

Unstoppable Trends in Online Lending

Noah Breslow, CEO, OnDeck
LendIt | March 7, 2017

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Agenda



The Turmoil of 2016



Unstoppable Trends in Online Lending



The Way Ahead

The Turmoil of 2016

The Opinion Pages | OP-ED CONTRIBUTOR

The New York Times

2016: Worst. Year. Ever?

By CHARLES NEVIN | DEC. 23, 2016



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Industry Issues in 2016

Funding
Diversity

Credit
Performance

Scale

Ops Risk &
Controls

Marketing
Efficiency

Regulatory /
Political

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The Phases of Online Lending



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Online Lending Isn't Unique

1994:
12 Online
Brokerages



2000:
140 Online
Brokerages



2015:
5 Major
Online
Brokerages



Top 5 Brokerages have
85%+ of the market!

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Unstoppable Trend #1:

**Customer awareness, trust
and adoption of online
lending is growing.**



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What We Know About Small Businesses

- 40% sought financing during 2016¹
- 54% considered an online lender¹
- Online lender awareness and trust continues to increase YoY^{1,2}
- Transparency and online reviews are most important¹
- 99% of online borrowers were at least somewhat satisfied; 59% were very satisfied²
- 91% of online borrowers would take another loan from an online lender²



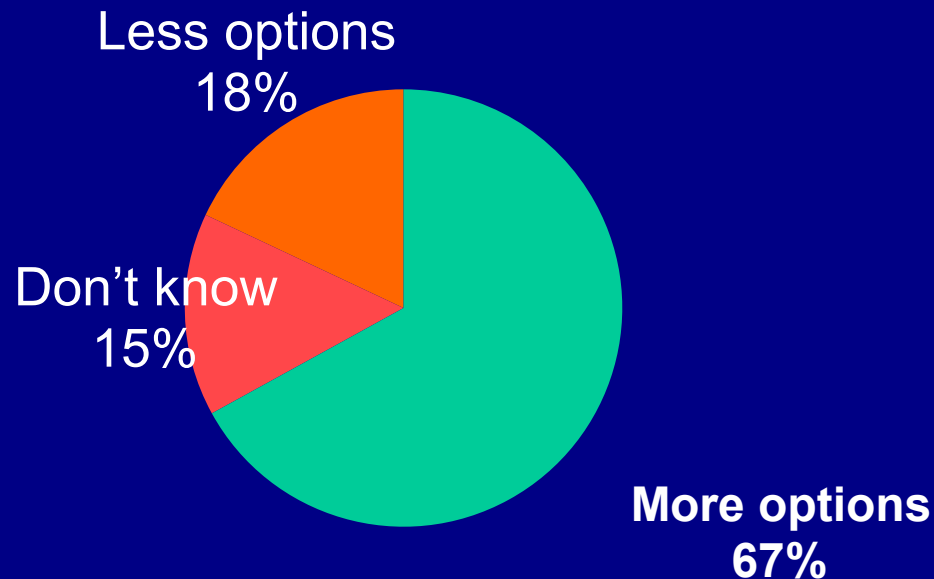
Sources

1) OnDeck 2016 Brand Baseline Report

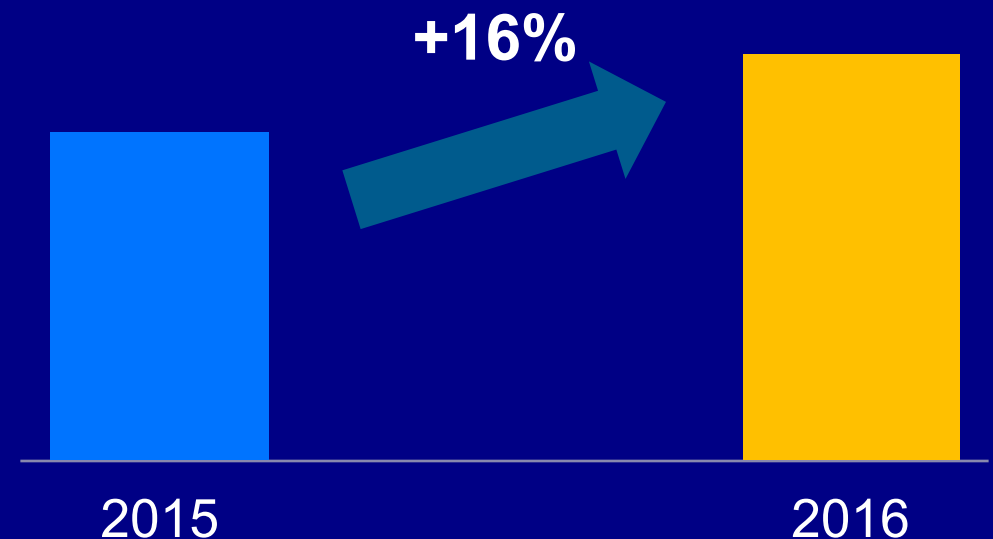
2) Online Lending Drives Main Street Small Business Growth & Satisfaction – Electronic Transaction Association

Awareness, Trust and Adoption is Growing

SMBs knowledge of lending options in 2016 vs 5 years ago²



SMBs trust in online lenders 2016 vs 2015¹



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Sources

- 1) OnDeck 2016 Brand Baseline Report
- 2) Online Lending Drives Main Street Small Business Growth & Satisfaction – Electronic Transaction Association

Unstoppable Trend #2:

Online lenders and banks
partnering.



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Online Lenders and Banks Partnering



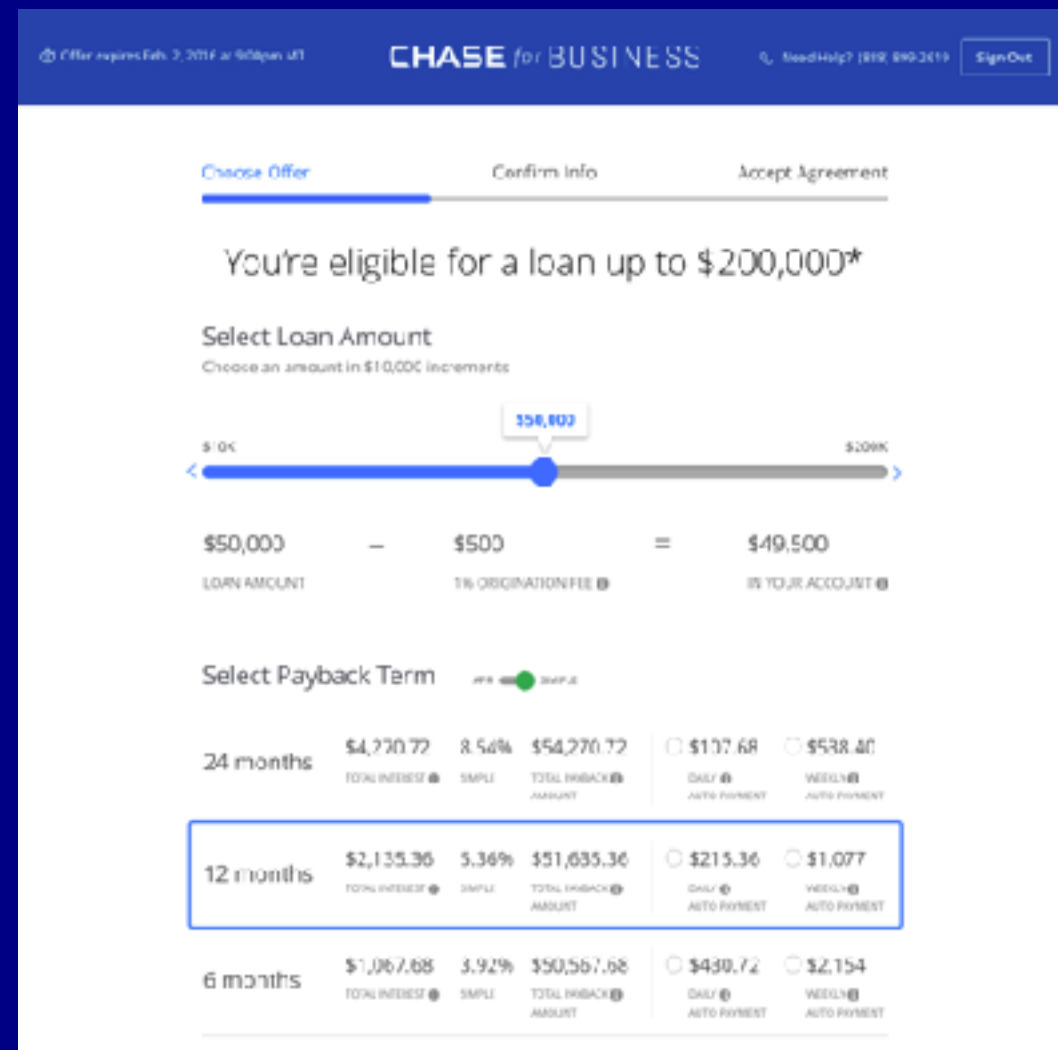
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OnDeck's Partnership with Chase

- Integrated data/decision
- Best in class customer experience
- Scaling rapidly in 2017



CHASE for BUSINESS

Offer requires Feb. 7, 2018 at 9:00pm EDT

Need Help? (855) 890-3119 Sign Out

Choose Offer Confirm Info Accept Agreement

You're eligible for a loan up to \$200,000*

Select Loan Amount
Choose an amount in \$10,000 increments

\$0K ————— \$200K

\$50,000 — \$500 = \$49,500
LOAN AMOUNT 1% ORIGINATION FEE IN YOUR ACCOUNT

Select Payback Term

Term	Total Interest	APR	Total Payback Amount	Daily Auto Payment	Weekly Auto Payment
24 months	\$4,770.72	8.54%	\$54,270.72	\$177.68	\$538.40
12 months	\$2,135.36	5.36%	\$51,635.36	\$215.36	\$1,077
6 months	\$1,067.68	3.92%	\$50,567.68	\$430.72	\$2,154

Unstoppable Trend #3:

Constructive engagement
between the public and
private sector.



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Constructive Engagement

- Modern regulatory framework still maturing
- Variety of approaches at both state and federal levels
- Policy should be informed by education and collaboration



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Self-regulation Moving Ahead

- Industry demonstrates maturity and customer commitment
- Disclosure standards and best practices
- Industry group consolidation



Capital Comparison Tool

SMARTBOX™ Capital Comparison Tool
 Detailed description: SMARTBOX™ Capital Comparison Tool is a tool that allows lenders to compare their own capital requirements with those of other lenders in the industry. It provides a clear and concise summary of the key metrics used to evaluate capital requirements, including the amount of capital required, the cost of capital, and the risk of capital. The tool is designed to be user-friendly and easy to use, and it provides a clear and concise summary of the key metrics used to evaluate capital requirements.

Line Item	Industry Average	Assumed Level	Var
Capital	\$1.00	\$1.00	\$0.00
Cost of Capital	10.00%	10.00%	0.00%
Risk of Capital	10.00%	10.00%	0.00%
Average Capital	\$1.00	\$1.00	\$0.00
Average Cost of Capital	10.00%	10.00%	0.00%
Average Risk of Capital	10.00%	10.00%	0.00%



*Innovative Lending
Platform Association*

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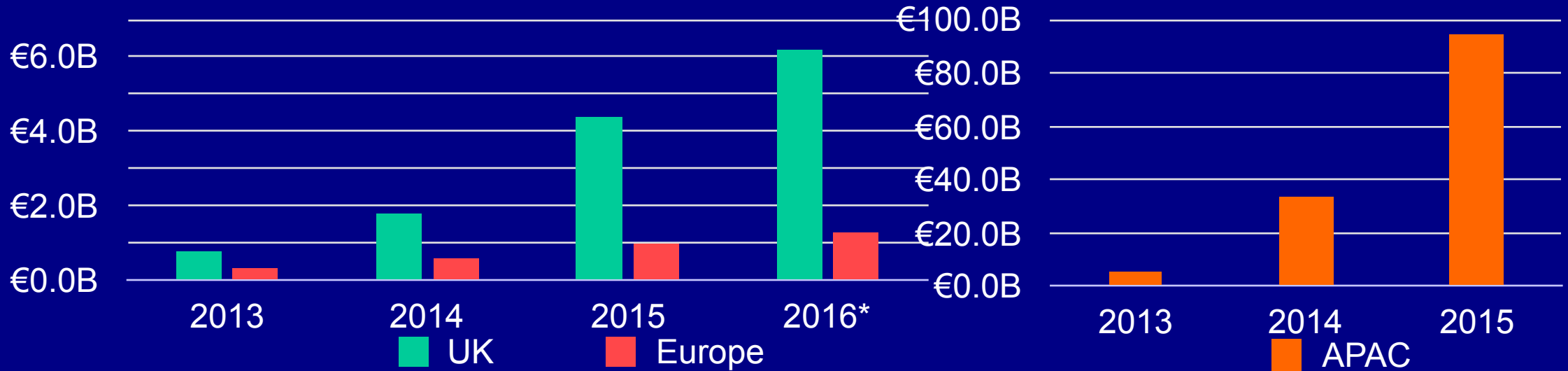
Unstoppable Trend #4:

Global growth of
online lending.



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Growth in Global Online Lending



- UK growing at ~40%¹ ; whilst Europe growing slower
- China showing large numbers – dwarfing US & Europe

Case Study: OnDeck Australia

Satisfaction

- 73% NPS
- 8.9 Trustpilot reviews

Partners

- Building our strategic partnership with MYOB



Growth

- +250% YoY growth in lending volume forecast for 2017

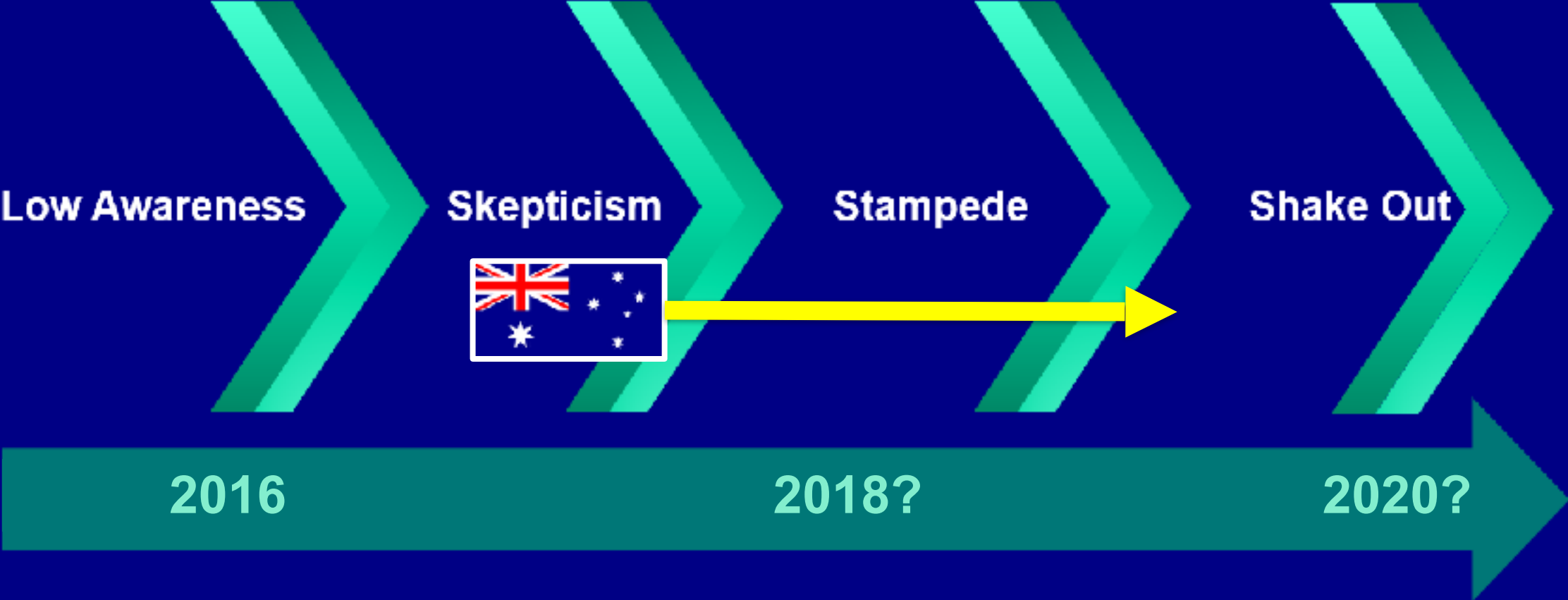
Awareness

- 17% among SMEs
- 22% among Advisors¹

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Source:
1) Brand Health Study, MYOB Q4 2016

Newton's Law of Motion



Unstoppable Trends Recap



Customer awareness, trust and adoption



Partnerships between online lenders and banks



Constructive engagement between the private and public sector



Global growth in online lending

The Way Ahead – 2017

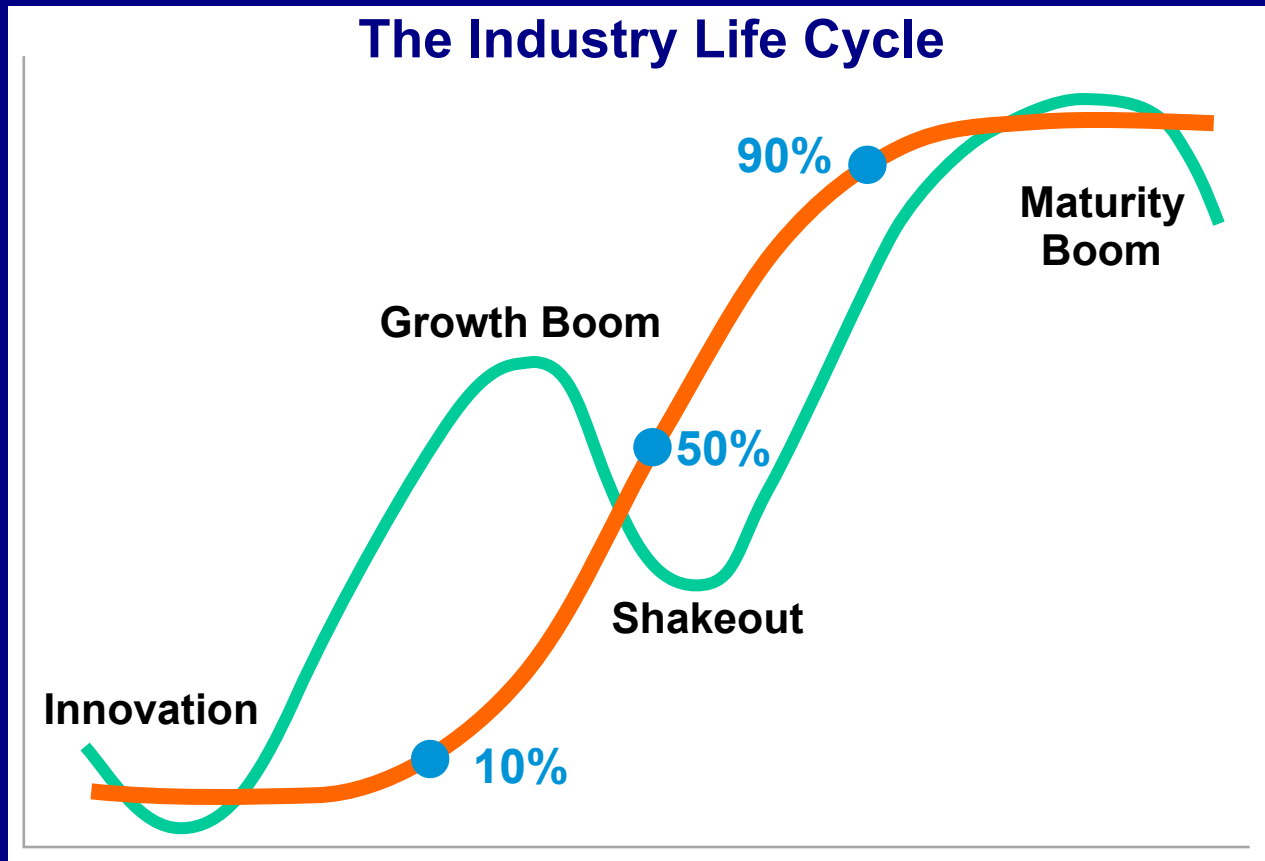
Online lenders must take critical steps to ensure they are “built to last”

- Move from transactional to lifetime relationships with customers
- Manage both credit risk and operational risks in the business
- Get to scale, then emphasize profitability versus pure growth
- Diversify and lock in longer-term funding sources
- Engage with policy makers to develop a sound regulatory framework

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SMB Online Lending: Here to Stay

By the mid-2020s, nearly all small business loans will be made online



- Total number of online lenders decreases as shakeout occurs, regulation increases
- User adoption will continue to trend up
- Traditional lenders start to participate – many through partnerships
- Scale players continue to grow, potential industry consolidation

Thank You



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