

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

Commission File Number	Exact Name of Registrant as Specified in its Charter	I.R.S. Employer Identification Number
333-179941-01 333-204880 333-225797-01 333-257739-01 333-280336	PROSPER MARKETPLACE, INC. a Delaware corporation 221 Main Street, 3rd Floor San Francisco, CA 94105 Telephone: (415) 593-5426	73-1733867
333-179941 333-204880-01 333-225797 333-257739 333-280336-01	PROSPER FUNDING LLC a Delaware limited liability company 221 Main Street, 3rd Floor San Francisco, CA 94105 Telephone: (415) 593-5426	45-4526070

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Prosper Marketplace, Inc.	None	None
Prosper Funding LLC	None	None

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Prosper Marketplace, Inc.	None	None
Prosper Funding LLC	None	None

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Prosper Marketplace, Inc. Yes ☒ No ☐

Prosper Funding LLC Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Prosper Marketplace, Inc. Yes ☒ No ☐

Prosper Funding LLC Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

	Large Accelerated Filer	Accelerated Filer	Non- accelerated Filer	Smaller Reporting Company	Emerging Growth Company
Prosper Marketplace, Inc.	☐	☐	☒	☐	☐
Prosper Funding LLC	☐	☐	☒	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Prosper Marketplace, Inc. Yes ☐ No ☒

Prosper Funding LLC Yes ☐ No ☒

Prosper Funding LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

As of August 12, 2025, there were 78,038,013 shares of Prosper Marketplace, Inc. common stock outstanding. Prosper Funding LLC does not have any common stock outstanding.

THIS COMBINED FORM 10-Q IS SEPARATELY FILED BY PROSPER MARKETPLACE, INC. AND PROSPER FUNDING LLC. INFORMATION CONTAINED HEREIN RELATING TO ANY INDIVIDUAL REGISTRANT IS FILED BY SUCH REGISTRANT ON ITS OWN BEHALF. EACH REGISTRANT MAKES NO REPRESENTATION AS TO INFORMATION RELATING TO THE OTHER REGISTRANT.

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Except as the context requires otherwise, as used herein, "Registrants" refers to Prosper Marketplace, Inc. ("PMI"), a Delaware corporation, and its wholly owned subsidiary, Prosper Funding LLC ("PFL"), a Delaware limited liability company; "we," "us," "our," "Prosper," and the "Company" refers to (i) PMI, (ii) its wholly owned subsidiaries, PFL, BillGuard, Inc. ("BillGuard"), a Delaware corporation, and Prosper Healthcare Lending LLC ("PHL"), a Delaware limited liability company, and (iii) its variable interest entities, Prosper Warehouse I Trust ("PWIT," terminated March 28, 2024), a Delaware statutory trust, Prosper Warehouse II Trust ("PWIIT," terminated September 25, 2023), a Delaware statutory trust, Prosper Marketplace Issuance Trust, Series 2023-1 ("PMIT 2023-1"), a Delaware statutory trust, Prosper Marketplace Issuance Trust, Series 2024-1 ("PMIT 2024-1"), Prosper Credit Card Issuer LLC ("PMCC 2024-1"), a Delaware limited liability company, a Delaware statutory trust and Prosper Grantor Trust ("PGT"), a Delaware statutory trust, on a consolidated basis; and "Prosper Funding" refers to PFL and its wholly owned subsidiary, Prosper Depositor LLC, a Delaware limited liability company, on a consolidated basis. In addition, the unsecured personal loans originated through our marketplace are referred to as "Borrower Loans," and the borrower payment dependent notes issued through our marketplace, whether issued by PMI or PFL, are referred to as "Notes." Investors currently invest in Borrower Loans through two channels: (i) the "Note Channel," which allows investors to purchase Notes from PFL, the payments of which are dependent on the payments made on the corresponding Borrower Loan; and (ii) the "Whole Loan Channel," which allows accredited and institutional investors to purchase Borrower Loans in their entirety directly from PFL. The Notes available to Note Channel investors are distinguishable from notes held by certain third party investors pursuant to Prosper's securitization transactions, which are referred to herein as "Notes Issued by Securitization Trust." Finally, although historically the Company has referred to investors as "lender members," PFL calls them "investors" herein to avoid confusion since WebBank is the lender for Borrower Loans originated through our marketplace.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. These statements may appear throughout this Quarterly Report on Form 10-Q, including the sections titled “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, PFL or PMI expresses an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of their respective managements, expressed in good faith and is believed to have a reasonable basis. Nevertheless, there can be no assurance that the expectation or belief will result or be achieved or accomplished.

The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- the performance of the Notes, which, in addition to being speculative investments, are special, limited obligations that are not guaranteed or insured;
- PFL’s ability to make payments on the Notes, including in the event that borrowers fail to make payments on the corresponding Borrower Loans;
- our ability to attract potential borrowers and investors to our personal loan marketplace, and borrowers to our unsecured credit card (“Credit Card”) product, and secured digital home equity line of credit and home equity loan (together, the “Home Equity Products”);
- the reliability of the information about borrowers that is supplied by borrowers including actions by some borrowers to defraud investors;
- our ability to service the Borrower Loans, and our ability or the ability of a third-party debt collector to pursue collection against any borrower, including in the event of fraud or identity theft;
- credit risks posed by the credit worthiness of borrowers of our Personal Loan and Credit Card products and the effectiveness of our credit rating systems;
- potential efforts by state regulators or litigants to impose liability that could affect PFL’s (or any subsequent assignee’s) ability to continue to charge to borrowers the interest rates that they agreed to pay at origination of their loans;
- the impact of future economic conditions on the performance and the loss rates for the Borrower Loans and the Credit Card product;
- our ability to reduce loss rates associated with our Credit Card product;
- our compliance with applicable local, state and federal law, including the Investment Advisers Act of 1940, the Investment Company Act of 1940 and other laws;
- our compliance with applicable regulations and regulatory developments or court decisions affecting our business;
- potential efforts by state regulators or litigants to characterize PFL or PMI, rather than WebBank, as the lender of the loans originated through our marketplace;
- the application of federal and state bankruptcy and insolvency laws to borrowers and to PFL and PMI;
- the impact of borrower delinquencies, defaults and prepayments on the returns on the Notes;
- the impact of rising interest rates and inflation on our business, results of operations, financial condition and future prospects;
- the lack of a public trading market for the Notes and the current lack of any trading platform on which investors can resell the Notes;
- the federal income tax treatment of an investment in the Notes and the PMI Management Rights; and
- our ability to prevent security breaches, disruptions in service, and comparable events that could compromise the personal and confidential information held on our data systems, reduce the attractiveness of the platform or adversely impact our ability to service Borrower Loans.

There may be other factors that may cause actual results to differ materially from the forward-looking statements in this Quarterly Report on Form 10-Q. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them does occur, what impact they will have on our results of operations and financial condition. You should carefully read the factors described in the “Risk Factors” sections of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2024 for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

Where You Can Find More Information

The following filings are available for download free of charge at www.prosper.com as soon as reasonably practicable after such filings are electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”): Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports. Our SEC filings are also available to the public on the SEC’s website at www.sec.gov. The information contained on our website is not incorporated into this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Prosper Marketplace, Inc. Condensed Consolidated Balance Sheets (Unaudited) (in thousands, except for share and per share amounts)

	June 30, 2025	December 31, 2024
Assets:		
Cash and Cash Equivalents	\$ 38,154	\$ 30,334
Restricted Cash ⁽¹⁾	129,522	114,753
Accounts Receivable	9,784	7,545
Borrower Loans, at Fair Value	376,294	461,785
Receivable from Credit Card Partner, at Fair Value ⁽¹⁾	102,491	104,153
Property and Equipment, Net	45,527	44,273
Prepaid and Other Assets ⁽¹⁾	26,150	25,362
Credit Card Derivative	36,443	38,739
Servicing Assets	14,438	13,718
Goodwill	36,368	36,368
Total Assets	<u>\$ 815,171</u>	<u>\$ 877,030</u>
Liabilities, Convertible Preferred Stock and Stockholders' Deficit:		
Accounts Payable and Accrued Liabilities	\$ 70,884	\$ 58,558
Payable to Investors	110,756	91,945
Notes, at Fair Value	264,001	283,030
Notes Issued by Securitization Trust ⁽¹⁾	194,000	258,960
Term Loan	69,301	73,857
Other Liabilities	33,654	33,749
Convertible Preferred Stock Warrant Liability	263,382	261,249
Total Liabilities	<u>\$ 1,005,978</u>	<u>\$ 1,061,348</u>
Commitments and Contingencies (Note 17)		
Convertible Preferred Stock – \$0.01 par value; 444,760,848 shares authorized as of June 30, 2025 and December 31, 2024; 209,613,570 issued and outstanding as of June 30, 2025 and December 31, 2024. Aggregate liquidation preference of \$370,456 as of June 30, 2025 and December 31, 2024.	\$ 322,748	\$ 322,748
Less: Convertible Preferred Stock Held by Consolidated VIE (Note 13), 51,247,915 shares issued and outstanding as of June 30, 2025 and December 31, 2024	(2,381)	(2,381)
Stockholders' Deficit:		
Common Stock – \$0.01 par value; 625,000,000 shares authorized; 78,719,490 shares issued and 77,783,555 shares outstanding, as of June 30, 2025; 78,401,384 shares issued and 77,465,449 shares outstanding, as of December 31, 2024	303	300
Additional Paid-In Capital	163,503	162,643
Less: Treasury Stock	(23,417)	(23,417)
Accumulated Deficit	(651,563)	(644,211)
Total Stockholders' Deficit	<u>\$ (511,174)</u>	<u>\$ (504,685)</u>
Total Liabilities, Convertible Preferred Stock and Stockholders' Deficit	<u>\$ 815,171</u>	<u>\$ 877,030</u>

⁽¹⁾ Includes amounts in consolidated variable interest entities (“VIEs”) presented separately in the table below.

The following table presents the assets and liabilities of consolidated VIEs, which are included in the condensed consolidated balance sheets above. The assets in the table below may only be used to settle obligations of consolidated VIEs and are in excess of those obligations. Additionally, the assets and liabilities in the table below include third-party assets and liabilities of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. Refer to Note 7, *Securitizations*, and Note 11, *Debt*, within the notes to the condensed consolidated financial statements for additional information.

	June 30, 2025	December 31, 2024
Assets of consolidated VIEs, included in total assets above:		
Restricted Cash	\$ 15,767	\$ 17,961
Accounts Receivable	1,234	1,019
Borrower Loans, at Fair Value	109,617	176,208
Receivable from Credit Card Partner, at Fair Value	102,491	104,153
Total assets of consolidated VIEs	\$ 229,109	\$ 299,341
Liabilities of consolidated VIEs, included in total liabilities above:		
Notes Issued by Securitization Trust	\$ 194,000	\$ 258,960
Other Liabilities	1,965	1,570
Total liabilities of consolidated VIEs	\$ 195,965	\$ 260,530

The accompanying notes are an integral part of these condensed consolidated financial statements.

Prosper Marketplace, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except for share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Operating Revenues:				
Transaction Fees, Net	\$ 61,252	\$ 40,865	\$ 113,330	\$ 83,836
Servicing Fees, Net	7,385	4,297	14,742	10,579
Loss on Sale of Borrower Loans	(15,671)	(8,436)	(29,247)	(18,940)
Other Revenues	2,807	1,690	4,996	3,056
Total Operating Revenues	55,773	38,416	103,821	78,531
Interest Income (Expense):				
Interest Income on Financial Instruments	21,066	22,106	44,367	46,342
Interest Expense on Financial Instruments	(15,432)	(18,436)	(31,761)	(39,461)
Total Interest Income, Net	5,634	3,670	12,606	6,881
Change in Fair Value of Financial Instruments	(9,757)	(11,906)	(22,113)	(11,739)
Total Net Revenue	51,650	30,180	94,314	73,673
Expenses:				
Origination and Servicing	11,967	11,013	23,642	22,946
Sales and Marketing	14,517	11,773	27,949	25,816
General and Administrative	21,386	16,151	43,480	36,841
Change in Fair Value of Convertible Preferred Stock Warrants	59,359	(10,664)	2,133	(38,388)
Interest Expense on Term Loan	2,979	3,259	6,055	6,479
Other Income, Net	(859)	(913)	(1,649)	(1,903)
Total Expenses	109,349	30,619	101,610	51,791
Net (Loss) Income Before Taxes	(57,699)	(439)	(7,296)	21,882
Income Tax Expense	(28)	(26)	(56)	(52)
Net (Loss) Income	\$ (57,727)	\$ (465)	\$ (7,352)	\$ 21,830
Less: Net Income Allocated to Participating Securities	—	—	—	(14,392)
Net (Loss) Income Attributable to Common Stockholders	\$ (57,727)	\$ (465)	\$ (7,352)	\$ 7,438
Net (Loss) Income Per Share – Basic	\$ (0.74)	\$ (0.01)	\$ (0.09)	\$ 0.10
Net (Loss) Income Per Share – Diluted	\$ (0.74)	\$ (0.01)	\$ (0.09)	\$ 0.02
Weighted Average Shares – Basic	77,698,227	77,195,947	77,603,124	77,133,397
Weighted Average Shares – Diluted	77,698,227	77,195,947	77,603,124	339,860,361

The accompanying notes are an integral part of these condensed consolidated financial statements.

Prosper Marketplace, Inc.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit (Unaudited)
(in thousands, except for share amounts)

	Convertible Preferred Stock		Convertible Preferred Stock Held by Consolidated VIE		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of January 1, 2025	209,613,570	322,748	(51,247,915)	(2,381)	82,642,684	300	(5,177,235)	(23,417)	162,643	(644,211)	(504,685)
Exercise of vested stock options	—	—	—	—	318,106	3	—	—	14	—	17
Stock-based compensation expense	—	—	—	—	—	—	—	—	846	—	846
Net loss	—	—	—	—	—	—	—	—	—	(7,352)	(7,352)
Balance as of June 30, 2025	<u>209,613,570</u>	<u>\$ 322,748</u>	<u>(51,247,915)</u>	<u>\$ (2,381)</u>	<u>82,960,790</u>	<u>\$ 303</u>	<u>(5,177,235)</u>	<u>\$ (23,417)</u>	<u>\$ 163,503</u>	<u>\$ (651,563)</u>	<u>\$ (511,174)</u>

	Convertible Preferred Stock		Convertible Preferred Stock Held by Consolidated VIE		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of January 1, 2024	209,613,570	322,748	(51,247,915)	(2,381)	82,102,629	293	(5,177,235)	(23,417)	160,709	(590,132)	(452,547)
Exercise of vested stock options	—	—	—	—	274,238	4	—	—	6	—	10
Stock-based compensation expense	—	—	—	—	—	—	—	—	953	—	953
Net income	—	—	—	—	—	—	—	—	—	21,830	21,830
Balance as of June 30, 2024	<u>209,613,570</u>	<u>\$ 322,748</u>	<u>(51,247,915)</u>	<u>(2,381)</u>	<u>82,376,867</u>	<u>\$ 297</u>	<u>(5,177,235)</u>	<u>\$ (23,417)</u>	<u>\$ 161,668</u>	<u>\$ (568,302)</u>	<u>\$ (429,754)</u>

	Convertible Preferred Stock		Convertible Preferred Stock Held by Consolidated VIE		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of January 1, 2025	209,613,570	322,748	(51,247,915)	(2,381)	82,642,684	300	(5,177,235)	(23,417)	162,643	(644,211)	(504,685)
Exercise of vested stock options	—	—	—	—	127,206	1	—	—	6	—	7
Stock-based compensation expense	—	—	—	—	—	—	—	—	416	—	416
Net income	—	—	—	—	—	—	—	—	—	50,375	50,375
Balance as of March 31, 2025	209,613,570	322,748	(51,247,915)	(2,381)	82,769,890	301	(5,177,235)	(23,417)	163,065	(593,836)	(453,887)
Exercise of vested stock options	—	—	—	—	190,900	2	—	—	8	—	10
Stock-based compensation expense	—	—	—	—	—	—	—	—	430	—	430
Net loss	—	—	—	—	—	—	—	—	—	(57,727)	(57,727)
Balance as of June 30, 2025	209,613,570	322,748	(51,247,915)	(2,381)	82,960,790	303	(5,177,235)	(23,417)	163,503	(651,563)	(511,174)

	Convertible Preferred Stock		Convertible Preferred Stock Held by Consolidated VIE		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of January 1, 2024	209,613,570	322,748	(51,247,915)	(2,381)	82,102,629	293	(5,177,235)	(23,417)	160,709	(590,132)	(452,547)
Exercise of vested stock options	—	—	—	—	251,559	3	—	—	5	—	8
Stock-based compensation expense	—	—	—	—	—	—	—	—	461	—	461
Net income	—	—	—	—	—	—	—	—	—	22,295	22,295
Balance as of March 31, 2024	209,613,570	322,748	(51,247,915)	(2,381)	82,354,188	296	(5,177,235)	(23,417)	161,175	(567,837)	(429,783)
Exercise of vested stock options	—	—	—	—	22,679	1	—	—	1	—	2
Stock-based compensation expense	—	—	—	—	—	—	—	—	492	—	492
Net loss	—	—	—	—	—	—	—	—	—	(465)	(465)
Balance as of June 30, 2024	209,613,570	322,748	(51,247,915)	(2,381)	82,376,867	297	(5,177,235)	(23,417)	161,668	(568,302)	(429,754)

The accompanying notes are an integral part of these consolidated financial statements.

Prosper Marketplace, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2025	2024
Cash flows from Operating Activities:		
Net (Loss) Income	\$ (7,352)	\$ 21,830
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Change in Fair Value of Financial Instruments	22,113	11,739
Depreciation and Amortization	5,964	5,570
Amortization of Operating Lease Right-of-use Asset	1,020	1,293
Gain on Sale of Borrower Loans	(6,185)	(5,113)
Change in Fair Value of Servicing Rights	4,483	4,437
Stock-Based Compensation Expense	676	809
Change in Fair Value of Convertible Preferred Stock Warrants	2,133	(38,388)
Amortization of Debt Discount and Debt Issuance Costs	1,612	2,593
Accrual of Payment-in-kind Interest on Term Loan	—	765
Other, Net	372	1,240
Changes in Operating Assets and Liabilities:		
Purchase of Loans Held for Sale at Fair Value	(1,194,264)	(959,163)
Proceeds from Sales and Principal Payments of Loans Held for Sale at Fair Value	1,254,924	1,059,542
Accounts Receivable	(2,239)	(1,148)
Prepaid and Other Assets	(813)	(7,849)
Credit Card Derivative	(7,351)	(5,618)
Accounts Payable and Accrued Liabilities	10,804	13,879
Payable to Investors	18,810	4,912
Other Liabilities	929	727
Interest payable	(212)	(2,164)
Net Cash Provided by Operating Activities	105,424	109,893
Cash Flows from Investing Activities:		
Purchase of Borrower Loans Held at Fair Value	(85,833)	(96,114)
Proceeds from Sales and Principal Payments of Borrower Loans Held at Fair Value	95,670	99,799
Purchases of Credit Card Receivables from Credit Card Partner	(39,249)	—
Principal Payments on Credit Card Receivable from Credit Card Partner	34,198	—
Purchases of Property and Equipment	(6,524)	(8,114)
Net Cash Used in Investing Activities	(1,738)	(4,429)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Held at Fair Value	84,582	96,008
Payments of Notes Held at Fair Value	(94,781)	(98,771)
Principal Payments on Notes Issued by Securitization Trust	(65,915)	(87,540)
Proceeds from Issuance of Securitized Notes (Note 7)	—	136,472
Principal Payments on Warehouse Lines	—	(28,601)
Principal Payments on Term Loan	(5,000)	—
Extinguishment of PWIT Warehouse Line (Note 11)	—	(129,441)
Payments of Debt Issuance Costs	—	(1,698)
Proceeds from Exercises of Stock Options	17	10
Net Cash Used in Financing Activities	(81,097)	(113,561)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	22,589	(8,097)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	145,087	155,268

	Six Months Ended June 30,	
	2025	2024
Cash, Cash Equivalents and Restricted Cash at End of the Period	<u>\$ 167,676</u>	<u>\$ 147,171</u>

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest	\$ 37,206	\$ 45,095
Cash Paid for Income Taxes	365	—
Cash Paid for Operating Leases Included in the Measurement of Lease Liabilities	2,148	1,925
Non-Cash Investing Activity - Accrual for Property and Equipment, Net	4,070	1,818
Non-Cash Financing Activity - Accrual for Debt Issuance Costs	—	350
Non-Cash Financing Activity - Accrual for Term Loan Fees	—	750

Reconciliation to Amounts on Condensed Consolidated Balance Sheets:

Cash and Cash Equivalents	\$ 38,154	\$ 26,667
Restricted Cash	<u>129,522</u>	<u>120,504</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 167,676</u>	<u>\$ 147,171</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROSPER MARKETPLACE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Prosper Marketplace, Inc. (“PMI” or the “Company”) was incorporated in the state of Delaware on March 22, 2005. Except as the context requires otherwise, as used in these notes to the condensed consolidated financial statements of PMI, “Prosper,” “we,” “us,” and “our” refer to PMI and its wholly-owned subsidiaries, on a consolidated basis.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and disclosure requirements for interim financial information and the requirements of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2024. The balance sheet at December 31, 2024 has been derived from the audited financial statements at that date. Management believes these unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

PMI did not have any items of other comprehensive income or loss for any of the periods presented in the condensed consolidated financial statements as of and for the six months ended June 30, 2025 and 2024.

The preparation of Prosper’s condensed consolidated financial statements and related disclosures in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in Prosper’s financial statements and accompanying notes. Management bases its estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities. These judgments, estimates and assumptions are inherently subjective in nature and actual results may differ from these estimates and assumptions.

The accompanying interim condensed consolidated financial statements include the accounts of PMI, its wholly-owned subsidiaries and consolidated VIEs. All intercompany balances have been eliminated in consolidation.

Notes Issued by Securitization Trust are notes held by certain third-party investors pursuant to Prosper’s securitization transactions, and are distinguishable from the borrower payment dependent Notes available to investors through the Company’s Note Channel.

2. Summary of Significant Accounting Policies

Prosper’s significant accounting policies are included in Note 2, Summary of Significant Accounting Policies, in Prosper’s Annual Report on Form 10-K for the year ended December 31, 2024. There have been no changes to these accounting policies during the first six months of 2025.

Fair Value Measurements

Financial instruments measured at fair value consist principally of Borrower Loans and Notes (Notes 4 and 7), Loans Held for Sale (Note 4), Servicing Assets (Note 6), Receivable from Credit Card Partner (Notes 5 and 7), Credit Card Derivative and servicing obligation (Note 5), Loan Trailing Fee Liabilities (Note 10), Debt (Note 11) and Convertible Preferred Stock Warrant Liability (Note 13). The estimated fair values of other financial instruments, including Cash and Cash Equivalents, Restricted Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities, and Payable to Investors approximate their carrying values because of their short-term nature. The estimated fair value of the Term Loan (Note 11) does not approximate its carrying value primarily due to differences in the stated and market rates associated with that instrument.

Refer to Note 8, Fair Value of Assets and Liabilities, for additional fair value disclosures.

Restricted Cash

Restricted cash consists primarily of cash deposits, money market funds and short-term certificate of deposit accounts held as collateral as required for loan funding and servicing activities, and cash that investors or Prosper have on the marketplace that has not yet been invested in Borrower Loans or disbursed to the investor.

Consolidation of Variable Interest Entities

The determination of whether to consolidate a VIE in which the Company has a variable interest requires a significant amount of analysis and judgment regarding whether the Company is the primary beneficiary of a VIE due to its holding a controlling financial interest in the VIE. A controlling financial interest in a VIE exists if the Company has both the power to direct the VIE's activities that most significantly affect the VIE's economic performance and a potentially significant economic interest in the VIE. The determination of whether an entity is a VIE considers factors, such as (i) whether the entity's equity investment at risk is insufficient to allow the entity to finance its activities without additional subordinated financial support and (ii) whether a holder's equity investment at risk lacks any of the following characteristics of a controlling financial interest: the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the entity's success, the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the legal entity.

Management regularly reviews and reconsiders its previous conclusions regarding the status of an entity as a VIE and whether the Company is required to consolidate or deconsolidate such VIE in the consolidated financial statements.

Transfers of Financial Assets

Prosper sells Borrower Loans through its Whole Loan Channel, as discussed below. In accordance with Accounting Standards Codification ("ASC") 860, *Transfers and Servicing*, the Company accounts for transfers of financial assets as sales when it has surrendered control over the transferred assets. Control is generally considered to have been surrendered when (i) the transferred assets have been legally isolated from Prosper, (ii) the transferee has the right to pledge or exchange the assets without any significant constraints, and (iii) Prosper has not entered into a repurchase agreement, does not hold unconditional call options and has not written put options on the transferred assets. In assessing whether control has been surrendered, Prosper considers whether the transferee would be a consolidated affiliate and the impact of all arrangements or agreements made contemporaneously with, or in contemplation of the transfer, even if they were not entered into at the time of transfer. Prosper measures gain or loss on sale of financial assets as the net proceeds received on the sale less the carrying amount of the loans sold. The net proceeds of the sale include the fair value of any assets obtained or liabilities incurred as part of the transaction, including, but not limited to Servicing Assets, retained securities, and recourse obligations.

In November 2024, Prosper completed the PMCC 2024-1 Credit Card securitization transaction, which is more fully described in Note 7, *Securitizations*. Based on an analysis of the terms of that transaction, it was determined that the transfers of the underlying Credit Card receivables from Coastal to PMCC 2024-1 do not meet sale accounting requirements under ASC 860. In particular, as cardholders make additional draws on the Credit Cards associated with PMCC 2024-1, they lose their identity and become part of a larger outstanding balance. Further, the interests in the Credit Card receivables do not meet the definition of a participating interest given their lack of stated maturity dates, among other requirements. As a result, the Company derecognizes cash paid to Coastal for the transfer of the underlying Credit Card receivables, and has recorded an offsetting Receivable from Credit Card Partner on its consolidated balance sheet. Receivable from Credit Card Partner is secured by and effectively mirrors the value of the underlying Credit Card receivables.

Borrower Loans and Notes

Borrower Loans are funded either through the Note Channel or through the Whole Loan Channel. Through the Note Channel, Prosper purchases Borrower Loans from WebBank, then issues Notes and holds the Borrower Loans until maturity. The obligation to repay a series of Notes issued through the Note Channel is dependent upon the repayment of the associated Borrower Loan. Borrower Loans funded and Notes issued through the Note Channel are carried on Prosper's condensed consolidated balance sheets as assets and liabilities, respectively.

Until March 2024, Prosper used Warehouse Lines to purchase personal loans that could be subsequently contributed to securitization transactions or sold to investors. These personal loans were included in "Loans Held for Sale, at Fair Value" on the condensed consolidated balance sheets. In September 2023 and March 2024, in connection with the securitization transactions discussed below, the Loans Held for Sale in these Warehouse Lines were fully contributed to the securitization entities or purchased by Prosper, and the outstanding balances of the Warehouse Lines were fully paid down. See Note 11, *Debt* for more details on the termination of the Warehouse Lines.

In September 2023 and March 2024, Prosper closed two separate securitization transactions, PMIT 2023-1 and PMIT 2024-1, respectively, with personal loans previously funded through its PWIIT Warehouse Line and PWIT Warehouse Line, respectively. These newly formed securitization entities issued notes acquired by third parties and residual certificates acquired by PMI (the wholly owned parent of PFL, the sole sponsor of the securitizations). PMIT 2023-1 and PMIT 2024-1 are deemed consolidated VIEs, and as a result the Borrower Loans they hold are presented in “Borrower Loans, at Fair Value,” and the notes sold to third-party investors are included in “Notes Issued by Securitization Trust” on the accompanying condensed consolidated balance sheets. See Note 7, *Securitizations*, for additional disclosures related to these securitizations.

Borrower Loans are purchased from WebBank. Prosper places Borrower Loans on non-accrual status when they are 120 days past due. When a Borrower Loan is placed on non-accrual status, Prosper stops accruing interest and reverses all accrued but unpaid interest as of such date. Additionally, Prosper charges-off Borrower Loans when they are 120 days past due. The fair value of loans 120 or more days past due generally consists of the expected recovery from debt sales in subsequent periods.

Prosper has elected the fair value option for Borrower Loans and Notes. Changes in the fair value of Borrower Loans funded through the Note Channel are largely offset by the changes in fair value of Notes due to the borrower payment-dependent design of the Notes. Changes in the fair value of Borrower Loans are recorded through Prosper's earnings and Prosper collects interest on Borrower Loans. Changes in the fair values of Borrower Loans and Notes are included in Change in Fair Value of Financial Instruments on the accompanying consolidated statements of operations. See Note 4, *Borrower Loans and Notes, at Fair Value*, for further details on the methodologies utilized to value these financial instruments.

Credit Card Derivative

The Company evaluated the terms of its Credit Card program agreement (the “Credit Card Program Agreement”) with Coastal Community Bank (“Coastal”) and determined that it contained features that met the definition of derivatives under ASC 815, *Derivatives and Hedging*. These features are freestanding financial instruments (as defined under ASC 480, *Distinguishing Liabilities from Equity*), and have been valued separately as derivatives. A right of offset exists between the derivatives, and they are presented net on the accompanying consolidated balance sheets. Changes in the fair value of the Credit Card Derivative, as well as settled transactions from the Credit Card portfolio, are recorded in “Change in Fair Value of Financial Instruments” on the accompanying condensed consolidated statements of operations.

Refer to Note 5, *Credit Card*, for additional details on revenues and expenses related to the Credit Card product, and to Note 8, *Fair Value of Assets and Liabilities*, for additional details related to the valuation methodology for the Credit Card Derivative.

Receivable from Credit Card Partner

In November 2024, Prosper closed a securitization transaction, PMCC 2024-1, with performing Credit Card receivables previously included within the Prosper Allocations on Coastal's balance sheet. This newly formed securitization entity issued notes acquired by third parties, and a residual certificate to PMI, the sole sponsor of the securitization. PMCC 2024-1 is structured as a limited liability company in which PMI is the sole member, but was determined to be a VIE due to its lack of equity at risk. As PMI is considered the primary beneficiary of the VIE, it fully consolidates PMCC 2024-1 and all transactions between the two entities are eliminated. As discussed above, because the transfers of the underlying Credit Card receivables do not meet the requirements for sale accounting treatment under ASC 860, *Transfers and Servicing*, the Company has recorded a Receivable from Credit Card Partner on the condensed consolidated balance sheets.

The Company elected to carry the Receivable from Credit Card Partner at fair value, effectively consisting of the fair value of the underlying Credit Card receivables, in order to align with the measurement and presentation of the Borrower Loans and Credit Card Derivative. Changes in the fair value of the Receivable from Credit Card Partner are recorded in Changes in Fair Value of Financial Instruments on the consolidated statement of operations. See Note 5, *Credit Card*, and Note 7, *Securitizations*, for additional disclosures related to this securitization, and to Note 8, *Fair Value of Assets and Liabilities*, for additional details related to the valuation methodology for the Receivable from Credit Card Partner.

Transaction Fee Refunds

Prosper assumes WebBank's obligation under Utah law to refund the pro-rated amount of any Transaction Fees collected in excess of 5%, in the event the underlying borrower prepays the loan in full before maturity. Liabilities under this obligation are estimated upon the origination of Borrower Loans and recorded within Accounts Payable and Accrued Liabilities on the accompanying consolidated Balance Sheets. The key assumptions used in the estimated refund liability include prepayment rates and default rates derived primarily from historical performance. Changes in the liability are recorded within

Transaction Fees, Net on the accompanying consolidated Statements of Operations. Refer to Note 17, *Commitments and Contingencies*, for details on the amounts recorded under this obligation.

Term Loan

Prosper entered into a Credit Agreement, which provided for a Term Loan with a third-party financial institution in November 2022, which is more fully described in Note 11, *Debt*. This Term Loan is carried at amortized cost, net of discounts and issuance costs, which are subsequently amortized to Interest Expense on Term Loan over the life of the underlying agreement. Interest Expense on Term Loan is presented as a component of Expenses on the accompanying condensed consolidated statements of operations.

Leases

Management determines if an arrangement is a lease at inception. Operating lease right-of-use (“ROU”) assets and operating lease liabilities are included on the Condensed Consolidated Balance Sheets in Property and Equipment, Net and in Other Liabilities, respectively. For certain leases with original terms of twelve months or less, PMI recognizes the lease expense as incurred and does not record ROU assets and lease liabilities.

If a contract contains a lease, management evaluates whether it should be classified as an operating or finance lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As most of PMI's leases do not provide an implicit rate, management uses an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The operating lease ROU assets are evaluated for impairment utilizing the same impairment model used for Property and Equipment.

Recent Accounting Pronouncements

Accounting Standards Adopted In The Current Period

No accounting standards were adopted in the current period.

Accounting Standards Issued, to be Adopted by the Company in Future Periods

In October 2023, the FASB issued ASU No. 2023-06, “Disclosure Improvements: Codification Amendments in Response to the Securities and Exchange Commission’s Disclosure Update and Simplification Initiative.” The amendments in this update modify the disclosure or presentation requirements of a variety of Topics in the ASC in response to the SEC’s Release No. 33-10532, “Disclosure Update and Simplification Initiative,” and align the ASC’s requirements with the SEC’s regulations. The effective date for each amendment will be the date on which the SEC’s removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective. Early adoption is prohibited. The Company does not expect the adoption of this ASU to have a material impact on the Company’s Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which enhances effective tax rate reconciliation disclosure requirements and provides clarity to the disclosures of income taxes paid, income before taxes and provision for income taxes. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating this ASU to determine its impact on the consolidated financial statements, and expects to adopt it for the year ending December 31, 2025.

In November 2024, the FASB issued ASU No. 2024-03, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures,” that requires more detailed disclosure about certain costs and expenses presented in the income statement, including inventory purchases, employee compensation, selling expense and depreciation expense. The guidance is effective for annual periods beginning after December 15, 2026. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company’s disclosures.

In May 2025, the FASB issued ASU No. 2025-03, “Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity.” This standard clarifies the guidance in determining the accounting acquirer in a business combination effected primarily by exchanging equity interests when the acquiree is a VIE that meets the definition of a business. The standard is effective for fiscal years beginning after

December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted, and the standard is to be applied prospectively to acquisitions after the adoption date. The Company is currently evaluating this ASU to determine its impact on the Company's consolidated financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB did not, or are not believed by management to, have a material impact on the Company's present or future financial statements.

3. Property and Equipment, Net

Property and Equipment consists of the following at the dates presented (in thousands):

	June 30, 2025	December 31, 2024
Internal-use software and website development costs	\$ 75,086	\$ 66,101
Operating lease right-of-use assets	22,690	22,690
Computer equipment	4,903	6,335
Leasehold improvements	7,143	7,143
Office equipment and furniture	2,980	2,975
Assets not yet placed in service	12,563	16,271
Property and equipment	125,365	121,515
Less: Accumulated depreciation and amortization	(79,838)	(77,242)
Total Property and Equipment, Net	\$ 45,527	\$ 44,273

Depreciation and amortization expense for Property and Equipment, Net for the three months ended June 30, 2025 and 2024 was \$3.0 million and \$2.6 million, respectively. Depreciation and amortization expense for Property and Equipment, Net for the six months ended June 30, 2025 and 2024 was \$6.0 million and \$5.5 million, respectively. These charges are included in Origination and Servicing and General and Administrative expenses on the condensed consolidated statements of operations. PMI capitalized internal-use software and website development costs in the amount of \$3.9 million and \$4.0 million for the three months ended June 30, 2025 and 2024, respectively. PMI capitalized internal-use software and website development costs in the amount of \$7.9 million and \$8.0 million for the six months ended June 30, 2025 and 2024, respectively. Additionally, disclosures around the operating lease right-of-use assets are included in Note 16, *Leases*.

4. Borrower Loans and Notes, at Fair Value

The aggregate principal balances outstanding and fair values of Borrower Loans and Notes, at Fair Value as of June 30, 2025 and December 31, 2024, are presented in the following table (in thousands):

	Borrower Loans		Notes	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Aggregate principal balance and interest outstanding	\$ 395,348	\$ 489,289	\$ 278,801	\$ 301,246
Fair value adjustments	(19,054)	(27,504)	(14,800)	(18,216)
Fair value	\$ 376,294	\$ 461,785	\$ 264,001	\$ 283,030

Borrower Loans

As of June 30, 2025, outstanding Borrower Loans had original terms to maturity of 24, 36, 48 or 60 months, had monthly payments with fixed interest rates ranging from 6.00% to 33.00%, and had various original maturity dates through June 2030. As of December 31, 2024, outstanding Borrower Loans had original terms to maturity of 24, 36, 48 or 60 months, had monthly payments with fixed interest rates ranging from 6.00% to 33.00%, and had various original maturity dates through December 2029.

As of June 30, 2025, Borrower Loans that were 90 days or more delinquent had an aggregate principal amount of \$3.9 million and a fair value of \$0.6 million. As of December 31, 2024, Borrower Loans that were 90 days or more delinquent had an aggregate principal amount of \$5.4 million and a fair value of \$1.1 million. Prosper places loans on non-accrual status when they are over 120 days past due. As of June 30, 2025 and December 31, 2024, Borrower Loans in non-accrual status had a fair value of \$0.4 million and \$0.6 million, respectively.

5. Credit Card

Credit Card Derivative

Prosper recognizes unrealized and settled gains and losses on the Credit Card Derivative within Change in Fair Value of Financial Instruments on the accompanying consolidated statements of operations. These settled gains and losses primarily consist of interest income and debt sales on charged off balances, less Coastal program fees, credit losses and fraud losses.

For the three months ended June 30, 2025 and 2024, the Company recognized \$0.5 million and \$2.2 million of unrealized losses, respectively, from estimated fair value changes on the Credit Card Derivative. For the six months ended June 30, 2025 and 2024, the Company recognized a \$2.3 million unrealized loss and a \$6.9 million unrealized gain, respectively, from estimated fair value changes on the Credit Card Derivative. Changes from settled transactions underlying the Credit Card Derivative were losses of \$3.0 million and \$2.9 million for the three months ended June 30, 2025 and 2024, respectively, and losses of \$7.8 million and \$5.6 million for the six months ended June 30, 2025 and 2024, respectively.

Receivable from Credit Card Partner

Fair value gains and losses on the Receivable from Credit Card Partner, which effectively consists of the underlying Credit Card receivables securitized through PMCC 2024-1 (as discussed at Note 7, *Securitizations*), are also recognized within Change in Fair Value of Financial Instruments. These gains and losses include changes related to estimated future cash flows, as well as actual charge-offs and debt sale recoveries. For the three months ended June 30, 2025, the Company recognized a fair value loss of \$4.9 million related to the Receivable from Credit Card Partner, which primarily consisted of charge-offs. For the six months ended June 30, 2025, the Company recognized a fair value loss of \$7.0 million related to the Receivable from Credit Card Partner, which primarily consisted of charge-offs.

As of June 30, 2025 and December 31, 2024, the outstanding principal balance of Credit Card receivables held by PMCC 2024-1 was \$89.6 million and \$91.2 million, respectively.

Program Fees

The Company records revenue from various fees generated from the Credit Card program and PMCC 2024-1, including interchange fees, annual fees and late fees, net of a portion of the interchange fees that must be remitted to Coastal. These fees are included in Transaction Fees, Net on the accompanying consolidated statements of operations. For the three months ended June 30, 2025 and 2024, these fees totaled \$5.7 million and \$5.5 million, respectively, and for the six months ended June 30, 2025 and 2024, these fees totaled \$11.5 million and \$11.3 million, respectively.

Servicing Obligation and Fees

Under the program agreement, Prosper is responsible for servicing the entire underlying Credit Card portfolio. Coastal pays the Company a 1% per annum servicing fee on the daily outstanding principal balance of receivables designated as Coastal Allocations, which is approximately 5% of the portfolio. To the extent these servicing fees do not exceed the market servicing rate a market participant would require to service the entire Credit Card portfolio, the Company records a servicing obligation liability and measures it at fair value through the servicing period. The net balance of this servicing obligation liability is included in Other Liabilities on the accompanying condensed consolidated balance sheets (see Note 10, *Other Liabilities*). Changes in the fair value of the servicing obligation liability are recorded in Servicing Fees, Net on the accompanying condensed consolidated statements of operations, and totaled a gain of \$0.5 million and a loss of \$0.8 million for the three months ended June 30, 2025 and 2024, respectively, and gains of \$1.0 million and \$0.1 million for the six months ended June 30, 2025 and 2024, respectively. No servicing asset or obligation is recognized for the Credit Card receivables securitized within PMCC 2024-1, which is a consolidated entity.

6. Servicing Assets

Prosper accounts for Servicing Assets at their estimated fair values with changes in fair values recorded in Servicing Fees, Net on the accompanying condensed consolidated statement of operations. The initial asset or liability is recognized in Gain (Loss) on the Sale of Borrower Loans on the condensed consolidated statements of operations when the Company sells Borrower Loans to unrelated third-party buyers through the Whole Loan Channel and the servicing rights are retained. The Servicing Assets are measured at fair value throughout the servicing period. The Company recognized gains from the initial recognition of Servicing Assets on the sale of Borrower Loans in the amounts of \$3.4 million and \$2.6 million for the three months ended June 30, 2025 and 2024, respectively, and \$6.2 million and \$5.1 million for the six months ended June 30, 2025 and 2024, respectively. These amounts are recorded in Loss on Sale of Borrower Loans on the condensed consolidated statements of operations, and are offset primarily by incentives provided to loan buyers at the time of sale.

As of June 30, 2025, Borrower Loans that were sold but for which Prosper retained servicing rights had a total outstanding principal balance of \$3.5 billion, original terms to maturity of 24, 36, 48 or 60 months, monthly payments with fixed interest rates ranging from 5.75% to 33.00%, and various original maturity dates through June 2030. As of December 31, 2024, Borrower Loans that were sold but for which Prosper retained servicing rights had a total outstanding principal balance of \$3.3 billion, original terms to maturity of either 24, 36, 48 or 60 months, monthly payments with fixed interest rates ranging from 5.46% to 33.00%, and various original maturity dates through December 2029.

Contractually-specified personal loan servicing fees and ancillary fees totaling \$9.4 million and \$7.5 million for the three months ended June 30, 2025 and 2024, respectively, and \$19.5 million and \$14.9 million for the six months ended June 30, 2025 and 2024, respectively, are included in the condensed consolidated statements of operations in Servicing Fees, Net.

Fair Value Valuation Method

Prosper uses a discounted cash flow valuation methodology generally consisting of developing an estimate of future cash flows that are expected to occur over the life of a financial instrument and then discounts those cash flows at a rate of return that results in the fair value amount.

Significant unobservable inputs presented in the table within Note 8 below are those that Prosper considers significant to the estimated fair values of the Level 3 Servicing Assets. The following is a description of the significant unobservable inputs provided in the table.

Market Servicing Rate

Prosper estimates adequate market servicing rates that would fairly compensate a substitute servicer should one be required, which includes the profit that would be demanded in the marketplace. This rate is stated as a fixed percentage of outstanding principal balance on a per annum basis. With the assistance of a valuation specialist, Prosper estimates these market servicing rates based on observable market rates for other loan types in the industry and bids from subservicing providers, adjusted for the unique loan attributes that are present in the specific loans that Prosper sells and services and information from backup service providers.

Discount Rate

The discount rate is a rate of return used to discount future expected cash flows to arrive at a present value, which represents the fair value of the loan servicing rights. We use a range of discount rates for the Servicing Assets based on comparable observed valuations of similar assets and publicly available disclosures related to servicing valuations, with comparability adjustments made to account for differences with Prosper's servicing assets.

Default Rate

The default rate presented in Note 8 is an annualized, average estimate considering all Borrower Loan categories (i.e., risk ratings and duration), and represents an aggregate of conditional default rate curves for each credit grade or Borrower Loan category. Each point on a particular Borrower Loan category's curve represents the percentage of principal expected to default per period based on the term and age of the underlying Borrower Loans. The assumption regarding defaults directly reduces servicing revenues because the amount of servicing revenues received is based on the amount collected each period.

Prepayment Rate

The prepayment rate presented in Note 8 is an annualized, average estimate considering all Borrower Loan categories (i.e., risk ratings and duration), and represents an aggregate of conditional prepayment rate curves for each credit grade or Borrower Loan category. Each point on a particular Borrower Loan category's curve represents the percentage of principal expected to prepay per period based on the term and age of the underlying Borrower Loans. Prepayments reduce servicing revenues as they shorten the period over which we expect to collect fees on the Borrower Loans, which is used to project future servicing revenues.

7. Securitizations

Personal Loan Securitizations

Prosper served as the sole sponsor of two securitizations of unsecured personal whole loans facilitated through the Company's marketplace that were previously held in consolidated warehouse trusts: PMIT 2023-1 in September 2023 and PMIT 2024-1 in March 2024, respectively. These transactions benefit the Company by reducing the financing costs associated with the underlying Borrower Loans. Both securitizations issued senior notes and residual certificates to finance the purchase of

Borrower Loans. The notes were sold to third-party investors and a majority-owned affiliate of the sole sponsor of the securitizations, PFL, retained the residual certificates. In addition to the residual certificates, Prosper's continued involvement includes servicing responsibilities over the life of the underlying loans.

PMIT 2023-1 and PMIT 2024-1 (together, the "PMITs") are deemed VIEs, and the Company consolidates them as the primary beneficiary. Through Prosper's role as the servicer, it has the power to direct the activities that most significantly affect the PMITs' economic performance. Additionally, because the Company holds the residual certificates, it has a variable interest that could potentially be significant to the PMITs. In evaluating whether Prosper is the primary beneficiary, management considers both qualitative and quantitative factors regarding the nature, size and form of the Company's involvement with the PMITs. Management assesses whether Prosper is the primary beneficiary of the PMITs on an on-going basis. For the PMITs, the creditors have no recourse to the general credit of Prosper and the liabilities of the PMITs can only be settled by their respective assets. Additionally, the assets of the PMITs can be used only to settle obligations of the PMITs. Because Prosper consolidates the PMITs' securitization trusts, the Borrower Loans held in those trusts are included in Borrower Loans, at Fair Value, and the notes sold to third-party investors are presented in Notes Issued by Securitization Trusts on the condensed consolidated balance sheets. Because Prosper holds 100% of the residual certificates issued by the PMITs, they eliminate through consolidation and are thus not presented on the condensed consolidated balance sheets.

PMIT 2023-1

In September 2023, Prosper closed the PMIT 2023-1 securitization. Based on the terms of the underlying agreements, the PWIT Warehouse Line (see Note 11, *Debt*) agreed to contribute Borrower Loans with an aggregate outstanding principal balance of \$275.9 million as of the established cutoff date of August 31, 2023, to the PMIT 2023-1 securitization. On September 25, 2023, these Borrower Loans, with an updated aggregate outstanding principal balance of \$266.1 million, were contributed to the PMIT 2023-1 securitization.

The notes under PMIT 2023-1 were issued in five classes: Class A in the amount of \$165.5 million, Class B in the amount of \$25.4 million, Class C in the amount of \$25.1 million, Class D in the amount of \$22.3 million and Class E in the amount of \$13.1 million (collectively, the "2023-1 Notes"). The Class A, Class B, Class C, Class D and Class E notes bear interest at fixed rates of 7.06%, 7.48%, 8.29%, 11.24% and 15.49%, respectively. Principal and interest payments began in October 2023 and are payable monthly. The 2023-1 Notes are recorded at amortized cost, net of original issue discounts totaling approximately \$0.8 million. These discounts, along with debt issuance costs incurred of \$2.7 million, are deferred and amortized into interest expense over the contractual lives of the 2023-1 Notes using the effective interest method. As of June 30, 2025 the outstanding principal and accrued interest of the 2023-1 Notes was \$69.6 million, secured by an aggregate outstanding principal balance of \$71.5 million of borrower loans, and approximately \$7.6 million in cash collections held in collateral and reserve accounts included in Restricted Cash on the condensed consolidated balance sheets. As of December 31, 2024, the outstanding principal and accrued interest of these notes was \$107.6 million, secured by an aggregate outstanding principal balance of \$112.3 million of borrower loans included in Borrower Loans, at Fair Value on the Consolidated Balance Sheets, and approximately \$10.1 million in cash collections held in collateral and reserve accounts included in Restricted Cash on the consolidated balance sheets.

PMIT 2024-1

In March 2024, Prosper closed the PMIT 2024-1 securitization. Based on the terms of the underlying agreements, the PWIT Warehouse Line (see Note 11, *Debt*) agreed to contribute Borrower Loans with an aggregate outstanding principal balance of \$148.9 million as of the established cutoff date of February 14, 2024, to the PMIT 2024-1 securitization. On March 28, 2024, these Borrower Loans, with an updated aggregate outstanding principal balance of \$138.0 million, were contributed to the PMIT 2024-1 securitization.

The notes under PMIT 2024-1 were issued in four classes: Class A in the amount of \$105.2 million, Class B in the amount of \$10.8 million, Class C in the amount of \$10.3 million and Class D in the amount of \$10.2 million (collectively, the "2024-1 Notes"). The Class A, Class B, Class C and Class D notes bear interest at fixed rates of 6.12%, 6.13%, 6.96%, 10.98%, respectively. The 2024-1 Notes are recorded at amortized cost, net of debt issuance costs incurred of \$1.5 million. These debt issuance costs are deferred and amortized into interest expense over the contractual lives of the 2024-1 Notes using the effective interest method. As of June 30, 2025, the outstanding principal and accrued interest of the 2024-1 Notes was \$43.9 million, secured by an aggregate outstanding principal balance of \$44.5 million of borrower loans included in "Borrower Loans, at Fair Value" on the condensed consolidated balance sheets, and approximately \$5.1 million in cash collections held in collateral and reserve accounts included in "Restricted Cash" on the condensed consolidated balance sheets. As of December 31, 2024, the outstanding principal and accrued interest of the 2024-1 Notes was \$71.9 million, secured by an aggregate outstanding principal balance of \$74.3 million of borrower loans included in "Borrower Loans, at Fair Value" on the condensed consolidated balance sheets, and approximately \$6.8 million in cash collections held in collateral and reserve accounts included in "Restricted Cash" on the condensed consolidated balance sheets.

Credit Card Securitization

PMCC 2024-1

In November 2024, PMI closed the PMCC 2024-1 Transaction, a securitization of Credit Card receivables previously classified as Prosper Allocations on Coastal's balance sheet. Based on the terms of the underlying agreements, PMI and Coastal agreed to transfer Credit Card receivables with an aggregate outstanding principal balance of \$90.9 million as of the established cutoff date of September 30, 2024, to the PMCC 2024-1 Transaction. On November 1, 2024, these Credit Card receivables, with an updated aggregate outstanding principal balance of approximately \$94.7 million, along with associated interest receivable of \$2.2 million, were transferred to the PMCC 2024-1 Transaction. PMCC 2024-1 issued notes and a residual certificate to finance the payment to Coastal for the transfer of the Credit Card receivables. The notes were sold to the third-party investors, and the residual certificate was acquired by PMI, as the sole sponsor of the PMCC 2024-1 Transaction. In addition to the residual certificate, PMI's continued involvement includes servicing responsibilities over the life of the underlying Credit Card receivables, including curing any Asset Deficiency (see below).

PMCC 2024-1 is structured as a limited liability company and is wholly owned by PMI, but is considered a deemed VIE due to its lack of equity at risk. PMI consolidates it as the primary beneficiary, as through its role as the servicer, the Company has the power to direct the activities that most significantly affect the PMCC 2024-1 Transaction's economic performance. Additionally, because the Company holds the residual certificate, it has a variable interest that could potentially be significant to PMCC 2024-1. In evaluating whether PMI is the primary beneficiary, management considers both qualitative and quantitative factors regarding the nature, size and form of the Company's involvement with PMCC 2024-1. Management assesses whether PMI is the primary beneficiary of the VIE on an on-going basis. For PMCC 2024-1, the creditors have no recourse to the general credit of Prosper and the liabilities of the limited liability company can only be settled by PMCC 2024-1's assets. Additionally, the assets of PMCC 2024-1 can be used only to settle obligations of PMCC 2024-1. Because the transfers of the underlying Credit Card receivables from Coastal to PMCC 2024-1 do not meet the requirements for sales accounting treatment under ASC 860, *Transfers and Servicing*, the Company has recorded on its consolidated balance sheet a Receivable from Credit Card Partner that effectively consists of the underlying Credit Card receivables securitized through PMCC 2024-1. Notes sold to third-party investors are presented in Notes Issued by Securitization Trust on the condensed consolidated balance sheets. The only residual certificate issued by PMCC 2024-1 is held by PMI, and thus eliminates through consolidation and is not presented on the consolidated balance sheets.

The notes under PMCC 2024-1 were issued in four classes: Class A in the amount of \$46.3 million, Class B in the amount of \$10.7 million, Class C in the amount of \$11.1 million and Class D in the amount of \$14.8 million (collectively, the "PMCC 2024-1 Notes"). The Class A, Class B, Class C and Class D notes bear interest at fixed rates of 6.15%, 7.15%, 10.05% and 14.64%, respectively. No principal payments will be due on the PMCC 2024-1 Notes for the first two years of the PMCC 2024-1 Transaction, through November 1, 2026, which is referred to as the revolving period. At the end of that two-year period, if the revolving period is not extended the PMCC 2024-1 Transaction enters the amortization period, whereby the PMCC 2024-1 Notes will be repaid in accordance with a waterfall calculation, generally tied to the collections of the associated Credit Card receivables. Interest is payable monthly. These notes are recorded at amortized cost, net of original issue discounts totaling \$0.3 million. These discounts, along with debt issuance costs incurred of \$2.2 million, are being deferred and amortized into interest expense over the two-year revolving period of the notes using the effective interest method. As of June 30, 2025, the outstanding principal and accrued interest of the PMCC 2024-1 Notes was \$83.2 million, secured by a total outstanding balance of Credit Card receivables (inclusive of principal, interest and fees) of \$93.8 million, and approximately \$0.9 million in cash held in a reserve account and included in Restricted Cash on the consolidated balance sheets. As of December 31, 2024, the outstanding principal and accrued interest of the PMCC 2024-1 Notes was \$83.2 million, secured by a total outstanding balance of Credit Card receivables (inclusive of principal, interest and fees) of \$94.9 million, and approximately \$0.9 million in cash held in a reserve account and included in Restricted Cash on the consolidated balance sheets. For the three and six months ended June 30, 2025, the Company recorded \$4.2 million and \$9.3 million, respectively, in Total Interest Income, Net related to the PMCC 2024-1 Credit Card receivables and Notes Issued by Securitization Trust.

Until the end of the amortization period, PMCC 2024-1 is required to cure any Asset Deficiency, which is deemed to have occurred if the ratio of (i) notes outstanding to (ii) the aggregate pool balance plus amounts in the excess funding account minus the dilutional balance, exceeds 89.5%. In order to maintain this ratio, PMI will purchase additional Credit Card receivables from the accounts designated as eligible for the securitization, and may designate additional eligible accounts from Prosper Allocations, as necessary.

8. Fair Value of Assets and Liabilities

Prosper measures the fair value of assets and liabilities in accordance with its fair value hierarchy which prioritizes information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. The Company applies this framework whenever other standards require (or permit) assets or liabilities to be measured at fair value.

Assets and liabilities carried at fair value on the balance sheets are classified among three levels based on the observability of the inputs used to determine fair value:

Level 1 — The valuation is based on quoted prices in active markets for identical instruments.

Level 2 — The valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation methodologies for which all significant assumptions are observable in the market.

Level 3 — The valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar methodologies, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Fair values of assets or liabilities are determined based on the fair value hierarchy, which requires an entity to maximize the use of quoted prices and observable inputs and to minimize the use of unobservable inputs when measuring fair value. Various valuation methodologies are utilized, depending on the nature of the financial instrument, including the use of market prices for identical or similar instruments, or discounted cash flow models. When possible, active and observable market data for identical or similar financial instruments are utilized. Alternatively, fair value is determined using assumptions that management believes a market participant would use in pricing the asset or liability.

Financial Instruments Recorded at Fair Value

The fair value of the Borrower Loans, Notes, Servicing Assets and Liabilities and loan trailing fee liability are estimated using discounted cash flow methodologies based upon a set of valuation assumptions. The primary assumptions used in the discounted cash flow model include default and prepayment rates primarily derived from historical performance and discount rates applied to each credit grade based on the perceived credit risk of each credit grade.

The fair value of the Credit Card Derivative is also estimated using a discounted cash flow model using certain assumptions. The key assumptions used in the valuation include default and prepayment rates derived primarily from historical performance and relevant market data, adjusted as necessary based on the perceived credit risk of the underlying portfolio. In addition, discount rates based on estimates of the rates of return that investors would require when investing in similar credit card portfolios are applied to the individual freestanding derivatives.

In order to determine the fair value of the Receivable from Credit Card Partner, Prosper uses a discounted cash flow model to estimate the fair value of the securitization residual interest, given that the Company is the sole sponsor of the securitization and is entitled to all residual cash flows it generates. This involves utilizing certain assumptions similar to those used to value the Credit Card Derivative, including the discount and prepayment rates. Additional assumptions are adjusted to reflect the specific characteristics of the securitized Credit Card receivables, including the average portfolio interest rate and the default rate. The residual interest fair value is then added to the applicable securitization advance rate applied to the outstanding balance of the Credit Card receivables to calculate the estimated fair value of Receivable from Credit Card Partner.

The Convertible Preferred Stock Warrant Liability is valued using a Black-Scholes option pricing model. Refer to Note 13 for further details.

The following tables present the fair value hierarchy for assets and liabilities measured at fair value (in thousands):

June 30, 2025	Level 1	Level 2	Level 3	Total
Assets:				
Borrower Loans, at Fair Value (Notes 4 and 7)	\$ —	\$ —	\$ 376,294	\$ 376,294
Receivable from Credit Card Partner, at Fair Value (Notes 5 and 7)	—	—	102,491	102,491
Servicing Assets (Note 6)	—	—	14,438	14,438
Credit Card Derivative (Note 5)	—	—	36,443	36,443
Total Assets	\$ —	\$ —	\$ 529,666	\$ 529,666
Liabilities:				
Notes, at Fair Value	\$ —	\$ —	\$ 264,001	\$ 264,001
Convertible Preferred Stock Warrant Liability	—	—	263,382	263,382
Loan Trailing Fee Liability (Note 10)	—	—	3,129	3,129
Credit Card servicing obligation liability (Note 5)	—	—	7,964	7,964
Total Liabilities	\$ —	\$ —	\$ 538,476	\$ 538,476
December 31, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Borrower Loans, at Fair Value (Notes 4 and 7)	—	—	461,785	461,785
Receivable from Credit Card Partner, at Fair Value (Notes 5 and 7)	—	—	104,153	104,153
Servicing Assets (Note 6)	—	—	13,718	13,718
Credit Card Derivative (Note 5)	—	—	38,739	38,739
Total Assets	\$ —	\$ —	\$ 618,395	\$ 618,395
Liabilities:				
Notes, at Fair Value (Note 4)	\$ —	\$ —	\$ 283,030	\$ 283,030
Convertible Preferred Stock Warrant Liability (Note 13)	—	—	261,249	261,249
Loan Trailing Fee Liability (Note 10)	—	—	3,004	3,004
Credit Card servicing obligation liability (Note 5)	—	—	8,947	8,947
Total Liabilities	\$ —	\$ —	\$ 556,230	\$ 556,230

As PMI's Borrower Loans, Notes, Convertible Preferred Stock Warrant Liability, Servicing Assets and Liability, Credit Card Derivative, Receivable from Credit Card Partner, Credit Card servicing obligation liability and loan trailing fee liability do not trade in an active market with readily observable prices, the Company uses significant unobservable inputs to measure the fair value of these assets and liabilities. Financial instruments are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors in the overall fair value measurement. These fair value estimates may also include observable, actively quoted components derived from external sources. As a result, gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs. Prosper did not transfer any assets or liabilities in or out of Level 3 for the six months ended June 30, 2025 and 2024.

Significant Unobservable Input Ranges

The following tables present quantitative information about the ranges of significant unobservable inputs used for the Company's Level 3 fair value measurements at June 30, 2025 and December 31, 2024:

	Range	
	June 30, 2025	December 31, 2024
Borrower Loans and Notes:		
Discount rate	5.6% - 14.8%	5.7% - 10.9%
Default rate	2.3% - 15.6%	2.6% - 22.6%

For Borrower Loans and Notes funded through the Note Channel, the Company utilizes the same projected cash flows to estimate the fair values of these financial instruments.

	Range	
	June 30, 2025	December 31, 2024
Servicing Assets:		
Discount rate	15.0% - 25.0%	15.0% - 25.0%
Default rate	2.0% - 16.2%	2.6% - 22.6%
Prepayment rate	14.8% - 35.4%	8.3% - 29.8%
Market servicing rate ^{(1) (2)}	0.633% - 0.842%	0.633% - 0.842%

⁽¹⁾ Servicing assets associated with loans enrolled in a relief program offered by the Company as of June 30, 2025 and December 31, 2024 were measured using a market servicing rate assumption of 84.2 basis points. This rate was estimated using a multiplier consistent with observable market rates for other loan types, applied to the base market servicing rate assumption.

⁽²⁾ Excludes collection fees that would be passed on to a hypothetical third-party servicer. As of June 30, 2025 and December 31, 2024, the market rate for collection fees and non-sufficient fund fees was assumed to be 9 basis points and 7 basis points, respectively, for a total market servicing rate range of 72.3 - 93.2 basis points and 70.3 - 91.2 basis points, respectively.

	Range	
	June 30, 2025	December 31, 2024
Loan Trailing Fee Liability:		
Discount rate	15.0% - 25.0%	15.0% - 25.0%
Default rate	2.0% - 16.2%	2.6% - 22.6%
Prepayment rate	14.8% - 35.4%	8.3% - 29.8%

Ranges of inputs are not applied to the Credit Card Derivative, Receivable from Credit Card Partner and Credit Card servicing obligation liability, as they are valued at the portfolio level. Refer below for a summary of the significant unobservable inputs associated with those Level 3 fair value measurements.

Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis

The following tables present additional information about Level 3 Borrower Loans, Loans Held for Sale and Notes measured at fair value on a recurring basis (in thousands):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Assets		Liabilities	
	Borrower Loans	Loans Held For Sale	Notes	Total
Fair Value at January 1, 2025	\$ 461,785	\$ —	\$ (283,030)	\$ 178,755
Purchases of Borrower Loans/Issuance of Notes	85,833	1,194,264	(84,582)	1,195,515
Principal repayments	(155,053)	—	94,781	(60,272)
Borrower Loans sold to third parties	(1,277)	(1,194,264)	—	(1,195,541)
Other changes	(1,046)	—	337	(709)
Changes in fair value	(13,948)	—	8,493	(5,455)
Fair Value at June 30, 2025	<u>\$ 376,294</u>	<u>\$ —</u>	<u>\$ (264,001)</u>	<u>\$ 112,293</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	
	Borrower Loans	Loans Held for Sale	Notes	Total
Balance at January 1, 2024	\$ 545,038	\$ 161,501	\$ (321,966)	\$ 384,573
Purchases of Borrower Loans/Issuance of Notes	96,114	959,163	(96,008)	959,269
Principal repayments	(173,971)	(22,553)	98,771	(97,753)
Borrower Loans sold to third parties	(2,961)	(959,856)	—	(962,817)
Other changes	(987)	(303)	349	(941)
Changes in fair value	(24,353)	(2,263)	13,566	(13,050)
Transfer of Loans Held for Sale to Borrower Loans upon PMIT 2024-1 Transaction, at Fair Value	135,689	(135,689)	—	—
Fair Value at June 30, 2024	<u>\$ 574,569</u>	<u>\$ —</u>	<u>\$ (305,288)</u>	<u>\$ 269,281</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	
	Borrower Loans	Loans Held for Sale	Notes	Total
Balance at April 1, 2025	\$ 415,389	\$ —	\$ (272,500)	\$ 142,889
Purchase of Borrower Loans/Issuance of Notes	42,895	661,430	(42,443)	\$ 661,882
Principal repayments	(75,217)	—	46,917	\$ (28,300)
Borrower Loans sold to third parties	(601)	(661,430)	—	\$ (662,031)
Other changes	(558)	—	57	\$ (501)
Change in fair value	(5,614)	—	3,968	\$ (1,646)
Balance at June 30, 2025	<u>\$ 376,294</u>	<u>\$ —</u>	<u>\$ (264,001)</u>	<u>\$ 112,293</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	
	Borrower Loans	Loans Held for Sale	Notes	Total
Balance at April 1, 2024	\$ 644,200	\$ —	\$ (316,578)	\$ 327,622
Purchase of Borrower Loans/Issuance of Notes	44,260	471,333	(46,419)	\$ 469,174
Principal repayments	(96,209)	—	48,965	\$ (47,244)
Borrower Loans sold to third parties	(1,471)	(471,333)	—	\$ (472,804)
Other changes	(677)	—	50	\$ (627)
Change in fair value	(15,534)	—	8,694	\$ (6,840)
Balance at June 30, 2024	<u>\$ 574,569</u>	<u>\$ —</u>	<u>\$ (305,288)</u>	<u>\$ 269,281</u>

Effective March 28, 2024, the outstanding balance of Loans Held for Sale was reduced to zero following the contribution of loans held in consolidated warehouse trusts to the PMIT 2024-1 securitization transaction, which followed the PMIT 2023-1 securitization transaction in September 2023, as more fully described in Note 7, *Securitizations*. The Company has not designated any new personal loans as Loans Held for Sale since these transactions, other than loans that are purchased and immediately sold through our Whole Loan Channel. This movement of loans through the Whole Loan Channel is reflected in the Level 3 tables above.

The following table presents additional information about the Level 3 Receivable from Credit Card Partner, measured at fair value on a recurring basis for the three and six month period ending June 30, 2025 (in thousands):

	Receivable from Credit Card Partner
Fair Value at January 1, 2025	\$ 104,153
Purchases of Credit Card principal receivables	39,248
Principal repayments on Credit Card receivables	(34,198)
Other changes	299
Change in fair value	(7,011)
Fair Value at June 30, 2025	<u>\$ 102,491</u>
	Receivable from Credit Card Partner
Fair Value at April 1, 2025	\$ 103,201
Purchases of Credit Card principal receivables	18,039
Principal repayments on Credit Card receivables	(13,909)
Other changes	72
Change in fair value	(4,912)
Fair Value at June 30, 2025	<u>\$ 102,491</u>

The following tables present additional information about Level 3 Servicing Assets measured at fair value on a recurring basis for the three and six month periods ending June 30, 2025 and 2024 (in thousands):

	Servicing Assets
Fair Value at January 1, 2025	\$ 13,718
Additions	6,186
Less: Changes in fair value	(5,466)
Fair Value at June 30, 2025	<u>\$ 14,438</u>
	Servicing Assets
Fair Value at January 1, 2024	\$ 12,249
Additions	5,113
Less: Changes in fair value	(4,495)
Fair Value at June 30, 2024	<u>\$ 12,867</u>
	Servicing Assets
Fair Value at April 1, 2025	\$ 13,456
Additions	3,418
Less: Changes in fair value	(2,436)
Balance at June 30, 2025	<u>\$ 14,438</u>

	Servicing Assets
Balance at April 1, 2024	\$ 12,536
Additions	2,609
Less: Changes in fair value	(2,278)
Balance at June 30, 2024	<u>\$ 12,867</u>

The following tables present additional information about the Level 3 Credit Card Derivative measured at fair value on a recurring basis for the three and six month periods ending June 30, 2025 and 2024 (in thousands):

	Credit Card Derivative
Fair Value at January 1, 2025	\$ 38,739
Change in fair value	(2,296)
Fair Value at June 30, 2025	<u>\$ 36,443</u>

	Credit Card Derivative
Fair Value at January 1, 2024	\$ 36,848
Change in fair value	6,892
Balance at June 30, 2024	<u>\$ 43,740</u>

	Credit Card Derivative
Fair Value at April 1, 2025	\$ 36,903
Change in fair value	(460)
Balance at June 30, 2025	<u>\$ 36,443</u>

	Credit Card Derivative
Fair Value at April 1, 2024	\$ 45,917
Change in fair value	(2,177)
Balance at June 30, 2024	<u>\$ 43,740</u>

The following tables present additional information about the Level 3 Credit Card servicing obligation liability (a component of “Other Liabilities” on the consolidated balance sheets) measured at fair value on a recurring basis for the three and six month periods ending June 30, 2025 and 2024 (in thousands):

	Credit Card Servicing Obligation Liability
Fair Value at January 1, 2025	\$ 8,947
Change in fair value	(983)
Fair Value at June 30, 2025	<u>\$ 7,964</u>

	Credit Card Servicing Obligation Liability
Fair Value at January 1, 2024	\$ 9,732
Change in fair value	(58)
Balance at June 30, 2024	\$ 9,674

	Credit Card Servicing Obligation Liability
Fair Value at April 1, 2025	\$ 8,433
Change in fair value	(469)
Balance at June 30, 2025	\$ 7,964

	Credit Card Servicing Obligation Liability
Fair Value at April 1, 2024	\$ 8,836
Change in fair value	838
Balance at June 30, 2024	\$ 9,674

The following tables present additional information about the Level 3 Convertible Preferred Stock Warrant Liability measured at fair value on a recurring basis for the three and six month periods ending June 30, 2025 and 2024 (in thousands):

	Convertible Preferred Stock Warrant Liability
Fair Value at January 1, 2025	\$ 261,249
Change in fair value	2,133
Fair Value at June 30, 2025	\$ 263,382

	Convertible Preferred Stock Warrant Liability
Fair Value at January 1, 2024	\$ 215,041
Change in fair value	(38,388)
Fair Value at June 30, 2024	\$ 176,653

	Convertible Preferred Stock Warrant Liability
Fair Value at April 1, 2025	\$ 204,023
Change in fair value	59,359
Fair Value at June 30, 2025	\$ 263,382

	Convertible Preferred Stock Warrant Liability
Fair Value at April 1, 2024	\$ 187,317
Change in fair value	(10,664)
Fair Value at June 30, 2024	\$ 176,653

Loan Trailing Fee

The fair value of the Loan Trailing Fee represents the present value of the expected monthly Loan Trailing Fee payments, which takes into consideration certain assumptions related to expected prepayment rates and default rates using a discounted cash flow model. The assumptions used are the same as those used for the valuation of Servicing Assets, as described below.

The following tables present additional information about the Level 3 Loan Trailing Fee Liability measured at fair value on a recurring basis for the three and six month periods ending June 30, 2025 and 2024 (in thousands):

	Loan Trailing Fee Liability
Fair Value at January 1, 2025	\$ 3,004
Issuances	1,172
Cash Payment of Loan Trailing Fee	(1,293)
Change in Fair Value	246
Fair Value at June 30, 2025	\$ 3,129

	Loan Trailing Fee Liability
Fair Value at January 1, 2024	\$ 2,942
Issuances	878
Cash Payment of Loan Trailing Fee	(1,304)
Change in Fair Value	373
Fair Value at June 30, 2024	\$ 2,889

	Loan Trailing Fee Liability
Fair Value at April 1, 2025	\$ 2,933
Issuances	650
Cash Payment of Loan Trailing Fee	(641)
Change in Fair Value	187
Fair Value at June 30, 2025	\$ 3,129

	Loan Trailing Fee Liability
Fair Value at April 1, 2024	\$ 2,938
Issuances	390
Cash Payment of Loan Trailing Fee	(644)
Change in Fair Value	205
Fair Value at June 30, 2024	\$ 2,889

Significant Recurring Level 3 Fair Value Input Sensitivity

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and December 31, 2024 for Borrower Loans and Loans Held for Sale are presented in the following table (in thousands, except percentages).

Borrower Loans	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 376,294	\$ 461,785
Weighted-average discount rate	8.79 %	7.72 %
Weighted-average default rate	11.55 %	12.59 %
Fair value resulting from:		
100 basis point increase in discount rate	\$ 372,983	\$ 457,584
200 basis point increase in discount rate	369,748	453,483
Fair value resulting from:		
100 basis point decrease in discount rate	\$ 379,685	\$ 466,090
200 basis point decrease in discount rate	383,159	470,502
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 373,040	\$ 456,385
Applying a 1.2 multiplier to default rate	369,785	451,011
Fair value resulting from:		
Applying a 0.9 multiplier to default rate	\$ 379,546	\$ 467,211
Applying a 0.8 multiplier to default rate	382,796	472,663

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and December 31, 2024 for Notes are presented in the following table (in thousands, except percentages).

Notes	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 264,001	\$ 283,030
Weighted-average discount rate	8.92 %	7.70 %
Weighted-average default rate	11.55 %	13.25 %
Fair value resulting from:		
100 basis point increase in discount rate	\$ 261,673	\$ 280,451
200 basis point increase in discount rate	259,400	277,934
Fair value resulting from:		
100 basis point decrease in discount rate	\$ 266,380	\$ 285,669
200 basis point decrease in discount rate	268,824	288,381
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 261,717	\$ 279,718
Applying a 1.2 multiplier to default rate	259,433	276,422
Fair value resulting from:		
Applying a 0.9 multiplier to default rate	\$ 266,282	\$ 286,358
Applying a 0.8 multiplier to default rate	268,563	289,702

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and December 31, 2024 for Servicing Assets is presented in the following table (in thousands, except percentages).

Servicing Assets	June 30, 2025	December 31, 2024
Fair value, using the following assumptions	\$ 14,438	\$ 13,718
Weighted-average market servicing rate	0.636 %	0.640 %
Weighted-average prepayment rate	21.81 %	18.70 %
Weighted-average default rate	12.03 %	14.03 %
Fair value resulting from:		
Market servicing rate increase of 0.025%	\$ 13,515	\$ 12,843
Market servicing rate decrease of 0.025%	15,360	14,593
Fair value resulting from:		
Applying a 1.1 multiplier to prepayment rate	\$ 14,174	\$ 13,415
Applying a 0.9 multiplier to prepayment rate	14,701	14,026
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 14,064	\$ 13,448
Applying a 0.9 multiplier to default rate	14,818	13,989

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and December 31, 2024 for Receivable from Credit Card Partner is presented in the following table (in thousands, except percentages).

Receivable from Credit Card Partner:	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 102,491	\$ 104,153
Discount rate on Credit Card receivable cash flows	23.32 %	22.44 %
Prepayment rate on Credit Card receivables	8.03 %	8.14 %
Default rate on Credit Card receivables	14.80 %	14.80 %
Fair value resulting from:		
100 basis point increase in discount rate	\$ 102,284	\$ 103,923
200 basis point increase in discount rate	102,082	103,699
Fair value resulting from:		
100 basis point decrease in discount rate	\$ 102,704	\$ 104,390
200 basis point decrease in discount rate	102,923	104,633
Fair value resulting from:		
Applying a 1.1 multiplier to prepayment rate	\$ 102,275	\$ 103,911
Applying a 0.9 multiplier to prepayment rate	102,710	104,398
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 99,937	\$ 101,503
Applying a 0.9 multiplier to default rate	105,154	106,916

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and December 31, 2024 for the Credit Card Derivative is presented in the following table (in thousands, except percentages).

Credit Card Derivative	June 30, 2025	December 31, 2024
Fair value, based on the following notional amount and rate assumptions:	\$ 36,443	\$ 38,739
Outstanding Credit Card Principal Balance, Prosper and Coastal Allocations	284,428	303,245
Discount rate on Prosper Allocations	23.32 %	22.44 %
Discount rate on Coastal Program Fee	23.32 %	22.44 %
Prepayment rate applied to Credit Card portfolio	8.03 %	8.14 %
Default rate applied to Credit Card portfolio	15.42 %	15.65 %
Fair value resulting from:		
100 basis point increase in both discount rates	\$ 35,953	\$ 38,225
200 basis point increase in both discount rates	35,477	37,725
Fair value resulting from:		
100 basis point decrease in both discount rates	\$ 36,948	\$ 39,269
200 basis point decrease in both discount rates	37,468	39,814
Fair value resulting from:		
Applying a 1.1 multiplier to prepayment rate	\$ 35,943	\$ 38,210
Applying a 0.9 multiplier to prepayment rate	36,950	39,275
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 27,715	\$ 29,252
Applying a 0.9 multiplier to default rate	45,469	48,556

Key economic assumptions and the sensitivity of the fair value to immediate changes in those assumptions at June 30, 2025 and 2024 for Credit Card servicing obligation liability is presented in the following table (in thousands, except percentages).

Credit Card servicing obligation liability:	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 7,964	\$ 8,947
Discount rate on Credit Card portfolio servicing obligation	23.32 %	22.44 %
Prepayment rate applied to Credit Card portfolio	8.03 %	8.14 %
Default rate applied to Credit Card portfolio	15.42 %	15.65 %
Market servicing rate	2.00 %	2.00 %
Fair value resulting from:		
Market servicing rate increase of 0.10%	\$ 8,381	\$ 9,415
Market servicing rate decrease of 0.10%	7,548	8,481
Fair value resulting from:		
Applying a 1.1 multiplier to prepayment rate	\$ 7,879	\$ 8,849
Applying a 0.9 multiplier to prepayment rate	8,051	9,047
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 7,774	\$ 8,730
Applying a 0.9 multiplier to default rate	8,159	9,170

These sensitivities are hypothetical and should be evaluated with care. The effect on fair value of a variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

Assets and Liabilities Not Recorded at Fair Value

The following table presents the fair value hierarchy for assets, and liabilities not recorded at fair value (in thousands):

June 30, 2025	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Cash and Cash Equivalents	\$ 38,154	\$ 38,154	\$ —	\$ —	\$ 38,154
Restricted Cash - Cash and Cash Equivalents	126,513	126,513	—	—	126,513
Restricted Cash - Certificates of Deposit	3,009	—	3,009	—	3,009
Accounts Receivable	9,784	—	9,784	—	9,784
Total Assets	<u>\$ 177,460</u>	<u>\$ 164,667</u>	<u>\$ 12,793</u>	<u>\$ —</u>	<u>\$ 177,460</u>
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 57,474	\$ —	\$ 57,474	\$ —	\$ 57,474
Transaction Fee Refund Liability (Note 17)	13,410	—	—	13,410	13,410
Payable to Investors	110,756	—	110,756	—	110,756
Notes Issued by Securitization Trust	194,000	—	196,752	—	196,752
Term Loan (Note 11)	70,533	—	71,514	—	71,514
Total Liabilities	<u>\$ 446,173</u>	<u>\$ —</u>	<u>\$ 436,496</u>	<u>\$ 13,410</u>	<u>\$ 449,906</u>

December 31, 2024	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Cash and Cash Equivalents	\$ 30,334	\$ 30,334	\$ —	\$ —	\$ 30,334
Restricted Cash - Cash and Cash Equivalents	111,724	111,724	—	—	111,724
Restricted Cash - Certificates of Deposit	3,029	—	3,029	—	3,029
Accounts Receivable	7,545	—	7,545	—	7,545
Total Assets	<u>\$ 152,632</u>	<u>\$ 142,058</u>	<u>\$ 10,574</u>	<u>\$ —</u>	<u>\$ 152,632</u>
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 49,346	\$ —	\$ 49,346	\$ —	\$ 49,346
Transaction Fee Refund Liability (Note 17)	9,212	—	—	9,212	9,212
Payable to Investors	91,945	—	91,945	—	91,945
Notes Issued by Securitization Trust	258,960	—	260,985	—	260,985
Term Loan (Note 11)	75,540	—	76,581	—	76,581
Total Liabilities	<u>\$ 485,003</u>	<u>\$ —</u>	<u>\$ 478,857</u>	<u>\$ 9,212</u>	<u>\$ 488,069</u>

The estimated fair values of Cash and Cash Equivalents, Restricted Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities, Transaction Fee Refund Liability and Payable to Investors approximate their carrying values because of their short-term nature.

9. Goodwill

Prosper's goodwill balance of \$36.4 million at December 31, 2024 did not change during the six months ended June 30, 2025. The Company recorded no goodwill impairment for the six months ended June 30, 2025 and 2024.

10. Other Liabilities

Other Liabilities consist of the following for the periods presented (in thousands):

	June 30, 2025	December 31, 2024
Operating lease liabilities (Note 16)	\$ 10,823	\$ 12,167
Deferred revenue	10,650	8,501
Credit Card servicing obligation liability (Notes 2 and 5)	7,964	8,947
Loan trailing fee liability	3,129	3,004
Deferred income tax liability	808	808
Other	280	322
Total Other Liabilities	<u>\$ 33,654</u>	<u>\$ 33,749</u>

Additionally, disclosures around the operating lease liabilities are included in Note 16.

11. Debt

Term Loan

Credit Agreement

On November 14, 2022, the Company entered into a Credit Agreement with a third-party financial institution, which provides for a \$75 million Term Loan maturing on November 14, 2026. Proceeds received from the Term Loan were net of an original issue discount and the Company also incurred approximately \$0.4 million in debt issuance costs. Both the original issue discount and the debt issuance costs are being amortized over the life of the Term Loan to interest expense using the effective interest method.

On June 26, 2024, the Company signed Amendment 1 to the Credit Agreement, which temporarily reduced the minimum monthly tangible net worth financial covenant (see discussion in *Covenants and Other Matters* section, below) for the period of June through December 2024, and the minimum asset coverage ratio for the month of July 2024. In exchange for the temporary reduction in the minimum tangible net worth, the Company paid an additional fee of \$750 thousand in six equal installments from June through November 2024. This fee will be recorded to Interest Expense on Term Loan through the maturity date of the Term Loan.

On November 27, 2024, the Company signed Amendment 2 to the Credit Agreement, which temporarily reduced the minimum monthly asset coverage ratio financial covenant for the period of November 2024 through April 2025. In exchange, the Company will make quarterly \$2.5 million principal payments on the Term Loan, and pay all payment-in-kind ("PIK") interest (see discussion in *Interest* section, below) in cash as it is incurred each month. The Company made quarterly \$2.5 million principal payments on May 31, 2025, March 31, 2025 and December 31, 2024.

The foregoing descriptions of the Credit Agreement Amendments 1 and 2 do not purport to be complete and are qualified in their entirety by reference to the full text of the Credit Agreement Amendment Nos. 1 and 2, which are filed as exhibits hereto and are incorporated herein by reference.

Interest

Prior to Amendment 2 to the Credit Agreement, borrowings under the Term Loan accrued interest at the Secured Overnight Financing Rate ("SOFR") plus 9.0% per annum in addition to PIK interest at 2.0% per annum. Any accrued PIK interest that remained unpaid at the end of each month was added to the outstanding principal balance of the Term Loan. After Amendment 2 to the Credit Agreement, borrowings under the Term Loan accrue interest at SOFR plus 11.0%, and the PIK interest is eliminated. Interest is required to be paid in cash as it is incurred each month.

Guarantees and Collateral

PMI's obligations under the Term Loan are guaranteed by PHL and BillGuard. All obligations under the Credit Agreement are secured by a first priority, perfected lien on substantially all of the assets of PMI (subject to exclusions such as

certain cash amounts and deposit accounts), PHL and BillGuard, as well as equity interests in all of PMI's subsidiaries with the exception of PGT.

Covenants and Other Matters

The Credit Agreement contains a number of covenants that, among other things and subject to certain exceptions and thresholds, restrict PMI's ability to incur certain new indebtedness; incur certain liens; sell or otherwise dispose of all or substantially all its assets; make loans, advances, and guarantees; and pay dividends or make other distributions on equity interests.

In addition, the Credit Agreement contains certain financial covenants with which the Company must remain in compliance as of the last business day of each month during the life of the Term Loan:

- a minimum tangible net worth
- a minimum net liquidity
- a maximum leverage ratio
- a minimum asset coverage ratio

The Company is in compliance with all covenants as of June 30, 2025, as well as applicable monthly periods for the quarter then ended. As discussed above, Amendment 2 to the Credit Agreement included a provision to temporarily reduce the minimum asset coverage ratio through April 2025.

The Credit Agreement also contains certain customary representations and warranties and affirmative covenants, and certain reporting obligations. In addition, the Term Loan lender will be permitted to accelerate all outstanding borrowings and exercise other specified remedies upon the occurrence of certain events of default (subject to certain grace periods and exceptions), which include, among other things, payment defaults, breaches of representations and warranties, covenant defaults, certain cross-defaults to other indebtedness, certain events of bankruptcy and insolvency, certain judgments and changes of control.

Prosper Warehouse Trust Agreements

Prosper consolidated two warehouse VIEs, PWIT and PWIIT (together, the "Warehouse VIEs"), that each entered into an agreement (together, the "Warehouse Agreements") with certain lenders for committed revolving lines of credit ("Warehouse Lines") during 2018 and 2019, respectively. In connection with the Warehouse Agreements, the Warehouse VIEs each entered into a security agreement with a bank as administrative agent and a national banking association as collateral trustee and paying agent. Proceeds under the Warehouse Lines could only be used to purchase certain unsecured consumer loans and related rights and documents from Prosper and to pay fees and expenses related to the Warehouse Lines. Both Warehouse VIEs were consolidated because Prosper was the primary beneficiary of the VIEs. The assets of the VIEs could be used only to settle obligations of the VIEs. Additionally, the creditors of the Warehouse Lines had no recourse to the general credit of Prosper. The loans held in the Warehouse VIEs were included in Loans Held for Sale, at Fair Value and Warehouse Lines were in Warehouse Lines in the condensed consolidated balance sheets.

PWIT Warehouse Line

On January 19, 2018, Prosper, through PWIT, entered into a \$100 million Warehouse Agreement with a national banking association. The PWIT Warehouse Agreement subsequently was amended in June 2018, May 2021, and May 2023 to increase the committed line of credit between two classes of loans with two separate lenders, adjust the interest rate and unused commitment fee, expand the eligibility criteria for unsecured consumer loans that could be financed through the PWIT Warehouse Line, reduce the advance rate and extend the term of the Warehouse Agreement.

In March 2024, as part of the PWIT 2024-1 securitization (see Note 7, *Securitizations*), all outstanding loans in the warehouse were transferred to either the PWIT 2024-1 Transaction or PFL, with proceeds used to pay down the outstanding principal and interest on the PWIT Warehouse line. The facility was terminated as of March 31, 2024.

PWIIT Warehouse Line

On March 28, 2019, through PWIIT, Prosper entered into a second Warehouse Agreement for a \$300 million Warehouse Line with a national banking association different than that of PWIT. The PWIIT Warehouse Agreement was subsequently amended in May 2021, May 2023 and July 2023, the cumulative impact of which was to break the committed line of credit into two classes of loans with two separate lenders, adjust the interest rate and extend the term of the Warehouse Agreement. In conjunction with the PWIT 2023-1 securitization (see Note 7, *Securitizations*), the entire portfolio of Loans Held

for Sale in the PWIIT Warehouse Line was transferred to either the PMIT 2023-1 securitization or PFL. Proceeds from the sale of these loans were used to pay down the outstanding principal and interest on the PWIIT Warehouse Line, and the facility was terminated on September 25, 2023.

12. Net Income (Loss) Per Share

PMI computes its net income (loss) per share in accordance with ASC Topic 260, *Earnings Per Share* (“ASC Topic 260”). Under ASC Topic 260, basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities.

PMI’s net income (loss) per share is calculated using the two-class method in accordance with ASC Topic 260. The two-class method allocates earnings that otherwise would have been available to common shareholders to holders of participating securities. Management considers all series of our Convertible Preferred Stock to be participating securities due to their rights to participate in dividends with Common Stock. As such, earnings allocated to these participating securities, which include participation rights in undistributed earnings, are subtracted from net income to determine total undistributed earnings to be allocated to common stockholders.

All participating securities are excluded from basic weighted-average common shares outstanding. Prior to any conversion to common shares, each series of Prosper’s Convertible Preferred Stock is entitled to participate on an if-converted basis in distributions of earnings, when and if declared by the Board of Directors (the “Board”), that are made to common stockholders and consequently, these shares were considered participating securities. During the three and six months ended June 30, 2025 and 2024, certain shares issued as a result of the early exercise of stock options which are subject to a repurchase right by PMI were entitled to receive non-forfeitable dividends during the vesting period and consequently, are considered participating securities.

Basic and diluted net (loss) income per share were calculated as follows for the periods presented (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net (Loss) Income	\$ (57,727)	\$ (465)	(7,352)	21,830
Less: Net Income Allocated to Participating Securities	—	—	—	(14,392)
Net (Loss) Income Attributable to Common Stockholders	<u>\$ (57,727)</u>	<u>\$ (465)</u>	<u>\$ (7,352)</u>	<u>\$ 7,438</u>
Denominator:				
Weighted average shares used in computing basic net income per share	77,698,227	77,195,947	77,603,124	77,133,397
Effect of dilutive securities:				
Stock options	—	—	—	49,132,328
Common stock warrants	—	—	—	329,791
Convertible preferred stock warrants	—	—	—	213,264,845
Weighted-average shares used in computing diluted net (loss) income per share	<u>77,698,227</u>	<u>77,195,947</u>	<u>77,603,124</u>	<u>339,860,361</u>
Net (Loss) Income Per Share – Basic	<u>\$ (0.74)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ 0.10</u>
Net (Loss) Income Per Share – Diluted	<u>\$ (0.74)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ 0.02</u>

The following common stock equivalents were excluded from the computation of diluted net income (loss) per share for the periods presented because including them would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(shares)	(shares)	(shares)	(shares)
Excluded securities:				
Convertible preferred stock issued and outstanding, excluding shares held by consolidated VIE	158,365,655	158,365,655	158,365,655	158,365,655
Stock options issued and outstanding	80,099,705	83,118,117	79,467,722	33,110,233
Common stock warrants issued and outstanding	330,163	1,080,349	330,163	750,558
Series E-1 convertible preferred stock warrants	35,544,141	35,544,141	35,544,141	—
Series F convertible preferred stock warrants	177,720,704	177,720,704	177,720,704	—
Total common stock equivalents excluded from diluted net income per common share computation	<u>452,060,368</u>	<u>455,828,966</u>	<u>451,428,385</u>	<u>192,226,446</u>

13. Convertible Preferred Stock, Convertible Preferred Stock Warrant Liability and Common Stock

Convertible Preferred Stock and Warrants

Under PMI's amended and restated certificate of incorporation, preferred stock is issuable in series, and the Board is authorized to determine the rights, preferences, and terms of each series.

On July 13, 2020, the Company established Prosper Grantor Trust ("PGT"), a revocable grantor trust administered by an independent trustee, with the intention of contributing assets to PGT for the benefit of PMI employees in the event of a change in control through an Eligible Employee Retention Plan. PGT was determined to be a VIE and PMI was determined to be its primary beneficiary due to the fact that the Company, through its role as the grantor, has both (a) the power to direct the activities that most significantly affect the VIE's economic performance, including its funding decisions and investment strategy, and (b) the obligation to absorb losses that could be potentially significant to the economic performance of the VIE by virtue of the Company's requirement to fund PGT in the event that it is unable to meet its obligations to PMI's employees. PMI also maintains a contingent call liability on PGT's assets in the event of a bankruptcy. As a result, PGT is fully consolidated into PMI's consolidated financial statements.

On July 21, 2020, PGT entered into a Stock Transfer Agreement with a PMI investor to purchase 34,670,420 shares of Series A Convertible Preferred Stock and 16,577,495 shares of Series B Convertible Preferred Stock for nominal consideration. Upon execution of the Stock Transfer Agreement, these shares were purchased by a consolidated VIE of the Company, and thus the difference between the fair value of the repurchased stock and the purchase price is included in Convertible Preferred Stock

Held by Consolidated VIE on PMI's accompanying condensed consolidated balance sheets. These shares remain outstanding for legal purposes and retain their voting rights, but are excluded from the earnings per share calculation.

The number of authorized, issued and outstanding shares, their par value and liquidation preference for each series of convertible preferred stock as of June 30, 2025 are disclosed in the table below (amounts in thousands except share and par value amounts):

Convertible Preferred Stock	Par Value	Authorized Shares	Outstanding and Issued Shares	Liquidation Preference, Outstanding Shares
Series A	\$ 0.01	68,558,220	66,428,185 *	\$ 19,160
Series A-1	\$ 0.01	24,760,915	22,515,315	45,031
Series B	\$ 0.01	35,775,880	35,127,160 *	21,190
Series C	\$ 0.01	24,404,770	24,404,770	70,075
Series D	\$ 0.01	23,888,640	23,888,640	165,000
Series E-1	\$ 0.01	35,544,141	—	—
Series E-2	\$ 0.01	16,858,078	—	—
Series F	\$ 0.01	177,720,707	3	—
Series G	\$ 0.01	37,249,497	37,249,497	50,000
Total		444,760,848	209,613,570	\$ 370,456

* Series A and Series B Convertible Preferred Stock totals are inclusive of 34,670,420 and 16,577,495 shares, respectively, held by PGT, a consolidated VIE.

Dividends

Dividends on shares of the Series A, Series B, Series C, Series D, Series E-1, Series E-2, Series F and Series G convertible preferred stock are payable only when, as, and if declared by the Board. No dividends will be paid with respect to the common stock until any declared dividends on the Series A, Series B, Series C, Series D, Series E-1, Series E-2, Series F, and Series G convertible preferred stock have been paid or set aside for payment to the Series A, Series B, Series C, Series D, Series E-1, Series E-2, Series F, and Series G convertible preferred stockholders. After payment of any such dividends, any additional dividends or distributions will be distributed among all holders of common stock and preferred stock in proportion to the number of shares of common stock that would be held by each such holder if all shares of preferred stock were converted to common stock at the then-effective conversion rate. The Series A-1 convertible preferred shares have no dividend rights. To date, no dividends have been declared on any of PMI's preferred stock or common stock.

Conversion

Under the terms of PMI's amended and restated certificate of incorporation, the holders of preferred stock have the right to convert such preferred stock into common stock at any time. In addition, all preferred stock automatically converts into common stock (i) immediately prior to the closing of an initial public offering that values Prosper at least at \$2 billion and that results in aggregate proceeds to Prosper of at least \$100 million or (ii) upon a written request from the holders of at least 60% of the voting power of the outstanding preferred stock (on an as-converted basis), provided that (i) the Series A-1 convertible preferred stock shall not be converted without at least 14% of the voting power of the outstanding Series A-1 convertible preferred stock; (ii) the Series D shall not be converted without at least 60% of the voting power of the outstanding Series D; (iii) the Series E-1 and Series E-2 shall not be converted without at least 60% of the voting power of the outstanding Series E-1 and Series E-2, voting together as a single class; (iv) the Series F shall not be converted without at least 60% of the voting power of the outstanding Series F, and (v) the shares of Series G Preferred Stock will not be automatically converted unless the holders of at least 60% of the outstanding shares of Series G Preferred Stock approve such conversion. In addition, if a holder of the Series A convertible preferred stock has converted any of the Series A convertible preferred stock, then all of such holder's shares of Series A-1 convertible preferred stock also will be converted upon a liquidation event (as defined under the certificate of incorporation). In lieu of any fractional shares of common stock to which a holder would otherwise be entitled, PMI shall pay such holder cash in an amount equal to the fair market value of such fractional shares, as determined by the Board. At present, each of the Series A, Series B, Series C, Series D, Series E-1, Series E-2, and Series F convertible preferred stock converts into PMI common stock at a 1:1 ratio. The Series A-1 convertible preferred stock converts into common stock at a 1,000,000:1 ratio and the Series G convertible preferred stock converts into common stock at a 1:1.36 ratio. The Series G convertible preferred stock conversion ratio reflects the Series G true-up that occurred at end of the vesting period for the Series E-2 and Series F Preferred Stock warrants.

For the Series G true-up, the conversion price of the Series G Convertible Preferred Stock was reduced to a number equal to the Series G Preferred Stock original issuance price, divided by the quotient obtained by dividing the Series G true-up amount by the total number of Series G Preferred Stock issued as of the Series G closing date. The Series G true-up amount means the aggregate number of shares of Series G Preferred Stock that would have been issued to the purchasers of the Series G Preferred Stock on the Series G closing date, if warrants to purchase shares of Series E-2 Preferred Stock or Series F Preferred Stock that were exercisable or exercised as of the true-up time (end of vesting period) had been exercisable or exercised as of such Series G closing date.

Liquidation Rights

PMI's convertible preferred stock has been classified as temporary equity on the condensed consolidated balance sheets. The preferred stock is not redeemable; however, in the event of a voluntary or involuntary liquidation, dissolution, change in control or winding up of PMI, holders of the convertible preferred stock may have the right to receive its liquidation preference under the terms of PMI's certificate of incorporation.

Each holder of Series E-1, Series E-2, and Series F convertible preferred stock is entitled to receive prior and in preference to any distribution of proceeds from a liquidation event (as defined under the certificate of incorporation) to the holders of Series A, Series B, Series C, Series D, Series G and Series A-1 convertible preferred stock or common stock, an amount per share for (i) each share of Series E-1 convertible preferred stock equal to the sum of the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share, (ii) each share of Series E-2 convertible preferred stock equal to the sum of two-thirds the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share, and (iii) each share of Series F convertible preferred stock equal to the sum of two-thirds of the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share.

After the payment or setting aside for payment to the holders of Series E-1, Series E-2, and Series F convertible preferred stock, each holder of Series A, Series B, Series C and Series D, Series E-2, Series F, and Series G convertible preferred stock is entitled to receive, on a pari passu basis, prior to and in preference to any distribution of proceeds from a liquidation event (as defined under the certificate of incorporation) to the holders of Series A-1 convertible preferred stock or common stock, (i) an amount per share for each share of Series E-2 and Series F convertible preferred stock equal to the sum of one-third of the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share, and (ii) an amount per share for each share of Series A, Series B, Series C, Series D and Series G convertible preferred stock equal to the sum of the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share.

After the payment or setting aside for payment to the holders of Series A, Series B, Series C, Series D, Series E-1, Series E-2, Series F, and Series G convertible preferred stock, the holders of Series A-1 convertible preferred stock are entitled to receive, prior and in preference to any distribution of proceeds to the holders of common stock, an amount per share for each such share of Series A-1 convertible preferred stock equal to the sum of the liquidation preference specified for such share and all declared but unpaid dividends, if any, on such share.

After the payment or setting aside for payment to the holders of Series A, Series B, Series C, Series D, Series E-1, Series E-2, Series F, Series G, and Series A-1 convertible preferred stock, the entire remaining proceeds legally available for distribution will be distributed pro rata to the holders of Series A convertible preferred stock and common stock in proportion to the number of shares of common stock held by them assuming the Series A convertible preferred stock has been converted into shares of common stock at the then effective conversion rate, provided that the maximum aggregate amount per share of Series A convertible preferred stock which the holders of Series A convertible preferred stock shall be entitled to receive is three times the original issue price for the Series A convertible preferred stock.

At present, the liquidation preferences are equal to \$0.29 per share for the Series A convertible preferred stock, \$2.00 per share for the Series A-1 convertible preferred stock, \$0.60 per share for the Series B convertible preferred stock, \$2.87 per share for the Series C convertible preferred stock, \$6.91 per share for the Series D convertible preferred stock, \$0.84 per share for the Series E-1 convertible preferred stock, \$0.84 per share for the Series E-2 convertible preferred stock, \$0.84 per share for the Series F convertible preferred stock and \$1.34 per share for the Series G convertible preferred stock.

Voting

Each holder of shares of convertible preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such shares of convertible preferred stock could be converted and has voting rights and powers equal to the voting rights and powers of the common stock. The holders of convertible preferred stock and the holders of common stock vote together as a single class (except with respect to certain matters that require separate votes or as required by law), and are entitled to notice of any stockholders' meeting in accordance with the Bylaws of PMI.

Convertible Preferred Stock Warrant Liability

Series E-1 Warrants

In connection with the Settlement and Release Agreement dated November 17, 2016 among PMI, its wholly owned subsidiary Prosper Funding LLC (“PFL”) and Colchis, on December 16, 2016, PMI issued the First Series E-1 Warrant for 20,267,135 shares of Series E-1 convertible preferred stock. The Second Series E-1 Warrant for an additional 15,277,006 shares of Series E-1 convertible preferred stock was granted on the signing of the Consortium Purchase Agreement (as described in Note 13 of PMI’s 10-K for the year ended December 31, 2024) on February 27, 2017. The Series E-1 warrants have an exercise price of \$0.01 per share and expire ten years from the date of issuance. For the three months ended June 30, 2025 and 2024, Prosper recognized \$9.6 million of expense and \$1.8 million of income, respectively, from the re-measurement of the fair value of the warrants. For the six months ended June 30, 2025 and 2024, Prosper recognized \$0.4 million of expense and \$6.4 million of income, respectively, from the re-measurement of the fair value of the warrants. The income or expense resulting from the remeasurement of the fair value of the warrants is recorded in Change in Fair Value of Convertible Preferred Stock Warrants on the condensed consolidated statements of operations.

To determine the fair value of the Series E-1 Warrants, the Company first determined the value of a share of Series E-1 Convertible Preferred Stock. To determine the fair value of the Convertible Preferred Stock, the Company first derived the business enterprise value (“BEV”) of the Company using a variety of valuation methods, including discounted cash flow models and market based methods, as deemed appropriate under the circumstances applicable at the valuation date. Once the Company determined an estimated BEV, the option pricing method (“OPM”) was used to allocate the BEV to the various classes of our equity, including our preferred stock. The concluded per share value for the Series E-1 Convertible Preferred Stock was utilized as an input to the Black-Scholes option pricing model.

The Company determined the fair value of the outstanding Series E-1 preferred stock warrants utilizing the following assumptions as of the following dates:

	June 30, 2025	December 31, 2024
Volatility	60.0 %	63.0 %
Risk-free interest rate	3.70 %	4.30 %
Expected term (in years)	2.75	2.75
Dividend yield	— %	— %

The above assumptions were determined as follows:

Volatility: The volatility is derived from historical volatilities of several unrelated publicly listed peer companies over a period approximately equal to the term of the warrant as the Company has limited information on the volatility of its preferred stock since there is currently no trading history. When making the selections of industry peer companies to be used in the volatility calculation, the Company considered the size, operational, and economic similarities to the Company’s principal business operations.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. Treasury yield in effect as of June 30, 2025, and for zero coupon U.S. Treasury notes with maturities approximately equal to the term of the warrant.

Expected Term: The expected term is the period of time for which the warrants are expected to be outstanding.

Dividend Yield: The expected dividend assumption is based on the Company’s current expectations about the Company’s anticipated dividend policy.

Series F Warrants

In connection with the Consortium Purchase Agreement on February 27, 2017, PMI issued warrants to purchase up to 177,720,706 shares of PMI's Series F convertible preferred stock at \$0.01 per share. The warrants expire ten years from the date of issuance. For the three months ended June 30, 2025 and 2024, Prosper recognized \$49.8 million of expense and \$8.9 million of income, respectively, from the re-measurement of the fair value of the warrants. For the six months ended June 30, 2025 and 2024, Prosper recognized \$1.8 million of expense and \$32.0 million of income, respectively, from the re-measurement of the fair value of the warrants. The income or expense resulting from changes in the fair value of the warrant is recorded through Change in Fair Value of Convertible Preferred Stock Warrants on the condensed consolidated statements of operations.

To determine the fair value of the Series F Warrants, the Company first determined the value of a share of Series F Convertible Preferred Stock. To determine the fair value of the Convertible Preferred Stock, the Company first derived the BEV using valuation methods, including a combination of methods, as deemed appropriate under the circumstances applicable at the valuation date. Once the Company determined an estimated BEV, the OPM was used to allocate the BEV to the various classes of Prosper's equity, including our preferred stock. The concluded per share value for the Series F Convertible Preferred Stock warrants utilized the Black-Scholes option pricing model.

The Company determined the fair value of the outstanding Series F Warrants utilizing the following assumptions as of the following dates:

	June 30, 2025	December 31, 2024
Volatility	60.0 %	63.0 %
Risk-free interest rate	3.70 %	4.30 %
Expected term (in years)	2.75	2.75
Dividend yield	— %	— %

The above assumptions were determined using the same criteria described above for the Series E-1 Warrants.

On July 29, 2025, one investor exercised warrants to purchase an aggregate of 51,614,124 shares of Series F Convertible Preferred Stock for cash proceeds of \$0.5 million. The fair value of these warrants as of June 30, 2025, was approximately \$63.0 million.

Common Stock

PMI, through its Amended and Restated Certificate of Incorporation, is the sole issuer of common stock and related options, RSUs and warrants. On February 16, 2016, PMI amended and restated its Certificate of Incorporation to, among other things, effect a 5-for-1 forward stock split. On September 20, 2017, PMI further amended its Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance. The total number of shares of stock which PMI has the authority to issue is 1,069,760,848, consisting of 625,000,000 shares of common stock, \$0.01 par value per share, and 444,760,848 shares of preferred stock, \$0.01 par value per share. As described above, the Company repurchased 2,196,665 shares of Common Stock on December 23, 2019. As of June 30, 2025, 78,719,490 shares of common stock were issued and 77,783,555 shares of common stock were outstanding. As of December 31, 2024, 78,401,384 shares of common stock were issued and 77,465,449 shares of common stock were outstanding. Each holder of common stock is entitled to one vote for each share of common stock held.

Common Stock Issued upon Exercise of Stock Options

For the six months ended June 30, 2025, PMI issued 318,106 shares of common stock upon the exercise of vested options for cash proceeds of \$17 thousand.

14. Stock-Based Compensation

PMI grants equity awards primarily through the Company's 2025 Equity Incentive Plan (the "2025 Plan"), which was approved by the Board on April 7, 2025, and was approved by a majority of the Company's stockholders on April 25, 2025. As a result of the Board and stockholders' respective approvals, the Company's 2015 Equity Incentive Plan (as amended, the "2015 Plan") was terminated, replaced and superseded by the 2025 Plan, except that any grants awarded under the 2015 Plan will remain in effect pursuant to their terms.

The 2025 Plan provides for grants in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and unrestricted stock. The maximum number of shares of common stock which may be issued under the 2025 Plan as of the date of the Board's approval is 6,344,184 shares of common stock, plus any shares of common stock returned to the 2025 Plan (which, together with the 6,344,184 shares, may not exceed 91,417,252 shares of common stock). Under the 2025 Plan, incentive stock options may be granted solely to the Company's employees, including its officers. Awards other than incentive stock options may be granted to the Company's directors, consultants or employees, including its officers. The 2025 Plan is administered by the Board, which in turn has delegated authority to administer the plans to the Compensation Committee of the Board. The 2025 Plan will remain in effect through April 7, 2035, unless sooner terminated under the terms of the 2025 Plan.

Stock Option Activity

Stock option activity under the 2005 Plan, 2015 Plan and 2025 Plan is summarized for the six months ended June 30, 2025 below:

	Options Issued and Outstanding	Weighted Average Exercise Price
Balance as of January 1, 2025	83,441,624	\$ 0.16
Options granted	4,036,200	\$ 0.59
Options exercised	(318,106)	\$ 0.05
Options forfeited	(9,232,671)	\$ 0.34
Options expired	(276,145)	\$ 0.02
Balance as of June 30, 2025	77,650,902	\$ 0.17
Options vested and expected to vest as of June 30, 2025	74,368,203	\$ 0.17
Options vested and exercisable as of June 30, 2025	66,767,466	\$ 0.12

Other Information Regarding Stock Options

The weighted-average remaining contractual term for options outstanding as of June 30, 2025 is 3.70 years.

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model for stock-based compensation expense requires PMI to make assumptions and judgments about the variables used in the calculation, including the fair value of PMI's common stock, the expected term (the period of time that the options granted are expected to be outstanding), the volatility of PMI's common stock, a risk-free interest rate, and expected dividends. Given the absence of a publicly traded market, the Company considered numerous objective and subjective factors to determine the fair value of PMI's common stock at each grant date. These factors included, but were not limited to:

(i) contemporaneous valuations of common stock performed by unrelated third-party specialists, (ii) the prices for PMI's preferred stock sold to outside investors, (iii) the rights, preferences and privileges of PMI's preferred stock relative to PMI's common stock, (iv) the lack of marketability of PMI's common stock, (v) developments in the business, (vi) secondary transactions of PMI's common and preferred shares, and (vii) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of Prosper, given prevailing market conditions. As PMI's stock is not publicly traded, volatility for stock options is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of PMI. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options using the simplified method. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. PMI uses an expected dividend yield of zero as it does not anticipate paying any dividends in the foreseeable future.

PMI also estimates forfeitures of unvested stock options. Expected forfeitures are based on the Company's historical experience. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest.

The fair values of PMI's stock option awards granted were estimated at the dates of grant using the Black-Scholes model with the following average assumptions for the periods presented (no options were granted for the three months ended June 30, 2025):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Volatility of common stock	n/a	65.98 %	65.42 %	66.26 %
Risk-free interest rate	n/a	4.43 %	4.03 %	4.20 %
Expected life (in years)	n/a	6.0 years	6.0 years	6.0 years
Dividend yield	n/a	— %	— %	— %

n/a: not applicable

Restricted Stock Unit Activity

In previous years, PMI granted RSUs to certain employees that are subject to three-year or four-year vesting terms and the occurrence of a liquidity event.

The following table summarizes the number of PMI's RSU activity for six months ended June 30, 2025:

	Number of Shares	Weighted- Average Grant Date Fair Value
Unvested at January 1, 2025	2,560,133	\$ 1.03
Forfeited	(500)	\$ 2.14
Unvested at June 30, 2025	<u>2,559,633</u>	<u>\$ 1.03</u>

Share Based Compensation

The following table presents the amount of stock-based compensation related to stock-based awards granted to employees recognized in Prosper's condensed consolidated statements of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Origination and servicing	\$ 27	\$ 24	\$ 55	\$ 43
Sales and marketing	18	119	35	232
General and administrative	304	274	586	534
Total stock-based compensation	<u>\$ 349</u>	<u>\$ 417</u>	<u>\$ 676</u>	<u>\$ 809</u>

As of June 30, 2025, the unamortized stock-based compensation expense, adjusted for forfeiture estimates, related to unvested stock-based awards was approximately \$1.8 million, which will be recognized over a remaining weighted-average vesting period of approximately 2.6 years.

15. Income Taxes

For the three months ended June 30, 2025 and 2024, PMI recognized \$28 thousand and \$26 thousand, respectively, of income tax expense. For the six months ended June 30, 2025 and 2024, PMI recognized \$56 thousand and \$52 thousand, respectively, of income tax expense. The income tax expense relates to state income tax expense and the amortization of tax deductible goodwill which gives rise to an indefinite-lived deferred tax liability. No other income tax expense or benefit was recorded for the six month periods ended June 30, 2025 and 2024 due to a full valuation allowance recorded against the Company's deferred tax assets.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize our existing deferred tax assets. On the basis of this evaluation, it is not more likely than not that our deferred tax assets will be realized and therefore a full valuation allowance has been recorded.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBA") was signed into law, extending key provisions of the 2017 Tax Cuts and Jobs Act including, but not limited to, federal bonus depreciation and deductions for domestic research and development expenditures. The Company is currently evaluating the provisions of the OBBA; however, it is not expected to have a material impact on the Company's consolidated financial statements.

16. Leases

Prosper has operating leases for corporate offices. These leases have remaining lease terms of approximately one to four years. Some of the lease agreements include options to extend the lease term for up to an additional five years. Rental expense under operating lease arrangements was \$0.9 million and \$1.0 million for the three months ended June 30, 2025 and 2024, respectively. Rental expense under operating lease arrangements was \$1.8 million and \$2.0 million for the six months ended June 30, 2025 and 2024, respectively. Additionally, Prosper subleases certain leased office space to third parties when it determines there is excess leased capacity. Sublease income from operating lease arrangements was \$0.1 million and \$0.1 million for the three months ended June 30, 2025 and 2024, respectively. Sublease income from operating lease arrangements was \$0.2 million and \$0.2 million for the six months ended June 30, 2025 and 2024, respectively.

Operating Lease Right-of-Use ("ROU") Assets

The following table summarizes the operating lease right-of-use assets as of June 30, 2025, which are included in "Property and Equipment, Net" on the condensed consolidated balance sheets.

	June 30, 2025		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
ROU Assets - Office buildings	\$ 22,690	\$ 14,833	\$ 7,857

No impairment charge was identified for the six months ended June 30, 2025 and 2024.

Lease Liabilities

Future maturities of operating lease liabilities as of June 30, 2025 are as follows (in thousands). The present value of the future minimum lease payments represents our operating lease liabilities as of June 30, 2025 and are included in "Other Liabilities" on the condensed consolidated balance sheets.

	June 30, 2025
Remainder of 2025	\$ 2,267
2026	4,648
2027	3,834
2028	1,948
2029	411
Total future minimum lease payments	\$ 13,108
Less imputed interest	(2,285)
Present value of future minimum lease payments	\$ 10,823

Because the rate implicit in each lease is not readily determinable, we use our incremental borrowing rate to determine the present value of the lease payments. Other information related to leases was as follows (dollars in thousands):

	June 30, 2025
Weighted average remaining lease term (in years)	2.93
Weighted average discount rate	12.93 %

17. Commitments and Contingencies

In the normal course of its operations, Prosper becomes involved in various legal actions. Prosper maintains provisions it considers to be adequate for such actions. Prosper does not believe it is probable that the ultimate liability, if any, arising out of any such matters will have a material effect on Prosper's financial condition, results of operations or cash flows.

Operating Commitments

PMI, along with PFL, and WebBank have entered into: (i) an Asset Sale Agreement, dated July 1, 2016, between PFL and WebBank, as most recently amended by a Seventh Amendment dated February 28, 2024 (as amended, the "Sale Agreement"); (ii) the Marketing Agreement, dated July 1, 2016, between PMI and WebBank, as most recently amended by a Seventh Amendment dated February 28, 2024 (as amended, the "Marketing Agreement"); and (iii) the Stand By Purchase Agreement, dated July 1, 2016, between PMI and WebBank, as most recently amended by a Fourth Amendment dated February 28, 2024 (as amended, the "Purchase Agreement" and, collectively with the Sale Agreement and the Marketing Agreement, the "Origination and Sale Agreements"). Under the Origination and Sale Agreements, all Borrower Loans originated through the marketplace are made by WebBank under its bank charter.

The Origination and Sale Agreements contain terms through February 1, 2027. Prosper is required, under the Origination and Sale Agreements, to maintain certain collateral requirements. In addition, pursuant to the Marketing Agreement, the marketing fee that Prosper receives in connection with the origination of each loan is partially reduced by an amount (the "Designated Amount") calculated as a percentage of the principal amount of such loan based on the aggregate principal amount of loans originated for the applicable month. To the extent the aggregate Designated Amount for all loans originated during any month is less than \$100,000 through February 1, 2027, Prosper is required to pay WebBank an amount

equal to such deficiency. Accordingly, the minimum fee is \$0.6 million for the remaining six months of 2025, \$1.2 million in 2026 and \$0.1 million in 2027.

Additionally, under the Origination and Sale Agreements, Prosper is required to maintain a minimum net liquidity of \$15.0 million at all times during the term of the agreement. Net liquidity is defined as the sum of Cash, Cash Equivalents and Available for Sale Investments. Violation of this covenant can result in termination of the contract with WebBank. As of June 30, 2025, the Company was in compliance with the covenant.

Transaction Fee Refund Liability

Prosper assumes WebBank's liability under Utah law to refund the pro-rated amount of any transaction fees collected in excess of 5%, in the event the underlying borrower prepays the loan in full before maturity. For the three months ended June 30, 2025 and 2024 the Company issued \$3.8 million and \$0.8 million, respectively, in refunds under this obligation. For the six months ended June 30, 2025 and 2024 the Company issued \$6.6 million and \$1.1 million, respectively, in refunds under this obligation. As of June 30, 2025 and December 31, 2024, the Company accrued \$13.4 million and \$9.2 million, respectively, related to anticipated future refunds under this obligation.

Loan Purchase Commitments

Prosper entered into an agreement with WebBank to purchase \$16.5 million of Borrower Loans that WebBank originated during the last two business days of the quarter ended June 30, 2025. Prosper will purchase these Borrower Loans within the first two business days of the quarter ending September 30, 2025.

Repurchase Obligation

Under the terms of the loan purchase agreements between Prosper and investors that participate in the Whole Loan Channel, Prosper may, in certain circumstances, become obligated to repurchase a Borrower Loan from an investor. Generally, these circumstances include the occurrence of verifiable identity theft, the failure to properly follow personal loan listing or bidding protocols or a violation of the applicable federal, state or local lending laws. Prosper recognizes a liability at fair value for the repurchase obligation when the Borrower Loans are sold. The fair value of the repurchase obligation is estimated based on historical experience. Repurchased Borrower Loans associated with violations of federal, state or local lending laws or verifiable identity theft are written off at the time of repurchase. The maximum potential amount of future payments associated with this obligation is the outstanding balances of the Borrower Loans issued to third parties through the Whole Loan Channel, which at June 30, 2025 is \$3.5 billion. Prosper has accrued \$0.2 million and \$0.3 million as of June 30, 2025 and December 31, 2024, respectively, in regard to this obligation.

Under the terms of the indenture and investor registration agreement, Prosper may, in certain circumstances, become obligated to either repurchase a Note or indemnify the investor for any losses resulting from nonpayment of a Note purchased in the Retail Channel. The decision to repurchase or indemnify is in Prosper's sole discretion. These circumstances include, but are not limited to, the occurrence of verifiable identity theft, a technical error in the automated bidding tools which results in the purchase of a Note that does not match the investor's investment criteria, or situations in which a personal loan listing includes a Prosper Rating that is different from the Prosper Rating that should have appeared in the listing for the corresponding Borrower Loan because either PFL inaccurately input data into, or inaccurately applied, the formula for determining the Prosper Rating and, as a result, the interest of the investor is materially and adversely affected. During the six months ended June 30, 2025, the Company repurchased less than \$0.1 million of Notes under these circumstances, and has agreed to indemnify additional Notes with an unpaid principal balance of \$0.3 million as of June 30, 2025.

Regulatory Contingencies

Prosper accrues for contingencies when a loss from such contingencies is probable and the amount of loss can be reasonably estimated. In determining whether a loss is probable and if it is possible to quantify the amount of the estimated loss, Prosper reviews and evaluates its litigation and regulatory matters on at least a quarterly basis in light of potentially relevant factual and legal developments. If Prosper determines that an unfavorable outcome is not probable or that the amount of a loss cannot be reasonably estimated, Prosper does not accrue for a potential litigation loss. If an unfavorable outcome is probable and Prosper can estimate a range of outcomes, an amount is recorded which management considers to be the best estimate within the range of potential losses that are both probable and estimable; however, if management cannot quantify the amount of the estimated loss, then the low end of the range of the potential losses is recorded.

West Virginia Matter

In February 2020, Prosper received a proposed Assurance of Discontinuance (an “AOD”) from the Attorney General of the State of West Virginia (the “WV Attorney General”) requesting that, without in any way admitting that any of its prior practices were in violation of the West Virginia Consumer Credit and Protection Act (the “Consumer Act”), Prosper agree to certain terms and conditions regarding its past and potential future conduct of its business with respect to customers in West Virginia, including a release by the WV Attorney General of any claims it may have related to the matters identified in the AOD.

We cannot predict the outcome of the matter and any potential fines or penalties, if any, that may arise from the matter. Further, we are unable to estimate a range of outcomes and as a result no accrual has been made.

No loans have been originated through the Prosper platform to West Virginians since June 2016 and the final loan originated through the Prosper platform to a borrower in West Virginia was repaid in October 2021.

18. Related Parties

Since Prosper’s inception, it has engaged in various transactions with its directors, executive officers, and holders of more than 10% of its voting securities, and immediate family members and other affiliates of its directors, executive officers, and 10% stockholders. Prosper believes that all of the transactions described below were made on terms no less favorable to Prosper than could have been obtained from unaffiliated third parties.

Prosper’s executive officers, directors who are not executive officers, and certain affiliates participate in its marketplace by placing bids and purchasing Notes. The aggregate amount of the Notes purchased and the income earned by parties deemed to be affiliates and related parties of Prosper for the three and six months ended June 30, 2025 and 2024, as well as the Notes outstanding as of June 30, 2025 and December 31, 2024 are summarized below (in thousands):

Related Party	Aggregate Amount of Notes Purchased the Three Months Ended June 30,		Interest Earned on Notes the Three Months Ended June 30,	
	2025	2024	2025	2024
Executive officers and management	\$ 3	\$ 11	\$ 2	\$ 3
Directors (excluding executive officers and management)	—	—	—	—
Total	<u>\$ 3</u>	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ 3</u>

Related Party	Aggregate Amount of Notes Purchased the Six Months Ended June 30,		Interest Earned on Notes and Borrower Loans Six Months Ended June 30,	
	2025	2024	2025	2024
Executive officers and management	\$ 6	\$ 22	\$ 5	\$ 6
Directors (excluding executive officers and management)	—	—	—	—
Total	<u>\$ 6</u>	<u>\$ 22</u>	<u>\$ 5</u>	<u>\$ 6</u>

Related Party	Notes Balance as of	
	June 30, 2025	December 31, 2024
Executive officers and management	\$ 43	\$ 67
Directors (excluding executive officers and management)	—	—
Total	<u>\$ 43</u>	<u>\$ 67</u>

19. Significant Concentrations

Prosper is dependent on third-party funding sources such as banks, credit unions, asset managers, investment funds and insurance companies to provide the funds to allow WebBank to originate Borrower Loans that the third-party funding sources will later purchase. Of all Borrower Loans originated in the three months ended June 30, 2025, four individual third parties purchased 17.0%, 14.0%, 12.9% and 10.9% of all Borrower Loans originated. For the three months ended June 30,

2024, three individual third parties purchased 31.6%, 18.1%, and 11.7% of all Borrower Loans originated. Of all Borrower Loans originated in the six months ended June 30, 2025, four individual third parties purchased 15.5%, 13.8%, 13.5% and 13.4% of all Borrower Loans originated. For the six months ended June 30, 2024, three individual third parties purchased 31.5%, 18.7% and 11.9% of all Borrower Loans originated.

Prosper receives all of its personal loan transaction fee revenue from WebBank for its services in facilitating originations of Borrower Loans issued by WebBank. The rate of the transaction fee for each individual Borrower Loan is based on the term and credit grade of the Borrower Loan and currently ranges from 1.00% to 9.99% for newly originated loans. No individual borrower or investor accounted for 10% or more of consolidated net revenue for any of the periods presented.

20. Segments

The Company has three reportable and operating segments: Personal Loan, Home Equity and Credit Card. These segments align with the Company's products and service offerings and are consistent with how the Company's Chief Executive Officer, who serves as the chief operating decision maker ("CODM"), reviews and evaluates the Company's operations. The CODM evaluates the financial performance of the Company's segments based upon segment revenues, as well as segment Adjusted Net Revenue and segment Adjusted EBITDA, both non-GAAP profitability measures. The Company adopted ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" as of and for the year ended December 31, 2024, and applied the guidance to prior period information retrospectively, as required by the standard. The Company does not prepare segment assets for the CODM to use to allocate resources or to assess performance of the segments and, therefore, total segment assets have not been disclosed.

The tables below present segment Total Net Revenue reconciled to segment Adjusted Net Revenue, significant segment operating expenses, and segment Adjusted EBITDA reconciled to Net Income (Loss) Before Taxes, as well as interest income and expense included in segment Adjusted Net Revenue and Adjusted EBITDA, for the periods indicated (in thousands).

Three Months Ended June 30, 2025				
	Personal Loan	Home Equity	Credit Card	Total
Total Net Revenue	\$ 50,040	\$ 269	\$ 1,341	\$ 51,650
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts	1,069	—	—	1,069
Segment Adjusted Net Revenue	<u>\$ 51,109</u>	<u>\$ 269</u>	<u>\$ 1,341</u>	<u>\$ 52,719</u>
Less: Segment Operating Expenses ⁽¹⁾				
Compensation and Benefits ⁽²⁾	16,977	210	2,556	19,743
Marketing and Advertising	11,554	3	1,842	13,399
Transaction Costs	1,736	99	2,698	4,533
Other Expenses ⁽³⁾	6,528	27	151	6,706
Segment Adjusted EBITDA	<u>\$ 14,314</u>	<u>\$ (70)</u>	<u>\$ (5,906)</u>	<u>\$ 8,338</u>
Depreciation expense:				
Origination and Servicing				(2,785)
General and Administration - Other				(232)
Stock-based compensation				(349)
Change in Fair Value of Convertible Preferred Stock Warrants				(59,359)
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts				(1,069)
Interest income on cash and cash equivalents				736
Interest Expense on Term Loan				(2,979)
Net Loss Before Income Taxes				<u>\$ (57,699)</u>
Interest Income (Expense) Included in Segment Adjusted EBITDA				
Interest Income on Financial Instruments	\$ 14,822	\$ —	\$ 6,244	\$ 21,066
Interest Expense on Financial Instruments	(13,415)	—	(2,017)	(15,432)
Total Interest Income, Net	<u>\$ 1,407</u>	<u>\$ —</u>	<u>\$ 4,227</u>	<u>\$ 5,634</u>

⁽¹⁾ The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM. These amounts exclude items that are adjusted out of Net Income (Loss) for the purposes of calculating Adjusted EBITDA.

⁽²⁾ Compensation and Benefits includes costs related to certain outsourced headcount in operations.

⁽³⁾ Other Expenses include, but are not limited to, costs related to professional services, insurance, facilities, software licenses, Cloud platform, and outsourced services in engineering and marketing.

Three Months Ended June 30, 2024				
	Personal Loan	Home Equity	Credit Card	Total
Total Net Revenue	\$ 30,857	\$ 408	\$ (1,085)	\$ 30,180
Impact of interest rates on fair value of loans held in consolidated trusts	403	—	—	403
Segment Adjusted Net Revenue	<u>\$ 31,260</u>	<u>\$ 408</u>	<u>\$ (1,085)</u>	<u>\$ 30,583</u>
Less: Segment Operating Expenses ⁽¹⁾				
Compensation and Benefits ⁽²⁾	11,550	163	1,725	13,438
Marketing and Advertising	7,465	51	2,427	9,943
Transaction Costs	1,557	82	3,399	5,038
Other Expenses ⁽³⁾	6,834	37	95	6,966
Segment Adjusted EBITDA	<u>\$ 3,854</u>	<u>\$ 75</u>	<u>\$ (8,731)</u>	<u>\$ (4,802)</u>
Depreciation expense:				
Origination and Servicing				(2,281)
General and Administration - Other				(367)
Amortization of intangibles				(22)
Stock-based compensation				(417)
Impairment of long-lived assets				(387)
Change in Fair Value of Convertible Preferred Stock Warrants				10,664
Impact of interest rates on fair value of loans held in consolidated trusts				(403)
Interest income on cash and cash equivalents				835
Interest Expense on Term Loan				(3,259)
Net Loss Before Income Taxes				<u>\$ (439)</u>
Interest Income (Expense) Included in Segment Adjusted EBITDA				
Interest Income on Financial Instruments	\$ 22,106	\$ —	\$ —	\$ 22,106
Interest Expense on Financial Instruments	(18,436)	—	—	(18,436)
Total Interest Income, Net	<u>\$ 3,670</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,670</u>

⁽¹⁾ The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM. These amounts exclude items that are adjusted out of Net Income (Loss) for the purposes of calculating Adjusted EBITDA.

⁽²⁾ Compensation and Benefits includes costs related to certain outsourced headcount in operations.

⁽³⁾ Other Expenses include, but are not limited to, costs related to professional services, insurance, facilities, software licenses, Cloud platform, and outsourced services in engineering and marketing.

Six Months Ended June 30, 2025				
	Personal Loan	Home Equity	Credit Card	Total
Total Net Revenue	\$ 90,507	\$ 542	\$ 3,265	\$ 94,314
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts	343	—	—	343
Segment Adjusted Net Revenue	<u>\$ 90,850</u>	<u>\$ 542</u>	<u>\$ 3,265</u>	<u>\$ 94,657</u>
Less: Segment Operating Expenses ⁽¹⁾				
Compensation and Benefits ⁽²⁾	34,579	430	5,407	40,416
Marketing and Advertising	21,375	3	3,173	24,551
Transaction Costs	3,302	210	5,840	9,352
Other Expenses ⁽³⁾	13,529	56	282	13,867
Segment Adjusted EBITDA	<u>\$ 18,065</u>	<u>\$ (157)</u>	<u>\$ (11,437)</u>	<u>\$ 6,471</u>
Depreciation expense:				
Origination and Servicing				(5,464)
General and Administration - Other				(500)
Stock-based compensation				(676)
Change in Fair Value of Convertible Preferred Stock Warrants				(2,133)
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts				(343)
Interest income on cash and cash equivalents				1,404
Interest Expense on Term Loan				(6,055)
Net Loss Before Income Taxes				<u>\$ (7,296)</u>
Interest Income (Expense) Included in Segment Adjusted EBITDA				
Interest Income on Financial Instruments	\$ 31,084	\$ —	\$ 13,283	\$ 44,367
Interest Expense on Financial Instruments	(27,754)	—	(4,007)	(31,761)
Total Interest Income, Net	<u>\$ 3,330</u>	<u>\$ —</u>	<u>\$ 9,276</u>	<u>\$ 12,606</u>

⁽¹⁾ The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM. These amounts exclude items that are adjusted out of Net Income (Loss) for the purposes of calculating Adjusted EBITDA.

⁽²⁾ Compensation and Benefits includes costs related to certain outsourced headcount in operations.

⁽³⁾ Other Expenses include, but are not limited to, costs related to professional services, insurance, facilities, software licenses, Cloud platform, and outsourced services in engineering and marketing.

Six Months Ended June 30, 2024				
	Personal Loan	Home Equity	Credit Card	Total
Total Net Revenue	\$ 61,825	\$ 705	\$ 11,143	\$ 73,673
Impact of interest rates on fair value of loans held in consolidated trusts	2,470	—	—	2,470
Accelerated amortization of PWIT debt issuance costs	733	—	—	733
Segment Adjusted Net Revenue	<u>\$ 65,028</u>	<u>\$ 705</u>	<u>\$ 11,143</u>	<u>\$ 76,876</u>
Less: Segment Operating Expenses ⁽¹⁾				
Compensation and Benefits ⁽²⁾	28,856	310	3,917	33,083
Marketing and Advertising	16,332	72	5,268	21,672
Transaction Costs	3,374	127	6,433	9,934
Other Expenses ⁽³⁾	13,630	77	248	13,955
Segment Adjusted EBITDA	<u>2,836</u>	<u>119</u>	<u>(4,723)</u>	<u>(1,768)</u>
Depreciation expense:				
Origination and Servicing				(4,673)
General and Administration - Other				(855)
Amortization of intangibles				(42)
Stock-based compensation				(809)
Impairment of long-lived assets				(387)
Change in Fair Value of Convertible Preferred Stock Warrants				38,388
Impact of interest rates on fair value of loans held in consolidated trusts				(2,470)
Interest income on cash and cash equivalents				1,710
Interest Expense on Term Loan				(6,479)
Accelerated amortization of PWIT debt issuance costs				(733)
Net Income Before Income Taxes				<u>\$ 21,882</u>
Interest Income (Expense) Included in Segment Adjusted EBITDA				
Interest Income on Financial Instruments	\$ 46,342	\$ —	\$ —	\$ 46,342
Interest Expense on Financial Instruments	(39,461)	—	—	(39,461)
Accelerated amortization of PWIT debt issuance costs	733	—	—	733
Total Interest Income, Net	<u>\$ 7,614</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,614</u>

⁽¹⁾ The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM. These amounts exclude items that are adjusted out of Net Income (Loss) for the purposes of calculating Adjusted EBITDA.

⁽²⁾ Compensation and Benefits includes costs related to certain outsourced headcount in operations.

⁽³⁾ Other Expenses include, but are not limited to, costs related to professional services, insurance, facilities, software licenses, Cloud platform, and outsourced services in engineering and marketing.

Prosper Funding LLC
Condensed Consolidated Balance Sheets (Unaudited)
(amounts in thousands)

	June 30, 2025	December 31, 2024
Assets:		
Cash and Cash Equivalents	\$ 3,290	\$ 2,764
Restricted Cash	110,644	93,976
Borrower Loans, at Fair Value	266,678	285,578
Property and Equipment, Net	13,448	12,560
Servicing Assets	14,780	14,333
Receivable from Related Party	2,584	4,765
Other Assets	2,611	1,466
Total Assets	\$ 414,035	\$ 415,442
Liabilities and Member's Equity:		
Accounts Payable and Accrued Liabilities	\$ 25,196	\$ 18,703
Payable to Investors	111,528	93,018
Notes, at Fair Value	264,001	283,030
Other Liabilities	3,368	3,286
Total Liabilities	404,093	398,037
Member's Equity:		
Member's Equity	9,998	9,998
(Accumulated Deficit) Retained Earnings	(56)	7,407
Total Member's Equity	\$ 9,942	\$ 17,405
Total Liabilities and Member's Equity	\$ 414,035	\$ 415,442

The accompanying notes are an integral part of these condensed consolidated financial statements.

Prosper Funding LLC
Condensed Consolidated Statements of Operations (Unaudited)
(amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Operating Revenues:				
Administration Fee Revenue - Related Party	\$ 24,719	\$ 16,330	\$ 46,597	\$ 34,852
Servicing Fees, Net	8,399	6,246	16,077	12,754
Loss on Sale of Borrower Loans	(15,671)	(8,436)	(29,247)	(18,940)
Other Revenue	136	155	214	337
Total Operating Revenues	17,583	14,295	33,641	29,003
Interest Income on Borrower Loans	10,904	12,553	22,211	25,472
Interest Expense on Notes	(10,281)	(11,872)	(20,836)	(23,983)
Total Interest Income, Net	623	681	1,375	1,489
Change in Fair Value of Financial Instruments, Net	432	148	(214)	(538)
Total Net Revenues	18,638	15,124	34,802	29,954
Expenses:				
Administration Fee - Related Party	20,590	14,504	38,398	30,632
Servicing and Other, Net	1,862	1,635	3,867	3,521
Total Expenses	22,452	16,139	42,265	34,153
Net Loss	\$ (3,814)	\$ (1,015)	\$ (7,463)	\$ (4,199)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Prosper Funding LLC
Condensed Consolidated Statements of Member's Equity (Unaudited)
(amounts in thousands)

	Member's Equity	Retained Earnings (Accumulated Deficit)	Total
Balance as of January 1, 2025	\$ 9,998	\$ 7,407	\$ 17,405
Net Loss	—	(7,463)	(7,463)
Balance as of June 30, 2025	<u>\$ 9,998</u>	<u>\$ (56)</u>	<u>\$ 9,942</u>

	Member's Equity	Retained Earnings	Total
Balance as of January 1, 2024	\$ 8,364	\$ 18,351	\$ 26,715
Contribution of Borrower Loans from Parent (Note 4)	1,634	—	1,634
Net Loss	—	(4,199)	(4,199)
Balance as of June 30, 2024	<u>\$ 9,998</u>	<u>\$ 14,152</u>	<u>\$ 24,150</u>

	Member's Equity	Retained Earnings (Accumulated Deficit)	Total
Balance as of January 1, 2025	\$ 9,998	\$ 7,407	\$ 17,405
Net Loss	—	(3,649)	(3,649)
Balance as of March 31, 2025	\$ 9,998	\$ 3,758	\$ 13,756
Net Loss	—	(3,814)	(3,814)
Balance as of June 30, 2025	<u>\$ 9,998</u>	<u>\$ (56)</u>	<u>\$ 9,942</u>

	Member's Equity	Retained Earnings	Total
Balance as of January 1, 2024	\$ 8,364	\$ 18,351	\$ 26,715
Contribution of Borrower Loans from Parent (Note 4)	1,634	—	1,634
Net Loss	—	(3,184)	(3,184)
Balance as of March 31, 2024	\$ 9,998	\$ 15,167	\$ 25,165
Net Loss	—	(1,015)	(1,015)
Balance as of June 30, 2024	<u>\$ 9,998</u>	<u>\$ 14,152</u>	<u>\$ 24,150</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Prosper Funding LLC
Condensed Consolidated Statements of Cash Flows (Unaudited)
(amounts in thousands)

	Six Months Ended June 30,	
	2025	2024
Cash Flows from Operating Activities:		
Net Loss	\$ (7,463)	\$ (4,199)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:		
Change in Fair Value of Financial Instruments	214	538
Other Non-Cash Changes in Borrower Loans, Loans Held for Sale and Notes	20	151
Gain on Sale of Borrower Loans	(6,185)	(5,113)
Change in Fair Value of Servicing Rights	5,738	5,052
Depreciation and Amortization	3,964	3,440
Changes in Operating Assets and Liabilities:		
Purchase of Loans Held for Sale at Fair Value	(1,194,264)	(959,163)
Proceeds from Sales and Principal Payments of Loans Held for Sale, at Fair Value	1,194,264	959,163
Other Assets	(1,145)	(369)
Accounts Payable and Accrued Liabilities	6,493	5,764
Payable to Investors	18,510	5,070
Net Related Party Receivable/Payable	3,817	(2,414)
Other Liabilities	81	(140)
Net Cash Provided by Operating Activities	<u>24,044</u>	<u>7,780</u>
Cash Flows from Investing Activities:		
Purchase of Borrower Loans Held at Fair Value	(85,833)	(96,114)
Proceeds from Sales and Principal Payments of Borrower Loans, at Fair Value	95,670	99,783
Purchases of Property and Equipment	(6,488)	(3,877)
Net Cash Provided by (Used in) Investing Activities	<u>3,349</u>	<u>(208)</u>
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Held at Fair Value	84,582	96,008
Payments of Notes, at Fair Value	(94,781)	(98,771)
Net Cash Used in Financing Activities	<u>(10,199)</u>	<u>(2,763)</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	17,194	4,809
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	96,740	97,039
Cash, Cash Equivalents and Restricted Cash at End of the Period	<u><u>\$ 113,934</u></u>	<u><u>\$ 101,848</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ 11,317	\$ 24,334
Non-Cash Investing Activity - Accrual for Property and Equipment, Net	696	579
Non-Cash Financing Activity - Contribution of Borrower Loans by Parent (Note 4)	—	1,634
Reconciliation to Amounts on Consolidated Balance Sheets:		
Cash and Cash Equivalents	\$ 3,290	\$ 4,266
Restricted Cash	110,644	97,582
Total Cash, Cash Equivalents and Restricted Cash	<u><u>\$ 113,934</u></u>	<u><u>\$ 101,848</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROSPER FUNDING LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Prosper Funding LLC (“PFL”) was formed in the state of Delaware in February 2012 as a limited liability company with Prosper Marketplace, Inc. (“PMI”) as its sole equity member. Except as the context otherwise requires, as used in these Notes to the condensed consolidated financial statements of Prosper Funding LLC, “PFL,” and the “Company” refers to Prosper Funding LLC and its wholly owned subsidiary, Prosper Depositor LLC, a Delaware limited liability company, on a consolidated basis.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and disclosure requirements for interim financial information and the requirements of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2024. The balance sheet at December 31, 2024 has been derived from the audited financial statements at that date. Management believes these unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

PFL did not have any items of other comprehensive income or loss for any of the periods presented in the condensed consolidated financial statements as of and for the six months ended June 30, 2025 and 2024.

The preparation of PFL's condensed consolidated financial statements and related disclosures in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in its condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities. These judgments, estimates and assumptions are inherently subjective in nature and actual results may differ from these estimates and assumptions, and the differences could be material.

2. Summary of Significant Accounting Policies

PFL's significant accounting policies are included in Note 2, Summary of Significant Accounting Policies, in PFL's Annual Report on Form 10-K for the year ended December 31, 2024. There have been no changes to these accounting policies during the first six months of 2025.

Fair Value Measurements

Financial instruments consist principally of Cash and Cash Equivalents, Restricted Cash, Borrower Loans, Loans Held for Sale, Accounts Receivable, Accounts Payable and Accrued Liabilities, Payable to Investors and Notes. The estimated fair values of Cash and Cash Equivalents, Restricted Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities, and Payable to Investors approximate their carrying values because of their short-term nature.

Refer to Note 7 for additional fair value disclosures.

Restricted Cash

Restricted Cash consists primarily of cash deposits, money market funds and short-term certificate of deposit accounts held as collateral as required for long term leases, loan funding and servicing activities, and cash that investors have on our marketplace that has not yet been invested in Borrower Loans or disbursed to the investor.

Borrower Loans, Loans Held for Sale and Notes

With respect to the Note Channel, PFL purchases Borrower Loans from WebBank, then issues Notes and holds the Borrower Loans until maturity. The obligation to repay a series of Notes funded through the Note Channel is dependent upon the repayment of the associated Borrower Loan. Borrower Loans and Notes funded through the Note Channel are carried on PFL's condensed consolidated balance sheets as assets and liabilities, respectively.

PFL places Borrower Loans and Loans Held for Sale on non-accrual status when they are 120 days past due. When a loan is placed on non-accrual status, PFL stops accruing interest and reverses all accrued but unpaid interest as of such date. Additionally, PFL charges-off Borrower Loans and Loans Held for Sale when they are 120 days past due. The fair value of loans 120 days past due generally consists of the expected recovery from debt sales in subsequent periods.

Management has elected the fair value option for Borrower Loans, Loans Held for Sale, and Notes. Changes in fair value of Borrower Loans are largely offset by the changes in fair value of Notes due to the borrower payment-dependent design of the Notes. Changes in fair value of Borrower Loans, Loans Held for Sale and Notes are included in "Change in Fair Value of Financial Instruments, Net" on the condensed consolidated statements of operations.

PFL primarily uses a discounted cash flow model to estimate the fair value of Borrower Loans, Loans Held for Sale and Notes. The key assumptions used in the valuation include default rates and prepayment rates derived primarily from historical performance and discount rates based on estimates of the rates of return that investors would require when investing in financial instruments with similar characteristics.

Transaction Fee Refunds

Prosper assumes WebBank's obligation under Utah law to refund the pro-rated amount of any Transaction Fees collected in excess of 5%, in the event the underlying borrower prepays the loan in full before maturity. Liabilities under this obligation are estimated upon the origination of Borrower Loans and recorded within Accounts Payable and Accrued Liabilities on the accompanying consolidated Balance Sheets. The key assumptions used in the estimated refund liability include prepayment rates and default rates derived primarily from historical performance. Changes in the liability are recorded within Administration Fee - Related Party on the accompanying consolidated Statements of Operations. Refer to Note 8, *Commitments and Contingencies*, for details on the amounts recorded under this obligation.

Recent Accounting Pronouncements

Accounting Standards Adopted In The Current Period

No accounting standards were adopted in the current period for PFL.

Accounting Standards Issued, To Be Adopted By PFL In Future Periods

No issued and pending accounting standards were identified that are expected to have an impact on PFL.

3. Property and Equipment, Net

Property and equipment consist of the following as of the dates presented (in thousands):

	June 30, 2025	December 31, 2024
Internal-use software and web site development costs	\$ 52,047	\$ 49,836
Less: accumulated depreciation and amortization	(38,599)	(37,276)
Total property and equipment, net	<u>\$ 13,448</u>	<u>\$ 12,560</u>

Depreciation expense for the three months ended June 30, 2025 and 2024 was \$1.9 million and \$1.7 million, respectively. Depreciation expense for the six months ended June 30, 2025 and 2024 was \$4.0 million and \$3.4 million, respectively.

4. Borrower Loans and Notes, at Fair Value

The aggregate principal balances outstanding and fair values of Borrower Loans and Notes as of June 30, 2025 and December 31, 2024, are presented in the following table (in thousands):

	Borrower Loans		Notes	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Aggregate principal balance outstanding and interest outstanding	\$ 278,063	\$ 300,782	\$ 278,801	\$ 301,246
Fair value adjustments	(11,385)	(15,204)	(14,800)	(18,216)
Fair value	<u>\$ 266,678</u>	<u>\$ 285,578</u>	<u>\$ 264,001</u>	<u>\$ 283,030</u>

As of June 30, 2025, outstanding Borrower Loans had original terms to maturity of 24, 36, 48 or 60 months, had monthly payments with fixed interest rates ranging from 6.00% to 33.00% and had various original maturity dates through June 2030. As of December 31, 2024, outstanding Borrower Loans had original maturities of either 24, 36, 48 or 60 months, monthly payments with fixed interest rates ranging from 6.00% to 33.00% and had various original maturity dates through December 2029.

As of June 30, 2025, Borrower Loans that were 90 days or more delinquent had an aggregate principal amount of \$2.6 million and a fair value of \$0.4 million. As of December 31, 2024, Borrower Loans that were 90 days or more delinquent had an aggregate principal amount of \$3.1 million and a fair value of \$0.4 million. PFL places loans on non-accrual status when they are over 120 days past due. As of June 30, 2025 and December 31, 2024, Borrower Loans in non-accrual status had a fair value of \$0.2 million and \$0.3 million, respectively.

On September 25, 2023, Prosper completed the PMIT 2023-1 transaction, a securitization of Borrower Loans originated through Prosper's marketplace platform. PFL served as the sole sponsor for this securitization. Loans eligible for securitization that were funded through the PWIT Warehouse Line were contributed to the PMIT 2023-1 securitization. Loans that were not eligible for securitization, with an aggregate outstanding principal balance of \$7.7 million and a fair value of \$2.0 million, were contributed to PFL, and are included in "Borrower Loans, at Fair Value" on the accompanying condensed consolidated balance sheet. The fair value of these Borrower Loans was recorded as a deemed Contribution of Borrower Loans from Parent on the condensed consolidated statement of member's equity and as a non-cash financing activity on the condensed consolidated statement of cash flows.

On March 28, 2024, Prosper completed another securitization of Borrower Loans originated through Prosper's marketplace platform, PMIT 2024-1. PFL served as the sole sponsor for this securitization. Loans eligible for securitization that were funded through the PWIT Warehouse Line were contributed to the PMIT 2024-1 securitization. Loans that were not eligible for securitization, with an aggregate outstanding principal balance of \$4.5 million and a fair value of \$1.6 million, were contributed to PFL, and are included in "Borrower Loans, at Fair Value" on the accompanying condensed consolidated balance sheet. The fair value of these Borrower Loans was recorded as a deemed Contribution of Borrower Loans from Parent on the condensed consolidated statement of member's equity and as a non-cash financing activity on the condensed consolidated statement of cash flows.

5. Servicing Assets

PFL accounts for Servicing Assets at their estimated fair values with changes in fair values recorded in Servicing Fees, Net on the condensed consolidated statements of operations. The initial asset is recognized in Gain (Loss) on the Sale of Borrower Loans on the condensed consolidated statements of operations when PFL sells Borrower Loans to unrelated third-party buyers through the Whole Loan Channel and the servicing rights are retained. The Servicing Assets are measured at fair value throughout the servicing period. PFL recognized gains from the initial recognition of Servicing Assets on the sale of Borrower Loans in the amounts of \$3.4 million and \$2.6 million for the three months ended June 30, 2025 and 2024, respectively, and gains from the initial recognition of Servicing Assets on the sale of Borrower Loans in the amounts of \$6.2 million and \$5.1 million for the six months ended June 30, 2025 and 2024, respectively. These amounts are recorded in Loss on Sale of Borrower Loans on the condensed consolidated statements of operations, and are offset primarily by incentives provided to loan buyers at the time of sale.

As of June 30, 2025, Borrower Loans that were sold, but for which PFL retained servicing rights, had a total outstanding principal balance of \$3.6 billion, original terms of 24, 36, 48 or 60 months, monthly payments with fixed interest rates ranging from 5.75% to 33.00%, and various original maturity dates through June 2030. As of December 31, 2024, Borrower Loans that were sold, but for which PFL retained servicing rights, had a total outstanding principal balance of \$3.5

billion, original terms of either 24, 36, 48 or 36 months, monthly payments with fixed interest rates ranging from 5.46% to 33.00%, and various original maturity dates through December 2029.

Contractually-specified servicing fees and ancillary fees totaled \$11.6 million and \$9.3 million for the three months ended June 30, 2025 and 2024, respectively, and \$23.3 million and \$18.7 million for the six months ended June 30, 2025 and 2024, and are included primarily in Servicing Fees, Net on the condensed consolidated statements of operations.

Fair Value Valuation Method

PFL uses a discounted cash flow valuation methodology generally consisting of developing an estimate of future cash flows that are expected to occur over the life of a financial instrument and then discounting those cash flows at a rate of return that results in the fair value amount.

Significant unobservable inputs presented in the table within Note 7 are those that PFL considers significant to the estimated fair values of the Level 3 Servicing Assets. The following is a description of the significant unobservable inputs provided in the table.

Market Servicing Rate

PFL estimates adequate market servicing rates that would fairly compensate a substitute servicer should one be required, which includes the profit that would be demanded in the marketplace. This rate is stated as a fixed percentage of outstanding principal balance on a per annum basis. With the assistance of a valuation specialist, PFL estimates these market servicing rates based on observable market rates for other loan types in the industry and bids from sub-servicing providers, adjusted for the unique loan attributes that are present in the specific loans that PFL sells and services and information from backup service providers.

Discount Rate

The discount rate is a rate of return used to discount future expected cash flows to arrive at a present value, which represents the fair value of the loan servicing rights. Management used a range of discount rates for the Servicing Assets based on comparable observed valuations of similar assets and publicly available disclosures related to servicing valuations, with comparability adjustments made to account for differences with PFL's Servicing Assets.

Default Rate

The default rate presented in Note 7 is an annualized, average estimate considering all Borrower Loan categories (i.e., risk ratings and duration), and represents an aggregate of conditional default rate curves for each credit grade or Borrower Loan category. Each point on a particular Borrower Loan category's curve represents the percentage of principal expected to default per period based on the term and age of the underlying Borrower Loans. The assumption regarding defaults directly reduces servicing revenues because the amount of servicing revenues received is based on the amount collected each period.

Prepayment Rate

The prepayment rate presented in Note 7 is an annualized, average estimate considering all Borrower Loan categories (i.e., risk ratings and duration), and represents an aggregate of conditional prepayment rate curves for each credit grade or Borrower Loan category. Each point on a particular Borrower Loan category's curve represents the percentage of principal expected to prepay per period based on the term and age of the underlying Borrower Loans. Prepayments reduce servicing revenues as they shorten the period over which PFL expects to collect fees on the Borrower Loans, which is used to project future servicing revenues.

6. Income Taxes

PFL incurred no income tax provision for the six months ended June 30, 2025 and 2024. PFL is a U.S. disregarded entity and its income and loss are included in the income tax reporting of its parent, PMI. Since PMI is in a taxable loss position, is not currently subject to income taxes, and has fully reserved against its deferred tax asset, the net effective tax rate for PFL is 0%.

7. Fair Value of Assets and Liabilities

PFL has elected to record certain financial instruments at fair value on the balance sheet. PFL classifies Borrower Loans, Loans Held for Sale and Notes as financial instruments and assesses their fair value each on a quarterly basis for financial statement presentation purposes. Gains and losses on these financial instruments are shown separately on the condensed consolidated statements of operations.

As of June 30, 2025 and December 31, 2024, the discounted cash flow methodology used to estimate the Notes fair values used the same projected cash flows as the related Borrower Loans. As demonstrated in the table below, the fair value adjustments for Borrower Loans were largely offset by the fair value adjustments of the Notes due to the borrower payment dependent design of the Notes and because the principal balances of the Borrower Loans approximated the principal balances of the Notes.

Assets and liabilities carried at fair value on the balance sheets are classified among three levels based on the observability of the inputs used to determine fair value:

Level 1 — The valuation is based on quoted prices in active markets for identical instruments.

Level 2 — The valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation methodologies for which all significant assumptions are observable in the market.

Level 3 — The valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar methodologies, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Fair values of assets or liabilities are determined based on the fair value hierarchy, which requires an entity to maximize the use of quoted prices and observable inputs and to minimize the use of unobservable inputs when measuring fair value. Various valuation methodologies are utilized, depending on the nature of the financial instrument, including the use of market prices for identical or similar instruments, or discounted cash flow models. When possible, active and observable market data for identical or similar financial instruments are utilized. Alternatively, fair value is determined using assumptions that management believes a market participant would use in pricing the asset or liability.

Financial Instruments Recorded at Fair Value

The fair value of the Borrower Loans and Notes are estimated using discounted cash flow methodologies based upon a set of valuation assumptions. The primary cash flow assumptions used to value such Borrower Loans and Notes include default and prepayment rates derived primarily from historical performance and discount rates that reflect estimates of the rates of return that investors would require when investing in financial instruments with similar characteristics.

The following tables present the fair value hierarchy for assets and liabilities measured at fair value (in thousands):

June 30, 2025	Level 1	Level 2	Level 3	Total
Assets:				
Borrower Loans, at Fair Value	\$ —	\$ —	\$ 266,678	\$ 266,678
Servicing Assets	—	—	14,780	14,780
Total Assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 281,458</u>	<u>\$ 281,458</u>
Liabilities:				
Notes, at Fair Value	\$ —	\$ —	\$ 264,001	\$ 264,001
Loan Trailing Fee Liability (included in Other Liabilities)	—	—	3,129	3,129
Total Liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 267,130</u>	<u>\$ 267,130</u>
December 31, 2024				
Assets:				
Borrower Loans, at Fair Value	\$ —	\$ —	\$ 285,578	\$ 285,578
Servicing Assets	—	—	14,333	14,333
Total Assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 299,911</u>	<u>\$ 299,911</u>
Liabilities:				
Notes, at Fair Value	\$ —	\$ —	\$ 283,030	\$ 283,030
Loan Trailing Fee Liability (included in Other Liabilities)	—	—	3,004	3,004
Total Liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 286,034</u>	<u>\$ 286,034</u>

As PFL's Borrower Loans, Notes, Servicing Assets and loan trailing fee liability do not trade in an active market with readily observable prices, PFL uses significant unobservable inputs to measure the fair value of these assets and liabilities. Financial instruments are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors in the

overall fair value measurement. These fair value estimates may also include observable, actively quoted components derived from external sources. As a result, the realized and unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs. PFL did not transfer any assets or liabilities in or out of Level 3 for the six months ended June 30, 2025 or June 30, 2024.

Significant Unobservable Inputs

The following tables present quantitative information about the significant unobservable inputs used for PFL's Level 3 fair value measurements at the dates presented:

	Range	
	June 30, 2025	December 31, 2024
Borrower Loans and Notes		
Discount rate	6.7% - 14.8%	5.8% - 8.7%
Default rate	2.3% - 15.6%	2.9% - 22.6%

	Range	
	June 30, 2025	December 31, 2024
Servicing Assets		
Discount rate	15.0% - 25.0%	15.0% - 25.0%
Default rate	2.0% - 16.2%	2.9% - 22.6%
Prepayment rate	5.1% - 42.3%	13.6% - 28.1%
Market servicing rate ^{(1) (2)}	0.633% - 0.842%	0.633% - 0.842%

⁽¹⁾ Servicing assets associated with loans enrolled in a relief program offered by the Company as of June 30, 2025 and December 31, 2024 were measured using a market servicing rate assumption of 84.2 basis points. This rate was estimated using a multiplier consistent with observable market rates for other loan types, applied to the base market servicing rate assumption.

⁽²⁾ Excludes collection fees that would be passed on to a hypothetical third-party servicer. As of June 30, 2025 and December 31, 2024, the market rate for collection fees and non-sufficient fund fees was assumed to be 9 basis points and 7 basis points, respectively, for a total market servicing rate range of 72.3 - 93.2 basis points and a total market servicing rate of 70.3 - 91.2 basis points, respectively.

	Range	
	June 30, 2025	December 31, 2024
Loan Trailing Fee Liability		
Discount rate	15.0% - 25.0%	15.0% - 25.0%
Default rate	2.0% - 16.2%	2.9% - 22.6%
Prepayment rate	5.1% - 42.3%	13.6% - 28.1%

Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis

The following tables present additional information about Level 3 Borrower Loans, Loans Held for Sale and Notes measured at fair value on a recurring basis (in thousands):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Assets		Liabilities	
	Borrower Loans	Loans Held for Sale	Notes	Total
Balance at January 1, 2025	\$ 285,578	\$ —	\$ (283,030)	\$ 2,548
Originations	85,833	1,194,264	(84,582)	1,195,515
Principal repayments	(94,393)	—	94,781	388
Borrower Loans sold to third parties	(1,277)	(1,194,264)	—	(1,195,541)
Other changes	(357)	—	338	(19)
Change in fair value	(8,706)	—	8,492	(214)
Balance at June 30, 2025	<u>\$ 266,678</u>	<u>\$ —</u>	<u>\$ (264,001)</u>	<u>\$ 2,677</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	Total
	Borrower Loans	Loans Held for Sale	Notes	
Balance at January 1, 2024	\$ 324,311	\$ —	\$ (321,966)	\$ 2,345
Originations	96,114	959,163	(96,008)	959,269
Borrower Loans contributed by Parent, at Fair Value	1,634	—	—	1,634
Principal repayments	(96,822)	—	98,771	1,949
Borrower Loans sold to third parties	(2,961)	(959,163)	—	(962,124)
Other changes	(500)	—	349	(151)
Change in fair value	(14,104)	—	13,566	(538)
Balance at June 30, 2024	<u>\$ 307,672</u>	<u>\$ —</u>	<u>\$ (305,288)</u>	<u>\$ 2,384</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	Total
	Borrower Loans	Loans Held for Sale	Notes	
Balance at April 1, 2025	\$ 275,362	\$ —	\$ (272,500)	2,862
Originations	42,895	661,430	(42,443)	661,882
Principal repayments	(47,226)	—	46,917	(309)
Borrower Loans sold to third parties	(601)	(661,430)	—	(662,031)
Other changes	(217)	—	58	(159)
Change in fair value	(3,535)	—	3,967	432
Balance at June 30, 2025	<u>\$ 266,678</u>	<u>\$ —</u>	<u>\$ (264,001)</u>	<u>\$ 2,677</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Assets		Liabilities	Total
	Borrower Loans	Loans Held for Sale	Notes	
Balance at April 1, 2024	\$ 322,441	\$ —	\$ (316,579)	5,863
Originations	44,260	471,333	(46,419)	469,174
Principal repayments	(48,698)	—	48,965	267
Borrower Loans sold to third parties	(1,471)	(471,333)	—	(472,804)
Other changes	(314)	—	51	(263)
Change in fair value	(8,546)	—	8,694	148
Balance at June 30, 2024	<u>\$ 307,672</u>	<u>\$ —</u>	<u>\$ (305,288)</u>	<u>\$ 2,384</u>

The following tables present additional information about Level 3 Servicing Assets recorded at fair value (in thousands):

	Servicing Assets
Balance as of January 1, 2025	14,333
Additions	6,186
Less: Changes in fair value	(5,739)
Balance as of June 30, 2025	<u>\$ 14,780</u>

	Servicing Assets
Balance as of January 1, 2024	\$ 13,818
Additions	5,112
Less: Changes in fair value	(5,052)
Balance as of June 30, 2024	<u>\$ 13,878</u>

	Servicing Assets
Balance as of April 1, 2025	\$ 13,911
Additions	3,418
Less: Changes in fair value	(2,549)
Balance as of June 30, 2025	<u>14,780</u>

	Servicing Assets
Balance as of April 1, 2024	\$ 13,785
Additions	2,609
Less: Changes in fair value	(2,516)
Balance as of June 30, 2024	<u>\$ 13,878</u>

Loan Trailing Fee Liability

The fair value of the Loan Trailing Fee Liability (included in Other Liabilities on the accompanying condensed consolidated balance sheets) represents the present value of the expected monthly Loan Trailing Fee payments, which takes into consideration certain assumptions related to expected prepayment rates and default rates using a discounted cash flow model. The assumptions used are the same as those used for the valuation of Servicing Assets, as described below.

The following tables present additional information about Level 3 Loan Trailing Fee Liability measured at fair value on a recurring basis (in thousands):

	Loan Trailing Fee Liability
Balance as of January 1, 2025	\$ 3,004
Issuances	1,172
Cash payment of Loan Trailing Fee	(1,293)
Change in fair value	246
Balance as of June 30, 2025	\$ 3,129

	Loan Trailing Fee Liability
Balance as of January 1, 2024	\$ 2,942
Issuances	878
Cash payment of Loan Trailing Fee	(1,304)
Change in fair value	373
Balance as of June 30, 2024	\$ 2,889

	Loan Trailing Fee Liability
Balance as of April 1, 2025	\$ 2,933
Issuances	650
Cash payment of Loan Trailing Fee	(641)
Change in fair value	187
Balance as of June 30, 2025	\$ 3,129

	Loan Trailing Fee Liability
Balance as of April 1, 2024	\$ 2,938
Issuances	390
Cash payment of Loan Trailing Fee	(644)
Change in fair value	205
Balance as of June 30, 2024	\$ 2,889

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

Key economic assumptions are used to compute the fair value of Borrower Loans. The sensitivity of the fair value to immediate changes in assumptions at June 30, 2025 and December 31, 2024 for Borrower Loans are presented in the following table (in thousands, except percentages).

Borrower Loans:	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 266,678	\$ 285,578
Weighted-average discount rate	8.93 %	7.70 %
Weighted-average default rate	11.67 %	13.35 %
Fair value resulting from:		
100 basis point increase in discount rate	\$ 264,332	\$ 282,980
200 basis point increase in discount rate	262,039	280,443
Fair value resulting from:		
100 basis point decrease in discount rate	\$ 269,082	\$ 288,240
200 basis point decrease in discount rate	271,543	290,969
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 264,373	\$ 282,239
Applying a 1.2 multiplier to default rate	262,066	278,916
Fair value resulting from:		
Applying a 0.9 multiplier to default rate	\$ 268,984	\$ 288,934
Applying a 0.8 multiplier to default rate	271,287	292,306

Key economic assumptions are used to compute the fair value of Notes. The sensitivity of the fair value to immediate changes in assumptions at June 30, 2025 and December 31, 2024 for Notes funded through the Note Channel are presented in the following table (in thousands, except percentages).

Notes	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 264,001	\$ 283,030
Weighted-average discount rate	8.92 %	7.70 %
Weighted-average default rate	11.55 %	13.25 %
Fair value resulting from:		
100 basis point increase in discount rate	\$ 261,673	\$ 280,451
200 basis point increase in discount rate	259,400	277,934
Fair value resulting from:		
100 basis point decrease in discount rate	\$ 266,380	\$ 285,669
200 basis point decrease in discount rate	268,824	288,381
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 261,717	\$ 279,718
Applying a 1.2 multiplier to default rate	259,433	276,422
Fair value resulting from:		
Applying a 0.9 multiplier to default rate	\$ 266,282	\$ 286,358
Applying a 0.8 multiplier to default rate	268,563	289,702

Key economic assumptions are used to compute the fair value of Servicing Assets. The sensitivity of the current fair value to immediate changes in assumptions at June 30, 2025 and December 31, 2024 for Servicing Assets are presented in the following table (in thousands, except percentages).

Servicing Assets	June 30, 2025	December 31, 2024
Fair value, using the following assumptions:	\$ 14,780	\$ 14,333
Weighted-average market servicing rate	0.636 %	0.635 %
Weighted-average prepayment rate	21.95 %	18.83 %
Weighted-average default rate	12.01 %	13.89 %
Fair value resulting from:		
Market servicing rate increase of 0.025%	\$ 13,836	\$ 13,419
Market servicing rate decrease of 0.025%	15,725	15,247
Fair value resulting from:		
Applying a 1.1 multiplier to prepayment rate	\$ 14,510	\$ 14,016
Applying a 0.9 multiplier to prepayment rate	15,050	14,655
Fair value resulting from:		
Applying a 1.1 multiplier to default rate	\$ 14,398	\$ 14,052
Applying a 0.9 multiplier to default rate	15,170	14,616

These sensitivities are hypothetical and should be evaluated with care. The effect on fair value of a variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

8. Commitments and Contingencies

In the normal course of its operations, PFL becomes involved in various legal actions. PFL maintains provisions it considers to be adequate for such actions. The Company does not believe it is probable that the ultimate liability, if any, arising out of any such matters will have a material effect on financial condition, results of operations or cash flows.

Operating Commitments

PMI, along with PFL, and WebBank has entered into: (i) an Asset Sale Agreement, dated July 1, 2016, between PFL and WebBank, as most recently amended by a Seventh Amendment dated February 28, 2024 (as amended, the “Sale Agreement”); (ii) the Marketing Agreement, dated July 1, 2016, between PMI and WebBank, as most recently amended by a Seventh Amendment dated February 28, 2024 (as amended, the “Marketing Agreement”); and (iii) the Stand By Purchase Agreement, dated July 1, 2016, between PMI and WebBank, as most recently amended by a Fourth Amendment dated February 28, 2024 (as amended, the “Purchase Agreement” and, collectively with the Sale Agreement and the Marketing Agreement, the “Origination and Sale Agreements”). Under the Origination and Sale Agreements, all Borrower Loans originated through the marketplace are made by WebBank under its bank charter.

The Origination and Sale Agreements contain terms through February 1, 2027. Prosper is required, under the Origination and Sale Agreements, to maintain certain collateral requirements. In addition, pursuant to the Marketing Agreement, the marketing fee that Prosper receives in connection with the origination of each loan is partially reduced by an amount (the “Designated Amount”) calculated as a percentage of the principal amount of such loan based on the aggregate principal amount of loans originated for the applicable month. To the extent the aggregate Designated Amount for all loans originated during any month is less than \$100,000 through February 1, 2027, Prosper is required to pay WebBank an amount equal to such deficiency. Accordingly, the minimum fee is \$0.6 million for the remaining six months of 2025, \$1.2 million in 2026 and \$0.1 million in 2027.

Additionally, under the Origination and Sale Agreements, Prosper is required to maintain a minimum net liquidity of \$15.0 million at all times during the term of the agreement. Net liquidity is defined as the sum of Cash, Cash Equivalents and

Available for Sale Investments. Violation of this covenant can result in termination of the contract with WebBank. As of June 30, 2025, the Company was in compliance with the covenant.

Transaction Fee Refund Liability

Prosper assumes WebBank's liability under Utah law to refund the pro-rated amount of any transaction fees collected in excess of 5%, in the event the underlying borrower prepays the loan in full before maturity. For the three months ended June 30, 2025 and 2024 the Company issued \$3.8 million and \$0.8 million, respectively, in refunds under this obligation. For the six months ended June 30, 2025 and 2024 the Company issued \$6.6 million and \$1.1 million, respectively, in refunds under this obligation. As of June 30, 2025 and December 31, 2024, the Company accrued \$13.4 million and \$9.2 million, respectively, related to anticipated future refunds under this obligation.

Loan Purchase Commitments

Under the terms of PFL's agreement with WebBank, PFL is committed to purchase \$16.5 million of Borrower Loans that WebBank originated during the last two business days of the quarter ended June 30, 2025. PFL will purchase these Borrower Loans within the first three business days of the quarter ending September 30, 2025.

Repurchase Obligation

Under the terms of the loan purchase agreements between PFL and investors that participate in the Whole Loan Channel, PFL may, in certain circumstances, become obligated to repurchase a Borrower Loan from an investor. Generally, these circumstances include the occurrence of verifiable identity theft, the failure to properly follow personal loan listing or bidding protocols, or a violation of the applicable federal, state, or local lending laws. The fair value of the indemnification and repurchase obligation is estimated based on historical experience. PFL recognizes a liability for the repurchase and indemnification obligation when the Borrower Loans are issued. Indemnified or repurchased Borrower Loans associated with violations of federal, state, or local lending laws or verifiable identity theft are written off at the time of repurchase or at the time an indemnification payment is made. The maximum potential amount of future payments associated under this repurchase obligation is the outstanding balances of the Borrower Loans issued through the Whole Loan Channel, which as of June 30, 2025 is \$3.6 billion. PFL has accrued \$0.2 million and \$0.3 million as of June 30, 2025 and December 31, 2024, respectively, in regard to this obligation.

Under the terms of the indenture and investor registration agreement, Prosper may, in certain circumstances, become obligated to either repurchase a Note or indemnify the investor for any losses resulting from nonpayment of a Note purchased in the Retail Channel. The decision to repurchase or indemnify is in Prosper's sole discretion. These circumstances include, but are not limited to, the occurrence of verifiable identity theft, a technical error in the automated bidding tools which results in the purchase of a Note that does not match the investor's investment criteria, or situations in which a personal loan listing includes a Prosper Rating that is different from the Prosper Rating that should have appeared in the listing for the corresponding Borrower Loan because either PFL inaccurately input data into, or inaccurately applied, the formula for determining the Prosper Rating and, as a result, the interest of the investor is materially and adversely affected. During the six months ended June 30, 2025 the Company repurchased less than \$0.1 million of Notes under these circumstances, and has agreed to indemnify additional Notes with an unpaid principal balance of \$0.3 million as of June 30, 2025.

Regulatory Contingencies

PFL accrues for contingencies when a loss from such contingencies is probable and the amount of loss can be reasonably estimated. In determining whether a loss is probable and if it is possible to quantify the amount of the estimated loss, PFL reviews and evaluates its litigation and regulatory matters on at least a quarterly basis in light of potentially relevant factual and legal developments. If PFL determines that an unfavorable outcome is not probable or that the amount of a loss cannot be reasonably estimated, PFL does not accrue for a potential litigation loss. If an unfavorable outcome is probable and PFL can estimate a range of outcomes, PFL records the amount management considers to be the best estimate within the range of potential losses that are both probable and estimable; however, if management cannot quantify the amount of the estimated loss, then PFL records the low end of the range of those potential losses.

West Virginia Matter

In February 2020, Prosper received a proposed Assurance of Discontinuance (an “AOD”) from the Attorney General of the State of West Virginia (the “WV Attorney General”) requesting that, without in any way admitting that any of its prior practices were in violation of the West Virginia Consumer Credit and Protection Act (the “Consumer Act”), Prosper agree to certain terms and conditions regarding its past and potential future conduct of its business with respect to customers in West Virginia, including a release by the WV Attorney General of any claims it may have related to the matters identified in the AOD.

We cannot predict the outcome of the matter and any potential fines or penalties, if any, that may arise from the matter. Further, we are unable to estimate a range of outcomes and as a result no accrual has been made.

No loans have been originated through the Prosper platform to West Virginians since June 2016 and the final loan originated through the Prosper platform to a borrower in West Virginia was repaid in October 2021.

9. Related Parties

Since inception, PFL has engaged in various transactions with its directors, executive officers, PMI, and immediate family members and other affiliates of its directors, executive officers, and PMI. PFL believes that all of the transactions described below were made on terms no less favorable to PFL than could have been obtained from unaffiliated third parties.

PFL’s executive officers and directors who are not executive officers participate in its marketplace by placing bids and purchasing Notes. The aggregate amount of the Notes purchased and the income earned by parties deemed to be related parties of PFL for the three and six months ended June 30, 2025 and 2024 are summarized below (in thousands):

Related Party	Aggregate Amount of Notes Purchased		Interest Earned on Notes	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2025	2024	2025	2024
Executive officers and management	\$ 1	\$ 8	\$ 2	\$ 2
Directors (excluding executive officers and management)	—	—	—	—
Total	\$ 1	\$ 8	\$ 2	\$ 2

Related Party	Aggregate Amount of Notes Purchased		Interest Earned on Notes	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Executive officers and management	\$ 3	\$ 15	\$ 4	\$ 4
Directors (excluding executive officers and management)	—	—	—	—
Total	\$ 3	\$ 15	\$ 4	\$ 4

The balance of Notes held by officers and directors who are not executive officers are as follows (in thousands):

Related Party	Notes Balance as of	
	June 30, 2025	December 31, 2024
Executive officers and management	\$ 37	\$ 48
Directors (excluding executive officers and management)	—	—
Total	\$ 37	\$ 48

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks, and assumptions associated with these statements. This discussion should be read in conjunction with Prosper's historical condensed consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and Prosper's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included in the "Risk Factors" sections and elsewhere in this Quarterly Report on Form 10-Q and Prosper's Annual Report on Form 10-K for the year ended December 31, 2024.

PROSPER MARKETPLACE, INC.

Overview

Our vision is to transform lives by providing affordable financial solutions through the simplest and most trusted platform. We currently offer access to three lending products, each of which supports our vision: (i) unsecured Personal Loans through a personal loan marketplace which connects eligible consumer borrowers with individual and institutional investors, (ii) a Credit Card product available to eligible borrowers, and (iii) Home Equity products available to eligible homeowners.

We believe our personal loan business model has key advantages relative to traditional banks, including (i) an innovative marketplace model that efficiently connects qualified supply and demand of capital, (ii) online operations that substantially reduce the need for physical infrastructure and improve convenience, and (iii) use of advanced technology and artificial intelligence to deliver simple, fast, personalized, and transparent solutions that can improve consumers' financial health as they move across the credit spectrum. We do not operate physical branches or incur expenses related to infrastructure like traditional banks or consumer finance institutions. As part of operating our marketplace, we verify the identity of borrowers and assess borrowers' credit risk profile using a combination of public and proprietary data. Our proprietary technology automates several loan origination and servicing functions, including the borrower application process, data gathering, underwriting, credit scoring, loan funding, investing and servicing, regulatory compliance and fraud detection.

For the year ended December 31, 2024, our marketplace facilitated \$2.2 billion in Borrower Loan originations, of which \$2.1 billion were funded through our Whole Loan Channel, representing 92% of the total Borrower Loans originated through our marketplace during this period. From inception through June 30, 2025, our marketplace has facilitated \$29.1 billion in Borrower Loan originations, of which \$26.2 billion were funded through our Whole Loan Channel, representing 90% of the total Borrower Loans originated through our marketplace during this period. For the three months ended June 30, 2025, our marketplace facilitated \$703.4 million in Borrower Loan originations, an increase of 37% from the same period in 2024. The percentage of loans funded through the Whole Loan Channel for the three months ended June 30, 2025 was 94%.

As a company that operates a credit marketplace, and offers Credit Card and Home Equity products, we believe our customers are highly susceptible to uncertainties and negative trends, real or perceived, in the markets driven by, among other factors, general economic conditions in the United States and abroad. These external economic conditions and resulting trends or uncertainties could adversely impact our customers' ability or desire to participate on our marketplace as borrowers or investors and, consequently, could negatively affect our business and results of operations.

Key Operating and Financial Metrics (in thousands)

The following table displays our key operating and financial metrics for the three and six months ended June 30, 2025 and 2024.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Personal Loan Originations	\$ 703,416	\$ 512,153	\$ 1,274,952	\$ 1,048,982
Transaction Fees, Net	61,252	40,865	113,330	83,836
Personal Loan Serviced Portfolio ⁽¹⁾	3,907,915	3,734,955	3,907,915	3,734,955
Whole Loans Outstanding ⁽¹⁾	3,632,920	3,416,316	3,632,920	3,416,316
Prosper Credit Card Portfolio ⁽¹⁾⁽²⁾	374,120	351,120	374,120	351,120
Servicing Fees, Net	7,385	4,297	14,742	10,579
Total Net Revenues	51,650	30,180	94,314	73,673
Net (Loss) Income	(57,727)	(465)	(7,352)	21,830
Adjusted Net Revenue ⁽³⁾	52,719	30,583	94,657	76,876
Adjusted EBITDA ⁽³⁾	8,338	(4,802)	6,471	(1,768)

⁽¹⁾ Unpaid principal balance as of June 30

⁽²⁾ Total of Prosper Allocations, Coastal Allocations and securitized PMCC 2024-1 Credit Card receivables

⁽³⁾ Adjusted Net Revenue and Adjusted EBITDA are non-GAAP financial measures. For more information regarding these measures and the reconciliation to Total Net Revenue and Net Income (Loss), respectively, the most comparable US GAAP measures, see "Non-GAAP Financial Measures."

Personal Loan Originations

From inception of the Company through June 30, 2025, a total of 2,285,025 Borrower Loans, totaling \$29.1 billion were originated through our marketplace.

For the three months ended June 30, 2025, 42,949 Borrower Loans totaling \$703.4 million were originated through our marketplace, compared to 35,200 Borrower Loans totaling \$512.2 million during the three months ended June 30, 2024. This represents a unit increase of 22% and a dollar increase of 37%. The originations increase for the quarter ended June 30, 2025 versus the quarter ended June 30, 2024 is primarily due to increased third-party investor demand, an updated underwriting model and lower interest rates in the second quarter of 2025.

Personal loan origination volume by Prosper Rating was as follows for the periods presented (in millions, except percentages):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
AA	\$ 99.9	14 %	\$ 61.2	12 %	\$ 183.6	14 %	\$ 105.0	10 %
A	125.5	18 %	76.2	15 %	230.1	18 %	160.7	15 %
B	147.4	21 %	101.6	20 %	266.2	21 %	224.4	22 %
C	68.2	9 %	50.2	10 %	112.5	9 %	105.9	10 %
D	69.3	10 %	52.5	10 %	112.6	9 %	110.2	11 %
E	91.1	13 %	72.0	14 %	164.6	13 %	158.5	15 %
HR	—	— %	4.5	1 %	—	— %	13.1	1 %
Other ⁽¹⁾	102.0	15 %	94.0	18 %	205.4	16 %	171.2	16 %
Total	<u>\$ 703.4</u>		<u>\$ 512.2</u>		<u>\$ 1,275.0</u>		<u>\$ 1,049.0</u>	

⁽¹⁾ Represents personal loans funded through the Prosper platform via the Whole Loan Channel but not assigned Prosper Ratings.

For the three and six months ended June 30, 2025, compared to the corresponding periods in 2024, Personal Loan originations on the Prosper platform reflect increased originations across all loan ratings except for loans rated HR, as well as personal loans not assigned Prosper ratings. These loans not assigned Prosper ratings are sold only to institutional investors based on specific underwriting criteria and custom risk models developed by those investors. Beginning in the third quarter of 2024, the Prosper platform ceased originations for loans rated HR given limited investor demand for this rating.

Personal Loan Serviced Portfolio and Whole Loans Outstanding

Our Personal Loan serviced portfolio consists of all Borrower Loans that we service both through the Note and Whole Loan Channels. Borrower Loans funded through the Whole Loan Channels include loans that we hold in consolidated trusts, as well as those sold to third parties. Our Personal Loan serviced portfolio increased \$173.0 million, or 5%, from June 30, 2024 to June 30, 2025. This increase is primarily due to increased originations for the three and six months ended June 30, 2025, as compared to the corresponding periods in the prior year.

The outstanding balance of Borrower Loans sold through our Whole Loan Channel serves as a primary driver of our Servicing Assets. Whole loans outstanding increased \$216.6 million, or 6%, from June 30, 2024 to June 30, 2025, due primarily to the year-over-year increase in originations discussed above.

Prosper Credit Card Portfolio

The Credit Card portfolio consists of the outstanding principal of all Prosper-branded Credit Cards originated through our partnership with Coastal Community Bank (“Coastal”). From June 30, 2024 to June 30, 2025, the principal balance of the Credit Card portfolio increased \$23.0 million, or 7%, due to increases in the number of active Credit Cards and cardholder spend during this time.

In November 2024, we completed our first securitization of Credit Card receivables from the Prosper Credit Card portfolio, which is more fully described in Note 7, *Securitizations*, of the accompanying condensed consolidated financial statements.

Net Income (Loss)

See the section titled “Results of Operations” below, for the discussion on significant changes in Net Income (Loss) year-over-year.

Results of Operations

Overview

The following table summarizes our net income (loss) for the three and six months ended June 30, 2025 and 2024 (in thousands, except percentage):

	Three Months Ended June 30,		Change	% Change
	2025	2024		
Total Net Revenues	\$ 51,650	\$ 30,180	\$ 21,470	71 %
Total Expenses	109,349	30,619	78,730	257 %
Net Loss Before Taxes	(57,699)	(439)	(57,260)	n/m
Income Tax Expense	(28)	(26)	(2)	8 %
Net Loss	<u>\$ (57,727)</u>	<u>\$ (465)</u>	<u>\$ (57,262)</u>	<u>n/m</u>

n/m: not meaningful

	Six Months Ended June 30,		Change	% Change
	2025	2024		
Total Net Revenues	\$ 94,314	\$ 73,673	\$ 20,641	28 %
Total Expenses	101,610	51,791	49,819	96 %
Net (Loss) Income Before Taxes	(7,296)	21,882	(29,178)	(133)%
Income Tax Expense	(56)	(52)	(4)	8 %
Net (Loss) Income	<u>\$ (7,352)</u>	<u>\$ 21,830</u>	<u>\$ (29,182)</u>	<u>(134)%</u>

Total Net Revenues for the three months ended June 30, 2025 increased \$21.5 million as compared to the same period in 2024. The increase was largely attributable to a \$20.4 million increase in Transaction Fees, Net, primarily as a result of higher personal loan origination volume during this time, as discussed above, as well as a revised WebBank transaction fee starting in June 2024. Additionally, Servicing Fees, Net and Other Revenues increased a combined \$4.2 million, due primarily to increased collection fees, Credit Card servicing income and credit referral fees. Change in Fair Value of Financial Instruments contributed a \$2.1 million increase to Total Net Revenues, primarily as a result of reduced fair value losses on our Credit Card Derivative, reflective of decreased delinquencies and estimated loss rates, combined with a reduced growth rate of the underlying non-securitized Credit Card portfolio. There was also a \$2.0 million increase in Total Interest Income (Expense), Net, due largely to the net interest income generated from the PMCC 2024-1 Credit Card securitization that closed in November 2024. These increases were partially offset by a \$7.2 million increase in Loss on Sale of Borrower Loans, primarily as a result of additional incentives provided to whole loan investors ("incentives") year-over-year.

Total Expenses for the three months ended June 30, 2025 increased \$78.7 million as compared to the same period in 2024, primarily due to the Change in Fair Value of Convertible Preferred Stock Warrants, which is in turn driven by changes in the fair value of the underlying Convertible Preferred Stock. Specifically, the loss for the three months ended June 30, 2025 totaled \$59.4 million, which compares to a gain of \$10.7 million for the corresponding period in 2024, a change of \$70.0 million. Additionally, there was a combined \$8.9 million increase in Origination and Servicing, Sales and Marketing and General and Administrative expenses, as costs increased in response to higher personal loan originations. Accordingly, the net loss for the three months ended June 30, 2025 increased \$57.3 million when compared to the net loss for the three months ended June 30, 2024.

Total Net Revenues for the six months ended June 30, 2025 increased \$20.6 million as compared to the same period in 2024. The increase was largely attributable to a \$29.5 million increase in Transaction Fees, Net, primarily as a result of higher personal loan origination volume during this time, as discussed above, as well as a revised WebBank transaction fee starting in June 2024. Additionally, Servicing Fees, Net and Other Revenues increased a combined \$6.1 million, due primarily to increased collection fees, Credit Card servicing income and credit referral fees. There was also a \$5.7 million increase in Total Interest Income (Expense), Net, due largely to the net interest income generated from the PMCC 2024-1 Credit Card securitization that closed in November 2024. These increases were partially offset by a \$10.4 million decrease in Total Net Revenues from Change in Fair Value of Financial Instruments, primarily as a result of fair value losses on the Credit Card Derivative and Receivable from Credit Card Partner due to increased charge-offs and an overall decrease in the underlying Credit Card portfolio for the first half of 2025. Finally, there was a \$10.3 million increase in Loss on Sale of Borrower Loans, primarily as a result of additional incentives provided to whole loan investors.

Total Expenses for the six months ended June 30, 2025 increased \$49.8 million as compared to the same period in 2024, primarily due to the Change in Fair Value of Convertible Preferred Stock Warrants, which is in turn driven by changes in the fair value of the underlying Convertible Preferred Stock. Specifically, the loss for the six months ended June 30, 2025 totaled \$2.1 million, which compares to a gain of \$38.4 million for the corresponding period in 2024, a change of \$40.5 million. This was partially offset by a combined \$9.5 million increase in Origination and Servicing, Sales and Marketing and General and Administrative expenses, as costs increased in response to higher personal loan originations. Accordingly, the net loss for the six months ended June 30, 2025 increased \$29.2 million when compared to the net income for the six months ended June 30, 2024.

Revenues

The following table summarizes our revenues for the six months ended June 30, 2025 and 2024 (in thousands, except percentages):

	Three Months Ended June 30,			
	2025	2024	\$ Change	% Change
Operating Revenues:				
Transaction Fees, Net	\$ 61,252	\$ 40,865	\$ 20,387	50 %
Servicing Fees, Net	7,385	4,297	3,088	72 %
Loss on Sale of Borrower Loans	(15,671)	(8,436)	(7,235)	(86)%
Other Revenues	2,807	1,690	1,117	66 %
Total Operating Revenues	55,773	38,416	17,357	45 %
Interest Income (Expense):				
Interest Income on Financial Instruments	21,066	22,106	(1,040)	(5)%
Interest Expense on Financial Instruments	(15,432)	(18,436)	3,004	16 %
Total Interest Income (Expense), Net	5,634	3,670	1,964	54 %
Change in Fair Value of Financial Instruments	(9,757)	(11,906)	2,149	18 %
Total Net Revenues	\$ 51,650	\$ 30,180	\$ 21,470	71 %

	Six Months Ended June 30,			
	2025	2024	\$ Change	% Change
Operating Revenues:				
Transaction Fees, Net	\$ 113,330	\$ 83,836	\$ 29,494	35 %
Servicing Fees, Net	14,742	10,579	4,163	39 %
Loss on Sale of Borrower Loans	(29,247)	(18,940)	(10,307)	(54)%
Other Revenues	4,996	3,056	1,940	63 %
Total Operating Revenues	103,821	78,531	25,290	32 %
Interest Income (Expense):				
Interest Income on Financial Instruments	44,367	46,342	(1,975)	(4)%
Interest Expense on Financial Instruments	(31,761)	(39,461)	7,700	20 %
Total Interest Income (Expense), Net	12,606	6,881	5,725	83 %
Change in Fair Value of Financial Instruments	(22,113)	(11,739)	(10,374)	(88)%
Total Net Revenues	\$ 94,314	\$ 73,673	\$ 20,641	28 %

Transaction Fees, Net

We earn a transaction fee upon the successful origination of all Borrower Loans facilitated through our marketplace. Specifically, we receive payments from WebBank as compensation for the activities we perform on behalf of WebBank. Our fee is determined by the term and credit grade of the Borrower Loans that we facilitate on our marketplace and WebBank originates. We record the transaction fee revenue net of any fees we pay to WebBank.

We also earn various program fees from our Credit Card product, such as interchange fees, annual fees and late fees, and broker fees from our Home Equity products, all of which are recorded within Transaction Fees, Net.

Transaction Fees, Net increased \$20.4 million, or 50%, and \$29.5 million, or 35%, for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024. These increases are primarily due to the increased personal loan originations discussed above, as well as revisions to the WebBank transaction fee schedule starting in June 2024. Under the revised WebBank transaction fee schedule, transaction fees now range from 1.0% to 9.99%, depending on the term and credit grade of the Borrower Loan, as compared to 1.0% to 7.99% under the previous schedule. Transaction fees above 5.0% are refundable on a pro-rated basis upon the full prepayment of the related Borrower Loan prior to maturity under Utah law, where WebBank is domiciled, and thus the impact of these increased transaction fees is reduced by expected refunds.

In addition, we recognized approximately \$5.7 million and \$11.5 million in program fees under our Credit Card product for the three and six months ended June 30, 2025, respectively, both of which represented a \$0.2 million increase from the corresponding period in 2024.

Servicing Fees, Net

Investors who purchase Borrower Loans through the Whole Loan Channel typically pay us a servicing fee which is generally set at 1.0% per annum of the outstanding principal balance of the Borrower Loan prior to applying the current payment, plus an additional 0.075% per annum to cover the Loan Trailing Fee. The Servicing Fee compensates us for the costs incurred in servicing the Borrower Loan, including managing payments from borrowers, payments to investors and maintaining investors' account portfolios. We record Servicing Fees from investors as a component of operating revenues when received. We also include any collection fees received, net of collection agency expenses, in Servicing Fees, Net.

In addition, we are contractually obligated to service the entire portfolio under our Credit Card product. Our banking partner, Coastal, pays us a servicing fee of 1.0% per annum of the daily outstanding principal balance of all cards designated as Coastal allocations. These allocations represented approximately 10% of the portfolio through March 31, 2024, but were reduced to 5% starting April 1, 2024 as a result of an amendment to the Program Agreement executed in March 2024. To the extent these contractual fees are less than the market servicing rate that would be required by a market participant to service the portfolio, a servicing obligation is recorded. Changes to the net Credit Card servicing obligation are included in Servicing Fees, Net. We do not recognize a servicing asset or obligation related to any Credit Card receivables that are effectively consolidated on our balance sheet through the PMCC 2024-1 securitization transaction discussed in Note 7 of the accompanying condensed consolidated financial statements.

The increase of \$3.1 million, or 72%, in Servicing Fees for the three months ended June 30, 2025, as compared to the corresponding period in 2024, is primarily due to a \$1.4 million increase in net collections and debt sale fees, as we continue to enhance our Personal Loan and Credit Card collections and recovery efforts, which includes entering into more settlement agreements with borrowers and cardholders. There was also a \$1.3 million increase from changes in the fair value of the net Credit Card servicing obligation. For the three months ended June 30, 2025, the outstanding balance of non-securitized Credit Card receivables decreased, resulting in a reduction in the related Credit Card servicing obligation and a positive impact to Servicing Fees. Since the PMCC 2024-1 securitization transaction did not close until November 2024, for the same period in 2024, the non-securitized Credit Card portfolio increased, and thus there was a negative impact to Servicing Fees from changes in the fair value of the Credit Card servicing obligation. Finally, there was a \$0.3 million increase in Personal Loan servicing revenue from servicing fees collected, net of amortization of the Servicing Asset, reflective of the growth in the underlying servicing book discussed above.

The increase of \$4.2 million, or 39%, in Servicing Fees for the six months ended June 30, 2025, as compared to the corresponding period in 2024, is primarily due to a \$3.4 million increase in net collections and debt sale fees, due largely to the enhanced Personal Loan and Credit Card collections and recovery efforts discussed above. In addition, there was a \$0.8 million increase from changes in the fair value of the net Credit Card servicing obligation as a result of the decrease in the outstanding balance of non-securitized Credit Card receivables for the six months ended June 30, 2025. This compares to the same period in 2024, when the non-securitized Credit Card portfolio increased.

Loss on Sale of Borrower Loans

Loss on Sale of Borrower Loans consists of incentives provided at the time Borrower Loans are sold through the Whole Loan Channel, net of any gains recognized on those sales, primarily related to the recognition of additional Servicing Assets. Since 2022, due to market volatility and incentives offered by competitors, we started providing additional incentives to our investors. For the three and six months ended June 30, 2025, these incentives increased \$8.2 million and \$11.6 million, respectively, from the corresponding periods in the prior year. Excluding the impact of these incentives, the remaining changes in Loss on Sale of Borrower Loans for the three and six months ended June 30, 2025 as compared to the same periods in 2024, were an increased gain of \$1.0 million and \$1.3 million, respectively, primarily due to the recognition of additional Servicing Assets upon the sale of Borrower Loans through the Whole Loan Channel.

Other Revenues

Other Revenues consists primarily of credit referral fees. Credit referral fees are earned from partner companies for the referral of customers on our platform, and accounted for the majority of the increases of \$1.1 million and \$1.9 million, respectively, in Other Revenues for the three and six months ended June 30, 2025, as compared to the corresponding periods in 2024.

Interest Income on Borrower Loans and Loans Held for Sale and Interest Expense on Financial Instruments

We recognize Interest Income on Borrower Loans, Loans Held for Sale and Receivable from Credit Card Partner (consisting of the underlying securitized Credit Card receivables) using the accrual method based on the stated interest rate to the extent we believe it to be collectible. We record interest expense on the corresponding fractional Notes, at Fair Value, Notes Issued by Securitization Trusts and Warehouse Lines based on the contractual interest rates. The interest rate on fractional Notes, at Fair Value is generally 1% lower than the interest rate on the corresponding Borrower Loans to compensate us for servicing the underlying Borrower Loans.

The increase of \$2.0 million, or 54%, in Total Interest Income (Expense), Net for the three months ended June 30, 2025, as compared to the corresponding period in 2024, is primarily due to a \$4.2 million increase in Total Interest Income (Expenses), Net generated from the Receivable from Credit Card Partner, less interest expense and setup cost amortization incurred on the related Notes Issued by Securitization Trust, following the PMCC 2024-1 securitization in November 2024. This increase was partially offset by a combined \$2.0 million decrease in Total Interest Income (Expense), Net generated from securitized Borrower Loans, net of interest expense and setup cost amortization incurred on the Notes Issued by Securitization Trust during this period. This decrease is reflective of the reduced average outstanding balance of loans held in these consolidated trusts year-over-year, as well as the related decrease in the associated financing liabilities due to principal repayments.

The increase of \$5.7 million, or 83%, in Total Interest Income (Expense), Net for the six months ended June 30, 2025, as compared to the corresponding period in 2024, is primarily due to a \$9.2 million increase in Total Interest Income (Expenses), Net generated from the underlying credit card receivables included within Receivable from Credit Card Partner, less interest expense and setup cost amortization incurred on the related Notes Issued by Securitization Trust, following the PMCC 2024-1 securitization in November 2024. This increase was partially offset by a combined \$3.1 million decrease in Total

Interest Income (Expense), Net generated from (i) Loans Held for Sale, net of interest expense and setup cost amortization on the Warehouse Lines, and (ii) securitized Borrower Loans, net of interest expense and setup cost amortization incurred on the Notes Issued by Securitization Trust during this period. This decrease is reflective of the reduced average outstanding balance of loans held in these consolidated trusts year-over-year, as well as the related decrease in the associated financing liabilities due to principal repayments. In addition, Total Interest Income (Expense), Net from collections bank accounts, servicing revenue related to fractional Notes, and Borrower Loans we hold for investment decreased a combined \$0.4 million from the prior year.

Change in Fair Value of Financial Instruments

We record Borrower Loans, Loans Held for Sale, Notes, the Credit Card Derivative and Receivable from Credit Card Partner at fair value, and changes in the fair values of these financial instruments within Change in Fair Value of Financial Instruments on our statements of operations.

Personal Loan

Changes in the fair value of Borrower Loans funded through the Note Channel are largely offset by the changes in fair value of the Notes due to their borrower payment-dependent structure. Our obligation to pay principal and interest on Notes is equal to the loan payments, if any, that are received on the corresponding Borrower Loan, net of the servicing fee, which is generally 1.0% of the outstanding balance.

We used Warehouse Lines to finance the purchase of Loans Held for Sale for the purpose of earning net interest income and contributing to securitization transactions. Loans Held for Sale consisted primarily of loans held in warehouse trusts. Changes in the fair value of Loans Held for Sale were not offset by changes in the fair value of Warehouse Lines because Warehouse Lines were carried at amortized cost. As discussed below and in Note 11, *Debt*, of the accompanying condensed consolidated financial statements, we terminated our two existing Warehouse Lines in September 2023 and March 2024, respectively, and securitized the related Loans Held for Sale. Because of the securitizations, these loans are now classified as Borrower Loans on our consolidated balance sheets.

In September 2023 and March 2024, we sponsored and consolidated two Personal Loan securitization transactions, PMIT 2023-1 and PMIT 2024-1, respectively, with loans that were previously funded through our PWIIT and PWIT Warehouse Lines, respectively. Refer to Note 7, *Securitization*, of the accompanying condensed consolidated financial statements for additional information on these securitization transactions. We expect that changes in the fair value of Borrower Loans held by PMIT 2023-1 and PMIT 2024-1 will be negative due to delinquencies and charge-offs, but they could ultimately be negative or positive due to changes in fair value assumptions, such as expected credit performance, prepayment rates and implied market discount rates. Additionally, the impact from fair value adjustments on these securitized Borrower Loans may lessen as they season and the outstanding principal balances decrease. Notes issued by PMIT 2023-1 and PMIT 2024-1 are carried at amortized cost on the accompanying consolidated balance sheets, and thus do not impact the Change in Fair Value of Financial Instruments.

We earn interest income on personal loans held in securitization trusts during the period we own or consolidate the loans, which partially offsets changes in the fair value of these loans. The following table illustrates the weighted-average composition of the loans held in consolidated securitization trusts by Prosper Rating for the periods presented, which is an indicator of their credit quality:

	Six Months Ended June 30	
	2025	2024
Borrower Loans - Securitization⁽¹⁾:		
AA	24 %	26 %
A	30 %	28 %
B	23 %	22 %
C	11 %	12 %
D	6 %	6 %
E	5 %	5 %
HR	1 %	1 %
Total	100 %	100 %

⁽¹⁾ The percentages are calculated using the weighted-average of month-end principal balances of Borrower Loans by Prosper Rating.

Fair values of Borrower Loans, Loans Held for Sale and Notes are estimated using discounted cash flow methodologies based upon a set of valuation assumptions. The key assumptions used include default and prepayment rates derived primarily from historical performance, and discount rates based on estimates of the rates of return that market investors would require when investing in other financial instruments with similar characteristics.

Credit Card

The Credit Card Derivative is recorded at fair value and is primarily reflective of discounted future cash flows from certain features of our Credit Card program that were determined to meet the definition of freestanding derivatives, including interest income, program fees paid to our banking partner Coastal, credit losses and fraud losses. These cash flows are estimated based upon a set of valuation assumptions, including default and prepayment rates derived primarily from comparable companies and our own historical performance, and discount rates based on estimates of the rates of return that investors would require when investing in other financial instruments with similar characteristics. We also record the net impact of realized gains and losses under the Credit Card Derivative in Change in Fair Value of Financial Instruments.

In November 2024, we sponsored and consolidated a Credit Card securitization transaction, PMCC 2024-1, with existing Credit Card receivables that were previously accounted for through our Credit Card Derivative. See Notes 5 and 7 of the accompanying condensed consolidated financial statements for further details on both the Credit Card Derivative and PMCC 2024-1. We fully consolidate PMCC 2024-1 as a VIE, as it has insufficient equity at risk and we determined that we were its primary beneficiary. Based on an analysis of the facts and circumstances surrounding the transaction, it was determined that the transfer of the Credit Card receivables from Coastal to PMCC 2024-1 did not meet the sales or participating interest criteria under Accounting Standards Codification (“ASC”) 860, *Transfers and Servicing*, and thus could not be recognized on our consolidated balance sheets. As a result, we record a secured Receivable from Credit Card Partner, which we have elected to present at fair value on our consolidated balance sheets. Receivable from Credit Card Partner is secured by and effectively mirrors the value of the underlying Credit Card receivables.

As the sole sponsor of PMCC 2024-1, we are entitled to any residual cash flows it generates, and estimate the fair value of that residual interest using a discounted cash flow analysis based upon valuation assumptions generally similar to those used to value the Credit Card Derivative, adjusted to reflect the specific characteristics of the securitized Credit Card receivables underlying the Receivable from Credit Card Partner. That residual interest fair value is then added to the securitization advance rate applied to the outstanding balance of the Credit Card receivables to calculate the estimated fair value of Receivable from Credit Card Partner. Consistent with securitized Borrower Loans, Notes issued by PMCC 2024-1 are carried at amortized cost on the accompanying consolidated balance sheets, and thus do not impact the Change in Fair Value of Financial Instruments.

For both the Credit Card Derivative and Receivable from Credit Card Partner, changes in the fair value should generally fluctuate in line with changes in the underlying portfolio and charge-off levels, but could also be impacted by changes in fair value assumptions, such as expected credit performance, prepayment rates and implied market discount rates.

Fluctuation Analysis

For the three months ended June 30, 2025 and 2024, the Change in Fair Value of Financial Instruments were losses of \$9.8 million and \$11.9 million, respectively. The decrease in the loss for this period was largely driven by the impact of the Credit Card Derivative and securitized Borrower Loans, partially offset by the Receivable from Credit Card Partner. For the Credit Card Derivative, fair value changes related to future cash flows resulted in a loss of \$0.5 million, and the net impact of realized transactions resulted in a loss of \$2.7 million. This compares to the corresponding period in the prior year, in which fair value changes resulted in a loss of \$2.2 million, and the net impact of realized transactions resulted in a loss of \$2.9 million. In general, these changes reflect a decrease in estimated loss rates and a reduction in the size of the underlying Credit Card portfolio for the three months ended June 30, 2025. As growth rates have slowed, the impact of fair value changes has decreased year-over-year.

The impact from decreased losses on the Credit Card Derivative was offset by the \$4.9 million loss we recognized on the Receivable from Credit Card Partner for the three months ended June 30, 2025, primarily due to \$4.5 million in net charge-offs. As the outstanding balance of the securitized Credit Card receivables is not expected to change significantly in the near future, due to the contractual ratio of Notes Issued by PMCC 2024-1 to outstanding receivables, we expect fair value changes to primarily consist of net charge-offs.

These increased net Credit Card losses for the three months ended June 30, 2025, were partially offset by decreased net losses from securitized Borrower Loans year-over-year, due primarily to lower estimated loss rates from the start of 2025 and the overall decrease in the average balance of loans held in consolidated securitization trusts year-over-year, as these loans continue to season. For securitized Borrower Loans, the loss from changes in fair value for the three months ended June 30, 2025 was \$2.1 million, due to a \$2.3 million gain from fair value adjustments, offset by \$4.3 million in net charge-offs. This compares to the corresponding period in 2024, when there was a loss from changes in fair value of \$7.0 million, due primarily to a \$0.4 million loss from fair value adjustments, and \$6.6 million in net charge-offs.

The net impact to the Change in Fair Value of Financial Instruments for fractional Borrower Loans and Notes (as well as the population of whole loans that are owned directly by our wholly-owned subsidiary PFL) was a \$0.4 million loss for the three months ended June 30, 2025, due to the borrower payment-dependent structure described above, offset by certain timing factors related to the receipt of borrower payments. During the same period in 2024, the net impact from these fractional Borrower Loans and Notes (as well as the population of whole loans that are owned directly by PFL) was a \$0.1 million gain.

For the six months ended June 30, 2025 and 2024, the Change in Fair Value of Financial Instruments were losses of \$22.1 million and \$11.7 million, respectively. The increase in the loss for this period was largely driven by the impact of the Credit Card Derivative and Receivable from Credit Card Partner, due primarily to a reduction in the growth of the underlying Credit Card portfolio, and an increase in net charge-offs. For the Credit Card Derivative, fair value changes related to future cash flows resulted in a loss of \$2.3 million, and the net impact of realized transactions resulted in a loss of \$7.4 million for the six months ended June 30, 2025. This compares to the corresponding period in the prior year, in which fair value changes resulted in a gain of \$6.9 million, and the net impact of realized transactions resulted was a loss of \$5.6 million. Fair value changes for the six months ended June 30, 2024 were also inclusive of the impact of a change in estimate related to the application of a single discount rate to all components of the Credit Card Derivative starting in 2024. This change in estimate resulted in a fair value increase of approximately \$8.5 million for the six months ended June 30, 2024.

For the six months ended June 30, 2025, we recognized a \$7.0 million loss from changes in fair value related to the Receivable from Credit Card Partner, primarily consisting of \$6.7 million in net charge-offs.

These increased Credit Card losses for the three months ended June 30, 2025, were partially offset by lower net losses from securitized Borrower Loans and Loans Held for Sale year-over-year, due primarily to lower estimated loss rates from the start of 2025 and the overall decrease in the average balance of loans held in consolidated warehouse and securitization trusts year-over-year, as these loans continue to season. For securitized Borrower Loans, the loss from changes in fair value for the six months ended June 30, 2025 was \$5.2 million, due to a \$4.6 million gain from fair value adjustments, offset by \$9.9 million in net charge-offs. This compares to securitized Borrower Loans and Loans Held for Sale in the corresponding period in 2024, when there was a combined loss from changes in fair value of \$12.5 million, due primarily to a \$4.1 million gain from fair value adjustments, offset by \$16.6 million in net charge-offs.

The net impact to the Change in Fair Value of Financial Instruments for fractional Borrower Loans and Notes (as well as the population of whole loans that are owned directly by our wholly-owned subsidiary PFL) was a \$0.2 million loss for the six months ended June 30, 2025, due to the borrower payment-dependent structure described above, offset by certain timing factors related to the receipt of borrower payments. During the same period in 2024, the net impact from these fractional Borrower Loans and Notes (as well as the population of whole loans that are owned directly by PFL) was a \$0.5 million loss.

The following table details the changes in fair value of our financial instruments for the three and six months ended June 30, 2025 and 2024, respectively (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Assets:				
Borrower Loans	\$ (5,614)	\$ (15,534)	\$ (13,948)	\$ (24,353)
Loans Held for Sale	—	—	—	(2,263)
Credit Card Derivative (includes gains and losses from settled transactions)	(3,199)	(5,066)	(9,647)	1,275
Receivable from Credit Card Partner	(4,912)	—	(7,011)	—
SOFR rate swaption (included in Prepaid and Other Assets)		—		38
Liabilities:				
Notes	3,968	8,694	8,493	13,566
Total	<u>\$ (9,757)</u>	<u>\$ (11,906)</u>	<u>\$ (22,113)</u>	<u>\$ (11,737)</u>

Expenses

The following tables summarize our expenses for the three and six months ended June 30, 2025 and 2024 (in thousands, except percentages):

	Three Months Ended June 30,			
	2025	2024	Change	% Change
Expenses				
Origination and Servicing	\$ 11,967	\$ 11,013	\$ 954	9 %
Sales and Marketing	14,517	11,773	2,744	23 %
General and Administrative - Research and Development	5,410	2,769	2,641	95 %
General and Administrative - Other	15,976	13,382	2,594	19 %
Change in Fair Value of Convertible Preferred Stock Warrants	59,359	(10,664)	70,023	657 %
Interest Expense on Term Loan	2,979	3,259	(280)	(9)%
Other Income, Net	(859)	(913)	54	(6)%
Total Expenses	\$ 109,349	\$ 30,619	\$ 78,730	257 %

	Six Months Ended June 30,			
	2025	2024	Change	% Change
Expenses				
Origination and Servicing	\$ 23,642	\$ 22,946	\$ 696	3 %
Sales and Marketing	27,949	25,816	2,133	8 %
General and Administrative - Research and Development	10,131	6,959	3,172	46 %
General and Administrative - Other	33,349	29,882	3,467	12 %
Change in Fair Value of Convertible Preferred Stock Warrants	2,133	(38,388)	40,521	106 %
Interest Expense on Term Loan	6,055	6,479	(424)	(7)%
Other Income, Net	(1,649)	(1,903)	254	(13)%
Total Expenses	\$ 101,610	\$ 51,791	\$ 49,819	96 %

The following table reflects full-time employees as of June 30, 2025 and 2024 by functional area:

	June 30, 2025	June 30, 2024
Origination and Servicing	90	92
Sales and Marketing	23	29
General and Administrative - Research and Development	104	95
General and Administrative - Other	165	180
Total Headcount	382	396

Origination and Servicing

Origination and Servicing costs consist primarily of salaries, benefits and stock-based compensation expense related to our capital markets, collections, customer support and payment processing employees and vendor costs associated with facilitating and servicing personal loans and our Credit Card product. The increase for the three months ended June 30, 2025 of \$1.0 million, or 9%, as compared to the corresponding period in 2024 is primarily due to a \$0.9 million increase in compensation costs, driven largely by the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. There was also a \$0.5 million increase in depreciation due to the increase in the balance of internal-use software during this time. These increases were partially offset by a \$0.5 million decrease in servicing and origination costs, particularly those related to our Credit Card product, as we achieved efficiencies and reduced our spend on vendors.

The decrease for the six months ended June 30, 2025 of \$0.7 million, or 3%, as compared to the corresponding period in 2024 is primarily due to a \$0.9 million increase in compensation costs, driven largely by the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. There was also a \$0.8 million increase in depreciation due to the increase in the balance of internal-use software during this time. These increases were partially offset by a \$0.8 million decrease in servicing and origination costs, particularly those related to our Credit Card product, as we increased efficiencies and reduced our expenditures on vendors.

Sales and Marketing

Sales and Marketing costs consist primarily of affiliate marketing, search engine marketing, online and offline campaigns, email marketing, public relations and direct mail marketing, as well as compensation expenses such as wages, benefits and stock-based compensation for the employees who support these activities. For the three months ended June 30, 2025, the increase of \$2.7 million, or 23%, from the corresponding period in the prior year is due primarily to an overall increase in marketing and advertising costs, which is generally in line with the increase in personal loan originations during this time. This includes an increase in marketing partnership costs of \$3.1 million and direct mail marketing costs of \$0.4 million. This increase in marketing and advertising costs was partially offset by a \$0.7 million decrease in compensation expense, primarily due to the decrease in headcount from the prior year.

For the six months ended June 30, 2025, the increase of \$2.1 million, or 8%, from the corresponding period in the prior year is due primarily to an overall increase in marketing and advertising costs, which is generally in line with the increase in personal loan originations during this time. This primarily consists of an increase in marketing partnership costs of \$2.9 million. This increase in marketing and advertising costs was partially offset by a \$0.6 million decrease in compensation expense, primarily due to the decrease in headcount from the prior year.

General and Administrative - Research and Development

General and Administrative - Research and Development costs consist primarily of salaries, benefits and stock-based compensation expense related to our engineering and product development employees, as well as related vendor costs. The increase in General and Administrative – Research and Development for the three months ended June 30, 2025, of \$2.6 million, or 95%, from the corresponding period in the prior year is primarily due to a \$2.7 million increase in compensation costs, driven by increased headcount, as well as the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. This was partially offset by an increase of \$0.2 million in capitalized internal-use software and web development costs (decreasing the expense). Specifically, these capitalized costs were \$3.8 million and \$3.6 million for the three months ended June 30, 2025 and 2024, respectively.

The increase in General and Administrative – Research and Development costs for the six months ended June 30, 2025, of \$3.2 million, or 46%, from the corresponding period in the prior year is primarily due to a \$3.2 million increase in compensation costs, driven by increased headcount, as well as the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. This was partially offset by an increase of \$0.2 million in capitalized internal-use software and web development costs (decreasing the expense). Specifically, these capitalized costs were \$7.5 million and \$7.3 million for the three months ended June 30, 2025 and 2024, respectively.

General and Administrative - Other

General and Administrative - Other expenses consist primarily of salaries, benefits and stock-based compensation expense related to our accounting, finance, risk, legal, compliance, human resources and facilities employees, professional fees related to legal and accounting and facilities expenses. The increase in General and Administrative - Other expenses for the three months ended June 30, 2025 of \$2.6 million from the corresponding period in the prior year is primarily due to a \$3.6 million increase in compensation expense, driven largely by the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. This is partially offset by a \$0.5 million loss on disposal of equipment recorded in April 2024, related to the exit from our former data center in Las Vegas, NV. As this equipment was used primarily for general operations, it was considered general and administrative in nature. There were no such exit activities in the three months ended June 30, 2025, and no loss on disposal of equipment was recorded. In part due to these prior year exit activities, there was also a combined \$0.4 million decrease in depreciation and amortization, as well as facilities costs, for the three months ended June 30, 2025, as compared to the corresponding period in 2024.

The increase in General and Administrative - Other expenses for the six months ended June 30, 2025 of \$3.5 million from the corresponding period in the prior year is primarily due to a \$4.2 million increase in compensation expense, driven largely by the elimination of the 2023 corporate bonus accrual in the second quarter of 2024. In addition, there were increases of \$0.5 million in software and subscription costs and \$0.2 million in cloud computing costs (net of cost savings from data center rent and hardware maintenance from exiting our data center facilities in 2024), in order to support the growth in our operations. These increases were partially offset by (a) the \$0.5 million loss on disposal of equipment in 2024 (discussed above), (b) a \$0.4 million decrease in depreciation and amortization, primarily as a result of disposing equipment associated with our previous data center facilities and (c) a \$0.2 million decrease in insurance costs.

Change in Fair Value of Convertible Preferred Stock Warrants

Change in Fair Value of Convertible Preferred Stock Warrants was a loss of \$59.4 million and a loss of \$2.1 million for the three and six months ended June 30, 2025, respectively, due to an increase in the fair value of the underlying Convertible Preferred Stock for those periods. Change in Fair Value of Convertible Preferred Stock Warrants was a gain of \$10.7 million and a gain of \$38.4 million for the three and six months ended June 30, 2024, respectively, due to a decrease in the fair value of the underlying Convertible Preferred Stock for those periods.

Interest Expense on Term Loan

We incurred interest costs of \$3.0 million and \$6.1 million for the three and six months ended June 30, 2025, respectively, and \$3.3 million and \$6.5 million for the three and six months ended June 30, 2024, respectively, related to our Term Loan. Refer to Note 11, *Debt*, of the accompanying condensed consolidated financial statements for further information on the Term Loan, including details on the interest rates and the repayment schedule. Interest costs decreased year-over-year primarily due to the decrease in the unpaid principal on the Term Loan following contractual quarterly repayments totaling \$7.5 million from December 2024 to June 2025. Those were the first repayments under the Term Loan since we entered into the related Credit Agreement in November 2022.

Other Income, Net

Other Income, Net was \$0.9 million and \$1.6 million for the three and six months ended June 30, 2025, and primarily consists of interest income on cash and cash equivalents, sublease income and other miscellaneous items. The \$0.1 million and \$0.3 million decreases in Other Income, Net, for the three and six ended June 30, 2025, as compared to the corresponding periods in the prior year, was primarily attributable to decreases in interest income driven by lower average interest rates.

Non-GAAP Financial Measures

Adjusted Net Revenue

Adjusted Net Revenue is a non-GAAP financial measure that we define as our Total Net Revenue adjusted to exclude the impact of interest rates on the fair value of loans held in consolidated trusts and certain infrequent or unusual transactions such as the accelerated amortization of PWIT debt issuance costs. As a result of the termination of the PWIT Warehouse Line in March 2024 (see Note 11, *Debt*), we accelerated the remaining amortization of the related deferred debt issuance costs into interest expense. We excluded the impact of this accelerated amortization because it is non-cash and because of the infrequent nature of the transaction. Management does not believe that it is reflective of our ongoing operating results. We believe it is useful to investors to exclude the impact of interest rates on the fair value of loans held in consolidated trusts to gain insight into the performance of our consolidated loans, independent of market factors that are beyond management's control.

Adjusted Net Revenue has limitations as a financial measure, should be considered as supplemental in nature and is not meant as a substitute for Total Net Revenue, which has been prepared in accordance with U.S. GAAP. These limitations include the following:

- Adjusted Net Revenue excludes the impact of interest rates, which may influence the price that a willing buyer would be willing to pay for our personal loans in a hypothetical arm's length transaction; and
- Other companies, including companies in our industry, may calculate Adjusted Net Revenue differently or not at all, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted Net Revenue alongside other financial performance measures, including Total Net Revenue and our financial results presented in accordance with U.S. GAAP. The following table presents a reconciliation of Total Net Revenue to Adjusted Net Revenue for each of the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Total Net Revenue	\$ 51,650	\$ 30,180	\$ 94,314	\$ 73,673
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts ⁽¹⁾	1,069	403	343	2,470
Accelerated Amortization of PWIT Debt Issuance Costs ⁽²⁾	—	—	—	733
Adjusted Net Revenue	\$ 52,719	\$ 30,583	\$ 94,657	\$ 76,876

⁽¹⁾ Component of Change in Fair Value of Financial Instruments on the condensed consolidated statements of operations

⁽²⁾ Component of Interest Expense on Financial Instruments on the condensed consolidated statement of operations

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as Net Income (Loss) adjusted for interest income on Cash and Cash Equivalents, Interest Expense on Term Loan, Income Tax Benefit or Expense, depreciation and amortization, impairment of long-lived assets and Goodwill, stock-based compensation expense, Change in Fair Value of Convertible Preferred Stock Warrants, impact of interest rates on the fair value of loans held in consolidated trusts, and certain infrequent or unusual transactions. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP.

We consider Adjusted EBITDA to be a helpful indicator of the operational strength and performance of our business and a good measure of our historical operating trends. Management uses Adjusted EBITDA, among other things, to understand and compare operating results across accounting periods, to evaluate our operations and financial performance and for internal planning and forecasting purposes. Inclusion of Adjusted EBITDA is intended to provide investors with insight into the manner in which management views the performance of the Company, enhance investors' evaluation of our operating results, and to facilitate meaningful comparisons of our results between periods. This non-GAAP financial measure should not be considered an alternative to, or more meaningful than, the GAAP financial information provided herein.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based charges;
- Adjusted EBITDA does not reflect interest and tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

The major non-GAAP adjustments, and our basis for excluding them, are outlined below:

- *Changes in the fair value of convertible preferred stock warrants liability:* We exclude these fair value changes primarily because they are non-cash items and the fair value varies based on the fair value of the underlying preferred

stock, varying valuation methodologies and subjective assumptions. Their inclusion makes the comparison of our current financial results to previous and future periods difficult to evaluate.

- *Stock-based compensation expense:* This consists of expenses for equity awards under our equity incentive plans. Although stock-based compensation is an important aspect of the compensation paid to our employees, the grant date fair value varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of our current financial results to previous and future periods difficult to evaluate; therefore, we believe it is useful to exclude stock-based compensation. We also excluded these expenses because they are non-cash.
- *Amortization or impairment of acquired intangible assets and impairment of goodwill:* We incur amortization or impairment of acquired Intangible Assets and Goodwill in connection with acquisitions and therefore exclude these amounts from our non-GAAP measures. We exclude these items because management does not believe they are reflective of our ongoing operating results.
- *Impairment of long-lived assets:* We incur losses on the impairment of long-lived assets that are disposed of primarily in connection with the exit of facilities. We exclude these items because management does not believe they are reflective of our ongoing operating results.
- *Impact of interest rates on the fair value of loans held in consolidated trusts:* See discussion on Adjusted Net Revenue, above.
- *Accelerated amortization of PWIT debt issuance costs:* See discussion on Adjusted Net Revenue, above.
- *Interest expense on Term Loan:* We incur interest expense on the Term Loan, which is more fully described in Note 11 of the accompanying consolidated financial statements. Proceeds from the Term Loan are used to fund the operations of the business at our discretion, within certain limitations. This may include, but is not limited to, making investments in our Credit Card product or meeting operational obligations. We exclude the Term Loan interest expense, as it is based on the overall financing structure of PMI. This differs from Interest Expense on Financial Instruments (part of Total Net Revenues), as the proceeds from those instruments are used exclusively for the purposes of purchasing loans on our marketplace and Credit Card receivables through the underlying warehouse and securitization transactions.

The following table presents a reconciliation of Net Income (Loss) to Adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net (Loss) Income	\$ (57,727)	\$ (465)	\$ (7,352)	\$ 21,830
Depreciation expense:				
Servicing and Origination	2,785	2,281	5,464	4,673
General and Administration - Other	232	367	500	855
Amortization of Intangibles	—	22	—	42
Stock-Based Compensation	349	417	676	809
Impairment of Long-Lived Assets	—	387	—	387
Change in the Fair Value of Convertible Preferred Stock Warrants	59,359	(10,664)	2,133	(38,388)
Impact of Interest Rates on Fair Value of Loans Held in Consolidated Trusts	1,069	403	343	2,470
Interest Income on Cash and Cash Equivalents	(736)	(835)	(1,404)	(1,710)
Interest Expense on Term Loan	2,979	3,259	6,055	6,479
Accelerated Amortization of PWIT Debt Issuance Costs	—	—	—	733
Income Tax Expense	28	26	56	52
Adjusted EBITDA	\$ 8,338	\$ (4,802)	\$ 6,471	\$ (1,768)

The increase in Adjusted EBITDA for the three and six months ended June 30, 2025, as compared to the corresponding periods in 2024, is primarily reflective of increased Transaction Fees, Net, driven by the increase in personal loan originations during this time and the revised WebBank transaction fee schedule starting in June 2024, partially offset by increased incentives provided to whole loan investors. For the six months ended June 30, 2025, there were also increased fair value losses year-over-year, primarily related to the Credit Card product, as discussed above. Additionally, expenses increased

for both periods in response to the higher personal loan originations, as well as the elimination of the 2023 bonus accrual in the second quarter of 2024.

Expenses on the condensed consolidated statements of operations include the following amounts of stock-based compensation expense for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Origination and Servicing	\$ 27	\$ 24	\$ 55	\$ 43
Sales and Marketing	18	119	35	232
General and Administrative	304	274	586	534
Total Stock-Based Compensation Expense	\$ 349	\$ 417	\$ 676	\$ 809

Segment Net Revenues, Adjusted Net Revenue and Adjusted EBITDA

Refer to Note 20, *Segments*, of the accompanying condensed consolidated financial statements for details on our segment reporting, including reconciliations of segment net revenues to segment Adjusted Net Revenue, and segment Adjusted EBITDA to Net Income (Loss) Before Income Taxes. The following table summarizes our segment net revenues, segment Adjusted Net Revenue and segment Adjusted EBITDA for the periods presented (in thousands, except percentages).

	Three Months Ended June 30,			
	2025	2024	Change	% Change
Segment Net Revenues				
Personal Loan	\$ 50,040	\$ 30,857	\$ 19,183	62 %
Home Equity	269	408	(139)	(34)%
Credit Card	1,341	(1,085)	2,426	n/m
Subtotal - Reportable Segments	\$ 51,650	\$ 30,180	\$ 21,470	71 %
Segment Adjusted Net Revenue				
Personal Loan	\$ 51,109	\$ 31,260	\$ 19,849	63 %
Home Equity	269	408	(139)	(34)%
Credit Card	1,341	(1,085)	2,426	n/m
Subtotal - Reportable Segments	\$ 52,719	\$ 30,583	\$ 22,136	72 %
Segment Adjusted EBITDA				
Personal Loan	\$ 14,314	\$ 3,854	\$ 10,460	271 %
Home Equity	(70)	75	(145)	n/m
Credit Card	(5,906)	(8,731)	2,825	32 %
Subtotal - Reportable Segments	\$ 8,338	\$ (4,802)	\$ 13,140	n/m

	Six Months Ended June 30,			
	2025	2024	Change	% Change
Segment Net Revenues				
Personal Loan	\$ 90,507	\$ 61,825	\$ 28,682	46 %
Home Equity	542	705	(163)	(23)%
Credit Card	3,265	11,143	(7,878)	(71)%
Subtotal - Reportable Segments	\$ 94,314	\$ 73,673	\$ 20,641	28 %

Segment Adjusted Net Revenue				
Personal Loan	\$ 90,850	\$ 65,028	\$ 25,822	40 %
Home Equity	542	705	(163)	(23)%
Credit Card	3,265	11,143	(7,878)	(71)%
Subtotal - Reportable Segments	\$ 94,657	\$ 76,876	\$ 17,781	23 %

Segment Adjusted EBITDA				
Personal Loan	18,065	2,836	\$ 15,229	537 %
Home Equity	(157)	119	(276)	n/m
Credit Card	(11,437)	(4,723)	(6,714)	(142)%
Subtotal - Reportable Segments	\$ 6,471	\$ (1,768)	\$ 8,239	n/m

n/m: not meaningful

Segment Adjusted EBITDA is our primary segment profitability metric, and is calculated as segment revenue less operating expenses that are directly attributable to the segments' products. Segment Adjusted Net Revenue is calculated as segment revenue less the impact of changes in interest rates on the fair value of loans held in consolidated trusts and certain unusual or infrequent transactions. For the periods presented above, these adjustments only impact the Personal Loan segment.

Personal Loan

For the three months ended June 30, 2025, Personal Loan segment net revenues increased \$19.2 million, or 62%, as compared to the corresponding period in 2024, primarily as a result of (a) a \$20.4 million increase in Transaction Fees, Net, due to the impact from higher personal loan origination volume during this time, as well as the revised WebBank transaction fee schedule starting in June 2024; (b) a \$5.2 million increase in net revenues from Change in Fair Value of Financial Instruments related primarily to securitized Borrower Loans, as described above; (c) a \$2.4 million increase in Servicing Fees, Net, due primarily to the year-over-year increase in net collections and debt sale fees, as well as personal loan servicing revenues, as discussed above; and (d) a \$0.7 million increase in Other Revenues, due primarily to additional credit referral fees generated from our partners. These increases were partially offset by (e) a \$7.2 million decrease in net revenues from Loss on Sale of Borrower Loans, due primarily to an increase in incentives provided to our investors year-over-year; and (f) a \$2.3 million decrease in Total Interest Income (Expense), Net, due primarily to the decrease in the average outstanding principal balance of loans held in securitization trusts during this time.

For the six months ended June 30, 2025, Personal Loan segment net revenues increased \$28.7 million, or 46%, as compared to the corresponding period in 2024, primarily as a result of (a) a \$29.6 million increase in Transaction Fees, Net, due to the impact from higher personal loan origination volume during this time, as well as the revised WebBank transaction fee schedule starting in June 2024; (b) a \$7.6 million increase in net revenues from Change in Fair Value of Financial Instruments related to Borrower Loans, Loans Held for Sale and Notes, as described above; (c) a \$3.9 million increase in Servicing Fees, Net, due primarily to the year-over-year increase in net collections and debt sale fees, partially offset by the decrease in personal loan servicing revenues, as discussed above; and (d) a \$1.4 million increase in Other Revenues, due primarily to additional credit referral fees generated from our partners. These increases were partially offset by (e) a \$10.3 million decrease in net revenues from Loss on Sale of Borrower Loans, due primarily to an increase in incentives provided to our whole loan investors year-over-year; and (f) a \$3.6 million decrease in Total Interest Income (Expense), Net, due primarily to the decrease in the average outstanding principal balance of loans held in consolidated warehouse and securitization trusts.

Adjusted Net Revenue associated with the Personal Loan segment increased \$19.8 million and \$25.8 million for the three and six months ended June 30, 2025, as compared to the corresponding periods in 2024. This is reflective of the same factors that drove the increases in net revenues discussed above, excluding the impact of (a) interest rates on the fair value of loans held in consolidated trusts, and (b) accelerated recognition of debt issuance costs upon the termination of the PWIT Warehouse Line in March 2024 (impacts the six month period ended June 30, 2024, only).

Adjusted EBITDA associated with the Personal Loan segment increased \$10.5 million and \$15.2 million for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024. These increases are primarily reflective of the same factors that drove the increase in net revenues and Adjusted Net Revenue discussed above, partially offset by increases of \$9.4 million and \$10.6 million in segment operating expenses year-over-year for the three and six months ended June 30, 2025, respectively. These increases in segment operating expenses include marketing and cloud computing costs, in response to the increase in personal loan originations during this time. They also include increases in personnel costs, primarily as a result of the reversal of the 2023 bonus accrual in the second quarter of 2024.

Home Equity

Home Equity segment net revenues and segment Adjusted Net Revenue decreased year-over-year for the three and six months ended June 30, 2025, due to lower broker fees. Home Equity segment net revenues consist of broker fees from our lending partners, and Adjusted EBITDA is reflective of these net revenues, offset by operating expenses. Home Equity segment operating expenses increased less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, as we reduced capitalized costs year-over-year related to the development of the Home Equity products.

Credit Card

For the three months ended June 30, 2025, Credit Card segment net revenues and Segment Adjusted Net Revenues increased \$2.4 million as compared to the corresponding period in 2024, primarily as a result of (a) a \$4.2 million increase in Total Interest Income (Expense), Net, from the Credit card receivables that are now effectively consolidated on our balance sheet through the Receivable from Credit Card Partner, less the interest expense on the related Notes Issued by Securitization Trust; (b) a \$0.7 million increase in Servicing Fees, Net, due primarily to the decrease in the Credit Card servicing obligation, as discussed above, partially offset by increased collection agency expenses; and (c) a \$0.4 million increase in Other Revenues, due primarily to additional fees earned from our banking partner, Coastal. These increases were partially offset by a \$3.0 million decrease in net revenues from Change in Fair Value of Financial Instruments, related to the Receivable from Credit Card Partner, partially offset by the Credit Card Derivative, as discussed above. Generally, this increase in fair value losses is reflective of lower growth rates within the underlying Credit Card portfolio, as well as increased charge-offs. Between the Credit Card Derivative and Receivable from Credit Card Partner, the impact of fair value changes related to estimated future cash flows resulted in a \$1.3 million increase in net revenues, which was offset by \$4.4 million decrease from the impact of realized transactions.

For the six months ended June 30, 2025, Credit Card segment net revenues and Segment Adjusted Net Revenues decreased \$7.9 million, or 71%, as compared to the corresponding period in 2024, primarily as a result of a \$17.9 million decrease in net revenues from Change in Fair Value of Financial Instruments, related to both the Credit Card Derivative and Receivable from Credit Card Partner, as discussed above. Generally, this increase in fair value losses is reflective of lower growth rates within the underlying Credit Card portfolio, as well as increased charge-offs. It also reflects the change in estimate related to the application of a single discount rate to all components of the Credit Card Derivative starting in 2024. This change in estimate resulted in a fair value increase of approximately \$8.5 million for the six months ended June 30, 2024. Between the Credit Card Derivative and Receivable from Credit Card Partner, the impact of fair value changes related to estimated future cash flows accounted for approximately \$9.5 million of this decrease, while the impact of realized transactions accounted for approximately \$8.4 million of the decrease. The impact from Change in Fair Value of Financial Instruments, was partially offset by a \$9.3 million increase in Total Interest Income (Expense), Net, from the Credit Card receivables that are now effectively consolidated on our balance sheet through the Receivable from Credit Card Partner, less the interest expense on the related Notes Issued by Securitization Trust. Finally, Other Revenues increased \$0.5 million due primarily to additional fees earned from our banking partner, Coastal, and Servicing Fees, Net, increased \$0.2 million as a result of the decrease in the Credit Card servicing obligation discussed above, partially offset by increased collection agency expenses.

Adjusted EBITDA associated with the Credit Card segment increased \$2.8 million and decreased \$6.7 million for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024. For the three months ended June 30, 2025, this increase is reflective of the \$2.4 million increase in segment net revenues and Segment Adjusted Net Revenues, as discussed above, as well as a \$0.4 million decrease in segment operating expenses, primarily driven by reduced marketing and third-party servicing costs in response to reduced growth, partially offset by a decrease in capitalized costs. For the six months ended June 30, 2025, this decrease is reflective of the \$7.9 million decrease in segment net revenues and Segment Adjusted Net Revenues, as discussed above, partially offset by a \$1.2 million decrease in segment operating expenses. This decrease in segment operating expenses is primarily driven by reduced marketing costs in response to reduced growth in the Credit Card portfolio, partially offset by a decrease in capitalized costs.

LIQUIDITY AND CAPITAL RESOURCES

We have incurred operating losses in prior periods and may continue to incur net losses in the future. For the three months ended June 30, 2025 and 2024, we incurred a net loss of \$57.7 million and \$0.5 million, respectively. For the six months ended June 30, 2025 and 2024, we incurred a net loss of \$7.4 million and recognized net income of \$21.8 million, respectively. This includes the impact from Change in Fair Value of Convertible Preferred Stock Warrants, a non-cash item. Additionally, from our inception through June 30, 2025, we have an accumulated deficit of \$651.6 million.

We believe our liquidity needs for the next twelve months, and for the foreseeable future beyond that period, can be met through transaction fees, servicing fees, net interest income, other revenue, proceeds from sales of loans and securitizations, realized gains from the Credit Card portfolio and Cash and Cash Equivalents. Management monitors our financial results and operations. If the anticipated financial results are not achieved or we fail to maintain compliance with the debt covenants under our Term Loan, our sources of liquidity may not be sufficient to meet our operating and liquidity requirements without obtaining additional liquidity which may not be available on favorable terms or at all. For further details related to our Term Loan, see Note 11, *Debt*, of the accompanying condensed consolidated financial statements.

The following table summarizes our cash flow activities for the three months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,	
	2025	2024
Net Loss	\$ (57,727)	\$ (465)
Net Cash Provided by Operating Activities	39,352	65,214
Net Cash (Used in) Provided by Investing Activities	(2,400)	1,663
Net Cash Used in Financing Activities	(38,062)	(58,909)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(1,110)	7,968
Cash, Cash Equivalents and Restricted Cash at the beginning of the period	168,786	139,203
Cash, Cash Equivalents and Restricted Cash at the end of the period	<u>\$ 167,676</u>	<u>\$ 147,171</u>

Cash, Cash Equivalents and Restricted Cash decreased by \$1.1 million for the three months ended June 30, 2025, based on the following components:

Operating Activities: \$39.4 million in cash was provided by operating activities, due to (a) \$28.0 million in net proceeds from Loans Held for Sale, including securitized Borrower Loans that were previously classified as Loans Held for Sale and (b) \$15.0 million in net loss, net of non-cash items, partially offset by (c) \$3.6 million in cash used in working capital, primarily due to the timing of payments to investors and third-party vendors.

Investing Activities: \$2.4 million in cash was used in investing activities, due to (a) \$42.9 million in purchases of Borrower Loans, (b) \$18.0 million in purchases of Credit Card receivables from our Credit Card Partner to the PMCC 2024-1 securitization and (c) \$3.2 million in purchases of property and equipment, primarily consisting of internal-use software, partially offset by (d) \$47.8 million from principal payments and sales of Borrower Loans and (e) \$13.9 million from principal payments on Credit Card receivables included in the Receivable from Credit Card Partner.

Financing Activities: \$38.1 million in cash was used in financing activities, due primarily to (a) \$31.1 million in payments on Notes Issued by Securitization Trust, (b) \$4.5 million in payments, net of proceeds, on Notes, at Fair Value and (c) a contractual \$2.5 million quarterly repayment on our Term Loan.

Cash, Cash Equivalents and Restricted Cash increased by \$8.0 million for the three months ended June 30, 2024, based on the following components:

Operating Activities: \$65.2 million in cash was provided by operating activities, driven by (a) \$47.5 million in net proceeds from Loans Held for Sale, (b) \$10.5 million in cash provided from working capital, primarily due to the timing of payments to investors and third-party vendors and (c) \$7.2 million in net loss, net of non-cash items.

Investing Activities: \$1.7 million in cash was provided by investing activities due to (a) \$50.2 million from principal payments and sales of Borrower Loans, partially offset by (b) \$44.3 million in purchases of Borrower Loans, and (c) \$4.3 million in purchases of property and equipment, primarily consisting of internal-use software.

Financing Activities: \$58.9 million in cash was used in financing activities, due primarily to (a) \$56.4 million in payments on Notes Issued by Securitization Trust and (b) \$2.5 million in payments, net of proceeds, on Notes, at Fair Value.

The following table summarizes our cash flow activities for the six months ended June 30, 2025 and 2024 (in thousands):

	Six Months Ended June 30,	
	2025	2024
Net (Loss) Income	\$ (7,352)	\$ 21,830
Net Cash Provided by Operating Activities	105,424	109,893
Net Cash Used in Investing Activities	(1,738)	(4,429)
Net Cash Used in Financing Activities	(81,097)	(113,561)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	22,589	(8,097)
Cash, Cash Equivalents and Restricted Cash at the beginning of the period	145,087	155,268
Cash, Cash Equivalents and Restricted Cash at the end of the period	<u>\$ 167,676</u>	<u>\$ 147,171</u>

Cash, Cash Equivalents and Restricted Cash increased by \$22.6 million for the three months ended June 30, 2025, based on the following components:

Operating Activities: \$105.4 million in cash was provided by operating activities, due to (a) \$60.7 million in net proceeds from Loans Held for Sale, including securitized Borrower Loans that were previously classified as Loans Held for Sale, (b) \$24.8 million in net loss, net of non-cash items and (c) \$19.9 million in cash provided from working capital, primarily due to the timing of payments to investors and third-party vendors.

Investing Activities: \$1.7 million in cash was used in investing activities, due to (a) \$85.8 million in purchases of Borrower Loans, (b) \$39.2 million in purchases of Credit Card receivables from our Credit Card Partner to the PMCC 2024-1 securitization and (c) \$6.5 million in purchases of property and equipment, primarily consisting of internal-use software, partially offset by (d) \$95.7 million from principal payments and sales of Borrower Loans and (e) \$34.2 million from principal payments on Credit Card receivables included in the Receivable from Credit Card Partner.

Financing Activities: \$81.1 million in cash was used in financing activities, due primarily to (a) \$65.9 million in payments on Notes Issued by Securitization Trust, (b) \$10.2 million in payments, net of proceeds, on Notes, at Fair Value and (c) contractual quarterly repayments of \$5.0 million on our Term Loan.

Cash, Cash Equivalents and Restricted Cash decreased by \$8.1 million for the six months ended June 30, 2024, based on the following components:

Operating Activities: \$109.9 million in cash was provided by operating activities, driven by (a) \$100.4 million in net proceeds from Loans Held for Sale, (b) \$6.8 million in net income, net of non-cash items and (c) \$2.7 million in cash provided from working capital, primarily due to the timing of payments to investors and third-party vendors.

Investing Activities: \$4.4 million in cash was used in investing activities due to (a) \$96.1 million in purchases of Borrower Loans, and (b) \$8.1 million in purchases of property and equipment, primarily consisting of internal-use software, partially offset by (c) \$99.8 million from principal payments and sales of Borrower Loans.

Financing Activities: \$113.6 million in cash was used in financing activities, due primarily to (a) \$129.4 million paid for the extinguishment of principal on the PWIT Warehouse Line, (b) \$28.6 million in principal payments on the PWIT Warehouse Line, (c) \$1.7 million in debt issuance costs related to the PMIT 2024-1 securitization executed in March 2024 and (d) \$2.8 million in payments, net of proceeds, on Notes, at Fair Value, partially offset by (e) \$48.9 million in proceeds, net of payments, from Notes Issued by Securitization Trusts.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized by applying the statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance against our deferred tax assets. Based on the weight of available evidence, which includes our historical operating performance and the reported cumulative net losses in prior years, we have provided a full valuation allowance against our net deferred tax assets.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. We are required to make subjective assumptions and judgments regarding our income tax exposures. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of operations.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBA”) was signed into law, extending key provisions of the 2017 Tax Cuts and Jobs Act including, but not limited to, federal bonus depreciation and deductions for domestic research and development expenditures. We are currently evaluating the provisions of the OBBA; however, it is not expected to have a material impact on our consolidated financial statements.

Off-Balance Sheet Arrangements

As a result of retaining servicing rights on the sale of Borrower Loans, we are an interest holder in certain special purpose entities that purchase these Borrower Loans. None of these special purpose entities are consolidated as we are not the primary beneficiary. Other than these special purpose entities, as of June 30, 2025, we did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

CRITICAL ACCOUNTING POLICIES

Certain of Prosper's accounting policies that involve a higher degree of judgment and complexity are discussed in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in Prosper's Annual Report on Form 10-K for the year ended December 31, 2024. There have been no changes to our critical accounting estimates during the first six months of 2025.

PROSPER FUNDING LLC

Overview

Prosper Funding LLC (“PFL”) was formed in the state of Delaware in February 2012 as a limited liability company with PMI as its sole equity member. PFL was formed by PMI to hold Borrower Loans originated through the Note Channel and issue related Notes. Although PFL is consolidated with PMI for accounting and tax purposes, PFL has been organized and is operated in a manner that is intended to minimize the likelihood that it would be substantively consolidated with PMI in a bankruptcy proceeding. PFL’s intention is to minimize the likelihood that its assets would be subject to claims by PMI’s creditors if PMI were to file for bankruptcy, as well as to minimize the likelihood that PFL will become subject to bankruptcy proceedings directly. PFL seeks to achieve this by placing certain restrictions on its activities and by implementing certain formal procedures designed to expressly reinforce its status as a distinct corporate entity from PMI.

As a credit marketplace, we believe our customers are more highly susceptible to uncertainties and negative trends, real or perceived, in the markets driven by, among other factors, general economic conditions in the United States and abroad. These external economic conditions and resulting trends or uncertainties could adversely impact our customers’ ability or desire to participate in our marketplace as borrowers or investors, and consequently could negatively affect our business and results of operations.

Results of Operations

Overview

The following tables summarize Prosper Funding’s net loss for the six months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,			
	2025	2024	\$ Change	% Change
Total Net Revenues	\$ 18,638	\$ 15,124	\$ 3,514	23 %
Total Expenses	22,452	16,139	6,313	39 %
Net Loss	<u>\$ (3,814)</u>	<u>\$ (1,015)</u>	<u>\$ (2,799)</u>	<u>(276)%</u>

	Six Months Ended June 30,			
	2025	2024	\$ Change	% Change
Total Net Revenues	\$ 34,802	\$ 29,954	\$ 4,848	16 %
Total Expenses	42,265	34,153	8,112	24 %
Net Loss	<u>\$ (7,463)</u>	<u>\$ (4,199)</u>	<u>\$ (3,264)</u>	<u>(78)%</u>

Total net revenues for the three months ended June 30, 2025 increased \$3.5 million, or 23%, from the three months ended June 30, 2024, primarily due to an increase in Servicing Fees, Net generally related to increased collection fees, net of collection agency expenses. There were also additional gains on the sale of borrower loans due to the increase in personal loan originations in the second quarter of 2025, as compared to the same period in 2024, and a corresponding increase in Administration Fee Revenue - Related Party, as a result of an increase in loan listings on the platform during this time. These increases were partially offset by an increase in the estimated investor loss protection liability due to the growth in the portfolio. Under the terms of the Administration Agreement between PFL and PMI, incentives provided to whole loan investors, which are recorded in Loss on Sale of Borrower Loans, are billed back to PMI through the Administration Fee Revenue - Related Party. As a result, fluctuations in these incentives generally do not have a direct impact on net revenues.

Total expenses for the three months ended June 30, 2025 increased \$6.3 million, or 39%, from the three months ended June 30, 2024, largely due to a \$6.1 million increase in Administration Fee - Related Party resulting primarily from an increase in estimated transaction fee refunds following a revision to our pricing schedule with WebBank in June 2024, as well as the increase in personal loan originations in the second quarter of 2025, as discussed above. These administration fees also increased due to an increase in the number of loans funded on the platform during this time.

Total net revenues for the six months ended June 30, 2025 increased \$4.8 million, or 16%, from the three months ended June 30, 2024, primarily due to an increase in Servicing Fees, Net generally related to increased collection fees, net of collection agency expenses. There were also additional gains on the sale of borrower loans due to the increase in personal loan originations in the first half of 2025, as compared to the same period in 2024, and a corresponding increase in Administration Fee Revenue - Related Party, as a result of an increase in loan listings on the platform during this time. These increases were

partially offset by an increase in the estimated investor loss protection liability due to the growth in the portfolio. Under the terms of the Administration Agreement between PFL and PMI, incentives provided to whole loan investors, which are recorded in Loss on Sale of Borrower Loans, are billed back to PMI through the Administration Fee Revenue - Related Party. As a result, fluctuations in these incentives do not have a direct impact on net revenues.

Total expenses for the six months ended June 30, 2025 increased \$8.1 million, or 24%, from the three months ended June 30, 2024, largely due to a \$7.7 million increase in Administration Fee - Related Party resulting primarily from an increase in estimated transaction fee refunds following a revision to our pricing schedule with WebBank in June 2024. These administration fees also increased due to an increase in the number of loans funded on the platform during this time.

Revenues

The following tables summarize PFL's revenue for the three and six months ended June 30, 2025 and 2024 (in thousands, except percentages):

	Three Months Ended June 30,		\$ Change	% Change
	2025	2024		
Revenues:				
Operating Revenues:				
Administration Fee Revenue – Related Party	\$ 24,719	\$ 16,330	\$ 8,389	51 %
Servicing Fees, Net	8,399	6,246	2,153	34 %
Loss on Sale of Borrower Loans	(15,671)	(8,436)	(7,235)	(86)%
Other Revenues	136	155	(19)	(12)%
Total Operating Revenues	17,583	14,295	3,288	23 %
Interest Income on Borrower Loans	10,904	12,553	(1,649)	(13)%
Interest Expense on Notes	(10,281)	(11,872)	1,591	13 %
Net Interest Income	623	681	(58)	(9)%
Change in Fair Value of Financial Instruments, Net	432	148	284	192 %
Total Net Revenue	\$ 18,638	\$ 15,124	\$ 3,514	23 %
	Six Months Ended June 30,		\$ Change	% Change
	2025	2024		
Revenues:				
Operating Revenues:				
Administration Fee Revenue – Related Party	\$ 46,597	\$ 34,852	\$ 11,745	34 %
Servicing Fees, Net	16,077	12,754	3,323	26 %
Loss on Sale of Borrower Loans	(29,247)	(18,940)	(10,307)	(54)%
Other Revenues	214	337	(123)	(36)%
Total Operating Revenues	33,641	29,003	4,638	16 %
Interest Income on Borrower Loans	22,211	25,472	(3,261)	(13)%
Interest Expense on Notes	(20,836)	(23,983)	3,147	13 %
Net Interest Income	1,375	1,489	(114)	(8)%
Change in Fair Value of Financial Instruments, Net	(214)	(538)	324	60 %
Total Net Revenue	\$ 34,802	\$ 29,954	\$ 4,848	16 %

Administration Fee Revenue – Related Party

We primarily generate revenues through license fees we earn under our Administration Agreement with PMI. The Administration Agreement contains a license we grant to PMI that entitles PMI to use the marketplace for, and in relation to: (i) PMI's performance of its duties and obligations under the Administration Agreement, and (ii) PMI's performance of its duties and obligations to WebBank under the Loan Account Program Agreement. The Administration Agreement requires PMI to pay us a monthly license fee that is partially based on the number of personal loan listings posted on the marketplace in that month, as well as a fee based on incentives provided to investors to incentivize the purchase of Borrower Loans from PFL. The increases in Administrative Fee Revenue – Related Party of \$8.4 million and \$11.7 million for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024, are primarily due to increased reimbursements received from PMI for incentives provided to whole loan investors, as well as additional fees for increased personal loan listings posted on the marketplace year-over-year, consistent with the increase in personal loan originations during this time.

Servicing Fees, Net

Investors who purchase Borrower Loans through the Whole Loan Channel typically pay us a servicing fee which is currently set at 1.0% per annum of the outstanding principal balance of the Borrower Loan prior to applying the current payment, plus an additional 0.075% per annum to cover the Loan Trailing Fee. The Servicing Fee compensates us for the costs incurred in servicing the Borrower Loan, including managing payments from borrowers, managing payments to investors and maintaining investors' account portfolios. We record Servicing Fees from investors as a component of operating revenues when received. We also include any collection fees received, net of collection agency expenses, and debt sale fees in Servicing Fees, Net.

The increases in Servicing Fees, Net of \$2.2 million and \$3.3 million for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024, are largely due to increases in net collections and debt sales fees, as we continue to enhance our Borrower Loan collections and recovery efforts, which includes entering into more settlement agreements with borrowers. Specifically, these fees accounted for approximately \$2.1 million and \$4.2 million of the total increases in Servicing Fees, Net for the three and six months ended June 30, 2025, respectively. The increase for the six months ended June 30, 2025, was partially offset by a \$0.7 million decrease in Servicing Fees, Net, from servicing fees collected and amortization of the Servicing Asset. This is primarily reflective of the continued seasoning of the underlying servicing book.

Loss on Sale of Borrower Loans

Loss on Sale of Borrower Loans consists primarily of incentives provided to investors at the time Borrower Loans are sold through the Whole Loan Channel, net of any gains recognized on those sales, primarily due to the recognition of additional Servicing Assets. Since 2022, due to market volatility and incentives offered by competitors, we started providing additional incentives to our whole loan investors. We also record changes in any estimated investor loss protection liabilities in Loss on Sale of Borrower Loans. For the three and six months ended June 30, 2025, these incentives and changes in the loss incentive liability increased \$8.2 million and \$11.6 million, respectively, from the corresponding periods in the prior year, accounting for most of the year-over-year increases. As discussed above, PFL is reimbursed for these incentives by PMI through the Administrative Fee Revenue – Related Party account. These increases to the loss were partially offset by gains from the volume of whole loans sold of \$0.8 million and \$1.1 million for the three and six months ended June 30, 2025, respectively, as a result of higher personal loan originations during this time.

Other Revenues

Other Revenues have historically consisted primarily of miscellaneous fees, including incentive fees earned from partner companies through our incentive programs, or securitization fees earned from sponsoring securitization transactions with loans from our marketplace. We also record changes to the reserve for the repurchase of Borrower Loans in Other Revenues. The decreases in Other Revenues for the three and six months ended June 30, 2025, as compared to the corresponding periods in 2024, were not significant.

Interest Income on Borrower Loans and Interest Expense on Notes

We recognize Interest Income on Borrower Loans using the accrual method based on the stated interest rate to the extent we believe it to be collectible. We record Interest Expense on the corresponding Notes based on the contractual interest rates. The interest rate on Notes is generally 1% lower than the interest rate on the corresponding Borrower Loans to compensate us for servicing the underlying Borrower Loans.

Overall, the decreases in Net Interest Income for the three and six months ended June 30, 2025, as compared to the corresponding periods in 2024, were not significant, but are reflective of the decrease in the outstanding principal balance of Borrower Loans and Notes year-over-year.

Change in Fair Value of Financial Instruments, Net

Change in Fair Value of Financial Instruments, Net captures gains (losses) in fair value estimates using discounted cash flow methodologies that are based upon a set of valuation assumptions. The key assumptions used in valuations include default and prepayment rates derived from historical performance and discount rates that reflect estimates of the rates of return that investors would require when investing in other financial instruments with similar characteristics. Changes in fair value of Borrower Loans funded through the Note Channel are largely offset by the changes in fair value of the corresponding Notes due to the borrower payment-dependent structure, though differences will arise due to the actual and projected impact of cash flows related to charge-offs, debt sales and miscellaneous fees, as well as certain timing differences.

The following table summarizes the fair value adjustments for the three and six month periods ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Borrower Loans	\$ (3,535)	\$ (8,546)	\$ (8,706)	\$ (14,104)
Notes	3,967	8,694	8,492	13,566
Total	\$ 432	\$ 148	\$ (214)	\$ (538)

The increase in the gain and the decrease in the loss recognized for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024, were primarily due to changes in the timing of borrower payments received close to quarter-end, and the application of those payments against the related Notes. Other fair value changes were generally not material, which is consistent with the borrower payment-dependent structure described above.

Expenses

The following table summarizes our expenses for the three and six month periods ended June 30, 2025 and 2024 (in thousands, except percentages):

	Three Months Ended June 30,		Change	% Change
	2025	2024		
Expenses:				
Administration Fee – Related Party	\$ 20,590	\$ 14,504	\$ 6,086	42 %
Servicing and Other, Net	1,862	1,635	227	14 %
Total Expenses	\$ 22,452	\$ 16,139	\$ 6,313	39 %
	Six Months Ended June 30,		Change	% Change
	2025	2024		
Expenses:				
Administration Fee – Related Party	\$ 38,398	\$ 30,632	\$ 7,766	25 %
Servicing and Other, Net	3,867	3,521	346	10 %
Total Expenses	\$ 42,265	\$ 34,153	\$ 8,112	24 %

Administration Fee - Related Party

Pursuant to our Administration Agreement with PMI, PMI manages the marketplace on our behalf. Accordingly, each month we are required to pay PMI (a) a corporate administration fee of \$500,000 per month, (b) a fee for each Borrower Loan originated through the marketplace, (c) 62.5% of all Servicing Fees collected by us or on our behalf and (d) all nonsufficient funds fees collected by us or on our behalf. In general, the Administrative Fee Expense – Related Party will not fluctuate directly in line with the Administrative Fee Revenue – Related Party due to both the flat corporate administrative fee, as well as the fact that we pay fees for three different services, but receive a fee based only on the number of personal loans listed on the platform. We also include WebBank transaction costs, loan trailing fees and refund liabilities for transaction fees above 5%, based on our revised pricing schedule with WebBank starting in October 2023 and revised in June 2024, in Administration Fee Expense – Related Party.

The increase in Administration Fee – Related Party expense of \$6.1 million for the three months ended June 30, 2025, as compared to the same period in the prior year, is primarily reflective of a \$4.6 million increase in the refund liability for transaction fees above 5%, as the total of refundable origination fees continues to increase since the revisions to the WebBank

pricing schedule referenced above. There was also a \$1.0 million increase in administration fee expense due to a year-over-year increase in loans funded, and a \$0.5 million combined increase in WebBank transaction costs and net loan trailing fees due to the increase in personal loan originations discussed above.

The increase in Administration Fee – Related Party expense of \$7.8 million for the six months ended June 30, 2025, as compared to the same period in the prior year, is primarily reflective of a \$6.6 million increase in the refund liability for transaction fees above 5%, as the total of refundable origination fees continues to increase since the revisions to the WebBank pricing schedule referenced above. There was also a \$0.7 million increase in administration fee expense primarily due to a year-over-year increase in loans funded, and a \$0.5 million combined increase in WebBank transaction costs and net loan trailing fees due to the increase in personal loan originations discussed above.

Servicing and Other, Net

Servicing costs consist primarily of vendor and borrower costs, as well as depreciation of internal-use software associated with servicing Borrower Loans. Other items consist primarily of interest income earned on cash invested on our platform, as well as bank service charges and professional fees. The increases in Servicing and Other, Net of \$0.2 million and \$0.3 million for the three and six months ended June 30, 2025, respectively, as compared to the corresponding periods in 2024, were primarily due to increased depreciation as a result of the growth in internal-use software during this time.

LIQUIDITY AND CAPITAL RESOURCES

We anticipate that our available funds and cash flow from operations will be sufficient to meet our operational cash needs for at least the next 12 months.

The following table summarizes our cash flow activities for the six months ended June 30, 2025 and 2024 (in thousands):

	Six Months Ended June 30,	
	2025	2024
Net Loss	\$ (7,463)	\$ (4,199)
Net Cash Provided by Operating Activities	24,044	7,780
Net Cash Provided by (Used in) Investing Activities	3,349	(208)
Net Cash Used in Financing Activities	(10,199)	(2,763)
Net Increase in Cash, Cash Equivalents and Restricted Cash	17,194	4,809
Cash, Cash Equivalents and Restricted Cash at the beginning of the period	96,740	97,039
Cash, Cash Equivalents and Restricted Cash at the end of the period	<u>\$ 113,934</u>	<u>\$ 101,848</u>

Cash, Cash Equivalents and Restricted Cash increased \$17.2 million for the six months ended June 30, 2025, based on the following components:

Operating Activities: \$24.0 million was provided by operating activities, driven by cash provided by working capital of \$27.8 million, primarily due to the timing of payments to PMI and investors, partially offset by net loss, net of non-cash adjustments of \$3.7 million.

Investing Activities: \$3.3 million was provided in investing activities, due to \$95.7 million of principal payments from Borrower Loans, partially offset by \$85.8 million in purchases of Borrower Loans and \$6.5 million in purchases of property and equipment.

Financing Activities: \$10.2 million was used in financing activities, due to \$94.8 million in payments for Notes, at Fair Value, partially offset by \$84.6 million in proceeds from the issuance of Notes, at Fair Value.

Cash, Cash Equivalents and Restricted Cash decreased \$4.8 million for the six months ended June 30, 2024, based on the following components:

Operating Activities: \$7.8 million was provided by operating activities, driven by cash provided by working capital of \$7.9 million, primarily due to the timing of payments to PMI and investors, partially offset by net loss, net of non-cash adjustments of \$0.1 million.

Investing Activities: \$0.2 million was used in investing activities, due to \$96.1 million in purchases of Borrower Loans and \$3.9 million in purchases of property and equipment, partially offset by \$99.8 million of principal payments under Borrower Loans.

Financing Activities: \$2.8 million was used by financing activities, due to \$98.8 million in payments for Notes, at Fair Value, and partially offset by \$96.0 million in proceeds from the issuance of Notes, at Fair Value.

Income Taxes

We incurred no income tax expense for the six months ended June 30, 2025 and 2024. We are a US disregarded entity for income tax purposes and our income and loss is included in the return of our parent, PMI. Given PMI's history of taxable losses, it is difficult to accurately forecast how Prosper's and our results will be affected by the realization and use of net operating loss carry forwards.

Off-Balance Sheet Arrangements

As a result of retaining servicing rights on the sale of Borrower Loans, we are a variable interest holder in certain special purposes entities that purchase these Borrower Loans. None of these special interest entities are consolidated as we are not the primary beneficiary. Otherwise as of June 30, 2025, we have not engaged in any off-balance sheet financing activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK AND INTEREST RATE RISK

PROSPER MARKETPLACE, INC.

Market Risk

Market risk is the risk of loss to future earnings, values, or future cash flows that may result from changes in financial market prices and interest rates.

Through our securitization trusts (formed in September 2023 and March 2024) we hold Borrower Loans. Changes in U.S. interest rates affect the market value of these Borrower Loans on our balance sheet. Our future investment income may fall short of expectations, or we may suffer a loss in principal if we are forced to sell Borrower Loans that have declined in market value due to changes in interest rates, loss assumptions or overall market conditions. Interest rate increases may increase the risks of our investments in Borrower Loans through our securitization trusts, and additional fluctuations in interest rates may exacerbate such risks. Changes in the market value of Borrower Loans are recorded on the consolidated statements of operations. The fair value of Borrower Loans held in consolidated securitization trusts was \$109.6 million as of June 30, 2025.

The fair values of Borrower Loans and Notes are determined using discounted cash flow methodologies based upon a set of valuation assumptions such as default rate, prepayment rate and discount rate. Default rate, prepayment rate and discount rate may change due to expected loan performance or changes in the expected returns of similar financial instruments available in the market. We are exposed to the risk of a decrease in the fair value of loans held in the warehouse and securitization trusts. For Borrower Loans and Notes presented on our Balance Sheet on behalf of our Note Channel investors, the fair value adjustments for Borrower Loans are largely offset by the fair value adjustments of the Notes due to the borrower payment dependent design of the Notes and due to the total principal balances of the Borrower Loans being very close to the total principal balances of the Notes.

We had cash and cash equivalents of \$38.2 million and \$30.3 million as of June 30, 2025, and December 31, 2024, respectively. These amounts were held in various unrestricted deposits with highly rated financial institutions and short-term, highly liquid marketable securities which may include money market funds, U.S. Treasury securities, and U.S. agency securities. Cash and Cash Equivalents are held for working capital purposes. Due to their short-term nature, we believe that we do not have any material exposure to changes in the fair value of these liquid investments as a result of changes in interest rates. Decreases in short-term interest rates will moderately reduce interest income on these Cash and Cash Equivalents. Increases in short-term interest rates will moderately increase the interest income earned on the Cash and Cash Equivalents.

Interest Rate Sensitivity

As more fully described in Note 8, *Fair Value of Assets and Liabilities*, of Prosper's condensed consolidated financial statements attached to this Quarterly Report on Form 10-Q, the fair value of Borrower Loans is \$376.3 million as of June 30, 2025, determined using a weighted-average discount rate of 8.79%. The combined fair value of Borrower Loans and Loans Held for Sale was \$461.8 million as of December 31, 2024, determined using a weighted-average discount rate of 7.72%. A hypothetical 100 basis point increase in interest rates would result in a decrease of approximately \$3.3 million and \$4.2 million

in the fair value of PMI's investment in Borrower Loans and Loans Held for Sale as of June 30, 2025, and December 31, 2024, respectively. A hypothetical 100 basis point decrease in interest rates would result in an increase of \$3.4 million and \$4.3 million in the fair value of our investment in Borrower Loans and Loans Held for Sale as of June 30, 2025, and December 31, 2024, respectively. Any realized or unrealized gains or losses resulting from such interest rate change would be recorded in our statement of operations so long as we hold these Borrower Loans and Loans Held for Sale on our balance sheet.

PROSPER FUNDING LLC

Market Risk

Market risk is the risk of loss to future earnings, values, or future cash flows that may result from changes in financial market prices and interest rates.

Because balances, interest rates, and maturities of Borrower Loans are matched and offset by an equal balance of Notes with the exact same interest rates (net of our servicing fee) and initial maturities, we believe that we do not have any material exposure to changes in the net fair value of the combined Borrower Loan and Note portfolios as a result of changes in interest rates. We do not hold or issue financial instruments for trading purposes.

The fair values of Borrower Loans and the related Notes are determined using discounted cash flow methodologies based upon a set of valuation assumptions. The fair value adjustments for Borrower Loans are largely offset by the fair value adjustments of the Notes due to the borrower payment dependent design of the Notes and due to the total principal balances of the Borrower Loans being very close to the total principal balances of the Notes.

Prosper Funding had Cash and Cash Equivalents of \$3.3 million and \$2.8 million as of June 30, 2025 and December 31, 2024, respectively. These amounts were held in various unrestricted deposits with highly rated financial institutions and short term, highly liquid marketable securities which may include money market funds, U.S. treasury securities and U.S. agency securities. Cash and cash equivalents are held for working capital purposes. Due to their short-term nature, Prosper Funding believes that it does not have any material exposure to changes in the fair value of these liquid investments as a result of changes in interest rates. Decreases in short-term interest rates will moderately reduce interest income on these cash and cash equivalents, while increases in short-term interest rates will moderately increase the interest income earned on these cash and cash equivalent balances.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Registrants' disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including to each Registrant's Principal Executive Officer (PEO) and Principal Financial Officer (PFO), to allow timely decisions regarding required disclosures. The management of each Registrant, with the participation of such Registrant's PEO and PFO, has evaluated the effectiveness of such Registrant's disclosure controls and procedures as of June 30, 2025. Based on this evaluation, each Registrant's PEO and PFO have concluded that these disclosure controls and procedures were effective as of June 30, 2025.

Changes in Internal Control Over Financial Reporting

There were no changes in either Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, either Registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

This Item should be read in conjunction with the disclosures contained in Part I, Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 1A. Risk Factors

You should carefully consider all information in this Quarterly Report on Form 10-Q, including the condensed consolidated financial statements and related notes, and the risks described in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

PMI – None.

PFL – Information for this Item is not required for PFL because it meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q; PFL is therefore filing this Form with the reduced disclosure format.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Eligible Employee Retention Plan

On August 13, 2025, the Board of Directors (the "Board") of PMI adopted the Amended and Restated Eligible Employee Retention Plan, which amended and restated the Eligible Employee Retention Plan adopted by the Board on November 6, 2020 in its entirety (as amended and restated, the "Retention Plan"). The purpose of the Retention Plan is to encourage continued service from employees prior to, and in the event of, an acquisition by providing retention payments upon a Change in Control (as defined in the Retention Plan).

The Retention Plan establishes a pool equal to the greater of \$20,000,000 and the Grantor Trust Value (as defined in the Retention Plan). See Note 13 of the accompanying condensed consolidated financial statements for information on Prosper Grantor Trust, which holds the shares that make up the Grantor Trust Value. At least 75% of the pool is designated as the fixed allocation pool and the remaining up to 25% is designated as the discretionary allocation pool. Employees who, as of the Measurement Date (as defined in the Retention Plan), are employed by PMI for a minimum of two years, hold Vested Equity (as defined in the Retention Plan), and execute a participation agreement are eligible to receive payments from the fixed allocation pool. The fixed allocation payment for each eligible employee is based on such employee's pro rata share of equity holdings, relative to the equity holdings of all eligible employees. An employee's equity, for this purpose, includes stock, restricted stock, vested RSUs, and vested options, provided that the options and RSUs held by employees with at least two years of continuous employment as of the closing of the acquisition will be deemed to be fully vested for purposes of the fixed allocation payment calculation. In the event of a Corporate Transaction (as defined in the Retention Plan), the fixed allocation payment for each eligible employee is subject to reduction by the amount, if any, the employee receives in transaction proceeds in their capacity as a stockholder of PMI (such amount, the "Equity Reduction Amount"). Equity Reduction Amounts will not be reallocated under the Retention Plan but instead become available for distribution to PMI's stockholders in accordance with the definitive agreement effecting the Corporate Transaction.

The discretionary allocation pool will be allocated at the discretion of the Chief Executive Officer, and the payment amounts to be distributed to the Chief Executive Officer under the discretionary allocation pool, if any, will be determined by the Compensation Committee of the Board.

The Retention Plan automatically expires on August 13, 2030. If an employee leaves PMI prior to closing of an acquisition, that employee's allocation under the Retention Plan, whether fixed or discretionary, will be automatically forfeited and reallocated to the remaining plan participants according to their equity holdings on a pro rata basis.

This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated Eligible Employee Retention Plan attached as Exhibit 10.1.

Item 6. Exhibits

The exhibits listed on the Exhibit Index are filed or incorporated by reference as a part of this report and such Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
<u>10.1</u>	Prosper Marketplace, Inc. Amended and Restated Eligible Employee Retention Plan, amended and restated as of August 13, 2025 (1)
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to PMI's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
<u>31.2</u>	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to PMI's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
<u>31.3</u>	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to PFL's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
<u>31.4</u>	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to PFL's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
<u>32.1</u>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to PMI's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
<u>32.2</u>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to PFL's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (1)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	Taxonomy Extension Calculation Linkbase Document
101.LAB	Taxonomy Extension Label Linkbase Document
101.PRE	Taxonomy Extension Presentation Linkbase Document
101.DEF	Taxonomy Extension Definition Linkbase Document

(1) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROSPER MARKETPLACE, INC.
PROSPER FUNDING LLC

August 14, 2025

/s/ David Kimball

David Kimball

Chief Executive Officer of Prosper Marketplace, Inc.

Chief Executive Officer of Prosper Funding LLC

(Principal Executive Officer)

August 14, 2025

/s/ Usama Ashraf

Usama Ashraf

President and Chief Financial Officer of Prosper Marketplace, Inc.

President, Chief Financial Officer and Treasurer of Prosper Funding LLC

(Principal Financial Officer)

PROSPER MARKETPLACE, INC.

**AMENDED AND RESTATED
ELIGIBLE EMPLOYEE RETENTION PLAN**

**(Originally Adopted by the Board on November 6, 2020
Amended and Restated by the Board on August 13, 2025)**

1. Purposes.

(a) It is expected that the Company from time to time will consider the possibility of an acquisition by another company or other Corporate Transaction. The Board recognizes that such possibilities can cause Company employees to consider alternative employment opportunities. The purpose of the Plan is to provide transaction-based bonuses to the Eligible Employees under the terms of this Plan that will be paid upon the occurrence of a Corporate Transaction to (i) assure that the Company will have the continued dedication and objectivity of the Eligible Employees, notwithstanding the possibility, threat or occurrence of a Corporate Transaction, (ii) provide the Eligible Employees with an incentive to continue their service prior to a Corporate Transaction, to motivate the team to maximize the value of the Company upon a Corporate Transaction for the benefit of its stockholders and to provide an incentive to remain through the closing of a Corporate Transaction, and (iii) provide the Eligible Employees with enhanced financial security and incentive and encouragement to remain with the Company notwithstanding the possibility of a Corporate Transaction. The Plan is intended to be a “bonus program” as defined under U.S. Department of Labor regulation 2510.3-2(c) and shall be construed and administered in accordance with such intention.

(b) The Board has determined that the adoption of the Plan is in the best interest of the Company and its stockholders.

2. Definitions.

(a) “**Board**” means the Board of Directors of the Company.

(b) “**Bonus Amount**” means an Eligible Employee’s Discretionary Allocation Bonus Amount and/or Fixed Allocation Bonus Amount, as applicable.

(c) “**Bonus Pool**” means the greater of (x) Twenty Million Dollars (\$20,000,000) or (y) the Grantor Trust Value.

(d) “**Chief Executive Officer**” means the Company’s Chief Executive Officer, as may serve from time to time.

(e) “**Closing**” means the closing of a transaction constituting a Corporate Transaction.

(f) “**Closing Date**” means the date of the Closing.

(g) “**Closing Net Proceeds**” means the sum of any cash available for distribution as of the Closing to the holders of the Company’s equity securities (including any securities that are convertible, exercisable or exchangeable for equity securities) in connection with a Corporate Transaction after the repayment of all Company debt outstanding and after subtracting all costs and fees associated with the transaction.

(h) “**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(i) “**Company**” means Prosper Marketplace, Inc., a Delaware corporation, or any successor thereto.

(j) “**Compensation Committee**” means the Compensation Committee of the Board.

(k) “**Corporate Transaction**” means any of the following events:

(1) any person (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “**Person**”)), other than any person who currently owns more than a majority of the Company’s Common Stock, becoming the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the then outstanding voting securities of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board will not be considered a Corporate Transaction;

(2) a consolidation or merger of the Company with or into another entity, unless the stockholders of the Company immediately before such consolidation or merger own, directly or indirectly, a majority of the combined voting power of the outstanding voting securities of the corporation or other entity resulting from such consolidation or merger;

(3) the sale of all or substantially all of the assets of the Company; or

(4) the liquidation, dissolution or winding up of the entity.

Notwithstanding anything to the contrary, (i) a transaction shall not constitute a Corporate Transaction if its sole purpose is to change the jurisdiction of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction; (ii) to the extent necessary to avoid the imposition of taxes and penalties under Code Section 409A, a Corporate Transaction shall not be deemed to have occurred for purposes of the Plan unless such Corporate Transaction also constitutes a change in the ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company under Code Section 409A; and (iii) a transaction in which the Closing Net Proceeds are less than Twenty Million Dollars (\$20,000,000) shall not be deemed to constitute a Corporate Transaction.

(l) “**Discretionary Allocation Bonus Amount**” means, with respect to each Eligible Employee, such amount as may be determined by the Chief Executive Officer (or, in the case of the Chief Executive Officer, by the Compensation Committee) from time to time pursuant to the Plan.

(m) “**Discretionary Allocation Pool**” means an amount up to twenty-five percent (25%) of the Bonus Pool, as determined in accordance with Section 4.

(n) “**Eligible Employee**” means (x) each common law employee of the Company (or any subsidiary) who (i) holds Vested Equity as of the Measurement Date, and (ii) executes a Participation Agreement; and (y) any other common law employee of the Company (or any subsidiary) whom the Compensation Committee or Chief Executive Officer, as applicable, designates from time to time as an Eligible Employee pursuant to the Plan and who executes a

Participation Agreement; provided, further, that an Eligible Employee must remain continuously employed through the Closing Date to be eligible for any Bonus Amount under this Plan.

(o) “**Equity**” means, unless otherwise determined by the Compensation Committee in good faith, the number of securities held directly or indirectly under the attribution rules (as determined under Code Section 318), including, without limitation, all (i) shares of Company Common Stock (except shares of Common Stock issued upon conversion of preferred stock), including shares of Common Stock subject to a Company repurchase right or similar restriction held by a Person and such Person’s Family (each, a “**Restricted Stock Award**”) to the extent such repurchase right or restriction has lapsed as of (or shall lapse in connection with) the Closing, (ii) shares of Company Common Stock that would be issued to a Person with respect to a time-based restricted stock unit award (each, an “**RSU Award**”) to the extent the applicable vesting schedule has been satisfied as of (or in connection with) the Closing, and (iii) options to purchase Common Stock (each, an “**Option**”) held by a Person and such Person’s Family, to the extent vested as of (or in connection with) the Closing.

(p) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

(q) “**Family**” means, with respect to any person, such person’s spouse, lineal descendant or antecedent, uncle, aunt, nephew, niece, brother or sister or stepchild (whether or not adopted), and any trust for the benefit of any such person.

(r) “**Fixed Allocation Bonus Amount**” means, with respect to each Eligible Employee, the cash bonus, if any, paid pursuant to a Fixed Allocation Bonus Target.

(s) “**Fixed Allocation Bonus Target**” means, with respect to each Eligible Employee who holds Vested Equity as of the Measurement Date, a target amount equal to the product of (i) the Fixed Allocation Pool, *multiplied by* (ii) a fraction, the numerator of which equals (x) the number of shares of Vested Equity held by such Eligible Employee, and the denominator of which equals (y) the aggregate number of shares of all Vested Equity held by the Eligible Employees who participate in the Plan, in each case determined by the Compensation Committee as of the Measurement Date.

(t) “**Fixed Allocation Pool**” means an amount equal to the greater of (i) seventy-five percent (75%) of the Bonus Pool, or (ii) the Bonus Pool less the Discretionary Allocation Pool actually allocated pursuant to Section 4.

(u) “**Grantor Trust**” means the Trust Agreement entered into effective as of July 13, 2020 by and between the Company and Newport Trust Company, a New Hampshire chartered trust company.

(v) “**Grantor Trust Value**” means the amount of the Closing Net Proceeds payable with respect to the 34,670,420 shares of Series A Preferred Stock and the 16,577,495 shares of Series B Preferred Stock (as may be adjusted after the date hereof for any stock split, stock dividend, combination of shares, reorganization, recapitalization, reclassification or other similar event) in connection with the Corporate Transaction, which is held by the Grantor Trust.

(w) “**Measurement Date**” means a date that is no more than thirty (30) days prior to, and contingent upon, the then anticipated Closing Date, as determined from time to time by the Chief Executive Officer in his or her sole discretion.

(x) “**Participant Agreement**” means an individualized agreement setting forth the terms relating to an Eligible Employee’s participation in the Plan, substantially in the form attached hereto as Exhibit A.

(y) “**Plan**” means this Prosper Marketplace, Inc. Amended and Restated Eligible Employee Retention Plan.

(z) “**Vested Equity**” means Equity held by an Eligible Employee, including that, solely for purposes of calculating the amount of Equity held by an Eligible Employee with respect to determining a Bonus Amount under this Plan, each Eligible Employee who has been continuously employed by the Company (or any subsidiary) for a minimum of two (2) years as of the Measurement Date shall be deemed fully vested with respect of the shares of Company Common Stock subject to any Restricted Stock Award, RSU Award or Option held by such Eligible Employee as of the Closing.

3. Administration.

(a) In connection with the adoption of the Plan, the Board delegates to the Compensation Committee the authority to interpret and administer the Plan. Any actions by the Compensation Committee shall be final and binding on all persons, including the Eligible Employees, and shall be given the maximum deference permitted by law.

(b) The Compensation Committee, in its sole discretion, shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(1) To determine from time to time which employees of the Company shall be designated as Eligible Employees entitled to participate in the Plan and the terms under which they will be entitled to participate.

(2) To determine whether or not a transaction or related series of transactions constitutes a Corporate Transaction that results in a Closing.

(3) At any time prior to the Company’s entry into a term sheet or letter of intent that results in a Closing, to establish, change, and adjust, with respect to the Chief Executive Officer, the Discretionary Allocation Bonus Amount and the Fixed Allocation Bonus Amount payable with respect to any Fixed Allocation Bonus Target (the “**CEO Allocations**”). Immediately prior to the Company’s entry into a term sheet or letter of intent that results in a Closing, the members of the Compensation Committee shall review, establish, adjust, and/or confirm, as applicable, the CEO Allocations as of such date and, if necessary, the Company shall promptly issue a new Participation Agreement for such CEO Allocations, which shall supersede and replace the current Participation Agreement with the Chief Executive Officer should one exist.

(4) The Compensation Committee may delegate some or all of its powers and responsibilities under the Plan to one or more officers of the Company. Pursuant to the limitations of the Plan, including without limitation Sections 4(a) and 4(b), the Compensation Committee hereby delegates to the Chief Executive Officer the power to (i) determine the Discretionary Allocation Bonus Amounts (except with respect to the Chief Executive Officer and, in the case of other executive officers of the Company, subject to the approval of the Compensation Committee), and (ii) reduce any Fixed Allocation Bonus Amounts payable with respect to any Fixed Allocation Bonus Targets.

(c) No member of the Board, the Compensation Committee or its delegate will be liable for any action or determination made by the Board, Compensation Committee or its

delegate with respect to the Plan or any distribution paid under the Plan. All expenses and liabilities that members of the Compensation Committee or its delegate incur in connection with the administration of the Plan shall be borne by the Company or its successor. No member of the Board or its delegate shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or any distribution paid hereunder, and all members of the Board or its delegate shall be fully indemnified and held harmless by the Company or its successor in respect of any such action, determination, or interpretation.

4. Bonus Pool.

(a) Fixed Allocation Pool.

(1) Establishment of Fixed Allocation Pool. Subject to Section 10, the Fixed Allocation Pool is hereby established as of the date hereof.

(2) Designation of Eligible Employees. Any person who, as of the Measurement Date, (i) is an employee of the Company (or any subsidiary), (ii) has completed a minimum of two years of continuous service as an employee of the Company (or any subsidiary), (iii) holds Vested Equity, and (iv) executes a Participation Agreement, shall be designated an Eligible Employee for purposes of the Fixed Allocation Pool.

(3) Fixed Allocation Bonus Targets. Subject to continued employment through and including the Closing Date, each Eligible Employee shall be eligible to receive a Fixed Allocation Bonus Amount up to such person's Fixed Allocation Bonus Target, subject to adjustment under Section 4(a)(4) and 4(a)(5) below.

(4) Fixed Allocation Offset. Notwithstanding anything in the Plan to the contrary, each Eligible Employee's Fixed Allocation Bonus Target shall be reduced by the Equity Reduction Amount (as defined herein), if any. The "**Equity Reduction Amount**" with respect to an Eligible Employee shall mean the amount that such Eligible Employee and such Eligible Employee's Family receives in connection with a Corporate Transaction with respect to the Eligible Employee's Equity. Common stock will be valued based upon the amount, if any, by which (x) the value per share to be received by holders of the Common Stock in connection with the Corporate Transaction; exceeds (y) the amount paid for such Common Stock. Options to purchase Common Stock will be valued based upon the amount, if any, by which (x) the value per share to be received by holders of the Common Stock in connection with the Corporate Transaction; exceeds (y) the exercise price per share under such option. The aggregate amount of the Equity Reduction Amounts that reduce Fixed Allocation Bonus Amounts for Eligible Employees, as determined under this Section 4(a)(4) (the "**Aggregate Reduction Amount**"), shall reduce the amount of the Fixed Allocation Pool and, therefore, such aggregate amount will not be available for allocation to any other Eligible Employees. For the avoidance of doubt, the Aggregate Reduction Amount shall not be distributed to any Eligible Employees under this Plan, but instead shall be available for distribution to the Company's equity holders in accordance with the definitive agreement effecting the Corporate Transaction.

(5) Chief Executive Officer Discretion. After giving effect to the reduction set forth in Section 4(a)(4) above, an Eligible Employee's Fixed Allocation Bonus Amount may be further reduced by the Chief Executive Officer (or, with respect to the Chief Executive Officer, the Compensation Committee) in the Chief Executive Officer's (or the Compensation Committee's) sole discretion as of the Closing; provided that, any changes to the Chief Executive Officer's Fixed Allocation Bonus Amount after the execution of a term sheet or letter of intent that results in a Closing shall be mutually agreed upon by the Chief Executive Officer and the Compensation Committee. In the event an Eligible Employee's Fixed Allocation Bonus Amount is reduced by the Chief Executive Officer or Compensation Committee, as applicable, pursuant

to this Section 4(a)(5), then such withheld portion shall be automatically reallocated to the other Eligible Employees in proportion to their Vested Equity held as of the Measurement Date.

(6) Fixed Allocation Bonus Forfeiture. If, after the Measurement Date, an Eligible Employee ceases to be eligible to receive a Fixed Allocation Bonus Amount pursuant to the Plan, including, without limitation, by virtue of a termination of employment with the Company for any reason prior to the Closing Date, such Eligible Employee's Fixed Allocation Bonus Amount shall be automatically forfeited.

(b) Discretionary Allocation Pool.

(1) Establishment of Discretionary Allocation Pool. Subject to Section 10, the Discretionary Allocation Pool is hereby established as of the date hereof.

(2) Designation of Eligible Employees; Allocation of Bonus Pool. Any person who is an employee of the Company (or any subsidiary) may be designated as an Eligible Employee for purposes of the Discretionary Allocation Pool from time to time prior to the Closing Date by the Chief Executive Officer (or, with respect to the Chief Executive Officer, by the Compensation Committee). With respect to each Eligible Employee, the Chief Executive Officer (or, with respect to the Chief Executive Officer, the Compensation Committee) shall establish a Discretionary Allocation Bonus Amount, which, together with any additional terms and conditions, shall be set forth in writing from time to time in a Participation Agreement between the Eligible Employee and the Company. The Company's management shall make available to the Compensation Committee, on a quarterly basis, a list of the Participation Agreements, if any, executed during the preceding quarter, including the name of the Eligible Employee party to the agreement and the Discretionary Allocation Bonus Amount established for such Eligible Employee. At no time may the aggregate sum of the Discretionary Allocation Bonuses exceed twenty-five percent (25%) of the Bonus Pool.

(3) Discretionary Allocation Bonus Forfeiture. If an Eligible Employee ceases to be eligible to receive a Discretionary Allocation Bonus Amount pursuant to the Plan, including, without limitation, by virtue of a termination of employment with the Company for any reason prior to the Closing Date, such Eligible Employee's Discretionary Allocation Bonus Amount shall be automatically forfeited.

(c) Forfeitures; Unallocated Amounts. Except as provided in Section 4(a)(4), any portion of the Fixed Allocation Pool or the Discretion Allocation Pool that is unallocated as of the Closing Date pursuant to a forfeiture under Section 4(a)(6) or 4(b)(3) or otherwise pursuant to the Plan shall automatically be reallocated to the Fixed Allocation Pool as of the Closing Date.

5. Distributions.

(a) An Eligible Employee must be an active employee of the Company (or any subsidiary) in good standing on the Closing Date to be eligible to receive his or her Bonus Amount. Upon termination of an Eligible Employee's employment prior to the Closing Date, such Eligible Employee shall no longer be an Eligible Employee in the Plan and shall not be entitled to any distributions hereunder.

(b) If the conditions for distribution set forth in the Plan are satisfied, the Bonus Amounts, subject to adjustment as provided herein, shall be distributed to Eligible Employees on or as soon as practicable after (but in no event later than thirty (30) days following) the Closing Date.

(c) Section 280G.

(1) Anything in the Plan to the contrary notwithstanding, if any payment or benefit an Eligible Employee would receive from the Company or otherwise (a “**Payment**”) would (i) constitute a “parachute payment” within the meaning of Code Section 280G; and (ii) but for this sentence, be subject to the excise tax imposed by Code Section 4999 (the “**Excise Tax**”), then such Payment shall be equal to the Reduced Amount. The “**Reduced Amount**” shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax; or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in such Eligible Employee’s receipt, on an after-tax basis, of the greater amount of the Payment.

(2) If a reduction in payments or benefits constituting “parachute payments” is necessary so that the Payment equals the Reduced Amount and no portion of such Payment is subject to the Excise Tax, reduction shall occur in the following order: Any reduction made pursuant to this Section 5 shall be made in accordance with the following order of priority: (i) stock options whose exercise price exceeds the fair market value of the optioned stock (“**Underwater Options**”) (ii) Full Credit Payments (as defined below) that are payable in cash, (iii) non-cash Full Credit Payments that are taxable, (iv) non-cash Full Credit Payments that are not taxable (v) Partial Credit Payments (as defined below) and (vi) non-cash employee welfare benefits. In each case, reductions shall be made in reverse chronological order such that the payment or benefit owed on the latest date following the occurrence of the event triggering the excise tax will be the first payment or benefit to be reduced (with reductions made pro-rata in the event payments or benefits are owed at the same time). “**Full Credit Payment**” means a payment, distribution or benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, that if reduced in value by one dollar reduces the amount of the parachute payment (as defined in Section 280G of the Code) by one dollar, determined as if such payment, distribution or benefit had been paid or distributed on the date of the event triggering the excise tax. “**Partial Credit Payment**” means any payment, distribution or benefit that is not a Full Credit Payment. In no event shall the Executive have any discretion with respect to the ordering of payment reductions. Notwithstanding the foregoing, to the extent the Company submits any payment or benefit payable to the Eligible Employee under the Plan or otherwise to the Company’s stockholders for approval in accordance with Treasury Reg. Section 1.280G-1 Q&A 7, the foregoing provisions shall not apply following such submission and such payments and benefits will be treated in accordance with the results of such vote, except that any reduction in, or waiver of, such payments or benefits required by such vote will be applied without any application of discretion by the Eligible Employee and in the order prescribed by this Section 5(c). In no event shall the Eligible Employee have any discretion with respect to the ordering of payment reductions.

(3) A nationally recognized certified professional services firm selected by the Company, the Company’s legal counsel or such other person or entity to which the parties mutually agree (the “**Firm**”) shall perform the foregoing calculations related to the Excise Tax. The Company shall bear all expenses with respect to the determinations by the Firm required to be made hereunder. For purposes of making the calculations required by this Section 5(c), the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and the Eligible Employee will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 5(c). Any good faith determinations of the Firm made hereunder shall be final, binding, and conclusive upon the Company and the Eligible Employee.

6. Amendment or Termination of the Plan.

(a) The Compensation Committee at any time, and from time to time prior to the Closing, may amend or terminate the Plan in any manner in its sole discretion; provided, however, the Plan may not be amended or terminated on or following the issuance of a Participation Agreement without the consent of each Eligible Employee affected by the amendment or termination, except (i) pursuant to Section 12, as may be required by any applicable law or as necessary to correct administrative errors, and (ii) to adjust the Plan in the event securities or other assets or property become available for distribution to the holders of the Company's equity securities in addition to, or in lieu of, cash in connection with a Corporate Transaction).

(b) The Plan shall automatically terminate upon the earlier of (i) the completion of all payments under the terms of the Plan, (ii) the closing of the Company's first underwritten public offering of the Company's equity securities registered under the Securities Act of 1933, as amended, that occurs prior to the Closing, (iii) a determination by the Compensation Committee to terminate the Plan, consistent with Section 6(a) above, or (iv) August 13, 2030.

7. No Guarantee of Future Service.

Selection of an individual to participate as an Eligible Employee under the Plan shall not provide any guarantee or promise of continued service of the Eligible Employee with the Company (or any of its subsidiaries), and the Company retains the right to terminate the employment of any employee at any time, with or without cause, for any reason or no reason, except as may be restricted by law or contract.

8. No Equity Interest.

Neither the Plan nor any distribution hereunder creates or conveys any equity or ownership interest in the Company or any rights commonly associated with such interests, including, without limitation, the right to vote on any matters put before the stockholders of the Company.

9. Tax Withholding.

The Company shall withhold from any distributions under the Plan and/or require the Eligible Employees to remit payments to the Company for any amount required to satisfy the Company's income, employment or other tax withholding obligations under federal, state or other applicable law. The Eligible Employees shall be solely responsible for any tax withholding obligations and shall be responsible for remitting any necessary funds to the Company to meet such tax withholding obligations. The Company cannot and has not guaranteed that the Internal Revenue Service ("IRS") will determine that the Plan benefits are not deferred compensation within the meaning of Code Section 409A. If the IRS determines that the Plan benefits are deferred compensation, the Eligible Employees shall be solely responsible for the Eligible Employees' costs related to such a determination, if any.

10. Unfunded Plan.

The Plan shall be funded out of the Company's general assets. No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to

purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Eligible Employees shall have no rights under the Plan other than as unsecured general creditors of the Company.

11. Nonassignability.

To the maximum extent permitted by law, an Eligible Employee's right or benefits under the Plan shall not be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit.

12. Code Section 409A.

Each payment and benefit payable under the Plan is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Bonus Amounts under the Plan are intended to fall within the "short-term deferral" exemption from Code Section 409A and, if such payments fail to fall within such exemption, to comply with the requirements of Code Section 409A, and the Plan shall be interpreted consistent with such intent. The Company and each Eligible Employee will work together in good faith to consider either (i) amendments to the Plan; or (ii) revisions to the Plan with respect to the payment of any Bonus Amounts, in each case to the extent necessary to avoid the imposition of taxes and penalties under Code Section 409A. Notwithstanding anything in the Plan to the contrary, the Company reserves the right, in its sole discretion and without the consent of any Eligible Employee, to take such reasonable actions and make any amendments to the Plan as it deems necessary, advisable or desirable to comply with Code Section 409A or to otherwise avoid the imposition of taxes and penalties under Code Section 409A.

13. Choice of Law.

All questions concerning the construction, validation and interpretation of the Plan will be governed by the law of the State of California without regard to its conflict of laws provisions.

14. Successors and Assigns.

The Plan shall be binding upon and shall inure to the benefit of the Company and its successors and assigns and upon a Closing the Company shall require its successor(s) or assign(s) to assume the Company's obligations under the Plan.

15. Headings.

The headings in the Plan are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

The Prosper Marketplace, Inc. Amended and Restated Eligible Employee Retention Plan was approved by the Board on August 13, 2025 and has been duly signed by an authorized officer of the Company.

PROSPER MARKETPLACE, INC.

/s/ David Kimball
By: David Kimball

Its: Chief Executive Officer

EXHIBIT A

**PROSPER MARKETPLACE, INC.
AMENDED AND RESTATED ELIGIBLE EMPLOYEE RETENTION PLAN
PARTICIPATION AGREEMENT**

_____ (the “**Eligible Employee**”) has been selected to participate in the Prosper Marketplace, Inc. Amended and Restated Eligible Employee Retention Plan, as it may be amended from time to time (the “**Plan**”). Unless otherwise defined herein, the capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

Date of Issuance: _____

Type of Allocation:

_____ Fixed Allocation Bonus (target amount based on the proportion of Company equity the Eligible Employee holds compared to the equity held by all other Fixed Allocation Bonus Pool participants)

_____ Discretionary Allocation Bonus Amount: \$ _____

The Bonus Amount shall be distributed in accordance with the Plan.

In the event that the Eligible Employee is not an active employee of the Company (or any subsidiary) in good standing as of the Closing of a Corporate Transaction, the Eligible Employee will have no rights to receive the Bonus Amount under the Plan and this Participation Agreement shall be null and void.

The Eligible Employee acknowledges that any interest in his or her Bonus Amount is subject to the conditions of the Plan and this Participation Agreement. The Eligible Employee acknowledges receipt of a copy of the Plan and represents that the Eligible Employee has read and is familiar with its provisions.

As a further condition to receipt of the Bonus Amount: Eligible Employee covenant and agrees, as follows:

- **Confidentiality.** The Eligible Employee hereby acknowledges that the success of the Company after the Closing depends upon the continued preservation of the confidentiality of certain Confidential Information (as hereinafter defined) possessed by the Eligible Employee, that the preservation of the confidentiality of such Confidential Information by the Eligible Employee and its Related Parties (as defined below) is an essential premise of the transactions contemplated by the applicable documents governing the Corporate Transaction (“**Transaction Documents**”), and accordingly

agrees with the Company, on behalf of itself and its Related Parties, that the Eligible Employee will not, and will cause its Related Parties not to (in each case, other than to their affiliates and representatives owing a duty of confidentiality to the Eligible Employee or their affiliates), at any time disclose or use any confidential or proprietary information (whether or not in written form and whether or not expressly designated as confidential), documents or materials of or concerning the Company, or relating directly or indirectly to the business, operations, financial affairs, performance, assets, technology, processes, trade secrets, products, contracts, customers, suppliers, personnel or plans of the Company, and the terms of the Transaction Documents and the other agreements and transactions contemplated thereby (“**Confidential Information**”), except to the extent necessary in connection with an Eligible Employee’s tax filings or accounting matters and except to the extent that such Confidential Information is requested or required to be disclosed to or by any governmental entity or otherwise required to be disclosed by applicable law or legal or regulatory process or proceeding (although in such event, the Eligible Employee agrees to notify the surviving corporation in writing as promptly as practicable of such requirement, so that the surviving corporation may seek an appropriate protective order with respect to such requested or required disclosure (and, if the surviving corporation seeks such an order, the Eligible Employee agrees to provide, at the surviving corporation’s expense, such cooperation as the surviving corporation may reasonably request in connection therewith)); provided, however, that this paragraph does not and will not apply to any information that is or becomes generally available to or known by the public, other than as a result of a disclosure by the Eligible Employee or any of the Eligible Employee’s Related Parties in violation of this paragraph. The Eligible Employee shall be responsible for any breach of this paragraph by the Eligible Employee’s Related Parties and any other Person who receive any such Confidential Information, directly or indirectly, from the Eligible Employee.

- Permitted Disclosures. Pursuant to 18 U.S.C. § 1833(b), the Eligible Employee understands that the Eligible Employee will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company that (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to the Eligible Employee’s attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The Eligible Employee understands that if the Eligible Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Eligible Employee may disclose the trade secret to the Eligible Employee’s attorney and use the trade secret information in the court proceeding if the Eligible Employee (x) files any document containing the trade secret under seal, and (y) does not disclose the trade secret, except pursuant to court order. Nothing in the Plan, this Participation Agreement, or any other agreement that the Eligible Employee has with the Company is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in the Plan, this Participation Agreement or any other agreement that the Eligible Employee has with the Company shall prohibit or

restrict the Eligible Employee from (A) making any voluntary disclosure of information or documents concerning possible violations of law to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company; or (B) responding to a valid subpoena, court order or similar legal process; provided, however, that prior to making any such disclosure, the Eligible Employee shall provide the Company with written notice of the subpoena, court order or similar legal process sufficiently in advance of such disclosure to afford the Company a reasonable opportunity to challenge the subpoena, court order or similar legal process.

- Release. In consideration of and as a condition to the Eligible Employee's right to receive his or her allocation share of the Bonus Pool, and for other good and valuable consideration, the sufficiency of which the Eligible Employee hereby agrees and acknowledges, the Eligible Employee hereby unconditionally, irrevocably and absolutely releases and forever discharges, to the maximum extent permitted by applicable law, the Company and its affiliates and any of their respective current or former affiliates, and any of their respective current, former or future, direct or indirect, equity holders, controlling persons, general or limited partners, stockholders, members, managers, directors, officers, employees, agents, affiliates, attorneys, advisors or other representatives, and all of the foregoing's respective predecessors, successors and assigns (collectively, the "**Released Parties**"), from any and all losses, liabilities, obligations, claims, costs, demands, actions and causes of action, suits, debts, accounts, covenants, contracts, controversies, damages and judgments of every kind, nature and character (including, without limitation, claims for damages, costs, expenses and attorneys', brokers' and accountants' fees and expenses), arising out of, in connection with or otherwise relating to any matter, transaction, claim, proceeding, affair or occurrence, whether arising under contract, tort, law, equity or otherwise, whether known or unknown, suspected or unsuspected (including, without limitation, any fiduciary duty claims that the Eligible Employee and/or its affiliates and its and their respective former, current or future, direct or indirect, equity holders, controlling persons, general or limited partners, stockholders, members, managers, directors, officers, employees, agents, affiliates, attorneys, advisors or other representatives, and all of the foregoing's respective predecessors, successors and assigns (collectively, the Eligible Employee's "**Related Parties**") now has, has ever had or at any time could have asserted against any of the Released Parties arising out of, in connection with or otherwise relating to any matter, transaction, claim, proceeding, affair or occurrence at any time up to and including the Effective Time (collectively, the "**Released Claims**"). Notwithstanding the foregoing or anything to the contrary contained herein, nothing in this Participation Agreement will waive or preclude the Eligible Employee from exercising the Eligible Employee's rights, if any, (A) to receive and be paid the Bonus Amount payable under, and subject to the terms and conditions set forth in, the Plan or (B) to receive and be paid the portion of any merger consideration payable under, and subject to the terms and conditions set forth in, the Transaction Documents that triggers payment under the Plan in respect of each share of Company capital stock held (or the right to acquire such capital stock) by the Eligible Employee immediately prior to the consummation of such Corporate Transaction. The Eligible Employee understands and acknowledges on behalf of the Eligible Employee and his or

her Related Parties that the Eligible Employee is releasing potentially unknown claims, and that the Eligible Employee may have limited knowledge with respect to some of the claims being released. The Eligible Employee acknowledges that there is a risk that, after signing this Participation Agreement, the Eligible Employee may learn information that might have affected his or her decision to enter into this Participation Agreement. The Eligible Employee irrevocably and unconditionally assumes this risk and all other risks of any mistake in entering into this Participation Agreement. The Eligible Employee agrees that this Participation Agreement is fairly and knowingly made. Without limiting the foregoing, by signing this Participation Agreement, the Eligible Employee, on behalf of the Eligible Employee and his or her Related Parties, expressly waives and releases any provision of law that purports to limit the scope of a general release, including any and all rights and benefits under Section 1542 of the Civil Code of the State of California (or any analogous law of any other state, to the extent applicable), which reads as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

[Signature Page Follows]

PROSPER MARKETPLACE, INC.

ELIGIBLE EMPLOYEE

By: _____

Signature:

Its: _____

Date:

CERTIFICATIONS

I, David Kimball, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Prosper Marketplace, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2025

/s/ David Kimball

David Kimball

Chief Executive Officer of Prosper Marketplace, Inc.

CERTIFICATIONS

I, Usama Ashraf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Prosper Marketplace, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2025

/s/ Usama Ashraf

Usama Ashraf

President and Chief Financial Officer of
Prosper Marketplace, Inc.
(principal financial officer)

CERTIFICATIONS

I, David Kimball, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Prosper Funding LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2025

/s/ David Kimball

David Kimball

Chief Executive Officer of Prosper Funding LLC

(principal executive officer)

CERTIFICATIONS

I, Usama Ashraf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Prosper Funding LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2025

/s/ Usama Ashraf

Usama Ashraf

President, Chief Financial Officer and Treasurer of
Prosper Funding LLC

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Prosper Marketplace, Inc. (“PMI”) on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of PMI certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PMI.

August 14, 2025

/s/ David Kimball

David Kimball

Chief Executive Officer of Prosper Marketplace, Inc.

/s/ Usama Ashraf

Usama Ashraf

President and Chief Financial Officer of
Prosper Marketplace, Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Prosper Funding LLC (“PFL”) on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of PFL certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PFL.

August 14, 2025

/s/ David Kimball

David Kimball

Chief Executive Officer of Prosper Funding LLC

/s/ Usama Ashraf

Usama Ashraf

President, Chief Financial Officer and Treasurer of
Prosper Funding LLC