# 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, 2023**

**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** | **84-2224323** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **650 California Street** | |
| **San Francisco, California** | **94108** |
| (Address of principal executive offices) | (Zip Code) |

**(415) 960-1518**
(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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

As of February 5, 2024, the number of shares of the registrant’s Class A common stock outstanding was 259,563,652 and the number of shares of the registrant’s Class B common stock outstanding was 47,310,468.

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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 regarding 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 maintain our relationship with existing originating bank partners and engage additional originating bank partners;
- our ability to maintain, renew or replace our existing funding arrangements and build and grow new funding relationships;
- the impact of any of our funding sources becoming unwilling or unable to provide funding to us on terms acceptable to us, or at all;
- 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 sustained profitability in the future;
- our ability, and the ability of our originating bank and other partners, to comply, and remain in compliance with, laws and regulations that currently apply or become applicable to our business or the businesses of such partners;
- 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;
- developments in our regulatory environment;
- the impact of macroeconomic conditions on our business, including the impacts of inflation, an elevated interest rate environment and corresponding increases in negotiated interest rate spreads, ongoing recessionary concerns and the potential for more instability of financial institutions; and
- the size and growth rates of the markets in which we compete.

Forward-looking statements, including statements such as “we believe” and similar statements, are based on our management’s current beliefs, opinions and assumptions and on information currently available as of the date of this Report. 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 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 in our most recently filed Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (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 risks emerge from time to time, and it is not possible for our management to predict all risks that we may face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause our 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 as of the date of this Report, we cannot guarantee future results, levels of activity, performance, achievements, events, outcomes, timing of results 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, outcomes, achievements and timing of results or outcomes may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary 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 only as an inactive textual reference for convenience and do not intend it to be an active link to our website.

# Part I - Financial Information

## Item 1. Financial Statements

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

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,036,719 | $ 892,027 |
| Restricted cash | 411,259 | 367,917 |
| Securities available for sale at fair value | 914,069 | 1,174,653 |
| Loans held for sale | 29 | 76 |
| Loans held for investment | 5,238,812 | 4,402,962 |
| Allowance for credit losses | (262,204) | (204,531) |
| Loans held for investment, net | 4,976,608 | 4,198,431 |
| Accounts receivable, net | 307,286 | 199,085 |
| Property, equipment and software, net | 369,854 | 290,135 |
| Goodwill | 541,156 | 542,571 |
| Intangible assets | 17,407 | 34,434 |
| Commercial agreement assets | 134,558 | 177,672 |
| Other assets | 356,044 | 278,614 |
| **Total assets** | **$ 9,064,989** | **$ 8,155,615** |
| **Liabilities and stockholders' equity** | | |
| Liabilities: | | |
| Accounts payable | $ 59,805 | $ 28,602 |
| Payable to third-party loan owners | 134,567 | 53,852 |
| Accrued interest payable | 22,181 | 13,498 |
| Accrued expenses and other liabilities | 150,272 | 180,883 |
| Convertible senior notes, net | 1,415,952 | 1,414,208 |
| Notes issued by securitization trusts | 2,740,656 | 2,165,577 |
| Funding debt | 1,906,672 | 1,764,812 |
| **Total Liabilities** | **6,430,105** | **5,621,432** |
| Commitments and contingencies (Note 8) | | |
| Stockholders' equity: | | |
| Class A common stock, par value $0.00001 per share: 3,030,000,000 shares authorized, 258,034,539 shares issued and outstanding as of December 31, 2023; 3,030,000,000 shares authorized, 237,230,381 shares issued and outstanding as of June 30, 2023 | 2 | 2 |
| Class B common stock, par value $0.00001 per share: 140,000,000 shares authorized, 47,499,807 shares issued and outstanding as of December 31, 2023; 140,000,000 authorized, 59,615,836 shares issued and outstanding as of June 30, 2023 | 1 | 1 |
| Additional paid in capital | 5,571,955 | 5,140,850 |
| Accumulated deficit | (2,929,932) | (2,591,247) |
| Accumulated other comprehensive loss | (7,142) | (15,423) |
| Total stockholders' equity | 2,634,884 | 2,534,183 |
| **Total liabilities and stockholders' equity** | **$ 9,064,989** | **$ 8,155,615** |

*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, 2023 | June 30, 2023 |
|---|---|---|
| **Assets of consolidated VIEs, included in total assets above** | | |
| Restricted cash | $ 206,008 | $ 203,872 |
| Loans held for investment | 5,041,108 | 4,151,606 |
| Allowance for credit losses | (230,009) | (178,252) |
| Loans held for investment, net | 4,811,099 | 3,973,354 |
| Accounts receivable, net | 2,959 | 8,196 |
| Other assets | 10,842 | 18,210 |
| **Total assets of consolidated VIEs** | **$ 5,030,908** | **$ 4,203,632** |
| **Liabilities of consolidated VIEs, included in total liabilities above** | | |
| Accounts payable | $ 2,916 | $ 2,894 |
| Accrued interest payable | 22,179 | 13,498 |
| Accrued expenses and other liabilities | 11,222 | 17,825 |
| Notes issued by securitization trusts | 2,740,656 | 2,165,577 |
| Funding debt | 1,872,624 | 1,656,400 |
| **Total liabilities of consolidated VIEs** | **4,649,597** | **3,856,194** |
| **Total net assets of consolidated VIEs** | **$ 381,311** | **$ 347,438** |

*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, 2023 | Three Months Ended December 31, 2022 | Six Months Ended December 31, 2023 | Six Months Ended December 31, 2022 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Merchant network revenue | $ 188,357 | $ 134,019 | $ 334,307 | $ 247,168 |
| Card network revenue | 39,269 | 29,117 | 72,745 | 55,825 |
| Total network revenue | 227,626 | 163,136 | 407,052 | 302,993 |
| Interest income | 288,346 | 155,321 | 551,025 | 292,123 |
| Gain on sales of loans | 52,702 | 59,607 | 86,987 | 123,202 |
| Servicing income | 22,436 | 21,494 | 42,593 | 42,864 |
| **Total revenue, net** | **$ 591,110** | **$ 399,558** | **$ 1,087,657** | **$ 761,182** |
| **Operating expenses** | | | | |
| Loss on loan purchase commitment | $ 53,630 | $ 38,422 | $ 88,496 | $ 74,032 |
| Provision for credit losses | 120,880 | 106,689 | 220,576 | 170,939 |
| Funding costs | 84,617 | 43,751 | 158,548 | 68,817 |
| Processing and servicing | 90,203 | 66,508 | 165,874 | 120,867 |
| Technology and data analytics | 119,833 | 156,747 | 252,798 | 301,708 |
| Sales and marketing | 161,265 | 188,334 | 308,131 | 352,207 |
| General and administrative | 132,777 | 158,639 | 273,111 | 319,611 |
| Restructuring and other | 56 | — | 1,721 | — |
| **Total operating expenses** | **763,261** | **759,090** | **1,469,255** | **1,408,181** |
| **Operating loss** | **$ (172,151)** | **$ (359,532)** | **$ (381,598)** | **$ (646,999)** |
| Other income, net | 4,549 | 35,527 | 43,256 | 71,545 |
| **Loss before income taxes** | **$ (167,602)** | **$ (324,005)** | **$ (338,342)** | **$ (575,454)** |
| Income tax (benefit) expense | (700) | (1,568) | 343 | (1,748) |
| **Net loss** | **$ (166,902)** | **$ (322,437)** | **$ (338,685)** | **$ (573,706)** |
| **Other comprehensive income (loss)** | | | | |
| Foreign currency translation adjustments | $ 13,824 | $ 4,522 | $ 1,926 | $ (17,024) |
| Unrealized gain (loss) on securities available for sale, net | 4,853 | 3,069 | 6,206 | (2,459) |
| Gain (loss) on cash flow hedges | (614) | — | 149 | — |
| **Net other comprehensive income (loss)** | **18,063** | **7,591** | **8,281** | **(19,483)** |
| **Comprehensive loss** | **$ (148,839)** | **$ (314,846)** | **$ (330,404)** | **$ (593,189)** |
| **Per share data:** | | | | |
| **Net loss per share attributable to common stockholders for Class A and Class B** | | | | |
| Basic | $ (0.54) | $ (1.10) | $ (1.11) | $ (1.96) |
| Diluted | $ (0.54) | $ (1.10) | $ (1.11) | $ (1.96) |
| **Weighted average common shares outstanding** | | | | |
| Basic | 307,571,602 | 293,683,331 | 305,705,637 | 292,306,300 |
| Diluted | 307,571,602 | 293,683,331 | 305,705,637 | 292,306,300 |

*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 [1] | Amount | | | | |
| **Balance as of June 30, 2023** | **296,846,217** | **$ 3** | **$ 5,140,850** | **$ (2,591,247)** | **$ (15,423)** | **$ 2,534,183** |
| Issuance of common stock upon exercise of stock options | 495,350 | — | 3,625 | — | — | 3,625 |
| Vesting of restricted stock units | 3,740,320 | — | — | — | — | — |
| Vesting of warrants for common stock | — | — | 95,910 | — | — | 95,910 |
| Stock-based compensation | — | — | 151,162 | — | — | 151,162 |
| Tax withholding on stock-based compensation | — | — | (36,515) | — | — | (36,515) |
| Foreign currency translation adjustments | — | — | — | — | (11,898) | (11,898) |
| Unrealized gain on securities available for sale | — | — | — | — | 1,353 | 1,353 |
| Gain on cash flow hedges | — | — | — | — | 763 | 763 |
| Net loss | — | — | — | (171,783) | — | (171,783) |
| **Balance as of September 30, 2023** | **301,081,887** | **$ 3** | **$ 5,355,032** | **$ (2,763,030)** | **$ (25,205)** | **$ 2,566,800** |
| Issuance of common stock upon exercise of stock options | 1,922,621 | — | 17,419 | — | — | 17,419 |
| Issuance of common stock, employee share purchase plan | 333,847 | — | 4,137 | — | — | 4,137 |
| Vesting of restricted stock units | 2,195,991 | — | — | — | — | — |
| Vesting of warrants for common stock | — | — | 114,705 | — | — | 114,705 |
| Stock-based compensation | — | — | 119,821 | — | — | 119,821 |
| Tax withholding on stock-based compensation | — | — | (39,159) | — | — | (39,159) |
| Foreign currency translation adjustments | — | — | — | — | 13,824 | 13,824 |
| Unrealized gain on securities available for sale | — | — | — | — | 4,853 | 4,853 |
| Loss on cash flow hedges | — | — | — | — | (614) | (614) |
| Net loss | — | — | — | (166,902) | — | (166,902) |
| **Balance as of December 31, 2023** | **305,534,346** | **$ 3** | **$ 5,571,955** | **$ (2,929,932)** | **$ (7,142)** | **$ 2,634,884** |

*(1)* The share amounts listed above combine common stock, Class A common stock and Class B common stock.

*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 Income | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Shares [(1)] | 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** |

*(1)* The share amounts listed above combine common stock, Class A common stock and Class B common stock.

*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, | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities** | | |
| Net loss | $ (338,685) | $ (573,706) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Provision for credit losses | 220,576 | 170,939 |
| Amortization of premiums and discounts on loans, net | (87,979) | (68,853) |
| Gain on sales of loans | (86,987) | (123,202) |
| Changes in fair value of assets and liabilities | (4,912) | (11,035) |
| Amortization of commercial agreement assets | 43,114 | 43,114 |
| Amortization of debt issuance costs | 12,758 | 1,752 |
| Amortization of discount on securities available for sale | (23,122) | (14,923) |
| Commercial agreement warrant expense | 210,615 | 236,796 |
| Stock-based compensation | 202,523 | 241,583 |
| Depreciation and amortization | 66,643 | 43,886 |
| Other | 15,660 | 1,136 |
| Change in operating assets and liabilities: | | |
| Purchases of loans held for sale | (2,244,895) | (3,323,750) |
| Proceeds from the sale of loans held for sale | 2,262,184 | 3,428,673 |
| Accounts receivable, net | (116,487) | (63,416) |
| Other assets | (41,669) | (13,727) |
| Accounts payable | 31,203 | (4,098) |
| Payable to third-party loan owners | 80,715 | 55,995 |
| Accrued interest payable | 8,963 | 5,903 |
| Accrued expenses and other liabilities | (36,995) | (10,400) |
| **Net cash provided by operating activities** | 173,223 | 22,667 |
| **Cash flows from investing activities** | | |
| Purchases and origination of loans held for investment | (10,333,489) | (6,535,457) |
| Proceeds from the sale of loans held for investment | 2,976,941 | 702,987 |
| Principal repayments and other loan servicing activity | 6,536,313 | 4,628,825 |
| Additions to property, equipment and software | (74,564) | (65,401) |
| Purchases of securities available for sale | (193,322) | (105,629) |
| Proceeds from maturities and repayments of securities available for sale | 482,029 | 798,149 |
| Other investing cash inflows/(outflows) | (34,669) | 1,588 |
| **Net cash used in investing activities** | (640,761) | (574,938) |
| **Cash flows from financing activities** | | |
| Proceeds from funding debt | 6,439,713 | 3,367,729 |
| Payment of debt issuance costs | (16,280) | (4,773) |
| Principal repayments of funding debt | (6,291,324) | (2,147,035) |
| Proceeds from issuance of notes and residual trust certificates by securitization trusts | 1,101,828 | 250,000 |
| Principal repayments of notes issued by securitization trusts | (528,279) | (559,383) |
| Proceeds from exercise of common stock options and warrants and contributions to ESPP | 25,167 | 8,246 |
| Repurchases of common stock | — | (109) |
| Payments of tax withholding for stock-based compensation | (75,674) | (45,320) |
| **Net cash provided by financing activities** | 655,151 | 869,355 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 421 | (3,098) |
| **Net increase in cash, cash equivalents and restricted cash** | **188,034** | **313,986** |
| Cash, cash equivalents and restricted cash, beginning of period | 1,259,944 | 1,550,807 |
| **Cash, cash equivalents and restricted cash, end of period** | **$ 1,447,978** | **$ 1,864,793** |

*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, | |
|---|---|---|
| | **2023** | **2022** |
| **Reconciliation to amounts on consolidated balance sheets (as of period end)** | | |
| Cash and cash equivalents | 1,036,719 | 1,440,333 |
| Restricted cash | 411,259 | 424,460 |
| **Total cash, cash equivalents and restricted cash** | **$ 1,447,978** | **$ 1,864,793** |

| | Six Months Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| **Supplemental disclosures of cash flow information** | | |
| Cash payments for interest expense | $ 142,449 | $ 55,900 |
| Cash paid for operating leases | 8,251 | 8,244 |
| Cash paid for income taxes | 571 | 212 |
| **Supplemental disclosures of non-cash investing and financing activities** | | |
| Stock-based compensation included in capitalized internal-use software | 68,460 | 43,647 |
| 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 up 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, 2023. The balance sheet as of June 30, 2023 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 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 self-originated loans, 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 historical experience, current events, and other factors we believe to be reasonable under the circumstances. To the extent that there are material differences between these estimates and actual results, our financial condition or operating results will be materially 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, 2023, which was filed with the SEC on August 25, 2023.

***Recent Accounting Pronouncements Not Yet Adopted***

*Segment Reporting*

In November 2023, the FASB issued ASU 2023-07,*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* The new guidance modifies the existing annual and interim segment reporting disclosures. The purpose of the update is to enable investors to better understand an entity's overall performance and assess potential future cash flows, primarily through enhanced disclosure requirements on significant segment expenses. The ASU is effective for fiscal years beginning after December 15, 2023 and should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

*Income Taxes*

In December 2023, the FASB issued ASU 2023-09,*Income Taxes (Topic 740): Improvements to Income Tax Disclosures.*The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

**3. Revenue**

The following table presents our revenue disaggregated by revenue source (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Merchant network revenue | $ 188,357 | $ 134,019 | $ 334,307 | $ 247,168 |
| Card network revenue | 39,269 | 29,117 | 72,745 | 55,825 |
| Interest income | 288,346 | 155,321 | 551,025 | 292,123 |
| Gain on sales of loans | 52,702 | 59,607 | 86,987 | 123,202 |
| Servicing income | 22,436 | 21,494 | 42,593 | 42,864 |
| Total revenue, net | $ 591,110 | $ 399,558 | $ 1,087,657 | $ 761,182 |

*Merchant Network Revenue — Revenue from Contracts with Customers*

Merchant network revenue primarily consists of merchant fees. 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.

Our contracts with merchants are defined at the transaction level and do not extend beyond the service already provided (i.e., each transaction represents a separate contract). The fees collected from merchants for each transaction are determined as a percentage of the value of the goods purchased by the consumer from merchants and consider a number of factors including the end consumer's credit risk and financing term. We do not have any capitalized contract costs, and do not carry any material contract balances.

Our service comprises a single performance obligation to merchants to facilitate transactions with consumers. From time to time, we offer merchants incentives to promote our platform to their customers, such as fee reductions or rebates. These amounts are recorded as a reduction to merchant network revenue.

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 on loan origination, which we record as a reduction to network revenue. In certain cases, the losses incurred on loans originated for a merchant may exceed the total network revenue earned on those loans. 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, 2023 and 2022, there were no merchants that exceeded 10% of total revenue.

*Card Network Revenue — Revenue from Contracts with Customers*

We have agreements with card-issuing partners to facilitate the issuance of physical and virtual debit cards to be used by consumers at checkout. Consumers can apply at Affirm.com or via the Affirm app and, upon approval, receive a single-use virtual card to use digitally online or in-store. The card is funded at the time a transaction is authorized using cash held by the card-issuing partner in a reserve fund. Eligible consumers can also use the Affirm Card, a debit card issued by a card-issuing partner to pay in full, debited from their bank account, or pay later, by using a unique post-purchase feature that allows them to instantly convert any eligible debit transaction into an installment loan. Where applicable, our originating bank partner, or wholly-owned subsidiaries, then originates a loan to the consumer after the transaction is confirmed by the merchant. The merchant is charged interchange fees for each successful debit card transaction, and a portion of this revenue is shared with us by our card-issuing partners.

Merchants may also elect to utilize our agreement with card-issuing partners as a means of integrating Affirm services. Similarly, for these arrangements with integrated merchants, the merchant is charged interchange fees for each successful debit card transaction and a portion of this revenue is shared with us. From time to time, we offer certain integrated merchants promotional incentives to promote our platform to their customers, such as rebates of interchange fees incurred by the merchant. These amounts are recorded as a reduction of card network revenue.

Our contracts with our card-issuing partners are defined at the transaction level and do not extend beyond the service already provided. The revenue collected from card-issuing partners for each transaction are determined as a percentage of the interchange fees charged on transactions facilitated on the payment processor network, and revenue is recognized at the point in time the transaction is completed successfully. The amounts collected are presented in revenue, net of associated transaction-related processing fees paid to our card-issuing partners. We have concluded that the revenue collected does not give rise to a future material right because the pricing of each transaction does not depend on the volume of prior successful transactions. We do not have any capitalized contract costs, and do not carry any material contract balances.

Our service comprises a single performance obligation to the card-issuing partner to facilitate transactions with consumers.

A portion of card network revenue relates to incentive payments from card network partners, which we are eligible to receive for reaching certain cumulative volume targets on program cards issued by the issuer processors. We earn incentive revenue as a percentage of each associated transaction and estimate the applicable percentage based on observed cumulative volume on program cards. Revenue is recognized at the point in time when the performance obligation has been fulfilled, which is when the transaction is completed successfully.

*Interest Income*

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Contractual interest income on unpaid principal balance | $ 248,083 | $ 125,858 | $ 474,374 | $ 231,996 |
| Amortization of discount on loans | 51,024 | 38,838 | 96,142 | 77,807 |
| Amortization of premiums on loans | (4,183) | (4,580) | (8,163) | (8,954) |
| Interest receivable charged-off, net of recoveries | (6,578) | (4,795) | (11,328) | (8,726) |
| Total interest income | $ 288,346 | $ 155,321 | $ 551,025 | $ 292,123 |

We accrue interest income using the effective interest method, which includes the amortization of any discounts or premiums on loan receivables created upon the purchase of a loan from our originating bank partners or upon the origination of a loan. 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, 2023 and June 30, 2023, the balance of loans held for investment on non-accrual status was $0.9 million and $1.8 million, respectively.

The account is charged-off in the period if the account becomes 120 days past due or meets other charge-off policy requirements. Past due status is based on the contractual terms of the loans. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

*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. The servicing fee is calculated on a daily basis by multiplying a set fee percentage (as outlined in the executed agreements with third-party loan owners) by the outstanding loan principal balance. 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, 2023 | June 30, 2023 |
|---|---|---|
| Unpaid principal balance | $ 5,276,809 | $ 4,451,324 |
| Accrued interest receivable | 55,499 | 41,079 |
| Premiums on loans held for investment | 7,404 | 7,135 |
| Less: Discount due to loss on loan purchase commitment | (59,833) | (51,190) |
| Less: Discount due to loss on directly originated loans | (41,041) | (45,145) |
| Less: Fair value adjustment on loans acquired through business combination | (26) | (241) |
| Total loans held for investment | $ 5,238,812 | $ 4,402,962 |

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 $5.9 billion and $10.5 billion during the three and six months ended December 31, 2023 and $4.4 billion and $7.9 billion during the three and six months ended December 31, 2022, respectively.

These loans have a variety of lending terms as well as maturities ranging fromone to sixty months. Given that our loan portfolio focuses on one product segment, unsecured consumer 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, 2023:

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortized Costs Basis by Fiscal Year of Origination | | | | | | |
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| 96+ | $ 2,317,427 | $ 673,456 | $ 18,542 | $ 963 | $ 15 | $ 10 | $ 3,010,413 |
| 94 – 96 | 1,135,744 | 273,060 | 1,506 | 43 | 14 | 7 | 1,410,374 |
| 90 – 94 | 206,747 | 30,972 | 777 | 16 | 2 | 4 | 238,518 |
| <90 | 17,968 | 588 | 694 | 4 | 2 | — | 19,256 |
| No score [1] | 303,489 | 168,422 | 29,480 | 3,089 | 165 | 157 | 504,802 |
| Total amortized cost basis | $ 3,981,375 | $ 1,146,498 | $ 50,999 | $ 4,115 | $ 198 | $ 178 | $ 5,183,363 |

[1] This balance represents loan receivables in markets without sufficient data currently available for use by the Affirm scoring methodology including loan receivables originated in Canada.

The following table presents net charge-offs by fiscal year of origination (in thousands) as of December 31, 2023:

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Charge-offs by Fiscal Year of Origination | | | | | | |
| | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Total |
| Current period charge-offs | (13,946) | (142,605) | (5,398) | (409) | (73) | (45) | (162,476) |
| Current period recoveries | 134 | 6,364 | 4,065 | 522 | 25 | 51 | 11,161 |
| Current period net charge-offs | (13,812) | (136,241) | (1,333) | 113 | (48) | 6 | (151,315) |

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 June 30, 2023:

| | June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortized Costs Basis by Fiscal Year of Origination | | | | | | |
| | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| 96+ | $ 2,628,060 | $ 39,428 | $ 18,910 | $ 3,439 | $ 9 | $ 1 | $ 2,689,847 |
| 94 – 96 | 1,104,553 | 7,755 | 439 | 77 | 6 | 2 | 1,112,832 |
| 90 – 94 | 133,940 | 3,116 | 26 | 2 | 4 | — | 137,088 |
| <90 | 13,363 | 1,623 | 4 | 2 | — | — | 14,992 |
| No score [1] | 335,690 | 59,204 | 11,562 | 489 | 252 | 9 | 407,206 |
| Total amortized cost basis | $ 4,215,606 | $ 111,126 | $ 30,941 | $ 4,009 | $ 271 | $ 12 | $ 4,361,965 |

[1] This balance represents loan receivables in markets without sufficient data currently available for use by the Affirm scoring methodology including loan receivables originated in Canada.

Loan receivables are defined as past due if either the principal or interest have not been received withinfour calendars 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, 2023 | June 30, 2023 |
|---|---|---|
| Non-delinquent loans | $ 4,919,077 | $ 4,183,248 |
| 4 – 29 calendar days past due | 136,005 | 92,876 |
| 30 – 59 calendar days past due | 52,381 | 36,399 |
| 60 – 89 calendar days past due | 39,048 | 28,171 |
| 90 – 119 calendar days past due(1) | 36,852 | 21,271 |
| Total amortized cost basis | $ 5,183,363 | $ 4,361,965 |

(1) Includes $36.5 million and $20.9 million of loan receivables as of December 31, 2023 and June 30, 2023, 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 reflects our estimate of expected lifetime credit losses, which consider the remaining contractual term, historical credit losses, consumer payment trends, estimated recoveries, and future payment 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Balance at beginning of period | $ 232,068 | $ 153,025 | $ 204,531 | $ 155,392 |
| Provision for loan losses | 116,160 | 103,066 | 208,988 | 164,935 |
| Charge-offs | (91,633) | (81,562) | (162,476) | (152,598) |
| Recoveries of charged-off receivables | 5,609 | 7,571 | 11,161 | 14,371 |
| Balance at end of period | $ 262,204 | $ 182,100 | $ 262,204 | $ 182,100 |

*Loan Modifications for Borrowers Experiencing Financial Difficulty*

We have a loan modification program for eligible borrowers if they have at least one outstanding loan with Affirm and certain other eligibility criteria are met. We consider a borrower to be experiencing financial difficulty when a loan is between 30 and 120 days past due at the time of modification. The objective of the loan modification program is to offer borrowers assistance during times of financial stress, increase recovery rates, and minimize losses.

We have two primary loan modification strategies: payment deferrals and loan re-amortization. A payment deferral provides the borrower relief by extending the due date for the next payment due. While a borrower may obtain more than one deferral, the total deferral period may not exceed three months. A loan re-amortization provides the borrower relief by lowering monthly payments through extending the term length of the loan. The total interest due from the consumer will not exceed the initial total interest due prior to modification. A loan may not be re-amortized more than once.

The following tables present the amortized cost basis of loans excluding accrued interest receivable that were modified for borrowers experiencing financial difficulty during the three and six months ended December 31, 2023, by type of modification (in thousands):

| | Three Months Ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Payment Deferral | Loan Re-amortization | Total | % of Total Loan Receivables Outstanding |
| Loans receivables | 7,367 | 408 | 7,775 | 0.15 % |

| | Six Months Ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Payment Deferral | Loan Re-amortization | Total | % of Total Loan Receivables Outstanding |
| Loans receivables | 12,457 | 701 | 13,158 | 0.25 % |

With respect to borrowers who received payment deferrals during the three and six months ended December 31, 2023, the length of each deferral period was one month.

With respect to borrowers who received loan re-amortization during the three and six months ended December 31, 2023, the payment amount was reduced by half and the term of the loan was extended between one month and twelve months.

We closely monitor the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. We hold an allowance for credit losses for modified loans classified as held for investment. Our allowance estimate considers whether a loan has been modified due to a borrower experiencing financial difficulty and the increased likelihood that such loan may become delinquent or charge-off in the future. During the payment deferral process, the loans are made current, and payment schedules for these loans are updated according to the deferral terms.

The following table presents the delinquency status as of December 31, 2023 (in thousands), by amortized cost basis excluding accrued interest receivable, of loan receivables that have been modified within the last 12 months where the borrower was experiencing financial difficulty at the time of modification:

| | December 31, 2023 | | |
|---|---|---|---|
| | Payment Deferral | Loan Re-amortization | Total |
| Non-delinquent loans | $ 6,742 | $ 280 | $ 7,022 |
| 4 – 29 calendar days past due | 2,667 | 142 | 2,809 |
| 30 – 59 calendar days past due | 1,354 | 109 | 1,463 |
| 60 – 89 calendar days past due | 952 | 96 | 1,048 |
| 90 – 119 calendar days past due | 990 | 87 | 1,077 |
| Total amortized cost basis | $ 12,705 | $ 714 | $ 13,419 |

With respect to modifications during the last 12 months where the borrower was experiencing financial difficulty at the time of modification, the amortized cost basis of loans which have been charged off as of December 31, 2023, is immaterial.

**5. Acquisitions**

There were no acquisitions accounted for as business combinations completed in the six months ended December 31, 2023 and 2022.

***Acquisitions completed during the year ended June 30, 2023***

***Butter Holdings Ltd***

On February 1, 2023, we completed the closing of the transaction contemplated by a share purchase agreement entered into with certain sellers to acquire the entire issued share capital of Butter Holdings Ltd. ("Butter"), a buy now, pay later company based in the United Kingdom. The purchase price was comprised of (i) \$14.9 million in cash, subject to adjustments in accordance with the purchase agreement, and (ii) \$1.5 million settlement of subordinated secured notes.

The acquisition date fair value of the consideration transferred for Butter was approximately \$16.3 million, which consisted of the following (in thousands):

| | | |
|---|---|---|
| Cash | $ | 14,863 |
| Settlement of subordinated secured notes | | 1,475 |
| Total acquisition date fair value of the consideration transferred | $ | 16,337 |

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. The goodwill is not expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately \$16.3 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 287 |
| Loans held for investment, net | | 172 |
| Accounts receivable, net | | 11 |
| Intangible assets | | 9,243 |
| Other assets | | 672 |
| Total assets acquired | | 10,385 |
| Accounts payable | | 568 |
| Accrued expenses and other liabilities | | 2,923 |
| Total liabilities assumed | | 3,491 |
| Net assets acquired | | 6,894 |
| Goodwill | | 9,443 |
| Total purchase price | $ | 16,337 |

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) |
|---|---|---|
| Lending license | $ 9,243 | Indefinite |

The fair value of the intangible asset was determined by applying the with-and-without method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represents Level 3 measurements.

**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. For each of these groups, 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. Our allowance for credit losses with respect to accounts receivable was $12.1 million and $12.9 million as of December 31, 2023 and June 30, 2023, respectively.

***Property, Equipment and Software, net***

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

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Internally developed software | $ 499,655 | $ 377,301 |
| Leasehold improvements | 20,927 | 20,214 |
| Computer equipment | 10,441 | 10,187 |
| Furniture and equipment | 6,643 | 6,503 |
| Total property, equipment and software, at cost | $ 537,666 | $ 414,205 |
| Less: Accumulated depreciation and amortization | (167,812) | (124,070) |
| Total property, equipment and software, net | $ 369,854 | $ 290,135 |

Depreciation and amortization expense on property, equipment and software was $36.5 million and $62.5 million for the three and six months ended December 31, 2023, respectively, and $15.6 million and $29.1 million for the three and six months ended December 31, 2022, respectively.

No impairment losses related to property, equipment and software were recorded during the three and six months ended December 31, 2023 and 2022.

***Goodwill and Intangible Assets***

The changes in the carrying amount of goodwill during the six months ended December 31, 2023 were as follows (in thousands):

| | |
|---|---|
| Balance as of June 30, 2023 | $ 542,571 |
| Adjustments [(1)] | (1,415) |
| Balance as of December 31, 2023 | $ 541,156 |

(1) Adjustments to goodwill during the six months ended December 31, 2023 primarily pertained to foreign currency translation adjustments.

During the three and six months ended December 31, 2023, we recognized goodwill impairment losses of $1.0 million included in general and administrative expenses within the interim condensed consolidated statement of operations and comprehensive loss. No impairment losses related to goodwill were recorded during the three and six months ended December 31, 2022.

Intangible assets consisted of the following (in thousands):

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Weighted Average Remaining Useful Life (in years) |
| Merchant relationships | $ 38,129 | $ (35,846) | $ 2,283 | 0.3 |
| Developed technology | 39,626 | (36,938) | 2,688 | 0.2 |
| Assembled workforce | 12,490 | (12,490) | — | 0.0 |
| Trademarks and domains, definite | 1,481 | (1,088) | 393 | 1.4 |
| Trademarks, licenses and domains, indefinite | 11,695 | — | 11,695 | Indefinite |
| Other intangibles | 350 | — | 350 | Indefinite |
| Total intangible assets | $ 103,769 | $ (86,362) | $ 17,407 | |

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Weighted Average Remaining Useful Life (in years) |
| Merchant relationships | $ 38,129 | $ (27,637) | $ 10,492 | 0.6 |
| Developed technology | 39,626 | (30,653) | 8,973 | 0.6 |
| Assembled workforce | 12,490 | (9,983) | 2,507 | 0.3 |
| Trademarks and domains, definite | 1,481 | (990) | 491 | 1.7 |
| Trademarks, licenses and domains, indefinite | 11,621 | — | 11,621 | Indefinite |
| Other intangibles | 350 | — | 350 | Indefinite |
| Total intangible assets | $ 103,697 | $ (69,263) | $ 34,434 | |

Amortization expense for intangible assets was $2.9 million and $17.1 million for the three and six months ended December 31, 2023, respectively, and $7.4 million and $14.8 million for the three and six months ended December 31, 2022, respectively. No impairment losses related to intangible assets were recorded during the three and six months ended December 31, 2023 and 2022.

The expected future amortization expense of these intangible assets as of December 31, 2023 is as follows (in thousands):

| | | |
|---|---|---|
| 2024 (remaining six months) | $ | 3,794 |
| 2025 | | 1,396 |
| 2026 | | 157 |
| 2027 | | 15 |
| 2028 and thereafter | | — |
| Total amortization expense | $ | 5,362 |

***Commercial Agreement Assets***

In November 2021, 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 three year term of the commercial agreement at the grant date. For the three and six months ended December 31, 2023, we recognized amortization expense of $10.4 million and $20.9 million, respectively, and $10.5 million and $20.9 million for the three and six months ended December 31, 2022, respectively, 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.

In January 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, 2023, we recorded amortization expense of $2.1 million and $4.2 million, respectively, related to the asset which is now fully amortized. 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.

In July 2020, 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, 2023. 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, 2023, we recorded amortization expense related to the commercial agreement asset of $9.0 million and $18.1 million, respectively, and $9.1 million and $18.1 million for the three and six months ended December 31, 2022, 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, 2023 | June 30, 2023 |
|---|---|---|
| Processing reserves | $ 70,202 | $ 60,039 |
| Prepaid payroll taxes for stock-based compensation | 70,201 | 14,336 |
| Equity securities, at cost | 37,805 | 43,172 |
| Fixed term deposit | 35,077 | — |
| Prepaid expenses | 33,030 | 35,626 |
| Operating lease right-of-use assets | 25,049 | 30,171 |
| Derivative instruments | 22,763 | 50,545 |
| Foreign deferred tax asset | 22,657 | 23,270 |
| Other assets | 39,260 | 21,455 |
| Total other assets | $ 356,044 | $ 278,614 |

***Accrued Expenses and Other Liabilities***

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

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Accrued expenses | $ 53,443 | $ 50,704 |
| Operating lease liability | 45,525 | 52,557 |
| Collateral held for derivative instruments | 23,266 | 53,267 |
| Other liabilities | 28,038 | 24,355 |
| Total accrued expenses and other liabilities | $ 150,272 | $ 180,883 |

**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, 2023, 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 seven 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 $8.9 million and $9.7 million as of December 31, 2023 and June 30, 2023, respectively.

No impairment charge was incurred related to leases during the three months ended December 31, 2023. During the six months ended December 31, 2023, we decided to sublease a portion of our leased office space in San Francisco, resulting in an impairment charge of $0.8 million included in general and administrative expense on our interim consolidated statements of operations and comprehensive loss. No impairment charges were incurred in the three and six months ended December 31, 2022.

Operating lease expense is as follows (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Operating lease expense [1] | $2,946 | $3,672 | $5,932 | $7,516 |

(1) Lease expenses for our short-term leases were immaterial for the periods presented.

We have subleased a portion of our leased facilities. Sublease income totaled $1.2 million and $2.1 million during the three and six months ended December 31, 2023, respectively, and $0.9 million and $1.7 million during the three and six months ended December 31, 2022, respectively.

Lease term and discount rate information are summarized as follows:

| | December 31, 2023 |
|---|---|
| Weighted average remaining lease term (in years) | 3.5 |
| Weighted average discount rate | 4.9% |

As of December 31, 2023, future minimum lease payments are as follows (in thousands):

| | | |
|---|---|---|
| 2024 (remaining six months) | $ | 8,245 |
| 2025 | | 16,317 |
| 2026 | | 15,371 |
| 2027 | | 2,680 |
| 2028 | | 2,737 |
| Thereafter | | 4,951 |
| Total lease payments | | 50,301 |
| Less imputed interest | | (4,776) |
| Present value of total lease liabilities | $ | 45,525 |

## 8. Commitments and Contingencies

***Repurchase Obligation***

Under the normal terms of our whole loan sales to third-party investors, we may become obligated to repurchase loans from investors in certain instances where a breach in representations and warranties is identified. Generally, a breach in representations and warranties could 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, 2023.

***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.

*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"). On May 5, 2023, plaintiffs Kusnier and Chris Meinsen filed their first amended complaint alleging that the defendants (i) caused Affirm to make materially false and/or misleading statements and/or failed to disclose that Affirm's BNPL service facilitated excessive consumer debt (including with respect to certain for-profit educational institutions), regulatory arbitrage, and data harvesting; (ii) made false and/or misleading statements about certain public regulatory actions; and (iii) made false and/or misleading statements about whether Affirm's business model was vulnerable to interest rate changes. On December 20, 2023, the Court granted Affirm's motion to dismiss the first amended complaint with leave to amend. On January 19, 2024, plaintiffs filed their second amended complaint, which contains only the allegations from the first amended complaint relating to false and/or misleading statements about whether Affirm's business model was vulnerable to interest rate changes. In light of the above, plaintiffs assert 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. Plaintiffs seek class certification, unspecified compensatory and punitive damages, and costs and expenses. Affirm filed its motion to dismiss the second amended complaint on February 2, 2024.

*Quiroga v. Levchin, et al.*

On March 29, 2023, plaintiff John Quiroga filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the "Quiroga 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 Kusnier action at the time of filing. The Quiroga complaint purports to assert claims on Affirm's behalf for contribution under the federal securities laws, breaches of fiduciary duty, unjust enrichment, and waste of corporate assets, and seeks corporate reforms, unspecified damages and restitution, and fees and costs. On May 1, 2023, the action was stayed by agreement of the parties. The stay can be lifted at the request of either party or upon certain conditions relating to the resolution of the Kusnier action.

*Jeffries v. Levchin, et al.*

On May 24, 2023, plaintiff Sabrina Jeffries filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of California (the "Jeffries 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 Kusnier and Quiroga actions at the time of filing. The Jeffries complaint purports to assert claims on Affirm's behalf for breach of fiduciary duties, making false statements under federal securities law, unjust enrichment, waste of corporate assets, and aiding and abetting breach of fiduciary duties, and seeks unspecified damages, equitable relief, and fees and costs. On August 15, 2023, the action was stayed by agreement of the parties. The stay can be lifted at the request of either party or upon certain conditions relating to the resolution of the Kusnier action.

*Vallieres v. Levchin, et al.*

On September 14, 2023, plaintiff Michael Vallieres filed a shareholder derivative lawsuit in the U.S. District Court for the District of Delaware 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 Kusnier, Quiroga, and Jeffries actions at the time of filing. The Vallieres complaint purports to assert claims on Affirm's behalf for breach of fiduciary duties, gross management, abuse of control, unjust enrichment, and contribution, and seeks unspecified damages, equitable relief, and fees and costs. On November 30, 2023, the case was stayed by agreement of the parties.

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, 2023 were not material. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty.

**9. 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, 2023 |
|---|---|
| 2024 | $ 1,947 |
| 2025 | 324,264 |
| 2026 | 1,228,445 |
| 2027 | — |
| 2028 | 23,060 |
| Thereafter | 346,635 |
| Total | $ 1,924,351 |
| Deferred debt issuance costs | (17,679) |
| Total funding debt, net of deferred debt issuance costs | $ 1,906,672 |

***Secured Borrowing Facilities***

<u>U.S.</u>

Through trusts, we entered into warehouse credit facilities with certain lenders to finance the purchase and origination of our loans. Each trust entered into a credit agreement and security agreement with a third-party as administrative agent and a national banking association as collateral trustee and paying agent. Borrowings under these agreements are classified as funding debt on the interim condensed consolidated balance sheets 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 86% of the total collateralized balance. These warehouse credit facility trusts, which have been classified as VIEs, are bankruptcy-remote special-purpose vehicles in which creditors do not have recourse against the general credit of Affirm. These revolving facilities mature between fiscal years 2024 and 2031 and generally permit borrowings up to 12 months prior to the final maturity date of each respective facility. As of December 31, 2023, the aggregate commitment amount of these facilities was $5.1 billion on a revolving basis, of which $1.5 billion was drawn, with $3.6 billion remaining available. Certain 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 $1.8 billion and $1.7 billion as of December 31, 2023 and June 30, 2023, respectively.

Borrowings under these warehouse credit facilities bear interest at an annual benchmark rate of Secured Overnight Financing Rate (“SOFR”) 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 1.75% to 2.20%. Interest is payable monthly. 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, 2023, we were in compliance with all applicable covenants in the agreements.

*International*

Additionally, we have various credit facilities utilized to finance the origination of loan receivables in Canada. Similar to our warehouse credit facilities, borrowings under these agreements are classified as funding debt on the interim condensed consolidated balance sheets, and proceeds from the borrowings may only be used for the purposes of facilitating loan funding and origination. These facilities are secured by Canadian loan receivables pledged to the respective facility as collateral, mature between fiscal years 2025 and 2029, and bear interest based on benchmark rates plus a spread ranging from 1.25% to 4.50%.

As of December 31, 2023, the aggregate commitment amount of these facilities was $668.7 million on a revolving basis, of which $409.2 million was drawn, with $259.5 million remaining available. The unpaid principal balance of loans pledged to these facilities totaled $492.4 million and $412.8 million as of December 31, 2023 and June 30, 2023, respectively.

These agreements contain certain customary negative covenants and financial covenants including maintaining certain levels of minimum liquidity, maximum leverage, and minimum tangible net worth at the Affirm Canada subsidiary level or the Affirm Holdings level. As of December 31, 2023, we were in compliance with all applicable covenants in the agreements.

***Sales and 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 one or more repurchase date extensions, each for an additional three-month term at market interest rates on such extension date. As of December 31, 2023, the interest rates were 7.59% for both the senior pledged securities and the residual certificate pledged securities. We had $1.9 million and $11.0 million in debt outstanding under our repurchase agreements classified within funding debt on the interim condensed consolidated balance sheets as of December 31, 2023 and June 30, 2023, respectively. The debt will be amortized through regular principal and interest payments on the pledged securities. The outstanding debt relates to $10.0 million and $18.9 million in pledged securities disclosed within securities available for sale at fair value on the interim condensed consolidated balance sheets as of December 31, 2023 and June 30, 2023, 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 our 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.

On December 6, 2023, the Board of Directors authorized the repurchase of up to $800 million in aggregate principal amount of the 2026 Notes. This authorization succeeds the $800 million repurchase authorization approved by the Board of Directors on June 7, 2023, which expired on December 31, 2023. As of December 31, 2023, we have not executed any repurchases under the June 2023 authorization. Note repurchases under the December 2023 authorization may be made from time to time through December 31, 2024 through open market purchases, privately negotiated purchases, purchase plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended ("Rule 10b5-1"), or through a combination thereof. Repurchases are subject to available liquidity, general market and economic conditions, alternate uses for the capital, and other factors, and there is no minimum principal amount of 2026 Notes that the Company is obligated to repurchase.

The convertible senior notes outstanding as of December 31, 2023 consisted of the following (in thousands):

| | Principal Amount | Unamortized Discount and Issuance Cost | Net Carrying Amount |
|---|---|---|---|
| Convertible senior notes | $ 1,425,900 | $ (9,948) | $ 1,415,952 |

The 2026 Notes do not bear interest. We recognized $0.9 million and $1.7 million during the three and six months ended December 31, 2023, respectively, and $1.1 million and $2.1 million during the three and six months ended December 31, 2022, 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 income, net. As of December 31, 2023, the remaining life of the 2026 Notes is approximately 35 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 1.00% 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, 2023.

**10. 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 9. 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.

*Securitizations*

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 trust 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 trust 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 from our involvement with consolidated VIEs (in thousands):

| | December 31, 2023 | | |
|---|---|---|---|
| | Assets | Liabilities | Net Assets |
| Warehouse credit facilities | $ 2,141,791 | $ 1,901,604 | $ 240,187 |
| Securitizations | 2,889,117 | 2,747,993 | 141,124 |
| Total consolidated VIEs | $ 5,030,908 | $ 4,649,597 | $ 381,311 |

| | June 30, 2023 | | |
|---|---|---|---|
| | Assets | Liabilities | Net Assets |
| Warehouse credit facilities | $ 1,930,641 | $ 1,686,359 | $ 244,282 |
| Securitizations | 2,272,991 | 2,169,835 | 103,156 |
| Total consolidated VIEs | $ 4,203,632 | $ 3,856,194 | $ 347,438 |

***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, 2023.

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

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Net Assets | Maximum Exposure to Losses |
| Securitizations | $ 646,792 | $ 604,250 | $ 42,542 | $ 32,076 |
| Total unconsolidated VIEs | $ 646,792 | $ 604,250 | $ 42,542 | $ 32,076 |

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Net Assets | Maximum Exposure to Losses |
| Securitizations | $ 380,547 | $ 367,788 | $ 12,759 | $ 19,149 |
| Total unconsolidated VIEs | $ 380,547 | $ 367,788 | $ 12,759 | $ 19,149 |

Maximum exposure to losses represents our exposure through our continuing involvement as servicer and through our retained interests. For unconsolidated VIEs, this includes $32.4 million in retained notes and residual trust certificates disclosed within securities available for sale at fair value in our interim condensed consolidated balance sheets and $0.3 million related to our net servicing liabilities disclosed within our interim condensed consolidated balance sheets as of December 31, 2023.

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, 2023.

***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 13. Fair Value of Financial Assets and Liabilities for additional information on the fair value sensitivity of the notes receivable and residual trust certificates. Additionally, as of December 31, 2023, we have pledged certain of our retained beneficial interests as collateral in a sale and repurchase agreement as described in Note 9. Debt.

## 11. 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, 2023 | June 30, 2023 |
|---|---|---|
| Cash and cash equivalents: | | |
| Money market funds | $ 77,591 | $ 97,129 |
| Commercial paper | 58,827 | 54,402 |
| Agency bonds | — | 60,865 |
| Securities available for sale: | | |
| Certificates of deposit | 82,213 | 97,224 |
| Corporate bonds | 232,571 | 256,772 |
| Commercial paper | 73,356 | 266,193 |
| Agency bonds | 45,812 | 84,276 |
| Municipal bonds | 3,974 | — |
| Government bonds | | |
| Non-US | 5,256 | 9,151 |
| US | 438,476 | 441,096 |
| Securitization notes receivable and certificates [1] | 32,411 | 18,913 |
| Other | — | 1,028 |
| Total marketable securities: | $ 1,050,487 | $ 1,387,049 |

[1] Some of these securities have been pledged as collateral in connection with sale and repurchase agreements as discussed withinNote 9. 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 oDecember 31, 2023 and June 30, 2023 were as follows (in thousands):

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Fair Value |
| Certificates of deposit | $ 82,216 | $ 21 | $ (24) | $ — | $ 82,213 |
| Corporate bonds | 233,846 | 327 | (1,602) | — | 232,571 |
| Commercial paper [1] | 132,168 | 22 | (7) | — | 132,183 |
| Agency bonds | 45,820 | 54 | (62) | — | 45,812 |
| Municipal bonds | 3,928 | 46 | — | — | 3,974 |
| Government bonds | | | | | |
| Non-US | 5,307 | — | (51) | — | 5,256 |
| US | 439,688 | 136 | (1,348) | — | 438,476 |
| Securitization notes receivable and certificates [2] | 33,284 | 11 | (221) | (663) | 32,411 |
| Total securities available for sale | $ 976,257 | $ 617 | $ (3,315) | $ (663) | $ 972,896 |

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Fair Value |
| Certificates of deposit | $ 97,399 | $ 11 | $ (186) | $ — | $ 97,224 |
| Corporate bonds | 260,627 | 55 | (3,910) | — | 256,772 |
| Commercial paper [1] | 320,882 | 34 | (321) | — | 320,595 |
| Agency bonds [1] | 145,312 | 62 | (233) | — | 145,141 |
| Government bonds | | | | | |
| Non-US | 9,330 | — | (179) | — | 9,151 |
| US | 444,858 | 28 | (3,790) | — | 441,096 |
| Securitization notes receivable and certificates [2] | 19,841 | — | (475) | (453) | 18,913 |
| Other | 1,028 | — | — | — | 1,028 |
| Total securities available for sale | $ 1,299,277 | $ 190 | $ (9,094) | $ (453) | $ 1,289,920 |

(1) Commercial paper and agency bonds include $58.8 million and $115.3 million as of December 31, 2023 and June 30, 2023, respectively, classified as cash and cash equivalents within the interim condensed consolidated balance sheets.

(2) Approximately $10.0 million of these securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 9. Debt.

As of December 31, 2023 and June 30, 2023, 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, 2023 and June 30, 2023, are as follows (in thousands):

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 53,028 | $ (24) | $ — | $ — | $ 53,028 | $ (24) |
| Corporate bonds | 47,851 | (65) | 119,415 | (1,537) | 167,266 | (1,602) |
| Commercial paper | 35,051 | (7) | — | — | 35,051 | (7) |
| Agency bonds | 31,223 | (62) | — | — | 31,223 | (62) |
| Government bonds | | | | | | |
| Non-US | 3,131 | (27) | 2,124 | (24) | 5,255 | (51) |
| US | 266,913 | (598) | 43,824 | (750) | 310,737 | (1,348) |
| Total securities available for sale [1] | $ 437,197 | $ (783) | $ 165,363 | $ (2,311) | $ 602,560 | $ (3,094) |

| | June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 63,489 | $ (186) | $ — | $ — | $ 63,489 | $ (186) |
| Corporate bonds | 92,171 | (834) | 131,762 | (3,076) | 223,933 | (3,910) |
| Commercial paper | 164,037 | (321) | — | — | 164,037 | (321) |
| Agency bonds | 44,214 | (233) | — | — | 44,214 | (233) |
| Government bonds | | | | | | |
| Non-US | 3,061 | (58) | 6,089 | (121) | 9,150 | (179) |
| US | 292,333 | (2,395) | 67,606 | (1,395) | 359,939 | (3,790) |
| Total securities available for sale [(1)] | $ 659,305 | $ (4,027) | $ 205,457 | $ (4,592) | $ 864,762 | $ (8,619) |

(1) The number of positions with unrealized losses for which an allowance for credit losses has not been recorded totaled 81 and 142 as of December 31, 2023 and June 30, 2023, respectively.

The length of time to contractual maturities of securities available for sale as ofDecember 31, 2023 and June 30, 2023 were as follows (in thousands):

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 82,216 | $ 82,213 | $ — | $ — | $ 82,216 | $ 82,213 |
| Corporate bonds | 135,936 | 135,289 | 97,910 | 97,282 | 233,846 | 232,571 |
| Commercial paper [(1)] | 132,168 | 132,183 | — | — | 132,168 | 132,183 |
| Agency bonds | 32,644 | 32,623 | 13,176 | 13,189 | 45,820 | 45,812 |
| Municipal bonds | — | — | 3,928 | 3,974 | 3,928 | 3,974 |
| Government bonds | | | | | | |
| Non-US | 2,149 | 2,125 | 3,158 | 3,131 | 5,307 | 5,256 |
| US | 325,072 | 324,727 | 114,616 | 113,749 | 439,688 | 438,476 |
| Securitization notes receivable and certificates [(2)] | — | — | 33,284 | 32,411 | 33,284 | 32,411 |
| Total securities available for sale | $ 710,185 | $ 709,160 | $ 266,072 | $ 263,736 | $ 976,257 | $ 972,896 |

| | June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 97,399 | $ 97,224 | $ — | $ — | $ 97,399 | $ 97,224 |
| Corporate bonds | 173,523 | 171,634 | 87,104 | 85,138 | 260,627 | 256,772 |
| Commercial paper (1) | 320,882 | 320,595 | — | — | 320,882 | 320,595 |
| Agency bonds (1) | 130,176 | 130,165 | 15,136 | 14,976 | 145,312 | 145,141 |
| Government bonds | | | | | | |
| Non-US | 4,063 | 3,996 | 5,267 | 5,155 | 9,330 | 9,151 |
| US | 308,179 | 306,656 | 136,679 | 134,440 | 444,858 | 441,096 |
| Securitization notes receivable and certificates (2) | — | — | 19,841 | 18,913 | 19,841 | 18,913 |
| Other | — | — | 1,028 | 1,028 | 1,028 | 1,028 |
| Total securities available for sale | $ 1,034,222 | $ 1,030,270 | $ 265,055 | $ 259,650 | $ 1,299,277 | $ 1,289,920 |

(1) Commercial paper and agency bonds include $58.8 million and $115.3 million as of December 31, 2023 and June 30, 2023, respectively, classified as cash and cash equivalents within the interim condensed consolidated balance sheets.

(2) Based on weighted average life of expected cash flows as of December 31, 2023 and June 30, 2023.

Gross proceeds from matured or redeemed securities were $0.3 billion and $0.7 billion for the three and six months ended December 31, 2023, respectively, and $0.5 billion and $2.2 billion for the three and six months ended December 31, 2022, 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, 2023 and 2022, respectively.

***Non-marketable Equity Securities***

Equity investments without a readily determinable fair value held at cost were $37.8 million and $43.2 million as of December 31, 2023 and June 30, 2023, respectively, and are included in other assets within the interim condensed consolidated balance sheets.

During the three and six months ended December 31, 2023, we recognized an impairment of $14.1 million within other income, net in the interim consolidated statements of operations in connection with one of our non-marketable equity security investments. We determined an impairment indicator existed upon receiving a tender offer to repurchase all outstanding equity securities at a substantial discount relative to the cost basis of our investment. We determined the tender offer price was a reasonable estimate of fair value and therefore we recognized an impairment equal to the difference between our costs basis and the implied fair value based on the tender offer price. We did not record any impairment for the three and six months ended December 31, 2022.

There have been no upward or downward adjustments due to observable changes in orderly transactions for the three and six months ended December 31, 2023 and 2022.

***Fixed Term Deposits***

Fixed term deposits were $35.1 million as of December 31, 2023 and consist of interest bearing deposits held at financial institutions with an original maturities greater than three months but no more than twelve months. These deposits are carried at cost, which approximates fair value, and are included in other assets within the interim condensed consolidated balance sheets. We did not have any fixed term deposits as of June 30, 2023.

**12. Derivative Financial Instruments**

The following table summarizes the total fair value, including interest accruals, and outstanding notional amounts of derivative instruments as ofDecember 31, 2023 and June 30, 2023 (in thousands):

| | December 31, 2023 | | | June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Derivative Assets | Derivative Liabilities | Notional Amount | Derivative Assets | Derivative Liabilities |
| **Derivatives designated as cash flow hedges** | | | | | | |
| Interest rate contracts - cash flow hedges | $ 450,000 | $ 162 | $ (73) | $ 800,000 | $ 751 | $ — |
| **Derivatives not designated as hedges** | | | | | | |
| Interest rate contracts | 928,969 | 22,601 | — | 2,102,944 | 49,794 | — |
| **Total gross derivative assets/liabilities** | $ 1,378,969 | $ 22,763 | $ (73) | $ 2,902,944 | $ 50,545 | $ — |

The following table summarizes the impact of the cash flow hedges on Accumulated Other Comprehensive Income ("AOCI") (in thousands):

| | Three Months Ended December 31, 2023 | Six Months Ended December 31, 2023 |
|---|---|---|
| **Balance at beginning of period** | 1,514 | 751 |
| Changes in fair value | (103) | 911 |
| Amounts reclassified into earnings [(1)] | (511) | (762) |
| **Balance at end of period** [(2)] | $ 900 | $ 900 |

(1) The amounts reclassified into earnings are presented in the interim consolidated statements of income within funding costs.
(2) Over the next 12 months, we expect to reclassify $1.8 million of net derivative gains included in AOCI into funding costs within our interim consolidated statements of operations and comprehensive loss.

The following table summarizes the impact of the derivative instruments on income and indicates where within the interim consolidated statements of operations and comprehensive loss such impact is reported (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Location of gains (losses) where the effects of derivatives are recorded** | | | | |
| **The effects of cash flow hedging** | | | | |
| Funding costs | 511 | — | 762 | — |
| **The effects of derivatives not designated in hedging relationships** | | | | |
| Other income, net | (5,708) | 6,845 | (1,729) | 37,510 |

## 13. Fair Value of Financial Assets and Liabilities

***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, 2023 and June 30, 2023 (in thousands):

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds | $ 77,591 | $ — | $ — | $ 77,591 |
| Commercial paper | — | 58,827 | — | 58,827 |
| Securities, available for sale: | | | | |
| Certificates of deposit | — | 82,213 | — | 82,213 |
| Corporate bonds | — | 232,571 | — | 232,571 |
| Commercial paper | — | 73,356 | — | 73,356 |
| Agency bonds | — | 45,812 | — | 45,812 |
| Municipal bonds | — | 3,974 | — | 3,974 |
| Government bonds: | | | | |
| Non-U.S. | — | 5,256 | — | 5,256 |
| U.S. | — | 438,476 | — | 438,476 |
| Securitization notes receivable and residual trust certificates | — | — | 32,411 | 32,411 |
| Servicing assets | — | — | 365 | 365 |
| Derivative instruments | — | 22,763 | — | 22,763 |
| Risk sharing asset | — | — | 16,690 | 16,690 |
| Total assets | $ 77,591 | $ 963,248 | $ 49,466 | $ 1,090,305 |
| Liabilities: | | | | |
| Servicing liabilities | $ — | $ — | $ 2,531 | $ 2,531 |
| Performance fee liability | — | — | 1,594 | 1,594 |
| Profit share liability | — | — | 1,544 | 1,544 |
| Derivative instruments | — | 73 | — | 73 |
| Risk sharing liability | — | — | 512 | 512 |
| Total liabilities | $ — | $ 73 | $ 6,181 | $ 6,254 |

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds | $ 97,129 | $ — | $ — | $ 97,129 |
| Commercial paper | — | 54,402 | — | 54,402 |
| Agency bonds | — | 60,865 | — | 60,865 |
| Securities, available for sale: | | | | |
| Certificates of deposit | — | 97,224 | — | 97,224 |
| Corporate bonds | — | 256,772 | — | 256,772 |
| Commercial paper | — | 266,193 | — | 266,193 |
| Agency bonds | — | 84,276 | — | 84,276 |
| Government bonds: | | | | |
| Non-U.S. | — | 9,151 | — | 9,151 |
| U.S. | — | 441,096 | — | 441,096 |
| Securitization notes receivable and residual trust certificates | — | — | 18,913 | 18,913 |
| Other | — | — | 1,028 | 1,028 |
| Servicing assets | — | — | 880 | 880 |
| Derivative instruments | — | 50,545 | — | 50,545 |
| Total assets | $ 97,129 | $ 1,320,524 | $ 20,821 | $ 1,438,474 |
| Liabilities: | | | | |
| Servicing liabilities | $ — | $ — | $ 1,392 | $ 1,392 |
| Performance fee liability | — | — | 1,581 | 1,581 |
| Residual trust certificates, held by third-parties | — | — | 125 | 125 |
| Profit share liability | — | — | 1,832 | 1,832 |
| Total liabilities | $ — | $ — | $ 4,930 | $ 4,930 |

As of December 31, 2023 and June 30, 2023, there were no transfers between levels.

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

*Marketable Securities*

As of December 31, 2023, we held marketable securities classified as cash and cash equivalents and 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*

As of December 31, 2023 and June 30, 2023, we used a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risks associated with variable interest rates. These derivative instruments are classified as Level 2 within the fair value hierarchy, and the fair value is estimated by using third-party pricing models, which contain certain assumptions based on readily observable market-based inputs. We validate the valuation output on a monthly basis. Refer to Note 12. Derivative Financial Instruments in the notes to the interim condensed consolidated financial statements for further details on our derivative instruments.

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

We evaluate our 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, profit share liability, and risk sharing arrangements do not trade in an active market with readily observable prices, we use significant unobservable inputs to measure fair value and have classified as level 3 within the fair value hierarchy. This determination requires significant judgments to be made.

*Servicing Assets and Liabilities*

We sold loans with an unpaid principal balance of $3.1 billion and $5.2 billion for the three and six months ended December 31, 2023, respectively, and $2.1 billion and $4.1 billion for the three and six months ended December 31, 2022, respectively, for which we retained servicing rights.

As of December 31, 2023 and June 30, 2023, we serviced loans which we sold with a remaining unpaid principal balance of $5.2 billion and $4.1 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.

*Gross 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 $22.4 million and $42.6 million of servicing income for the three and six months ended December 31, 2023, respectively, and $21.5 million and $42.9 million for the three and six months ended December 31, 2022, respectively.

As of December 31, 2023 and June 30, 2023, the aggregate fair value of the servicing assets was measured at $0.4 million and $0.9 million, respectively, and presented within other assets on the interim condensed consolidated balance sheets. As of December 31, 2023 and June 30, 2023, the aggregate fair value of the servicing liabilities was measured at $2.5 million and $1.4 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fair value at beginning of period | $ 569 | $ 1,142 | $ 880 | $ 1,192 |
| Initial transfers of financial assets | — | 404 | — | 433 |
| Subsequent changes in fair value | (204) | (453) | (515) | (532) |
| Fair value at end of period | $ 365 | $ 1,093 | $ 365 | $ 1,093 |

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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fair value at beginning of period | $ 1,851 | $ 3,152 | $ 1,392 | $ 2,673 |
| Initial transfers of financial liabilities | 1,702 | 2,207 | 3,091 | 4,195 |
| Subsequent changes in fair value | (1,022) | (1,679) | (1,952) | (3,188) |
| Fair value at end of period | $ 2,531 | $ 3,680 | $ 2,531 | $ 3,680 |

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of servicing assets and liabilities as of December 31, 2023 and June 30, 2023:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Unobservable Input | Minimum | Maximum | Weighted Average [3] |
| Servicing assets | Discount rate | 30.00 % | 30.00 % | 30.00 % |
| | Adequate compensation [1] | 0.92 % | 2.31 % | 0.92 % |
| | Gross default rate [2] | 2.76 % | 7.11 % | 4.18 % |
| Servicing liabilities | Discount rate | 30.00 % | 30.00 % | 30.00 % |
| | Adequate compensation [1] | 0.92 % | 2.31 % | 2.30 % |
| | Gross default rate [2] | 7.07 % | 19.37 % | 12.50 % |

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Unobservable Input | Minimum | Maximum | Weighted Average [3] |
| Servicing assets | Discount rate | 30.00 % | 30.00 % | 30.00 % |
| | Adequate compensation [1] | 0.92 % | 2.31 % | 0.93 % |
| | Gross default rate [2] | 2.15 % | 11.20 % | 3.36 % |
| Servicing liabilities | Discount rate | 30.00 % | 30.00 % | 30.00 % |
| | Adequate compensation [1] | 0.92 % | 2.31 % | 2.27 % |
| | Gross default rate [2] | 9.50 % | 21.54 % | 13.64 % |

(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
(3) Unobservable inputs were weighted by relative fair value

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, 2023 | June 30, 2023 |
|---|---|---|
| *Servicing assets* | | |
| Gross default rate assumption: | | |
| Gross default rate increase of 25% | $ — | $ — |
| Gross default rate increase of 50% | $ — | $ (1) |
| Adequate compensation assumption: | | |
| Adequate compensation increase of 10% | $ (178) | $ (382) |
| Adequate compensation increase of 20% | $ (356) | $ (764) |
| Discount rate assumption: | | |
| Discount rate increase of 25% | $ (11) | $ (29) |
| Discount rate increase of 50% | $ (21) | $ (55) |
| *Servicing liabilities* | | |
| Gross default rate assumption: | | |
| Gross default rate increase of 25% | $ (14) | $ (9) |
| Gross default rate increase of 50% | $ (28) | $ (19) |
| Adequate compensation assumption: | | |
| Adequate compensation increase of 10% | $ 4,207 | $ 2,798 |
| Adequate compensation increase of 20% | $ 8,414 | $ 5,597 |
| Discount rate assumption: | | |
| Discount rate increase of 25% | $ (48) | $ (19) |
| Discount rate increase of 50% | $ (93) | $ (38) |

*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 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fair value at beginning of period | $ 1,427 | $ 1,763 | $ 1,581 | $ 1,710 |
| Purchases of loans | 493 | 572 | 869 | 1,051 |
| Settlements paid | (508) | (501) | (992) | (501) |
| Subsequent changes in fair value | 182 | 42 | 136 | (384) |
| Fair value at end of period | $ 1,594 | $ 1,876 | $ 1,594 | $ 1,876 |

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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, 2023 and June 30, 2023:

| | December 31, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average** [(1)] |
| Discount rate | 10.00% | 10.00% | 10.00% |
| Refund rate | 4.50% | 4.50% | 4.50% |
| Default rate | 1.53% | 4.65% | 2.91% |

| | June 30, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average** [(1)] |
| Discount rate | 10.00% | 10.00% | 10.00% |
| Refund rate | 4.50% | 4.50% | 4.50% |
| Default rate | 1.79% | 3.34% | 2.86% |

(1) Unobservable inputs were weighted by remaining principal balances

*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 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, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Fair value at beginning of period | $ 93 | $ 308 | $ 125 | $ 377 |
| Repayments | (77) | (78) | (115) | (177) |
| Subsequent changes in fair value | (16) | 12 | (10) | 42 |
| Fair value at end of period | $ — | $ 242 | $ — | $ 242 |

*Retained Beneficial Interests in Unconsolidated VIEs*

As of December 31, 2023, we held notes receivable and residual trust certificates with an aggregate fair value of $32.4 million in connection with unconsolidated securitizations. The balances correspond to the 5% economic risk retention we are 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 on the interim condensed consolidated statements of operations and comprehensive loss. Declines in fair value due to credit are reflected in other 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 notes and residual trust certificates (in thousands):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fair value at beginning of period | $ 13,983 | $ 41,503 | $ 18,913 | $ 51,678 |
| Additions | 22,187 | — | 22,187 | — |
| Cash received (due to payments or sales) | (4,094) | (9,063) | (9,355) | (18,835) |
| Change in unrealized gain (loss) | 80 | 138 | 265 | (510) |
| Accrued interest | 439 | 295 | 611 | 748 |
| Reversal of (impairment on) securities available for sale | (184) | (107) | (210) | (315) |
| Fair value at end of period | $ 32,411 | $ 32,766 | $ 32,411 | $ 32,766 |

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 notes receivable and residual trust certificates as of December 31, 2023 and June 30, 2023:

| | December 31, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average** [(1)] |
| Discount rate | 6.21% | 30.56% | 7.70% |
| Loss rate | 0.83% | 10.68% | 2.29% |
| Prepayment rate | 5.85% | 22.80% | 15.53% |

| | June 30, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average** [(1)] |
| Discount rate | 5.72% | 29.84% | 7.30% |
| Loss rate | 1.25% | 14.96% | 3.02% |
| Prepayment rate | 5.90% | 29.90% | 18.10% |

(1) Unobservable inputs were weighted by relative fair value

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

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Discount rate assumption: | | |
| Discount rate increase of 25% | $ (112) | $ (218) |
| Discount rate increase of 50% | $ (223) | $ (429) |
| Loss rate assumption: | | |
| Loss rate increase of 25% | $ (65) | $ (165) |
| Loss rate increase of 50% | $ (96) | $ (243) |
| Prepayment rate assumption: | | |
| Prepayment rate decrease of 25% | $ (11) | $ (30) |
| Prepayment rate decrease of 50% | $ (23) | $ (59) |

*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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Fair value at beginning of period | $ 1,079 | $ 1,876 | $ 1,832 | $ 1,987 |
| Facilitation of loans | 1,160 | 2,342 | 2,088 | 3,475 |
| Actual performance | (1,166) | 612 | 506 | (2,264) |
| Subsequent changes in fair value | 471 | (1,133) | (2,882) | 499 |
| Fair value at end of period | $ 1,544 | $ 3,697 | $ 1,544 | $ 3,697 |

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, 2023 and June 30, 2023:

| | December 31, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average [(1)]** |
| Discount rate | 30.00% | 30.00% | 30.00% |
| Program profitability | 0.73% | 0.73% | 0.73% |

| | June 30, 2023 | | |
|---|---|---|---|
| **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average [(1)]** |
| Discount rate | 30.00% | 30.00% | 30.00% |
| Program profitability | 1.13% | 1.13% | 1.13% |

(1) Unobservable inputs were weighted by relative fair value

*Risk Sharing Arrangements*

In connection with certain capital funding arrangements with third party loan buyers, we have entered into risk sharing agreements where we may be required to make a payment to the loan buyer or are entitled to receive a payment from the loan buyer, depending on the actual versus expected loan performance as contractually agreed to with the counterparty, and subject to a cap based on a percentage of the principal balance of loans sold. Loan performance is evaluated at a cohort level based on the month loans were sold. Through December 31, 2023 we have sold $2.4 billion unpaid principal balance of loans under these risk sharing arrangements, of which our maximum exposure to losses is $49.1 million.This amount includes our maximum potential loss with respect to risk sharing liabilities and the fair value of risk sharing assets of $16.7 million, as of December 31, 2023.

We account for these arrangements as derivatives measured at fair value with gains and losses recognized in Gain on sale of loans in our interim condensed consolidated statements of operations and comprehensive loss. For each counterparty, we have recognized a net asset or net liability based on the estimated fair value of future payments we expect to receive from or make to the counterparty. As of December 31, 2023, we held assets and liabilities related to these arrangements of $16.7 million and $0.5 million, respectively. As of June 30, 2023, we estimated that the fair value of risk sharing liabilities was $0 based on the limited time passed and available loan performance since entering into these agreements. We did not have any risk sharing arrangements where we had recognized an asset as of June 30, 2023.

As of December 31, 2023, we estimated the fair value of future settlements using a discounted cash flow model. Significant assumptions used in the valuation of our risk sharing assets and liabilities include the discount rate, loss rate and the prepayment rate.

The following table summarizes the activity related to the fair value of the risk sharing assets (in thousands):

| | **Three Months Ended December 31, 2023** | **Six Months Ended December 31, 2023** |
|---|---|---|
| Fair value at beginning of period | $ 3,814 | $ — |
| Initial transfers of financial assets | 10,749 | 14,563 |
| Subsequent changes in fair value | 2,127 | 2,127 |
| Fair value at end of period | **$ 16,690** | $ 16,690 |

The following table summarizes the activity related to the fair value of the risk sharing liabilities (in thousands):

| | Three Months Ended December 31, 2023 | Six Months Ended December 31, 2023 |
|---|---|---|
| Fair value at beginning of period | $ 471 | $ — |
| Initial transfers of financial liabilities | — | — |
| Subsequent changes in fair value | 41 | 512 |
| Fair value at end of period | $ 512 | $ 512 |

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the risk sharing arrangements as of December 31, 2023:

| | | December 31, 2023 | | |
|---|---|---|---|---|
| | **Unobservable Input** | **Minimum** | **Maximum** | **Weighted Average [(1)]** |
| Risk sharing assets | Discount rate | 20.00% | 20.00% | 20.00% |
| | Loss rate | 3.78% | 4.38% | 3.93% |
| | Prepayment rate | 30.00% | 30.00% | 30.00% |
| Risk sharing liabilities | Discount rate | 20.00% | 20.00% | 20.00% |
| | Loss rate | 3.21% | 5.16% | 4.22% |

(1) Unobservable inputs were weighted by principal balance of loans sold under each cohort

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

| | December 31, 2023 |
|---|---|
| *Risk sharing assets* | |
| Prepayment rate assumption: | |
| Prepayment rate increase of 25% | $ 333,353 |
| Prepayment rate increase of 50% | $ 553,624 |
| Loss rate assumption: | |
| Loss rate increase of 25% | $ (3,798,898) |
| Loss rate increase of 50% | $ (7,544,925) |
| Discount rate assumption: | |
| Discount rate increase of 25% | $ (785,903) |
| Discount rate increase of 50% | $ (1,503,080) |
| *Risk sharing liabilities* | |
| Loss rate assumption: | |
| Loss rate increase of 25% | $ 12,074,277 |
| Loss rate increase of 50% | $ 24,443,524 |
| Discount rate assumption: | |
| Discount rate increase of 25% | $ 20,586 |
| Discount rate increase of 50% | $ 39,584 |

***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, 2023 and June 30, 2023 (in thousands):

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Balance at Fair Value |
| Assets: | | | | | |
| Loans held for sale [1] | $ 29 | $ — | $ 29 | $ — | $ 29 |
| Loans held for investment, net | 4,976,608 | — | — | 5,182,331 | 5,182,331 |
| Other assets [1] | 43,846 | — | 43,846 | — | 43,846 |
| Total assets | $ 5,020,483 | $ — | $ 43,875 | $ 5,182,331 | $ 5,226,206 |
| Liabilities: | | | | | |
| Convertible senior notes, net [2] | $ 1,415,952 | $ — | $ 1,170,514 | $ — | $ 1,170,514 |
| Notes issued by securitization trusts | 2,740,656 | — | — | 2,376,548 | 2,376,548 |
| Funding debt [3] | 1,924,351 | — | — | 1,779,365 | 1,779,365 |
| Total liabilities | $ 6,080,959 | $ — | $ 1,170,514 | $ 4,155,913 | $ 5,326,427 |

| | June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Balance at Fair Value |
| Assets: | | | | | |
| Loans held for sale [1] | $ 76 | $ — | $ 76 | $ — | $ 76 |
| Loans held for investment, net | 4,198,431 | — | — | 4,397,931 | 4,397,931 |
| Other assets [1] | 9,325 | — | 9,325 | — | 9,325 |
| Total assets | $ 4,207,832 | $ — | $ 9,401 | $ 4,397,931 | $ 4,407,332 |
| Liabilities: | | | | | |
| Convertible senior notes, net [2] | $ 1,414,208 | $ — | $ 1,053,866 | $ — | $ 1,053,866 |
| Notes issued by securitization trusts | 2,165,577 | — | — | 1,748,772 | 1,748,772 |
| Funding debt [3] | 1,775,698 | — | — | 1,777,635 | 1,777,635 |
| Total liabilities | $ 5,355,483 | $ — | $ 1,053,866 | $ 3,526,407 | $ 4,580,273 |

(1) Amortized cost approximates fair value for loans held for sale and other assets.
(2) 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.
(3) As of December 31, 2023 and June 30, 2023, debt issuance costs in the amount of $17.7 million and $10.9 million, respectively, was included within funding debt.

## 14. Stockholders’ Equity

### *Common Stock*

We had shares of common stock reserved for issuance as follows:

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Available outstanding under equity compensation plans | 49,070,029 | 52,572,230 |
| Available for future grant under equity compensation plans | 47,301,240 | 37,245,232 |
| Total | 96,371,269 | 89,817,462 |

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, 2023, a total of $125.1 million and $231.5 million, respectively, was recognized within sales and marketing expense which included $10.4 million and $20.9 million, respectively, in amortization expense of the commercial agreement asset and $114.7 million and $210.6 million, respectively, in expense based upon the grant-date fair value of the warrant shares that vested. 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.

## 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, 2023, the maximum number of shares of common stock which may be issued under the Plan is

161,051,508 Class A shares. As of December 31, 2023 and June 30, 2023, there were 47,301,240 and 37,245,232 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, 2023:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Balance as of June 30, 2023 | 18,505,138 | $ 14.34 | 6.07 | |
| Granted | 1,743,514 | 23.35 | | |
| Exercised | (2,438,297) | 8.68 | | |
| Forfeited, expired or cancelled | (637,348) | 30.13 | | |
| Balance as of December 31, 2023 | 17,173,007 | 15.47 | 6.05 | |
| Vested and exercisable, December 31, 2023 | 13,010,688 | $ 11.99 | 5.16 | $ 486,871 |
| Vested and exercisable, and expected to vest thereafter[1] December 31, 2023 | 16,838,199 | $ 15.26 | 5.99 | $ 575,677 |

(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, 2023 was $16.10. As of December 31, 2023, unrecognized compensation expense related to unvested stock options was approximately $48.2 million, which is expected to be recognized over a remaining weighted-average period of 2.7 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, 2023 and June 30, 2023, the balance of equity exercise taxes payable was $5.0 million and $3.4 million, respectively, which is included in accounts payable on the interim condensed consolidated balance sheets.

***Value Creation Award***

In November 2020, 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, 2023, we incurred stock-based compensation expense of $19.5 million and $39.1 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. 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.

As of December 31, 2023, unrecognized compensation expense related to the Value Creation Award was approximately $73.8 million, which is expected to be recognized over a remaining weighted-average period of 2.0 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.

In September 2023, we modified the vesting terms of approximately 5,300 RSU grants that vested on a monthly basis. Pursuant to the modified vesting schedule, these RSU grants will now vest on a quarterly basis. The modification resulted in the recognition of a one-time expense acceleration of $28.1 million within general and administrative expense in our interim condensed statements of operations in connection with the transition to a quarterly vesting schedule.

The following table summarizes our RSU activity during the six months ended December 31, 2023:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at June 30, 2023 | 21,653,196 | $ 26.99 |
| Granted | 8,345,388 | 19.23 |
| Vested | (9,135,493) | 26.14 |
| Forfeited, expired or cancelled | (1,466,069) | 28.23 |
| Non-vested at December 31, 2023 | 19,397,022 | $ 23.96 |

As of December 31, 2023, unrecognized compensation expense related to unvested RSUs was approximately $377.3 million, which is expected to be recognized over a remaining weighted-average period of 1.8 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 13.5 million shares of Class A common stock are reserved and available for issuance under the ESPP and 1.4 million shares have been issued as of December 31, 2023. The ESPP provides for six-month offering periods beginning December 1 and June 1 of each year. 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| General and administrative | $ 61,939 | $ 66,659 | $ 132,123 | $ 133,999 |
| Technology and data analytics | 22,567 | 48,534 | 57,703 | 91,962 |
| Sales and marketing | 4,305 | 5,549 | 9,770 | 13,677 |
| Processing and servicing | 1,353 | 1,033 | 2,927 | 1,945 |
| Total stock-based compensation in operating expenses | 90,164 | 121,775 | 202,523 | 241,583 |
| Capitalized into property, equipment and software, net | 29,657 | 22,443 | 68,460 | 43,647 |
| Total stock-based compensation | $ 119,821 | $ 144,218 | $ 270,983 | $ 285,230 |

**16. Restructuring and other**

On February 8, 2023, we committed to a restructuring plan (the "February 2023 Plan") designed to manage our operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts. As part of the Plan, we reduced our workforce by approximately 500 employees, representing approximately 19% of our employees and incurred lease exit costs related to vacating a portion of our San Francisco office.

Restructuring and other consisted of $0.1 million and $1.7 million of employee severance pay and related costs primarily related to our other exit and disposal activities for the three and six months ended December 31, 2023, respectively.

Our restructuring accrual activity for the six months ended December 31, 2023 is summarized as follows (in thousands):

| | February 2023 Restructuring Plan | Other Exit and Disposal Activities [(1)] |
|---|---|---|
| Accrued restructuring costs, June 30, 2023 | $ 308 | $ 2,116 |
| Additions | 210 | 1,679 |
| Cash paid | (378) | (3,738) |
| Adjustments | (89) | — |
| Accrued restructuring costs, December 31, 2023 | $ 51 | $ 57 |

(1) Includes employee severance pay and related costs, contract cancellation charges, among other items, related to other exit and disposal activities

**17. 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. Our 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, 2023, we recorded income tax expense (benefit) of $(0.7) million and $0.3 million, respectively, which was primarily attributable to deferred taxes recognized by certain foreign subsidiaries, various U.S state and other foreign income taxes, and the tax amortization of certain intangibles. 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.

As of December 31, 2023, we continue to recognize a full valuation allowance against our U.S. federal and state and certain foreign 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 us 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.

### 18. 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, 2023 | | Six months ended December 31, 2023 | |
|---|---|---|---|---|
| | Class A | Class B | Class A | Class B |
| **Numerator:** | | | | |
| Net loss | $ (135,588) | $ (31,314) | $ (273,697) | $ (64,988) |
| Net loss attributable to common stockholders - basic and diluted | $ (135,588) | $ (31,314) | $ (273,697) | $ (64,988) |
| **Denominator:** | | | | |
| Weighted average shares of common stock - basic | 249,866,191 | 57,705,411 | 247,045,485 | 58,660,152 |
| Weighted average shares of common stock - diluted | 249,866,191 | 57,705,411 | 247,045,485 | 58,660,152 |
| **Net loss per share:** | | | | |
| Basic | $ (0.54) | $ (0.54) | $ (1.11) | $ (1.11) |
| Diluted | $ (0.54) | $ (0.54) | $ (1.11) | $ (1.11) |

| | Three Months Ended December 31, 2022 | | Six months ended December 31, 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) |

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, | |
|---|---|---|
| | 2023 | 2022 |
| Restricted stock units | 19,397,022 | 22,878,534 |
| Stock options, including early exercise of options | 17,173,007 | 19,392,346 |
| Common stock warrants | 5,875,592 | 6,178,730 |
| Employee stock purchase plan shares | 221,266 | 1,121,878 |
| Total | 42,666,887 | 49,571,488 |

## 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, 2023 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.*

### Overview

We are building the next generation platform for digital and mobile-first commerce. We believe that by using modern technology, superior 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 apply for installment loans, and upon approval, they can use the Affirm Card digitally online or in-stores to complete a purchase. Additionally, consumers can manage the pre and post purchase split of Affirm Card transactions into loan, 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 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.

| | Three Months Ended December 31, | | | | Six Months Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | $ | % | 2023 | 2022 | $ | % |
| | (in thousands, except percentages) | | | | | | | |
| **Total revenue, net** | **$ 591,110** | **$ 399,558** | **$ 191,552** | **48 %** | **$ 1,087,657** | **$ 761,182** | **$ 326,475** | **43 %** |
| **Total operating expenses** | **763,261** | **759,090** | **4,171** | **1 %** | **1,469,255** | **1,408,181** | **61,074** | **4 %** |
| **Operating loss** | **$ (172,151)** | **$ (359,532)** | **$ 187,381** | **(52)%** | **$ (381,598)** | **$ (646,999)** | **$ 265,401** | **(41)%** |
| Other income, net | 4,549 | 35,527 | (30,978) | (87)% | 43,256 | 71,545 | (28,289) | (40)% |
| **Loss before income taxes** | **$ (167,602)** | **$ (324,005)** | **$ 156,403** | **(48)%** | **$ (338,342)** | **$ (575,454)** | **$ 237,112** | **(41)%** |
| Income tax (benefit) expense | (700) | (1,568) | 868 | (55)% | 343 | (1,748) | 2,091 | (120)% |
| **Net loss** | **$ (166,902)** | **$ (322,437)** | **$ 155,535** | **(48)%** | **$ (338,685)** | **$ (573,706)** | **$ 235,021** | **(41)%** |

### 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 monthly interest-bearing installment loans and 0% APR 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 our 0% APR financing products. For both the three and six months ended December 31, 2023, Pay-in-4 represented 16% of total GMV facilitated through our platform while 0% APR Core loans represented 11%. 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.

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. For the three and six months ended December 31, 2023, interest bearing loans represented 73% and 74% of total GMV facilitated through our platform, respectively. For the three and six months ended December 31, 2022, interest bearing loans represented 67% and 66% of total GMV facilitated through our platform, respectively.

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. Similarly, we also facilitate the issuance of the Affirm Card, a debit card that can be used physically or virtually and which allows consumers to link a bank account to pay in full, or pay later by accessing credit through the Affirm App. When these 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 their preferred repayment option. A portion of these loans are funded and issued by our originating bank partners, which include Cross River Bank, an FDIC-insured New Jersey state-chartered bank, Celtic Bank, an FDIC-insured Utah state-chartered industrial bank, and Lead Bank, an FDIC-insured Missouri state-chartered 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 aggregate principal amount of a loan that is paid by a consumer. See Note 13. Fair Value of Financial Assets and Liabilities in the notes to the interim condensed consolidated financial statements 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 several states in the U.S. through our consolidated subsidiaries. For the three and six months ended December 31, 2023, we directly originated approximately $1.3 billion, or 17%, and $2.2 billion, or 17%, respectively, of loans compared to approximately $1.1 billion, or 19%, and $1.9 billion, or 19%, of loans for the three and six months ended December 31, 2022, 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. In the normal course of business, we do not sell the servicing rights on any of the loans. 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.

**Factors Affecting Our Performance**

Our performance has been and may continue to be affected by many factors, including those identified below, as well as the factors discussed in the section titled “Risk Factors” in this Form 10-Q and in our most recently filed Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

***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 as a percentage of our total platform portfolio slightly increased from approximately 5% as of June 30, 2023, to approximately 6% as of December 31, 2023. The increase was 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. This shift in our funding mix is in response to the current market environment given our ability to allocate loans to warehouse credit 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 merchant volumes and products offered in any period affects our operating results. This mix impacts GMV, revenue, our financial results, and our key operating metric performance for that period. Differences in loan product mix result in varying loan durations, APR, and mix of 0% APR and 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 or not 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 and product offerings, including Affirm Card, revenue as a percentage of GMV may vary. In addition, our commercial agreement with Shopify to offer Shop Pay Installments powered by Affirm, our Pay-in-4 and Affirm Card offerings may continue to impact the mix of our shorter duration, low AOV products. Differences in the mix of high versus low AOV may 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, Affirm Card and other low-AOV offerings.

***Seasonality***

We experience seasonal fluctuations in our business as a result of consumer spending patterns, including Affirm Card, which we expect to mimic the seasonality of our general business in the near term. Historically, our GMV 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 our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

***Macroeconomic Environment***

We regularly monitor the direct and indirect impacts of the current macroeconomic conditions on our business, financial condition, and results of operations. Starting in fiscal 2023, the macroeconomic environment began to present a number of challenges to our business. In response to continued inflationary pressure, the U.S. Federal Reserve rapidly raised the federal funds interest rate from March 2022 through July 2023, and there is no certainty as to whether and to what extent it will further raise the federal funds interest rate in future periods or for how long the current federal funds interest rate will remain in effect. Simultaneously, economic uncertainty and the prospect of economic recession has impacted consumer spending. These challenges have affected, and may continue to affect, our business and results of operations in the following ways:

- ***Deceleration in consumer demand:*** During fiscal 2023, we experienced a deceleration in consumer demand for discretionary items, which adversely impacted GMV growth. Continued economic uncertainty, inflationary pressures, and a higher interest rate environment may further negatively impact consumer demand in future periods.

- ***Increased borrowing costs:*** Due to the elevated interest rate environment, our costs of borrowing have increased, resulting in higher transaction costs. Should the interest rate environment remain elevated, we may continue to experience higher transaction costs.

- ***Volatile capital markets:*** In fiscal year 2024 to date, capital markets have shown improvement against recent periods, which has been evidenced by substantial additions across our funding channels due to our strong loan performance. However, despite these improvements, uncertainties remain in the macroeconomic environment, especially with regard to persistent inflation and the potential for increased unemployment rates. To address these uncertainties, we leverage our diverse funding channels and counterparties, which contribute to our resilience across various macroeconomic conditions and economic cycles.

- ***Managing delinquency rates:*** We continue to optimize our underwriting to manage delinquency rates. As of December 31, 2023, our 30-day delinquency rates for monthly installment loans and our allowance rates for loan losses were comparable to those experienced as of December 31, 2022. We believe that credit performance has normalized and delinquency trends and are now performing consistent with normal seasonal behavior. In the future, on a comparative basis, delinquencies may slightly increase given our current favorable credit performance.

***Regulatory Developments***

We are subject to the regulatory and enforcement authority of the Consumer Financial Protection Board (the "CFPB") as a facilitator, servicer, acquirer or originator of consumer credit. As such, the CFPB has in the past requested reports concerning our organization, business conduct, markets, and activities, and we expect that the CFPB will continue to do so from time to time in the future. In addition, we are subject to supervision by the CFPB, which enables it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which in turn could result in matters requiring attention, investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures.

From time to time, regulatory agencies for our bank partners may re-evaluate the information we are required to collect from consumers in order to facilitate loans through our platform. Any change in the nature or amount of personal information that we are required to collect from consumers may cause some consumers to choose not to complete their purchases — or purchase less frequently — with us, which may adversely impact our conversion rates, and, as a result, adversely impact our revenue, GMV, and other of our key operating metrics.

**Key Operating Metrics**

We focus on several key operating metrics to measure the performance of our business and help determine our strategic direction. In addition to revenue, net loss, 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, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| | (in billions) | | | | | |
| Gross merchandise volume (GMV) | $ 7.5 | $ 5.7 | 32 % | $ 13.1 | $ 10.0 | 30 % |

***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, it is an indicator of the success of our merchants and the strength of our platform.

For the three and six months ended December 31, 2023, GMV was $7.5 billion and $13.1 billion, respectively, which represented an increase of approximately 32% and 30%, respectively, as compared to the same periods in 2022. Overall, the increase in GMV was primarily driven by the expansion of our active merchant base and increases in active consumers and average transactions per consumer. The increase in GMV for the three and six months ended December 31, 2023 also reflected increased consumer demand at our largest merchant partners by GMV and increased consumer demand in our travel and ticketing and general merchandise categories.

For the three and six months ended December 31, 2023, our top five merchants and platform partners represented approximately 48% and 46%, respectively, of total GMV, as compared to 48% and 43%, respectively, for the three and six months ended December 31, 2022. GMV attributable to Amazon during both the three and six months ended December 31, 2023 represented 21% of total GMV, compared to 23% and 20%, respectively, for the same periods in 2022.

| | December 31, 2023 | December 31, 2022 | % Change |
|---|---|---|---|
| | (in thousands, except per consumer data) | | |
| **Active consumers** | 17,610 | 15,615 | 13 % |
| **Transactions per active consumer** | 4.4 | 3.5 | 25 % |

***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, 2023, we had approximately 17.6 million active consumers, which represented an increase of 13% compared to approximately 15.6 million active consumers as of December 31, 2022. The increase was primarily due to a high retention rate of existing consumers and the acquisition of new consumers through an expanding active merchant base, Affirm Card (our direct to consumer product) and platform partnerships.

***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, 2023, we had approximately 4.4 transactions per active consumer, an increase of 25% compared to December 31, 2022. This was primarily due to platform growth and a higher frequency of repeat users driven by consumer engagement.

**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:

| | Three Months Ended December 31, | | | | Six Months Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | $ | % | 2023 | 2022 | $ | % |
| | (in thousands, except percentages) | | | | | | | |
| **Revenue** | | | | | | | | |
| Merchant network revenue | $ 188,357 | $ 134,019 | $ 54,338 | 41 % | $ 334,307 | $ 247,168 | $ 87,139 | 35 % |
| Card network revenue | 39,269 | 29,117 | 10,152 | 35 % | 72,745 | 55,825 | 16,920 | 30 % |
| Total network revenue | 227,626 | 163,136 | 64,490 | 40 % | 407,052 | 302,993 | 104,059 | 34 % |
| Interest income [(1)] | 288,346 | 155,321 | 133,025 | 86 % | 551,025 | 292,123 | 258,902 | 89 % |
| Gain on sales of loans [(1)] | 52,702 | 59,607 | (6,905) | (12) % | 86,987 | 123,202 | (36,215) | (29) % |
| Servicing income | 22,436 | 21,494 | 942 | 4 % | 42,593 | 42,864 | (271) | (1) % |
| **Total revenue, net** | **$ 591,110** | **$ 399,558** | **$ 191,552** | **48 %** | **$ 1,087,657** | **$ 761,182** | **$ 326,475** | **43 %** |
| **Operating expenses [(2)]** | | | | | | | | |
| Loss on loan purchase commitment | $ 53,630 | $ 38,422 | $ 15,208 | 40 % | $ 88,496 | $ 74,032 | $ 14,464 | 20 % |
| Provision for credit losses | 120,880 | 106,689 | 14,191 | 13 % | 220,576 | 170,939 | 49,637 | 29 % |
| Funding costs | 84,617 | 43,751 | 40,866 | 93 % | 158,548 | 68,817 | 89,731 | 130 % |
| Processing and servicing | 90,203 | 66,508 | 23,695 | 36 % | 165,874 | 120,867 | 45,007 | 37 % |
| Technology and data analytics | 119,833 | 156,747 | (36,914) | (24) % | 252,798 | 301,708 | (48,910) | (16) % |
| Sales and marketing | 161,265 | 188,334 | (27,069) | (14) % | 308,131 | 352,207 | (44,076) | (13) % |
| General and administrative | 132,777 | 158,639 | (25,862) | (16) % | 273,111 | 319,611 | (46,500) | (15) % |
| Restructuring and other | 56 | — | 56 | NM* | 1,721 | — | 1,721 | NM* |
| **Total operating expenses** | **763,261** | **759,090** | **4,171** | **1 %** | **1,469,255** | **1,408,181** | **61,074** | **4 %** |
| **Operating loss** | **$ (172,151)** | **$ (359,532)** | **$ 187,381** | **(52)%** | **$ (381,598)** | **$ (646,999)** | **$ 265,401** | **(41)%** |
| Other income, net | 4,549 | 35,527 | (30,978) | (87) % | 43,256 | 71,545 | (28,289) | (40) % |
| **Loss before income taxes** | **$ (167,602)** | **$ (324,005)** | **$ 156,403** | **(48)%** | **$ (338,342)** | **$ (575,454)** | **$ 237,112** | **(41)%** |
| Income tax (benefit) expense | (700) | (1,568) | 868 | (55) % | 343 | (1,748) | 2,091 | (120) % |
| **Net loss** | **$ (166,902)** | **$ (322,437)** | **$ 155,535** | **(48)%** | **$ (338,685)** | **$ (573,706)** | **$ 235,021** | **(41)%** |

* Not meaningful

(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 tables detail activity for the discount, included in loans held for investment, for the periods indicated:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Balance at the beginning of the period | $ 89,862 | $ 57,477 | $ 96,576 | $ 42,780 |
| Additions from loans purchased or originated, net of refunds | 78,676 | 72,650 | 131,096 | 143,044 |
| Amortization of discount | (51,024) | (38,838) | (96,142) | (77,807) |
| Unamortized discount released on loans sold | (17,450) | (13,779) | (30,510) | (28,953) |
| Impact of foreign currency translation | 836 | 320 | (120) | (1,234) |
| Balance at the end of the period | $ 100,900 | $ 77,830 | $ 100,900 | $ 77,830 |

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| General and administrative | $ 61,939 | $ 66,659 | $ 132,123 | $ 133,999 |
| Technology and data analytics | 22,567 | 48,534 | 57,703 | 91,962 |
| Sales and marketing | 4,305 | 5,549 | 9,770 | 13,677 |
| Processing and servicing | 1,353 | 1,033 | 2,927 | 1,945 |
| Total stock-based compensation in operating expenses | 90,164 | 121,775 | 202,523 | 241,583 |
| Capitalized into property, equipment and software, net | 29,657 | 22,443 | 68,460 | 43,647 |
| Total stock-based compensation | $ 119,821 | $ 144,218 | $ 270,983 | $ 285,230 |

**Comparison of the Three and Six Months Ended December 31, 2023 and 2022**

*Merchant network revenue*

Merchant network revenue is impacted by both GMV and the mix of loans originated on our platform as merchant fees vary based on loan characteristics. In particular, merchant network revenue as a percentage of GMV typically increases with longer-term, non interest-bearing loans with higher AOVs, and decreases with shorter-term, interest-bearing loans with lower AOVs.

Merchant network revenue increased by $54.3 million, or 41%, and $87.1 million, or 35%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The increase is primarily attributed to an increase of $1.8 billion and $3.1 billion in GMV for the three and six months ended December 31, 2023, compared to the same period in 2022. The increase in GMV is a result of the expansion of our active merchant base and consumers, reaching approximately 279,000 and 17.6 million, respectively, as of December 31, 2023, up from approximately 243,000 and 15.6 million, respectively, as of December 31, 2022. Additionally, the average transactions per consumer increased from 3.5 as of December 31, 2022 to 4.4 as of December 31, 2023. The increase in consumers and average transactions per consumer is partially offset by a decrease in AOVs. For the three and six months ended December 31, 2023, AOV was $287 and $292, respectively, down from $307 and $317 for the same period in fiscal 2022. The decrease in AOV is due to the diversification of our merchant base and our initiative to drive repeat usage of our platform beyond one-time high AOV purchases.

*Card network revenue*

Card network revenue increased by $10.2 million, or 35%, and $16.9 million, or 30%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. Card network revenue growth is correlated with the growth of GMV processed by our issuer processors. As such, the increase is primarily driven by $2.2 billion and $3.9 billion of GMV processed through our issuer processors, an increase of 52% and 44% for the three and six months ended December 31, 2023, respectively, as compared to the same period in 2022. This was driven by increased card activity through Affirm Card and our single use virtual debit cards, as well as growth in existing and new merchants utilizing our agreement with card-issuing partners as a means of integrating Affirm services, which grew from approximately 1,200 merchants as of December 31, 2022 to 1,500 merchants as of December 31, 2023. 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*

Interest income increased by $133.0 million, or 86%, and $258.9 million, or 89%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. Generally, interest income is correlated with the changes in the average balance of loans held for investment, which increased by 54% to $4.9 billion and 61% to $4.7 billion for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The increase in loans held for investment on our interim condensed consolidated balance sheet is in response to the current market environment and our ability to allocate loans to warehouse credit facilities and on balance sheet asset-backed securities transactions with better economic terms to optimize cost of funds. As a result of the increase in loans held for investment on our interim condensed consolidated balance sheet, interest income from interest-bearing loans increased from $125.9 million and $232.0 million for the three and six months ended December 31, 2022, respectively, to $248.1 million and $474.4 million for three and six months ended December 31, 2023, respectively. This increase was partially due to an increase in volume of interest bearing loans which increased to 73% of total GMV for both the three and six months ended December 31, 2023, compared to 67% and 66%, respectively, of total GMV in the same periods in 2022, in addition to recent pricing initiatives, including the increase of the maximum APR and merchant-subsidized low APR loans replacing previously non-interest bearing loans.

*Gain on sales of loans*

Gain on sales of loans decreased by $6.9 million, or 12%, and $36.2 million, or 29%, for the three and six months ended December 31, 2023 compared to the same period in 2022. The decrease was driven by higher benchmark interest rates, which impacted pricing terms on loan sales during the period. The decrease was partially offset by an increase in loan sale volume to third-party loan buyers. We sold loans with an unpaid principal balance of $3.1 billion and $5.2 billion, respectively, for the three and six months ended December 31, 2023 compared to $2.1 billion and $4.1 billion for the same period in 2022.

*Servicing income*

Servicing income includes net servicing fee revenue and fair value adjustments for servicing assets and liabilities, and is recognized for loan portfolios sold to third party loan buyers and for loans held within our off balance sheet securitizations. Servicing fee revenue varies by contractual servicing fee arrangement and is earned as a percentage of the average unpaid principal balance of loans held by each counterparty where we have a servicing agreement. We reduce servicing income for certain fees we are required to pay per our contractual servicing arrangement.

With respect to fair value adjustments, we remeasure the fair value of servicing assets and liabilities each period and recognize the change in fair value in servicing income. We utilize a discounted cash flow approach to remeasure the fair value of servicing rights. Because we earn servicing income based on the outstanding principal balance of the portfolio, fair value adjustments are impacted by the timing and amount of loan repayments. As such, over the term of each loan portfolio sold, fair value adjustments for servicing assets will decrease servicing income and fair value adjustments for servicing liabilities will increase servicing income. We discuss our valuation methodology and significant Level 3 inputs for servicing assets and liabilities within Note 13. Fair Value of Financial Assets and Liabilities.

Servicing income increased by $0.9 million, or 4%, for the three months ended December 31, 2023, compared to the same period in 2022. The increase was primarily due to an increase in net servicing fee revenue which is calculated as a percentage of the unpaid principal balance of loans owned by third-party loan owners. The average unpaid principal balance of loans owned by third-party loan owners increased from $4.7 billion during the three months ended December 31, 2022, to $4.9 billion during the three months ended December 31, 2023. The increase was partially offset by a $0.6 million decrease in fair value adjustments related to servicing assets and liabilities during the three months ended December 31, 2023, compared to the same period in 2022.

Servicing income decreased by $0.3 million, or 1%, for the six months ended December 31, 2023, respectively, compared to the same period in 2022. The decrease was primarily due to a $1.3 million decrease in fair value adjustments related to servicing assets and liabilities during the six months ended December 31, 2023, compared to the same period in 2022. The decrease was partially offset by an increase in net servicing fee revenue which is calculated as a percentage of the unpaid principal balance of loans owned by third-party loan owners. The average unpaid principal balance of loans owned by third-party loan owners increased by 1% during the six months ended December 31, 2023, compared to the same period in 2022.

*Loss on loan purchase commitment*

We purchase certain loans from our originating bank partners that are processed through our platform and put back to us by our originating bank partners. 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 increased by $15.2 million, or 40%, and $14.5 million, or 20%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. This increase was primarily due to an increase in total loans purchased. During the three and six months ended December 31, 2023, we purchased $5.9 billion and $10.5 billion, respectively, of loans from our originating bank partners, compared to $4.4 billion and $7.9 billion, respectively, in the same period in 2022, representing an increase of 34% and 32%, respectively.

*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 condensed 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 based on our estimate of expected future losses on loans originated during the period and held for investment on our balance sheet, changes in our estimate of future losses on loans outstanding as of the end of the period and the net charge-offs incurred in the period.

Provision for credit losses increased by $14.2 million, or 14%, and $49.6 million, or 29%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, driven by growth in the volume of loans held for investment and partially offset by improvements in credit quality of loans outstanding. Loans held for investment as of December 31, 2023 was $5.2 billion, an increase of $1.6 billion, or 43%, as compared to the same period in 2022. The allowance for credit losses as a percentage of loans held for investment was 5.0% as of both December 31, 2023 and 2022 and 4.6% as of June 30, 2023. The increase in the allowance rate from June 30, 2023 is primarily driven by changes in the loan mix, including holding a higher percentage of seasoned and longer term loans on our balance sheet as of December 31, 2023.

*Funding costs*

Funding costs consist of interest expense and the amortization of fees for certain borrowings collateralized by our loans including warehouse credit facilities and consolidated securitizations, 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 driven by the average outstanding balance of funding debt and notes issued by securitization trusts as well as our contractual interest rate and distribution of loans across funding facilities, net of the impact of any designated cash flow hedges.

Funding costs increased by $40.9 million, or 93%, and $89.7 million, or 130%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The increase was primarily due to higher benchmark interest rates and an increase of funding debt and notes issued by securitization trusts during the three and six months ended December 31, 2023. The average total of funding debt from warehouses and securitizations for the three and six months ended December 31, 2023 was $4.4 billion and $4.2 billion, respectively, compared to $2.9 billion and $2.7 billion during the same period in 2022, an increase of $1.5 billion, or 53%, and $1.6 billion, or 58%, respectively. The increase was also attributable to a larger volume of on-balance sheet loans being retained during the period. The average on-balance sheet loan balance was $4.9 billion and $4.7 billion for the three and six months ended December 31, 2023, respectively, an increase of 54% and 60% compared to $3.2 billion and $3.0 billion during the same periods in 2022, respectively.

*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 $23.7 million, or 36%, and $45.0 million, or 37%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. This increase was driven primarily by an increase in payment processing fees of $13.1 million, or 39%, and $24.7 million, or 39%, for the three and six months ended December 31, 2023, respectively, related to increased payment volume. Additionally, during the three and six months ended December 31, 2023, our platform fees increased by $12.6 million, or 119%, and $20.4 million, or 114%, respectively, due to an increase in volume with a large enterprise partner.

*Technology and data analytics*

Technology and data analytics expense consists primarily of the salaries, stock-based compensation, and personnel-related costs of our engineering, product, and credit and analytics employees, as well as the amortization of internally-developed software and technology intangible assets, and our infrastructure and hosting costs.

Technology and data analytics expense decreased by $36.9 million, or 24%, and $48.9 million, or 16%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The decrease is primarily driven by a decrease of $43.9 million, or 47%, and $62.0 million, or 35%, in stock-based compensation and payroll and personnel-related costs for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, due to higher capitalized expenses related to internally-developed software and a reduction in headcount. Additionally, data infrastructure and hosting costs decreased by $11.5 million, or 35%, and $19.7 million, or 31%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, due to cost improvements achieved as a result improved contractual terms with several key vendors. The decrease is partially offset by amortization of internally-developed software and intangible assets which increased by $17.3 million, or 86%, and $29.0 million, or 74%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, as a result of an increase in the number of capitalized projects. Capitalized projects grew by 95% from approximately 390 projects as of December 31, 2022 to 760 projects as of December 31, 2023.

*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 decreased by $27.1 million, or 14%, and $44.1 million, or 13%, during the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The decrease was primarily driven by Amazon warrant expense which decreased from $138.5 million and $257.7 million for the three and six months ended December 31, 2022, respectively, to $125.1 million and $231.5 million for the three and six months ended December 31, 2023, respectively, due to a lower number of new users to the Amazon program in the current period, which is the basis for a portion of the warrant expense. Additionally, personnel-related costs decreased by $8.0 million, or 40%, and $17.9 million, or 43%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022 as a result of our reduction in force and cost management plans. Brand and consumer marketing decreased by $4.8 million, or 53%, and $4.6 million, or 37%, for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, primarily due to a reduced number of paid brand marketing campaigns and brand partnerships.

*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 decreased by $25.9 million, or 16%, and $46.5 million, or 15%, during the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. The decrease was primarily due to a $11.8 million, or 10%, and $15.1 million, or 6%, decrease in payroll and personnel-related costs during the three and six months ended December 31, 2023, respectively, compared to the same period in 2022, as a result of our reduction in force and cost management plans. Additionally insurance expense decreased by $2.4 million, or 45%, and $4.4 million, or 42%, driven by a rate reduction during policy renewals for the three and six months ended December 31, 2023, respectively, compared to the same period in 2022.

*Restructuring and other*

Restructuring and other for the three and six months ended December 31, 2023 increased by $0.1 million and $1.7 million, respectively, compared to the same period in 2022. The associated restructuring and other expenses during the three and six months ended December 31, 2023 primarily related to employee severance and other employment termination benefits offered in connection with the wind down of our returns management platform, Returnly.

*Other (expense) income, net*

Other income, net includes interest earned on our money market funds included in cash and cash equivalents and restricted cash, interest earned on securities available for sale, impairment or other adjustments to the cost basis of non-marketable equity securities held as cost, gains and losses on derivative agreements not designated within a hedging relationship, amortization of convertible debt issuance cost as well as gains (losses) on extinguishment, revolving credit facility issuance costs, fair value adjustments related to contingent liabilities, and other income or expense arising from activities that are unrelated to our primary business.

Other income, net, decreased by $31.0 million, or 87%, and $28.3 million, or 40%, during the three and six months ended December 31, 2023, respectively, compared to the same period in 2022. Derivative instruments not designated in a hedge accounting relationship generated losses of $5.7 million and $1.7 million for the three and six months ended December 31, 2023, compared to gains of $6.8 million and $37.5 million for the same period in 2022. Losses on derivative instruments during the three and six months ended December 31, 2023 were partially offset by an increase in interest income from cash and investments, which was $22.6 million and $45.0 million during three and six months ended December 31, 2023 compared to $16.5 million and $28.4 million during the same period in 2022.

During the three months ended December 31, 2023 we recognized a $14.1 million impairment expense for one of our non-marketable equity investments held at cost compared to no impairment losses incurred in the prior periods. The impairment loss was partially offset by other income of $2.5 million and $12.5 million, during the three and six months ended December 31, 2023, respectively, related to the wind-down of the Returnly business and our partnership with a third-party return provider.

During the comparable periods, we recognized gains due to fair value adjustments for a contingent liability associated with the acquisition of Paybright of $12.1 million and $9.3 million, for the three and six months ended December 31, 2022, respectively. This contingent liability was settled in June 2023, and therefore, no comparable gains were recognized during the most recent three and six month period ending December 31, 2023.

**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 credit 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 high 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, 2023, we had $2.0 billion in cash and cash equivalents and available for sale securities, $3.8 billion in available funding debt capacity, excluding our purchase commitments from third party loan buyers, and $205.0 million in borrowing capacity available under our revolving credit facility. We believe our principal sources of liquidity are sufficient to meet both our existing operating, working capital, and capital expenditure requirements and our currently planned growth for at least the next 12 months.

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

| | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Cash and cash equivalents [1] | $ 1,036,719 | $ 892,027 |
| Investments in short-term debt securities [2] | 650,333 | 915,003 |
| Investments in long-term debt securities [2] | 263,736 | 259,650 |
| **Cash, cash equivalent and investments in debt securities** | **$ 1,950,788** | **$ 2,066,680** |

(1) Cash and cash equivalents consist of checking, money market and savings accounts held at financial institutions and short term highly liquid marketable securities, including money market funds, government bonds, and other corporate securities purchased with an original maturity of three months or less.

(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.

***Funding Debt***

Our funding debt as of December 31, 2023 primarily includes warehouse credit facilities and sale and repurchase agreements. A detailed description of each of our borrowing arrangements is included in Note 9. Debt in the notes to the interim condensed consolidated financial statements. The following table summarizes our funding debt facilities as of December 31, 2023.

| Maturity Fiscal Year | Borrowing Capacity | Principal Outstanding |
|---|---|---|
| | (in thousands) | |
| 2024 | $ 200,000 | $ 1,947 |
| 2025 | 1,013,938 | 324,264 |
| 2026 | 3,076,771 | 1,228,445 |
| 2027 | — | — |
| 2028 | 226,055 | 23,060 |
| Thereafter | 1,226,900 | 346,635 |
| **Total** | **$ 5,743,664** | **$ 1,924,351** |

*U.S.*

Our warehouse credit facilities allow us to borrow up to an aggregate of $5.1 billion, mature between 2024 and 2031 and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date. As of December 31, 2023, we have drawn an aggregate of $1.5 billion on our warehouse credit facilities. As of December 31, 2023, we were in compliance with all applicable covenants in the agreements.

*International*

We use various credit facilities to finance the origination of loan receivables in Canada. Similar to our U.S. warehouse credit facilities, borrowings under these agreements are referred to as funding debt, and proceeds from the borrowings may only be used for the purposes of facilitating loan funding and origination. These facilities are secured by Canadian loan receivables pledged to the respective facility as collateral, mature between 2025 and 2029. As of December 31, 2023, the aggregate commitment amount of these facilities was $668.7 million on a revolving basis, of which $409.2 million was drawn.

*Sale and Repurchase Agreements*

We have various 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. These agreements have an initial term of three months and subject to mutual agreement by Affirm and the counterparty, we may enter into one or more repurchase date extensions, each for an additional three month term at market interest rates on such extension date. We had $1.9 million and $11.0 million in debt outstanding under our sale and repurchase agreements disclosed within funding debt on the interim consolidated balance sheets as of December 31, 2023 and June 30, 2023, respectively.

***Other Funding Sources***

*Securitizations*

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

10. Securitization and Variable Interest Entities in the notes to the interim condensed consolidated financial statements for further details.

*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. As of December 31, 2023, there were no borrowings outstanding under the facility. The facility contains certain covenants and restrictions, including certain financial maintenance covenants. As of December 31, 2023, we were in compliance with all applicable covenants in the agreements. Refer to Note 9. Debt in the notes to the interim condensed consolidated financial statements for further details on our revolving credit facility.

*Forward Flow Loan Sale Arrangements*

We have forward flow loan sale arrangements that facilitate the sale of whole loans across a diverse third party investor base. Forward flow arrangements are generally fixed term in nature, with term lengths ranging between one to three years, during which we periodically sell loans to each counterparty based on the terms of our negotiated agreement.

**Cash Flow Analysis**

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

| | Six Months Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **(in thousands)** | |
| Net cash provided by operating activities | 173,223 | 22,667 |
| Net cash provided used in investing activities | (640,761) | (574,938) |
| Net cash provided by financing activities | 655,151 | 869,355 |

*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, 2023, net cash provided by operating activities of $173.2 million stemmed from a positive adjustment for non-cash items of $568.9 million, offset by a net loss of $338.7 million and an unfavorable change in our operating assets net of operating liabilities of $57.0 million. The positive adjustment for non-cash items primarily consisted of provision for credit losses of $220.6 million, which increased by $49.6 million as a result of the growth in the volume of loans held for investment, commercial agreement assets of $210.6 million and stock-based compensation of $202.5 million. The change in operating assets net of operating liabilities was primarily a result of a decrease of our purchase and sale of loans held for sale activities. We purchased loans of $2.2 billion, which was offset by proceeds from loan sales of $2.3 billion, which decreased by $87.6 million compared to the same period in 2022.

For the six months ended December 31, 2022, net cash provided by operating activities was $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, provision for credit losses of $170.9 million, and stock-based compensation of $241.6 million, which saw an increase resulting from incremental compensation recognized from award modifications and increased headcount.

*Cash Flows from Investing Activities*

For the six months ended December 31, 2023, net cash used in investing activities of $640.8 million was primarily attributable to purchases and origination of loans held for investment of $10.3 billion, partially offset by the repayments of loans and proceeds from sale of loans of $9.5 billion and proceeds from maturities and repayments of securities available for sale of $482.0 million. Loan repayments and sale of loans of $9.5 billion during the period represented an increase of $4.2 billion, compared to the same period in 2022, due in part to shifting of the length of loan terms on our balance sheet netted off by higher average balance of loans held for investment compared to the same period in 2022. During the period we originated loans of $2.2 billion and purchased loans of $8.2 billion, representing a combined increase of $3.8 billion compared to the same period in 2022.

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 loan repayments and sale of loans of $5.3 billion and net proceeds from maturities of securities available for sale of $692.5 million. During the period, we originated loans of $1.9 billion and purchased loans of $4.7 billion.

*Cash Flows from Financing Activities*

For the six months ended December 31, 2023, net cash provided by financing activities of $655.2 million, was primarily attributable to net cash inflows from the issuance and repayment of notes and certificates issued for the securitization trust of $573.5 million, and net cash inflows related to the repayment of funding debt of $148.4 million. Our payments of debt issuance costs were in the normal course of business and reflective of our recurring warehouse credit facility activity, which involves securing new warehouse credit facilities and extending existing warehouse credit facilities and a higher interest rate environment. Additionally, we paid taxes related to RSU vesting of $75.7 million.

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 warehouse credit facility activity, which involves securing new warehouse credit facilities and extending existing warehouse credit facilities. Finally, we paid taxes related to RSU vesting of $45.3 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, 2023 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, 2023, which was filed with the SEC on August 25, 2023.

**Off-Balance Sheet Arrangements**

In the ordinary course of business, we engage in activities that are not reflected on our interim 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 could experience a loss if we were required to repurchase 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 trust certificates. In the unlikely event principal payments on the loans backing any off-balance sheet securitization are insufficient to pay holders of senior notes and residual trust certificates, including any retained interests held by Affirm, then any amounts we contributed to the securitization reserve accounts may be depleted. Refer to Note 10. Securitization and Variable Interest Entities in the notes to the interim condensed consolidated financial statements for further details.

As of December 31, 2023, the aggregate outstanding balance of loans held by third-party investors and off balance sheet securitizations was $5.2 billion.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP and requires us to make certain estimates and judgments that affect the amounts reported in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because certain of these accounting policies require significant judgment, our actual results may differ materially from our estimates. To the extent that there are differences between our estimates and actual results, our future consolidated financial statement presentation, financial condition, results of operations, and cash flows may be affected. 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, 2023.

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, 2023 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*".

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations within the United States and Canada, 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 our current operations are primarily in the U.S.

***Interest Rate Risk***

Our securities available for sale at fair value as of December 31, 2023 included $914.1 million of marketable debt securities with maturities greater than three months. An increase 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 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 but also for consumers' other financial commitments, including their mortgages, credit cards, and other types of loans. Therefore, prolonged 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. For future securitization issuances, higher interest rates could have several outcomes. For consolidated securitizations, higher interest rates may result in higher coupons paid and therefore higher funding costs. For transactions that are not consolidated, higher interest rates may impact overall deal economics which are a function of numerous transaction terms.

We maintain an interest rate risk management program which measures and manages the potential volatility of earnings that may arise from changes in interest rates. We use interest rate derivatives to mitigate the effects of changes in interest rates on our variable rate debt which eliminates some, but not all, of the interest rate risk. Some of these contracts are designated as cash flow hedges for accounting purposes. For those contracts designated as cash flow hedges, the effective portion of the gain or loss on the derivatives is recorded in other comprehensive income (loss) and is reclassified into funding costs in the same period the hedged transaction affects earnings. Factoring in the interest rate risk management program and the repricing of investment securities, as of December 31, 2023, we estimate that a hypothetical instantaneous 100 basis point upward parallel shock to interest rates would have a less than $40.0 million adverse impact on our cash flows associated with our market risk sensitive instruments over the next 12 months. This measure projects the changes in cash flows associated with all assets and liabilities, including derivatives, based on contractual market rate-based repricing conditions over a twelve-month time horizon. It considers forecasted business growth and anticipated future funding mix.

***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 proprietary underwriting models to make lending decisions, 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 determine the likelihood of a consumer being able to pay.

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, 2023 and June 30, 2023, we were exposed to credit risk on $5.2 billion and $4.4 billion, respectively, of loans held on our interim condensed consolidated balance sheet. Loan receivables are diversified geographically. As of both December 31, 2023 and June 30, 2023, approximately 11% of loan receivables related to customers residing in the state of California. 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. Although, we are not substantially dependent on a single financing source and have not historically experienced any credit losses related to these financial institutions, recently there has been instability at certain financial institutions and there can be no assurances that such instability may not continue or become more widespread in the future. If multiple financing sources were to be unable to fulfill their funding obligations to us, it could have a material adverse effect on our financial condition, results of operations and cash flows.

## 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 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, 2023 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 such improvements will be subject to the same inherent limitations outlined in this section.

# 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, 2023 could materially and adversely affect our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A common stock. 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, 2023, 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.

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, 2023.

## 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

***Rule 10b5-1 Trading Plans***

During the quarter ended December 31, 2023, the following directors and officers, as defined in Rule 16a-1(f) of the Exchange Act, adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On December 13, 2023, Libor Michalek, our President and a member of our Board of Directors, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense conditions of Exchange Act Rule

10b5-1(c) (a “Rule 10b5-1 Trading Plan”). Mr. Michalek’s Rule 10b5-1 Trading Plan provides for the exercise of up to 600,000 employee stock options and sale of the underlying shares of our Class A common stock pursuant to one or more limit orders from March 13, 2024 until January 31, 2025, or earlier if all transactions under the trading arrangement are completed.

On December 14, 2023, Katherine Adkins, our Chief Legal Officer and Chief Compliance Officer, adopted a Rule 10b5-1 Trading Plan. Ms. Adkins’ Rule 10b5-1 Trading Plan provides for the sale of up to 335,000 shares of our Class A common stock, including the sale of underlying shares upon the exercise of employee stock options, pursuant to one or more limit orders from March 14, 2024 until July 31, 2024, or earlier if all transactions under the trading arrangement are completed.

On December 14, 2023, Keith Rabois, a member of our Board of Directors, adopted a Rule 10b5-1 Trading Plan. Mr. Rabois’ Rule 10b5-1 Trading Plan provides for the sale of up to 55,655 shares of our Class A common stock from March 14, 2024 until August 30, 2024, or earlier if all transactions under the trading arrangement are completed.

No other directors or officers, as defined in Rule 16a-1(f), adopted and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the quarter ended December 31, 2023.

On December 15, 2023, the Company entered into a Rule 10b5-1 Trading Plan. The Company’s 10b5-1 Trading Plan provides for the repurchase of up to $400 million aggregate principal amount of the Company’s 0% Senior Convertible Notes due 2026 from February 1, 2024 until April 30, 2024, or earlier if all transactions under the trading arrangement are completed.

## Item 6. Exhibits

| Exhibit Number | Description | Incorporated by Reference Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 4.1 | Amended and Restated Warrant to Purchase Class A Common Stock of Affirm Holdings, Inc., by and between Affirm Holdings, Inc. and Amazon.com Services LLC, dated as of October 27, 2023* | | | | | X |
| 10.1 | Amendment No. 1 to Loan Sale Agreement, dated as of October 27, 2023, by and between Celtic Bank Corporation and Affirm, Inc. | | | | | X |
| 10.2 | Amendment No. 1 to Marketing and Servicing Agreement, dated as of October 27, 2023, by and between Celtic Bank Corporation and Affirm, Inc. | | | | | 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 Company customarily and actually treats the omitted information as private or confidential.

## 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, 2024

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

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

**Exhibit 4.1**

Certain identified information in this document has been excluded because it is both (i) not material and (ii) is the type of information that Affirm Holdings, Inc. customarily and actually treats as private or confidential. This document has been marked with "[***]" to indicate where omissions have been made.

# AMENDED AND RESTATED WARRANT TO PURCHASE CLASS A COMMON STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A TRANSACTION AGREEMENT, DATED AS OF NOVEMBER 10, 2021, BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM SERVICES LLC, A DELAWARE LIMITED LIABILITY COMPANY, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

**AMENDED AND RESTATED WARRANT**
**to purchase**
**15,000,000**
**Shares of Class A Common Stock of**
**Affirm Holdings, Inc.**
**a Delaware Corporation**

Issue Date: November 10, 2021
Amended and Restated: October 27, 2023

1. Definitions. Unless the context otherwise requires, when used herein, the following terms shall have the meanings indicated.

"30-Day VWAP" means, as of any date, the volume weighted average price per share of the Common Stock, or any successor security thereto, (rounded to the nearest second decimal place) on the Principal Trading Market (as reported by Bloomberg L.P. (or its successor) or if not available, by Dow Jones & Company Inc., or if neither is available, by another authoritative source mutually agreed by the Company and the Warrantholder) from 9:30 a.m. (New York City time) on the Trading Day that is 30 Trading Days preceding such date to 4:00 p.m. (New York City time) on the last Trading Day immediately preceding such date.

"Acquisition Transaction" has the meaning ascribed to it in the Transaction Agreement.

"Affiliate" has the meaning ascribed to it in the Transaction Agreement.

"Amazon" has the meaning ascribed to it in the Commercial Agreement.

"Antitrust Laws" has the meaning ascribed to it in the Transaction Agreement.

"Appraisal Procedure" means a procedure in accordance with the American Institute of Certified Public Accounts, Inc. ("AICPA") "VS Section 100 - Valuation of a Business, Business Ownership Interest, Security or Intangible Asset" and such other associated AICPA guidance as is reasonable and applicable whereby two independent appraisers, each employed by firms nationally recognized for valuation expertise and each reasonably experienced in appraising the market value of securities of size in value and characteristics of the Warrant (each a "Qualified Appraiser"), one chosen by the Company and one by the Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its Qualified Appraiser within 15 days after the date that the Appraisal Procedure is invoked. If within 30 days after receipt by each party of the notices appointing the two Qualified Appraisers, such appraisers are unable to agree upon the amount in question, a third Qualified Appraiser shall be chosen within ten days after the end of such 30-day period by: (i) the mutual consent of such first two Qualified Appraisers; or (ii) if such two first Qualified Appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of Qualified Appraisers on the application of either of the first two Qualified Appraisers. If any Qualified Appraiser initially appointed shall, for any reason, be unable to serve, a successor Qualified Appraiser shall be appointed in accordance with the procedures pursuant to which the predecessor Qualified Appraiser was appointed. In the event a third Qualified Appraiser is appointed, the decision of such third Qualified Appraiser shall be given within 30 days after such Qualified Appraiser's selection. If three Qualified Appraisers are appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then (a) the determination of such appraiser shall be excluded, (b) the remaining two determinations shall be averaged, and (c) such average shall be binding and conclusive upon the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding and conclusive upon the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne 50% by the Company and 50% by the Warrantholder. The Qualified Appraisers shall act as experts and not arbitrators.

"Attribution Parties" has the meaning set forth in Section 12(i).

[***]

"Beneficial Ownership Limitation" has the meaning set forth in Section 12(ii).

[***]

"Board" has the meaning ascribed to it in the Transaction Agreement.

"Business Combination" means a merger, consolidation, statutory share exchange, reorganization, recapitalization, or similar extraordinary transaction (which may include a reclassification) involving the Company.

"Business Day" has the meaning ascribed to it in the Transaction Agreement.

"Cash Exercise" has the meaning set forth in Section 3(ii).

"Cashless Exercise" has the meaning set forth in Section 3(ii).

"Cashless Exercise Ratio" with respect to any exercise of this Warrant means a fraction (i) the numerator of which is the excess of (x) the 30-Day VWAP as of the exercise date over (y) the Exercise Price, and (ii) the denominator of which is the 30-Day VWAP as of the exercise date.

"Chosen Courts" has the meaning set forth in Section 13.

"Commercial Agreement" means the Amended and Restated Installment Financing Services Agreement, effective as of November 10, 2021, by and between Affirm, Inc., Amazon.com Services LLC and Amazon Payments, Inc., as it may be amended from time to time.

"Commission" has the meaning ascribed to it in the Transaction Agreement.

"Common Stock" means the Class A common stock, $0.00001 par value per share, of the Company.

"Company" means Affirm Holdings, Inc., a Delaware corporation.

"Confidentiality Agreement" has the meaning ascribed to it in the Transaction Agreement.

"conversion" has the meaning ascribed to it in the Transaction Agreement.

"Designated Company Office" has the meaning set forth in Section 3(ii).

"DTC" has the meaning ascribed to it in the Transaction Agreement.

"DWAC" has the meaning ascribed to it in the Transaction Agreement.

"Equity Securities" has the meaning ascribed to it in the Transaction Agreement.

"Exchange Act" has the meaning ascribed to it in the Transaction Agreement.

"Exercise Conditions" has the meaning set forth in Section 3(iii).

"Exercise Period" has the meaning set forth in Section 3(ii).

"Exercise Price" means $100.00.

"Expiration Time" has the meaning set forth in Section 3(ii).

"Fair Market Value" means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board, acting reasonably, in good faith and evidenced by a written notice delivered promptly to the Warrantholder (which written notice shall include certified resolutions of the Board in respect thereof). If the Warrantholder objects in writing to the Board of Director's calculation of fair market value within ten Business Days after receipt of written notice thereof, and the Warrantholder and the Company are unable to agree on the fair market value during the ten-day period following the delivery of the

Warrantholder's objection, the Appraisal Procedure may be invoked by either the Company or the Warrantholder to determine the fair market value of such security or other property by delivering written notification thereof not later than the 30th day after delivery of the Warrantholder objection. For the avoidance of doubt, the Fair Market Value of cash shall be the amount of such cash.

"Group" has the meaning ascribed to it in the Transaction Agreement.

"Initial Antitrust Clearance" has the meaning ascribed to it in the Transaction Agreement.

"Maximum Limitation" has the meaning ascribed to it in the Transaction Agreement.

"Permitted Transactions" means (a) issuances of shares of Common Stock (including upon exercise of options) to directors, advisors, employees, or consultants of the Company pursuant to a stock option plan, employee stock purchase plan, restricted stock plan, other employee benefit plan, or other similar compensatory agreement or arrangement approved by the Board and (b) shares of Common Stock issuable upon exercise of this Warrant.

"Person" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"Principal Trading Market" means the trading market on which the Common Stock, or any successor security thereto, is primarily listed on and quoted for trading, and which, as of the Issue Date is The NASDAQ Global Select Market.

"Qualified Appraiser" has the meaning set forth in the definition of "Appraisal Procedure."

[***]

"Securities Act" has the meaning ascribed to it in the Transaction Agreement.

"Share Delivery Date" has the meaning set forth in Section 4(i).

"Subject Adjustment" has the meaning set forth in Section 11(iv).

"Subject Record Date" has the meaning set forth in Section 11(iv).

"subsidiary" has the meaning ascribed to it in the Transaction Agreement.

"Trading Day" means a day on which the Principal Trading Market is open for trading.

"Transaction Agreement" means the Transaction Agreement, dated as of the date hereof, as it may be amended from time to time, by and between the Company and Amazon.com Services LLC, including all annexes, schedules, and exhibits thereto.

"Transaction Documents" has the meaning ascribed to it in the Transaction Agreement.

“Vesting Event” means with respect to 15,000,000 Warrant Shares, as set forth on Annex C. For the avoidance of doubt, (i) Vesting Events shall stop occurring once the number of Warrant Shares specified under Section 2 have vested pursuant to Vesting Events, and (ii) if a given Vesting Event would cause the number of shares vested to exceed the number of Warrant Shares specified under Section 2 then only the number of shares up to and including the total number of Warrant Shares specified under Section 2 (subject to applicable adjustment or supplementation under this Agreement) shall vest during the final such Vesting Event.

[***]

“Warrant” means this Warrant, issued pursuant to the Transaction Agreement.

“Warrant Shares” has the meaning set forth in Section 2.

“Warrantholder” means, in relation to the Warrant, the Person who is the holder of such Warrant. The Warrantholder shall initially be Amazon.com Services LLC, a Delaware limited liability company.

2. Number of Warrant Shares; Exercise Price. This certifies that, for value received, the Warrantholder or its permitted assigns or transferees is entitled, upon the terms hereinafter set forth, to acquire from the Company, in whole or in part, up to a maximum aggregate of 15,000,000 fully paid and nonassessable shares of Common Stock (the “Warrant Shares”), at a purchase price per share of Common Stock equal to the Exercise Price. The Warrant Shares and Exercise Price are subject to adjustment and/or may be supplemented by or converted into other Equity Securities as provided herein, and all references to “Common Stock,” “Warrant Shares,” and “Exercise Price” herein shall be deemed to include any such adjustment, supplement, and/or conversion or series of adjustments, supplements, or conversions.

3. Exercise of Warrant; Term; Other Agreements; Book Entry; Cancelation.

(i) Promptly following the end of each calendar quarter prior to the Expiration Time and if a Vesting Event has occurred, the Company shall deliver to the Warrantholder a Notice of Vesting Event in the form attached as Annex A hereto; provided that neither the delivery, nor the failure of the Company to deliver, such Notice of Vesting Event shall affect or impair the Warrantholder’s rights or the Company’s obligations hereunder.

(ii) Subject to (A) Section 2, Section 11(ii), and Section 12, and (B) compliance with the Antitrust Laws (including with respect to any Warrant Shares issuable from exercise of this Warrant upon an additional Vesting Event or otherwise), as may be applicable, the right to purchase Warrant Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time, from and after the applicable Vesting Event, but in no event later than 5:00 p.m., Seattle time, on May 9, 2029 (subject to extension pursuant to Section 3(iii), such time as extended if applicable, the “Expiration Time” and such period from and after the applicable Vesting Event through the Expiration Time, the “Exercise Period”), by (a) the surrender of this Warrant and the Notice of Exercise attached as Annex B hereto, duly completed and executed on behalf of the Warrantholder, to the Company in accordance with Section 16 (or such other office or agency of the Company in the United States as it may designate by notice to the Warrantholder in accordance with Section 16 hereof (the “Designated Company Office”)), and (b) payment of the Exercise Price for the Warrant

Shares thereby purchased by, at the sole election of the Warrantholder, either: (i) tendering in cash, by certified or cashier's check payable to the order of the Company, or by wire transfer of immediately available funds to an account designated by the Company (such manner of exercise, a "Cash Exercise") or (ii) without payment of cash, by reducing the number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in part, as applicable) and payment of the Exercise Price in cash so as to yield a number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in two or more parts, as applicable) equal to the product of (x) the number of Warrant Shares issuable upon the exercise of this Warrant (either in full or in two or more parts, as applicable) (if payment of the Exercise Price were being made in cash) and (y) the Cashless Exercise Ratio (such manner of exercise, a "Cashless Exercise"); provided that such product shall be rounded to the nearest whole Warrant Share.

(iii) Notwithstanding the foregoing, if at any time during the Exercise Period the Warrantholder has not exercised this Warrant in full as a result of there being insufficient Warrant Shares available for issuance or the lack of any required regulatory, corporate or other approval (including, for the avoidance of doubt, any approval required under the Antitrust Laws (including the Initial Antitrust Clearance), if so applicable) (collectively, the "Exercise Conditions"), the Expiration Time shall be extended until 60 days after such date as the Warrantholder is able to acquire all of the vested Warrant Shares without violating any Exercise Conditions.

(iv) If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder shall be entitled to receive from the Company, upon request, a new warrant of like tenor in substantially identical form for the purchase of that number of Warrant Shares equal to the difference between the number of Warrant Shares and the number of Warrant Shares as to which this Warrant is so exercised.

(v) The Company shall either (a) maintain itself or (b) cause its transfer agent to maintain, in each case, books for the original issuance and the transfer and exercises of the Warrant issuable in connection therewith, in each case in accordance with the terms hereof in book-entry form. If the Company maintains books for the Warrant, then (I) the Company agrees that it will accept instructions from the Warrantholder for the transfer and exercise of the Warrants, to the extent permitted in accordance with the terms of the Warrant and the Transaction Agreement, and (II) the Company shall not require the delivery of the original Warrant or any copy thereof, in each case in certificated form, in connection with the transfer or exercise thereof. The Company shall be responsible for all fees and expenses with respect to maintaining the Warrant in book-entry form.

(vi) This Warrant, including with respect to its cancelation, is subject to the terms and conditions of the Transaction Agreement. Without affecting in any manner any prior exercise of this Warrant (or any Warrant Shares previously issued hereunder), if (a) the Transaction Agreement is terminated in accordance with Section 8.1 thereof or (b) the Warrantholder delivers to the Company a written, irrevocable commitment not to exercise this Warrant, then the Company shall have no obligation to issue, and the Warrantholder shall have no right to acquire, the unvested portion of any Warrant Shares under this Warrant.

4. Issuance of Warrant Shares; Authorization; Listing; Cash Settlement.

(i) The Company shall, within [***] following the date of exercise of this Warrant, instruct the Company's transfer agent to issue book-entry or book-entries for the Warrant Shares issued upon exercise of this Warrant [***] following the date of exercise of this Warrant (the "Share Delivery Date") in accordance with its terms in the name of the Warrantholder and shall deliver evidence of such book-entry or book-entries to the Warrantholder. If the Warrant Shares issued upon any exercise are registered under the Securities Act, in lieu of issuing a physical share certificate or book-entry, the Company's transfer agent shall use the DTC Fast Automated Securities Transfer Program to credit such aggregate number of Warrant Shares to which the Warrantholder is entitled pursuant to such exercise to the Warrantholder's or its designee's balance account with DTC through its DWAC system. The Company shall be responsible for all fees and expenses of its transfer agent and all fees and expenses with respect to the issuance of Warrant Shares via DTC, if any, including without limitation for same day processing.

(ii) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Warrantholder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation, or termination; provided, however, that the Company shall not be required to deliver Warrant Shares with respect to an exercise prior to the Warrantholder's delivery of the associated exercise price (or notice of cashless exercise).

(iii) The Company hereby represents and warrants that any Warrant Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be validly issued, fully paid and nonassessable and free of any liens or encumbrances (other than liens or encumbrances created by or in accordance with the Transaction Documents, transfer restrictions arising as a matter of U.S. federal securities laws or created by or at the direction of the Warrantholder or any of its Affiliates). Following the issuance of any Warrant Shares, the Company shall register such issuance in book-entry form in the name of the Warrantholder. The Warrant Shares so issued shall be deemed for all purposes to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Warrant Shares may not be actually delivered on such date or credited to the Warrantholder's DTC account, as the case may be. The Company shall at all times reserve and keep available, out of its authorized but unissued Warrant Shares, solely for the purpose of providing for the exercise of this Warrant, the aggregate Warrant Shares then issuable upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at any such time).

(iv) The Company shall, at its sole expense, procure, subject to issuance or notice of issuance, the listing of any Warrant Shares issuable upon exercise of this Warrant on the Principal Trading Market on which such same class of Equity Securities are then listed or traded, promptly after such Warrant Shares are eligible for listing thereon.

5. No Fractional Shares or Scrip. No fractional Warrant Shares or other Equity Securities or scrip representing fractional Warrant Shares or other Equity Securities shall be issued upon any exercise of this Warrant. In lieu of any fractional share to which a

Warrantholder would otherwise be entitled, the fractional Warrant Shares or other Equity Securities shall be rounded up to the next whole Warrant Share or other Equity Securities, and the Warrantholder shall be entitled to receive such rounded up number of Warrant Shares or other Equity Securities.

6. No Rights as Shareholders; Transfer Books. Without limiting in any respect the provisions of the Transaction Agreement and except as otherwise provided by the terms of this Warrant, this Warrant does not entitle the Warrantholder to act as a stockholder of the Company with respect to the Warrant Shares unless and until this Warrant is exercised with respect to the Warrant Shares and such shares are issued to the Warrantholder; for the avoidance of doubt, the this Warrant does not entitle the Warrantholder to (i) consent to any action of the shareholders of the Company, (ii) receive notice of or vote at any meeting of the shareholders, (iii) receive notice of any other proceedings of the Company, (iv) exercise any other rights whatsoever, in any such case, as a stockholder of the Company prior to the date of exercise of this Warrant, or (v) receive cash dividends or similar distributions.

7. Charges, Taxes, and Expenses. Issuance of this Warrant and issuance of certificates for Warrant Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue, registration or transfer tax, assessment or similar governmental charge (other than any such taxes, assessments or charges in respect of any transfer occurring contemporaneously therewith) or other incidental expense in respect of the issuance of such certificates, all of which taxes, assessments, charges and expenses shall be paid by the Company, other than the costs and expenses of counsel or any other advisor to or broker for the Warrantholder and its transferee.

8. Transfer/Assignment.

(i) This Warrant may be transferred only in accordance with the terms of the Transaction Agreement. Subject to compliance with the first sentence of this Section 8(i) and the legend as set forth on the cover page of this Warrant and the terms of the Transaction Agreement, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new Warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the Designated Company Office. If the transferring holder does not transfer the entirety of its rights to purchase all Warrant Shares hereunder, such holder shall be entitled to receive from the Company a new Warrant in substantially identical form for the purchase of that number of Warrant Shares as to which the right to purchase was not transferred. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new Warrant pursuant to this Section 8 shall be paid by the Company.

(ii) If and for so long as required by the Transaction Agreement, any Warrant certificate or book-entry issued hereunder shall contain a legend as set forth in Section 4.2 of the Transaction Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, subject to applicable securities laws, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate

number of Warrant Shares. The Company shall maintain, or cause its transfer agent to maintain, a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the Designated Company Office, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Non-Business Day Extension. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

11. Adjustments and Other Rights. The Exercise Price and Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; provided that if more than one subsection of this Section 11 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 11 so as to result in duplication.

(i) Stock Splits, Subdivisions, Reclassifications, or Combinations. If the Company shall at any time or from time to time (a) declare, order, pay, or make a dividend or make a distribution on its Common Stock in additional shares of Common Stock, (b) split, subdivide, or reclassify the outstanding shares of Common Stock into a greater number of shares, or (c) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination, or reclassification shall be proportionately adjusted so that the Warrantholder immediately after such record date or effective date, as the case may be, shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive in respect of the shares of Common Stock subject to this Warrant after such date had this Warrant been exercised in full immediately prior to such record date or effective date, as the case may be (disregarding whether or not this Warrant had been exercisable by its terms at such time). In the event of such adjustment, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination, or reclassification shall be immediately adjusted to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant in full before the adjustment determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant was exercisable by its terms at such time) and (2) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, split, subdivision, combination, or reclassification giving rise to such adjustment by (y) the new number of Warrant Shares issuable upon exercise of the Warrant in full determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant is exercisable by its terms at such time).

(ii) Acquisition Transactions. In case of any Acquisition Transaction or reclassification of Common Stock (other than a reclassification of Common Stock subject to adjustment pursuant to Section 11(i)), notwithstanding anything to the contrary contained herein, (a) the Company shall notify the Warrantholder in writing of such Acquisition Transaction or reclassification [***], and (b) solely in the event of an Acquisition Transaction that is a Business Combination or a reclassification, the Warrantholder’s right to receive Warrant Shares upon exercise of this Warrant shall be converted, effective upon the occurrence of such Business

Combination or reclassification, into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) that the shares of Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification. In determining the kind and amount of stock, securities, or the property receivable upon exercise of this Warrant upon and following adjustment pursuant to this paragraph, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make the same election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder shall receive upon exercise of this Warrant. [***]

(iii) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 11 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 11 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Warrant Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than $0.01 or one-tenth (1/10th) of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or one-tenth (1/10th) of a share of Common Stock, or more.

(iv) Timing of Issuance of Additional Securities Upon Certain Adjustments. In any event in which (a) the provisions of this Section 11 shall require that an adjustment (the "Subject Adjustment") shall become effective immediately after a record date (the "Subject Record Date") for an event and (b) the Warrantholder exercises this Warrant after the Subject Record Date and before the consummation of such event, the Company may defer until the consummation of such event issuing to such Warrantholder the incrementally additional shares of Common Stock or other property issuable upon such exercise by reason of the Subject Adjustment; provided, however, that the Company upon request shall promptly deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares (or other property, as applicable) upon the consummation of such event.

(v) Statement Regarding Adjustments. Whenever the Exercise Price or the Warrant Shares into which this Warrant is exercisable shall be adjusted as provided in Section 11, the Company shall promptly prepare a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the Warrant Shares into which this Warrant shall be exercisable after such adjustment, and cause a copy of such statement to be delivered to the Warrantholder as promptly as practicable after the event giving rise to the adjustment.

(vi) Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type described in this Section 11 (but only if the action of the type described in this Section 11 would result in an adjustment in the Exercise Price or the Warrant Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall provide written notice to the

Warrantholder, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind, or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least ten days prior to the date so fixed. In case of all other actions, such notice shall be given at least ten days prior to the taking of such proposed action unless the Company reasonably determines in good faith that, given the nature of such action, the provision of such notice at least ten days in advance is not reasonably practicable from a timing perspective, in which case such notice shall be given as far in advance prior to the taking of such proposed action as is reasonably practicable from a timing perspective.

(vii) Adjustment Rules. Any adjustments pursuant to this Section 11 shall be made successively whenever an event referred to herein shall occur. If an adjustment in the Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in the Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

(viii) No Impairment. The Company shall not, by amendment of its certificate of incorporation, bylaws, or any other organizational document, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant. In furtherance and not in limitation of the foregoing, the Company shall not take or permit to be taken any action that would (a) increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect or (b) entitle the Warrantholder to an adjustment under this Section 11 if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at such time), together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise in full of any and all outstanding Equity Securities (disregarding whether or not any such Equity Securities are exercisable by their terms at such time) would exceed the total number of shares of Common Stock then authorized by its certificate of incorporation.

(ix) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 11, the Company shall promptly take any and all action which may be reasonably necessary, including obtaining approvals of regulatory or other governmental bodies, the Principal Trading Market or other applicable securities exchanges, or shareholders, or obtaining or seeking necessary exemptions therefrom (and the Warrantholder shall reasonably cooperate with the Company with respect to), in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock, or all other securities or other property, that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 11.

(x) No Adjustment for Permitted Transactions. Notwithstanding anything in this Warrant to the contrary, no adjustment shall be made pursuant to this Section 11 in connection with any Permitted Transaction.

12. Beneficial Ownership Limitation.

(i) Notwithstanding anything in this Warrant to the contrary, the Company shall not honor any exercise of this Warrant, and a Warrantholder shall not have the right to exercise any portion of this Warrant, to the extent that, after giving effect to an attempted exercise set forth on an applicable Notice of Exercise, such Warrantholder (together with such Warrantholder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Warrantholder's for purposes of Section 13(d) or Section 16 of the Exchange Act, and any other applicable regulations of the Commission, including any Group of which the Warrantholder is a member (the foregoing, "Attribution Parties")) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Warrantholder and its Attribution Parties shall include the number of Warrant Shares issuable under the Notice of Exercise with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (a) exercise of the remaining, unexercised portion of any Warrant beneficially owned by such Warrantholder or any of its Attribution Parties, and (b) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including any warrants) beneficially owned by such Warrantholder or any of its Attribution Parties that are subject to a limitation on conversion or exercise similar to the limitation contained herein. For purposes of this Section 12, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and any other applicable regulations of the Commission. For purposes of this Section 12, in determining the number of outstanding shares of Common Stock, a Warrantholder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (X) the Company's most recent periodic or annual filing with the Commission, as the case may be, (Y) a more recent public announcement by the Company that is filed with the Commission, or (Z) a more recent notice by the Company or the Company's transfer agent to the Warrantholder setting forth the number of shares of Common Stock then outstanding. Upon the written request of a Warrantholder, the Company shall, within three Trading Days thereof, confirm in writing to such Warrantholder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Company, including exercise of this Warrant, by such Warrantholder or its Attribution Parties since the date as of which such number of outstanding shares of Common Stock was last publicly reported or confirmed to the Warrantholder. The Company shall be entitled to rely on representations made to it by the Warrantholder in any Notice of Exercise regarding its Beneficial Ownership Limitation. The Warrantholder acknowledges that the Warrantholder is solely responsible for any schedules or statements required to be filed by it in accordance with Section 13(d) or Section 16(a) of the Exchange Act.

(ii) The "Beneficial Ownership Limitation" shall initially be 4.999% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of Warrant Shares pursuant to such Notice of Exercise (to the extent permitted pursuant to this Section 12); provided, however, that by written notice to the Company, which will not be effective until the 61st day after such notice is given by the Warrantholder to the Company, the Warrantholder may waive or amend the provisions of this Section 12 to change the Beneficial Ownership Limitation to any other number, and the provisions of this Section 12 shall continue to apply. Upon any such waiver or amendment to the Beneficial Ownership Limitation, the Beneficial Ownership Limitation may not be further waived or amended by the Warrantholder without first providing the minimum written notice required by the immediately preceding sentence. Notwithstanding the foregoing, at any time following notice of an Acquisition Transaction under Section 11(ii) with respect to an Acquisition Transaction that is pursuant to any tender offer or exchange offer (by the Company or another Person (other than the Warrantholder or any Affiliate of the Warrantholder)), the Warrantholder may waive or amend the Beneficial Ownership Limitation effective immediately upon written notice to the Company and may reinstitute a Beneficial Ownership Limitation at any time thereafter effective immediately upon written notice to the Company.

(iii) Notwithstanding the provisions of this Section 12, none of the provisions of this Section 12 shall restrict in any way the number of shares of Common Stock which the Warrantholder may receive or beneficially own in order to determine the amount of securities or other consideration that the Warrantholder may receive in the event of an Acquisition Transaction as contemplated in Section 11 of this Warrant.

13. Governing Law and Jurisdiction. **This Warrant shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. In addition, each of the parties expressly (a) submits to the personal jurisdiction and venue of the Chancery Court of Delaware, or if such court is unavailable, the United States District Court for Delaware (the "Chosen Courts"), in the event any dispute (whether in contract, tort, or otherwise) arises out of this Warrant or the transactions contemplated hereby, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and waives any claim of lack of personal jurisdiction, improper venue and any claims that such courts are an inconvenient forum, and (c) agrees that it shall not bring any claim, action, or proceeding relating to this Warrant or the transactions contemplated hereby in any court other than the Chosen Courts, and in stipulated preference ranking, of the preceding clause (a). Each party agrees that service of process upon such party in any such claim, action, or proceeding shall be effective if notice is given in accordance with the provisions of this Warrant.**

14. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

15. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

16. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by United Parcel Service or FedEx on an overnight basis, signature receipt required, one Business Day after mailing, (b) if sent by email, with a copy mailed on the same day (or next Business Day, if such day is not a Business Day) in the manner provided in clause (a) of this Section 16 when transmitted and receipt is confirmed, or (c) if otherwise personally delivered, when delivered with signature receipt required. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

If to the Company, to:

Name: Affirm Holdings, Inc.
Address: 650 California Street, 12th Floor
San Francisco, CA 94108
Attn: Chief Legal Officer
Email: [***]

with a copy to (which copy alone shall not constitute notice):

Name: Baker & McKenzie LLP
Address: 600 Hansen Way
Palo Alto, California 94304
Attn: Lawrence C. Lee
Email: [***]

and

Name: Baker & McKenzie LLP
Address: 700 Louisiana Street, Suite 3000
Houston, Texas 77002
Attn: Jeremy Moore
Email: [***]

If to Amazon.com Services LLC, to:

Name: Amazon.com Services LLC
c/o Amazon.com, Inc.
Address: 410 Terry Avenue North
Seattle, Washington 98109-5210
Attn: General Counsel
with a copy to (which copy alone shall not constitute notice):

Name: Gibson, Dunn & Crutcher LLP
Address: 1881 Page Mill Road
Palo Alto, California 94304
Attn: Ed Batts, Esq.
Email: [***]

17. Entire Agreement. The Transaction Documents and the Confidentiality Agreement constitute the entire agreement and supersede all other prior agreements, understandings, representations, and warranties, both written and oral, between the parties, with respect to the subject matter hereof.

18. Specific Performance. The parties agree that failure of any party to perform its agreements and covenants under this Warrant, including a party's failure to take all actions as are necessary on such party's part in accordance with the terms and conditions of this Warrant to consummate the transactions contemplated by this Warrant, will cause irreparable injury to the

other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a party's obligations and to the granting by any court of the remedy of specific performance of such party's obligations under this Warrant, this being in addition to any other remedies to which the parties are entitled at law or equity.

19. Limitation of Liability. No provision of this Warrant, in the absence of any affirmative action by the Warrantholder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Warrantholder, shall give rise to any liability of the Warrantholder for the purchase price of any Warrant Shares or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company. Except as set forth in Annex C, the sole liability of the Warrantholder under this Warrant shall be the applicable aggregate Exercise Price if and when this Warrant is exercised in part or in whole.

20. Interpretation. When a reference is made in this Warrant to "Sections" or "Annexes" such reference shall be to a Section of, or Annex to, this Warrant unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural and vice versa. References to "herein," "hereof," "hereunder," and the like refer to this Warrant as a whole and not to any particular section or provision, unless the context requires otherwise. References to "parties" refer to the parties to this Warrant. The headings contained in this Warrant are for reference purposes only and are not part of this Warrant. Whenever the words "include," "includes," or "including" are used in this Warrant, they shall be deemed followed by the words "without limitation." No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Warrant, as this Warrant is the product of negotiation between sophisticated parties advised by counsel. Any reference to a wholly owned subsidiary of a person shall mean such subsidiary is directly or indirectly wholly owned by such person. All references to "$" or "dollars" mean the lawful currency of the United States of America. Except as expressly stated in this Warrant, all references to any statute, rule, or regulation are to the statute, rule or regulation as amended, modified, supplemented, or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule, or regulation include any successor to the section. Each reference to "this Agreement," "hereof," "herein," "hereunder," "hereby" and each other similar reference contained in the Agreement shall, effective from the date of this amendment and restatement, refer to the Warrant as amended and restated, and each reference to "the Second Warrant" and each other similar or related references contained in the Transaction Agreement shall, effective from the date of this amendment and restatement, refer to this Warrant as amended and restated. Notwithstanding the foregoing, references to the Issue Date of the Warrant and references in the Warrant, as amended and restated hereby, to "the date hereof," "the date of this Warrant" and other similar references shall in all instances continue to refer to November 10, 2021, and references to the date of this amendment and restatement and "as of the date of this amendment and restatement" shall refer to October 27, 2023.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: October 27, 2023

**AFFIRM HOLDINGS, INC.**

By: /s/ Michael Linford
Name: Michael Linford
Title: CFO

Acknowledged and Agreed

**AMAZON.COM SERVICES LLC**

By: /s/ David Williams
Name: David Williams
Title: VP Payment Products

**Annex A**

[Form of Notice of Vesting Event]

Date:

TO: Amazon.com, Inc.

RE: Notice of Vesting Event

Reference is made to that certain Amended and Restated Warrant to Purchase Class A Common Stock, issued as of November 10, 2021 and as amended and restated on October 27, 2023 (the "Warrant"), issued to Amazon.com Services LLC representing a warrant to purchase 15,000,000 shares of Class A common stock of Affirm Holdings, Inc. (the "Company"). Capitalized terms used herein without definition are used as defined in the Warrant.

The undersigned hereby delivers notice to you that a Vesting Event has occurred under the terms of the Warrant.

A. Vesting Event. The following Vesting Event has occurred on or around [●], 20__.

______________________________

B. Vested Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested under the terms of the Warrant is:

______________________________

C. Exercised Warrant Shares. The aggregate number of Warrant Shares issuable upon exercise of the Warrant that have been exercised as of the date hereof is:

______________________________

D. Purchase Price of Exercised Warrant Shares. The aggregate purchase price of the Warrant Shares that have been exercised as of the date hereof is:

______________________________

E. Unexercised Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested but remain unexercised under the Warrant is:

______________________________

AFFIRM HOLDINGS, INC.

By: __
Name: __
Title: __

**Annex B**

[Form of Notice of Exercise]

Date:

TO: Affirm Holdings, Inc.

RE: Election to Purchase Shares of Warrant Shares

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of Warrant Shares set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock. A new warrant evidencing the remaining Warrant Shares covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name of the Warrantholder. Capitalized terms used herein without definition are used as defined in the Warrant.

Number of Warrant Shares with respect to which the Warrant is being exercised (including shares to be withheld as payment of the Exercise Price pursuant to Section 3(ii)(b)(ii) of the Warrant, if any):

______________________________________

Method of Payment of Exercise Price (note if Cashless Exercise or Cash Exercise, in either case in accordance with Section 3 of the Warrant):

___________________________________

Aggregate Exercise Price: _______________________________

Holder: __
By: __
Name: __
Title: __

**Annex C**

Vesting Events

For [***] New Users Acquired prior to November 9, 2028, [***] will vest; provided, that, for purposes of this clause, the vesting shall occur quarterly for each calendar quarter beginning with the calendar quarter ended December 31, 2021 and ending with the calendar quarter ended December 31, 2028, and such Warrant Shares shall become exercisable with respect thereto, on the date that Amazon (as defined in the Commercial Agreement) delivers to the Company an attestation (which may be included in the attestations required by Schedule 13.1E of the Commercial Agreement) with respect to the number of New Users Acquired in the applicable calendar quarter and vesting shall be based on the number of New Users Acquired as set forth in such attestation.

[***]

Unless the context otherwise requires, when used in this Annex C, the following terms shall have the meanings indicated:

"Additional Site" has the meaning ascribed to it in the Commercial Agreement.

"Affiliate" means from and after the Effective Date, with respect to (A) Amazon Services, any person or entity that directly or indirectly Controls, is Controlled by, or is under common Control with Amazon Services, (B) Affirm, any person or entity that directly or indirectly Controls, is Controlled by, or is under common Control with Affirm.

"Affirm" means Affirm, Inc. and, subject to the B2B Agreement, includes any successors or assigns.

"Affirm-Hosted Solution" means an Affirm-hosted checkout experience initiated through server-side calls to Affirm's direct checkout API.

"Amazon Business Site" means the website https://business.amazon.com and the mobile version thereof (app and browser), or any successor URL designated by Amazon Services for customers in the Territory. Amazon Business Site does not include any other URL maintained by or on behalf of Amazon Services or its Affiliates. For the avoidance of doubt and without limiting the generality of the foregoing, Amazon Business Site does not include (A) any existing or future Affiliate websites principally serving geographic regions outside of the Territory (e.g., business.amazon.ca), (B) any existing or future affiliated websites principally serving the Territory but operating under a separate url (e.g., www.zappos.com), (C) any existing or future websites owned by Amazon Services or its Affiliates and hosted on www.amazon.com but designated with a distinct domain name (e.g., www.aws.amazon.com); or (D) www.amazon.com.

"Amazon Customer" means any customer associated with the Amazon Business Site.

"Amazon Services" means Amazon.com Services LLC and, subject to the B2B Agreement, includes any successors or assigns.

"Amazon Site" has the meaning ascribed to it in the Commercial Agreement.

"API" means application programming interface, a message format used by an application program to communicate with a program that provides services for it.

“Approved Business Customer” means an Eligible Applicant [***] whose application for Business Program Credit is approved by Affirm and for whom a loan is established in accordance with the terms of the B2B Agreement.

“Approved Customer” has the meaning ascribed to it in the Commercial Agreement.

“B2B Agreement” means the Amazon Business Site Installment Financing Services Agreement, effective as of October 27, 2023, by and between Affirm, Inc. and Amazon.com Services LLC, as it may be amended from time to time.

“Bank” means any third party financial institution permitted to offer Business Program Credit that has entered into an agreement with Affirm to provide Business Program Credit pursuant to the terms of the Program.

“Basket” means the group of Eligible Products selected for purchase by an Approved Business Customer.

“Business Program Credit” means each credit installment loan advanced to an Approved Business Customer that is provided by Affirm, in conjunction with Bank, as applicable, pursuant to an Installment Credit Financing Program offered in the Territory in accordance with the terms of the B2B Agreement for the purpose of financing the purchase of Baskets.

“Control” means the possession, directly or indirectly, of the power to vote 50% or more of the securities or other ownership interests that have ordinary voting power for the election of directors or other persons performing similar functions of any entity, or to direct or cause the direction of the management and policies of such entity, whether through ownership of voting ownership interests or securities or by contract or otherwise.

“Credit Underwriting Policy” means the rules, scorecard or other criteria as applicable to an originator of the Business Program Credit used by Affirm or Bank when making a decision whether to accept a Program Application.

“Effective Date” means [***].

“Eligible Applicant” means an Amazon Customer that has indicated to Amazon Services to be a sole proprietorship, with a Verified Address in the Territory and owner over 18 years of age, and which completes and submits an application for Business Program Credit and meets Affirm’s or Bank’s underwriting criteria pursuant to the applicable Credit Underwriting Policy.

“Eligible Products” means any goods sold by Amazon Services or a third party seller operating on or through the Amazon Business Site, that Amazon Services in its sole discretion permit an Approved Business Customer to finance using Business Program Credit. Amazon Services will use commercially reasonable efforts to exclude from the definition of “Eligible Products” any products that are listed in Affirm’s Prohibited Businesses Policy attached to the B2B Agreement.

“Installment Credit Financing Program” means any program or service by which Affirm, either directly, through its Affiliate(s), or in partnership with a licensed financial institution, offers unsecured closed-end installment loans to consumers or non-consumer business customers for the purpose of enabling such customers to finance purchases of goods and services, and the terms of such installment loans require the borrower to pay off the balance of each loan in full over time by making periodic installment payments; it being understood that any program or service that provides general purpose credit to individuals is not an “Installment Credit Financing Program” for purposes of the B2B Agreement.

"New User Acquired" means either an (A) Approved Customer whose Program Credit is the first with respect to the Amazon Site and any Additional Sites or (B) Approved Business Customer whose Business Program Credit is the first with respect to the Amazon Business Site. For the avoidance of doubt, if any individual satisfies the criteria in the foregoing clause (A) and any sole proprietorship associated with such individual satisfies the criteria in the foregoing clause (B), then such individual and any sole proprietorship associated with such individual shall together be counted as only one New User Acquired.

"Program" means the program that is operated in accordance with the terms of the B2B Agreement under which Affirm issues Business Program Credit to Approved Business Customers and administers such Business Program Credit, and Affirm and Amazon Services market and promote the use of such program.

"Program Application" means the process for applying electronically for Business Program Credit in accordance with the B2B Agreement.

"Program Credit" has the meaning ascribed to it in the Commercial Agreement.

"Scheduled Launch Date" means [***] only with respect to the launch of an Affirm-Hosted Solution on the Amazon Business Site, as applicable, as such date may be amended in accordance with the B2B Agreement.

"Territory" means, subject to the exclusions that follow, as of the Scheduled Launch Date, the fifty (50) states of the United States of America, the District of Columbia and certain United States territories and possessions, and no other jurisdiction.

"URL" or "Uniform Resource Locator" means the address of a specific web site or file.

"Verified Address" means the physical address at which Affirm has identified the applicant to be a resident by means of an established electronic background check and search process.

**Exhibit 10.1**

## Amendment No. 1 to Loan Sale Agreement

This Amendment No. 1 to Loan Sale Agreement (this "*Amendment*") is entered into as of October 27, 2023 by and between Affirm, Inc., a Delaware corporation ("*Affirm*") and Celtic Bank Corporation, a Utah chartered bank ("*Bank*").

**Recitals:**

Whereas, Affirm and Bank have entered into that certain Marketing and Servicing Agreement, dated as of September 18, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "*Program Agreement*") to govern the origination of certain loans by Bank and the engagement of Affirm by Bank to perform certain marketing and other services; and

Whereas, Affirm and Bank have entered into that certain Loan Sale Agreement, dated as of September 18, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "*Sale Agreement*") to govern the sale and purchase of loans by Bank to Affirm; and

Whereas, Affirm and Bank desire to make certain amendments to the Sale Agreement, under the terms and conditions set forth in this Amendment.

Now, Therefore, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**Agreement:**

Section 1. Defined Terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to such terms in the Program Agreement or Sale Agreement, as applicable.

Section 2. Effective Date.

This Amendment shall be effective as of the date first set forth above.

Section 3. Amendments.

The Sale Agreement is amended as follows:

(a) The Recitals are amended and restated in their entirety to read as follows:

"WHEREAS, Bank is a federally insured Utah-chartered industrial bank that offers credit cards, loans, financing and other credit products to consumers;

WHEREAS, Affirm is in the business of marketing and servicing consumer and certain commercial loans and other consumer financial products;

WHEREAS, Bank and Affirm have entered into a Marketing and Servicing Agreement pursuant to which Bank engaged Affirm to provide services to Bank in originating loans to Borrowers under the loan program described therein; and

WHEREAS, Bank desires to sell to Affirm from time to time, and Affirm desires to purchase from Bank from time to time, certain loans that are originated by Bank under the loan program described in the Marketing and Servicing Agreement.

NOW, THEREFORE, in consideration of the foregoing terms, conditions, and mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Affirm mutually agree as follows:"

(b) Section 1.37 is hereby amended and restated in its entirety to read as follows:

""Loan" means a consumer or commercial loan made by Bank to a Borrower under the Program."

(c) Section 1.53 is hereby amended and restated in its entirety to read as follows:

""Program" means the Loan program for consumer or commercial financing purposes pursuant to which (a) Bank originates Loans pursuant to the terms of the Marketing and Servicing Agreement; (b) Affirm markets and services such Loans pursuant to the Marketing and Servicing Agreement; and (c) Affirm purchases such Loans pursuant to the terms of this Agreement."

Section 4. Effect on the Sale Agreement.

(a) Except as expressly amended and/or superseded by this Amendment, the Sale Agreement shall remain in full force and effect. Upon this Amendment becoming effective, each reference to the "Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Sale Agreement, shall mean a reference to the Sale Agreement as modified by this Amendment.

(b) This Amendment is not intended to create, nor does it create, and shall not be construed to create, a partnership or joint venture or any other common association for profit between Bank and Affirm.

(c) In the event of any inconsistency between this Amendment and the Sale Agreement with respect to the matters set forth herein, this Amendment shall take precedence.

Section 5. Execution in Counterparts.

This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparties, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed signature page to this Amendment by facsimile transmission or otherwise transmitted or communicated by email shall be as effective as delivery of a manually executed counterpart of this Amendment.

Section 6. Headings.

Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 7. Entire Agreement.

This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all other understandings, oral or written, with respect to the subject matter hereof.

Section 8. Successors and Assigns.

This Amendment shall be binding on and shall inure to the benefit of Affirm and Bank and their respective successors and assigns.

Section 9. Miscellaneous.

The provisions contained in Section 22 (Governing Law and Venue) of the Sale Agreement are incorporated herein by this reference, *mutatis mutandis*.

[Signature Pages Follow]

In Witness Whereof, the parties have caused this Amendment to be duly executed and delivered by its duly authorized officer as of the day and year first above written.

AFFIRM, INC.

By: /s/ Brooke Major-Reid
Name: Brooke Major-Reid
Title: Chief Capital Officer

CELTIC BANK CORPORATION

By: /s/ Reese S. Howell, Jr.
Name: Reese S. Howell, Jr.
Title: Chief Executive Officer

**Exhibit 10.2**

**Amendment No. 1 to Marketing and Servicing Agreement**

This Amendment No. 1 to Marketing and Servicing Agreement (this "*Amendment*") is entered into as of October 27, 2023 by and between Affirm, Inc., a Delaware corporation ("*Affirm*") and Celtic Bank Corporation, a Utah chartered bank ("*Bank*").

**Recitals:**

Whereas, Affirm and Bank have entered into that certain Marketing and Servicing Agreement, dated as of September 18, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "*Program Agreement*") to govern the origination of certain loans by Bank and the engagement of Affirm by Bank to perform certain marketing and other services; and

Whereas, Affirm and Bank desire to make certain amendments to the Program Agreement, under the terms and conditions set forth in this Amendment.

Now, Therefore, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**Agreement:**

Section 1. Defined Terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to such terms in the Program Agreement.

Section 2. Effective Date.

This Amendment shall be effective as of the date first set forth above.

Section 3. Amendments.

The Program Agreement is amended as follows:

(a) The Recitals are amended and restated in their entirety to read as follows:

"WHEREAS, Bank is a federally insured Utah-chartered industrial bank that offers credit cards, loans, financing and other credit products to consumers;

WHEREAS, Affirm is in the business of marketing and servicing consumer and certain commercial loans and other consumer financial products;

WHEREAS, Affirm and its Affiliates have developed a loan application processing system (the "Platform") which is capable of processing applications for consumer and certain commercial loans in accordance with Bank's credit criteria;

WHEREAS, Bank desires to use the Platform to promote the availability of credit, encourage the submission of applications through the

Platform for such credit and facilitate the making of loans by Bank in accordance with Bank's credit criteria to qualifying Persons;

WHEREAS, Bank desires for Affirm to market Loans to consumers and certain approved businesses, identify potential Borrowers that meet Bank's credit criteria, manage the Program and service the Loans on behalf of Bank; and

WHEREAS, Bank will from time to time sell certain of the loans arising from the Program pursuant to the Loan Sale Agreement, dated as of September 18, 2020 (as amended or modified from time to time, the "Loan Sale Agreement"), between Bank and Affirm.

NOW, THEREFORE, in consideration of the foregoing terms, conditions, and mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Affirm mutually agree as follows:"

(b) Section 2.2(b) is amended and restated in its entirety to read as follows:

"Affirm, on behalf of Bank, shall market the Program to consumers and certain approved businesses, manage and administer the Program, process Applications and service Loans, all pursuant to the terms and conditions of this Agreement."

(c) Section 2.2(c) is amended and restated in its entirety to read as follows:

"The funds provided by Bank with respect to the Loans shall be provided to the relevant Merchant for the purposes of the related Borrower as allowed by law and subject to the terms and conditions in this Agreement and additional terms and conditions required by Bank with the assistance and advice of Affirm."

(d) Section 2.4(e) is amended by restating the second sentence thereof to read as follows:

"Affirm agrees that it shall service the Loans in accordance with Applicable Law and using the degree of skill and attention that Affirm and its applicable Third-Party Service Providers exercise from time to time with respect to all comparable unsecured loans that it services for itself or others in accordance with the Servicing Policy and, to the extent more exacting, the requirements of this Agreement (collectively, the "Servicing Standard")."

(e) The definition of "Borrower Product" in Exhibit A is amended and restated in its entirety to read as follows:

""Borrower Product" means any extension of credit made to a Person."

(f) The definition of "Loan" in Exhibit A is amended and restated in its entirety to read as follows:

"“Loan” means a consumer or commercial loan made by Bank to a Borrower under the Program."

Section 4. Effect on the Program Agreement.

(a) Except as expressly amended and/or superseded by this Amendment, the Program Agreement shall remain in full force and effect. Upon this Amendment becoming effective, each reference to the “Agreement,” “hereunder,” “hereof,” “herein” or words of like import referring to the Program Agreement, shall mean a reference to the Program Agreement as modified by this Amendment.

(b) This Amendment is not intended to create, nor does it create, and shall not be construed to create, a partnership or joint venture or any other common association for profit between Bank and Affirm.

(c) In the event of any inconsistency between this Amendment and the Program Agreement with respect to the matters set forth herein, this Amendment shall take precedence.

Section 5. Execution in Counterparts.

This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparties, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed signature page to this Amendment by facsimile transmission or otherwise transmitted or communicated by email shall be as effective as delivery of a manually executed counterpart of this Amendment.

Section 6. Headings.

Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 7. Entire Agreement.

This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all other understandings, oral or written, with respect to the subject matter hereof.

Section 8. Successors and Assigns.

This Amendment shall be binding on and shall inure to the benefit of Affirm and Bank and their respective successors and assigns.

Section 9. Miscellaneous.

The provisions contained in Section 28 (Governing Law and Jurisdiction) of the Program Agreement are incorporated herein by this reference, *mutatis mutandis*.

[Signature Pages Follow]

In Witness Whereof, the parties have caused this Amendment to be duly executed and delivered by its duly authorized officer as of the day and year first above written.

AFFIRM, INC.

By: /s/ Brooke Major-Reid
Name: Brooke Major-Reid
Title: Chief Capital Officer

CELTIC BANK CORPORATION

By: /s/ Reese S. Howell, Jr.
Name: Reese S. Howell, Jr.
Title: Chief Executive Officer

**Exhibit 31.1**

**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, 2024

/s/ Max Levchin

Max Levchin
Chief Executive Officer
*(Principal Executive Officer)*

**Exhibit 31.2**

**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, 2024 | /s/ Michael Linford |
| | Michael Linford |
| | Chief Financial Officer |
| | *(Principal Financial Officer)* |

**EXHIBIT 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**

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, 2024

/s/ Max Levchin

Max Levchin

Chief Executive Officer

*(Principal Executive Officer)*

**EXHIBIT 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**

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, 2024

/s/ Michael Linford

Michael Linford
Chief Financial Officer
*(Principal Financial Officer)*