**Pre-Qualification**”), with specific requirements to be mutually agreed to by the Parties at a time to be mutually agreed to by the Parties. The Parties acknowledge that Pre-Qualification for Customers is not a prerequisite for the Beta Phase or the GA Phase.

2. Section 3 of the Third Program Outline is hereby replaced in its entirety as follows:

3) **Launch.** This Program Outline will only be applicable for the Alpha Phase (as defined below). The Parties will enter into an amendment prior to the Beta Phase that will set forth any additional requirements for the Beta Phase and the GA Phase, which will include any additional minimum requirements for the “Product Construct”. The Parties will launch the POS Product on the Platform in three (3) phases: (i) Alpha Phase: with a certain number of Eligible Merchants to be mutually agreed upon by the Parties not to exceed [***] Eligible Merchants or another number of Eligible Merchants as agreed by the Parties (“Alpha Phase”), and launched by the Launch Date or date mutually agreed to by the parties prior to the Beta Phase; (ii) Beta Phase, promptly following the Alpha Phase on a mutually agreed upon date by the Parties with a certain number of Eligible Merchants to be mutually agreed upon by the Parties (the “Beta Phase”); and (iii) GA Phase: promptly following the Beta Phase on a mutually agreed upon date by the Parties (the “GA Phase”). Prior to the launch of the POS Product with each potential Eligible Merchant, Shopify will notify Merchants that the POS Product is available and provide any updates to the Merchant Agreement to all Merchants, which shall be substantially in the form attached hereto as Exhibit A, between Affirm and such Merchant (each, a “Merchant Agreement”).

3. Section 4 of the Third Program Outline is hereby replaced in its entirety as follows:

4) Fraud.

- a) As a condition to launching the Beta Phase and the GA Phase, at a minimum and in addition to any fraud prevention tools that have been already implemented by Shopify for the Program under all Program Outlines as of the Third Program Agreement Effective Date, (i) the Parties will mutually agree on the fraud prevention tools and (ii) send Affirm the following data information set forth in more detail in Exhibit A to the Agreement (A) Store Location Data and (B) Channel Data, or such other tools or data as otherwise mutually agreed to by the Parties. To the extent that any of the agreed-upon fraud prevention tools are not necessary as directed by Affirm and mutually agreed to by the Parties, then that fraud prevention tool will not apply. If there is a fraud prevention tool that is required by Affirm’s fraud risk process, then Affirm will communicate the necessary tool to Shopify and Shopify will use commercially reasonable efforts to enable it. For the avoidance of doubt, the Parties will not launch the Beta Phase or GA Phase without implementing the mutually agreed to fraud prevention tools required for the Beta Phase and/or GA Phase.

- b) Affirm and Shopify will track the amount of fraudulent transactions captured via the POS Product by all Merchants using such POS Product (the “**Fraudulent Amounts**”) for each month period during the Term (the “**Monthly Fraud Amount**”) and each such month period during the Term, the “**Fraud Measurement Period**”) and the percentage of the Monthly Fraud Amount out of all Affirm Successful Transaction Volume for such applicable Fraud Measurement Period (the “**Monthly Fraud Rate**”).
 - i) “**Affirm Successful Transaction Volume**” means the aggregate total United States dollar amount of Successful Transactions that have been captured through the POS Product pursuant to the Third Program Outline, less amounts resulting from Customer refunds and chargebacks.
 - ii) Solely for example purposes, if (i) the Monthly Fraud Amount for January equals \$[***] and (ii) the Affirm Successful Transaction Volume for January equals \$[***], then the Monthly Fraud Rate for January will be [***].
 - c) To the extent the Monthly Fraud Rate exceeds [***]% for any month during the Term, the Parties will discuss and negotiate in good faith what additional fraud prevention tools the Parties can enable to reduce Customer fraud.
 - d) If the Monthly Fraud Rate exceeds [***]% for any month during the Term, Affirm or Shopify may elect to suspend the POS Product until mutual agreement to re-launch the POS Product.
4. A new clause (b) will be added to Section 5 of the Third Program Outline:
- b) No Eligible Merchant will be migrated from a direct integration with Affirm to the POS Product; provided, any Eligible Merchant may choose to enable the POS Product at any time.
5. Section 6 of the Third Program Outline is hereby replaced in its entirety as follows:
- a) Merchant Fees.
 - i) During the Alpha Phase, the Beta Phase and GA Phase, each Eligible Merchant that makes the POS Product available shall pay Merchant Fees to Affirm associated with the Financial Product being offered as set forth in Addendum A-2 of the Low AOV Program Outline and Section 1 of Addendum A-1 of the High AOV Program Outline, as applicable, and in accordance with their applicable Merchant Agreement (“**Merchant Fees**”); provided, that if an Eligible Merchant has enabled either Financial Product on its website (an “**Existing Merchant**”), the Merchant Fees for the POS Product will be the same Merchant Fees that the Existing Merchant currently pays in connection with the Financial Products offered on its website (the “**Existing Merchant Fees**”). The tiers of Merchant Fees that may be offered to a Merchant are set forth in the tables in the Exhibits in the Program Outline of the applicable Financial Product. For instance, the tiers of Merchant Fees for High AOV are set forth in the High AOV Program.
6. Section 7 of the Third Program Outline is hereby replaced in its entirety as follows:
- a) Shopify Fees.
 - i) During the Alpha Phase, Beta Phase and the GA Phase, Affirm shall pay to Shopify a fee (“**Shopify Fee**”) equal to the fee associated with the Financial Product being offered to the applicable Eligible Merchant as set forth in Addendum A-2 of the Low AOV Program Outline and Section 1 of Addendum A-1 of the High AOV Program Outline as applicable; provided, that the Shopify Fee in connection with an Existing Merchant will be the applicable Shopify Fee to the Existing Merchant Fees as set forth in Addendum A-2 of the Low AOV Program Outline and Section 1 of Addendum A-1 of the High AOV Program Outline. The tiers of Merchant Fees and associated Shopify Fees are set forth in the tables in the Exhibits in the Program Outline of the applicable Financial Product. For instance, the Shopify Fee for the

High AOV Product offered via the POS Product, are as set forth in the High AOV Program Outline.

7. Section 9 of the Third Program Outline is hereby replaced in its entirety as follows:

9) **Merchant Underwriting and AML/OFAC Screening.** Merchant underwriting and AML/OFAC screening shall be conducted in accordance with the Financial Product being offered as set forth in the Low AOV Program Outline or the High AOV Program Outline, as applicable.

AFFIRM HOLDINGS, INC.**AMENDED AND RESTATED 2012 STOCK PLAN**

(Adopted by the Board on November 18, 2020; Approved by the stockholders of the Company on December 15, 2020; IPO Date on January 12, 2021; Amended May 7, 2021; Amended October 21, 2022)

1. **Purposes of the Plan.** The purposes of this Amended and Restated 2012 Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Restricted Stock, Restricted Stock Units and Other Awards may also be granted under the Plan.

2. **Definitions.** As used herein, the following definitions shall apply:

(a) "**Acquiror**" means any one person (within the meaning of Section 13(d) of the Exchange Act), or more than one such person acting as a group (as defined under Treasury Regulation § 1.409A-3(i)(5)(v)(B)), in each case, other than (i) the Company, (ii) any Subsidiary, Parent or Affiliate, (iii) any employee benefit plan sponsored by the Company or by any Subsidiary, Parent or Affiliate, (iv) an entity of which at least a majority of its Voting Power is owned directly or indirectly by the Company, (v) an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock or (vi) an entity in which the holders of at least a majority of the Voting Power of the Company outstanding immediately prior to the relevant transaction continue to hold (either by their shares remaining outstanding in the continuing entity or by their shares being converted into securities of the surviving entity or its parent entity) a majority of the total Voting Power of the Company (or the surviving entity or its parent entity) outstanding immediately after such transaction.

(b) "**Administrator**" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(c) "**Affiliate**" of any Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first mentioned Person. A Person shall be deemed to control another Person if such first Person possesses directly or indirectly the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, by contract or otherwise.

(d) "**Applicable Laws**" means the legal requirements relating to the administration of Awards, including under applicable U.S. state corporate laws, U.S. federal and applicable state securities laws, other U.S. federal and state laws, the Code, any Stock Exchange rules or regulations and the applicable laws, rules and regulations of any other country or jurisdiction where Awards are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time.

(e) "**Award**" means, except when referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-statutory Stock Options, Restricted Stock Awards, Restricted Stock Units or any combination of the foregoing.

(f) “Award Agreement” means a written or electronic agreement setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Agreement may contain terms and conditions in addition to those set forth in the Plan; provided, however, in the event of any conflict in the terms of the Plan and the Award Agreement, the terms of the Plan shall govern.

(g) “Board” means the Board of Directors of the Company.

(h) “Cashless Transaction” means a program approved by the Administrator in which payment of the Option exercise price and/or Tax Withholding Obligations applicable to an Award may be satisfied, in whole or in part, with Shares subject to the Award, including by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Administrator) to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate exercise price and, if applicable, the amount necessary to satisfy the applicable Tax Withholding Obligations.

(i) “Cause” for termination of a Holder’s Continuous Service Status will exist if the Holder is terminated by the Company for any of the following reasons: (i) Holder’s willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Holder’s commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Holder of any proprietary information or trade secrets of the Company or any other party to whom the Holder owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Holder’s willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether a Holder is being terminated for Cause shall be made in good faith by the Company’s Board of Directors and shall be final and binding on the Holder. The foregoing definition does not in any way limit the Company’s ability to terminate a Holder’s employment or consulting relationship at any time as provided in Section 6(b) below, and the term “Company” will be interpreted to include any Subsidiary, Parent or Affiliate, as appropriate.

(j) “Change of Control” means (i) a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of each appointment or election; (ii) an Acquiror acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Acquiror) all or substantially all of the Company’s assets; (iii) any merger, consolidation or other business combination transaction of the Company with or into an Acquiror; or (iv) an Acquiror acquires ownership of stock of the Company that, together with stock held by such Acquiror, constitutes more than 50% of the total fair market value or total Voting Power of the stock of the Company. Notwithstanding anything in this Plan to the contrary, (x) subsections (i) through (iv) shall be interpreted in a manner that is consistent with the Treasury Regulations promulgated pursuant to Section 409A of the Code so that all, and only, such transactions or events that could qualify as a “change in control event” within the meaning of Treasury Regulation §1.409A-3(i)(5)(i) will be deemed to be a Change of Control for purposes of this Plan; provided, however, that such limitation shall only apply to the extent necessary to prevent any tax becoming due under Section 409A of the Code; and (y) a transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company’s incorporation, or to create a holding company that will be owned in substantially the same proportions by the persons who hold the Company’s securities immediately before such transaction.

(k) “Code” means the Internal Revenue Code of 1986, as amended.

(l) “Committee” means one or more committees or subcommittees of the Board appointed by the Board to administer the Plan in accordance with Section 4 below.

(m) “Common Stock” means the Class A Common Stock of the Company.

(n) “Company” means Affirm Holdings, Inc., a Delaware corporation.

(o) “Consultant” means any natural person, including an advisor, who is engaged by the Company or any Parent, Subsidiary or Affiliate to render services and is compensated for such services, and any director of the Company whether compensated for such services or not, who satisfies the requirements of subsection (c)(1) of Rule 701 under the Securities Act of 1933, as amended.

(p) “Continuous Service Status” means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator; or (iv) in the case of transfers between locations of the Company or between the Company, its Parents, Subsidiaries, Affiliates or their respective successors. A change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Service Status. However, for Incentive Stock Option purposes, termination of Continuous Service Status will occur when the Employee ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company or one of its Subsidiaries. The Administrator shall determine whether any corporate transaction, such as a sale or spin-off of a division or business unit, or a joint venture, shall be deemed to result in a termination of Continuous Service Status.

(q) “Director” means a member of the Board.

(r) “Disability” means “disability” within the meaning of Section 22(e)(3) of the Code.

(s) “Employee” means any person employed by the Company or any Parent or Subsidiary, with the status of employment determined based upon such factors as are deemed appropriate by the Administrator in its discretion, subject to any requirements of the Code or the Applicable Laws. The payment by the Company of a director’s fee to a Director shall not be sufficient to constitute “employment” of such Director by the Company.

(t) “Evergreen Shares” means Shares made available for issuance under the Plan pursuant to Section 3(b) of the Plan.

(u) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(v) “Executive Officer” means any Company employee who is an “executive officer” as defined in Rule 3b-7 promulgated under the Exchange Act.

(w) “Fair Market Value” means, as of any date, the value of a share of Common Stock or other property as determined by the Administrator, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Common Stock is listed on a national or regional securities exchange or market system, including without limitation the Nasdaq Global Market, the Fair Market Value of a share of Common Stock shall

be the closing price on such date of a share of Common Stock (or the mean of the closing bid and asked prices of a share of Common Stock if the stock is so quoted instead) as quoted on such exchange or market system constituting the primary market for the Common Stock, as reported in The Wall Street Journal or such other source as the Administrator deems reliable. If the relevant date does not fall on a day on which the Common Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Common Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Administrator, in its discretion.

(ii) If, on such date, the Common Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Common Stock shall be as determined by the Administrator in good faith using a reasonable application of a reasonable valuation method in a manner that complies with Sections 409A and 422 of the Code and without regard to any restriction other than a restriction which, by its terms, will never lapse.

(x) “Holder” means any holder of one or more Awards or Shares issued pursuant to an Award.

(y) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Option Agreement.

(z) “Initial Public Offering” means the consummation of the first firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale by the Company of its equity securities, as a result of or following which the Shares shall be publicly held.

(aa) “IPO Date” means the offering date of the Initial Public Offering.

(ab) “Non-statutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement.

(ac) “Option” means a stock option granted pursuant to the Plan. Options granted under the Plan may be Incentive Stock Options or Non-statutory Stock Options, as determined by the Administrator at the time of grant.

(ad) “Option Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(ae) “Option Exchange Program” means a program approved by the Administrator whereby outstanding Options are exchanged for Options with a lower exercise price or are amended to decrease the exercise price as a result of a decline in the Fair Market Value of the Common Stock.

(af) “Optioned Stock” means Shares that are subject to an Option or that were issued pursuant to the exercise of an Option.

(ag) “Optionee” means an Employee or Consultant who receives an Option.

- (ah) “Other Award” means an award granted to a Holder pursuant to Section 11 of the Plan.
- (ai) “Other Award Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Other Awards granted under the Plan and includes any document attached to such agreement.
- (aj) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.
- (ak) “Person” shall mean any individual, corporation, partnership (limited or general), limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or any similar entity.
- (al) “Plan” means this Affirm Holdings, Inc. Amended and Restated 2012 Stock Plan.
- (am) “Restricted Stock Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock granted under the Plan and includes any documents attached to such agreement.
- (an) “Restricted Stock Award” means Awards granted pursuant to Section 9 below and “Restricted Stock” means Shares issued pursuant to such Awards.
- (ao) “Restricted Stock Unit” means an Award of phantom stock units to a Holder, which may be settled in cash or Shares as determined by the Administrator, pursuant to Section 10.
- (ap) “Restricted Stock Unit Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock Units granted under the Plan and includes any document attached to such agreement.
- (aq) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.
- (ar) “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.
- (as) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.
- (at) “Stock Exchange” means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.
- (au) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.
- (av) “Tax Withholding Obligations” means any applicable U.S. federal, state, local or non-U.S. tax withholding obligations, social contributions, required deductions or other similar obligations that may arise in connection with an Award.

(aw) “Ten Percent Holder” means a person who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary.

(ax) “Voting Power” means the total combined voting power of all classes of stock (or, in the case of an entity that is not a corporation, similar equity interests) of the relevant entity determined in a manner consistent with the principles applicable to Section 409A of the Code.

3. Stock Subject to the Plan.

(a) Available Shares. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 118,374,202 Shares of Common Stock. The aggregate number of Shares which may be issued upon the exercise of Incentive Stock Options shall in no event exceed 118,374,202 Shares, subject to adjustment pursuant to Section 14 of the Plan. The Shares may be authorized, but unissued, or reacquired Common Stock. For purposes of this limitation, the Shares underlying any Awards that are forfeited, canceled, satisfied without the issuance of Shares, surrendered pursuant to an Option Exchange Program or otherwise terminated (other than by exercise) and Shares that are withheld upon exercise of any Option or settlement of an Award to cover the exercise price or tax withholding shall become available for future grant or sale under the Plan.

(b) Evergreen Shares. In addition, the number of Shares available for issuance under the Plan will automatically increase on the first day of each fiscal year, for a period of not more than ten years from the date the Plan is approved by the stockholders of the Company, commencing on July 1, 2021 and ending on (and including) July 1, 2030, in an amount equal to five percent (5%) of the total number of shares of the Company’s capital stock outstanding on the last day of the calendar month prior to the date of such automatic increase. Notwithstanding the foregoing, the Board may act prior to the first day of a given fiscal year to provide that there will be no increase in the number of Shares available for issuance under the Plan for such fiscal year or that the increase in the number of Shares available for issuance under the Plan for such year will be a lesser number of Shares than would otherwise occur pursuant to the preceding sentence.

4. Administration of the Plan.

(a) General. The Plan shall be administered by the Board or a Committee, or a combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Holders and, if permitted by the Applicable Laws, the Board may authorize one or more officers to make awards under the Plan.

(b) Committee Composition. If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 of the Code, to the extent permitted or required by such provisions. The Committee shall in all events conform to any requirements of the Applicable Laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to administer the Plan and to adopt, amend and rescind from time to time rules and regulations for the administration of the Plan;
- (ii) to determine the Fair Market Value of the Common Stock in accordance with Section 2(w) of the Plan; provided that such determination shall be applied consistently with respect to Holders under the Plan;
- (iii) to select the Employees and Consultants to whom Awards may from time to time be granted;
- (iv) to determine whether and to what extent Awards are granted;
- (v) to determine the number of Shares to be covered by each Award (other than a cash-based Other Award), and the amount of cash to be covered by each cash-based Other Award;
- (vi) to approve the form(s) of Award Agreement(s) and other related documents used under the Plan;
- (vii) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Awards may vest and/or be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, any pro rata adjustment to vesting as a result of a Holder's transitioning from full- to part-time service (or vice versa), and any restriction or limitation regarding any Award, Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award;
- (viii) to determine whether and under what circumstances an Award may be settled in cash under Section 10(e) instead of Common Stock;
- (ix) subject to Applicable Laws and Section 4(h) of the Plan, to implement an Option Exchange Program on such terms and conditions as the Administrator in its discretion deems appropriate; provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Optionee shall be made without the prior written consent of the Optionee;
- (x) to amend, waive or otherwise adjust the terms and conditions of any outstanding Award, any Award Agreement or any other agreement related to any Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award, including any amendment adjusting vesting or exercisability (e.g., in connection with a change in the terms or conditions under which such person is providing services to the Company); provided that no such amendment, waiver or adjustment shall be made that would materially and adversely affect the rights of any Holder without his or her consent; and provided, further, that the Administrator shall not have any such authority to the extent that the grant of such authority would cause any tax to become due under Section 409A of the Code;
- (xi) to (A) extend the term of any Award, including, without limitation, extending the period following a termination of a Holder's Continuous Service Status during which any such Award may remain outstanding or (B) provide for the accrual of dividends or dividend equivalents with respect to any such Award; provided that the Administrator shall not have any such authority to the extent

that the grant of such authority would cause any tax to become due under Section 409A of the Code; and provided, further, that no payment in respect of accrued dividends or dividend equivalents shall be made prior to the vesting of the relevant Award;

(xii) to construe and interpret the terms of the Plan, any Award Agreement and any agreement related to any Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award, which constructions, interpretations and decisions shall be final and binding on all Holders;

(xiii) in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Awards to Holders who are foreign nationals or employed outside of the United States in order to recognize differences in local law, tax policies or customs;

(xiv) to approve addenda pursuant to Section 4(d) of the Plan or to grant Awards to, or to modify the terms of any outstanding Award Agreement or any agreement related to any Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award held by, Holders who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences; and

(xv) to exercise discretion to take or make any and all other actions or determinations which it determines to be necessary or advisable for the administration of the Plan.

(d) Addenda. The Administrator may approve such addenda to the Plan as it may consider necessary or appropriate for the purpose of granting Awards to Employees or Consultants, which Awards may contain such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom, which, if so required under Applicable Laws, may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.

(e) Delegation of Administration of the Plan. Subject to Applicable Laws, the Administrator, in its discretion, may delegate to a committee of two or more officers of the Company (the "Management Committee") the power to designate Employees who are not officers of the Company to be recipients of Options or Restricted Stock Units, and to determine the number of such Options or Restricted Stock Units to be received by such Employees; provided, however, that (i) such delegation shall specify the maximum number of Shares available for grants of Awards pursuant to such delegation (which amount may be modified from time to time by the Administrator), (ii) the vesting schedule for each Award granted pursuant to such delegation must be a vesting schedule previously approved by the Administrator for grants of Awards made by the Management Committee pursuant to such delegation, and (iii) such delegation may not delegate the authority to set the exercise price of any Option granted pursuant to such delegation at a price other than the Fair Market Value per Share on the date of grant. Any such delegation by the Administrator shall also provide that no Management Committee member may grant Awards to himself or herself (or other officers of the Company) without the approval of the Administrator. Subject to Applicable Laws, the Administrator, in its discretion, also may delegate to the Management Committee the power to take certain identified

administrative actions under the Plan for which authority has been assigned to the Administrator under the Plan. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(f) Indemnification. To the maximum extent permitted by Applicable Laws, each member of the Committee (including officers of the Company, if applicable), or of the Board, as applicable, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or pursuant to the terms and conditions of any Award except for actions taken in bad faith or failures to act in good faith, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit or proceeding against him or her; provided that such member shall give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, Certificate of Incorporation or Bylaws, by contract, as a matter of law or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

(g) Decisions of the Administrator. Decisions of the Administrator shall be final, binding and conclusive on all parties. For the avoidance of doubt, the Administrator may exercise all discretion granted to it under the Plan in a non-uniform manner among Holders and Awards, and the Administrator may take different actions with respect to the vested and unvested portions of an Award.

(h) Shareholder Approval Required for Repricing. Notwithstanding any provision of this Plan to the contrary, in no event shall (i) any repricing (within the meaning of U.S. generally accepted accounting principles or any applicable Stock Exchange rule) of Options issued under the Plan be permitted at any time under any circumstances, (ii) any new Awards be issued in substitution for outstanding Options previously granted to Holders if such action would be considered a repricing (within the meaning of U.S. generally accepted accounting principles or any applicable Stock Exchange rule) or (iii) any Option or stock appreciation right (x) have its exercise price be reduced or (y) be purchased (or otherwise "cashed out") by the Company if, on the date of such purchase, the exercise price per Share covered by such Option or stock appreciation right is less than 100% of the Fair Market Value of a Share on such date, in the case of each (i)-(iii), unless the approval of the stockholders of the Company has been obtained to take such action.

5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units and Other Awards may be granted to Employees and Consultants, subject to Applicable Laws. Incentive Stock Options may be granted only to Employees of the Company or of a Subsidiary.

6. Limitations.

(a) ISO \$100,000 Limitation. Notwithstanding any designation under Section 8(a), to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Non-statutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they

were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(b) No Employment Rights. Neither the Plan nor any Award shall confer upon any Holder any right with respect to continuation of an employment or consulting relationship with the Company (or any Parent, Subsidiary or Affiliate), nor shall it interfere in any way with (i) such Holder's right or the Company's right (or the Parent's, Subsidiary's or Affiliate's right) to terminate the employment or consulting relationship at any time for any reason, or (ii) the Company's right to increase or decrease the compensation of the Holder from the rate in existence at the time of the grant of an Award. No payment with respect to any Awards under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

(c) No Right to Awards. No person shall have any claim or right to receive an Award hereunder. The Administrator's granting of an Award to a Holder at any time shall neither require the Administrator to grant an Award to such Holder, or to any other Holder or other person at any time, nor preclude the Administrator from making subsequent grants to such Holder or any other Holder or other person.

(d) Limitation on Grants to Non-Employee Directors. The maximum number of Shares subject to Awards (and of cash subject to cash-based Other Awards) granted under the Plan or otherwise during any one fiscal year to any Director (other than a Director who is also an Employee) for service on the Board, taken together with any cash fees paid by the Company to such Director during such fiscal year for service on the Board, will not exceed \$650,000 in total value (calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes); provided, however, that with respect to the first fiscal year during which such a Director serves on the Board (or, in the event such Director does not receive any Awards during such first fiscal year, the second fiscal year during which such a Director serves on the Board), such maximum total value shall instead be \$1,000,000.

7. Term of Plan. The Plan shall become effective as of the IPO Date, subject to the approval of the stockholders of the Company as provided in Section 27 of the Plan (the "Effective Date"). It shall continue in effect for a term of ten (10) years from the Effective Date unless sooner terminated under Section 17(a) of the Plan.

8. Stock Options.

Upon the grant of any Option, the Company and the Optionee shall enter into an Option Agreement. The terms and conditions of each such Option Agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and Optionees.

(a) Type of Option. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Non-statutory Stock Option.

(b) Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

(c) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be set forth in the Option Agreement and such price as is determined by the Administrator but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; or

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be such price as is determined by the Administrator, provided that, if the per Share exercise price is less than 100% of the Fair Market Value on the date of grant, it shall otherwise comply with all Applicable Laws, including Section 409A of the Code.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(d) Permissible Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option and to the extent required by Applicable Laws, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) subject to any requirements of the Applicable Laws, delivery of Optionee's promissory note having such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 153 of the Delaware General Corporation Law); (4) cancellation of indebtedness; (5) Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised, provided that in the case of Shares acquired, directly or indirectly, from the Company, such Shares must have been owned by the Optionee for more than six months on the date of surrender (or such other period as may be required to avoid the Company's incurring an adverse accounting charge); (6) a Cashless Transaction; (7) any combination of the foregoing methods of payment; or (8) such other consideration and method of payment as determined by the Administrator and to the extent permitted under Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

(e) Exercise of Option.

(i) General.

(A) Exercisability. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company and/or the Optionee. Any such vesting requirements or performance criteria may be based upon the

achievement of Company-wide, business unit, or individual goals (including, but not limited to, Continuous Service Status), or any other basis determined by the Administrator in its sole discretion. Each Option shall be exercisable in whole or in part. The partial exercise of an Option shall not cause the expiration, termination or cancellation of the remaining portion thereof.

(B) Leave of Absence. The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any unpaid leave of absence; provided, however, that in the absence of such determination, vesting of Options shall be tolled during any such unpaid leave (unless otherwise required by the Applicable Laws). In the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon a Holder's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Holder continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(C) Minimum Exercise Requirements. An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, or a minimum aggregate exercise price; provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(D) Procedures for and Results of Exercise. An Option shall be deemed exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised and has paid, or made arrangements to satisfy, any Tax Withholding Obligations in accordance with Section 12 of the Plan. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(d) of the Plan, provided that the Administrator may, in its sole discretion, refuse to accept any form of consideration at the time of any Option exercise. The exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(E) Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

(ii) Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 8(e), the Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. Unless the Administrator otherwise provides in the Option Agreement, to the extent that the Optionee is not vested in Shares underlying his or her Option at the date of termination of his or her Continuous Service Status, or if the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Option Agreement or below (as applicable), the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to Section 7 of the Plan).

The following provisions (1) shall apply to the extent an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status, and (2) establish the minimum post-termination exercise periods that may be set forth in an Option Agreement:

(A) Termination other than Upon Disability or Death or for Cause. In the event of termination of Optionee's Continuous Service Status other than under the circumstances set forth in subsections (B), (C) and (D) below, such Optionee may exercise an Option until the earlier of (1) three months following the date of such termination (to the extent the Optionee was vested in the Shares underlying the Option as of the date of such termination), if the Optionee's Continuous Service Status is terminated prior to the Optionee completing two full years of Continuous Service Status; (2) seven years following the date of such termination (to the extent the Optionee was vested in the Shares underlying the Option as of the date of such termination), if the Optionee's Continuous Service Status is terminated on or after the Optionee completing two or more full years of Continuous Service Status; or (3) the expiration of the term of such Option; provided, however, that the Administrator may in the Option Agreement specify a shorter or longer period of time (but not beyond the expiration date of the Option) following termination of Optionee's Continuous Service Status during which Optionee may exercise the Option as to Shares that were vested and exercisable as of the date of termination of Optionee's Continuous Service Status. No termination shall be deemed to occur and this Section 8(e)(ii)(A) shall not apply if (y) the Optionee is a Consultant who becomes an Employee, or (z) the Optionee is an Employee who becomes a Consultant.

(B) Disability of Optionee. In the event of termination of an Optionee's Continuous Service Status as a result of his or her Disability, such Optionee may exercise an Option until the earlier of (1) any time within twelve months following the date of such termination (to the extent the Optionee was vested in the Shares underlying the Option as of the date of such termination), if the Optionee's Continuous Service Status is terminated prior to the Optionee completing two full years of Continuous Service Status; (2) any time within seven years following the date of such termination (to the extent the Optionee was vested in the Shares underlying the Option as of the date of such termination), if the Optionee's

Continuous Service Status is terminated on or after the Optionee completing two or more full years of Continuous Service Status; or (3) the expiration of the term of such Option.

(C) Death of Optionee. In the event of the death of an Optionee during the period of Continuous Service Status since the date of grant of the Option, or within thirty days following termination of Optionee's Continuous Service Status, the Option may be exercised by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance until the earliest of (1) any time within twelve months following the date of death (to the extent the Optionee was vested in the Shares underlying the Option as of the date of death, or the date the Optionee's Continuous Service Status terminated, if earlier), if the Optionee's Continuous Service Status is terminated prior to the Optionee completing two full years of Continuous Service Status; (2) any time within seven years following the date of death (to the extent the Optionee was vested in the Shares underlying the Option as of the date of death, or the date the Optionee's Continuous Service Status terminated, if earlier), if the Optionee's Continuous Service Status is terminated on or after the Optionee completing two or more full years of Continuous Service Status; or (3) the expiration of the term of such Option.

(D) Termination for Cause. In the event of termination of an Optionee's Continuous Service Status for Cause, any Option (including any exercisable portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Service Status. If an Optionee's employment or consulting relationship with the Company is suspended pending an investigation of whether the Optionee shall be terminated for Cause, all the Optionee's rights under any Option likewise shall be suspended during the investigation period and the Optionee shall have no right to exercise any Option. The Administrator shall have authority to effect such procedures and take such actions as are necessary to carry out the legal intent of this Section 8(e)(ii)(D), including such procedures and actions as are required to cause the Optionee to return to the Company Shares purchased under the Option that have been purchased or that vested within six months of the events giving rise to the for-Cause termination of the Optionee's Continuous Service Status and, if such Shares have been transferred by the Optionee, to remit to the Company the value of such transferred Shares.

9. Restricted Stock Awards.

(a) Nature of Restricted Stock Awards. The Administrator may, in its sole discretion, grant (or sell at par value or such other purchase price determined by the Administrator) to an eligible individual (as determined under Section 5 of the Plan) a Restricted Stock Award under the Plan. The Administrator shall determine the restrictions and conditions applicable to each Restricted Stock Award at the time of grant. Conditions may be based on Continuous Service Status, achievement of pre-established performance goals and objectives and/or such other criteria as the Administrator may determine. Upon the grant of a Restricted Stock Award, the Company and the Holder shall enter into a Restricted Stock Agreement. The terms and conditions of each such Restricted Stock Agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and Holders.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a Holder of Restricted Stock shall be considered the record owner of and shall be entitled to vote the Restricted Stock if, and to the extent, such Shares are entitled to voting rights, subject to such conditions contained in the Restricted Stock Agreement. The Holder shall be entitled to receive all dividends and any other distributions declared on the Shares; provided, however, that the Company is under no duty to declare any such dividends or to make any such distribution.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Agreement. Except as may otherwise be provided by the Administrator either in the Restricted Stock Agreement or, subject to Section 13 below, in writing after the Restricted Stock Agreement is issued, if a Holder's Continuous Service Status terminates, the Company or its assigns shall have the right, as may be specified in the relevant instrument, to repurchase some or all of the Shares subject to the Award at such purchase price as is set forth in the Award Agreement.

(d) Vesting of Restricted Stock. The Administrator at the time of grant shall specify in the Restricted Stock Agreement the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the substantial risk of forfeiture imposed shall lapse and the Restricted Stock shall become vested, subject to such further rights of the Company or its assigns as may be specified in the Restricted Stock Agreement. Any vesting criteria may be based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, Continuous Service Status), or any other basis determined by the Administrator in its sole discretion. Notwithstanding the foregoing, at any time after the delivery of Restricted Stock, the Administrator, in its sole discretion, may reduce or waive any applicable vesting criteria.

(e) Leave of Absence. The Administrator shall have the discretion to determine whether and to what extent the lapsing of Company repurchase rights shall be tolled during any unpaid leave of absence; provided, however, that in the absence of such determination, such lapsing shall be tolled during any such unpaid leave (unless otherwise required by the Applicable Laws). In the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Holder's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given "vesting" credit with respect to Shares purchased pursuant to the Restricted Stock Agreement to the same extent as would have applied had the Holder continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(f) Termination of Continuous Service Status. Unless otherwise provided in the applicable Restricted Stock Agreement, in the event the Holder's Continuous Service Status is terminated for any reason (including death or Disability) prior to the vesting of a Share of Restricted Stock, such Share shall be (i) forfeited for no consideration, in the event it was granted to the Holder, or (ii) subject to a repurchase option exercisable by the Company at the original purchase price paid by the Holder, in the event it was purchased by the Holder.

(g) Other Provisions. The Restricted Stock Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

10. Restricted Stock Units.

(a) Nature of Restricted Stock Units. The Administrator may, in its sole discretion, grant to an eligible person (as determined under Section 5 of the Plan) Restricted Stock Units under the Plan. The Administrator shall determine the restrictions and conditions applicable to each Restricted Stock Unit at the time of grant. Vesting conditions may be based on Continuous Service Status, achievement of pre-established performance goals and objectives and/or other such criteria as the Administrator may determine. Upon the grant of Restricted Stock Units, the Holder and the Company shall enter into a Restricted Stock Unit Agreement. The terms and conditions of each such Restricted Stock Unit Agreement shall be determined by the Administrator and may differ among individual Awards and Holders. On or promptly following the vesting date or dates applicable to any Restricted Stock Unit, but in no event later than March 15 of the year following the year in which such vesting occurs, such Restricted Stock Unit(s) shall be settled in the form of cash or Shares, as specified in the Restricted Stock Unit Agreement. Restricted Stock Units may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of.

(b) Rights as a Stockholder. A Holder shall have the rights of a stockholder only as to Shares, if any, acquired upon settlement of Restricted Stock Units. A Holder shall not be deemed to have acquired any such Shares unless and until the Restricted Stock Units shall have been settled in Shares pursuant to the terms of the Plan and the Restricted Stock Unit Agreement.

(c) Award Terms. When Restricted Stock Units are granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions applicable to the Award, including the number of Restricted Stock Units that such person shall be entitled to receive. The offer to receive Restricted Stock Units shall be accepted by execution of a Restricted Stock Unit Agreement.

(d) Vesting and Settlement. The Administrator may, in its sole discretion, set vesting criteria for the Restricted Stock Units that must be met in order to be eligible to receive a payout pursuant to the Award (note that the Administrator may specify additional conditions which must also be met in order to receive a payout pursuant to the Award). Any such vesting criteria may be based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, Continuous Service Status), or any other basis determined by the Administrator in its sole discretion. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any applicable vesting criteria.

(e) Form and Timing of Settlement. Settlement of earned Restricted Stock Units will be made upon the date(s) determined by the Administrator and may be subject to additional conditions, if any, each as set forth in the Restricted Stock Unit Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(f) Termination. Except as may otherwise be provided by the Administrator either in the Restricted Stock Unit Agreement or in writing after the Restricted Stock Unit Agreement is issued, a Holder's right in all Restricted Stock Units that have not vested shall automatically terminate upon the Holder's cessation of Continuous Service Status with the Company and any Subsidiary for any reason.

(g) Other Provisions. The Restricted Stock Unit Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Unit Agreements need not be the same with respect to each Holder.

11. Other Awards.

(a) General. The Administrator may from time to time grant cash-based, equity-based or equity-related awards not otherwise described herein in such amounts and on such terms as it shall determine, subject to the terms and conditions set forth in the Plan. Without limiting the generality of the preceding sentence, each such Other Award may (i) involve the transfer of actual Shares to Holders, either at the time of grant or thereafter, or payment in cash or otherwise, (ii) be subject to performance-based vesting conditions and/or multipliers and/or service-based vesting conditions, (iii) be in the form of cash, stock appreciation rights, phantom stock, performance shares, deferred share units, share-denominated performance units or other similar awards and (iv) be designed to comply with Applicable Laws of jurisdictions other than the United States; provided that each cash-based Other Award shall be denominated in cash and each equity-based or equity-related Other Award shall be denominated in, or shall have a value determined by reference to, a number of Shares, in each case that is specified (or will be determined using a formula that is specified) at the time of the grant of such Other Award.

(b) Award Terms. When Other Awards are granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions applicable to the Other Award. The offer to receive Other Awards shall be accepted by execution of an Other Award Agreement in the form determined by the Administrator.

(c) Vesting, Settlement and Payment. The Administrator may, in its sole discretion, set vesting criteria for the Other Award that must be met in order to be eligible to receive a payout pursuant to the Award (note that the Administrator may specify additional conditions which must also be met in order to receive a payout pursuant to the Award). Any such vesting criteria may be based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, Continuous Service Status), or any other basis determined by the Administrator in its sole discretion. Notwithstanding the foregoing, at any time after the grant of the Other Award, the Administrator, in its sole discretion, may reduce or waive any applicable vesting criteria.

(d) Form and Timing of Settlement or Payment. Settlement or payment of earned Other Awards will be made upon the date(s) determined by the Administrator and may be subject to additional conditions, if any, each as set forth in the Other Award Agreement. The Administrator will settle earned cash-based Other Awards solely in cash but, in its sole discretion, may settle earned equity-based or equity related Other Awards in cash, Shares, or a combination of both.

(e) Other Provisions. The Other Award Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. The provisions of Other Award Agreements need not be the same with respect to each Holder.

(f) Rights as a Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) (if any), no right to vote or receive dividends or any other rights as a holder of capital stock shall exist with respect to the equity-based or equity-related Other Awards. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

12. Taxes.

(a) Tax Withholding Obligations.

(i) As a condition of the grant, vesting and exercise or settlement of an Award, the Holder (or, in the case of the Holder's death or a permitted transferee, the person holding, exercising or receiving the proceeds of the Award) shall make such arrangements as the Administrator may require for the satisfaction of any Tax Withholding Obligations that may arise in connection with such Award. The Company and any Subsidiary shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee.

(ii) The Company's required tax withholding obligation may be satisfied, in whole or in part, by the Company withholding from Shares to be issued pursuant to an Award a number of Shares having an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the satisfaction of any Tax Withholding Obligations that may arise in connection with such Award. The Administrator may, in its sole discretion, permit or require a Holder (or, in the case of the Holder's death or a permitted transferee, the person holding, exercising or receiving the proceeds of the Award) to satisfy all or part of his or her Tax Withholding Obligations by remitting cash to the Company, by Cashless Transaction or by surrendering Shares (either directly or by stock attestation) that he or she previously acquired; provided that, unless specifically permitted by the Administrator (i) any Cashless Transaction must be an approved broker-assisted Cashless Transaction and the Shares withheld in the Cashless Transaction must be limited to avoid financial accounting charges under applicable accounting guidance, and (ii) any surrendered Shares must have been previously held for any minimum duration required to avoid financial accounting charges under applicable accounting guidance. Any payment of taxes by surrendering Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission. In addition, upon the exercise or settlement of any Award in cash, or the making of any other payment with respect to any Award (other than in Shares), the Company shall have the right to withhold from any payment required to be made pursuant thereto an amount sufficient to satisfy any Tax Withholding Obligations attributable to such exercise, settlement or payment.

(b) Compliance with Section 409A. Notwithstanding anything to the contrary contained in this Plan, to the extent that the Administrator determines that any Award granted under the Plan is subject to Code Section 409A and unless otherwise specified in the applicable Award Agreement, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary for such Award to avoid the consequences described in Code Section 409A(a)(1), and to the maximum extent permitted under Applicable Law (and unless otherwise stated in the applicable Award Agreement), the Plan and the Award Agreements shall be interpreted in a manner that results in their conforming to the requirements of Code Section 409A(a)(2), (3) and (4) and any Department of Treasury or Internal Revenue Service regulations or other interpretive guidance issued under Section 409A (whenever issued, the "Guidance"). Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement provides otherwise, with specific reference to this sentence), to the extent that a Holder holding an Award that constitutes "deferred compensation" under Section 409A and the Guidance is a "specified employee" (also as defined thereunder), no distribution or payment of any amount shall be made before a date that is six months following the date of such Holder's "separation from service" (as defined in Section 409A and the Guidance) or, if earlier, the date of the Holder's death.

(c) Deferral of Award Benefits. The Administrator may in its discretion and upon such terms and conditions as it determines appropriate permit one or more Holders whom it selects to (i) defer compensation payable pursuant to the terms of an Award, or (ii) defer

compensation arising outside the terms of this Plan pursuant to a program that provides for deferred payment in satisfaction of such other compensation amounts through the issuance of one or more Awards. Any such deferral arrangement shall be evidenced by an Award Agreement in such form as the Administrator shall from time to time establish, and no such deferral arrangement shall be a valid and binding obligation unless evidenced by a fully executed Award Agreement, the form of which the Administrator has approved, including through the Administrator's establishing a written program (the "Program") under this Plan to govern the form of Award Agreements participating in such Program. Any such Award Agreement or Program shall specify the treatment of dividends or dividend equivalent rights (if any) that apply to Awards governed thereby, and shall further provide that any elections governing payment of amounts pursuant to such Program shall be in writing, shall be delivered to the Company or its agent in a form and manner that complies with Code Section 409A and the Guidance, and shall specify the amount to be distributed in settlement of the deferral arrangement, as well as the time and form of such distribution in a manner that complies with Code Section 409A and the Guidance.

13. Transfer Restrictions. Unless otherwise determined by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a Holder will not constitute a transfer. An Option may be exercised, during the lifetime of the holder of the Option, only by such holder or a transferee permitted by this Section 13. Upon the death of a Holder, outstanding Awards granted to such Holder may be exercised only by the executors or administrators of the Holder's estate, by any person or persons who shall have acquired such right to exercise by will or by the laws of descent and distribution or by another transferee permitted by the Administrator pursuant to this Section 13. No transfer by will, the laws of descent and distribution or otherwise of any Award, or of the right to exercise any Award, shall be effective to bind the Company unless (a) the Administrator shall have been furnished with written notice thereof and with a copy of the will and/or such evidence as the Administrator may deem necessary to establish the validity of the transfer, (b) if the transfer was other than by will or by the laws of descent or distribution, the Administrator has provided its written consent to such transfer, and (c) the Administrator shall have been furnished with an agreement by the transferee to comply with all the terms and conditions of the Award that are or would have been applicable to the Holder, to be bound by the acknowledgements made by the Holder in connection with the grant of the Award and, if the transfer was other than by will or by the laws of descent or distribution, to be bound by any additional conditions the Administrator may, in its sole discretion, impose. For the avoidance of doubt, to the extent an unvested Award is transferred, the Continuous Service Status of the Holder will continue to determine, without limitation, the vesting and exercisability of such Award, to the same extent that the Continuous Service Status of the Holder would have done so had the Holder continued to directly hold such Award.

14. Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.

(a) Changes in Capitalization. Subject to any action required under Applicable Laws by the stockholders of the Company, (i) the numbers and class (or type) of Shares, units representing Shares, or other stock or securities: (x) available for future Awards (including pursuant to Incentive Stock Options) under Section 3(a) of the Plan and (y) covered by each outstanding Award, (ii) the price per Share covered by each such outstanding Option, and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, shall be proportionately adjusted (or substituted) by the Administrator in the event of a stock split, reverse stock split, stock dividend, combination, consolidation, recapitalization (including a recapitalization through a large nonrecurring cash dividend) or reclassification of the Shares, subdivision of the Shares, exchange of the Shares, a rights offering, a reorganization, merger,

spin-off, split-up, change in corporate structure, other increase or decrease in the number of Shares or other similar occurrence. Any adjustment by the Administrator pursuant to this Section 14 shall be made in the Administrator's sole discretion and shall be final, binding and conclusive. Except as expressly provided herein, (I) no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to, or the terms related to, an Award, and (II) no Holder shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividends or dividend equivalents, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. If, by reason of a transaction described in this Section 14 or an adjustment pursuant to this Section 14, a Holder's Award Agreement or agreement related to any Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award covers additional or different shares of stock or securities (or units representing additional or different shares of stock or securities), then such additional or different shares (and the units representing such additional or different shares), and the Award Agreement or agreement related to the Optioned Stock, Restricted Stock, Restricted Stock Unit or Share underlying an Other Award in respect thereof, shall be subject to all of the terms, conditions and restrictions which were applicable to the Award, Optioned Stock, Restricted Stock, Restricted Stock Units or Shares underlying an Other Award prior to such adjustment.

(b) Dissolution or Liquidation. In the event of the dissolution or liquidation of the Company, each Award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c) Corporate Transactions. In the event of (i) a transfer of all or substantially all of the Company's assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, or (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of more than 50% of the total Voting Power of the Company, or (iv) a Change of Control (each transaction set forth in clauses (i) through (iv) hereof, a "Corporate Transaction"), each outstanding Award (vested or unvested) will be treated as the Administrator determines in accordance with this paragraph, which determination may be made without the consent of any Holder and need not treat all outstanding Awards (or portion thereof) in an identical manner. Such determination, without the consent of any Holder, shall provide for one or more of the following in the event of a Corporate Transaction: (A) the continuation of such outstanding Awards by the Company (if the Company is the surviving corporation); (B) the assumption of such outstanding Awards by the surviving corporation or its parent; (C) the substitution by the surviving corporation or its parent of new options, equity awards, or cash-based awards for such Awards; (D) the cancellation of such Awards in exchange for a payment to the Holders equal to the excess (if any) of (1) the Fair Market Value of the Shares subject to such Awards (including any Shares subject to Options that may not be vested and/or exercisable and any Shares subject to other such Awards that may not be vested) as of the closing date of such Corporate Transaction (which may, for this purpose, be determined by reference to the value, as determined by the Administrator, of the property (including cash) received by the holder of a Share as a result of such Corporate Transaction) over (2) the exercise price or purchase price paid or to be paid for the Shares subject to the Awards (if any); or (E) in the case of Options, the opportunity for Optionees to exercise their Options (including any Options that may not be vested and/or exercisable) prior to the occurrence of the Corporate Transaction and the termination (for no consideration) upon the consummation of such Corporate Transaction of any Options not exercised prior thereto (in each case after taking into account any acceleration of vesting of such Awards to which the Holder may be entitled under the Plan, an Award Agreement and/or any

other applicable agreement or policy of the Company). Notwithstanding anything to the contrary herein, with respect to Awards held by Employees or Consultants who are not Executive Officers immediately prior to the closing of such Corporate Transaction, an Award shall be deemed to have been substituted by the surviving corporation or its parent within the meaning of Clause (C) above to the extent such only if the Employee or Consultant has received a comparable new option, equity award, or cash-based award that (x) preserves the intrinsic value of the Award existing at the time of the Corporate Transaction, (y) provides for a vesting and, if applicable, exercisability schedule that is the same as or more favorable to the Employee or Consultant, and (z) provides for full acceleration of vesting of the remaining unvested portion of the option, equity award or cash-based award if the Employee or Consultant's employment or other service with the surviving corporation or its parent is involuntarily terminated without Cause within twelve (12) months following the Corporate Transaction.

(d) Savings Clause. No provision of this Section 14 shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. Furthermore, no provision of this Section 14 shall be given effect to the extent such provision would result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 of the Exchange Act.

15. Change of Control. An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change of Control as may be provided in the Award Agreement for such Award, any other written agreement between the Company and the Holder of such Award, any severance or similar plan of the Company, or pursuant to resolutions duly adopted by the Administrator.

16. Time of Granting Awards. The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award, or such other date as is determined by the Administrator, provided that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Optionee's employment relationship with the Company. Notice of the determination shall be given to each Employee or Consultant to whom an Award is so granted within a reasonable time after the date of such grant.

17. Amendment and Termination of the Plan.

(a) Authority to Amend or Terminate. The Board may at any time amend, alter, suspend, discontinue or terminate the Plan, but no amendment, alteration, suspension, discontinuation or termination (other than an adjustment pursuant to Section 14 of the Plan) shall be made that would materially and adversely affect the rights of any Holder under any outstanding Award, without his or her consent. The preceding sentence shall not restrict the Administrator's ability to exercise its discretionary authority hereunder, which discretion may be exercised without amendment to the Plan. No provision of this Section 17 shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. In addition, to the extent necessary and desirable to comply with the Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

18. Conditions Upon Issuance of Shares; Securities Matters. The Company shall be under no obligation to affect the registration pursuant to the Securities Act of 1933, as amended, of any Shares to be issued hereunder or to effect similar compliance under any state, local or non-U.S. laws. Notwithstanding any other provision of the Plan or any Award Agreement, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with the Applicable Laws,

with such compliance determined by the Company in consultation with its legal counsel. The Administrator may require, as a condition to the issuance of Shares pursuant to the terms hereof, that the recipient of such Shares make such covenants, agreements and representations, and that any related certificates representing such Shares bear such legends, as the Administrator, in its sole discretion, deems necessary or desirable. The exercise or settlement of any Award granted hereunder shall only be effective at such time as counsel to the Company shall have determined that the issuance and delivery of Shares pursuant to such exercise or settlement is in compliance with all Applicable Laws. The Company may, in its sole discretion, defer the effectiveness of any exercise or settlement of an Award granted hereunder in order to allow the issuance of Shares pursuant thereto to be made pursuant to registration or an exemption from registration or other methods for compliance available under U.S. federal, state, local or non-U.S. securities laws. The Company shall inform the Holder in writing of its decision to defer the effectiveness of the exercise or settlement of an Award granted hereunder. During the period that the effectiveness of the exercise of an Award has been deferred, the Holder may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

19. Recoupment. Notwithstanding anything in the Plan or in any Award Agreement to the contrary, the Company will be entitled to the extent permitted or required by Applicable Law, Company policy and/or the requirements of a Stock Exchange on which the Shares are listed for trading, in each case, as in effect from time to time, to recoup compensation of whatever kind paid by the Company at any time to a Holder under this Plan. No such recoupment of compensation will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement between any Holder and the Company.

20. Changes in Status & Leaves of Absence. The Administrator shall have the discretion to determine (whether by establishing a policy applicable to the treatment of any or all Awards in such circumstances, or by making an individualized determination) at any time whether and to what extent any tolling, reduction, vesting-extension, forfeiture or other treatment should be applied to an Award in connection with a Holder’s leave of absence or a change in a Holder’s regular level of time commitment to the Company (e.g., in connection with a change from full-time to part-time status); provided, however, that the Administrator shall not have any such discretion (whether pursuant to a policy or specific determination) to the extent that the grant of such discretion would cause any tax to become due under Section 409A of the Code; and provided, further, that in the absence of a determination to the contrary by the Administrator, vesting shall continue during any paid leave and shall be tolled during any unpaid leave (in all cases, unless otherwise required by Applicable Laws). In the event of any such tolling, forfeiture, reduction or extension, the Holder shall have no right to the portion of the Award so tolled, forfeited, reduced or extended (except for the right that remains, if any, after the application of such action).

21. Failure to Comply. In addition to the remedies of the Company elsewhere provided for herein, failure by a Holder to comply with any of the terms and conditions of the Plan or any Award Agreement, unless such failure is remedied by such Holder within ten days after having been notified of such failure by the Administrator, shall be grounds for the cancellation and forfeiture of such Award, in whole or in part, as the Administrator, in its sole discretion, may determine.

22. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

23. Agreements. Awards shall be evidenced by Award Agreements, respectively, in such form(s) as the Administrator shall from time to time approve.

24. Section 409A.

(a) Unless otherwise expressly provided for in an Award Agreement, the Plan and each Award Agreement will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Administrator determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the Shares are publicly traded, and if a Holder holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Holder’s “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Holder’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(b) With respect to any Award that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code, termination of a Holder’s Continuous Service Status shall mean a separation from service within the meaning of Section 409A of the Code, unless the Holder was an Employee immediately prior to such termination and is then contemporaneously retained as a Consultant pursuant to a written agreement and such agreement provides otherwise. The Continuous Service Status of a Holder shall be deemed to have terminated for all purposes of the Plan if such person is employed by or provides services to Subsidiary and such Subsidiary ceases to be a Subsidiary, unless the Administrator determines otherwise. To the extent permitted by Section 409A of the Code, a Holder who ceases to be an Employee of the Company but continues, or simultaneously commences, services as a Director of the Company shall be deemed to have had a termination of Continuous Service Status for purposes of the Plan.

25. Beneficiaries. Unless stated otherwise in an Award Agreement, a Holder may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Holder’s death. If no beneficiary was designated or if no designated beneficiary survives the Holder, then, after a Holder’s death, any vested Award(s) shall be transferred or distributed to the Holder’s estate.

26. Expenses and Receipts. The expenses of the Plan shall be paid by the Company. Any proceeds received by the Company in connection with any Award will be used for general corporate purposes.

27. Stockholder Approval. If required by the Applicable Laws, continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under the Applicable Laws. If the stockholders fail to approve the Plan within 12 months after its adoption by the Board, then any Awards granted or sold under the Plan shall be rescinded and no additional grants or sales shall thereafter be made under the Plan. Subject to such approval by stockholders and to the requirement that no Shares may be

issued hereunder prior to such approval, Awards may be granted hereunder on and after adoption of the Plan by the Board.

28. Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Holder shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Administrator, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Holder. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of Shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the preparation of the Award Agreement or related grant documentation, the corporate records will control, and the Holder will have no legally binding right to the incorrect term in the Award Agreement or related grant documentation.

29. Severability. If all or any part of this Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Plan not declared to be unlawful or invalid. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

30. Notice. Any written notice to the Company required by any provisions of this Plan shall be addressed to the Secretary of the Company and shall be effective when received.

31. Governing Law; Interpretation of Plan and Awards.

(a) This Plan and all determinations made and actions taken pursuant hereto shall be governed by the substantive laws, but not the choice of law rules, of the state of Delaware.

(b) In the event that any provision of the Plan or any Award granted under the Plan is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of the terms of the Plan and/or Award shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

(c) The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of the Plan, nor shall they affect its meaning, construction or effect.

(d) The terms of the Plan and any Award shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

(e) All questions arising under the Plan or under any Award shall be decided by the Administrator in its total and absolute discretion. In the event the Holder believes that a decision by the Administrator with respect to such person was arbitrary or capricious, the Holder may request arbitration with respect to such decision. The review by the arbitrator shall be limited to determining whether the Administrator's decision was arbitrary or capricious. This arbitration shall be the sole and exclusive review permitted of the Administrator's decision, and the Holder shall as a condition to the receipt of an Award be deemed to explicitly waive any right to judicial review.

32. Limitation on Liability. The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Holder, an Employee or any other persons as to:

(a) The Non-Issuance of Shares. The non-issuance or sale of Shares (including under Section 18 above) as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares hereunder.

(b) Tax Consequences. Any tax consequence realized by any Holder, Employee or other person due to the receipt, vesting, exercise or settlement of any Award granted hereunder or due to the transfer of any Shares issued hereunder. The Holder is responsible for, and by accepting an Award under the Plan agrees to bear, all taxes of any nature that are legally imposed upon the Holder in connection with an Award, and the Company does not assume, and will not be liable to any party for, any cost or liability arising in connection with such tax liability legally imposed on the Holder. In particular, Awards issued under the Plan may be characterized by the Internal Revenue Service (the "IRS") as "deferred compensation" under the Code resulting in additional taxes, including in some cases interest and penalties. In the event the IRS determines that an Award constitutes deferred compensation under the Code or challenges any good faith characterization made by the Company or any other party of the tax treatment applicable to an Award, the Holder will be responsible for the additional taxes, and interest and penalties, if any, that are determined to apply if such challenge succeeds, and the Company will not reimburse the Holder for the amount of any additional taxes, penalties or interest that result.

(c) Forfeiture. The requirement that a Holder forfeit an Award, or the benefits received or to be received under an Award, pursuant to any Applicable Law.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Max Levchin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affirm Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: February 8, 2023

/s/ Max Levchin

Max Levchin

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Linford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affirm Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: February 8, 2023

/s/ Michael Linford

Michael Linford

Chief Financial Officer

(Principal Financial Officer)

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: February 8, 2023

/s/ Max Levchin

Max Levchin

Chief Executive Officer

(Principal Executive Officer)

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: February 8, 2023

/s/ Michael Linford

Michael Linford

Chief Financial Officer

(Principal Financial Officer)