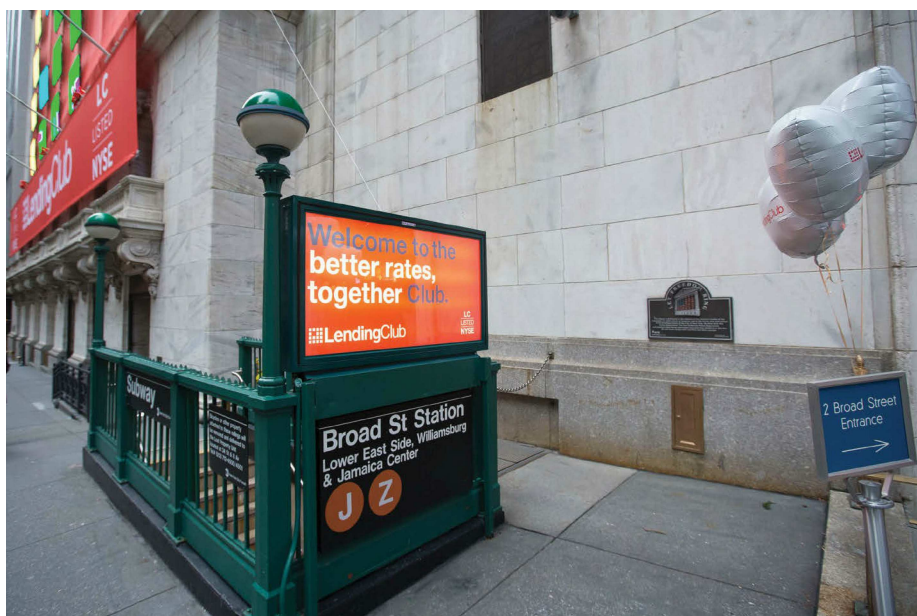


**RENAUD LAPLANCHE (MBA.95) FOUNDER AND CEO OF LENDING CLUB,
2014 MERCURE HEC HONORARY PRIZE**

A (FRENCH) REVOLUTION IN THE U.S. BANKING SYSTEM

Lending Club, the world's largest online marketplace connecting borrowers and investors, went public in December. The U.S. company raised one billion dollars in the New York Stock Exchange. In the wake of this successful IPO, founder and CEO Renaud Laplanche (MBA.95) has been awarded the Mercure HEC Honorary Prize. He tells us about Lending Club's business model and prospects... and shares his passion for sailing.



Bio

1970 Born in the Paris region **1988** Wins the French sailing championships on Lasers **1983** Graduates from Université de Montpellier (DESS) **1993-95** MBA at HEC Paris **1995** Joins Cleary Gottlieb Steen & Hamilton as Securities lawyer and Senior Associate, in Paris and New York **1999** Cofounds TripleHop Technologies, a software company **2002** Mercure HEC Entrepreneur Award **2005** TripleHop is acquired by Oracle **2006** Founds Lending Club **2014** Completes a 1-billion dollar IPO at New York Stock Exchange. Stock price up 56% on the first day of trading. **2015** Mercure HEC Honorary Prize



HEC Can you explain how your company Lending Club is transforming the American banking system?

Renaud Laplanche Our marketplace is more cost-effective than the traditional banking model. We operate fully online, so we don't have to support a branch network. We capitalize on technology to lower our costs. We automate operations as much as possible, so we are able to operate with a fraction of the workforce that banks use. But benefits go beyond that. We are positioned as the "good guys of banking" by being transparent from day one about fees and performance. Also, we have been very attached to providing consumer-friendly services. Banks have developed a number of products that, starting with credit cards, can be very tricky. It is really hard to know how much you are really paying. All our products have straight line amortization and fix monthly payments.

HEC Do banks see your marketplace as a threat?

R.L. We have been very clear about our desire to partner with banks. We don't want to transform the banking system in a confrontational way. We've announced a number of partnerships with actors such as Union Bank, one of the top 20 banks in America with over 100 billion dollars in assets. Banks can invest on the platform and we are able to help them issue loans to their customers at a lower cost. It is a very different disruption model than some companies like Airbnb or Uber that would not partner with the incumbents.

HEC Since inception, Lending Club has facilitated over 6 billion dollars in loans. How did you

become the leading P2P lending website?

R.L. I would say it is mostly due to execution. Lending Club was not the first-mover. Another company started one year before us. But having a more conservative strategy, we navigated better in regulatory and risk management issues. I was a lawyer in the past, which proved helpful. Thus, we were able to create a gap between us and the other platforms. Once a gap was created, there was a lot of marketplace-dynamic and platform effect, which made the larger marketplace more attractive. Every single quarter, the gap is increasing between us and our peers.

LENDING CLUB HAS A VERY DIFFERENT DISRUPTION MODEL THAN SOME COMPANIES LIKE AIRBNB OR UBER THAT WOULD NOT PARTNER WITH THE INCUMBENTS.

The same happened to eBay in the 1990s: it was twice as big as other platforms, and soon it became ten times as big. It is a "winner takes all" market.

HEC You are one of the very few French entrepreneurs who went through an IPO in New York. How was it?

R.L. It was the fourth largest IPO ever in the U.S. web industry with just over 1 billion dollars in gross proceeds.

\$6.2 billion

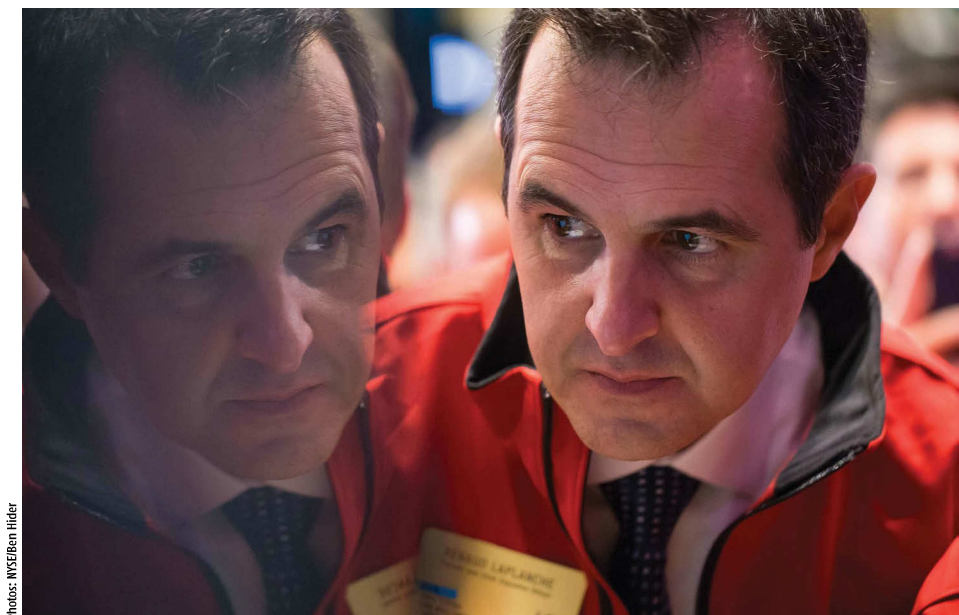
loans were funded through Lending Club from its inception to September 30, 2014 (of which \$1.2 billion in Q3 2014).

700

employees currently work at Lending Club in California.

\$1 trillion

Marketplace lending in the U.S. could be worth as much as \$1 trillion by 2025. As a comparison, today's entire U.S. consumer debt market is under \$12 trillion.



Photos: NYSE/Ben Hider



Only Facebook, Google and Twitter made bigger deals. As you can imagine, it was a pretty intense process. But we are lucky to have a really good management team. We were able to distribute the work over a number of very experienced folks who were familiar with the IPO process.

That said, the road show in the last 10 days was really tiring. We met 140 investors in the whole country. All of them wanted to talk to the CEO. The geography is such that you sit a lot of time on the plane between the two coasts.

HEC Eric Schmidt, the executive chairman of Google, says that “the most successful leaders in the Internet century will be the ones who understand how to create and quickly grow platforms”. How do you intend to remain the reference platform for P2P loans?

R.L. What makes the platform better over time is the amount of data that we collect. On the one hand, it helps us better assess credit risk. On the other hand, it allows us to originate a very wide range of loans of different credit types and maturities. We now have insurance companies and pension funds on the platform. One third of our investors are institutional. They typically are very

long-term oriented investors with lower expected return than the type of users who invested in the early days of the platform. So the platform is becoming more mature. We can generate positive selection on the borrower side, reinforce the track record of performance and attract more investors.

The virtuous circle also includes the traditional benefits of a growing marketplace: more inventory, more velocity of transactions, more liquidity for investors. The larger you get, the more attractive.

HEC How risky is it to lend money on Lending Club?

R.L. Credit performance varies with the economic environment, and we have already experienced bad economic times. Lending Club started in 2007. We have data from 2008 and 2009 showing how the portfolio performed down the downturn. On average, our investors earned decent returns during the worst credit crisis since the Great Depression.

That said, diversification is key. Lending to one single person is risky. If you invest in hundreds or thousands of loans, the outcome is much more predictable.

HEC Tell us about the algorithms that you use to assess creditworthiness.

R.L. We are able to update our credit models more often than banks do. We have more technology and we access data that they don't pay attention to. Information we collect online helps enhance traditional credit models. For small businesses, we do use a lot of online data like user reviews, grading, search trends on Google. Such information is very helpful to assess the performance of a company.

HEC Lending Club's stock price rose by over 50% on the first day of trading. Don't you foresee a bubble in the “fintech” industry?

R.L. During the roadshow we saw a lot of enthusiasm from investors. So we were expecting the share price to grow on day 1. Since that, the stock has been pretty stable, between 40 and 60% over the offering price.

RENAUD LAPLANCHE AS SEEN BY A FELLOW SILICON VALLEY EXECUTIVE

“Renaud has built a fantastic company and managed to take through a complete cycle from creation to a successful IPO. Along the way, he has brought disruption to the banking system which very few thought would be possible. He demonstrated a clear vision and a great ability to execute on it. Rare are the entrepreneurs who have demonstrated his abilities and achieved his success – let alone French entrepreneurs !”

Alireza Malekzadeh (H.95), President of the HEC Alumni West Coast Chapter



HEC Does Lending Club intend to grow internationally in the near future? In France for instance?

R.L. We do have plans, but it is probably going to take a few years before we start international expansion. The size of the domestic market is such that there is really no urgency to expand. The U.S. credit industry is about 15 trillion dollars. We have only scratched the surface!

HEC You are a great French entrepreneur, based in the U.S. What is your opinion about the startup scene in your home country?

R.L. I am really excited about what is going on now in France. I see a lot of energy around and many start-up creations. The government is supporting the development of innovative companies. Also, there is a tremendous amount of talents in France. Xavier Niel, among others, is quite impressive.

That said, the U.S. market is bigger and access to capital is easier. There are more business angels and venture capital funds in the streets here, which facilitates the fundraising process.

HEC What is your feeling after receiving the Mercure Honorary Price of HEC Alumni?

R.L. I am really proud. In 2002, I already received a Mercure for my previous company in New York. It is a great honor to get a second one. It also raises awareness of Lending Club within the HEC community.

HEC Any advice for our French entrepreneurs considering a relocation in the U.S.?

R.L. I would say: don't underestimate cultural differences. You should partner with an American cofounder. That will help you better understand the specificities and characteristics of the U.S. market: how to hire people, how to deal with marketing, etc. Let me give an example. Something struck me when I started my company in the U.S.: job candidates were really good, very well trained for the interview process. However, some of the people I hired were never as good as they were during the interview! It is the kind of things that French entrepreneurs should be aware of when they settle in...

HEC On the day of the IPO, you wore a sailor jacket with the word "captain" emblazoned on the back. Tell us about your passion for sailing.

R.L. I have always been passionate about sailing. I am a fan of Loïc Perron. I personally won 2 French sailing championships in the late 1980s. More recently, with some Lending Club colleagues, we mounted a challenge to attend Transpac, a transpacific sailing race that is legendary in America. We managed to win the race, but we did not break the record. It took us 5 days and 11 hours to go from Los Angeles to Hawaii while the record

LENDING CLUB RAISED JUST OVER 1 BILLION DOLLARS FOR ITS NYSE IPO IN DECEMBER 2014. THE STOCK PRICE INCREASED 56% ON ITS FIRST DAY OF TRADING. IT WAS THE 4TH LARGEST U.S.-BASED INTERNET IPO IN HISTORY (AFTER FACEBOOK, GOOGLE AND TWITTER).

was... 5 days and 9 hours. There is another race this year in June, so we are preparing for a new challenge. We will be 8 people on the boat: 4 operate on the deck while the 4 others are sleeping, and we switch every 4 hours. It is a great adventure.

HEC What is your best memory at HEC Paris?

R.L. The strategy class delivered by Bernard Ramanantsoa (MBA.76). He definitely helped me develop my passion for business strategy. ●