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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended 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 001-39050

OPORTUN FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	45-3361983
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2 Circle Star Way San Carlos, CA	94070
Address of Principal Executive Offices	Zip Code

(650) 810-8823
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
Common Stock, $0.0001 par value per share	OPRT	Nasdaq Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☐	Smaller reporting company ☒
Accelerated filer ☒	Emerging growth company ☐
Non-accelerated filer ☐	

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

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

The number of shares of registrant’s common stock outstanding as of August 3, 2023 was 34,044,431.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 73,371	$ 98,817
Restricted cash	128,964	105,000
Loans receivable at fair value	2,985,129	3,143,653
Interest and fees receivable, net	30,852	31,796
Capitalized software and other intangibles, net	133,012	139,801
Right of use assets - operating	26,515	30,448
Other assets	94,200	64,180
Total assets	$ 3,472,043	$ 3,613,695
Liabilities and stockholders' equity		
Liabilities		
Secured financing	$ 486,453	$ 317,568
Asset-backed notes at fair value	2,118,786	2,387,674
Asset-backed borrowings at amortized cost	25,600	—
Acquisition and corporate financing	271,507	222,879
Lease liabilities	33,124	37,947
Other liabilities	78,175	100,028
Total liabilities	3,013,645	3,066,096
Stockholders' equity		
Common stock, $0.0001 par value - 1,000,000,000 shares authorized at June 30, 2023 and December 31, 2022; 34,299,366 shares issued and 34,027,343 shares outstanding at June 30, 2023; 33,626,630 shares issued and 33,354,607 shares outstanding at December 31, 2022	7	7
Common stock, additional paid-in capital	575,587	547,799
Retained earnings (accumulated deficit)	(110,887)	6,102
Treasury stock at cost, 272,023 shares at June 30, 2023 and December 31, 2022	(6,309)	(6,309)
Total stockholders’ equity	458,398	547,599
Total liabilities and stockholders' equity	$ 3,472,043	$ 3,613,695

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Interest income	$ 240,463	$ 207,655	$ 478,082	$ 399,892
Non-interest income	26,100	18,147	47,993	40,630
Total revenue	266,563	225,802	526,075	440,522
Less:				
Interest expense	41,448	17,104	80,445	30,781
Net decrease in fair value	(106,490)	(63,484)	(322,200)	(59,513)
Net revenue	118,625	145,214	123,430	350,228
Operating expenses:				
Technology and facilities	55,116	52,788	111,990	101,977
Sales and marketing	19,195	32,368	38,377	66,909
Personnel	30,762	38,629	68,080	74,555
Outsourcing and professional fees	9,900	17,165	23,702	31,492
General, administrative and other	21,123	16,936	40,285	30,297
Total operating expenses	136,096	157,886	282,434	305,230
Income (loss) before taxes	(17,471)	(12,672)	(159,004)	44,998
Income tax expense (benefit)	(2,572)	(3,515)	(42,015)	8,492
Net income (loss)	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Net income (loss) attributable to common stockholders	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Share data:				
Earnings (loss) per share:				
Basic	$ (0.41)	$ (0.28)	$ (3.31)	$ 1.12
Diluted	$ (0.41)	$ (0.28)	$ (3.31)	$ 1.10
Weighted average common shares outstanding:				
Basic	36,691,291	32,831,499	35,342,663	32,525,768
Diluted	36,691,291	32,831,499	35,342,663	33,241,681

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands, except share data)

For the Six Months Ended June 30, 2023

	Common Stock			Warrants				
	Shares	Par Value	Additional Paid-in Capital	Shares	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Stockholders' Equity
Balance – January 1, 2023	33,354,607	$ 7	$ 547,799	$ —	$ —	$ 6,102	$ (6,309)	$ 547,599
Stock-based compensation expense	—	—	5,329	—	—	—	—	5,329
Vesting of restricted stock units, net of shares withheld	529,739	—	(1,364)	—	—	—	—	(1,364)
Issuance of warrants to purchase common stock in connection with debt financing	—	—	—	2,096,727	6,672	—	—	6,672
Net loss	—	—	—	—	—	(102,090)	—	(102,090)
Balance – March 31, 2023	33,884,346	$ 7	$ 551,764	2,096,727	$ 6,672	$ (95,988)	$ (6,309)	$ 456,146
Issuance of common stock upon exercise of stock options, net of shares withheld	26,458	—	(95)	—	—	—	—	(95)
Stock-based compensation expense	—	—	4,754	—	—	—	—	4,754
Vesting of restricted stock units, net of shares withheld	116,539	—	(267)	—	—	—	—	(267)
Issuance of warrants to purchase common stock in connection with debt financing	—	—	—	2,096,726	12,759	—	—	12,759
Net loss	—	—	—	—	—	(14,899)	—	(14,899)
Balance – June 30, 2023	34,027,343	$ 7	$ 556,156	4,193,453	$ 19,431	$ (110,887)	$ (6,309)	$ 458,398

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands, except share data)

For the Six Months Ended June 30, 2022

	Common Stock					
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance – January 1, 2022	32,004,396	$ 6	$ 526,338	$ 83,846	$ (6,309)	$ 603,881
Issuance of common stock upon exercise of stock options	505,945	1	(4,749)	—	—	(4,748)
Stock-based compensation expense	—	—	7,467	—	—	7,467
Vesting of restricted stock units, net of shares withheld	296,552	—	(2,327)	—	—	(2,327)
Net income	—	—	—	45,663	—	45,663
Balance – March 31, 2022	32,806,893	$ 7	$ 526,729	$ 129,509	$ (6,309)	$ 649,936
Issuance of common stock upon exercise of stock options	32,345	—	78	—	—	78
Repurchase of stock options	(2,706)	—	(28)	—	—	(28)
Stock-based compensation expense	—	—	7,642	—	—	7,642
Vesting of restricted stock units, net of shares withheld	63,064	—	(273)	—	—	(273)
Net loss	—	—	—	(9,157)	—	(9,157)
Balance – June 30, 2022	32,899,596	$ 7	$ 534,148	$ 120,352	$ (6,309)	$ 648,198

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Cash Flow (Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2023	**2022**
Cash flows from operating activities		
Net income (loss)	$ (116,989)	$ 36,506
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27,158	22,340
Fair value adjustment, net	322,200	59,513
Origination fees for loans receivable at fair value, net	(16,981)	(11,351)
Gain on loan sales	(3,693)	(5,714)
Stock-based compensation expense	9,347	13,702
Other, net	(29,910)	20,732
Originations of loans sold and held for sale	(25,678)	(48,972)
Proceeds from sale of loans	29,096	55,064
Changes in other assets and other liabilities	(15,193)	(50,178)
Net cash provided by operating activities	179,357	91,642
Cash flows from investing activities		
Originations of loans	(780,912)	(1,560,495)
Proceeds from loan sales originated as held for investment	1,653	247,230
Repayments of loan principal	694,963	700,968
Capitalization of system development costs	(18,731)	(23,580)
Other, net	(994)	(2,147)
Net cash used in investing activities	(104,021)	(638,024)
Cash flows from financing activities		
Borrowings under secured financing	171,300	1,331,000
Repayments of secured financing	(3,140)	(1,220,000)
Borrowings under asset-backed notes at fair value	—	404,984
Repayments of asset-backed notes at fair value	(330,406)	(21,093)
Borrowings under asset-backed borrowings at amortized cost	25,544	—
Borrowings under acquisition and corporate financing	73,355	—
Repayments of acquisition and corporate financing	(10,195)	—
Payments of deferred financing costs	(1,550)	(314)
Net payments related to stock-based activities	(1,726)	(7,299)
Net cash provided by (used in) financing activities	(76,818)	487,278
Net decrease in cash and cash equivalents and restricted cash	(1,482)	(59,104)
Cash and cash equivalents and restricted cash, beginning of period	203,817	192,960
Cash and cash equivalents and restricted cash, end of period	$ 202,335	$ 133,856
Supplemental disclosure of cash flow information		
Cash and cash equivalents	$ 73,371	$ 66,712
Restricted cash	128,964	67,144
Total cash and cash equivalents and restricted cash	$ 202,335	$ 133,856
Cash paid for income taxes, net of refunds	$ 1,171	$ (3,377)
Cash paid for interest	$ 77,453	$ 27,032
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,430	$ 7,772
Supplemental disclosures of non-cash investing and financing activities		
Right of use assets obtained in exchange for operating lease obligations	$ 1,979	$ 1,862
Non-cash investments in capitalized assets	$ (507)	$ 1,852
Non-cash financing activities	$ 19,431	$ —

See Notes to the Condensed Consolidated Financial Statements.

1. Organization and Description of Business

Oportun Financial Corporation (together with its subsidiaries, "Oportun" or the "Company") is a mission-driven fintech that puts its members' financial goals within reach. With intelligent borrowing, savings, and budgeting capabilities, the Company empowers members with the confidence to build a better financial future. Oportun takes a holistic approach to serving its members and views as its purpose to responsibly meet their current capital needs, help grow its members' financial profiles, increase their financial awareness and put them on a path to a financially healthy life. Oportun offers access to a comprehensive suite of digital banking products, offered either directly or through partners, including lending, savings and investing powered by A.I. and tailored to each member's goals to make achieving financial health automated. The Company's credit products include personal loans, secured personal loans and credit cards. The Company's digital banking products include automated savings, long-term investing and retirement savings. The Company is headquartered in San Carlos, California. The Company has been certified by the United States Department of the Treasury as a Community Development Financial Institution ("CDFI") since 2009.

Segments

Segments are defined as components of an enterprise for which discrete financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer and the Company's Chief Financial Officer are collectively considered to be the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's operations constitute a single reportable segment.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These statements are unaudited and reflect all normal, recurring adjustments that are, in management's opinion, necessary for the fair presentation of results. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain prior-period financial information has been reclassified to conform to current period presentation. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report"), filed with the Securities and Exchange Commission ("SEC") on March 14, 2023.

Use of Estimates - The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from those estimates and assumptions.

Accounting Policies - There have been no changes to the Company's significant accounting policies from those described in Part II, Item 8 - Financial Statements and Supplementary Data in the Annual Report, except for the new accounting pronouncements subsequently adopted as noted below.

Recently Adopted Accounting Standards

None.

3. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share are calculated as follows:

(in thousands, except share and per share data)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income (loss)	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Net income (loss) attributable to common stockholders	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Basic weighted-average common shares outstanding	36,691,291	32,831,499	35,342,663	32,525,768
Weighted average effect of dilutive securities:				
Stock options	—	—	—	453,695
Restricted stock units	—	—	—	262,218
Diluted weighted-average common shares outstanding	36,691,291	32,831,499	35,342,663	33,241,681
Earnings (loss) per share:				
Basic	$ (0.41)	$ (0.28)	$ (3.31)	$ 1.12
Diluted	$ (0.41)	$ (0.28)	$ (3.31)	$ 1.10

The following common share equivalent securities have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive for the periods presented:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Stock options	3,062,442	3,587,839	3,162,156	2,897,171
Restricted stock units	3,730,803	4,705,012	3,842,100	2,852,608
Total anti-dilutive common share equivalents	6,793,245	8,292,851	7,004,256	5,749,779

4. Variable Interest Entities

Variable interest entities ("VIEs") are legal entities that either have an insufficient amount of equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of equity investment at risk lack the ability to direct the entity's activities that most significantly impact economic performance through voting or similar rights, or do not have the obligation to absorb the expected losses or the right to receive expected residual returns of the entity.

For all VIEs in which the Company is involved, it assesses whether it is the primary beneficiary of the VIE on an ongoing basis. In circumstances where the Company has both the power to direct the activities that most significantly impact the VIEs performance and the obligation to absorb losses or the right to receive the benefits of the VIE that could be significant, it would conclude that it is the primary beneficiary of the VIE, and it consolidates the VIE. In situations where the Company is not deemed to be the primary beneficiary of the VIE, it does not consolidate the VIE and only recognize our interests in the VIE. In addition, on June 16, 2023, the Company entered into a forward flow whole loan sale agreement that is considered a secured borrowing and is not considered a VIE. See Note 8, *Borrowings* for additional information on the secured borrowing under the caption of asset-backed borrowings at amortized cost.

Consolidated VIEs

As part of the Company's overall funding strategy, the Company transfers a pool of designated loans receivable to wholly owned special-purpose subsidiaries ("VIEs") to collateralize certain asset-backed financing transactions. For these VIEs where the Company has determined that it is the primary beneficiary because it has the power to direct the activities that most significantly impact the VIEs' economic performance and the obligation to absorb the losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs the VIEs assets and related liabilities are consolidated with the results of the Company. Such power arises from the Company's contractual right to service the loans receivable securing the VIEs' asset-backed debt obligations. The Company has an obligation to absorb losses or the right to receive benefits that are potentially significant to the VIEs because it retains the residual interest of each asset-backed financing transaction in the form of an asset-backed certificate. Accordingly, the Company includes the VIEs' assets, including the assets securing the financing transactions, and related liabilities in its condensed consolidated financial statements.

Each consolidated VIE issues a series of asset-backed securities that are supported by the cash flows arising from the loans receivable securing such debt. Cash inflows arising from such loans receivable are distributed monthly to the transaction's lenders and related service providers in accordance with the transaction's contractual priority of payments. The creditors of the VIEs above have no recourse to the general credit of the Company as the primary beneficiary of the VIEs and the liabilities of the VIEs can only be settled by the respective VIE's assets. The Company retains the most subordinated economic interest in each financing transaction through its ownership of the respective residual interest in each VIE. The Company has no obligation to repurchase loans receivable that initially satisfied the financing transaction's eligibility criteria but subsequently became delinquent or a defaulted loans receivable.

The following table represents the assets and liabilities of consolidated VIEs recorded on the Company's Condensed Consolidated Balance Sheets (Unaudited):

(in thousands)	June 30, 2023	December 31, 2022
Consolidated VIE assets		
Restricted cash	$ 112,106	$ 91,395
Loans receivable at fair value	2,900,345	3,081,557
Interest and fee receivable	29,488	30,443
Total VIE assets	3,041,939	3,203,395
Consolidated VIE liabilities		
Secured financing [1]	488,160	320,000
Asset-backed notes at fair value	2,118,786	2,387,674
Acquisition financing [1]	75,484	85,679
Total VIE liabilities	$ 2,682,430	$ 2,793,353

[1] Amounts exclude deferred financing costs. See Note 8, *Borrowings* for additional information.

5. Loans Held for Sale and Loans Sold

Structured Loan Sales - On March 31, 2022, the Company participated in a securitization whereby the Company and funds managed by Ellington Management Group both contributed collateral and were co-sponsors of the transaction, which totaled $400.0 million in issued asset-backed notes. As part of the securitization, the Company sold loans to OPTN Funding Grantor Trust 2022-1 ("Grantor Trust") through the issuance of amortizing asset-backed notes secured by a pool of its unsecured and secured personal installment loans. The Company also sold its share of the residual interest in the pool. The Company's continued involvement in the unconsolidated VIEs is in the form of servicer of these loans. The Company does not have variable interest in the Grantor Trust or the issuer established for this transaction. The sold loans were accounted for under the fair value option and had an aggregate unpaid principal balance of approximately $227.6 million, a cumulative fair value mark of $15.9 million and unpaid interest of $1.5 million. The Company received $245.0 million of net proceeds and by selling both its notes and residual interest, the Company derecognized these loans from its Condensed Consolidated Balance Sheets (Unaudited).

Other Loan Sales - The Company enters into agreements to sell certain populations of its personal loans and credit card receivables from time to time. The sold loans were accounted for under the fair value option. The loan sales qualified for sale accounting treatment and the Company derecognized these loans from its Condensed Consolidated Balance Sheets (Unaudited) at the end of the quarter in which the loans were sold.

Whole Loan Sale Program - In November 2014, the Company entered into a whole loan sale agreement with an institutional investor. Pursuant to the agreement, the Company sold at least 10% of its unsecured loan originations, with an option to sell an additional 5%, subject to certain eligibility criteria and minimum and maximum volumes. The Company chose not to renew the arrangement and allowed the agreement to expire on its terms on March 4, 2022.

In November 2022, the Company entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, the Company has a commitment to sell a minimum of $2.0 million of its unsecured loan originations each month, with an option to sell an additional $4.0 million each month, over an approximately one-year period, subject to certain eligibility criteria.

On June 16, 2023, the Company entered into a forward flow whole loan sale agreement that does not qualify as a sale for accounting purposes and is reported as a secured borrowing. See Note 8, *Borrowings* for additional information on the secured borrowing under the caption of asset-backed borrowings at amortized cost.

The originations of loans sold and held for sale during the three months ended June 30, 2023 was $15.6 million and the Company recorded a gain on sale of $2.3 million and servicing revenue of $2.5 million. The originations of loans sold and held for sale during the three months ended June 30, 2022 was insignificant and the gain on sale that the Company recorded was insignificant as a result of our whole loan sale agreement expiration on March 4, 2022. Servicing revenue during the same time period was $6.3 million.

The originations of loans sold and held for sale during the six months ended June 30, 2023 was $25.7 million and the Company recorded a gain on sale of $3.7 million and servicing revenue of $5.6 million. The originations of loans sold and held for sale during the six months ended June 30, 2022 was $49.0 million and the Company recorded a gain on sale of $5.7 million and servicing revenue of $10.3 million.

6. Capitalized Software and Other Intangibles

Capitalized software, net consists of the following:

(in thousands)	June 30, 2023	December 31, 2022
Capitalized software, net:		
System development costs	$ 153,584	$ 135,303
Acquired developed technology	48,500	48,500
Less: Accumulated amortization	(100,402)	(79,679)
Total capitalized software, net	$ 101,682	$ 104,124

Capitalized software, net

Amortization of system development costs and acquired developed technology for three months ended June 30, 2023 and 2022 was $10.6 million and $8.2 million, respectively. System development costs capitalized in the three months ended June 30, 2023 and 2022 were $7.7 million and $14.2 million, respectively.

Amortization of system development costs and acquired developed technology for six months ended June 30, 2023 and 2022 was $20.7 million and $15.6 million, respectively. System development costs capitalized in the six months ended June 30, 2023 and 2022 were $18.3 million and $25.4 million, respectively.

Acquired developed technology was $48.5 million and is related to the acquisition of Oportun Savings (formerly known as Digit) on December 22, 2021.

Intangible Assets

The gross carrying amount and accumulated amortization, in total and by major intangible asset class are as follows:

(in thousands)	June 30, 2023	December 31, 2022
Intangible assets:		
Member relationships	$ 34,500	$ 34,500
Trademarks	5,626	6,426
Other	3,000	3,000
Less: Accumulated amortization	(11,796)	(8,249)
Total intangible assets, net	$ 31,330	$ 35,677

On March 8, 2023, the Company revealed its rebranding of Oportun and Oportun Savings (formerly known as Digit) as a single brand. Therefore, the Company wrote off its $0.8 million Digit trademark. Amortization of intangible assets for the three months ended June 30, 2023 and 2022 was $1.9 million and $2.0 million, respectively. Amortization of intangible assets for the six months ended June 30, 2023 and 2022 was $3.5 million and $4.0 million, respectively.

Expected future amortization expense for intangible assets as of June 30, 2023 is as follows:

(in thousands)	Fiscal Years
2023 (remaining six months)	$ 3,860
2024	7,539
2025	4,929
2026	4,929
2027	4,929
2028	4,780
Thereafter	—
Total	$ 30,966

7. Other Assets

Other assets consist of the following:

(in thousands)	June 30, 2023	December 31, 2022
Fixed assets		
Total fixed assets	$ 48,779	$ 48,212
Less: Accumulated depreciation	(39,918)	(37,688)
Total fixed assets, net	$ 8,861	$ 10,524
Other Assets		
Prepaid expenses	$ 19,334	$ 24,167
Deferred tax assets	19,762	1,793
Current tax assets	8,677	8,245
Receivable from banking partner	12,289	2,878
Derivative asset	8,678	725
Other	16,599	15,848
Total other assets	$ 94,200	$ 64,180

Fixed Assets

Depreciation and amortization expense related to Other Assets for the three months ended June 30, 2023 and 2022 was $0.9 million and $1.3 million, respectively, and for the six months ended June 30, 2023 and 2022 it was $2.2 million, and $2.6 million, respectively.

8. Borrowings

The following table presents information regarding the Company's Secured Financing facilities:

Variable Interest Entity	Facility Amount	Maturity Date	Interest Rate	June 30, 2023 Balance	December 31, 2022 Balance
(in thousands)					
Oportun CCW Trust [1]	$ 120,000	December 1, 2024	Variable [2]	$ 73,556	$ 76,574
Oportun PLW Trust	600,000	September 1, 2024	SOFR (minimum of 0.10%) + 2.17%	412,897	240,994
Total secured financing	$ 720,000			$ 486,453	$ 317,568

[1] The facility amount and maturity date on the Secured Financing - CCW facility (Oportun CCW Trust) were $150.0 million and December 1, 2023, respectively, as of December 31, 2022.

[2] The interest rate on the Secured Financing - CCW facility (Oportun CCW Trust) is LIBOR (minimum of 0.00%) plus 3.41% on the outstanding principal balance as of June 30, 2023. The interest rate on the CCW was LIBOR (minimum of 1.00%) plus 6.00% on the first $18.8 million of principal outstanding and LIBOR (minimum of 0.00%) plus 3.41% on the remaining outstanding principal balance as of December 31, 2022.

The following table presents information regarding asset-backed notes:

Variable Interest Entity	June 30, 2023 Initial note amount issued (1)		Initial collateral balance (2)		Current balance (1)		Current collateral balance (2)		Weighted average interest rate(3)		Original revolving period (4)
(in thousands)											
Asset-backed notes recorded at fair value:											
Oportun Issuance Trust (Series 2022-3)	$	300,000	$	310,993	$	211,046	$	235,480	8.79	%	N/A
Oportun Issuance Trust (Series 2022-2)		400,000		410,212		217,410		243,818	7.52	%	N/A
Oportun Issuance Trust (Series 2022-A)		400,000		410,211		384,237		415,155	5.44	%	2 years
Oportun Issuance Trust (Series 2021-C)		500,000		512,762		448,152		519,859	2.48	%	3 years
Oportun Issuance Trust (Series 2021-B)		500,000		512,759		452,363		519,228	2.05	%	3 years
Oportun Funding XIV, LLC (Series 2021-A)		375,000		383,632		291,499		318,191	1.79	%	2 years
Oportun Funding XIII, LLC (Series 2019-A)		279,412		294,118		114,079		132,600	3.46	%	3 years
Total asset-backed notes recorded at fair value	$	2,754,412	$	2,834,687	$	2,118,786	$	2,384,331			

Variable Interest Entity	December 31, 2022 Initial note amount issued (1)		Initial collateral balance (2)		Current balance (1)		Current collateral balance (2)		Weighted average interest rate(3)		Original revolving period (4)
(in thousands)											
Asset-backed notes recorded at fair value:											
Oportun Issuance Trust (Series 2022-3)	$	300,000	$	310,993	$	285,218	$	301,967	8.43	%	N/A
Oportun Issuance Trust (Series 2022-2)		400,000		410,212		313,689		344,218	7.03	%	N/A
Oportun Issuance Trust (Series 2022-A)		400,000		410,211		380,313		414,293	5.44	%	2 years
Oportun Issuance Trust (Series 2021-C)		500,000		512,762		435,951		518,929	2.48	%	3 years
Oportun Issuance Trust (Series 2021-B)		500,000		512,759		432,123		519,182	2.05	%	3 years
Oportun Funding XIV, LLC (Series 2021-A)		375,000		383,632		348,046		389,740	1.79	%	2 years
Oportun Funding XIII, LLC (Series 2019-A)		279,412		294,118		192,334		218,571	3.46	%	3 years
Total asset-backed notes recorded at fair value	$	2,754,412	$	2,834,687	$	2,387,674	$	2,706,900			

(1) Initial note amount issued includes notes retained by the Company as applicable. The current balances are measured at fair value for asset-backed notes recorded at fair value.

(2) Includes the unpaid principal balance of loans receivable, the balance of required reserve funds, cash, cash equivalents and restricted cash pledged by the Company.

(3) Weighted average interest rate excludes notes retained by the Company. There were no notes retained by the Company as of June 30, 2023. The weighted average interest rate for Series 2022-2 and Series 2022-3 will change over time as the notes pay sequentially (in class priority order).

(4) The revolving period for Series 2019-A ended on August 1, 2022 and Series 2021-A ended on March 1, 2023. These asset-backed notes have been amortizing since then. Series 2022-2 and Series 2022-3 are both amortizing deals with no revolving period.

Asset-backed borrowings at amortized cost - On June 16, 2023, the Company entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, the Company has agreed to sell up to $300.0 million of its personal loan originations over the next twelve months. The Company will continue to service these loans upon transfer of the receivables. While the economics of this transaction are structured as a whole loan sale, the transfer of these loans receivable does not qualify as a sale for accounting purposes. Accordingly, the related assets remain on the Company's balance sheet and cash proceeds received are reported as a secured borrowing under the caption of asset-backed borrowings at amortized cost with related interest expense recognized over the life of the related borrowing. As part of this agreement, during the three months ended June 30, 2023, the Company transferred loans receivable totaling $25.0 million.

The following table presents information regarding the Company's Acquisition and Corporate Financings:

Entity	Original Balance	Maturity Date	Interest Rate	June 30, 2023 Balance	December 31, 2022 Balance
(in thousands)					
Oportun Financial Corporation [1]	$ 150,000	September 14, 2026	SOFR (minimum of 0.00% + 12.00%	$ 199,442	$ 141,957
Oportun RF, LLC [2]	116,000	October 1, 2024	SOFR (minimum of 0.00%) + 11.00%	72,065	80,922
Total acquisition and corporate financing	$ 266,000			$ 271,507	$ 222,879

[1] The Corporate Financing facility (Oportun Financial Corporation) was upsized and amended on March 10, 2023 to provide the ability to be able to borrow up to an additional $ 75.0 million. The interest rate on the Corporate Financing facility was SOFR (minimum of 0.00%) plus 9.00% as of December 31, 2022.

[2] The Acquisition Financing facility (Oportun RF, LLC) was amended and upsized several times in 2022 increasing the size of the facility to $119.5 million and amending the maturity date. The maturity date and interest rate of the Acquisition Financing facility was May 1, 2024 and SOFR (minimum of 0.00%) plus 8.00% as of December 31, 2022.

On February 10, 2023, the Acquisition Financing facility (Oportun RF, LLC) was further amended, including among other things, revising the interest rate to SOFR plus 11.00% and adjusting the amortization schedule to defer $42.0 million in principal payments through July 2023, with final payment in October 2024.

On March 8, 2023, the Credit Card Warehouse (Oportun CCW Trust) was amended. This amendment, among other things, extends the revolving period by a year, to December 31, 2024, and reduces the commitment amount from $150.0 million to $120.0 million.

On March 10, 2023 (the "Second Amendment Closing Date"), the Company amended its Corporate Financing facility by entering into an Amendment No. 2 (the "Second Amendment") by and among the Company, as borrower, the subsidiaries of the Company party thereto as guarantors, certain funds associated with Neuberger Berman Specialty Finance as lenders, and Wilmington Trust, National Association, as administrative agent and collateral agent (the "Agent"), which amended the Credit Agreement, dated as of September 14, 2022 (as amended, supplemented or otherwise modified, including by the Second Amendment, the "Amended Credit Agreement"), by and among the Company, the lenders from time to time party thereto and the Agent.

On the Second Amendment Closing Date, the Company borrowed $ 20.8 million of incremental term loans (the "Incremental Tranche A-1 Loans") and borrowed an additional $4.2 million of incremental term loans (the "Incremental Tranche A-2 Loans") on March 27, 2023. Pursuant to the Second Amendment, the Company issued warrants (the "Warrants") to the lenders providing the Incremental Tranche A-1 Loans to purchase 1,980,242 shares of the Company's common stock at an exercise price of $0.01 per share. On March 27, 2023, in connection with the funding of the Incremental Tranche A-2 Loans, the Company issued Warrants to the lenders providing the Incremental Tranche A-2 Loans to purchase 116,485 shares of the Company's common stock at an exercise price of $0.01 per share.

On May 5, 2023, under the Amended Credit Agreement, the Company borrowed an additional $ 25.0 million of incremental term loans (the "Incremental Tranche B Loans") and issued Warrants to the lenders to purchase 1,048,363 shares of the Company's common stock at an exercise price of $0.01 per share. The Company determined that the terms of the new debt instrument upon issuance of Tranche B was substantially different when compared to the Original Credit Agreement resulting in an insignificant net loss on debt extinguishment. Accordingly, the Company extinguished the carrying value of the corporate financing facility prior to issuance of Tranche B and recorded the new corporate financing facility upon issuance of Tranche B at fair value of $179.5 million. This resulted in an insignificant net loss on extinguishment.

On June 30, 2023, under the Amended Credit Agreement, the Company borrowed an additional $ 25.0 million of incremental term loans (the "Incremental Tranche C Loans") and issued Warrants to the lenders to purchase 1,048,363 shares of the Company's common stock at an exercise price of $0.01 per share.

The loans (the "Loans") and other obligations under the Amended Credit Agreement are secured by the assets of the Company and certain of its subsidiaries guaranteeing the Loans, including pledges of the equity interests of certain subsidiaries that are directly or indirectly owned by the Company, subject to customary exceptions.

Following the Second Amendment Closing Date the Loans bear interest, at (a) an amount equal to 1-month term SOFR plus 9.00% plus (b) an amount payable in cash or in kind, at the Company's option, equal to 3.00%. The Loans are scheduled to mature on September 14, 2026, and are not subject to amortization. Certain prepayments of the Loans are subject to a prepayment premium.

See Note 10, *Stockholders' Equity* for additional information on the Warrants.

As of June 30, 2023, and December 31, 2022, the Company was in compliance with all covenants and requirements of the Secured Financing, Acquisition and Corporate Financing facilities and asset-backed notes.

9. Other Liabilities

Other liabilities consist of the following:

(in thousands)	June 30, 2023	December 31, 2022
Accounts payable	$ 11,310	$ 9,670
Accrued compensation	17,060	12,502
Accrued expenses	24,245	26,193
Accrued interest	8,914	8,445
Amount due to whole loan buyer	1,980	3,073
Deferred tax liabilities	4,514	30,575
Current tax liabilities	6,802	5,912
Other	3,350	3,658
Total other liabilities	$ 78,175	$ 100,028

10. Stockholders' Equity

Preferred Stock - The Board has the authority, without further action by the Company's stockholders, to issue up to 100,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the Board. There were no shares of undesignated preferred stock issued or outstanding as of June 30, 2023 or December 31, 2022.

Common Stock - As of June 30, 2023 and December 31, 2022, the Company was authorized to issue 1,000,000,000 shares of common stock with a par value of $0.0001 per share. As of June 30, 2023, 34,299,366 and 34,027,343 shares were issued and outstanding, respectively, and 272,023 shares were held in treasury stock. As of December 31, 2022, 33,626,630 and 33,354,607 shares were issued and outstanding, respectively, and 272,023 shares were held in treasury stock.

Warrants - On March 10, 2023, pursuant to the Second Amendment of the Corporate Financing facility, the Company issued detachable Warrants to the lenders providing the Incremental Tranche A-1 Loans to purchase 1,980,242 shares of the Company's common stock at an exercise price of $0.01 per share. On March 27, 2023, in connection with the funding of the Incremental Tranche A-2 Loans, the Company issued Warrants to the lenders providing the Incremental Tranche A-2 Loans to purchase 116,485 shares of the Company's common stock at an exercise price of $0.01 per share. On May 5, 2023, in connection with the funding of the Incremental Tranche B Loans, the Company issued Warrants to the lenders providing the Incremental Tranche B loans to purchase 1,048,363 shares of the Company's common stock at an exercise price of $0.01 per share. On June 30, 2023, in connection with the funding of the Incremental Tranche C Loans, the Company issued Warrants to the lenders providing the Incremental Tranche C Loans to purchase 1,048,363 shares of the Company's common stock at an exercise price of $0.01 per share.

See Note 8, *Borrowings* for additional information on the Second Amendment of the Corporate Financing facility.

11. Equity Compensation and Other Benefits

The Company's stock-based plans are described and informational disclosures are provided in the Notes to the Consolidated Financial Statements included in the Annual Report.

Stock-based Compensation - Total stock-based compensation expense included in the Condensed Consolidated Statements of Operations (Unaudited) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Technology and facilities	$ 1,159	$ 1,567	$ 2,208	$ 3,435
Sales and marketing	10	38	43	69
Personnel	3,300	5,324	7,096	10,198
Total stock-based compensation [1]	$ 4,469	$ 6,929	$ 9,347	$ 13,702

[1] Amounts shown are net of $0.3 million and $0.7 million of capitalized stock-based compensation for the three and six months ended June 30, 2023, respectively, and net of $ 0.7 million and $1.4 million of capitalized stock-based compensation for the three and six months ended June 30, 2022, respectively.

As of June 30, 2023, and December 31, 2022, the Company's total unrecognized compensation cost related to unvested stock-based option awards granted to employees was $4.1 million and $6.2 million, respectively, which will be recognized over a weighted-average vesting period of approximately 2.2 years and 2.6 years, respectively. As of June 30, 2023 and December 31, 2022, the Company's total unrecognized compensation cost related to unvested restricted stock unit awards granted to employees was $30.9 million and $51.6 million, respectively, which will be recognized over a weighted average vesting period of approximately 2.5 years and 2.7 years, respectively.

Cash flows from the tax shortfalls or benefits for tax deductions resulting from the exercise of stock options in comparison to the compensation expense recorded for those options are required to be classified as cash from financing activities. The Company recognized $2.6 million and $4.0 million of income tax benefit in its consolidated statement of operations related to stock-based compensation expense during the six months ended June 30, 2023 and 2022, respectively. Additionally, the total income tax expense (benefit) recognized in the income statement for share-based compensation exercises was $0.3 million and $2.7 million for the three and six months ended June 30, 2023, respectively. The total income tax expense (benefit) recognized in the income statement for share-based compensation exercises was $0.2 million and $0.9 million for the three and six months ended June 30, 2022, respectively.

12. Revenue

Interest Income - Total interest income included in the Condensed Consolidated Statements of Operations (Unaudited) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Interest income				
Interest on loans	$ 236,028	$ 201,904	$ 468,228	$ 389,291
Fees on loans	4,435	5,751	9,854	10,601
Total interest income	240,463	207,655	478,082	399,892

Non-interest Income - Total non-interest income included in the Condensed Consolidated Statements of Operations (Unaudited) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Non-interest income				
Gain on loan sales	$ 2,341	$ (1)	$ 3,667	$ 5,714
Servicing fees	3,544	6,321	7,224	10,278
Subscription revenue	6,301	7,205	13,179	16,545
Other income	13,914	4,622	23,923	8,093
Total non-interest income	$ 26,100	$ 18,147	$ 47,993	$ 40,630

13. Income Taxes

For the three and six months ended June 30, 2023 and 2022, the Company calculates its year-to-date income tax expense (benefit) by applying the estimated annual effective tax rate to the year-to-date income from operations before income taxes and adjusts the income tax expense (benefit) for discrete tax items recorded in the period.

During the three and six months ended June 30, 2023, the Company recorded income tax benefit of $2.6 million and $42.0 million, respectively, related to continuing operations, representing an effective income tax rate of 14.7% and 26.4%, respectively. Income tax expense (benefit) for the three and six months ended June 30, 2022 was $(3.5) million and $8.5 million, respectively, representing an effective income tax rate of 27.7% and 18.9%, respectively.

Income tax benefit decreased by $0.9 million or 27%, from $3.5 million for the three months ended June 30, 2022 to $2.6 million benefit for the three months ended June 30, 2023, primarily resulting from having lower pretax income and discrete tax expense for the three months ended June 30, 2023. Income tax expense decreased by $50.5 million or 595%, from $8.5 million for the six months ended June 30, 2022 to $(42.0) million for the six months ended June 30, 2023, primarily resulting from having lower pretax income and discrete tax expense associated with stock-based compensation for the six months ended June 30, 2023. The Company's effective tax rates for the three and six months ended June 30, 2023 and 2022 differ from the statutory tax rates primarily due to the impacts of a one-time exercise of stock-based awards and research and development tax credits.

It is reasonably possible that the balance of gross unrecognized tax benefits could change in the next twelve months, although the timing of the resolution and/or closure of audits is highly uncertain. Given the number of years remaining subject to examination and the number of matters being examined, the Company is unable to estimate a range at this time.

14. Fair Value of Financial Instruments

Financial Instruments at Fair Value

The table below compares the fair value of loans receivable and asset-backed notes to their contractual balances for the periods shown:

	June 30, 2023		December 31, 2022	
(in thousands)	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Assets				
Loans receivable - personal loans	$ 2,845,599	$ 2,871,802	$ 2,967,266	$ 3,027,401
Loans receivable - credit cards	117,618	113,327	131,343	116,252
Total Loans Receivable at Fair Value	$ 2,963,217	$ 2,985,129	$ 3,098,609	$ 3,143,653
Liabilities				
Asset-backed notes	2,251,619	2,118,786	2,582,025	2,387,674

The Company calculates the fair value of the asset-backed notes using independent pricing services and broker price indications, which are based on quoted prices for identical or similar notes, which are Level 2 input measures.

The Company primarily uses a discounted cash flow model to estimate the fair value of Level 3 instruments based on the present value of estimated future cash flows. This model uses inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate fair value. The following tables present quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for Loans Receivable at Fair Value. The personal loan receivables balance at fair value as of June 30, 2023, consists of $2,742.7 million of unsecured personal loan receivables and $ 129.1 million of secured personal loan receivables.

	June 30, 2023			December 31, 2022		
Personal Loans Receivables	**Minimum**	**Maximum**	**Weighted Average** [2]	**Minimum**	**Maximum**	**Weighted Average** [2]
Remaining cumulative charge-offs [1]	7.64%	52.48%	11.03%	5.06%	51.45%	9.86%
Remaining cumulative prepayments [1]	—%	31.55%	26.87%	—%	33.59%	28.73%
Average life (years)	0.05	1.44	0.96	0.05	1.52	1.01
Discount rate	11.10%	11.10%	11.10%	11.34%	11.34%	11.34%

[1] Figure disclosed as a percentage of outstanding principal balance.
[2] Unobservable inputs were weighted by outstanding principal balance, which are grouped by risk (type of customer, original loan maturity terms).

	June 30, 2023	December 31, 2022
Credit Card Receivables	**Range**	**Range**
Remaining cumulative charge-offs [1]	19.54%	22.80%
Principal payment rate [1]	7.90%	9.28%
Average life (years)	0.88	0.69
Discount rate	11.15%	14.84%

[1] Figure disclosed as a percentage of outstanding principal balance.

The Company has derivative instruments in connection with its bank partnership program with Pathward, N.A. related to excess interest proceeds it expects to receive on loans retained by Pathward, N.A. Based on the agreement underlying the bank partnership program, for all loans originated and retained by Pathward, Pathward receives a fixed interest rate. The Company bears the risk of credit loss and has the benefit of any excess interest proceeds after satisfying various obligations under the agreement. The fair value of the derivative instrument was $8.7 million as of June 30, 2023. The underlying cash flows were $11.8 million as of June 30, 2023. The fair value of the derivative instrument and underlying cash flows were not material as of December 31, 2022. The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for derivative instruments presented within Other Assets in the Condensed Consolidated Balance Sheets (Unaudited):

	June 30, 2023*		
	Low	**High**	**Weighted Average**
Remaining cumulative charge-offs	3.71%	18.31%	9.11%
Remaining cumulative prepayments	—%	34.87%	23.75%
Average life (years)	0.34	1.56	1.28
Discount rate	24.00%	24.00%	24.00%

* Inputs as of December 31, 2022 were not disclosed as the balance was not yet material

Fair value adjustments related to financial instruments where the fair value option has been elected are recorded through earnings for the six months ended June 30, 2023 and 2022. Certain unobservable inputs may (in isolation) have either a directionally consistent or opposite impact on the fair value of the financial instrument for a given change in that input. When multiple inputs are used within the valuation techniques for loans, a change in one input in a certain direction may be offset by an opposite change from another input.

For personal loan receivables, the Company developed an internal model to estimate the fair value of loans receivable held for investment. To generate future expected cash flows, the model combines receivable characteristics with assumptions about borrower behavior based on the Company's historical loan performance. These cash flows are then discounted using a required rate of return that management estimates would be used by a market participant.

The Company tested the unsecured personal loan fair value model by comparing modeled cash flows to historical loan performance to ensure that the model was complete, accurate and reasonable for the Company's use. The Company also engaged a third party to create an independent fair value estimate for the Loans Receivable at Fair Value, which provides a set of fair value marks using the Company's historical loan performance data and whole loan sale prices to develop independent forecasts of borrower behavior.

For credit card receivables, the Company uses historical data to derive assumptions about certain loan portfolio characteristics such as principal payment rates, interest yields and fee yields. Similar to the model used for personal loan receivables, the Company engaged a third party to create an independent fair value estimate, which provides a range of fair values that are compared for reasonableness.

For the derivative, the Company uses a base set of cash flows derived from historical data and management assumptions. From this base set of cash flows, funds that are projected to be released to the Company according to the contractual terms outlined in the waterfall agreement are calculated on an aggregate basis then discounted at a rate that is representative of equity yield.

The table below presents a reconciliation of Loans Receivable at Fair Value on a recurring basis using significant unobservable inputs:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Balance – beginning of period	$ 3,012,726	$ 2,450,987	$ 3,143,653	$ 2,386,807
Principal disbursements	506,065	940,116	958,465	1,719,835
Principal payments from customers	(446,959)	(436,028)	(898,929)	(1,072,072)
Gross charge-offs	(100,889)	(65,876)	(194,927)	(128,434)
Net increase (decrease) in fair value	14,186	(34,605)	(23,133)	(51,542)
Balance – end of period	$ 2,985,129	$ 2,854,594	$ 2,985,129	$ 2,854,594

As of June 30, 2023, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status was $10.0 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due was $39.1 million. As of December 31, 2022, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status was $4.1 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due was $35.2 million.

Pursuant to the Second Amendment of the Corporate Financing facility, the Company issued detachable warrants to the lenders. See Note 8, *Borrowings* for additional information on the Second Amendment of the Corporate Financing facility and Note 10, *Stockholders' Equity* for additional information on the warrants. The fair value of the of non-recurring (Level 3) warrants to purchase shares of the Company's common stock were estimated using a Black Scholes valuation model with the following significant unobservable inputs at the date of issuance:

	June 30, 2023
	Range
Expected Term (years)	5.0
Risk free rate	3.41% - 4.13%
Expected Volatility	72.00% - 78.00%

Financial Instruments Disclosed But Not Carried at Fair Value

The following table presents the carrying value and estimated fair values of financial assets and liabilities disclosed but not carried at fair value and the level within the fair value hierarchy:

	June 30, 2023				
			Estimated fair value		
(in thousands)	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	$ 73,371	$ 73,371	$ 73,371	$ —	$ —
Restricted cash	128,964	128,964	128,964	—	—
Loans held for sale (Note 5)	325	353	—	—	353
Liabilities					
Accounts payable	11,310	11,310	11,310	—	—
Secured financing (Note 8)	488,160	476,569	—	476,569	—
Asset-backed borrowings at amortized cost (Note 8) [(1)]	24,920	24,920	—	—	24,920
Acquisition and corporate financing (Note 8)	302,141	301,755	—	301,755	—

[(1)] The Company estimates the fair value of the asset-backed borrowings at amortized cost to approximate par value as of June 30, 2023 given the close proximity of the transaction to quarter end.

	December 31, 2022				
			Estimated fair value		
(in thousands)	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	$ 98,817	$ 98,817	$ 98,817	$ —	$ —
Restricted cash	105,000	105,000	105,000	—	—
Liabilities					
Accounts payable	9,670	9,670	9,670	—	—
Secured financing (Note 8)	320,000	306,574	—	306,574	—
Acquisition and corporate financing (Note 8)	235,679	233,166	—	233,166	—

The Company uses the following methods and assumptions to estimate fair value:

- *Cash, cash equivalents, restricted cash and accounts payable* - The carrying values of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash and accounts payable, approximate Level 1 fair values of these financial instruments due to their short-term nature.
- *Loans held for sale* - The fair values of loans held for sale are based on a negotiated agreement with the purchaser.
- *Secured financing, acquisition and corporate financing* - The fair values of the secured financing, and acquisition and corporate financing facilities have been calculated using discount rates equivalent to the weighted-average market yield of comparable debt securities, which is a Level 2 input measure.
- *Asset-backed borrowings at amortized cost* - The fair values of the asset-backed borrowings at amortized cost have been calculated by discounting the contractual cash flows at the interest rate the Company estimates such arrangement would bear if executed in the current market, which is a Level 3 input measure.

There were no transfers in or out of Level 3 assets and liabilities for the three and six months ended June 30, 2023 and 2022 and the year ended December 31, 2022.

15. Leases, Commitments and Contingencies

Leases - The Company's leases are primarily for real property consisting of retail locations and office space and have remaining lease terms of 10 years or less.

The Company has elected the practical expedient to keep leases with terms of 12 months or less off the balance sheet as no recognition of a lease liability and a right-of-use asset is required. Operating lease expense is recognized on a straight-line basis over the lease term in "Technology and facilities" in the Condensed Consolidated Statements of Operations (Unaudited).

All of the Company’s existing lease arrangements are classified as operating leases. At the inception of a contract, the Company determines if the contract is or contains a lease. At the commencement date of a lease, the Company recognizes a lease liability equal to the present value of the lease payments and a right-of-use asset representing the Company's right to use the underlying asset for the duration of the lease term. The Company’s leases include options to extend or terminate the arrangement at the end of the original lease term. The Company generally does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. Variable lease payments and short-term lease costs were deemed immaterial. The Company’s leases do not provide an explicit rate. The Company uses its contractual borrowing rate to determine lease discount rates.

As of June 30, 2023, maturities of lease liabilities, excluding short-term leases and leases on a month-to-month basis, were as follows:

(in thousands)	Operating Leases
Lease expense	
2023 (remaining six months)	$ 6,635
2024	12,291
2025	10,364
2026	4,293
2027	1,325
2028	177
Thereafter	7
Total lease payments	35,092
Imputed interest	(1,968)
Total leases	$ 33,124
Weighted average remaining lease term	3.0 years
Weighted average discount rate	4.28 %

As of December 31, 2022, maturities of lease liabilities, excluding short-term leases and leases on a month-to-month basis, were as follows:

(in thousands)	Operating Leases
Lease expense	
2023	13,879
2024	11,940
2025	9,969
2026	3,918
2027	1,032
Thereafter	25
Total lease payments	40,763
Imputed interest	(2,816)
Total leases	$ 37,947
Weighted average remaining lease term	3.2 years
Weighted average discount rate	4.06 %

Rental expenses under operating leases for the three and six months ended June 30, 2023, were $4.7 million, and $9.1 million, respectively, and for the three and six months ended June 30, 2022, were $5.7 million, and $10.1 million, respectively.

Purchase Commitments - The Company has commitments to purchase information technology and communication services in the ordinary course of business, with various terms through 2027. These amounts are not reflective of the Company’s entire anticipated purchases under the related agreements; rather, they are determined based on the non-cancelable amounts to which the Company is contractually obligated. The Company’s purchase obligations are $19.8 million for the remainder of 2023, $24.5 million in 2024, $16.3 million in 2025, $2.5 million in 2026 and $0.0 million in 2027 and thereafter.

Bank Partnership Program and Servicing Agreement - The Company entered into a bank partnership program with Pathward, N.A. on August 11, 2020. In accordance with the agreements underlying the bank partnership program, Oportun has a commitment to purchase an increasing percentage of program loans originated by Pathward based on thresholds specified in the agreements. Lending under the partnership was launched in August of 2021 and as of June 30, 2023, the Company has a commitment to purchase an additional $15.2 million of program loans based on originations through June 30, 2023.

Whole Loan Sale Program - Through March 4, 2022, the Company had a commitment to sell to a third-party institutional investor 10% of its unsecured loan originations that satisfy certain eligibility criteria, and an additional 5% at the Company’s sole option. The Company chose not to renew the arrangement and allowed the agreement to expire on its terms on March 4, 2022. In November 2022, the Company entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, the Company has a commitment to sell a minimum of

$2.0 million of its unsecured loan originations each month, with an option to sell an additional $4.0 million each month, over an approximately one-year period, subject to certain eligibility criteria. For details regarding the whole loan sale programs, refer to Note 5, Loans Held for Sale and Loans Sold.

Unfunded Loan and Credit Card Commitments - Unfunded loan and credit card commitments at June 30, 2023 and December 31, 2022 were $46.7 million and $45.0 million, respectively. WebBank has a direct obligation to borrowers to fund such credit card commitments subject to the respective account agreements with such borrowers; however, pursuant to the Receivables Purchase Agreement between WebBank and Oportun, Inc., the Company has the obligation to purchase receivables from WebBank representing these unfunded amounts.

Litigation

From time to time, the Company may bring or be subject to other legal proceedings and claims in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights, consumer litigation, and regulatory proceedings. The Company is not presently a party to any other legal proceedings that, if determined adversely to the Company, would individually or taken together have a material adverse effect on its business, financial condition, cash flows or results of operations.

See Part II. Item 1. Legal Proceedings for additional information regarding legal proceedings in which the Company is involved.

16. Related Party Transactions

On September 14, 2022, the Company entered into an agreement to borrow $150.0 million of a senior secured term loan with certain funds associated with Neuberger Berman Specialty Finance ("Neuberger"). On March 10, 2023, the Company upsized and amended its Corporate Financing facility and borrowed an additional $75.0 million over four separate tranches from March 10, 2023 to June 30, 2023. In connection with the additional $75.0 million, the Company issued warrants to the lenders with each tranche to purchase a total of 4,193,453 shares of its common stock at an exercise price of $0.01 per share (the "Warrants"). Following the issuance of the Warrants, Neuberger is now deemed to be a beneficial owner of greater than ten percent of the Company's outstanding stock pursuant to generally accepted accounting principles. See Note 8, *Borrowings* for additional information on the Second Amendment of the Corporate Financing facility and Note 10, *Stockholders' Equity* for additional information on the Warrants.

In addition, on June 16, 2023, the Company entered into a forward flow whole loan sale agreement with Neuberger. Pursuant to this agreement, the Company has agreed to sell up to $300.0 million of its personal loan originations over the next twelve months. The Company will continue to service these loans upon transfer of the receivables. As part of this agreement, during the three months ended June 30, 2023, the Company transferred loans receivable totaling $25.0 million. See Note 8, *Borrowings - Asset-backed borrowings at amortized cost* for additional information on the forward flow whole loan sale agreement.

For the three and six months ended June 30, 2023, the Company recorded interest expense under these agreements of $9.1 million and $15.4 million, respectively, primarily related to the Corporate Financing facility. The expected cash flows are used to calculate interest expense on the secured borrowing, using the effective interest method. The Company also recorded an insignificant amount of Interest income in the Company's Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2023 related to transferred loans.

Loans receivable at fair value underlying the secured borrowing with Neuberger was $24.9 million as of June 30, 2023. The Company had Asset-backed borrowings at amortized costs of $25.6 million and corporate financing of $199.4 million due to Neuberger as of June 30, 2023. The Company also had an insignificant amount of Interest and fee receivable, net and Other liabilities in its Condensed Consolidated Balance Sheets (Unaudited) as of June 30, 2023 related to these transactions.

The Company believes that it has executed all the transactions described herein on terms no less favorable to it than it could have obtained from unaffiliated third parties.

17. Subsequent Events

Asset-backed borrowings at amortized cost - On August 3, 2023, the Company entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, the Company has a commitment to sell up to $400.0 million of its personal loan originations over the next twelve months. The Company will continue to service these loans upon transfer of the receivables. While the economics of this transaction are structured as a whole loan sale, the transfer of these loans receivable does not qualify as a sale for accounting purposes. Accordingly, the related assets remain on the Company's balance sheet and cash proceeds received are reported as a secured borrowing under the caption of asset-backed borrowings at amortized cost with related interest expense recognized over the life of the related borrowing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

An index to our management's discussion and analysis follows:

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this report and the audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2022 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, on March 14, 2023. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Forward-Looking Statements

This report contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, our operating expenses and our ability to achieve and maintain profitability;
- our ability to increase the volume of loans we make;
- our ability to manage loan non-performance, delinquencies and charge-off rates;
- our ability to obtain any additional financing or any refinancing of our debt, including our plan to draw down an additional incremental commitment under the Amended Credit Agreement;
- our ability to effectively estimate the fair value of our loans receivable held for investment and our asset-backed notes;
- our expectations regarding the effect of fair value mark-to-market adjustments on our loan portfolio and asset-backed notes;
- our expectations and management of future growth, including expanding our markets served, member base and product and service offerings, including our digital banking services;
- the successful integration of Hello Digit, Inc. ("Digit") with our business;
- our ability to successfully adjust our proprietary credit risk models and products in response to changing macroeconomic conditions and fluctuations in the credit market;
- our ability to successfully manage our interest rate spread against our cost of capital;
- our expectations regarding the sufficiency of our cash to meet our operating and cash expenditures;
- our plans for and our ability to successfully maintain our diversified funding strategy, including warehouse facilities, loan sales and securitization transactions;
- our expectation regarding the transfer of certain loans receivable;
- our ability to realize the expected benefits from the reduction in workforce and other streamlining measures announced in February and

May 2023;

- our expectations regarding our costs and seasonality;
- our ability to successfully build our brand and protect our reputation from negative publicity;
- our ability to expand our digital capabilities for origination and increase the volume of loans originated through our digital channels;
- our ability to increase the effectiveness of our marketing efforts;
- our ability to grow market share in existing markets or any new markets we may enter;
- our ability to continue to expand our demographic focus;
- our ability to maintain or expand our relationships with our current partners, including bank partners, and our plans to acquire additional partners using our Lending as a Service model;
- our ability to provide an attractive and comprehensive user experience through our recently launched mobile application, the Oportun Mobile App, and further our position as a leading fintech;
- our ability to maintain the terms on which we lend to our borrowers;
- our ability to manage fraud risk;
- our ability to effectively secure and maintain the confidentiality of the information provided and utilized across our systems;
- our ability to successfully compete with companies that are currently in, or may in the future enter, the markets in which we operate;
- our ability to attract, integrate and retain qualified employees;
- the effect of macroeconomic conditions on our business, including the impact of rising interest rates and recession or slowing growth;
- our ability to effectively manage and expand the capabilities of our contact centers, outsourcing relationships and other business operations abroad; and
- our ability to successfully adapt to complex and evolving regulatory environments, including managing potential exposure in connection with new and pending investigations, proceedings and other contingencies.

Forward-looking statements are based on our management's current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and on our management's beliefs and assumptions. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate we have conducted exhaustive inquiry into, or review of, all potentially available relevant information. We anticipate that subsequent events and developments may cause our views to change. Forward-looking statements do not guarantee future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the heading "Risk Factors" and elsewhere in this report. We also operate in a rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. As a result, any or all of our forward-looking statements in this report may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material.

You should read this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

These forward-looking statements speak only as of the date of this report. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

Overview

We are a mission-driven fintech that puts our members' financial goals within reach. With intelligent borrowing, savings, and budgeting capabilities, we empower members with the confidence to build a better financial future. By intentionally designing our products to help solve the financial health challenges facing a majority of people in the U.S., we believe our business is well positioned for significant growth in the future. We take a holistic approach to serving our members and view it as our purpose to responsibly meet their current capital needs, help grow our members' financial profiles, increase their financial awareness and put them on a path to a financially healthy life. In our 17-year lending history, we have extended more than $16.6 billion in responsible credit through more than 6.7 million loans and credit cards. We have been certified as a Community Development Financial Institution ("CDFI") by the U.S. Department of the Treasury since 2009.

We offer access to a comprehensive suite of digital banking products, offered either directly or through partners, including lending, savings and investing powered by A.I. and tailored to each member's goals to make achieving financial health automated. Our financial products allow us to meet our members where they are and assist them with their overall financial health, resulting in opportunities to present multiple relevant products to our members. Our credit products include personal loans, secured personal loans and credit cards. Our digital banking products include automated savings, long-term investing and retirement savings. Consumers are able to become members and access our products through our Oportun Mobile App and the Oportun.com website, which are our primary channels for onboarding and serving members. As of July 31, 2023, our personal loan products are also available over the phone or through our 167 Oportun retail locations, and at 74 of our Lending as a Service partner locations.

Credit Products

Personal Loans - Our personal loan is a simple-to-understand, affordable, unsecured, fully amortizing installment loan with fixed payments throughout the life of the loan. We charge fixed interest rates on our loans, which vary based on the amount disbursed and applicable state law, with a cap of 36% annual percentage rate ("APR") in all cases. As of June 30, 2023, for all active loans in our portfolio and at time of disbursement, the weighted average term and APR at origination was 40 months and 32.3%, respectively. The average loan size for loans we originated during the three months ended June 30, 2023 was $4,101. Our loans do not have prepayment penalties or balloon payments, and typically range in size from $300 to $10,000 with terms of 12 to 54 months. Generally, loan payments are structured on a bi-weekly or semi-monthly basis to coincide with our members' receipt of their income. As part of our underwriting process, we verify income for all applicants and only approve loans that meet our ability-to-pay criteria. As of June 30, 2023, we originate unsecured personal loans in 6 states through state licenses and in 36 through our partnership with Pathward, N.A. (formerly known as MetaBank, N.A.).

Secured Personal Loans - In April 2020, we launched a personal installment loan product secured by an automobile, which we refer to as secured personal loans. Our secured personal loans range in size from $2,525 to $18,500 with terms ranging from 24 to 64 months. The average loan size for secured personal loans we originated during the three months ended June 30, 2023 was $7,486. As of June 30, 2023, for all active loans in our portfolio and at time of disbursement, the weighted average term and APR at origination was 51 months and 28.3%, respectively. As part of our underwriting process, we evaluate the collateral value of the vehicle, verify income for all applicants and only approve loans that meet our ability-to-pay criteria. Our secured personal loans are currently offered in California, Texas, Florida, Arizona and New Jersey and we are in the process of considering expansion into other states.

Credit Cards - We launched Oportun® Visa® Credit Card, issued by WebBank, Member FDIC, in December 2019, and offer credit cards in 44 states as of June 30, 2023. Credit lines on our credit cards range in size from $300 to $3,000 with an APR between 24.9% to 29.9%. The average APR of the outstanding credit card receivables was 29.8% as of June 30, 2023. The average credit line for credit cards activated during the three months ended June 30, 2023 was $876.

Digital Banking Products

Savings and Investing – Our Savings product is designed to understand a member's cash flows and save a calculated amount on a regular basis to effortlessly achieve savings goals. Our savings product utilizes machine learning to analyze a member's transaction activity and build forecasts of the member's future cash flows to make small, frequent savings decisions according to the member's financial goals in a personalized manner. Members integrate their existing bank accounts into the platform or they can make Digit their primary banking relationship through a bank partner. After one year using the automated savings product, members have been able to increase their liquid savings by approximately 50%. Since 2015, we have helped members save more than $9.6 billion.

Our investment products are a longer-term savings solution via an A.I.-driven portfolio allocation into low-cost investments based upon risk-tolerance. Our long-term investment solutions automatically allocate our members' savings into low-cost risk-adjusted portfolios held in brokerage accounts or tax-advantaged IRAs. Since 2020, our members have invested more than $79.8 million into long-term goals through low-cost ETF portfolios. The investment products include a general investing account and a retirement account for our members' longer term goals, utilizing smart recommendations to invest savings in risk-adjusted portfolios.

The funds in these savings and investing accounts are owned by our members and are not the assets of the Company. Therefore, these funds are not included in the Condensed Consolidated Balance Sheets (Unaudited).

Lending as a Service

Beyond our core direct-to-consumer lending business, we believe that we can leverage our proprietary credit scoring and underwriting model to partner with other consumer brands and expand our member base. Our first Lending as a Service strategic partner was DolEx Dollar Express, Inc. with an initial launch in December 2020. In October of 2021, we launched another Lending as a Service partnership with Barri Financial Group in select locations. We recently re-launched our Lending as a Service program with a new streamlined Lead Generation program through which we are able to offer loans through our existing channels by phone, online, or in our retail locations. Oportun originates, underwrites, and services the loan. Through this new program, we believe we will be able to offer our Lending as a Service Lead Generation program to additional partners with a much faster lead-to-market time while expanding our membership base with a true Oportun service experience.

In January 2022, we announced our first all-digital Lending as a Service partnership with Sezzle, a leading provider of Buy Now Pay Later financing options which launched in the first quarter of 2023. Oportun is now available as a checkout option, through Sezzle, for larger purchases which we believe will allow us to reach more new members.

Capital Markets Funding

To fund our growth at a low and efficient cost, we have built a diversified and well-established capital markets funding program, which allows us to partially hedge our exposure to rising interest rates or credit spreads by locking in our interest expense for up to three years. Over the past eight years, we have executed 20 bond offerings in the asset-backed securities market, the last 17 of which include tranches that have been rated investment grade. We have generally issued two- and three-year fixed rate bonds which have provided us committed capital to fund future loan originations at a fixed Cost of Debt. In higher interest rate environments we may consider issuing amortizing bonds.

Workforce Optimization and Streamlining Operations

On February 9, 2023 and on May 8, 2023, we announced a series of personnel and other cost saving measures to reduce expenses and streamline efficiency, including reducing the size of our corporate staff by 10% and 19%, respectively. These measures have resulted in the reduction of our corporate staff by approximately 28% in 2023. In relation to these and other personnel related activities, the income statement impact of $8.4 million and $15.2 million was recorded through General, administrative and other on the Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2023, respectively. These reductions are anticipated to result in annualized run-rate savings of $126.0 to $136.0 million.

We routinely evaluate the balance of investment and productivity of our retail locations. During the second quarter of 2023, we made the decision to close 32 retail locations and reduce a portion of the workforce who manage and operate these retail locations. In the second quarter of 2023, we incurred $0.2 million in expenses related to these additional retail location closures and estimate remaining expenses of $0.2 million to be recognized in the third quarter of 2023. In addition, we have also recognized $0.8 million related to severance and benefits related to the store closures in the second quarter of 2023 which represents all severance and benefit related costs to be incurred as a result of these store closures. The income statement impact of $1.0 million was recorded through General, administrative and other on the Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2023.

During the first quarter of 2022, we made the decision to close 27 retail locations in April 2022 and reduce a portion of the workforce who manage and operate these retail locations. The income statement impact of $1.5 million and $2.1 million was recorded through General, administrative and other on the Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2022, respectively. These amounts included expenses related to the retail location closures and all severance and benefits-related costs. While we do not expect any significant additional expenses to be incurred related to these closures, we are continually evaluating the performance of retail and partner locations.

Key Financial and Operating Metrics

We monitor and evaluate the following key metrics in order to measure our current performance, develop and refine our growth strategies, and make strategic decisions.

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,	
(in thousands of dollars)	2023	2022	2023	2022
Key Financial and Operating Metrics				
Members	2,005,008	1,818,588	2,005,008	1,818,588
Products	2,155,240	1,928,261	2,155,240	1,928,261
Aggregate Originations	$ 485,120	$ 878,177	$ 893,081	$ 1,678,292
30+ Day Delinquency Rate	5.3 %	4.3 %	5.3 %	4.3 %
Annualized Net Charge-Off Rate	12.5 %	8.6 %	12.3 %	8.6 %
Return on Equity	(13.1)%	(5.7)%	(46.9)%	11.8 %
Adjusted Return on Equity	2.0 %	2.3 %	(34.4)%	18.2 %
Other Metrics				
Managed Principal Balance at End of Period	$ 3,253,283	$ 3,243,400	$ 3,253,283	$ 3,243,400
Owned Principal Balance at End of Period	$ 2,963,217	$ 2,792,193	$ 2,963,217	$ 2,792,193
Average Daily Principal Balance	$ 2,993,598	$ 2,577,186	$ 3,031,639	$ 2,495,546

See "Glossary" at the end of Part II of this report for formulas and definitions of our key performance metrics.

Members

We define Members as borrowers with an outstanding or successfully paid off loan, originated by us or under a bank partnership program that we service, or individuals who have been approved for a credit card issued under a bank partnership program. Members also include individuals who have signed-up to use or are using any of our Savings, Direct, Investing and/or Retirement products. We view Members as an indication of growth of our business and our ability to establish long term relationships with the users of our products. Member growth is generally an indicator of future revenue, but is not directly correlated with revenue, since not all Members who sign up for one of our products fully utilize or continue to use our products.

Members as of June 30, 2023 grew to 2.0 million, as compared to 1.8 million as of June 30, 2022. This increase was due to the success in our marketing efforts. New members seeking our personal loan and credit card products are discovering and also activating the Savings product via the Oportun Mobile App.

Products

Products refers to the aggregate number of personal loans and/or credit card accounts that our Members have had or been approved for that have been originated by us or through one of our bank partners. Products also include the aggregate number of digital banking products we offer as a result of our acquisition of Digit, including Savings, Direct, Investing and Retirement, that our Members use or have signed-up to use. We view Products as an indicator of the effectiveness of our member acquisition efforts and multiproduct adoption.

Products as of June 30, 2023 grew to 2.2 million as compared to 1.9 million as of June 30, 2022. This increase was due to growth in both our credit products and our digital banking products.

Aggregate Originations

Aggregate Originations decreased to $485.1 million for the three months ended June 30, 2023 from $878.2 million for the three months ended June 30, 2022, representing a 44.8% decrease. The decrease is primarily driven by a decrease in the number of loans originated. We originated 117,940 and 241,256 loans for the three months ended June 30, 2023 and 2022, respectively. The decrease is primarily due to actions taken to focus lending towards existing members to improve credit outcomes and lower marketing spend. Further, given macroeconomic factors, such as inflation, our borrowers are facing higher costs for food, fuel and rent. In July 2022, we took numerous actions to improve the credit performance on newly originated loans, including significantly tightening our underwriting standards for all borrowers. The decrease in number of loans originated was partially offset by growth in average loan size due to a focus on returning members.

Aggregate Originations decreased to $893.1 million for the six months ended June 30, 2023 from $1,678.3 million for the six months ended June 30, 2022, representing a 46.8% decrease. The decrease is primarily driven by a decrease in the number of loans originated. We originated 218,062 and 469,984 loans for the six months ended June 30, 2023 and 2022, respectively. The increase is primarily due to actions taken to focus lending towards existing members to improve credit outcomes and lower marketing spend. Further, given macroeconomic factors, such as inflation, our borrowers are facing higher costs for food, fuel and rent. In July 2022, we took numerous actions to improve the credit performance on newly originated loans, including significantly tightening our underwriting standards for all borrowers. The decrease in number of loans originated was partially offset by growth in average loan size due to a focus on returning members.

30+ Day Delinquency Rate

Our 30+ Day Delinquency Rate was 5.3% and 4.3% as of June 30, 2023 and 2022, respectively. The increase reflects the higher mix of first-time borrowers and the return to pre-pandemic underwriting criteria in late 2021 and early 2022. In mid-2022, we took numerous actions to improve the credit performance on newly originated loans; including significantly tightening our underwriting standards for all borrowers, particularly for higher risk digital marketing channels, and adjusting loan size based on member free cash flow. We also focused lending towards existing and returning members to address rising delinquencies.

Annualized Net Charge-Off Rate

Annualized Net Charge-Off Rate for the three months ended June 30, 2023 and 2022 was 12.5% and 8.6%, respectively. Annualized Net Charge-Off Rate for the six months ended June 30, 2023 and 2022 was 12.3% and 8.6%, respectively. The increase is primarily driven by growth in originations to a higher mix of first-time borrowers in 2021 and the first half of 2022. Further, given macroeconomic factors, such as inflation, our borrowers are facing higher costs for food, fuel and rent. In July 2022, we took numerous actions to improve the credit performance on newly originated loans, including significantly tightening our underwriting standards for all borrowers, particularly for higher risk digital marketing channels, and adjusting loan size based on member free cash flow. We also focused lending towards existing and returning members to improve credit outcomes as existing and returning members historically have had lower loss rates. We refer to the post-July 2022 underwriting vintages as our front book and the originations made prior to our significant credit-tightening in July 2022 we refer to as the back book. As the average life of our loans is only one year, we expect the back book to become less impactful on our losses by the end of 2023. If macroeconomic conditions do not worsen, we anticipate our Annualized Net Charge-Off Rate will decline during 2023 as our back book of loans amortize down.

Return on Equity and Adjusted Return on Equity

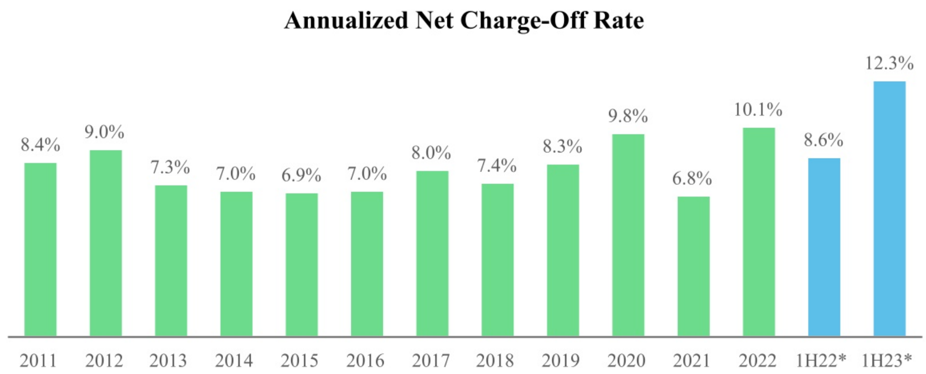
For the three months ended June 30, 2023 and 2022, Return on Equity was (13.1)% and (5.7)%, respectively, and Adjusted Return on Equity was 2.0% and 2.3%, respectively, For the six months ended June 30, 2023 and 2022, Return on Equity was (46.9)% and 11.8%, respectively, and Adjusted Return on Equity was (34.4)% and 18.2%, respectively.

The decreases in Return on Equity for the three and six months ended were primarily due to lower net income. Net income was lower primarily due to higher credit losses and higher cost of funds, partially offset by increased revenue and decreased operating expenses for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022.

The decrease in Adjusted Return on Equity for the three and six months ended June 30, 2023 was primarily due to lower Adjusted Net Income. Adjusted Net Income was lower primarily due to increased fair value of our asset-backed notes, higher credit losses, and higher cost of funds, partially offset by increased revenue and decreased operating expenses for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022. For a reconciliation of Return on Equity to Adjusted Return on Equity, see “Non–GAAP Financial Measures.”

Historical Credit Performance

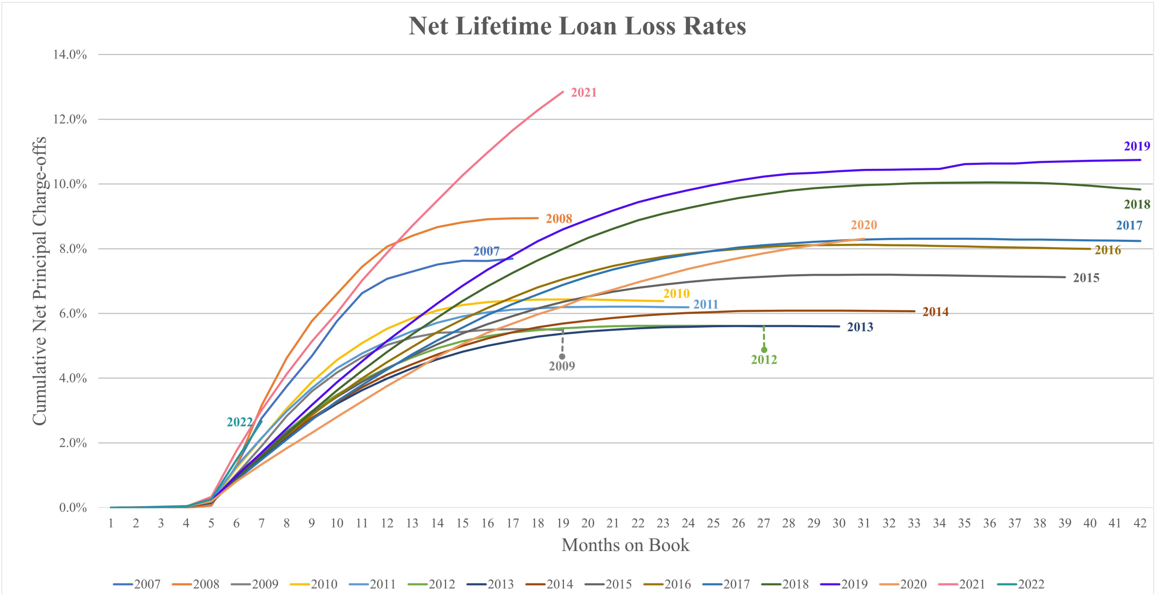
Our Annualized Net Charge-Off Rate ranged between 7% and 9% from 2011 to 2019 and was 9.8% in 2020, a modest variance above this range during the pandemic. Due to credit tightening in response to the COVID-19 pandemic and government stimulus payments our Annualized Net Charge-Off Rate decreased to 6.8% in 2021. Our Annualized Net Charge-off Rate increased to 10.1% in 2022 primarily due to a higher mix of first-time borrowers in 2021 and the first half of 2022. In response to this increase, we tightened our credit underwriting standards and focused lending towards existing and returning members to improve credit outcomes. Consistent with our charge-off policy, we evaluate our loan portfolio and charge a loan off at the earlier of when the loan is determined to be uncollectible or when loans are 120 days contractually past due and charge-off a credit card account when it is 180 days contractually past due.



**Numbers shown reflect year-to-date amounts for the six months ended June 30, for the indicated fiscal year.*

In addition to monitoring our loss and delinquency performance on an owned portfolio basis, we also monitor the performance of our loans by the period in which the loan was disbursed, generally years or quarters, which we refer to as a vintage. We calculate net lifetime loan loss rate by vintage as a percentage of original principal balance. Net lifetime loan loss rates equal the net lifetime loan losses for a given year through June 30, 2023 divided by the total origination loan volume for that year.

The below chart and table show our net lifetime loan loss rate for each annual vintage of our personal loan product since we began lending in 2006, excluding loans originated from July 2017 to August 2020 under a loan program for borrowers who did not meet the qualifications for our core loan origination program. 100% of those loans were sold pursuant to a whole loan sale agreement. We were able to stabilize cumulative net loan losses after the financial crisis that started in 2008. We even achieved a net lifetime loan loss rate of 5.5% during the peak of the recession in 2009. The evolution of our credit models has allowed us to increase our average loan size and commensurately extend our average loan terms. Cumulative net lifetime loan losses for the 2015, 2016, 2017, and 2018 vintages increased partially due to the delay in tax refunds in 2017 and 2019, the impact of natural disasters such as Hurricane Harvey, and the longer duration of the loans. The 2018 and 2019 vintages are increasing due to the COVID-19 pandemic. The 2021 vintage is experiencing higher charge-offs than prior vintages primarily due to a higher percentage of loan disbursements to new members. We tightened credit and began reducing loan volumes to new and returning members in the third quarter of 2021 and reduced significantly in the second half of 2022. We refer to the post-July 2022 underwriting vintages as our front book and the originations made prior to our significant credit-tightening in July 2022 we refer to as the back book. As the average life of our loans is only one year, we expect the back book to become less impactful on our losses by the end of 2023. 30+ Day Delinquencies Rates on vintages originated since significant July 2022 credit tightening are performing near or better than comparable vintages originated in 2019. First Payment Defaults on newly-originated loans continue to come in at pre-pandemic 2019 levels. We regard First Payment Defaults to be an early indicator of credit performance as the outstanding principal balance of loans that have their first payment past due are regarded as more likely to default and result in a charge-off. First Payment Defaults are calculated as the principal balance of any loan whose first payment becomes 30 days past due, divided by the aggregate principal balance of all loans originated during that same week.



	Year of Origination															
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Dollar weighted average original term for vintage in months	9.3	9.9	10.2	11.7	12.3	14.5	16.4	19.1	22.3	24.2	26.3	29.0	30.0	32.0	33.3	37.8
Net lifetime loan losses as of June 30, 2023 as a percentage of original principal balance	7.7%	8.9%	5.5%	6.4%	6.2%	5.6%	5.6%	6.1%	7.1%	8.0%	8.2%	9.8%	10.7%	8.3%*	12.8%*	2.7%*
Outstanding principal balance as of June 30, 2023 as a percentage of original amount disbursed	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	0.8%	6.1%	31.3%	80.0%

* Vintage is not yet fully mature from a loss perspective.

Results of Operations

The following tables and related discussion set forth our Condensed Consolidated Statements of Operations (Unaudited) for each of the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands of dollars)	2023	2022	2023	2022
Revenue				
Interest income	$ 240,463	$ 207,655	$ 478,082	$ 399,892
Non-interest income	26,100	18,147	47,993	40,630
Total revenue	266,563	225,802	526,075	440,522
Less:				
Interest expense	41,448	17,104	80,445	30,781
Total net decrease in fair value	(106,490)	(63,484)	(322,200)	(59,513)
Net revenue	118,625	145,214	123,430	350,228
Operating expenses:				
Technology and facilities	55,116	52,788	111,990	101,977
Sales and marketing	19,195	32,368	38,377	66,909
Personnel	30,762	38,629	68,080	74,555
Outsourcing and professional fees	9,900	17,165	23,702	31,492
General, administrative and other	21,123	16,936	40,285	30,297
Total operating expenses	136,096	157,886	282,434	305,230
Income (loss) before taxes	(17,471)	(12,672)	(159,004)	44,998
Income tax expense (benefit)	(2,572)	(3,515)	(42,015)	8,492
Net income (loss)	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506

Total revenue

	Three Months Ended June 30,		Period-to-period Change		Six Months Ended June 30,		Period-to-period Change	
(in thousands, except percentages)	2023	2022	$	%	2023	2022	$	%
Revenue								
Interest income	$ 240,463	$ 207,655	$ 32,808	15.8 %	$ 478,082	$ 399,892	$ 78,190	19.6 %
Non-interest income	26,100	18,147	7,953	43.8 %	47,993	40,630	7,363	18.1 %
Total revenue	$ 266,563	$ 225,802	$ 40,761	18.1 %	$ 526,075	$ 440,522	$ 85,553	19.4 %
Percentage of total revenue:								
Interest income	90.2 %	92.0 %			90.9 %	90.8 %		
Non-interest income	9.8 %	8.0 %			9.1 %	9.2 %		
Total revenue	100.0 %	100.0 %			100.0 %	100.0 %		

Interest Income. Total interest income increased by $32.8 million, or 15.8%, from $207.7 million for the three months ended June 30, 2022 to $240.5 million for the three months ended June 30, 2023. This increase was primarily attributable to growth in our Average Daily Principal Balance, which increased from $2.58 billion for the three months ended June 30, 2022 to $2.99 billion for the three months ended June 30, 2023, an increase of 16.2%. The increase was partially offset by a decrease in portfolio yield of 10 basis points in the three months ended June 30, 2023 compared to the three months ended June 30, 2022 driven by lower originations and origination fees due to our tightening of credit underwriting standards and focusing lending towards existing and returning members in the second half of 2022. Existing and returning members generally receive lower APRs, but historically have lower loss rates compared to new members.

Total interest income increased by $78.2 million, or 19.6%, from $399.9 million for the six months ended June 30, 2022 to $478.1 million for the six months ended June 30, 2023. This increase was primarily attributable to growth in our Average Daily Principal Balance, which increased from $2.50 billion for the six months ended June 30, 2022 to $3.03 billion for the six months ended June 30, 2023, an increase of 21.5%. The increase was partially offset by a decrease in portfolio yield of 51 basis points in the six months ended June 30, 2023 compared to the six months ended June 30, 2022 driven by lower originations and origination fees due to our tightening of credit underwriting standards and focusing lending towards existing and returning members in the second half of 2022. Existing and returning members generally receive lower APRs, but historically have lower loss rates compared to new members.

Non-interest income. Total non-interest income increased by $8.0 million, or 43.8%, from $18.1 million for the three months ended June 30, 2022 to $26.1 million for the three months ended June 30, 2023. This increase is primarily due to $6.4 million increase in interest earned on neobanking deposit accounts, $3.9 million increase in documentation fees on the Pathward retained loans, $2.3 million increase related to our gain on loan sales, partially offset by $2.8 million decrease in servicing revenue, and $2.2 million decrease in subscription revenue.

Total non-interest income increased by $7.4 million, or 18.1%, from $40.6 million for the six months ended June 30, 2022 to $48.0 million for the six months ended June 30, 2023. This increase is primarily due to $11.4 million increase in interest earned on neobanking deposit accounts, $4.3 million increase in documentation fees on the Pathward retained loans, partially offset by $4.0 million decrease in subscription revenue, $3.1 million decrease in servicing revenue and $2.0 million lower gain on loans sold under our whole loan sale programs.

See Note 2, Summary of Significant Accounting Policies, and Note 12, Revenue, of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for further discussion on our interest income, non-interest income and revenue.

Interest expense

	Three Months Ended June 30,		Period-to-period Change		Six Months Ended June 30,		Period-to-period Change	
(in thousands, except percentages)	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Interest expense	$ 41,448	$ 17,104	$ 24,344	142.3 %	$ 80,445	$ 30,781	$ 49,664	161.3 %
Percentage of total revenue	15.5 %	7.6 %			15.3 %	7.0 %		
Cost of Debt	6.0 %	3.0 %			5.8 %	2.8 %		
Leverage as a percentage of Average Daily Principal Balance	92.9 %	90.1 %			93.0 %	89.8 %		

Interest Expense. Interest expense increased by $24.3 million, or 142.3%, from $17.1 million for the three months ended June 30, 2022 to $41.4 million for the three months ended June 30, 2023. $20.9 million of the increase was driven by a 301 bps increase in interest rate. $3.4 million of the increase was due to an increase in our Average Daily Debt Balance. Our Average Daily Debt Balance increased from $2.32 billion for the three months ended June 30, 2022 to $2.78 billion for the three months ended June 30, 2023, an increase of 19.8%. We financed approximately 92.9% of our loans receivable through debt for the three months ended June 30, 2023, as compared to 90.1% for the three months ended June 30, 2022. Our Cost of Debt has increased due to increases in interest rates and wider credit spreads on our new asset-backed securitization issuances.

Interest expense increased by $49.7 million, or 161.3%, from $30.8 million for the six months ended June 30, 2022 to $80.4 million for the six months ended June 30, 2023. $43.1 million of the increase was driven by a 298 bps increase in interest rate. $6.6 million of the increase was due to an increase in our Average Daily Debt Balance. Our Average Daily Debt Balance increased slightly from $2.24 billion for the six months ended June 30, 2022 to $2.82 billion for the six months ended June 30, 2023, an increase of 25.8%. We financed approximately 93.0% of our loans receivable through debt for the six months ended June 30, 2023, as compared to 89.8% for the six months ended June 30, 2022. Our Cost of Debt has increased due to increases in interest rates and wider credit spreads on our new asset-backed securitization issuances. We expect our interest expense to increase as our asset-backed notes issued at lower interest rates amortize and are replaced with more expensive current funding.

See Note 8, Borrowings, in the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for further information on our Interest expense and our borrowings.

Total net increase (decrease) in fair value

Net increase (decrease) in fair value reflects changes in fair value of loans receivable held for investment and asset-backed notes on an aggregate basis and is based on a number of factors, including benchmark interest rates, credit spreads, remaining cumulative charge-offs and borrower payment rates. Increases in the fair value of loans increase Net Revenue. Conversely, decreases in the fair value of loans decrease Net Revenue. Increases in the fair value of asset-backed notes decrease Net Revenue. Decreases in the fair value of asset-backed notes increase Net Revenue. We also have derivative instruments related to our bank partnership program with Pathward, N.A. Changes in the fair value of the derivative instrument are reflected in the total fair value mark-to-market adjustment below.

	Three Months Ended June 30,		Period-to-period Change		Six Months Ended June 30,		Period-to-period Change	
(in thousands, except percentages)	2023	2022	$	%	2023	2022	$	%
Fair value mark-to-market adjustment:								
Fair value mark-to-market adjustment on Loans Receivable at Fair Value	$ 14,186	$ (34,605)	$ 48,791	*	$ (23,133)	$ (51,542)	$ 28,409	*
Fair value mark-to-market adjustment on asset-backed notes	(12,623)	44,477	(57,100)	*	(61,518)	102,748	(164,266)	*
Fair value mark-to-market adjustment on derivatives	6,258	1,877	4,381	*	7,954	1,484	6,470	*
Total fair value mark-to-market adjustment	7,821	11,749	(3,928)	*	(76,697)	52,690	(129,387)	*
Charge-offs, net of recoveries on loans receivable at fair value	(93,480)	(55,097)	(38,383)	*	(185,065)	(106,447)	(78,618)	*
Net settlements on derivative instruments	(1,924)	(6,003)	4,079	*	(4,362)	(7,480)	3,118	*
Fair value mark on loans sold [(1)]	(18,907)	(14,133)	(4,774)	*	(56,076)	1,724	(57,800)	
Total net decrease in fair value	$ (106,490)	$ (63,484)	$ (43,006)	*	$ (322,200)	$ (59,513)	$ (262,687)	*
Percentage of total revenue:								
Fair value mark-to-market adjustment	2.9 %	5.2 %			(14.6)%	12.0 %		
Charge-offs, net of recoveries on loans receivable at fair value	(35.1)%	(24.4)%			(35.2)%	(24.2)%		
Total net increase (decrease) in fair value	(32.1)%	(19.2)%			(49.8)%	(12.2)%		
Discount rate	11.10 %	8.97 %			11.10 %	8.97 %		
Remaining cumulative charge-offs	11.35 %	11.25 %			11.35 %	11.25 %		
Average life in years	0.96	0.90			0.96	0.90		

* Not meaningful

(1) The fair value mark on loans sold shown for the three and six months ended June 30, 2023 includes $(18.9) million related to the cumulative fair value mark on the loans sold in other loans sales in Q2 2023. The fair value mark on loans sold shown for the six months ended June 30, 2023 also includes $(37.2) million related to the cumulative fair value mark on the loans sold in other loans sales in Q1 2023. The fair value mark on loans sold shown for the three and six months ended June 30, 2022 includes $(14.1) million related to the cumulative fair value mark on loans sold in the Q2 2022 Loan Sales. The fair value mark on loans sold shown for the six months ended June 30, 2022 also includes $15.9 million related to the cumulative fair value mark on the loans sold in the 2022-1 transaction. This fair value mark on loans sold represents the life-to-date mark-to-market adjustment for the loans sold and is presented separately for the loans sold to assist in reconciling to our non-GAAP measure, Adjusted EBITDA. For details regarding the Q2 2023, Q1 2023 and Q2 2022 other loan sales and the 2022-1 transaction, refer to Note 5, *Loans Held for Sale and Loans Sold* of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Net increase (decrease) in fair value. Net decrease in fair value for the three months ended June 30, 2023 was $106.5 million. This amount represents a total fair value mark-to-market increase of $7.8 million, and $93.5 million of charge-offs, net of recoveries on Loans Receivable at Fair Value. The total fair value mark-to-market adjustment consists of a $14.2 million mark-to-market adjustment on Loans Receivable at Fair Value due to (a) an increase in the discount rate from 11.07% as of March 31, 2023 to 11.10% as of June 30, 2023, partially offset by (b) a decrease in remaining cumulative charge-offs from 11.72% as of March 31, 2023 to 11.35% as of June 30, 2023. The $12.6 million mark-to-market adjustment on asset-backed notes is due to lower medium-term interest rates and tighter spreads. The total net increase (decrease) in fair value for the three months ended June 30, 2023 and June 30, 2022 also includes a $(18.9) million and ($14.1) million adjustment related to the fair value mark on the loans sold as part of the other loans sales for the three months ended June 30, 2023 and June 30, 2022, respectively.

Net decrease in fair value for the six months ended June 30, 2023 was $322.2 million. This amount represents a total fair value mark-to-market decrease of $(76.7) million, and $185.1 million of charge-offs, net of recoveries on Loans Receivable at Fair Value. The total fair value mark-to-market adjustment consists of a $23.1 million mark-to-market reduction on Loans Receivable at Fair Value due to (a) an increase in remaining cumulative charge-offs from 10.38% as of December 31, 2022 to 11.35% as of June 30, 2023, (b) a decrease in average life from 1.00 years as of December 31, 2022 to 0.96 years as of June 30, 2023, partially offset by (c) a decrease in the discount rate from 11.48% as of December 31, 2022 to 11.10% as of June 30, 2023. The $(61.5) million mark-to-market adjustment on asset-backed notes is due to lower medium-term interest rates and tighter spreads. The total net increase (decrease) in fair value for the six months ended June 30, 2023 and June 30, 2022 includes $(56.1) million and $1.7 million in adjustments related to the fair value mark on loans sold as part of the structured and other loan sales for the six months ended June 30, 2023 and June 30, 2022, respectively. Through the remainder of 2023, we expect to continue to see volatility in fair value primarily as a result of macroeconomic conditions.

Charge-offs, net of recoveries

(in thousands, except percentages)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %
Total charge-offs, net of recoveries	$ 93,480	$ 55,097	$ 38,383	69.7 %	$ 185,065	$ 106,447	$ 78,618	73.9 %
Average Daily Principal Balance	$ 2,993,598	$ 2,577,186	$ 416,412	16.2 %	$ 3,031,639	$ 2,495,546	$ 536,093	21.5 %
Annualized Net Charge-Off Rate	12.5 %	8.6 %			12.3 %	8.6 %		

Charge-offs, net of recoveries. Our Annualized Net Charge-Off Rate increased to 12.5% and 12.3% for the three and six months ended June 30, 2023, respectively, from 8.6% and 8.6% for the three and six months ended June 30, 2022, respectively. Net charge-offs for the three months and six months ended June 30, 2023 increased primarily due to a higher mix of first-time borrowers in 2021 and the first half of 2022. In response to this increase, we tightened our credit underwriting standards and focused lending towards existing and returning members to improve credit outcomes in the second half of 2022. We refer to the post-July 2022 underwriting vintages as our front book and the originations made prior to our significant credit-tightening in July 2022 we refer to as the back book. As the average life of our loans is only one year, we expect the back book to become less impactful on our losses by the end of 2023. Consistent with our charge-off policy, we evaluate our loan portfolio and charge a loan off at the earlier of when the loan is determined to be uncollectible or when the loan is 120 days contractually past due and we charge-off a credit card account when it is 180 days contractually past due.

Operating expenses

Operating expenses consist of technology and facilities, sales and marketing, personnel, outsourcing and professional fees and general, administrative and other expense.

Technology and facilities

Technology and facilities expense is the largest segment of our operating expenses, representing the costs required to build and maintain our A.I.-enabled digital platform, and consisting of three components. The first component comprises costs associated with our technology, engineering, information security, cybersecurity, platform development, maintenance, and end user services, including fees for consulting, legal and other services as a result of our efforts to grow our business, as well as personnel expenses. The second component includes rent for retail and corporate locations, utilities, insurance, telephony costs, property taxes, equipment rental expenses, licenses and fees and depreciation and amortization. Lastly, the third component includes all software licenses, subscriptions, and technology service costs to support our corporate operations, excluding sales and marketing.

(in thousands, except percentages)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %
Technology and facilities	$ 55,116	$ 52,788	$ 2,328	4.4 %	$ 111,990	$ 101,977	$ 10,013	9.8 %
Percentage of total revenue	20.7 %	23.4 %			21.3 %	23.1 %		

Technology and facilities. Technology and facilities expense increased by $2.3 million, or 4.4%, from $52.8 million for the three months ended June 30, 2022 to $55.1 million for the three months ended June 30, 2023. The increase is primarily due to $2.8 million higher expenses due to lower capitalization of internally developed software costs related to fewer employees working on software development as a result of our workforce optimization efforts, and $2.0 million increased depreciation commensurate with growth in our internally developed software balance compared to prior year. These increases were offset by $1.4 million lower expenses incurred for temporary contractors to supplement staffing related to new product investment and $0.9 million decrease in salaries, benefits and stock compensation due to the decrease in headcount following our workforce optimization efforts.

Technology and facilities expense increased by $10.0 million, or 9.8%, from $102.0 million for the six months ended June 30, 2022 to $112.0 million for the six months ended June 30, 2023. The increase is primarily due to $5.1 million increased depreciation commensurate with growth in our internally developed software balance, $4.1 million increase in salaries and benefits due to the increase in headcount prior to our workforce optimization efforts, $3.1 million increase in service costs related to higher usage of software and cloud services, and $2.3 million higher expenses due to lower capitalization of internally developed software costs related to fewer employees working on software development as a result of our workforce optimization efforts. These increases were offset by $1.5 million lower expenses incurred for temporary contractors to supplement staffing related to new product investment and $3.1 million lower expenses due to lower stock compensation expense, reduction in utility costs in 2023 compared to 2022 and other expenses. We expect our technology and facilities expense may increase in 2023 compared to 2022 due to increased depreciation related to internally developed software and increased service costs due to higher usage of software and cloud services.

Sales and marketing

Sales and marketing expense consists of two components and represents the costs to acquire our customers. The first component is comprised of the expense to acquire a customer through various paid marketing channels including direct mail, digital marketing and brand marketing. The second component is comprised of the costs associated with our telesales, lead generation and retail operations, including personnel expenses, but excluding costs associated with retail locations.

(in thousands, except percentages and CAC)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %
Sales and marketing	$ 19,195	$ 32,368	$ (13,173)	(40.7)%	$ 38,377	$ 66,909	$ (28,532)	(42.6)%
Percentage of total revenue	7.2 %	14.3 %			7.3 %	15.2 %		
Customer Acquisition Cost (CAC)	$ 163	$ 134	$ 29	21.6 %	$ 176	$ 142	$ 34	23.9 %

Sales and marketing. Sales and marketing expenses to acquire our customers decreased by $13.2 million, or 40.7%, from $32.4 million for the three months ended June 30, 2022 to $19.2 million for the three months ended June 30, 2023. Our decrease in marketing spend during the three months ended June 30, 2023 was $9.6 million across various marketing channels, including direct mail and digital advertising. We decreased marketing spend as we shifted our strategy to focus lending towards existing and returning members to improve credit outcomes. The decrease was also attributable to a $2.5 million decrease related to outsourcing and professional fees and $1.4 million decrease in salaries and benefits due to the decrease in headcount following our efforts to streamline operations. As a result of our decrease in number of loans originated during the three months ended June 30, 2023, our CAC increased by 21.6% as compared to the three months ended June 30, 2022.

Sales and marketing expenses to acquire our customers decreased by $28.5 million, or 42.6%, from $66.9 million for the six months ended June 30, 2022 to $38.4 million for the six months ended June 30, 2023. Our decrease in marketing spend during the six months ended June 30, 2023 was $23.2 million across various marketing channels, including direct mail and digital advertising. We decreased marketing spend as we shifted our strategy to focus lending towards existing and returning members to improve credit outcomes. The decrease was also attributable to a $3.9 million decrease related to outsourcing and professional fees and $1.9 million decrease in salaries and benefits due to the decrease in headcount following our efforts to streamline operations. As a result of our decrease in number of loans originated during the six months ended June 30, 2023, our CAC increased by 23.9% as compared to the six months ended June 30, 2022. We expect our sales and marketing expense to decrease in 2023 compared to 2022 as we maintain focus on our strategy to improve credit outcomes by focusing lending towards existing and returning members.

<u>Personnel</u>

Personnel expense represents compensation and benefits that we provide to our employees and includes salaries, wages, bonuses, commissions, related employer taxes, medical and other benefits provided and stock-based compensation expense for all of our staff with the exception of our telesales, lead generation, and retail operations which are included in sales and marketing expenses and technology which is included in technology and facilities.

(in thousands, except percentages)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %
Personnel	$ 30,762	$ 38,629	$ (7,867)	(20.4)%	$ 68,080	$ 74,555	$ (6,475)	(8.7)%
Percentage of total revenue	11.5 %	17.1 %			12.9 %	16.9 %		

Personnel. Personnel expense decreased by $7.9 million, or 20.4%, from $38.6 million for the three months ended June 30, 2022 to $30.8 million for the three months ended June 30, 2023, primarily driven by the workforce optimization announced in February and May 2023.

Personnel expense decreased by $6.5 million, or 8.7%, from $74.6 million for the six months ended June 30, 2022 to $68.1 million for the six months ended June 30, 2023, primarily driven by the workforce optimization announced in February and May 2023. We expect our personnel expense to decrease in 2023 compared to 2022 as a result of the reduction in headcount due to actions taken in February and May 2023.

<u>Outsourcing and professional fees</u>

Outsourcing and professional fees consist of costs for various third-party service providers and contact center operations, primarily for the sales, customer service, collections and store operation functions. The costs related to our third-party contact centers located in Colombia, Jamaica and the Philippines are included in outsourcing and professional fees. These third-party contact centers provide business support, including application processing, verification, customer service and collections. Professional fees also include the cost of legal and audit services, credit reports, recruiting, cash transportation, collection services and fees and consultant expenses. Direct loan origination expenses related to application processing are expensed when incurred. In addition, outsourcing and professional fees include any financing expenses, including legal and underwriting fees, related to our asset-backed notes.

(in thousands, except percentages)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Period-to-period Change $	Period-to-period Change %
Outsourcing and professional fees	$ 9,900	$ 17,165	$ (7,265)	(42.3)%	$ 23,702	$ 31,492	$ (7,790)	(24.7)%
Percentage of total revenue	3.7 %	7.6 %			4.5 %	7.1 %		

Outsourcing and professional fees. Outsourcing and professional fees decreased by $7.3 million, or 42%, from $17.2 million for the three months ended June 30, 2022 to $9.9 million for the three months ended June 30, 2023. The decrease is primarily attributable to $2.8 million lower debt financing fees not present in current year, $2.1 million decrease in professional service costs related to credit card programs and other consulting services, $1.5 million decrease related to 58% decline in contact center full-time equivalents ("FTEs") as a result of decrease in demand for new applications and a shift to in-house call services, and $0.7 million decrease in credit report expenses due to the decline in loan application volume.

Outsourcing and professional fees decreased by $7.8 million, or 25%, from $31.5 million for the six months ended June 30, 2022 to $23.7 million for the six months ended June 30, 2023. The decrease is primarily attributable to $2.8 million lower debt financing fees not present in current year, $2.2 million decrease in professional service costs related to credit card programs and other consulting services, $1.5 million decrease in credit report expenses due to the decline in loan application volume, and $1.4 million decrease related to 58% decline in contact center FTEs as a result of decrease in demand for new applications and a shift to in-house call services. We expect our outsourcing and professional fees to decrease in 2023 compared to 2022 as a result of our continued focus on strong expense discipline and streamlining operations.

General, administrative and other

General, administrative and other expense includes non-compensation expenses for employees, who are not a part of the technology and sales and marketing organization, which include travel, lodging, meal expenses, political and charitable contributions, office supplies, printing and shipping. Also included are franchise taxes, bank fees, foreign currency gains and losses, transaction gains and losses, debit card expenses, litigation reserve, expenses related to workforce optimization and streamlining operations and Digit-related acquisition and integration expenses.

	Three Months Ended June 30,		Period-to-period Change		Six Months Ended June 30,		Period-to-period Change	
(in thousands, except percentages)	2023	2022	$	%	2023	2022	$	%
General, administrative and other	$ 21,123	$ 16,936	$ 4,187	24.7 %	$ 40,285	$ 30,297	$ 9,988	33.0 %
Percentage of total revenue	7.9 %	7.5 %			7.7 %	6.9 %		

General, administrative and other. General, administrative and other expense increased by $4.2 million, or 25%, from $16.9 million for the three months ended June 30, 2022 to $21.1 million for the three months ended June 30, 2023, primarily due to the establishment of a $7.4 million reserve related to the workforce optimization announced in May 2023. This increase was partially offset by $2.4 million decrease in legal expenses, and $1.2 million decrease in travel expenses.

General, administrative and other expense increased by $10.0 million, or 33%, from $30.3 million for the six months ended June 30, 2022 to $40.3 million for the six months ended June 30, 2023, primarily due to the establishment of a $14.2 million reserve related to the workforce optimization announced in February and May 2023. These increases were partially offset by $2.6 million decrease in legal expenses, and $1.4 million decrease in travel expenses. We expect our general, administrative and other expense to decrease in 2023 compared to 2022 as a result of our continued focus on strong expense discipline.

Income taxes

Income taxes consist of U.S. federal, state and foreign income taxes, if any. For the periods ended June 30, 2023 and 2022, we recognized tax expense (benefit) attributable to U.S. federal, state and foreign income taxes.

	Three Months Ended June 30,		Period-to-period Change		Six Months Ended June 30,		Period-to-period Change	
(in thousands, except percentages)	2023	2022	$	%	2023	2022	$	%
Income tax expense (benefit)	$ (2,572)	$ (3,515)	$ 943	(26.8)%	$ (42,015)	$ 8,492	$ (50,507)	594.8 %
Percentage of total revenue	(1.0)%	(1.6)%			(8.0)%	1.9 %		
Effective tax rate	14.7 %	27.7 %			26.4 %	18.9 %		

Income tax expense (benefit). Income tax benefit decreased by $0.9 million or 27%, from $3.5 million for the three months ended June 30, 2022 to $2.6 million benefit for the three months ended June 30, 2023, primarily resulting from having lower income and discrete tax expense associated with stock-based compensation for the three months ended June 30, 2023.

Income tax expense decreased by $50.5 million or 595%, from $8.5 million for the six months ended June 30, 2022 to $42.0 million benefit for the six months ended June 30, 2023, primarily resulting from the generation of tax credits and having a lower pretax income for the six months ended June 30, 2023.

See Note 2, Summary of Significant Accounting Policies , and Note 13, Income Taxes, of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for further discussion on our income taxes.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

Summary

Fair value is an electable option under GAAP to account for any financial instruments, including loans receivable and debt. It differs from amortized cost accounting in that loans receivable and debt are recorded on the balance sheet at fair value rather than on a cost basis. Under the fair value option credit losses are recognized through income as they are incurred rather than through the establishment of an allowance and provision for losses. The fair value of instruments under this election is updated at the end of each reporting period, with changes since the prior reporting period reflected in the Condensed Consolidated Statements of Operations (Unaudited) as net increase (decrease) in fair value which impacts Net Revenue. Changes in interest rates, credit spreads, realized and projected credit losses and cash flow timing will lead to changes in fair value and therefore impact earnings. These changes in the fair value of the Loans Receivable at Fair Value may be partially offset by changes in the fair value of the asset-backed notes, depending upon the relative duration of the instruments.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

We calculate the fair value of Loans Receivable at Fair Value using a model that projects and discounts expected cash flows. The fair value is a function of:

- Portfolio yield;
- Average life;
- Prepayments (or principal payment rate for our credit card receivables);
- Remaining cumulative charge-offs; and
- Discount rate.

Portfolio yield is the expected interest and fees collected from the loans and credit cards as an annualized percentage of outstanding principal balance. Portfolio yield is based upon (a) the contractual interest rate, reduced by expected delinquencies and interest charge-offs and (b) late fees, net of late fee charge-offs based upon expected delinquencies. Origination fees are not included in portfolio yield for personal loans since they are generally capitalized as part of the loan's principal balance at origination.

Average life is the time-weighted average of expected principal payments divided by outstanding principal balance. The timing of principal payments is based upon the contractual amortization of loans, adjusted for the impact of prepayments, Good Customer Program refinances, and charge-offs.

For personal loans, prepayments are the expected remaining cumulative principal payments that will be repaid earlier than contractually required over the life of the loan, divided by the outstanding principal balance. For credit cards, we estimate principal payment rates which are the expected amount and timing of principal payments over the life of the receivable.

Remaining cumulative charge-offs is the expected net principal charge-offs over the remaining life of the loans and credit cards, divided by the outstanding principal balance.

For personal loans and credit card, the discount rate is determined by using the Weighted Average Capital Cost (WACC), which was calculated using the Capital Asset Pricing Model (CAPM) method, also considering several components of financing, debt and equity.

It is also possible to estimate the fair value of our loans using a simplified calculation. The table below illustrates a simplified calculation to aid investors in understanding how fair value may be estimated using the last five quarters:

- Subtracting the servicing fee from the weighted average portfolio yield over the remaining life of the loans to calculate net portfolio yield;
- Multiplying the net portfolio yield by the weighted average life in years of the loans receivable, which is based upon the contractual amortization of the loans and expected remaining prepayments and charge-offs, to calculate pre-loss net cash flow;
- Subtracting the remaining cumulative charge-offs from the net portfolio yield to calculate the net cash flow;
- Subtracting the product of the discount rate and the average life from the net cash flow to calculate the gross fair value premium as a percentage of loan principal balance; and
- Subtracting the accrued interest and fees as a percentage of loan principal balance from the gross fair value premium as a percentage of loan principal balance to calculate the fair value premium as a percentage of loan principal balance.

The table below reflects the application of this methodology for the five quarters since January 1, 2022, on loans held for investment. The data in the table below represents all of our credit products.

	Three Months Ended									
	Jun 30, 2023		Mar 31, 2023		Dec 31, 2022		Sep 30, 2022		Jun 30, 2022	
Weighted average portfolio yield over the remaining life of the loans	**30.02**	**%**	**29.78**	**%**	**29.50**	**%**	**29.90**	**%**	**30.27**	**%**
Less: Servicing fee	(5.00)	%	(5.00)	%	(5.00)	%	(5.00)	%	(5.00)	%
Net portfolio yield	**25.02**	**%**	**24.78**	**%**	**24.50**	**%**	**24.90**	**%**	**25.27**	**%**
Multiplied by: Weighted average life in years	0.955		0.963		1.000		0.924		0.895	
Pre-loss cash flow	**23.90**	**%**	**23.85**	**%**	**24.50**	**%**	**23.01**	**%**	**22.61**	**%**
Less: Remaining cumulative charge-offs	(11.35)	%	(11.72)	%	(10.38)	%	(11.67)	%	(11.25)	%
Net cash flow	**12.55**	**%**	**12.13**	**%**	**14.12**	**%**	**11.34**	**%**	**11.37**	**%**
Less: Discount rate multiplied by average life	(10.61)	%	(10.66)	%	(11.48)	%	(9.42)	%	(8.03)	%
Gross fair value premium as a percentage of loan principal balance	**1.94**	**%**	**1.47**	**%**	**2.64**	**%**	**1.92**	**%**	**3.34**	**%**
Less: Accrued interest and fees as a percentage of loan principal balance	(1.20)	%	(1.22)	%	(1.18)	%	(1.19)	%	(1.10)	%
Fair value premium as a percentage of loan principal balance	**0.74**	**%**	**0.26**	**%**	**1.45**	**%**	**0.73**	**%**	**2.24**	**%**
Discount Rate	11.10	%	11.07	%	11.48	%	10.19	%	8.97	%

The illustrative table included above is designed to assist investors in understanding the impact of our election of the fair value option.

Non-GAAP Financial Measures

We believe that the provision of non-GAAP financial measures in this report, including Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Operating Efficiency and Adjusted Return on Equity, can provide useful measures for period-to-period comparisons of our core business and useful information to investors and others in understanding and evaluating our operating results. However, non-GAAP financial measures are not calculated in accordance with United States generally accepted accounting principles, or GAAP, and should not be considered as an alternative to any measures of financial performance calculated and presented in accordance with GAAP. There are limitations related to the use of these non-GAAP financial measures versus their most directly comparable GAAP measures, which include the following:

- Other companies, including companies in our industry, may calculate these measures differently, which may reduce their usefulness as a comparative measure.
- These measures do not consider the potentially dilutive impact of stock-based compensation.
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements.
- Although the fair value mark-to-market adjustment is a non-cash adjustment, it does reflect our estimate of the price a third party would pay for our loans receivable held for investment or our asset-backed notes.
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us.

Reconciliations of non-GAAP to GAAP measures can be found below.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined as our net income, adjusted to eliminate the effect of certain items as described below. We believe that Adjusted EBITDA is an important measure because it allows management, investors and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making the adjustments described below. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of taxes, certain non-cash items, variable charges and timing differences.

- We believe it is useful to exclude the impact of income tax expense (benefit), as reported, because historically it has included irregular income tax items that do not reflect ongoing business operations.
- We believe it is useful to exclude the impact of depreciation and amortization and stock-based compensation expense because they are non-cash charges.
- We believe it is useful to exclude the impact of interest expense associated with the Company's Corporate Financing, as we view this expense as related to our capital structure rather than our funding.
- We believe it is useful to exclude the impact of certain non-recurring charges, such as expenses associated with our workforce optimization, acquisition and integration related expenses and other non-recurring charges because these items do not reflect ongoing

business operations. Other non-recurring charges include litigation reserve, impairment charges, debt amendment and warrant amortization costs related to our Corporate Financing facility.

- We also reverse origination fees for Loans Receivable at Fair Value, net. We recognize the full amount of any origination fees as revenue at the time of loan disbursement in advance of our collection of origination fees through principal payments. As a result, we believe it is beneficial to exclude the uncollected portion of such origination fees, because such amounts do not represent cash that we received.
- We also reverse the fair value mark-to-market adjustment because it is a non-cash adjustment as shown in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
Components of Fair Value Mark-to-Market Adjustment (in thousands)	**2023**	**2022**	**2023**	**2022**
Fair value mark-to-market adjustment on loans receivable at fair value [1]	$ 14,186	$ (34,605)	$ (23,133)	$ (51,542)
Fair value mark-to-market adjustment on asset-backed notes	(12,623)	44,477	(61,518)	102,748
Fair value mark-to-market adjustment on derivatives	6,258	1,877	$ 7,954	$ 1,484
Total fair value mark-to-market adjustment	$ 7,821	$ 11,749	$ (76,697)	$ 52,690

[1] The fair value mark-to-market adjustment on loans receivable at fair value shown for the three and six months ended June 30, 2023 excludes $(18.9) million related to the cumulative fair value mark on the loans sold in other loan sales in Q2 2023. The fair value mark-to-market adjustment on loans receivable at fair value shown for the six months ended June 30, 2023 excludes $(37.2) million related to the cumulative fair value mark on the loans sold in other loan sales in Q1 2023. The fair value mark-to-market adjustment on loans receivable at fair value shown for the three and six months ended June 30, 2022 excludes $(14.1) million related to the cumulative fair value mark on the loans sold in other loan sales in Q2 2022. The fair value mark-to-market adjustment on loans receivable at fair value shown for the six months ended June 30, 2022 also excludes $15.9 million related to the cumulative fair value mark on the loans sold in the 2022-1 transaction. For details regarding the Q2 2023, Q1 2023 and Q2 2022 other loan sales and the 2022-1 transaction, refer to Note 5, *Loans Held for Sale and Loans Sold* of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
Adjusted EBITDA (in thousands)	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Adjustments:				
Income tax expense (benefit)	(2,572)	(3,515)	(42,015)	8,492
Interest on corporate financing [1]	8,852	—	14,929	—
Depreciation and amortization	10,805	8,788	21,227	16,101
Stock-based compensation expense	4,385	6,929	8,884	13,702
Workforce optimization expenses	8,408	1,488	15,226	1,697
Acquisition and integration related expenses	7,198	6,944	14,178	14,231
Origination fees for loans receivable at fair value, net	(10,600)	(6,666)	(15,343)	(11,351)
Other non-recurring charges [1]	580	2,450	3,089	2,750
Fair value mark-to-market adjustment	(7,821)	(11,749)	76,697	(52,690)
Adjusted EBITDA	$ 4,336	$ (4,488)	$ (20,117)	$ 29,438

[1] Certain prior-period financial information has been reclassified to conform to current period presentation.

Adjusted Net Income (Loss)

We define Adjusted Net Income (Loss) as our net income, adjusted to exclude income tax expense, stock-based compensation expenses and certain non-recurring charges. We believe that Adjusted Net Income (Loss) is an important measure of operating performance because it allows management, investors, and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period to period.

- We believe it is useful to exclude the impact of income tax expense, as reported, because historically it has included irregular tax items that do not reflect our ongoing business operations.
- We believe it is useful to exclude the impact of certain non-recurring charges, such as expenses associated with our workforce optimization, acquisition and integration related expenses and other non-recurring charges because these items do not reflect ongoing business operations. Other non-recurring charges include litigation reserve, impairment charges, debt amendment and warrant amortization costs related to our Corporate Financing facility.
- We believe it is useful to exclude stock-based compensation expense because it is a non-cash charge.
- We include the impact of normalized statutory income tax expense by applying the income tax rate noted in the table.

The following table presents a reconciliation of net income to Adjusted Net Income (Loss) for the three and six months ended June 30, 2023 and 2022:

Adjusted Net Income (Loss) (in thousands)	**Three Months Ended June 30,** 2023	2022	**Six Months Ended June 30,** 2023	2022
Net income (loss)	$ (14,899)	$ (9,157)	$ (116,989)	$ 36,506
Adjustments:				
Income tax expense (benefit)	(2,572)	(3,515)	(42,015)	8,492
Stock-based compensation expense	4,385	6,929	8,884	13,702
Workforce optimization expenses	8,407	1,488	15,226	1,697
Acquisition and integration related expenses	7,198	6,944	14,178	14,231
Other non-recurring charges [1]	580	2,450	3,089	2,750
Adjusted income (loss) before taxes	3,099	5,139	(117,627)	77,378
Normalized income tax expense	837	1,388	(31,759)	20,892
Adjusted Net Income (Loss)	$ 2,262	$ 3,751	$ (85,868)	$ 56,486
Income tax rate [2]	27.0 %	27.0 %	27.0 %	27.0 %

[1] Certain prior-period financial information has been reclassified to conform to current period presentation.
[2] Income tax rate for the three and six months ended June 30, 2023 and 2022 is based on a normalized statutory rate.

Adjusted Earnings (Loss) Per Share ("Adjusted EPS")

Adjusted Earnings (Loss) Per Share is a non-GAAP financial measure that allows management, investors and our Board to evaluate the operating results, operating trends and profitability of the business in relation to diluted adjusted weighted-average shares outstanding.

The following table presents a reconciliation of Diluted EPS to Diluted Adjusted EPS for the three and six months ended June 30, 2023 and 2022. For the reconciliation of net income to Adjusted Net Income (Loss), see the immediately preceding table "Adjusted Net Income (Loss)."

(in thousands, except share and per share data)	**Three Months Ended June 30,** 2023	2022	**Six Months Ended June 30,** 2023	2022
Diluted earnings (loss) per share	$ (0.41)	$ (0.28)	$ (3.31)	$ 1.10
Adjusted EPS				
Adjusted Net Income (Loss)	$ 2,262	$ 3,751	$ (85,868)	$ 56,486
Basic weighted-average common shares outstanding	36,691,291	32,831,499	35,342,663	32,525,768
Weighted average effect of dilutive securities:				
Stock options	9,543	—	—	453,695
Restricted stock units	291,942	—	—	262,218
Diluted adjusted weighted-average common shares outstanding	36,992,776	32,831,499	35,342,663	33,241,681
Adjusted Earnings (Loss) Per Share	$ 0.06	$ 0.11	$ (2.43)	$ 1.70

Adjusted Return on Equity

We define Adjusted Return on Equity as annualized Adjusted Net Income (Loss) divided by average stockholders' equity. Average stockholders' equity is an average of the beginning and ending stockholders' equity balance for each period. We believe Adjusted Return on Equity is an important measure because it allows management, investors and our Board to evaluate the profitability of the business in relation to stockholders' equity and how efficiently we generate income from stockholders' equity.

The following table presents a reconciliation of Return on Equity to Adjusted Return on Equity as of and for the three and six months ended June 30, 2023 and 2022. For the reconciliation of net income to Adjusted Net Income (Loss), see the immediately preceding table "Adjusted Net Income (Loss)."

(in thousands)	**As of or for the Three Months Ended June 30,** 2023	2022	**As of or for the Six Months Ended June 30,** 2023	2022
Return on Equity	(13.1)%	(5.7)%	(46.9)%	11.8 %
Adjusted Return on Equity				
Adjusted Net Income (Loss)	$ 2,262	$ 3,751	$ (85,868)	$ 56,486
Average stockholders' equity	$ 457,272	$ 649,067	$ 502,999	$ 626,040
Adjusted Return on Equity	2.0 %	2.3 %	(34.4)%	18.2 %

Adjusted Operating Efficiency

We define Adjusted Operating Efficiency as total operating expenses adjusted to exclude stock-based compensation expense and certain non-recurring charges such as expenses associated with our workforce optimization, acquisition and integration related expenses and other non-recurring charges divided by total revenue. Other non-recurring charges include litigation reserve, impairment charges, and debt amendment costs related to our Corporate Financing facility. We believe Adjusted Operating Efficiency is an important measure because it allows management, investors and our Board to evaluate how efficiently we manage costs relative to revenue.

The following table presents a reconciliation of Operating Efficiency to Adjusted Operating Efficiency for the three and six months ended June 30, 2023 and 2022:

	As of or for the Three Months Ended June 30,		As of or for the Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Operating Efficiency	51.1 %	69.9 %	53.7 %	69.3 %
Adjusted Operating Efficiency				
Total revenue	266,563	225,802	526,075	440,522
Total operating expense	136,096	157,886	282,434	305,230
Stock-based compensation expense	(4,385)	(6,929)	(8,884)	(13,702)
Workforce optimization expenses	(8,407)	(1,488)	(15,226)	(1,697)
Acquisition and integration related expenses	(7,198)	(6,944)	(14,178)	(14,231)
Other non-recurring charges [1]	(344)	(2,450)	(2,628)	(2,750)
Total adjusted operating expenses	$ 115,762	$ 140,075	$ 241,518	$ 272,850
Adjusted Operating Efficiency	43.4 %	62.0 %	45.9 %	61.9 %

[1] Certain prior-period financial information has been reclassified to conform to current period presentation.

Liquidity and Capital Resources

To date, we fund the majority of our operating liquidity and operating needs through a combination of cash flows from operations, securitizations, secured borrowings, Corporate Financing and whole loan sales. We may utilize these or other sources in the future. Our material cash requirements relate to funding our lending activities, our debt service obligations, our operating expenses, and investments in the long-term growth of the company.

During the six months ended June 30, 2023, available liquidity increased primarily due to draws under our PLW facility, the amendment and upsizing of our Corporate Financing facility and our asset-backed borrowings at amortized cost. We generally target liquidity levels to support at least twelve months of our expected net cash outflows, including new originations, without access to our Corporate Financing facility or equity markets. Rising interest rates, credit trends and other macroeconomic conditions could continue to have an impact on market volatility which could adversely impact our business, liquidity, and capital resources. Future decreases in cash flows from operations resulting from delinquencies, defaults, losses, would decrease the cash available for the capital uses described above. We may incur additional indebtedness or issue equity in order to meet our capital spending and liquidity requirements, as well as to fund growth opportunities that we may pursue.

Cash and cash flows

The following table summarizes our cash and cash equivalents, restricted cash and cash flows for the periods indicated:

	Six Months Ended June 30,	
(in thousands)	2023	2022
Cash, cash equivalents and restricted cash	$ 202,335	$ 133,856
Cash provided by (used in)		
Operating activities	179,357	91,642
Investing activities	(104,021)	(638,024)
Financing activities	(76,818)	487,278

Our cash is held for working capital purposes and originating loans. Our restricted cash represents collections held in our securitizations and is applied currently after month-end to pay interest expense and satisfy any amount due to whole loan buyer with any excess amounts returned to us.

Operating Activities

Our net cash provided by operating activities was $179.4 million and $91.6 million for the six months ended June 30, 2023 and 2022, respectively. Cash flows from operating activities primarily include net income or losses adjusted for (i) non-cash items included in net income or loss, including depreciation and amortization expense, goodwill impairment charges, fair value adjustments, net, origination fees for loans at fair value, net, gain on loan sales, stock-based compensation expense and deferred tax provision, net, (ii) originations of loans sold and held for sale, and proceeds from sale of loans and (iii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of various payments.

Investing Activities

Our net cash provided by (used in) investing activities was $(104.0) million and $(638.0) million for the six months ended June 30, 2023 and 2022, respectively. Our investing activities consist primarily of loan originations and loan repayments. Our net cash provided by (used in) investing activities for the six months ended June 30, 2023, includes $1.7 million of proceeds related to the loans sold in other loan sales in Q1 2023 and Q2 2023. Our net cash provided by (used in) investing activities for the six months ended June 30, 2022, includes $247.2 million of proceeds related to a structured loan sale in the first quarter 2022 and other loan sales in Q2 2022. We invest in purchases of property and equipment and incur system development costs. Purchases of property and equipment, and capitalization of system development costs may vary from period to period due to the timing of the expansion of our operations, the addition of employee headcount and the development cycles of our system development. The change in our net cash provided by (used in) investing activities is due to disbursements on originations of loans increasing by $779.6 million while repayments of loan principal decreased by $6.0 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 and our proceeds from loan sales originated as held for investment decreased by $245.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Financing Activities

Our net cash provided by (used in) financing activities was $(76.8) million and $487.3 million for the six months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023, net cash used in financing activities was primarily driven by scheduled amortization payments on our Acquisition Financing facility, our Series 2019-A, Series 2021-A, Series 2022-2 and Series 2022-3 asset-backed notes, and repayments of borrowings on our CCW facility, partially offset by borrowings under our PLW facility, Corporate Financing facility, and our asset-backed borrowings at amortized cost. For the six months ended June 30, 2022, net cash provided by financing activities was primarily driven the issuance of our Series 2022-A asset-backed securitization and the borrowings under our Secured Financing facilities and Acquisition Financing, partially offset by repayments of borrowings on our Secured Financing facilities and scheduled amortization payments on our Acquisition Financing facility.

Sources of Funds

Debt and Available Credit

Asset-Backed Securitizations

As of June 30, 2023, we had $2.12 billion of outstanding asset-backed notes. For additional information, see Note 8, Borrowings of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report. Our securitizations utilize special purpose entities (SPEs) which are also variable interest entities (VIEs). For VIEs where we have determined we are the primary beneficiary, the financial results of the VIE are consolidated in our financial statements. For VIEs where we have determined we are not the primary beneficiary, the financial results of the VIE are not consolidated in our financial statements. For more information regarding our VIEs and asset-backed securitizations, see Note 4, Variable Interest Entities and Note 8, Borrowings, respectively, of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Our ability to utilize our asset-backed securitization facilities as described herein is subject to compliance with various requirements including eligibility criteria for the loan collateral and covenants and other requirements. As of June 30, 2023, we were in compliance with all covenants and requirements of all our asset-backed notes.

Secured Financings

As of June 30, 2023, we had Secured Financing facilities with warehouse lines of $720.0 million in the aggregate with undrawn capacity of $231.8 million. Our ability to utilize our Secured Financing facilities as described herein is subject to compliance with various requirements, including eligibility criteria for collateral, concentration limits for our collateral pool, and covenants and other requirements.

Acquisition Financing

On December 20, 2021, Oportun RF, LLC, our wholly-owned subsidiary, issued a $116.0 million asset-backed floating rate variable funding note, and an asset-backed residual certificate, both of which are secured by certain residual cash flows from our securitizations and guaranteed by Oportun, Inc. The note was used to fund the cash consideration paid for the acquisition of Digit. On May 24, 2022, and subsequently on July 28, 2022, pursuant to amended indentures, Oportun RF, LLC issued an additional $20.9 million and $9.1 million asset-backed floating rate variable funding notes, and asset-backed residual certificates, both of which are also secured by certain cash flows from our securitizations and guaranteed by Oportun, Inc., increasing the size of the facility to $119.5 million. The amendments also replaced the interest rate based on LIBOR with an interest rate based on SOFR plus 8.00%. The Acquisition Financing facility was scheduled to pay down based on an amortization schedule with a final payment in May 2024. Subsequently, on February 10, 2023, the Acquisition Financing facility was further amended, including among other things, revising the interest rate to SOFR plus 11.00% and adjusting the amortization schedule to defer $42.0 million in principal payments through July 2023, with final payment in October 2024.

Corporate Financing

On September 14, 2022, we entered into an agreement to borrow $150.0 million of a senior secured term loan (the “Corporate Financing”). The term loan bears interest, payable in cash, at an amount equal to 1-month term SOFR plus 9.00%. The term loan is scheduled to mature on September 14, 2026, and is not subject to amortization. Certain prepayments of the term loan are subject to a prepayment premium. The obligations under the Credit Agreement are secured by our assets and certain of our subsidiaries guaranteeing the term loan, including pledges of the equity interests of certain subsidiaries that are directly or indirectly owned by us, subject to customary exceptions. On March 10, 2023 we upsized and amended our Corporate Financing facility to be able to borrow up to an additional $75.0 million. At closing and as part of the Incremental Tranche A-1, we borrowed $20.8 million and borrowed an additional $4.2 million in Incremental Tranche A-2 loans on March 27, 2023. Under the Amended Credit Agreement, we borrowed an additional $25.0 million of incremental term loans (the "Incremental Tranche B Loans") on May 5, 2023 and an additional $25.0 million of incremental term loans (the “Incremental Tranche C Loans”) on June 30, 2023. The term loan now bears interest at (a) an amount payable in cash equal to 1-month term SOFR plus 9.00% plus (b) an amount payable in cash or in kind, at our option, equal to 3.00%.

As of June 30, 2023, we were in compliance with all covenants and requirements on our outstanding debt and available credit. For more information regarding our Secured Financing facilities and Acquisition and Corporate Financing, see Note 8, Borrowings of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Asset-Backed Borrowings at Amortized Cost

On June 16, 2023, we entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, we have a commitment to sell up to $300.0 million of our personal loan originations over the next twelve months. While the economics of this transaction are structured as a whole loan sale, the transfer of these loans receivable does not qualify as a sale for accounting purposes. Accordingly, the related assets remain on our balance sheet and cash proceeds received are reported as a secured borrowing under the caption of asset-backed borrowings at amortized cost with related interest expense recognized over the life of the related borrowing. As part of this agreement, during the three months ended June 30, 2023, we transferred loans receivable totaling $25.0 million.

Structured loan sales

In March 2022, we participated in a securitization and sold loans through the issuance of amortizing asset-backed notes secured by a pool of our unsecured and secured personal installment loans. We also sold our share of the residual interest in the pool. The sold loans had an aggregate unpaid principal balance of approximately $227.6 million. For further information on the structured loan sale transactions, see Note 5, Loans Held for Sale and Loans Sold of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Other loan sales

During the first quarter of 2023, we entered into agreements to sell certain populations of our personal loans and credit card receivables that had an aggregate unpaid principal balance, including unpaid interest and fees, of approximately $38.2 million. Additionally, during the second quarter of 2023, we entered into agreements to sell certain populations of our personal loans and credit card receivables that had an aggregate unpaid principal balance, including unpaid interest and fees, of approximately $19.5 million. For further information on these sales, see Note 5, Loans Held for Sale and Loans Sold of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Whole loan sales

Through March 4, 2022, we had a commitment to sell to a third-party institutional investor 10% of our unsecured loan originations that satisfy certain eligibility criteria, and an additional 5% subject to certain eligibility criteria and minimum and maximum volumes. We chose not to renew the arrangement and allowed the agreement to expire on its terms on March 4, 2022.

In November 2022, we entered into a forward flow whole loan sale agreement with an institutional investor. Pursuant to this agreement, we have a commitment to sell a minimum of $2.0 million of our unsecured loan originations each month, with an option to sell an additional $4.0 million each month, over an approximately one-year period, subject to certain eligibility criteria. The originations of loans sold and held for sale during the three and six months ended June 30, 2023 was $15.6 million and $25.7 million, respectively. For further information on the whole loan sale transactions, see Note 5, Loans Held for Sale and Loans Sold of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Bank Partnership Program and Servicing Agreement

We entered into a bank partnership program with Pathward, N.A. on August 11, 2020. In accordance with the agreements underlying the bank partnership program, we have a commitment to purchase an increasing percentage of program loans originated by Pathward based on thresholds specified in the agreements. Lending under the partnership was launched in August of 2021.

Contractual Obligations and Commitments

The material cash requirements for our contractual and other obligations primarily include those related our outstanding borrowings under our asset-backed notes, Acquisition Financing and Secured Financing, corporate and retail leases, and purchase commitments for technology used in the business. See Note 8, Borrowings and Note 15, Leases, Commitments and Contingencies of the Notes to the Condensed Consolidated Financial

Statements (Unaudited) included elsewhere in this report for more information.

Liquidity Risks

We believe that our existing cash balance, anticipated positive cash flows from operations and available borrowing capacity under our credit facilities will be sufficient to meet our anticipated cash operating expense and capital expenditure requirements through at least the next 12 months. We do not have any significant unused sources of liquid assets. On the Second Amendment Closing Date, the Company borrowed $20.8 million of Incremental Tranche A-1 Loans and borrowed an additional $4.2 million of Incremental Tranche A-2 Loans on March 27, 2023. Under the Amended Credit Agreement, we borrowed an additional $25.0 million of Incremental Tranche B Loans on May 5, 2023 and an additional amount of $25.0 million of Incremental Tranche C Loans on June 30, 2023. If our available cash balances are insufficient to satisfy our liquidity requirements, we will seek additional debt or equity financing and we may have to take additional actions to decrease expenses, curtail the origination of loans, and our ability to continue to support our growth and to respond to challenges could be impacted. In a rising interest rate environment, our ability to issue additional equity or incur debt may be impaired and our borrowing costs may increase. If we raise additional funds through the issuance of additional debt, the agreements governing such debt could contain covenants that would restrict our operations and such debt would rank senior to shares of our common stock. The sale of equity may result in dilution to our stockholders and those securities may have rights senior to those of our common stock. We may require additional capital beyond our currently anticipated amounts and additional capital may not be available on reasonable terms, or at all.

Critical Accounting Policies and Significant Judgments and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes in our critical accounting policies from those disclosed in our Annual Report on Form 10-K dated December 31, 2022, filed with the Securities and Exchange Commission on March 14, 2023 ("2022 Form 10-K"), under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations. For additional information about our critical accounting policies and estimates, see the disclosure included in our 2022 Form 10-K.

Recently Issued Accounting Pronouncements

See Note 2 of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for a discussion of recent accounting pronouncements and future application of accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk as previously disclosed in our 2022 Form 10-K. Interest rates, credit trends and other macroeconomic conditions could continue to have an impact on market volatility which could impact our financial results.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations on Effectiveness of Controls

There are inherent limitations to the controls and effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of legal proceedings, see Note 15, Leases, Commitments and Contingencies, in the accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited). From time to time, we may bring or be subject to other legal proceedings and claims in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights and consumer litigation. Other than as described in this report, we are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition, cash flows or results of operations.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Any of the following risks could have an adverse effect on our business, financial condition, liquidity, results of operations and prospects. These risks could cause the trading price of our common stock to decline, which could cause you to lose all or part of your investment. You should carefully consider these risks, all of the other information in this report, including our consolidated financial statements, the notes thereto and the sections entitled "Forward-Looking Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and general economic and business risks before making a decision to invest in our common stock. While we believe the risks described below include all material risks currently known by us, it is possible that these may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Summary of Risk Factors

Investing in our common stock involves risks. Our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected by these risks, as well as other risks and uncertainties not currently known to us or that we currently deem immaterial. In that case, the market price of our common stock could decline, and you may lose some or all of your investment. These risks are discussed more fully below and include, but are not limited to:

Business, Financial and Operational Risks

- Our results of operations and future prospects depend on our ability to retain existing members and attract new members.
- We are, and intend in the future to continue, developing new financial products and services, and our failure to accurately predict their demand or growth could have an adverse effect on our business.
- The success and growth of our business depends upon our ability to continuously innovate and develop new products and technologies.
- If we do not compete effectively in our target markets, our results of operations could be harmed.
- We may not be able to effectively manage the growth of our business.
- Our business may be adversely affected by disruptions in the credit markets and changes to interest rates on our borrowings.
- We have elected the fair value option and we use estimates in determining the fair value of our loans and our asset-backed notes. If our estimates prove incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our results of operations.
- Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread could adversely affect our results of operations.
- Our risk management efforts may not be effective, which may expose us to market risks that harm our results of operations.
- We rely extensively on models in managing many aspects of our business. If our models contain errors or are otherwise ineffective, our business could be adversely affected.
- Our results of operations and financial condition have been and may be adversely affected by economic conditions and other factors that we cannot control.
- If we are unable to collect payment and service the loans we make to members, our net charge-off rates may exceed expected loss rates, and our business and results of operations may be harmed.
- Our quarterly results are likely to fluctuate significantly and may not fully reflect the underlying performance of our business.
- Negative publicity or public perception of our company or our industry could adversely affect our reputation, business, and results of operations.
- Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business.
- If we lose the services of any of our key management personnel, our business could suffer.
- Our success and future growth depend on our branding and marketing efforts.
- We may fail to realize all of the anticipated benefits of the Digit acquisition, and the merger or those benefits may take longer to realize than expected.
- Any acquisitions, strategic investments, entries into new businesses, joint ventures, 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.
- Fraudulent activity could negatively impact our business, brand and reputation and require us to continue to take steps to reduce fraud risk.
- Security breaches and incidents may harm our reputation, adversely affect our results of operations, and expose us to liability.
- Any significant disruption in our computer systems and critical third-party vendors may impair the availability of our websites, applications, products or services, or otherwise harm our business.
- We may change our corporate strategies or underwriting and servicing practices, which may adversely affect our business.

- We are, and intend in the future to continue, expanding into new geographic regions, and our failure to comply with applicable laws or regulations, or accurately predict demand or growth, related to these geographic regions could have an adverse effect on our business.
- We are exposed to geographic concentration risk.
- Our proprietary credit risk models rely in part on the use of third-party data to assess and predict the creditworthiness of our members, and if we lose the ability to license or use such third-party data, or if such third-party data contain inaccuracies, it may harm our results of operations.
- A deterioration in the financial condition of counterparties, including financial institutions, could expose us to credit losses, limit access to liquidity or disrupt our business.
- 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.
- Our mission to provide inclusive, affordable financial services that empower our members to build a better future may conflict with the short-term interests of our stockholders.
- If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus on the mission that contribute to our business.
- Our international operations and offshore service providers involve inherent risks which could result in harm to our business.

Funding and Liquidity Risks

- We have incurred substantial debt and may issue debt securities or otherwise incur substantial debt in the future, which may adversely affect our financial condition and negatively impact our operations.
- A breach of early payment triggers or covenants or other terms of our agreements with lenders could result in an early amortization, default, and/or acceleration of the related funding facilities.
- Our securitizations and structured and whole loan sales may expose us to certain risks, and we can provide no assurance that we will be able to conduct such transactions in the future, which may require us to seek more costly financing.
- We may need to raise additional funds in the future, including through equity, debt, or convertible debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

Intellectual Property Risks

- It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.
- We have been, and may in the future be, sued by third parties for alleged infringement of their proprietary rights.
- Our credit risk models, A.I. capabilities, and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.
- Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Industry and Regulatory Risks

- The financial services industry is highly regulated. Changes in regulations or in the way regulations are applied to our business could adversely affect our business.
- Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses and reputational harm.
- Internet-based and electronic signature-based loan origination processes may give rise to greater risks than paper-based processes.
- The CFPB has broad authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.
- The collection, storage, use, disclosure, and other processing of personal information is an area of increasing complexity and scrutiny.
- Our business is subject to the regulatory framework applicable to registered investment advisers, including regulation by the Securities and Exchange Commission (the "SEC").
- Our bank partnership products may lead to regulatory risk and may increase our regulatory burden.
- Anti-money laundering, anti-terrorism financing and economic sanctions laws could have adverse consequences for us.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our 2022 Form 10-K.

Business, Financial and Operational Risks

Our results of operations and future prospects depend on our ability to retain existing members and attract new members.

We operate in a rapidly changing and highly competitive industry and our results of operations and future prospects depend on, among other things, continued growth of our member base, our ability to increase the activity of our members, including by using additional products or services we offer, and our ability to attract members in a cost-effective manner. Our member retention rates may decline or fluctuate due to various factors, including pricing changes (including as a result of rising interest rates), our expansion into new products and markets or changes to existing products, our members' ability to obtain alternative funding sources based on their credit history with us, and new members we acquire in the future may be less loyal than our current member base. If our member retention rates decline and we are not able to attract new members in numbers sufficient to grow our business, this may adversely affect our business, results of operations and future prospects.

In particular, it is important that we continue to ensure that our members with loans remain loyal to us and we continue to extend loans to members who have successfully repaid their previous loans. As of June 30, 2023 and 2022, members with repeat loans comprised 81% and 73%, respectively, of our Owned Principal Balance at End of Period. If our repeat loan rates decline, we may not realize consistent or improved operating results from our existing member base.

We are, and intend in the future to continue, developing new financial products and services, and our failure to accurately predict their demand or growth could have an adverse effect on our business.

We are, and intend in the future to continue, developing new financial products and services. We intend to continue investing significant resources in developing new tools, features, services, products and other offerings. New initiatives are inherently risky, as each involves unproven business strategies and new financial products and services with which we have limited or no prior development or operating experience.

We can provide no assurance that we will be able to develop, commercially market, scale, and achieve acceptance of, or success with, our new products and services. 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. In addition, our investment of resources to develop new products and services may either be insufficient, result in expenses that are excessive considering revenue originated from these new products and services, or may not be able to attract new members or retain existing members. We have previously invested resources to develop and launch new products and services and subsequently decided to discontinue these products and services in order to strategically realign our resources. If we are not able to effectively implement new technology-driven products and services as quickly as our competitors or be successful in marketing these products and services to our members and strategic partners, demand for our products and services may decrease. In addition, the borrower profile of members using our new products and services may not be as attractive as existing members with credit products, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Failure to accurately predict demand or growth with respect to our new products and services could adversely impact our business, and these new products and services may not become profitable, and even if they are profitable, operating margins of some new products may not be as high as the margins we have experienced historically or we may not be able to achieve target margins.

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

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. Developing and incorporating new technologies, including A.I., into our products and services may require significant investment, take considerable time, and ultimately may not be successful. We may not be able to effectively implement new technology-driven products and services as quickly as competitors or be successful in marketing these products and services to our members. Furthermore, our technology may become obsolete or uncompetitive, and there is no guarantee that we will be able to successfully develop, obtain or use new technologies to adapt our models and systems.

As with many disruptive innovations, new technologies present risks and challenges that could affect their adoption, and therefore our business. A.I. and related technologies are subject to public debate and heightened regulatory scrutiny. Any negative publicity or negative public perception of A.I. and related technologies could negatively impact demand for our products and services or hinder our ability to attract new members and strategic partners. The regulatory framework for A.I. and machine learning technologies is evolving and remains uncertain. It is possible that new laws and regulations will be adopted, or existing laws and regulations may be interpreted in new ways, that would affect our business, products and services and the way in which we use A.I., including with respect to fair lending laws. Our success will depend on our ability to develop and incorporate new technologies and adapt to technological changes and evolving industry standards. If we are unable to do so in a timely or cost-effective manner, our business could be harmed.

If we do not compete effectively in our target markets, our results of operations could be harmed.

The industries in which we compete are highly competitive, continuously changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. Our current and potential future competition primarily includes other consumer finance companies, credit card issuers, financial technology companies, technology platforms, neobanks, challenger banks, and financial institutions, as well as payday lenders and pawn shops. We may compete with others in the market who may in the future provide offerings similar or are competitive with ours, particularly companies who may provide lending, money management and other services though a platform similar to our platform.

Many of our current or potential competitors have significantly more financial, technical, marketing, access to low-cost capital, and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. As such, many of our competitors can leverage their size, robust networks, financial wherewithal, brand awareness, pricing power and technological assets to compete with us. In addition, our potential competitors also include, smaller, earlier-stage companies with more versatile technology platforms, increased operational efficiencies, and greater brand recognition than us. To the extent new entrants gain market share, the use of our products and services would decline. Our long-term success depends on our ability to compete effectively against existing and potential competitors that seek to provide banking and financial technology products and services. If we fail to compete effectively against these competitors, our revenues, results of operations, prospects for future growth and overall business will be materially and adversely affected.

We may not be able to effectively manage the growth of our business.*

Since 2022, we have engaged in a series of cost-saving measures in response to challenging macroeconomic conditions, including by conducting workforce reductions. While we believe these measures will improve operational efficiency, implementation of these measures may be disruptive to our business and we may not realize the anticipated benefits within the expected time frame or at all. Further, we may experience unintended consequences and costs that may be disruptive to our business, such as the loss of institutional knowledge and expertise, attrition beyond our intended workforce reduction, and a reduction in morale among our remaining employees. Such actions may adversely affect our ability to retain and recruit skilled and motivated personnel, which may be disruptive to our operations and hinder our ability to achieve our key priorities. If we fail to achieve some or all of the expected benefits of these decisions, our future growth, operating results, and financial condition may be adversely affected.

In addition, we are required to continuously develop and adapt our operations, systems and infrastructure in response to the increasing sophistication of the consumer financial services market, evolving fraud and information security landscape, and regulatory developments relating to existing and planned business operations. Although we experienced rapid growth in our business and operations in the recent past, many economic and other factors outside of our control, including general economic and market conditions, pandemics, consumer and commercial credit availability, inflation, unemployment, and consumer debt levels, may adversely affect our ability to sustain revenue growth consistent with recent history and we cannot assure you that our business will grow at our historical growth rates. In addition, in the past, the growth and expansion of our business has placed significant demands on our management, operational, risk management, technology, marketing, compliance and finance and accounting infrastructure, and resulted in increased expenses, a trend that we expect to continue as our business continues to grow, and we may not be able to increase our revenue sufficiently to offset such higher expenses. Overall revenue growth depends on a number of factors, including on our ability to increase the origination volume of our products and services, attract new members and retain existing members, build our brand, achieve the anticipated benefits and synergies from the Digit acquisition, expand and manage our remote-first workforce, all while managing our business systems, operations and expenses. If we are unable to accomplish these tasks, our future growth may be harmed.

Our business may be adversely affected by disruptions in the credit markets and changes to interest rates on our borrowings.

We depend on securitization transactions, warehouse facilities and other forms of debt financing, as well as whole loan and structured loan sales, in order to finance the principal amount of most of the loans we make to our members. See more information about our outstanding debt in Note 8, Borrowings to the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report. However, there is no assurance that these sources of capital will continue to be available in the future on terms favorable to us or at all. The availability of debt financing and other sources of capital depends on many factors, many of which are outside of our control. Conditions in the credit markets may continue to experience disruption or deterioration, including as a result of rising interest rates, which could make it difficult for us to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms. The debt capital available to us in the future, if available at all, may bear a higher interest rate and may be available only on terms and conditions less favorable than those of our existing debt and such debt may need to be incurred in a rising interest rate environment. Events of default or breaches of financial, performance or other covenants, as a result of the underperformance of certain pools of loans underpinning our securitizations or other debt facilities, could reduce or terminate our access to funding from institutional investors. Such events could also result in default rates at a higher interest rate and therefore increase our cost of capital. In addition, our ability to access future capital may be impaired because our interests in our financed pools of loans are “first loss” interests and so these interests will only be realized to the extent all amounts owed to investors or lenders and service providers under our securitizations and debt facilities are paid in full. In the event of a sudden or unexpected shortage or restriction on the availability of funds, we cannot be sure that we will be able to maintain the necessary levels of funding to retain current levels of originations without incurring higher funding costs, a reduction in the term of funding instruments or increasing the rate of whole loan sales, or be able to access funding at all. If we are unable to arrange financing on favorable terms, our business may be adversely affected and we may not be able to grow our business as planned and we may have to curtail new originations and reduce credit lines to cardholders.

We have elected the fair value option and we use estimates in determining the fair value of our loans and our asset-backed notes. If our estimates prove incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our results of operations.

Our ability to measure and report our financial position and results of operations is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the time of the issuance of the financial statements. We use estimates, assumptions, and judgments when certain financial assets and liabilities are measured and reported at fair value. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain assets if trading becomes less frequent or market data becomes less observable. In such cases, certain asset valuations may require significant judgment, and may include inputs and assumptions that require greater estimation, including credit quality, liquidity, interest rates, and other relevant inputs. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Management has processes in place to monitor these judgments and assumptions, including review by our internal valuation committee, but these processes may not ensure that our judgments and assumptions are correct.

We use estimates and assumptions in determining the fair value of our loans receivable held for investment and asset-backed notes. Our Loans Receivable at Fair Value represented 86% of our total assets and our asset-backed notes represented 71% of our total liabilities as of June 30, 2023. The fair value of our loans receivable held for investment are determined using Level 3 inputs and the fair value of our asset-backed notes are determined using Level 2 inputs. Changes to these inputs could significantly impact our fair value measurements. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. In addition, a variety of factors such as changes in the interest rate environment and the credit markets, changes in average life, higher than anticipated delinquency and default levels or financial market illiquidity, may ultimately affect the fair values of our loans receivable and asset-backed notes. Material differences in these ultimate values from those determined based on management’s estimates and assumptions may require us to adjust the value of certain assets and liabilities, including in a manner that is not comparable to others in our industry, which could adversely affect our results of operations.

Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread could adversely affect our results of operations.

We earn over 90% of our revenue from interest payments on the loans we make to our members. Financial institutions and other funding sources provide us with the capital to fund a substantial portion of the principal amount of our loans to members and charge us interest on funds that we borrow. In the event that the spread between the interest rate at which we lend to our members and the rate at which we borrow from our lenders decreases, our Net Revenue will decrease. We have capped the APR for newly originated loans at 36% since August 2020. Interest rates have recently risen and may continue to rise, which increases our interest expense and cost of funds and may result in lower operating margins. The interest rates we charge to our members and pay to our lenders could each be affected by a variety of factors, including our ability to access capital markets, the volume of loans we make to our members, product mix, competition and regulatory limitations.

Market interest rate changes may adversely affect our business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond our control, such as inflation, recession, the state of the credit markets, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies. Factors outside our control, including interest rate changes and widening credit spreads, may require us to make adjustments to the fair value of our loans receivable held for investment or our asset-backed notes, which may in turn adversely affect our results of operations or lead to volatility in our Net Revenue. For example, rising interest rates decrease the fair value of our loans receivable held for investment, which decreases Net Revenue, but also decreases the fair value of our asset-backed notes, which increases Net Revenue. Because the duration and fair value of our loans and asset-backed notes are different, the respective changes in fair value may not fully offset each other resulting in a negative impact on Net Revenue and increasing the volatility of our results of operations. Any reduction in our interest rate spread could have an adverse effect on our business, results of operations, cash flows, and financial condition. We do not currently hedge our interest rate exposure associated with our debt financing or fair market valuation of our loans.

Our risk management efforts may not be effective, which may expose us to market risks that harm our results of operations.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, monitor and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk and liquidity risk, as well as operational risks. Our risk management policies, procedures and models may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified or identify additional risks that arise in the future.

As our loan mix changes and as our product offerings evolve, our risk management strategies may not always adapt to such changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. Other of our methods for managing risk depend on the evaluation of information regarding markets, members or other matters that are publicly available or otherwise accessible to us. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. If our risk management efforts are ineffective, we could suffer losses that could harm our business, financial condition, and results of operations.

We rely extensively on models in managing many aspects of our business. If our models contain errors or are otherwise ineffective, our business could be adversely affected.

Our ability to attract members and to build trust in our credit products is significantly dependent on our ability to effectively evaluate a member's creditworthiness and likelihood of default. In deciding whether to extend credit to prospective members, we rely heavily on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, application data and our credit experience gained through monitoring the performance of our members over time. These models are built using forms of A.I., such as machine learning. If our credit risk models fail to adequately predict the creditworthiness of our members or their ability to repay their loans due to programming or other errors, or if any portion of the information pertaining to the potential member is incorrect, incomplete or becomes stale (whether by fraud, negligence or otherwise), and our systems do not detect such errors, inaccuracies or incompleteness, or any of the other components of our credit decision process described herein fails, we may experience higher than forecasted loan losses. Also, if we are unable to access certain third-party data used in our credit risk models, or access to such data is limited, our ability to accurately evaluate potential members may be compromised. Credit and other information that we receive from third parties about a member may also be inaccurate or may not accurately reflect the member's creditworthiness, which may adversely affect our loan pricing and approval process, resulting in mispriced loans, incorrect approvals or denials of loans. In addition, this information may not always be complete, up-to-date or properly evaluated. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures or available information indicate.

Our reliance on our credit risk models and other models in other aspects of our business, including valuation, pricing, collections management, marketing targeting models, fraud prevention, liquidity and capital planning, direct mail and telesales, and savings and investing algorithms may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately in a timely manner). We rely on our credit risk models and other models to develop and manage new products and services, including our digital banking platform, with which we have limited development or operating experience, as well as new geographies. Our assumptions may be inaccurate, and our models may not be as predictive as expected for many reasons, in particular because they often involve matters that are inherently difficult to predict and beyond our control, such as macroeconomic conditions, credit market volatility and interest rate environment, and human behavior, and they often involve complex interactions between a number of dependent and independent variables and factors. In particular, even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of the models. The errors or inaccuracies in our models may be material and could lead us to make wrong or sub-optimal decisions in managing our business.

Additionally, if we make errors in the development, validation or implementation of any of the models or tools we use to underwrite the loans that we then 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 our members' loans 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 underwriting procedures 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 borrowings under our warehouse and other debt facilities, which could limit new origination growth and harm our financial performance. Additionally, the use of A.I. is relatively new and the regulatory framework is evolving and remains uncertain. Any negative regulatory or public scrutiny based upon this could adversely affect our business and reputation.

Our results of operations and financial condition have been and may be adversely affected by economic conditions and other factors that we cannot control. *

Key macroeconomic conditions historically have affected our business, results of operations and financial condition and are likely to affect them in the future. Poor economic conditions reduce the demand and usage of our credit products and adversely affect the ability and willingness of members to pay amounts owed to us, increasing delinquencies, bankruptcies, and charge-offs and negatively impacting the fair value of our loans. They may also impact our ability to make accurate credit assessments or lending decisions. Many of these factors are outside our control and include: general economic conditions or outlook, unemployment levels, housing markets, immigration patterns and policies, energy costs, inflation, government shutdowns, delays in tax refunds, financial distress caused by recent or potential bank failures and the associated bank crisis, volatility or disruption in the capital markets, and changes in interest rates, as well as events such as natural disasters, acts of war, terrorism, pandemics or adverse health developments, social unrest, and catastrophes. The United States has recently experienced historically high levels of inflation, which may increase our expenses and adversely impact our borrowers' ability to make payments on their loans. Additionally, the United States is experiencing a workforce shortage, which, in turn has created a hyper-competitive wage environment that may further increase employee compensation. From March 2022 through June 2023, the Federal Reserve raised the target range for the federal funds rate on ten separate occasions and signaled that it anticipates additional increases in the target range will be appropriate to lower inflation. Further adverse changes in inflation and interest rates could negatively impact consumer and business confidence, and adversely affect the economy as well as our business and results of operations. There can be no assurance that our forecasts of economic conditions, our assessments and monitoring of credit risk, and our efforts to mitigate credit risk through risk-based pricing, appropriate loan underwriting, management of loan delinquencies and charge-off rates are, or will be, sufficient to prevent an adverse impact to our business and financial results.

As our business grows and we increase our product and service offerings, we intend to continue to expend significant funds, and we may not be able to generate sufficient revenue to offset our higher operating expenses. We recorded a net loss of $77.7 million for the year ended December 31, 2022, primarily due to the goodwill impairment, increased operating expenses, increased interest expense and a net decrease in fair value. Our business was adversely impacted by the COVID-19 pandemic and we recorded a net loss of $45.1 million for the year ended December 31, 2020. We also experienced net losses prior to 2017.

On February 9, 2023 and on May 8, 2023, we announced that we were taking a series of measures to streamline our operations, including reducing the size of our corporate staff by 10% and 19%, respectively. These measures have resulted in the reduction of our corporate staff by approximately 28% in 2023. These cost reduction efforts may adversely affect us in unforeseen ways, including interfering with our ability to achieve our business objectives; challenging our ability to effectively manage all aspects of our business operations; causing concerns from current and potential employees, vendors, partners and other third parties with whom we do business; and increasing the likelihood of turnover of other key employees, all of which may have an adverse impact on our business. Our plans may also change as we continue to refocus on reducing operating costs and streamlining operations. These actions may take more time than we currently estimate and we may not be able to achieve the cost-efficiencies sought.

Our members with credit products may be particularly negatively impacted by worsening economic conditions that place financial stress on these members resulting in loan defaults or charge-offs. In addition, major medical expenses, divorce, death, or other issues that affect our members could affect our members' willingness or ability to make payments on their loans. Our business is currently heavily concentrated on consumer lending and, as a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a company with a more diversified lending portfolio. If our members default under a loan receivable held directly by us, we will experience loss of principal and anticipated interest payments. Our servicing costs may also increase without a corresponding increase in our interest on loans.

Decreases in consumer demand for automobiles and declining values of vehicles securing outstanding secured personal loans would weaken collateral coverage for secured personal loans and increase the amount of loss in the event of default. Significant increases in the inventory of used vehicles may also depress the prices at which repossessed vehicles may be sold or delay the timing of these sales. Consequently, if a vehicle securing a secured personal loan is repossessed while the used car auction market is depressed, the sale proceeds for such vehicle may be lower than expected, resulting in higher than expected losses.

If we are unable to collect payment and service the loans we make to members, our net charge-off rates may exceed expected loss rates, and our business and results of operations may be harmed.

Our unsecured personal loans and credit card receivables, which comprise a significant portion of our overall portfolio, are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. We are therefore limited in our ability to collect on these loans if a member is unwilling or unable to repay them for any reason.

Our ability to adequately service our loans is dependent on our ability to grow and appropriately train our customer service and collections staff, our ability to expand our servicing capabilities as the number of our loans increase, our ability to contact our members when they default, and our ability to leverage technologies to service and collect amounts owed with respect to loans. Additionally, our customer service and collections staff are dependent upon maintaining adequate information technology, telephony, and internet connectivity such that they can complete their job functions. Since the onset of the pandemic, the majority of our contact center staff has worked remotely and we will continue to operate the contact centers in this manner. If our contact center operations become constrained for any reason, the effectiveness of our collection activities may be reduced. In November 2021 we voluntarily implemented certain provisions of the call limitations set forth in Regulation F, the CFPB's Debt Collection Rule that took effect at that time, which is not applicable to creditors such as us who are collecting their own debts. If we did not correctly estimate the impact of a reduced calling strategy, the effectiveness of our efforts to collect on defaulted loans may be impacted. Additionally, in August 2020, we changed our small claims filing practices, including dismissing all pending small claims court filings and suspending all new legal collection actions. We temporarily suspended our legal collections process, which may be resumed in the future. If we are unable to employ alternative means of engaging severely delinquent members and collecting on defaulted loans, the effectiveness of our efforts to collect on defaulted loans may be impacted. Because our net charge-off rate depends on the collectability of the loans, if we experience an unexpected significant increase in the number of members who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, our revenue and results of operations could be adversely affected. Furthermore, personal unsecured loans and credit card debt are generally dischargeable in bankruptcy. If we experience an unexpected, significant increase in the number of members who successfully discharge their debt in a bankruptcy action, our results of operations could be adversely affected.

We incorporate our estimate of lifetime loan losses in our measurement of fair value for our loans receivable held for investment. While this evaluation process uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses and fair value are also dependent on our subjective assessment based upon our experience and judgment. Given the unprecedented nature of the COVID-19 pandemic and its impact on the economy, the amount of subjective assessment and judgment applied to develop our forecasts has increased materially, since no directly corresponding historical data set exists. Our methodology for establishing our fair value is based on the guidance in Accounting Standards Codification, 820 and 825, and, in part, on our historic loss experience. If member behavior changes as a result of economic conditions and if we are unable to predict how economic conditions and other factors impacting collectability may affect our estimate of lifetime loan losses, the fair value may be reduced for our Loans Receivable at Fair Value, which will decrease Net Revenue. Our calculations of fair value are estimates, and if these estimates are inaccurate, our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our calculations of fair value, and unlike traditional banks, we are not subject to periodic review by bank regulatory agencies of our loss estimates or our calculations of fair value. In addition, because our debt financings include delinquency triggers as predictors of losses, increased delinquencies or losses may reduce or terminate our access to debt financing.

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

Our quarterly results of operations are likely to vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful, due to factors such as our election of the fair value option and the evolving and uncertain duration of the COVID-19 pandemic. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly financial results may 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. Factors that may cause fluctuations in our quarterly financial results include:

- loan volumes, product and loan mix and the channels through which our loans are originated;
- the number and extent of prepayments of loans;
- the effectiveness of our direct marketing and other marketing channels;
- the effectiveness of our proprietary credit risk models;
- the timing and success of new products and origination channels;
- the amount and timing of operating expenses and capital expenditures, including those related to member acquisition, development of new products and services, and maintenance and expansion of our business, operations and infrastructure;
- net charge-off rates;
- adjustments to the fair value of assets and liabilities on our balance sheet;
- our involvement in litigation or regulatory enforcement efforts (or the threat thereof) or those that impact our industry generally;
- changes in laws and regulations that impact our business;
- our borrowing costs and access to the capital markets; and
- general economic, industry, and market conditions, including economic slowdowns, recessions, rising interest and inflation rates, and tightening of credit markets and recent or potential bank failures.

In addition, we experience significant seasonality in demand for our loans, which is generally lower in the first quarter. The seasonal slowdown is primarily attributable to high loan demand around the holidays in the fourth quarter and the general increase in our members' available cash flows in the first quarter, including cash received from tax refunds, which temporarily reduces their borrowing needs. While our growth has obscured this seasonality from our overall financial results, we expect our results of operations to continue to be affected by such seasonality in the future.

Negative publicity or public perception of our company or our industry could adversely affect our reputation, business, and results of operations.

Negative publicity about our industry or our company, including the terms of the consumer loans, effectiveness of the proprietary credit risk model, privacy and security practices, originations, marketing, servicing and collections, use of A.I, and other business practices or initiatives, litigation, regulatory compliance and the experience of members, even if inaccurate, could adversely affect our reputation and the confidence in our brands and business model or lead to changes in our business practices. We regularly engage with media outlets and consumer advocates and have previously, and in the future, may respond to inquiries by modifying our business practices or policies to better align with our mission. Despite our responsiveness to the inquiries, certain media outlets and consumer advocates chose to and have continued to highlight the very past practices that we had already modified. The proliferation of social media may increase the likelihood that negative public opinion will impact our reputation and business. Our reputation is very important to attracting new members and retaining existing members. While we believe that we have a good reputation and that we provide members with a superior experience, there can be no assurance that we will continue to maintain a good relationship with members.

In addition, negative perception may result in our being subject to more restrictive laws and regulations and potential investigations, enforcement actions and lawsuits. If there are changes in the laws affecting any of our products, or our marketing and servicing, or if we become subject to such investigations, enforcement actions and lawsuits, our financial condition and results of operations would be adversely affected. Entry into new products, as well as into the banking business or new origination channels, such as bank partnerships and other partnerships could lead to negative publicity or draw additional scrutiny.

Harm to our reputation can also arise from many other sources, including employee or former employee misconduct, misconduct by outsourced service providers or other counterparties, failure by us or our partners to meet minimum standards of service and quality, and inadequate protection of member information and compliance failures and claims. Our reputation may also be harmed if we fail to maintain our certification as a Community Development Financial Institution (CDFI).

Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business.

Competition for highly skilled personnel, particularly engineering and data analytics personnel, is extremely intense across the country and is likely to continue to increase, as more companies are offering remote or hybrid working arrangements. We have experienced and expect to continue to face difficulty identifying and hiring qualified personnel in many areas, especially as we pursue our growth strategy. We may not be able to hire or retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, employee candidates, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment, so significant volatility or a further decline in the price of our stock may adversely affect our recruitment strategies. In February 2023 and May 2023, we announced a 10% and 19% reduction in our corporate workforce, respectively. These reductions could negatively impact employee morale and make it more difficult to attract, retain and hire new talent. Our failure to attract and retain suitably qualified individuals could have an adverse effect on our ability to operate our business and achieve our corporate strategies.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our members could be adversely affected.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense and we may not be able to replace, attract and retain key personnel. We do not maintain key-man insurance for every member of our senior management team. The loss of the service of our senior management team or key team members, and the process to replace any of them, or the inability to attract additional qualified personnel as needed, all of which would involve significant time and expense, could harm our business.

Our success and future growth depend on our branding and marketing efforts.

If our marketing efforts are not successful or if we are unsuccessful in developing our brand marketing campaigns, our ability to attract and retain members, attract new strategic partners and grow our business may be negatively impacted. In the future, we intend to continue to dedicate significant resources to our marketing efforts, particularly as we develop our brand. If any of our current marketing channels becomes less effective, if we are unable to continue to use any of these channels, if the cost of using these channels significantly increases or if we are not successful in generating new channels, we may not be able to attract new members in a cost-effective manner or increase the activity of our existing members, including by using additional products or services we offer. If we are unable to recover our marketing costs through increases in the size, value or overall number of credit products we originate, or other product selection and utilization, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may fail to realize all of the anticipated benefits of the Digit acquisition, and the merger or those benefits may take longer to realize than expected.

We believe that there are significant benefits and synergies that may be realized through combining the platform, product and service offerings of Oportun and Digit. As we continue to integrate the businesses and seek to realize anticipated benefits and synergies, we will continue to be required to devote significant attention and resources to successfully align our business practices and operations, which may disrupt both companies' businesses. The full benefits of the acquisition, including anticipated growth opportunities, may not be realized as expected or may not be achieved within the anticipated time frame, or at all. Failure to achieve the anticipated benefits of the acquisition could adversely affect our results of operations or cash flows, cause dilution to our earnings per share, decrease or delay any accretive effect of the acquisition and negatively impact the price of our common stock.

Any acquisitions, strategic investments, entries into new businesses, joint ventures, 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.

Our success will depend, in part, on our ability to grow our business. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. We have previously acquired, and in the future, may acquire, complementary assets or businesses. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- utilization of our financial resources for acquisitions or investments that may fail to realize the anticipated benefits;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- coordination of technology, product development and sales and marketing functions and integration of administrative systems;
- transition of the acquired company's members to our systems;
- retention of employees from the acquired company;
- regulatory risks, including maintaining good standing with existing regulatory bodies or receiving any necessary approvals, as well as being subject to new regulators with oversight over an acquired business;
- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of loans or intangibles or other assets acquired in such transactions that may have an adverse effect on our results of operations in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, security weaknesses and incidents, tax liabilities and other known and unknown liabilities;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property or increase our risk for liability; and
- litigation, claims or other liabilities in connection with the acquired company.

Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and harm our business generally.

Fraudulent activity could negatively impact our business, brand and reputation and require us to continue to take steps to reduce fraud risk.

Third parties have, and we expect that they will likely continue to attempt to commit fraud by, among other things, fraudulently obtaining credit products or creating fictitious accounts using stolen identities or personal information and making transactions with stolen financial instruments, Third parties may also seek to engage in abusive schemes or fraud attacks that are often difficult to detect and may be deployed at a scale that would otherwise not be possible in physical transactions. Risks associated with each of these include theft of funds and other monetary loss, the effects of which could be compounded if not detected quickly. Fraudulent activity may not be detected until well after it occurs and the severity and potential impact may not be fully known for a substantial period of time after it has been discovered. Measures to detect and reduce the risk of fraud and abusive behavior are complex, require continuous monitoring and enhancements, and may not be effective in detecting and preventing fraud, particularly new and continually evolving forms of fraud or in connection with new or expanded product offerings. If these measures do not succeed, our business could be materially adversely impacted.

Despite our efforts, the possibility of fraudulent or other malicious activities and human error or malfeasance cannot be eliminated entirely and will evolve as new and emerging technology is deployed, including the increasing use of personal mobile and computing devices that are outside of our network and control environments. Additionally, increasing our product and service offerings may introduce opportunities for fraudulent activity that we have not previously experienced. Numerous and evolving fraud schemes and misuse of our products and services could subject us to significant costs and liabilities, require us to change our business practices, cause us to incur significant remediation costs, lead to loss of member confidence in, or decreased use of, our products and services, damage our reputation and brands, divert the attention of management from the business, result in litigation (including class action litigation), and lead to increased regulatory scrutiny and possibly regulatory investigations and intervention, any of which could have a material adverse impact on our business.

Security breaches and incidents may harm our reputation, adversely affect our results of operations, and expose us to liability.

Our reputation and ability to attract, retain and serve our members is dependent upon the reliable performance and security of our technology infrastructure and those of third parties that we utilize in our operations. These systems may be subject to damage or interruption from, among other things, earthquakes, adverse weather conditions, other natural disasters, terrorist attacks, rogue employees, power loss, telecommunications failures, and cybersecurity risks. We have been and continue to be the subject of actual or attempted unauthorized access, mishandling or misuse of information, computer viruses or malware, and cyber-attacks that could obtain confidential information, destroy data, disrupt or degrade service, threaten the integrity and availability of our systems, distributed denial of service attacks, social engineering, security breaches and incidents, and other infiltration, exfiltration or other similar events. The automated nature of our business may make us attractive targets for hacking and potentially vulnerable to computer malware, physical or electronic break-ins and similar disruptions. Further, our adoption of remote working arrangements for our corporate and many of our contact center employees may result in increased consumer or employee privacy, IT security, and fraud concerns arising from the increased electronic transfer and other online activity. Techniques used in cybersecurity attacks to obtain unauthorized access, disable or sabotage information technology systems change frequently, as data breaches and other cybersecurity events have become increasingly commonplace, including as a result of the intensification of state-sponsored cybersecurity attacks during periods of geopolitical conflict, such as the ongoing conflict in Ukraine. We have seen, and will continue to see, industry-wide vulnerabilities, which could affect our or other parties' systems.

We also face indirect technology, cybersecurity and operational risks relating to the members and other third parties with whom we do business or upon whom we rely on to facilitate or enable our business activities, including vendors, payment processors, and other parties who have access to confidential information due to our agreements with them. The use of bank partnerships could leave us exposed to additional information security risks arising from the interaction between our and any partners' information technology infrastructure, and the sharing between us of member information. We cannot guarantee that our or our systems and networks, or those of any third parties with whom we do business, have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to any of our systems and networks. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, contractors, third-party vendors, business partners, or by malicious third parties.

Any failure or perceived failure by us, or the third parties with whom we do business, to comply with our privacy, confidentiality, or data security-related legal or other obligations to third parties, or any security breaches impacting us, our third-party providers or partners, may result in governmental investigations, enforcement actions, regulatory fines, litigation, or public statements against us by advocacy groups or others. In addition, a data security incident could cause third parties, to lose trust in us or subject us to claims by third parties that we have breached our privacy- and confidentiality-related obligations. Any belief by members or others that a security breach or other incident has affected us, even if a security breach or other incident has not affected us or any of our third-party providers or partners, could have any or all of the foregoing impacts on us, including harm to our reputation. Even the perception of inadequate security may harm our reputation and negatively impact our ability to attract and retain members.

We incur significant costs to detect and prevent security breaches and other security-related incidents, and we expect our costs will increase as we work to continuously improve our systems and processes to prevent future breaches and incidents. Any event that leads, or is believed to have led, to unauthorized access, to, or use, access, loss, corruption, disclosure or other processing of our data could disrupt our business; harm our reputation; compel us to comply with applicable federal and/or state breach notification laws and foreign law equivalents; subject us to litigation, regulatory investigation and oversight, or mandatory corrective action; require us to verify the correctness of database contents; or otherwise subject us to liability under laws and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs for us to address the incident and in an effort to prevent further breaches or incidents, and result in significant legal and financial exposure and/or reputational harm. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity.

We cannot ensure that any limitations of liability provisions in any agreements with third parties would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular cybersecurity claim. We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will continue to be available on economically reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business and financial condition.

Our retail locations also process physical member loan documentation that contain confidential information about our members, including financial and personally identifiable information. We retain physical records in various storage locations outside of our retail locations. The loss or theft of, or other unauthorized access to or use of, member information and data from our retail locations or other storage locations could subject us to additional regulatory scrutiny, possible civil litigation and possible financial liability and losses.

Any significant disruption in our computer systems and critical third-party vendors may impair the availability of our websites, applications, products or services, or otherwise harm our business.

Our ability to deliver products and services, and otherwise operate our business and comply with applicable laws, depends on the efficient and uninterrupted operation of our computer systems and third-party data centers, as well as third-party providers. Our computer systems, including those provided by third-party providers and partners, may encounter service interruptions at any time due to system or software failure, natural disasters, severe weather conditions, health epidemics or pandemics, terrorist attacks, cyber-attacks, computer viruses, physical or electronic break-ins, technical errors, insider threats, power outages or other events. Any of these occurrences may interrupt the availability, or reduce or adversely affect the functionality of our websites, applications, products or services, including our ability to service our loans, process loan applications, and provide digital banking services to our members. 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. Additionally, our reliance on third-party providers may mean that we are not able to resolve operational problems internally or on a timely basis, as our operations will depend upon such third-party providers communicating appropriately and responding swiftly to their own service disruptions.

The implementation of technology changes and upgrades to maintain current and integrate new systems may cause service interruptions, transaction processing errors or system conversion delays and may cause us to fail to comply with applicable laws, all of which could have a material adverse effect on our business. We expect that new technologies and business processes applicable to the financial services industry will continue to emerge and that these new technologies and business processes may be better than those we currently use. There is no assurance that we will be able to successfully adopt new technology as critical systems and applications become obsolete and better ones become available. A failure to maintain and/or improve current technology and business processes, address capacity constraints, upgrade our systems and continually develop our technology and infrastructure, could disrupt our operations or cause our products and services to be less competitive.

In addition, the software that we have developed to use in our daily operations is highly complex and may contain undetected technical errors that could cause our computer systems to fail. For example, each loan that we make involves our proprietary automated underwriting process and depends on the efficient and uninterrupted operation of our computer systems. Any failure of our computer systems involving our automated underwriting process and any technical or other software errors pertaining to this automated underwriting process could compromise our ability to accurately evaluate potential members, which could result in significant claims and liability and negative publicity. Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any of our losses.

We may change our corporate strategies or underwriting and servicing practices, which may adversely affect our business.

As our business grows and evolves, we have, and may in the future, change certain aspects of our corporate strategies or any of our underwriting guidelines without notice to our stockholders. Any changes in strategy or our underwriting or servicing practices could impact our business in any number of ways, including impacting our member mix, product and service offerings, risk profile of our loan portfolio, and operational and regulatory compliance requirements. We may also decide to modify our strategy with respect to whole loan sales, including increasing or decreasing the number of loans sold. We continue to evaluate our business strategies and underwriting and servicing practices and will continue to make changes to adapt to changing economic conditions, regulatory requirements and industry practices. Additionally, a change in our underwriting and servicing practices may reduce our credit spread and may increase our exposure to interest rate risk, default risk and liquidity risk.

We are, and intend in the future to continue, expanding into new geographic regions, and our failure to comply with applicable laws or regulations, or accurately predict demand or growth, related to these geographic regions could have an adverse effect on our business.

We intend to continue expanding into new geographic regions, including through strategic partnerships or through our bank partnership programs. In addition, each of the new states where we do not currently operate may have different laws and regulations that apply to our products and services. As such, we expect to be subject to significant additional legal and regulatory requirements, including various federal and state consumer lending laws. We have limited experience in managing risks and the compliance requirements attendant to these additional legal and regulatory requirements in new geographies or related to strategic partnerships. The costs of compliance and any failure by us to comply with such regulatory requirements in new geographies could harm our business. If our partners decide to or are no longer able to provide their services, we could incur temporary disruptions in our loan transactions or we may be unable to do business in certain states or certain locations.

We are exposed to geographic concentration risk.

The geographic concentration of our loan originations may expose us to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time will experience weaker economic conditions and higher unemployment and, consequently, will experience higher rates of delinquency and loss than on similar loans nationally. In addition, natural, man-made disasters or health epidemics or pandemics in specific geographic regions may result in higher rates of delinquency and loss in those areas. A significant portion of our outstanding receivables originated in certain states, and within the states where we operate, originations are generally more concentrated in and around metropolitan areas and other population centers. Therefore, economic conditions, natural, man-made disasters, health epidemics or pandemics, public policies that have the effect of drawing financial-services companies into contentious political or social issues, or other factors affecting these states or areas in particular could adversely impact the delinquency and default experience of the receivables and could adversely affect our business. Further, the concentration of our outstanding receivables in one or more states would have a disproportionate effect on us if governmental authorities in any of those states take action against us or take action affecting how we conduct our business.

As of June 30, 2023, 46.4%, 25.7%, 8.3%, 5.1% and 3.4% of our Owned Principal Balance at End of Period related to members from California, Texas, Florida, Illinois and New Jersey, respectively. If any of the events noted in these risk factors were to occur in or have a disproportionate impact in regions where we operate or plan to commence operations, it may negatively affect our business in many ways, including increased delinquencies and loan losses or a decrease in future originations.

Our proprietary credit risk models rely in part on the use of third-party data to assess and predict the creditworthiness of our members, and if we lose the ability to license or use such third-party data, or if such third-party data contain inaccuracies, it may harm our results of operations.

We rely on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, application data and our credit experience gained through monitoring the payment performance of our members over time. If we are unable to access certain third-party data used in our credit risk models, or our access to such data is limited, our ability to accurately evaluate potential members will be compromised, and we may be unable to effectively predict probable credit losses inherent in our loan portfolio, which would negatively impact our results of operations. Third-party data sources, including credit bureau data and other alternative data sources, are aggregated by our risk engine to be used in our credit risk models to score applicants, make credit decisions, and in our verification processes to confirm member-reported information. If the information that we receive from third parties about a member is inaccurate or does not accurately reflect the member's creditworthiness, this may cause us to provide loans to higher risk members than we intended through our underwriting process and/or inaccurately price the loans we make. We use numerous third-party data sources and multiple credit factors within our proprietary credit risk models, which helps mitigate, but does not eliminate, the risk of an inaccurate individual report. In addition, there are risks that the costs of our access to third-party data may increase or our terms with such third-party data providers could worsen. In recent years, well-publicized allegations involving the misuse or inappropriate sharing of personal information have led to expanded governmental scrutiny of practices relating to the safeguarding of personal information and the use or sharing of personal data by companies in the U.S. and other countries. That scrutiny has in some cases resulted in, and could in the future lead to, the adoption of stricter laws and regulations relating to the use and sharing of personal information. These types of laws and regulations could prohibit or significantly restrict our third-party data sources from sharing information, or could restrict our use of personal data when developing our proprietary credit risk models, or for fraud prevention purposes. These restrictions could also inhibit our development or marketing of certain products or services, or increase the costs of offering them to members or reduce the effectiveness of credit models at predicting credit outcomes or preventing fraud.

We follow procedures to verify a member's identity and address which are designed to minimize fraud. These procedures may include visual inspection of applicant identification documents to ensure authenticity, review of paystubs or bank statements for proof of income and employment, and review of analysis of information from credit bureaus, fraud detection databases and other alternative data sources for verification of identity, employment, income and other debt obligations. If any of the information that is considered in the loan review process is inaccurate, whether intentional or not, and such inaccuracy is not detected prior to loan funding, the loan may have a greater risk of default than expected. If any of our procedures are not followed, or if these procedures fail, fraud may occur. Additionally, there is a risk that following the date of the loan application, a member may have defaulted on, or become delinquent in the payment of, a pre-existing debt obligation, taken on additional debt, lost his or her job or other sources of income or experienced other adverse financial events. Fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negatively impact our results of operations, brand and reputation and require us to take additional steps to reduce fraud risk, which could increase our costs.

A deterioration in the financial condition of counterparties, including financial institutions, could expose us to credit losses, limit access to liquidity or disrupt our business.

We have entered into, and may in the future enter into, financing and derivative transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds, and other financial institutions. Furthermore, the operations of U.S. and global financial services institutions are interconnected, and a decline in the financial condition of one or more financial services institutions, or the perceived lack of creditworthiness of such financial institutions, may expose us to credit losses or defaults, limit access to liquidity or otherwise disrupt our business. As such, our financing and derivative transactions expose us to the risk of counterparty default, which can be exacerbated during periods of market illiquidity.

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.

We have vendors that, among other things, provide us with key services, including financial, technology and other services to support our loan origination, servicing and other activities. Our expansion into new channels, products or markets may introduce additional third-party service providers, strategic partners and other third parties on which we may become reliant. For example, in connection with the secured personal loan product, we work with third parties that provide information and/or services in connection with valuation, title management and title processing, repossessions, and remarketing. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by our partner banks' federal bank regulators (the Federal Reserve Board, the Office of Comptroller of the Currency and the Federal Deposit Insurance Corporation) and our consumer financial services regulators, including state regulators and the CFPB, which could increase the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. We could be adversely impacted to the extent our vendors and partners fail to comply with the legal requirements applicable to the particular products or services being offered. Moreover, if our bank partners or their regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions.

In some cases, third-party vendors are the sole source, or one of a limited number of sources, of the services they provide to us. Most of our vendor agreements are terminable on little or no notice, and if our current vendors were to stop or were unable to continue providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner on acceptable terms or at all. If any third-party vendor fails to provide the services we require, due to factors outside our control, we could be subject to regulatory enforcement actions, suffer economic and reputational harm and incur significant costs to resolve any such disruptions in service.

Our mission to provide inclusive, affordable financial services that empower our members to build a better future may conflict with the short-term interests of our stockholders or may not provide the long-term benefits that we expect and may adversely impact our business operations, results of operations, and financial condition.

Our mission is to provide inclusive, affordable financial services that empower our members to build a better future. We have made and will continue to make decisions that we believe will benefit our members and therefore provide long-term benefits for our business, even if our decision negatively impacts our short-term results of operations. For example, we constrain the maximum rates we charge in order to further our goal of making our loans affordable for our target members. Our decisions may negatively impact our short-term financial results or not provide the long-term benefits that we expect and may adversely impact our business operations, results of operations, and financial condition.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus on the mission that contribute to our business.

We believe that a critical component of our success is our corporate culture and our deep commitment to our mission. We believe this mission-based culture fosters innovation, encourages teamwork and cultivates creativity. Our mission defines our business philosophy as well as the emphasis that we place on our members, our people and our culture and is consistently reinforced to and by our employees. As we continue to grow, including from the integration of employees and businesses acquired in connection with previous or future acquisitions, we may find it difficult to maintain these valuable aspects of our corporate culture and our long-term mission. Operating as a remote-first company may make it difficult for us to preserve our corporate culture and could negatively impact on workforce morale and productivity. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork, and effectively focus on and pursue our mission and corporate objectives.

We are dependent on hiring an adequate number of hourly bilingual employees to run our business and are subject to government regulations concerning these and our other employees, including minimum wage laws.

Our workforce is comprised largely of bilingual employees who work on an hourly basis. In certain areas where we operate, there is significant competition for hourly bilingual employees and the lack of availability of an adequate number of hourly bilingual employees could adversely affect our operations. In addition, we are subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime and working conditions and immigration status. We are from time to time subject to employment-related claims, including wage and hour claims. Further, legislated increases in minimum wage, as well as increases in additional labor cost components, such as employee benefit costs, workers’ compensation insurance rates, and compliance costs and fines, would increase our labor costs.

Misconduct by our employees could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with our existing and potential members and third parties with whom we do business. There is a risk that our employees could be accused of or engage in misconduct that adversely affects our business, including fraud, redirection, misappropriation of member funds, improper execution of loan transactions, embezzlement and theft, disclosure of personal and business information and the failure to follow protocol when interacting with members that could lead us to suffer direct losses from the activity as well as serious reputational harm. Employee misconduct could also lead to regulatory sanctions and prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could harm our reputation and our business.

Our international operations and offshore service providers involve inherent risks which could result in harm to our business.

As of June 30, 2023, we had 1,429 employees in Mexico, including employees related to our two contact centers. These employees provide certain English/Spanish bilingual support related to member-facing contact center activities, administrative and technology support of the contact centers and back-office support services. We have also engaged outsourcing partners in the United States that provide offshore member-facing contact center activities in Colombia and the Philippines, and may in the future include additional locations in other countries. In addition, our technology development center in India is staffed through outsourcing partners and our own employees. We have engaged vendors that utilize employees or contractors based outside of the United States. As of June 30, 2023, our outsourcing partners have provided us, on an exclusive basis, the equivalent of 224 full-time equivalents in Colombia, Philippines, and India to support contact center and technical delivery work. These international activities are subject to inherent risks that are beyond our control, including:

- risks related to government regulation or required compliance with local laws;
- local licensing and reporting obligations;
- difficulties in developing, staffing and simultaneously managing a number of varying foreign operations as a result of distance, language and cultural differences;
- different, uncertain, overlapping or more stringent local laws and regulations;
- political and economic instability, tensions, security risks and changes in international diplomatic and trade relations;
- state or federal regulations that restrict offshoring of business operational functions or require offshore partners to obtain additional licenses, registrations or permits to perform services on our behalf;
- natural disasters, public health issues, epidemics or pandemics, acts of war, and terrorism, and other events outside our control;
- compliance with applicable U.S. laws and foreign laws related to consumer protection, intellectual property, privacy, data security, corruption, money laundering, and export/trade control;
- misconduct by our outsourcing partners and their employees or even unsubstantiated allegations of misconduct;
- risks due to lack of direct involvement in hiring and retaining personnel; and
- potentially adverse tax developments and consequences.

Violations of the complex foreign and U.S. laws, rules and regulations that apply to our international operations and offshore activities of our service providers may result in reputational harm, heightened regulatory scrutiny, fines, criminal actions or sanctions against us, our directors or our employees, as well as restrictions on the conduct of our business.

If we discover a material weakness in our internal control over financial reporting that we are unable to remedy or otherwise fail to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to report our financial results on a timely and accurate basis and the market price of our common stock may be adversely affected.

We have developed our disclosure controls, internal control over financial reporting and other procedures to ensure information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. To maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate we will continue to expend significant resources, including accounting-related costs and significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. If our internal controls are perceived as inadequate or we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq.

Section 404 of the Sarbanes-Oxley Act requires our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. We are also required to have our independent registered public accounting firm attest to, and issue an opinion on, the effectiveness of our internal control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective, or if, when required, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could subject us to sanctions or investigations by the SEC or other regulatory authorities, adversely affect our ability to access the credit markets and sell additional equity and commit additional financial and management resources to remediate deficiencies.

Because we receive a significant amount of cash in our retail locations through member loan repayments, we may be subject to theft and cash shortages due to employee errors.

Since our business requires us to receive a significant amount of cash in each of our retail locations, we are subject to the risk of theft (including by or facilitated by employees) and cash shortages due to employee errors. We have experienced theft and attempted theft in the past. Although we have implemented various procedures and programs to reduce these risks, maintain insurance coverage for theft and provide security measures for our facilities, we cannot make assurances that theft and employee error will not occur.

Our business is subject to the risks of natural disasters, public health crises and other catastrophic events, and to interruption by man-made problems.

A significant natural disaster, such as an earthquake, fire, hurricanes, flood or other catastrophic event (many of which are becoming more acute and frequent as a result of climate change), or interruptions by strikes, crime, terrorism, social unrest, cyber-attacks, pandemics or other public health crises, power outages, geopolitical unrest or other man-made problems, could have an adverse effect on our business, results of operations and financial condition. For example, a significant natural disaster in Northern California or any other location in which we have offices or facilities or employees working remotely, could adversely affect our business operations, financial condition and prospects, and our insurance coverage may be insufficient to compensate us for losses that may occur.

Our IT systems are backed up regularly to highly available, alternate data centers in a different region, and we have conducted disaster recovery testing of our mission critical systems. Despite any precautions we may take, however, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of war, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays or loss of critical data.

In addition, a large number of members make payments and apply for loans at our retail locations. If one or more of our retail locations becomes unavailable for any reason or other public health crisis, localized weather events, or natural or man-made disasters, our ability to conduct business and collect payments from members on a timely basis may be adversely affected, which could result in lower loan originations, higher delinquencies and increased losses. For example, during parts of the COVID-19 pandemic, we temporarily closed a few of our retail locations due to public health orders or other concerns, which we believe resulted in lower Aggregate Originations. While all of our retail locations are currently open, it is possible that we will have to temporarily close retail locations as necessary due to public health orders or other concerns relating to any public health crisis. The closure of retail locations could further adversely affect our loan originations, member experience, results of operations and financial condition.

The aforementioned risks may be further increased if our business continuity plans prove to be inadequate and there can be no assurance that both personnel and non-mission critical applications can be fully operational after a declared disaster within a defined recovery time. If our personnel, systems, or primary data center facilities are impacted, we may suffer interruptions and delays in our business operations. In addition, if these events impact our members or their ability to timely repay their loans, our business could be negatively affected.

In addition, the impacts of climate change on the global economy and our industry are rapidly evolving. We may be subject to increased regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business. While we seek to mitigate our business risks associated with climate change, there are inherent climate-related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our Bay Area headquarters have experienced and may continue to experience, climate-related events and at an increasing frequency, including floods, drought, water scarcity, heat waves, wildfires and resultant air quality impacts and power shutoffs associated with the wildfires. Changing market dynamics, global policy developments and increasing frequency and impact of extreme weather events on critical infrastructure in the United States and elsewhere have the potential to disrupt our business, the business of our critical vendors, partners and members, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. In addition, current and emerging legal and regulatory requirements with respect to climate change (e.g., carbon pricing) and other aspects of ESG (e.g., disclosure requirements) may result in increased compliance requirements on our business, which may increase our operating costs and disrupt our business.

We may not maintain sufficient business interruption or property insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to provide our financial products and services.

Health epidemics or other outbreaks, such as the COVID-19 pandemic, may adversely impact our business and results of operations.

Our business could be adversely impacted by the effects of health epidemics or other outbreaks. For example, the COVID-19 pandemic and health and safety measures taken by governments and private industry in response to the COVID-19 pandemic significantly impacted worldwide economic activity and consumer behavior and created economic uncertainty. Worker shortages, supply chain issues, inflationary pressures, vaccine and testing requirements, the emergence of new health epidemics or outbreaks and new variants of COVID-19, and the reinstatement and subsequent lifting of restrictions and health and safety related measures in response to the emergence of new health epidemics or outbreaks and new variants of COVID-19 have occurred in the past and may occur in the future. In 2020 through 2022, we offered payment relief options to members impacted by COVID-19, including hardship programs, reduced payment plans, late fee waivers and other borrower accommodations. In the future, we may offer additional payment relief options and may cease offering some options after the end of the federal state of emergency on May 11, 2023.

We are unable to predict the future path or impact of any global or regional health epidemics, other outbreaks, or resurgences of COVID-19, including existing or future variants. An extended period of disruption as a result of a health epidemic or pandemic, including COVID-19, may negatively impact us, as well as our members, vendors, and partners.

Unfavorable outcomes in legal proceedings may harm our business and results of operations.

We have been, and may in the future become, subject to litigation, claims, investigations, legal and administrative cases and proceedings, whether civil or criminal, or lawsuits by governmental agencies or private parties. If the results of any pending or future legal proceedings are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay monetary damages or fulfill our indemnification obligations or we may be subject to fines, penalties, injunctions or other censure. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues.

Funding and Liquidity Risks

We have incurred substantial debt and may issue debt securities or otherwise incur substantial debt in the future, which may adversely affect our financial condition and negatively impact our operations.

We have a substantial amount of indebtedness, which requires significant interest payments. From time to time, we may seek to obtain additional capital. We depend on securitization transactions, warehouse facilities and other forms of debt financing, as well as whole loan and structured loan sales, in order to finance the growth of our business and the origination of most of the loans we make to our members. Our outstanding borrowings or any additional indebtedness we may incur, could require us to divert funds identified for other purposes for debt service and impair our liquidity position. If we cannot generate sufficient cash flow from operations to service our debt, we may need to adopt one or more alternatives to refinance our debt, dispose of assets or obtain necessary funds, including obtaining additional equity capital which could be on terms that may be onerous or highly dilutive.

We do not know whether we will be able to take any of these actions on a timely basis, on terms satisfactory to us or at all.

Our substantial level of indebtedness and the current constraints on our liquidity could have important consequences, including the following:

- we must use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which reduces or will reduce funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes, execution of growth strategies, and potential acquisitions;
- our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- default and foreclosure on our and our subsidiaries' assets if asset performance and our operating revenue are insufficient to repay debt obligations;
- mandatory repurchase obligations for any loans conveyed or sold into a debt financing or under a whole loan purchase facility if the representations and warranties we made with respect to those loans were not correct when made;
- acceleration of obligations to repay the indebtedness (or other outstanding indebtedness to the extent of cross default triggers), even if we make all principal and interest payments when due, if we breach any covenants that require the maintenance of certain financial ratios with respect to us or the loan portfolio securing our indebtedness or the maintenance of certain reserves or tangible net worth and do not obtain a waiver for such breach or renegotiate such covenant;
- inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;

- inability to obtain necessary additional financing if changes in the characteristics of our loans or our collection and other loan servicing activities change and cease to meet conditions precedent for continued or additional availability under our debt financings;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less debt;
- defaults based on loan portfolio performance or default in our collection and loan servicing obligations could result in our being replaced by a third-party or back-up servicer and notification to our members to redirect payments;
- downgrades or revisions of agency ratings for our debt financing;
- monitoring, administration and reporting costs and expenses, including legal, accounting and other monitoring reporting costs and expenses, required under our debt financings; and
- we may be more vulnerable to economic downturn and adverse developments in our business, including potential economic recession, inflation, and other factors outside our control.

Our ability to meet our expenses, to remain in compliance with our covenants under our debt instruments and to make future principal and interest payments in respect of our debt depends on, among other factors, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by financial, business, economic and other factors. We are not able to control many of these factors. Given current industry and economic conditions, our cash flow may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations.

To the extent our relationship with lenders is negatively affected by disputes that may arise from time to time, it may be more difficult to seek covenant relief, if needed, or to raise additional funds in the future.

A breach of early payment triggers or covenants or other terms of our agreements with lenders could result in an early amortization, default, and/or acceleration of the related funding facilities.

The primary funding sources available to support the maintenance and growth of our business include, among others, asset-backed securitizations, revolving debt facilities (including the Secured Financing), Corporate Financing, and structured and whole loan sales. If we are unable to comply with various conditions precedent to availability under these facilities (including the eligibility of our loans), covenants and other specified requirements set forth in our agreements with our lenders, this could result in the early amortization, default and/or acceleration of our existing facilities. Such covenants and requirements include financial covenants, portfolio performance covenants and other events. The Corporate Financing contains financial covenants requiring a minimum liquidity maintenance covenant, minimum asset coverage ratio, together with other customary affirmative and negative covenants, and events of default. The obligations are secured by assets of the Company and its subsidiaries. Compliance with these covenants may limit our ability to take actions that might be to our advantage or to the advantage of our stockholders.

Our securitizations contain collateral performance threshold triggers related to the three-month average annualized gross charge-off or net charge-off rate which, if exceeded, would lead to early amortization. To support our collateral requirements under our financing agreements, we use a random selection process to take loans off our warehouse line to pledge to our securitizations. An inability to originate enough loans to meet the collateral requirements in our financing arrangements, could result in the early amortization, default and/or acceleration of our existing facilities. Moreover, we currently act as servicer with respect to the unsecured consumer loans held by our subsidiaries. If we default in our servicing obligations or fail to meet certain financial covenants, an early amortization event or event of default could occur, and/or we could be replaced by our back-up servicer or another successor servicer. If the back-up servicer or successor servicer is not adequate, the collection and processing of repayments may be impaired.

During an early amortization period or if an event of default exists, principal and interest collections from the loans in our asset-backed facilities would be applied to repay principal under such facilities and principal collections would no longer be available on a revolving basis to fund purchases of newly originated loans. If an event of default exists under our revolving debt or loan sale facilities, the applicable lenders or purchasers' commitments to extend further credit or purchase additional loans under the related facility would terminate. If collections were insufficient to repay the amounts due under our securitizations and our revolving debt facilities, the applicable lenders, trustees and noteholders could seek remedies, including against the collateral pledged under such facilities. Any of these events would negatively impact our liquidity, including our ability to originate new loans, and require us to rely on alternative funding sources. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to curtail the origination of loans, and we may be replaced by our back-up servicer or another successor servicer.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial ratios. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. For more information on covenants, requirements and events, see Note 8, Borrowings of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Our securitizations and structured and whole loan sales may expose us to certain risks, and we can provide no assurance that we will be able to conduct such transactions in the future, which may require us to seek more costly financing.

We have securitized, and may in the future securitize, certain of our loans to generate cash to originate new loans or pay our outstanding indebtedness. In each such transaction and in connection with our warehouse facilities, we sell and convey a pool of loans to a special purpose entity ("SPE"). Concurrently, each SPE issues notes or certificates pursuant to the terms of an indenture. The securities issued by the SPE are secured by the pool of loans owned by the SPE. In exchange for the sale of a portion of the pool of loans to the SPE, we receive cash, which are the proceeds from the sale of the securities. We also contribute a portion of the pool of loans in consideration for the equity interests in the SPE. Subject to certain conditions in the indenture governing the notes issued by the SPE (or the agreement governing the SPE's revolving loan), the SPE is permitted to purchase additional loans from us or distribute to us residual amounts received by it from the loan pool, which residual amounts are the cash amounts remaining after all amounts payable to service providers and the noteholders have been satisfied. We also have the ability to swap pools of loans with the SPE. Our equity interest in the SPE is a residual interest in that it entitles us as the equity owner of the SPE to residual cash flows, if any, from the loans and to any assets remaining in the SPE once the notes are satisfied and paid in full (or in the case of a revolving loan, paid in full and all commitments terminated). As a result of challenging credit and liquidity conditions, the value of the subordinated securities we retain in our securitizations might be reduced or, in some cases, eliminated.

The securitization market is subject to changing market conditions, and we may not be able to access this market when we would otherwise deem appropriate. For example, the securitization market has been volatile, driven by rising rates, inflation, recessionary concerns and the recent banking crisis. Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements may affect the type of securitizations that we are able to complete.

Asset-backed securities and the securitization markets were heavily affected by the Dodd-Frank Act and have also been a focus of increased regulation by the SEC. For example, the Dodd-Frank Act mandates the implementation of rules requiring securitizers or originators to retain an economic interest in a portion of the credit risk for any asset that they securitize or originate. Furthermore, sponsors are prohibited from diluting the required risk retention by dividing the economic interest among multiple parties or hedging or transferring the credit risk the sponsor is required to maintain. Rules relating to securitizations rated by nationally-recognized statistical rating agencies require that the findings of any third-party due diligence service providers be made publicly available at least five business days prior to the first sale of securities, which has led and will continue to lead us to incur additional costs in connection with each securitization. In addition, some of the regulations to be implemented under the Dodd-Frank Act relating to securitization have not yet been finalized. Any new rules or changes to the Dodd-Frank Act (or the current rules thereunder) could adversely affect our ability and our cost to access the asset-backed securities market.

If it is not possible or economical for us to securitize our loans in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may not be available on commercially reasonable terms, or at all. If the cost of such alternative financing were to be higher than our securitizations, we would likely reduce the fair value of our loans receivable held for investment, which would negatively impact our results of operations.

The gain on sale generated by any of our structured or whole loan sales and servicing fees earned on sold loans represents a significant source of our earnings. Demand for our loans at the current premiums may be impacted by factors outside our control, including availability of loan pools, demand by investors for loan assets and attractiveness of returns offered by competing investment alternatives offered by other loan originators with more attractive characteristics than our loan pools and loan purchaser interest. In March 2022, we participated in a securitization through which we issued amortizing asset-backed notes secured by a pool of its unsecured and secured personal installment loans and may do additional structured loan sales in the future. See Note 5, Loans Held for Sale and Loans Sold of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report. If we are unable to sell additional loans or obtain other financing, our revenue and liquidity may be negatively impacted and we may not be able to grow our business as planned and we may have to further curtail our originations.

Our results of operations are affected by our ability to sell our loans for a premium over their net book value. Potential loan purchasers might reduce the premiums they are willing to pay, or even require a discount to principal balance, for the loans that they purchase during periods of economic slowdown or recession to compensate for any increased risks. A reduction in the sale price of the loans we sell under any future whole loan sale program would likely result in a reduction in the fair value of our Loans Receivable at Fair Value, which would negatively impact our results of operations. Any sustained decline in demand for our loans or increase in delinquencies, defaults or foreclosures may reduce the price we receive on future loan sales below our loan origination cost.

We may need to raise additional funds in the future, including through equity, debt, or convertible debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new financial products and services, enhance our risk management model, improve our operating infrastructure, or acquire complementary businesses and technologies. Additionally, increases in our cost of funds and charge-offs may reduce our margins and require us to raise more capital to support our existing business and execute our corporate strategies. Accordingly, we may need to engage in equity, debt or convertible debt financings to secure additional funds. If we raise additional funds by issuing equity securities or securities convertible into equity securities, those securities may have rights, preferences or privileges senior to the rights of our common stock and our stockholders may experience dilution. Any large equity or equity-linked offering could also negatively impact our stock price. A number of factors, including market volatility or depressed valuations, trading prices in the equity markets, our financial condition and capital market conditions will impact our ability to obtain equity or debt financing.

Debt financing, if available, may have a high cost of funds and may involve covenants restricting our operations or our ability to incur additional debt. Lenders may also require warrants to boost their return, the issuance of which would be dilutive to our stockholders. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders and could also negatively impact our stock price. A number of factors, including market volatility or depressed valuations, trading prices in the equity markets, our financial condition and capital market conditions will impact our ability to obtain equity or debt financing. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could have an adverse effect on our business, results of operation and financial condition.

If we do not have sufficient capital, we may be unable to pursue certain opportunities and our ability to continue to support our growth and to respond to challenges could be impaired.

We maintain cash deposits in excess of federally insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.*

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks that exceed the FDIC insurance limits. Bank failures, events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership and on May 1, 2023, First Republic Bank was taken into receivership. While we did not maintain deposits at Silicon Valley Bank, Signature Bank, Silvergate Capital Corp. or First Republic Bank, the failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. treasury, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

Intellectual Property Risks

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

Our ability to offer our products and services to our members depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively which would adversely affect our ability to compete with them. We rely on a combination of copyright, trade secret, trademark laws and other rights, as well as confidentiality procedures and contractual provisions to protect our proprietary technology, processes and other intellectual property and do not have patent protection. However, the steps we take to protect our intellectual property rights may be inadequate. For example, a third party may attempt to reverse engineer or otherwise obtain and use our proprietary technology without our consent. The pursuit of a claim against a third party for infringement of our intellectual property could be costly, and there can be no guarantee that any such efforts would be successful. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and business.

We have been, and may in the future be, sued by third parties for alleged infringement of their proprietary rights.

Our proprietary technology, including our credit risk models and A.I. algorithms, may infringe upon claims of third-party intellectual property, and we may face intellectual property challenges from such other parties. The expansion of our suite of financial products and services may create additional trademark risk. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes. If we are unsuccessful, such claim or litigation could result in a requirement that we pay significant damages or licensing fees, which would negatively impact our financial performance. We may also be obligated to indemnify parties or pay substantial legal settlement costs, including royalty payments, and to modify applications or refund fees. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming, and may divert the attention of our management and key personnel from our business operations.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying 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.

Our credit risk models, A.I. capabilities, and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our credit risk models, A.I. capabilities, and internal systems rely on internally developed software that is highly technical and complex. In addition, our models, A.I. capabilities, and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs or other defects. Some errors may only be discovered after the code has been released for external or internal use. Errors, bugs or other defects within the software on which we rely may result in a negative experience for our members, result in errors or compromise our ability to protect member data or our intellectual property. Specifically, any defect in our credit risk models could result in the approval of unacceptably risky loans. Such defects could also result in reputational harm, loss of members, loss of revenue, adjustments to the fair value of our loans receivable held for investment or our asset-backed notes, challenges in raising capital, or liability for damages.

Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of our systems and negatively affects our business operations.

Some open source licenses contain requirements that we make source code available at no cost for modifications or derivative works we create based upon the type of open source software we use. We may face claims from third parties claiming ownership of, or demanding the release or license of, such modifications or derivative works (which could include our proprietary source code or credit risk models) or otherwise seeking to enforce the terms of the applicable open source license. If portions of our proprietary credit risk models are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our model or change our business activities, any of which could negatively affect our business and our intellectual property rights.

In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software.

Industry and Regulatory Risks

The financial services industry is highly regulated. Changes in regulations or in the way regulations are applied to our business could adversely affect our business.

We are subject to various federal, state and local regulatory regimes related to the financial services that we provide. The principal policy objectives of these regulatory regimes are to provide meaningful disclosures to consumers, to protect against unfair, deceptive and abusive acts or practices and to prevent discrimination. Laws and regulations, among other things, impose licensing and qualifications requirements; require various disclosures and consents; mandate or prohibit certain terms and conditions for various financial products; prohibit discrimination based on certain prohibited bases; prohibit unfair, deceptive or abusive acts or practices; require us to submit to examinations by federal and state regulatory regimes; and require us to maintain various policies, procedures and internal controls.

Federal and state agencies have broad enforcement powers over us, including powers to periodically examine and continuously monitor our operations and to investigate our business practices and broad discretion to deem particular practices unfair, deceptive, abusive or otherwise not in accordance with the law. State attorneys general have a variety of legal mechanisms at their disposal to enforce state and federal consumer financial laws. For example, Section 1042 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") grants state attorneys general the ability to enforce the Dodd-Frank Act and regulations promulgated under the Dodd-Frank Act's authority and to secure remedies against entities within their jurisdiction. State attorneys general also have a variety of legal mechanisms at their disposal to enforce state and federal consumer financial laws and have enforcement authority under state law with respect to unfair or deceptive practices. Generally, under these statutes, state attorneys general may conduct investigations, bring actions, and recover civil penalties or obtain injunctive relief against entities engaging in unfair, deceptive, or fraudulent acts. Attorneys general may also coordinate among themselves or with other regulators to enter into coordinated actions or settlements. Finally, several consumer financial laws like the Truth in Lending Act and Fair Credit Reporting Act grant enforcement or litigation authority to state attorneys general.

Changes in laws or regulations, or the regulatory application or interpretation of the laws and regulations applicable to us, could adversely affect our ability to operate in the manner in which we currently conduct business, and may also make it more difficult or costly for us to originate additional loans, or for us to collect payments on our loans to members or otherwise operate our business by subjecting us, our service providers, or strategic partners, to additional licensing, registration and other regulatory requirements in the future.

Failure to comply with applicable laws and regulations could result in additional compliance requirements, limitations on our ability to collect or retain all or part of the principal of or interest on loans, fines or penalties, an inability to continue operations, modification in business practices, regulatory actions, loss of required licenses or registrations, potential impairment, voiding, or voidability of loans, rescission of contracts, civil and criminal liability and damage to our reputation. It could also result in a default or early amortization event under certain of our debt facilities and reduce or terminate availability of debt financing to us to fund originations. To the extent it is determined that any loan we make was not originated in accordance with all applicable laws as we are required to represent under our securitization and other debt facilities and in loan sales to investors, we could be obligated to repurchase for cash or swap for qualifying assets, any such loan determined not to have been originated in compliance with legal requirements. We may not have adequate liquidity and resources to make such cash repurchases or swap for qualifying assets.

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

In the ordinary course of business, we have been named as a defendant in various legal actions, including class actions and other litigation. Generally, this litigation arises from claims of violation of do-not-call, credit reporting, collection, and bankruptcy laws. The complexity of the laws related to secured personal loans regarding vehicle titling, lien placement and repossession may enhance the risk of consumer litigation. Further, the origination of loans through bank partnerships may increase the risk of litigation or regulatory scrutiny including based on the "true lender" theory that seeks to recharacterize a lending transaction. State legislation requiring licensure and state restrictions including fee and rate limits on bank partner loans may also reduce profitability and/or increase regulatory and litigation risk. Additionally, platforms offering banking services and products through partners have also been challenged by federal and state regulators on a variety of claims.

Regulatory bodies may enact new laws or promulgate new regulations or view matters or interpret laws and regulations differently than they have in the past, or commence investigations or inquiries into our business practices. For example, in April 2022, the CFPB announced that it intends to examine nonbank financial companies that pose risks to consumers, and in November 2022, the Treasury Department issued a report encouraging the CFPB to increase its supervisory activity with respect to larger nonbank lenders. If the CFPB decides to subject us to its supervisory process, it could significantly increase the level of regulatory scrutiny of our business practices. Further, in December 2022 and January 2023 respectively, the CFPB announced proposed rules requiring (a) a nonbank entity to register with the CFPB if it receives a final public written order or judgment (including a consent order or stipulated order) from a federal, state or local government agency for violation of consumer protection laws and (b) a supervised nonbank to register if it uses certain contract terms and conditions that claim to waive or limit consumer rights and protections (including arbitration clauses). If finalized, each of these registries has the potential to increase the operational costs and regulatory scrutiny of our business practices. In addition, the Biden Administration recently announced a government-wide effort to eliminate “junk fees” which could subject our business practices to even further scrutiny. The CFPB’s action on junk fees thus far has largely focused on fees associated with deposit products, such as “surprise” overdraft fees and not-sufficient-funds fees, that are not within scope of our products or services. However, what constitutes a “junk fee” remains undefined. The CFPB has called out other fees, such as pay-to-pay fees charged by debt collectors, and is actively soliciting consumer input on fee practices associated with other consumer financial products or services, signaling that the “junk fee” initiative is likely to continue to broaden in scope. In February 2023, the CFPB published a proposed rule, which is currently subject to public comment, amending Regulation Z to mandate significant decreases to credit card late fees and eliminate annual inflation adjustments for late fee safe harbor amounts. All such legal and regulatory actions are inherently unpredictable and, regardless of the merits of the claims, legal and regulatory actions are often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. In addition, certain of those actions include claims for indeterminate amounts of damages. Our involvement in any such matter also could cause significant harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. If resolved against us, legal actions could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. We have in the past chosen to settle (and may in the future choose to settle) certain matters in order to avoid the time and expense of litigating them. Although none of the settlements has been material to our business, there is no assurance that, in the future, such settlements will not have a material adverse effect on our business.

In addition, a number of participants in the consumer financial services 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 usury laws, actions alleging violations of the Americans with Disabilities Act, 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 and other consumer financial services and products. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted insignificant 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 or adversely affect 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 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 substantially in excess of the amounts we earned from the underlying activities.

Some of our consumer financing agreements include arbitration clauses. If our arbitration agreements were to become unenforceable for any reason, we could experience an increase to our consumer litigation costs and exposure to potentially damaging class action lawsuits.

In addition, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted members. These self-identified issues and voluntary remediation payments could be significant, depending on the issue and the number of members impacted, and could generate litigation or regulatory investigations that subject us to additional risk.

Internet-based and electronic signature-based loan origination processes may give rise to greater risks than paper-based processes.

We use internet-based loan processes to obtain application information, distribute certain legally required notices to applicants and borrowers, and to obtain electronically signed loan documents in lieu of paper documents with wet borrower signatures obtained in person. These processes may entail greater risks than would paper-based loan origination processes, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that borrowers may challenge the authenticity of their signature or of the loan documents, risks that a court of law may not enforce electronically signed loan documents and risks that, despite controls, unauthorized changes are made to the electronic loan documents. If any of those factors were to cause any loans, or any of the terms of the loans, to be unenforceable against the borrowers, or impair our ability to service our loans, the value of our loan assets would decrease significantly to us and to our whole loan purchasers, securitization investors and warehouse lenders. In addition to increased default rates and losses on our loans, this could lead to the loss of whole loan purchasers and securitization investors and trigger terminations and amortizations under our debt warehouse facilities, each of which would materially adversely impact our business.

The CFPB has broad authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.*

The CFPB has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as the Truth in Lending Act and Regulation Z, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act and Regulation V, the Electronic Funds Transfer Act and Regulation E, and to enforce compliance with those laws. The CFPB is charged with the examination and supervision of certain participants in the consumer financial services market, including short-term, small dollar lenders, and larger participants in other areas of financial services. While historically, we have not been subject to CFPB supervisory authority, it is possible that we may become subject to additional regulatory scrutiny and compliance costs going forward through supervision by the CFPB. In recent publications, the CFPB has indicated that the agency is significantly increasing its oversight and scrutiny over consumer finance and on April 25, 2022, the CFPB announced that it was invoking a previously unused legal provision to examine nonbank financial companies that it believes pose risk to consumers. The CFPB may also request, through examination or investigation, reports concerning our organization, business conduct, markets and activities and if the CFPB were to determine that we were engaging in activities that pose risks to consumers, may conduct on-site examinations of our business on a periodic basis. On October 19, 2022, in Community Financial Services Association of America v. Consumer Financial Protection Bureau, the U.S. Court of Appeals for the Fifth Circuit found that the CFPB's independent funding through the Federal Reserve violated the U.S. Constitution's appropriations clause and invalidated the remaining portions of the CFPB's restrictions on the lenders offering payday, auto title and other short-term, high-interest loans. The CFPB has appealed the decision to the Supreme Court of the United States and while a decision is expected in the coming term, we are unable to predict the exact timing, outcome, and impact of this litigation.

In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the credit products we offer. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB also may issue requests for public input in certain areas of concern that may lead to increased regulatory scrutiny on us, our products and consumer finance industry and impose restrictions on fees and charges, thereby impacting results of our business. For example, in March 2022, it requested public input on fees for financial products and has indicated that it plans to ramp up enforcement actions against lenders that illegally charge credit card late-payment fees and may rewrite its rules that set thresholds for such fees. Further, in February 2023, the CFPB proposed a rule that would amend regulations to limit credit card late-payment fees to $8 or 25% of the minimum payment due, whichever is greater.

Digit received a CID from the CFPB in June 2020. The CID was disclosed and discussed during the acquisition process. The stated purpose of the CID is to determine whether Digit, in connection with offering its products or services, misrepresented the terms, conditions, or costs of the products or services in a manner that is unfair, deceptive, or abusive. While the Company believes that the business practices of the Company, including Digit, have been in full compliance with applicable laws, in the interest of resolving this matter, on August 11, 2022, Digit agreed to a consent order with the CFPB resolving such CID. In connection with such consent order, Digit agreed to implement a redress and compliance plan, to pay at least $68,145 in consumer redress to consumers who may have been harmed and paid a $2.7 million civil penalty to the CFPB in the third quarter of 2022.

Other federal or state regulators could launch similar investigations or join the CFPB in its investigation. In addition, actions by the CFPB could result in requirements to alter or cease offering affected financial products and services, making them less attractive and restricting our ability to offer them. The CFPB could also implement rules that restrict our effectiveness in servicing our financial products and services. Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of our or their services or restrict our business activities could result in reputational harm and adversely affect our business. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. The current presidential administration has appointed and is expected to continue to appoint consumer-oriented regulators at federal agencies such as the CFPB, FTC, OCC and FDIC, and the government's focus on enforcement of federal consumer protection laws is expected to increase. It is possible that these regulators could promulgate rulemakings and bring enforcement actions that materially impact our business and the business of our lending partners.

The collection, storage, use, disclosure, and other processing of personal information is an area of increasing complexity and scrutiny.

We collect, store, use, disclose, and otherwise process a large volume of personal information about individuals (including members and employees). New laws and regulations concerning the processing of personal information continue to be vigorously debated and enacted at all levels of government across the United States and around the globe while existing laws, such as the Gramm-Leach-Bliley Act, are being amended or reinterpreted to account for the rapidly evolving data economy. The California Consumer Privacy Act (the "CCPA"), including the California Privacy Rights Act of 2020 amendments imposes significant requirements on businesses processing consumer personal information – principally around enabling and honoring consumer choices related to such processing. Violations of the CCPA can result in civil penalties assessed by the Attorney General or the California Privacy Protection Agency and individual plaintiffs may pursue statutory damages in a private right of action for certain data breaches. Several U.S. states have already followed California's lead in enacting comprehensive privacy legislation and others are likely to do so in the future. The CCPA and other state comprehensive privacy laws enacted to date contain certain exemptions for personal information that is subject to the Gramm-Leach-Bliley Act. In some cases, these laws also contain broader exemptions for entities such as Oportun that are subject to the Gramm-Leach-Bliley Act. These exemptions may not exempt Oportun completely from these laws, however, and such exemptions' scope and interpretation remain subject to uncertainty. Further, future laws may not include such exemptions. At the federal level, regulators, including the CFPB and FTC, have adopted, or are considering adopting, laws and regulations concerning personal information and data privacy and security. The FTC, for example, released its updated Standards for Safeguarding Customer Information (Safeguards Rule), effective June 9, 2023, which raises the bar for covered financial institutions' information security programs through proscriptive requirements for things like accountability and oversight, performing risk assessments, encryption, and enabling multi-factor authentication to protect all forms of customer information. This patchwork of legislation and regulation may give rise to conflicts or differing views of personal privacy rights and of privacy and security obligations to which companies such as Oportun must adhere.

The rapidly evolving privacy and data protection regulatory environment, along with increased scrutiny from consumers and their advocates and increased complexity in Oportun's organizational structure, demands careful attention to our own processing of personal information and processing by third parties acting on our behalf. For example, we've seen an increase in third-party arrangements, including, for example, with lead aggregators, bank partners, Lending as a Service partners and affiliate relationships through our subsidiary Digit. Our failure, or a failure by third parties with whom we do business, to comply with applicable privacy laws or regulations and contractual obligations required by our business partners, and even a perceived failure, could damage our reputation, harm our ability to obtain market adoption, discourage existing and prospective members from using our products and services, require us to change our business practices, business partners or operational structure, or result in investigations, claims, or fines by governmental agencies and private plaintiffs. Even in the absence of a challenge to our practices, we may incur substantial costs to implement new systems to comply with regulatory requirements, such as consumer requests concerning the processing of their personal information and to honor any choices that may be available to them by law.

Our business is subject to the regulatory framework applicable to registered investment advisers, including regulation by the SEC.

We offer investment management services through Digit Advisors, LLC which provides automated investment advice regarding the selection of a portfolio of exchange traded funds through our mobile application. Digit Advisors is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and is subject to regulation by the SEC.

Investment advisers are subject to the anti-fraud provisions of the Advisers Act and to fiduciary duties derived from these provisions, which apply to our relationships with our members who are advisory clients, as well as the funds we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our members, including for example restrictions on transactions with our affiliates. Our investment adviser has in the past and will in the future be subject to periodic SEC examinations. Our investment adviser is also subject to other requirements under the Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate to matters including maintaining effective and comprehensive compliance programs, record-keeping and reporting and disclosure requirements. The Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event such investment adviser fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our employees were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and ability to gain or retain members.

Our bank partnership products may lead to regulatory risk and may increase our regulatory burden.

We provide our credit card products through a bank partnership program with WebBank and we have bank partnership programs with Pathward, N.A., to offer unsecured installment loans and provide deposit accounts, debit card services and other transaction services to our members. State and federal agencies have broad discretion in their interpretation of laws and their interpretation of requirements related to bank partnership programs and may elect to alter standards or the interpretation of the standards applicable to these programs. States are also introducing and passing legislation designed to examine these programs by defining who has the “predominant economic interest” in the loan transaction and prohibiting such entity from collecting interest and fees above state mandated caps. In addition, as a result of our bank partnerships, prudential bank regulators with supervisory authority over our partners have the ability to regulate aspects of our business. There has also been significant recent government enforcement action and litigation challenging the validity of such arrangements for lending products, including disputes seeking to recharacterize lending transactions on the basis that the non-bank party rather than the bank is the “true lender” or “de facto lender”, and in case law challenging the “valid when made” doctrine, which holds that based on federal preemption, state interest rate limitations are not applicable in the context of certain bank-non-bank partnership arrangements.

The uncertainty of the federal and state regulatory environments around bank partnership programs means that our efforts to launch products and services through bank partners may not ultimately be successful, or may be challenged by legislation or regulatory action. If the legal structure underlying our relationship with our bank partners were to be successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and fees. In the event of such a challenge or if our arrangements with our 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 national bank charter, and/or be subject to the interest rate limitations of certain states. In addition, adverse orders or regulatory enforcement actions against our bank partners, even if unrelated to our business, could impose restrictions on their ability to continue to extend credit or on current terms. Regulation by federal and state regulators may also subject us to increased compliance, legal and operational costs, and could subject our business model to scrutiny and otherwise increase our regulatory burden, or may adversely affect our ability to expand our business.

Anti-money laundering, anti-terrorism financing and economic sanctions laws could have adverse consequences for us.

We maintain a compliance program designed 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 USA PATRIOT Act and U.S. economic sanctions laws administered by the Office of Foreign Assets Control. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering and terrorist financing and engaging in transactions involving sanctioned countries persons and entities. These controls include procedures and processes to detect and report suspicious transactions, perform member due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. Our failure to comply with anti-money laundering, economic and trade sanctions regulations, and similar laws could subject us to substantial civil and criminal penalties, or result in the loss or restriction of our state licenses, or liability under our contracts with third parties, which may significantly affect our ability to conduct some aspects of our business. Changes in this regulatory environment, including changing interpretations and the implementation of new or varying regulatory requirements, may significantly affect or change the manner in which we currently conduct some aspects of our business.

We may have to constrain our business activities to avoid being deemed an investment company under the Investment Company Act.

The Investment Company Act of 1940, as amended (the "Investment Company Act") contains substantive legal requirements that regulate the way "investment companies" are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our company being characterized as an investment company, including by relying on certain exemptions from registration as an investment company. We rely on guidance published by the SEC staff or on our analyses of such guidance to determine our qualification under these and other exemptions. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. If we are deemed to be an investment company, we may attempt to seek exemptive relief from the SEC, which could impose significant costs and delays on our business. We may not receive such relief on a timely basis, if at all, and such relief may require us to modify or curtail our operations. If we are deemed to be an investment company, we may also be required to institute burdensome compliance requirements and our activities may be restricted.

We are subject to governmental export and import controls that could subject us to liability, impair our ability to compete in international markets and adversely affect our business.

Although our business does not involve the commercial sale or distribution of hardware, software or technology, in the normal course of our business activities we may from time to time ship general commercial equipment outside the United States to our subsidiaries or affiliates for their internal use. In addition, we may export, transfer or provide access to software and technology to non-U.S. persons such as employees and contractors, as well as third-party vendors and consultants engaged to support our business activities. In all cases, the sharing of software and/or technology is solely for the internal use of the company or for the use by business partners to provide services to us, including software development. However, such shipments and transfers may be subject to U.S. and foreign regulations governing the export and import of goods, software and technology. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to significant sanctions, fines, penalties and reputational harm. Further, any change in applicable export, import or economic sanctions regulations or related legislation, shift in approach to the enforcement or scope of existing regulations or change in the countries, persons or technologies targeted by these regulations could adversely affect our business.

General Risk Factors

You may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions, financings, investments or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue shares of common stock authorized but unissued and rights relating to common stock for the consideration and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. We have authorized 10,078,116 shares for issuance under our 2019 Equity Incentive Plan, 1,926,598 shares for issuance under our 2019 Employee Stock Purchase Plan, and 552,992 shares for issuance under our 2021 Inducement Equity Incentive Plan, each subject to adjustment in certain events. Any common stock that we issue, including under our existing equity incentive plans or other equity incentive plans that we may adopt in the future, or in connection with any acquisitions, financings, investments or otherwise, could dilute your percentage ownership.

The issuance of shares of our Common Stock upon exercise of our outstanding Warrants issued in connection with the Amended Credit Agreement would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of June 30, 2023, the Warrants to purchase 4,193,453 shares of our Common Stock issued in connection with the Amended Credit Agreement were outstanding and exercisable. The exercise price of these Warrants is $0.01 per share. To the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to holders of our common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of our common stock.

The price of our common stock may be volatile, and you could lose all or part of your investment.*

The trading price of our common stock has been and may continue to be volatile and will depend on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock, because you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- failure to meet quarterly or annual guidance with regard to revenue, margins, earnings or other key financial or operational metrics;
- fluctuations in the trading volume of our share or the size of our public float;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and market valuations of similar companies;
- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- speculation in the press or investment community;
- any major change in our management;

- sales of shares of our common stock by us or our stockholders;
- actual or anticipated fluctuations in our results of operations;
- actual or perceived data security breaches or incidents impacting us or our third-party service providers;
- changes in prevailing interest rates;
- quarterly fluctuations in demand for our loans;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- developments or disputes concerning our intellectual property or other proprietary rights;
- litigation, government investigations and regulatory actions;
- passage of legislation or other regulatory developments that adversely affect us or our industry;
- general economic conditions, such as rising interest and inflation rates, recessions, tightening of credit markets and recent or potential bank failures;
- developments relating to our reduction in force and other streamlining measures announced in February 2023 and May 2023; and
- other risks and uncertainties described in these risk factors.

If financial or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. In addition, analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these research analysts.

The enactment of tax reform legislation could adversely impact our financial position and results of operations.

Legislation or other changes in U.S. and international tax laws could increase our liability and adversely affect our after-tax profitability. For example, the United States recently enacted the Inflation Reduction Act, which implemented, among others, a 15% alternative minimum tax on adjusted financial statement income for certain large companies and a 1% excise tax on certain stock buybacks. In addition, many countries and the Organisation for Economic Co-operation and Development have reached an agreement to implement a 15% global minimum tax. Such proposed changes, as well as regulations and legal decisions interpreting and applying these changes, may have significant impacts on our effective tax rate, cash tax expenses and net deferred taxes in the future. As the legislation becomes effective in countries in which we do business, our taxes could increase and negatively impact our provision for income taxes.

Our directors, officers, and principal stockholders have substantial control over our company, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers, and each of our 5% stockholders and their affiliates, in the aggregate, beneficially own a significant number of the outstanding shares of our common stock. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours, and they may vote in a way with which you disagree or which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified Board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing standards of the Nasdaq Stock Market, and other applicable securities rules and regulations, including changes in corporate governance practices and the establishment and maintenance of effective disclosure and financial controls. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources.

In addition, changing laws, regulations and standards or interpretations thereof relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us.

Certain of our market opportunity estimates, growth forecasts, and key metrics could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates, growth forecasts and key metrics, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts relating to the size and expected growth of our market opportunity may prove to be inaccurate. It is impossible to offer every loan product, term or feature that every member wants, and our competitors may develop and offer products, terms or features that we do not offer. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the individuals covered by our market opportunity estimates will generate any particular level of revenues. Even if the markets in which we compete meet our size estimates and growth forecasts, our business could fail to grow at expected rates, if at all, for a variety of reasons outside of our control. Furthermore, in order for us to successfully address this broader market opportunity, we will need to successfully expand into new geographic regions where we do not currently operate.

Our key metrics are calculated using internal company data, including Members and Products, and have not been validated by an independent third-party. We have in the past implemented, and may in the future implement, new methodologies for calculating these metrics which may result in the metrics from prior periods changing, decreasing or not being comparable to prior periods. As our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer appropriate measures of our performance. Our key metrics may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be sufficient or accurate representations of our business, or if we discover material inaccuracies in our metrics, our stock price, reputation and prospects would be adversely affected.

Certain provisions in our charter documents and under Delaware law could limit attempts by our stockholders to replace or remove our Board, delay or prevent an acquisition of our company, and adversely affect the market price of our common stock.

Provisions in our amended and restated certificate of incorporation, and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our Board. These provisions include the following:

- a classified Board with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our Board;
- our Board has the right to elect directors to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill Board vacancies;
- our stockholders may not act by written consent or call special stockholders' meetings;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the Board or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our Board may issue, without stockholder approval, shares of undesignated preferred stock, which may make it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board has approved the transaction. Such provisions could allow our Board to prevent or delay an acquisition of our company.

Certain of our executive officers may be entitled, pursuant to the terms of their employment arrangements, to accelerated vesting of their stock options following a change of control of our company under certain conditions. In addition to the arrangements currently in place with some of our executive officers, we may enter into similar arrangements in the future with other officers. Such arrangements could delay or discourage a potential acquisition.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a potential acquisition could limit the opportunity for our stockholders to receive a premium for their shares of our common stock in connection with such acquisition, and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or the U.S. federal district courts will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, (4) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws, or (5) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act of 1933, as amended ("Securities Act"), creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds 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. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

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

Unregistered Sale of Equity Securities

We had no unregistered sales of our securities in the reporting period not previously reported.

Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
30+ Day Delinquency Rate	Unpaid principal balance for our owned loans and credit card receivables that are 30 or more calendar days contractually past due as of the end of the period divided by Owned Principal Balance as of such date
Adjusted EBITDA	Adjusted EBITDA is a non-GAAP financial measure calculated as net income (loss), adjusted to eliminate the effect of the following items: income tax expense (benefit), stock-based compensation expense, depreciation and amortization, interest expense from corporate financing, certain non-recurring charges, origination fees for Loans Receivable at Fair Value, net and fair value mark-to-market adjustments
Acquisition Financing	Asset-backed floating rate variable funding note and asset-backed residual certificate secured by certain residual cash flows of the Company's securitizations. The Acquisition Financing was used to fund the cash consideration for the Digit acquisition. Included as "Acquisition and corporate financing" on the Consolidated Balance Sheets
Adjusted Earnings Per Share ("EPS")	Adjusted EPS is a non-GAAP financial measure calculated by dividing Adjusted Net Income by adjusted weighted-average diluted common shares outstanding
Adjusted Net Income	Adjusted Net Income is a non-GAAP financial measure calculated by adjusting our net income (loss) adjusted to exclude income tax expense (benefit), stock-based compensation expense, and certain non-recurring charges
Adjusted Operating Efficiency	Adjusted Operating Efficiency is a non-GAAP financial measure calculated by dividing adjusted total operating expenses (excluding stock-based compensation expense and certain non-recurring charges) by total revenue
Adjusted Return on Equity ("ROE")	Adjusted Return on Equity is a non-GAAP financial measure calculated by dividing annualized Adjusted Net Income by average total stockholders’ equity
Aggregate Originations	Aggregate amount disbursed to borrowers and credit granted on credit cards during a specified period, including amounts originated by us through our Lending as a Service partners or under our bank partnership programs. Aggregate Originations exclude any fees in connection with the origination of a loan
Annualized Net Charge-Off Rate	Annualized loan and credit card principal losses (net of recoveries) divided by the Average Daily Principal Balance of owned loans and credit card receivables for the period
APR	Annual Percentage Rate
Average Daily Debt Balance	Average of outstanding debt principal balance at the end of each calendar day during the period
Average Daily Principal Balance	Average of outstanding principal balance of owned loans and credit card receivables at the end of each calendar day during the period
Board	Oportun’s Board of Directors
Corporate Financing	Senior secured term loan secured by the assets of the Company and certain of its subsidiaries guaranteeing the term loan, including pledges of the equity interests of certain subsidiaries that are directly or indirectly owned by the Company. Included as "Acquisition and corporate financing" on the Consolidated Balance Sheets
Cost of Debt	Annualized interest expense divided by Average Daily Debt Balance
Credit Card Warehouse (or "CCW")	Revolving credit card warehouse debt facility, collateralized by credit card accounts. Included as "Secured Financing" on the Consolidated Balance Sheets
Customer Acquisition Cost (or "CAC")	Sales and marketing expenses, which include the costs associated with various paid marketing channels, including direct mail, digital marketing and brand marketing and the costs associated with our telesales and retail operations divided by number of loans originated and new credit cards activated to new and returning borrowers during a period
GAAP	Generally Accepted Accounting Principles
Leverage	Average Daily Debt Balance divided by Average Daily Principal Balance
Loans Receivable at Fair Value	All loans receivable held for investment. Loans Receivable at Fair Value include loans receivable on our unsecured and secured personal loan products and credit card receivable balances
Managed Principal Balance at End of Period	Total amount of outstanding principal balance for all loans and credit card receivables, including loans sold, which we continue to service, at the end of the period. Managed Principal Balance at End of Period also includes loans and accounts originated under a bank partnership program that we service
Members	Members include borrowers with an outstanding or successfully paid off loan, originated by us or under a bank partnership program that we service, or individuals who have been approved for a credit card issued under a bank partnership program. Members also include individuals who have signed-up to use or are using any of our Savings, Direct, Investing and/or Retirement products
Net Revenue	Net Revenue is calculated by subtracting interest expense from total revenue and adding the net increase (decrease) in fair value
Operating Efficiency	Total operating expenses divided by total revenue
Owned Principal Balance at End of Period	Total amount of outstanding principal balance for all loans and credit card receivables, including finance receivables pledged as part of a secured borrowing and excluding loans and receivables sold or loans retained by a bank partner, at the end of the period
Personal Loan Warehouse (or "PLW")	Revolving personal loan warehouse debt facility, collateralized by unsecured personal loans and secured personal loans that replaced the VFN facility. Included as "Secured Financing" on the Consolidated Balance Sheets
Portfolio Yield	Annualized interest income as a percentage of Average Daily Principal Balance
Principal Balance	Original principal balance reduced by principal payments received and principal charge-offs to date for our personal loans. Purchases and cash advances, reduced by returns and principal payments received and principal charge-offs to date for our credit cards

Term or Abbreviation	Definition
Products	Products refers to the aggregate number of personal loans and/or credit card accounts that our Members have had or been approved for that have been originated by us or through one of our bank partners. Products also include the aggregate number of digital banking products we offer, including Savings, Direct, Investing and Retirement, that our Members use or have signed-up to use
Return on Equity	Annualized net income divided by average stockholders' equity for a period
Secured Financing	Asset-backed revolving debt facilities, including (1) the PLW facility that is collateralized by unsecured personal loans and secured personal loans and (2) the CCW facility that is collateralized by credit card accounts
Weighted Average Interest Rate	Annualized interest expense as a percentage of average debt

Item 6. Exhibit Index

Exhibit	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Amended and Restated 2021 Inducement Equity Incentive Plan and Form of Award Notice and Agreement	S-8	333-272685	10.1	6/15/2023	
10.2	Fifth Amendment to the Loan and Security Agreement by and among Oportun PLW Trust, Oportun PLW Depositor, LLC, Oportun, Inc., the Lenders thereto, and Wilmington Trust, National Association, dated as of June 29, 2023.					x
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Executive Officer and Director of Oportun Financial Corporation					x
31.2	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Financial Officer and Chief Administrative Officer of Oportun Financial Corporation					x
32.1**	Section 1350 Certifications					x
101	Interactive data files pursuant to Rule 405 of Regulation S-T:					
	(i) Condensed Consolidated Balance Sheets,					
	(ii) Condensed Consolidated Statements of Operations and Comprehensive Income,					
	(iii) Condensed Consolidated Statements of Changes in Stockholders' Equity,					
	(iv) Condensed Consolidated Statements of Cash Flows, and					
	(v) Notes to the Condensed Consolidated Financial Statements					
104	Cover Page Interactive Data File in Inline XBRL format (Included in Exhibit 101).					

** The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

Signature

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date set forth below.

OPORTUN FINANCIAL CORPORATION
(Registrant)

Date: August 9, 2023	By: /s/ Jonathan Coblentz
	Jonathan Coblentz
	Chief Financial Officer and Chief Administrative Officer
	(Principal Financial Officer and duly authorized signatory of the Registrant)

EXECUTION COPY

OPORTUN PLW TRUST

FIFTH AMENDMENT TO THE LOAN AND SECURITY AGREEMENT

This FIFTH AMENDMENT TO THE LOAN AND SECURITY AGREEMENT, dated as of June 29, 2023 (this "Amendment"), is entered into among OPORTUN PLW TRUST, as borrower (the " Borrower"), OPORTUN PLW DEPOSITOR, LLC, as the depositor (the "Depositor"), OPORTUN, INC., as seller (the "Seller"), the various financial institutions party hereto, as lenders (in such capacity, each, a "Lender" and collectively, the "Lenders"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, as collateral agent (in such capacity, the "Collateral Agent"), as paying agent (in such capacity, the "Paying Agent"), as securities intermediary (in such capacity, the "Securities Intermediary") and as depositary bank (in such capacity, the "Depositary Bank").

RECITALS

WHEREAS, the Borrower, the Depositor, the Seller, the Lenders, the Collateral Agent, the Paying Agent, the Securities Intermediary and the Depositary Bank have previously entered into that certain Loan and Security Agreement, dated as of September 8, 2021 (as amended, modified or supplemented prior to the date hereof, the "Loan Agreement");

WHEREAS, concurrently herewith, (i) the Borrower, PF Servicing, LLC, as servicer, and the Collateral Agent are entering into that certain Second Amendment to the Servicing Agreement, dated as of the date hereof, and (ii) the Borrower and the Lenders are entering into that certain Consent, dated as of the date hereof; and

WHEREAS, in accordance with Section 10.1 of the Loan Agreement, the parties desire to amend the Loan Agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each party hereto agrees as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.0a. Defined Terms Not Defined Herein. All capitalized terms used herein that are not defined herein shall have the meanings assigned to them in, or by reference in, the Loan Agreement.

ARTICLE 2

AMENDMENTS TO THE LOAN AGREEMENT

SECTION 1.0a. Amendments.

(i)The definition of "Benchmark" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Benchmark" means, initially, **Adjusted Term SOFR**~~**One-Month LIBOR**~~; provided that if a Benchmark Transition Event,~~a~~

~~Term SOFR Transition Event or an Early Opt-in Election, as applicable,~~ and **the**~~its~~ related Benchmark Replacement Date have occurred with respect to **Adjusted Term SOFR**~~One-Month LIBOR~~ or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to clause (b) ~~or clause (c)~~ of Section 3.10.

(ii)The definition of "Benchmark Replacement" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~strikethrough~~ indicating deletions to such definition.

"Benchmark Replacement" means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Controlling Class for the applicable Benchmark Replacement Date:

(1) **Adjusted Daily Simple SOFR**~~the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment~~;

~~(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;~~

(**2**~~3~~) the sum of: (a) the alternate benchmark rate that has been selected by the Controlling Class and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment**.**~~;~~

~~provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Controlling Class in their reasonable discretion; provided further that, notwithstanding anything to the contrary in this Agreement or in any other Transaction Document, upon the occurrence of a Term SOFR Transition Event, and the delivery of a Term SOFR Notice, on the applicable Benchmark Replacement Date the "Benchmark Replacement" shall revert to and shall be deemed to be the sum of (a) Term SOFR and (b) the related Benchmark Replacement Adjustment, as set forth in clause (1) of this definition (subject to the first proviso above).~~

If the Benchmark Replacement as determined pursuant to clause (1)~~, (2)~~ or (**2**~~3~~) above would be less than the Floor, the

Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Transaction Documents.

Notwithstanding anything to the contrary in this Agreement, each member of the~~The~~ Controlling Class **and, to the extent any other party hereto shall have any consent or consultation right in respect of the selection of the Benchmark Replacement determined pursuant to clause (2) above, each such applicable party,** shall use commercially reasonable efforts to satisfy any applicable **Internal Revenue Service**~~IRS~~ guidance~~, including Proposed Treasury Regulation 1.1001-6 and any future guidance,~~ to the effect that a Benchmark Replacement **determined pursuant to clause (2) above** will not result in a deemed exchange for U.S. federal income **tax**~~Tax~~ purposes of any Facility Loan ~~hereunder~~**under this Agreement if the Borrower determines that such deemed exchange would cause the Borrower, or its direct or indirect beneficial owners, any adverse tax consequences**.

(iii)The definition of "Benchmark Replacement Adjustment" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~strikethrough~~ indicating deletions to such definition.

"Benchmark Replacement Adjustment" means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Interest Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement**,**~~:~~

~~(1) for purposes of clauses (1) and (2) of the definition of "Benchmark Replacement," the first alternative set forth in the order below that can be determined by the Controlling Class:~~

~~(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor; and~~

~~(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with~~

~~respect to such Benchmark for the applicable Corresponding Tenor; and~~

~~(2) for purposes of clause (3) of the definition of "Benchmark Replacement,"~~ the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Controlling Class and the Borrower for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for dollar-denominated syndicated credit facilities at such time**.**~~;~~

~~provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Controlling Class in its reasonable discretion.~~

(iv)The definition of "Benchmark Replacement Conforming Changes" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~strikethrough~~ indicating deletions to such definition.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Business Day," **the definition of "U.S. Government Securities Business Day,"** the definition of "Interest Period," timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Controlling Class decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof in a manner substantially consistent with market practice (or, if the Controlling Class decides that adoption of any portion of such market practice is not administratively feasible or if the Controlling Class determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Controlling Class decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

(v)The definition of "Benchmark Replacement Date" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); **or**

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be no longer representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (3) and even if any Available Tenor of such Benchmark (or component thereof) continues to be provided on such date**.**~~**; or**~~

~~**(3) in the case of a Term SOFR Transition Event, the date that is thirty (30) days after the date a Term SOFR Notice is provided to the Lenders and the Borrower pursuant to Section 3.10(e); or**~~

~~**(4) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Borrower has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Controlling Class.**~~

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the

"Benchmark Replacement Date" will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

(vi)The definition of "Benchmark Transition Event" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~strikethrough~~ indicating deletions to such definition.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the NYFRB, **the CME Term SOFR Administrator,** an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer, or as of a specified future date will no longer be, representative.

For the avoidance of doubt, a "Benchmark Transition Event" will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

(vii)The definition of "Business Day" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Business Day" means any day that DTC is open for business at its office in New York City and any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in the States of California, Florida, Illinois, Missouri, New York or Texas are authorized or obligated by Law to be closed**; provided that in relation to any Advance bearing interest by reference to SOFR (a "SOFR Advance") and any interest rate settings, fundings, disbursements, settlements or payments of any such SOFR Advance, any such day that is also a U.S. Government Securities Business Day**.

(viii)The definition of "Daily Simple SOFR" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Daily Simple SOFR" means, for any day **(a "SOFR Rate Day")**, **a rate per annum equal to** SOFR **for the day that is five (5) U.S. Government Securities Business Days prior to (i) if such SOFR Rate Day is a U.S. Government Securities Business Day, such SOFR Rate Day or (ii) if such SOFR Rate Day is not a U.S. Government Securities Business Day, the U.S. Government Securities Business Day immediately preceding such SOFR Rate Day, in each case, as such SOFR is published by the SOFR Administrator on the SOFR Administrator's Website. Any change in Daily Simple SOFR due to a change in SOFR shall be effective from and including the effective date of such change in SOFR without notice to the Borrower.**~~**, with the conventions for this rate (which may include a lookback) being established by the Controlling Class in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining "Daily Simple SOFR" for business loans; provided, that if the Controlling Class decides that any such convention is not administratively feasible, then the Controlling Class may establish another convention in its reasonable discretion.**~~

(ix)The definition of "Early Opt-In Election" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(x)The definition of "Floor" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Floor" means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to **Adjusted Term SOFR**~~**One-Month LIBOR**~~ **or Adjusted Daily Simple SOFR, as applicable**. **For the avoidance of doubt, the initial Floor for each of Adjusted Term SOFR and Adjusted Daily Simple SOFR shall be 0.00%.**

(xi)The definition of "LIBOR" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(xii)The definition of "London Banking Day" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(xiii)The definition of "Net Third Party Purchase Price" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the change shown below, with text marked in **underline** indicating the addition to such definition and with text marked in ~~**strikethrough**~~ indicating the deletion to such definition.

"Net Third Party Purchase Price" has the meaning specified in Section 2.02(~~**k**~~**j**) of the Servicing Agreement.

(xiv)The definition of "One-Month LIBOR" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(xv)The definition of "Reference Time" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Reference Time" with respect to any setting of the then-current Benchmark means (1) if such Benchmark is **Adjusted Term SOFR**~~**One-Month LIBOR**~~, **5:00 p.m. (New York City time) on the day that is two Business Days**~~**11:00 a.m. (London time) on the day that is two London banking days**~~ preceding the date of such setting, **(2) if the Benchmark is Adjusted Daily Simple SOFR, then five (5) Business Days preceding the date of such setting, or**~~**and**~~ (**3**~~**2**~~) if such Benchmark is not **Adjusted Term SOFR**~~**One-Month LIBOR**~~ **or Adjusted Daily Simple SOFR**, the time determined by the Controlling Class in their reasonable discretion.

(xvi)The definition of "SOFR" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"SOFR" means~~**, with respect to any Business Day,**~~ a rate ~~**per annum**~~ equal to the secured overnight financing rate ~~**for such Business Day published**~~**as administered** by the SOFR

Administrator ~~on the SOFR Administrator's Website on the immediately succeeding Business Day~~.

(xvii)The definition of "Takeout Transaction" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Takeout Transaction" means **(a)** any securitization **or other financing** of the Collateral (or any portion thereof) entered into by any Affiliate of the Borrower (other than the Borrower or under the Transaction Documents), pursuant to which such Affiliate sells or otherwise allocates an interest in all or any portion of the Collateral owned by it to secure or provide for the payment of amounts owing by such Affiliate in respect of securities **or other debt** (x) issued **or incurred** by such Affiliate and (y) ~~**backed**~~ **secured** by the Collateral (or any portion thereof) **or (b) any whole loan sale transaction or similar transfer of the Collateral (or any portion thereof) entered into by any Affiliate of the Borrower (other than the Borrower or under the Transaction Documents), pursuant to which such Affiliate sells all or any portion of the Collateral to an unaffiliated third party purchaser**.

(xviii)The definition of "Term SOFR" set forth in Section 1.1 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such definition and with text marked in ~~**strikethrough**~~ indicating deletions to such definition.

"Term SOFR" means, **for any tenor comparable to the applicable Interest Period, the Term SOFR Reference Rate at approximately 5:00p.m. (New York City time), two U.S. Government Securities Business Days prior to the commencement of such tenor comparable to the applicable Interest Period, as such rate is published by the CME Term SOFR Administrator.** ~~**for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.**~~

(xix)The definition of "Term SOFR Notice" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(xx)The definition of "Term SOFR Transition Event" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety.

(xxi)The following defined terms and definitions thereof are hereby added to Section 1.1 of the Agreement in appropriate alphabetical order.

"Adjusted Daily Simple SOFR" means an interest rate per annum equal to (a) Daily Simple SOFR, plus (b) 0.11448% (11.448 basis points); provided that if Adjusted Daily Simple SOFR as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Adjusted Term SOFR" means, for any Interest Period, an interest rate per annum equal to (a) Term SOFR for such Interest Period, plus (b) 0.10% (10 basis points); provided that if Adjusted Term SOFR as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"CME Term SOFR Administrator" means CME Group Benchmark Administration Limited as administrator of the forward-looking term Secured Overnight Financing Rate (SOFR) (or a successor administrator).

"SOFR Advance" has the meaning specified in the definition of "Business Day".

"SOFR Rate Day" has the meaning specified in the definition of "Daily Simple SOFR".

"Term SOFR Determination Day" has the meaning assigned to it under the definition of Term SOFR Reference Rate.

"Term SOFR Reference Rate" means, for any day and time (such day, the "Term SOFR Determination Day"), for any tenor comparable to the applicable Interest Period, the rate per annum determined by the Calculation Agent as the forward-looking term rate based on SOFR. If by 5:00 p.m. (New York City time) on such Term SOFR Determination Day, the "Term SOFR Reference Rate" for the applicable tenor has not been published by the CME Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR has not occurred, then the Term SOFR Reference Rate for such Term SOFR Determination Day will be the Term SOFR Reference Rate as published in respect of the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate was published by the CME Term SOFR Administrator, so long as such first preceding Business Day is not more than three (3) Business Days prior to such Term SOFR Determination Day.

"U.S. Government Securities Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

(xxii) Section 2.8(b) of the Agreement is hereby amended to incorporate the changes shown below, with text in **underline** indicating additions to such section and with text marked in ~~**strikethrough**~~ indicating deletions to such section.

(b) In connection with each Takeout Transaction ~~**(other than a Takeout Transaction relating to the U.S. Department of**~~

~~the Treasury's Community Development Financial Institutions Fund (CDFI Fund), its CDFI Bond Guarantee Program or similar entities or programs)~~, the Borrower shall pay the Lenders a fee (such fee, an "Exit Fee") on the Takeout Date in immediately available funds equal to 0.50% (or **0.25% until the earlier of (i) the closing of the second Takeout Transaction to occur after the effectiveness of the Fifth Amendment to Loan and Security Agreement, dated as of June 29, 2023, among the parties hereto and (ii) September 30, 2023**~~0.15% to the extent such Takeout Transaction involves the issuance of immediately amortizing securities~~) of the Outstanding Receivables Balance of all Receivables subject to such Takeout Transaction at such time. Each such Exit Fee shall be payable to the Lenders ratably, based on **each** such Lenders portion of the Aggregate Class A Loan Principal or the Aggregate Class B Loan Principal at such time. **With respect to any Lender to which any portion of such Exit Fee is owed, such portion of the Exit Fee shall be netted against any fee or other compensation payable to such Lender (or an Affiliate thereof) in connection with any role such Lender (or such Affiliate) shall play in the Takeout Transaction.**

(xxiii)The heading of Section 3.7 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such section and with text marked in ~~strikethrough~~ indicating deletions to such section.

SECTION 3.7 Determination of Monthly Interest; ~~LIBOR~~**Benchmark Replacement Setting** Notification.

(xxiv)Section 3.7(c) of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such section and with text marked in ~~strikethrough~~ indicating deletions to such section.

(c) ~~The interest rates on Facility Loans are determined by reference to One-Month LIBOR, which is derived from the London interbank offered rate ("LIBOR"). LIBOR is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. On March 5, 2021, the U.K. Financial Conduct Authority ("FCA") publicly announced that: (a) immediately after December 31, 2021, publication of the 1-week and 2-month U.S. Dollar LIBOR settings will permanently cease; immediately after June 30, 2023, publication of the overnight and 12-month U.S. Dollar LIBOR settings will permanently cease; and immediately after June 30, 2023, the 1-month, 3-month and 6-month Dollar LIBOR settings will cease to be provided or, subject to the FCA's consideration of the case, be provided on a synthetic basis and no longer be representative of the underlying market and economic reality they are intended to measure and that representativeness will not be restored. There is no assurance that dates announced by the FCA will not change or that the administrator of LIBOR and/or regulators will not take further action that could impact the availability, composition, or characteristics of LIBOR or the currencies and/or tenors for~~

~~which LIBOR is published. Each party to this agreement should consult its own advisors to stay informed of any such developments. Public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR.~~ Upon the occurrence of a Benchmark Transition Event~~, a Term SOFR Transition Event or an Early Opt-in Election,~~ Section~~s~~ 3.10(b) ~~and (c)~~ provide the mechanisms for determining an alternative rate of interest. The Controlling Class will promptly notify the Borrower and the Lenders (with a copy to the Collateral Agent and the Paying Agent), pursuant to Section 3.10(**d**~~e~~), of any change to the reference rate upon which the interest rate on Facility Loans is based. The Lenders, the Collateral Agent and the Paying Agent do not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission, performance or any other matter related to **Adjusted Term SOFR**~~LIBOR~~ or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 3.10(b) ~~or (c), whether upon the occurrence of a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election,~~ and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 3.10(**c**~~d~~), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, **Adjusted Term SOFR**~~LIBOR~~ or have the same volume or liquidity as did **Adjusted Term SOFR**~~the London interbank offered rate~~ prior to its discontinuance or unavailability. The Lenders, the Collateral Agent, the Paying Agent and their respective affiliates and/or other related entities may engage in transactions that affect the calculation of any successor or alternative rate (including any Benchmark Replacement) and/or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower. The Controlling Class may select information sources or services in their reasonable discretion to ascertain any Benchmark or any component thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

(xxv) Section 3.10 of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such section and with text marked in ~~strikethrough~~ indicating deletions to such section.

SECTION 3.10 Determination of Adjusted Term SOFR~~One-Month LIBOR~~**; Benchmark Replacement Setting**.

(a) Subject to clauses (b), (c), (d)~~,~~ **and** (e) ~~**and (f)**~~ of this Section 3.10:

(i) On each Business Day, the Calculation Agent shall determine **Adjusted Term SOFR** pursuant to the definition thereof~~**One-Month LIBOR on the basis of the rate for Dollar deposits for a period equal to one month which appears on Reuters Page LIBOR01 as of 11:00 a.m. (London time) on such Business Day (or such other page as may replace such page on that service or other service or services as may be nominated by ICE Benchmark Administration Limited or any successor organization for the purpose of displaying London interbank offered rates of U.S. dollar deposits for a one-month period)**~~ and shall send to the Servicer and the Borrower, by facsimile or e-mail, notification of **Adjusted Term SOFR**~~**One-Month LIBOR**~~ for such Business Day.

(ii) If on any Business Day **the Calculation Agent determines (which determination shall be conclusive and binding absent manifest error) that Adjusted Term SOFR cannot be determined pursuant to the definition thereof**~~**such rate does not appear on Reuters Page LIBOR01 (or such other page)**~~**,** then each Loan Rate shall be determined by the Calculation Agent by reference to the Alternative Rate and communicated to the Servicer and the Borrower, by facsimile or e-mail.

(iii) On each Determination Date related to a Payment Date, prior to 3:00 p.m. (New York time), the Calculation Agent shall send to the Servicer, the Borrower and the Lenders, by facsimile or e-mail, notification of **Adjusted Term SOFR**~~**One-Month LIBOR**~~ or the Alternative Rate for each day during the prior Interest Period.

(b) Notwithstanding anything to the contrary herein or in any other Transaction Document, if a Benchmark Transition Event ~~**or an Early Opt-in Election, as applicable,**~~ and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) ~~**or (2)**~~ of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document and (y) if a Benchmark Replacement is determined in accordance with clause (2~~3~~) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders (with a copy to the Collateral Agent and Paying Agent) without any amendment to, or further action or consent of any other party to, this Agreement or any other **Transaction**~~Loan~~ Document so long as the Borrower has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Controlling Class.

~~**(c) Notwithstanding anything to the contrary herein or in any other Transaction Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document; provided that, this clause (c) shall not be effective unless the Controlling Class has delivered to the Lenders and the Borrower a Term SOFR Notice.**~~

(~~d~~c) In connection with the **use, administration, adoption or** implementation of a Benchmark Replacement, the Controlling Class will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document; provided that no such amendment may adversely affect the rights, duties, immunities, protections or indemnification rights of the Collateral Agent, Paying Agent, Registrar, Depositary Bank, Securities Intermediary, Depositor Loan Trustee, Owner Trustee or Collateral Trustee without its written consent.

(~~e~~d)The Controlling Class will promptly notify the Borrower and the Lenders (with a copy to the Collateral

Agent and the Paying Agent) of (i) any occurrence of a Benchmark Transition Event, ~~a Term SOFR Transition Event or an Early Opt-in Election, as applicable,~~ (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by any Lender (or group of Lenders) pursuant to this Section 3.10, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Transaction Document, except, in each case, as expressly required pursuant to this Section 3.10.

(~~f~~**e**)Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for an Advance to be made during any Benchmark Unavailability Period. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, each Loan Rate shall be determined by the Calculation Agent by reference to the Alternative Rate and communicated to the Servicer and the Borrower, by facsimile or e-mail.

(xxvi)Section 3.12(viii) of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such section and with text marked in ~~strikethrough~~ indicating deletions to such section.

(viii) **Adjusted Term SOFR**~~One-Month LIBOR~~ for each day during the related Interest Period;

(xxvii)Section 9.2(v) of the Agreement is hereby amended to incorporate the changes shown below, with text marked in **underline** indicating additions to such section and with text marked in ~~strikethrough~~ indicating deletions to such section.

(v) Notwithstanding anything contained in this Agreement or any other Transaction Document to the contrary, the Collateral Agent shall be under no obligation (i) to monitor, determine or verify the unavailability or cessation of **Adjusted Term SOFR**~~One-Month LIBOR~~ (or other applicable benchmark interest rate), or whether or when there has occurred, or to give notice to any other Person of the occurrence of, any date on which such rate may be required to be transitioned or replaced in accordance with the terms of the Transaction Documents, applicable law or otherwise, (ii) to select, determine or designate any replacement to such rate, or other successor or replacement benchmark index, or whether any conditions to the designation of such a rate have been satisfied, (iii) to select, determine or designate any modifier to any replacement or successor index, or (iv) to determine whether or what any amendments to this Agreement or the other Transaction Documents are necessary or advisable, if any, in connection with any of the foregoing.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

SECTION 1.0a. Representations and Warranties. Each of the Seller, the Depositor and the Borrower hereby represents and warrants to each Lender, the Collateral Agent, the Paying Agent, the Securities Intermediary, the Depositary Bank that:

(i) Representations and Warranties. Both before and immediately after giving effect to this Amendment, the representations and warranties made by the Seller, the Depositor and Borrower in the Loan Agreement and each of the other Transaction Documents to which it is a party are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations or warranties were true and correct as of such earlier date).

(ii) Enforceability. This Amendment and the Loan Agreement, as amended hereby, constitute the legal, valid and binding obligation of the Seller, the Depositor and the Borrower enforceable against the Seller, the Depositor and the Borrower in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(iii) No Defaults. No Rapid Amortization Event, Event of Default, Servicer Default or Block Event has occurred and is continuing.

ARTICLE 4

MISCELLANEOUS

SECTION 1.0a. Ratification of Loan Agreement. As amended by this Amendment, the Loan Agreement is in all respects ratified and confirmed and the Loan Agreement, as amended by this Amendment, shall be read, taken and construed as one and the same instrument.

SECTION 1.0b. Execution in Counterparts; Electronic Execution. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Each of the parties hereto agrees that this transaction may be conducted by electronic means. Any signature (including, without limitation, (x) any electronic symbol or process attached to, or associated with, a contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record and (y) any facsimile or .pdf signature) hereto or to any other certificate, agreement or document related to this transaction, and any contract formation or record-keeping, in each case, through electronic means, shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any similar state law based on the Uniform Electronic Transactions Act, and the parties hereto hereby waive any objection to the contrary. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Amendment using an electronic signature, it is signing, adopting, and accepting this Amendment and that signing this Amendment using an electronic signature is the legal equivalent of having placed its handwritten signature on this Amendment on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Amendment in a usable format.

SECTION 1.0c. Recitals. The recitals contained in this Amendment shall be taken as the statements of the Borrower, the Depositor and the Seller, and none of the Collateral Agent, the Paying Agent, the Securities Intermediary or the Depositary Bank assumes any responsibility for their correctness. None of the Collateral Agent, the Paying Agent, the Securities Intermediary or the Depositary Bank makes any representations as to the validity or sufficiency of this Amendment.

SECTION 1.0d. Rights of the Collateral Agent, the Paying Agent, the Securities Intermediary and the Depositary Bank . The rights, privileges and immunities afforded to the Collateral Agent, the Paying Agent, the Securities Intermediary and the Depositary Bank under the Loan Agreement shall apply hereunder as if fully set forth herein.

SECTION 1.0e. GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW). EACH OF THE PARTIES TO THIS AMENDMENT HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 1.0f. Effectiveness. This Amendment shall become effective as of the date hereof upon:

(i)receipt by the Collateral Agent and the Paying Agent of an Officer's Certificate of the Borrower stating that the execution of this Amendment is authorized and permitted by the Transaction Documents and all conditions precedent to the execution of this Amendment have been satisfied;

(ii)receipt by the Collateral Agent and the Paying Agent of an Opinion of Counsel stating that the execution of this Amendment is authorized and permitted under the Transaction Documents and all conditions precedent to the execution of this Amendment have been satisfied;

(iii)receipt by the Collateral Agent and the Paying Agent of evidence of the consent of the Borrower and the Lenders to this Amendment;

(iv)receipt by the Collateral Agent, Paying Agent and the Lenders of counterparts of this Amendment, duly executed by each of the parties hereto; and

(v)receipt by the Collateral Agent, the Paying Agent and the Lenders of such other instruments, documents, agreements and opinions reasonably requested by the Collateral Agent, the Paying Agent or any of the Lenders prior to the date hereof.

SECTION 1.0g. Limitation of Liability of Owner Trustee. Notwithstanding anything herein or in any Transaction Document to the contrary, it is expressly understood and agreed by the parties hereto that (i) this Amendment is executed and delivered by Wilmington

Trust, National Association, not individually or personally but solely as owner trustee (the "Owner Trustee") of the Borrower, in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Borrower is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, National Association in its individual capacity, but made and intended for the purpose of binding only the Borrower, (iii) nothing herein contained shall be construed as creating any liability on Wilmington Trust, National Association, individually or personally, to perform any covenants, either expressed or implied, contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, (iv) Wilmington Trust, National Association has made no investigation as to the accuracy or completeness of any representations and warranties made by the Borrower in this Amendment and (v) under no circumstances shall Wilmington Trust, National Association be personally liable for the payment of any indebtedness or expenses of the Borrower or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Borrower under this Amendment or any other related document.

(Signature page follows)

IN WITNESS WHEREOF, the Borrower, the Depositor, the Seller, the Lenders, the Collateral Agent, the Paying Agent, the Securities Intermediary and the Depositary Bank have caused this Amendment to be duly executed by their respective officers as of the day and year first above written.

OPORTUN PLW TRUST,
as Borrower

By: Wilmington Trust, National Association, not in its individual capacity, but solely as Owner Trustee of the Borrower

By: /s/ Drew H. Davis
Name: Drew H. Davis
Title: Vice President

OPORTUN PLW DEPOSITOR, LLC,
as Depositor

By: /s/ Jonathan Coblentz
Name: Jonathan Coblentz
Title: Treasurer

OPORTUN, INC.,
as Seller

By: /s/ Jonathan Coblentz
Name: Jonathan Coblentz
Title: Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Collateral Agent

By: /s/ Drew H. Davis
Name: Drew H. Davis
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Paying Agent

By: /s/ Drew H. Davis
Name: Drew H. Davis
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Securities Intermediary

By: /s/ Drew H. Davis
Name: Drew H. Davis
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity but solely as Depositary Bank

By: /s/ Drew H. Davis
Name: Drew H. Davis
Title: Vice President

GOLDMAN SACHS BANK USA,
as a Committed Lender

By: /s/ Jeff Clark
Name: Jeff Clark
Title: Authorized Person

JEFFERIES FUNDING LLC,
as a Committed Lender

By: /s/ Michael Wade
Name: Michael Wade
Title: Managing Director

JPMORGAN CHASE BANK, N.A.,
as a Committed Lender

By: /s/ Gareth Morgan
Name: Gareth Morgan
Title: Executive Director

CHARIOT FUNDING LLC,
as a Bank Sponsored Lender

By: /s/ Gareth Morgan
Name: Gareth Morgan
Title: Executive Director

MORGAN STANLEY BANK, N.A.,
as a Committed Lender

By: /s/ Keenan McBride
Name: Keenan McBride
Title: Authorized Signatory

Exhibit 31.1

CERTIFICATIONS

I, Raul Vazquez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oportun Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Raul Vazquez
Raul Vazquez

Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jonathan Coblentz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oportun Financial Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2023

/s/ Jonathan Coblentz
Jonathan Coblentz

Chief Financial Officer and Chief Administrative Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Raul Vazquez, Chief Executive Officer of Oportun Financial Corporation (the “Company”), and Jonathan Coblentz, Chief Financial Officer and Chief Administrative Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2023, to which this Certification is attached as Exhibit 32.1 (the “Quarterly Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2023

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 9th day of August 2023.

/s/ Raul Vazquez
Raul Vazquez

Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Jonathan Coblentz
Jonathan Coblentz

Chief Financial Officer and Chief Administrative Officer
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Oportun Financial Corporation. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.