

Peer-to-peer lending

Industry overview

May 2016

Rate%Setter™



Andrew Jones
Head of Business Development
RateSetter Australia

Agenda

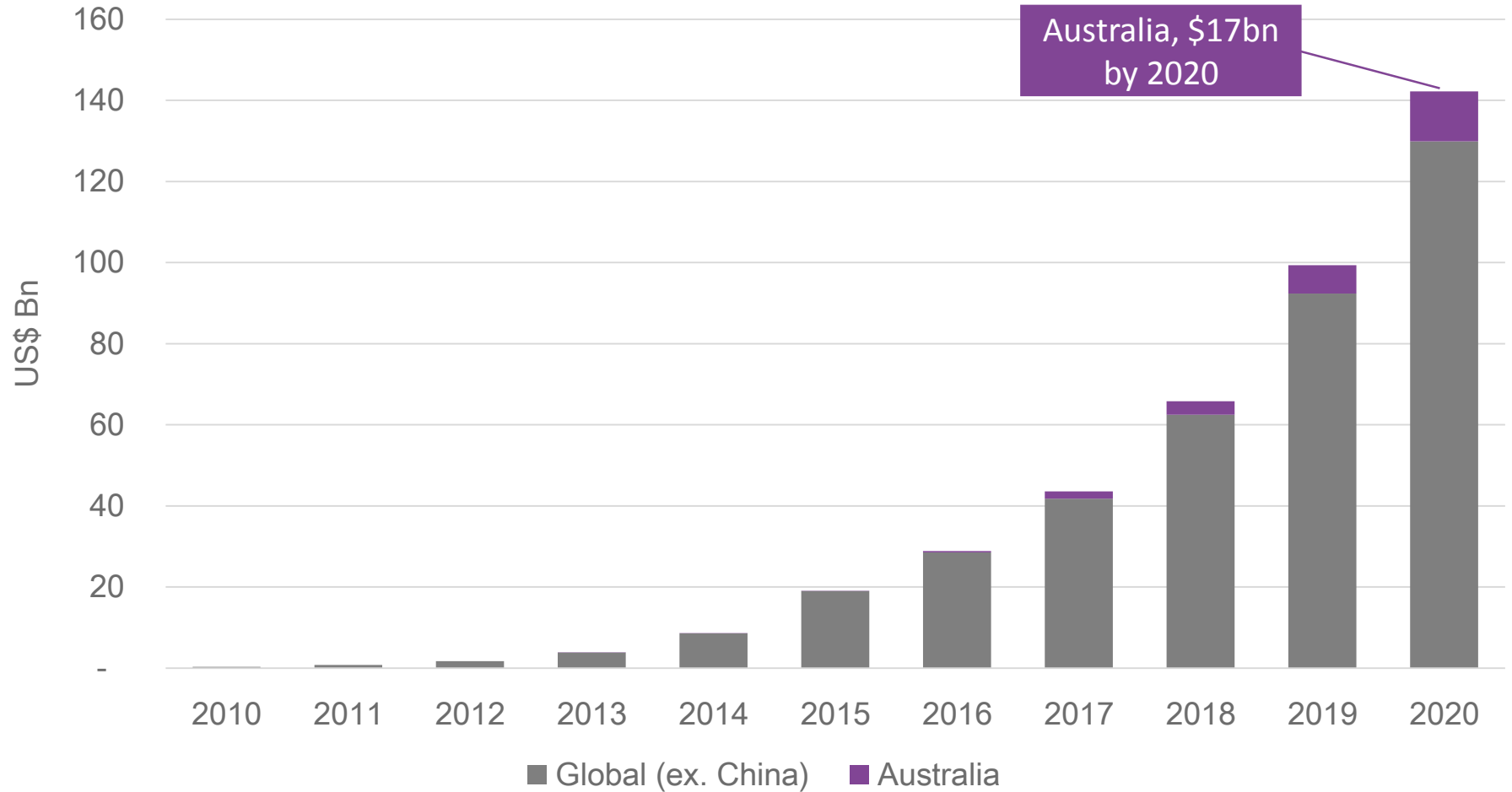
- 1 What is peer-to-peer lending?
- 2 Why invest in personal loans?
- 3 Investment checklist

What do peer-to-peer lenders do?

- 1 Source borrowers
- 2 Evaluate credit
- 3 Match in a marketplace
- 4 Administer loans

Match people who want to borrow with people who have money to lend.

Industry status – growth



Source: Morgan Stanley, Global Marketplace Lending , May 19, 2015

Industry recognition

A believer



Larry Summers, academic,
World Bank economist, etc

Worried



Jamie Dimon, CEO JP
Morgan

Taking supportive action

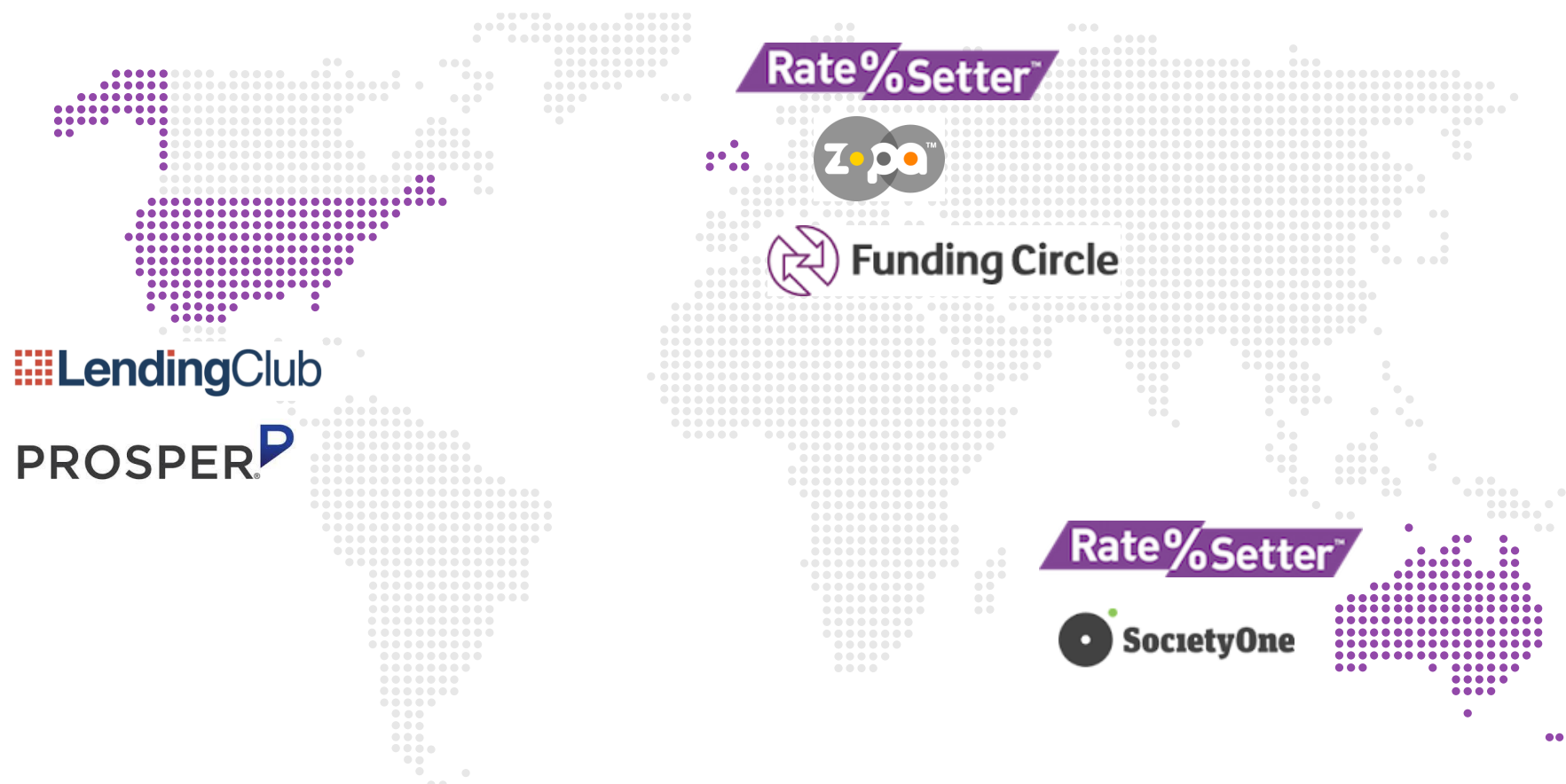


George Osborne, UK
Chancellor

Peer-to-peer lending products

- ✓ Personal loans
- ✓ SME loans
- ✗ Residential mortgages
- ✗ Large business loans

Industry status – key operators



Different peer-to-peer lending models

1

USA model

- Loan selection
- Investors need to understand diversification and loss given default
- Majority wholesale funding



2

UK model

- Provision fund protection
- Platform retains a 'buffer' to protect investors from default



US model

Account | Profile | Sign Out | Help

Account | Notes | Portfolios | Order History | Account Activity | Bank Account | Statements | Statistics

Browse Notes

New 5-Year Notes [Learn More](#) [?]

Summary | Invest | Browse Notes | Reinvest | Add Funds | Withdraw Funds | Trading Account

Build a Portfolio

Available: \$5.79

Per Note: \$25

Add to Order

Showing Notes 1 - 15 of 176

<input type="checkbox"/>	Amount	Rate / Amount	Term	Title / Purpose	% Funding	Amount Left	Time Left
<input type="checkbox"/>	\$0	C 3 13.98% \$10,000	60	Debutante Small Business	<div><div>97% funded</div></div>	\$225	18h
<input type="checkbox"/>	\$0	F 1 17.56% \$6,500	60	Consolidate- MAC, Kangen & Capital One Debt Consolidation	<div><div>84% funded</div></div>	\$1,025	2d
<input type="checkbox"/>	\$0	B 3 11.12% \$8,000	60	Loan Debt Consolidation	<div><div>66% funded</div></div>	\$2,650	1d
<input type="checkbox"/>	\$0	D 2 15.21% \$10,000	60	property purchase Major Purchase	<div><div>71% funded</div></div>	\$2,900	1d
<input type="checkbox"/>	\$0	A 5 7.88% \$12,000	60	Raven and Wayne Debt Consolidation	<div><div>60% funded</div></div>	\$4,725	27m
<input type="checkbox"/>	\$0	A 5 7.88% \$6,200	60	Boat - Very Good With Money Major Purchase	<div><div>70% funded</div></div>	\$1,850	3d
<input type="checkbox"/>	\$0	B 4 11.49% \$10,000	60	Paul's Personal Loan Other	<div><div>66% funded</div></div>	\$3,350	1d
<input type="checkbox"/>	\$0	A 4 7.51% \$13,500	60	BofA/MC Debt Consolidation	<div><div>60% funded</div></div>	\$5,325	15m
<input type="checkbox"/>	\$0	B 2 10.75% \$10,000	60	Investment property Major Purchase	<div><div>64% funded</div></div>	\$3,525	2d
<input type="checkbox"/>	\$0	D 4 15.70% \$15,000	60	credit card refinance Credit Card Refinancing	<div><div>62% funded</div></div>	\$5,625	4h
<input type="checkbox"/>	\$0	C 1 13.23% \$15,000	60	credit cards	<div><div></div></div>	\$4,600	2d

Filter Notes

Save | Open

- Months Since Last Record ▾
- Delinquencies (Last 2 yrs) ▾
- Exclude Relisted Loans ▾
- Loan Purpose ▾
- Verified Income ▾
- Public Records ▾
- Months Since Last Delinquency ▾
- Max Debt-to-Income Ratio ▾
- Min length of Employment ▾
- Revolving balance utilization ▾
- Max Loan Amount Up to ▾
- Total CREDIT Lines ▾
- Reviewed by Lending

RateSetter model – four lending markets

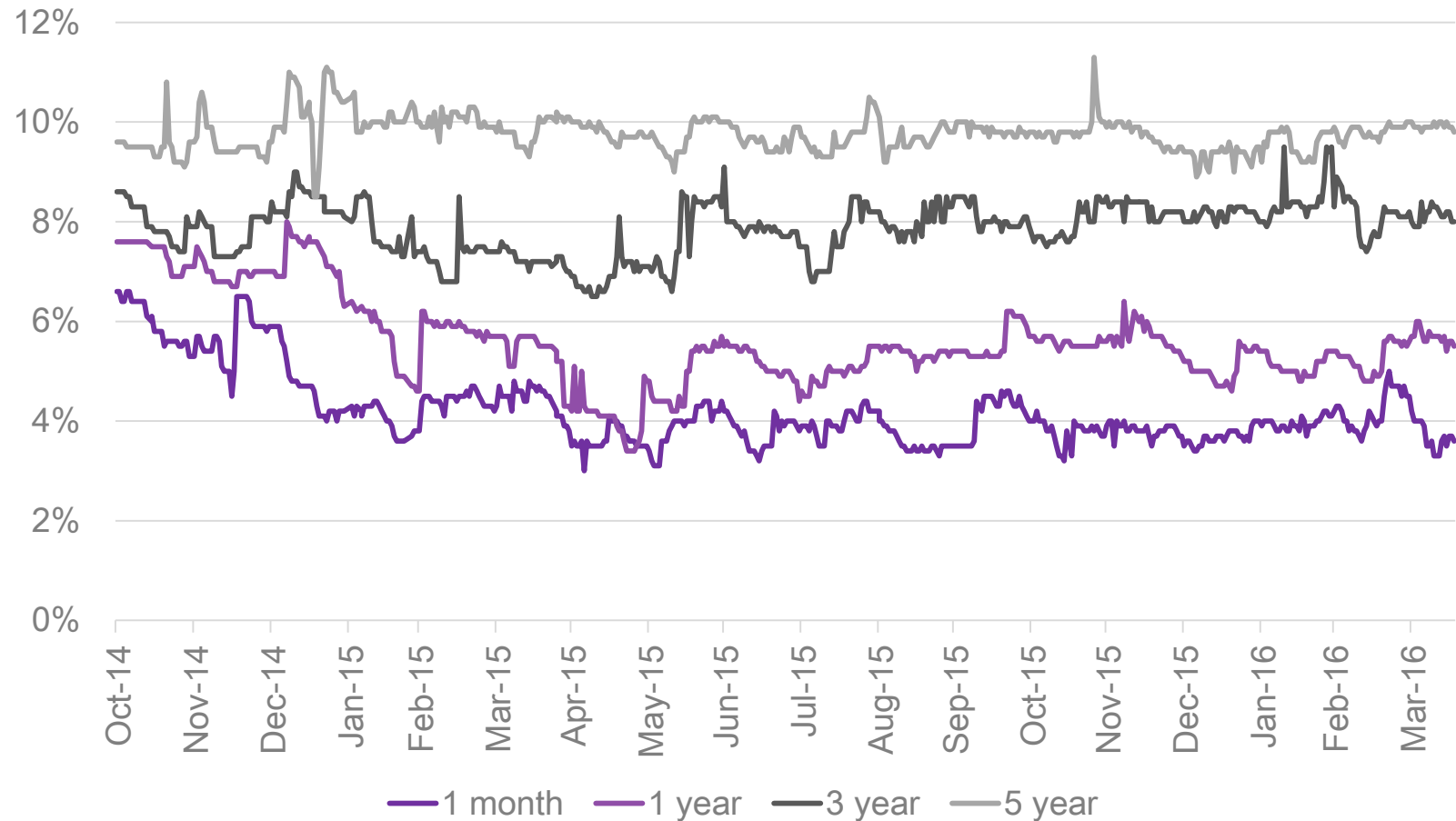
1 Month		
Borrowers	Rate	Lenders
	>>4.4%	\$164.6k
	4.3%	\$4.0k
	4.2%	\$54,015.39
\$232.63	4.1%	
View Full Market		

1 Year		
Borrowers	Rate	Lenders
	>>5.6%	\$15.6k
	5.5%	\$90.2k
	5.4%	\$51,684.35
\$5,848.24	5.3%	
View Full Market		

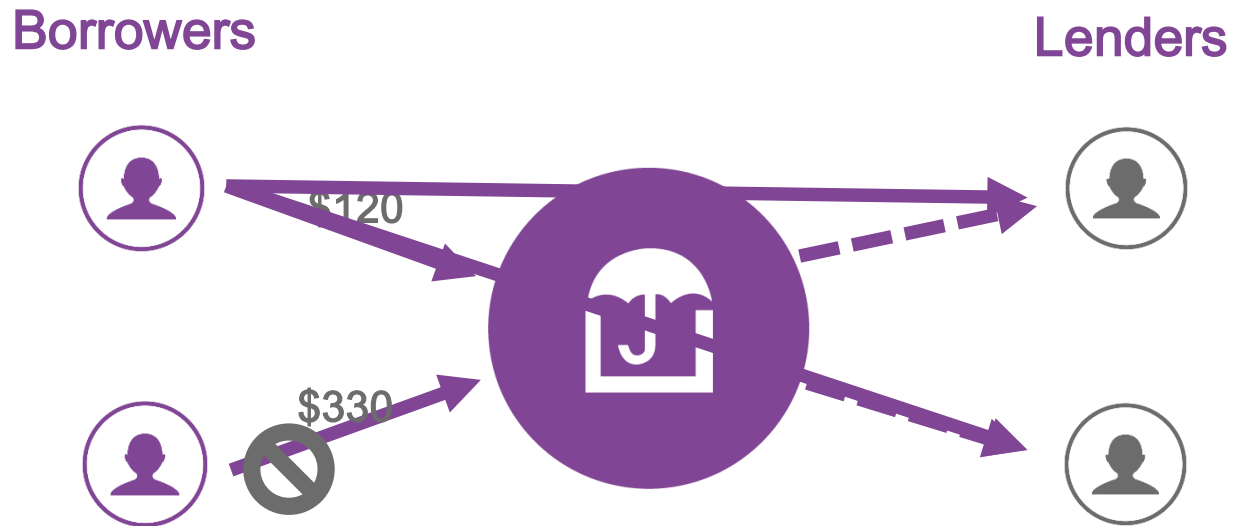
3 Year Income		
Borrowers	Rate	Lenders
	>>8.6%	\$122.8k
	8.5%	\$1.8k
	8.4%	\$34.01
View Full Market		

5 Year Income		
Borrowers	Rate	Lenders
	>>10.0%	\$139.5k
	9.9%	\$100.1k
	9.8%	\$52,042.78
\$12,391.50	9.7%	
View Full Market		

RateSetter model – customers set the rates



The Provision Fund: safer peer-to-peer lending



Outcomes – borrowers

- 1 More choice
- 2 Low rates
- 3 Greater convenience
- 4 Better service



- Personalised rates
- Average annual rate <9%
- 24 hour turnaround
- Credit score protection
- Highest customer rating

Outcomes – lenders

- 1 Access established asset class
- 2 Attractive, stable returns
- 3 Improved risk adjusted returns
- 4 Greater control over finances

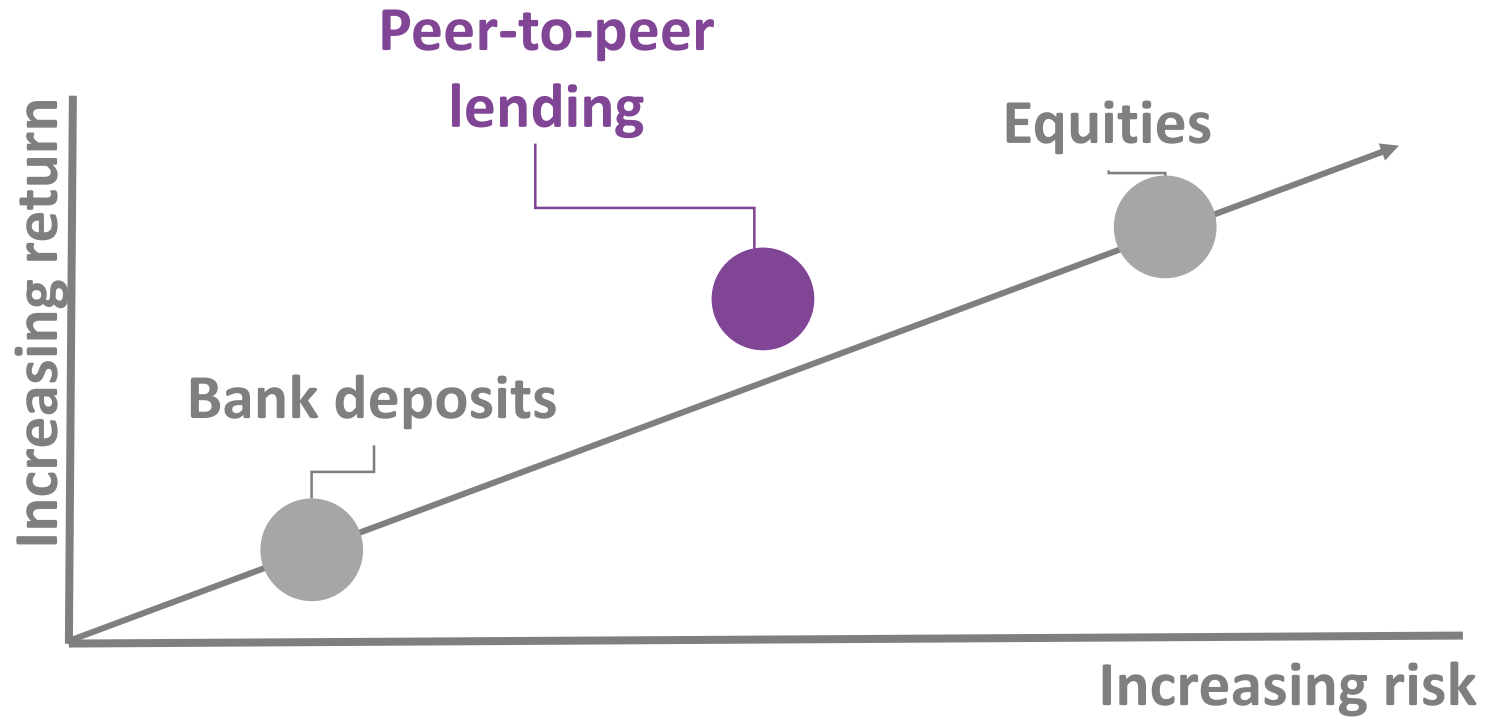


- 3,300 lenders
- Strong lender engagement
- Every amount of interest and principal paid as due
- New levels of transparency
- Highest customer rating

Why invest in peer-to-peer lending?

- 1 Easy online access and SMSF ready – Class, BGL
- 2 Attractive investment class
- 3 High yield and low volatility
- 4 Control and flexibility
- 5 Low fees

Risk vs return - illustrative



*Illustrative returns only

Investment checklist

- 1 **Track record**
- 2 **Accessibility**
- 3 **Regulated and ring fenced**
- 4 **No pooled investment fund**
- 5 **Diversification**
- 6 **Transparency**

Please contact us for more information

Andrew Jones

Head of Business Development

andrew.jones@ratesetter.com.au

Phone: 02 8091 7474

Mobile: 0401 997 326

Important Note

This presentation was prepared for the purpose of a briefing to the general public. The material in this presentation is general background information about marketplace lending and RateSetter activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate. Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, RateSetter, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based. While RateSetter has sought to ensure that information is accurate, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this document. Please read the Product Disclosure Statement before investing.