3Q15 Prepared Remarks

Safe Harbor

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These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2014, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, that the Company has filed with the Securities self and Exchange Commission (the "SEC"). Moreover, the Company operates in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for Company management to predict all risks, nor can the Company assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements the Company may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in these prepared remarks may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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These prepared remarks include certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, financial measures prepared in accordance with GAAP. See the Appendix for a reconciliation of the non-GAAP measures used in these prepared remarks to the most directly comparable GAAP measures.

James Samford – Head of Investor Relations

Good afternoon, and welcome to Lending Club's third quarter of 2015 earnings conference call. Joining me today to talk about our results are Renaud Laplanche, Founder and CEO; and Carrie Dolan, CFO. In addition to the regularly presented slides, comments made by Renaud and Carrie will also refer to a few specific new slides, including slides 10, 11, 12, 14 and 30 in the slide deck. Unless specifically stated, all references to "this quarter" relate to the third quarter of 2015 and all year-over-year comments are comparisons to the third quarter in the prior year.

Renaud Laplanche – Founder and Chief Executive Officer

Introduction

This quarter was our best quarter so far. We continued to deliver very high customer satisfaction and strong credit performance while increasing marketing efficiency and expanding margins.

We generated operating revenue growth of 104% year over year, re-accelerating from 98% revenue growth last quarter. This was faster than our initial plan as we saw opportunities to efficiently accelerate during the quarter, while maintaining strong risk management, credit quality and customer satisfaction. Once again, we are in a position to raise both our revenue and EBITDA outlook for the quarter and for the year.

The magnitude of the market opportunity and our growing competitive advantage in the space put us in a position to set significant growth targets for next year with 70% revenue growth and expanding margins.

Now let's dig into specific results and context for the quarter.

Q3 Highlights

Originations

Starting with originations…

- Loan originations this quarter increased 92% year over year to over \$2.2 billion, compared to nearly \$1.2 billion in the same period last year. Over \$13.4 billion in consumer and small business loans have now been issued since inception, including more than half - \$7.2 billion - just in the last twelve months.

Revenues

Operating revenue this quarter was \$115 million, up 104% year over year. Revenue grew faster than originations as strong credit performance and investor appetite gave us the opportunity to increase investor fees while preserving strong platform returns. A favorable investor mix also helped increase our revenue yield.

Adjusted EBITDA

Adjusted EBITDA was \$21.2 million, up 181% year over year, with margins expanding sequentially for the third consecutive quarter from 13.1% in Q1 to 18.4% in Q3. While we believe there remains considerable margin leverage available to us as we drive more volume through the platform, we plan to continue investing in engineering and product development to fuel long term growth and continue to maintain or improve user experience and operating efficiency. We will also continue to invest in compliance, data management and credit underwriting to maintain our reputation and continue to deliver strong credit performance.

Other Highlights from the Quarter
Now let me turn to business highlights for the quarter. I'd like to give you an update on marketing channels on both the borrower and investor side of the platform, as well as an update on education and patient financing, small business and our product roadmap.

First, an update on our marketing channels:

- On the borrower side
  - In core personal loans we continue to diversify our marketing channels, and observe greater marketing efficiency and an increasing share of loan applications coming from organic traffic as we believe our brand awareness is getting stronger. For the first time this quarter we measured unaided brand awareness within our target population, which came out at just 3%. We would expect increased brand awareness to fuel even stronger organic traffic in the future. We believe we are also benefiting from a shift in consumer behavior towards online lending and away from the more traditional channels, and expect that trend to continue. All in, we recorded lower acquisition costs quarter over quarter that drove sales and marketing expense down to 192 basis points of originations this quarter, compared to 201 basis points last quarter.
  - We continue to test direct response radio and TV and again are encouraged by the results. We're increasingly convinced that we can make these channels work in a way that delivers customers at the same acquisition cost as the marginal cost of other channels, and generate additional brand awareness. We are hoping that this direct marketing effort will not only stand on its own as an acquisition channel, but also help raise brand awareness and credibility at a higher rate than other channels. Accordingly, we are planning to expand the scope of our test campaign in the next few quarters.

- Investors
  - On the investor side, we expanded our addressable geographic market over the quarter and post quarter end, with the addition of 9 new states bringing our retail coverage to 39 states with an active investor base of over 100,000 retail investors.
  - The investor mix for the standard program this quarter was 20% self-directed individual investors, 44% individual investors investing through a fund or a managed account and 36% institutional investors.
  - We continue to efficiently acquire investors, as existing investors tend to refer new ones and add to their account over time. In fact, a growing share of the capital invested on the platform comes from our existing investor base: about 87% of the capital invested in loans issued year to date came from investors who opened their account more than 6 months earlier. The share of capital from existing investors has been growing steadily each quarter: it represented only 48% of total investments in 2012 and reached 90% for the first time this quarter. This demonstrates the "stickiness" of the investor base we have built over the last 8 years.
  - As another way to illustrate the depth and breadth of our investor base, we have included on Page 11 of the earnings presentation available on our Website an

investor coverage map. We mapped investor portfolios by weighted average term ranging from 36 months to 60 months and by weighted average interest rate. The key takeaway is that we have built a very diverse set of funding sources with investors of all sizes across a full spectrum of duration, investment objectives and risk appetite. This enables the broadest range of loan originations at attractive rates to borrowers, which means that our marketing funnel converts at a higher rate.

- We believe our diverse funding sources also make us more resilient to changes in the economic environment, as different categories of investors are likely to behave differently, particularly in an economic downturn. We expect individual investors in particular, whether they invest in a self-directed way or through a fund or managed account, to be more consistent in their investment behavior than other sources of capital and less sensitive to market movements.

Now switching to updates on Education and Patient Financing and Small Business…

- Education and Patient Financing:
  - Education and Patient Financing continued to be an area of investment this quarter, and we also continued to reap the benefits of past investments with a sequential growth rate that has been equal to, or greater than, our core personal loans for the last two quarters. As the field sales force continues to deliver growth, we will continue to create new territories and have decided to expand the size of that sales force by 25% over the next two quarters.
- Small Business
  - Switching to small business lending. Last quarter we said we would be launching a new product by year-end, which we did on October 14th: we rolled out a new multi-draw line of credit product for small businesses, with lines of credit ranging from $5,000 to $300,000. We are very excited about this new product that gives small businesses convenient and flexible access to affordable credit with interest rates starting at just 5.9%. Business owners can draw just the amount they need at any time, which can reduce the effective cost of their credit. We piloted the product with Alibaba and Ingram Micro customers, and have now made it available more widely to all qualified small businesses on our Website.
  - Our small business platform continues to grow in line with our expectations, at a pace compatible with good risk management and prudent credit underwriting.
- Product Roadmap
  - More broadly about the product roadmap, we told you last quarter that we will be entering an entirely new large consumer credit product category in the first half of next year. We are glad to confirm that we remain on track with this timeline.
  - Outside of the major product launches, we continuously release product improvements that contribute to constantly improving the experience for our customers and our own operating efficiency.

Network Effects
Let me now turn to Page 12 of the earnings presentation that describes the network effects we have been observing on our marketplace.

- Traditional banks do not typically benefit from strong network effects: a new customer joining the bank does not necessarily increase the utility of the products for other customers. In fact, there is evidence that scale in traditional banking correlates with a worsening of customer satisfaction, with the largest banks typically recording a worse net promoter score than local community banks. If we consider a bank as a two-sided marketplace (with depositors on one side and borrowers on the other side), there is no network effect between borrowers and depositors as greater volume or efficiency on one side doesn't translate into the same on the other side. This is because unlike true marketplaces like Lending Club, a bank's assets and liabilities are not matched to one another, so improvements on one side doesn't necessarily benefit the other.

- In marketplace lending, in contrast, the two sides of the marketplace feed on each other: our track record of performance leads investors to accept lower returns, as they perceive these returns as being more dependable. Lower return requirements from investors help lower rates to borrowers, which lead to lower acquisition costs and positive selection in the quality of the borrowers attracted by the lower rates, which in turns fuels our strong track record of performance.

- The lower return hurdle from investors also gives us the ability to earn higher investor fees, which has helped us increase our revenue yield by about 30 basis points over the last year.

- Higher investor fees, coupled with lower borrower acquisition costs enabled by the lower rates, and lower investor acquisition costs enabled by the strong track record of performance, generate higher margins that we can use to fund investments in several key areas, including product and credit underwriting.

- Investments in underwriting in turn fuel our strong track record of performance, and investments in product feed our strong customer satisfaction rate, which leads to more repeat customers, and is accretive to our brand and reputation, which helps generate more organic traffic and increase conversion rates throughout the funnel, all these dynamics ultimately fueling lower acquisition costs and higher margins.

- We believe these network effects and benefits of scale will help solidify Lending Club's dominant position in online lending, as marketplace dynamics make the larger marketplace increasingly more efficient and more attractive over time. We believe most of these dynamics are not available to one-sided marketplaces funded on balance sheet.

Regulatory Update

Finally let me give you a quick update on regulatory trends. We believe this was a productive quarter.

- In September, we provided the Department of the Treasury with our response to their Request for Information on marketplace lending. We believe the process was helpful, and supportive of our goal of increasing transparency and efficiency designed to make credit more affordable and more available to consumers and small business owners. We led with our values and the benefits we're bringing to our 1.2 million customers and to the many partners we work with, including local community banks across the country.

- We provided the Treasury with an overview of our regulatory framework that offers borrowers the same level of consumer protection they receive from a bank, while providing us with a more cost-efficient framework. In fact, all the loans enabled through our marketplace are overseen, issued and originated by federally regulated banks, and all federal lending regulations including truth in lending disclosures, fair lending, fair credit reporting are applicable to us.

- We provided our perspective on alignment of interests and disclosure requirements, starting with a reminder that we have a tremendous amount of "skin in the game", with over 20% of our revenue from each loan being subject to loan performance over time, and an ongoing alignment of interests with investors.

- We also made a number of proposals designed to increase transparency in small business lending, provide more information to marketplace investors through mandatory disclosure requirements, provide targeted tax incentives and make it easier to verify income using tax returns.

- In regards to our loan issuance framework, we continue to see no measurable impact from the Madden decision that was rendered in May this year by the second circuit Court of Appeals. Page 14 of our earnings presentation includes new data showing the mix of standard program originations inside and outside of the second circuit states of NY, CT and VT. Roughly 10% of the loans were issued to residents in these states this quarter, unchanged from the previous quarter. The mix of sophisticated institutional investors purchasing loans in those states increased from 35% last quarter to 40% this quarter.

- Like many of our institutional investors, we continue to operate with the strong conviction that the facts of the Madden case were very different from our situation and that, in addition, our choice of law framework will continue to prevail.

- That being said, we are modifying some aspects of our relationship with our issuing banks in a way that we believe creates even more distance with the Madden case.

- Finally, we were encouraged by recent remarks from Federal Reserve Governor Brainard in a speech at the Third Annual Community Banking Research and Policy Conference in Saint Louis last month who noted, consistent with our belief, that "partnerships between community banks and online platforms may help expand access to credit for consumers and small businesses, and help banks retain and grow their customer base."
- In summary I would say that the regulatory environment remains dynamic in response to the fast pace of innovation, and we are an active participant in the regulatory dialog. Our opinion is being sought after and heard as the clear leader in the space and we continue to see strong alignment between our values and operating principles and the goals the regulators are pursuing of insuring that consumers benefit from affordable, transparent and responsible credit.

Now let me turn the call over to Carrie to go into more detail about our financial results, our guidance for the next quarter and full year, and our outlook for 2016.

Carrie Dolan – Chief Financial officer

Thanks, Renaud.
- The third quarter was another outstanding quarter with our financial results again topping our outlook.
- More specifically, our revenue exceeded $100 million in the quarter for the first time and was 104% higher from the prior year.
- Both our contribution and EBITDA margins expanded reflecting our continued leverage and GAAP net income turned positive for this quarter!

- Today, I will start with our third quarter financial results and then provide fourth quarter guidance along with some initial thoughts on 2016 before opening the call up for questions.
- As a reminder, all year over year comments are comparisons to the third quarter in the prior year.

Originations / Revenue

- Starting with originations.
- As Renaud shared, total Originations in the third quarter reached $2.2 billion, an increase of 92% compared to last year.
- While we continue to be disciplined about the pace of our growth, we continue to see opportunities to efficiently accelerate growth beyond our initial plan as a result of operating efficiencies in our acquisition channels.

- Operating Revenue in the third quarter was $115.1 million, up 104% year over year.
- The growth in origination volume was again outpaced by our revenue growth as revenue yields continued to expand.
- Our revenue yield, which is operating revenue as a percent of originations, was 5.15%, up 12 basis points sequentially and 30 basis points year over year.

- Transaction fees, which are earned immediately after a loan is originated, represented roughly 87% of operating revenues and totaled $100.4 million, up 91% year over year.
- Transaction fees as a % of originations were roughly flat sequentially at 4.49% and were lower by 3 basis points from last year primarily driven by the products used in education and patient finance, which includes the "true-no interest" product launched in late 2014.

- Servicing and management fees from investors, which are earned over the life of the investments, totaled $11.9 million in the third quarter, up 155% from last year.
- Servicing and management fees as a % of originations increased 13 bps year over year to 53 basis points.
- As we have previously discussed, in the fourth quarter last year, we starting charging investors collection fees, which accounted for 6 basis points of the year over year increase.
- During the third quarter this year, we further adjusted our collection fee pricing, which added another 4 basis points in yield.
- The recent pricing changes were made in the middle of the third quarter and increased revenue more than initially planned.
- We also continued to see favorable investor mix trends with demand coming from investors who pay marginally higher servicing fees.
- To provide additional information on our servicing and management fee revenue, we added a new slide on page 30 in the earnings presentation. This slide shows our servicing and management fees, excluding the servicing liability adjustment, as a % of our servicing portfolio balance.
- In the third quarter, our servicing portfolio, which is comprised of all the loans we service and includes loans that we sold and are no longer on our balance sheet, reached $7.7 billion, up $3.7 billion or 95% from last year.
- As shown on this slide, our servicing and management fees, as a % of our average outstanding servicing portfolio, increased 4 basis points to 16 basis points from the prior year.

- Other revenue, which grew $3.5 million from the prior year, grew as a result of higher gains associated with selling whole loans at more favorable rates and added 19 basis points to the year over year revenue yield expansion.

Expenses / Contribution Margin

- Now turning to expenses.

- We divide expenses into 2 major buckets: those that directly drive revenue and are part of our contribution margin, and those that support our infrastructure and long term growth and are part of adjusted EBITDA.
- As we review expenses in this section, please note that these amounts exclude stock based compensation, depreciation, amortization, and acquisition-related expenses.
- The contribution margin expenses that directly generate revenue include: Sales and Marketing, and Origination and Servicing.

Sales and Marketing

- Sales and Marketing expenses consist primarily of expenses related to borrower and investor acquisition and activation, as well as overall brand building, including a test budget for new channels. They vary quarter to quarter with seasonality, channel mix, channel testing, and additional marketing efforts designed to support new product launches.
- In the third quarter, Sales and Marketing expenses were $42.9 million, up from $20.1 million a year ago.
- As a % of originations, sales and marketing expenses were 1.92% this quarter.
- Adjusting for the reclassification of the personal loan sales team we made in the beginning of 2015, which moved expenses from origination and servicing to sales and marketing, sales and marketing expenses were 1.86% this quarter representing a 14 basis point increase year over year.
- Our core personal loan sales and marketing expenses were 2 basis points higher than last year, with the remaining 12 basis point increase due to small business and education and patient finance.
- Sequentially, sales and marketing expenses declined 9 basis points, down from 2.01%.
- Our core personal loan expenses declined 9 basis points while our education and patient finance and small business expenses were roughly flat.

Origination and Servicing

- Our Origination and Servicing expense consists primarily of personnel related expenses for credit, collections, customer support, and payment processing teams and vendor costs associated with facilitating and servicing loans such as issuing bank, and credit agency fees.
- In the third quarter, Origination and Servicing expenses were $16.8 million, up from $9.6 million last year.
- As a % of originations and including the 6 basis point reclassification, Origination and Servicing expenses are 1 basis point lower year over year at 81 bps.
- Quarter over quarter, these expenses were flat at 75 basis points

Contribution Margin

- Both Sales and Marketing and Origination and Servicing expenses are netted against our operating revenue to derive contribution income and a Contribution Margin, which focuses on the efficiency of how we drive our revenue.
- On a dollar basis, our contribution income in the third quarter was $55.4 million, up 106% year over year.
- As a percent of operating revenues, our contribution margin hit a high of 48.1% in the seasonally strong third quarter, up from 47.5% in the prior year and 44.9% in the second quarter.
- As a percent of originations, contribution margin expanded 17 basis points from 2.31% to 2.48% year over year driven by a 29 basis point increase in revenue yield, offset by higher contribution margin expenses, which were driven by our newer products.
- As a % of operating revenues, our core personal loan contribution margin has now exceeded our long term 50% margin target.

Operating Expenses / EBITDA

- The second set of expenses that are outside of our contribution margin but are included in our adjusted EBITDA margin are engineering, product development and other G&A costs.
- Engineering and product development expenses include personnel related costs along with non-capitalized hardware and software costs.
- Our goal to launch one-or-two products a year on a scalable, efficient and secure platform and continue to push our technology advantage is reflected in our continued investment in our engineering and product development teams, who account for close to one-third of our total headcount.
- In Q3, engineering and product development expense increased $5.7 million to $12.0 million, up 90% year over year.
- Despite rapid hiring, engineering and product development expenses as a percent of operating revenues declined slightly on a quarter over quarter and year over year basis to 10.4% in the third quarter.
- While we track engineering and product development expenses as a % of revenue, at this stage of our maturity, we are not scaling these expenses to revenue and plan to continue to hire aggressively in this area given our product development pipeline and focus on automation, scale and security.

- Other G&A includes fees paid to service providers and personnel related expenses for our support organizations such as legal, finance, internal audit, accounting, risk management and human resources, along with facilities expense.
- These expenses were $22.3 million in the third quarter, up 70% year over year.
- Higher revenues delivered additional leverage this quarter with G&A expenses as a % of operating revenues dropping below 20% for the first time to 19.4% in the third quarter, down 3.8 percentage points from 23.1% in the prior year.

Adjusted EBITDA

- To derive our adjusted EBITDA, we subtract engineering, product development, and other G&A expenses from our contribution income.
- Third quarter adjusted EBITDA was $21.2 million, up 181% year over year, with an 18.4% margin.
- Our stronger than planned revenue growth during the third quarter drove the majority of our higher than planned adjusted EBITDA margin.
- As a reminder, the third quarter is our seasonally strongest quarter.

Adjusted EPS / GAAP

- Adjusted net income, which is GAAP net income excluding stock based compensation, and acquisition related expenses, was $17.9 million or 4 cents per diluted share during the third quarter versus $5.3 million, or 2 cents per diluted share in the same period last year.
- As I highlighted earlier, our GAAP net income was positive at approximately $1 million compared to a loss of $7.4 million a year ago. The difference between GAAP and Adjusted net income is primarily due to stock based compensation, which increased $2.9 million year over year to $13.5 million.
- Stock based compensation as a percent of operating revenues declined from 18.6% last year to 11.7% this quarter.

Balance Sheet

- Now turning to the balance sheet.
- As a reminder, in contrast to the traditional banking system, capital to invest in loans is provided from loan sales and securities issued to investors rather than from equity, deposits or borrowed funds. This is a fundamental differentiator for our marketplace model versus the traditional banking system, as we do not assume credit risk or use our own balance sheet to invest in loans.

Rather, the loan sales and securities issued to investors match the balances, interest rates and maturities of the loans issued to borrowers.

- When reviewing our balance sheet, you will see both the loans as an asset and the corresponding notes or certificates as the offsetting liability. The changes in value of these loans, notes and certificates generally offset one another and do not impact our equity.
- As of September, total balance sheet assets reached $5.4 billion. Of this, $4.1 billion is in loans, $918 million is in cash and securities available for sale and the remaining $373 million is in other assets.

Guidance

With that, let me give you our thoughts about the fourth quarter as well as provide you with a first view into 2016.

- Our strong momentum and efficiency in the third quarter, sets us up well despite heading into the next two quarters in which we typically experience negative seasonality.
- Despite these seasonal headwinds, we are raising our outlook for both revenue and EBITDA in the fourth quarter.

- We are increasing our operating revenue outlook to a range of $128 to $130 million up from the previous range of $122 to $124 million that we provided last quarter.
- We expect fourth quarter adjusted EBITDA to be in the range of $19 to $21 million, up from the previous adjusted EBITDA range of $13 to $15 million.
- The midpoint margin of 15.5% increases from 11.4% in the prior year, reflecting significant operating leverage inherent in our business.

- Folding in the revised fourth quarter outlook, our full year operating revenue range increases to $420 to $422 million, up from our previous range of $405 to $409 million.
- At the midpoint, this new range implies an annual growth rate of 97%, up from 91% we provided on our last call.
- Full year adjusted EBITDA is now expected to increase from a range of $49 to $53 million to a range of $64 to $66 million, with a midpoint margin of approximately 15.5% or 550 basis points of margin expansion compared to 2014's annual margin of 10%.

- Finally, while we plan to give full revenue and adjusted EBITDA guidance on our fourth quarter earnings call, we thought it would be helpful to provide you some early views on 2016 today.
- As we look ahead to next year, we continue to believe that the robust network effects and resulting momentum can continue to fuel rapid and profitable growth.
- As a result, we expect annual operating revenue to grow approximately 70% in 2016 and our full year adjusted EBITDA margin to be roughly 18% of operating revenue.

With that, let’s open up the call for questions. Operator?