ASX ANNOUNCEMENT 19 September 2022

No consumer lending makes Splitit the most relevant BNPL with industry regulations looming in the United States

- Splitit responds to the news that the U.S. Consumer Financial Protection Bureau (CFPB) plans to regulate 'buy now, pay later' lenders similar to credit card companies.
- Company notes, that planned regulation will not impact its business model since Splitit is already operating under current credit card regulations.
- CFPB report validates Splitit's approach and business model in several ways.

Splitit Payments Limited ("Splitit" or the "Company") (ASX:SPT, OTCQX:SPTTY), the only white-label instalment solution allowing customers to pay by instalments using their existing payment card at checkout without increasing their total credit exposure, has shared its public response to the U.S. Consumer Financial Protection Bureau (CFPB) issuing a report on September 15 indicating the CFPB will identify potential interpretive guidance or rules to issue with the goal of ensuring that Buy Now, Pay Later lenders adhere to many of the baseline protections for consumers already established for credit cards.

CEO and Managing Director, Nandan Sheth said, "Today's news regarding the CFPB's plans to regulate BNPL lenders similar to credit card companies will have a sweeping impact on the industry, but will not impact Splitit's business model since it is already operating under current credit card regulations. While we will have to wait and see the long-term impact and what the enforcement will look like, this is a significant step in the right direction to protect consumers and merchants alike. We see this news having three key impacts:

- A big win for consumers is putting their financial health first with guardrails protecting them from snowballing debt and fees.
- It will benefit merchants who have seen their relationships with consumers eroding, with BNPL providers harvesting their shopper data for their gain.
- Evening the playing field between fintechs and traditional financial institutions and card networks, providing a better product for consumers and merchants while allowing for innovation in the category.

The most significant impact will be on legacy BNPL approval rates. The CFPB pointed to higher approval rates in 2021 in tandem with the sector's fast growth. The tighter economy and easier access to instant credit have led to skyrocketing loan defaults in 2022. Regulation will force BNPL lenders to implement more stringent underwriting or to decrease spending limits. Because many of their customers have lower credit scores, often living paycheck to paycheck, you can expect approval rates to fall and order size to decrease, negatively impacting the ROI on the merchant investment in legacy BNPL.

Data harvesting and digital surveillance have also come into the sights of the CFPB. When a shopper makes a purchase using a BNPL lender, the provider captures first-party data and then uses it to target the consumer with offers that accelerate their business growth. In essence, the consumer becomes the product. The growth-at-all-costs consumer acquisition approach to legacy BNPL was fueled by consumer data not available to traditional credit card companies and financial institutions. The fact that the CFPB has emphasised this topic shows how alarming this issue is for consumers and businesses alike."

What does this mean for Splitit?

The regulatory news directly validates Splitit's approach and business model in several ways:

- **No new regulatory impact:** Splitit already operates under current credit card regulations, specifically, Regulation Z of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act).
- **Providing a more responsible way to pay:** Splitit provides a more responsible instalment option for consumers without adding new loans. The Company never charges consumer fees. Because there is no need for a credit check, there is no negative impact on a consumer's credit score.

The news also further validates Splitit's merchant first approach and business model in other ways:

- **Delivering the highest checkout conversation:** For merchants offering Splitit to consumers, there is 100% acceptance for any consumer with an American Express, Mastercard, Visa or UnionPay International card. There is no consumer underwriting, and an average approval rate of 85%.

- **Merchants retain access and control of their data**: Because Splitit is not a super app or customer acquisition engine, it doesn't harvest consumer data for financial gain – it all stays in the merchant's control.
- **Putting the merchant front-and-centre:** Our embedded, white-label approach is entirely merchant branded, allowing merchants to nurture and retain their customers, driving loyalty and promoting brand consistency on their terms.
- **Driving shopper-merchant loyalty:** The merchant-branded experience embedded in your existing purchase flow eliminates the confusion around choosing a BNPL provider, being directed off-site or having to complete an arduous registration that can add up to seven steps to the checkout process. The result is increased brand loyalty and repeat purchases without the threat of disintermediation.
- **Omnichannel and global capabilities:** A single global API makes Splitit's Instalment-as-a-Service the easiest pay-later option to adopt, integrate and operate across all consumer touch points. Splitit's use of global credit card networks also means merchants can easily add their service to new countries or regions through a single integration without the regulatory and procedural hurdles of implementing financing options.

About Splitit

Splitit is a global payment solution provider that enables shoppers to use the credit they've earned by breaking up purchases into monthly interest-free instalments using their existing credit card. Splitit enables merchants to improve conversion rates and increase average order value by giving customers an easy and fast way to pay for purchases over time without requiring additional approvals. Splitit serves many of Internet Retailer's top 500 merchants and is accepted by more than 3,000 eCommerce merchants in over 30 countries and shoppers in over 100 countries. Headquartered in Atlanta, Splitit has an R&D centre in Israel and offices in London and Australia. The Company is listed on the Australian Securities Exchange (ASX) under ticker code SPT. The Company also trades on the US OTCQX under ticker codes SPTTY (ADRs) and STTTF (ordinary shares).

Key Points	
Consumer friendly for shoppers	As the only instalment offering that allows shoppers to use their pre-existing unused credit card balances at the point of sale, Splitit offers a consumer-friendly solution with no new debt or credit checks, no application, no interest or late fees charged. It also allows shoppers to continue collecting perks like cash back, rewards and points as they would on normal credit card transactions, without any risk of damaging their credit profile.

Unique benefits for merchants	Splitit is highly integrated (shoppers don't need to leave the merchant's website), easy to Implement and offers longer and flexible loans, reducing shopper friction and driving sales conversion rates. It also offers merchants the option of a funded or non-funded model.
Globally scalable model, boosted by white labelling	Splitit is fundamentally a technology business leveraging the existing global credit card payment rails. This means its branded or white label solution can be adopted in new markets without the need for an 'on the ground' presence, delivering strong operating leverage, enhanced scalability and a cost-effective pathway to profitability.
Already subject to existing credit card regulatory framework, and allows merchant surcharging	As a technology solution that operates within the highly regulated credit card industry, Splitit has a distinct advantage over legacy BNPL providers who are under increasing global regulatory scrutiny due to their consumer financing models. In addition, mounting sector-wide pressure to allow merchant surcharging will not impact Splitit, as merchants are already allowed to surcharge on credit cards.
Unique IP	Splitit's protected IP secures the pre-authorisation on a consumer's credit card limits consumer defaults, as the transactions are secured by the credit card issuers. This unique business model provides operating leverage at scale and a pathway to future profitability without the same associated risk.

The announcement has been approved and authorised to be given to ASX by Dawn Robertson, Chairman of the Board of Splitit.

Contact Information

Australian Media & Investors
Catherine Strong
Citadel-MAGNUS
cstrong@citadelmagnus.com
+61 2 8234 0111

US Media
Brian Blank
Splitit
brian.blank@splitit.com
+1 760 917 3321

Note to market

None of the information included in this announcement should be considered individually material unless specifically stated.

Disclaimer

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate advice before making investment decisions.

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historical or current facts may be forward-looking statements. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.

Actual results, performance or achievements of the Company could be materially different from those expressed in or implied by these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined, or otherwise reviewed by the Company's independent auditors.

You must not place undue reliance on these forward-looking statements.

# # #