



Transforming the banking system
into an online marketplace



Remember life before the Internet?

*Circa 1970 businesses
captured value through...*

Vertical
integration

Scale

Brand

*For the consumer
this meant...*

Poor value
exchange

Limited choice

Limited
information

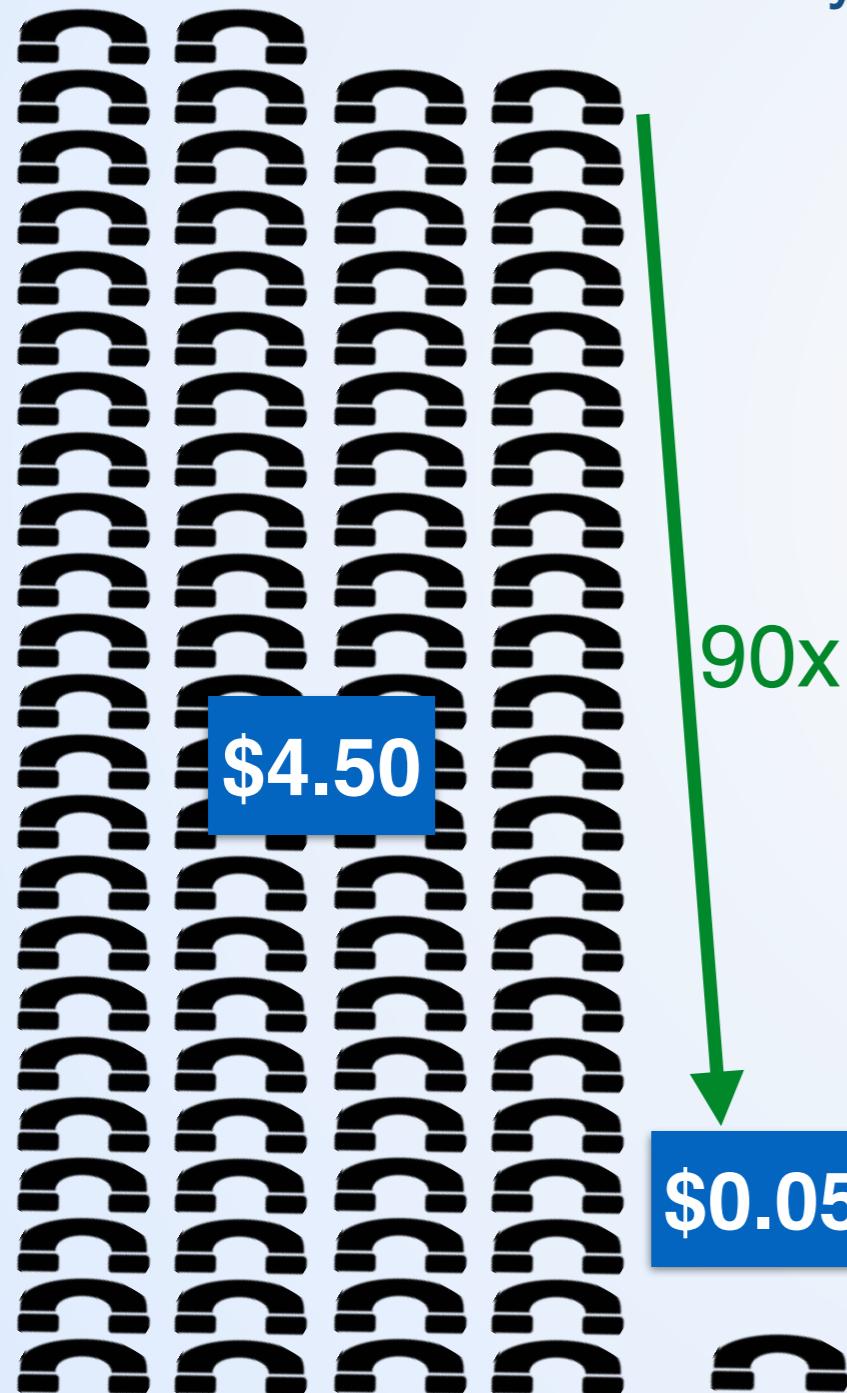


The technology revolution delivered major efficiency gains

Cost of a 10 minute phone call

1970

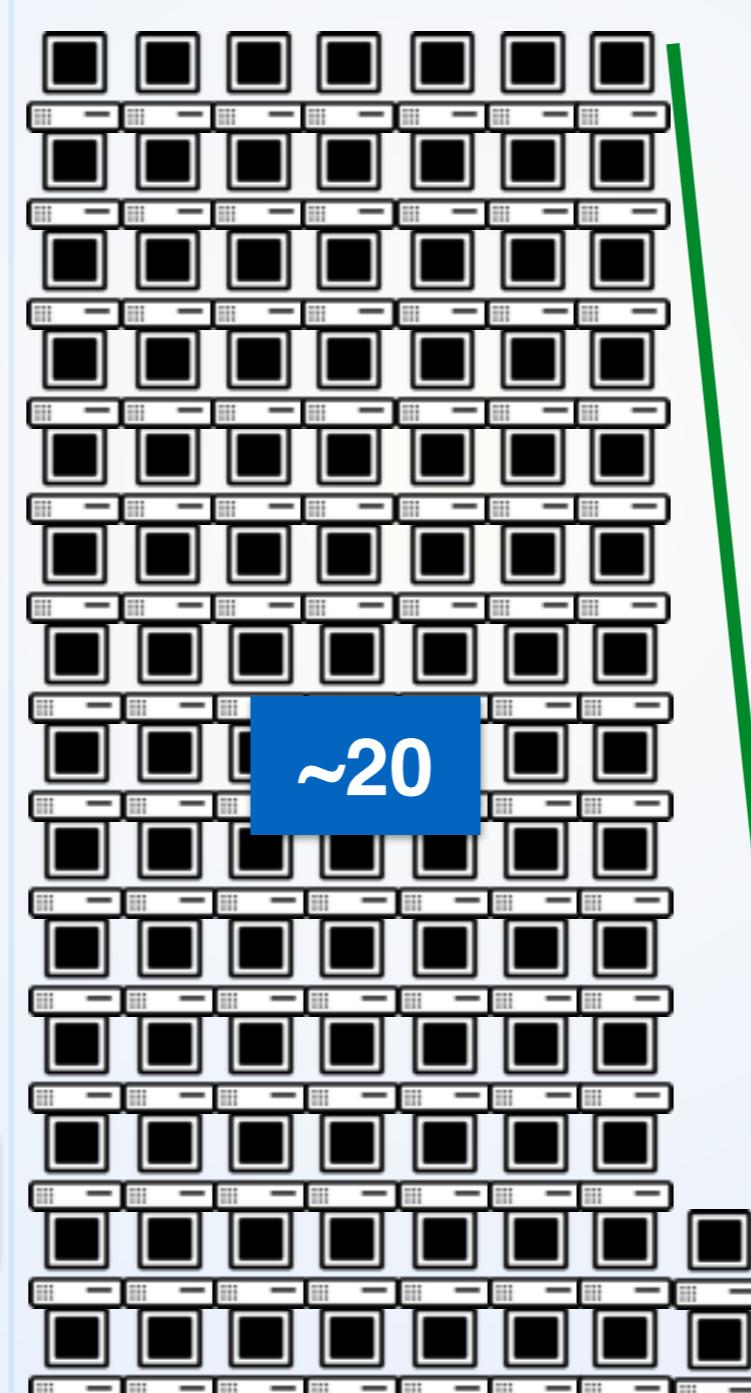
Today



Size of a computer (cubic feet)

1970

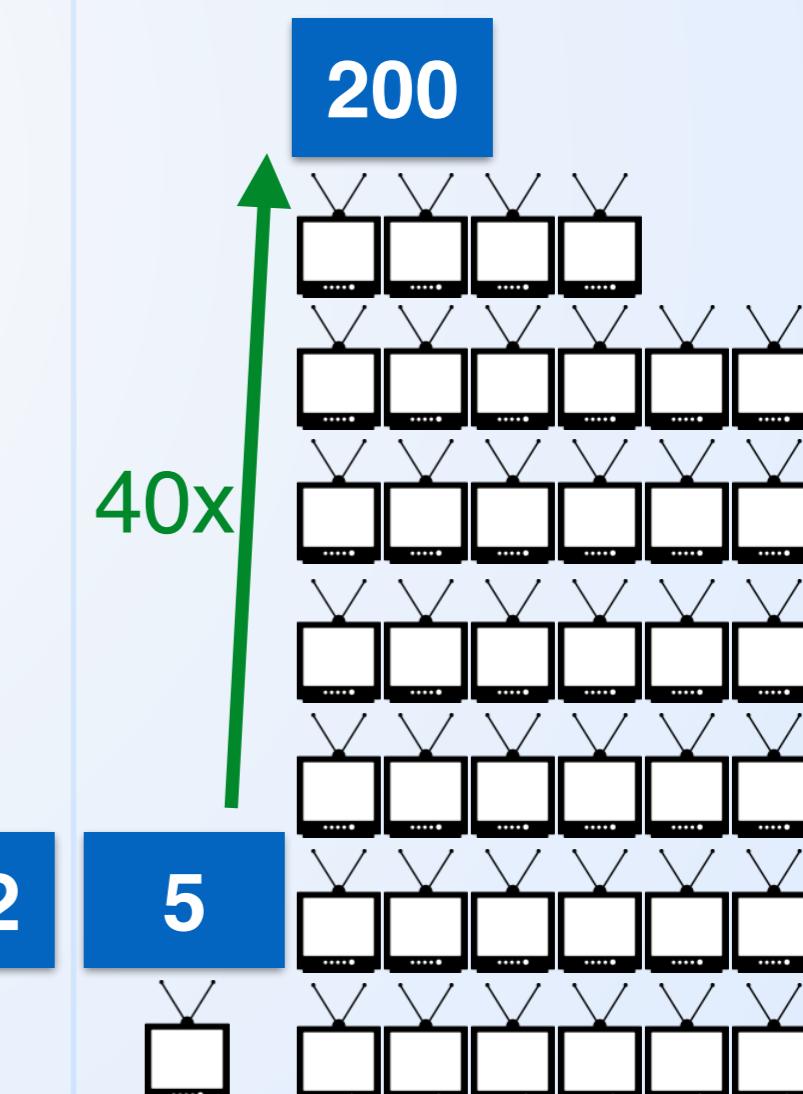
Today



TV channels available

1970

Today



Note: Phone calls are domestic, 1970s call was LA-NYC

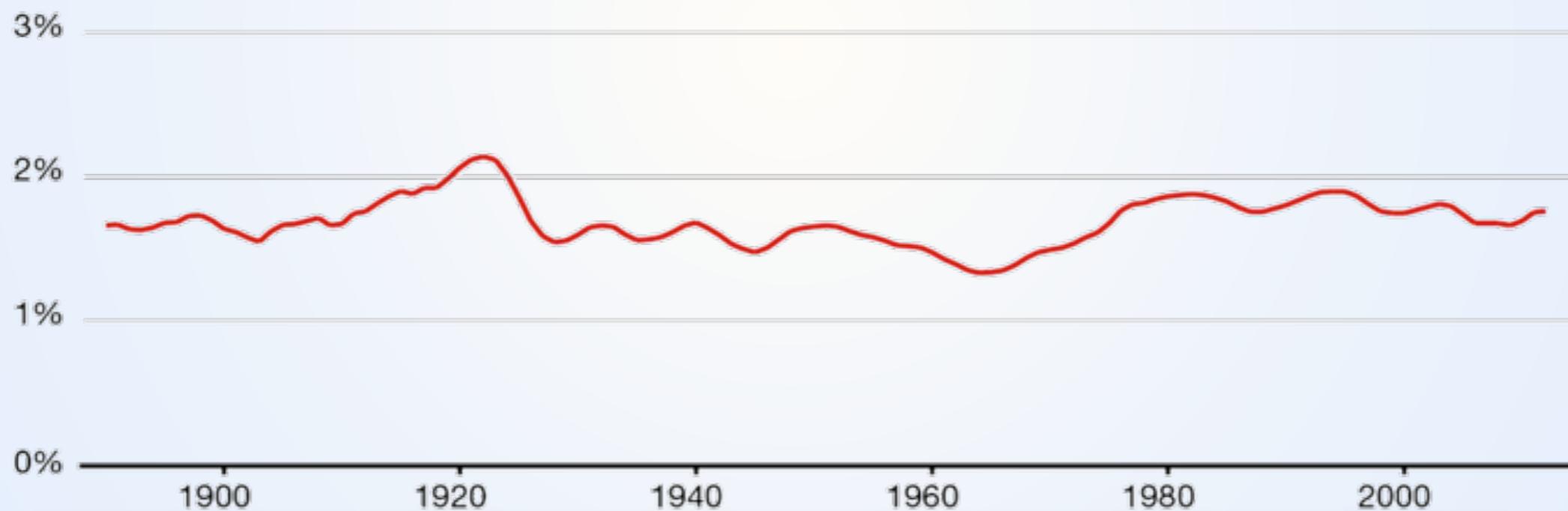
Sources: Federal Communications Commission "Trends in the U.S. International Telecommunications Industry" August 1998, AT&T website April 2014, Xfinity website April 2014, "The Evolution of TV Viewing" by John Carey of Fordham University 2002,

PCWorld "Timeline: 50 Years of Hard Drives" September 2006

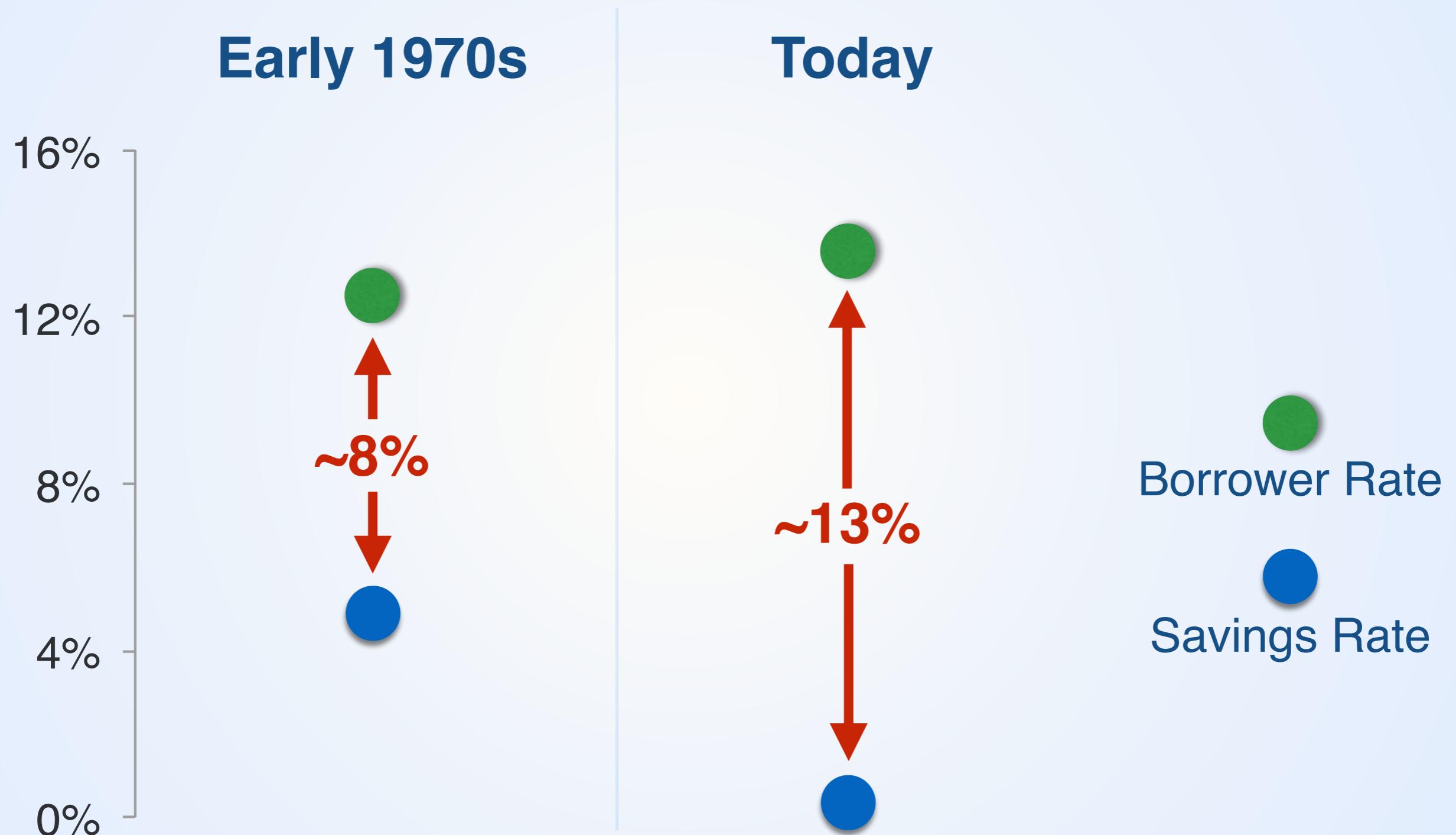
Banking has not experienced the same improvements

No efficiency gains since 1900

Net US revenues of financial intermediaries as % intermediated assets (i.e. unit cost of intermediation)



Consumer value capture is even lower today



Note: 1970 borrower rate is commercial bank interest rate on 24 month personal loan Feb 1972; Today borrower rate is commercial bank interest rate on credit cards assessed interest Feb 2014; 1970 savings rate is average 3 month secondary market CD rate Feb 1971-1973; Today savings rate is 3 month CD rate in the secondary market as of April 2014

Sources: Federalreserve.gov G.19 and H.15 reports, bankrate.com April 2014

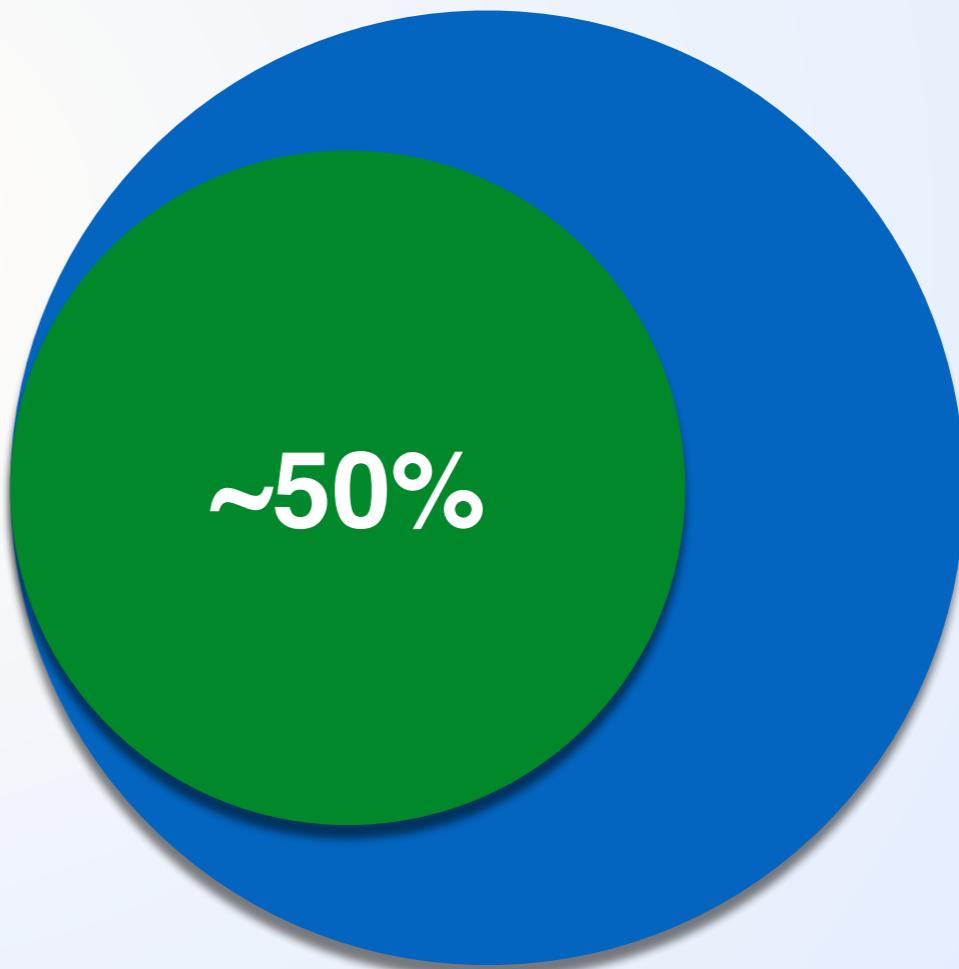
The banking industry became more concentrated

Top 10 banks share of deposits

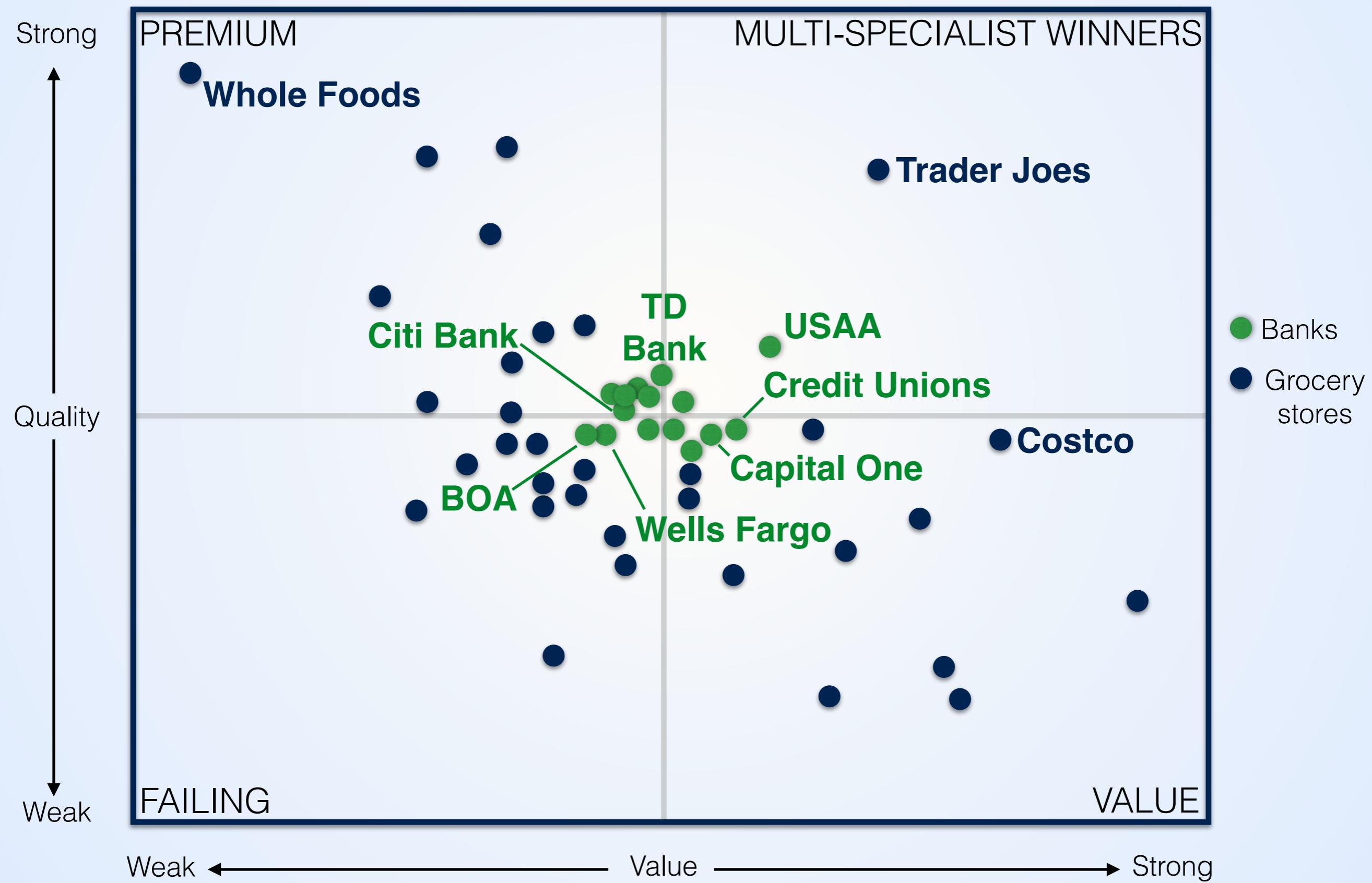
Early 1970s



Today



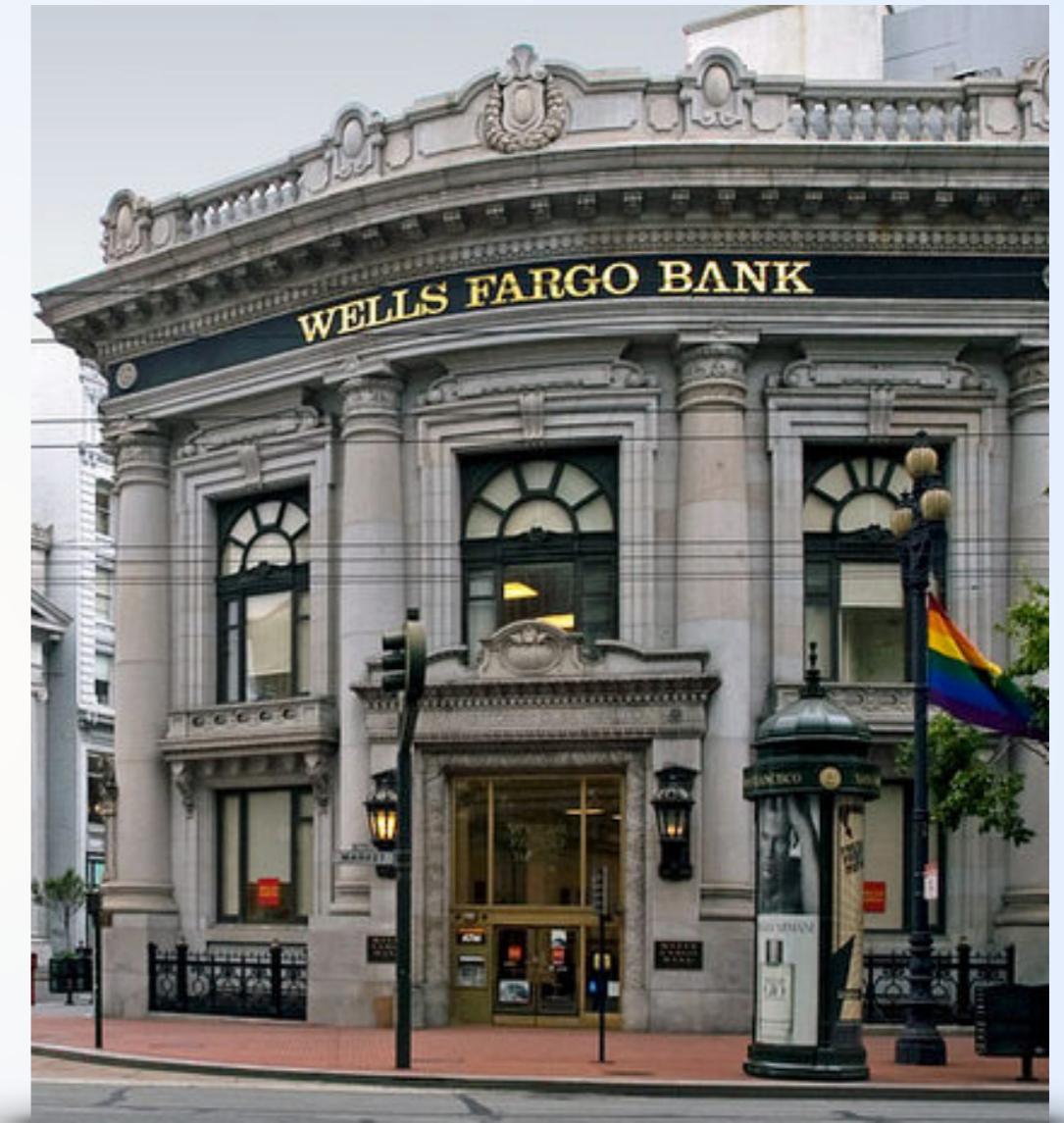
There is limited differentiation



Banks even look the same

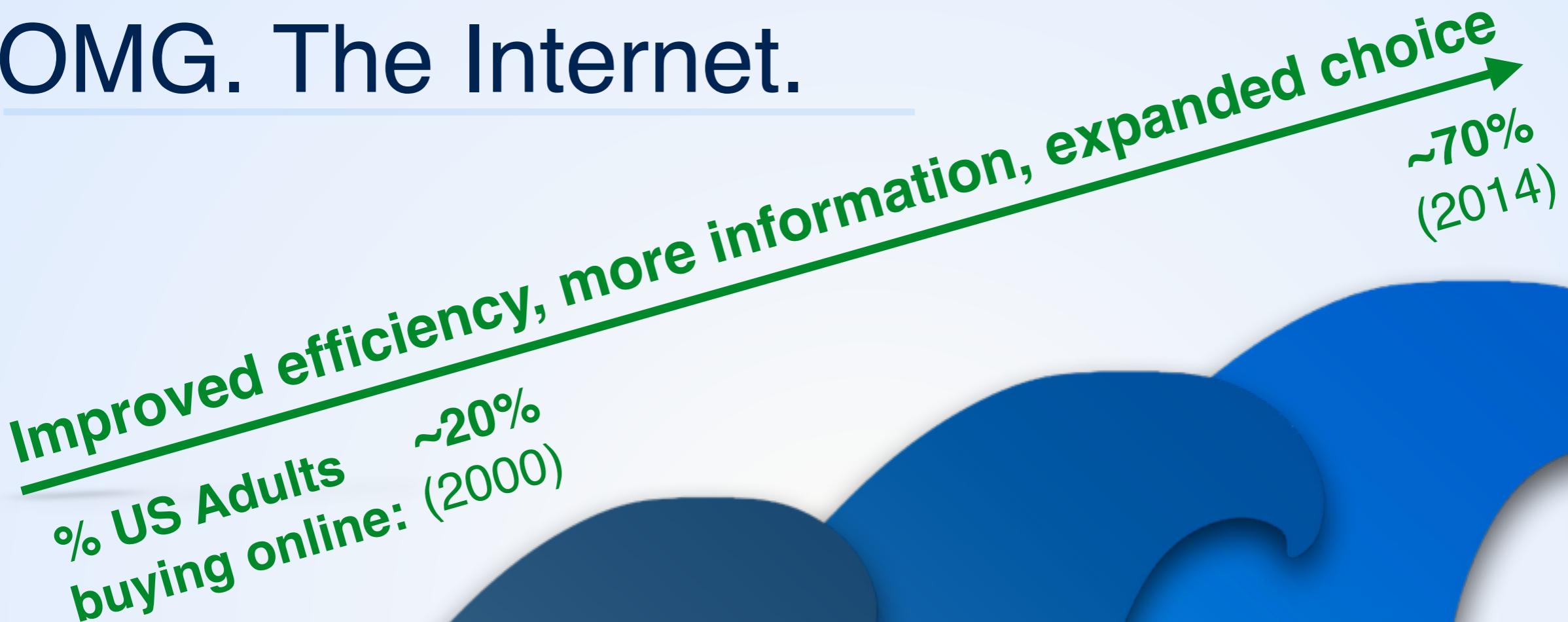


Union Trust Company
San Francisco
Early 1900s



Wells Fargo Bank
San Francisco
Today

OMG. The Internet.

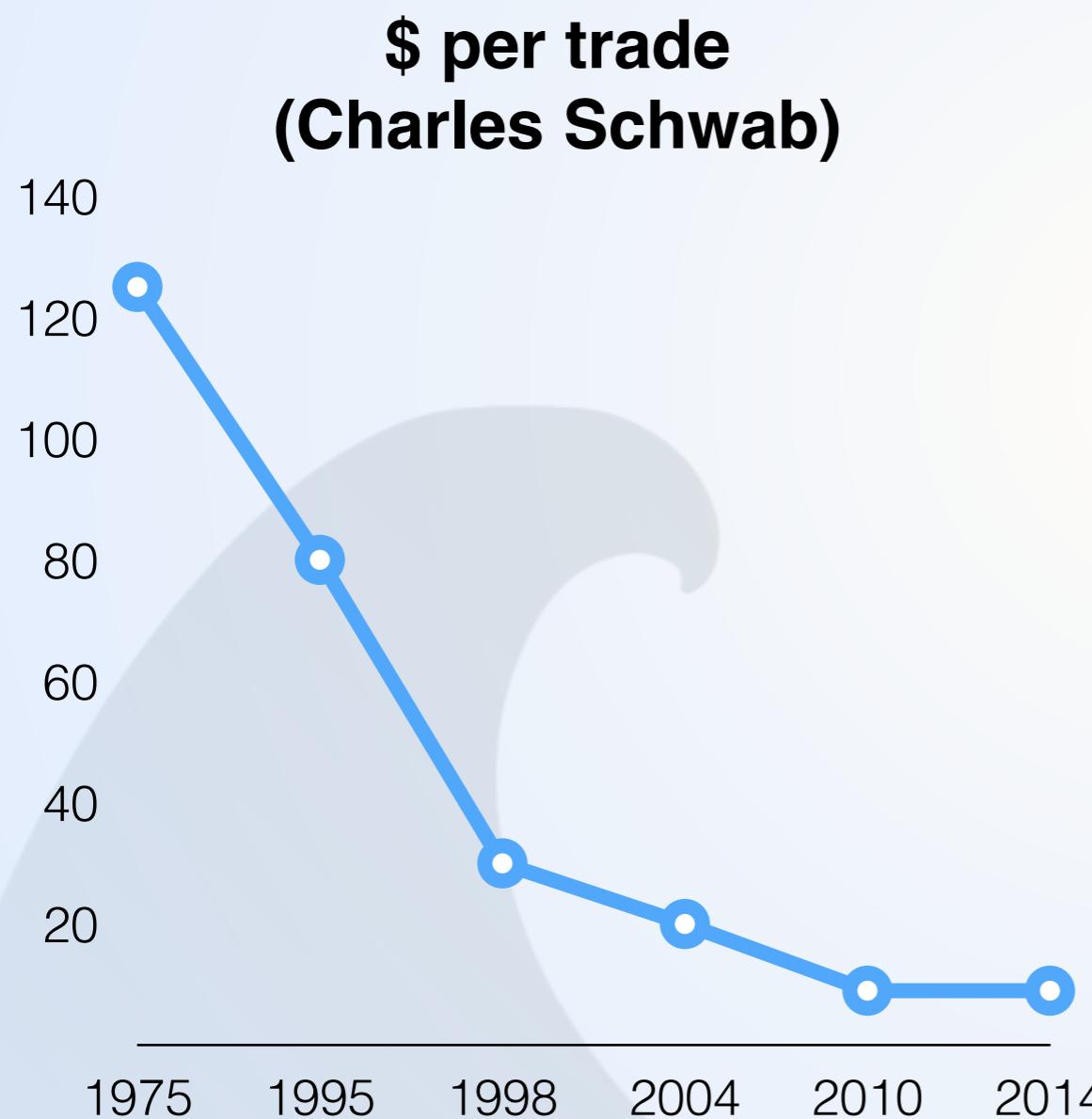


-
1. Online storefronts
 2. Marketplaces
 3. Many to many marketplaces
 4. Sharing economy
- The diagram features four overlapping circles in different shades of blue. The circles are arranged in a staggered pattern. The first circle, in a dark blue shade, contains the number '1'. The second circle, in a medium blue shade, contains the number '2'. The third circle, in a light blue shade, contains the number '3'. The fourth circle, in a very light blue shade, contains the number '4'.

A few examples in financial services

1. Online Storefront

Internet enables lower cost



2. Marketplaces

Aggregated information, easy transact

% UK car insurance originations from online aggregators



Walmart can't sell you a broken laser pointer...but I can

3. Many to Many Marketplaces

- more choice
- lower cost
- efficient pricing



Threadflip

Etsy

bonanza



cafe press

eCRATER

The rise of sharing

facebook.

Users

1m 1,200m
(2004) (2013)

twitter 

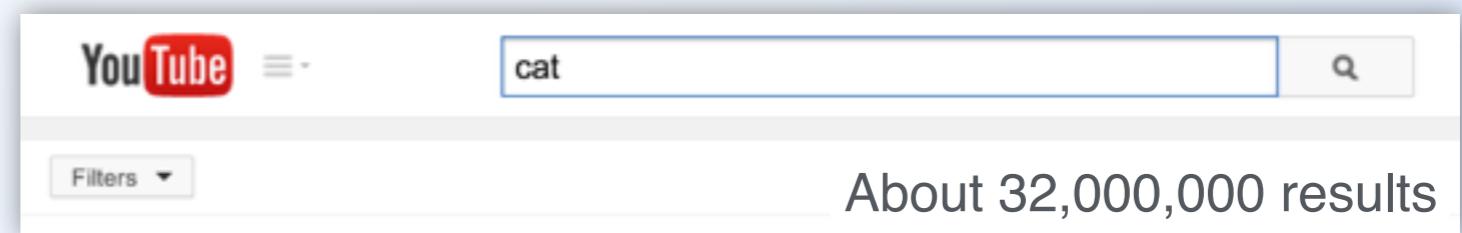
Tweets per day

20k 500m
(2007) (2013)

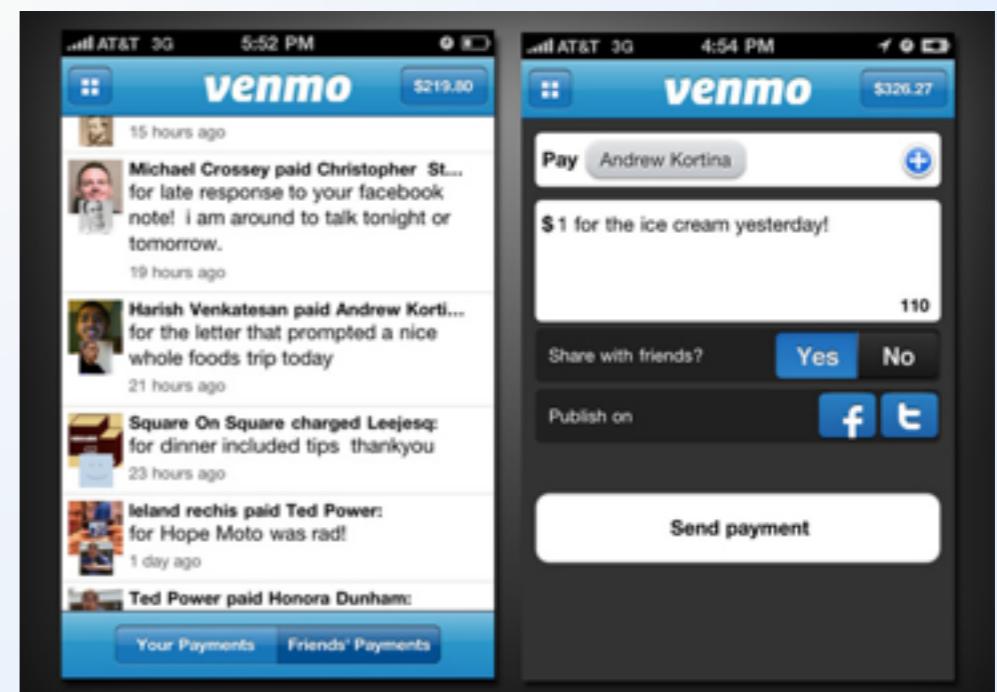
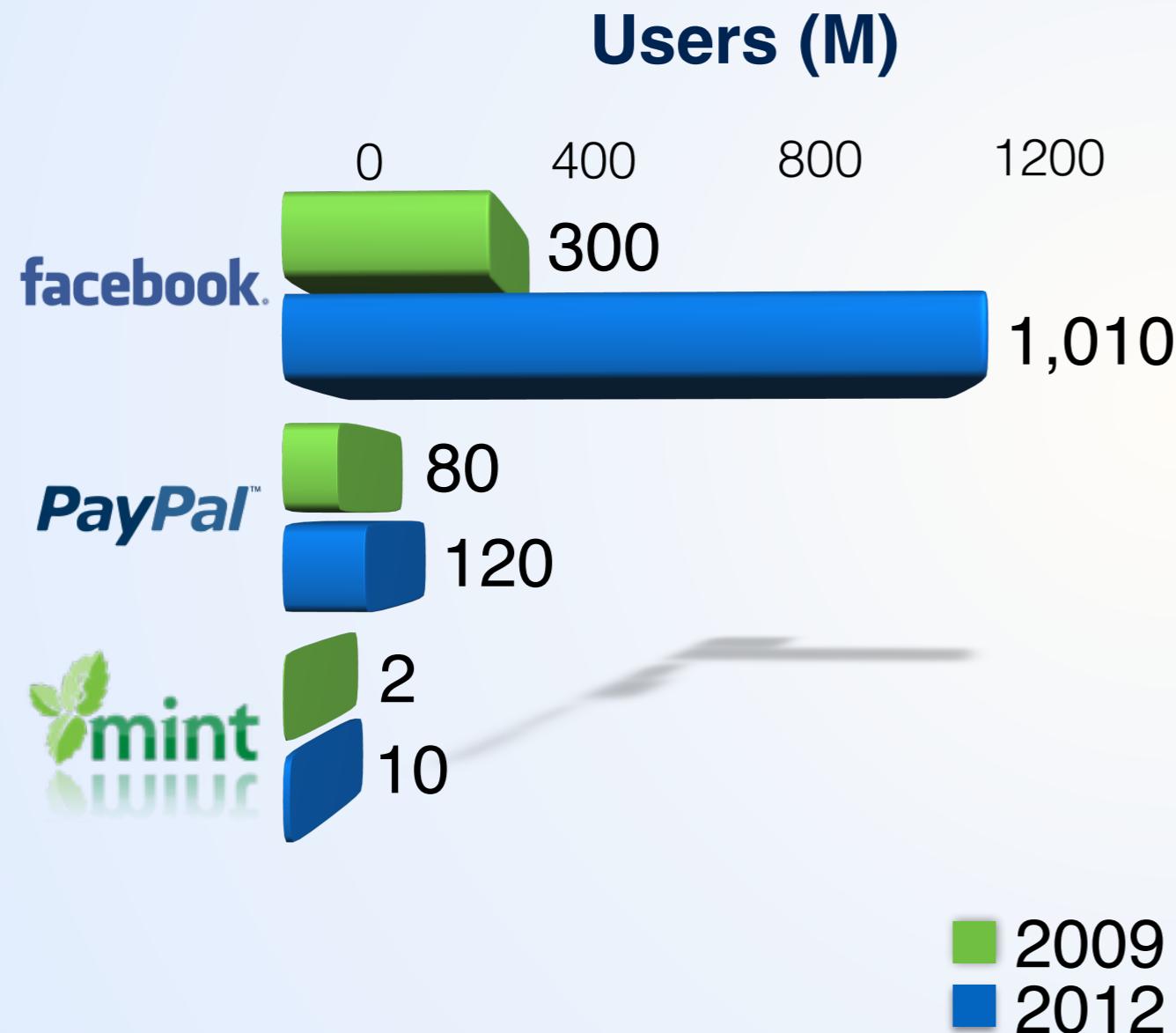
YouTube

Uploaded hours per minute

0.6 100
(2006) (2013)



Slower start for sharing of financial information, but growing fast now



A shift in the national psyche

Google search index “happiness” (US only)

Search for happiness and fulfillment rises in importance



Building businesses out of passions and hobbies



Eli Pariser &
Peter Koechley

Things that matter.
Pass 'em on.



Christopher Altek
& Jake Horowitz

*“Helping our generation
understand what’s
happening in the world.”*



And the sharing economy was born

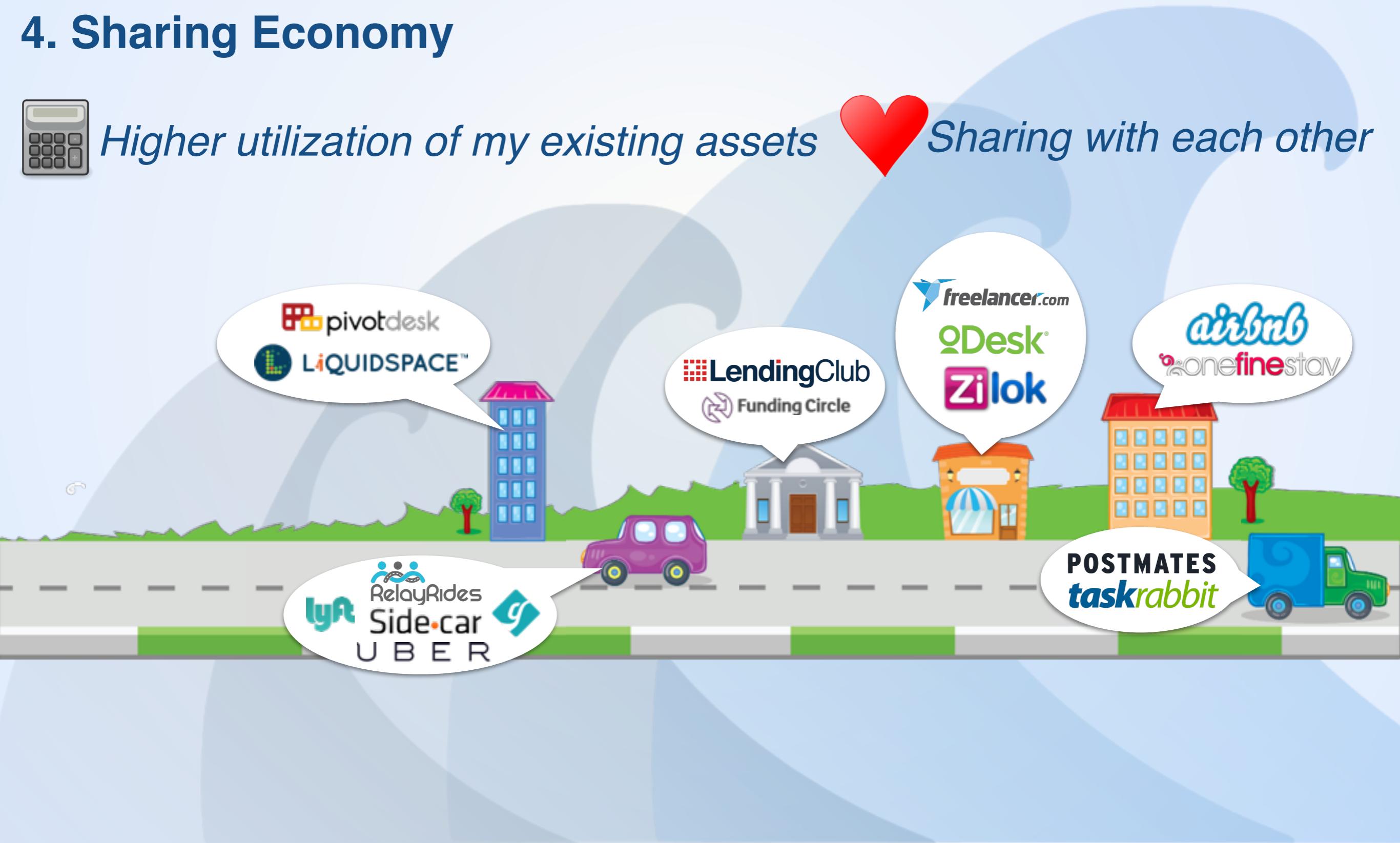
4. Sharing Economy



Higher utilization of my existing assets



Sharing with each other

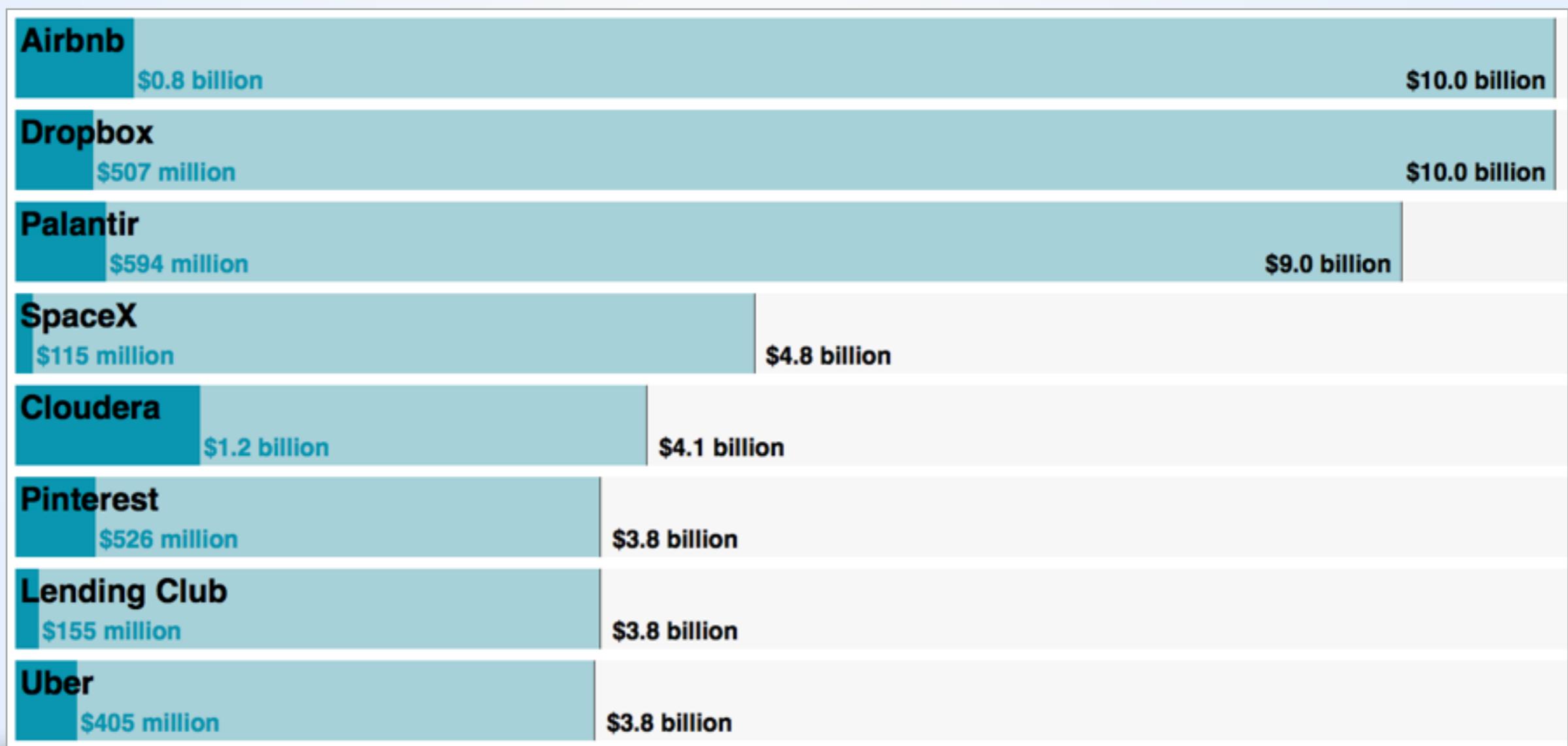


Leading sharing economy marketplaces
are highly valued

8 highest valued US VC-backed private companies

Total equity funding

Latest valuation



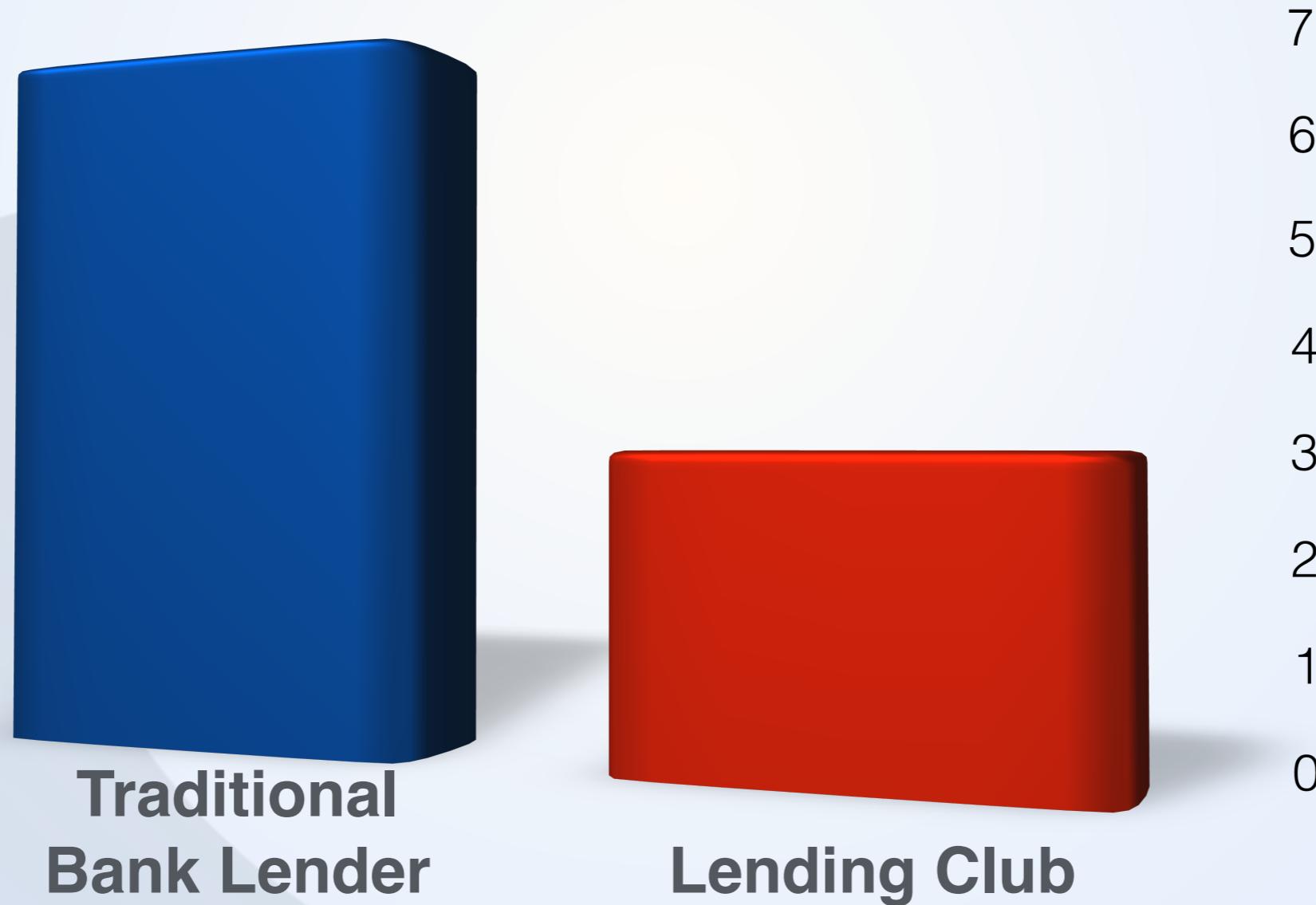
Part of the sharing economy

The convergence of Internet trends & banking gave birth to marketplace lending

1. Online storefronts

Internet enabled low cost model

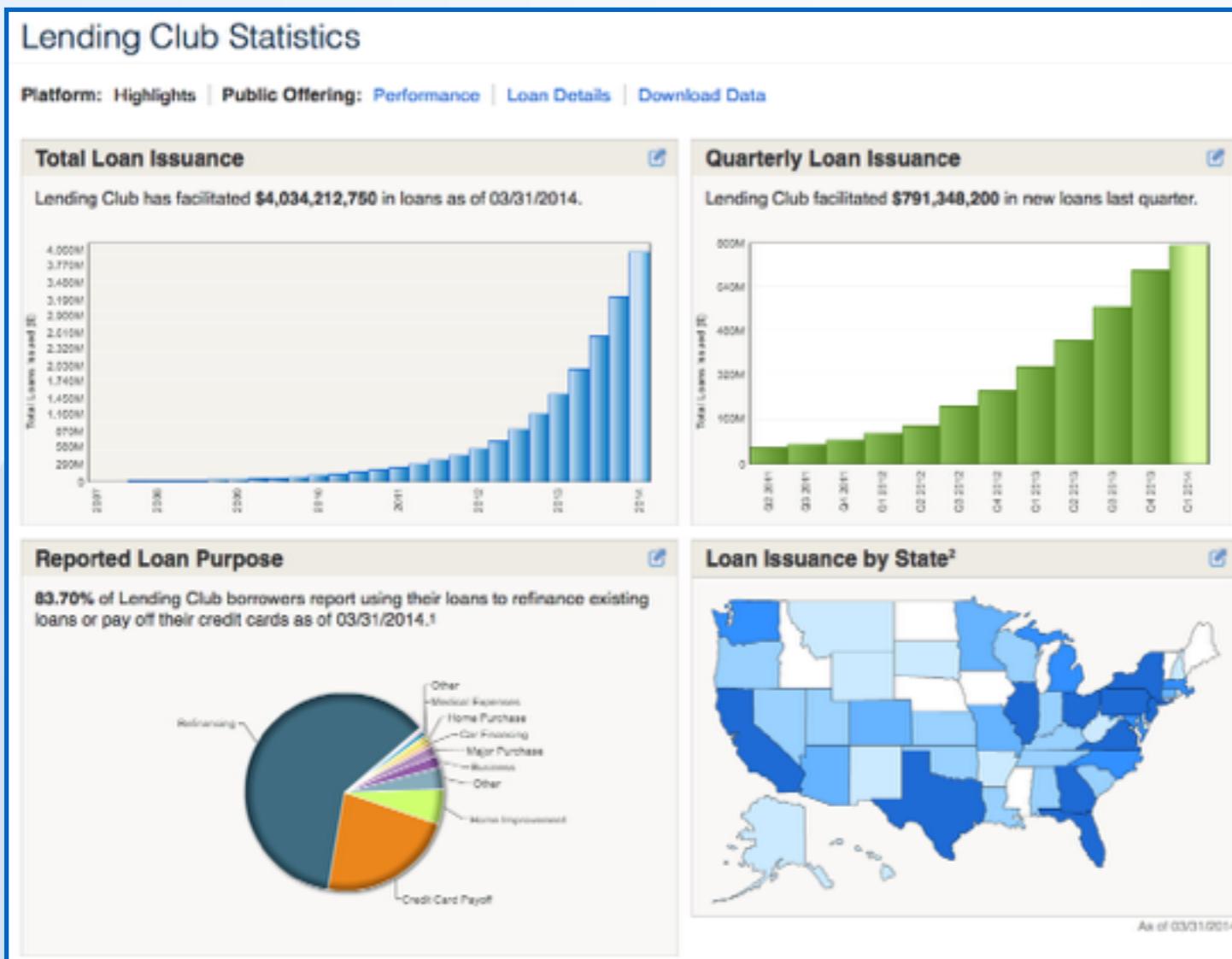
Operating expenses as % of outstanding loan balance



The convergence of Internet trends & banking gave birth to marketplace lending

2. Marketplaces

*One place for transparent information
and transaction made easy*



Get a Rate Quote

It's free and it takes just minutes.

How much do you need?

What is it for? ▾

How is your credit? ▾

Check Your Rate

Won't impact your credit score

The convergence of Internet trends & banking gave birth to marketplace lending

3. Many to many marketplaces

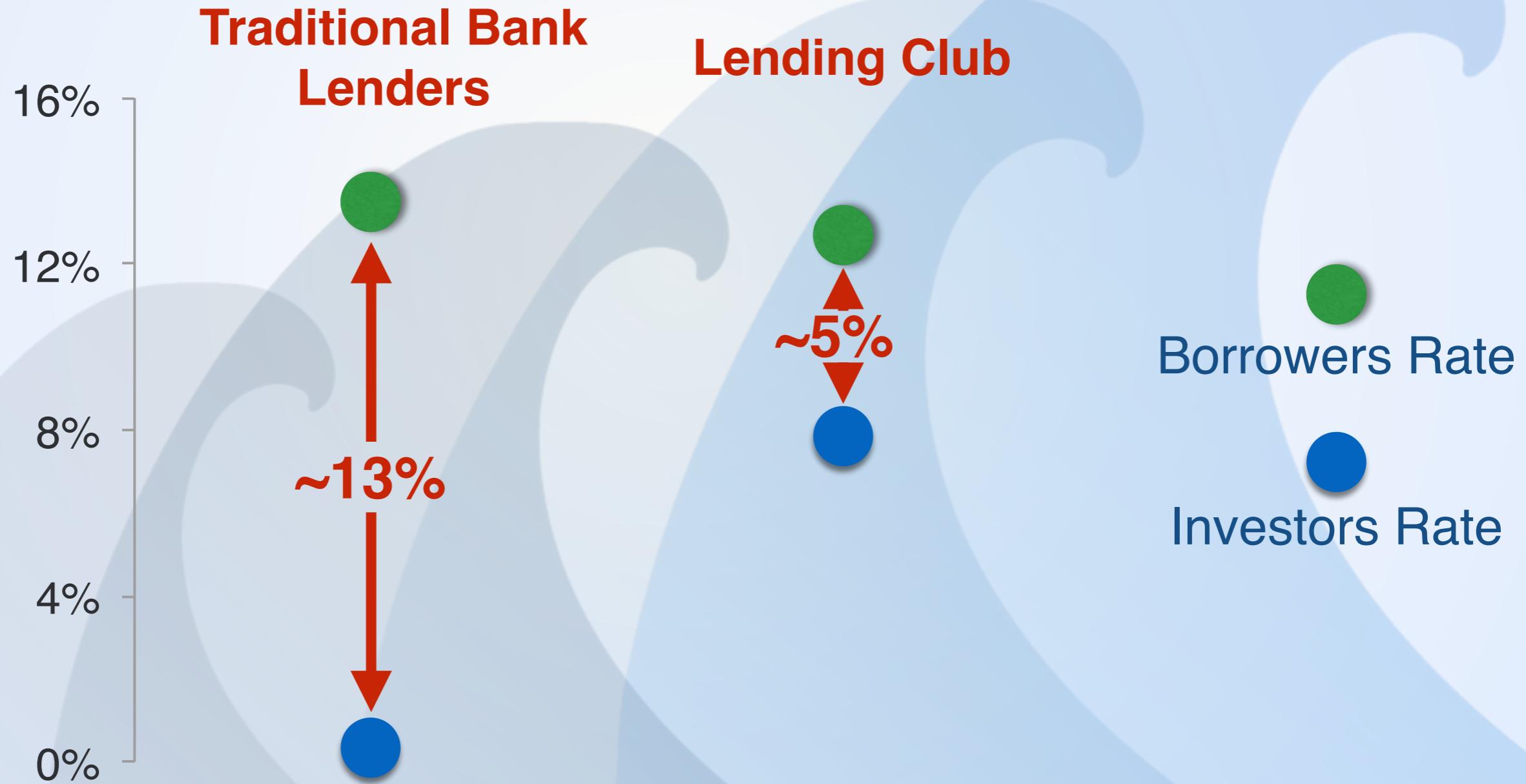
Lower intermediation costs, more choices



The convergence of Internet trends & banking gave birth to marketplace lending

4. Sharing economy

Higher utilization of existing assets



Note: Average Lending Club Interest Rate for 36-month loans in Q1 2014.; Lending Club Investor Rate is Median Adjusted Net Annualized Return for investors with 100+ notes, note concentration of <2.5% of portfolio value, and portfolio age of 12-18 months;

Traditional Bank Lender borrower rate is commercial bank interest rate on credit cards assessed interest Feb 2014; Traditional Bank Lender savings rate is 3 month CD rate in the secondary market as of April 2014

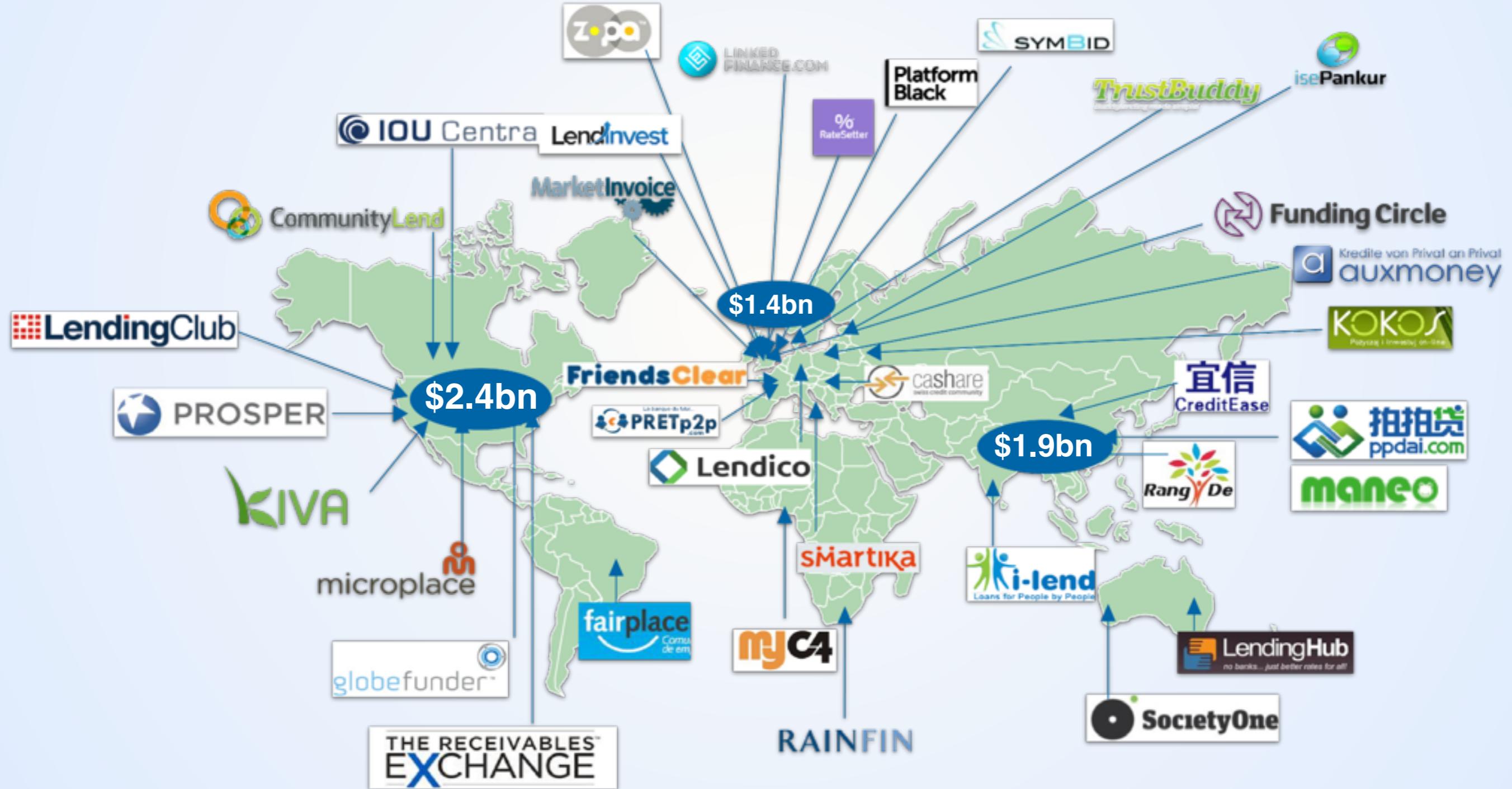
Sources: Lending Club, Federalreserve.gov G.19 and H.15 reports, bankrate.com April 2014

Marketplace lending is becoming increasingly diverse



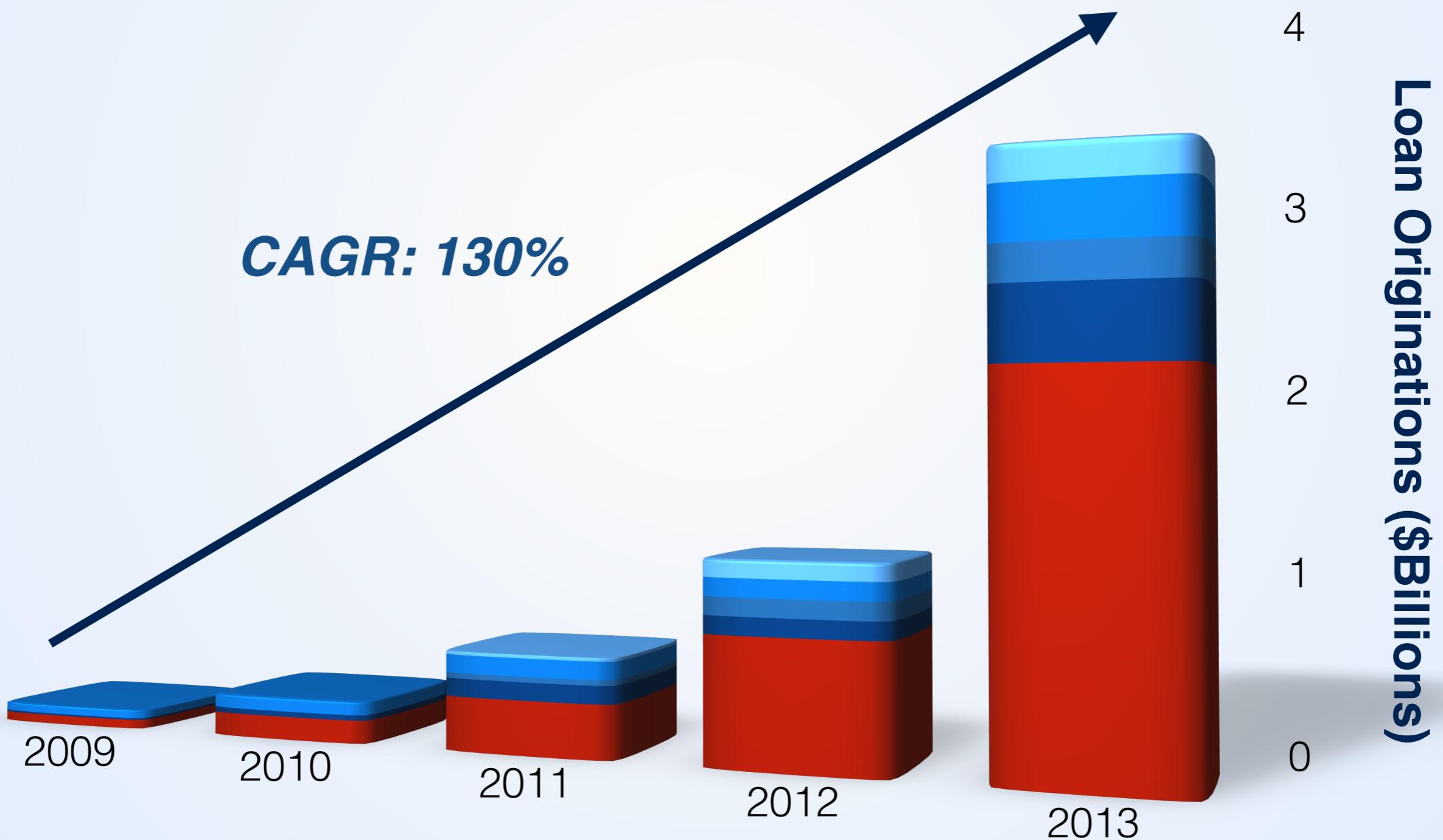
And a global phenomenon

\$ = 2013 annual gross volume

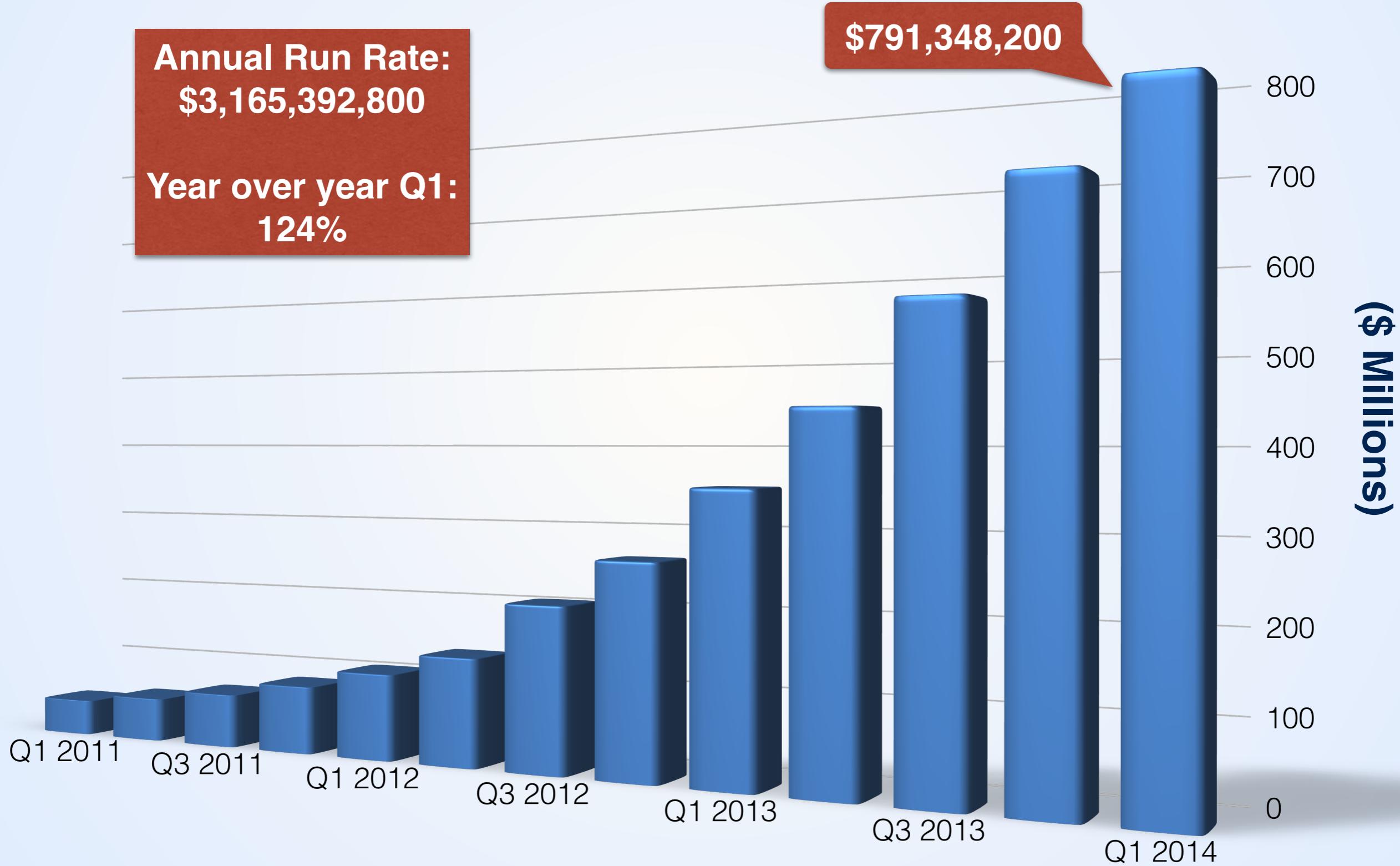


Experiencing rapid growth

■ Lending Club ■ Prosper ■ Funding Circle ■ Zopa ■ Ratesetter

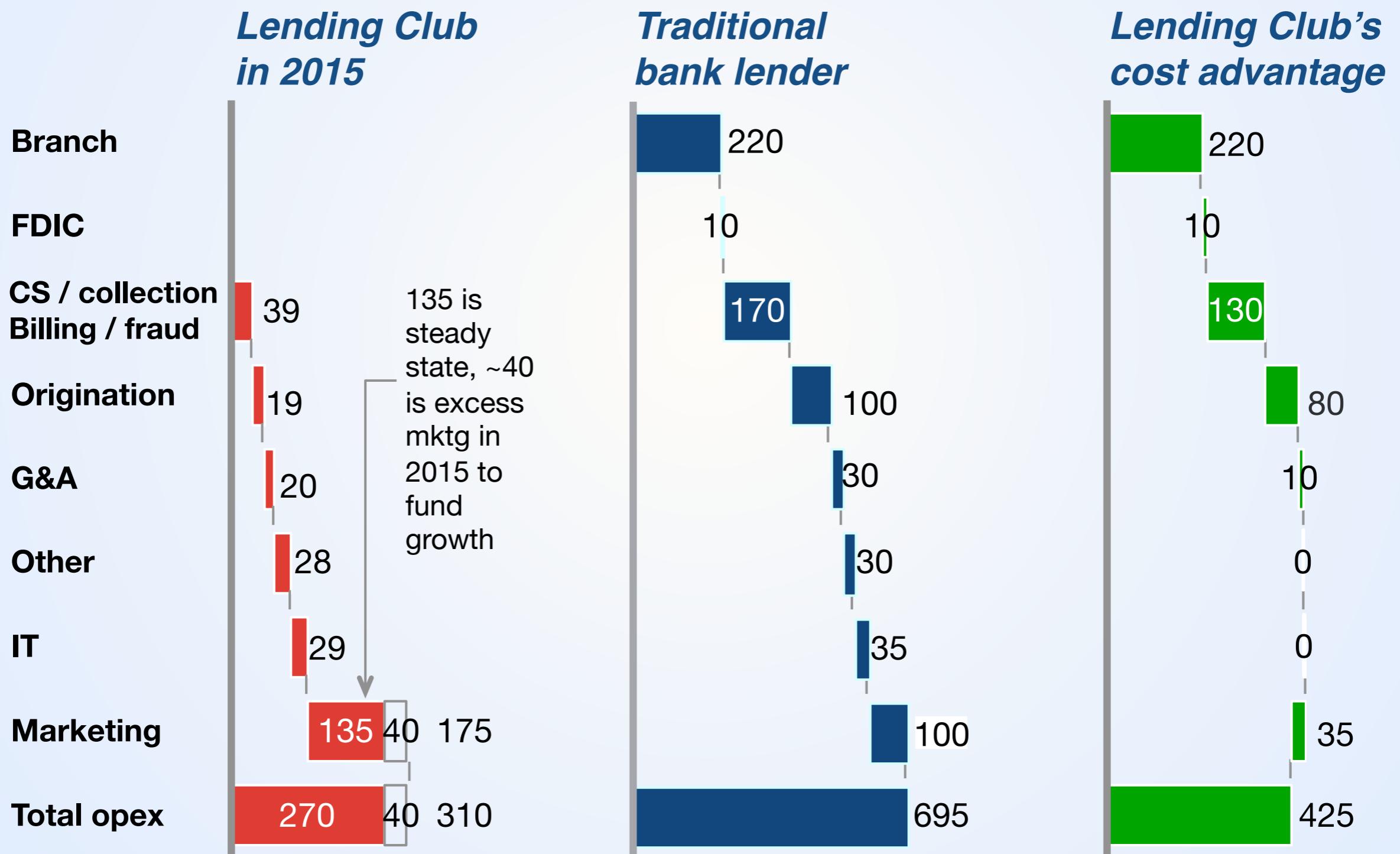


Lending Club leading the way

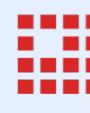


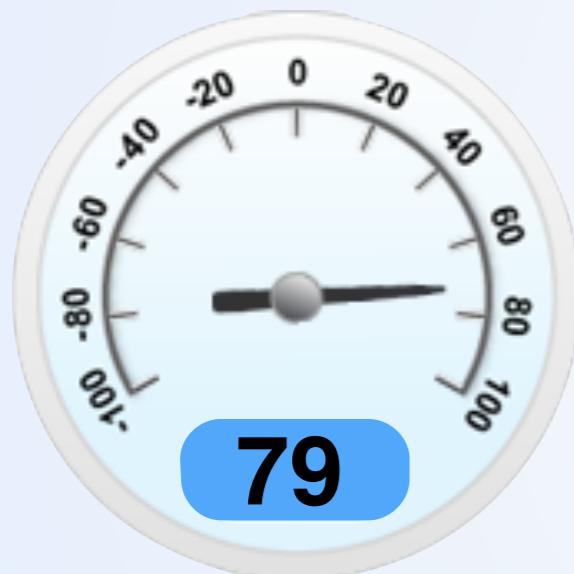
Benefiting from lower operating costs

Opex / total balance outstanding, Basis points



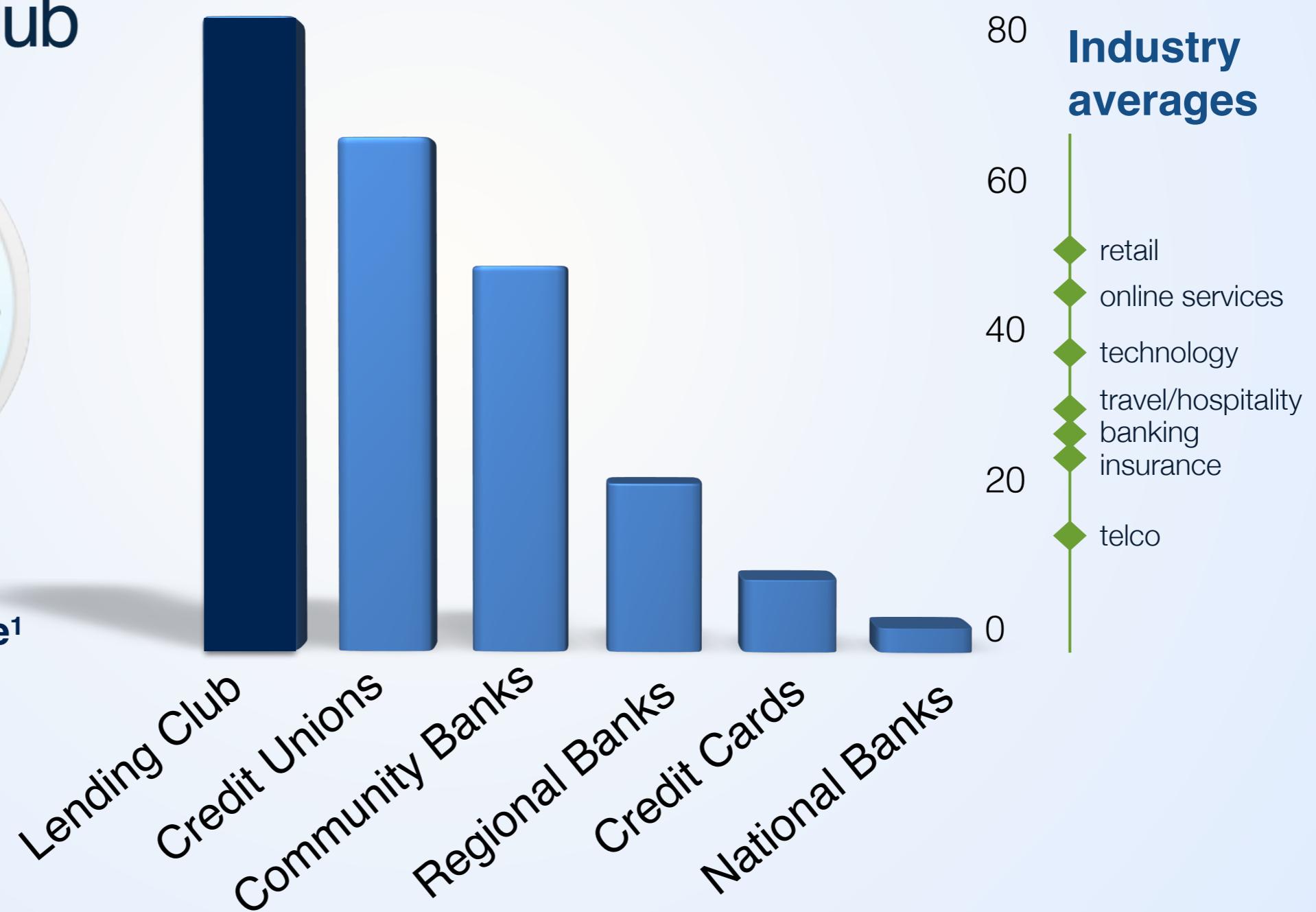
While improving customer experience

 LendingClub



Borrower
Net Promoter Score¹

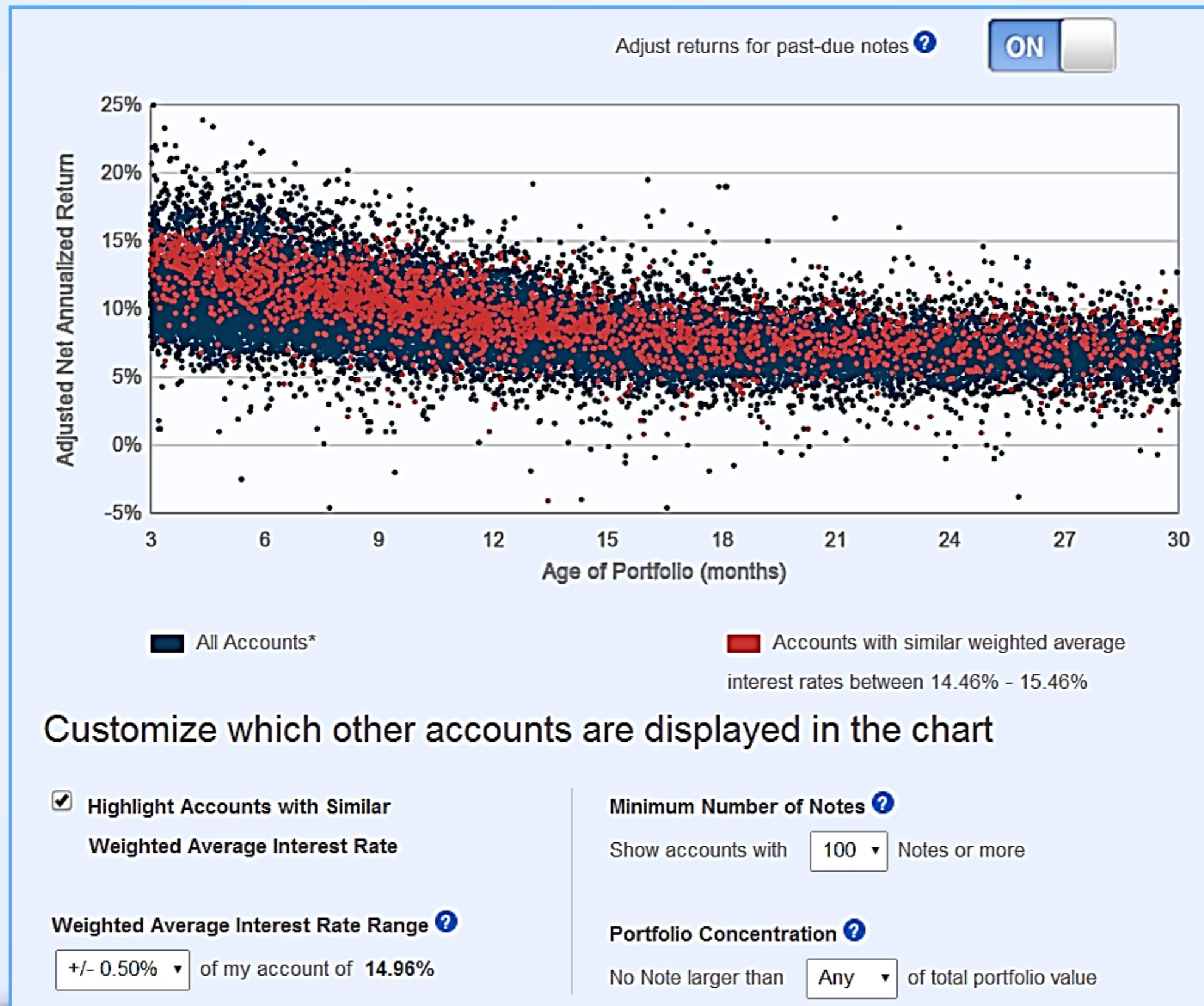
Average NPS Scores



1. As of April 2014 for borrowers that were approved for loans

Sources: Bain, Lending Club

And bringing transparency



Becoming more useful to more people

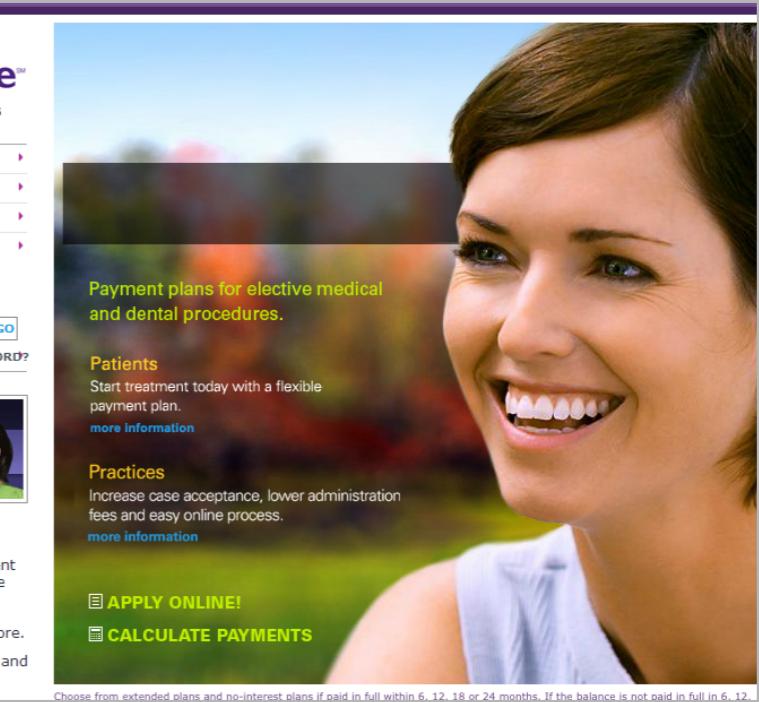
Small business loans



A screenshot of the LendingClub Business Loans website. The header includes the LendingClub logo and links for Investing, Personal Loans, Business Loans, How It Works, and About Us. The main section features a green background with a man on a phone, text about affordable simple business loans up to \$100,000 over 1 to 5 years, and a 'Get a rate quote' form. Below this, there's a 'Get started' button and a 'CAN WE HELP?' contact form.



A screenshot of the Your Tuition Solution website. The header has tabs for FOR FAMILIES and FOR EDUCATORS, with HOME selected. The main content area features a banner for lower tuition payments for private K-12 education, a login form, and sections for ELIGIBLE SCHOOLS and PAYMENT CALCULATOR.



A screenshot of the Springstone Patient Financing website. The header includes the Springstone logo and links for PATIENT WELCOME, PAYMENT CALCULATOR, APPLY NOW, and PRACTICE WELCOME. The main content area features a large photo of a smiling woman, sections for Patients and Practices, and buttons for APPLY ONLINE and CALCULATE PAYMENTS.

Tuition financing

Patient financing

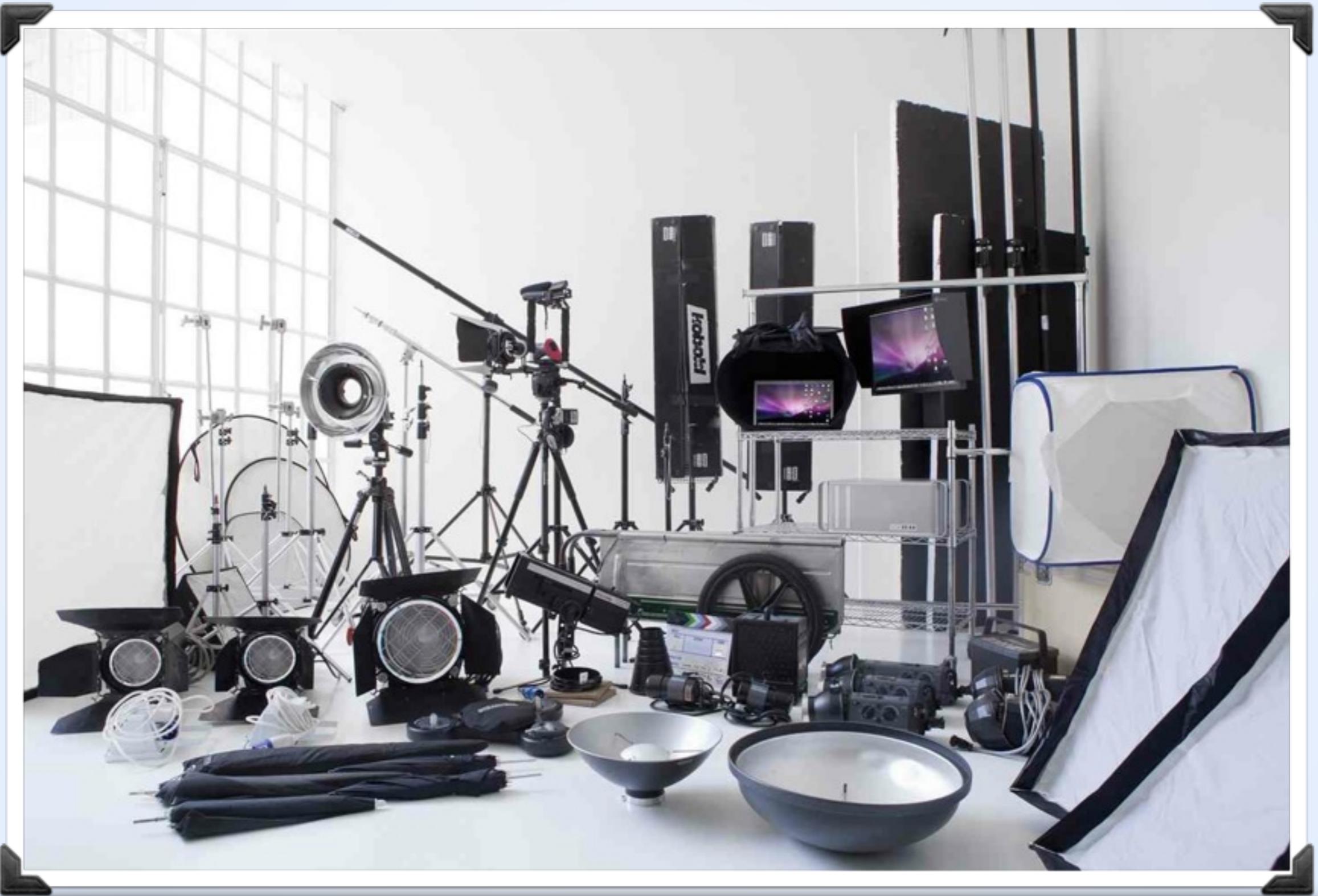
More useful to more people



More useful to more people



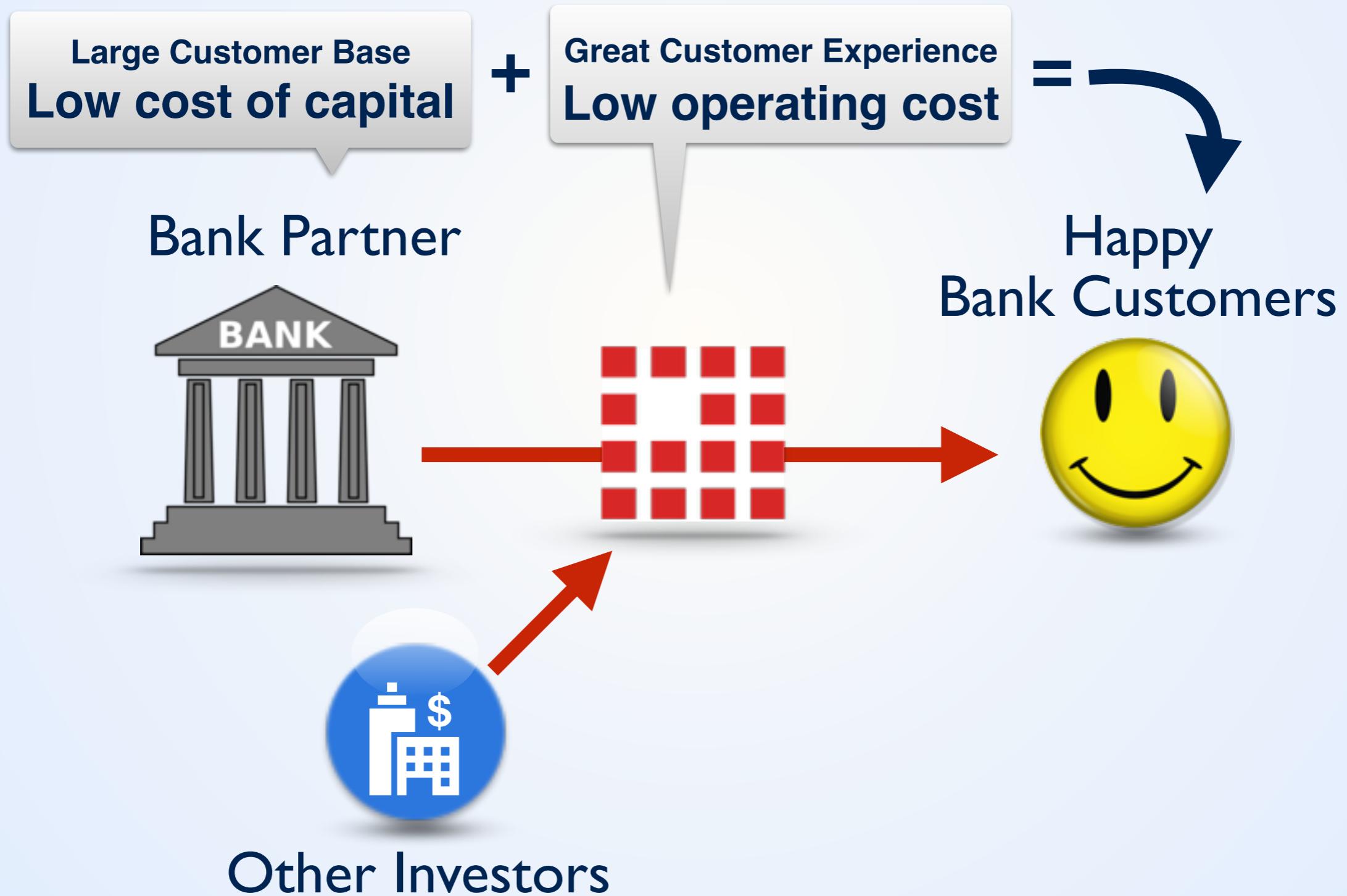
More useful to more people



More useful to more people



Partnering with the banks to transform banking



And today we are pleased to announce



