FICO® SCORE

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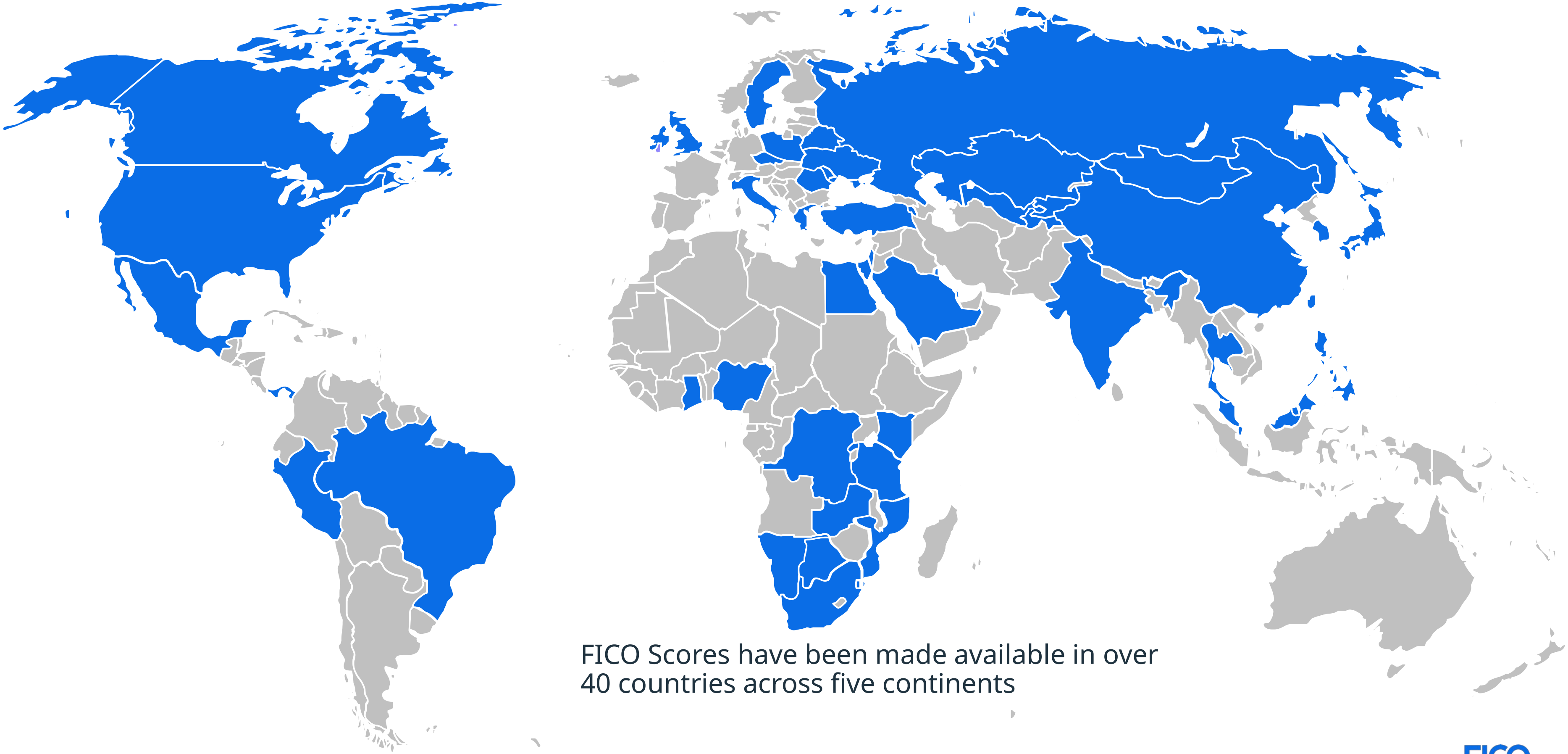
Opens Doors

FICO® Scores global coverage and experience



FICO Scores have been made available in over
40 countries across five continents

FICO® Scores using alternative data sources can enable credit access for an estimated 1.3 Billion consumers globally.

BNPL Growth

- As the world is growing and transforming the e-commerce space, Buy Now, Pay Later (BNPL) has dramatically upgraded into the future

- What started as an easy way for the customers to manage payments locally, has now entered global markets, which is reshaping the dynamics of international commerce

- As BNPL expands across the borders, it offers new opportunities and raises critical questions for businesses, financial institutions and consumers alike

- FICO recently released a first-of-its-kind analysis with Affirm (US) customers highlighting how consumers with multiple BNPL loans would be most likely experience score increases with FICO’s innovative treatment of that data

FICO has recently completed analyses in the US to assess the impact of BNPL on the FICO® Score

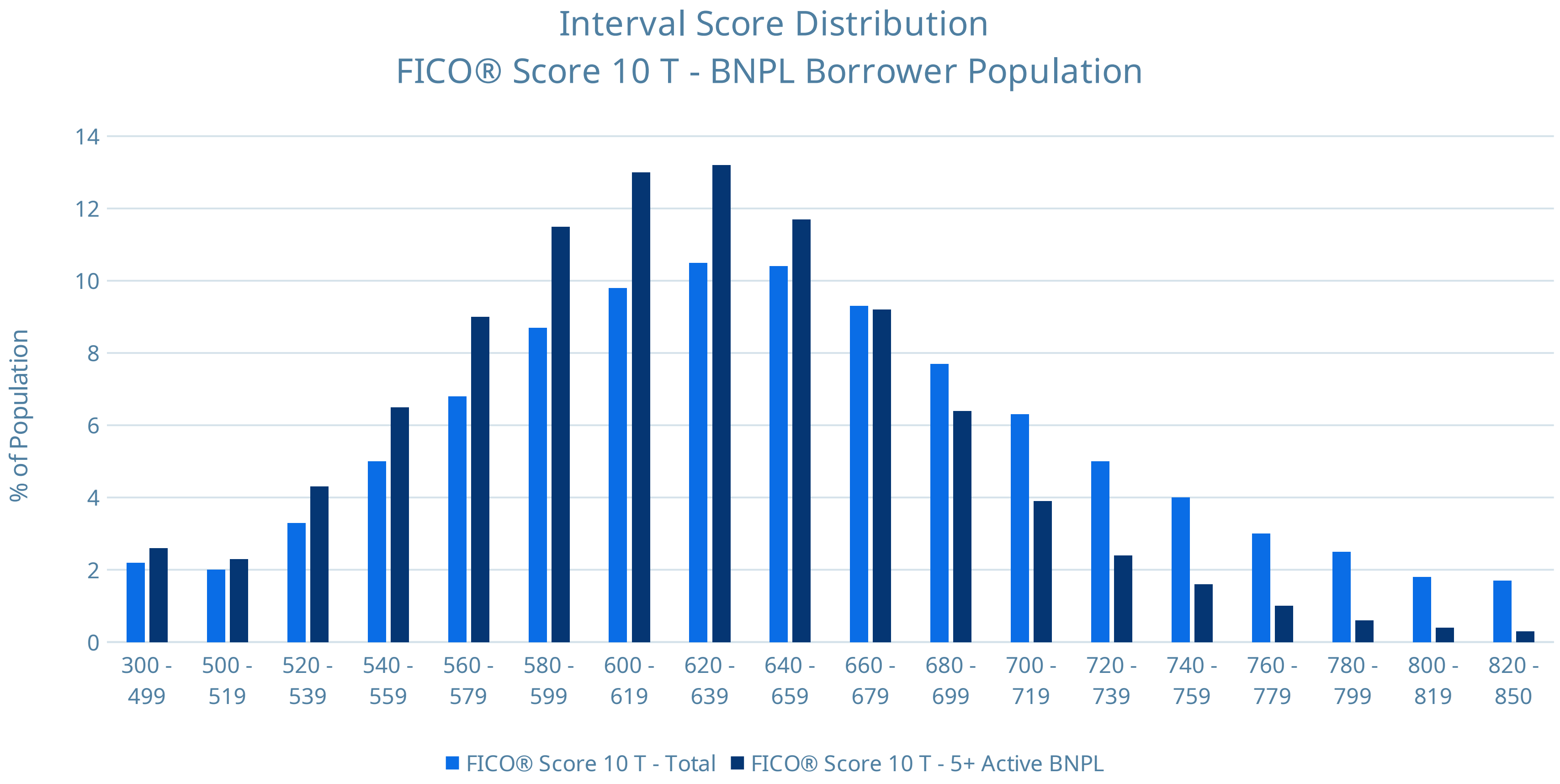
- The 12-month study combined loan-level data from a BNPL provider with traditional credit bureau data and looked at FICO® Scores of more than 500,000 consumers who opened at least one new BNPL loan

- The study included a mix of pay-in-4 and long-term BNPL loans and leveraged the most recently updated data as provided by the BNPL lender

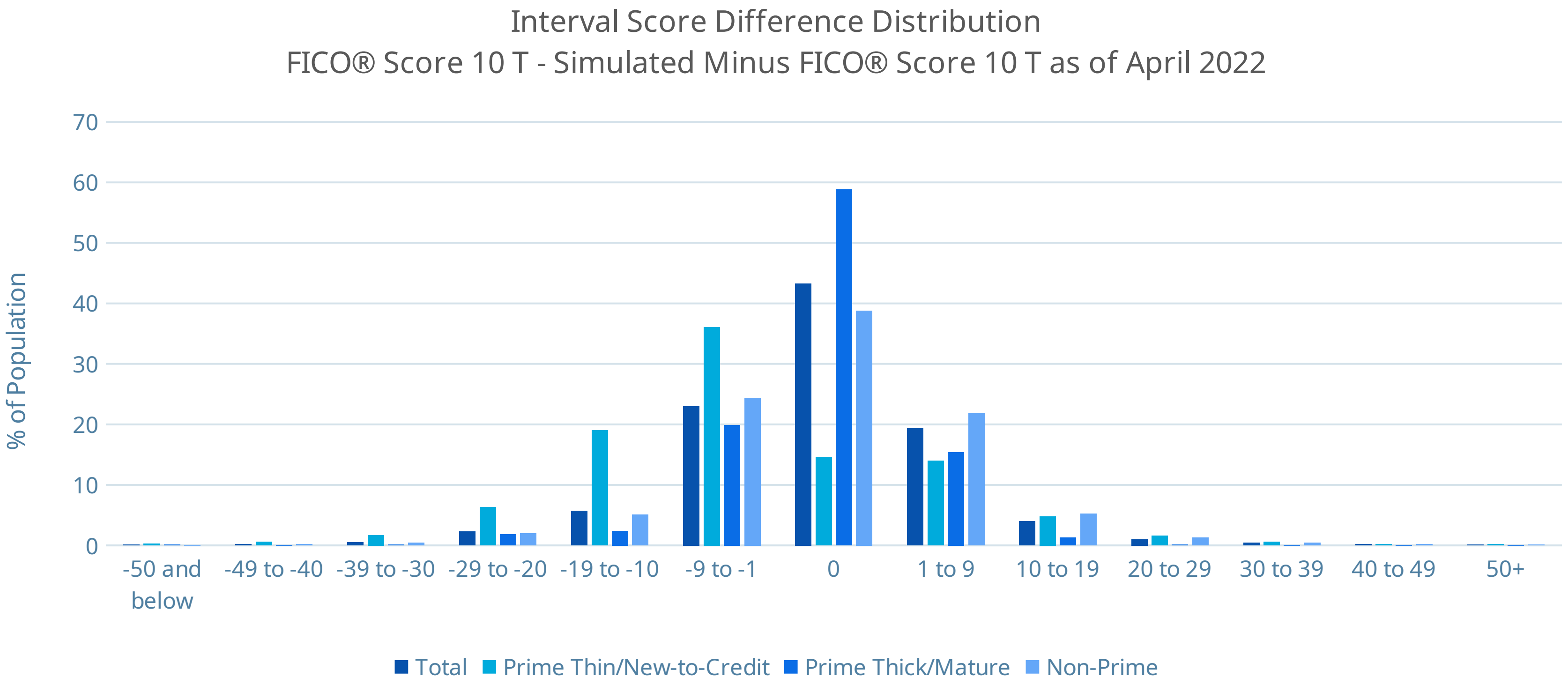
- FICO developed an innovative approach to aggregate separate BNPL loans together when calculating certain in-model characteristics
  - No impact from inquiries was considered (e. g., with the assumption that inquiries were reported as soft)

- FICO conducted distributional and predictive analysis to evaluate the FICO® Score impact of inclusion of BNPL loans
  - Further refined findings by key subsegments of BNPL borrowers (e. g., those with 5+ active BNPL loans)

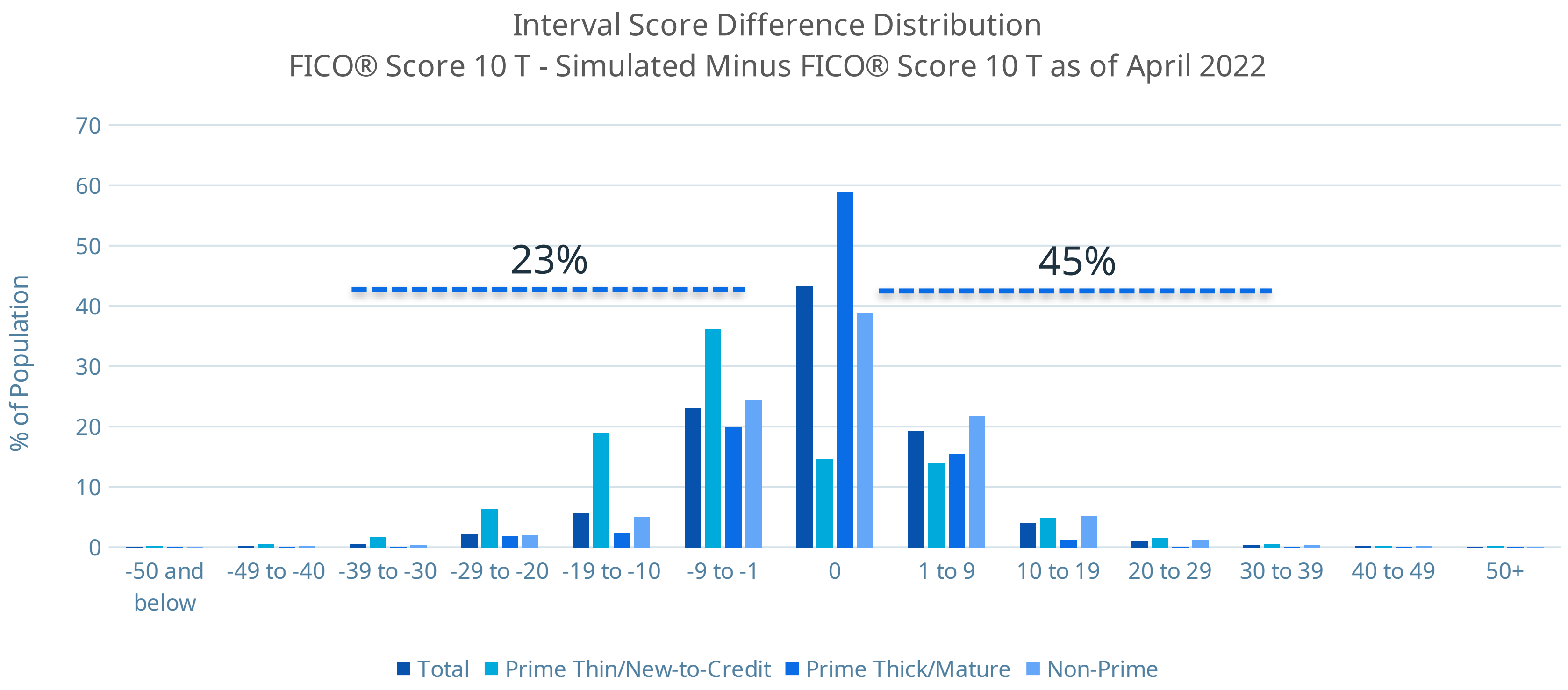
BNPL Borrower Credit Profiles Prior to Inclusion of BNPL Data



Simulated inclusion of BNPL data has a modest score impact with 86% of BNPL borrowers in the study experiencing a score change of less than 10 points



For consumers with 5+ active BNPL loans, 23% have a score decrease and 45% a score increase. Prime thin/new-to-credit segment had the largest impact



FICO

FICO continues to evaluate the impact of new data in a thoughtful, empirically supported fashion

- Inclusion of BNPL data within the FICO® Score as is does not yield an effective treatment of that data

- FICO is developing a solution to introduce its proprietary treatment of BNPL data to the credit-scoring marketplace and will be releasing more information on this product development soon

- FICO continues to track and monitor BNPL development globally and continues to look for way to incorporate BNPL data within the FICO® Score

Executive Summary

Simulated inclusion of BNPL data on score distributions & predictive performance is generally modest

- The BNPL borrower population studied is lower scoring than the national population
- The impact of the simulated inclusion of BNPL data on score distributions is generally modest
  - Impact generally consistent with the opening of a new account with 86% of the BNPL borrower population experiencing a score change of less than 10 points
  - Impact most pronounced for the Prime Thin/New-to-Credit segment
  - Majority of BNPL borrowers with 5+ active BNPL loans see no score changes, or score increases
- Across a range of different use cases, the impact on the FICO® Score predictiveness resulting from the simulated inclusion of BNPL data ranges from modest improvement to no adverse impact

Key items to consider when reviewing and incorporating new data insights…

- Is BNPL data already being reported on the credit report? If so, how is the BNPL data classified?
- What is the coverage and quality of the BNPL data being reported?
- How much history is currently reported on these data?
- Who are lenders reporting BNPL data? Are they early stage, new entrants that need time to establish reporting process or new financial products from legacy financial organizations?

Thank you!