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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐ (1)

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐ (1)

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

As of December 31, 2022, the aggregate market value of the registrant's Class A common stock held by non-affiliates was approximately $2.2 billion. As of August 21, 2023, the number of shares of the registrant's Class A common stock outstanding was 239,682,937 and the number of shares of the registrant's Class B common stock outstanding was 59,613,780.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2023, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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(1) Disclosure is not being provided under this item pursuant to guidance issued by the staff of the Securities and Exchange Commission.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K"), 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 Celtic Bank as an originating bank partner 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 to remain in compliance with laws and regulations that currently apply or become applicable to our business;
- our ability to protect our confidential, proprietary, or sensitive information;
- past and future acquisitions, investments, and other strategic investments;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- litigation, investigations, regulatory inquiries, and proceedings;
- developments in our regulatory environment;
- the impact of macroeconomic conditions on our business, including the impacts of inflation, a rising interest rate environment and corresponding increases in negotiated interest rate spreads, increasing recessionary concerns and the 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-K. 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-K 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

ITEM 1. BUSINESS

Company Overview

Affirm was founded in 2012 with a mission to deliver honest financial products that improve lives. We are building the next generation platform for digital and mobile-first commerce. We believe that by using modern technology, strong engineering talent, and a mission-driven approach, we can reinvent payments and commerce. Our solutions, which are built on trust and transparency, are designed to make it easier for consumers to spend responsibly and with confidence, easier for merchants and commerce platforms to convert sales and grow, and easier for commerce to thrive.

Our Business

Legacy payment options, archaic systems, and traditional risk and credit underwriting models can be harmful, deceptive, and restrictive to both consumers and merchants. We believe that they are not well-suited for increasingly digital and mobile-first commerce, and are built on legacy infrastructure that does not support the innovation required for modern commerce to evolve and flourish. Our platform is designed to address these problems.

Our company is predicated on the principles of simplicity, transparency, and putting people first. Since our founding, we have charged $0 in late fees for missed payments. We do not profit from consumers' mistakes, and we are transparent in our product offerings. By adhering to these principles, we have built enduring, trust-based relationships with consumers and merchants.

We believe that our technology, underwriting, and risk management are key competitive advantages. Our proprietary technology's ability to price and assess risk at a transaction level provides a unique advantage compared to legacy payment and credit systems. Our approach to risk management is core to our business model and has been proven to lead to lower fraud rates, higher approval rates compared to traditional credit underwriting models, and lower credit losses. Our models have been built on extensive data points, including data from almost 132 million loans. Furthermore, our risk management models are designed to continuously improve over time, becoming more precise and efficient with each transaction powered by our platform.

What this means for consumers is increased purchasing power and more control and flexibility. As of June 30, 2023, almost 36 million consumers have trusted Affirm as their transaction partner. By utilizing our unique risk model predicated on sophisticated machine learning algorithms, proprietary data, and product-level underwriting, we can serve consumers across the credit spectrum and price risk across transaction types. Consumers on our platform represent a broad cross-section of society.

For merchants, Affirm's commerce solutions help drive growth by enhancing demand generation and customer acquisition. Our platform is explicitly designed and engineered to integrate with a wide range of merchants. This is a point of differentiation for us, as we can accommodate and partner with merchants regardless of industry, size, average order value ("AOV"), or customer profile. As of June 30, 2023, we had approximately 254,000 active merchants, ranging from small businesses to large enterprises, direct-to-consumer brands, brick-and-mortar stores, and companies with an omni-channel presence. Our merchants span a diverse range of industries, including sporting goods and outdoors, furniture and homewares, travel and ticketing, apparel, accessories, consumer electronics, and jewelry.

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.

Our business model is designed to align with the interests of both consumers and merchants.

From merchants, we typically earn a fee when we help them convert a sale and power a payment. Merchant fees depend on the individual arrangement between us and each merchant and vary based on the terms of the product offering; we generally earn larger merchant fees on 0% annual percentage rate (“APR”) financing products. For fiscal year ended June 30, 2023, Pay-in-4 and Core 0% loans represented 19% and 13%, respectively, of total Gross Merchandise Volume (“GMV”) facilitated through our platform. For fiscal year ended June 30, 2022, Pay-in-4 and Core 0% loans represented 22% and 21%, respectively, of total GMV. This structure incentivizes us to help our merchants convert sales and increase AOV through the commerce and technology solutions offered by our platform.

From consumers, we earn interest income on the interest bearing installment 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 consumers are never charged deferred or compounding interest or late fees, we are not incentivized to profit from our consumers’ mistakes or misfortunes.

We also facilitate the issuance of virtual cards directly to consumers through our App as well as the Affirm Card, formerly “Affirm Debit+”, which allows consumers to shop with merchants that are not integrated with Affirm. Merchants may also elect to use the virtual card as a method to facilitate the offering of installment loans to allow their customers to pay over time. Merchants are charged an interchange fee for each successful Affirm Card transaction, and a portion of this revenue is shared with us by our card-issuing partners.

We have already achieved significant scale, facilitating consumer purchases of $20.2 billion in GMV in fiscal year 2023.

Our Platform

Our business transforms the way consumers and merchants transact by creating a powerful platform built upon honest financial products. We started our business with our foundational pay-over-time solution at checkout, and have since continued to innovate and expand our product suite by building and acquiring solutions that address the evolving needs of both consumers and merchants. Our platform comprises three core elements: point-of-sale payment solutions for consumers, merchant commerce solutions, and a consumer-focused app. The current suite of solutions we provide to our consumers and merchants is outlined below:

Consumer features

- ***Affirm at Checkout.*** When purchasing from one of our partner merchants, consumers can choose Affirm as a payment method, giving them the option to pay over time with terms ranging from weeks to months. We monitor merchants’ creditworthiness, consumer complaints and dispute rates, changes in consumer repayment behavior, and other data to give consumers the confidence that merchants integrated with Affirm are committed to delivering honest and delightful experiences.

- ***Consumer first borrowing.*** Our frictionless solution makes it easy for consumers to apply for a loan and be approved on the spot. Consumers receive either 0% APR, where they pay no interest, or simple interest loans, where they pay fixed amounts of interest that never compound. We underwrite each transaction individually and—by never charging late fees—we do not profit when consumers fall behind. Our success is fundamentally aligned with our consumers’ success. Our proprietary risk model has consistently outperformed traditional credit models, enabling us to better help eligible consumers finance their purchases. Consumers never pay more than what they agreed to at checkout, even if they miss or are late on a payment.

- ***Affirm Marketplace.*** Our Affirm app and website provides tailored and exclusive offers from merchants based on consumers' preferences. Consumers can apply at affirm.com or via the Affirm app and, upon approval, receive a single-use virtual card to use online or in-store. During the fiscal year ended June 30, 2023, 20% of our transactions occurred on the Affirm marketplace.

- ***Affirm Card.*** Affirm Card allows consumers to link a bank account to pay in full, or pay later by accessing credit through the Affirm App. Users can take advantage of a unique in-app post-purchase feature that allows them to instantly convert any eligible debit transaction into an installment loan. Consumers can also apply for a pre-purchase installment loan via the Affirm app and, upon approval, use the Affirm Card online or in-store to complete their purchase. Consumers can transact either via a physical debit card or a virtual card.

- ***High-yield savings account.*** Through the Affirm app and in partnership with Cross River Bank, we offer an FDIC-insured, interest-bearing savings account, with no minimum deposit requirements or fees.

Merchant features

- ***Affirm at Checkout***. Through our direct application programming interface ("API"), designed for use by developers, merchants can easily incorporate Affirm into their payment and product pages, enabling merchants to achieve incremental sales, expand their target markets and increase customer conversion and loyalty by solving affordability for consumers. We are also able to help merchants increase demand for higher net AOV items.

- ***Flexible offerings that address a wider range of transactions.*** Merchants can offer either one or a combination of 0% APR and interest-bearing pay-over-time offerings. Offering 0% APR financing to their customers is a compelling revenue accelerator for merchants, who are able to solve affordability for their customers without resorting to discounts. Merchants have the ability to subsidize and determine the range of interest rates to be paid by their customers.

- ***Brand-sponsored and other promotional strategies.*** We have the ability to work with manufacturers on brand-specific promotional financing offers. These promotions are funded by suppliers and then made available through our merchants. The suppliers cover the costs of the lowered APR for their products, with no added costs to our merchants. This gives our merchants a powerful alternative to markdowns as they can increase sales with no impact to their margins. At the same time, suppliers can sell through additional volume. We also partner with merchants to reach consumers with other promotional strategies and offers.

- ***Merchant dashboard.*** Our merchant dashboard provides a robust user interface through which each merchant can view transaction data, manage charges, access API keys, and manage and configure the merchant's Affirm account.

- ***Analytics.*** We provide merchants with insightful analytics that help them understand how their various products are performing and other key insights to optimize conversion and customer acquisition costs.

- ***Client success support.*** Our high-touch client success team partners with our merchants to analyze performance and provides custom recommendations to optimize AOVs and conversion rates.

- ***Affirm app and marketplace.*** Merchants also have access to Affirm's app, which provides a marketplace that allows them to efficiently reach customers through featured placements and personalized advertisements.

- ***Affirm website and developer documentation.*** Our website contains extensive and engaging developer documentation designed to make it easy for any developer to integrate via our direct API or other integrations, and to maximize the benefit of all that Affirm offers to both merchants and consumers.

- ***Affirm prequalification.*** By giving consumers the ability to prequalify, Affirm's offering can be integrated earlier in the consumer's journey. We believe this results in fewer abandoned carts and higher conversion rates. Prequalification also personalizes the shopping experience for consumers, once they are prequalified they may receive customized offers based on their approval amount.

- ***Simple and compliant solution.*** Our direct API, designed for use by developers, allows for site integration with minimal merchant investment. Merchants can easily incorporate our platform into payment and product pages, and we provide a dedicated integration team to assist with issue resolution. Once a merchant has integrated our API, we handle the regulatory aspect of the loans facilitated through our platform, irrespective of state, province, or jurisdiction.

Our Competitive Advantages

We believe we have a number of competitive advantages that will continue to contribute to our success.

Strong network effects

We benefit from self-reinforcing network effects, which are advantages that compound with each additional consumer and merchant that joins our network:

- As consumers learn about the key benefits of our solutions, we believe more and more will choose to use our platform, and our consumer base will continue to grow.

- The larger our consumer ecosystem, the more valuable it is to merchants, and the more compelling it is for merchants to offer Affirm as a payment option.

- The more merchants integrated into our network, the more reasons consumers have to shop with Affirm.

- Our costs decrease as a percentage of GMV as our consumer ecosystem expands. For example, the additional data we have on repeat consumers enables us to make better underwriting decisions and therefore generally results in proportionately lower provision for credit losses expense on GMV from repeat customers than from first time customers. For the fiscal years ended June 30, 2023 and 2022, 88% and 81%, respectively, of the transactions facilitated through our platform were driven by repeat consumers.

- Improved direct expense efficiency enables us to create even more compelling offers for consumers and merchants, in turn attracting more consumers and merchants to our network.

The net result is that we are building a consumer and merchant ecosystem on our platform that we expect to continue to grow and monetize over time.

Engineering and technology infrastructure

Technology is at the core of everything we do. Our solutions use machine learning, artificial intelligence, cloud-based technologies, and other modern tools to create differentiated and scalable products. We prioritize building our own technology and investing in engineering talent, as we believe these are enduring competitive advantages that are difficult to replicate.

Our direct API also allows merchant partners to easily integrate Affirm. From the smallest direct-to-consumer online brand to the largest merchants running on mainframe computers, the technical aspects of integrating with Affirm are quick and painless. Full integration can be completed very quickly, often within days after signing our merchant agreement.

Data advantages that compound over time

Our expertise in sourcing, aggregating, protecting, and analyzing data has been what we believe to be a core competitive advantage of our platform since our founding. We use data to inform our analysis and decision-making, including risk assessment, in a way that empowers consumers and generates value for our merchants and funding sources.

Our technology is built to handle the immense scale of our data-driven operations — we are capable of processing thousands of checkouts per minute. Our machine learning-based risk models are currently calibrated and validated on an extensive amount of data points, based on a complex set of variables, and are custom built to effectively detect fraud, price risk, and provide customized recommendations. We consider data beyond traditional credit scores, such as transaction history and credit usage, to predict repayment ability, and leverage this with real-time response data. In some cases, we also are able to access and leverage SKU-level data to assess and underwrite risk for individual transactions before extending access to credit.

Better outcomes generated by our proprietary risk models

We believe our risk model informs our ability to better assess risk. Unlike legacy payment and credit systems, we can assess risk at a transaction level, rather than relying solely on a static consumer credit score. Our integration with our merchant partners allows us to consider the product that the consumer is purchasing when we assess a credit application. We believe our proprietary risk model has translated this advantage into the ability to facilitate a greater volume of transactions from a wider and more diverse segment of consumers. The greater accuracy of our risk model also generally benefits our provision for credit losses on loans we retain.

Our continuously learning risk model benefits from increasing scale. As data from new transactions are incorporated into our risk algorithms, we are able to more effectively assess a given credit profile.

Our ability to quickly assess, price, and manage risk enables us to generate high quality assets that attract funding sources and generate predictable servicing and interest income as consumers repay over time. Our risk model is designed to comply with our originating bank partners' credit policies and underwriting procedures and has been proven to lead to low fraud rates and higher approval rates compared to traditional credit underwriting models.

For more information on how our risk model automates the underwriting process for our originating bank partners, see *"— Regulatory Environment — State and provincial licensing requirements and regulation."*

Deep capital markets expertise

We believe our capital management strategy is a key competitive differentiator, enabling us to effectively scale our network, support GMV growth across our ecosystem, and efficiently recycle equity capital. Our durable funding model consists of three primary channels — warehouse credit facilities, programmatic issuance of term and revolving securitization transactions, and forward flow commitments. Within each channel, we endeavor to maximize our financial flexibility by partnering with a broad spectrum of counterparty profiles including depository institutions, investment banks, strategic investment funds, pension funds, asset managers, and insurance companies. By maintaining access to a diversified array of long-term funding sources and leveraging our proprietary underwriting process at the point-of-sale, we are able to monetize high-quality financial assets at scale.

Our Competition

Our primary competition consists of: legacy payment methods, such as credit and debit cards, including those provided by card issuing banks such as Synchrony, J.P. Morgan Chase, Citibank, Bank of America, Capital One, Bread Financial, and American Express; technology solutions provided by payment companies such as Visa and MasterCard; mobile wallets such as PayPal and Apple; and other pay-over-time solutions offered by companies such as Block and Klarna as well as new pay-over-time offerings by legacy financial and payments companies, including those mentioned above. Additionally, merchants are increasingly offering proprietary pay-over-time options to customers, and in some cases, these are presented parallel to our offerings at checkout.

Our technology-driven platform also faces competition from a variety of players, including those who enable transactions and commerce via digital payments. Technology-enabled companies like ours are increasingly gaining market share from legacy financial institutions.

We believe that we compete favorably based on our competitive advantages and are well-positioned to succeed in the market. However, many of our competitors are substantially larger than we are, which may give those competitors advantages we do not have at present, such as a more diversified product offering, a larger consumer and merchant base, the ability to reach more consumers and potential consumers, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, broad-based local distribution capabilities, and lower-cost funding. Our potential competitors may also have longer operating histories, more extensive and broader consumer and merchant relationships, and greater brand recognition and brand loyalty than we have. In addition, other established companies that possess large, existing consumer and merchant bases, substantial financial resources, or established distribution channels could also enter the market.

Our Growth Strategy

Our multi-pronged growth strategy is designed to build upon our momentum and unlock opportunities to create even greater value for consumers and merchants.

Expand solutions for merchants and consumers

- ***Innovate on new consumer product solutions.*** We plan to continue to innovate and bring new honest financial products to market for consumers. During fiscal 2023, for example, we rebranded our former Affirm Debit+ to Affirm Card and made the product generally available to all eligible consumers.

- ***Increase merchant feature functionality.*** As we continue to help merchants increase conversion rates, AOVs, and customer satisfaction, we plan to build new tools to help them optimize their customer acquisition strategies and achieve even greater results. For example, during fiscal 2023, we continued to innovate on Adaptive Checkout™, which dynamically provides optimized biweekly and monthly payment options side-by-side in a single integrated checkout solution and has driven a significant increase in conversion rates, optimized interest rates and have improved the overall user experience. Additionally, we have offered merchants the ability to acquire new customers through improvements in our dynamic messaging capabilities designed to drive purchase intent, higher priced conversion packages that offer longer term 0% APR offers, and improved merchant support capabilities through self-service resources and capabilities in the merchant portal.

Increase Consumer Transaction Frequency

We have demonstrated how our solutions can successfully enable and accelerate commerce for larger and considered purchases. We aim to continue driving repeat use of our platform as we serve consumers beyond their initial purchase via our consumer-centric tools and offerings, and the increased diversity of merchants on our network. We believe expanding into consumers’ daily and in-store spending will be a key in driving repeat usage and will position us to increase engagement with both consumers and merchants. Affirm Card is an important component of this strategy because consumers using Affirm Card often have higher transactions per user and greater in-store usage. If successful, we believe that this strategy will lead to increased transaction volume on our platform, as well as the expansion of our consumer and merchant network. As of June 30, 2023, we had approximately 3.9 transactions per active consumer, an increase of approximately 30% compared to June 30, 2022 and an increase of 70% compared to June 30, 2021.

Expand consumer reach

We will continue marketing to increase brand awareness with consumers and highlight the value of our platform. We believe this will attract new consumers to try Affirm as a payment option. As we add more consumers to our network, our models become more efficient and robust, allowing us to provide our platform (and the loans it facilitates) to a growing spectrum of consumers. The more consumers that we serve, the better our systems understand how to identify responsible consumers, and the more consumers we can acquire and approve.

Expand merchant reach

- ***Deepen penetration with existing merchants.*** Today, Affirm transactions represent a small percentage of the total transaction volume for our merchants. As more consumers become aware of the ease and transparency of using Affirm, and as we proactively build relationships with merchants through our dedicated sales and customer success teams, we believe we can significantly increase our share of existing merchants' overall transaction volumes.

- ***Increase the number of our merchant partnerships.*** We believe we have the opportunity to significantly increase the number of integrated merchants on our network through both our dedicated sales team and business-to-business marketing efforts. Additionally, simple, direct API integration means bringing on new merchants is a seamless process. As we continue to generate results for merchants, we believe more will join our platform in order to offer Affirm as an option to their customers.

Expand to new markets

Our platform is broadly available to merchants and eligible consumers in the United States and Canada. We will continue to evaluate expanding our platform to new markets. Merchants and consumers anywhere can benefit from a more transparent, fair, and honest way to engage in commerce, and we see an opportunity to generate value in many new markets around the world through our platform.

Our Technology

Our products are built on a cloud-first platform engineered for temporally agnostic data aggregation, schematization, management, and decisioning, which enables our products to leverage years of deep behavioral, financial, shopping, and payment data across all facets of our platform, from fraud and pricing, to personalization and repayment. Our vertically integrated technology powers a rich data landscape across products, which drives increased efficiency that unlocks greater scale. Increasing scale powers a flywheel that further drives incremental data capture and improves the efficiency of each transaction, and that efficiency allows us to more finely price transactions, measure risk, deliver value to our customers, and personalize consumer experiences.

We invest in technology to create this flywheel effect as we believe it builds an increasing and durable competitive advantage as we operate with higher confidence in our model decisions, lower costs of each transaction, and improve our ability to price transactions with a lower margin of error. The increasing scale is leveraged by our technology as increasing value is delivered to participants in our network of merchants, consumers, and capital partners.

- ***Fraud detection capabilities.*** To assess transaction fraud risk, we first seek to establish the consumer's identity using basic information. The consumer is then evaluated by our fraud model, and we will then either move forward in the approval flow, or request additional data from the consumer. Our sophisticated fraud models utilize approximately 80 other data points in order to make a near-instantaneous decision on whether to block a transaction. There are also secondary rules that, when triggered, are designed to send a transaction to fraud investigators.

- ***Credit check capabilities.*** Our risk model takes five top-of-mind data inputs and turns them into a total of over 500 data points in order to assess the credit risk of new consumers. Our algorithms model out the repayment probability on a month-to-month basis, and combine these probabilities with the term length, purchase size, merchant, and item being purchased, in order to price and score risk. In the vast majority of cases, we can complete these checks and calculations in a matter of seconds, automating the underwriting process pursuant to our originating bank partners' underwriting policies. We use application and transaction data to train our model, including data from almost 132 million loans.

- ***Modeling improvements.*** Our high cadence for modeling, retraining, and recalibration translates into rapid improvements to our models over time. New data is regularly used to retrain each model, meaning they continue to improve as the numbers of consumers, merchants, transactions, and repayments we power on our platform grow. We also perform periodic larger scale updates to our core model and algorithms. We regularly introduce new data signals to be captured by our risk analysis system and make them available to be incorporated into new model development, training, and validation. Additionally, we explore opportunities to capture data outside of our model approvals, in order to make a breadth of data available to future models. During these updates, new signals are captured, and older data interrogated and re-tested to help our models continue to evolve. We have automated the process of constructing, training, calibrating, validating, and updating our models, which allow our scientists and engineers to focus on research, flexibility, and speed. Our models are designed to enable us to adjust our models quickly and efficiently in response to changes in the environment.

- ***Designed for constant innovation and flexibility.*** Our deep technological talent and capabilities have enabled us to strategically build core systems (including our own ledger) and infrastructure in-house, allowing us to gain what we believe is a significant competitive advantage as we continue to innovate and iterate, and develop new capabilities across multiple disciplines. The flexibility of our custom-built technological infrastructure means we can incorporate new merchants, platforms, data sources, models, capital partnerships, and other elements without adding significant overhead.

- ***Data privacy and security***. We store and process data while maintaining robust physical, electronic, and procedural safeguards designed to protect that data. We maintain physical security measures designed to guard against unauthorized access to systems and use safeguards such as firewalls and data encryption. We also have deployed physical access controls to our buildings, and our policies authorize access to personal information only for those employees or agents who require it to fulfill the responsibilities of their jobs.

Sales and Marketing

Our marketing strategy includes brand marketing, communications, and co-marketing campaigns that we collaborate on with merchants and partners. We have historically relied on the strength of our merchant relationships and positive user experience to develop our brand and grow our network. We have achieved significant merchant and consumer adoption without investing heavily in sales and marketing relative to our competitors. We are focused on the effectiveness of sales and marketing spending. We also utilize dedicated sales teams to grow our merchant base in the United States and Canada, and leverage strategic partnerships with other platforms to expand our merchant and consumer base.

Seasonality

We experience seasonal fluctuations in our business as a result of consumer spending patterns. 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. Despite these higher GMV levels, in fiscal 2023 and 2022, we generated less in period revenue as a percentage of GMV during our second fiscal quarter due to the comparatively higher proportion of interest bearing loans originated in the latter half of the period, which typically results in lower merchant network revenue, which is recognized in period, and higher levels of interest income, which is recognized over a longer time horizon. We expect these seasonal patterns to continue in future periods, and any adverse events that occur during our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

Human Capital Resources

Our employees

As of June 30, 2023, we had a total of 2,171 employees, primarily located in the United States. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Distinctive culture that sets us apart

We believe our culture gives us a long-term, sustainable competitive advantage. Affirm is purpose-built from the ground up, and our employees, who have named themselves “Affirmers,” are deeply committed to delivering honest financial products that improve lives. Five core values permeate every part of Affirm — which includes our people, products, and business:

- ***People come first.*** We consider our impact on people’s lives before we think about our own interests. This means that we do not and will not take advantage of our consumers. Unlike much of the industry, we do not capitalize on consumer misfortunes through practices such as late fees and deferred or compounding interest. Our success is aligned with our consumers’ success. In fact, we depend on it.

- ***No fine print.*** We are transparent and honest — with our consumers and with each other. That is why there are no hidden fees or tricks associated with the loans facilitated through our platform. What you see is what you get.

- ***It’s on us.*** We take full accountability for our actions, never shirking responsibility or passing the buck. Affirmers own problems and solutions, and we hold each other accountable.

- ***Simpler is better.*** We make complex things simple and clear. Financial products and payments have traditionally been fraught with complexity. We found a better way, a way that brings consumers the simplicity they need and merchants the results they want.

- ***Push the envelope.*** We never stop innovating, taking smart risks, and raising the bar. Talented people are attracted to Affirm because we empower them to innovate, create robust systems, and take smart risks. This momentum keeps our consumer and merchant network growing and thriving.

These values have helped us to attract, inspire, and harness the collective talent of exceptional technologists and business people.

Diversity, equity, and inclusion

We believe that diversity, equity, and inclusion ("DEI") are important as we scale and build our high-performing team. Our strategy involves embedding DEI into our processes, programs, and structures at Affirm across the employee life cycle — how we hire, develop, advance, and retain Affirmers, and in how we do business.

Our Diversity and Inclusion Steering Committee ("DISC"), an internal committee made up of senior leaders from across Affirm, provides support and guidance to departments and teams on initiatives that may impact the ability to support diverse populations of key constituencies: employees, consumers and merchants. DISC is also responsible for reviewing internal and external DEI initiatives, and DEI members help to amplify high-impact DEI efforts happening within their own departments. Below are several highlights from our DEI work in calendar year 2022 (the latest year for which we have issued a DEI Report):

- Affirm added two new Community Groups (Neurodiversity and Southwest Asia & North Africa) in addition to the existing thirteen Employee Resource & Community Groups. Affirm's Employee Resource Groups ("ERGs") support and advance Affirm's values and business goals. This includes the Company's commitment to providing equal employment opportunities and facilitating a culture where all Affirmers feel like they belong. ERGs include Affirmers from underrepresented groups ("URGs") and their allies. Affirm's Community Groups ("CGs") help build belonging, community, and inclusion at Affirm. Our CGs come together over common identities, shared characteristics, or shared life experiences.
- In 2022, we focused on supporting Affirmers around the world after hiring Affirmers in three countries (Spain, Poland, and Canada) in 2021. This year, Poland-based Affirmers started chapters of our Women@ Affirm ERG and Mental Wellness Community Group. More than 50% of Poland-based employees expressed an interest in joining Mental Wellness and Women@.
- In 2021, we promoted over 50 small or minority-owned businesses through various Affirm-sponsored promotional campaigns. In 2022, we increased this by 130%, highlighting 115 small and minority-owned businesses across Affirm's platforms, including the Shop Black-Owned Businesses page.

We annually publish our DEI Report, which discloses certain demographic information relating to our team and outlines our DEI goals, our progress toward them, our areas for improvement, and where we expect to focus our efforts. The 2022 report is available at: www.affirm.com/diversity-inclusion. This website has been provided for convenience only, and the contents of the report and information found on, or accessible through, our website are not a part of, and are not incorporated into, this Annual Report on Form 10-K.

Our board of directors' role in human capital resource management

Our board of directors believes that human capital management is an important component of our continued growth and success, and is critical to our ability to attract, retain, and develop talented and skilled employees. We pride ourselves on a culture that respects co-workers and values concern for others. Management regularly reports to our board of directors on human capital management topics, including corporate culture, safety, diversity and inclusion, employee development, and compensation and benefits. Our board of directors provides input on important decisions, including with respect to safety, talent retention and development.

Employee incentives and benefits

We provide equity incentives to our employees through the grant of stock options and restricted stock units ("RSUs") under our equity incentive plan to align their interests with stockholders as "owners" of our company. We also have adopted an Employee Stock Purchase Plan ("ESPP") pursuant to which eligible employees can purchase shares of our Class A common stock at a discount from the fair market value. We believe these incentive programs allow us to be competitive with comparable companies in our industry by giving us the resources to attract, motivate and retain talented individuals.

We offer comprehensive benefits, including medical, dental, vision, life insurance, paid time off, various voluntary insurance programs, and a 401(k) retirement plan for U.S. employees. Our employee assistance program, financial wellness benefits, legal protection benefits, and identification theft protection benefits offer employees information, referrals, and short-term counseling for personal issues affecting their work or personal life as an added layer of protection. In addition, we offer perks, such as employer-sponsored digital spending wallets, mental health benefits, family & fertility benefits and generous leave and time-off policies, which we believe enhance employee productivity, satisfaction and loyalty.

Regulatory Environment

We operate in a rapidly evolving regulatory environment and are subject to extensive regulation, both directly and indirectly, by way of our partnership with our originating bank partners, under U.S. federal law, the laws of Canada, and the United Kingdom ("U.K."), and the laws of the states and provinces in which we operate, among others. These laws cover all aspects of our business and include privacy laws, consumer protection laws, and contractual obligations. We could become subject to additional legal or regulatory requirements if laws or regulations change in the jurisdictions in which we operate. These could include the need to obtain new and different types of licenses in order to conduct our business, such as for lending, brokering, servicing, collections, or money transmission. For more information on the risks relating to our regulatory environment, see the section titled "Risk Factors – Risks Related to Our Regulatory Environment."

Our lending programs are relatively novel and must comply with regulatory regimes applicable to consumer credit transactions. In addition, the regulatory framework for online lending platforms is evolving and uncertain as federal and state governments consider the application of existing laws and adoption of new laws to regulate these structures. Certain banking laws and regulations may also apply to our originating bank partners.

State and provincial licensing requirements and regulation

Our operations must satisfy the laws and standards of each individual U.S. state and territory and Canadian province in which we operate. This means that when individual states, territories or provinces differ in how they allow financing to be provided and used, we must operate consistently in accordance with the most comprehensive requirements.

Our policies and practices approach these requirements with the goal of managing the long-term viability and flexibility of our business model. As such, we have established a business model pursuant to which we may originate loans directly through our platform under our lending, servicing, and brokering licenses across various jurisdictions in the U.S., Canada, and U.K., and we may also purchase loans originated by our originating bank partners through our platform. Substantially all of the loans facilitated through our platform in the U.S. are originated through Celtic Bank, an FDIC-insured Utah state-chartered industrial bank.

Certain states, provinces, and localities have adopted laws regulating and requiring licensing, registration, notice filing, or other approval by parties that engage in certain activity regarding consumer finance transactions, including facilitating and assisting such transactions in certain circumstances, debt collection or servicing, and/or purchasing or selling consumer loans. We have also received inquiries from regulatory agencies regarding requirements to obtain licenses from or register with those jurisdictions, including in states where we have determined that we are not required to obtain such a license or be registered with the state, and we expect to continue to receive such inquiries. We are also subject to licensing requirements, supervision, and examination by applicable regulatory authorities in the jurisdictions in which we may service loans, solicit or offer loans, or originate loans directly through our platform, and we have obtained or are in the process of obtaining necessary licenses in the jurisdictions in which we do so. Licensing statutes vary from state to state and prescribe different requirements, including but not limited to: restrictions on loan origination and servicing practices (including limits on the type, amount, and manner of fees), solicitation activities, interest rate limits, disclosure requirements, periodic examination requirements, surety bond and minimum specified net worth requirements, periodic financial reporting requirements, notification requirements for changes in principal officers, stock ownership or corporate control, restrictions on advertising, and requirements that loan forms be submitted for review. The application of state and provincial licensing requirements to our business model is not always clear, and while we believe we are in compliance as of June 30, 2023 with applicable licensing requirements, regulators may request or require that we obtain additional licenses or other authorizations in the future, which may subject our business to additional restrictions or requirements.

State interest rate treatment

We and our originating bank partners may also be subject to state law interest rate limitations on personal consumer loans. Certain states have no such limitations, while other jurisdictions impose a maximum rate on such loans. In some jurisdictions, the maximum rate may be less than the rates applicable to the loans facilitated through our platform. If any of the loans facilitated through our platform were found to impose rates higher than the maximum rate for the applicable state, such loans could be in violation of state interest limitation laws, which could result in such loans being unenforceable or reduce or extinguish the principal and/or interest (paid or to be paid) on such loans, or result in fees, damages, and penalties to us or our originating bank partners. Out of an abundance of caution, however, we have sought to voluntarily cap the maximum interest rate we will propose for a loan to borrowers in certain states so that it is below the maximum interest rate that our originating bank partners would otherwise be permitted to charge under applicable law.

Through our partnerships with our originating bank partners, as well as through our state lending licenses to originate loans directly, where applicable, our risk model automates the underwriting process in accordance with our originating bank partners' underwriting policies, which only our originating bank partners may change and which we must follow in reviewing, approving, and administering loans facilitated by our platform, and our direct lending entity's underwriting policy. When originating loans through our platform, our originating bank partners may contract to charge interest based on authority granted to state-chartered, FDIC-insured banks under federal law (Section 27 of the Federal Deposit Insurance Act) and based upon legal principles detailed in the FDIC's final rule relating to Federal Interest Rate Authority, published in the Federal Register on July 22, 2020. Section 27 allows an FDIC-insured bank such as our originating bank partners to charge interest to consumers on a nationwide basis based on the rates allowed by the state where the bank is located. We rely on our originating bank partners' authority under federal law to establish interest rates and charge interest on the loans our originating bank partners originate through our platform. Cross River Bank generally allows a consumer loan borrower to agree to any annual rate of interest up to 30%, and our other originating bank partners, including Celtic Bank, generally allow a consumer loan borrower to agree to any annual rate of interest up to 36%, in each case calculated in accordance with the FDIC Federal Interest Rate Authority rule discussed above and other applicable law.

However, if the legal structure underlying our relationship with our originating bank partners was successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and other aspects of consumer lending. In the event of such a challenge or if our arrangements with our originating bank partners were to change or end for any reason, we would need to rely on an alternative bank relationship, find an alternative bank relationship, rely on existing state licenses, obtain new state licenses, pursue a federal charter, offer consumer loans, and/or be subject to the interest rate limitations and loan product requirement limitations of certain states. There are two examples of claims that have been raised that could each, separately or jointly, result in this outcome in some or all states.

The FDIC stated that its Federal Interest Rate Authority Rule was promulgated in part to codify the "valid when made" doctrine due to court decisions such as the one in Madden v. Midland Funding, LLC, 786 F.3d 246 (2d Cir. 2015), cert. denied, 136 S.Ct. 2505 (June 27, 2016). In Madden v. Midland Funding, the Second Circuit ruled that federal preemption generally applicable to national banks did not apply to non-bank assignees if the assignee was not acting on behalf of the bank, if the bank no longer had an interest in the loan, or such determination did not significantly interfere with the bank's exercise of its federal banking powers. Under this rationale, the Second Circuit did not preempt state interest rate limitations that might apply to the non-bank assignees. The Second Circuit's holding in the Madden case is binding on federal courts in the states of New York, Connecticut, and Vermont. Following the Madden decision, there have been a number of lawsuits in other parts of the country making similar allegations. Under the Federal Interest Rate Authority Rule promulgated by the FDIC, which is the interest rate authority of state-chartered banks (such as our originating bank partners), the interest rate applicable to a loan originated by a state-chartered bank on the date of origination will carry with the loan irrespective of ownership (i.e., the interest rate is “valid when made”). The OCC issued a similar rule on May 29, 2020 with respect to loans originated by national banks. State attorneys general of the states of California, New York and Illinois have filed a lawsuit against the OCC alleging that the OCC had no statutory authority to issue its May 29, 2020 rule regarding the permissibility of interest rates on loans purchased from a national bank and failed to follow required procedures in promulgating the rule. State attorneys general of the states of California, Illinois, Massachusetts, Minnesota, New Jersey, New York, and North Carolina, together with the District of Columbia, filed a similar lawsuit against the FDIC regarding the FDIC Federal Interest Rate Authority Rule. This lawsuit was decided in favor of the FDIC pursuant to the Northern District of California’s decision in California v. FDIC, 2022 U.S. Dist. LEXIS 22719 (N.D. CA, Feb. 8, 2022), in which the court expressly upheld the validity of the FDIC Federal Interest Rate Authority Rule, distinguishing it from the similar rule issued by the OCC. However, it is uncertain whether these or other state attorneys general will file similar suits with respect to any other rule regarding the permissibility of interest rates by the FDIC, OCC or other regulators. Notably, the FDIC and OCC rules underscore that they do not address the question of whether a bank or insured branch of a foreign bank is a real party in interest with respect to a loan or has an economic interest in the loan under state law, e.g. which entity is the “true lender.” Federal Interest Rate Authority, 85 Fed. Reg. 44146 (July 22, 2020).

Before and after the Federal Interest Rate Authority went into effect, there have also been both private litigation and governmental enforcement actions seeking to recharacterize a lending transaction, claiming that the named lender was not the true lender, and that instead another entity was the true lender or the de facto lender. These claims are traditionally based upon state lending laws, other statutory provisions, or state common law through which a private litigant or governmental agency could seek to license, regulate, or prohibit the activities of the entity they consider the true lender or de facto lender. Any such litigation or enforcement action with respect to a loan facilitated through our platform against us, any successor servicer, prior owners, or subsequent transferees of such loans (including our originating bank partners) could subject them to claims for damages, disgorgement, or other penalties or remedies. On October 27, 2020, under the Trump Administration, the OCC promulgated a final rulemaking setting forth standards for determining the true lender of a loan issued by a national bank. On June 30, 2021, President Biden signed a Congressional Review Act resolution to repeal the OCC's true lender rule, and the OCC may not issue any substantially similar rule without subsequent statutory authorization.

Further, it is unclear whether these rules will be given effect by courts and regulators in a manner that actually mitigates risks relating to state interest rate limits and related risks to us, our originating bank partners, any other program participant, or the loans facilitated through our platform. While most enforcement and litigation has historically targeted high-interest rate programs (i.e. > 100% APR), which we consider to be inconsistent with our company mission and values, we nonetheless could be subject to litigation, whether private or governmental, or administrative action regarding the above claims. The potential consequences of an adverse determination could include the inability to collect loans at the interest rates contracted for, licensing violations, the loans being found to be unenforceable or void, the reduction of interest or principal, or other penalties or damages. Third-party purchasers of loans facilitated through our platform also may be subject to scrutiny or similar litigation, whether based upon the inability to rely upon the “valid when made” doctrine or because a party other than the originating bank is deemed the true lender.

Money transmission

Through our wholly-owned subsidiary, Affirm Payments, LLC (“Affirm Payments”), we hold licenses to operate as a money transmitter (or its equivalent) in certain states and jurisdictions of the U.S. Affirm Payments is actively seeking additional licenses and certifications of this nature, but there can be no assurance we will be able to obtain them or the timeline with which this will happen. As a licensed money transmitter, we have obligations and restrictions with respect to the investments of customer funds, recurrent reporting, and bonding. If found to have violated the laws or regulations covered under our licenses, we could be subject to liability and/or additional restrictions. These include, but are not limited to, being forced to cease doing business with residents of certain states or territories, forced to change our business practices, or required to obtain additional licenses or regulatory approvals. Any of the aforementioned scenarios could impose substantial costs and or harm our business.

United Kingdom regulatory oversight

In addition to the U.S. and Canada, we intend to provide a similar service in the U.K. through our U.K. subsidiary, Skytech Capital Ltd ("Skytech"). Skytech is authorized and regulated by the U.K. Financial Conduct Authority ("FCA") and carries out regulated activity in the U.K. The FCA has statutory objectives that direct how it operates. The FCA's strategic objective is to ensure that the relevant markets function well. The FCA's operational objectives are (a) securing an appropriate degree of protection for consumers, (b) protecting and enhancing the integrity of the U.K. financial system, and (c) promoting effective competition in the interests of consumers. The FCA regulates and supervises some or all of Skytech's consumer credit activities. The FCA adopts a pre-emptive approach to supervision based on making forward-looking judgments about a firm's business model, product strategy and how the business is run. The FCA has a range of supervisory tools available to it, including (but not limited to) meetings with management, desk-based reviews, making recommendations and on-site inspections. The laws and regulations applicable to the industry are subject to interpretation and change and we continue to monitor this on an ongoing basis.

U.S. federal consumer protection requirements

We must comply with various federal consumer protection regimes, both as a service provider to our originating bank partners and as a loan originator with respect to loans we may originate directly, including but not limited to the following laws and regulations:

- the Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to consumers regarding the terms and conditions of their loans and credit transactions;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits unfair, deceptive, or abusive acts or practices ("UDAAP") in connection with any consumer financial product or service;
- the Equal Credit Opportunity Act (the "ECOA") and Regulation B promulgated thereunder, which prohibit creditors from discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the Federal Consumer Credit Protection Act or any applicable state law. In addition to acts of intentional discrimination, the ECOA has been interpreted by federal regulators and courts to prohibit creditors from maintaining policies and practices that, while facially neutral, result in a disproportionate, adverse impact on applicants or consumers in protected groups. For this reason, a loan decisioning or credit scoring model must not use any variable that may be deemed a proxy for a protected characteristic such as race, ethnicity, or sex. Further, the variables used in the model must be supported by documented, legitimate business justifications where the model results in a disproportionate effect on applicants or consumers of certain demographic groups;
- the Fair Credit Reporting Act (the "FCRA"), as amended by the Fair and Accurate Credit Transactions Act, and Regulation V promulgated thereunder, which promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies;
- the Fair Debt Collection Practices Act, Regulation F promulgated thereunder, and the Telephone Consumer Protection Act, each of which provide guidelines and limitations concerning the conduct of certain creditors and third-party debt collectors in connection with the collection of consumer debts;
- the Gramm-Leach-Bliley Act (the "GLBA"), which includes limitations on use and disclosure of nonpublic personal information about a consumer by a financial institution;
- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;

- the Holder Rule, and equivalent state laws, which make Affirm or any other holder of a consumer credit contract include the required notice and become subject to all claims and defenses that a borrower could assert against the seller of goods or services;
- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide disclosure requirements, guidelines, and restrictions on the electronic transfer of funds from consumers' bank accounts;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures;
- the Military Lending Act and similar state laws, which provide disclosure requirements, interest rate limitations, substantive conduct obligations, and prohibitions on certain behavior relating to loans made to covered borrowers, which include both servicemembers and their dependents;
- the Servicemembers Civil Relief Act and similar state laws, which allows active duty military members to suspend or postpone certain civil obligations so that the military member can devote his or her full attention to military duties; and
- requirements pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") enacted in response to the COVID-19 pandemic, including requirements relating to debt collection and credit reporting.

In addition, many states and local jurisdictions have consumer protection laws analogous to, or in addition to, the federal laws listed above, such as usury laws, state debt collection practices laws, and requirements regarding loan disclosures and terms, credit discrimination, credit reporting, money transmission, recordkeeping, the arranging of loans made by third-parties, and unfair or deceptive business practices. We are also subject to data protection laws and regulations, such as the EU General Data Protection Regulation ("GDPR"), Canada's Personal Information Protection and Electronic Documents Act, the U.K.'s Data Protection Act of 2018 and similar state laws such as the California Consumer Privacy Act (the "CCPA"), which includes limitations and requirements surrounding the use, disclosure, and other processing of certain personal information about California residents.

We are also subject to regulation by the Consumer Financial Protection Bureau ("CFPB") under the Dodd-Frank Act and other acts described herein, and we are subject to the CFPB's enforcement authority with respect to our compliance with these requirements 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 expect the CFPB to begin to supervise us in the immediate future. The CFPB's supervision of us will enable it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures.

The CFPB, through its enforcement authority, could increase our compliance costs, potentially hinder our ability to respond to marketplace changes, impose requirements to alter products and services that would make them less attractive to consumers and impair our ability to offer products and services profitably. The CFPB is authorized to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties which, for 2022, range from $6,323 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to $31,616 per day for reckless violations and $1,264,622 per day for knowing violations. The CFPB monetary penalty amounts are adjusted annually for inflation.

Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). In May 2022, the CFPB issued an Interpretive Rule to clarify the authority of states to enforce federal consumer financial protections laws under the Consumer Financial Protection Act of 2010 (“CFPA”). Specifically, the CFPB confirmed that (1) states can enforce the CFPA, including the provision making it unlawful for covered persons or service providers to violate any provision of federal consumer financial protection law; (2) the enforcement authority of states under section 1042 of the CFPA is generally not subject to certain limits applicable to the CFPB’s enforcement authority, such that States may be able to bring actions against a broader cross-section of companies than the CFPB; and (3) state attorneys general and regulators may bring (or continue to pursue) actions under their CFPA authority even if the CFPB is pursuing a concurrent action against the same entity. See CFPB Interpretive Rule regarding Section 1042 of the Consumer Financial Protection Act of 2010 (87 FR 31940, May 26, 2022). If the CFPB or one or more state officials find that we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on our business.

In addition, the Biden Administration has brought an increased focus on enforcement of federal consumer protection laws and appointed consumer-oriented regulators at federal agencies such as the CFPB, the OCC and the FDIC. It is possible that such regulators could promulgate rulemakings and bring enforcement actions that materially impact our business and the business of our originating bank partners. These regulators may augment requirements that apply to loans facilitated by our platform, or impose new programs and restrictions and could otherwise revise or create new regulatory requirements that apply to us (or our bank partners), impacting our business, operations, and profitability.

The federal regulatory framework applicable to online marketplaces such as our platform is evolving and uncertain, and additional requirements may apply to our business in the future. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective or will be adequate as laws change or are applied in a new manner.

Other requirements

We have policies and procedures designed to prevent the financing of illegal products. As part of our diligence process when vetting new partners, these policies and procedures instruct that we screen for products that violate the law or are on our prohibited business list in an effort to prevent risk to our business or harm to our consumers, merchants, and the payment system.

We are subject to compliance obligations related to U.S. anti-money laundering (“AML”) laws and regulations due, in part, to our partnership with our originating bank partners. With our international footprint, we are also subject to international AML laws and regulations. We have developed and currently operate an enterprise-wide AML program designed to prevent our network from being used to facilitate money laundering, terrorist financing, and other financial crimes, and to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the Patriot Act. Our AML program is also designed to prevent our products from being used to facilitate business in certain countries or territories, or with certain individuals or entities, including those on designated lists promulgated by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and other U.S. and non-U.S. sanctions authorities. Our AML and sanctions compliance programs include policies, procedures, reporting protocols, and internal controls designed to identify, monitor, manage, and mitigate the risk of money laundering and terrorist financing, including the designation of an AML compliance officer to oversee the programs. We are also required to maintain this program under our agreements with our originating bank partners, and certain state regulatory agencies have intimated they expect the program to be in place and followed.

The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate to obtain or retain business abroad. Affirm is subject to the FCPA as well as similar laws in other jurisdictions in which we operate. We maintain anti-corruption policies and procedures and have a compliance program in place to ensure compliance with these laws and regulations.

We collect, store, use, disclose, transfer, and otherwise process a wide variety of information, including personal information, for various purposes in our business, including to help provide for the integrity of our services and to provide features and functionality to our consumers and merchants. This aspect of our business, including the collection, storage, use, disclosure, transfer, processing, and protection of the information, including personal information, we acquire in connection with our consumers' and merchants' use of our services, is subject to numerous privacy, cybersecurity, and other laws and regulations in the U.S. and foreign jurisdictions, including the GLBA and its implementing regulations. We are subject to a variety of such laws, rules, directives, and regulations, as well as contractual obligations, both at the state and federal level, relating to the processing of personal information. Accordingly, we publish our privacy policies and terms of service, which describe our practices concerning the collection, storage, use, disclosure, transmission, processing, and protection of information. The regulatory framework for privacy and data protection worldwide is rapidly evolving and, as a result, implementation standards and enforcement practices are likely to continue to evolve for the foreseeable future. Legislators and regulators are increasingly adopting or revising privacy and data protection laws, rules, directives, and regulations that could have a significant impact on our current and planned privacy and data protection-related practices; our processing of consumer or employee information; and our current or planned business activities.

Furthermore, an increasing number of state, federal, and international jurisdictions have enacted, or are considering enacting, privacy laws, such as the CCPA, which became effective on January 1, 2020, and the EU GDPR, which regulates the collection, control, sharing, disclosure and use and other processing of personal information of data subjects in the EU and the European Economic Area. The CCPA gives residents of California expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used, and also provides for civil penalties for violations and a private right of action for data breaches. Meanwhile, the GDPR provides data subjects with greater control over the collection and use of their personal information (such as the "right to be forgotten") and has specific requirements relating to cross-border transfers of personal information to certain jurisdictions, including to the U.S., with fines for noncompliance of up to the greater of 20 million euros or up to 4% of the annual global revenue of the noncompliant company. In addition, on November 3, 2020, California voters approved a new privacy law, the California Privacy Rights Act ("CPRA"), which significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. Many of the CPRA's provisions became effective on January 1, 2023. The CCPA, CPRA, GDPR, and any other applicable state, federal, and international privacy laws, may increase our compliance costs and potential liability.

Various regulatory agencies in the U.S. and in foreign jurisdictions continue to examine a wide variety of issues that are applicable to us and may impact our business. These issues include account management guidelines, anti-discrimination, consumer protection, identity theft, privacy, disclosure rules, electronic transfers, cybersecurity, and marketing. As our business continues to develop and expand, we continue to monitor the additional rules and regulations that may become relevant in order to maintain compliance with applicable law.

The legal and regulatory framework for privacy and security issues worldwide is rapidly evolving, and, although we endeavor to comply with these laws and regulations and our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so. Any actual or perceived failure to comply with legal and regulatory requirements applicable to us, including those relating to privacy or security, or any failure to protect the information that we collect from our consumers and merchants, including personally identifiable information, from cyber-attacks, or any such actual or perceived failure by our originating bank partners, may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate.

Our originating bank partners also operate in a highly regulated environment, and many laws and regulations that apply directly to our originating bank partners are directly and indirectly applicable to us as a service provider to our originating bank partners.

Intellectual Property

Intellectual property and proprietary rights are important to the success of our business. We rely on a combination of patent, copyright, trademark, and trade secret laws in the United States and other jurisdictions, as well as license agreements, confidentiality procedures, non-disclosure agreements, and other contractual protections, to establish and protect our intellectual property and proprietary rights, including our proprietary technology, software, know-how, and brand. However, these laws, agreements, and procedures provide only limited protection. As of June 30, 2023, we owned 14 registered trademarks and 18 trademark applications in the United States, 79 registered trademarks and 38 trademark applications in various foreign jurisdictions, and 12 issued patents, 51 pending patent applications in the United States, and 26 pending patent applications in various foreign jurisdictions.

Although we take steps to protect our intellectual property and proprietary rights, we cannot be certain that the steps we have taken will be sufficient or effective to prevent the unauthorized access, use, copying, or the reverse engineering of our technology and other proprietary information, including by third-parties who may use our technology or other proprietary information to develop services that compete with ours.

See the section titled "*Risk Factors – Risks Related to Our Intellectual Property and Platform Development*" for a more comprehensive description of risks related to our intellectual property and proprietary rights.

Available Information

Our website address is www.affirm.com. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this Annual Report on Form 10-K. Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, on our website as soon as reasonably practicable after we file such material electronically with, or furnish it to, the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the material factors, risks and uncertainties described below that make an investment in our Company speculative or risky, together with all of the other information in this Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this Form 10-K, before deciding whether to invest in shares of our Class A common stock. The risks and uncertainties described below 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. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risk Factor Summary

The risks and uncertainties to which our business is subject, include, but are not limited to, the following:

- If we are unable to attract additional merchant partners and/or commerce platforms (collectively "merchants" or "merchant partners," as applicable), retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

- If we are unable to attract new consumers and retain and grow our relationships with our existing consumers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

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

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

- We may not be able to sustain our revenue and GMV growth rates, or our growth rate of related key operating metrics, in the future.

- The success of our business depends on our ability to work with originating bank partners to enable effective underwriting of loans facilitated through our platform and accurately price credit risk. We currently rely on Celtic Bank to originate substantially all of the loans facilitated through our platform. If our agreement with Celtic Bank is terminated, and we are unable to replace their commitments, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

- We rely on a variety of funding sources to support our business model. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

- If loans facilitated through our platform do not perform, or significantly underperform, we may incur financial losses on the loans we purchase and we hold on our balance sheet, or lose the confidence of our funding sources.

- To the extent we seek to execute acquisitions, strategic investments, alliances, divestitures or other transactions, we may be unable to achieve the strategic objectives of these transactions, and such transactions may be disruptive to our ongoing operations.

- The loss of the services of our Founder and Chief Executive Officer, as well as our inability to attract and retain highly skilled employees, could materially and adversely affect our business, results of operations, financial condition, and future prospects.

- We have a history of operating losses and may not achieve sustained profitability.

- Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

- Litigation, regulatory actions and compliance issues could subject us to fines, penalties, judgments, remediation costs, requirements resulting in increased expenses and reputational harm.

- Further increases in market interest rates could have an adverse effect on our business.

- Our revenue is impacted, to a significant extent, by the general economy, the creditworthiness of the U.S. consumer and the financial performance of our merchants.

- If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of the loans would be adversely affected.

- Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

- Our ability to protect our confidential, proprietary or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber-attacks, employee or other internal misconduct, computer viruses, physical or electronic break-ins or similar disruptions.

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

- If our originating bank partner model is successfully challenged or deemed impermissible, we could be found to be in violation of licensing, interest rate limit, lending, or brokering laws and face penalties, fines, litigation, or regulatory enforcement.

- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers, employees and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

For a more complete discussion of the material risks facing our business, see below.

Risks Related to Our Business and Industry

If we are unable to attract additional merchant partners, retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected, as could the market price of our Class A common stock.

We derive a significant portion of our revenue from our relationships with merchant partners and the transactions they process through our platform, and as more merchants are integrated into our network, there are more reasons for consumers to shop with us.

Our ability to retain and grow our relationships with our merchant partners depends on the willingness of merchants to partner with us. The attractiveness of our platform to merchants depends upon, among other things: the size of our consumer base; our brand and reputation; the amount of merchant fees that we charge; our ability to sustain our value proposition to merchants for customer acquisition by demonstrating higher conversion at checkout and increased AOV; the attractiveness to merchants of our technology and data-driven platform; services and products offered by competitors; and our ability to perform under, and maintain, our merchant agreements. Furthermore, having a diversified mix of merchant partners is important to mitigate risk associated with changing consumer spending behavior, economic conditions and other factors that may affect a particular type of merchant or industry.

Our continued success also is dependent on our ability to successfully grow and develop relationships with our merchant partners, particularly early-stage relationships with large e-commerce retailers such as Amazon. The pace of development, integration and rollout of these early-stage relationships is often unpredictable and is generally not within our control. Many of our agreements with our merchant partners are non-exclusive and lack any transaction volume commitments. Accordingly, these merchant partners may have, or may enter into in the future, similar agreements with our competitors, which could adversely affect our ability to drive the level of transaction volume and revenue growth that we seek to achieve or to otherwise satisfy the high expectations of our investors and financial analysts relating to those relationships. While some of our agreements with our merchant partners have provided for a period of exclusivity, those periods may be limited in duration, and we may not be able to negotiate extensions of those exclusivity periods on reasonable terms, if at all. If an exclusivity period with a merchant partner lapses, we may experience a decrease in GMV with the merchant partner, which may adversely impact our results of operations. In addition, our agreements with our merchant partners generally have terms that range from approximately 12 months to 36 months, and our merchants can generally terminate these agreements without cause upon 30 to 90 days' prior written notice. We may, therefore, be compelled to renegotiate our agreements with merchant partners from time to time, possibly upon terms significantly less favorable to us than the terms included in our existing agreements with those merchant partners.

If we are unable to attract new consumers and retain and grow our relationships with our existing consumers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Our revenue is derived from consumer transaction volume, so our success depends on our ability to generate repeat use and increased transaction volume from existing consumers and to attract new consumers to our platform. Our ability to retain and grow our relationships with consumers depends on the willingness of consumers to use our platform and products. The attractiveness of our platform to consumers depends upon, among other things: the number and variety of merchants and the mix of products available through our platform; the manner in which consumers may use our products, including the ease of use relative to competitor products; our brand and reputation; consumer experience and satisfaction, including the trustworthiness of our services; consumer trust and perception of our solutions; technological innovation; and services and products offered by competitors. If we fail to retain our relationship with existing consumers, if we do not attract new consumers to our platform and products, or if we do not continually expand usage and volume from consumers on our platform, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

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

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

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

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

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

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

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

We may not be able to sustain our revenue and GMV growth rates, or our growth rate of related key operating metrics, in the future.

There can be no assurance that our revenue and GMV will continue to grow as they have in prior periods, and we expect our revenue and GMV growth rates to decline in future periods. Many factors may contribute to declines in our revenue and GMV growth rates, including increased competition, slowing demand for our products from existing and new consumers, transaction volume and mix (particularly with our significant merchant partners), lower sales by our merchants (particularly those with whom we have significant relationships), general economic conditions, a failure by us to continue capitalizing on growth opportunities, changes in the regulatory environment and the maturation of our business, among others. The revenue, GMV or key operating metrics for any prior quarterly or annual period should not be relied on as an indication of our future performance. If our revenue and GMV growth rates decline, we may not achieve sustained profitability, and our business, financial condition, results of operations and the price of our Class A common stock would be adversely affected.

The success and growth of our business depends upon our ability to continuously innovate and develop new products and technologies.

Our solution is a technology-driven platform that relies on innovation to remain competitive. The process of developing new technologies and products, such as Affirm Card with pay-over-time functionality, is complex, and we seek to build our own technology using the latest in artificial intelligence and machine learning (“AI/ML”), cloud-based technologies, and other tools to differentiate our products and technologies. In addition, our dedication to incorporating technological advancements into our platform requires significant financial and personnel resources and talent. Our development efforts with respect to these initiatives could distract management from current operations and could divert capital and other resources from other growth initiatives important to our business. We operate in an industry experiencing rapid technological change and frequent product introductions. We may not be able to make technological improvements as quickly as demanded by our consumers and merchants, or we may not be able to accurately predict the demand or growth of our technological investments, which could harm our ability to attract consumers and merchants and have a material and adverse effect on our business, results of operations, financial condition, and future prospects. In addition, we may not be able to effectively implement new technology-driven products and services, including Affirm Card, as quickly as competitors or be successful in marketing these products and services to consumers and merchants. Moreover, the profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve or have served in the past, which may lead to higher levels of delinquencies or defaults than we have historically experienced. If we are unable to successfully and timely innovate and continue to deliver a superior merchant and consumer experience, we could experience reputational damage and decreased demand for our products and technologies and our growth, business, results of operations, financial condition, and future prospects could be materially and adversely affected.

Further, we use AI/ML in many aspects of our business, including fraud, credit risk analysis, and product personalization. The AI/ML models that we use are trained using various data sets. If the AI/ML models are incorrectly designed, the data we use to train them is incomplete, inadequate, or biased in some way, or we do not have sufficient rights to use the data on which our AI/ML models rely, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through the violation of laws, third-party privacy, or other rights, or contracts to which we are a party. For instance, discrepancies between the data signals used in the AI/ML model training data set and our online decisioning environment for our risk model may lead to incorrect decisions and errors in certain scenarios. Steps taken to prevent errors in the future may not be sufficient to prevent other discrepancies from arising in the future.

Our failure to accurately predict the demand or growth of our new products and technologies also could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. New products and technologies are inherently risky, due to, among other things, risks associated with: the product or technology not working, or not working as expected; consumer and merchant acceptance; technological outages or failures; increased regulatory scrutiny; and the failure to meet consumer and merchant expectations. As a result of these risks, we could experience increased claims, reputational damage, or other adverse effects, which could be material. The profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve or have served in the past, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Additionally, we can provide no assurance that we will be able to develop, commercially market, and achieve acceptance of our new products and technologies. In addition, our investment of resources to develop new products and technologies and make changes or updates to our platform may either be insufficient or result in expenses that exceed the revenue actually generated from these new products. Failure to accurately predict demand or growth with respect to our new products and technologies could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

We currently rely on Celtic Bank to originate substantially all of the loans facilitated through our platform. If our relationship with Celtic Bank terminates, or if Celtic Bank were to suspend, limit, or cease its operations or loan origination activities for any reason, and we are unable to engage another originating bank partner on a timely basis or at all, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

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

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

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

We rely on a variety of funding sources to support our business model. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

Our high-velocity, capital efficient funding model is integral to the success of our commerce platform. To support this model and the growth of our business, we must maintain a variety of funding arrangements, including warehouse credit facilities, securities repurchase agreements, securitization trusts, and forward flow arrangements with a diverse set of funding sources. If we are unable to maintain access to, or to expand, our network and diversity of funding arrangements, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We cannot guarantee that these funding arrangements will continue to be available on favorable terms or at all, and our funding strategy may change over time and depends on the availability of such funding arrangements. Disruptions in the credit markets or other factors, such as the current inflationary environment and rising interest rates, could adversely affect the availability, diversity, cost, and terms of our funding arrangements.

Since the beginning of March 2023, there have been public reports of instability at certain financial institutions. Despite the steps taken to date by U.S. and foreign agencies and institutions, the follow-on effects of this instability are unknown and may lead to disruptions to the businesses and operations of our funding sources. Although we are not substantially dependent on a single financing source, 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.

In addition, our funding sources may reassess their exposure to our industry and either curtail access to uncommitted financing capacity, fail to renew or extend facilities, or impose higher costs to access our funding. Further, our debt financing and loan sale forward flow facilities are generally fixed term in nature, with term lengths ranging between one to three years, during which we have access to committed capital pursuant to such facilities. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, we would need to secure additional sources of funding or reduce our operations significantly. The availability and diversity of our funding arrangements depends on various factors and are subject to numerous risks, many of which are outside of our control.

The agreements governing our funding arrangements require us to comply with certain covenants. A breach of such covenants or other events of default under our funding agreements could result in the reduction or termination of our access to such funding, could increase our cost of such funding or, in some cases, could give our lenders the right to require repayment of the loans prior to their scheduled maturity. Certain of these covenants are tied to our consumer default rates, which may be significantly affected by factors, such as economic downturns or general economic conditions, that are beyond our control and beyond the control of individual consumers. In addition, our revolving credit facility contains (a) certain covenants and restrictions that limit our and our subsidiaries’ ability to, among other things: incur additional debt; create liens on certain assets; pay dividends on or make distributions in respect of their capital stock or make other restricted payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; and enter into certain transactions with their affiliates, and (b) certain financial maintenance covenants that require us and our subsidiaries to not exceed a specified leverage ratio, to maintain a minimum tangible net worth, and to maintain a minimum level of unrestricted cash while any borrowings under the revolving credit facility are outstanding.

In the future, we may seek to further access the capital markets to obtain capital to finance growth. However, our future access to the capital markets could be restricted due to a variety of factors, including a deterioration of our earnings, cash flows, balance sheet quality, or overall business or industry prospects, adverse regulatory changes, a disruption to or volatility or deterioration in the state of the capital markets, or a negative bias toward our industry by market participants. Due to the negative bias toward our industry, certain financial institutions have restricted access to available financing by participants in our industry, and we may have more limited access to institutional capital than other businesses. Future prevailing capital market conditions and potential disruptions in the capital markets may adversely affect our efforts to arrange additional financing on terms that are satisfactory to us, if at all. If adequate funds are not available, or are not available on acceptable terms, we may not have sufficient liquidity to fund our operations, make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges and this, in turn, could adversely affect our ability to advance our strategic plans. In addition, if the capital and credit markets experience volatility, and the availability of funds is limited, third-parties with whom we do business may incur increased costs or business disruption and this could adversely affect our business relationships with such third-parties, which in turn could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

The success of our business depends on our ability to work with an originating bank partner to enable effective underwriting of loans facilitated through our platform and accurately price credit risk.

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

Traditional lenders rely on credit bureau scores and require large amounts of information to approve a loan. We believe that one of our competitive advantages is the ability of our risk model, deployed in accordance with our originating bank partners' credit model and its underwriting guidelines when loans are made, to efficiently score and price credit risk within seconds at point-of-sale based on five top-of-mind data inputs. However, these inputs may be inaccurate or may not accurately reflect a consumer's creditworthiness or credit risk. In addition, our ability to enable the effective underwriting of the loans we originate directly or purchase from our originating bank partners and accurately price credit risk (and, as a result, the performance of such loans) is significantly dependent on the ability of our proprietary, learning-based scoring system, and the underlying data, to quickly and accurately evaluate a customer's credit profile and risk of default. The information we use in developing the risk model and price risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid.

Numerous factors, many of which can be unexpected or beyond our control, can adversely affect a customer's credit risk and our risks. There may be risks that exist, or that develop in the future, including market risks, economic risks, and other external events, that we have not appropriately anticipated, identified, or mitigated, such as risks from inadequate or failed processes, people or systems, natural disasters, and compliance, reputational, or legal matters, both as they relate directly to us as well as that relate to third-parties with whom we contract or otherwise do business. Any changes to our risk model may be ineffective and the performance of our risk model may decline. If our risk model does not effectively and accurately model the credit risk of potential loans facilitated through our platform, greater than expected losses may result on such loans and, as a result, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

In addition, if the risk model we use contains errors or is otherwise ineffective, our reputation and relationships with consumers, our funding sources, our originating bank partners, and our merchants could be harmed, we may be subject to liability, and our ability to access our funding sources may be inhibited. Our ability to attract consumers to our platform and to build trust in our platform and products is significantly dependent on our ability to effectively evaluate consumer credit profiles and likelihoods of default. If any of the credit risk or fraud models we use contain programming or other errors or is ineffective or the data provided by consumers or third-parties is incorrect or stale, or if we are unable to obtain accurate data from consumers or third-parties (such as credit reporting agencies), the loan pricing and approval process through our platform could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans. This could damage our reputation and relationships with consumers, our funding sources, our originating bank partners, and our merchants, which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

Additionally, if we make errors in the development, validation, or implementation of any of the models or tools used in connection with the loans facilitated through our platform, and those that we purchase and securitize or sell to investors, those investors may experience higher delinquencies and losses. We may also be subject to liability to those investors if we misrepresented the characteristics of the loans sold because of those errors. Moreover, future performance of the loans facilitated through our platform could differ from past experience because of macroeconomic factors, policy actions by regulators, lending by other institutions, or reliability of data used in the underwriting process. To the extent that past experience has influenced the development of our risk model and proves to be inconsistent with future events, delinquency rates and losses on loans could increase. Errors in our models or tools and an inability to effectively forecast loss rates could also inhibit our ability to sell loans to investors or draw down on our funding arrangements, which could limit our ability to purchase (or directly originate) new loans and could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

If loans facilitated through our platform do not perform, or significantly underperform, we may incur financial losses on the loans we purchase, we hold on our balance sheet, or that are subject to certain risk sharing agreements, which may adversely impact our financial condition and results of operations as well as result in the loss of confidence of our funding sources.

In recent fiscal quarters, we have retained more loans on our balance sheet funded through our consolidated securitizations and warehouse lines. For these loans and any future loans facilitated through our platform that we purchase from our originating bank partners that may be held for investment on our balance sheet, we bear the entire credit risk in the event of consumer default with respect to these loans. In addition, non-performance, or even significant underperformance, of the loan receivables that we own could have an adverse effect on our business.

Additionally, our funding model relies on a variety of funding arrangements, including warehouse credit facilities, securitization trusts, and forward flow arrangements with a variety of funding sources. Any significant underperformance of the loans facilitated through our platform may adversely impact our relationship with such funding sources and result in their loss of confidence in us, which could lead to the termination of our existing funding arrangements, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

In addition, 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 if actual losses on the loans sold exceed agreed-upon expected losses, subject to a cap based on a percentage of the principal balance of loans sold. Refer to “Note 13. Fair Value of Financial Assets and Liabilities” for additional information. If the loans subject to any existing or future risk sharing agreements underperform the expectations set forth in those agreements, we would be required to make payments under the agreements in proportion to the loan underperformance, which may have a material adverse effect on our business, results of operations, financial condition, and our relationships with existing and prospective third party loan buyers.

Any acquisitions, strategic investments, alliances, divestitures and other transactions could fail to achieve strategic objectives, disrupt our ongoing operations or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations.

In pursuing our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, joint ventures and other transactions. We have in the past acquired or invested in, and we continue to seek to acquire or invest in, businesses, technologies, or other assets that we believe could complement or expand our business. The identification, evaluation, and negotiation of potential acquisition or strategic investment transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities. In addition to transaction and opportunity costs, these transactions involve large challenges and risks, whether or not such transactions are completed, any of which could harm our business and negatively impact our results of operations, including risks that:

- the transaction may not advance our business strategy or may harm our growth (or profitability);
- we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all;
- the transaction may subject us to additional regulatory burdens that affect our business in potentially unanticipated and significantly negative ways;
- we may not realize a satisfactory return or increase our revenue;
- we may experience difficulty, and may not be successful in, integrating technologies, IT or business enterprise systems, culture, or management or other personnel of the acquired business;
- we may incur significant acquisition costs and transition costs, including in connection with the assumption of ongoing expenses of the acquired business;
- we may not realize the expected benefits or synergies from the transaction in the expected time period, or at all;
- we may be unable to retain key personnel;
- acquired businesses or businesses that we invest in may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, including with respect to data privacy, data protection, and data security, and our due diligence process may not identify compliance issues or other liabilities;
- we may fail to identify or assess the magnitude of certain liabilities, shortcomings, or other circumstances prior to acquiring or investing in a business, which could result in additional financial, legal, regulatory, or tax exposure and may subject us to additional controls, policies, procedures, liabilities, litigation, costs of compliance or remediation, or other adverse effects on our business, operating results, or financial condition;
- we may have difficulty entering into new geographic territories;
- we may be unable to retain the consumers, vendors, and partners of acquired businesses;

- there may be lawsuits or regulatory actions resulting from the transaction;
- there may be risks associated with undetected security weaknesses, cyberattacks, or security breaches or incidents at companies that we acquire or with which we may combine or partner;
- there may be local and foreign regulations applicable to the international activities of our business and the businesses we acquire; and
- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt.

Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate, and integrate any acquisition or other strategic investment opportunity could impede our growth.

Additionally, strategic investments in which we have a minority ownership stake inherently involve a lesser degree of influence over business operations. The success of our strategic investments may be dependent on controlling shareholders, management, or other persons or entities that may have business interests, strategies, or goals that are inconsistent with ours. Business decisions or other actions or omissions of the controlling shareholders, management, or other persons or entities who control companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, and damage our reputation and brand.

Furthermore, we have in the past, and may in the future, also choose to divest certain businesses or product lines. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, we may experience difficulty separating out portions of, or entire, businesses, incur loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. Such potential transactions may also delay achievement of our strategic objectives, cause us to incur additional expenses, disrupt customer or employee relationships, and expose us to unanticipated or ongoing obligations and liabilities, including as a result of our indemnification obligations. Further, during the pendency of a divestiture, we may be subject to risks such as a decline in the business to be divested, loss of employees, customers, or suppliers and the risk that the transaction may not close, any of which would have a material adverse effect on the business to be divested and our retained business. If a divestiture is not completed for any reason, we may not be able to find another buyer on the same terms, and we may have incurred significant costs without the corresponding benefit.

Further expansion of our operations internationally will subject us to new challenges and risks.

We currently operate in the United States, Canada, the United Kingdom, Poland and Spain (we do not currently facilitate loans in the United Kingdom, Poland or Spain) and may further expand our business internationally in the future. Managing new and existing international operations requires us to comply with new regulatory frameworks and additional resources and controls. International expansion subjects our business to risks associated with international operations, including:

- adjusting the proprietary risk algorithms that we use to account for the differences in information available in different jurisdictions on consumers;
- conformity of our platform with applicable business customs, including translation into foreign languages and associated expenses;
- potential changes to our established business model;
- the need to support and integrate with local vendors and service providers;
- competition with vendors and service providers that have greater experience in the local markets than we do or that have pre-existing relationships with potential consumers and investors in those markets;

- difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and consumers and merchants, and the increased travel, infrastructure, and legal and compliance costs associated with international operations;
- compliance with multiple, potentially conflicting, and changing governmental laws and regulations, including banking, anti-money laundering, securities, employment, tax, privacy, and data protection laws and regulations, such as the EU General Data Protection Regulation;
- compliance with U.S. and foreign anti-bribery laws, including the Foreign Corrupt Practices Act;
- difficulties in collecting payments in multiple foreign currencies and associated foreign currency exposure;
- potential restrictions on repatriation of earnings;
- expanded compliance with potentially conflicting and changing laws of taxing jurisdictions where we conduct business and applicable U.S. tax laws as they relate to international operations, the complexity and adverse consequences of such tax laws, and potentially adverse tax consequences due to changes in such tax laws; and
- regional economic and political conditions.

As a result of these risks, we may not be successful in managing our existing international operations, and our future international expansion efforts also may not be successful.

The loss of the services of our Founder and Chief Executive Officer could materially and adversely affect our business, results of operations, financial condition, and future prospects.

Max Levchin, our Founder and Chief Executive Officer, is a valuable asset to us. Mr. Levchin has significant experience in the financial technology industry and would be difficult to replace. Competition for senior executives in our industry is intense, and we may not be able to attract and retain qualified personnel to replace or succeed Mr. Levchin. Failure to retain Mr. Levchin would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our business benefits from our ability to attract and retain highly skilled employees.

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

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

Furthermore, we have at times undertaken workforce reductions to better align our operations with our strategic priorities. For example, to manage operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts, we took certain cost-saving measures, including a reduction of our workforce, in February 2023. There can be no assurance that these actions will not adversely affect employee morale, our culture, our ability to attract and retain employees and our ability to grow in accordance with our overall strategy. If we are not able to maintain our culture, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We have a history of operating losses and may not achieve sustained profitability.

We incurred net losses of approximately $985.3 million, $707.4 million and $441.0 million for the fiscal years ended June 30, 2023, 2022, and 2021 respectively. As of June 30, 2023 and June 30, 2022, our accumulated deficit was approximately $2.6 billion and $1.6 billion, respectively. Our operating expenses may increase in the future as we seek to continue to grow our business, attract consumers, merchants, funding sources, and additional originating bank partners, and further enhance and develop our products and platform. As we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate. Additionally, we may not realize the operating efficiencies we expect to achieve as a result of our acquisitions. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses.

In August 2023, we announced that we achieved adjusted operating income profitability in the fourth quarter of fiscal 2023. If we are not able to achieve sustained profitability due to the potential for operating expense increases, challenges in the macroeconomic environment, and factors discussed elsewhere in this Report, our reputation may be harmed and the market price of our Class A common stock could be materially and adversely impacted.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results, including revenue, expenses, GMV, consumer metrics, and other key performance metrics, have fluctuated significantly in the past and are likely to do so in the future. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly results are likely to fluctuate due to a variety of factors, some of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may adversely affect the price of our Class A common stock. In addition, many of the factors that affect our quarterly results are difficult for us to predict. If our revenue, expenses, GMV, consumer metrics, or key performance metrics in future quarters fall short of the expectations of our investors and financial analysts, the price of our Class A common stock will be adversely affected.

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our business.

We experience seasonal fluctuations in our business as a result of consumer spending patterns. 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. Despite these higher GMV levels, in fiscal 2023 and 2022, we generated less in period revenue as a percentage of GMV during our second fiscal quarter due to the comparatively higher proportion of interest bearing loans originated in the latter half of the period, which typically results in lower merchant network revenue, which is recognized in period, and higher levels of interest income, which is recognized over a longer time horizon. We expect these seasonal patterns to continue in future periods, and any adverse events that occur during our second fiscal quarter could have a disproportionate effect on our financial results for the fiscal year.

Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and future prospects.

Negative publicity about us or our industry, including the transparency, fairness, responsible lending, user experience, quality, and reliability of our platform or point-of-sale lending platforms in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our privacy and security practices, litigation, regulatory activity, misconduct by our employees, funding sources, originating bank partners, service providers, or others in our industry, the experience of consumers and investors with our platform or services or point-of-sale lending platforms in general, or use of loan proceeds by consumers that have obtained loans facilitated through our platform or other point-of-sale lending platforms for illegal purposes, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform, which could harm our reputation and cause disruptions to our platform. Any such reputational harm could further affect the behavior of consumers, including their willingness to obtain loans facilitated through our platform or to make payments on their loans. As a result, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Litigation, regulatory actions, and compliance issues could subject us to fines, penalties, judgments, remediation costs, and/or other requirements resulting in increased expenses and reputational harm.

Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including as a result of the highly regulated nature of the financial services industry and the focus of state and federal enforcement agencies on the financial services industry in general and consumer financial services in particular.

In the ordinary course of business, we have been named as a defendant in various legal actions, including arbitrations and other litigation. In addition, we are currently a defendant in a putative securities class action, Kusnier v. Affirm Holdings, Inc., et al., and two related derivative actions, Quiroga v. Levchin, et al., and Jeffries v. Levchin, et al. For more information, see Note 8. Commitments and Contingencies of the accompanying notes to our consolidated financial statements.

While certain of our consumer agreements contain arbitration provisions with class action waiver provisions that may limit our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing these arbitration provisions, including the class action waiver provisions, in the future or in any given case. Legislative, administrative, or regulatory developments may directly or indirectly prohibit or limit the use of pre-dispute arbitration clauses and class action waiver provisions. Any such prohibitions or limitations on or discontinuation of the use of, such arbitration or class action waiver provisions could subject us to additional lawsuits, including additional consumer class action litigation, and significantly limit our ability to avoid exposure from consumer class action litigation.

From time to time, we may also be involved in, or the subject of, reviews, requests for information, investigations, and proceedings (both formal and informal) by state and federal governmental agencies, both domestic and abroad, including banking regulators, the FTC, the CFPB, and the SEC, regarding our business activities and related disclosure practices and our qualifications to conduct our business in certain jurisdictions, which could subject us to fines, penalties, obligations to change our business and/or disclosure practices, and other requirements resulting in increased expenses and diminished earnings. Our involvement in any such matter also could cause harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. Moreover, any settlement, or any consent order or adverse judgment, in connection with any formal or informal proceeding or investigation by a government agency, may prompt litigation or additional investigations or proceedings as other litigants or other government agencies begin independent reviews of the same or similar activities.

In addition, a number of participants in the consumer finance industry have been the subject of putative class action lawsuits; state attorney general actions and other state regulatory actions; federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive, or abusive acts or practices; violations of state licensing and lending laws, including state interest rate limits; actions alleging discrimination on the basis of race, ethnicity, gender, or other prohibited bases; and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB and FTC may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages in excess of the amounts we earned from the underlying activities. See "— *Risks Related to Our Regulatory Environment.*"

Determining our allowance for credit losses requires many assumptions and complex analyses. If our estimates prove incorrect, we may incur net charge-offs in excess of our reserves, or we may be required to increase our provision for credit losses, either of which would adversely affect our results of operations.

We maintain an allowance for credit losses at a level sufficient to estimate expected credit losses based on evaluating known and inherent risks in our loan portfolio. This estimate is highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. Management has processes in place to monitor these judgments and assumptions, including review by our credit committee and our asset-liability committee, but these processes may not ensure that our judgments and assumptions are correct. The method for calculating the best estimate of expected credit losses takes into account our historical experience, adjusted for current conditions, and our judgment concerning the probable effects of relevant observable data, trends, and market factors. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. If our estimates and assumptions prove incorrect and our allowance for credit losses is insufficient, we may incur net charge-offs in excess of our reserves, or we could be required to increase our provision for credit losses, either of which would adversely affect our results of operations.

Increases in market interest rates have had and could continue to have an adverse effect on our business.

In March 2022 in response to elevated inflationary conditions, the U.S. Federal Reserve began raising the federal funds interest rate and continued to do so through July 2023. Increased interest rates have had, and may continue to have, an adverse impact on the spending levels of consumers and their ability and willingness to borrow money. Higher interest rates often lead to higher payment obligations, which may reduce the ability of consumers to remain current on their obligations and, therefore, lead to increased delinquencies, defaults, consumer bankruptcies and charge-offs, and decreasing recoveries, all of which could have an adverse effect on our business. Certain of our funding arrangements bear a variable interest rate. Given the fixed interest rates charged on the loans originated on our platform, in the event that variable interest rates rise across the market, our interest margin earned in these funding arrangements would be reduced. Dramatic increases in interest rates may make these forms of funding nonviable. In addition, certain of our loan sale agreements are repriced on a recurring basis using a mechanism tied to interest rates. To reduce our exposure to broad changes in prevailing interest rates, we maintain an interest rate hedging program which eliminates some, but not all, of the interest rate risk.

In connection with our securitizations, warehouse credit facilities, and forward flow agreements, we make representations and warranties concerning the loans financed pursuant to such agreements. If those representations and warranties are not correct, we could be required to repurchase certain of such loans. Any significant required repurchases would have an adverse effect on our ability to operate and fund our business.

In our asset-backed securitizations, warehouse credit facilities, and forward flow agreements, we make numerous representations and warranties concerning the characteristics of the loans we transfer and/or sell (depending on the type of facility), including representations and warranties that the loans meet certain eligibility requirements of those facilities and investors. If those representations and warranties are incorrect, we may be required to repurchase certain of the financed loans. Failure to repurchase so-called “ineligible loans” when required could constitute an event of default under our financing agreements and lead to the potential termination of the applicable facility. We can provide no assurance, however, that we would have adequate cash or other qualifying assets available to make such repurchases. Such repurchases could be limited in scope, relating to small pools of loans, or larger in scope, across multiple pools of loans. If we were required to make such repurchases and if we do not have adequate liquidity to fund such repurchases, it would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our revenue is impacted, to a significant extent, by the general economy, the creditworthiness of the U.S. consumer and the financial performance of our merchants.

Our business, the consumer financial services industry, and our merchants’ businesses are sensitive to macroeconomic conditions. Economic factors such as interest rates, changes in monetary and related policies, market volatility, inflationary conditions, student loan obligations, consumer confidence, and unemployment rates are among the most significant factors that impact consumer spending behavior. Weak economic conditions or a significant deterioration in economic conditions, including the current inflationary environment and possibility of a recession, reduce the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of qualified consumers to take out loans. Such conditions are also likely to affect the ability and willingness of consumers to pay amounts owed under the loans facilitated through our platform, each of which would have an adverse effect on our business, results of operations, financial condition, and future prospects.

The generation of new loans facilitated through our platform, and the transaction fees and other fee income due to us associated with such loans, depends upon sales of products and services by our merchants. Our merchants’ sales may decrease or fail to increase as a result of factors outside of their control, such as the macroeconomic conditions referenced above, or business conditions affecting a particular merchant, industry vertical, or region. Weak economic conditions also could extend the length of our merchants’ sales cycle and cause consumers to delay making (or not make) purchases of our merchants’ products and services. The decline of sales by our merchants for any reason will generally result in lower credit sales and, therefore, lower loan volume and associated fee income for us.

In addition, if a merchant closes some or all of its locations, ceases its e-commerce operations, or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), consumers may have less incentive to pay their outstanding balances on loans facilitated through our platform, which could result in higher charge-off rates than anticipated. Moreover, if the financial condition of a merchant deteriorates significantly or a merchant becomes subject to a bankruptcy proceeding, we may not be able to recover amounts due to us from the merchant.

We are subject to both natural and man-made events that may unexpectedly disrupt our operations and adversely impact our business.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, hurricanes, tornadoes, and other natural disasters (including those caused by climate change), power losses, telecommunications failures, strikes, health pandemics, such as the COVID-19 pandemic, and similar events. For example, a significant natural disaster in the San Francisco Bay Area or any other location in which we have offices or facilities or employees working remotely, such as an earthquake, fire, flood, hurricane or tornado, could have a material adverse effect on our business, results of operations, financial condition, and future prospects, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, strikes, wars, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays, or loss of critical data. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees' ability to work remotely, our business and results of operations could be adversely affected. We may not have sufficient protection or recovery plans in certain circumstances, such as a significant natural disaster, and our business interruption insurance may be insufficient to compensate us for losses that may occur.

Borrowers may not view or treat their loans as having the same significance as other obligations, and the loans facilitated through our platform are not secured, guaranteed, or insured and involve a high degree of financial risk.

Borrowers may not view the loans facilitated through our platform as having the same significance as other credit obligations arising under more traditional circumstances.

Personal loans facilitated through our platform are not secured by any collateral, not guaranteed or insured by any third-party, and not backed by any governmental authority in any way. Therefore, if we purchase the loans from our originating bank partners after they are originated, we are limited in our ability to collect on these loans if a consumer is unwilling or unable to repay them. A consumer's ability to repay their loans can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card, and other loans resulting from increases in base lending rates or structured increases in payment obligations. If a consumer neglects his or her payment obligations on a loan facilitated through our platform or chooses not to repay his or her loan entirely, it will have an adverse effect on our business, results of operations, financial condition, future prospects, and cash flows.

If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of the loans would be adversely affected.

Our ability to collect on loans is dependent on the consumer's continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including job loss, divorce, death, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and debtor relief laws, may limit the amount that can be recovered on the loans. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws as a result of the current inflationary environment, the possibility of a recession and market volatility. Federal, state, or other restrictions could impair our ability to collect amounts owed and due on the loans facilitated through our platform, reduce income received from the loans facilitated through our platform, or negatively affect our ability to comply with our current financing arrangements or obtain financing with respect to the loans facilitated through our platform.

In the event that initial attempts to contact a consumer are unsuccessful, certain delinquent loans may be referred to a collection agent that will service the loans using its own servicing platform. Further, if collection action must be taken in respect of a loan, the collection agent may charge additional amounts, which may reduce the amounts of collections that we receive.

Moreover, because our servicing fees in connection with the services we provide depend on the collectability of the loans facilitated through our platform, if there is an unexpected significant increase in the number of consumers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, we will be unable to collect our entire servicing fee for the loans facilitated through our platform for which we act as servicer, and our business, results of operations, financial condition, future prospects, and cash flows could be materially and adversely affected.

In addition, if a consumer defaults on a loan, we may be unsuccessful in our efforts to collect the amount of the loan. As such, our originating bank partners could decide to originate fewer loans through our platform. An increase in defaults precipitated by these risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

While we take precautions to prevent consumer identity fraud, it is possible that identity fraud may still occur or has occurred, which may adversely affect the performance of the loans facilitated through our platform.

There is risk of fraudulent activity associated with our platform, originating bank partners, consumers, and third-parties handling consumer information. Our resources, technologies, and fraud prevention tools may be insufficient to accurately detect and prevent fraud. We are obligated to repurchase the loans facilitated through our platform in certain cases of confirmed identity theft. The level of fraud related charge-offs on the loans facilitated through our platform could be adversely affected if fraudulent activity were to significantly increase.

We bear the risk of consumer fraud in a transaction involving us, a consumer, and a merchant, and we generally have no recourse to the merchant to collect the amount owed by the consumer. Significant amounts of fraudulent cancellations or chargebacks could adversely affect our business or financial condition. High profile fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our consumers and merchants, and could materially and adversely affect our business, results of operations, financial condition, future prospects, and cash flows.

If we fail to maintain effective internal control over financial reporting or disclosure controls and procedures, we may be unable to report our financial results on a timely and accurate basis, and our business, operating results and market price of our Class A common stock may be adversely affected.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. The process of designing and implementing effective internal controls and disclosure controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environment and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. In addition, testing and maintaining internal controls may divert our management's attention from other matters that are important to our business.

If we are unable to establish and maintain appropriate internal control over financial reporting and disclosure controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our operating results. Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures could have an adverse effect on our business and operating results, and cause a decline in the price of our Class A common stock. We also could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Increased scrutiny from regulators, investors and other stakeholders regarding our environmental, social, governance, or sustainability responsibilities, strategy and related disclosures could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of consumers and merchants to do business with us.

Regulators, investor advocacy groups, certain institutional investors, investment funds, stockholders, consumers and other market participants have focused increasingly on the environmental, social and governance ("ESG") or "sustainability" practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. We may incur additional costs and require additional resources as we evolve our ESG strategy, practices and related disclosures. If our ESG strategy, practices and related disclosures, including the impact of our business on climate change, do not meet (or are viewed as not meeting) regulator, investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted.

Risks Related to Our Reliance on Third Parties

Our results depend on prominent presentation, integration, and support of our platform by our merchants.

We depend on our merchants, which generally accept most major credit cards and other forms of payment (which may include pay-over-time solutions offered by our competitors), to present our platform as a payment option and to integrate our platform into their website or in their store, such as by prominently featuring our platform on their websites or in their stores and not just as an option at website checkout. We may not have any recourse against merchants if they do not prominently present our platform as a payment option or if they more prominently present solutions offered by our competitors. In addition, as we add new merchants, it could take a significant amount of time for these merchants, particularly larger e-commerce retailers such as Amazon, to fully integrate our platform and for these merchants' customers to accept our pay-over-time solution. The failure by our merchants to effectively present, integrate, and support our platform would have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

If our merchants fail to fulfill their obligations to consumers or comply with applicable law, we may incur remediation costs.

Although our merchants are obligated to fulfill their contractual commitments to consumers and to comply with applicable law, including in marketing our products, from time to time, they might not, or a consumer might allege that they did not. This, in turn, can result in claims or defenses against our originating bank partners and us, or a loan purchaser, or in loans being uncollectible due to the Federal Trade Commission's Holder in Due Course Rule ("Holder Rule"), or equivalent state laws. The Holder Rule requires the inclusion of a specific notice in consumer credit contracts evidencing debts arising from purchase money loan transactions. The notice provides that the holder of the consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds of the consumer credit contract. In those cases, we may decide that it is beneficial to remediate the situation, either through assisting the consumers to get a refund, working with our originating bank partners to modify the terms of the loan or reducing the amount due, making a payment to the consumer, or otherwise. Historically, the cost of remediation has not been material to our business, but we make no assurance that it will not be in the future.

Our vendor relationships subject us to a variety of risks, and the failure of third-parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business, results of operations, financial condition, and future prospects.

We have significant vendors that, among other things, provide us with financial, technology, and other services to support our products and other activities, including, for example, credit ratings and reporting, cloud-based data storage and other IT solutions, and payment processing. The CFPB has issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered.

In some cases, vendors are the sole source, or one of a limited number of sources, of the services they provide to us. For example, we are solely reliant on our agreement with our cloud computing web services provider for the provision of cloud infrastructure services to support our platform. Most of our vendor agreements are terminable by the vendor on little or no notice, and if our current vendors were to terminate their agreements with us or otherwise stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms (or at all). If any vendor fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyber-attack or other security breach, we could be subject to CFPB, FTC and other regulatory enforcement actions, claims from third-parties, including our consumers, and suffer economic and reputational harm that could have an adverse effect on our business. Further, we may incur significant costs to resolve any such disruptions in service, which could adversely affect our business.

For example, certain installment loans are originated by our originating bank partners and then disbursed to merchants via single-use virtual cards facilitated through our partnership with an issuer processor. This issuer processor issues single-use virtual cards through its issuing bank partner which allow loans facilitated through our platform to be processed over the card network. Such loans facilitated through our platform can be used at merchants where we are not integrated at checkout, allowing consumers to complete purchases with virtual cards just as they would with a standard credit or debit card. In the event that our issuer processor becomes unable or unwilling to facilitate the disbursements to merchants and we are unable to reach an agreement with another vendor, such loans would no longer be able to be facilitated through our platform.

We partially rely on card issuers or payment processors. If we fail to comply with the applicable requirements of Visa or other payment processors, those payment processors could seek to fine us, suspend us or terminate our registrations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

We partially rely on card issuers or payment processors, and must pay a fee for this service. From time to time, payment processors such as Visa may increase the interchange fees that they charge for each transaction using one of their cards. The payment processors routinely update and modify their requirements. Changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and we may not, in every circumstance, be able to pass through such costs to our merchants or associated participants. Furthermore, if we do not comply with the payment processors' requirements (e.g., their rules, bylaws, and charter documentation), the payment processors could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their networks. The termination of our registration due to failure to comply with the applicable requirements of Visa or other payment processors, or any changes in the payment processors' rules that would impair our registration, could require us to stop providing payment services to Visa or other payment processors, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our business could be adversely affected by any unsoundness of our financial institution counterparties.

Since the beginning of March 2023, there have been public reports of instability at various financial institutions, with certain financial institutions being severely impacted. Financial services institutions are interrelated with our business as a result of trading, clearing, counterparty or other relationships. We routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutions. Many of these transactions expose us to credit risk in the event of a default by a counterparty. In addition, our credit risk may be exacerbated when collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations.

Risks Related to Our Intellectual Property and Platform Development

Real or perceived software errors, failures, bugs, defects, or outages could adversely affect our business, results of operations, financial condition, and future prospects.

Our platform and our internal systems rely on software that is highly technical and complex. In addition, our platform and our internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. As a result, undetected errors, failures, bugs, or defects may be present in such software or occur in the future in such software, including open source software and other software we license in from third-parties, especially when updates or new products or services are released.

Any real or perceived errors, failures, bugs, or defects in the software may not be found until our consumers use our platform and could result in outages or degraded quality of service on our platform that could adversely impact our business (including through causing us not to meet contractually required service levels), as well as negative publicity, loss of or delay in market acceptance of our products and services, and harm to our brand or weakening of our competitive position. In such an event, we may be required, or may choose, to expend significant additional resources in order to correct the problem.

Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

We use vendors, such as our cloud computing web services provider, virtual card processing companies, and third-party software providers (including companies that provide our risk scoring models), in the operation of our platform. The satisfactory performance, reliability, and availability of our technology and our underlying network and infrastructure are critical to our operations and reputation and the ability of our platform to attract new and retain existing merchants and consumers. We rely on these vendors to protect their systems and facilities against damage or service interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm these systems, criminal acts, and similar events. We may also be harmed if data, technology, or software becomes non-compliant with existing regulations or industry standards, becomes subject to third-party claims of intellectual property infringement, misappropriation, or other violation, or malfunctions or functions in a way we did not anticipate. If our arrangement with a vendor is terminated or if there is a lapse of service or damage to its systems or facilities, we could experience interruptions in our ability to operate our platform. We also may experience increased costs and difficulties in replacing that vendor and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all. Any interruptions or delays in our platform availability, whether as a result of a failure to perform on the part of a vendor, any damage to one of our vendor's systems or facilities, the termination of any of our third-party vendor agreement, software failures, our or our vendor's error, natural disasters, terrorism, other man-made problems, security breaches, whether accidental or willful, or other factors, could harm our relationships with our merchants and consumers and also harm our reputation.

In addition, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that it may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing transactions or posting payments on our platform, damage our brand and reputation, divert the attention of our employees, reduce our revenue, subject us to liability, and cause consumers or merchants to abandon our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects.

Our ability to protect our confidential, proprietary, or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber-attacks, employee or other internal misconduct, computer viruses, physical or electronic break-ins, or similar disruptions.

Our business involves the collection, storage, use, disclosure, processing, transfer, and other handling (collectively, "processing") of a wide variety of information, including personally identifiable information, for various purposes in our business, including to help support the integrity of our services and to provide features and functionality to our consumers and merchants. The processing of the information we acquire in connection with our consumers' and merchants' use of our services, particularly on our internet applications for consumers, is subject to numerous privacy, data protection, cybersecurity, and other laws and regulations in the United States and foreign jurisdictions. The automated nature of our business and our reliance on digital technologies may make us an attractive target for, and potentially vulnerable to, cyber-attacks, computer malware, computer viruses, social engineering (including phishing and ransomware attacks), general hacking, physical or electronic break-ins, or similar disruptions. In addition, our remote working environment may exacerbate these risks. While we and our vendors have taken steps to protect the confidential, proprietary, and sensitive information to which we have access and to prevent data loss, our security measures or those of our vendors could be breached resulting in the loss of, or unauthorized access to, our or our consumers' data, our intellectual property, or other confidential, proprietary, or sensitive business information and could expose us to liability related to the loss of the information, time-consuming and expensive litigation, potential regulatory scrutiny and negative publicity.

As is common in our industry, and with technology-focused companies more broadly, unauthorized parties regularly attempt to gain access to our systems and facilities through various means, including, among others, hacking into our or our partners' or consumers' systems or facilities, or attempting to fraudulently induce our employees, partners, consumers or others into disclosing usernames, passwords, or other sensitive information, which may in turn be used to access our information technology systems and gain access to our or our consumers' data or other confidential, proprietary, or sensitive information. In the past, such attempts have, at times, been successful but with minimal impact on or disruption to our business, and there is no guarantee that our continuous monitoring efforts will be effective in preventing similar or more impactful incidents in the future.

If we are unable to protect our intellectual property, or if third parties are successful in claiming that we are infringing, misappropriating, or violating the intellectual property of others, we may incur significant expense and our business may be adversely affected.

Our ability to compete effectively is dependent in part upon our ability to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights, including with respect to our proprietary technology, and to obtain licenses to use the intellectual property and proprietary rights of others. We rely on a combination of patents, trademarks, service marks, copyrights, trade secrets, domain names, and agreements with employees and third-parties to protect our intellectual property and other proprietary rights. We also enter into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know-how, or trade secrets owned or held by us. Nonetheless, the steps we take to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights may be inadequate. For example, our competitors and other third-parties may design around or independently develop similar technology or otherwise duplicate or mimic our services or products such that we would not be able to successfully assert our intellectual property or other proprietary rights against them. We cannot assure that any future patent, trademark, or service mark registrations will be issued for our pending or future applications or that any of our current or future patents, copyrights, trademarks, or service marks (whether registered or unregistered) will be valid, enforceable, sufficiently broad in scope, provide adequate protection of our intellectual property or other proprietary rights, or provide us with any competitive advantage.

Our trademarks, trade names, and service marks have significant value, and our brand is an important factor in the marketing of our services. We intend to rely on both registrations and common law protections for our trademarks. However, we may be unable to prevent competitors or other third-parties from acquiring or using trademarks, service marks, or other intellectual property or other proprietary rights that are similar to, infringe upon, misappropriate, dilute, or otherwise violate or diminish the value of our trademarks and service marks and our other intellectual property and proprietary rights. The value of our intellectual property and other proprietary rights could diminish if others assert rights in or ownership of our intellectual property or other proprietary rights, or in trademarks or service marks that are similar to our trademarks or service marks.

In addition, we cannot guarantee that we have entered into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know-how, or trade secrets owned or held by us. Moreover, our contractual arrangements may be breached or may otherwise not effectively prevent disclosure of, or control access to, our confidential or otherwise proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. The measures we have put in place may not prevent misappropriation, infringement, or other violation of our intellectual property or other proprietary rights or information and any resulting loss of competitive advantage, and we may be required to litigate to protect our intellectual property or other proprietary rights or information from misappropriation, infringement, or other violation by others, which is expensive, could cause a diversion of resources, and may not be successful, even when our rights have been infringed, misappropriated, or otherwise violated. Our efforts to enforce our intellectual property and other proprietary rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property and other proprietary rights, and if such defenses, counterclaims, or countersuits are successful, it could diminish or we could otherwise lose valuable intellectual property and other proprietary rights. Additionally, the laws of some foreign countries may not be as protective of intellectual property and other proprietary rights as those in the United States, and the mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate.

Furthermore, third-parties may challenge, invalidate, or circumvent our intellectual property and proprietary rights, including through administrative processes or litigation. The legal standards relating to the validity, enforceability, and scope of protection of intellectual property and other proprietary rights are uncertain and still evolving. Our intellectual property and other proprietary rights may not be sufficient to provide us with a competitive advantage and the value of our intellectual property and other proprietary rights could also diminish if others assert rights therein or ownership thereof, and we may be unable to successfully resolve any such conflicts in our favor or to our satisfaction.

We may be subject to claims brought by third-parties for alleged infringement, misappropriation, or other violation of their intellectual property or other proprietary rights.

Our success depends, in part, on our ability to develop and commercialize our products and services without infringing, misappropriating, or otherwise violating the intellectual property or other proprietary rights of third-parties. We may receive claims or otherwise become involved in disputes from time to time concerning intellectual property or other proprietary rights of third-parties, which may relate to our own proprietary technology, or to technology that we acquire or license from third-parties, and we may not prevail in these disputes. Relatedly, competitors or other third-parties may raise claims alleging that service providers or other third-parties retained or indemnified by us, infringe on, misappropriate, or otherwise violate such competitors' or other third-parties' intellectual property or other proprietary rights. These claims of infringement, misappropriation, or other violation may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid all such alleged violations of such intellectual property or other proprietary rights. We also may be unaware of third-party intellectual property or other proprietary rights that cover or otherwise relate to some or all of our products and services.

Given the complex, rapidly changing, and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, a claim of infringement, misappropriation, or other violation against us may require us to spend significant amounts of time and other resources to defend against the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies, or other intellectual property (temporarily or permanently), cease offering certain products or services, obtain a license, which may not be available on commercially reasonable terms or at all, or redesign our products or services or functionality therein, which could be costly, time-consuming, or impossible.

Some of the aforementioned risks of infringement, misappropriation or other violation, in particular with respect to patents, are potentially increased due to the nature of our business, industry, and intellectual property portfolio. For instance, it has become common in recent years for certain third-parties to purchase patents or other intellectual property assets for the sole purpose of making claims of infringement, misappropriation, or other violation in an attempt to extract settlements from companies such as ours. Relatedly, we do not currently have a large patent portfolio, which could otherwise assist us in deterring patent infringement claims from competitors, through our ability to bring patent infringement counterclaims using our own patent portfolio. In addition to the previously mentioned impacts of intellectual property-related litigation, while in some cases a third-party may have agreed to indemnify us for costs associated with intellectual property-related litigation, such indemnifying third-party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Some aspects of our platform include open source software, and our use of open source software could negatively affect our business, results of operations, financial condition, and future prospects.

Aspects of our platform include software covered by open source licenses. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our platform. In such an event, we could be required to re-engineer all or a portion of our technologies, seek licenses from third-parties in order to continue offering our products, discontinue the use of our platform in the event re-engineering cannot be accomplished, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. If portions of our proprietary software are determined to be subject to an open source license, we could also be required to, under certain circumstances, publicly release or license, at no cost, our products that incorporate the open source software or the affected portions of our source code, which could allow our competitors or other third-parties to create similar products and services with lower development effort, time, and costs, and could ultimately result in a loss of transaction volume for us. We cannot ensure that we have not incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies, and we may inadvertently use open source in a manner that we do not intend or that could expose us to claims for breach of contract or intellectual property infringement, misappropriation, or other violation. If we fail to comply, or are alleged to have failed to comply, with the terms and conditions of our open source licenses, we could be required to incur significant legal expenses defending such allegations, be subject to significant damages, be enjoined from the sale of our products and services, and be required to comply with onerous conditions or restrictions on our products and services, any of which could be materially disruptive to our business.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or other contractual protections regarding infringement, misappropriation, or other violations, the quality of code, or the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business, results of operations, financial condition, and future prospects. For instance, open source software is often developed by different groups of programmers outside of our control that collaborate with each other on projects. As a result, open source software may have security vulnerabilities, defects, or errors of which we are not aware. Even if we become aware of any security vulnerabilities, defects, or errors, it may take a significant amount of time for either us or the programmers who developed the open source software to address such vulnerabilities, defects, or errors, which could negatively impact our products and services, including by adversely affecting the market’s perception of our products and services, impairing the functionality of our products and services, delaying the launch of new products and services, or resulting in the failure of our products and services, any of which could result in liability to us, our vendors and service providers. Further, our adoption of certain policies with respect to the use of open source software may affect our ability to hire and retain employees, including engineers.

Risks Related to Our Regulatory Environment

We are subject to various international, federal and state consumer protection laws.

We must comply with various international, federal and state regulatory regimes, including those applicable to consumer credit transactions, such as, but not limited to, those described in “*Business — Regulatory Environment — U.S. federal consumer protection requirements*.”

In addition, the U.S., U.K. and other international governments, states, and provinces may pass new laws, or may amend existing laws, to further regulate the consumer finance industry or loans of the type provided through our platform, or to reduce the finance charges or other fees that may be imposed with respect to consumer loans. This could make the provision and collection of consumer loans more difficult or costly, which may negatively impact our business.

While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply with these laws and with regulatory requirements applicable to our business could subject us to damages, revocation of licenses, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business.

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

We are subject to extensive regulation, supervision, examination, and oversight by federal and state governmental authorities under U.S. federal and state laws and regulations. We are also regulated by many international and state regulatory agencies through licensing and other supervisory or enforcement authority, which includes regular examination by international and state governmental authorities. In addition, as we continue to expand our operations internationally, we may become subject to extensive regulation, supervision, examination, and oversight by additional international authorities.

We are required to comply with constantly changing international, federal, state, and local laws and regulations that regulate, among other things, the terms of the loans that we and our originating bank partners originate and the associated fees that may be charged. A change in these laws that enable our credit scoring and pricing model, including our ability to export interest rates across state lines, could have a material impact on our business model and financial position.

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

We are subject to the regulatory and enforcement authority of the CFPB as a facilitator, servicer, acquirer or originator of consumer credit. 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 expect the CFPB to begin to supervise us in the immediate future. The CFPB's supervision of us will enable it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures. For further discussion on the CFPB's enforcement authority, see "Business — Regulatory Environment — U.S. federal consumer protection requirements."

In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such an investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management. In addition, investigations and other regulatory actions could result in penalties and reputational harm to us and a loss of consumers participating in our platform, and our compliance costs and litigation exposure could increase if the CFPB, for instance, or other regulatory agencies enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted, any of which could adversely affect our ability to perform. Further, in some cases, regardless of fault, it may be less time-consuming or costly to settle these matters, which may require us to implement certain changes to our business practices, provide remediation to certain individuals or make a settlement payment to a given party or regulatory body.

Further, we may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition.

If our originating bank partner model is successfully challenged or deemed impermissible, we could be found to be in violation of licensing, interest rate limit, lending, or brokering laws and face penalties, fines, litigation, or regulatory enforcement.

A substantial number of the loans facilitated through our platform are originated through our bank partners and we rely on our originating bank partner model to comply with various federal, state, and other laws. If the legal structure underlying our relationship with our originating bank partners was successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and other aspects of consumer lending. In the event of such a challenge or if our arrangements with our originating bank partners were to change or end for any reason, we would need to rely on an alternative bank relationship, find an alternative bank relationship, rely on existing state licenses, obtain new state licenses, pursue a federal charter, offer consumer loans, and/or be subject to the interest rate limitations of certain states.

If we were found to be operating without having obtained necessary international, state or local licenses, or if loans made by us under our lending licenses are found to violate applicable state or provincial interest rate limits or other provisions of applicable state or provincial lending and other laws, it could adversely affect our business, results of operations, financial condition, and future prospects.

The application of some consumer financial licensing laws to our platform and the related activities it performs is unclear. In addition, licensing requirements may evolve over time, including, in particular, recent trends toward increased licensing requirements and regulation of parties engaged in loan solicitation and other regulated activities. If determined to be applicable to us, some licensing restrictions and limitations may prevent certain Affirm products being offered entirely. In addition, if we were found to be in violation of applicable state or provincial interest rate or licensing requirements by a regulating entity, a court or a state, federal, or local enforcement agency, or agree to resolve such concerns by voluntary agreement, we could be subject to or agree to pay fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties, and other penalties or consequences, and the loans facilitated through our platform could be rendered void or unenforceable in whole or in part, any of which could have an adverse effect on the enforceability or collectability of the loans facilitated through our platform.

The highly regulated environment in which our originating bank partners operate could have an adverse effect on our business, results of operations, financial condition, and future prospects.

Our originating bank partners are subject to increasingly demanding regulatory requirements. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules, and standards, may limit their operations significantly and control the methods by which they conduct business. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance requirements. In particular, regulatory requirements affect our originating bank partners’ lending practices and investment practices, among other aspects of their businesses, and restrict transactions between us and our originating bank partners. These requirements may constrain the operations of our originating bank partners, and the adoption of new laws and changes to, or repeal of, existing laws may have a further impact on our business.

Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of the regulations and laws and their interpretation of the quality of our originating bank partners’ loan portfolios and other assets. If any regulatory agency’s assessment of the quality of our originating bank partners’ assets, operations, lending practices, investment practices, or other aspects of their business changes, it may reduce our originating bank partners’ earnings, capital ratios, and share price in such a way that affects our business.

Our use of vendors and our other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

We regularly use vendors and subcontractors as part of our business. We also depend on our substantial ongoing business relationships with our originating bank partners, merchants, and other third-parties. These types of third-party relationships, including with our originating bank partners, are subject to increasingly demanding regulatory requirements and oversight by federal bank regulators (such as the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation), the CFPB, state and international regulators.

It is expected that regulators will hold us responsible for deficiencies in our oversight and control of third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over vendors and subcontractors or other ongoing third-party business relationships or that such third-parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, as well as requirements for consumer remediation.

Stringent and changing laws and regulations relating to privacy and data protection could result in claims, harm our results of operations, financial condition, and future prospects, or otherwise harm our business.

Compliance with current or future privacy and data protection laws (including those regarding security breach notification) affecting consumer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third-parties or storing sensitive information), which could materially and adversely affect our profitability and could reduce income from certain business initiatives.

We publicly post policies and documentation regarding our practices concerning the processing of data. This publication of our privacy policy and other documentation that provide promises and assurances about privacy and security is required by applicable law and can subject us to proceedings and actions brought by data protection authorities, government entities, or others (including, potentially, in class action proceedings brought by individuals) if our policies are alleged to be deceptive, unfair, or misrepresentative of our actual practices. Although we endeavor to comply with our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so.

Our failure, or the failure of any third-party with whom we work, to comply with privacy and data protection laws could result in potentially significant regulatory investigations and government actions, litigation, fines, or sanctions, consumer, funding source, bank partner, or merchant actions, and damage to our reputation and brand, all of which could have a material adverse effect on our business. Complying with privacy and data protection laws and regulations may cause us to incur substantial operational costs or require us to change our business practices. We may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of vendor cooperation. We have in the past, and may in the future, receive complaints or notifications from third-parties alleging that we have violated applicable privacy and data protection laws and regulations. Non-compliance could result in proceedings against us by governmental entities, consumers, data subjects, or others. We may also experience difficulty retaining or obtaining new consumers in these jurisdictions due to the legal requirements, compliance cost, potential risk exposure, and uncertainty for these entities, and we may experience significantly increased liability with respect to these consumers pursuant to the terms set forth in our engagements with them.

As we continue to expand our operations internationally, we may become subject to various foreign privacy and data protection laws and regulations, which may in some cases be more stringent than the requirements in the jurisdictions in which we currently operate. Because the interpretation and application of many privacy and data protection laws are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. If so, in addition to the possibility of fines, lawsuits, regulatory investigations, and other claims and penalties, we could be required to change our business activities and practices or modify our products or services, any of which could have an adverse effect on our business. Any claims regarding our inability to adequately address privacy and security concerns, even if unfounded, or to comply with applicable privacy and data security laws, regulations, contractual requirements, and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business. Privacy and data security concerns, whether valid or not, may inhibit market adoption of our products and services, particularly in certain industries and jurisdictions. If we are not able to quickly adjust to changing laws, regulations, and standards related to the internet, our business may be harmed.

We have an obligation to comply with anti-money laundering and anti-terrorism financing laws, and failure to comply with this obligation could have significant adverse consequences for us.

We cannot provide any assurance that our programs and controls designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations will be effective to ensure compliance with all such anti-money laundering and anti-terrorism financing laws and regulations we are required to comply with, and our failure to comply with these laws and regulations could result in a breach and termination of our agreements with our originating bank partners or criticism by international or state governmental agencies, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

If we fail to comply with applicable requirements for our high-yield savings account product, our consumers' deposits may not qualify for FDIC insurance and they may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

We offer an FDIC-insured, interest-bearing savings account, which is provided by Cross River Bank, on the Affirm app. Under the terms of our program agreement with Cross River Bank as well as the deposit account agreements between participating consumers and Cross River Bank, the savings account is opened and maintained by Cross River Bank. We act as the service provider to, among other things, facilitate communication between consumers and Cross River Bank via the Affirm app. We believe our savings account program, including applicable records maintained by us and Cross River Bank, complies with all applicable requirements for each participating consumer's deposits to be covered by FDIC insurance, up to the applicable maximum deposit insurance amount. However, if the FDIC were to disagree (e.g., because we and Cross River Bank have not adequately evidenced participating consumers' ownership of each account), the FDIC might not recognize consumers' claims as covered by deposit insurance in the event Cross River Bank fails and enters receivership proceedings under the Federal Deposit Insurance Act ("FDIA"). If the FDIC were to determine that consumers' claims as covered by deposit insurance, or if Cross River Bank were to actually fail and enter receivership proceedings under the FDIA (regardless of whether the deposits are covered by FDIC insurance), participating consumers may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

We also must abide by the terms of the deposit account program agreement with Cross River Bank, failure of which could lead Cross River Bank to terminate the savings account program. If Cross River Bank terminated our savings account program and we were unable to find another bank partner, we may have to close our savings account program, which could adversely affect our brand, business, results of operations, financial condition, and future prospects.

Regulatory agencies and consumer advocacy groups are highly focused on potential discrimination resulting from the use of machine learning and "black-box" algorithms.

We face the risk that one or more of the variables included in our loan decisioning model may be deemed a proxy for a protected characteristic such as race, ethnicity, or sex in violation of the ECOA or other anti-discrimination laws, and therefore need to be revised or eliminated to ensure compliance with ECOA, which could result in lower approval rates or higher credit losses. We may also be required to support the variables used in our loan decisioning model with documented, legitimate business justifications in the event the model results in a disproportionate effect on applicants or consumers of certain demographic groups. In addition, our use of machine learning in our models could inadvertently result in a “disparate impact” on protected groups, which would require a review of the model’s underlying data and algorithms. Although we may review our models for potential disparate impact, we may be unable to identify and eliminate all practices or variables causing the disparate impact, resulting in residual fair lending risk.

Risks Related to our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

Our Class B common stock has 15 votes per share, whereas our Class A common stock has one vote per share. Because the holders of our Class B common stock collectively hold significantly more than a majority of the combined voting power of our capital stock, such holders, acting together, control all matters submitted to our stockholders for approval. As a result, for the foreseeable future, holders of our Class B common stock will continue to have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock. Holders of our Class B common stock may have interests that differ from those of the holders of our Class A common stock and may vote in a way with which the Class A holders disagree or which may be adverse to the Class A holders' interests. This control may adversely affect the trading price of our Class A common stock.

Further, as of June 30, 2023, Max Levchin, our Founder, Chairman and Chief Executive Officer, had voting control over approximately 35.2% of the voting power of our outstanding capital stock. As a stockholder, Mr. Levchin is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, except certain transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock upon the occurrence of certain events described in our amended and restated certificate of incorporation. Conversions of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

Our dual class structure may also depress the trading price of our Class A common stock due to negative perception by market participants and other stakeholders. Certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Similarly, several stockholder advisory firms have announced their opposition to the use of multiple class structures and may issue adverse voting recommendations for items on which we ask shareholders to vote. Any exclusion from indices or criticism of our corporate governance practices by stockholder advisory firms could result in a less active trading market for our Class A common stock.

The market price of our Class A common stock has been and may continue to be volatile, which could cause the value of your investment to decline.

The market price of our Class A common stock has been and may continue to be highly volatile and could be subject to wide fluctuations. This market volatility, as well as general economic, market, and political conditions, could reduce the market price of shares of our Class A common stock despite our operating performance.

In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including: variations in our quarterly or annual results of operations; additions or departures of key management personnel; the loss of an originating bank partner or key funding sources or merchants; adverse economic conditions resulting in decreased consumer demand; the growth and development of key merchant partner relationships, including our relationship with Amazon; and changes in our earnings estimates (if provided). Also, the publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or the investment community with respect to us or our industry, adverse announcements by us or others and developments affecting us, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, actions by institutional stockholders, and increases in market interest rates that may lead investors in our shares to demand a higher yield, could result in the significant decrease of the market price of shares of our Class A common stock.

Certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares that we may file for ourselves or our stockholders. In addition, as of June 30, 2023, we had stock options and restricted stock units outstanding that, if fully exercised or settled, would result in the issuance of an aggregate of 52,572,230 shares of our Class A common stock. All of the shares of our Class A common stock issuable upon the exercise of stock options and settlement of restricted stock units, and the shares reserved for future issuance under our equity incentive plans, are registered for public resale under the Securities Act. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the market price of our Class A common stock to decline or be volatile.

These broad market and industry factors may decrease the market price of our Class A common stock, regardless of our actual operating performance. The stock market in general has, from time to time, experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company’s securities, securities class action litigation has often been instituted against these companies. We are subject to securities litigation, as described further in Note 8. “Commitments and Contingencies” of the accompanying notes to our audited condensed consolidated financial statements and incorporated by reference in Part I, Item 3 — Legal Proceedings. This litigation, and any other securities class actions that may be brought against us, could result in substantial costs and a diversion of our management’s attention and resources.

The issuance by us of additional equity securities may dilute your ownership and adversely affect the market price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue additional shares of Class A common stock and rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Any Class A common stock or securities convertible into shares of our Class A common stock that we issue from time to time, including in connection with a financing, acquisition, investment or under any equity incentive plans or otherwise that we may adopt in the future, will dilute your percentage ownership.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or offering debt or other securities. We could also issue shares of our Class A common stock or securities convertible into our Class A common stock or debt or other securities in connection with acquisitions or other strategic transactions. In addition, as we did when we initially formed our partnership with Shopify and when we entered into the Amended and Restated Installment Financing Services Agreement with Amazon, we may issue additional shares of our Class A common stock or securities convertible into shares of Class A common stock as a means of initiating, developing, strengthening or preserving key merchant relationships. Issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or debt or other securities may dilute the economic and voting rights of our existing stockholders and would likely reduce the market price of our Class A common stock both upon issuance and conversion, in the case of securities convertible into shares of our Class A common stock. Upon liquidation, holders of debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution on our distributable assets prior to the holders of our common stock. Debt securities convertible into equity securities could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distribution or preferences with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, and nature of our future offerings. As a result, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their stockholdings in us.

Delaware law and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby adversely affecting the market price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (the “DGCL”) may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- our dual class common stock structure, which provides holders of our Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors may only able to be removed from office for cause;
- certain amendments to our amended and restated certificate of incorporation require the approval of 66 2/3% of the then-outstanding voting power of our capital stock;
- our amended and restated bylaws provide that the affirmative vote of 66 2⁄3% of the then-outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws;
- our stockholders may only take action at a meeting of stockholders and not by written consent;
- vacancies on our board of directors may be filled only by our board of directors and not by stockholders;
- no provision in our amended and restated certificate of incorporation or amended and restated bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates;

- only our chairman of the board of directors, our lead independent director, our chief executive officer, or a majority of the board of directors are authorized to call a special meeting of stockholders;
- our amended and restated bylaws provide that certain litigation against us can only be brought in Delaware;
- nothing in our amended and restated certificate of incorporation precludes future issuances without stockholder approval of the authorized but unissued shares of our Class A common stock;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- the number of director nominees a stockholder may nominate is limited to the number of directors to be elected at the annual meeting of stockholders.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated bylaws contain exclusive forum provisions for certain claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws, to the fullest extent permitted by law, provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware. This provision does not apply to suits brought to enforce any duty or liability created by the Securities Act, or rules and regulations thereunder; however, the U.S. District Court for Delaware is the sole and exclusive forum for actions brought to enforce any duty or liability created by the Exchange Act, or rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities is deemed to have notice of and consented to our exclusive forum provisions, including the federal forum provision. Additionally, our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees and agents. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Risks Related to Our Indebtedness

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our 0% convertible senior notes due 2026 (the “2026 Notes”), depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes, to repay the 2026 Notes at maturity or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes.

Holders will have the right to require us to repurchase their 2026 Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the 2026 Notes, we will be required to make cash payments for each $1,000 in principal amount of 2026 Notes converted of at least the lesser of $1,000 and the sum of the daily conversion values as described in the indenture governing the 2026 Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or pay cash with respect to the 2026 Notes being converted. In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversions of the 2026 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2026 Notes at a time when the repurchase is required or to pay any cash payable on future conversions of the 2026 Notes would constitute a default under the indenture governing the 2026 Notes. A default under the indenture governing the 2026 Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2026 Notes or make cash payments upon conversions thereof.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES.

We lease facilities under operating leases with various expiration dates through 2030. Our corporate headquarters are located in San Francisco, California. We also lease office space in New York, New York; Pittsburgh, Pennsylvania; Chicago, Illinois; Las Vegas, Nevada; and Toronto, Ontario. We do not own any real property. We believe that our facilities are adequate to meet our current needs.

Item 3. Legal Proceedings

Please refer to Note 8. Commitments and Contingencies of the accompanying notes to our 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 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock is traded on the Nasdaq Global Select Market under the symbol "AFRM". Our Class B common stock is not listed on any stock exchange nor traded on any public market.

Holders of Record

As of August 21, 2023, there were 291 stockholders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. As of August 21, 2023, there were 207 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends for the foreseeable future.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our equity securities during the fourth quarter of 2023.

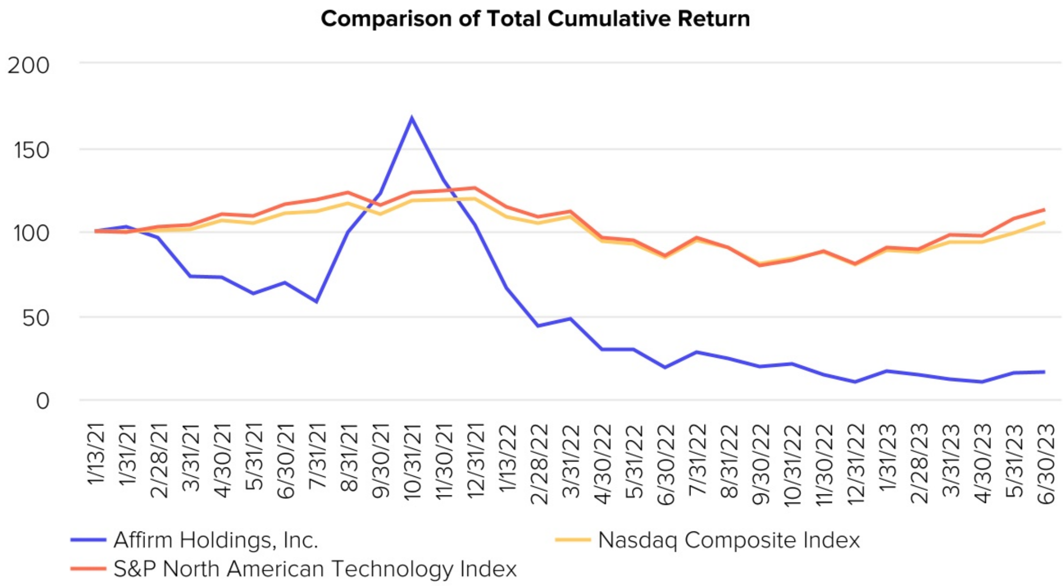
Recent Sales of Unregistered Securities

None.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or be deemed “filed” with the SEC, for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act.

The graph below shows the cumulative total stockholder return on our Class A common stock with the cumulative total return on the Nasdaq Composite Index and the S&P North American Technology Index. The graph assumes (i) that $100 was invested at the market close on January 13, 2021, the date that our Class A common stock commenced trading on the Nasdaq Global Select Market, in each of our Class A common stock, the Nasdaq Composite Index, and the S&P North American Technology Index and (ii) reinvestment of gross dividends. The graph uses the closing market price on January 13, 2021 of $97.24 per share as the initial value of our Class A common stock. The stock price performance shown in the graph represents past performance and should not be considered an indication of future stock price performance.



ITEM 6. [RESERVED]

ITEM 7. 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 consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K ("Form 10-K"). You should review the section titled "Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Unless the context otherwise requires, all references in this Report to "Affirm," the "Company," "we," "our," "us," or similar terms refer to Affirm Holdings, Inc. and its subsidiaries. A discussion regarding our financial condition and results of operations for the fiscal year ended June 30, 2023 compared to the fiscal year ended June 30, 2022 is presented below. A discussion regarding our financial condition and results of operations for the fiscal year ended June 30, 2022 compared to the fiscal year ended June 30, 2021 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

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.

	Year ended June 30,			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	$	%	$	%
	(in thousands, except percentages)						
Total revenue, net	**$ 1,587,985**	**$ 1,349,292**	**$ 870,464**	**$ 238,693**	**18 %**	**$ 478,828**	**55 %**
Total operating expenses	**2,788,847**	**2,215,340**	**1,254,131**	**573,507**	**26 %**	**961,209**	**77 %**
Operating loss	**$ (1,200,862)**	**$ (866,048)**	**$ (383,667)**	**$ (334,814)**	**39 %**	**$ (482,381)**	**126 %**
Other (expense) income, net	211,617	141,217	(59,703)	70,400	50 %	200,920	(337) %
Loss before income taxes	**$ (989,245)**	**$ (724,831)**	**$ (443,370)**	**$ (264,414)**	**36 %**	**$ (281,461)**	**63 %**
Income tax benefit	(3,900)	(17,414)	(2,343)	13,514	(78) %	(15,071)	643 %
Net loss	**$ (985,345)**	**$ (707,417)**	**$ (441,027)**	**$ (277,928)**	**39 %**	**$ (266,390)**	**60 %**

Our Financial Model

Our Revenue Model

From merchants, we earn a fee when we help them convert a sale and facilitate a transaction. While merchant fees depend on the individual arrangement between us and each merchant and vary based on the terms of the product offering, we generally earn larger merchant fees on 0% APR financing products. For the years ended June 30, 2023, 2022, and 2021, Pay-in-4 represented 19%, 22%, and 11%, respectively, of total GMV facilitated through our platform and 0% APR Core loans represented 13%, 21%, and 32%, respectively, of total GMV facilitated through our platform.

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 years ended June 30, 2023, 2022, and 2021, interest bearing loans represented 68%, 58%, and 57% 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, and Celtic Bank, an FDIC-insured Utah state-chartered industrial bank. These partnerships allow us to benefit from our partners' ability to originate loans under their banking licenses while complying with various federal, state, and other laws. Under this arrangement, we must comply with our originating bank partners' credit policies and underwriting procedures, and our originating bank partners maintain ultimate authority to decide whether to originate a loan or not. When an originating bank partner originates a loan, it funds the loan through its own funding sources and may subsequently offer and sell the loan to us. Pursuant to our agreements with these partners, we are obligated to purchase the loans facilitated through our platform that such partner offers us and our obligation is secured by cash deposits. To date, we have purchased all of the loans facilitated through our platform and originated by our originating bank partners. When we purchase a loan from an originating bank partner, the purchase price is equal to the outstanding principal balance of the loan, plus a fee and any accrued interest. The originating bank partner also retains an interest in the loans purchased by us through a loan performance fee that is payable by us on the aggregate principal amount of a loan that is paid by a consumer. See Note 13. Fair Value of Financial Assets and Liabilities for more information on the performance fee liability.

We are also able to originate loans directly under our lending, servicing, and brokering licenses in Canada and across several states in the U.S. through our consolidated subsidiaries. We directly originated approximately $3.7 billion, or 18%, and $3.3 billion, or 21%, of loans for the years ended June 30, 2023 and June 30, 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-K.

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 credit 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 increased from approximately 3% as of June 30, 2022, to approximately 5% as of June 30, 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 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 volume among merchants and the products that our merchants offer and our consumers purchase in any period affects our operating results. These 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, revenue as a percentage of GMV may vary. In addition, our commercial agreement with Shopify to offer Shop Pay Installments powered by Affirm and our Pay-in-4 offering 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 and other low-AOV offerings.

Seasonality

We experience seasonal fluctuations in our business as a result of consumer spending patterns. 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. Despite these higher GMV levels, in fiscal 2023 and 2022, we generated less in period revenue as a percentage of GMV during our second fiscal quarter due to the comparatively higher proportion of interest bearing loans originated in the latter half of the period, which typically results in lower merchant network revenue, which is recognized in period, and higher levels of interest income, which is recognized over a longer time horizon. We expect these seasonal patterns to continue in future periods, and any 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. During fiscal 2023, the macroeconomic environment presented a number of challenges to our business. In response to continued inflationary pressure, the U.S. Federal Reserve raised, and may continue to raise, the federal funds interest rate. Simultaneously, economic uncertainty and the prospect of economic recession impacted consumer spending. These developments have affected, and may continue to affect, our business and results of operations in the following ways:

- ***Deceleration in consumer demand:*** We have experienced a deceleration in consumer demand for discretionary items, which has adversely impacted GMV growth.
- ***Increased borrowing costs:*** Our costs of borrowing have increased, resulting in higher transaction costs.
- ***Volatile capital markets:*** In response to volatile capital markets conditions, we have retained more loans on our balance sheet funded through our consolidated securitizations and warehouse lines in recent fiscal quarters. Retaining loans on our balance sheet leads to the recognition of interest income over the life of the loan, effectively delaying the revenue that would have been realized upon the loan’s sale.
- ***Managing delinquency rates:*** We are continuously optimizing our underwriting to manage delinquency rates. While these actions have adversely affected our GMV growth rates during fiscal 2023, as of June 30, 2023, our 30-day delinquency rates for monthly installment loans were comparable to, and our allowance rates for loan losses improved over, those experienced as of June 30, 2022.

Macroeconomic factors can also cause fluctuations of available capital in our lending marketplace due to shifts in the risk preferences of our lending partners and institutional investors or for other reasons. For example, since the beginning of March 2023, there have been public reports of instability at certain financial institutions. Despite the steps taken to date by U.S. and foreign agencies and institutions, the follow-on effects of this instability are unknown and may lead to disruptions to the businesses and operations of our funding sources.

Restructuring Plan

On February 8, 2023, we committed to a restructuring plan designed to manage our operating expenses in response to 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 at that time, and vacated a portion of our leased San Francisco office. For further information, refer to Note 16. Restructuring and other to the consolidated financial statements in this Form 10-K.

Pricing Initiatives

We have begun implementing certain pricing initiatives that have the dual purpose of offsetting our increased funding costs while also enabling us to responsibly extend access to credit to a larger number of consumers. These pricing initiatives include the following:

- increasing the maximum APR for loans facilitated on our platform from 30% to 36%;
- increasing the merchant fees payable by some merchants on 0% APR financing products;
- expanding the use of down payments and requested loan amounts;
- offering merchant-subsidized low APR loans (4% to 9.99%) as an alternative to monthly 0% APR programs; and
- shortening loan lengths and minimum order sizes for monthly 0% APR programs.

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 expect the CFPB to begin to supervise us in the immediate future. The CFPB's supervision of us will enable it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures.

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.

	Year ended June 30,		
	2023	**2022**	**2021**
		(in billions)	
Gross merchandise volume (GMV)	$ 20.2	$ 15.5	$ 8.3

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 year ended June 30, 2023, GMV was $20.2 billion, an increase of approximately 30% from $15.5 billion for the year ended June 30, 2022 and an increase of approximately 144% from $8.3 billion for the year ended June 30, 2021. Overall, the increase in GMV was primarily driven by the expansion of our active merchant base and increases in active consumers and the average number of transactions per consumer.

For the years ended June 30, 2023, 2022, and 2021, our top five merchants, including our largest platform partner represented approximately 42%, 32%, and 30%, respectively, of total GMV. GMV attributable to Amazon increased during each period but represented less than 20% of total GMV for all such periods. No other single merchant or platform partner exceeded 20% of total GMV for the year ended June 30, 2023.

	June 30, 2023	June 30, 2022	June 30, 2021
	(in thousands, except per consumer data)		
Active consumers	16,469	13,980	7,121
Transactions per active consumer (x)	3.9	3.0	2.3

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 June 30, 2023, we had approximately 16.5 million active consumers inclusive of 1.0 million active consumers who only transacted on Returnly, which represented an increase of 18% compared to approximately 14.0 million as of June 30, 2022, and 131% compared to approximately 7.1 million as of June 30, 2021. 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.

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 June 30, 2023, we had approximately 3.9 transactions per active consumer, an increase of 30% compared to June 30, 2022 and an increase of 70% compared to June 30, 2021. 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 consolidated statements of operations and comprehensive loss data for each of the periods presented:

	Year ended June 30,			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	$ Change	% Change	$ Change	% Change
	(in thousands)						
Revenue							
Merchant network revenue	$ 507,600	$ 458,511	$ 379,551	$ 49,089	11 %	$ 78,960	21 %
Card network revenue	119,338	100,696	49,851	18,642	19 %	50,845	102 %
Total network revenue	626,938	559,207	429,402	67,731	12 %	129,805	30 %
Interest income [1]	685,217	527,880	326,417	157,337	30 %	201,463	62 %
Gain on sales of loans [1]	188,341	196,435	89,926	(8,094)	(4) %	106,509	118 %
Servicing income	87,489	65,770	24,719	21,719	33 %	41,051	166 %
Total revenue, net	**$ 1,587,985**	**$ 1,349,292**	**$ 870,464**	**$ 238,693**	**18 %**	**$ 478,828**	**55 %**
Operating expenses [2]							
Loss on loan purchase commitment	$ 140,265	$ 204,081	$ 246,700	$ (63,816)	(31) %	$ (42,619)	(17) %
Provision for credit losses	331,860	255,272	65,878	76,588	30 %	189,394	287 %
Funding costs	183,013	69,694	52,700	113,319	163 %	16,994	32 %
Processing and servicing	257,343	157,814	73,578	99,529	63 %	84,236	114 %
Technology and data analytics	615,818	418,643	249,336	197,175	47 %	169,307	68 %
Sales and marketing	638,280	532,343	182,190	105,937	20 %	350,153	192 %
General and administrative	586,398	577,493	383,749	8,905	2 %	193,744	50 %
Restructuring and other	35,870	—	—	35,870	NM*	—	NM*
Total operating expenses	**2,788,847**	**2,215,340**	**1,254,131**	**573,507**	**26 %**	**961,209**	**77 %**
Operating loss	**$ (1,200,862)**	**$ (866,048)**	**$ (383,667)**	**$ (334,814)**	**39 %**	**$ (482,381)**	**126 %**
Other (expense) income, net	211,617	141,217	(59,703)	70,400	50 %	200,920	(337) %
Loss before income taxes	**$ (989,245)**	**$ (724,831)**	**$ (443,370)**	**$ (264,414)**	**36 %**	**$ (281,461)**	**63 %**
Income tax benefit	(3,900)	(17,414)	(2,343)	13,514	(78) %	(15,071)	643 %
Net loss	**$ (985,345)**	**$ (707,417)**	**$ (441,027)**	**$ (277,928)**	**39 %**	**$ (266,390)**	**60 %**

* Not meaningful

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

	Year ended June 30,		
	2023	2022*	2021*
		(in thousands)	
Balance at the beginning of the period	$ 42,780	$ 53,177	$ 28,659
Additions from loans purchased or originated, net of refunds	259,720	366,900	266,717
Amortization of discount	(158,703)	(185,050)	(101,078)
Unamortized discount released on loans sold	(46,885)	(191,612)	(141,130)
Impact of foreign currency translation	(336)	(635)	9
Balance at the end of the period	$ 96,576	$ 42,780	$ 53,177

* Prior period balances have been adjusted to include impact of foreign currency translation.

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

	Year ended June 30,		
	2023	2022	2021
		(in thousands)	
General and administrative	$ 239,923	$ 248,797	$ 196,554
Technology and data analytics	181,396	116,531	76,643
Sales and marketing	25,914	23,224	17,092
Processing and servicing	4,476	2,431	2,218
Total stock-based compensation in operating expenses	451,709	390,983	292,507
Capitalized into property, equipment and software, net	80,108	54,542	13,999
Total stock-based compensation	$ 531,817	$ 445,525	$ 306,506

Comparison of the Years Ended June 30, 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 for the year ended June 30, 2023 increased by $49.1 million, or 11%, compared to the same period in 2022. The increase is primarily attributed to an increase of $4.7 billion in GMV for the year ended June 30, 2023. The increase in GMV is a result of the expansion of our active merchant base and consumers, reaching approximately 254,000 and 16.5 million, respectively, as of June 30, 2023, up from approximately 235,000 and 14.0 million, respectively, as of June 30, 2022. Additionally, the average transactions per consumer increased from 3.0 as of June 30, 2022 to 3.9 as of June 30, 2023. The increase in consumers and average transactions per consumer is partially offset by a decrease in AOVs. For the year ended June 30, 2023 AOV was $318 down from $374 for the same period in fiscal 2022. The decrease in AOV 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 for the year ended June 30, 2023 increased by $18.6 million, or 19%, 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 the $5.9 billion of GMV processed through our issuer processors, an increase of 25% for the year ended June 30, 2023, as compared to the same period in 2022. This was driven by increased card activity as well as growth in existing and new merchants using our card platform, growing from approximately 1,100 merchants as of June 30, 2022 to approximately 1,300 merchants as of June 30, 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 for the year ended June 30, 2023 increased by $157.3 million, or 30%, compared to the year ended June 30, 2022. Generally, interest income is correlated with changes in the average balance of loans held for investment, as we recognize interest on loans held for investment using the effective interest method over the life of the loan. The average balance of loans held for investment increased by 50% to $3.4 billion for the year ended June 30, 2023, compared to the same period in fiscal 2022. The increase in loans held for investment on our consolidated balance sheet was in response to the current market environment and our ability to allocate loans to warehouse credit facilities with better economic terms while optimizing cost of funds. As a result of the increase in loans held for investment on our consolidated balance sheet, interest income from interest-bearing loans increased by $195.2 million, or 53%, compared to the same period in 2022. This increase was partially due to our recent pricing initiatives, including the increase of the maximum APR for loans facilitated on our platform from 30% to 36% and the introduction of merchant-subsidized low APR loans (4% to 9.99%) as an alternative to monthly 0% APR programs.

Gain on Sale of Loans

Gain on sales of loans for the year ended June 30, 2023 decreased by $8.1 million, or 4%, compared to the same period in 2022. The decrease was partially driven by higher benchmark interest rates and a more conservative credit outlook, which impacted pricing terms for loan sales. The decrease was partially offset by an increase in loan sale volume to third-party loan buyers. We sold loans with a unpaid principal balance of $7.5 billion for the year ended June 30, 2023, compared to $7.1 billion for the year ended June 30, 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 for the year ended June 30, 2023 increased by $21.7 million, or 33%, compared to the same period in 2022. The increase was primarily due to the average unpaid principal balance of loans owned by third-party loan owners, which increased from $3.6 billion during the year ended June 30, 2022 to $4.5 billion during the year ended June 30, 2023. In addition to the increase in servicing income related to the unpaid principal balance of loans outstanding, we recognized a gain of $8.3 million related to changes in fair value of servicing assets and liabilities during the year ended June 30, 2023, an increase of $2.0 million, 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 our originating bank partners put back to us. Under the terms of the agreements with our originating bank partners, we are generally required to pay the principal amount plus accrued interest for such loans. In certain instances, our originating bank partners may originate loans with zero or below market interest rates that we are required to purchase. In these instances, we may be required to purchase the loan for a price in excess of the fair market value of such loans, which results in a loss. These losses are recognized as loss on loan purchase commitment in our consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Loss on loan purchase commitment for the year ended June 30, 2023 decreased by $63.8 million, or 31%, compared to the same period in 2022. The decrease was due to a decrease in the volume of long-term 0% APR loans purchased from our originating bank partners compared to the prior period, which are purchased above fair market value. The difference between fair value and purchase price for our loans is generally correlated with the term length and APR of the loans. Additionally, as the percentage of our portfolio shifts towards more interest-bearing loans, loss on loan purchase commitment is expected to decrease as a percentage of the originated principal amount. During the year ended June 30, 2023, we purchased $1.4 billion, of long-term 0% APR loan receivables from our originating bank partners, which represented a decrease of $0.7 billion, or 33%, compared to the same period in 2022.

Provision for Credit Losses

Provision for credit losses generally represents the amount of expense required to maintain the allowance for credit losses on our 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 $76.6 million, or 30%, for the year ended June 30, 2023 compared to the same period in 2022, driven by growth in the volume of loans held for investment and partially offset by improvements in the credit quality of loans outstanding. Loans held for investment as of June 30, 2023 was $4.4 billion, an increase of $1.9 billion, or 76% as compared to the same period in 2022. The allowance for credit losses as a percentage of loans held for investment decreased from 6.2% as of June 30, 2022 to 4.6% as of June 30, 2023, primarily driven by improvements in credit quality of loans outstanding and repayment trends.

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 expense, net of the impact of any designated cash flow hedges.

Funding costs for the year ended June 30, 2023 increased by $113.3 million or 163%, 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 year ended June 30, 2023. The average total of funding debt from warehouses and securitizations for the year ended June 30, 2023 was $2.5 billion compared to $2.2 billion during the same period in 2022, an increase of $326.0 million, or 15%. The increase was also attributable to a larger volume of on-balance sheet loans being retained during the period. The average loan balance on-balance sheet was $3.4 billion for the year ended June 30, 2023, an increase of 53% compared to $2.2 billion during the same period in 2022.

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 for the year ended June 30, 2023 increased by $99.5 million, or 63%, compared to the same period in 2022. This increase was primarily due to a $46.0 million, or 51%, increase in payment processing fees related to increased servicing activity and payment volume for the year ended June 30, 2023. Additionally, our platform fees increased by $30.8 million, or 290%, for the year ended June 30, 2023 due to an increase in our platform partner volume with a large enterprise partner. Third-party customer support and collections spend increased by $13.7 million, or 36%, compared to the same period in 2022 due to increased loan volume and transaction growth during the period.

Technology and Data Analytics

Technology and data analytics expense consists primarily of the salaries, stock-based compensation, and personnel-related costs of our engineering, 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 for the year ended June 30, 2023 increased by $197.2 million or 47%, compared to the same period in 2022. This increase is primarily driven by an increase of $100.4 million, or 39%, in stock-based compensation and payroll and personnel-related costs for the year ended June 30, 2023, compared to the same period in 2022, partially due to an increased average headcount as we continue to support our growth and technology platform, despite a reduction in force in connection with the 2023 Restructuring Plan . Additionally, amortization of internally-developed software and intangible assets increased by $70.8 million or 184%, compared to the same period in 2022, primarily as a result of an increase in the number of capitalized projects and our periodic reassessment of the remaining useful lives of those assets. Capitalized projects grew by 148% from approximately 270 projects as of June 30, 2022 to 660 projects as of June 30, 2023. Infrastructure and hosting costs increased by $20.6 million, or 23%, and data provider costs increased by $11.5 million, or 38%, for the year ended June 30, 2023, compared to the same period in 2022, due to increased capacity requirements of our technology platform driven by increases in active users and transactions per active consumer.

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 for the year ended June 30, 2023 increased by $105.9 million or 20%, compared to the same period in 2022. The increase was primarily driven by Amazon warrant expense which increased from $281.0 million for the year ended June 30, 2022 to $463.3 million for the year ended June 30, 2023, as fiscal 2023 was the first full year of the Amazon warrants vesting. The increase was partially offset by a $36.1 million, or 65%, decrease in brand and consumer marketing spend, as well as a decrease of $15.2 million, or 84%, in business-to-business marketing spend during the year ended June 30, 2023, compared to the same period in 2022, primarily due to a reduced number of paid brand marketing campaigns and brand partnerships. Additionally, the amortization of our commercial agreement with Shopify decreased by $26.4 million, or 42%, during the year ended June 30, 2023, compared to the same period in 2022 due to an amendment made in our partnership agreement, which extended the period of benefit over which we amortize the commercial agreement asset.

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 for the year ended June 30, 2023 increased by $8.9 million or 2%, compared to the same period in 2022. The increase was primarily driven by a $28.5 million, or 7%, increase in payroll and personnel-related costs due to an increase in average headcount compared to the same period in 2022, despite a reduction in force in connection with the 2023 Restructuring Plan. The increase was partially offset by a $9.7 million, or 24%, decrease in professional service fees due to reduced spend related to acquisitions and international expansion programs. Additionally, recruitment costs decreased by $9.8 million, or 78%, in line with our restructuring and cost management plans.

Restructuring and Other

Restructuring and other for the year ended June 30, 2023 increased by $35.9 million compared to the same period in 2022. During the year ended June 30, 2023, we committed to a restructuring plan designed to manage our operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts. The associated restructuring charges during the year ended June 30, 2023 were approximately $35.9 million, which included expenditures of $29.7 million relating to employee severance and other employment termination benefits and $6.2 million of accelerated amortization expense due to a reduction of right-of-use lease assets resulting from our exiting leased office space. For further information on the associated restructuring liability, refer to Note 16. Restructuring and other in the notes to the consolidated financial statements in this Form 10-K.

Other (Expense) Income, net

Other (expense) 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, gains on derivative agreements driven by increases in fair value, amortization of convertible debt issuance cost as well as gains (losses) on extinguishment, revolving credit facility issuance costs, and fair value adjustments resulting from changes in the fair value of our contingent consideration liability, primarily driven by changes in the market price of our Class A common stock.

Other (expense) income, net increased by $70.4 million, or 50%, during the year ended June 30, 2023, compared to the same period in 2022. The increase is primarily driven by a gain of $89.8 million recognized on the early extinguishment of our convertible debt resulting from a repurchase of a portion of our 2026 Notes during the year ended June 30, 2023, as well as an increase of $65.9 million in interest income from cash and investments due to higher interest rates. The increase was partially offset by a gain of $8.2 million recognized on the change in fair value of the contingent consideration liability associated with our acquisition of PayBright, driven by changes in the value of our common stock, as compared to a gain of $89.3 million in the same period in 2022, a decrease of $81.1 million.

Income Tax Expense (Benefit)

The income tax benefit for the year ended June 30, 2023 decreased by $13.5 million, or 78%, compared to the same period in 2022. The tax benefit recognized for the year ended June 30, 2022 was primarily attributable to a change in our assessment of the future realization of certain Canadian deferred tax assets during the period, which resulted in a one-time income tax benefit for the release of all of the valuation allowance against our Canadian deferred tax assets.

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 rising interest rates and inflation, our excess funding capacity and committed and long-term relationships with a diverse group of existing funding partners help provide flexibility as we optimize our funding to support the growth in loan volume.

Our principal sources of liquidity are cash and cash equivalents, available for sale securities, available capacity from warehouse and revolving credit facilities, revolving securitizations, forward flow loan sale arrangements, and certain cash flows from our operations. As of June 30, 2023, we had $2.1 billion in cash and cash equivalents and available for sale securities, $2.1 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.

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

	June 30, 2023	June 30, 2022
Cash and cash equivalents [1]	$ 892,027	$ 1,255,171
Investments in short-term debt securities [2]	915,003	1,295,811
Investments in long-term debt securities [2]	259,650	299,562
Cash, cash equivalent and investments in debt securities	**$ 2,066,680**	**$ 2,850,544**

(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 June 30, 2023 primarily include 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 consolidated financial statements. The following table summarizes our funding debt facilities as of June 30, 2023.

Maturity Fiscal Year	**Borrowing Capacity**	**Principal Outstanding**
	(in thousands)	
2024	$ 500,000	$ 202,245
2025	1,213,170	563,350
2026	838,617	542,288
2027	—	—
2028	39,155	39,155
Thereafter	1,257,478	428,660
Total	**$ 3,848,420**	**$ 1,775,698**

U.S.

Our warehouse credit facilities allow us to borrow up to an aggregate of $3.3 billion, mature between 2024 and 2029 and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date. As of June 30, 2023, we have drawn an aggregate of $1.4 billion on our warehouse credit facilities. As of June 30, 2023, we were in compliance with all applicable covenants in the agreements. Refer to Note 9. Debt in the notes to the consolidated financial statements for further details on our warehouse credit facilities.

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 June 30, 2023, the aggregate commitment amount of these facilities was $548.4 million on a revolving basis, of which $349.6 million was drawn. Refer to Note 9. Debt in the notes to the consolidated financial statements for further details on our other funding facilities.

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 $11.0 million and $27.0 million in debt outstanding under our sale and repurchase agreements disclosed within funding debt on the consolidated balance sheets as of June 30, 2023 and June 30, 2022, respectively. Refer to Note 9. Debt in the notes to the consolidated financial statements for further details on our sale and repurchase agreements.

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 consolidated balance sheets. Refer to Note 10. Securitization and Variable Interest Entities in the notes to the 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 June 30, 2023, there are no borrowings outstanding under the facility. The facility contains certain covenants and restrictions, including certain financial maintenance covenants. As of June 30, 2023, we were in compliance with all applicable covenants in the agreements. Refer to Note 9. Debt in the notes to the consolidated financial statements for further details on our revolving credit facility.

Forward Flow Loan Sale Arrangements

We have forward flow loan sale arrangements that facilitates the sale of whole loans to counterparties. 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 our counterparties.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year ended June 30,	
	2023	2022
	(in thousands)	
Net cash provided by (used in) operating activities	$ 12,181	$ (162,194)
Net cash used in investing activities	$ (1,653,070)	$ (2,011,338)
Net cash provided by financing activities	$ 1,349,945	$ 2,037,119

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 expenses, technology and data analytics expenses, funding costs, processing and servicing costs, and sales and marketing expenses.

Cash provided by operating activities for the year ended June 30, 2023, was $12.2 million, an increase of $174.4 million from cash used in operating activities of $162.2 million for the year ended June 30, 2022. This reflects our net loss of $985.3 million, adjusted for non-cash charges of $967.4 million and net cash inflows of $30.1 million provided by changes in our operating assets net of operating liabilities.

Non-cash charges primarily consisted of: commercial agreement expense, which increased by $167.3 million primarily as a result of an increase of $182.3 million related to Amazon warrant expenses, partially offset by a decrease of $26.4 million related to amortization expense associated with our commercial agreement asset with Shopify, provision for credit losses, which increased by $76.6 million driven by growth in the volume of loans held for investment and partially offset by improvements in the credit quality of loans outstanding, stock-based compensation, which increased by $60.7 million driven by an increase in amortization of internally developed software and intangible assets primarily as a result of an increase in the number of capitalized projects, which increased by $81.9 million as a result of accelerated amortization related to property, equipment and software, and an adjustment in fair value of assets and liabilities of $85.9 million, primarily as a result of the gain of $8.2 million recognized based on a change in the fair value of the contingent consideration liability associated with our acquisition of PayBright, driven by changes in the market price of our common stock, as compared to a gain of $89.3 million in the same period in 2022, a decrease of $81.1 million . This was partially offset by a decrease due to a gain on early extinguishment of debt of $89.8 million related to the convertible note repurchases during the period.

Our net cash inflows resulting from changes in operating assets and liabilities increased by $40.0 million for the year ended June 30, 2023 compared to the same period in 2022. This change was primarily driven by net proceeds from the sale and purchase of loans of $165.1 million which increased by $135.7 million compared to the same period in 2022. We also purchased loans of $6.0 billion, which was offset by proceeds from loan sales of $6.2 billion.

Investing Activities

For the year ended June 30, 2023, net cash used in investing activities of $1.7 billion was primarily attributable to purchases and origination of loans held for investment of $13.6 billion, partially offset by repayments of loans and proceeds from sale of loans of $11.6 billion. During the period, we originated loans of $3.6 billion and purchased loans of $10.0 billion, representing a combined increase of $3.2 billion compared to the same period in 2022, due partly to continued growth in GMV. Loan repayments and sale of loans of $11.6 billion during the year ended June 30, 2023, represented an increase of $1.6 billion, compared to the same period in 2022, due in part to the shifting of the length of loan terms on our consolidated balance sheet netted off by higher average balance of loans held for investment compared to the same period in 2022. The additional offset during the year ended June 30, 2023 was related to the net proceeds from maturities of securities available for sale of $0.5 billion, representing an increase of $2.0 billion compared to the same period in 2022.

Financing Activities

For the year ended June 30, 2023, net cash provided by financing activities of $1.3 billion, was primarily attributable to net cash inflows from funding debt of $1.1 billion, and the issuance and repayment of notes and certificates issued by securitization trust of $0.5 billion, partially offset by net cash outflows related to the repayment of a portion of our convertible senior notes of $206.6 million. Additionally, we paid taxes related to RSU vesting of $73.8 million for the year ended June 30, 2023.

Contractual Obligations

	Payments Due By Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Funding debt	$ 1,775,698	$ 202,245	$ 1,105,638	$ 39,155	$ 428,660
Notes issued by securitization trusts	2,170,559	—	26,451	2,144,108	—
Operating lease commitments [1]	58,552	16,496	31,688	4,865	5,503
Purchase obligations [2]	659,166	96,765	201,306	192,143	168,952
Convertible senior notes [3]	1,425,900	—	—	1,425,900	—
Total	$ 6,089,875	$ 315,506	$ 1,365,083	$ 3,806,171	$ 603,115

(1) Operating lease amounts include minimum rental payments under our non-cancelable leases primarily for office facilities. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under our existing leases.

(2) Purchase obligations amounts include minimum purchase commitments for cloud computing web services entered into in the ordinary course of business.

(3) The 2026 Notes have an aggregated principal balance of $1,425.9 million and do not bear interest. The 2026 Notes mature on November 15, 2026.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities that are not reflected on our 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 certificates. As of June 30, 2023, the aggregate outstanding balance of loans held by third-party investors for off-balance sheet VIEs was $4.1 billion. 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 certificates, including any retained interests held by Affirm, then any amounts the Company contributed to the securitization reserve accounts may be depleted. See Note 10. Securitization and Variable Interest Entities of the accompanying notes to our consolidated financial statements for more information.

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 significant estimates on an ongoing basis. We believe the estimates, discussed below, have the greatest potential effect on our consolidated financial statements and are therefore deemed critical in understanding and evaluating our financial results. For further information, our significant accounting policies are described in Note 2. Summary of Significant Accounting Policies within the notes to the consolidated financial statements.

Loss on Loan Purchase Commitment and Loss on Loan Origination

We purchase certain loans from our originating bank partners that are processed through our platform that our originating bank partner puts back to us. 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 consolidated statements of operations and comprehensive loss.

Similarly, we may originate certain loans via our wholly-owned subsidiaries, with zero or below market interest rates. In these instances, the par value of the loans originated is in excess of the fair market value of such loans, resulting in a loss, which we record as a reduction to network revenue.

For both loans originated by our bank partners and loans originated through our subsidiaries, the loss is measured as the difference between the estimated fair value of the loan and the par amount of the loan at origination.

The fair value of a loan is estimated based on the present value of expected future cash flows, using both observable and unobservable inputs, including the expected timing and amount of losses, the discount rate, and the recovery rate. These inputs are based on historical performance of loans facilitated through our platform, as well as the consideration of market participant requirements. While our estimate reflects assumptions we believe a market participant would use to calculate fair value, significant judgment is required.

Allowance for Credit Losses

The allowance for credit losses on loans held for investment is determined based on management’s current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations as of each balance sheet date. We immediately recognize an allowance for expected credit losses upon origination of a loan. 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 consolidated statements of operations and comprehensive loss. We have made an accounting policy election to not measure an allowance for credit losses for accrued interest receivables. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

In estimating the allowance for credit losses, management utilizes a migration analysis of delinquent and current loan receivables. Migration analysis is a technique used to estimate the likelihood that a loan receivable will progress through various stages of delinquency and to charge-off. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, seasonality, customer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, bankruptcy filings and actual credit loss experience. We also take into consideration certain qualitative factors, in which we adjust our quantitative baseline using our best judgement to consider the inherent uncertainty regarding future economic conditions and consumer loan performance. For example, we consider the impact of current economic and environmental factors at the reporting date that did not exist over the period from which historical experience was used.

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 or meets other charge-off policy requirements. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses.

The underlying assumptions, estimates, and assessments we use to provide for losses are updated periodically to reflect our view of current conditions, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for credit losses. It is possible that we will experience loan losses that are different from our current estimates.

Recent Accounting Pronouncements

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

ITEM 7A. 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 June 30, 2023 included $1.2 billion 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, 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 June 30, 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 June 30, 2023 and June 30, 2022, we were exposed to credit risk on $4.4 billion and $2.5 billion, respectively, of loans held on our consolidated balance sheet. Loan receivables are diversified geographically. As of June 30, 2023 and June 30, 2022, approximately 11% and 12%, respectively, of loan receivables related to customers residing in the state of California, respectively. No other states or provinces exceeded 10%.

We are also exposed to credit risk in the event of nonperformance by the financial institutions holding our cash and the issuers of our cash equivalents and available for sale securities. We maintain our cash deposits and cash equivalents in highly-rated, federally-insured financial institutions in excess of federally insured limits. We manage this risk by conducting business with well-established financial institutions, diversifying our counterparties and having guidelines regarding credit rating and investment maturities to safeguard liquidity. Although, we are not substantially dependent on a single financing source and have not historically experienced any credit losses related to these financial institutions, since the beginning of March 2023, there have been public reports of instability at certain financial institutions. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AFFIRM HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Affirm Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Affirm Holdings, Inc. and subsidiaries (the "Company") as of June 30, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 25, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matter

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

Allowance for Credit Losses — Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

The allowance for credit losses (ACL) is a material estimate of the Company and as of June 30, 2023, the total balance was $204.5 million. In estimating the ACL, management utilizes a migration analysis of delinquent and current loan receivables. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, customer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, bankruptcy filings, and actual credit loss experience. Management also incorporates qualitative adjustments to the quantitative model to consider the inherent uncertainty regarding future economic conditions and consumer loan performance.

Determining the appropriate level of qualitative adjustments is inherently subjective and relies on significant judgment. Given the subjective nature and amount of judgment required in developing these estimates, performing audit procedures to evaluate the reasonableness of the ACL required a high degree of auditor judgment, an increased extent of audit effort, credit specialists, and the need to involve more experienced audit professionals.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the allowance for credit losses included the following procedures, among others:

- We tested the design and effectiveness of controls over the ACL, including management’s controls over the qualitative adjustments.
- We tested management’s process for estimating the ACL, which included involving our credit specialists to evaluate the appropriateness of the models and methodologies used including the use of qualitative adjustments.
- We evaluated the accuracy and completeness of the data used to estimate the allowance for credit losses.
- We evaluated the qualitative adjustments, including assessing the basis and overall magnitude of the adjustments, obtaining third party macroeconomic data, and evaluating any contradictory evidence.

/s/ Deloitte & Touche LLP

San Francisco, California

August 25, 2023

We have served as the Company's auditor since 2020.

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

	June 30, 2023	June 30, 2022
Assets		
Cash and cash equivalents	$ 892,027	$ 1,255,171
Restricted cash	367,917	295,636
Securities available for sale at fair value	1,174,653	1,595,373
Loans held for sale	76	2,670
Loans held for investment	4,402,962	2,503,561
Allowance for credit losses	(204,531)	(155,392)
Loans held for investment, net	4,198,431	2,348,169
Accounts receivable, net	199,085	142,052
Property, equipment and software, net	290,135	171,482
Goodwill	542,571	539,534
Intangible assets	34,434	78,942
Commercial agreement assets	177,672	263,196
Other assets	278,614	281,567
Total assets	**$ 8,155,615**	**$ 6,973,792**
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	$ 28,602	$ 33,072
Payable to third-party loan owners	53,852	71,383
Accrued interest payable	13,498	6,659
Accrued expenses and other liabilities	180,883	237,598
Convertible senior notes, net	1,414,208	1,706,668
Notes issued by securitization trusts	2,165,577	1,627,580
Funding debt	1,764,812	672,577
Total liabilities	**5,621,432**	**4,355,537**
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A common stock, par value $0.00001 per share: 3,030,000,000 shares authorized, 237,230,381 shares issued and outstanding as of June 30, 2023; 3,030,000,000 shares authorized, 227,255,529 shares issued and outstanding as of June 30, 2022	2	2
Class B common stock, par value $0.00001 per share: 140,000,000 shares authorized, 59,615,836 shares issued and outstanding as of June 30, 2023; 140,000,000 authorized, 60,109,844 shares issued and outstanding as of June 30, 2022	1	1
Additional paid in capital	5,140,850	4,231,303
Accumulated deficit	(2,591,247)	(1,605,902)
Accumulated other comprehensive loss	(15,423)	(7,149)
Total stockholders' equity	**2,534,183**	**2,618,255**
Total liabilities and stockholders' equity	**$ 8,155,615**	**$ 6,973,792**

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

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

The following table presents the assets and liabilities of consolidated variable interest entities ("VIEs"), which are included in the 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.

	June 30, 2023	June 30, 2022
Assets of consolidated VIEs, included in total assets above		
Restricted cash	$ 203,872	$ 164,530
Loans held for investment	4,151,606	2,179,026
Allowance for credit losses	(178,252)	(124,052)
Loans held for investment, net	3,973,354	2,054,974
Accounts receivable, net	8,196	8,195
Other assets	18,210	14,570
Total assets of consolidated VIEs	**$ 4,203,632**	**$ 2,242,269**
Liabilities of consolidated VIEs, included in total liabilities above		
Accounts payable	$ 2,894	$ 2,897
Accrued interest payable	13,498	6,525
Accrued expenses and other liabilities	17,825	15,494
Notes issued by securitization trusts	2,165,577	1,627,580
Funding debt	1,656,400	514,033
Total liabilities of consolidated VIEs	**3,856,194**	**2,166,529**
Total net assets of consolidated VIEs	**$ 347,438**	**$ 75,740**

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

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

	Year ended June 30,		
	2023	**2022**	**2021**
Revenue			
Merchant network revenue	$ 507,600	$ 458,511	$ 379,551
Card network revenue	119,338	100,696	49,851
Total network revenue	626,938	559,207	429,402
Interest income	685,217	527,880	326,417
Gain on sales of loans	188,341	196,435	89,926
Servicing income	87,489	65,770	24,719
Total revenue, net	**$ 1,587,985**	**$ 1,349,292**	**$ 870,464**
Operating expenses			
Loss on loan purchase commitment	$ 140,265	$ 204,081	$ 246,700
Provision for credit losses	331,860	255,272	65,878
Funding costs	183,013	69,694	52,700
Processing and servicing	257,343	157,814	73,578
Technology and data analytics	615,818	418,643	249,336
Sales and marketing	638,280	532,343	182,190
General and administrative	586,398	577,493	383,749
Restructuring and other	35,870	—	—
Total operating expenses	**2,788,847**	**2,215,340**	**1,254,131**
Operating loss	**$ (1,200,862)**	**$ (866,048)**	**$ (383,667)**
Other (expense) income, net	211,617	141,217	(59,703)
Loss before income taxes	**$ (989,245)**	**$ (724,831)**	**$ (443,370)**
Income tax benefit	(3,900)	(17,414)	(2,343)
Net loss	**$ (985,345)**	**$ (707,417)**	**$ (441,027)**
Other comprehensive income (loss)			
Foreign currency translation adjustments	$ (8,143)	$ (5,900)	$ 7,046
Unrealized gain (loss) on securities available for sale, net	(882)	(8,022)	29
Unrealized gain on cash flow hedges	751	—	—
Net other comprehensive income (loss)	**(8,274)**	**(13,922)**	**7,075**
Comprehensive loss	**$ (993,619)**	**$ (721,339)**	**$ (433,952)**
Per share data			
Net loss per share attributable to common stockholders for Class A and Class B			
Basic	$ (3.34)	$ (2.51)	$ (2.78)
Diluted	$ (3.34)	$ (2.51)	$ (2.94)
Weighted average common shares outstanding			
Basic	295,343,466	281,704,041	158,367,923
Diluted	295,343,466	281,704,041	159,244,611

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

AFFIRM HOLDINGS, INC.
CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY (DEFICIT)
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares [1]	Amount				
Balance as of June 30, 2020	**122,115,971**	**$ 804,170**	**47,684,427**	**$ —**	**$ 80,373**	**$ (447,167)**	**$ (302)**	**$ (367,096)**
Issuance of redeemable convertible preferred stock, net of issuance costs of $143	21,836,687	434,542	—	—	—	—	—	—
Conversion of convertible debt	4,444,321	88,559	—	—	(42,124)	—	—	(42,124)
Conversion of redeemable convertible preferred stock	(148,396,979)	(1,327,271)	148,396,979	2	1,327,269	(11)	—	1,327,260
Issuance of common stock upon initial public offering, net of issuance costs of $6,871	—	—	28,290,000	1	1,305,176	—	—	1,305,177
Issuance of common stock upon exercise of stock option	—	—	12,418,931	—	46,462	—	—	46,462
Issuance of common stock upon exercise of warrants	—	—	20,651,583	—	271,156	—	—	271,156
Issuance of common stock for acquisitions	—	—	9,167,515	—	331,498	—	—	331,498
Vesting of restricted stock units	—	—	2,878,060	—	—	—	—	—
Repurchases of common stock	—	—	(129,391)	—	(800)	—	—	(800)
Stock-based compensation	—	—	—	—	306,506	—	—	306,506
Tax withholding on stock-based compensation	—	—	—	—	(158,280)	—	—	(158,280)
Effects of adoption of new accounting standards	—	—	—	—	—	(9,980)	—	(9,980)
Deconsolidation of variable interest entity	—	—	—	—	—	(300)	—	(300)
Foreign currency translation adjustments	—	—	—	—	—	—	7,046	7,046
Unrealized loss on securities available for sale	—	—	—	—	—	—	29	29
Net loss	—	—	—	—	—	(441,027)	—	(441,027)
Balance as of June 30, 2021	**—**	**$ —**	**269,358,104**	**$ 3**	**$ 3,467,236**	**$ (898,485)**	**$ 6,773**	**$ 2,575,527**
Issuance of common stock upon exercise of stock option	—	—	13,565,397	—	69,876	—	—	69,876
Issuance of common stock in acquisitions	—	—	488,097	—	42,109	—	—	42,109
Issuance of common stock, employee share purchase plan	—	—	149,137	—	3,613	—	—	3,613
Vesting of restricted stock units	—	—	3,815,156	—	—	—	—	—
Vesting of warrants for common stock	—	—	—	—	388,208	—	—	388,208
Repurchases of common stock	—	—	(10,518)	—	(86)	—	—	(86)
Stock-based compensation	—	—	—	—	445,525	—	—	445,525
Tax withholding on stock-based compensation	—	—	—	—	(185,178)	—	—	(185,178)
Foreign currency translation adjustments	—	—	—	—	—	—	(5,900)	(5,900)
Unrealized loss on securities available for sale	—	—	—	—	—	—	(8,022)	(8,022)
Net loss	—	—	—	—	—	(707,417)	—	(707,417)
Balance as of June 30, 2022	**—**	**$ —**	**287,365,373**	**$ 3**	**$ 4,231,303**	**$ (1,605,902)**	**$ (7,149)**	**$ 2,618,255**

(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 consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY, CONT.
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	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	—	—	947,792	—	4,593	—	—	4,593
Issuance of common stock in acquisition	—	—	—	—	13,674	—	—	13,674
Issuance of common stock, employee share purchase plan	—	—	954,475	—	11,482	—	—	11,482
Forfeiture of common stock related to acquisitions	—	—	(258,905)	—	—	—	—	—
Vesting of restricted stock units	—	—	7,849,919	—	—	—	—	—
Vesting of warrants for common stock	—	—	—	—	421,934	—	—	421,934
Repurchases of common stock	—	—	(12,437)	—	(109)	—	—	(109)
Stock-based compensation	—	—	—	—	531,817	—	—	531,817
Tax withholding on stock-based compensation	—	—	—	—	(73,844)	—	—	(73,844)
Foreign currency translation adjustments	—	—	—	—	—	—	(8,143)	(8,143)
Unrealized loss on securities available for sale	—	—	—	—	—	—	(882)	(882)
Unrealized gain on cash flow hedges	—	—	—	—	—	—	751	751
Net loss	—	—	—	—	—	(985,345)	—	(985,345)
Balance as of June 30, 2023	**—**	**$ —**	**296,846,217**	**$ 3**	**$ 5,140,850**	**$ (2,591,247)**	**$ (15,423)**	**$ 2,534,183**

(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 consolidated financial statements.

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

	Year ended June 30,		
	2023	**2022**	**2021**
Cash flows from operating activities			
Net loss	$ (985,345)	$ (707,417)	$ (441,027)
Adjustments to reconcile net loss to net cash used in operating activities:			
Provision for credit losses	331,860	255,272	65,878
Amortization of premiums and discounts on loans, net	(141,075)	(171,965)	(90,371)
Gain on sales of loans	(188,341)	(196,435)	(89,926)
Extinguishment of convertible debt	(89,841)	—	—
Changes in fair value of assets and liabilities	(15,883)	(101,789)	57,285
Amortization of commercial agreement assets	85,524	96,737	69,103
Amortization of debt issuance costs	20,535	16,152	6,416
Amortization of discount on securities available for sale	(36,060)	2,192	—
Commercial agreement warrant expense	421,934	254,679	—
Stock-based compensation	451,709	390,983	292,507
Depreciation and amortization	134,634	52,722	19,979
Impairment of right of use assets	1,244	362	11,544
Other	(8,825)	(73,154)	5,129
Change in operating assets and liabilities:			
Purchases of loans held for sale	(6,009,361)	(5,552,662)	(2,640,734)
Proceeds from the sale of loans held for sale	6,174,447	5,582,035	2,594,835
Accounts receivable, net	(67,690)	(62,700)	(22,934)
Other assets	(14,466)	(15,021)	(209,139)
Accounts payable	(5,038)	(24,686)	32,223
Payable to third-party loan owners	(17,531)	21,304	25,082
Accrued interest payable	7,915	3,907	1,395
Accrued expenses and other liabilities	(38,165)	67,290	119,625
Net cash provided by (used in) operating activities	12,181	(162,194)	(193,130)
Cash flows from investing activities			
Purchases and origination of loans held for investment	(13,586,251)	(10,362,048)	(5,897,252)
Proceeds from the sale of loans held for investment	1,582,501	1,898,607	824,011
Principal repayments and other loan servicing activity	10,028,452	8,121,583	4,324,618
Acquisition, net of cash and restricted cash acquired	(16,051)	(5,999)	(222,433)
Purchases of intangible assets	—	(25,415)	—
Additions to property, equipment and software	(120,775)	(86,290)	(20,252)
Purchases of securities available for sale	(1,082,147)	(1,841,380)	—
Proceeds from maturities and repayments of securities available for sale	1,537,495	311,035	—
Other investing cash inflows/(outflows)	3,706	(21,431)	(30,725)
Net cash used in investing activities	(1,653,070)	(2,011,338)	(1,022,033)
Cash flows from financing activities			
Proceeds from funding debt	6,894,971	4,101,134	2,942,254
Proceeds from issuance of convertible debt, net	—	1,704,300	—
Proceeds from issuance of notes and residual trust certificates by securitization trusts	1,150,000	999,394	1,395,879
Proceeds from initial public offering, net	—	—	1,305,176
Principal repayments of funding debt	(5,801,531)	(4,090,562)	(3,165,103)
Principal repayments of notes issued by securitization trusts	(606,299)	(552,046)	(210,368)
Payment of debt issuance costs	(22,443)	(13,751)	(12,499)
Extinguishment of convertible debt	(206,567)	—	—
Proceeds from exercise of common stock options and warrants and contributions to ESPP	15,768	73,914	47,042
Payments of tax withholding for stock-based compensation	(73,845)	(185,178)	(158,280)
Repurchases of common stock	(109)	(86)	(800)
Proceeds from issuance of redeemable convertible preferred stock, net	—	—	434,542
Repurchases and conversion of redeemable convertible preferred stock	—	—	(13)
Net cash provided by financing activities	1,349,945	2,037,119	2,577,830
Effect of exchange rate changes on cash, cash equivalents and restricted cash	81	(5,412)	1,837
Net increase (decrease) in cash, cash equivalents and restricted cash	**(290,863)**	**(141,825)**	**1,364,504**
Cash, cash equivalents and restricted cash, beginning of period	1,550,807	1,692,632	328,128
Cash, cash equivalents and restricted cash, end of period	**$ 1,259,944**	**$ 1,550,807**	**$ 1,692,632**

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

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

	Year ended June 30,		
	2023	**2022**	**2021**
Reconciliation to amounts on consolidated balance sheets (as of period end)			
Cash and cash equivalents	892,027	1,255,171	1,466,558
Restricted cash	367,917	295,636	226,074
Total cash, cash equivalents and restricted cash	**$ 1,259,944**	**$ 1,550,807**	**$ 1,692,632**

	Year ended June 30,		
	2023	**2022**	**2021**
Supplemental disclosures of cash flow information			
Cash payments for interest expense	$ 163,191	$ 51,524	$ 41,690
Cash paid for operating leases	16,354	15,561	13,215
Cash paid for income taxes	808	220	219
Supplemental disclosures of non-cash investing and financing activities			
Stock-based compensation included in capitalized internal-use software	$ 80,108	$ 54,542	$ 13,999
Issuance of common stock in connection with settlement of contingent consideration liability	13,674	32,109	—
Securities retained under unconsolidated securitization transactions	—	54,997	—
Issuance of common stock in connection with acquisition	—	10,000	331,498
Right of use assets obtained in exchange for operating lease liabilities	494	4,604	78,421
Additions to property and equipment included in accrued expenses	—	107	6
Conversion of redeemable convertible preferred stock	—	—	1,327,271
Issuance of warrants in exchange for commercial agreement	—	—	270,579
Conversion of convertible debt	—	—	88,559
Acquisition of commercial agreement asset	—	—	25,900

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

AFFIRM HOLDINGS, INC.
NOTES TO THE 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 60 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 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”).

Our 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 VIE variable interests arise 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 consolidated financial statements in conformity with U.S. GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts in the 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 fair value of assets acquired and any contingent consideration transferred in business combinations, the evaluation for impairment of intangible assets and goodwill, the fair value of available for sale debt securities including retained interests in our securitization trusts, the fair value of residual certificates issued by our securitization trusts held by third parties, and stock-based compensation, including the fair value of warrants issued to nonemployees. We base our estimates on 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 consolidated financial statements; therefore, actual results could differ materially from those estimates.

Immaterial Correction of Prior Period Amounts

Subsequent to the issuance of our financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, which was filed with the SEC on September 17, 2021, we identified understatements in certain prior period amounts related to stock-based compensation.

We measure stock-based compensation based on the fair value of an award at the grant date and recognize expense over the vesting period of the award based on the estimated portion of the award that is expected to vest. An incorrect determination of the grant date and service inception dates for certain awards granted prior to our initial public offering ("IPO"), as well as incorrect treatment of expense recognition for certain terminated employees, resulted in an understatement of additional paid in capital and misstatement of stock-based compensation expense as of and for the year ended June 30, 2021 as previously reported.

Accordingly, we have corrected the accompanying financial statements and related footnotes as of and for the year ended June 30, 2021 from amounts previously reported. We have evaluated the materiality of these misstatements based on an analysis of quantitative and qualitative factors and concluded they were not material to the prior period financial statements, individually or in aggregate.

The following tables provide the impact of the correction as of and for the year ended June 30, 2021, as presented below (in thousands):

	Year Ended June 30, 2021		
	As Previously Reported	**Adjustments**	**As Corrected**
Consolidated statement of operations and comprehensive loss			
Processing and servicing	73,767	(189)	73,578
Technology and data analytics	256,082	(6,746)	249,336
Sales and marketing	184,279	(2,089)	182,190
General and administrative	370,251	13,498	383,749
Total operating expenses	**1,249,657**	**4,474**	**1,254,131**
Other expense, net	(54,073)	(5,630)	(59,703)
Loss before income taxes	**(433,266)**	**(10,104)**	**(443,370)**
Net loss attributable to common stockholders	**(430,923)**	**(10,104)**	**(441,027)**
Foreign currency translation adjustments	7,042	4	7,046
Net comprehensive income	**7,071**	**4**	**7,075**
Comprehensive loss	**(423,852)**	**(10,100)**	**(433,952)**
Net loss per share attributable to common stockholders for Class A and Class B:			
Basic	$ (2.72)	$ (0.06)	$ (2.78)
Diluted	$ (2.88)	$ (0.06)	$ (2.94)

	Year Ended June 30, 2021		
	As Previously Reported	Adjustments	As Corrected
Consolidated statement of redeemable convertible preferred stock and stockholders’ equity			
Stock-based compensation - additional paid-in capital	302,032	4,474	306,506
Foreign currency translation adjustments - accumulated other comprehensive income (loss)	7,042	4	7,046
Net loss - accumulated deficit	(430,923)	(10,104)	(441,027)
Balance as of June 30, 2021 - total stockholders' equity	**2,581,153**	**(5,626)**	**2,575,527**

	Year Ended June 30, 2021		
	As Previously Reported	Adjustments	As Corrected
Consolidated statement of cash flows			
Cash flows from operating activities			
Net loss	(430,923)	(10,104)	(441,027)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in fair value of assets and liabilities	51,655	5,630	57,285
Stock-based compensation	288,033	4,474	292,507
Net cash used in operating activities	**(193,130)**	**—**	**(193,130)**

Segment Reporting

We conduct our operations through a single operating segment and, therefore, one reportable segment. Operating segments are components of a company for which separate financial information is internally produced for regular use by the Chief Operating Decision Maker (“CODM”) to allocate resources and assess the performance of the business. Our CODM, the Chief Executive Officer of Affirm Holdings, Inc., uses a variety of measures to assess the performance of the business; however, detailed profitability information that could be used to allocate resources and assess the performance of the business is managed and reviewed for the consolidated company as a whole.

Business Combination

We use the acquisition method of accounting for business combination transactions, and, accordingly, recognize the fair values of assets acquired and liabilities assumed in our consolidated financial statements. Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value. Transaction costs related to the acquisition of the acquired company are expensed as incurred. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Cash and Cash Equivalents

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 and agency securities, and other corporate securities purchased with an original maturity of three months or less.

Restricted Cash

Restricted cash consists primarily of: (i) deposits restricted by standby letters of credit for office leases and certain commercial agreements; (ii) funds held in accounts as collateral for our originating bank partners; (iii) servicing funds held in accounts contractually restricted by agreements with warehouse credit facilities, securitization trusts, and third-party loan owners; and (iv) pledged cash collateral requirements for certain derivative agreements. Our ability to withdraw funds is restricted by contractual provisions under the applicable agreements.

Securities Available for Sale

We hold certain investments in marketable debt securities and retained interests in our unconsolidated securitization trusts which are accounted for under ASC Topic 320, “Investments - Debt Securities” (“ASC 320”). We have classified these investments as available for sale, as defined within ASC 320. These investments are held at fair value with changes in fair value recorded in unrealized gain (loss) on securities available for sale, net within other comprehensive income (loss), excluding the portion relating to any credit loss. As of the end of each reporting period, management reviews each security where the fair value is less than the amortized cost to determine whether any portion of the decline in fair value is due to a credit loss and/or whether or not we intend to sell or will be required to sell such security before recovery of its amortized cost basis. The portion of any decline in fair value which management identifies as a credit loss will be recognized as an allowance for credit losses through other (expense) income, net. To the extent management intends to sell or may be required to sell a security in an unrealized loss position, we 1) reverse any previously recorded allowance for credit losses with an offsetting entry to reduce the amortized cost basis of the security and 2) write-off any remaining portion of the amortized cost basis to equal its fair value, with this change recorded through other (expense) income, net.

Interest income for available for sale securities is recorded within other (expense) income, net.

Available for sale securities initially purchased with less than 90 days until maturity with quoted transaction prices in an active market are classified as cash and cash equivalents.

With respect to retained interests in our securitization trusts, we apply the guidance in ASC Topic 325, “Investments - Other” (“ASC 325”) relating to beneficial interests. Accordingly, we recognize interest income each period based on the effective interest rate calculated using expected cash flows. Changes in the timing of expected cash flows are accounted for prospectively through an adjustment to interest income. When fair value is below amortized cost, we record an allowance for credit losses measured based on the difference between amortized cost and projected cash flows discounted at the effective interest rate. The allowance for credit losses is capped at the difference between amortized cost and fair value.

Loans Held for Investment

We either originate loans directly or purchase our loans from our originating bank partners pursuant to the terms outlined in the respective executed loan sale program agreements between us and our bank partners. Loan receivables that we have the intent and ability to hold for the foreseeable future or until maturity or payoff are classified as held for investment and are reported at amortized cost, which includes unpaid principal balances, any related premiums including fees paid to our originating bank partners and discounts due to loss on loan purchase commitment for loans with a fair value below the purchase price, where applicable, adjusted for any charge-offs. The amortized cost is adjusted for the allowance for credit losses within loans held for investment, net.

Loans Held for Sale

We sell certain loans to third-party loan buyers and securitization trusts. A loan is initially classified as held for sale when the loan is identified as for sale to a third party loan buyer or to be sold to a securitization trust that is anticipated to be off balance sheet. Loans classified as held for sale are recorded at the lower of amortized cost or fair value. A loan that is initially designated as held for sale or held for investment may be reclassified when our intent for that loan changes. When a loan held for investment is reclassified to held for sale and reported at fair value, any allowance for the credit loss related to that loan is released and any fair value adjustment to record the loan at the lower of amortized cost or fair value is recorded. Our loans designated as held for sale are generally sold within one to three days of the balance sheet date. Fair value adjustments were not material for loans designated as held for sale as of June 30, 2023 and June 30, 2022.

Transfers of Financial Assets

We account for loan sales in accordance with ASC 860, “Transfers and Servicing” (“ASC 860”) which states that a transfer of financial assets, a group of financial assets, or a participating interest in a financial asset is accounted for as a sale if all of the following conditions are met:

a. The financial assets are isolated from the transferor and its consolidated affiliates as well as its creditors;
b. The transferee or beneficial interest holders have the right to pledge or exchange the transferred financial assets; and
c. The transferor does not maintain effective control of the transferred assets.

When the requirements for sale accounting are met, we record the gain or loss on the sale of a loan at the sale date in an amount equal to the proceeds received less the carrying value of the loan, adjusted for initial recognition of assets obtained and liabilities incurred at the date of sale.

Upon the sale of a loan to a third-party loan buyer or unconsolidated securitization trust in which we retain servicing rights, we may recognize a servicing asset or liability. A servicing asset or liability arises when our contractual servicing fee with a counterparty differs from the adequate compensation rate that would be required by a third party to service the same portfolio of assets, as defined by ASC 860. Servicing assets and liabilities are measured and recorded at fair value and are presented as a component of other assets or accrued expenses and other liabilities, respectively. The recognition of a servicing asset results in a corresponding increase to the gain on sales of loans. The recognition of a servicing liability results in a corresponding decrease to gain on sales of loans. The servicing rights are remeasured at fair value each period, with the subsequent adjustment recognized in servicing income.

In connection with the sale of a loan to a third-party loan buyer or unconsolidated securitization trust we may also recognize a recourse liability in accordance with ASC 460, “Guarantees” (“ASC 460”) as in certain circumstances we may become required to re-purchase loans from third-party investors due to breaches in representations and warranties. The recognition of a recourse liability results in a corresponding decrease to gain on sales of loans. The recourse liability is amortized over the loan term and remeasured each period based on the outstanding loan balance and changes in our expectation of future repurchase obligations. Subsequent remeasurement of the recourse liability is recognized in other income (expense), net on the consolidated statement of operations and comprehensive loss.

Allowance for Credit Losses on Loans Held for Investment

The allowance for credit losses on loans held for investment is determined based on management’s current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations on individual loans as of each balance sheet date. We immediately recognize an allowance for expected credit losses upon the origination of a loan. 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 consolidated statements of operations and comprehensive loss. We have made an accounting policy election to not measure an allowance for credit losses for accrued interest receivables. Previously recognized interest receivable from charged-off loans that is accrued but not collected from the consumer is reversed.

In estimating the allowance for credit losses, management utilizes a migration analysis of delinquent and current loan receivables. Migration analysis is a technique used to estimate the likelihood that a loan receivable will progress through various stages of delinquency and to charge-off. The analysis focuses on the pertinent factors underlying the quality of the loan portfolio. These factors include historical performance, the age of the receivable balance, seasonality, customer credit-worthiness, changes in the size and composition of the loan portfolio, delinquency levels, bankruptcy filings and actual credit loss experience. We also take into consideration certain qualitative factors where we adjust our quantitative baseline using our best judgment to consider the inherent uncertainty regarding future economic conditions and consumer loan performance. For example, the Company considers the impact of current economic factors at the reporting date that did not exist over the period from which historical experience was used. As of June 30, 2023, we have considered the impact of Federal Reserve monetary policy, labor market trends, inflation, consumer sentiment, and the end of the student loan repayment pause.

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 or meets other charge-off policy requirements. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses. Refer to Note 4. Loans Held for Investment and Allowance for Credit Losses for more information.

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 $12.9 million and $13.9 million as of June 30, 2023 and June 30, 2022, respectively.

Property, Equipment and Software, net

Property, equipment and software consist of computer and office equipment, capitalized internal-use developed software and website development costs and leasehold improvements. Property, equipment and software is stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are recognized using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the improvement's estimated useful life or the remaining lease term.

We capitalize costs to develop internally developed software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software or website will function and be used as intended. Capitalized internal-use software costs primarily include salaries and payroll-related costs for employees directly involved in the development efforts, software licenses acquired and fees paid to external consultants. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, which is three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. Costs incurred for enhancements that are expected to result in additional functionality are capitalized and expensed over the estimated useful life of the upgrades. Capitalized internally developed software costs are included in property, equipment and software, and amortization expense is included in technology and data analytics expense in the consolidated statements of operations and comprehensive loss.

Property, equipment and software is tested for impairment when there is an indication that the carrying value of the asset group it belongs to may not be recoverable. This would occur if the undiscounted cash flows estimated to be generated by an asset group are less than its carrying value. When an asset group is determined not to be recoverable, the impairment is measured based on the excess, if any, of the carrying value of the asset group over its respective fair value and recorded in the period the determination is made.

Goodwill and Intangible Assets

We recognize the excess of the purchase price over the fair value of identifiable net assets acquired at the acquisition date as goodwill. Goodwill is not amortized but is reviewed for impairment annually and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. If the fair value of the reporting unit is greater than the reporting unit's carrying value, then the carrying value of the reporting unit is deemed to be recoverable. If the carrying value of the reporting unit is greater than the reporting unit's fair value, goodwill is impaired and written down to the reporting unit's fair value.

Identifiable intangible assets include developed technology, merchant relationships, assembled workforce, and trade names resulting from acquisitions, including asset acquisitions. Acquired intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated economic lives on a straight-line basis. Acquired intangible assets are presented net of accumulated amortization on the consolidated balance sheets. We review the carrying amounts of intangible assets for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. We measure the recoverability of the asset group by comparing its carrying amount to the future undiscounted cash flows we expect the asset group to generate. If we consider the asset group to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset group exceeds its fair value. In addition, we periodically evaluate the estimated remaining useful lives of long-lived intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation or amortization.

Leases

We determine whether an arrangement is a lease for accounting purposes at contract inception. For operating leases, we record a right-of-use asset ("ROU") within other assets in our consolidated balance sheets, which represents our right to use an underlying asset for the lease term. A corresponding lease liability, which represents our obligation to make lease payments arising from the lease, is recorded in accrued expenses and other liabilities in our consolidated balance sheets.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To discount the lease payments, we use an incremental borrowing rate derived from a corporate yield curve corresponding with the lease term using information available on the commencement date. We have the option to renew or extend our leases. We include these periods in the lease term when a decision has been made to exercise the option. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

We have elected the practical expedient allowing the combination of lease and non-lease components by class of underlying asset. We have also elected the short-term lease exception and will not recognize right-of-use assets or lease liabilities for qualifying leases with a term of less than 12 months from lease commencement.

Non-marketable Equity Securities

Non-marketable equity securities which do not have a readily determinable fair value are measured at cost less impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer (the "measurement alternative").

Unrealized and realized gains and losses on the investment due to impairment or observable price changes in orderly transaction for an identical or similar investment of the same issuer, if any, are recognized in other (expense) income, net on our consolidated statements of operations and comprehensive loss and a new carrying value is established for the investment upon such recognition.

Funding Debt and Debt Issuance Costs

To finance loans we originate directly or that we purchase from our originating bank partners, we borrow from various lenders through collateralized funding arrangements, which include our warehouse credit facilities secured by pledged loans and sale and repurchase agreements secured by pledging certain retained interests in our off balance sheet securitizations. These borrowings are carried at amortized cost. Costs incurred in connection with borrowings, such as banker fees, commitment fees and legal fees, are classified as deferred debt issuance costs. We defer these costs and amortize them on a straight-line basis over the expected term of the debt. Interest payments and amortization of debt issuance costs incurred on funding debt is presented as funding costs in the consolidated statements of operations and comprehensive loss. Unamortized debt issuance costs are presented as a reduction of the associated debt.

Notes Issued by Securitization Trusts

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. 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 consolidated balance sheets. We defer and amortize note issuance costs, including banker fees, legal fees and other professional service fees, for consolidated securitization trusts on a straight-line basis over the expected life of the notes. Interest payments and amortization of note issuance costs incurred is presented as funding costs in the consolidated statements of operations and comprehensive loss. Unamortized note issuance costs are presented as a reduction of the associated notes.

Income Taxes

Income taxes are accounted for using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as an income tax expense (benefit) in the period that includes the enactment date.

Valuation allowances are provided when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback or carryforward periods available under the applicable tax law. We regularly review the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences, and tax planning strategies; however, in evaluating the positive evidence available, expectations of future taxable income and projections for growth are usually not sufficient to overcome the negative evidence of the presence of a three-year cumulative loss. Should there be a change in the ability to recover deferred tax assets, our income tax provision would increase or decrease in the period in which the assessment is changed.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex federal, state, and foreign tax laws and regulations, and positions taken in our tax returns may be subject to challenge by the taxing authorities upon examination. In accordance with applicable accounting guidance, uncertain tax positions are recognized in the financial statements only when it is more likely than not that the positions will be sustained upon examination by the tax authorities, assuming full knowledge of the position and all relevant facts. Interest and penalties, if any, on income tax uncertainties are classified within income tax expense in the income statement.

Fair Value of Assets and Liabilities

ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820"), defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that use, as inputs, observable market-based parameters to the greatest extent possible.

Additionally, ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Revenue Recognition

Our revenue consists of five components: merchant network revenue, card network revenue, interest income, gain on sale of loans and servicing income. Refer to Note 3. Revenue for additional information.

Loss on Loan Purchase Commitment

We purchase certain loans from our originating bank partners that are processed through our platform that our originating bank partner puts back to us. Under the terms of the agreements with our originating bank partners, we are generally required to pay the principal amount plus accrued interest for such loans and fees. 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 consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Due to the nature of this arrangement with our originating bank partners, we recognize a net liability for this commitment when the merchant confirms the transaction. This liability is recorded at fair value, which is determined by the difference between the estimated fair value of the loan and the anticipated purchase price. Upon purchase, the liability is included in the amortized cost basis of the purchased loan as a discount, which is amortized into interest income over the life of the loan.

Customer Referral Partners

From time to time, we make payments to customer referral partners providing lead generation services for each transaction processed through our technology platform. We first evaluate whether the customer referral partner is a customer or a vendor. We consider customer referral partners as customers if we determine they are the principal to eligible merchants in providing the facilitation of credit service. We consider customer referral partners as vendors if we determine that we are the principal to eligible merchants in providing the facilitation of credit service.

Payments made to customer referral partners that are considered to be our customer are recorded as a reduction of revenue, and payments made to customer referral partners that are not considered to be our customers are recorded in processing and servicing expense, respectively, over the associated period of benefit within our consolidated statements of operations and comprehensive loss.

Sales and Marketing Costs

Sales and marketing costs include the expense related to warrants and other share-based payments granted to our enterprise partners. See Note 6. Balance Sheet Components for more information on these arrangements. Sales and marketing costs also include salaries and personnel-related costs, as well as costs of marketing and promotional activities, promotional event programs, sponsorships, and allocated overhead. A portion of these costs related to general marketing and promotional activities are considered advertising costs within the meaning of ASC Topic 720, "Other Expenses" ("ASC 720"), and are expensed as incurred. Advertising costs totaled $22.6 million, $74.0 million and $48.1 million for the years ended June 30, 2023, 2022, and 2021, respectively.

Derivative Instruments

We use derivative financial instruments ("derivatives") to manage exposure to variable interest rates. Our primary objective in holding derivatives is to reduce the volatility in cash flows associated with our funding activities arising from changes in interest rates. We do not employ derivatives for trading or speculative purposes.

We use a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risk associated with variable interest rates. ASC Topic 815 "Derivatives and Hedging" ("ASC 815") requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position at fair value. In accordance with ASC 815, we designate certain derivative instruments as cash flow hedges, while others are not designated as hedges. Certain of our derivative agreements provide for netting arrangements for contracts that settle with the same counterparty, however, we do not offset assets and liabilities under these arrangements for financial statement presentation purposes. As such, the fair values are presented gross within other assets and accrued expenses and other liabilities. Offsetting collateral received by or paid to the counterparty is presented gross within accrued expenses and other liabilities or other assets, as applicable, on the consolidated balance sheet.

Cash Flow Hedges

We have interest rate swaps designated as cash flow hedges in order to mitigate our exposure to changes in interest rates on our variable rate warehouse funding debt. Swaps that qualify as cash flow hedges are documented and designated as such when we enter into the contracts. In accordance with our risk management policies, we structure our hedges with terms similar to that of the item being hedged. At inception of the hedge accounting relationship and on a quarterly basis, we formally assess whether derivatives designated as cash flow hedges are highly effective in offsetting changes to the forecasted cash flows of the hedged items.

If the cash flow hedges are deemed to be highly effective, the gain or loss on the cash flow hedges are recorded in other comprehensive income (loss) ("OCI") and reclassified into earnings when the hedged cash flows are recognized in funding costs within the consolidated statements of operations and comprehensive income. The amount that is reclassified into earnings is presented in the consolidated statements of operations and comprehensive loss within funding costs, the same line item in which the hedged transaction is recognized.

Derivatives Not Designated as Hedges

We have interest rate caps and interest rate swaps that are not designated as hedging instruments. We enter into these contracts to manage interest rate risk. Any changes in the fair value of these financial instruments are reflected in other (expense) income, net, on the consolidated statements of operations and comprehensive loss.

See Note 12. Derivative Financial Instruments for additional information on our derivative assets and liabilities

Stock-Based Compensation

We account for stock-based compensation expense in accordance with the fair value recognition and measurement provisions of U.S. GAAP, which requires compensation cost for the grant date fair value of stock-based awards to be recognized over the requisite service period. We have elected to estimate the expected forfeiture rate for service-based awards and only recognize expense for those stock-based awards expected to vest. We estimate the forfeiture rate based on our historical experience with stock-based awards that are granted and forfeited prior to vesting.

The fair value of stock-based awards, granted or modified, is determined on the grant date (or modification or acquisition dates, if applicable) at fair value, using appropriate valuation techniques.

Service-Based Awards

We record stock-based compensation expense for service-based stock options and restricted stock units ("RSUs") on a straight-line basis over the requisite service period, which is generally one to four years. The fair value of each RSU is equal to the closing stock price on the date of grant. The fair value of each option on the date of grant is determined using the Black Scholes-Merton option pricing model using the single-option award approach. We estimate volatility using a weighted average of our historical volatility and the historical volatility of selected comparable publicly-traded companies due to the limited time period of historical market data for our common stock. The risk-free interest rate is determined using a U.S. Treasury rate for the period that coincides with the expected term of the award. We use the simplified method to determine an estimate of the expected term of an employee stock option.

We account for stock-based awards to non-employees, including consultants, in accordance with ASC Topic 718, "Compensation — Stock Compensation" ("ASC 718"), in which equity-classified awards are measured at the grant date fair value and recognized as expense in the period and manner as though we had paid cash in exchange for goods or services instead of granting a stock-based award.

Performance-Based Awards

Prior to the IPO, we granted RSUs that 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 certain change in control transactions or an initial public offering). The performance-based condition was met upon the IPO. We record stock-based compensation expense for these awards on an accelerated attribution method over the requisite service period, which is generally four years.

Upon exercise or vesting of a stock-based award, the tax effect of the difference, if any, between the cumulative compensation cost recognized for financial statement purposes and the deduction for income tax purposes, will be recognized as an income tax expense or benefit in the consolidated statement of operations.

Market-Based Awards

We have granted stock option awards with service-based, performance-based, and market-based vesting conditions. We determined the grant date fair value of these awards by utilizing a Monte Carlo simulation model that incorporates the probability of achievement of the market-based conditions. The Monte Carlo simulation also incorporates assumptions including expected stock price volatility, expected term, and risk-free interest rates. We estimated the volatility of common stock on the date of grant based on the weighted-average historical stock price volatility of comparable publicly-traded companies in our industry group. We estimated the expected term of the award based on various exercise scenarios. The risk-free interest rate was determined using a U.S. Treasury rate for the period that coincides with the expected term of the award.

We record stock-based compensation expense for market-based equity awards on an accelerated attribution method over the requisite service period, and only if performance-based conditions are considered probable of being satisfied.

Foreign Currency

We have wholly-owned foreign subsidiaries that use the local currency of their respective country as their functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenue, costs, and expenses of these subsidiaries are translated into U.S. dollars using daily exchange rates when incurred. Gains and losses resulting from these translations are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"). Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as other income (expense), net, in our consolidated statements of operations and comprehensive loss.

Basic and Diluted Net Loss per Common Share

We calculate net income or loss per share using the two-class method. The two-class method requires income available to common stockholders for the period to be allocated between each class of common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. Our participating securities include common stock issued upon the early exercise of stock options and convertible senior notes. We consider any shares issued upon early exercise of stock options, subject to repurchase, to be participating securities because holders of such shares have non-forfeitable dividend rights in the event a cash dividend is declared on our common stock. These participating securities do not contractually require the holders of such shares to participate in our losses. As such, net losses for the years presented were not allocated to our participating securities.

We calculate basic net loss per share attributable to common stockholders for Class A and Class B common stock by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding in each class for the period.

We calculate diluted net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding in each class, after giving consideration to the dilutive effect of our stock options, restricted stock units, employee stock purchase plan shares, convertible debt and common stock warrants that are outstanding during the period. We have generated a net loss in all periods presented, and therefore, the basic and diluted net loss per share attributable to common stockholders are the same as the inclusion of the potentially dilutive securities would be anti-dilutive.

Recently Adopted Accounting Standards

Financial Instruments - Credit Losses

In March 2022, the FASB issued Accounting Standards Update ("ASU") 2022-02, "Financial Instruments— Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosure" which addresses areas identified by the FASB as part of its post-implementation review of the current expected credit losses model or "CECL" previously issued in ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326)". The amendments in this ASU eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing the disclosure requirements for loan refinancing and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases in the vintage disclosures. For entities that have adopted ASU 2016-13, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted if an entity has adopted ASU 2016-13.

Amendments in this ASU should be applied prospectively except for the transition method related to the accounting for troubled debt restructurings in which an entity has the option to apply a modified retrospective transition method resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. We early adopted the new standard effective July 1, 2022 on a prospective basis. The adoption of the guidance did not have a material impact on our financial statements.

Business Combinations

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”, which requires contract assets and contract liabilities, such as deferred revenue, acquired in a business combination to be recognized and measured in accordance with Topic 606 (Revenue from Contracts with Customers). ASU 2021-08 is expected to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. The ASU is effective for fiscal years beginning after December 15, 2022 and should be applied prospectively to acquisitions occurring on or after the effective date. Early adoption is permitted, including for interim periods, and is applicable to all business combinations for which the acquisition date occurs within the beginning of the fiscal year of adoption. We early adopted the new standard effective January 1, 2023 on a prospective basis. The adoption of the guidance did not have a material impact on our financial statements.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”. Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Interbank Offered Rate (“LIBOR”). In January 2021, the FASB also issued ASU 2021-01, “Reference Rate Reform (Topic 848): Scope”, which provides additional optional expedients and exceptions applicable to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. In December 2022, the FASB issued ASU 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848”, to extend the temporary accounting rules under Topic 848 from December 31, 2022 to December 31, 2024. These ASUs are effective for all entities upon their respective issuance dates through December 31, 2024. The adoption of the guidance did not have a material impact on our financial statements.

3. Revenue

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

	Year ended June 30,		
	2023	**2022**	**2021**
Merchant network revenue	$ 507,600	458,511	379,551
Card network revenue	119,338	100,696	49,851
Interest income	685,217	527,880	326,417
Gain on sales of loans	188,341	196,435	89,926
Servicing income	87,489	65,770	24,719
Total revenue, net	$ 1,587,985	$ 1,349,292	$ 870,464

Merchant Network Revenue — Revenue from Contracts with Customers

Merchant network revenue consists of merchant fees. Merchant partners (or integrated merchants) are generally charged a fee based on 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.

On May 5, 2021, our largest merchant partner at the time, Peloton, announced a voluntary recall of two of its products following a report by the U.S. Consumer Product Safety Commission released on April 17, 2021. Pursuant to ASC 606, we revised our estimate of the variable consideration associated with revenue earned on the facilitation of transactions related to the recalled products and recorded a reduction in revenue of $5.4 million during the year ended June 30, 2021.

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 years ended June 30, 2023 and 2022, there were no merchants that exceeded 10% of total revenue. For the year ended 2021, approximately 20% of total revenue was driven by one merchant.

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 debit 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 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):

	Year ended June 30,		
	2023	**2022**	**2021**
Contractual interest income on unpaid principal balance	$ 561,192	365,993	237,526
Amortization of discount on loans	158,703	185,050	101,078
Amortization of premiums on loans	(17,628)	(13,085)	(9,018)
Interest receivable charged-off, net of recoveries	(17,050)	(10,078)	(3,169)
Total interest income	$ 685,217	$ 527,880	$ 326,417

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 June 30, 2023, June 30, 2022, and June 30, 2021, the balance of loans held for investment on non-accrual status was $1.8 million, $1.7 million, and $1.1 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. We recognize this revenue on a monthly basis. 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):

	June 30, 2023	June 30, 2022
Unpaid principal balance	$ 4,451,324	$ 2,516,733
Accrued interest receivable	41,079	20,697
Premiums on loans held for investment	7,135	8,911
Less: Discount due to loss on loan purchase commitment	(51,190)	(20,692)
Less: Discount due to loss on directly originated loans	(45,145)	(20,443)
Less: Fair value adjustment on loans acquired through business combination	(241)	(1,645)
Total loans held for investment	$ 4,402,962	$ 2,503,561

Loans held for investment includes loans originated through our originating bank partners and directly originated loans. The majority of the loans that are underwritten using our technology platform and originated by our originating bank partners are later purchased by us. We purchased loans from our originating bank partners in the amount of $16.2 billion, $12.1 billion, and $7.9 billion for the years ended June 30, 2023, 2022, and 2021, respectively. We directly originated $3.7 billion, $3.3 billion, and $0.6 billion of loans for the years ended June 30, 2023, 2022, and 2021, respectively.

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

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

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

The following table presents an analysis of the credit quality, by ITACs score, of the amortized cost basis excluding accrued interest receivable, by fiscal year of origination on loans held for investment and loans held for sale as of June 30, 2023 (in thousands):

	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.

The following table presents net charge-offs by fiscal year of origination for the year ended June 30, 2023 (in thousands):

	Net Charge-offs by Fiscal Year of Origination						
	2023	2022	2021	2020	2019	Prior	Total
Current period charge-offs	(119,520)	(173,345)	(6,482)	(586)	(89)	(36)	(300,058)
Current period recoveries	5,997	17,719	4,653	1,259	794	587	31,009
Current period net charge-offs	$ (113,523)	$ (155,626)	$ (1,829)	$ 673	$ 705	$ 551	$ (269,049)

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 as of June 30, 2022 (in thousands):

	June 30, 2022						
	Amortized Costs Basis by Fiscal Year of Origination						
	2022	2021	2020	2019	2018	Prior	Total
96+	$ 1,218,104	$ 122,503	$ 33,458	$ 157	$ 1	$ —	$ 1,374,223
94 – 96	620,403	11,240	773	13	2	—	632,431
90 – 94	220,056	3,886	6	4	—	—	223,952
<90	44,300	135	2	—	—	—	44,437
No score[1]	186,044	20,554	3,368	444	79	2	210,491
Total amortized cost basis	$ 2,288,907	$ 158,318	$ 37,607	$ 618	$ 82	$ 2	$ 2,485,534

(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 within four 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):

	June 30, 2023	June 30, 2022
Non-delinquent loans	$ 4,183,248	$ 2,322,919
4 – 29 calendar days past due	92,876	77,963
30 – 59 calendar days past due	36,399	34,669
60 – 89 calendar days past due	28,171	26,919
90 – 119 calendar days past due[1]	21,271	23,064
Total amortized cost basis	$ 4,361,965	$ 2,485,534

(1) Includes $20.9 million and $22.7 million of loan receivables as of June 30, 2023 and June 30, 2022, respectively, that are 90 days or more past due, but are not on nonaccrual status.

We maintain an allowance for credit losses at a level sufficient to absorb expected credit losses based on evaluating known and inherent risks in our loan portfolio. The allowance for credit losses is determined based on our current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations as of each balance sheet date. Adjustments to the allowance each period for changes in our estimate of lifetime expected credit losses are recognized in earnings through the provision for credit losses presented on our 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):

	Year ended June 30,		
	2023	2022	2021
Balance at beginning of period	$ 155,392	$ 117,760	$ 95,137
Adjustment due to adoption of new accounting standard	—	—	10,083
Provision for credit losses	318,188	240,804	63,755
Charge-offs	(300,058)	(227,770)	(65,149)
Recoveries of charged-off receivables	31,009	24,598	13,934
Balance at end of period	$ 204,531	$ 155,392	$ 117,760

5. Acquisitions

During the years ended June 30, 2023 and 2022, there was one acquisition accounted for as a business combination in each of the respective years, discussed further below.

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.

The transaction costs associated with the acquisition were approximately $1.8 million for the year ended June 30, 2023, which are included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

Acquisitions completed during the year ended June 30, 2022

ShopBrain

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

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

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

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

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

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

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

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

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

The transaction costs associated with the acquisition were approximately $0.2 million for the year ended June 30, 2022, which are included in general and administrative expense within the consolidated statements of operations and comprehensive loss. There were no transaction costs associated with the acquisition for the year ended June 30, 2023.

Other acquisitions

Fast

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

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

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

Assembled workforce	$	12,490
Developed technology [1]		12,925
Total	$	25,415

[1] During the year ended June 30, 2023, we completed the purchase of the developed technology intangible asset.

6. Balance Sheet Components

Property, Equipment and Software, net

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

		June 30, 2023		June 30, 2022
Internally developed software	$	377,301	$	200,621
Leasehold improvements		20,214		16,169
Computer equipment		10,187		10,751
Furniture and equipment		6,503		4,279
Total property, equipment and software, at cost	$	414,205	$	231,820
Less: Accumulated depreciation and amortization		(124,070)		(60,338)
Total property, equipment and software, net	$	290,135	$	171,482

Depreciation and amortization expense on property, equipment and software was $82.1 million, $29.2 million and $15.4 million for the years ended June 30, 2023, 2022, and 2021, respectively.

No impairment losses related to property, equipment and software were recorded during the years ended June 30, 2023 and 2022. For the year ended June 30, 2021, we recorded impairment expense of $1.5 million related to property, equipment and software.

Goodwill and Intangible Assets

The changes in the carrying amount of goodwill during the years ended June 30, 2023 and 2022 were as follows (in thousands):

Balance as of June 30, 2021	$	516,515
Additions [(1)]		33,318
Adjustments [(2)]		(10,299)
Balance as of June 30, 2022	$	539,534
Additions [(1)]		9,443
Adjustments [(2)]		(6,406)
Balance as of June 30, 2023	$	542,571

(1) Refer to Note 5. Acquisitions for a description of additions to goodwill during the years ended June 30, 2023 and 2022.
(2) Adjustments to goodwill during the years ended June 30, 2023 and 2022 primarily pertained to foreign currency translation adjustments.

No impairment losses related to goodwill were recorded during the years ended June 30, 2023, 2022, and 2021.

Intangible assets consisted of the following (in thousands):

	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	

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

Amortization expense for intangible assets was $52.5 million, $23.5 million and $4.6 million for the years ended June 30, 2023, 2022 and 2021, respectively. No impairment losses related to intangible assets were recorded during the years ended June 30, 2023, 2022, and 2021.

The expected future amortization expense of these intangible assets as of June 30, 2023 is as follows (in thousands):

2024	$	20,895
2025		1,396
2026		157
2027		15
2028 and thereafter		—
Total amortization expense	$	22,463

Commercial Agreement Assets

During the year ended June 30, 2022, we granted warrants in connection with our commercial agreements with certain subsidiaries of Amazon.com, Inc. (“Amazon”). The warrants were granted in exchange for certain performance provisions and the benefit of acquiring new users. We recognized an asset of $133.5 million associated with the portion of the warrants that were fully vested upon grant. The asset was valued based on the fair value of the warrants and represents the probable future economic benefit to be realized over the approximate 3.2 year term of the commercial agreement at the grant date. For the years ended June 30, 2023 and 2022, we recognized amortization expense of $41.4 million and $26.3 million, respectively, in our consolidated statements of operations and comprehensive loss as a component of sales and marketing expense. Refer to Note 14. Stockholders’ Equity for further discussion of the warrants.

During the year ended June 30, 2021, we recognized an asset in connection with a commercial agreement with Shopify Inc. (“Shopify”), in which we granted warrants in exchange for the opportunity to acquire new merchant partners. This asset represents the probable future economic benefit to be realized over the expected benefit period and is valued based on the fair value of the warrants on the grant date. We recognized an asset of $270.6 million associated with the fair value of the warrants, which were fully vested as of June 30, 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. We recorded amortization expense related to the commercial agreement asset of $35.8 million, $62.2 million, and $64.9 million for the years ended June 30, 2023, 2022, and 2021, respectively, in our consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

During the year ended June 30, 2021, we recognized an asset in connection with a commercial agreement with an enterprise partner, in which we granted stock appreciation rights in exchange for the benefit of acquiring access to the partner's consumers. This asset represents the probable future economic benefit to be realized over the three-year expected benefit period and is valued based on the fair value of the stock appreciation rights on the grant date. We initially recognized an asset of $25.9 million associated with the fair value of the stock appreciation rights. We recorded amortization expense related to the asset of $8.3 million, $8.1 million, and $4.3 million for the years ended June 30, 2023, 2022, and 2021, respectively, in our 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):

	June 30, 2023	June 30, 2022
Processing reserves	$ 60,039	$ 26,483
Derivative instruments	50,545	49,983
Equity securities, at cost	43,172	43,172
Prepaid expenses	35,626	37,497
Operating lease right-of-use assets	30,171	50,671
Other assets	59,061	73,761
Total other assets	$ 278,614	$ 281,567

Accrued Expenses and Other Liabilities

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

	June 30, 2023	June 30, 2022
Collateral held for derivative instruments	$ 53,267	$ 55,779
Operating lease liability	52,557	65,713
Accrued expenses	50,704	67,343
Other liabilities	24,355	48,763
Total accrued expenses and other liabilities	$ 180,883	$ 237,598

7. Leases

We lease facilities under operating leases with various expiration dates through 2030. We have the option to renew or extend our leases. Certain lease agreements include the option to terminate the lease with prior written notice ranging from 9 months to one year. As of June 30, 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 consolidated balance sheets and totaled $9.7 million as of both June 30, 2023 and June 30, 2022.

During the years ended June 30, 2023 and June 30, 2021, we decided to sublease a portion of our leased office space in San Francisco. As a result, we recorded a lease impairment charge of $1.2 million and $11.5 million, respectively related to several of our operating lease ROU assets, included in general and administrative expense on our consolidated statements of operations and comprehensive loss. For the year ended June 30, 2022, the impairment expense related to leases was not material to our consolidated statements of operations.

Operating lease expense was as follows (in thousands):

	Year ended June 30,		
	2023	2022	2021
Operating lease expense [1] [2]	$ 18,954	$ 15,200	$ 15,300

[1] During the year ended June 30, 2023, we incurred charges of $4.7 million, within restructuring and other, on our consolidated statements of operations, related to a reduction to our ROU lease assets.

[2] Lease expenses for our short-term leases were immaterial for the years presented.

We have subleased a portion of our leased facilities. Sublease income totaled $3.4 million and $3.1 million during the years ended June 30, 2023 and 2022, respectively. There was no sublease income for the year ended June 30, 2021.

Lease term and discount rate information are summarized as follows:

	June 30, 2023
Weighted average remaining lease term (in years)	3.9
Weighted average discount rate	4.8%

Maturities of operating lease liabilities as of June 30, 2023 are as follows (in thousands) for the years ended:

2024	$ 16,496
2025	16,317
2026	15,371
2027	2,680
2028	2,185
Thereafter	5,503
Total lease payments	58,552
Less imputed interest	(5,995)
Present value of total lease liabilities	$ 52,557

8. Commitments and Contingencies

Repurchase Obligation

Under the normal terms of our whole loans sales to third-party investors, we may become obligated to repurchase loans from investors in certain instances where a breach in representation and warranties is identified. Generally, a breach in representation and warranties 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 June 30, 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.

Toole v. Affirm Holdings, Inc.

On February 28, 2022, plaintiff Jeffrey Toole filed a putative class action against Affirm and Max Levchin in the U.S. District Court for the Northern District of California (the “Toole action”). The Toole action alleged that Affirm violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder by issuing and then subsequently deleting a tweet from its official Twitter account on February 10, 2022, which omitted full details of Affirm’s second quarter fiscal 2022 financial results. Plaintiff sought class certification, unspecified compensatory and punitive damages, and costs and expenses. On September 28, 2022, the Court granted Affirm’s motion to dismiss for failure to state a claim with leave to amend within 21 days. No amended complaint was filed by the deadline. On October 20, 2022, the Court dismissed the putative class action and entered judgment in Affirm’s favor.

Vallieres v Levchin, et al.

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

Williams v. Levchin, et al.

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

Kusnier v. Affirm Holdings, Inc.

On December 8, 2022, plaintiff Mark Kusnier filed a putative class action lawsuit against Affirm, Max Levchin, and Michael Linford in the U.S. District Court for the Northern District of California (the “Kusnier action”). Plaintiff’s amended complaint filed on May 5, 2023 alleges that 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. In light of the above, plaintiff asserts that Affirm violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and that Levchin and Linford violated Section 20(a) of the Exchange Act. Plaintiff seeks class certification, unspecified compensatory and punitive damages, and costs and expenses.

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. 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 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. 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.

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 June 30, 2023 and June 30, 2022 were not material. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty.

Purchase Commitments

During the year ended June 30, 2023, we entered into non-cancelable purchase obligations with our third-party cloud computing web services provider, which included annual purchase commitments for the period from March 2023 through February 2030, and an additional aggregate purchase commitment of $650.0 million during such period. For the years ended June 30, 2023 and 2022, we had remaining purchase commitments of $659.2 million and $37.1 million, respectively, primarily related to cloud and hosting services. If we fail to meet any of the purchase commitments, we will be required to pay the difference. We pay our cloud-computing web services provider monthly, and we may pay more than the minimum purchase commitment based on usage.

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):

	June 30, 2023
2024	$ 202,245
2025	$ 563,350
2026	542,288
2027	—
2028	39,155
Thereafter	428,660
Total	$ 1,775,698
Deferred debt issuance costs	(10,886)
Total funding debt, net of deferred debt issuance costs	$ 1,764,812

Secured Borrowing Facilities

U.S.

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 referred to as funding debt and proceeds from the borrowings can only be used for the purposes of facilitating loan funding and origination, with advance rates ranging from 82% to 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 2029, and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date of each respective facility. As of June 30, 2023, the aggregate commitment amount of these facilities was $3.3 billion on a revolving basis, of which $1.4 billion was drawn, with $1.9 billion remaining available. Some of the loans originated by us or purchased from the originating bank partners are pledged as collateral for borrowings in our facilities. The unpaid principal balance of these loans totaled $1.7 billion and $0.5 billion as of June 30, 2023 and June 30, 2022, 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 June 30, 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 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 fiscal years 2025 and 2029, and bear interest based on benchmark rates plus a spread ranging from 1.25% to 4.25%.

As of June 30, 2023, the aggregate commitment amount of these facilities was $548.4 million on a revolving basis, of which $349.6 million was drawn, with $198.8 million remaining available. The unpaid principal balance of loans pledged to these facilities totaled $412.8 million and $210.1 million as of June 30, 2023 and June 30, 2022, 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 June 30, 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 June 30, 2023, the interest rates were 7.23% for both the senior pledged securities and the residual certificate pledged securities. We had $11.0 million and $27.0 million in debt outstanding under our repurchase agreements disclosed within funding debt on the consolidated balance sheets as of June 30, 2023 and June 30, 2022, respectively. The debt will be amortized through regular principal and interest payments on the pledged securities. The outstanding debt relates to $18.9 million and $32.4 million in pledged securities disclosed within securities available for sale at fair value on the consolidated balance sheets as of June 30, 2023 and June 30, 2022, respectively.

Convertible Senior Notes

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

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

1) during any calendar quarter commencing after March 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined in the indenture governing the 2026 Notes) per $1,000 principal amount of the 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day;

3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

4) upon the occurrence of certain specified corporate events.

Upon conversion of the 2026 Notes, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at the Company’s election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as set forth in the Indenture) calculated on a proportionate basis for each trading day in a 40 trading day observation period.

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

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

During the year ended June 30, 2023, we entered into a series of privately negotiated transactions with certain holders of our 2026 Notes, pursuant to which we paid an aggregate amount of $206.6 million in cash for the repurchase of $299.1 million aggregate principal amount of our 2026 Notes (the “2026 Note Repurchases”). The carrying amount of the extinguished 2026 Notes was approximately $296.4 million resulting in a $89.8 million gain on early extinguishment of debt, which is reported as a component of other (expense) income, net within our consolidated statement of operations and comprehensive loss. In exchange for paying cash pursuant to the 2026 Note Repurchases, we received and canceled the repurchased 2026 Notes.

On June 7, 2023, the Board of Directors authorized the repurchase of up to $800 million in aggregate principal amount of the 2026 Notes. Note repurchases may be made from time to time through December 31, 2023 in privately negotiated transactions. 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. We have not executed any repurchases under this authorization to date.

The convertible senior notes outstanding as of June 30, 2023 consisted of the following (in thousands):

	Principal Amount	Unamortized Discount and Issuance Cost	Net Carrying Amount
Convertible senior notes	$ 1,425,900	(11,692)	$ 1,414,208

The 2026 Notes do not bear interest. We recognized $3.9 million and $2.4 million during the years ended June 30, 2023 and 2022, respectively, of interest expense related to the amortization of debt discount and issuance costs in the consolidated statement of operations and comprehensive loss within other (expense) income, net. As of June 30, 2023, the remaining life of the 2026 Notes is approximately 41 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 June 30, 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 consolidated balance sheets.

For each securitization, the residual certificates represent the right to receive excess cash on the loans each collection period after all fees and required distributions have been made to the note holders on the related payment date. For the majority of consolidated securitization VIEs, we retain 100% of the residual 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 consolidated balance sheets. In addition to the retained residual certificates, our continued involvement includes loan servicing responsibilities over the life of the underlying loans.

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

The following tables present the aggregate carrying value of financial assets and liabilities from our involvement with consolidated VIEs (in thousands).

	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

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

Unconsolidated VIEs

Our transactions with unconsolidated VIEs include securitization trusts where we did not retain significant economic exposure through our variable interests and therefore we determined that we are not the primary beneficiary as of June 30, 2023.

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

	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

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

Maximum exposure to losses represents our exposure through our continuing involvement as servicer and through our retained interests. For unconsolidated VIEs, this includes $18.9 million in retained notes and residual certificates disclosed within securities available for sale at fair value in our consolidated balance sheets and $0.2 million related to our servicing assets disclosed within other assets in our consolidated balance sheets as of June 30, 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 June 30, 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 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 certificates. Additionally, as of June 30, 2023, we have pledged each 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 consolidated balance sheets (in thousands):

	June 30, 2023	June 30, 2022
Cash and cash equivalents:		
Money market funds	$ 97,129	$ 162,483
Certificates of deposit	—	16,026
Commercial paper	54,402	229,272
Agency bonds	60,865	—
Government bonds		
US	—	58,541
Securities, available for sale:		
Certificates of deposit	97,224	300,390
Corporate bonds	256,772	368,671
Commercial paper	266,193	478,293
Agency bonds	84,276	—
Government bonds		
Non-US	9,151	17,955
US	441,096	378,386
Securitization notes receivable and certificates (1)	18,913	51,678
Other	1,028	—
Total marketable securities:	$ 1,387,049	$ 2,061,695

(1) These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 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 of June 30, 2023 and June 30, 2022 were as follows (in thousands):

	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

	June 30, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit [(1)]	$ 317,331	$ 6	$ (921)	$ —	$ 316,416
Corporate bonds	371,907	7	(3,243)	—	368,671
Commercial paper [(1)]	708,694	16	(1,145)	—	707,565
Government bonds					
Non-US	18,196	—	(241)	—	17,955
US [(1)]	438,947	—	(2,020)	—	436,927
Securitization notes receivable and certificates [(2)]	52,180	178	(659)	(21)	51,678
Total securities available for sale	$ 1,907,255	$ 207	$ (8,229)	$ (21)	$ 1,899,212

(1) Certificates of deposit, commercial paper, agency bonds, and US government bonds include $115.3 million and $303.8 million as of June 30, 2023 and 2022, respectively, classified as cash and cash equivalents within the consolidated balance sheets.

(2) These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 9. Debt

As of June 30, 2023 and June 30, 2022, there were no material reversals of prior period allowance for credit losses recognized for available for sale securities.

A summary of securities available for sale with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and the length of time that individual securities have been in a continuous loss position as of June 30, 2023 and June 30, 2022, are as follows (in thousands):

	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)

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

(1) The number of positions with unrealized losses for which an allowance for credit losses has not been recorded totaled 142 and 270 as of June 30, 2023 and June 30, 2022, respectively.

The length of time to contractual maturities of securities available for sale as of June 30, 2023 and June 30, 2022, were as follows (in thousands):

	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

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

(1) Certificates of deposit, commercial paper, agency bonds, and US government bonds include $115.3 million and $303.8 million as of June 30, 2023 and 2022, respectively, classified as cash and cash equivalents within the consolidated balance sheets.
(2) Based on weighted average life of expected cash flows as of June 30, 2023 and June 30, 2022.

Gross proceeds from matured or redeemed securities were $3.7 billion and $2.2 billion for the years ended June 30, 2023 and June 30, 2022, respectively.

For available for sale securities realized gains and losses from portfolio sales were not material for the June 30, 2023 and June 30, 2022.

Non-marketable Equity Securities

Equity investments without a readily determinable fair value held at cost were $43.2 million as of both June 30, 2023 and June 30, 2022 and are included in other assets within the consolidated balance sheets.

There have been no unrealized or realized gains and losses due to observable changes in orderly transactions and we did not record any impairment for the years ended June 30, 2023 or June 30, 2022.

12 Derivative Financial Instruments

The following table summarizes the total fair value, including interest accruals, and outstanding notional amounts of derivative instruments as of June 30, 2023 and June 30, 2022 (in thousands):

	June 30, 2023			June 30, 2022		
	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as cash flow hedges						
Interest rate contracts - cash flow hedges	$ 800,000	$ 751	$ —	$ —	$ —	$ —
Derivatives not designated as hedges						
Interest rate contracts	2,102,944	49,794	—	1,690,000	49,983	—
Total gross derivative assets/liabilities	$ 2,902,944	$ 50,545	$ —	$ 1,690,000	$ 49,983	$ —

The following table summarizes the impact of the cash flow hedges on AOCI (in thousands):

	Year ended June 30, 2023
Balance at beginning of period	$ —
Changes in fair value	805
Amounts reclassified into earnings [(1)]	54
Balance at end of period [(2)]	$ 751

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(1) The amounts reclassified into earnings is presented in the consolidated statements of income within funding costs.

(2) Over the next 12 months, we expect to reclassify $0.8 million of net derivative gains included in AOCI into funding costs within our consolidated statement of operations and comprehensive loss.

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

	Year ended June 30,	
Location of gains (losses) where the effects of derivatives are recorded	**2023**	**2022**
The effects of cash flow hedging		
Funding costs	54	—
The effects of derivatives not designated in hedging relationships		
Other income, net	48,074	48,607

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 June 30, 2023 and June 30, 2022 (in thousands):

	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

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

There were no transfers between levels during the periods ended June 30, 2023 and June 30, 2022.

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

Marketable Securities

As of June 30, 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 June 30, 2023 and June 30, 2022, 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 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, contingent consideration, profit share liability, and credit enhancement liability 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 $7.5 billion, $7.1 billion, and $3.2 billion for the years ended June 30, 2023, 2022, and 2021, respectively, for which we retained servicing rights.

As of June 30, 2023 and June 30, 2022, we serviced loans which we sold with a remaining unpaid principal balance of $4.1 billion and $4.5 billion, respectively.

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

Adequate Compensation

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

Discount Rate

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

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 $87.5 million, $65.8 million, and $24.7 million of servicing income for the years ended June 30, 2023, 2022, and 2021, respectively.

As of June 30, 2023 and June 30, 2022, the aggregate fair value of the servicing assets was measured at $0.9 million and $1.2 million, respectively, and presented within other assets on the consolidated balance sheets. As of June 30, 2023 and June 30, 2022, the aggregate fair value of the servicing liabilities was measured at $1.4 million and $2.7 million, respectively, and presented within accrued expenses and other liabilities on the consolidated balance sheets.

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 1,192	$ 2,349
Initial transfers of financial assets	433	2,899
Subsequent changes in fair value	(745)	(4,056)
Fair value at end of period	$ 880	$ 1,192

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 2,673	$ 3,961
Initial transfers of financial assets	7,723	15,617
Subsequent changes in fair value	(9,004)	(16,905)
Fair value at end of period	$ 1,392	$ 2,673

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 June 30, 2023 and June 30, 2022:

		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 %

		June 30, 2022		
	Unobservable Input	Minimum	Maximum	Weighted Average [3]
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	0.78 %	1.85 %	1.10 %
	Gross default rate [2]	0.59 %	50.59 %	1.59 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	2.13 %	2.34 %	2.21 %
	Gross default rate [2]	9.03 %	24.44 %	13.81 %

(1) Estimated annual cost of servicing a loan as a percentage of unpaid principal balance
(2) Annualized estimated gross charge-offs as a percentage of unpaid principal balance
(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):

	June 30, 2023	June 30, 2022
Servicing assets		
Gross default rate assumption:		
Gross default rate increase of 25%	$ —	$ 11
Gross default rate increase of 50%	$ (1)	$ 22
Adequate compensation assumption:		
Adequate compensation increase of 10%	$ (382)	$ —
Adequate compensation increase of 20%	$ (764)	$ —
Adequate compensation increase of 25%	$ —	$ (3,513)
Adequate compensation increase of 50%	$ —	$ (7,026)
Discount rate assumption:		
Discount rate increase of 25%	$ (29)	$ (57)
Discount rate increase of 50%	$ (55)	$ (109)
Servicing liabilities		
Gross default rate assumption:		
Gross default rate increase of 25%	$ (9)	$ (10)
Gross default rate increase of 50%	$ (19)	$ (21)
Adequate compensation assumption:		
Adequate compensation increase of 10%	$ 2,798	$ —
Adequate compensation increase of 20%	$ 5,597	$ —
Adequate compensation increase of 25%	$ —	$ 6,139
Adequate compensation increase of 50%	$ —	$ 12,278
Discount rate assumption:		
Discount rate increase of 25%	$ (19)	$ (50)
Discount rate increase of 50%	$ (38)	$ (98)

Performance Fee Liability

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 1,710	$ 1,290
Purchases of loans	1,758	1,764
Settlements paid	(2,031)	(418)
Subsequent changes in fair value	144	(926)
Fair value at end of period	$ 1,581	$ 1,710

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 June 30, 2023 and June 30, 2022:

	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%

	June 30, 2022		
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	1.78%	3.10%	2.42%

(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 consolidated balance sheets. Any changes in the fair value of the liability are reflected in other (expense) income, net, on the 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):

	Year ended June 30, 2023	2022
Fair value at beginning of period	$ 377	$ 914
Repayments	(306)	(908)
Subsequent changes in fair value	54	371
Fair value at end of period	$ 125	$ 377

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

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates held by third-parties as of June 30, 2023 and June 30, 2022:

	June 30, 2023		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [(1)]
Discount rate	10.00%	10.00%	10.00%
Loss rate	0.92%	0.92%	0.92%
Prepayment rate	7.70%	7.70%	7.70%

	June 30, 2022		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average** [(1)]
Discount rate	10.00%	10.00%	10.00%
Loss rate	0.75%	0.75%	0.75%
Prepayment rate	8.00%	8.00%	8.00%

(1) Unobservable inputs were weighted by relative fair value

Retained Beneficial Interests in Unconsolidated VIEs

As of June 30, 2023, we held notes receivable and residual trust certificates with an aggregate fair value of $18.9 million in connection with unconsolidated securitizations. The balances correspond to the 5% economic risk retention the Company is required to maintain as the securitization sponsor.

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

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 51,678	$ 16,170
Additions	—	54,998
Cash received (due to payments or sales)	(33,544)	(19,559)
Change in unrealized gain (loss)	6	(509)
Accrued interest	1,205	595
Reversal of (impairment on) securities available for sale	(432)	(17)
Fair value at end of period	$ 18,913	$ 51,678

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 table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates as of June 30, 2023 and June 30, 2022:

	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%

	June 30, 2022		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average [(1)]**
Discount rate	3.68%	22.50%	5.37%
Loss rate	0.61%	10.95%	2.65%
Prepayment rate	5.25%	35.00%	18.48%

(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 securitization residual trust certificates given hypothetical changes in significant unobservable inputs (in thousands):

	Year ended June 30, 2023	Year ended June 30, 2022
Discount rate assumption:		
Discount rate increase of 25%	$ (218)	$ (1,410)
Discount rate increase of 50%	$ (429)	$ (2,295)
Loss rate assumption:		
Loss rate increase of 25%	$ (165)	$ (729)
Loss rate increase of 50%	$ (243)	$ (964)
Prepayment rate assumption:		
Prepayment rate decrease of 25%	$ (30)	$ (545)
Prepayment rate decrease of 50%	$ (59)	$ (519)

Contingent Consideration

Our acquisition of PayBright, Inc. ("PayBright") on January 1, 2021 included consideration transferred and 2,587,362 shares of our common stock held in escrow, contingent upon the achievement of future milestones. At the acquisition date, we classified the contingent consideration as a liability and estimated its fair value using a Monte Carlo simulation utilizing assumptions of simulated revenue, equity volatility, and a discount rate. The liability is remeasured to its fair value at each reporting date, until the contingency is resolved. For periods in which actual revenues are unknown, the fair value is estimated using a Monte Carlo simulation. For periods in which revenue is known, the fair value is estimated based on the shares expected to be released from escrow multiplied by the estimated share price. The fair value estimate represents a Level 3 measurement, as the revenue milestone represents a significant unobservable input. During the year ended June 30, 2022, one of these milestones was achieved and 1,293,681 shares of our Class A common stock were released from escrow, resulting in a reduction to the contingent liability. During the year ended June 30, 2023, an additional milestone was achieved, resulting in the release of the remaining 1,293,681 shares of our Class A and Class B common stock from escrow and settlement of the remaining contingent liability. The change in fair value of the contingent consideration at each reporting date is recognized as a component of other (expense) income, net in the consolidated statements of operations and comprehensive loss for the respective period.

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 23,348	$ 153,447
Subsequent changes in fair value	(8,172)	(89,313)
Fair value of shares released from escrow	(13,674)	(32,110)
Effect of foreign currency translation	(1,502)	(8,676)
Fair value at end of period	$ —	$ 23,348

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 consolidated balance sheets.

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

	Year ended June 30, 2023	Year ended June 30, 2022
Fair value at beginning of period	$ 1,987	$ 2,464
Facilitation of loans	5,792	5,955
Actual performance	(7,009)	(7,642)
Subsequent changes in fair value	1,062	1,210
Fair value at end of period	$ 1,832	$ 1,987

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 June 30, 2023 and June 30, 2022:

	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%

	June 30, 2022		
Unobservable Input	**Minimum**	**Maximum**	**Weighted Average [(1)]**
Discount rate	30.00%	30.00%	30.00%
Program profitability	1.25%	3.54%	1.28%

(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 if actual losses on the loans sold exceed agreed-upon expected losses, subject to a cap based on a percentage of the principal balance of loans sold. Losses are calculated at a cohort level based on the sale date. For a given cohort where actual losses are below the contractual loss threshold, we may earn credits that reduce our liability with respect to cohorts where losses have exceeded the contractual loss threshold.

The Company accounts for these arrangements as derivatives measured at fair value with gains and losses recognized in the income statement through Gain on sale of loans. Given the recency of loan sales in connection with these arrangements, which were in close proximity to the end of the period, there have not been any significant changes in our loss expectations since the time of sale. At the time of sale and as of June 30, 2023, we estimated that the fair value of these loss sharing arrangements was $0, in each case using forward looking loss assumptions which are derived based on historical loan performance for loans with similar contractual terms and credit characteristics.

Through June 30, 2023 we have sold $381.1 million unpaid principal balance of loans under these risk sharing arrangements, of which our maximum exposure to losses is $8.2 million.

Financial Assets and Liabilities Not Recorded at Fair Value

The following table presents the fair value and our assessment of the classification of this measurement within the fair value hierarchy for financial assets and liabilities held at amortized cost as of June 30, 2023 and June 30, 2022 (in thousands):

	June 30, 2023				
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Balance at Fair Value**
Assets:					
Loans held for sale	$ 76	$ —	$ 76	$ —	$ 76
Loans held for investment, net	4,198,431	—	—	4,397,931	4,397,931
Other assets	9,325	—	9,325	—	9,325
Total assets	$ 4,207,832	$ —	$ 9,401	$ 4,397,931	$ 4,407,332
Liabilities:					
Convertible senior notes, net [(1)]	$ 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 [(2)]	1,775,698	—	—	1,777,635	1,777,635
Total liabilities	$ 5,355,483	$ —	$ 1,053,866	$ 3,526,407	$ 4,580,273

	June 30, 2022				
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Balance at Fair Value**
Assets:					
Loans held for sale	$ 2,670	$ —	$ 2,670	$ —	$ 2,670
Loans held for investment, net	2,348,169	—	—	2,412,871	2,412,871
Other assets	12,661	—	12,661	—	12,661
Total assets	$ 2,363,500	$ —	$ 15,331	$ 2,412,871	$ 2,428,202
Liabilities:					
Convertible senior notes, net [(1)]	1,706,668	—	984,285	—	984,285
Notes issued by securitization trusts	1,627,580	—	—	1,529,401	1,529,401
Funding debt [(2)]	683,395	—	—	683,388	683,388
Total liabilities	$ 4,017,643	$ —	$ 984,285	$ 2,212,789	$ 3,197,074

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

(2) As of June 30, 2023 and June 30, 2022, debt issuance costs in the amount of $10.9 million and $10.8 million was included within funding debt.

14. Stockholders' Equity

Common Stock

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

	June 30, 2023	June 30, 2022
Available outstanding under stock option plan	52,572,230	53,158,233
Available for future grant under stock option plan	37,245,232	31,156,746
Total	89,817,462	84,314,979

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

Common Stock Warrants

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

During the year ended June 30, 2022, 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 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 years ended June 30, 2023 and June 30, 2022, a total of $463.3 million and $281.0 million, respectively, was recognized within sales and marketing expense which included $41.4 million and $26.3 million, respectively, in amortization expense of the commercial agreement asset and $421.9 million and $254.7 million, respectively, in expense based upon the grant-date fair value of the warrant shares that vested.

The following table summarizes the warrants activity during the years ended June 30, 2023 and June 30, 2022:

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Warrants outstanding, June 30, 2021	—	$—	0.00
Granted	22,000,000	68.19	5.60
Exercised	—	—	0.00
Cancelled	—	—	0.00
Warrants outstanding, June 30, 2022	22,000,000	$68.19	5.60
Granted	—	—	0.00
Exercised	—	—	0.00
Cancelled	—	—	0.00
Warrants outstanding, June 30, 2023	22,000,000	$68.19	4.60
Warrants exercisable, June 30, 2023	7,424,442	$42.32	3.60

There were no warrants granted during the year ended June 30, 2023. The weighted-average grant date fair values of warrants granted during the years ended June 30, 2022 and 2021 were $94.20 and $13.34, respectively. On June 30, 2023, the weighted-average grant date fair values for outstanding warrants and exercisable warrants were $94.20 and $109.12, respectively.

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 June 30, 2023, the maximum number of shares of common stock which may be issued under the Plan is 146,209,197 Class A shares. As of June 30, 2023 and June 30, 2022, there were 37,245,232 and 31,156,746 shares of Class A common stock, respectively, available for future grants under the Plan.

Stock Options

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

The following table summarizes our stock option activity for the year ended June 30, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of June 30, 2022	19,310,706	$ 15.22	6.94	
Granted	1,991,427	19.10		
Exercised	(971,863)	4.67		
Forfeited, expired or cancelled	(1,825,132)	33.94		
Balance as of June 30, 2023	18,505,138	14.34	6.07	
Vested and exercisable, June 30, 2023	14,758,426	$ 10.74	5.45	$ 112,834
Vested and exercisable, and expected to vest thereafter[(1)] June 30, 2023	18,321,690	$ 14.14	6.05	$ 115,791

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

The weighted-average grant date fair value of employee options granted for the years ended June 30, 2023, 2022, and 2021, was $10.92, $13.29, and $59.83, respectively. The aggregate intrinsic value of options exercised was approximately $12.6 million, $1.4 billion, and $0.7 billion for the years ended June 30, 2023, 2022, and 2021, respectively. The total fair value of stock options vested during the years ended June 30, 2023, 2022, and 2021 was $39.5 million, $30.3 million, and $97.4 million, respectively.

The fair value of each option on the date of grant is determined using the Black Scholes-Merton option pricing model using the single-option award approach with the weighted-average assumptions set forth in the table below. Volatility is based on historical volatility rates obtained from certain public companies that operate in the same or related business as us since there is a limited period of historical market data for our common stock. The risk-free interest rate is determined using a U.S. Treasury rate for the period that coincides with the expected term set forth. We used the simplified method to determine an estimate of the expected term of an employee share option.

	Year ended June 30,		
	2023	2022	2021
Volatility	59%	54%	46%
Risk-free interest rate	2.88% - 3.87%	1.47% - 3.01%	0.70% - 1.05%
Expected term (in years)	6.04	5.56	6.35
Expected dividend yield	—	—	—

As of June 30, 2023, unrecognized compensation expense related to unvested stock options was approximately $36.2 million. The weighted-average period over which such compensation expense will be recognized is approximately 2.2 years.

When an employee exercises stock options, we collect and remit taxes on the employee’s behalf to applicable taxing authorities. As of June 30, 2023 and June 30, 2022, the balance of equity exercise taxes payable was $3.4 million and $10.9 million, respectively, which is included in accounts payable on the consolidated balance sheets.

Value Creation Award

In November 2020, in connection with an overall review of the compensation of Max Levchin, our Chief Executive Officer, in advance of the IPO, and taking into account Mr. Levchin’s leadership since the inception of the Company, the comparatively modest level of cash compensation he had received from the Company during his many years of service, and that he did not hold any unvested equity awards, the Company's Board of Directors approved a long-term, multi-year performance-based stock option grant providing Mr. Levchin with the opportunity to earn the right to purchase up to 12,500,000 shares of the Company's Class A common stock (the “Value Creation Award”).

As discussed below, the Value Creation Award will only be earned, if at all, in the event the price of our Class A common stock attains stock price hurdles that are significantly in excess of the Company's IPO price per share, over a period of five years, subject to Mr. Levchin’s continued service to the Company.

The Value Creation Award is divided into ten tranches, each of which Mr. Levchin may earn by satisfying a performance condition within a five-year period following the IPO. The performance condition for each tranche will be satisfied on the date the 90 average trading day volume weighted share price of the Company’s Class A common stock exceeds certain specified stock price hurdles, presented in the table below, which were determined based on a target percentage of share price appreciation from the IPO price. Once earned as a result of satisfying the performance condition, the options will vest and become exercisable over a five-year period that commenced at the time of the IPO, subject to Mr. Levchin’s continued service to the Company, in annual amounts equal to 15%, 15%, 20%, 25% and 25%, respectively. The per share exercise price of the Value Creation Award is $49.00, the price to the public in the IPO.

Tranche	**Stock Price Hurdle**	**Number of Options**
1	$ 65.66	1,000,000
2	$ 82.32	1,000,000
3	$ 98.98	1,000,000
4	$ 115.64	1,000,000
5	$ 132.30	1,000,000
6	$ 148.47	1,000,000
7	$ 165.13	1,000,000
8	$ 181.79	1,000,000
9	$ 247.94	2,250,000
10	$ 371.91	2,250,000
Total		12,500,000

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 years ended June 30, 2023 and June 30, 2022, we incurred stock-based compensation expense of $94.6 million and $140.7 million, respectively, associated with the Value Creation Award as a component of general and administrative expense within the consolidated statements of operations and comprehensive loss. Based on achievement of the stock price hurdles and time-based service conditions, 1,875,000 shares vested during both years ended June 30, 2023 and 2022. As of June 30, 2023, none of these awards have been exercised.

As of June 30, 2023, unrecognized compensation expense related to the Value Creation Award was approximately $112.9 million, which is expected to be recognized over a remaining weighted-average period of 2.5 years.

Restricted Stock Units

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

The following table summarizes our RSU activity during the year ended June 30, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2022	21,387,592	$ 38.41
Granted	19,025,716	21.34
Vested	(12,498,098)	33.28
Forfeited, expired or cancelled	(6,262,014)	36.28
Non-vested at June 30, 2023	21,653,196	$ 26.99

As of June 30, 2023, unrecognized compensation expense related to unvested RSUs was approximately $473.1 million, which is expected to be recognized over a remaining weighted-average period of 1.7 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 10.9 million shares of Class A common stock are reserved and available for issuance under the ESPP and 1.1 million shares have been issued as of June 30, 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):

	Year ended June 30,		
	2023	2022	2021
General and administrative	$ 239,923	$ 248,797	$ 196,554
Technology and data analytics	181,396	116,531	76,643
Sales and marketing	25,914	23,224	17,092
Processing and servicing	4,476	2,431	2,218
Total stock-based compensation in operating expenses	451,709	390,983	292,507
Capitalized into property, equipment and software, net	80,108	54,542	13,999
Total stock-based compensation	$ 531,817	$ 445,525	$ 306,506

In connection with the acquisition of Returnly on May 1, 2021, we issued 304,364 shares of our Class A common stock, which were held in escrow. Because the future payment of the escrowed shares was contingent on continued employment of certain employees, the arrangement represents stock-based compensation in the post combination period. The grant-date fair value was estimated based on the value of the shares at the date of closing. The escrowed shares had a requisite service period of two years and contained a performance-based vesting condition (i.e., the achievement of certain revenue targets). We recorded stock-based compensation expense on a straight-line basis for each tranche over the requisite service period, as long as the performance-based conditions were considered probable of being satisfied. During the year ended June 30, 2023, the arrangement was modified and subsequently terminated. The modification and subsequent termination resulted in the recognition of $2.0 million of incremental compensation cost within general and administrative expense in our consolidated statement of operations and comprehensive loss, as well as the release of 45,459 shares from escrow and the remittance of 258,905 shares back to the Company.

16. Restructuring and other

On February 8, 2023, we committed to a restructuring plan (the “2023 Restructuring 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 consists of employee severance pay and related costs and accelerations of amortization expense for the lease asset associated with certain of our office spaces.

For the year ended June 30, 2023, restructuring and other was comprised of the following (in thousands):

	June 30, 2023
Employee severance pay and related costs	$ 29,654
Non-cash accelerations of depreciation and amortization expense	6,216
Restructuring and other	$ 35,870

The Company's restructuring accrual activity for the year ended June 30, 2023 is summarized as follows (in thousands):

	2023 Restructuring Plan	Other Exit and Disposal Activities [(1)]
Accrued restructuring costs, June 30, 2022	$ —	$ —
Additions	26,297	2,116
Cash paid	(27,353)	—
Adjustments	1,302	—
Impact of foreign currency translation	62	—
Accrued restructuring costs, June 30, 2023	$ 308	$ 2,116

(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 U.S. and foreign components of income (loss) before income taxes for the years ended June 30, 2023, 2022, and 2021 are as follows (in thousands):

	Year Ended June 30,		
	2023	2022	2021
U.S.	$ (974,074)	$ (780,699)	$ (330,313)
Foreign	(15,171)	55,868	(113,057)
Total loss before income taxes	$ (989,245)	$ (724,831)	$ (443,370)

Income tax expense (benefit) for the years ended June 30, 2023, 2022, and 2021 is summarized as follows (in thousands):

	Year Ended June 30,		
	2023	2022	2021
Current			
State	$ 759	$ 145	$ (10)
Foreign	408	230	(410)
Total current expense	$ 1,167	$ 375	$ (420)
Deferred			
Federal	$ 137	$ 113	$ 88
State	249	281	(2,570)
Foreign	(5,453)	(18,183)	559
Total deferred expense	(5,067)	(17,789)	(1,923)
Income tax (benefit) expense	$ (3,900)	$ (17,414)	$ (2,343)

The income tax benefit for the year ended June 30, 2023 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, while the income tax benefits for the years ended June 30, 2022 and June 30, 2021 were primarily attributable to a change in our assessment of the future realization of our Canadian deferred tax assets and to an adjustment to the Company's valuation allowance resulting from a deferred tax liability assumed with the acquisition of Returnly, respectively.

The following is a reconciliation of the U.S. statutory federal income tax rate to our effective tax rate for the years ended June 30, 2023, 2022, and 2021:

	Year Ended June 30,		
	2023	2022	2021
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal tax benefit	7.7 %	8.3 %	9.1 %
Foreign rate differential	0.1 %	(0.4)%	1.5 %
Stock-based compensation	(14.9)%	64.0 %	66.4 %
Non-deductible compensation expense	(2.2)%	(12.4)%	(8.4)%
Tax benefit related to tax credits, net	0.9 %	15.4 %	0.5 %
Impact of change in fair value of contingent consideration	0.2 %	3.3 %	(5.6)%
Change in unrecognized tax benefits	(0.4)%	(6.2)%	— %
Other	(0.1)%	0.2 %	1.6 %
Change in valuation allowance	(11.9)%	(90.8)%	(85.6)%
Effective income tax rate	0.4 %	2.4 %	0.5 %

Significant components of deferred tax assets and liabilities are as follows (in thousands):

	Year Ended June 30,	
	2023	2022
Net operating loss carryforwards	$ 1,070,325	$ 1,056,403
Allowance for credit losses	65,699	55,154
Stock-based compensation	45,974	51,288
Stock warrants	50,097	—
Operating lease liabilities	15,253	19,840
Purchased intangible assets	315	—
Tax credit carryforwards	74,589	69,144
Other	10,338	7,581
Total deferred tax assets	$ 1,332,590	$ 1,259,410
Capitalized R&E including internally developed software	(21,304)	(47,217)
Purchased intangible assets	—	(11,386)
Right-of-use lease assets	(8,751)	(15,289)
Stock warrants	—	(7,200)
Other	(2,670)	(2,920)
Total deferred tax liabilities	$ (32,725)	$ (84,012)
Valuation allowance	(1,280,216)	(1,158,246)
Deferred tax assets (liabilities), net of valuation allowance	$ 19,649	$ 17,152

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 the Company for the years ended June 30, 2023, 2022, and 2021. 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. The valuation allowance increased by $122.0 million during the year ended June 30, 2023.

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

As of June 30, 2023, we had pretax U.S. federal net operating loss ("NOL") carryforwards of approximately $3,393.3 million, state NOL carryforwards of $4,706.7 million, Canadian NOL carryforwards of $77.4 million, and U.K. NOL carryforwards of $9.6 million. If not utilized, certain U.S. federal and state NOL carryforwards will begin to expire in 2029, whereas others have an unlimited carryforward period, and foreign NOL carryforwards will begin to expire in 2039, with others that have an unlimited carryforward period as well. Additionally, as of June 30, 2023, we also had U.S. federal and state research and development tax credit carryforwards of $87.8 million and $41.9 million, respectively. The U.S. federal research and development tax credit carryforwards will begin to expire in 2041 while the state research and development tax credits may be carried forward indefinitely. As of June 30, 2023, the Company also had other state tax credit carryforwards of $2.6 million, which will begin to expire in 2024 if not utilized.

Of the above NOL carryforwards, approximately $42.0 million pretax U.S. federal NOL carryforwards and $36.4 million state NOL carryforwards are from domestic acquisitions, which may be subject to an annual utilization limitation under Internal Revenue Code Section 382.

The future utilization of all domestic NOL and tax credit carryforwards may be subject to an annual limitation, pursuant to Internal Revenue Code Sections 382 and 383 and similar state provisions, due to ownership changes that may have occurred previously or that could occur in the future. Any limitation may result in the expiration of all or a portion of the NOL carryforwards before utilization.

The Company accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes (“ASC 740”). The following table provides a reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (in thousands):

	Year ended June 30,		
	2023	**2022**	**2021**
Beginning balance	$ 47,867	$ —	$ —
Gross increase for tax positions related to the current year	5,828	28,407	—
Gross increase for tax positions related to prior years	—	19,460	—
Gross decrease for tax positions related to prior years	(1,845)	—	—
Ending balance	$ 51,850	$ 47,867	$ —

As of June 30, 2023, the Company had no unrecognized tax benefits related to uncertain tax positions that, if recognized, would impact the effective tax rate. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Interest and penalties on unrecognized tax benefits are recorded as a component of tax expense. During the years ended June 30, 2023, 2022, and 2021, we did not recognize accrued interest and penalties related to unrecognized tax benefits.

We file U.S. federal and state income tax returns as well as various foreign income tax returns with varying statutes of limitation. With respect to the Company’s major tax filings, all tax years remain open to examination due to the carryover of unused net operating losses.

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

18. Net Loss per Share Attributable to Common Stockholders

The following tables present 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):

	Year ended June 30, 2023	
	Class A	**Class B**
Numerator:		
Net loss	$ (785,080)	$ (200,265)
Net loss attributable to common stockholders - basic and diluted	$ (785,080)	$ (200,265)
Denominator:		
Weighted average shares of common stock - basic	235,316,821	60,026,645
Weighted average shares of common stock - diluted	235,316,821	60,026,645
Net loss per share:		
Basic	$ (3.34)	$ (3.34)
Diluted	$ (3.34)	$ (3.34)

	Year ended June 30, 2022	
	Class A	**Class B**
Numerator:		
Net loss	$ (536,654)	$ (170,763)
Net loss attributable to common stockholders - basic and diluted	$ (536,654)	$ (170,763)
Denominator:		
Weighted average shares of common stock - basic	213,703,749	68,000,292
Weighted average shares of common stock - diluted	213,703,749	68,000,292
Net loss per share:		
Basic	$ (2.51)	$ (2.51)
Diluted	$ (2.51)	$ (2.51)

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:

	Year ended June 30,		
	2023	**2022**	**2021**
Stock options, including early exercise of options	18,505,138	18,922,009	44,178,776
Restricted stock units	21,653,196	21,387,592	14,238,738
Common stock warrants	5,859,226	5,817,203	350,000
Employee stock purchase plan shares	485,465	614,659	—
Total	46,503,025	46,741,463	58,767,514

19. Segments and Geographical Information

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

Revenue

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

	Year ended June 30,		
	2023	2022	2021
United States	$ 1,540,044	$ 1,304,304	$ 857,222
Canada	47,423	44,852	13,242
Other	518	136	—
Total	$ 1,587,985	$ 1,349,292	$ 870,464

Long-Lived Assets

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

	Year ended June 30,	
	2023	2022
United States	$ 317,354	$ 217,532
Canada	2,488	4,390
Other	$ 463	$ 231
Total	$ 320,306	$ 222,153

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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) as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, of achieving the desired control objectives, and management is required to apply judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of June 30, 2023, and were designed and functioned effectively to provide reasonable assurance that the information required to be disclosed in our reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. In order to evaluate the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing, of the Company’s internal control over financial reporting as of June 30, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Internal control over financial reporting refers to the process, designed under the supervision and with the participation of management, including our CEO and our CFO, and overseen by the Company’s Board of Directors, to provide reasonable, but not absolute, assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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 due to 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.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2023. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective as of June 30, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2023, and its report is included below.

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 June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Affirm Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Affirm Holdings, Inc. and subsidiaries (the "Company") as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2023, of the Company and our report dated August 25, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

San Francisco, California
August 25, 2023

ITEM 9B. OTHER INFORMATION

(a) None.

(b) Not applicable.

(c) Trading Plans

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance,” “Executive Officers” and “Other Matters” of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2023.

Our board of directors has adopted a Code of Ethics and Business Conduct (the “Code of Conduct”) applicable to all officers, directors and employees, including our principal executive, principal financial and principal accounting officers, which is available on our website (investors.affirm.com) under “Corporate Governance.” We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding future amendments to certain provisions of the Code of Conduct and waivers of the Code of Conduct granted to executive officers and directors by posting such information at the website address specified above within four business days following the date of the amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance” and “Executive Compensation” of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2023.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the sections titled “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the sections titled “Board of Directors and Corporate Governance” and “Certain Relationships and Related-Party Transactions” of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2023.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the section titled “Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm” of our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended June 30, 2023.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Annual Report on Form 10-K:

(a) Financial Statements

Our consolidated financial statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8, of this Annual Report on Form 10-K.

(b) Financial Statement Schedules

All schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in Part II, Item 8, of this Annual Report on Form 10-K.

(c) Exhibits

		Incorporated by Reference				
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Amended and Restated Certificate of Incorporation	8-K	001-39888	3.1	January 15, 2021	
3.2	Amended and Restated Bylaws	8-K	001-39888	3.1	September 22, 2022	
4.1	Description of Capital Stock					X
4.2	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 November 10, 2021*	8-K	001-39888	4.1	November 10, 2021	
4.3	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 November 10, 2021*	8-K	001-39888	4.2	November 10, 2021	
4.4	Indenture, dated November 23, 2021, between Affirm Holdings, Inc. and Wilmington Trust, National Association, as trustee	8-K	001-39888	4.1	November 23, 2021	
4.5	Form of 0% Convertible Senior Note due 2026 (included in Exhibit 4.4)	8-K	001-39888	4.2	November 23, 2021	
10.1	Form of Indemnification Agreement between the Company and its directors and officers	S-1	333-250184	10.1	November 18, 2020	
10.2	Revolving Credit Agreement, dated as of February 4, 2022, among Affirm, Inc., Affirm Holdings, Inc., certain lenders identified therein, and Barclays Bank PLC	8-K	001-39888	10.1	February 10, 2022	
10.3	Amendment No. 1 to Revolving Credit Agreement, dated August 15, 2022, between Affirm, Inc., Affirm Holdings, Inc., certain lenders identified therein, and Barclays Bank PLC	10-Q	001-39888	10.1	November 8, 2022	
10.4	Loan Sale Agreement, dated as of September 18, 2020, by and between Celtic Bank Corporation and Affirm, Inc.*					X
10.5	Marketing and Servicing Agreement, dated as of September 18, 2020, by and between Celtic Bank Corporation and Affirm, Inc.*					X
10.6	Customer Installment Program Agreement, dated as of July 16, 2020, by and between Shopify Inc. and Affirm, Inc.	S-1/A	333-250184	10.7	November 20, 2020	
10.7	Amendment No. 1 to Customer Installment Program Agreement, effective as of February 26, 2021, between Shopify Inc. and Affirm, Inc.*	10-Q	001-39888	10.3	May 17, 2021	
10.8	Amended and Restated Amendment No. 2 to Customer Installment Program Agreement, dated as of July 27, 2021, by and between Shopify Inc. and Affirm, Inc.*	10-K	001-39888	10.1	September 17, 2021	
10.9	Amendment No. 3 to Customer Installment Program Agreement, dated as of May 6, 2022, by and between Shopify Inc. and Affirm, Inc.*	10-K	001-39888	10.9	August 29, 2022	

10.10	Third Program Outline, effective as of October 28, 2022, pursuant to the Customer Installment Program Agreement between Shopify Inc. and Affirm, Inc.*	10-Q	001-39888	10.1	February 8, 2023	
10.11	Amendment No. 4 to Customer Installment Program Agreement, dated December 16, 2022 by and between Shopify, Inc. and Affirm, Inc.*	10-Q	001-39888	10.2	February 8, 2023	
10.12	Amendment No. 5 to Customer Installment Program Agreement, dated March 31, 2023 by and between Shopify, Inc. and Affirm, Inc.*	10-Q	001-39888	10.1	May 9, 2023	
10.13	Amended and Restated Installment Financing Services Agreement, dated as of November 10, 2021, by and among Affirm Holdings, Inc., Amazon.com Services LLC and Amazon Payments, Inc.*	8-K	001-39888	10.1	November 10, 2021	
10.14	Transaction Agreement, dated as of November 10, 2021, by and between Affirm Holdings, Inc. and Amazon.com Services LLC*	8-K	001-39888	10.2	November 10, 2021	
10.15+	Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.3	February 8, 2023	
10.16+	Form of Stock Option Agreement pursuant to the Affirm Holdings, Inc. Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.4	February 14, 2022	
10.17+	Form of RSU Agreement pursuant to the Affirm Holdings, Inc. Amended and Restated 2012 Stock Plan	10-Q	001-39888	10.5	February 14, 2022	
10.18+	2020 Employee Stock Purchase Plan	S-1/A	333-250184	10.3	November 20, 2020	
10.19+	Cash Incentive Plan	10-Q	001-39888	10.4	May 17, 2021	
10.20+	Officer Severance Plan	10-K	001-39888	10.17	August 29, 2022	
21.1	Subsidiaries of the Company					X
23.1	Consent of Deloitte & Touche LLP, independent registered public accountant					X
24.1	Power of Attorney (see signature page hereto)					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

† Furnished herewith.

\+ Denotes management contract or compensatory plan or arrangement.

* 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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: August 25, 2023	By:	/s/ Max Levchin
		Max Levchin
		Chief Executive Officer
		(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints Max Levchin, Michael Linford and Katherine Adkins, and each of them, as his or her true and lawful attorneys-in-fact, proxies, and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies, and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies, and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Max Levchin Max Levchin	Chairman of the Board of Directors and Chief Executive Officer *(principal executive officer)*	August 25, 2023
/s/ Michael Linford Michael Linford	Chief Financial Officer *(principal financial officer)*	August 25, 2023
/s/ Siphelele Jiyane Siphelele Jiyane	VP, Controller *(principal accounting officer)*	August 25, 2023
/s/ Jeremy Liew Jeremy Liew	Director	August 25, 2023
/s/ Libor Michalek Libor Michalek	President and Director	August 25, 2023
/s/ Jenny J. Ming Jenny J. Ming	Director	August 25, 2023
/s/ Christa S. Quarles Christa S. Quarles	Director	August 25, 2023
/s/ Keith Rabois Keith Rabois	Director	August 25, 2023
/s/ Jacqueline D. Reses Jacqueline D. Reses	Director	August 25, 2023
/s/ Noel Watson Noel Watson	Director	August 25, 2023
/s/ James D. White James D. White	Director	August 25, 2023

Exhibit 4.1

DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes certain important terms of the capital stock of Affirm Holdings, Inc. (the “company,” “we,” “us” and “our”). Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth herein, you should refer to our amended and restated certificate of incorporation, to our amended and restated bylaws, as each may be amended from time to time and filed as exhibits to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and to the applicable provisions of Delaware law.

Our authorized capital stock consists of 3,200,000,000 shares of capital stock, $0.00001 par value per share, of which:

- 3,030,000,000 shares are designated as Class A common stock; and
- 140,000,000 shares are designated as Class B common stock;
- 30,000,000 shares are designated as preferred stock.

Pursuant to our amended and restated certificate of incorporation, our board of directors have the authority, without stockholder approval except as required by the listing standards of Nasdaq, to issue additional shares of our Class A common stock.

Common Stock

We have two classes of authorized common stock: Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights.

Voting Rights

Holders of Class A common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Holders of Class B common stock are entitled to 15 votes for each share held on all matters submitted to a vote of stockholders. The holders of our Class A common stock and the holders of our Class B common stock generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or holders of our Class B common stock to vote separately in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and

- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences, or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Our amended and restated articles of incorporation provides that stockholders are not entitled to cumulative voting for the election of directors. As a result, the holders of a majority of our voting shares can elect all of the directors then standing for election. Our amended and restated articles of incorporation provides for a classified board of directors, which is divided into three classes with staggered three-year terms. Only one class of directors is elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

Conversion

Each outstanding share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. All shares of Class B common stock will automatically convert into shares of Class A common stock upon the earliest to occur of (i) the seven-year anniversary of the closing our initial public offering ("IPO"), (ii) the date immediately following an annual meeting of our stockholders if neither Max Levchin, our Founder, Chairman and Chief Executive Officer, nor Nellie Levchin, Mr. Levchin's spouse, is then serving as one of our officers, employees, directors or consultants, and neither Mr. Levchin or Mrs. Levchin has served in such capacities in the six months prior to such date, (iii) the date on which Mr. Levchin and Mrs. Levchin, together with their permitted transferees, cease to beneficially own in the aggregate at least 50% of the number of shares of capital stock beneficially owned by such holders in the aggregate on the closing date of our IPO, or (iv) the death or incapacity of the last to die or become incapacitated of Mr. Levchin or Mrs. Levchin, subject to extension for a total period of no longer than nine months from such incapacitation or death if approved by a majority of the independent directors then in office.

In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) any transfer, whether or not for value, except for certain permitted transfers, described in the paragraph that immediately follows this paragraph and further described in our amended and restated certificate of incorporation, or (ii) in the case of a stockholder who is a natural person (other than Mr. Levchin and Mrs. Levchin), the death or incapacity of such stockholder. Once converted into Class A common stock, the Class B common stock will not be reissued.

A transfer by a holder of Class B common stock to any of the persons or entities listed in clauses (A) through (F) below (each, a "Permitted Transferee") and from any such Permitted Transferee back to such holder of Class B common stock and/or any other Permitted Transferee established by or for such holder of Class B common stock will not trigger an automatic conversion of such stock to Class A common stock: (A) to a trust for the benefit of the holder of Class B common stock or persons other than such holder of Class B common stock, so long as such holder of Class B common stock (or in the case of Mr. Levchin and Mrs. Levchin, one or both of such holders) retains sole dispositive power and voting control, provided the holder of Class B common stock does not receive consideration in exchange for the transfer (other than as a settlor or beneficiary of such trust); (B) to a trust under the terms of which such holder of Class B common stock has retained a "qualified interest" within the meaning of §2702(b)(1) of the Internal Revenue Code (or successor provision) and/or a reversionary interest so long as the holder of Class B common stock (or in the case of Mr. Levchin and Mrs. Levchin, one or both of such holders) retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock held by such trust; (C) to an Individual Retirement Account, as defined in Section 408(a) of the Internal Revenue Code (or successor provision), or a pension, profit sharing, stock bonus or other type of plan or trust of which such holder of Class B common stock (or in the case of Mr. Levchin and Mrs. Levchin, one or both of such holders) is a participant or beneficiary and which satisfies the requirements for qualification under Section 401 of the Internal Revenue Code (or successor provision), so long as such holder of Class B common stock (or in the case of Mr. Levchin and Mrs. Levchin, one or both of such holders) retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock held in such account, plan or trust; (D) to a corporation, partnership or limited liability company in which such holder of Class B common stock directly, or indirectly through one or more Permitted Transferees, owns shares, partnership interests or membership interests, as applicable, with sufficient voting control or otherwise has legally enforceable rights, such that such holder of Class B common stock (or in the case of Mr. Levchin and Mrs. Levchin, one or both of such holders) retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock held by such corporation, partnership or limited liability company; (E) to an affiliate of a holder of Class B common stock, so long as the person or entity holding sole dispositive power and exclusive voting control with respect to the shares of Class B common stock being transferred retains, directly or indirectly, sole dispositive power and exclusive voting control with respect to such shares following such transfer; and (F) in the case of Mr. Levchin or Mrs. Levchin, to Mrs. Levchin or Mr. Levchin, as applicable, or to such other holder's Permitted Transferees, or any other entity in which the other holder has, directly or indirectly, sole dispositive power and exclusive voting control with respect to the shares of Class B common stock held by such entity.

Dividends

Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of our common stock are entitled to receive ratably those dividends, if any, as may be declared by the board of directors out of legally available funds.

Liquidation, Dissolution and Winding Up

In the event of our liquidation, dissolution, or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of our preferred stock.

Rights and Preferences

Except for the conversion provisions with respect to our Class B common stock described above, holders of our common stock have no preemptive, conversion, or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences, and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may issue in the future.

Preferred Stock

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges, and restrictions of up to an aggregate of 30,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deterring or preventing a change of control or other corporate action.

Stockholder Registration Rights

Certain holders of shares of our common stock, including substantially all of our former redeemable convertible preferred stockholders, including certain holders of greater than five percent of our capital stock and entities affiliated with certain of our directors, are parties to an amended and restated investors' rights agreement, dated as of September 11, 2020 (the "Investors' Rights Agreement"), pursuant to which they are entitled to certain rights with respect to registration of the Class A common stock held by or issued upon conversion of such shares under the Securities Act of 1933, as amended (the "Securities Act"). These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights described in additional detail below.

The registration of shares of our Class A common stock pursuant to the exercise of the registration rights described below would enable the holders to resell these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts and selling commissions in a demand or piggyback registration, of the shares registered pursuant to the demand, piggyback, and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares the holders may include. The demand, piggyback, and Form S-3 registration rights described below will expire (i) five years after the effective date of the registration statement, of which this prospectus forms a part, (ii) with respect to any particular holder, at such time that such holder can sell all its shares under Rule 144 of the Securities Act without limitation during any three-month period without registration, or (iii) upon consummation of certain liquidation transactions.

Demand Registration Rights

The holders of the registrable securities are entitled to certain demand registration rights. The holders of more than a majority of the registrable securities then outstanding (or a lesser percent if the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $5 million), may make a written request that we register all or a portion of their shares, subject to certain specified exceptions. In addition, we must notify all of the other holders of registrable securities of such registration and allow them to include all or a portion of their shares on the applicable registration statement, subject to customary cutbacks.

Piggyback Registration Rights

If we propose to register for offer and sale any of our securities under the Securities Act, either for our own account or for the account of other security holders that are not party to the Investors' Rights Agreement (other than pursuant to specified exceptions), certain major holders for which Rule 144 of the Securities Act is not available will be entitled to certain "piggyback" registration rights allowing them to include their registrable securities in such registration, subject to customary cutbacks and other limitations.

Form S-3 Registration Rights

The holders of the registrable securities are entitled to certain Form S-3 registration rights. Any holder of registrable securities can make a request that we register for offer and sale their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to certain specified exceptions. In addition, we must notify all of the other holders of registrable securities of such registration and allow them to include all or a portion of their shares on the applicable registration statement. Such request for registration on Form S-3 must cover securities the aggregate offering price of which, after payment of the underwriting discounts and commissions, equals or exceeds $1,000,000. We will not be required to effect more than two registrations on Form S-3 within the 12-month period preceding the date of such request.

Anti-Takeover Provisions

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge, or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or amended and restated bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

Dual class stock

As described above in *"— Common Stock — Voting Rights,"* our amended and restated certificate of incorporation provides for a dual class common stock structure, which provides our current stockholders, executives, employees, directors and their affiliates with significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets.

Board of directors vacancies

Our amended and restated certificate of incorporation and amended and restated bylaws authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors is permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.

Classified board

Our amended and restated certificate of incorporation provides that our board of directors be classified into three classes of directors. The existence of a classified board of directors could discourage a third-party from making a tender offer or otherwise attempting to obtain control of us, as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors.

Stockholder action; special meeting of stockholders

Our amended and restated certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of our stockholders and may not be effected by any consent in writing by our stockholders. Our amended and restated certificate of incorporation further provides that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our lead independent director, or, our chief executive officer, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.

Advance notice requirements for stockholder proposals and director nominations

Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. Further, our amended and restated bylaws provide that the number of nominees a stockholder may nominate for election at an annual or special meeting of stockholders pursuant to the advance notice procedure shall not exceed the number of directors to be elected at such meeting. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Directors removed only for cause

Our amended and restated certificate of incorporation provides that stockholders may remove directors only for cause.

Supermajority requirements for amendments of our amended and restated certificate of incorporation and amended and restated bylaws

Our amended and restated certificate of incorporation further provides that the affirmative vote of holders of at least 66⅔% of the voting power of all the then outstanding shares of capital stock is required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to the classified board, the size of the board, removal of directors, filling vacancies on the board, special meetings of the stockholders, actions by written consent of the stockholders, and cumulative voting. The affirmative vote of holders of at least 66⅔ of the voting power of all of the then outstanding shares of capital stock is required to amend or repeal our amended and restated bylaws, although our amended and restated bylaws may be amended by a simple majority vote of our board of directors.

No cumulative voting

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Amendment of charter and bylaws provisions.

Certain amendments to our amended and restated certificate of incorporation require the approval of 66⅔% of the outstanding voting power of our capital stock. Our amended and restated bylaws provide that approval of stockholders holding 66⅔% of our outstanding capital stock is required for stockholders to amend or adopt any provision of our bylaws.

Issuance of undesignated preferred stock.

Our board of directors has the authority, without further action by our stockholders, to issue up to 30,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.

Choice of Forum

Unless we consent in writing to the selection of an alternative forum, our amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders; (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware. If the Court of Chancery of the State of Delaware does not have jurisdiction, such as for actions brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, the sole and exclusive forum for such action or proceeding shall be another state or federal court, as applicable, located in the State of Delaware, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein.

Our amended and restated bylaws also provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to the foregoing provision; *provided, however,* that stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. We recognize that the forum selection clause in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims, particularly if the stockholders do not reside in or near the State of Delaware. Additionally, the forum selection clause in our amended and restated bylaws may limit our stockholders' ability to bring a claim in a forum that they find favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. The Court of Chancery of the State of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

Moreover, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder and our amended and restated bylaws provide that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of such provision is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior.

However, exculpation does not apply to any director if the director has breached the duty of loyalty to the corporation and its stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends, or redemptions or derived an improper benefit from his or her actions as a director.

Our amended and restated bylaws provide that we must generally indemnify, and advance expenses to, our directors and officers appointed by our board of directors to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers, employees and agents for some liabilities. We believe that these limitations of liability, indemnification, and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification, and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment in us may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

We have entered into indemnification agreements with each of our directors and executive officers pursuant to which we agreed to indemnify them to the fullest extent permitted by Delaware law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or controlling persons pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is Computershare Trust Company, N.A. The transfer agent and registrar's address is 150 Royall Street, Canton, MA 02021.

Listing

Our Class A common stock is listed on Nasdaq under the symbol “AFRM”.

Exhibit 10.4

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

LOAN SALE AGREEMENT

by and between

CELTIC BANK CORPORATION

and

AFFIRM, INC.

DATED AS OF SEPTEMBER 18, 2020

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LOAN SALE AGREEMENT

THIS LOAN SALE AGREEMENT (this "Agreement") dated as of September 18, 2020 (the "Effective Date"), is entered into by and between Celtic Bank Corporation, a Utah industrial bank ("Bank"), and Affirm, Inc., a Delaware corporation ("Affirm"). Each of Bank and Affirm may be referred to herein as a "Party" or jointly as "Parties".

Recitals

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 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 and the 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:

1. ***Definitions.*** Whenever capitalized and used in this Agreement, the following words and phrases, unless otherwise specified, shall have the meanings: set forth below and, if not set forth below, then the meanings set forth in the Marketing and Servicing Agreement.

1.1. "ACH" means the Automated Clearing House.

1.2. "Affiliate" means, with respect to a Party, a Person who directly or indirectly controls, is controlled by or is under common control with the Party. For the purposes of this definition, the term "control" (including with correlative meanings, the terms controlling, controlled by and under common control with) means the power to direct the management or policies of such Person, directly or indirectly, through the ownership of 50% or more of a class of voting securities of such Person.

1.3. "Affirm" has the meaning set forth in the introductory paragraph of this Agreement.

1.4. "Affirm Indemnified Parties" has the meaning set forth in Section 14.1.

1.5. "Agreement" has the meaning set forth in the introductory paragraph of this Agreement.

1.6. "Applicable Law" means all federal, State and local laws, statutes, regulations, regulatory guidance and orders (including FIL 44-2008: Guidance for Managing Third-Party Risk and FIL 22-2017 Adoption of Supervisory Guidance on Model Risk Management) applicable to a Party or relating to or affecting any aspect of the Program including the Loans, the Marketing Materials and the Finance Materials, all requirements of any Regulatory Authority having jurisdiction over a Party, as any such laws, statutes, regulations, orders and requirements may be amended and in effect from time to time during the term of this Agreement.

1.7. "Applicant" means any Person who requests a Loan from Bank as part of the Program.

1.8. "Application" means any request from an Applicant for a Loan by means of the submission of Applicant information in such other form as agreed by the Parties.

1.9. "Bank" has the meaning set forth in the introductory paragraph of this Agreement.

1.10. "Bank Indemnified Parties" has the meaning set forth in Section 14.2

1.11. "Banking Day" means any day, other than (a) a Saturday or Sunday, or (b) a New York, California or Utah banking holiday.

1.12. "Bankruptcy Code" means United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq.

1.13. "Borrower" means a Person to whom Bank has made a Loan as part of the Program or who is a guarantor of or co-signer on such Loan who is liable for amounts owing with respect to a Loan made as part of the Program.

1.14. "Borrower Data" means information that is provided to or obtained by a Party in the performance of its obligations under this Agreement or otherwise regarding Applicants and Borrowers, including (a) name, postal address, social security number, email address, telephone number, date of birth, as well as data generated or created in connection with customer service, telephone logs and records, and other documents and information necessary for the processing and maintenance of Loans, and (b) all Personal Information.

1.15. "Cause" has the meaning set forth in Section 12.2.

1.16. "Change of Control" means the sale of all or substantially all the assets of a Party; any merger, consolidation or acquisition of a Party with, by or into another Person; or any change in the ownership of more than fifty percent (50%) of the voting capital stock of a Party in one or more related transactions.

1.17. "Closing Date" means each date on which Affirm acquires a Loan pursuant to Section 2, as applicable, from Bank.

1.18. "CMS" has the meaning set forth in Section 10.1 of the Marketing and Servicing Agreement.

1.19. "Collateral Account" has the meaning set forth in Section 34.1.

1.20. "Collateral Account Balance Requirement" has the meaning set forth in Section 34.1(b).

1.21. "Confidential Business Information" means any valuable, secret business information other than Trade Secrets, that is either designated or identified as confidential at the time of the disclosure or is by its nature clearly recognizable as confidential information to a reasonably prudent person with knowledge of the Disclosing Party's business and industry.

1.22. "Contract Year" means each 12-month period commencing on the Program Start Date. The Initial Term has three (3) Contract Years.

1.23. "Credit Policy" means the credit criteria and underwriting policies, to approve or deny an Application and to authorize or decline the origination of a Loan.

1.24. "Disclosing Party" means the Party disclosing Proprietary Information hereunder, whether the disclosure is directly from the Disclosing Party or through the Disclosing Party's Personnel or Affiliates.

1.25. "Dispute" has the meaning set forth in Section 25.1.

1.26. "Effective Date" has the meaning set forth in the introductory paragraph of this Agreement.

1.27. "Effective Rate" means the interest rate associated with each Loan originated by Bank under the Program.

1.28. "Equivalent Rate" has the meaning set forth in Section 4.3.

1.29. "FDI Act" means the Federal Deposit Insurance Act, as amended.

1.30. "FDIC" means the Federal Deposit Insurance Corporation.

1.31. "Finance Materials" means, collectively, (a) the Application; (b) the Credit Policy; (c) the form of Loan Agreement; (d) the version of Affirm's Privacy Policy applicable to Borrower Data; and (e) the form of default notice, adverse action notice or any other written notice related to an Applicant or Borrower.

1.32. "Indemnified Party" has the meaning set forth in Section 14.3.

1.33. "Indemnifying Party" has the meaning set forth in Section 14.3.

1.34. "Initial Term" has the meaning set forth in Section 12.1.

1.35. "Lien" means any lien, security interest or other encumbrance, whether by mortgage, pledge, lien, conditional sales agreement, charge, security, agreement or otherwise.

1.36. "Liquidity Trigger" has the meaning set forth in Section 34.1(c).

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

1.38. "Loan Agreement" means, with respect to a Loan, the document or documents containing the terms and conditions of such Loan, including the disclosure statement, the loan agreement and the privacy notice.

1.39. "Loan Performance Fee" has the meaning set forth in Section 4.2.

1.40. "Loan Performance Fee Rate" means [***]

1.41. "Losses" means all third-party claims, actions, liability, judgments, damages, fines, legal fees, reasonable costs and expenses, including fees, but excluding special, indirect, incidental, consequential, punitive or exemplary damages, including lost profits, even if a Party has knowledge of the possibility of such damages.

1.42. "Marketing and Servicing Agreement" means that certain Marketing and Servicing Agreement, dated as of September 18, 2020, by and between Affirm and Bank, pursuant to which the Parties agree to promote and operate the Program.

1.43. "Marketing Materials" means any advertising, applications, marketing materials, advertising pieces, sales literature, telemarketing scripts and any other materials directly relating to the Program or containing Bank's name that are used to induce Applicants to apply for a Loan or to induce potential Applicants to apply for a Loan under the Program, and any other materials used to induce use of the Program as agreed by the Parties in accordance with the Marketing and Servicing Agreement.

1.44. "Measuring Month" means the immediately preceding calendar month.

1.45. "Merchant" means a seller of goods or services to a Borrower.

1.46. "Minimum Annual Fee" has the meaning set forth in Section 4.1.

1.47. "Original Borrower Loan Amount" means, with respect to any Loan, the amount financed as stated in the related final truth-in-lending statement contained in the Loan Documents.

1.48. "Party" and "Parties" have the meanings set forth in the introductory paragraph of this Agreement.

1.49. "Person" means any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity of similar nature.

1.50. "Personal Information" means non-public, personally identifiable information related to either Party's customers, Personnel or other third parties that has been provided to a Party by such Persons or their representatives, including: (i) any information that identifies, or could be used to identify, a particular Person, including the Person's name, address, telephone number, e-mail address, social security number, driver's license, or other identifying information and credit card and financial information; and (ii) any other information considered personal identifying information under then-existing Applicable Law.

1.51. "Personnel" means the employees, contractors and agents of a Party or its Affiliates and their employees and contractors.

1.52. "Prequalification Request" means any request from a prospective Applicant, in the form required by Bank, to determine whether such prospective Applicant qualifies for a Loan.

1.53. "Program" means the Loan program for consumer 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 terms of the Marketing and Servicing Agreement; (c) and Affirm purchases such Loans pursuant to the terms of this Agreement.

1.54. "Program Data" means information that is provided to or obtained by a Party in the performance of its obligations under this Agreement or otherwise, including (a) individual and aggregate data from Applications and Loans; (b) information provided to or obtained by a Party that was originally derived from the other Party's sources of Applications or Loan data; and (c) data from Prequalification Requests.

1.55. "Program Insights" means the business strategies derived from the Program Data or the business strategies and business operating rules proposed or originated by Affirm, including (a) pricing strategy; (b) loan origination marketing strategy and marketing channels; (c) fraud prevention strategy and rules, including an identity theft/red flags program and policy as described in Section 13.9 of the Marketing and Servicing Agreement; (d) collection and recovery strategy; and (e) data from Prequalification Requests.

1.56. "Program Start Date" means the date on which an Applicant that is not an employee of Affirm or Bank first submits a Prequalification Request or an Application.

1.57. "Program Terms" means the terms of the Marketing and Servicing Agreement and the terms, procedures and materials governing the Program, which have been duly adopted and approved by Bank, including (i) forms of Loan Agreement, disclosure and other documents relating to the Program; (ii) the Credit Policy; (iii) the CMS; and (iv) the Marketing Materials.

1.58. "Proprietary Information" means the Trade Secrets, Confidential Business Information and Personal Information of a Party and its Affiliates. Proprietary Information does not include any information that (a) was in the Receiving Party's possession before being disclosed to it by the Disclosing Party; (b) is or becomes a matter of public knowledge through no fault of the Receiving Party; (c) is rightfully received by the Receiving Party from a third party without a duty of confidentiality; (d) is disclosed by the Disclosing Party to a third party without a duty of confidentiality on the third party; or (e) is independently developed by the Receiving Party without use of the Disclosing Party's Proprietary Information.

1.59. "Proprietary Material" means a Party's name, logo, registered trademarks and service marks.

1.60. "Protected Data" means all Applicant, Borrower, Person and other sensitive authentication data related to the Program, including: (i) all data and information that is protected or covered by the Payment Card Industry Data Security Standard, (ii) social security numbers and other official identification numbers; (iii) credit card or debit card numbers; (iv) bank account numbers; (v) critical infrastructure information (including physical site plans, IT systems information, system passwords, and information security plans); (vi) information protected by nondisclosure agreements; (vii) law enforcement and investigative records; (viii) employee information; (ix) internal emails; and (x) internally-produced documents.

1.61. "Purchase Premium" means the monthly premium fee based on the total Original Borrower Loan Amount volume in the Measuring Month paid by Affirm to Bank in consideration for selling Loans as set forth in Section 3 and Exhibit F.

1.62. "Purchase Price" means, with respect to each Loan to be purchased by Affirm pursuant to Section 2 and Exhibit F, the outstanding principal balance of each corresponding Loan plus the applicable Retention Period Interest.

1.63. "Purchase Statement" means the statement prepared by Bank, or by Affirm on behalf of Bank, describing Loans to be purchased by Affirm that contains the computation of the Purchase Price to be paid by Affirm to Bank, a sample of which is attached as Exhibit B hereto.

1.64. "Purchased Loan" has the meaning set forth in Section 2.1.

1.65. "Receiving Party" means the Party receiving Proprietary Information hereunder.

1.66. "Records" means all contracts and other documents, books, records and other information (including computer programs, tapes, disks, data processing software and related property and rights, but excluding any computer programs or software subject to a licensing arrangement or other contractual provisions that would restrict transfer or pledge thereof) prepared and maintained by Bank, any servicer, or any sub-servicer with respect to the Loans.

1.67. "Regulatory Authority" means any federal, State, local, domestic or foreign governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other regulatory or self-regulatory entity, the United States of America, any State or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, in each case, that has jurisdiction or regulatory oversight with respect to the Program.

1.68. "Remittance" means the remittance by Bank of payments for Purchased Loans received by Bank after a Closing Date as set forth in Section 6.3.

1.69. "Renewal Term" has the meaning set forth in Section 12.1.

1.70. "Required Payment" means any and all of the (i) Purchase Price, (ii) Purchase Premium, (iii) Loan Performance Fee, (iv) Minimum Annual Fee, (v) Retention Period Interest on Purchased Loans under Section 4.3, (vi) Wire Fee, and (vii) Termination Fee (as defined in the Marketing and Servicing Agreement).

1.71. "Retained Loan" has the meaning set forth in Section 2.9.

1.72. "Retention Notice" has the meaning set forth in Section 2.9(a).

1.73. "Retention Period" has the meaning set forth in Section 2.9.

1.74. "Retention Period Interest" has the meaning set forth in Section 4.3.

1.75. "Security Incident" means any unauthorized use, modification, destruction or disclosure of, or unauthorized access to, Borrower Data related to the Program.

1.76. "State" means any one of the fifty states of the United States of America, the District of Columbia or any of the United States Territories

1.77. "Tangible Net Worth" means, as of any date of determination, the aggregate total assets of Affirm and its subsidiaries minus (a) the aggregate Total Liabilities of Affirm and its subsidiaries minus (b) any intangible assets of Affirm minus (c) amounts due to Affirm from any of its Affiliates, in each case as determined in accordance with GAAP.

1.78. "Tangible Net Worth Trigger" has the meaning set forth in Section 34.1(c).

1.79. "Target Rate" means, with respect to any period, the weighted average target rates established by the Federal Open Market Committee for trading in the federal funds market during such period.

1.80. "Term" means collectively the Initial Term and any Renewal Term.

1.81. "Test Loan" means a Loan originated for an employee of Bank or Affirm for purposes of developing and evaluating the Program.

1.82. "Total Liabilities" means, as of any date of determination, the aggregate amount of all balance sheet liabilities of Affirm, as determined on a consolidated basis in accordance with GAAP (excluding the amount of any non-recourse indebtedness of Affirm and its consolidated subsidiaries).

1.83. "Trade Secrets" means trade secrets as defined under Applicable Law, as amended from time to time, and shall include without regard to form, technical or non-technical data, formulas, patterns, compilations, programs, software programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, non-public forecasts, studies, projections, analyses, all customer data of any kind, or lists of actual or potential customers or suppliers, business and contractual relationships, or any other information similar to the foregoing that (a) derives economic value, actual or potential, from not being generally known and not being readily ascertainable by proper means to other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. For the sake of clarity, Trade Secrets includes information provided to either Party or its Affiliates by any third parties, which that Party or any of its Affiliates is obligated to hold in confidence. Program Insights are a Trade Secret of Affirm.

1.84. "Trigger Event" has the meaning set forth in Section 34.1(b).

1.85. "UCC" means the Uniform Commercial Code as in effect from time to time in the State of Utah.

1.86. "United States Territories" means Puerto Rico, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and American Samoa.

1.87. "Wire Fee" has the meaning set forth in Section 3.4.

2. ***Purchase of Loans; Payment to Bank.***

2.1. Transfer of Loans. Bank hereby agrees to sell, transfer, assign, set over and otherwise convey to Affirm, without recourse, representation or warranty (except as otherwise expressly provided herein), each Loan originated by Bank under the Program (excluding any Loans retained by Bank pursuant to Section 2.9), without the need for further agreement or documentation upon the delivery of a schedule from Affirm to Bank setting forth the Loans to be purchased on the applicable Closing Date (each such Loan, a "Purchased Loan"). With respect to Loans being purchased by Affirm, the Closing Date shall be two (2) calendar days and one (1) Banking Day following the date on which Bank originated the Loan as further described in Exhibit C.

2.2. Payment of Purchase Price. In consideration for Bank's sale, transfer, assignment, set over and conveyance to Affirm of a Purchased Loan, Affirm shall pay to Bank the Purchase Price therefore on the Closing Date in accordance with Section 2.3 below. Affirm shall own the Purchased Loan and shall be entitled to any cash, payments and other proceeds owing and payable to Bank or any third party in respect of a Purchased Loan on and as of the Closing Date. (The Parties acknowledge and agree that, as soon as reasonably practicable and on terms mutually acceptable to both Bank and Affirm, the purchase mechanics shall be amended such that Affirm shall pay to the Bank the Purchase Price less any cash, payments and other proceeds, to which Bank or any third party in respect of a Purchased Loan shall be entitled, in consideration for Bank's sale, transfer, assignment, set over and conveyance to Affirm of a Purchased Loan.) In addition, Affirm shall pay to Bank on a monthly basis, the Purchase Premium and other fees and expenses described in Sections 3 and 4 of this Agreement.

2.3. Purchase Statements. Affirm shall prepare, or cause to be prepared, and deliver to Bank a Purchase Statement, substantially in the form of Exhibit A, by e-mail or as otherwise mutually agreed, no later than 3:00 p.m. Pacific Time on each Closing Date. No later than the close of business on the Closing Date, Affirm shall deliver to Bank the Purchase Price set forth in such Purchase Statement. The payment of the Purchase Price shall be made in immediately available funds or as otherwise mutually agreed by the Parties to an account designated by Bank. Prior to the first Closing Date, Bank shall provide to Affirm a designated bank account name and number into which the Purchase Price, the Purchase Premiums and other fees and expenses shall be deposited pursuant to this Agreement.

(a) After payment of the Purchase Price and delivery of the Purchase Statement to Bank, Affirm shall own such Purchased Loans on and as of the Closing Date.

(b) If, after any Closing Date, the amount on any Purchase Statement on which the Purchase Price with respect to a Purchased Loan was based is found to be in error, within ten (10) Banking Days of receipt of information from the discovering Party sufficient to establish the error, and upon mutual agreement by the Parties of the corrected Purchase Price amount, and upon mutual agreement by the Parties of the corrected Purchase Price amount, the Party benefiting from the error shall pay the other Party an amount sufficient to correct and reconcile the Purchase Price. Interest shall be payable on any such amounts at the Target Rate (the calculation of which shall also be included in each Purchase Statement) if the error isn't resolved within ten (10) Banking Days from receipt of notice.

2.4. True Sale. Each of Bank and Affirm intend that each transfer of Purchased Loans by Bank pursuant to this Agreement shall be an absolute and irrevocable sale of the applicable Purchased Loans from Bank to Affirm (and not a loan or secured borrowing, including for accounting purposes), conveying good title free and clear of any Liens, from Bank to Affirm. Except with respect to the Loan Performance Fee, Bank retains no residual interest of any kind in any Purchased Loan transferred to Affirm or its designee hereunder.

(a) At any time and from time to time, Bank shall promptly and duly authorize, execute and deliver or shall promptly cause to be authorized, executed and delivered, such further instruments and documents and take such further actions as are reasonably requested by Affirm or its designee to confirm the sale of the Purchased Loans pursuant to Section 2.8, or for the purpose of obtaining or preserving the full benefits of this Agreement, including the filing of any financing or continuation statements under the UCC, naming Bank as the debtor/seller and Affirm or its designee as the secured party/purchaser, or other Applicable Law in effect in any jurisdiction with respect to the perfection of the transfer of ownership of the Purchased Loans, as applicable, ensuring that the Affirm's or its designee's security interest is prior to all other Liens against Bank and to preserve such priority and the validity and enforceability thereof.

(b) Notwithstanding the intent of Bank and Affirm, if a court of competent jurisdiction holds that the conveyance of the Purchased Loans hereunder is not a true sale of such Loans from Bank to Affirm or its designee, this Agreement also shall be deemed to be and hereby is a security agreement within the meaning of the UCC, and the conveyance by Bank provided for in this Agreement shall be deemed to be, and Bank hereby grants to Affirm or its designee, a first priority security interest in and to all of Bank's right, title, and interest, in the Purchased Loans purchased hereunder to secure the obligations now or hereafter arising of Bank to Affirm or its designee to make the payments in respect of the Purchased Loans, as applicable, and other amounts payable under and in accordance with the terms of this Agreement.

2.5. Cooperation, Expenses. Bank acknowledges that it may be Affirm's intention to securitize, finance or transfer all or a portion of the Purchased Loans acquired under this Agreement. Bank agrees to cooperate with Affirm in its efforts to securitize the Purchased Loans or finance or transfer the Purchased Loans, as applicable; provided, Bank shall not be required to release or waive any of its rights under this Agreement or the Marketing and Servicing Agreement. Affirm agrees to pay, upon written notice from Bank, all of Bank's actual, reasonable and documented out-of-pocket expenses incurred with any such securitization, transfer or financing transaction. Affirm agrees to cooperate with Bank and any Regulatory Authority with respect to any inquiries, information requests or site visits relating to the Purchased Loans at any time during normal business hours, upon reasonable advance written notice. Notwithstanding anything else in this Agreement to the contrary, Bank's consent in writing shall be required for any securitization that imposes any risk retention requirements upon Bank by 31 CFR 103.121 or any other Applicable Law.

2.6. Servicing. Prior to the sale of a Purchased Loan to Affirm, Affirm shall service the Purchased Loans in accordance with the terms of the Marketing and Servicing Agreement. Affirm shall be permitted to engage third parties to service such Purchased Loans and Affirm or such third parties shall have full power and authority to do or cause to be done all things relating to such servicing which Affirm may deem necessary or desirable, including remitting any proceeds collected with respect to any Purchased Loans transferred to Affirm or its designee.

2.7. Diligence. Affirm has conducted its own due diligence relating to the marketing of the Program, the servicing of Loans originated under the Program and the effects of the purchase of Loans arising under the Program. Affirm has conducted its own due diligence as to the risks and requirements of purchasing Loans, as applicable, originated under the Program. Bank makes no representations or warranties as to any matter relating to the purchase of any Loan that is sold by Bank to Affirm, other than those representations and warranties included in this Agreement.

2.8. Purchase on Termination. Notwithstanding anything to the contrary contained in this Agreement or the Marketing and Servicing Agreement, if the Marketing and Servicing Agreement or this Agreement is terminated for any reason by either Party, Affirm shall purchase any and all Loans (excluding Retained Loans) and related rights that remain owned by Bank at the time of such termination. On the applicable Closing Date for such Loans to be purchased as a result of any such termination, Affirm shall pay to Bank the Purchase Price for such items. Affirm may assign its right to acquire title to a Loan and related rights under this Section 2.8 to any designee.

2.9. Retention of Loans. Bank shall "retain" all Loans until the later of (i) two calendar days and one Banking Day following the date on which Bank funded the Loan and (ii) a date specified by Affirm (the "Retention Period"). In addition, notwithstanding anything to the contrary in this Agreement, Bank may elect to retain for its own account, all or some of the Loans (the "Retained Loans"); provided that the aggregate amount of such Retained Loans does not exceed [***] of the aggregate annual origination volume of the Program. In order for Bank to sell less than all of the Loans to Affirm:

(a) Bank shall provide not less than two (2) Banking Days written notice to Affirm that Bank intends not to sell all Loans on a certain Closing Date (a "Retention Notice");

(b) Such Retention Notice shall state the specific Loans which Bank shall retain.

2.10. Delivery of Records. Upon Affirm's or its designee's request, Bank agrees to cause to be delivered to Affirm or its designee for purposes of servicing the Loans, Records related to the Loans through the Banking Day preceding such purchase, to the extent that such materials are in Bank's possession and not in the possession of Affirm. If such request is in connection with a subpoena, Affirm shall reimburse Bank for its reasonable expenses related to a document production and delivery, if any. Such Records shall include the Loan Agreement, confirmation of delivery of the Loan Agreement to the Borrower, and such other materials as Affirm or its designee may reasonably require (all of which may be in electronic form except where originals are required by Applicable Law).

3. ***Purchase Premium.*** To compensate Bank for selling Loans to Affirm under the Program, Affirm shall pay Bank a Purchase Premium, it being understood that such Purchase Premium shall be in addition to the Purchase Price paid to Bank by Affirm for the Purchased Loans. The Purchase Premium is payable monthly according to the following schedule:

[***]

The Parties agree that the Purchase Premium tiers are marginal, as demonstrated by the example in Exhibit E.

3.1. The monthly Purchase Premium shall be paid by Affirm to Bank on or before the fifteenth (15^{th}) day of calendar month immediately following the Measuring Month.

3.2. The Purchase Premium shall be paid in immediately available funds into such account as directed by Bank.

3.3. Each monthly Purchase Premium payment shall be accompanied by a written record prepared by Affirm that provides detailed information as to its calculation of such monthly Purchase Premium payment. Bank shall have fifteen (15) days to object to Affirm's calculation of each monthly Purchase Premium payment. If Bank does not object in writing to such calculation, the calculation shall be deemed approved by Bank. If Bank objects in writing to such calculation it shall provide its own calculation to Affirm. If Affirm does not agree with Bank's calculation, the Parties shall use commercially reasonable efforts to come to an agreement as to the required amount to be paid hereunder. Affirm shall pay the agreed upon amount within five (5) Banking Days.

3.4. In conjunction with the monthly payment of the Purchase Premium, Affirm shall pay Bank all outstanding Wire Fees from the previous month resulting from any and all disbursements made by wire transfer. The Wire Fee shall be [***] for each disbursement made by wire transfer; provided that wire transfers may only occur upon specific request by Affirm. Unless Affirm specifically requests a wire transfer, all disbursements shall be made by ACH, for which there shall be no fee.

4. ***Additional Fees and Expenses.*** In addition to the Purchase Price and the Purchase Premium, Affirm shall pay or reimburse Bank as follows:

4.1. Minimum Annual Fees. The Minimum Annual Fees as set forth below shall represent the minimum aggregate compensation, fees or other payments due from Affirm to Bank for each Contract Year during the Initial Term during which the Program is active, commencing on the Program Start Date:

Contract Year 1	[***]
Contract Year 2	[***]
Contract Year 3	[***]

The Minimum Annual Fee will be settled on a quarterly basis for all Contract Years. If the prorated Minimum Annual Fee for the Program has been fulfilled in any given quarter, then the excess over the minimum of the Program for that quarter can be applied to any minimum fees due to be paid at the end of such quarter under the line of credit program.

In Year 1, the prorated amount of the Minimum Annual Fee will be settled on a quarterly basis using the methodology set forth in Exhibit G. These Minimum Annual Fees shall be paid in lieu of, and not in addition to, any other amounts due from Affirm to Bank for each Contract Year.

4.2. Loan Performance Fee. To compensate Bank for originating Loans, Affirm shall pay Bank a fee on all Purchased Loans that are paid in full in an amount equal to the product of the Loan Performance Fee Rate and the aggregate principal amount paid directly by the Borrower of each applicable Purchased Loan (including any service credits applied to such Purchased Loan) (the "Loan Performance Fee"). Such Loan Performance Fee shall be paid by the fifteenth (15^{th}) day of the calendar month following the month during which an applicable Purchased Loan has been paid in full, as further illustrated on Exhibit H.

4.3. Retention Period Interest. For each Purchased Loan, Bank shall earn any interest accrued during the Retention Period on such Loans (the "Retention Period Interest") based (i) on the Effective Rate for interest-bearing Loans and (ii) the rate of [***] (the "Equivalent Rate") for all 0% interest rate Loans. Retention Period Interest shall be calculated according to the methodology set forth in Exhibit D attached hereto.

5. ***Ownership of Loans.***

5.1. Ownership, Transfer of Loans. Subject to the terms of the Marketing and Servicing Agreement and this Agreement, Bank shall retain ownership of the Loans (until such Loans are sold to Affirm hereunder). Funding Amounts sent to a Merchant on behalf of a Borrower under a Loan shall be treated for all purposes as true extensions of credit by Bank and be governed by Utah law. On and after each Closing Date, Affirm shall be the owner of the Loans transferred on such date and shall be entitled to all rights, privileges, and remedies applicable to such ownership interest.

5.2. Recordkeeping, Repayment of Loans. Affirm shall make entries on its books and Records to clearly indicate the ownership of the Purchased Loans by Affirm or its designee as of the date of each applicable transfer of ownership from Bank to Affirm or its designee. Except as provided in Section 6.3, Bank does not assume and shall not have any liability to Affirm or its designees for the repayment of any Purchased Loans; provided, however, that Bank shall forward to Affirm payments in respect of Loans transferred to Affirm or its designee received by it, after the date of the applicable transfer, as provided in Section 6.3 hereof.

6. ***Covenants of Bank.*** Bank hereby covenants that:

6.1. Bank shall take no action to cause any Loan to be evidenced by any "instrument" (as defined in the UCC as in effect in any relevant jurisdiction).

6.2. Bank shall not sell, pledge, assign or transfer to any other Person, any Loans, other than with the prior written consent of Affirm or in favor of Affirm or Affirm's designee or pursuant to Section 2.8 of this Agreement.

6.3. If Bank directly or indirectly receives or collects any funds in repayment of a Loan transferred to Affirm or its designee pursuant to Section 2.8, Bank shall promptly send an e-mail notice of any such receipt to Affirm or its designee and simultaneously make a Remittance of such payment by wire transfer (or other means as agreed to by Parties) to a bank account designated to receive payments by Affirm or its designee. Bank hereby agrees and acknowledges that any payments so collected by Bank shall be held in trust for Affirm or its designee while such payments are held by Bank and shall be delivered immediately to Affirm or its designee.

6.4. Bank shall take no action to permit any Lien to arise against any Loan; provided, however, Bank shall notify Affirm promptly after becoming aware of any Lien arising on any Loan (other than any Lien in favor of Affirm).

6.5. Bank shall remain throughout the Term in full compliance with applicable minimum capital requirements prescribed by the FDIC and any other Regulatory Authority having jurisdiction over Bank, and Bank shall meet throughout the Term the requirements to be considered "adequately capitalized" as defined in the FDI Act and the applicable regulations promulgated thereunder.

6.6. The execution, delivery and performance of this Agreement by Bank shall comply all Applicable Laws throughout the Term.

7. ***General Representations and Warranties of Bank.*** Bank hereby represents and warrants to Affirm as of the Effective Date and each Closing Date that:

7.1. Good Standing. Bank is an industrial bank duly organized, validly existing, and in good standing under the laws of State of Utah.

7.2. Deposit Insurance. Bank is an FDIC-insured, state-chartered financial institution that accepts insured deposits from affiliated and non-affiliated companies, Bank's deposits are fully insured in accordance with Applicable Law and no proceeding has been instituted to revoke such insurance.

7.3. Power and Authority, Due Authorization. Bank has full power and authority to execute, deliver and perform its obligations under this Agreement, including the authority to extend credit to Borrowers in all United States jurisdictions, exporting the law of Utah, and the execution, delivery and performance of this Agreement by Bank has been duly authorized and such performance is not in conflict with and does not violate the terms of the charter or bylaws of Bank and shall not result in a material breach of or constitute a default under, or require any consent under, any indenture, loan or agreement to which Bank is a party.

7.4. Permissions. All approvals, authorizations, licenses, registrations, consents and other actions by notices to, and filings with, any Person that may be required in connection with the execution, delivery and performance of this Agreement by Bank, have been obtained (other than those required to be made to or received from Borrowers and Applicants).

7.5. Enforceability. This Agreement constitutes a legal, valid and binding obligation of Bank, enforceable against Bank in accordance with its terms, except (a) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and (b) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

7.6. Consents. Neither the execution, delivery, validity or enforceability of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall (i) require any consent, approval, authorization, notice, registration or filing under any Applicable Law permit, license or agreement applicable to Bank; (ii) require the consent or approval of, or notice to, any other party, contract, instrument or commitment applicable to Bank; or (iii) result in a violation or termination of, or a breach or default under, any Loan Agreement, or otherwise render any Loan Agreement or any provision thereof unenforceable or give any Borrower the right to cancel or terminate any Loan Agreement. Bank is not subject to any agreement with any Regulatory Authority that would prevent the consummation by Bank of the transactions contemplated by this Agreement.

7.7. Loans. Each Loan shall have been validly and legally originated by Bank in accordance with Applicable Law.

7.8. No Proceedings. There are no proceedings or investigations pending or, to the best knowledge of Bank, threatened against Bank (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by Bank pursuant to this Agreement, (iii) seeking any determination or ruling that, in the reasonable judgment of Bank, would materially and adversely affect the performance by Bank of its obligations under this Agreement, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or (v) that would have a materially adverse financial effect on Bank or its operations if resolved adversely to it.

7.9. Compliance with Law. The execution, delivery and performance of this Agreement by Bank complies with all Applicable Laws.

7.10. Regulatory Compliance. Bank is in full compliance with applicable minimum capital requirements prescribed by the FDIC and any other Regulatory Authority having jurisdiction over Bank, and Bank meets the requirements to be considered “adequately capitalized” as defined in the FDI Act and the applicable regulations promulgated thereunder.

7.11. Enforcement. Except as otherwise disclosed, Bank is not subject to the following:

(a) A criminal conviction (except minor traffic offenses and other petty offenses) in the United States of America or in any foreign country;

(b) Unpaid Federal or State tax lien, or any foreign tax lien;

(c) Administrative or enforcement proceedings commenced by the Securities and Exchange Commission, any State securities regulatory authority, Federal Trade commission, federal or State bank regulator, or any other State or federal regulatory agency in the United States or in any other country; or

(d) A restraining order, decree, injunction or judgment in any proceeding or lawsuit alleging fraud or deceptive practice on the part of Bank.

7.12. Title to Loans. The transfer to Affirm of each Loan that was originated by Bank under the Program on the date of such transfer constitutes a valid sale, transfer, assignment, set-over and conveyance to Affirm of all of Bank’s right, title and interest in and to such Loan. Other than sales of Loans to Affirm pursuant to this Agreement, Bank has not sold, granted a Lien or otherwise transferred any Loans or any interests therein.

7.13. Owner of Loans. At all times prior to the sale of each Loan to Affirm, Bank is the sole legal and beneficial owner of all right, title and interest in and to such Loan other than as permitted by this Agreement. On and after a transfer of a Loan from Bank to Affirm or its designee pursuant to Section 2.8, Affirm or its designee shall be the sole owner for all purposes of such Loan (until and unless further assigned and transferred by Affirm or its designee).

7.14. Power to Sell and Transfer. Bank has complete and unrestricted power to sell, convey, assign, transfer and deliver to Affirm the Loans to be sold and transferred hereunder. Bank has done nothing that would alter the terms and conditions of each Loan or impair the enforceability of any Loan and there is no limit on Bank's authority to sell, assign or otherwise transfer Loans to Affirm.

7.15. Valid Conveyance. All Loans to be transferred to Affirm hereunder shall be validly conveyed and assigned to Affirm free and clear of all Liens, except any Lien held by Affirm, on the date of each purchase by Affirm hereunder. The amount of consideration being received by Bank upon the sale of the Loans, as applicable, to Affirm constitutes reasonably equivalent value and fair consideration for such Loans. Bank is not transferring any Loan with any intent to hinder, delay or defraud any of its creditors. No Loan has been satisfied, subordinated or rescinded, and no right of rescission, set-off, counterclaim or defense exists or has been asserted with respect to any Loan and, to Bank's knowledge, there is no action before any State or federal court, administrative or regulatory body involving any Loan in which an adverse result would have an adverse effect upon the value, the validity, enforceability or collectability of the Loan. The consummation of the transactions contemplated by this Agreement are in the ordinary course of business of Bank, and the sale, transfer, assignment and conveyance of the Loans, as applicable, by Bank pursuant to this Agreement are not subject to the bulk transfer or any similar statutory provisions. To the knowledge of Bank, none of the transactions contemplated herein shall violate or result in a violation of any Applicable Law or Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including Regulations T and U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

7.16. Sales and Transfers. Bank shall maintain its Records in a manner to clearly and unambiguously reflect its ownership of each Loan prior to the transfer of such Loan pursuant to this Agreement and shall assign and transfer title to each Loan transferred to Affirm or its designee pursuant to this Agreement free and clear of all Liens.

7.17. Survival. The representations and warranties set forth in this Section 7 shall survive the sale, transfer and assignment of the Purchased Loans to Affirm pursuant to this Agreement and the termination of this Agreement, and, except for those representations and warranties contained in Section 7.11, shall be made continuously throughout the Term. If any investigation or proceeding of the type described in Section 7.8 is instituted or threatened against Bank, Bank shall promptly notify Affirm of such pending or threatened investigation or proceeding.

8. ***Representations and Warranties of Affirm.*** Affirm hereby represents and warrants to Bank, as of the Effective Date that:

8.1. Enforceability. This Agreement constitutes a valid and binding obligation of Affirm, enforceable against Affirm in accordance with its terms.

8.2. Power and Authority. All agents acting on behalf of Affirm have full power and authority to perform all acts necessary to fulfill Affirm's obligations under this Agreement.

8.3. Good Standing. Affirm is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and is authorized to do business in each State in which the nature of Affirm's activities makes such authorization necessary.

8.4. Due Authorization. Performance of this Agreement by Affirm has been duly authorized and such performance is not in conflict with and does not violate the terms of the charter or bylaws of Affirm and does not result in a material breach of or constitute a default under, or require any consent under, any indenture or loan agreement to which Affirm is a party.

8.5. Insolvency. Affirm has not applied for an order, and no order is made, declaring it bankrupt, or granting it a moratorium or suspension of payments, and no liquidator is appointed for and no other equivalent event has occurred with respect to it or any substantial part of its assets in any jurisdiction or is insolvent as defined in the Bankruptcy Code or in the fraudulent conveyance or fraudulent transfer statutes of the State of Delaware or any other jurisdiction.

8.6. Compliance with Law. The execution, delivery and performance of this Agreement by Affirm complies with Applicable Law.

8.7. Consents. Neither the execution, delivery, validity or enforceability of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall (i) require any consent, approval, authorization, notice, registration or filing under any Applicable Law permit, license or agreement applicable to Affirm; (ii) require the consent or approval of, or notice to, any other party, contract, instrument or commitment applicable to Affirm; or (iii) result in a violation or termination of, or a breach or default under, any Loan Agreement, or otherwise render any Loan Agreement or any provision thereof unenforceable or give any Borrower the right to cancel or terminate any Loan Agreement. Affirm is not subject to any agreement with any Regulatory Authority that would prevent the consummation by Affirm of the transactions contemplated by this Agreement.

8.8. No Proceedings. There are no proceedings or investigations pending or, to the best knowledge of Affirm, threatened against Affirm (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by Affirm pursuant to this Agreement, (iii) seeking any determination or ruling that, in the reasonable judgment of Affirm, would materially and adversely affect the performance by Affirm of its obligations under this Agreement, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or (v) that would have a materially adverse financial effect on Affirm or its operations if resolved adversely to it.

8.9. Enforcement. Except as otherwise disclosed, Affirm has not been subject to the following:

(a) A criminal conviction (except minor traffic offenses and other petty offenses) in the United States of America or in any foreign country;

(b) Unpaid Federal or State tax lien, or any foreign tax lien;

(c) Administrative or enforcement proceedings commenced by the Securities and Exchange Commission, any State securities regulatory authority, Federal Trade commission, federal or State bank regulator or any other State or federal regulatory agency in the United States or in any other country; or

(d) A restraining order, decree, injunction or judgment in any proceeding or lawsuit alleging fraud or deceptive practice on the part of Affirm.

8.10. Survival. The representations and warranties set forth in this Section 8 shall survive the sale, transfer and assignment of the Purchased Loans to Affirm pursuant to this Agreement and the termination of this Agreement. If any investigation or proceeding of the type described in Section 8.8 is instituted or threatened against Affirm, Affirm shall promptly notify Bank of such pending or threatened investigation or proceeding.

9. ***Conditions Precedent to the Obligations of Affirm.***

9.1. The obligations of Affirm under this Agreement are subject to the satisfaction of the following conditions precedent on or prior to each Closing Date:

(a) As of each Closing Date, no action or proceeding shall have been instituted or threatened against Bank to prevent or restrain the consummation of the transactions contemplated hereby, and, on each Closing Date, there shall be no injunction, decree, or similar restraint preventing or restraining such consummation;

(b) The representations and warranties of Bank set forth in Section 7 shall be true and correct in all material respects on each Closing Date as though made on and as of such date;

(c) The obligations of Bank set forth in this Agreement to be performed on or before each Closing Date shall have been performed in all material respects as of such date by Bank; and

(d) The Marketing and Servicing Agreement shall be in full force and effect.

9.2. The Parties agree that ownership of the Loans acquired by Affirm on each Closing Date shall vest in Affirm as of such Closing Date, whether or not the foregoing conditions precedent to such purchase were in fact satisfied and any Party's sole remedy for damages on account of failure to satisfy such conditions precedent shall be limited to indemnification as provided in Section 14.

10. ***Conditions Precedent to the Obligations of Bank.*** The obligations of Bank in this Agreement are subject to the satisfaction of the following conditions precedent on or prior to each Closing Date:

10.1. As of each Closing Date, no action or proceeding shall have been instituted or threatened against Affirm or Bank to prevent the consummation of the transactions contemplated hereby, and, on each Closing Date, there shall be no injunction, decree, or similar restriction preventing such consummation;

10.2. The representations and warranties of Affirm set forth in Section 8 shall be true and correct in all material respects on each Closing Date as though made on and as of such date;

10.3. The obligations of Affirm set forth in this Agreement to be performed on or before each Closing Date shall have been performed in all material respects as of such date by Affirm; and

10.4. The Marketing and Servicing Agreement shall be in full force and effect.

11. ***Limitation of Loans Representations and Warranties.*** Bank makes no representations or warranties as to any matter relating to the purchase of any Loan that is sold by Bank to Affirm, except as specifically provided in this Agreement.

12. ***Term and Termination*****.**

12.1. The term of this Agreement shall commence on the Program Start Date and continue for three (3) years (the "Initial Term"). After the Initial Term, the Agreement shall be automatically extended for additional periods of one (1) year each (a "Renewal Term") unless either Party notifies the other Party of its intent to terminate this Agreement at least one hundred and twenty (120) days prior to the end of the Initial Term or any Renewal Term or this Agreement is earlier terminated in accordance with this Section 12 or Section 31.2.

12.2. Either Party shall have the right to terminate this Agreement, upon written notice to the other Party, upon occurrence of one or more of the following events (each, a "Cause"), such termination to be effective on the second Banking Day following the date notice of termination is given to the other Party pursuant to this Section 12.2:

(a) Failure by the non-terminating Party to observe or perform, in any material respect, that Party's obligations to the other Party hereunder, so long as the failure is not due to the actions or failure to act of the terminating Party, but only if the failure continues for a period of, (i) in the case of a failure not involving the payment of money, thirty (30) days after the non-terminating Party receives written notice from the terminating Party specifying the failure; provided, however, that in the case of a failure that is not cured within such thirty (30) day period, the cure period shall be extended by a one-time additional thirty (30) day period if the non-terminating Party is diligently pursuing remedial action, or (ii) in the case of a failure involving the payment of money, five (5) Banking Days after the non-performing Party is given written notice from the terminating Party specifying the failure in the case of a failure to pay any undisputed amount of [***] or more, then due hereunder;

(b) Any representation or warranty made by the non-terminating Party herein shall have been false in any material respect as of the time when made or given and has a material adverse effect on the Program or this Agreement and continues to be false for a period of thirty (30) days after the non-terminating Party receives written notice from the terminating Party specifying how the representation or warranty is false; provided, however, that in the case of an inaccuracy that is not cured within such thirty (30) day period, the cure period shall be extended by an additional thirty (30) day period if the non-terminating Party is diligently pursuing remedial action;

(c) In the event the non-terminating Party (A) voluntarily commences any proceeding or files any petition seeking relief under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency, liquidation, receivership or similar law, (B) applies for or consents to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Party or for a substantial part of its property or assets, (C) makes a general assignment for the benefit of creditors, (D) takes formal action for the purpose of effecting any of the foregoing, or (E) is otherwise insolvent;

(d) Upon the commencement against the non-terminating Party of an involuntary proceeding or the filing of an involuntary proceeding or the filing of an involuntary petition in a court of competent jurisdiction seeking (i) relief in respect of such Party, or of a substantial part of its property or assets under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency, liquidation, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Party or for a substantial part of its property or assets, or (iii) the winding up or liquidation, of such Party, if such proceeding or petition shall continue un-dismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(e) Upon the deadline provided by a Regulatory Authority or, if no such deadline has been provided, upon ninety (90) days written notice following any final action by a Regulatory Authority, including any change to or enactment of or change in interpretation or enforcement of any law or regulation by such Regulatory Authority which, in each case, would have a material adverse effect upon such Party's ability to perform its obligations under this Agreement or such Party's costs or revenues with respect to the Loans;

(f) Upon violation by a Party of any Applicable Law that materially impairs the terminating Party's ability to discharge its performance obligations under this Agreement or would subject the terminating Party to material reputational harm or material liability that is not cured within thirty (30) days after the non-terminating Party receives written notice from the terminating Party specifying the violation; provided, however, that in the case of a violation that is not cured within such thirty (30) day period, the cure period shall be extended by an additional thirty (30) day period if the non-terminating Party is diligently pursuing remedial action;

(g) Upon direction or request from any Regulatory Authority to cease or materially limit performance of the activities contemplated by this Agreement; provided that, if direction is received to cease or materially limit performance of obligations under this Agreement, before terminating the Agreement the Parties shall in good faith negotiate to modify the Agreement to comply with any such directive or request; or

(h) Upon termination of the Marketing and Servicing Agreement, in accordance with the terms thereof.

12.3. Affirm shall have the right to terminate this Agreement upon written notice to Bank on the date specified in such notice in any of the following circumstances:

(a) after a ten (10) Banking Day cure period if Bank defaults on its obligations set forth in Section 6.3; or

(b) there is a pending or threatened dispute, proceeding or controversy between Bank and any Regulatory Authority or any pending, completed or issued investigations or supervisory or enforcement actions by a Regulatory Authority with respect to Bank (including any order, memorandum of understanding, written agreement or other similar agreement, or extraordinary supervisory letter, whether formal or informal) that would reasonably be expected to (i) prevent or materially impair or materially delay the ability of Bank to perform its obligations under this Agreement, (ii) have a materially adverse impact on the Program, (iii) materially restrict in any way the operation of the Program or (iv) adversely affect any Loans.

12.4. Bank may terminate this Agreement after a ten (10) Banking Day cure period following notice from Bank to Affirm if Affirm defaults on its obligations set forth in Section 2 of this Agreement on the due date of such obligations provided herein, if there are not sufficient funds in the Collateral Account for Bank to withdraw in fulfillment of the amount due.

12.5. Bank shall not originate any new Loans under the Program after termination.

12.6. The Parties hereby agree that upon the termination of this Agreement, the Parties shall terminate the Marketing and Servicing Agreement, subject only to the purchase by Affirm or its designee, for the Purchase Price, of any Loans owned by Bank (excluding Retained Loans) and related rights on or prior to the date of termination.

12.7. The termination of this Agreement either in part or in whole shall not discharge any Party from any obligation incurred prior to such termination.

12.8. Upon a termination of this Agreement, the Parties shall work together to develop a transition plan to wind down the Program in accordance with Applicable Law and Section 2.8. Each Party acknowledges that the goals of the transition plan include benefitting Borrowers by minimizing any possible burdens or confusion and protecting and enhancing the names and reputations of the Parties.

13. ***Confidentiality of Proprietary Information*****.**

13.1. Ownership and Restrictions on Use. The Receiving Party acknowledges and agrees that the Proprietary Information of the Disclosing Party remains the sole and exclusive property of the Disclosing Party or a third party providing the information to the Disclosing Party, and the disclosure of the information to the Receiving Party does not confer upon it any license, interest or right of any kind in or to the Proprietary Information, except as provided under this Agreement.

13.2. Confidentiality. At all times and notwithstanding any termination of this Agreement, the Receiving Party agrees that it shall (a) hold in strict confidence and not disclose to any third party the Proprietary Information of the Disclosing Party, except as approved in writing by the Disclosing Party; (b) only permit access to the Proprietary Information of the Disclosing Party to those of its Personnel who have a need to know in order for the Receiving Party to perform its obligations under this Agreement; (c) be responsible to the Disclosing Party for any of its Personnel's use or disclosure of the Proprietary Information in violation or breach of, or in a manner not authorized by, this Agreement; (d) only use Proprietary Information that it receives to carry out the purposes of this Agreement and for no other purpose whatsoever; and (e) use at least the same degree of care it would use to protect its own Proprietary Information of like importance, but in no event less than a reasonable degree of care, including maintaining the information security standards for the Proprietary Information required by this Agreement. Neither Party will communicate any information to the other Party in violation of the proprietary rights of any third party.

13.3. Required Disclosures. If the Receiving Party is required by a Regulatory Authority or Applicable Law to disclose any Proprietary Information of the Disclosing Party, the Receiving Party must first, if legally permissible, give written notice of the required disclosure to the Disclosing Party; take reasonable steps to allow the Disclosing Party to seek to protect the confidentiality of the Proprietary Information required to be disclosed; and then disclose only that part of the Proprietary Information which, in the written opinion of its legal counsel, it is required to disclose. The foregoing requirements do not apply to or limit either Party's ability to fully comply with requests for information that will remain confidential from a Regulatory Authority or the Internal Revenue Service.

13.4. Notice of Unauthorized Disclosures. The Parties shall immediately provide notice of any attempted or actual breach resulting in unauthorized disclosure(s) of the Proprietary

Information and shall specify the corrective action taken by the Party with respect to which a breach has occurred in accordance with Section 18 of the Marketing and Servicing Agreement.

13.5. Limit on Reproductions. The Receiving Party shall not reproduce the Disclosing Party's Proprietary Information in any manner except as required to perform the Receiving Party's obligations under this Agreement. All reproductions of Proprietary Information by the Receiving Party remain the property of the Disclosing Party and must bear all confidential or proprietary notices or legends appearing on the original.

13.6. Treatment of Proprietary Information Following Termination. Upon termination of this Agreement, or earlier, if requested, the Receiving Party promptly shall return to the Disclosing Party all physical and electronic materials in the Receiving Party's possession or control containing the Disclosing Party's Proprietary Information. The materials must be delivered via a secure method and upon such media as may be reasonably required by the Disclosing Party. Alternatively, with the Disclosing Party's prior written consent, the Receiving Party may permanently destroy or delete the Disclosing Party's Proprietary Information, and if requested, shall certify the destruction or deletion in writing to the Disclosing Party. However, if the Receiving Party, due to requirements of Applicable Law, must retain any of the Disclosing Party's Proprietary Information, or is unable to permanently destroy or delete the Disclosing Party's Proprietary Information as permitted above within sixty (60) days after termination of this Agreement, the Receiving Party shall so notify the Disclosing Party in writing, and the Parties shall confirm any extended period needed for permanent destruction or deletion of the Disclosing Party's Proprietary Information. All Proprietary Information remaining in the Receiving Party's possession or control shall continue to be subject to the provisions of this Section 13. The methods used to destroy and delete the Proprietary Information must ensure that no Proprietary Information remains readable nor can be reconstructed to be readable. Destruction and deletion must also comply with the following specific requirements:

MEDIUM	APPROPRIATE DESTRUCTION METHOD
Hard copy	Shredding, pulverizing, burning or other permanent destruction method
Electronic tangible media, such as disks, tapes	Destruction or erasure of the media
Hard drive or similar storage device	Erasure or elimination of Proprietary Information from the device
Electronic intangible media, such as cloud computing	Erasure or elimination of Proprietary Information from the cloud

13.7. Equitable Relief. If either Party or its Affiliates breaches or threatens to breach any provision of this Section 13, the non-breaching Party, in addition to any other remedy it may have at law or in equity, shall be entitled to seek a restraining order, injunction, or other similar remedy to specifically enforce the provisions of this Agreement without proving actual damages or posting bond or other security. Each Party specifically acknowledges that money damages alone would be an inadequate remedy for the injuries and damages that would be suffered and incurred by the non-breaching Party or its Affiliates from a breach of any provision of this Agreement.

13.8. Survival. Notwithstanding any termination of this Agreement, all the Receiving Party's obligations pursuant to this Section 13 shall survive (a) with respect to Confidential Business Information (other than Trade Secrets), for so long as such information continues to be confidential pursuant to the terms of this Agreement; (b) with respect to Trade Secrets, for so long as the information continues to constitute a trade secret under Applicable Law; and (c) with respect to Borrower Data and Protected Data, for so long as required by Applicable Law.

14. ***Indemnification.***

14.1. Indemnity of Affirm. Bank agrees to indemnify Affirm and its Affiliates, and their respective officers, directors, employees, managers, representatives, owners, agents and attorneys (the "Affirm Indemnified Parties") from and against any and all Losses that arise from (a) the negligence or intentional misconduct of Bank or its agents or representatives (other than Affirm) in connection with the performance of its obligations under this Agreement; (b) the breach by Bank or its agents or representatives (other than Affirm) of any of Bank's covenants, obligations, representations, warranties or undertakings under this Agreement; (c) violation by Bank or any of its employees, agents or representatives (other than Affirm) of Applicable Law; (d) infringement or misappropriation of the intellectual property rights (patents, copyrights, trademarks, etc.) of any third party by Bank in connection with the Program or Bank's obligations hereunder or (e) any unauthorized, illegal or fraudulent access to or use of Borrower Data caused by Bank or arising from a Security Incident associated with systems maintained by Bank.

14.2. Indemnity of Bank. Affirm agrees to indemnify Bank and its Affiliates and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Bank Indemnified Parties") from and against any and all Losses, that arise from (a) the negligence or intentional misconduct of Affirm or its agents or representatives in connection with its performance of its obligations under this Agreement; (b) breach by Affirm or its agents or representatives of any of Affirm's covenants, obligations, representations, warranties or undertakings under the Agreement; (c) a violation by Affirm, its subcontractors, employees, agents, representatives of any Applicable Law; (d) infringement or misappropriation of the intellectual property rights (patents, copyrights, trademarks, etc.) of any third party by Affirm in connection with the Program or Affirm's obligations hereunder; (e) any unauthorized, illegal or fraudulent access to or use of Borrower Data caused by Affirm or arising from a Security Incident associated with systems maintained by Affirm; or (f) Bank's participation in the Program as contemplated by this Agreement, except if (i) such Losses result from the negligence or intentional misconduct of, or breach of this Agreement or Applicable Law by, Bank or its subcontractors, employees, agents, or representatives (other than Affirm), or (ii) such Loss is subject to indemnification by Bank pursuant to Section 14.1.

14.3. Party References. The Affirm Indemnified Parties or Bank Indemnified Parties are sometimes referred to herein as the "Indemnified Party," and Affirm or Bank, as an indemnitor hereunder, is sometimes referred to herein as the "Indemnifying Party."

14.4. General Conditions on Indemnity Obligations. Each Indemnifying Party's obligations under this Agreement shall be subject to the Indemnified Party (a) unless otherwise required by Applicable Law, promptly, after receipt of any written claim or notice of any action giving rise to a claim for indemnification, providing the Indemnifying Party notice of the claim or action and specifying in reasonable detail the nature and amount of the Loss (provided that failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its indemnification obligations, except to the extent that the failure or delay is prejudicial); (b) providing reasonable cooperation and assistance in the defense or settlement of any claim; and (c) granting the Indemnifying Party control over the defense and settlement of the same (provided that any Indemnified Party shall be entitled to participate in the defense and settlement of the claim and to employ counsel at its own expense to assist in the handling of the claim; and provided further that the Indemnified Party does not invoke its retained right to defend as stated below). The Indemnifying Party shall not agree to any settlement that results in any obligation or an admission of liability by the Indemnified Party without the Indemnified Party's prior written consent.

14.5. Reservation of Right to Defend. If the Indemnified Party reasonably determines that the Indemnifying Party has failed to diligently assume and maintain a prompt and vigorous defense of any claim, the Indemnified Party may, at its own expense, option, and discretion, assume sole control of the defense of any claim and all related settlement negotiations with counsel of its own choosing and without waiving any other rights to indemnification. If the Indemnified Party provides sufficient evidence to support its right to defend pursuant to this Section 14, the Indemnifying Party shall pay all costs and expenses (including reasonable attorneys' fees) incurred by the Indemnified Party in the defense. Notwithstanding anything to the contrary in the foregoing, the Indemnified Party shall not accept any settlement on behalf of the Indemnifying Party that results in an admission of liability, or does not provide a full unconditional release, without the Indemnifying Party's express written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

14.6. Disclosure. Each Party shall promptly notify the other Party of any action, suit, proceeding, facts and circumstances, and the threat of reasonable prospect of same, which might give rise to any indemnification hereunder or which might materially and adversely affect a Party's ability to perform its obligations under this Agreement. The terms of this Section 14 shall survive the expiration or earlier termination of this Agreement.

15. ***Notices.*** All notices and other communications that are required or may be given in connection with this Agreement shall be in writing and shall be deemed given (a) on the day delivered, if delivered by hand; (b) on the day transmitted, if transmitted by facsimile or email if sent during the recipient's normal business hours, and on the next Banking Day if sent after the recipient's normal business hours; (c) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); or (d) three (3) days after the date of mailing to the other Party, if mailed certified or registered, return receipt requested, postage prepaid, at the following address, or such other address as either Party shall specify in a notice to the other:

To Bank: Celtic Bank
Attention: Reese Howell, CEO
268 South State Street, Suite 300
Salt Lake City, UT 84111
Telephone: [***]
Email: [***]
Facsimile: [***]

With a copy to: Leslie Rinaldi, General Counsel
Celtic Bank Corporation
268 South State Street, Suite 300
Salt Lake City, UT 84111
Telephone: [***]
Email: [***]
Facsimile: [***]

To Affirm: Affirm, Inc.
Attention: Michael Linford, Chief Financial Officer
650 California Street, 12th Floor
San Francisco, CA 94108
E-mail Address: [***]
Telephone: [***]
Facsimile: [***]

With a copy to: Sharda Caro, Chief Legal Officer
Affirm, Inc.
650 California Street, 12th Floor
San Francisco, CA 94108
E-mail Address: [***]
Telephone: [***]
Facsimile: [***]

16. ***Information.*** All sharing, use and disclosure of Proprietary Material and Borrower Data under this Agreement shall be subject to the provisions of the Marketing and Servicing Agreement.

17. ***Entire Agreement; Amendments.*** This Agreement, including the exhibits attached hereto, and the Marketing and Servicing Agreement, including the exhibits attached thereto, constitute the entire Agreement between the Parties and supersedes all prior agreements, understandings, and arrangements, oral or written, between the Parties with respect to the subject matter hereof, each of which

is merged into and subsumed by this Agreement. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by each Party.

18. ***Section and Other Headings.*** The various captions and section headings in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any "Section" are to the applicable section of this Agreement.

19. ***Successors and Third Parties.*** This Agreement and the rights and obligations hereunder shall bind, and inure to the benefit of, the Parties and their successors and permitted assigns. Nothing contained herein shall be construed as creating a third-party beneficiary relationship between the Parties and any other Person.

20. ***Separate Counterparts.*** This Agreement may be executed and delivered by the Parties in any number of counterparts, and by different parties on separate counterparts, each of which counterpart shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same instrument. Any signature delivered by a Party by facsimile or other form of electronic transmission shall be deemed to be an original signature hereto.

21. ***Severability.*** In the event that any part of this Agreement is deemed by a court, Regulatory Authority, or other public or private tribunal of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed to have been omitted from this Agreement. The remainder of this Agreement shall remain in full force and effect, and shall be modified to any extent necessary to give such force and effect to the remaining provisions, but only to such extent.

22. ***Governing Law and Venue.*** For purposes of litigating any disputes that arise directly or indirectly from the relationship of the Parties under this Agreement, the Parties hereby submit to and consent to the exclusive jurisdiction of the State of Utah and agree that such litigation shall be conducted only in the courts of Salt Lake County, Utah, or federal courts for the United States for the District of Utah. The Parties acknowledge that Bank, as a Utah industrial bank, is regulated by the FDIC, and is therefore subject to federal law, and entitled to preemption from State laws to the fullest extent permitted by law. In any matters not so preempted (if any), this Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Utah applicable to contracts made to be performed within such State and applicable federal law. Each Party hereby submits to the jurisdiction of the courts of such State, and (subject to Bank's reservation of preemption rights above) waives any objection to venue with respect to actions brought in such courts.

23. ***Assignment.*** This Agreement and the rights and obligations created under it shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Neither Party shall be entitled to assign or transfer any interest under this Agreement without the prior written consent of the other Party, except that Affirm may, without the prior written consent of Bank, assign this Agreement to any subsidiary or Affiliate if such assignment is the result of an internal corporate reorganization, or in connection with any Change of Control event, if the assignee has sufficient legal authority, and financial, managerial and operational capacity to perform the assignor's obligations hereunder. Neither Party shall unreasonably withhold consent. Notwithstanding the foregoing, Bank hereby acknowledges Affirm's right to transfer or collaterally assign or otherwise pledge its rights and interests under this Agreement with respect to Purchased Loans to any assignee. Bank further acknowledges and agrees that each such assignee shall be entitled to enforce its rights to Purchased Loans directly against Bank as if such assignee was a party to this Agreement.

24. ***Waivers.*** No Party shall be deemed to have waived any of its rights or remedies hereunder except when such waiver is in writing and is signed by an authorized agent or representative of the waiving Party. Either Party may, by an instrument in writing, waive compliance by the other Party with any term or provision of this Agreement on the part of such Party to be performed or complied with. The waiver by a Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

25. ***Disputes.***

25.1. In the event of any dispute, controversy, or claim arising out of or relating to this Agreement or the making, construction, interpretation, performance, breach, termination, enforceability or validity thereof (hereinafter, a "Dispute"), the Party raising such Dispute shall provide written notice to the other Party prior to commencing any litigation with respect thereto specifying the nature of the asserted Dispute.

25.2. The Parties shall cooperate and attempt in good faith to resolve any Dispute promptly by negotiating between persons who have authority to settle the Dispute and who are at a higher level of management than the persons with direct responsibility for administration and performance of the provisions or obligations of this Agreement that are the subject of the Dispute.

26. ***Relationship of Parties.*** Bank and Affirm agree that they are independent contractors to each other in performing their respective obligations hereunder or purchasers and sellers with respect to the sale of the Loans hereunder. Nothing in this Agreement or in the working relationship being established and developed hereunder shall be deemed, nor shall it cause, Bank and Affirm to be treated as partners, joint venturers, or otherwise as joint associates for profit.

27. ***Force Majeure.*** In the event that a Party fails to perform its obligations under this Agreement in whole or in part as a consequence of events beyond its reasonable control (including acts of God, fire, explosion, public utility failure, floods, embargoes, epidemics, pandemics, civil disorders, war, terrorist acts, nuclear disaster or riot or any other similar causes not within its reasonable control), such failure to perform shall not be considered a breach of this Agreement during the period of such disability. In the event of any force majeure occurrence as set forth in this Section 27, the disabled Party shall use its commercially reasonable efforts to remediate any issue and meet its obligations as set forth in this Agreement as soon as reasonably practicable. The disabled Party shall promptly and in writing advise the other Party if it is unable to perform due to a force majeure event, the expected duration of such inability to perform and of any developments (or changes therein) that appear likely to affect the ability of that Party to perform any of its obligations hereunder a whole or in part.

28. ***Survival.*** The provisions of Sections 1, 7 – 8, 12.5, 12.7, 13 – 18, 21 – 25, 28, 34.4 and 38 shall survive termination or expiration of this Agreement.

29. ***Interpretation.*** The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any exhibit hereto, and the same shall be construed neither for nor against either Party, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties.

30. ***Compliance with Applicable Law.*** The Parties intend to comply with all Applicable Law in connection with each of their performance under this Agreement, including for purposes of compliance with the FDIC's Financial Institution Letter 44-2008, Guidance for Managing Third-Party Risk, and that except to the extent it is entitled to receive the Loan Performance Fees, Bank retains no residual interest of any kind in any of the Purchased Loans. Bank and Affirm each intend the transfer of Purchased Loans under this Agreement to be under terms, and provide necessary measures, for ongoing compliance with the FDIC's Financial Institution Letter 44-2008, Guidance for Managing Third-Party Risk, including for purposes of managing strategic, reputation, operational, transaction, credit, compliance, or other risks.

31. ***Agreement Subject to Applicable Law.***

31.1. If (a) either Party has been advised by legal counsel of a change in Applicable Law or any judicial decision of a court having jurisdiction over such Party or any interpretation of a Regulatory Authority that, in the view of such legal counsel would have a materially adverse effect on the rights or obligations of such Party under this Agreement, (b) either Party shall receive a lawful written request of any Regulatory Authority having jurisdiction over such Party, including any letter or directive of any kind from any such Regulatory Authority, that prohibits or restricts such Party from carrying out its obligations under this Agreement, or (c) either Party has been advised by legal counsel that there is a material risk that such Party's or the other Party's continued performance under this Agreement would violate Applicable Law, then the Parties shall discuss and consider in good faith any modifications, changes or additions to the Program or this Agreement that may be necessary to eliminate or minimize such result.

31.2. In addition to the termination rights provided in Section 12, if the Parties are unable to reach agreement regarding modifications, changes or additions to the Program or this Agreement as a result of a change in Applicable Law or the written request of a Regulatory Authority within thirty (30) Banking Days after the Parties initially discuss such required modifications, changes or additions in good faith, either Party may terminate this Agreement upon one hundred eighty (180) days prior written notice to the other Party and without payment of a termination fee or other penalty. In addition to the termination rights provided in this Section 31 and Section 12, a Party shall be able to suspend performance of its obligations under this Agreement, or require the other Party to suspend its performance of its obligations under this Agreement, if (i) any event described in this Section 31 occurs and (ii) such Party reasonably determines that continued performance hereunder may result in a fine, penalty or other sanction being imposed by the applicable Regulatory Authority, or in material civil liability. If such suspension continues for more than thirty (30) days, a Party may terminate this Agreement with thirty (30) days prior written notice without payment of a termination fee or other penalty.

32. ***Amendments of Certain Exhibits.*** Affirm may, from time to time during the Term, propose changes to any exhibit to this Agreement. Following notification of such changes, the Parties shall meet or otherwise discuss and consider in good faith such changes. No such changes shall be applicable unless approved in writing by Bank. Bank shall not unreasonably withhold, delay or condition its consent to such changes. This Agreement shall be deemed to be amended as to any changed or amended exhibit agreed to in writing by Bank and Affirm, but only to the extent of such changed or amended exhibit.

33. ***Expenses.*** Each Party shall bear the costs and expenses of performing its obligations under this Agreement, unless expressly provided otherwise in this Agreement or the Marketing and Servicing Agreement.

34. ***Collateral Account.***

34.1. Establishment of Collateral Account. Affirm shall establish a deposit account at Bank for the purpose of providing collateral for Affirm's obligations under this Agreement and the Marketing and Servicing Agreement. Affirm shall deposit immediately available funds in such account in the amount required under Section 34.1(b) below; provided that the Collateral Account Balance Requirement (as defined below) may be satisfied in whole or in part by Affirm delivering an irrevocable letter of credit to Bank. Bank shall maintain the deposit in the deposit account (the "Collateral Account"). The Collateral Account shall be a non-interest bearing deposit account and shall hold only the funds provided by Affirm for such purpose. The amounts to be maintained by Affirm in the Collateral Account shall be determined as follows (see Exhibit B for calculation examples):

(a) Prior to Bank originating any Loans under the Program, Affirm shall provide Bank with a minimum balance of immediately available funds equal to [***].

(b) Beginning on the Program Start Date, Affirm shall maintain a minimum balance in the Collateral Account that is equal to the greater of:

(i) [***]; or

(ii) [***]

(the "Collateral Account Balance Requirement"); provided that, in the event that either the Tangible Net Worth Trigger or the Liquidity Trigger (as defined in Section 34.1(c)) has occurred, Affirm shall notify Bank of the Trigger Event within five (5) Banking Days of becoming aware of the event. Upon such notification and at Bank's option, provided Bank has delivered at least five (5) Banking Days' prior notice to Affirm, Bank may require an increase to the balance of the Collateral Account to be no more than the total dollar amount disbursed by Bank during the immediately preceding calendar month divided by the number of days that funds were disbursed by Bank in that month; provided further that if the Tangible Net Worth Trigger or the Liquidity Trigger (either is a "Trigger Event") are no longer continuing, such increase in the balance of the Collateral Account shall no longer be required, and Affirm shall notify Bank that the related Trigger Event has been resolved and the balance of the Collateral Account shall return to the Collateral Account Balance Requirement by distribution of such amounts to Affirm.

(c) Affirm shall demonstrate that it has adequate financial resources to launch and support the proposed Program on an ongoing basis. Affirm must maintain at all times a minimum Tangible Net Worth in an amount equal to [***] and if Affirm has a Tangible Net Worth as of the end of a calendar month of less than such minimum amount, a "Tangible Net Worth Trigger" shall occur. Affirm must maintain at all times minimum liquidity in financing facility availability and unrestricted cash or cash equivalents, in an amount equal to [***] and if Affirm has liquidity of less than such amount for five (5) Banking Days, a "Liquidity Trigger" shall occur.

(d) If Affirm fails to make a Required Payment to Bank within one (1) Banking Day of receiving written notice from Bank of such failure, Bank has the right to withdraw amounts from the Collateral Account to fulfill any such payment obligations of Affirm under this Agreement or the Marketing and Servicing Agreement, either during the Term of the Agreements or following termination of the Agreements, subject to Section 17.4 of the Marketing and Servicing Agreement or Section 12 of this Agreement.

(e) The Collateral Account Balance Requirement shall be calculated monthly by Bank and provided to Affirm by the fifteenth (15^{th}) day of the calendar month following each Measuring Month, starting with the first full calendar month following the Program Start Date and continuing through the Term of this Agreement. After receipt of such calculation from Bank, and unless disputed by Affirm in good faith, if the amount in the Collateral Account is less than the Collateral Account Balance Requirement, Affirm shall, within five (5) Banking Days following written notice of the deficiency, transfer funds to the Collateral Account in an amount sufficient to comply with the Collateral Account Balance Requirement.

(f) In the event Affirm fails to maintain the Collateral Account Balance Requirement pursuant to this Section 34.1 and not as a result of a good faith dispute between the Parties regarding the Collateral Account Balance Requirement, Bank may suspend its obligations to (A) originate Loans under the Marketing and Servicing Agreement or (B) sell Loans under this Agreement, but only if the failure continues for a period of five (5) Banking Days after Affirm is given written notice from Bank of such failure.

34.2. Withdrawals.

(a) Following notice to Affirm, Bank shall have the right to withdraw amounts from the Collateral Account to fulfill any undisputed payment obligations of Affirm under Section 2 of this Agreement and Section 2.12 of the Marketing and Servicing Agreement on which Affirm has defaulted during the Term of each respective agreement.

(b) In the event that Bank's monthly Collateral Account Balance Requirement report (identified in Section 34.1(e)) shows that the actual balance in the Collateral Account is more than the Collateral Account Balance Requirement, then, within two (2) Banking Days after receipt of such report, Bank shall withdraw from the Collateral Account any amount held therein that exceeds the Collateral Account Balance Requirement as of the date of such report and pay such amount to an account designated by Affirm.

34.3. Audit of Collateral Account. Bank agrees that, at Affirm's sole discretion and sole expense, Affirm, its authorized representatives or agents, or any Regulatory Authority, shall have the right to inspect, audit, and examine the Collateral Account, and Bank shall make all relevant Records, and Personnel available to Affirm for the purpose of conducting such inspections and audits.

34.4. Termination of Collateral Account. Bank's right to funds remaining in the Collateral Account rightfully owed to Bank shall expire only after Affirm has paid all undisputed Purchase Price amounts, Purchase Premiums and Minimum Annual Fee owed to Bank pursuant to this Agreement and the earlier to occur of (i) the expiration or termination of this Agreement or the Marketing and Servicing Agreement, including any transition period agreed upon by the Parties and subject to any applicable notice or cure periods or (ii) 180 days following expiration or termination of this Agreement or the Marketing and Servicing Agreement.

35. ***Examination Cooperation.*** In accordance with the terms of this Agreement and Applicable Law, Affirm agrees to reasonably cooperate with any examination, audit or review of Bank or the Program by any Regulatory Authority and to provide to Bank any information which may be required by any Regulatory Authority for its audit or review of Bank or the Program. In accordance with the terms of this Agreement and Applicable Law, Affirm shall provide such other reasonable information as Bank or any Regulatory Authority may from time to time request with respect to the Program, Applicants and Borrowers and documentation thereof, and to the financial condition of Affirm and any Third-Party Service Providers in connection with the Program in accordance with Section 41 of the Marketing and Servicing Agreement. Affirm shall have no obligation to comply with any requests for information or documents or to cooperate if Affirm reasonably believes that such request or cooperation would violate Applicable Law, a confidentiality obligation, or the attorney-client privilege.

36. ***Manner of Payments.*** Except as provided herein, all payments under this Agreement shall be made by ACH, wire or other transfer in immediately available funds to the bank accounts designated by the respective Parties. Affirm shall make all Purchase Price payments by wire transfer. Notwithstanding anything to the contrary contained herein, neither Party shall fail to make any payment required of it under this Agreement as a result of a breach or alleged breach by the other Party of any of its obligations under this Agreement or any other agreement provided that the making of any payment hereunder shall not constitute a waiver by the Party making payment of any rights it may have under this Agreement or the Marketing and Servicing Agreement or by law.

37. ***Brokers.*** Neither Party has agreed to pay any fee or commission to any agent, broker, finder, or other person for or on account of services rendered as a broker or finder in connection with this Agreement or the transactions contemplated hereby that would give rise to any valid claim against the other Party for any brokerage commission or finder's fee or like payment.

38. ***Limitation of Liability.*** EXCEPT FOR A BREACH OF THE OBLIGATIONS UNDER SECTION 15 (INFORMATION), ANY CLAIM RESULTING FROM A SECURITY INCIDENT, THE UNAUTHORIZED, ILLEGAL OR FRAUDULENT ACCESS OR USE OF BORROWER DATA, OR ANY CLAIM RELATING TO A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR ANY OTHER LEGAL OR EQUITABLE PRINCIPLES, OR FOR ANY LOSS OF PROFITS, BUSINESS OR REVENUE, REGARDLESS OF WHETHER SUCH PARTY KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

39. ***Cooperation.*** Each Party hereto agrees to cooperate fully with the other Party hereto in furnishing any information or performing any action reasonably requested by such Party that is needed by the requesting Party to perform its obligations under this Agreement, to engage in financings, securitizations and sales of Loans created under this Agreement, or to comply with Applicable Law or any request from a Regulatory Authority, including internal audit or compliance reviews conducted by Bank. Each Party agrees that it shall furnish the other Party with materially true, accurate and complete copies of such Records and all other information with respect to the Loans and the Program as such Party or its authorized representatives may reasonably request; provided, however that neither Party shall be required to divulge any Records to the extent prohibited by Applicable Law, confidentiality, or the attorney-client privilege.

IN WITNESS THEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers as of the date first set forth above.

BANK:

Celtic Bank Corporation,
a Utah industrial bank

By: ____
Print Name: __
Title: ____

AFFIRM:

Affirm, Inc.,
a Delaware corporation

By: ____
Print Name: __
Title: ____

EXHIBIT A

Form of Purchase Statement

[***]

EXHIBIT B

Sample Collateral Account Balance Requirement Calculation

[***]

EXHIBIT C

Sample Purchase Schedule

[***]

EXHIBIT D

Sample Accrued Interest Calculation

[***]

EXHIBIT E

Sample Fee Calculations

[***]

EXHIBIT F

Funds Flow Overview

[***]

EXHIBIT G

Minimum Annual Fee Settlement Methodology

[***]

EXHIBIT H

Performance Fee Calculation Methodology

[***]

Exhibit 10.5

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

MARKETING AND SERVICING AGREEMENT

by and between

CELTIC BANK CORPORATION

and

AFFIRM, INC.

DATED AS OF SEPTEMBER 18, 2020

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MARKETING AND SERVICING AGREEMENT

THIS MARKETING AND SERVICING AGREEMENT (this "Agreement"), dated as of September 18, 2020 ("Effective Date"), is made by and between Celtic Bank Corporation, a Utah chartered bank ("Bank"), and Affirm, Inc., a Delaware corporation ("Affirm").

Recitals

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 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 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 consumers; and

WHEREAS, Bank desires for Affirm to market Loans to consumers, 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 (the "Loan Sale Agreement"), between Bank and Affirm.

NOW, THEREFORE, in consideration of the foregoing and the 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:

1. ***Definitions and Rules of Construction***.

1.1 Definitions. Whenever capitalized and used in this Agreement, such words and phrases, unless otherwise specified, shall have the meanings set forth in Exhibit A of this Agreement.

1.2 Rules of Construction.

(a) Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. Words used herein, regardless of the number and gender used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

(b) The use herein of the word "include" or "including," when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

(c) The word "or" is not exclusive.

(d) Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (ii) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (iii) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment set forth herein), (iv) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (v) all references herein to Sections, Exhibits and Schedules shall be construed to refer to Sections of, and Exhibits and Schedules to, this Agreement and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights word.

(e) To the extent any provision herein is duplicative of any other provision herein, such provisions shall be read together and shall not be deemed to be separate or independent rights or obligations of the Parties.

2. ***The Program***.

2.1 General Program Matters. Affirm and Bank hereby agree that (a) Affirm shall market loans in accordance with the Program Guidelines throughout the United States and its territories in order to facilitate the making of Loans by Bank to Borrowers and (b) any review or other involvement by Bank in any action or any document preparation shall not relieve Affirm from its obligations to ensure that Loans are facilitated and Applications are handled in accordance with Applicable Law and the Program Terms. The terms and conditions of each Loan shall be set forth in the Loan Agreement for such Loan and such Loan shall be originated by Bank in compliance with the terms of the Program, the Credit Policy and Applicable Law. The proceeds of Loans shall be delivered by Bank to Merchants, as specified by Borrowers in the Loan Documents, to facilitate the purchase of products and services by Borrowers.

2.2 Scope of the Program.

(a) Bank shall adopt and supervise the Program, including by creating, approving and adopting the Program Terms and Credit Policy and originating Loans to Borrowers pursuant to Loan Agreements.

(b) Affirm, on behalf of Bank, shall market the Program to consumers, manage and administer the Program, process Applications and service Loans, all pursuant to the terms and conditions of this Agreement.

(c) The funds provided by Bank with respect to the Loans shall be provided to the relevant Merchant for the consumer 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) Affirm shall be responsible for performing clerical, ministerial and non-discretionary activities in support of the Program as a bank service company under 12 U.S.C. § 1867(c).

(e) The Parties acknowledge and agree that their relationship under the Program shall be deemed a third-party lending arrangement under FIL 44-2008 relating to Examination Guidance for Third-Party Lending arrangements. The Parties further acknowledge and agree that (i) the FDIC issued proposed guidance on July 29, 2016 (FIL 50-2016), which, if and when formally adopted, will enhance the requirements set forth in FIL 44-2008 and (ii) the current Bank policy is to manage all third-party lending relationships according to the guidance set forth in FIL 50-2016. In connection therewith, the Parties intend for the Program and this Agreement to adequately address issues of risk management that are applicable to the Program.

2.3 Duties and Responsibilities of Bank.

(a) ***General.*** During the Term, Bank agrees to offer Loans to all Qualifying Applicants, it being understood that Bank shall not be obligated to extend credit to any Applicant that is not a Qualifying Applicant. Bank shall extend credit to Borrowers pursuant to the Loan Agreements, during the Term. Such Loans shall be owned by Bank unless and until such Loans are sold to Affirm under the Loan Sale Agreement. Bank shall provide all funds pursuant to a Loan Agreement from Bank's own funds, and shall deliver such funds to Merchants as specified by Borrowers in the Loan Documents.

(b) ***Program Terms.*** Bank shall adopt Program Terms and promptly provide such Program Terms to Affirm. In the event Affirm requests material changes to the Program Terms, Affirm shall propose in writing such material changes to Bank and Bank shall consider such requested changes; provided that no material changes may be made to the Program Terms unless agreed to in writing by both Bank and Affirm, in accordance with the SLAs in Exhibit G.

(c) ***Policies, Procedures, Guidelines and Controls.*** Bank shall implement and maintain appropriate policies, procedures, guidelines and controls to adequately monitor, supervise and control the Program. Bank shall use commercially reasonable efforts to ensure that such policies, procedures, guidelines and controls and Bank's performance under the Agreement comply with Applicable Law and industry best practices.

(d) ***Additional Responsibilities.*** In addition to the duties and responsibilities of Bank set forth in this Section 2.3, Bank shall perform the duties and responsibilities set forth in Exhibit B.

2.4 Duties and Responsibilities of Affirm.

(a) ***General***. Bank hereby appoints Affirm as Bank's representative solely to (i) market the Program, (ii) manage and administer the Program, (iii) process Applications and (iv) perform Services, all in accordance with the terms of this Agreement, and Affirm accepts such appointment.

(b) ***Application Services***. Affirm, on behalf of Bank, shall process Applications for Loans, including (i) screening Applicants, detecting fraud and verifying Applicant identity, (ii) facilitating Application transmission, data entry, processing and storage, (iii) preparing and delivering approval and decline letters and other required notices and correspondence approved by Bank, (iv) promoting customer service, (v) developing audit, compliance and reporting functions, and (vi) performing the activities set forth in this Section 2.4.

(c) ***Execution and Storage of Applications***. Affirm shall use commercially reasonable efforts to (i) cause all Applications to be executed by the related Applicants and (ii) store all data submitted by an Applicant in connection with an Application in either hard copy or electronic format for the time period required by Applicable Law, including: (A) any documents or information used by Affirm to identify an Applicant; (B) all information included in any Application; (C) Customer Identification Program information; (D) any notice of adverse action under any Applicable Law; and (E) any other information required to be stored or maintained by Applicable Law.

(d) ***Loan Agreements and Credit Policy***. Subject to Section 5.3 and any other exceptions that are permitted under this Agreement, Affirm shall ensure that the terms and conditions of each Loan Agreement and Credit Policy used in the administration of the Program do not materially deviate from the forms of such items as approved by Bank.

(e) ***Servicing of Loans***. Affirm is hereby authorized from and after the date hereof until such authorization is revoked by Bank, to act for Bank, as servicer and in such capacity, shall manage, service, administer and collect on all Loans (during the period in which the Loans are owned by Bank), and perform the other actions required by Affirm on behalf of Bank under this Agreement. 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 consumer 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"). Affirm's duties shall include (i) collection and posting of all payments on the Loans, (ii) responding to inquiries of Borrowers related to the Loans, (iii) seeking to contact delinquent Borrowers, (iv) reporting any required tax information to Borrowers, (v) accounting for collections on the Loans, and (vi) performing the other duties specified herein, all of which shall be performed in accordance with the Servicing Standard and the Servicing Policy. In addition, upon written request of Bank and at a reasonably practical and mutually agreed-upon time, Affirm shall contract with a Third-Party Service Provider, which shall be approved by Bank, that will act as a back-up servicer under the Program if necessary.

(f) ***Additional Responsibilities***. In addition to the duties and responsibilities of Affirm set forth in this Section 2.4, Affirm shall perform the duties and responsibilities set forth in Exhibit C.

2.5 Applications and Credit Policy. Upon receipt of an Application, Affirm (on behalf of Bank) shall only approve Qualifying Applicants for Loans in accordance with the Credit Policy. Each of Bank and Affirm shall agree to the Credit Policy and the form of Application in writing prior to the date Loans are first offered under the Program. Each of Bank and Affirm shall use commercially reasonable efforts to ensure that the form of Application complies with Applicable Law. Affirm shall make modifications to the Credit Policy or the form of Application as reasonably directed by Bank in writing upon not less than fifteen (15) Banking Days' notice; provided that such notice contains a description of and rationale for each modification. Affirm may propose revisions to the Credit Policy or the form of Application during the Term; provided that Bank shall approve such revisions in writing in accordance with the relevant SLA in Exhibit G prior to Affirm implementing such revisions.

2.6 Loan Terms. Each of Bank and Affirm shall agree in writing to the terms and conditions for Loans to be issued under the Program prior to the date Loans are first offered to Applicants. Each of Bank and Affirm shall use commercially reasonable efforts to ensure that the terms and conditions of the Loans (including the interest rates and charges) comply with Applicable Law, the Credit Policy and other requirements of the Parties at all times during the Term, subject to any exceptions permitted under the Credit Policy or otherwise under this Agreement. The interest rate and all-in annual percentage rate applicable to each Loan originated by Bank under the Program shall in all cases be less than 36%.

2.7 Borrower Products and Product Add-Ons. Each of Bank and Affirm may propose new Borrower Products to be marketed by Affirm and funded by Bank under the terms of this Agreement; provided, however, that any such new Borrower Product shall be approved in writing by both Affirm and Bank prior to the offering of such product by Affirm or the funding of such product by Bank. Affirm shall not directly offer any Product Add-On to Borrowers without the prior written approval of Bank; provided that products offered to Borrowers by Retail Partners of Affirm shall not require notice or such approval. Nothing in this Agreement shall obligate Affirm to market, support or otherwise offer any new Borrower Product or Product Add-On or require Bank to approve any new Borrower Product or Product Add-On.

2.8 Loan Documents. Affirm, on behalf of Bank, shall provide all Loan Documents to each Applicant within the timeframes required by Applicable Law or the Program. The Loan Documents shall be governed by Utah law and shall require that any dispute with a Borrower be submitted to binding arbitration. Affirm shall provide to Bank copies of completed Loan Documents and Applicant electronic signatures in a format mutually agreed to by the Parties.

2.9 Loan Issuance.

(a) Affirm shall provide the Application for each Qualifying Applicant, in a manner agreed to by the Parties setting forth the Loan amount such Qualifying Applicant is qualified to receive under the Program Terms, and the applicable date on which such credit amount shall be made available to such Qualifying Applicant. Bank shall originate a Loan for such Qualifying Applicant.

(b) Each of Bank and Affirm acknowledge and agree that the origination of a Loan by Bank creates a creditor-borrower relationship between Bank and the related Borrower.

(c) Bank shall originate all Loans only in accordance with Applicable Law and the Program Terms, and Bank shall not be required to originate any Loans except in accordance with the foregoing.

2.10 Processing Services. Affirm shall perform all Services related to the Loans in accordance with policies and procedures established and agreed between Bank and Affirm, the Program Terms, Applicable Law and such other reasonable written directions from Bank delivered during the Term, as acknowledged and agreed to by Affirm. Affirm shall maintain records on behalf of, and as a service provider to, Bank, in accordance with Affirm's Retention Policy. Bank and Affirm agree that Affirm shall use such information and copies of records obtained from Bank to perform the Services in accordance with Applicable Law and this Agreement. To the extent permitted by Applicable Law and as reasonably necessary for the Services to be rendered, Bank agrees to provide Affirm and any authorized agent of Affirm with access to records related to a Borrower.

2.11 Relationship Officers. The Bank Relationship Officer, together with Bank's auditors, legal counsel, compliance officers and other Bank Personnel or representatives, may, upon five (5) Banking Days' prior written notice to the Affirm Relationship Officer, access Affirm's facilities, Personnel, files and records as reasonably necessary for purposes of reviewing and examining Affirm's compliance with the terms of this Agreement and Applicable Law; provided that the Bank Relationship Officer and such auditors, legal counsel, compliance officers and other Bank Personnel or representative shall not have direct access to any Affirm systems. The Bank Relationship Officer shall be permitted to use a system of routine monitoring, sampling and other review methods to evaluate Affirm's performance of its obligations under this Agreement and shall be granted reasonable access to those Personnel at Affirm who can answer questions relating to the Program; provided that the Bank Relationship Officer provides five (5) Banking Days' prior written notice to the Affirm Relationship Officer before accessing such Personnel; provided further that such system shall not unreasonably interfere with the operations of Affirm. The Bank Relationship Officer shall be permitted to request final audit reports and quality assurance reviews conducted by Affirm relating to the Loans and the Affirm Relationship Officer shall deliver such reports and reviews within five (5) Banking Days. The Bank Relationship Officer shall assist the Affirm Relationship Officer in undertaking the activities contemplated herein and in the Loan Sale Agreement. Bank shall consult with Affirm prior to replacing the Bank Relationship Officer, and Affirm shall consult with Bank prior to replacing the Affirm Relationship Officer, and each of Bank and Affirm shall discuss any reasonable objection the other Party may have to such replacement.

2.12 Compliance Officers. The board of directors of Affirm shall designate a "Chief Compliance Officer" responsible for Affirm's CMS and all compliance-related activities and a "Bank Secrecy Act Officer" (who may be the same person as the Chief Compliance Officer). Such compliance officers shall have sufficient education and work experience to oversee the CMS and BSA Policy.

2.13 Program Costs and Administrative Fees.

(a) In connection with the development of the Program under this Agreement, Affirm shall pay Bank [***] as follows:

(i) [***] upon the execution of this Agreement; and

(ii) [***] upon receiving the first Application from the general public for a Loan under the Program.

(b) As compensation for the services provided by Affirm with respect to the Program, Bank shall pay Affirm the Marketing and Servicing Fee as set forth in Exhibit D; provided that the Marketing and Servicing Fee may be netted against the Loan Performance Fee due under the Loan Sale Agreement.

(c) To the extent Bank retains or does not sell to Affirm any Loans created under the Program, Bank shall be responsible for paying Affirm the Retained Loan Marketing and Servicing Fee set forth on Exhibit D.

2.14 Penalties and Fines. The Parties agree that all damages, losses, payments of restitution, civil damages, penalties or fines incurred by Bank or Affirm resulting from:

(a) any Program-related litigation, arbitration or mediation between the (i) Bank or Affirm, on the one hand, and (ii) any Borrower or Applicants, on the other hand;

(b) any action of any Regulatory Authority with respect to the Program; or

(c) any restitution or remediation resulting from a violation of Applicable Law by Affirm,

in each instance only to the extent such penalties, fines or other amounts are not indemnifiable by a Party pursuant to the indemnification provisions in Section 21, shall be paid by Affirm; provided, in each case, that Bank has notified Affirm in writing, to the extent permitted by Applicable Law, of any threatened damages, losses, payments of restitution, civil damages, penalties or fines; provided further that the foregoing shall not apply to any damages, losses, payments of restitution, civil damages, penalties or fines incurred by Bank directly relating to (i) a breach of data security resulting from actions or inactions of Bank (or Bank's agents, employees or third-party service providers other than Affirm or those hired by Affirm); (ii) Bank's Information Security Program; (iii) Bank's privacy policy or Bank's misuse of Personal Information; (iv) Bank's violation of Applicable Law, not due to a material violation of Applicable Law by Affirm; (v) an event that has resulted from Bank's negligence or willful misconduct, including Bank's operation in an unsafe and unsound manner; or (vi) any of Bank's indemnification obligations under Section 21.1.

2.15 Allocation of Costs.

(a) As between Bank and Affirm, any and all reasonable and documented out-of-pocket costs and expenses necessary to implement and operate the Program shall be Affirm's obligation unless otherwise set forth in this Agreement or the Loan Sale Agreement, including wire costs, Loan Agreements and other materials required by the Program; costs of all Program notices and printing and mailings thereof; all warning bulletin expenses; and all credit bureau reports as well as all costs associated with designing and implementing the Program such as marketing campaigns, generating and processing Applications, servicing and other activities relevant to the ongoing management of the Program. Bank shall be solely responsible for all of its costs and expenses related to (i) the implementation and operation of its day-to-day business; and (ii) its use of attorneys (internal and external) and accountants, except for (A) external attorneys' fees related to the negotiation and drafting of any amendments to this Agreement or the Loan Sale Agreement that are requested by Affirm, (B) litigation expenses (including external attorneys' fees and costs) related to lawsuits filed by Borrowers that relate solely to the Program or for which Affirm is required to pay under Section 2.14 and Section 21 of this Agreement and not to any of Bank's other products, programs, or initiatives, and (C) external accountants' fees related to an audit for which Affirm is responsible for under this Agreement.

(b) Bank shall obtain prior written approval (which shall not be unreasonably withheld, conditioned or delayed) from Affirm for any cost or expense to be paid by Affirm pursuant to Section 2.15(a) exceeding [***]. Bank shall request such approval by providing Affirm with at least five (5) Banking Days' prior written notice of such cost or expense, including sufficient detail as determined by Affirm in its sole discretion. If Affirm does not respond to a written request by Bank to approve the expense within ten (10) Banking Days, Affirm shall be deemed to have approved such request.

(c) Bank shall provide to Affirm a written request for reimbursement of any amounts to be reimbursed by Affirm pursuant to Section 2.15(a) within sixty (60) days of incurrence, including a receipt, invoice or other evidence acceptable to Affirm in its sole discretion. Affirm shall reimburse Bank for such cost or expense within thirty (30) days after Affirm's receipt of such written request unless such request is subject to a good faith dispute.

2.16 Ownership of Loans. Bank shall make Loans to Borrowers. Bank shall own the Loans upon the making of such Loans until any such right, title and interest therein is otherwise sold or transferred in accordance with the Loan Sale Agreement. Bank shall not own any Proprietary Information of Affirm at any time.

3. ***Marketing of the Program***.

3.1 General. Affirm shall promote and market, on its own behalf or through third parties, the Program using any form of media determined to be appropriate by Affirm and approved by Bank (such approval not to be unreasonably withheld, conditioned or delayed). Affirm shall not promote or market the Program in any internet forum, publication or broadcast that promotes pornography or illegal activity. Affirm shall be responsible for all costs and expenses associated with Affirm implementing any marketing programs under this Agreement unless otherwise agreed to by the Parties.

3.2 Marketing Materials Reviews. Affirm shall submit Marketing Materials to Bank for its review and approval in accordance with the process outlined in the Advertising and Marketing Policy, attached hereto as Exhibit K. During the Term, Bank shall review and approve Marketing Materials in accordance with the relevant SLA set forth in Exhibit G. Marketing Materials may be used by Affirm until Bank finds issue and provides thirty (30) days' prior written notice to Affirm unless earlier withdrawal is required by Applicable Law. Space permitting and based on commercially reasonable standards, Marketing Materials shall identify Bank as the lender with respect to the Loans either directly or through a "1-click away" approach.

3.3 Assurances Regarding Marketing Materials. Affirm shall use its commercially reasonable efforts to ensure that (a) all Marketing Materials are accurate and not misleading in all material respects; (b) all Marketing Materials include, where applicable, the agreed-upon disclosures; and (c) all Marketing Materials and promotional strategies comply in all material respects with Applicable Law.

4. ***Finance Materials***.

4.1 Subject to Section 2.5, in the event Affirm proposes a material change to any of the Finance Materials, Affirm shall submit the proposed changes for the Finance Materials to Bank, for its prior approval not to be unreasonably withheld, conditioned or delayed. Bank shall review and provide a timely response to any such material change to the Finance Materials submitted by Affirm as set forth in Exhibit G. Upon approval by Bank, such Finance Materials shall be used by and on behalf of Bank in connection with the Program. Each Loan Agreement and all other documents referring to the creditor in connection with the Loans shall identify Bank as the creditor.

4.2 The Parties shall cooperate and use their commercially reasonable efforts to make any change to the Finance Materials that the Parties agree is required by Applicable Law as soon as reasonably practicable.

4.3 Affirm, in its role as servicer under this Agreement, shall adhere to the Servicing Policy, attached hereto as Exhibit H, as mutually agreed upon by Bank and Affirm, and may act outside the scope of the policy only with the prior written approval of Bank, not to be unreasonably withheld, conditioned or delayed.

4.4 The Parties shall use commercially reasonable efforts to ensure that the Finance Materials comply with Applicable Law. The Finance Materials and other Program documents shall be governed by Utah law.

4.5 The Parties shall confirm that the Policies in place on the date the first Application is received from the general public to be used by Affirm in providing the Services and by Bank have been approved by the other Party. The Parties shall use commercially reasonable efforts to ensure that procedures in effect pertaining to a given Policy are fully compliant with that Policy. Except as required by Applicable Law or otherwise set forth in this Agreement, neither Party may amend or otherwise modify the Policies in any material respect without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed.

5. ***Loan Referral, Processing and Origination***.

5.1 Solicitations. Affirm may present prescreened or prequalified offers on behalf of Bank and conduct other solicitations to prospective Applicants on behalf of Bank. Affirm shall process Applications and Prequalification Requests on behalf of Bank (including by retrieving credit reports on behalf of Bank when applicable) to determine whether an Applicant is a Qualifying Applicant.

5.2 Information Provision. Affirm shall provide to Bank mutually agreed-upon information for each Qualifying Applicant, including the name, social security number and date of birth of such Qualifying Applicant. If Bank requests additional information, Affirm shall provide to Bank the information related to an Application that is reasonably available to Affirm in order for Bank to perform additional evaluations or other actions to process such Application. Bank shall have final authority to approve or deny any Application.

5.3 Communication with Applicants and Borrowers. On behalf of Bank, Affirm shall (a) respond to inquiries from Applicants regarding the application process; (b) provide to Applicants and Borrowers (i) all notices and documents required by Applicable Law, including adverse action notices with regard to Applications that do not meet the Credit Policy standards or are otherwise denied by Bank, (ii) Loan Agreements with regard to Applications that are approved by Bank and (iii) privacy notices, if applicable; and (c) provide any other Borrower communications in accordance with the Policies on behalf of Bank. Bank shall assist Affirm in the foregoing activities to the extent reasonably requested by Affirm.

5.4 Document Retention. Affirm shall hold and maintain, or cause to be held and maintained, all documents on behalf of Bank pertaining to Loans in accordance with Applicable Law and the Retention Policy. Such documents may be retained in paper or electronic form and in accordance with Applicable Law. Affirm shall provide Bank with access to copies of such documents upon request within a commercially reasonable time frame.

5.5 Pre-prepared Communications. Upon written request from Bank, Affirm shall provide to Bank all general forms of pre-prepared written and digital user communications with Borrowers, including collection letters, and for any general form of pre-prepared written and digital user communication with a Borrower.

5.6 Model Risk Management.

(a) To the extent that Affirm develops, implements and uses models for quantitative analysis and decision making in regard to the Program, prospective Applicants, or Applicants (collectively the "Model Risk Management Program"), Affirm shall cause the Model Risk Management Program to be developed and maintained in compliance with Applicable Law and Exhibit I.

(b) Affirm shall provide such assistance to Bank that is reasonably necessary to allow Bank to understand the Model Risk Management Program. Affirm shall allow Bank to review, pursuant to the guidelines set forth in Exhibit I, (i) documentation of model development and independent model validation, (ii) ongoing monitoring of models and (iii) analysis of the effectiveness of models.

(c) The Parties shall, during the term of the Program, review and analyze the models used in the Program to assess (i) model quality, conceptual soundness and reliability; (ii) whether the models reflect the Program's underwriting criteria; (iii) whether the models consider fluctuations in economic cycles; and (iv) whether the models are operated in compliance with Applicable Law.

(d) Affirm shall modify the models used in the Program as reasonably directed by Bank in accordance with Exhibit I and the SLA specified in Exhibit G.

6. ***Funding of Loans.***

6.1 Direct Disbursement to Merchants. By the related Funding Time on each Funding Date, Bank shall transfer, or cause to be transferred, the Funding Amount in accordance with the corresponding Funding Statement.

6.2 Virtual Card Network Funding.

(a) On or before the VCN Start Date, Bank shall establish an Issuing Account within Bank.

(b) Prior to the VCN Start Date, Bank shall deposit funds into the Issuing Account as directed by Affirm to accommodate anticipated Loans. Commencing with the VCN Start Date, Bank shall deposit additional funds into the Issuing Account in an amount to be determined by Affirm to accommodate anticipated Loans upon at least one (1) Banking Day's prior notice from Affirm.

7. ***Borrower Data***.

7.1 Each Party shall provide Borrower Data to the other Party upon request in order to enable each of them to perform their responsibilities under this Agreement and Applicable Law.

7.2 Each Party shall establish and maintain appropriate administrative, technical and physical safeguards designed to (i) protect the security, confidentiality and integrity of Borrower Data, (ii) protect against any anticipated threats or hazards to its security and integrity, (iii) protect against unauthorized access to or use of such information or associated records; and (iv) enable the proper disposal of Borrower Data. Such safeguards shall be established in accordance with Applicable Law, including Section 501 of GLBA and the Interagency Guidelines Establishing Standards for Safeguarding Customer Information adopted pursuant to Section 501 of GLBA (the "Guidelines") and an Information Security Program.

(a) In the event either Bank or Affirm becomes aware of any unauthorized use, modification, destruction or disclosure of, or unauthorized access to Borrower Data related to the Program (each, a "Security Incident"), such Party shall immediately (and shall cause each applicable Third-Party Service Provider to immediately) initiate response measures designed to identify the nature and scope of the Security Incident promptly (but not later than five (5) Banking Days after becoming aware of such Security Incident) notify the other Party in the event such Party reasonably determines that such Security Incident could result in any notification obligations under Applicable Law and in such notification provide the other Party with (i) a list of the names of persons whose Borrower Data has been affected, (ii) a description of the type and categories of the Borrower Data that has been affected and (iii) the circumstances underlying the Security Incident. Such Party shall not delay notification on the basis of incomplete information, but shall instead provide the available information and update any incomplete information promptly. Such Party and each applicable Third-Party Service Provider shall cooperate with the non-disclosing Party and shall assist in notifying affected Borrowers and take any other remedial action required by Applicable Law. The Parties shall cooperate with each other to assess the nature and scope of any such Security Incident requiring notification as set forth above. In addition, each Party shall take all appropriate measures to contain and control any Security Incident to prevent further unauthorized access to or use of Borrower Data.

(b) The Party responsible for any Security Incident and any applicable Third-Party Service Provider shall investigate, mitigate and remediate the effects of such Security Incident, provide regular updates to the other Party of such remediation efforts in the event notification is required as set forth above, take reasonable care not to destroy or impair any evidence with respect to the Security Incident, document in an appropriate manner the Security Incident and responses thereto and assist and cooperate with respect to (i) reasonable requests by the other Party related to disclosure of the Security Incident to affected entities, individuals or governmental authorities as reasonably determined by the other Party, (ii) other remedial measures reasonably requested by the other Party or required under Applicable Law and (iii) reasonable requests by the other Party to assist in responding to regulatory inquiries, litigation or other similar actions as directed by the other Party, as applicable.

(c) The Party responsible for a Security Incident shall bear the cost and expense of any notifications, remedial actions and reasonable out-of-pocket costs incurred by the other Party in connection therewith, including reasonable outside counsel fees and other costs related thereto to the extent such expense is not indemnifiable by the other Party pursuant to Section 21.

(d) Either Party may disclose the occurrence of a Security Incident as required by Applicable Law and to mitigate risks of fraud or other harm; provided that neither Party shall name the other Party in any public, written consumer or regulatory notifications without the express written permission of the other Party, except as may be required by Applicable Law.

7.3 Affirm may use the Borrower Data in accordance with Applicable Law and subject to Affirm's Privacy Policy. Any material changes to Affirm's Privacy Policy shall be approved in writing by Bank prior to implementation, such approval not to be unreasonably withheld, conditioned or delayed.

7.4 Bank may use the Borrower Data solely for fulfilling the purposes of this Agreement; provided that no use of Borrower Data shall be permitted to the extent it conflicts with the Bank-approved version of Affirm's Privacy Policy applicable to such Borrower Data or Applicable Law. Bank shall hold Borrower Data in accordance with Applicable Law.

7.5 Each Party, and each Third-Party Service Provider, may receive, use and disclose the Borrower Data with respect to the Program solely to the extent permitted by this Section 7 and in compliance with Applicable Law and the Bank-approved version of Affirm's Privacy Policy applicable to such Borrower Data (i) for purposes of promoting the Program, (ii) as otherwise necessary to carry out its obligations under this Agreement, and (iii) as otherwise permitted by the Bank-approved version of Affirm's Privacy Policy applicable to such Borrower Data and Applicable Law. Bank shall not, directly or indirectly, sell or otherwise transfer (including permitting sale by a third party) any right in or to the Borrower Data other than as provided herein.

7.6 Each Party may disclose the Borrower Data solely in compliance with Applicable Law and the Bank-approved version of Affirm's Privacy Policy applicable to such Borrower Data:

(a) To any other entity to which disclosure is necessary for processing an Application;

(b) To its Third-Party Service Providers and Retail Partners with a permitted use of such Borrower Data under this Section 7; provided that each such Third-Party Service Provider and Retail Partner agrees in writing to maintain all such Borrower Data as strictly confidential and not to use or disclose such information to any person other than Affirm or Bank, except as required by Applicable Law or any Regulatory Authority (after giving Bank or Affirm, as applicable, prior notice and an opportunity to defend against such disclosure); provided further that each such Third-Party Service Provider and Retail Partner maintains, and agrees in writing to maintain, an appropriate Information Security Program that is designed to protect Borrower Data and information related to the Program;

(c) To its employees, consultants, attorneys, accountants, advisors and other representatives with a need to know such Borrower Data in connection with a permitted use of such Borrower Data under this Section 7; provided that (A) any such Person is bound by terms substantially similar to this Section 7 as a condition of employment or of access to Borrower Data or by professional obligations imposing comparable terms; and (B) such Party shall be responsible for the compliance by each such Person with the terms of this Section 7; and

(d) To any Regulatory Authority with authority over Bank or Affirm (A) in connection with an examination of either Party; or (B) pursuant to a specific requirement to provide such Borrower Data by such Regulatory Authority or pursuant to compulsory legal process; provided that such Party seeks the full protection of confidential treatment for any disclosed Borrower Data to the extent available under Applicable Law governing such disclosure and, to the extent permitted by Applicable Law, such Party (x) provides at least ten (10) Banking Days' prior notice of such proposed disclosure to the other Party if reasonably possible under the circumstances, and (y) seeks to redact the Borrower Data to the fullest extent possible under Applicable Law governing such disclosure. Notwithstanding the foregoing, neither Party will be required to seek the full protection of confidential treatment available under Applicable Law when disclosing Borrower Data pursuant to subpoena requests (i) from any State, local or federal law enforcement agency related to fraud investigations or (ii) pursuant to any legal demand in connection with pending or threatened immaterial litigation; provided that such disclosure complies with Applicable Law.

8. ***Employees and Personnel***.

8.1 Affirm shall, and shall cause its applicable Third Party Service Providers providing customer care and collections services to, to the extent required by, or permitted by, Applicable Law, (i) conduct background checks on each of its employees and agents and sales representatives engaged in providing Services pursuant to the Program, and (ii) actively and diligently monitor its sales representatives, sales offices and agents to verify their compliance with this Agreement and Applicable Law. Affirm shall (x) be liable for all actions or failure to act by such sales representatives and other agents in connection with this Agreement and (y) shall use its commercially reasonable efforts to take immediate action to rectify any non-compliant activity or other activity under Affirm's control or authority that could cause harm to Bank's reputation or business and for which Bank provides Affirm with written notice thereof, including a reasonable description of the applicable non-compliant activity.

8.2 Affirm shall provide appropriate training for its officers, employees, agents and representatives with respect to their duties related to the Program.

8.3 The compliance officers of each Party shall have primary responsibility for ensuring that each Party fulfills its compliance obligations hereunder.

8.4 The Parties shall employ procedures in accordance with the customary and usual standards of practice of prudent business persons in its performance of its obligations under this Agreement, including Program marketing and Application processing.

9. ***Data Security and Business Continuity***. Each Party shall prepare and maintain, during the Term of this Agreement, disaster recovery, business resumption and contingency plans, whether prepared and maintained directly or by a Third-Party Service Provider, that are appropriate for the nature and scope of the activities of and the obligations to be performed by such Party hereunder and consistent with industry standards for the banking and commercial lending industry, including backup servicers. Each Party's plans shall be sufficient to enable it to promptly resume the performance of its obligations hereunder in the event of a natural disaster, destruction of such Party's facilities or operations, utility or communication failures, or similar interruption in the operations of such Party or the operations of a third party which in turn materially affect the operations of such Party.

9.1 Each Party shall maintain, at its sole cost and expense, the information systems in accordance with industry standards necessary to perform its obligations under this Agreement in a compliant manner, as well as to reasonably secure all Proprietary Information and Protected Data. Each Party, at its own cost and expense, shall, and shall require that all of its employees or agents comply with its Information Security Program, including with regard to processing, handling, managing and securing Proprietary Information and Protected Data.

9.2 Each Party shall notify and reasonably cooperate with the other Party in the event of any actual, threatened or suspected data security breach related to the Program in accordance with Section 7. If either Party receives guidance on data security or business continuity from any Regulatory Authority, it shall promptly provide to the other Party written notice of such guidance.

9.3 Each Party agrees and represents to the other Party that it has, or shall have prior to the receipt of any Proprietary Information or Protected Data, designed and implemented an Information Security Program. Each Party shall provide reasonable advance written notice to the other Party of any material revisions or changes to its Information Security Program.

9.4 Bank (at its own cost and expense) shall have the right to inspect, upon reasonable prior notice of at least ten (10) Banking Days, Affirm's Information Security Program, associated audit reports, summaries of test results or equivalent measures taken by Affirm to ensure that its Information Security Program complies with Applicable Law. Any such inspection shall be conducted during normal business hours and in a manner so as to minimize any interruption to Affirm's operations. Bank shall be entitled to conduct two (2) such examinations in any calendar year during the Term; provided that if Bank, in its reasonable discretion, believes that Affirm's Information Security Program is materially deficient under Applicable Law, Bank shall be allowed to conduct additional inspections upon at least 48 hours' prior written notice to Affirm, and shall provide to Affirm a written description of the presumed deficiency, solely to assess and address the deficiency. Bank agrees to promptly provide Affirm with a copy of any audit or test result report or equivalent measure, as applicable.

9.5 Affirm shall perform a review of its existing and new Third-Party Service Providers and to the extent these parties have or would have access to Borrower Data, shall confirm that they have security measures adhering with the required security standards of an Information Security Program, pursuant to the procedure outlined in Exhibit J (Third-Party Service Provider SOP).

9.6 Affirm (at its own cost and expense) shall perform either an annual SOC II Type II audit in accordance with industry standards or maintain annual PCI DSS certification. In addition, Affirm will conduct or cause to be conducted, annual penetration testing. To the extent Affirm retains an audit firm other than a Big 4 Accounting Firm, the audit firm conducting such audit and the scope of such audit shall be subject to Bank's written approval, which shall not be unreasonably withheld, conditioned or delayed. Affirm shall share results of such audit and testing with Bank in a timely manner. Affirm acknowledges that Bank, as part of its oversight by the FDIC and the Utah Department of Financial Institutions, is subject to an annual IT examination. Bank shall conduct annual penetration testing in accordance with industry standards and Applicable Law. Bank shall share any issues identified as part of such examinations, audits and procedures that directly affect the Program with Affirm to the extent allowed by Applicable Law.

9.7 Affirm shall cause a Business Impact Analysis, Business Continuity Risk Assessment and a Business Continuity Plan Test (collectively, a "BCP Test") on the Program to be conducted annually, and Affirm shall report the results of such activities to the board of directors of Affirm and to Bank in a timely manner.

10. ***Compliance***.

10.1 Bank shall monitor and supervise the compliance of the Program in accordance with the requirements of Applicable Law. Affirm shall create, implement and manage a compliance management system ("CMS") for the Program as described in Section 13.8 and Exhibit C.

10.2 Affirm shall promptly correct any failure to comply with Applicable Law that may be identified by Bank with respect to:

(a) the terms and conditions for the Loans (including the related interest rates and charges);

(b) the Loan Documents; and

(c) the Credit Policy and procedures.

11. ***Regulatory Communication***.

11.1 If either Party receives criticism in a report of examination or in a related document or specific oral communication from, or is subject to formal or informal supervisory action by, or enters an agreement with, any Regulatory Authority with respect to a matter relating to (including omissions therefrom) the Program, including:

(a) non-compliance with Applicable Law, or the presence or absence of any aspect of the Program which may lead to re-characterization of Bank's provision of Bank funds as other than extensions of credit by Bank as the true lender under such Loans; or

(b) otherwise could substantially interfere with Bank's rights as true lender, (any such event a "Criticism"),

each Party shall (i) advise the other Party promptly in writing of the Criticism received and share the relevant portions of any written documentation, or for oral communications, provide a detailed summary in writing, received from the relevant Regulatory Authority to the extent not specifically prohibited by Applicable Law and (ii) take all reasonable actions deemed necessary by the Parties to address the Criticism in the manner and time determined by the Parties or specified by the relevant Regulatory Authority.

11.2 Each Party shall, to the extent permitted by Applicable Law, provide the other Party with notice and copies of any written communications from any Regulatory Authority ("Regulatory Communications"), with respect to either the Program or the Party, received by such Party concerning any aspect of the Program within two (2) Banking Days of receipt of such Regulatory Communication. For any Regulatory Communication related to the Program for which a response from a Party is required, or in a Party's reasonable judgment is prudent, the Parties shall use their commercially reasonable efforts to coordinate and cooperate on the response. If the Parties are unable to agree on a response to a Regulatory Communication, the Party that received such Regulatory Communication shall have the final authority to approve the actual response to such Regulatory Communication; provided that unless otherwise instructed or permitted by the other Party, no Party shall respond to a Regulatory Communication with respect to issues related to the other Party's participation in the Program except as required by such Regulatory Authority or Applicable Law.

12. ***Complaint Management***.

12.1 To the extent not prohibited by law or regulation, each Party shall provide the other Party with notice and copies of any written complaint regarding the Program from (i) a Regulatory Authority and (ii) any other Person (except for a Borrower or Applicant which shall be dealt with pursuant to Section 12.2) threatening material litigation (each an "Executive Complaint") within three (3) Banking Days of receipt of such Executive Complaint. The Parties shall meet to determine an appropriate response to such Executive Complaint. Bank shall approve the final response for such Executive Complaints; Affirm shall not respond to a Regulatory Authority or other Executive Complaint under this Section 12.1 without Bank's written approval of such proposed response, except to the extent required by Applicable Law or as mandated by such Regulatory Authority or Executive Complaint. Furthermore, when resolved, each Party shall provide the other Party with a summary of the resolution of the Executive Complaint to the extent permitted by Applicable Law.

12.2 Any complaint from a Borrower, Applicant or other Person regarding the Program that is not an Executive Complaint is hereafter referred to as an "Operational Complaint". Bank shall report all Operational Complaints it receives directly pertaining to the Program to Affirm, as soon as practical, but in no event later than two (2) Banking Days after receipt.

12.3 Each Party shall catalog and maintain copies of all (i) Criticism, (ii) Executive Complaints, (iii) Operational Complaints, and (iv) responses thereto, it receives regarding the Program or its participation in the Program for the period required by Applicable Law or such longer period as agreed by the Parties. For purposes of this Agreement, Criticism, Executive Complaints and Operational Complaints are collectively referred to as "Complaints". Each Party shall also maintain copies of all reports of Complaints given to the other Party hereunder.

12.4 Subject to all Applicable Law, including those addressing issues of consumer privacy, Affirm shall report on a monthly basis to Bank all written Complaints, including those Complaints previously reported to Bank under other provisions of this Agreement. Such report shall include the complainant's name and account number, a brief summary of the Complaint, and, when resolved, a brief summary of the resolution for each Complaint.

13. ***Other Legal Compliance and Matters***.

13.1 Affirm shall be responsible for providing to Borrowers, on behalf of Bank, any privacy notices or other disclosure required by Applicable Law, such notices and disclosure to be developed in cooperation with and approved by Bank.

13.2 Should any names of Borrowers or Applicants match any names on the OFAC List, Affirm shall alert Bank and Affirm shall follow appropriate procedures for determining the validity of the match set forth in the OFAC Hit Procedure in Exhibit E.

13.3 Affirm shall complete a Bank Secrecy Act risk assessment and implement a Bank Secrecy Act policy (the "BSA Policy") and procedures prior to the Program Start Date as approved by Bank, and any amendments to such policies and procedures as agreed to by Bank. In accordance with such procedures, Affirm shall implement a system to monitor, identify and report to Bank (i) any questionable activity that meets the thresholds identified in such policies and procedures for submitting a "Questionable Activity Report" under the Bank Secrecy Act, and (ii) any instance that such policies and procedures require the filing of a "Currency Transaction Report".

13.4 Each Party shall provide the other Party with such information and services as may be reasonably required to assist Bank in complying with all Applicable Law relating to the Program, including anti-money laundering laws, rules and regulations.

13.5 The Parties shall agree on the guidelines for the ongoing compliance and monitoring of the Program before the Program Start Date.

13.6 Affirm shall develop, maintain and update such financial and other models and related documentation as may be required under or pursuant to Applicable Law, the Credit Policy, the Services and other aspects of the Program. Affirm shall provide model information and documentation to Bank, upon Bank's request, to allow Bank to review and assess the quality, implementation, use and control of such models.

13.7 Affirm shall develop, maintain and update such vendor management and vendor risk policies and related documentation related to Affirm's use of third-party vendors for the Services or other aspects of the Program as may be required under or pursuant to Applicable Law, the Services and other aspects of the Program. Affirm shall provide such policies and documentation to Bank, upon Bank's request, in order to allow Bank to review and assess the quality, implementation, use and control of such policies and documentation. At Bank's request, Affirm shall provide any onsite reports regarding its Third Party Service Providers providing customer care and collections services to the extent such reports are (i) owned by Affirm or performed by Affirm and (ii) allowed to be shared based on the applicable contractual arrangement between Affirm and the applicable Third Party Service Provider.

13.8 Affirm shall create, implement and maintain the CMS consistent with Bank's written CMS requirements. The CMS shall include appropriate governance and oversight of policies and procedures, employee training (the program is approved by Bank, and the training logs are reported to Bank), complaint resolution and tracking (with regular monthly reporting to Bank), and regular testing and monitoring activities (also with regular reporting to Bank). The Parties shall agree on the guidelines for the ongoing compliance and monitoring of the Program before the Program Start Date.

13.9 Affirm shall develop and maintain an identity theft/red flags program and policy as is required under Applicable Law or otherwise appropriate in connection with Applicable Law, the Services and other aspects of the Program. Affirm shall provide such policies and documentation to Bank, upon Bank's reasonable request, in order to allow Bank to review and assess the quality, implementation, use and control of such policies and documentation.

13.10 Notwithstanding anything else contained in this Agreement to the contrary, each Party agrees to cooperate in implementing policies and procedures that the other Party deems reasonably appropriate or necessary for the Program in connection with any of the Services pursuant to any new or amended Applicable Law.

13.11 In accordance with the terms of this Agreement and subject to Applicable Law, each Party shall have full access to all information or data related to the Program or the Services to allow it to perform risk and compliance management responsibilities, including, but not limited to access to Loan performance data, internal and external audits and Loan funding information.

14. ***Program Compliance and Parameters***.

14.1 Subject to Applicable Law, Bank and Affirm shall comply with the version of Affirm's Privacy Policy as approved by Bank in accordance with the terms of this Agreement and shall take such steps as necessary and as further described herein to assure that all Third-Party Service Providers necessary to the Program, including employees, agents, Affiliates, subcontractors and assigns, observe such Privacy Policy.

14.2 Each Party agrees to meet on a regular basis to discuss the Program and its performance and to discuss any desired changes to this Agreement.

14.3 Each Party hereto agrees to cooperate fully with the other Party hereto in furnishing any information or performing any action reasonably requested by such Party that is needed by the requesting Party to perform its obligations under this Agreement or to comply with Applicable Law or any request from a Regulatory Authority, including internal audit or compliance reviews conducted by Bank. Each Party agrees that it shall furnish the other Party with true, accurate and complete copies of such records and all other information to the best of its ability with respect to the Program and the Loans as such Party or its authorized representatives may reasonably request; provided, however, that neither Party shall be required to disclose any records to the extent prohibited by Applicable Law.

14.4 Each Party agrees that at Bank's reasonable discretion and at Bank's expense, Bank, its authorized representatives and agents (collectively the "Auditing Party"), shall have the right to inspect, audit and examine Affirm's facilities, records and Personnel, in each case relating to the activities contemplated by this Agreement at any time during normal business hours upon reasonable notice; provided that no more than two such inspections, audits and examinations shall be conducted in a calendar year. Affirm agrees to reasonably cooperate with the Auditing Party in connection with such audits.

14.5 Affirm shall maintain accurate computer records regarding the services to be provided by Affirm for the Loans and provide Bank with Monthly Management Reports. Monthly Management Reports shall be provided by Affirm to Bank within twelve (12) Banking Days, but no later than the 16th calendar day of the month following the end of each calendar month.

14.6 Affirm shall provide data metrics to Bank in accordance with the Data Requirements as set forth in Exhibit F.

15. ***Other Uses of Program Data & Program Insights***.

15.1 Except as necessary to carry out its rights and responsibilities under this Agreement, Bank shall not use Affirm's Proprietary Information and shall not provide or disclose any of Affirm's Proprietary Information or Program Insights to any Person, except to the extent required to do so under Applicable Law or legal process.

15.2 Other than with respect to the Program, Bank may make solicitations for goods and services to the public, which may include one or more Applicants or Borrowers; provided that Bank does not (i) specifically target Applicants or Borrowers in general solicitations; (ii) target such solicitations to specific Applicants or Borrowers; (iii) use or permit a third party to use any list of Applicants or Borrowers in connection with such solicitations; (iv) use any of Affirm's Proprietary Information without Affirm's prior written consent; or (v) refer to or otherwise use the name of Affirm; provided further that Bank may provide products, services or credit to such Applicant if (x) an Applicant or Borrower contacts Bank directly requesting Bank's products or services (other than the Program) as the result of non-specific, general advertising by Bank or (y) on an unsolicited basis an Applicant or Borrower contacts Bank seeking credit separate from the Program.

16. ***Determination by Regulatory Authority***.

16.1 To the extent any Regulatory Authority provides written or oral guidance, Criticism or instructions to either Party to make changes to any aspect of the Program or if either Party determines, based upon advice of counsel, that a change needs to be made to this Agreement or any Program Terms to comply with Applicable Law, to the extent not prohibited by Applicable Law or regulation, the Parties shall discuss in good faith within a period of thirty (30) days, or such shorter time if required by such guidance or requirements, to negotiate amendments to this Agreement or revisions to the Program Terms reasonably necessary to comply with Applicable Law or the guidance or instructions of any Regulatory Authority.

16.2 If either Party receives a request of any Regulatory Authority having jurisdiction over such Party, including any letter or directive of any kind from any such Regulatory Authority, that prohibits or restricts such Party from carrying out its obligations under this Agreement or the Loan Sale Agreement: (i) the Party receiving such request shall promptly notify the other Party; and (ii) the Parties shall meet and consider in good faith any modifications, changes or additions to the Program, this Agreement or the Loan Sale Agreement that may be necessary to eliminate such result while remaining feasible (both practically and economically) for each Party to continue its performance under this Agreement and the Loan Sale Agreement.

16.3 During the period that the Parties are engaged in the discussions required under Section 16.1, either Party may suspend performance of the obligations that are expressly prohibited or restricted under the written request from the Regulatory Authority, subject to providing the other Party with advance written notice of such suspension and written communication from the Regulatory Authority pursuant to which such suspension is sought.

16.4 If the Parties are unable to reach agreement regarding modifications, changes, or additions to the Program, this Agreement or the Loan Sale Agreement to eliminate the prohibition or material restrictions resulting from the express written demand from the Regulatory Authority within thirty (30) Banking Days after notification by the receiving Party, or such shorter time if required by such letter or directive, either Party may terminate this Agreement upon the timeframe set forth by the Regulatory Authority or, if no timeframe is provided, upon thirty (30) Banking Days' prior written notice to the other Party without fees or termination penalties contemplated herein.

17. ***Confidentiality of Proprietary Information***.

17.1 Ownership and Restrictions on Use. The Receiving Party acknowledges and agrees that the Proprietary Information of the Disclosing Party remains the sole and exclusive property of the Disclosing Party or a third party providing the information to the Disclosing Party, and the disclosure of the information to the Receiving Party does not confer upon it any license, interest or right of any kind in or to the Proprietary Information, except as provided under this Agreement.

17.2 Confidentiality. At all times and notwithstanding any termination of this Agreement, the Receiving Party agrees that it shall (a) hold in strict confidence and not disclose to any third party the Proprietary Information of the Disclosing Party, except as approved in writing by the Disclosing Party; (b) only permit access to the Proprietary Information of the Disclosing Party to those of its Personnel who have a need to know in order for the Receiving Party to perform its obligations under this Agreement; (c) be responsible to the Disclosing Party for any of its Personnel's use or disclosure of the Proprietary Information in violation or breach of, or in a manner not authorized by, this Agreement; (d) only use Proprietary Information that it receives to carry out the purposes of this Agreement and for no other purpose whatsoever; and (e) use at least the same degree of care it would use to protect its own Proprietary Information of like importance, but in no event less than a reasonable degree of care, including maintaining the information security standards for the Proprietary Information required by this Agreement. Neither Party shall communicate any information to the other Party in violation of the proprietary rights of any third party.

17.3 Required Disclosures. If the Receiving Party is required by a Regulatory Authority or Applicable Law to disclose any Proprietary Information of the Disclosing Party, the

Receiving Party must first, if legally permissible, give written notice of the required disclosure to the Disclosing Party; take reasonable steps to allow the Disclosing Party to seek to protect the confidentiality of the Proprietary Information required to be disclosed; and then disclose only that part of the Proprietary Information which, in the written opinion of its legal counsel, it is required to disclose. The foregoing requirements do not apply to or limit either Party's ability to fully comply with requests for information that will remain confidential from a Regulatory Authority or the Internal Revenue Service.

17.4 Notice of Unauthorized Disclosures. The Parties shall immediately provide notice of any attempted or actual breach resulting in unauthorized disclosure(s) of the Proprietary Information and shall specify the corrective action taken by the Party with respect to which a breach has occurred.

17.5 Limit on Reproductions. The Receiving Party shall not reproduce the Disclosing Party's Proprietary Information in any manner except as required to perform the Receiving Party's obligations under this Agreement. All reproductions of Proprietary Information by the Receiving Party remain the property of the Disclosing Party and must bear all confidential or proprietary notices or legends appearing on the original.

17.6 Treatment of Proprietary Information Following Termination. Upon termination of this Agreement, or earlier, if requested, the Receiving Party promptly shall return to the Disclosing Party all physical and electronic materials in the Receiving Party's possession or control containing the Disclosing Party's Proprietary Information. The materials must be delivered via a secure method and upon such media as may be reasonably required by the Disclosing Party. Alternatively, with the Disclosing Party's prior written consent, the Receiving Party may permanently destroy or delete the Disclosing Party's Proprietary Information, and if requested, shall certify the destruction or deletion in writing to the Disclosing Party. However, if the Receiving Party, due to requirements of Applicable Law, must retain any of the Disclosing Party's Proprietary Information, or is unable to permanently destroy or delete the Disclosing Party's Proprietary Information as permitted above within sixty (60) days after termination of this Agreement, the Receiving Party shall so notify the Disclosing Party in writing, and the Parties shall confirm any extended period needed for permanent destruction or deletion of the Disclosing Party's Proprietary Information. All Proprietary Information remaining in the Receiving Party's possession or control shall continue to be subject to the provisions of this Section 17. The methods used to destroy and delete the Proprietary Information must ensure that no Proprietary Information remains readable nor can it be reconstructed to be readable. Destruction and deletion must also comply with the following specific requirements:

MEDIUM	APPROPRIATE DESTRUCTION METHOD
Hard copy	Shredding, pulverizing, burning or other permanent destruction method
Electronic tangible media, such as disks, tapes	Destruction or erasure of the media
Hard drive or similar storage device	Erasure or elimination of Proprietary Information from the device
Electronic intangible media, such as cloud computing	Erasure or elimination of Proprietary Information from the cloud

17.7 Equitable Relief. If either Party or its Affiliates breached or threatens to breach any provision of this Section 17, the non-breaching Party, in addition to any other remedy it may have at law or in equity, shall be entitled to seek a restraining order, injunction or other similar remedy to specifically enforce the provisions of this Agreement without proving actual damages or posting bond or other security. Each Party specifically acknowledges that money damages alone would be an inadequate remedy for the injuries and damages that would be suffered and incurred by the non-breaching Party or its Affiliates from a breach of any provision of this Agreement.

17.8 Survival. Notwithstanding any termination of this Agreement, all the Receiving Party's obligations pursuant to this Section 17 shall survive (a) with respect to Confidential Business Information (other than Trade Secrets), for so long as such information continues to be confidential pursuant to the terms of this Agreement; (b) with respect to Trade Secrets, for so long as the information continues to constitute a trade secret under Applicable Law; and (c) with respect to Borrower Data and Protected Data, for so long as required by Applicable Law.

18. ***Proprietary Material***.

18.1 Each Party ("Licensing Party") hereby provides the other Party ("Licensee") with a non-exclusive right and license to use and reproduce the Licensing Party's name, logo, registered trademarks and service marks ("Proprietary Material") on the Applications, Loan Agreements, Marketing Materials and otherwise in connection with the fulfillment of Licensee's obligations under this Agreement; provided, however, that (a) Licensee shall at all times comply with written instructions provided by Licensing Party regarding the use of its Proprietary Material (or otherwise cease use of such Proprietary Material), and (b) Licensee acknowledges that, except as specifically provided in this Agreement, it shall acquire no interest in Licensing Party's Proprietary Material. Upon expiration or termination of this Agreement, Licensee shall cease using Licensing Party's Proprietary Material.

18.2 Except for Bank's Proprietary Material, and except for Bank's trademarks and service marks, all material and branding created or generated by either Party in connection with this Agreement or the Program, including all URLs, IP Addresses and Program names, shall be the property of Affirm, and Affirm shall retain all rights in and to such material, including all intellectual property rights in such material.

18.3 During the Term, Bank shall use the Credit Policy solely for purposes of the Program to approve or deny an Application or to modify the terms of the Credit Policy in accordance with Section 2.5.

19. ***Representations and Warranties of Bank***. Bank hereby represents and warrants to Affirm as of the Effective Date and each Funding Date that:

19.1 Bank is an industrial bank duly organized, validly existing, and in good standing under the laws of State of Utah.

19.2 Bank is an FDIC-insured, state-chartered financial institution that accepts insured deposits from affiliated and non-affiliated companies, Bank's deposits are fully insured in accordance with Applicable Law and no proceeding has been instituted to revoke such insurance.

19.3 Bank has full power and authority to execute, deliver and perform its obligations under this Agreement, including the authority to extend credit to Borrowers in all United States jurisdictions, and the execution, delivery and performance of this Agreement has been duly authorized and such performance is not in conflict with and does not violate the terms of the charter or bylaws of Bank and shall not result in a material breach of or constitute a default under, or require any consent under, any indenture, loan or agreement to which Bank is a party.

19.4 All approvals, authorizations, licenses, registrations, consents and other actions by notices to, and filings with, any Person, where the lack of such would have a material adverse effect on, delivery and performance of this Agreement by Bank, have been obtained (other than those required to be made to or received from Borrowers and Applicants).

19.5 This Agreement constitutes a legal, valid and binding obligation of Bank, enforceable against Bank in accordance with its terms, except (a) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and (b) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

19.6 Neither the execution, delivery, validity, or enforceability of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall (i) require any consent, approval, authorization, notice, registration, or filing under any Applicable Law permit, license or agreement applicable to Bank; (ii) require the consent or approval of, or notice to, any other party, contract, instrument or commitment applicable to Bank; or (iii) result in a violation or termination of, or a breach or default under, any Loan Agreement, or otherwise render any Loan Agreement or any provision thereof unenforceable or give any Borrower the right to cancel or terminate any Loan Agreement. Bank is not subject to any agreement with any Regulatory Authority that would prevent the consummation by Bank of the transactions contemplated by this Agreement.

19.7 There are no proceedings or investigations pending or, to the best knowledge of Bank, threatened against Bank (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by Bank pursuant to this Agreement, (iii) seeking any determination or ruling that, in the reasonable judgment of Bank, would materially and adversely affect the performance by Bank of its obligations under this Agreement, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or (v) that would have a materially adverse financial effect on Bank or its operations if resolved adversely to it.

19.8 The execution, delivery and performance of this Agreement and the Program by Bank complies with all Applicable Laws. Each Loan shall have been validly and legally established at Bank in accordance with Applicable Law.

19.9 Bank is in full compliance with applicable minimum capital requirements prescribed by the FDIC and any other Regulatory Authority having jurisdiction over Bank, and Bank meets the requirements to be considered "adequately capitalized" as defined in the Federal Deposit Insurance Act, as amended, and the applicable regulations promulgated thereunder.

19.10 The Proprietary Materials Bank licenses to Affirm pursuant to Section 18, and their use as contemplated by and in accordance with the terms of this Agreement, do not violate or infringe upon, or constitute an infringement or misappropriation of, any United States patent, copyright or United States trademark, service mark, trade name or trade secret of any person or entity and Bank has the right to grant the licenses set forth in Section 18.

19.11 Bank has implemented and shall maintain Reasonable Security Procedures and Practices that constitute an Information Security Program that meets the objectives of the Interagency Guidelines Establishing Information Security Standards, or its authoritative predecessor that is designed to (i) ensure the security and confidentiality of Borrower Data, (ii) protect against any anticipated threats or hazards to the security or integrity of Borrower Data; (iii) protect against unauthorized access to or use of Borrower Data that could result in substantial harm or inconvenience to Affirm or any of its customers, and (iv) ensure the proper collection, access, use, storage, disclosure and disposal of Borrower Data in compliance with Bank's Information Security Program and all Applicable Law. Bank shall (1) take appropriate action to address any Security Incident, and (2) notify Affirm as soon as possible of any Security Incident and any other breach in Bank's security that materially affects Affirm or Borrowers in accordance with the terms of this Agreement. Bank shall ensure that any Third-Party Service Provider (or other applicable service provider) having access to Borrower Data shall maintain similar security measures and response programs and notify Affirm promptly upon Bank's receipt of information regarding an actual or suspected Security Incident impacting Borrower Data, whether the same is experienced directly by Bank or by Bank's Third-Party Service Providers (or other applicable service provider), and shall require any such service providers with access to Borrower Data to do substantially the same as set forth in this Section 19.11.

19.12 Except as otherwise disclosed, Bank is not currently subject to the following:

(a) A criminal conviction (except minor traffic offenses and other petty offenses) in the United States of America or in any foreign country;

(b) Unpaid Federal or State tax lien, or any foreign tax lien;

(c) Administrative or enforcement proceedings commenced by the Securities and Exchange Commission, any State securities regulatory authority, Federal Trade commission, federal or State bank regulator, or any other State or federal regulatory agency in the United States or in any other country; or

(d) Restraining order, decree, injunction, or judgment in any proceeding or lawsuit, alleging fraud or deceptive practice on the part of Bank.

19.13 Bank shall remain throughout the Term in full compliance with applicable minimum capital requirements prescribed by the FDIC and any other Regulatory Authority having jurisdiction over Bank, and Bank shall meet throughout the Term the requirements to be considered “adequately capitalized” as defined in the Federal Deposit Insurance Act, as amended, and the applicable regulations promulgated thereunder.

20. ***Representations and Warranties of Affirm***. Affirm hereby represents and warrants to Bank as of the Effective Date and each Funding Date that:

20.1 Affirm is a corporation, duly incorporated and validly existing under the laws of the State of Delaware, and has full power and authority to execute, deliver, and perform its obligations under this Agreement. Performance of this Agreement has been duly authorized and such performance is not in conflict with and does not violate the terms of the charter or bylaws of Affirm and shall not result in a material breach of or constitute a default under or require any consent under any material indenture, loan, or agreement to which Affirm is a party.

20.2 All approvals, authorizations, consents, and other actions by, notices to, and filings with any Person, where the lack of such would have a material adverse effect on the execution, delivery, and performance of this Agreement by Affirm, have been obtained or shall be acquired prior to engaging in the Program activity or activities giving rise to the need for such a license.

20.3 This Agreement constitutes a legal, valid, and binding obligation of Affirm, enforceable against Affirm in accordance with its terms, except (a) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors’ rights in general, and (b) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

20.4 Neither the execution, delivery, validity, or enforceability of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall (i) require any consent, approval, authorization, notice, registration, or filing under any Applicable Law, permit, or license applicable to Affirm; (ii) require the consent or approval of, or notice to, any other party, contract, instrument or commitment applicable to Affirm; or (iii) result in a violation or termination of, or a breach or default under, any Loan Agreement, or otherwise render any Loan Agreement or any provision thereof unenforceable or give any Borrower the right to cancel or terminate any Loan Agreement. Affirm is not subject to any agreement with any Regulatory Authority that would prevent the consummation by Affirm of the transactions contemplated by this Agreement.

20.5 There are no proceedings or investigations pending or, to the best knowledge of Affirm, threatened against Affirm (a) asserting the invalidity of this Agreement, (b) seeking to prevent the consummation of any of the transactions contemplated by Affirm pursuant to this Agreement, (c) seeking any determination or ruling that, in the reasonable judgment of Affirm, would materially and adversely affect Affirm’s ability to perform this Agreement, (d) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or (e) that would have a materially adverse financial effect on Affirm or its operations if resolved adversely to it.

20.6 The execution, delivery and performance of this Agreement by Affirm, the Finance Materials (except to the extent modified by Bank without the prior written consent of Affirm) and the promotional and marketing materials and strategies shall all comply with Applicable Law.

20.7 Affirm shall assure that, as respects its rights and obligations under this Agreement, the Program is compliant with Applicable Law, including any changes to Applicable Law that may materially affect the Program.

20.8 The Proprietary Materials Affirm licenses to Bank pursuant to Section 18, and their use as contemplated by and in accordance with the terms of this Agreement, do not violate or infringe upon, or constitute an infringement or misappropriation of, any United States patent, copyright or United States trademark, service mark, trade name or trade secret of any person or entity and Affirm has the right to grant the license set forth in Section 18.

20.9 Affirm has implemented and shall maintain Reasonable Security Procedures and Practices that constitute an Information Security Program that meets the objectives of the Interagency Guidelines Establishing Information Security Standards, or its authoritative successor, and that is designed to (i) protect the security and confidentiality of Borrower Data, (ii) protect against any anticipated threats or hazards to the security or integrity of Borrower Data; (iii) protect against unauthorized access to or use of Borrower Data that could result in substantial harm or inconvenience to Affirm or any of its customers, and (iv) enable the proper disposal of Borrower Data in accordance with the terms of this Agreement. Affirm shall (1) take appropriate action to address any Security Incident, and (2) notify Bank as soon as possible of any Security Incident requiring notification as set forth in Section 7.2 and any other breach in Affirm's security that materially affects Bank or Borrowers in accordance with the terms of this Agreement.

20.10 For each Loan, to Affirm's actual knowledge (without any implied duties of inquiry): (i) all required disclosures to Borrowers have been delivered in compliance with Applicable Law; (ii) the Loan Agreement and all other Loan Documents are genuine; and (iii) all necessary approvals required by Affirm have been obtained.

20.11 To Affirm's actual knowledge (without any implied duties of inquiry), each Borrower under a Loan is eligible for such Loan under the Credit Policy; and each such Borrower, directly or through a representative, has submitted an Application.

20.12 Affirm shall provide Bank with its (a) audited balance sheet and related statements of income and cash flow within 150 calendar days from the end of each of its fiscal years audited financial statements, (b) unaudited quarterly financial statements consisting of balance sheets and related statements of income and cash flow within forty-five (45) days following the end of each of Affirm's fiscal quarters and (c) initial, preliminary annual volume projections with respect to Program activities no later than sixty (60) days preceding the applicable fiscal year, during the Initial Term and any Renewal Term of this Agreement. The audited financial statements shall be prepared by an independent certified public accountant in accordance with GAAP, as consistently applied by Affirm. Notwithstanding anything to the contrary, Affirm's obligations to provide financial statements set forth in this Section 20.12 shall terminate and cease upon Affirm's first underwritten public offering of its common stock under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

20.13 Affirm must maintain minimum liquidity in unrestricted cash or cash equivalents, in an amount equal to or greater than [***] ([***]). Affirm shall use its reasonable efforts to reply to questions asked by Bank related to Affirm's financing strategy to the extent it directly affects the Program.

20.14 Except as otherwise disclosed, Affirm has not been subject to the following:

(a) A criminal conviction (except minor traffic offenses and other petty offenses) in the United States of America or in any foreign country;

(b) Unpaid Federal or State tax lien, or any foreign tax lien;

(c) Administrative or enforcement proceedings commenced by the Securities and Exchange Commission, any State securities regulatory authority, Federal Trade commission, federal or State bank regulator, or any other State or federal regulatory agency in the United States or in any other country; or

(d) Restraining order, decree, injunction, or judgment in any proceeding or lawsuit, alleging fraud or deceptive practice on the part of Affirm.

21. ***Indemnification***.

21.1 Indemnity of Affirm. Bank agrees to indemnify, defend and hold harmless Affirm and its Affiliates, and their respective officers, directors, employees, managers, representatives, owners, agents and attorneys (the "Affirm Indemnified Parties") from and against any and all Losses that arise from (a) the negligence or intentional misconduct of Bank or its agents or representatives (other than Affirm) in connection with the performance of its obligations under this Agreement; (b) the breach by Bank or its agents or representatives (other than Affirm) of any of Bank's covenants, obligations, representations, warranties or undertakings under this Agreement; (c) violation by Bank or any of its employees, agents or representatives (other than Affirm) of Applicable Law; (d) infringement or misappropriation of the intellectual property rights (patents, copyrights, trademarks, etc.) of any third party by Bank in connection with the Program or Bank's obligations hereunder or (e) any unauthorized, illegal or fraudulent access to or use of Borrower Data caused by Bank or arising from a Security Incident associated with systems maintained by Bank.

21.2 Indemnity of Bank. Affirm agrees to indemnify, defend and hold harmless Bank and its Affiliates and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Bank Indemnified Parties") from and against any and all Losses, that arise from (a) the negligence or intentional misconduct of Affirm or its agents or representatives in connection with its performance of its obligations under this Agreement; (b) breach by Affirm or its agents or representatives of any of Affirm's covenants, obligations, representations, warranties or undertakings under the Agreement; (c) a violation by Affirm, its subcontractors, employees, agents, representatives of any Applicable Law; (d) infringement or misappropriation of the intellectual property rights (patents, copyrights, trademarks, etc.) of any third party by Affirm in connection with the Program or Affirm's obligations hereunder; (e) any unauthorized, illegal or fraudulent access to or use of Borrower Data caused by Affirm or arising from a Security Incident associated with systems maintained by Affirm; or (f) Bank's participation in the Program as contemplated by this Agreement, except if (i) such Losses result from the negligence or intentional misconduct of, or breach of this Agreement or Applicable Law by, Bank or its subcontractors, employees, agents, or representatives (other than Affirm), or (ii) such Loss is subject to indemnification by Bank pursuant to Section 21.1.

21.3 Party References. The Affirm Indemnified Parties or Bank Indemnified Parties are sometimes referred to herein as the "Indemnified Party," and Affirm or Bank, as an indemnitor hereunder, is sometimes referred to herein as the "Indemnifying Party."

21.4 General Conditions on Indemnity Obligations. Each Indemnifying Party's obligations under this Agreement shall be subject to the Indemnified Party (a) unless otherwise required by Applicable Law, promptly, after receipt of any written claim or notice of any action giving rise to a claim for indemnification, providing the Indemnifying Party notice of the claim or action and specifying in reasonable detail the nature and amount of the Loss (provided that failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its indemnification obligations, except to the extent that the failure or delay is prejudicial); (b) providing reasonable cooperation and assistance in the defense or settlement of any claim; and (c) granting the Indemnifying Party control over the defense and settlement of the same (provided that any Indemnified Party shall be entitled to participate in the defense and settlement of the claim and to employ counsel at its own expense to assist in the handling of the claim; and provided further that the Indemnified Party does not invoke its retained right to defend as stated below). The Indemnifying Party shall not agree to any settlement that results in any obligation or an admission of liability by the Indemnified Party without the Indemnified Party's prior written consent.

21.5 Reservation of Right to Defend. If the Indemnified Party reasonably determines that the Indemnifying Party has failed to diligently assume and maintain a prompt and vigorous defense of any claim, the Indemnified Party may, at its own expense, option, and discretion, assume sole control of the defense of any claim and all related settlement negotiations with counsel of its own choosing and without waiving any other rights to indemnification. If the Indemnified Party provides sufficient evidence to support its right to defend pursuant to this Section 21, the Indemnifying Party shall pay all costs and expenses (including reasonable attorneys' fees) incurred by the Indemnified Party in the defense. Notwithstanding anything to the contrary in the foregoing, the Indemnified Party shall not accept any settlement on behalf of the Indemnifying Party that results in an admission of liability, or does not provide a full unconditional release, without the Indemnifying Party's express written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

21.6 Limitation of Liability. EXCEPT FOR A BREACH OF THE OBLIGATIONS UNDER SECTIONS 7 (BORROWER DATA), 9 (DATA SECURITY AND BUSINESS CONTINUITY), 16 (OTHER USES OF PROGRAM DATA & PROGRAM INSIGHTS) OR 17 (CONFIDENTIALITY OR PROPRIETARY INFORMATION), ANY CLAIM RESULTING FROM A SECURITY INCIDENT, THE UNAUTHORIZED, ILLEGAL OR FRAUDULENT ACCESS OR USE OF BORROWER DATA, OR ANY CLAIM RELATING TO A PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR ANY OTHER LEGAL OR EQUITABLE PRINCIPLES, OR FOR ANY LOSS OF PROFITS, BUSINESS OR REVENUE, REGARDLESS OF WHETHER SUCH PARTY KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

Notwithstanding anything in this Section 21.6 to the contrary, nothing in this Section 21.6 shall limit any liability or obligation of either Party to pay damages, losses, payments of restitution, civil damages, penalties or fines pursuant to Section 2.14.

21.7 Disclosure. Each Party shall promptly notify the other Party of any action, suit, proceeding, facts and circumstances, and the threat of reasonable prospect of same, which might give rise to any indemnification hereunder or which might materially and adversely affect a Party's ability to perform its obligations under this Agreement.

22. ***Term and Termination***.

22.1 Unless otherwise terminated according the provisions herein, this Agreement shall have an initial term beginning on the Program Start Date and ending three (3) years after such date (the "Initial Term"). This Agreement shall continue to renew automatically, for subsequent consecutive one-year terms (each, a "Renewal Term"), unless and until either (i) Affirm terminates this Agreement pursuant to Section 22.9 or (ii) either Party provides written notice of non-renewal to the other Party at least one hundred and twenty (120) days prior to the end of the Initial Term or any subsequent renewal term. The Initial Term, together with all Renewal Terms, are referred to as the "Term." Notwithstanding the foregoing, the Parties agree to meet in good faith on an annual basis to review the terms of this Agreement and modify, as necessary.

22.2 A Party shall have a right to terminate this Agreement immediately upon written notice to the other Party in any of the following circumstances (each a "Cause"), such termination to be effective as of the date Notice of Termination is given to the other Party pursuant to Section 32, following the lapse of any applicable cure period:

(a) Failure by the non-terminating Party to observe or perform, in any material respect, that Party's obligations to the other Party hereunder, so long as the failure is not due to the actions or failure to act of the terminating Party, but only if the failure continues for a period of, (i) in the case of a failure not involving the payment of money, thirty (30) days after the non-terminating Party receives written notice from the terminating Party specifying the failure; provided, however, that in the case of a failure that is not cured within such thirty (30) day period, the cure period shall be extended by a one-time additional thirty (30) day period if the non-terminating Party is diligently pursuing remedial action, or (ii) in the case of a failure involving the payment of money, five (5) Banking Days after the non-performing Party is given written notice from the terminating Party specifying the failure in the case of a failure to pay any undisputed amount of [***] ([***]) or more, then due hereunder;

(b) Any representation or warranty made by the non-terminating Party herein shall have been false in any material respect as of the time when made or given and has a material adverse effect on the Program or this Agreement and continues to be false for a period of thirty (30) days after the non-terminating Party receives written notice from the terminating Party specifying how the representation or warranty is false; provided, however, that in the case of an inaccuracy that is not cured within such thirty (30) day period, the cure period shall be extended by a one-time additional thirty (30) day period if the non-terminating Party is diligently pursuing remedial action;

(c) In the event the non-terminating Party (i) voluntarily commences any proceeding or files any petition seeking relief under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency, liquidation, receivership or similar law, (ii) applies for or consents to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Party or for a substantial part of its property or assets, (iii) makes a general assignment for the benefit of creditors, (iv) takes formal action for the purpose of effecting any of the foregoing, or (v) is otherwise insolvent;

(d) Upon the commencement against the non-terminating Party of an involuntary proceeding or the filing of an involuntary proceeding or the filing of an involuntary petition in a court of competent jurisdiction seeking (i) relief in respect of such Party, or of a substantial part of its property or assets under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency, liquidation, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for such Party or for a substantial part of its property or assets, or (iii) the winding up or liquidation, of such Party, if such proceeding or petition shall continue un-dismissed for thirty (30) days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) an involuntary case or other proceeding, whether pursuant to banking regulations or otherwise, is commenced against the other Party seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property; or an order for relief is entered against either Party under the federal bankruptcy laws as now or hereafter in effect.

22.3 Either Party may terminate this Agreement as provided in Section 16.4.

22.4 This Agreement shall terminate automatically upon any expiration or termination of the Loan Sale Agreement.

22.5 Bank shall not be obligated to approve Applications after the expiration or termination of this Agreement.

22.6 The expiration or termination of this Agreement either in part or in whole shall not discharge any Party from any obligation incurred prior to such expiration or termination.

22.7 Each Party's obligation to operate the Program after a Notice of Termination or termination of this Agreement shall in all cases be subject to Applicable Law.

22.8 All provisions, promises, and warranties contained in this Agreement, which by their nature or effect are required or intended to be observed, kept, or performed after termination of this Agreement (including, servicing of Loans by Affirm, ownership of property, confidentiality, security, audit rights, indemnities, limitation of liability, and miscellaneous provisions), shall survive the expiration or termination of this Agreement and remain binding upon and for the benefit of the Parties. Sections 15 (Other Uses of Program Data & Program Insights), 17 (Confidentiality of Proprietary Information), 18 (Proprietary Material), 21 (Indemnification), 22.9 (Termination Fee), and 26 (Inspection; Reports) 28 (Governing Law and Jurisdiction), 32 (Notices), 38 (Cooperation), 39 (Examination Cooperation), and 40 (Disputes) shall survive termination or expiration of this Agreement.

22.9 Affirm may terminate this Agreement at any time for convenience upon ninety (90) days prior written notice. If, during the Initial Term, this Agreement is terminated by Affirm without Cause or by Bank for Cause, and a written notice of termination ("Notice of Termination") by Bank for Cause or by Affirm without Cause, has been delivered to the other Party, then, in such event, Affirm shall pay to Bank (i) all amounts accrued by Affirm and due to Bank under the Program Terms, including the purchase price of outstanding Loans originated under the Program, as of the termination date, and (ii) within 60 days of such termination, a Termination Fee in accordance with the following:

(i) [***] if termination occurs in the first Contract Year

(ii) [***] if termination occurs in the second Contract Year

(iii) [***] if termination occurs in the third Contract Year

No Termination Fee shall be payable if this Agreement is terminated by Affirm for Cause, or if this Agreement is terminated by Affirm effective on or after the last day of the Initial Term. For the avoidance of doubt, no additional Minimum Annual Fees due under the Loan Sale Agreement shall be payable by Affirm to Bank following a termination of this Agreement pursuant to this Section; provided that the prorated amount of the Minimum Annual Fee requirement, as described in the Loan Sale Agreement, has been satisfied as of the time that the Agreement is terminated, or any portion thereof.

23. ***Third-Party Service Providers***. The Parties agree that Affirm may retain the services of one or more service providers ("Third-Party Service Providers") to satisfy some or all of Affirm's obligations pursuant to this Agreement including Affirm's obligation to assure back-up services provided, that Affirm shall remain responsible for the performance of such services. Affirm shall be responsible for all fees and expenses of each Third-Party Service Provider. The Parties agree that Affirm may retain the services of any Third-Party Service Provider set forth in Exhibit J as approved Third-Party Service Providers. Affirm shall not appoint any other Third-Party Service Provider who shall perform any material functions and shall have access to Borrower Data pursuant to this Agreement without approval by Bank, which approval may not be unreasonably withheld, conditioned or delayed, pursuant to the SLA in Exhibit G and the procedure for approval as outlined in Exhibit J. Affirm shall provide notice to Bank not less than ten (10) days before the effective date of such appointment and shall provide such information about such Third-Party Service Provider as requested by Bank.

24. ***Insurance***. During the Term, Affirm shall maintain at its own expense employee dishonesty coverage and a general comprehensive liability policy, each with a financially sound and nationally reputable insurer reasonably acceptable to Bank. Such employee dishonesty and general comprehensive liability policy shall provide coverage limits of not less than [***], each, together with commercial umbrella coverage with a general aggregate limit of not less than [***]. Affirm shall provide copies of such insurance policies to Bank and provide to Bank such evidence as it may reasonably request concerning the continued existence of such coverages during the term of this Agreement. During the Term, Bank shall maintain insurance coverages customary and appropriate for the nature of its business and its obligations under this Agreement.

25. ***Manner of Payments***. Unless the manner of payment is expressly provided herein, all payments under this Agreement shall be made by ACH transfer to the bank accounts designated by the respective Parties. Notwithstanding anything to the contrary contained herein, neither Party shall fail to make any payment required of it under this Agreement for a breach or alleged breach by the other Party of any of its obligations under this Agreement or any other agreement; provided that the making of any payment hereunder shall not constitute a waiver by the Party making the payment of any rights it may have under this Agreement or by law.

26. ***Inspection; Reports***.

26.1 Each Party agrees to timely submit to any examination or audit that may be required by a Regulatory Authority having jurisdiction over such Party, during regular business hours and upon reasonable prior notice, and to otherwise provide reasonable cooperation to the other Party in responding to such Regulatory Authorities' inquiries and requests relating to the Program.

26.2 Any third party conducting an inspection or investigation on behalf of a Party shall be subject to the other Party's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

26.3 All expenses of inspection shall be borne by the Party conducting or requesting the inspection.

26.4 Each Party shall store all documentation and electronic data related to its performance under this Agreement and shall make such documentation and data available to the other Party upon request in accordance with the terms of this Agreement and Applicable Law. With such frequency and in such manner as mutually agreed by the Parties, each Party shall timely report to the other Party regarding the performance of its obligations.

27. ***Relationship of Parties***. The Parties agree that in performing their responsibilities pursuant to this Agreement, they are in the position of independent contractors. This Agreement is not intended to create, nor does it create and shall not be construed to create, a relationship of partner or joint venture or any association for profit between Bank and Affirm. The Parties agree as well that, as a party providing marketing, accounting and other services under this Agreement, Affirm is operating on behalf of Bank.

28. ***Governing Law and Jurisdiction***. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the Parties under this Agreement, the Parties hereby submit to and consent to the exclusive jurisdiction of the State of Utah and agree that such litigation shall be conducted only in the courts of Salt Lake County, Utah, or federal courts for the United States for the District of Utah. The Parties acknowledge that Bank, as a Utah industrial bank, is regulated by the FDIC, and is therefore subject to federal law, and entitled to preemption from State laws to the fullest extent permitted by law. In any matters not so preempted (if any), this Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Utah applicable to contracts made to be performed within such State and applicable federal law. Each Party hereby submits to the jurisdiction of the courts of such State, and (subject to Bank's reservation of preemption rights above) waives any objection to venue with respect to actions brought in such courts.

29. ***Severability***. Any provision of this Agreement which is deemed invalid, illegal or unenforceable in any jurisdiction, shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions hereof in such jurisdiction or rendering such provision or any other provision of this Agreement invalid, illegal, or unenforceable in any other jurisdiction.

30. ***Assignment***. This Agreement and the rights and obligations created under it shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Neither Party shall be entitled to assign or transfer any interest under this Agreement without the prior written consent of the other Party, except that Affirm may assign this Agreement to an Affiliate or a successor-in-interest as a result of a change in control transaction or a sale of a substantial portion of Affirm's assets.

31. ***Third-Party Beneficiaries***. Nothing contained herein shall be construed as creating a third-party beneficiary relationship between either Party or any other Person.

32. ***Notices***. Agreement shall be in writing and shall be deemed given (a) on the day delivered, if delivered by hand; (b) on the day transmitted, if transmitted by facsimile or email (in each case with confirmation of transmission as well as confirmation of receipt (confirmation of receipt may be by telephone)) if sent during the recipient's normal business hours, and on the next Banking Day if sent after the recipient's normal business hours; (c) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); or (d) three (3) days after the date of mailing to the other Party, if mailed certified or registered, return receipt requested, postage prepaid, at the following address, or such other address as either Party shall specify in a notice to the other:

To Bank: Celtic Bank Corporation
268 South State Street, Suite 300
Salt Lake City, Utah
Attn: CEO
E-mail Address: [***]
Telephone: [***]
Facsimile: [***]

With a copy to: Leslie Rinaldi, General Counsel
Celtic Bank Corporation
268 South State Street, Suite 300
Salt Lake City, UT 84111
Telephone: [***]
Email: [***]
Facsimile: [***]

To Affirm: Affirm, Inc.
Attention: Michael Linford, Chief Financial Officer
San Francisco, CA 94108
E-mail Address: [***]
Telephone: [***]
Facsimile: [***]

Copy to: Sharda Caro, Chief Legal Officer
Affirm, Inc.
650 California Street, 12th Floor
San Francisco, CA 94108
E-mail Address: [***]
Telephone: [***]
Facsimile: [***]

33. ***Amendment and Waiver***. This Agreement may be amended only by a written instrument signed by each of the Parties. The failure of a Party to require the performance of any term of this Agreement or the waiver by a Party of any default under this Agreement shall not prevent a subsequent enforcement of such term and shall not be deemed a waiver of any subsequent breach. All waivers must be in writing and signed by the Party against whom the waiver is to be enforced.

34. ***Counterparts***. This Agreement may be executed and delivered by the Parties in any number of counterparts, and by different parties on separate counterparts, each of which counterpart shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

35. ***Interpretation***. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments thereto, and the same shall be construed neither for nor against either Party, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties.

36. ***Headings***. Captions and headings in this Agreement are for convenience only, and are not to be deemed part of this Agreement.

37. ***Referrals***. Neither Party has agreed to pay any fee or commission to any agent, broker, finder, or other Person for or on account of such Person's services rendered in connection with this Agreement that would give rise to any valid claim against the other Party for any commission, finder's fee or like payment.

38. ***Cooperation***. Affirm hereto agrees to cooperate fully with Bank, at Bank's expense, in furnishing any information or performing any action reasonably requested by Bank that is needed by Bank to perform its obligations under this Agreement or to comply with Applicable Law or any request from a Regulatory Authority, including internal audit or compliance reviews conducted by Bank. Affirm agrees that it shall furnish Bank with materially true, accurate and complete copies of such records and all other information with respect to the Program and the Loans as Bank or its authorized representatives may reasonably request; provided, however, that Affirm shall not be required to divulge any records to the extent prohibited by Applicable Law, confidentiality, or the attorney-client privilege.

39. ***Examination Cooperation***. In accordance with the terms of this Agreement and Applicable Law, Affirm agrees to reasonably cooperate with any examination, audit or review of Bank or the Program by any Regulatory Authority and to provide to Bank any information which may be required by any Regulatory Authority for its audit or review of Bank or the Program. In accordance with the terms of this Agreement and Applicable Law, Affirm shall provide such other reasonable information as Bank or any Regulatory Authority may from time to time request with respect to the Program, Applicants and Borrowers and documentation thereof. Affirm shall have no obligation to comply with any requests for information or documents or to cooperate if Affirm reasonably believes that such request or cooperation would violate Applicable Law, a confidentiality obligation, or the attorney-client privilege.

40. ***Disputes***.

40.1 Duty to Notify. In the event of any dispute, controversy, or claim arising out of or relating to this Agreement or the making, construction, interpretation, performance, breach, termination, enforceability or validity thereof (hereinafter, a "Dispute"), the Party raising such Dispute shall provide written notice to the other Party at least thirty (30) days prior to commencing any litigation with respect thereto specifying the nature of the asserted Dispute.

40.2 Cooperation to Resolve Disputes. The Parties shall cooperate and attempt in good faith to resolve any Dispute promptly by negotiating between persons who have authority to settle the Dispute and who are at a higher level of management than the persons with direct responsibility for administration and performance of the provisions or obligations of this Agreement that are the subject of the Dispute. The Bank Relationship Officer and the Affirm Relationship Officer shall cooperate in good faith to resolve any Dispute arising under the Agreement pursuant to this Section 40.

41. ***Entire Agreement***. This Agreement including schedules and exhibits, constitutes the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any prior or contemporaneous negotiations or oral or written agreements about the same subject matter.

42. ***Force Majeure***. In the event that a Party fails to perform its obligations under this Agreement in whole or in part as a consequence of events beyond its reasonable control (including acts of God, fire, explosion, public utility failure, floods, embargoes, epidemics, pandemics, civil disorders, war, terrorist acts, nuclear disaster or riot or any other similar causes not within its reasonable control), such failure to perform shall not be considered a breach of this Agreement during the period of such disability. In the event of any force majeure occurrence as set forth in this Section 42, the disabled Party shall use its commercially reasonable efforts to remediate any issue and meet its obligations as set forth in this Agreement as soon as reasonably practicable. The disabled Party shall promptly and in writing advise the other Party if it is unable to perform due to a force majeure event, the expected duration of such inability to perform and of any developments (or changes therein) that appear likely to affect the ability of that Party to perform any of its obligations hereunder a whole or in part.

43. ***Exclusivity***. Nothing in this Agreement shall prevent either Party from entering into contractual relationships with any other Person.

SIGNATURE PAGE FOLLOWS

SIGNATURE PAGE TO
MARKETING AND SERVICING AGREEMENT

IN WITNESS WHEREOF, the Parties have entered into this Marketing and Servicing Agreement as of the Effective Date.

CELTIC BANK CORPORATION

By: ____
Name:
Title:

AFFIRM, INC.

By: ____
Name:
Title:

EXHIBIT A

Definitions

"ACH" means the Automated Clearing House.

"Advertising and Marketing Policy" means the policy proposed by Affirm and approved by Bank for adoption and use of Marketing Materials and the overall marketing plan to be used in marketing the Program, a copy of which is attached hereto as Exhibit K.

"Affiliate" means, with respect to a Party, a Person who directly or indirectly controls, is controlled by or is under common control with the Party. For the purposes of this definition, the term "control" (including with correlative meanings, the terms controlling, controlled by and under common control with) means the power to direct the management or policies of such Person, directly or indirectly, through the ownership of 50% or more of a class of voting securities of such Person.

"Affirm" has the meaning set forth in the introductory paragraph of this Agreement.

"Affirm Indemnified Parties" has the meaning set forth in Section 21.1.

"Affirm Relationship Officer" means a specified Affirm representative reasonably acceptable to Bank, and shall initially be Meghan Ryan.

"Agreement" has the meaning set forth in the introductory paragraph of this Agreement.

"AML/KYC" means Anti-Money Laundering ("AML") and Know Your Customer ("KYC") in reference to the BSA.

"Applicable Law" means all federal, State and local laws, statutes, regulations, regulatory guidance and orders (including FIL 44-2008: Guidance for Managing Third-Party Risk and FIL 22-2017 Adoption of Supervisory Guidance on Model Risk Management) applicable to a Party or relating to or affecting any aspect of the Program including the Marketing Materials and the Finance Materials, all requirements of any Regulatory Authority having jurisdiction over a Party, as any such laws, statutes, regulations, orders and requirements may be amended and in effect from time to time during the term of this Agreement.

"Applicant" means a prospective Borrower that has completed an Application for a Loan.

"Application" means the completed electronic application submitted by an Applicant, on a form approved by Bank, related to a request for a Loan, together with any exhibits and ancillary materials; provided that the Application may only be modified with the consent of Bank in its sole discretion.

"Auditing Party" has the meaning set forth in Section 14.4.

"Bank" has the meaning set forth in the introductory paragraph of this Agreement.

"Bank Indemnified Parties" has the meaning set forth in Section 21.2.

"Bank Relationship Officer" means a specified Bank representative reasonably acceptable to Affirm, and shall initially be Shawn Brock.

"Banking Day" means any day, other than (a) a Saturday or Sunday, or (b) a New York, California or Utah banking holiday.

"BCP Test" has the meaning set forth in Section 9.7.

"Big 4 Accounting Firm" means any of Ernst & Young, Deloitte Touche Tohmatsu Limited, PricewaterhouseCoopers, or KPMG.

"Borrower" means a Person to whom Bank has made a Loan as part of the Program or who is a guarantor of, or co-signer on, such Loan who is liable for amounts owing with respect to a Loan made as part of the Program.

"Borrower Data" means information that is provided to or obtained by a Party in the performance of its obligations under this Agreement or otherwise regarding Applicants and Borrowers, including (a) name, postal address, social security number, email address, telephone number, date of birth, as well as data generated or created in connection with customer service, telephone logs and records, and other documents and information necessary for the processing and maintenance of Loans, and (b) all Personal Information.

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

"BSA" means the Bank Secrecy Act, 31 U.S.C. 5311, et. seq.

"BSA Policy" has the meaning set forth in Section 13.3.

"Cause" has the meaning set forth in Section 22.2.

"CMS" has the meaning set forth in Section 10.1.

"Complaints" has the meaning set forth in Section 12.3.

"Confidential Business Information" means any valuable, secret business information other than Trade Secrets, that is either designated or identified as confidential at the time of the disclosure or is by its nature clearly recognizable as confidential information to a reasonably prudent person with knowledge of the Disclosing Party's business and industry.

"Contract Year" means each 12-month period commencing on the Program Start Date. The Initial Term has three (3) Contract Years.

"Credit Policy" means the credit and underwriting requirements, including requirements applicable to applications for the extension of credit, of Bank as set forth in the Program Terms to be used by Affirm in reviewing all Loan Applications on behalf of Bank, as more fully set forth in Exhibit L.

"Criticism" has the meaning set forth in Section 11.1.

"Customer Identification Program" has the meaning set forth in 31 CFR 103.121 Federal Regulations.

"Data Requirements" means a set of performance metrics to which Affirm can provide access, including designated exceptions, approved Applications and denied Applications, among other things, to be agreed upon by the Parties before the Program Start Date.

"Disclosing Party" means the Party disclosing Proprietary Information hereunder, whether the disclosure is directly from the Disclosing Party or through the Disclosing Party's Personnel or Affiliates.

"Dispute" has the meaning set forth in Section 40.1.

"Effective Date" has the meaning set forth in the introductory paragraph of this Agreement.

"Executive Complaint" has the meaning set forth in Section 12.1.

“Finance Materials” means, collectively, (a) the Application; (b) the Credit Policy; (c) the form of Loan Agreement; (d) the version of Affirm’s Privacy Policy applicable to Borrower Data; and (e) the form of default notice, adverse action notice or any other written notice related to an Applicant or Borrower.

“Funding Amount” means the amount of a Loan made by Bank on behalf of a Borrower, pursuant to an Application (it being understood that such amount may be reduced by any Merchant-related reconciliations, down payments, or discounts).

“Funding Date” means any day on which Bank receives a Funding Statement from Affirm pursuant to Section 6.1; provided, however, that if Bank receives any such Funding Statement (i) on a day that is not a Business Day or (ii) after 12:00 pm (eastern time) on a Business Day, Bank may delay the Funding Date to be the immediately succeeding Business Day.

“Funding Statement” means a statement provided by Affirm to Bank with respect to each Loan containing (i) all information necessary for the transfer of the Funding Amount to the related Merchant on behalf of and as directed by the Borrower, including depository institution names, routing numbers and account numbers; and (ii) such other information as shall be reasonably requested by Bank and mutually agreed to by Bank and Affirm.

“Funding Time” means each of 9:30 a.m., 11:45 a.m., 1:45 p.m. and 3:00 p.m. Mountain Time or such other time as agreed by the Parties.

“GLBA” means The Gramm-Leach-Bliley Act.

“Guidelines” has the meaning set forth in Section 7.2.

“Indemnified Party” has the meaning set forth in Section 21.3.

“Indemnifying Party” has the meaning set forth in Section 21.3.

“Information Security Program” means a written plan created and implemented by a financial institution to identify and control risks to customer information and customer information systems and to properly dispose of customer information, including policies and procedures regarding the institution’s risk assessment, controls, testing, servicer-provider oversight, periodic review and updating and reporting to its board of directors, that complies in all material respects with the applicable requirements set forth in 12 C.F.R. Part 364 and 16 C.F.R. Part 314, all as amended, supplemented or interpreted in writing by Regulatory Authorities and all other Applicable Law.

“Initial Term” has the meaning set forth in Section 22.1.

“IP Address” means an internet protocol address.

“Issuing Account” means an account at Bank or an intermediary bank, selected by Affirm, through which funds will be disbursed to Merchants on behalf of Borrowers via a virtual or physical card.

“Licensee” has the meaning set forth in Section 18.1.

“Licensing Party” has the meaning set forth in Section 18.1.

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

“Loan Agreement” means, with respect to a Loan, the document or documents containing the terms and conditions of such Loan, including the disclosure statement, the loan agreement and the privacy notice.

"Loan Documents" mean, collectively, with respect to any Loan, the Loan Agreement, the Application and any other documents executed by the related Borrower in connection with such Loan.

"Loan Performance Fee" means the fee payable to Bank pursuant to Section 4.2 of the Loan Sale Agreement.

"Loan Sale Agreement" means that certain Loan Sale Agreement dated as of the Effective Date between Bank and Affirm.

"Losses" means all third-party claims, actions, liability, judgments, damages, fines, legal fees, reasonable costs and expenses, including fees, but excluding special, indirect, incidental, consequential, punitive or exemplary damages, including lost profits, even if a Party has knowledge of the possibility of such damages.

"Marketing and Servicing Fee" has the meaning set forth in Section 2.13(b) and Exhibit D.

"Marketing Materials" means any advertising, applications, marketing materials, advertising pieces, sales literature, telemarketing scripts and any other materials directly relating to the Program or containing Bank's name that are used to induce Applicants to apply for a Loan or to induce potential Applicants to apply for a Loan under the Program, and any other materials used to induce use of the Program as agreed by the Parties in accordance with this Agreement.

"Merchant" means a seller of goods or services to a Borrower.

"Minimum Annual Fee" has the meaning set forth in the Loan Sale Agreement.

"Model Risk Management Program" has the meaning set forth in Section 5.6(a).

"Monthly Management Reports" means reports consisting of complaint logs, compliance issues logs, [1]and other such reports as mutually agreed by the Parties on the current Program portfolio delivered to Bank by Affirm on a monthly basis in accordance with the terms of this Agreement.

"NOAA" as used in Exhibit C, means Notice of Adverse Action as referenced in Applicable Law, including Regulation B, the Fair Credit Reporting Act, and the Equal Credit Opportunity Act.

"Notice of Termination" has the meaning set forth in Section 22.9.

"OFAC" means the United States Department of Treasury's Office of Foreign Assets Control. "OFAC List" means a list of individuals and companies published by OFAC which individuals and companies are owned or controlled by, or acting for or on behalf of, targeted countries. The OFAC List also includes individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." The assets are blocked and United States persons are generally prohibited from dealing with them.

"Operational Complaint" has the meaning set forth in Section 12.2.

"Original Borrower Loan Amount" means, with respect to any Loan, the amount financed as stated in the related final truth-in-lending statement contained in the Loan Documents.

"Party" means either Affirm or Bank and "Parties" means Affirm and Bank.

"Payment Month" has the meaning set forth in Exhibit D.

"Person" means any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity, or other entity of similar nature.

"Personal Information" means non-public, personally identifiable information related to either Party's customers, Personnel or other third parties that has been provided to a Party by such persons or their representatives, including (i) any information that identifies, or could be used to identify, a particular Person, including the Person's name, address, telephone number, e mail address, social security number, driver's license, or other identifying information and credit card and financial information; and (ii) any other information considered personal identifying information under then-existing Applicable Law.

"Personnel" means the employees, contractors, and agents of a Party or its Affiliates and their employees and contractors.

"Policies" means all policies and procedures related to conducting prescreen or prequalification activity, solicitation and receipt of Applications, underwriting and processing of Applications, provision of adverse action notices, providing Loan Agreements to Applicants, and servicing the Loans.

"Prequalification Request" means any request from a prospective Applicant, in the form required by Bank, to determine whether such prospective Applicant qualifies for a Loan.

"Privacy Policy" means the privacy policy of Affirm as initially agreed by the Parties, as amended or modified from time to time by Affirm in accordance with the terms of this Agreement.

"Product Add-On" means any additional product or service offered to a Borrower by an entity other than the associated Merchant, including identity theft protection, payment protection products, rental insurance, credit monitoring, product purchase protection, travel insurance, and any other product or service that is supplementary to the Loan provided to the Borrower.

"Program" means Affirm's program for the marketing and servicing of Loans which Bank will originate pursuant to the Program Terms.

"Program Data" means information that is provided to or obtained by a Party in the performance of its obligations under this Agreement or otherwise, including (a) individual and aggregate data from Applications and Loans; (b) information provided to or obtained by a Party that was originally derived from the other Party's sources of Applications or Loan data; and (c) data from Prequalification Requests.

"Program Insights" means the business strategies derived from the Program Data or the business strategies and business operating rules proposed or originated by Affirm, including (a) pricing strategy; (b) loan origination marketing strategy and marketing channels; (c) fraud prevention strategy and rules, including an identity theft/red flags program and policy as described in Section 13.9; (d) collection and recovery strategy; and (e) data from Prequalification Requests.

"Program Start Date" means the date on which an Applicant that is not an employee of Affirm or Bank first submits a Prequalification Request or an Application.

"Program Terms" means the terms of this Agreement and the terms, procedures and materials governing the Program, which have been duly adopted and approved by Bank, including (i) forms of Loan Documents, disclosure and other documents relating to the Program; (ii) the Credit Policy; (iii) the CMS; and (iv) the Marketing Materials.

"Proprietary Information" means the Trade Secrets, Confidential Business Information, and Personal Information of a Party and its Affiliates. Proprietary Information does not include any information that (a) was in the Receiving Party's possession before being disclosed to it by the Disclosing Party; (b) is or becomes a matter of public knowledge through no fault of the Receiving Party; (c) is rightfully received by the Receiving Party from a third party without a duty of confidentiality; (d) is disclosed by the Disclosing Party to a third party without a duty of confidentiality on the third party; or

(e) is independently developed by the Receiving Party without use of the Disclosing Party’s Proprietary Information.

“Proprietary Material” has the meaning set forth in Section 18.1.

“Protected Data” means all Applicant, Borrower, Person and other sensitive authentication data related to the Program, including: (i) all data and information that is protected or covered by the Payment Card Industry Data Security Standard, (ii) social security numbers and other official identification numbers; (iii) credit card or debit card numbers; (iv) bank account numbers; (v) critical infrastructure information (including physical site plans, IT systems information, system passwords, and information security plans); (vi) information protected by nondisclosure agreements; (vii) law enforcement and investigative records; (viii) employee information; (ix) internal emails; and (x) internally-produced documents.

“Purchase Price” has the meaning set forth in the Loan Sale Agreement.

“Qualifying Applicant” means any Person who (i) requests a Loan from Bank as part of the Program, (ii) qualifies for credit under the Credit Policy and (iii) resides in a State where the Program is offered.

“Reasonable Security Procedures and Practices” means and includes appropriate security measures for its operations that: (i) are in accordance with technological developments and evolving security needs; (ii) include administrative, technical and physical safeguards, including the use of secure and up-to-date encryption to protect Borrower Data and Protected Data while in transmission or storage; (iii) use reasonable precautions to protect the security, integrity, and confidentiality of the Borrower Data and Protected Data; (iv) protect against unauthorized access to or use of Borrower Data and Protected Data that could result in the destruction, use, modification or disclosure of Borrower Data and Protected Data, or substantial harm to Disclosing Party or any individual; and (v) comply with all Applicable Law, regulations, standards and industry best practices related to privacy and data security. Reasonable Security Procedures and Practices also includes establishing a computer network security policy, using reasonable methods of preventing unauthorized computer systems access, implementing administrative security controls (including in connection with any transfer, communication, remote access or storage of Borrower Data and Protected Data as permitted or required under this Agreement), installing computer network firewalls, protecting computer resources from insider abuse, having appropriate administrative procedures to restrict computer system access to Persons other than authorized users and is promptly withdrawn from terminated employees or other Persons who are no longer authorized, establishing a single point of contact for responses to security incidents, providing security and privacy training to employees and other personnel and monitoring the effectiveness of computer network security.

“Receiving Party” means the Party receiving Proprietary Information hereunder.

“Regulatory Authority” means any federal, State, local, domestic or foreign governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other regulatory or self-regulatory entity, the United States of America, any State or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, in each case, that has jurisdiction or regulatory oversight with respect to the Program.

“Regulatory Communications” has the meaning set forth in Section 11.2.

“Renewal Term” has the meaning set forth in Section 22.1.

“Retail Partner” means a Merchant or a Merchant’s service provider with whom Affirm has a direct contractual relationship.

“Retained Loan Marketing and Servicing Fee” is as set forth on Exhibit D.

"Retention Policy" means a mutually agreed upon policy that determines retention terms for documents related to the Program based on record category and includes a schedule that is based on industry standards and best practices.

"Security Incident" has the meaning set forth in Section 7.2(a).

"Services" means the sales, marketing, Application processing services and other services provided by Affirm to Bank directly or indirectly, pursuant to this Agreement.

"Servicing Policy" means the policy set forth in Exhibit H.

"Servicing Standard" has the meaning set forth in Section 2.4(d).

"SLA" means any of the service level agreements between Bank and Affirm, as set forth in Exhibit G.

"Standard Scope" has the meaning set forth in Exhibit C.

"State" means any one of the fifty states of the United States of America, the District of Columbia or any of the United States Territories.

"Term" has the meaning set forth in Section 22.1.

"Termination Fee" has the meaning set forth in Section 22.9.

"Third-Party Service Providers" has the meaning set forth in Section 23.

"Trade Secrets" means trade secrets as defined under Applicable Law, as amended from time to time, and shall include without regard to form, technical or non-technical data, formulas, patterns, compilations, programs, software programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, non-public forecasts, studies, projections, analyses, all customer data of any kind, or lists of actual or potential customers or suppliers, business and contractual relationships, or any other information similar to the foregoing that (a) derives economic value, actual or potential, from not being generally known and not being readily ascertainable by proper means to other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. For the sake of clarity, Trade Secrets includes information provided to either Party or its Affiliates by any third parties, which that Party or any of its Affiliates is obligated to hold in confidence. Program Insights are a Trade Secret of Affirm.

"United States Territories" means Puerto Rico, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and American Samoa.

"URL" means a uniform resource locator.

"VCN Start Date" means the date on which the Platform enables Loans to be funded via the Virtual Card Network, subject to development of such capability by Affirm, in its sole discretion.

"Virtual Card Network" means the network that processes virtual credit and debit cards as the payment instrument for goods and services.

EXHIBIT B

Additional Duties and Responsibilities of Bank

In addition to the duties and responsibilities that Bank shall undertake under the Agreement, Bank shall take the following action:

1. Prior to distribution, Bank shall review and approve collateral such as Applications, Loan Agreements, secure packaging, adverse action letters, material changes to collection letters, and website terms and conditions. Bank will review Marketing Materials according to agreed-upon sampling process and cadence.

2. Bank shall establish a joint subscriber code with Affirm for the purpose of obtaining Applicant and Borrower credit information, and otherwise identifying Affirm and Bank, for use of the credit reporting agencies.

3. Bank shall provide support to Affirm pursuant to the Program Terms and Applicable Law.

4. Bank shall maintain a compliance program in accordance with sound, industry-standard third-party risk management practices and in accordance with FDIC guidance, as may be amended from time to time. The compliance program shall encompass initial due diligence, ongoing monitoring, and ongoing oversight of Affirm's policies, procedures, processes, and operations.

5. Bank shall provide to Affirm key personnel biographies and resumes as reasonably requested by Affirm, and shall notify Affirm of any and all changes in key personnel at Bank.

6. Bank shall collect refunds of Funding Amounts (or portions thereof) from Merchants after such Merchants have processed returned goods or services from Borrowers and distribute such amounts to Affirm. For the avoidance of doubt, Bank's obligation in this subsection 6 shall survive termination of the Agreement.

7. Upon Affirm's request, Bank shall facilitate ACH debits from Merchant bank accounts for which Affirm has been properly authorized to initiate direct debits of amounts owed to Affirm.

8. Bank shall notify Affirm in writing within ten (10) Banking Days after the departure of a member of the executive team of Bank.

EXHIBIT C

Additional Duties and Responsibilities of Affirm

In addition to the duties and responsibilities that Affirm shall undertake under the Agreement, Affirm shall take the following action:

1. Affirm shall provide Program definition, strategy, and pricing to be approved by Bank, subject to any exceptions permitted under the Credit Policy or otherwise under this Agreement.

2. Affirm shall develop and maintain a website that serves as a platform for the Program through which Affirm, Applicants and Borrowers may access and provide materials and communications related to the Program.

3. Affirm shall develop the Application, which must be approved in writing by Bank.

4. Affirm shall ensure that all aspects of Loan approval, customer service and collections are conducted in accordance with the Program Terms. Marketing Materials will be subject to review as provided under Section 3.2.

5. Affirm shall create, implement and manage a CMS consistent with the Bank's written requirements for the Program as agreed by the Parties. The CMS will include appropriate governance and oversight of policies and procedures, training, complaint resolution and tracking (with regular monthly reporting to Bank), and regular testing and monitoring activities as agreed by the Parties. Testing and monitoring results will be reported to the Bank as completed.

6. Affirm shall develop and maintain a vendor management policy in accordance with the guidance provided in the FDIC Financial Institution Letter: FIL-44-2008 or any subsequent FDIC Guidance.

7. Affirm's Board of Directors shall appoint a compliance officer responsible for Affirm's CMS and all compliance-related activities. The compliance officer shall have sufficient education and work experience to oversee the CMS and Affirm shall notify Bank of such appointment or any subsequent changes in that role.

8. Affirm shall notify Bank in writing within ten (10) Banking Days after the departure of a member of the executive team of Affirm.

9. Affirm's board of directors shall appoint a Bank Secrecy Act (BSA) Officer responsible for Affirm's BSA policies, procedures, risk assessment, and all BSA-related activities. The BSA officer must have sufficient education and work experience to oversee Affirm's BSA compliance and Affirm shall notify Bank of such appointment or any subsequent changes in that role. The BSA officer may be the same individual as the Chief Compliance Officer.

10. Affirm shall comply with AML/KYC regulations in Application processing on behalf of Bank. This includes OFAC checks and the sending of NOAAs on behalf of Bank. Affirm shall maintain a BSA Policy that is reviewed and approved by Bank on a regular basis that addresses AML/KYC responsibilities of Affirm.

11. Affirm shall reimburse Bank for Bank's costs for engaging an auditor to conduct an annual compliance audit of the Program, subject to the following:

    (a) The auditor shall be a qualified independent third-party auditor mutually acceptable by Bank and Affirm;

    (b) The audit shall cover the standard scope as determined by Bank's other credit sponsorships ("Standard Scope");

(c) Costs related to a Standard Scope audit payable by Affirm shall not exceed [***];

(d) Affirm may add additional matters and review procedures to the audit scope in order to satisfy requirements of other Persons that have contracted with Affirm but the costs of such additional matters shall be borne by Affirm and shall not reduce the [***] audit reimbursement amount agreed to above;

(e) Bank shall share all aspects of the audit and the audit process, include the full audit report, summary, suggestions and other matters, with Affirm;

(f) Bank shall keep the results of such report and audit confidential. Bank may share such report and audit with Bank's board of directors, compliance officers and regulatory authorities;

(g) Affirm may share the results of such report and audit with third parties who are subject to a non-disclosure agreement; and

(h) Bank shall make best efforts to protect the rights of Affirm to share the audit with third parties pursuant to subsection (g) above and ensure that such rights are not restricted by the agreement between Bank and the auditor.

12. Affirm shall develop and implement a GLBA-compliant Information Security Program which shall include either an annual SOC II Type II audit or an annual PCI certification program and an annual penetration testing.

13. Affirm shall develop and maintain a Business Continuity Plan ("BCP") and disaster recovery plan, including a Business Impact Analysis, compliant with bank regulations and FFIEC guidelines, and performing at least annual testing of the plans.

14. Affirm shall accommodate Bank's reasonable requests for descriptions or explanations of the design, theory, logic, methodologies, data, implementation, governance, policies, etc. belonging to Affirm's proprietary credit models used in connection with the Program, as set forth in the Agreement.

15. Affirm shall provide Bank with account-level reporting through a daily data feed, per the Data Requirements, which shall be implemented and tested before launching the Program.

16. Affirm shall provide Bank with Program key performance indicators as agreed to by Bank and Affirm, such as portfolio performance, delinquency and charge-off rates in a format and frequency as mutually agreed, but no less than quarterly. At a minimum, Affirm shall provide to Bank quarterly financial statements and an annual financial audit to the extent required under Section 20.12 of this Agreement.

17. Affirm shall provide appropriate fair lending testing reports as directed by Bank, at least annually, to verify compliance with all applicable fair lending laws including any potential disparate impact.

18. Affirm shall contract with a secondary, backup servicer for the Program within an agreed upon time line. Affirm may use an existing backup servicer used by Affirm in other projects.

19. Affirm shall operate the Program in compliance with all Applicable Laws, regulations and regulatory guidance. Affirm shall provide information reasonably requested by Bank (including Affirm's records and customer information) to Regulatory Authorities as needed and as requested from time to time as required to conduct regulatory exams; provided, however, that the cost of any additional audits required from Affirm in connection therewith by any Regulatory Authority shall be shared equally by Bank and Affirm.

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EXHIBIT D

Marketing and Servicing Fee

[***]

EXHIBIT E

OFAC Hit Procedure

Affirm determines the validity of OFAC flagged Applicants using the attached OFAC Standard Operating Procedure. Affirm shall provide a list of OFAC flagged Applicants that are valid matches to Bank once per quarter.

EXHIBIT F

Data Requirements

Affirm shall provide Data Requirements to Bank based on the attached Sample Daily Draw File and Data Dictionary.

EXHIBIT G

Service Level Agreements (SLAs)*

[***]

EXHIBIT H

Servicing Policy

[***]

EXHIBIT I

Model Risk Management Program Requirements

[***]

EXHIBIT J

Third-Party Service Provider Risk Management Program and Policy

[***]

EXHIBIT K

Advertising and Marketing Policy

[***]

EXHIBIT L

Credit Policy

[***]

Exhibit 21.1

Subsidiaries of the Registrant

Entity	Jurisdiction
Affirm ABS Funding Trust I	Delaware
Affirm ABS LLC	Delaware
Affirm Asset Securitization Trust 2020-A	Delaware
Affirm Asset Securitization Trust 2020-Z1	Delaware
Affirm Asset Securitization Trust 2020-Z2	Delaware
Affirm Asset Securitization Trust 2021-B	Delaware
Affirm Asset Securitization Trust 2021-Z1	Delaware
Affirm Asset Securitization Trust 2021-Z2	Delaware
Affirm Asset Securitization Trust 2022-A	Delaware
Affirm Asset Securitization Trust 2022-X1	Delaware
Affirm Asset Securitization Trust 2022-Z1	Delaware
Affirm Asset Securitization Trust 2023-A	Delaware
Affirm Australia Pty Ltd	Australia
Affirm Canada Holdings Ltd.	Canada
Affirm Cares	California
Affirm Loan Asset Sales I LLC	Delaware
Affirm Loan Asset Sales II LLC	Delaware
Affirm Loan Services LLC	Delaware
Affirm Operational Loans I Trust	Delaware
Affirm Operational Loans II Trust	Delaware
Affirm Operational Loans IV Trust	Delaware
Affirm Operational Loans V Trust	Delaware
Affirm Operational Loans VI Trust	Delaware
Affirm Operational Loans VII TR	Delaware
Affirm Operational Loans VIII TR	Delaware
Affirm Opportunity Fund I LLC	Delaware
Affirm Payments, LLC	Delaware
Affirm Poland spółka z ograniczoną odpowiedzialnością	Poland
Affirm U.K. Limited	United Kingdom
Affirm, Inc.	Delaware
Butter Holdings Ltd.	United Kingdom
Butter Holidays Ltd.	United Kingdom
Butter SPV 1 Ltd	United Kingdom
PayBright Funding GP Inc.	Canada
Paybright Funding Limited Partnership	Canada
Returnly Holdings, LLC	Delaware
Returnly Technologies Spain, S.L.U	Spain
Skytech Capital Ltd	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-267141, 333-259614, 333-252644, and 333-252068 on Form S-8 of our reports dated August 25, 2023 relating to the financial statements of Affirm Holdings, Inc. and subsidiaries and the effectiveness of Affirm Holdings, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended June 30, 2023.

/s/ Deloitte & Touche LLP
San Francisco, CA
August 25, 2023

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 Annual Report on Form 10-K 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: August 25, 2023	/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 Annual Report on Form 10-K 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: August 25, 2023

/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: August 25, 2023

/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: August 25, 2023

/s/ Michael Linford

Michael Linford
Chief Financial Officer
(Principal Financial Officer)