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Fundamental Research Corp.
Investment Analysis for Intelligent Investors

September 2, 2016

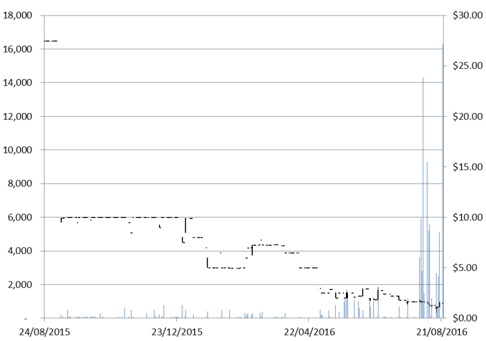
IEG Holdings Corporation (OTCQX: IEGH) – Growing Web Based Consumer Lender in the U.S. – Initiating Coverage

Sector/Industry: Consumer Finance **www.investmentevolution.com**

Market Data (as of September 2, 2016)

Current Price	**US$1.25**
Fair Value	**US$2.40**
Rating*	**BUY**
Risk*	**4**
52 Week Range	US$0.51 – US$10.00
Shares O/S	95.32 mm
Market Cap	US$119.15 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	-95.5%
YoY OTCQX	4.9%

*see back of report for rating and risk definitions
*All the figures are in US$ unless otherwise specified.



Highlights

- IEG Holdings Corporation ("company", "IEG") is a U.S. based up and coming online lender of consumer finance loans. The rapid emergence of e-businesses is driving many traditional businesses to utilize cloud-based infrastructure instead of having physical office locations. This reduces the burden of bricks-and-mortar and redundant staffing costs, and increases convenience for consumers.
- IEG started offering loans through its online platform (www.mramazingloans.com) in July 2013. The company originated $0.41 million in 2013, $4.96 million in 2014, $5.44 million in 2015, and $2.33 million in the first six months of 2016.
- In Q2-2016, the company generated $0.55 million in revenues – up 19% YOY; IEG currently holds licenses to operate in 17 U.S. states, and targets to expand to 25 states by mid 2017.
- The company has significant first mover advantage as they are one of the very few online lenders with licenses to operate in multiple states in the U.S covering more than half the U.S. population.
- IEG's founder and CEO, Paul Mathieson, owns 69 million shares, or 72.4% of the total outstanding shares.
- Shares are currently listed on the OTCQX, but management intends to list the shares on the NYSE MKT Exchange in the near-term.
- We are initiating coverage with a fair value estimate of $2.40 per share.

Key Risks

- Consumer finance lending is a highly competitive market.
- Unfavorable macroeconomic changes may impact consumer finance lenders and their ability to grow.
- The company's ability to consistently originate good quality loans at attractive yields is critical.
- Loan loss rates have to be maintained at reasonable levels.
- The company's ability to grow depends heavily on management's ability to raise capital (equity and debt).
- IEG has been operating at losses and has yet to generate profits.

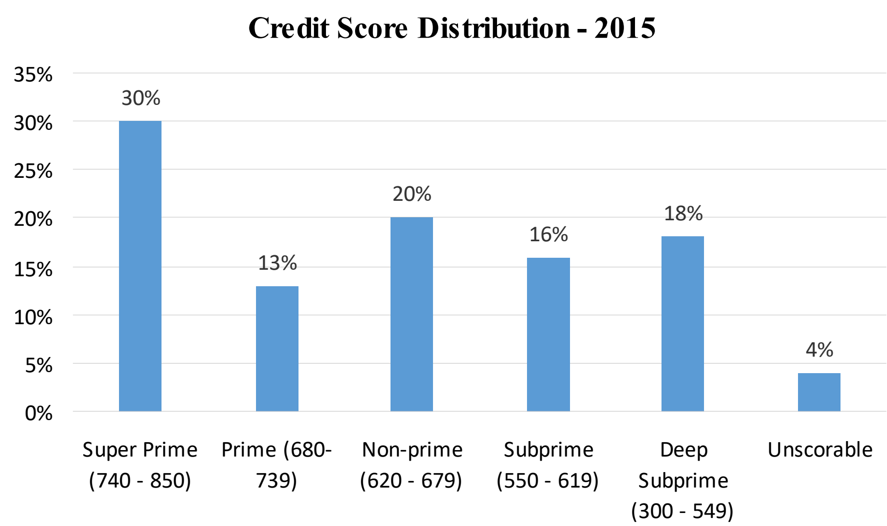
Key Financial Data (in US$); YE - Dec 31	2012	2013	2014	2015	2016E	2017E
Revenues	37,779	62,949	529,225	1,835,165	2,425,776	9,674,275
Net Income	(2,507,521)	(4,480,465)	(5,401,754)	(5,698,198)	(4,011,518)	116,149
EPS (basic)	(0.01)	(0.01)	(0.40)	(0.24)	(0.04)	0.00
Cash	178,601	281,879	433,712	485,559	0	0
Loans Receivable	130,486	426,113	4,316,316	7,124,702	13,500,000	50,000,000
Total Debt / Capital	-30.6%	-33.3%	48.2%	0.0%	54.1%	80.4%
Total Assets	791,196	922,140	4,929,120	7,758,149	13,798,622	51,014,608

Overview - Consumer Finance Loans

Consumer finance loans (also called personal loans) are loans provided by lenders to consumers for personal purposes, such as financial emergencies, debt consolidation, purchase goods / vehicles, pay medical or unexpected bills, etc. Consumer finance loans are typically unsecured.

Consumer loans are provided by banks / credit unions and private lenders. Borrowers approach private lenders for loans when they are not approved for credit by a bank / credit union or for convenience. Personal loans are a much more attractive alternative to payday loans, especially for borrowers with a reasonably good credit history and steady income. Pay day lenders typically lend smaller amounts (up to $1,500), charge extremely high rates (of almost 400% APR – annual percentage rate), and have a short repayment period (typically two weeks). **Personal loan rates typically range between 19.9% to 29.9% APR, and have longer terms of five years.** Consumers tend to use personal loans instead of credit cards when they have either maxed out their credit cards, and/or need to borrow $2,000 or more, which may be higher than the credit limit offered by most credit cards to such borrowers.

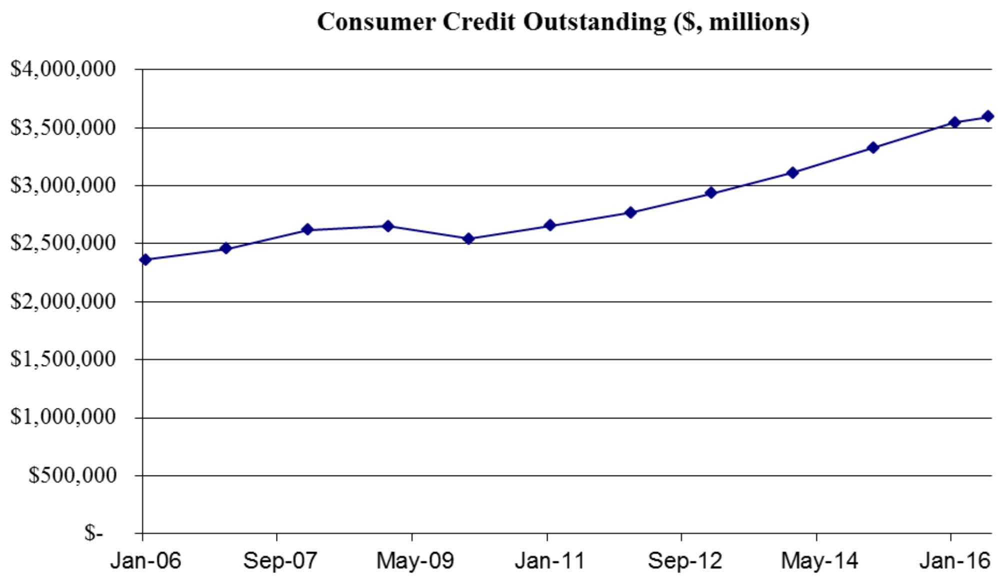
The following chart shows the VantageScore distribution of the population of the U.S. VantagScores are generated by the three major credit bureaus, namely Equifax, Experian, and TransUnion, based on an individual's credit-worthiness. Private lenders typically focus on borrowers with credit scores between 560 and 725.



Source: Centre for Financial Services Information (CFSI)

Growing consumer credit in the U.S.

Total consumer credit in the U.S., as of June 2016, was $3.60 trillion, up from $2.36 trillion in January 2006, reflecting a CAGR of 4.1%.



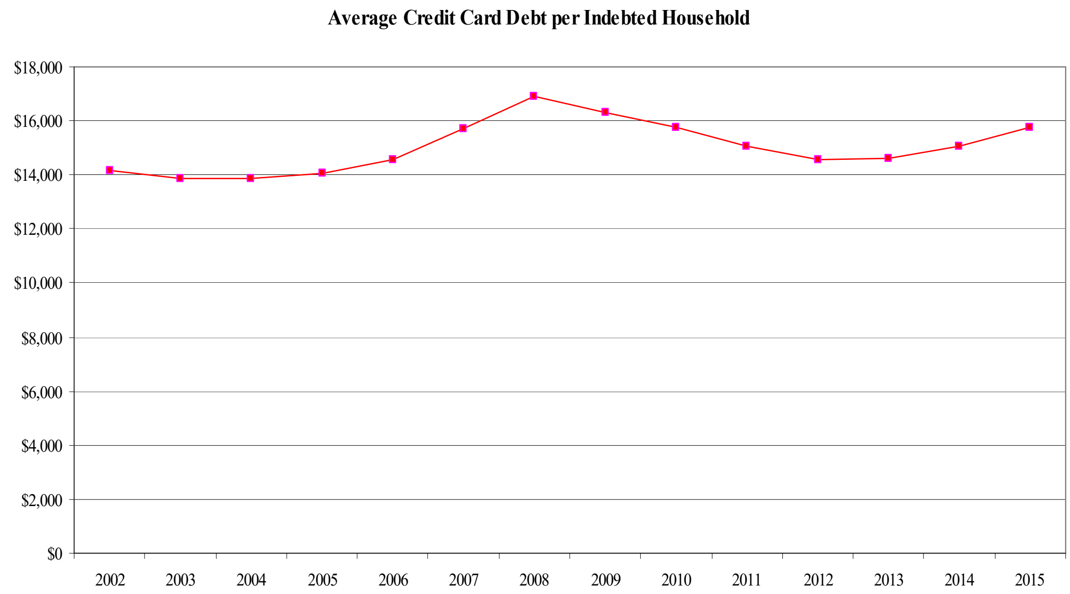
Source: Federal Reserve

As of Q1-2016, the average household in the U.S. has debt of $132,086, of which, $15,310 is on credit cards.

	Total owed by average U.S. household carrying this type of debt	Total debt owned by U.S. consumers
Credit cards	$15,310	$712 billion
Mortgages	$171,775	$8.37 trillion
Auto loans	$27,188	$1.07 trillion
Student loans	$48,986	$1.26 trillion
Any type of debt	$132,086	$12.25 trillion

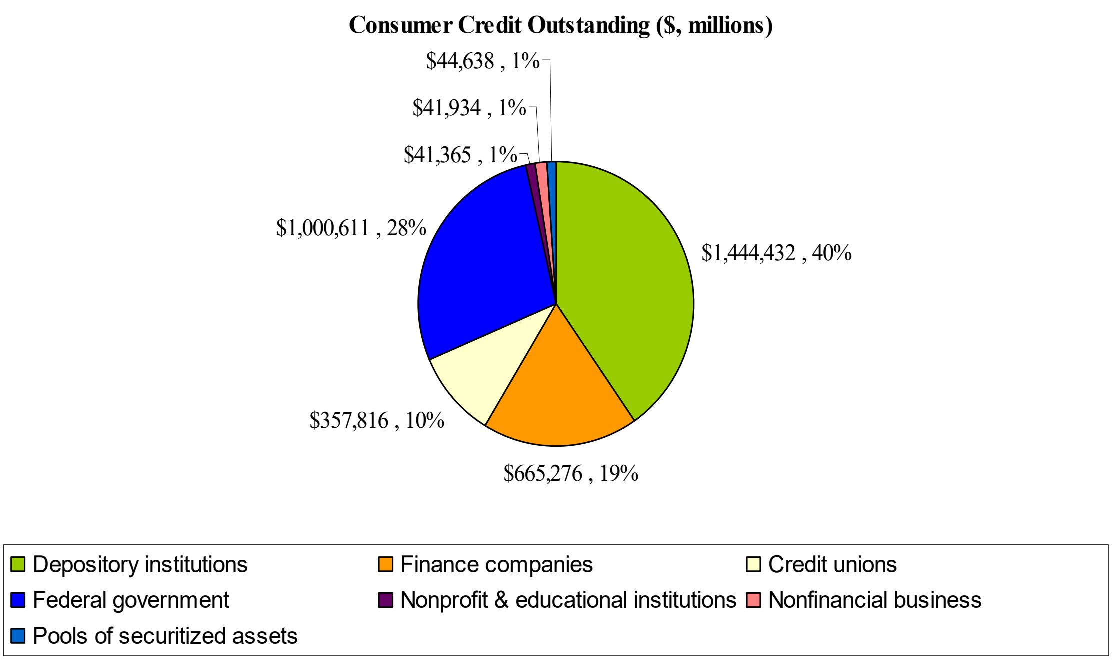
Source: NerdWallet (a personal finance platform in the U.S.)

The average credit card debt per indebted household in the U.S. was $15,762 in 2015, versus $14,185 in 2002.



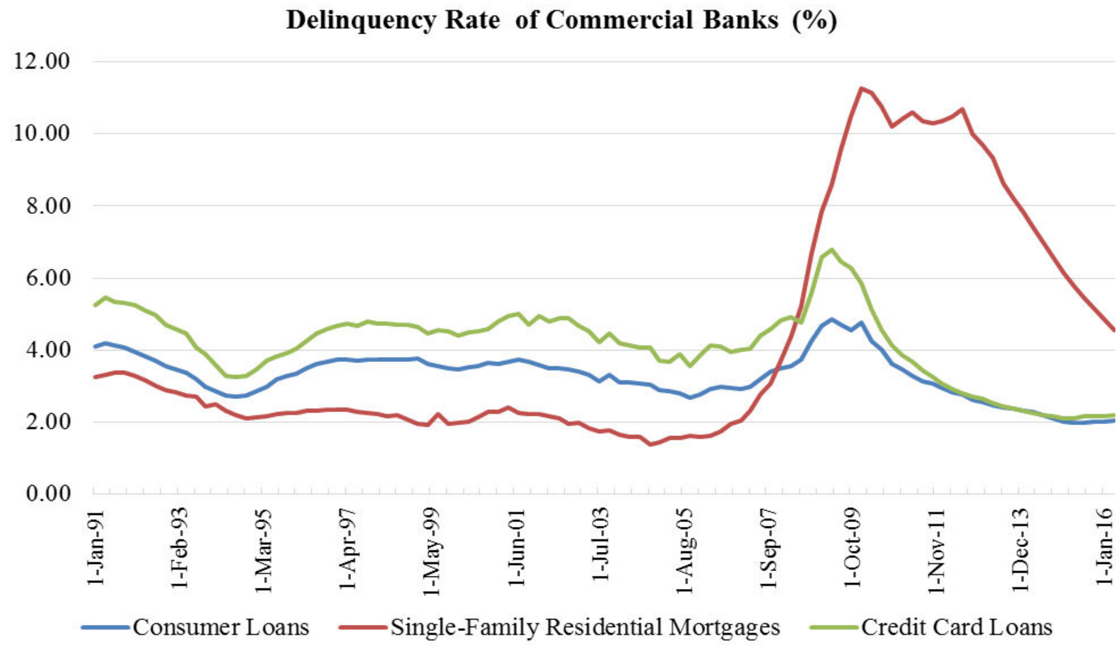
Source: NerdWallet

The following chart shows the distribution of consumer credit by lender. Accounting for 50% of the market, depository institutions (banks), and credit unions, account for $1.80 trillion of the outstanding consumer credit, as of June 2016. Finance companies account for $0.67 trillion, or 19% of the market.



Source: Federal Reserve

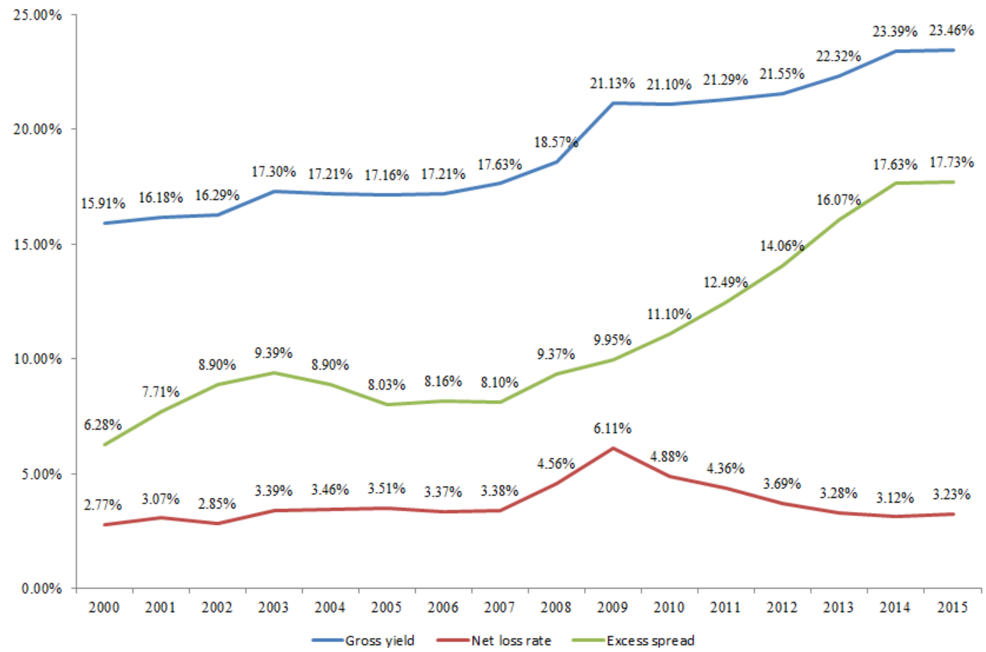
The interest rate charged on a consumer loan is primarily based on a borrower's credit worthiness and the ability to pay back the debt. Private lenders do not conform within the strict lending guidelines of banks and other traditional lenders, and therefore, can offer individually structured loans to meet the specific requirements of a borrower. These reasons, and the inherent risk of consumer loans, allow private lenders to charge significantly higher interest rates on their loans. **The key for private lenders is to keep loan losses at reasonable levels.** Although unsecured loans have had higher delinquency rates than secured mortgages prior to the recession (see chart below), currently, they are much lower as the U.S. has yet to completely recover from the housing market collapse. The current delinquency rate on consumer loans is approximately 2.04%, and on credit cards is approximately 2.20%, lower than the 4.55% on single family residential mortgages.



Source: Federal Reserve

The following chart shows the average gross yield (lending rate), net loan loss rate, and the excess spread of the combined pool of the six largest trusts managing Canadian credit card receivables. The excess spread is calculated as the gross yield net of net loss, cost of funds, and other expenses. As shown, the annual net loan loss rate has ranged between 2.77% and 6.11% since 2000. The excess spread has increased from 6.28% in 2000, to 17.73% by 2015.

Credit Card Performance Index



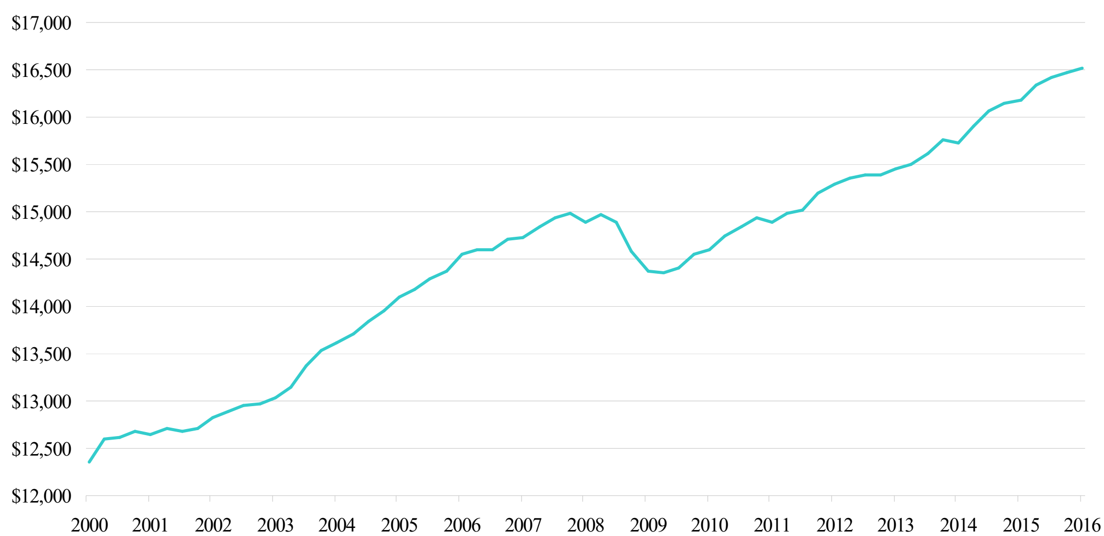
Source: DBRS

Although the above chart shows Canadian data, we believe they are representative of the U.S. lending market. **The spreads in this space are higher than most of the other lending markets, making consumer finance lending a highly competitive and attractive market.**

Factors driving the consumer lending market

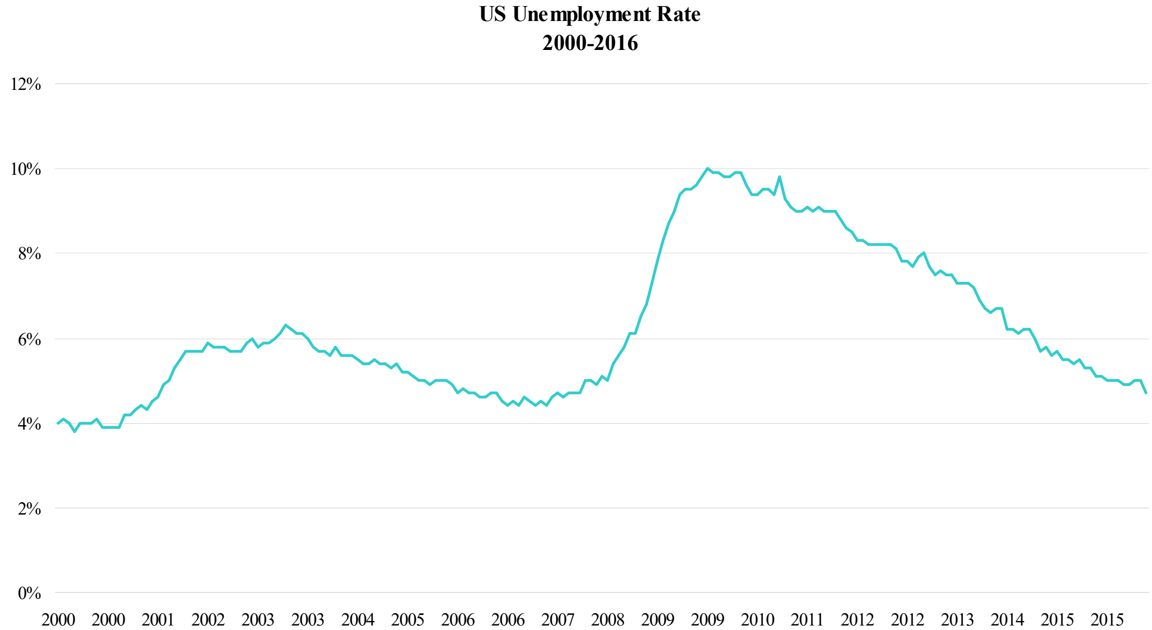
The U.S. economy has made strong progress post the 2008/2009 recession. The following chart shows GDP (gross domestic product) growth. The International Monetary Fund ("IMF") expects the economy to grow by 2.2% in 2016, and 2.5% in 2017.

US Real GDP
(US$, billions)



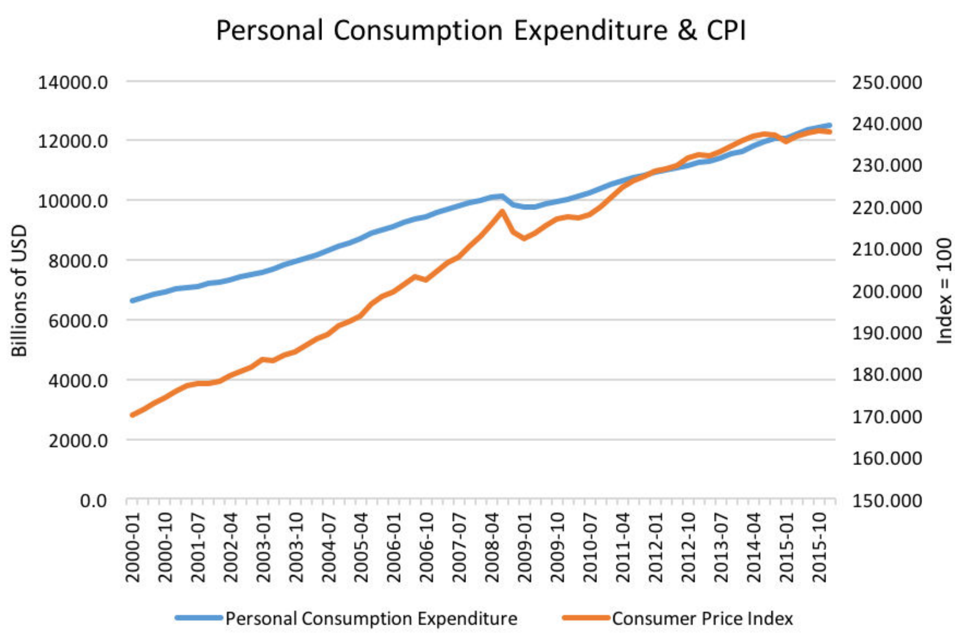
Source: FRED

The unemployment rate has dropped significantly in the past few years, as shown in the chart below. The rate was 4.9% in June 2016, down from 5.3% in June 2015.

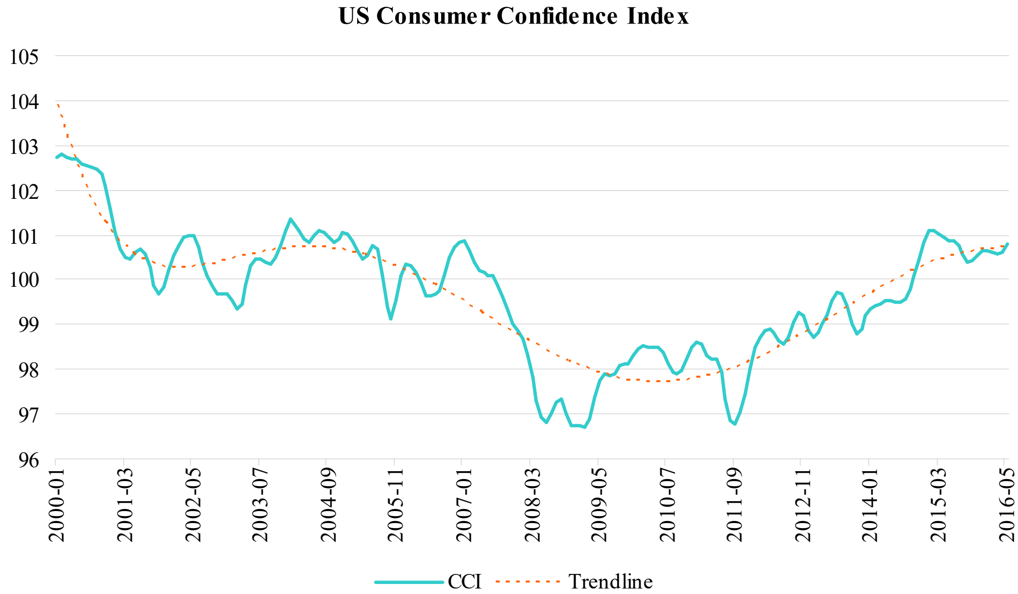


Source: FRED

Personal consumption expenditure ("PCE") in the US has steadily increased since 2000, while consumer confidence has been increasing since the recession. **Both of these are positive indicators for the consumer lending market.**

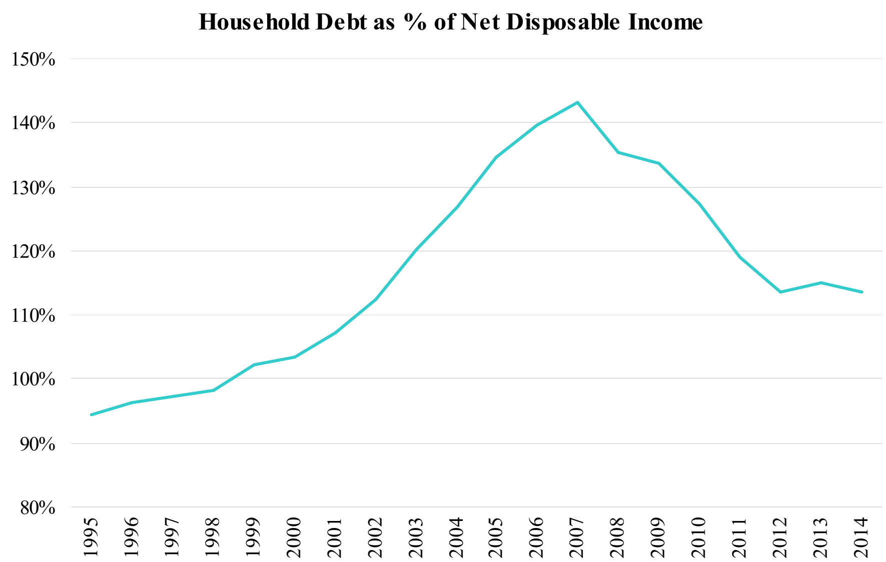


Source: FRED; US Bureau of Economic Analysis



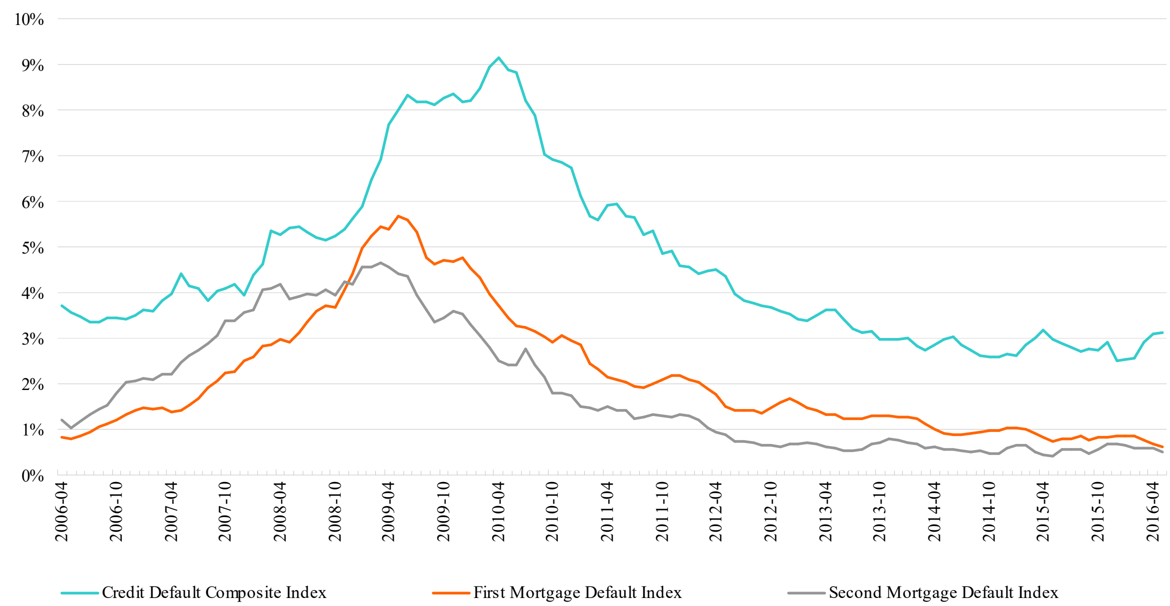
Note: Long-term average = 100
Source: Organisation for Economic Co-operation and Development (OECD)

The household debt to net disposable income ratio, and credit defaults, have also been on a declining trend as shown in the charts below.



Source: OECD

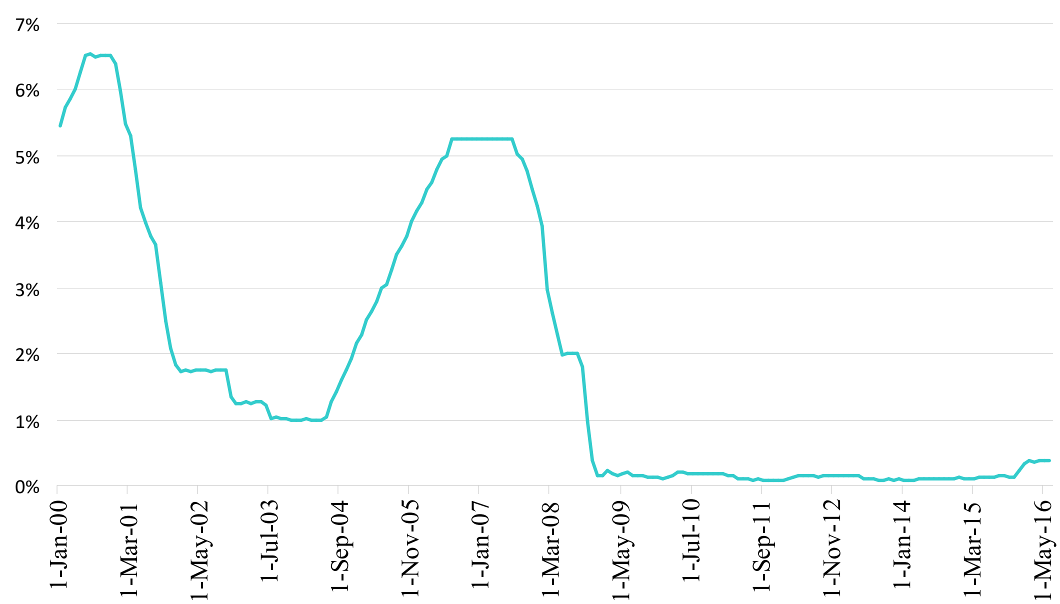
Credit Default Indices



Source: S&P Dow Jones Indices

Interest rates are at historical lows, which is expected to continue to encourage borrowing. The following chart shows the overnight lending rate since 2000.

Overnight Lending Rates in the U.S.



Source: Federal Reserve Economic Data (FRED)

In summary, all the above factors, we believe, will keep the U.S. consumer credit market healthy in the near-term.

IEG's founder and CEO, Paul Mathieson, had initially established a consumer lending business in Sydney, Australia in 2005, by offering unsecured loans of $2,000 to $10,000. This entity lent approximately $48 million to over 11,500 customers from 2005 to 2008. **Recognizing the significantly larger opportunity in the U.S., Mr. Mathieson decided to focus on the U.S. consumer lending market, and incorporated Investment Evolution Global Corporation ("IEGC") in the state of Delaware in February 2008.** After more than a two year application process, IEGC received licenses to operate in various states in the U.S.

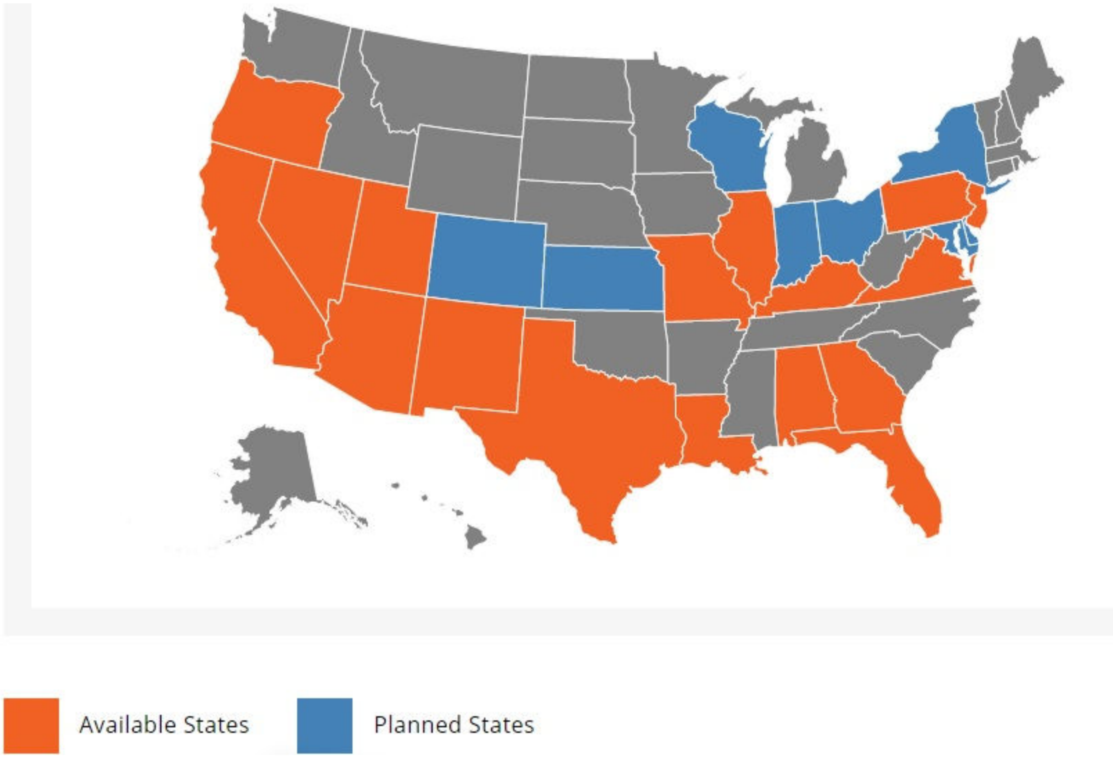
Company Overview

IEGC started offering loans to consumers via an office network, which comprised of one office in each state as required by state licensing regulations. However, the rapid emergence of e-businesses, driving companies to move to the cloud to conduct their business instead of physical office locations, prompted IEG to move to full online loan distribution. By July 2013, the company started offering loans through an online platform (www.mramazingloans.com) under the brand "Mr. Amazing Loans", and stopped offering loans at all of their physical office locations (Arizona, Illinois and Florida). Being cloud-based, IEG's model has two key advantages:

- **Lowers the burden of bricks-and-mortar and redundant staffing costs**; this allows IEG to conduct their business at a significantly lower cost than traditional lending companies.

- **Increases convenience for consumers**, as they can obtain loans without having to visit an office location.

IEG's entire business now runs over the web, with a single 2,125 sq. ft. office in Las Vegas, Nevada. They hold state licenses and/or certificates of authority to lend in 17 U.S. states, and targets to expand to 25 states by mid 2017.



Source: Company

The remaining 25 states in the U.S. still require lenders to have at least one physical office location in each state.

Management's current focus is to expand within the U.S. We believe, if successful, they may be able to replicate the business in Canada and parts of Europe.

IEG went public in March 2013 through a reverse takeover ("RTO") of a Florida based capital pool company (Ideal Accents, Inc.), and its shares got listed on the OTC Pink Sheets. The shares were upgraded to the OTCQB in June 2015, and to the OTCQX by March 2016. Management intends to list the shares on the NYSE MKT Exchange.

Consumer loans in the U.S. are regulated at both the federal and state level. The company's operating entity, Investment Evolution Corporation ("IEC"), holds all of the state licenses, leases, employee contracts and other operating and administrative assets. The loan receivables are held in IEC SPV, LLC ("IEC SPV"), a bankruptcy remote special purpose entity.

Management

IEG currently has seven full-time (including five underwriters) and two part-time employees.

CEO, Paul Mathieson, owns 69 million shares, or 72.4% of the total outstanding shares. The other members of the team and board hold minority interests.

	Common Shares
Paul Mathieson	69,000,000
Carla Cholewinski	20,000
Matthew I. Banks	
Harold A. Hansen	105,647
Total	**69,125,647**
% of Total Shares Outstanding	72.5%

The following are brief biographies of the management team as provided by the company.

Paul Mathieson, Founder, Executive Chairman & CEO
Mr. Mathieson has served as the Chief Executive Officer and member of our board of directors since 2012 and a member of the board of directors of our subsidiary since 2009. In 2005, Mr. Mathieson founded IEG Holdings Limited in Sydney, Australia which launched the Amazing Loans business in Australia in 2005 and the Mr. Amazing Loans business in the United States via IEGC in 2010. In recognition of IEG Holdings Limited's success, Mr. Mathieson was awarded Ernst & Young's 2007 Australian Young Entrepreneur of the Year (Eastern Region). Mr. Mathieson has over 21 years finance industry experience in lending, funds management, stock market research and investment banking. His career has included positions as Financial Analyst/Institutional Dealer with Daiwa Securities from 1995 to 1995, Head of Research for Hogan & Partners from 1995 to 2000, and Stockbroker and Investment Banking Associate with ING Barings from 2000 to 2001. In addition, from 2002 to 2010, Mr. Mathieson was the Founder and Managing Director of IE Portfolio Warrants, a funds management business that offered high return and leveraged structured Australian equities products. Mr. Mathieson received a Bachelor of Commerce from Bond University, Queensland, Australia in 1994 and a Master's Degree of Applied Finance from Macquarie University, New South Wales, Australia in 2000.

Carla Cholewinski, Chief Operating Officer
Ms. Cholewinski has served as our Chief Operating Officer since 2008 and has over 39 years' experience in the finance industry including banking, credit union management, regulatory oversight, debt securitization and underwriting. Her career has included positions as Vice President and Branch Manager at Glendale Federal Bank from 1976 to 1986, Vice President and District Sales and Lending Manager with California Federal Bank from 1986 to 1992, Mortgage Banker with First Choice Financial Services from 1992 to 1995, Corporate Vice President of Lending and Collections with WesStar Credit Union from 1995 to 1999, Chief Lending Officer for American Corp & Funding from 1999 to 2000, Chief Credit Officer for Security State Savings Bank from 2000 to 2004, and Chief Credit Officer for Fifth Street Bank from 2004 to 2008. Since 2008, Ms. Cholewinski has served as our Chief Operating Officer and Chief Credit Officer and has utilized her extensive finance, banking and regulatory experience to grow the business from initial launch to our current level of operations.

Board of Directors

The company currently has three directors, of which two are independent. As the CEO owns a significant percentage of the outstanding shares, we believe, it is extremely important for the company to have a board with a majority of independent directors.

Paul Mathieson, Director

Harold Hansen, Director
Mr. Hansen was appointed as a member of our board of directors in January 2015. Mr. Hansen was appointed a certified public accountant in 1971 and was the managing partner in an accounting firm for over 40 years. He served as a part-time director and consultant for Hansens Accountants after 2010 and as a part-time director and company secretary for R & H Nominees Pty Ltd., a trustee company, since 1975.

Matthew Banks, Director
Mr. Banks has served as a member of our board of directors since his appointment in January 2015. Mr. Banks has been a finance broker with Quantum Business Finance, an asset finance business, since 2010, and has been a founding director of Rumble Resources, a junior mining company, since 2011. In 2000, Mr. Banks founded ECG, a sports marketing company in Melbourne, Australia. He served as a director of ECG from 2000 to 2010.

Loan terms & average borrower profile

From 2013 to mid-2015, IEG provided loans ranging from $2,000 to $10,000 for terms of three to five years. However, the company has since then decided to set the term at five years for all loans, and only offer $5,000 and $10,000 loans.

The following table shows IEG's typical loan terms and borrower profile.

Loan Terms	up to $10,000
	5 years
	28.9% average APR
	Fixed rate, fully amortizing
	No lender fees
	No prepayment penalties
Loan Purpose (common uses)	Debt consolidation
	Medical expenses
	Home improvements
	Auto repairs
	Major purchase
	Discretionary spending
Average Borrower Demographic	600 - 750 credit score
	$30,000 - $100,000 income
	25 - 60 years old

One of the key differences of IEG compared to traditional consumer lenders is the longer term of 5 years versus the typical term of 2 to 5 years on consumer loans. IEG management's rationale to choose a longer term is that the required weekly / monthly prepayment amounts will be lower, making it easier for consumers to pay out their loans with less burden. **For**

example, a $5,000 loan has an estimated weekly payment of just $38 for a period of 5 years. Although the probability of default is higher for loans with longer terms, IEG's loans are fully amortizing, implying that the capital at risk reduces with each repayment. In addition, management stated to us that most of the losses typically occur in the first 12 months of a loan.

Another advantage of IEG to borrowers is that unlike a lot of lenders, they do not charge any lender fee or prepayment fees.

IEG's loans are offered at prevailing statutory rates, with the standard being a 29.9% p.a. interest rate. The rates vary slightly with each state's statutory rates.

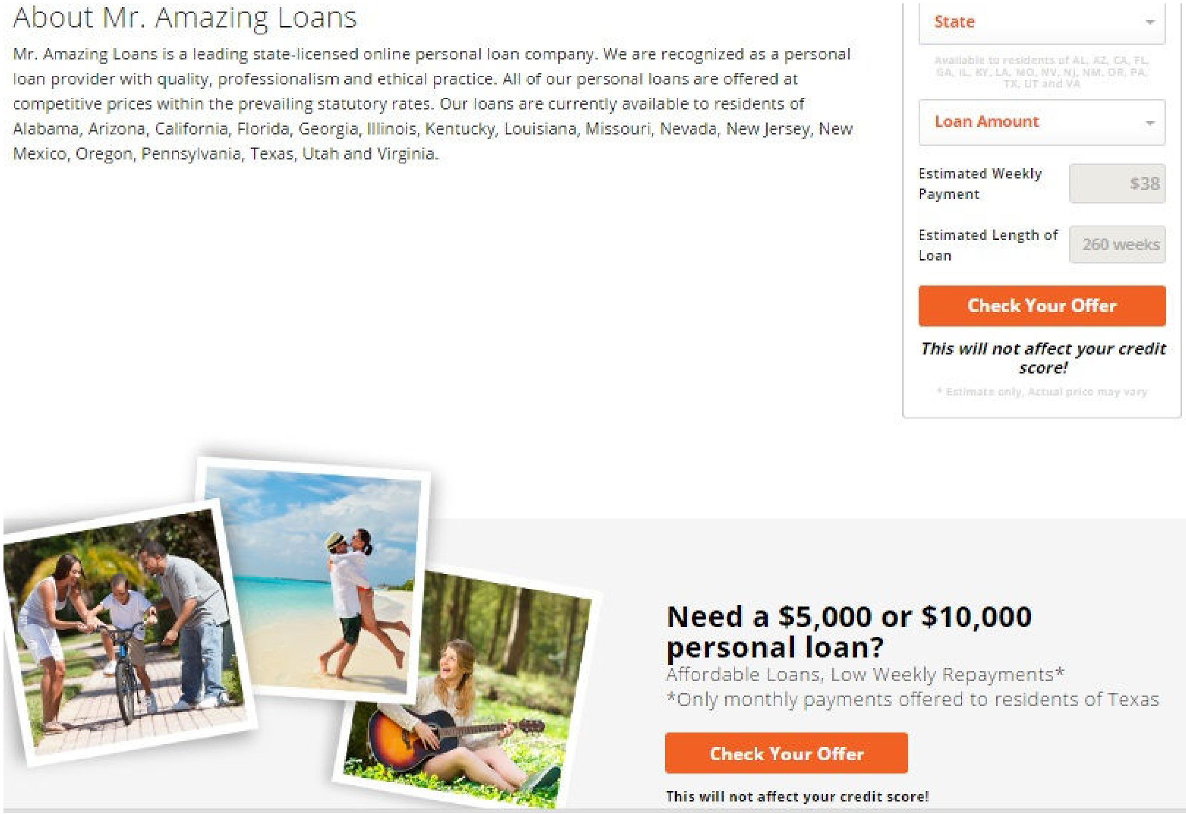
IEG has the following qualification criteria for borrowers:

- at least 21 years old
- US citizen
- minimum gross annual income of $35,000
- minimum credit score of 600
- steady employment history and are not self-employed
- established checking account with direct deposit of income into that account
- minimum of 2 years re-established credit history following a bankruptcy discharge

The above criteria, we believe, clearly indicate IEG's mandate to only attract consumers that have a reasonably good credit history and steady income.

Loan Origination

We found IEG's platform (www.mramazingloans.com) to be very user-friendly and easy to navigate, with clear instructions on the application process and their qualification criteria. This, we believe, is a very critical aspect for online lending platforms.



Source: Company website

In order to apply, borrowers have to fill up an online application (in under 5 minutes). The submitted applications undergo a preliminary review by IEG's automated back-end software platform. Our discussions with management indicated that typically 95% of the applications get rejected at this first step. The remaining filtered applications are further screened by one of the company's underwriters (Loan Officers), who goes through the applicant's credit report and electronic bank statements. The loan officers subsequently respond to those applicants with their initial assessment and request for income verification and authorization for a full credit report. If approved, the loan will be funded directly to the checking account of the borrower. **According to management, the entire process, from submitting an online application to receipt of funds, typically takes a day and can be done in as little as one hour during business hours.**

With regard to repayments, the company will withdraw payment through an automatic electronic debit from a consumer's bank account. Management states that on an average, 2% of the applications are approved and funded.

Like most online lenders, the company uses third-party consumer loan software (names undisclosed). The total cost of licensing all of the related software is approximately $20k per month. According to management, at this time, most of the underwriting tasks are automated, such as verification of credit score, number of credit inquiries, outstanding unpaid collections, length of credit history, length of employment, debt to income ratio and internet protocol, or "IP," address to verify location of applicant.

A strong collections team / process is an integral part of any lender. IEG's collection process includes:

- Calls / emails / letters asking for immediate payment;
- Internal debt collections, $10 a week late fee and focus on soft collections
- Benefit from small weekly $37 repayments before deficit becomes unworkable
- Letter of demand – 8 days and 21 day & Credit infringement notice – 30 days
- Write-off – 184 days but have 6+ years to collect and all enforcement actions still available (such as garnish wage)

Competition

The consumer finance lending market is a highly competitive and fragmented industry. IEG's competition primarily comes from the following types of entities:

- large, publicly-traded, state-licensed personal loan companies
- peer-to-peer lending ("P2P") companies: P2P lending is the business of lending money through online services that match lenders directly with borrowers. LendingClub Corporation and Prosper Marketplace are two major P2P lenders.
- online consumer loan companies (IEG's category) – privately owned Avant, Inc. is the largest in this space
- "brick and mortar" personal loan companies, including those that have websites to facilitate online lending, and
- payday lenders

The following are brief descriptions of a few of the major companies in the above categories:

LendingClub Corporation (NYSE: LC; market capitalization – US$2.2 billion) operates the world's largest P2P lending platform. Founded in 2006, and headquartered in San Francisco, the company went public in December 2014 through a $900 million initial public offering. The company claims that they had generated $16 billion in loans up to December 31, 2015. The company generated $430 million in revenues in 2015, up from $98 million in 2013. They are yet to attain profitability. In 2013, Google (Nasdaq: GOOG) acquired a minority stake in LendingClub for $125 million.

Prosper Marketplace, Inc., founded in 2005, and also headquartered in San Francisco, have funded over $7 billion in loans. Loan sizes vary from $2k to $35k.

Social Finance, Inc. (commonly known as SoFi) provides student loan refinancing, mortgages and other types of loans, such as parent and personal loans. In January 2016, SoFi surpassed $7 billion in outstanding loan volume.

OneMain Holdings, Inc. (NYSE: OMF / market capitalization - $4.05 billion) is a traditional private lender provides consumer finance and insurance products and services through 1,800 branches in 43 states.

Avant, Inc., formed in 2012, is a private Chicago based company focused on consumer loans. Loan amounts range from $1,000 to $35,000, and terms range from 24 to 60 months. The company has loaned over $3 billion to date to 450k+ consumers. They currently originate loans in 46 states. In October 2013, they expanded their operations to Canada and the U.K. Avant was ranked #6 on Forbes America's Most Promising Companies in 2015.

Cash America International Inc. (NYSE: CSH), Dollar Financial Group, First Cash Financial Services (NASDAQ: FCFS) are few of the major payday lenders.

IEG's management believes they have a significant first mover advantage as they are one of the very few online lenders who have licenses to operate in multiple states in the U.S covering more than half the U.S. population. The long lead time to obtain a license in each state is one of the major barriers to entry.

P2P lending is a relatively new business model. Although LendingClub and Prosper have experienced tremendous success, one of the biggest criticisms against their model is that they do not have *'skin in the game'* as they are not balance sheet lenders. Instead of using their own capital to fund loans, P2P lenders only serve as an intermediary between the borrower and the lenders. As a result, this model has been receiving criticisms regarding the quality of loans originated through such platforms. LendingClub has been experiencing certain company specific issues recently, and their share price has dropped from a high of almost $15 in October 2015, to the current $5.24 per share.

The following tables show the key financial metrics of few of the major players in the space.

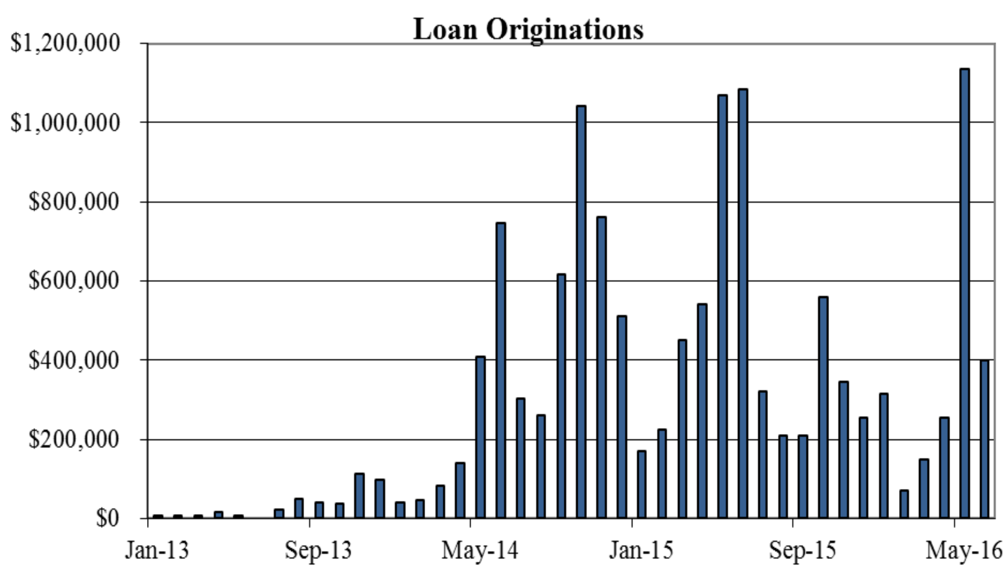
	Company	Ticker	Description	Market Capitalization ($, M)	Debt to Capital
1	Capital One	NYSE: COF	auto financing, mortgages & home equity, credit card, banking	$34,812	-
2	Synchrony Financial	NYSE: SYF	various types of consumer loans	$22,833	-
3	Discover Financial Services	NYSE: DFS	credit cards, student loans, personal loans, home equity loans, checking & savings accounts	$22,358	68.50%
4	Ally Financial	NYSE: ALLY	primarily automotive finance services	$9,412	83.10%
5	Navient Corp	NASDAQ: NAVI	student loans	$4,486	97.10%
6	Credit Acceptance	NASDAQ: CACC	automobile dealers financing programs	$4,061	70.20%
7	Lending Club Corporation	NYSE: LC	P2P lending	$2,147	
8	First Cash Financial Services	NASDAQ: FCFS	payday loans, pawn loans, title loans	$1,499	36.30%
9	Nicholas Financial, Inc.	NASDAQ: NICK	consumer loans / automobile finance installment contracts / operates physical branch offices	$82	66.40%

	Company	Revenues LTM ($,M)	Net Income LTM ($,M)	Net Income Margin	P/S	P/E	P/B	ROA	ROE	3 year revenue growth
1	Capital One	$18,977	$3,989	21.00%	1.8	9.7	1.1	1.20%	8.40%	2.80%
2	Synchrony Financial	$6,838	$2,192	32.10%	3.3	10.5	1.9	2.80%	17.30%	-
3	Discover Financial Services	$7,179	$2,303	32.10%	3.3	10.9	2.3	2.70%	20.30%	3.40%
4	Ally Financial	$6,403	$1,141	17.80%	1.5		0.7	0.70%	8.30%	0.40%
5	Navient Corp	$2,130	$828	38.90%	2.1	6.0	1.5	0.60%	21.70%	-10.90%
6	Credit Acceptance	$740	$313	42.40%	5.5	13.0	3.7	8.80%	32.40%	9.90%
7	Lending Club Corporation	$508	-$72	-14.10%	4.2		2.3	-1.40%	-7.20%	104.90%
8	First Cash Financial Services	$726	$55	8%	2.3	27.1	12.4	9.00%	13%	5.00%
9	Nicholas Financial, Inc.	$54	$12	21.40%	1.5	7.1	0.8	3.60%	11.60%	-5.60%
	Average (excl. outliers)				**2.8**	**12.0**	**1.8**	**3.11%**	**13.92%**	**0.71%**

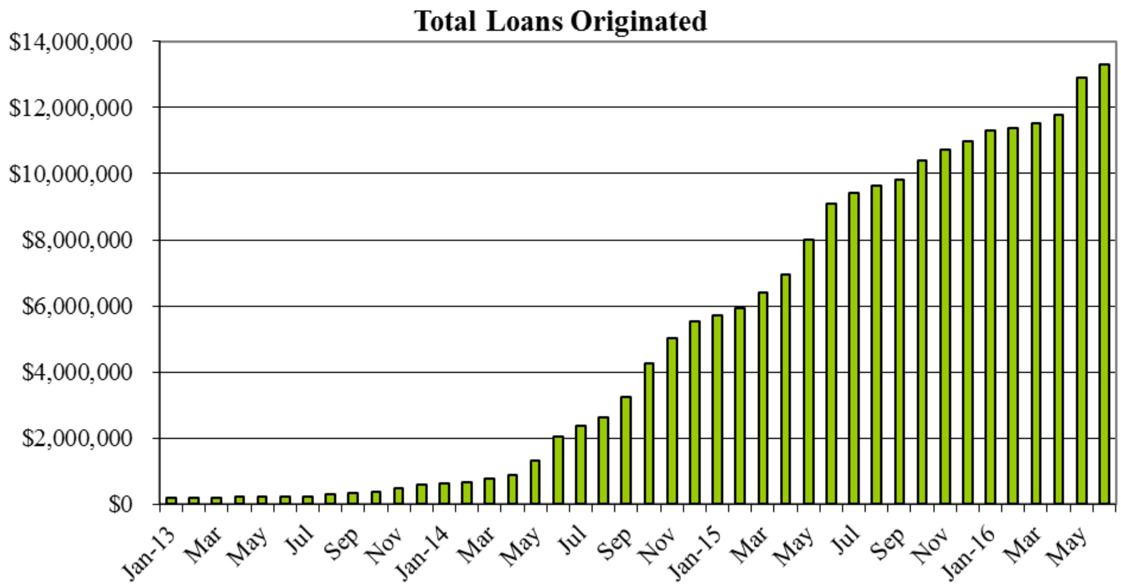
Source: FRC and S&P Capital IQ

Current Portfolio

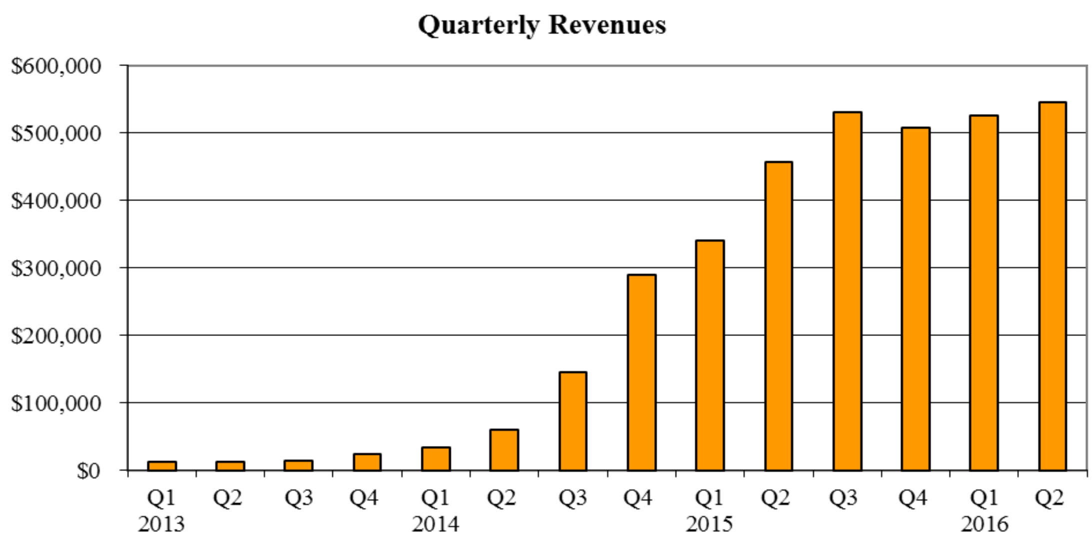
The following chart shows IEG's loan originations since inception of the online lending platform. IEG originated $0.41 million in 2013, $4.96 million in 2014, $5.44 million in 2015, and $2.33 million in the first six months of 2016. The average monthly rate was $390k YTD in 2016 versus $453k in 2015. We estimate that the origination rate dropped in 2016 because of a lack of capital.



Loans originations since inception totaled $13.31 million as of June 2016, up 46% YOY from $9.09 million originated as of June 2015.



IEG's quarterly revenues are shown below. **In Q2-2016, the company generated $0.55 million in revenues – up 19% YOY and the highest since inception.**



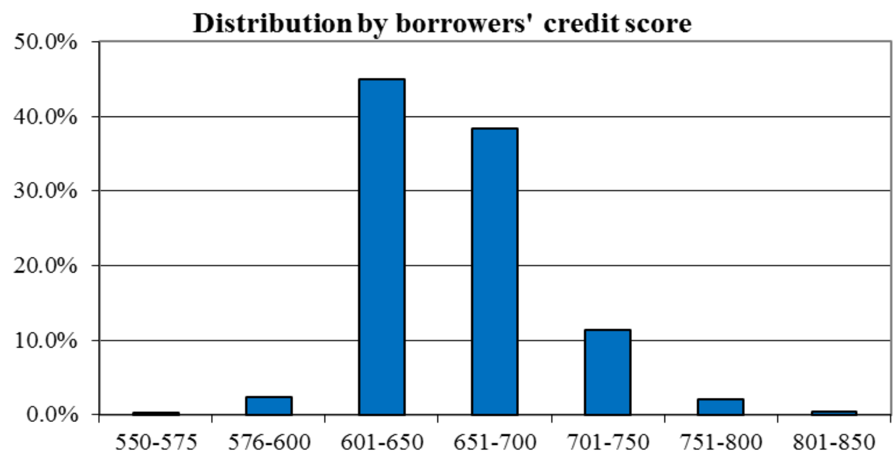
Customer acquisition - The company does not use traditional advertising platforms, such as TV, radio, and storefronts, and instead considers web based advertising, SEO (search engine optimization) and direct mail to be more cost-effective alternatives. They estimate acquisition costs of 4% to 6% of the loan volume, versus 8% to 10% for the traditional platforms.

As an example of a direct mail campaign, management estimates that they spend approximately $50,000 for 100,000 mail outs, which typically has an application rate of approximately 1%, or 1,000 consumers, for a total loan amount of $1 million (average loan size of $5,000 and average approval rate of 20%). The company intends to conduct a much larger mail campaign ($1 million budget to reach 2 million potential customers) once they have raised sufficient funds to lend.

The following table shows the profile of an average borrower, as of June 2016.

Demographic; as of June 30, 2016	Minimum	Maximum	Average
Credit Score	559	889	646
Income	$24,000	$222,696	$64,996
Age	22	82	45

The chart bellows shows the distribution of loans by borrowers' credit score.



Nevada, Illinois, New Jersey, and Georgia have been the most active states for IEG as shown below.

State; as of March 31 2016:	Origination Volume	% of Total	Current Principal	Number of Loans
Alabama	50,000	0.5%	48,728	10
Arizona	742,000	7.7%	460,806	113
California	485,000	5.0%	434,432	90
Florida	212,500	2.2%	1,329,623	314
Georgia	1,158,023	12.0%	792,813	172
Illinois	1,376,000	14.3%	837,631	88
Kentucky	-	0.0%	-	-
Louisiana	10,000	0.1%	9,654	2
Missouri	318,000	3.3%	246,552	53
Nevada	1,453,000	15.1%	715,466	184
New Jersey	1,352,000	14.1%	969,093	209
New Mexico	25,000	0.3%	23,879	5
Oregon	220,000	2.3%	168,739	36
Pennsylvania	570,000	5.9%	468,270	94
Texas	735,000	7.6%	530,246	115
Utah	55,000	0.6%	38,118	8
Virgina	850,000	8.8%	587,950	126
	9,611,523	100.0%	**7,662,000**	**1,619**

Financials

In the first six months of 2016, the company generated $1.07 million in revenues (up 34% YOY), and a net loss of $2.20 million (EPS: -$0.04). The net loss was $2.82 million (EPS: -$0.13) in the comparable period in the previous year. The income statements of the company are shown below.

STATEMENTS OF OPERATIONS (in US$) - YE Dec 31st	2012	2013	2014	2015	2015 (6M)	2016 (6M)
Interest revenue	28,950	56,585	521,018	1,789,701	777,739	1,039,172
Other revenue	8,829	6,364	8,207	45,464	19,323	31,156
Total revenue	**37,779**	**62,949**	**529,225**	**1,835,165**	**797,062**	**1,070,328**
EXPENSES						
Salaries and wages	1,680,264	1,345,243	1,889,136	2,126,243	832,850	809,329
Professional fees	21,687	100,924			0	0
Consulting fees	64,923	462,771	871,228	1,013,690	622,813	453,280
Advertising			459,804	950,905	315,624	221,309
G&A	625,442	836,224	1,531,765	1,773,129	782,793	1,053,101
Provision for credit losses	20,340	63,492	614,684	1,134,518	580,008	742,437
Depreciation and amortization	81,664	36,885	15,054	14,124	8,015	3,833
Start up costs		1,500,000			0	0
Interest expense	51,109	198,385	558,257	527,921	474,227	0
Total Operating Expenses	2,545,429	4,543,924	5,939,928	7,540,530	3,616,330	3,283,289
Loss from Operations	**(2,507,650)**	**(4,480,975)**	**(5,410,703)**	**(5,705,365)**	**(2,819,268)**	**(2,212,961)**
Misc income	129	510	8,949	7,167	249	11,750
Net Income	**(2,507,521)**	**(4,480,465)**	**(5,401,754)**	**(5,698,198)**	**(2,819,019)**	**(2,201,211)**
EPS	-0.01	-0.01	-0.40	-0.24	-0.13	-0.04

The following table shows the key line items in the income statements as a percentage of the average loan receivables. Revenues as a percentage of loan receivables were 28.88% p.a. in the first six months of 2016.

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% of Loans Receivable	2012	2013	2014	2015	2015 (6M)	2016 (6M)
Interest revenue	22.19%	20.33%	21.97%	31.29%	28.29%	28.04%
Other revenue	6.77%	2.29%	0.35%	0.79%	0.70%	0.84%
Total revenue	28.95%	22.62%	22.32%	32.08%	28.99%	28.88%
Salaries and wages	1287.70%	483.38%	79.67%	37.17%	30.29%	21.84%
Professional fees	16.62%	36.26%	0.00%	0.00%	0.00%	0.00%
Consulting fees	49.75%	166.29%	36.74%	17.72%	22.65%	12.23%
Advertising	0.00%	0.00%	19.39%	16.62%	5.74%	2.99%
G&A	479.32%	300.48%	64.60%	31.00%	28.47%	28.41%
Interest expense	39.17%	71.28%	23.54%	9.23%	17.25%	0.00%
Provision for credit losses	15.59%	22.81%	25.92%	19.83%	21.09%	20.03%
Total Operating Expenses	1888.15%	1080.50%	249.87%	131.57%	125.49%	85.49%
Income from Operations	**-1859.19%**	**-1057.89%**	**-227.55%**	**-99.49%**	**0.00%**	**0.00%**

*Note that the above calculations may not be precise as they are based on the average of the loans outstanding at the beginning and end of a period.
* 6M figures are annualized.

Salaries and consulting fees totalled $1.26 million (down by 13% YOY) in the first six months of 2016, and $3.14 million in 2015 (12M).

General and Administrative ("G&A") expenses were $1.05 million (up by 35% YOY) in the first six months of 2016, and $2.72 million in 2015 (12M).

As of June 30, 2016, the company had $7.70 million in loans receivables, net of provision for losses. The company had $1.07 million in allowance for credit losses, or 12.2% of the loans receivable. As shown in the table below, the company has maintained the allowance at a similar rate since inception.

	2012	2013	2014	2015	Q1-2016	Q2-2016
Loans Receivable	148,263	487,432	4,913,279	8,110,077	7,662,039	8,766,508
Allowance for credit losses	(17,777)	(61,319)	(596,963)	(985,375)	(930,938)	(1,065,131)
% of Total	*12.0%*	*12.6%*	*12.1%*	*12.2%*	*12.2%*	*12.2%*
Loans receivables net	130,486	426,113	4,316,316	7,124,702	6,731,101	7,701,377
Loans charged off	(9,403)	(19,950)	(79,040)	(746,106)	(441,956)	(662,681)
% of average loans outstanding	*6.3%*	*6.3%*	*2.9%*	*11.5%*	*5.6%*	*16.2%*
						(annualized)

Realized loan losses (loans charged-off) were $0.66 million in the first six months of 2016 (annualized rate of 16.2% of the loans outstanding) and $0.44 million in 2015 (5.6% of the loans outstanding). Management estimates normalized annual loss rates to average approximately 5% of the loan receivables once the business is stabilized. Although this rate is higher than the industry average, we have gone with it in our models for conservatism.

The following table shows that, as of June 30, 2016, approximately $0.62 million, or 7% of the loans, were delinquent (past due). Approximately 50% of these loans were 90+ days past

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due. Loans become eligible for a lender to take legal action at 60 days past due.

As of June 30, 2016	Amount	% of Total
30-59 days past due	$191,216	2.2%
60-89 days past due	$114,121	1.3%
Greater than 90 days	$312,139	3.6%
Total Past Due	$617,476	7.0%
Current	$8,149,032	93.0%
Total Financing Receivables	**$8,766,508**	

The following table shows a summary of the balance sheets.

Liquidity & Capital Structure (US$)	2012	2013	2014	2015	Q1-2016	Q2-2016
Cash	178,601	281,879	433,712	485,559	1,143,886	174,080
Working Capital	(1,207,909)	(280,786)	4,468,754	7,585,836	7,881,820	7,799,927
Current Ratio	0.2	0.6	15.5	71.3	99.5	49.1
LT Debt	250,000	385,438	2,230,000	-	-	-
Total Debt	250,000	500,000	2,230,000	-	-	-
LT Debt / Capital	-30.6%	-25.7%	48.2%	-	-	-
Total Debt / Capital	-30.6%	-33.3%	48.2%	-	-	-
EBIT Interest Coverage	(46.5)	(13.8)	(8.7)	(9.8)	n/a	n/a

At the end of Q2-2016, the company had $0.17 million in cash, and no debt.

Summary of Cash Flows (US$, mm)	2012	2013	2014	2015	2016 (6M)	Total
Operating	-$1.59	-$1.53	-$3.30	-$3.96	-$1.29	-$11.67
Investing	-$0.32	-$1.59	-$4.51	-$4.06	-$1.32	-$11.80
Financing	$1.94	$3.22	$7.97	$8.07	$2.30	$23.50
Net	**$0.04**	**$0.10**	**$0.15**	**$0.05**	**-$0.31**	**$0.03**

Cash from financings have totaled $23.50 million since 2012. Since inception, the company has raised a total of $30.44 million by issuing common shares and preferred shares. Note that the CEO is the largest equity investor. The company has reported total losses of approximately $22.58 million since inception, leaving net assets under management of approximately $8 million. A significant proportion of previous expenses were paid in shares, so they were non cash items.

As of June 30, 2016, the company had 95,319,741 common shares and 3,071,000 preferred shares outstanding. The following are the key terms associated with the preferred shares:

- The preferred shares are paid dividends at the rate of 8% p.a. every quarter.
- On December 31, 2016, preferred share holders have the right to convert each preferred share into two common shares.
- Any time after December 31, 2016, the company has the right to redeem the preferred shares at $1 per share.

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- In the event of a liquidation, holders of the preferred stock shall receive $1 per preferred share.

We estimate the company will generate an **unlevered net yield of 17% to 20% p.a.** on invested capital, based on a lending rate of 29.9% p.a. and a total cost of approximately 13% p.a. (5% in loan losses, 3% in G&A expenses, and 5% in customer acquisition cost).

Our valuation model assumes the company's portfolio grows to $500 million by 2020.

	2016E	2017E	2018E	2019E	2020E
AUM at the end of the year	$15,000,000	$50,000,000	$100,000,000	$250,000,000	$500,000,000

We estimate the company will have a debt to capital of approximately 74% by 2020.

Liquidity & Capital Structure (US$)	2016E	2017E	2018E	2019E	2020E
Total Debt	6,398,891	39,480,132	77,839,305	189,762,128	372,135,049
Total Debt / Capital	51.4%	80.0%	77.7%	75.3%	73.5%
EBIT Interest Coverage	n/a	1.5	5.1	8.1	8.2

Revenue and EPS Projections

The following table shows a summary of our projections:

STATEMENTS OF OPERATIONS (in US$) - YE Dec 31st	2016E	2017E	2018E	2019E	2020E	2021E
Interest revenue	2,355,122	9,392,500	22,425,000	52,325,000	112,125,000	153,237,500
Other revenue	70,654	281,775	672,750	1,569,750	3,363,750	4,597,125
Total revenue	**2,425,776**	**9,674,275**	**23,097,750**	**53,894,750**	**115,488,750**	**157,834,625**
EXPENSES						
Salaries and wages	1,723,556	2,154,445	2,693,056	3,366,320	4,207,900	5,259,875
Professional fees						
Consulting fees	1,068,666	1,335,833	1,669,791	2,087,238	2,609,048	3,261,310
Advertising	611,650	1,825,000	2,500,000	7,500,000	12,500,000	1,250,000
G&A	2,295,607	2,869,509	3,586,886	4,483,608	5,604,510	7,005,637
Provision for credit losses	742,437	1,012,500	2,500,000	5,000,000	12,500,000	25,000,000
Depreciation and amortization	7,128	5,346	4,009	3,007	2,255	1,691
Start up costs						
Interest expense	0	319,945	1,974,007	3,891,965	9,488,106	18,606,752
Total Operating Expenses	6,449,044	9,522,577	14,927,749	26,332,138	46,911,819	60,385,266
Loss from Operations	**(4,023,268)**	**151,698**	**8,170,001**	**27,562,612**	**68,576,931**	**97,449,359**
Misc income / Tax	11,750	-	-	-	17,144,233	24,362,340
Net Income	**(4,011,518)**	**151,698**	**8,170,001**	**27,562,612**	**51,432,698**	**73,087,019**
EPS	-0.04	0.00	0.08	0.26	0.45	0.64

Our Discounted Cash Flow ("DCF") valuation based on the above projections is $2.55 per share.

DCF Valuation (US$)		2016E	2017E	2018E	2019E	2020E	2021E	Terminal (net of debt)
Funds Flow from Operations		-$4,004,391	$121,495	$8,137,021	$27,526,972	$51,404,669	$73,057,410	
-increase in w/c		$382,362	-$410,423	-$795,170	-$1,924,145	-$4,071,359	-$2,866,551	
Free Cash Flows		-$3,622,028	-$288,928	$7,341,851	$25,602,826	$47,333,311	$70,190,859	$328,938,869
Present Value		**-$3,372,153**	**-$244,542**	**$5,649,054**	**$17,908,753**	**$30,098,969**	**$40,576,317**	**$190,154,783**
Discount Rate	10.0%							
Present Value	$280,771,181							
Cash - Debt	$7,875,457							
Fair Value	$288,646,638							
Shares O/S (incld. future equity financings)	112,987,798							
Value per share (US$)	**$2.55**							

Our comparables valuation model values IEG's shares at $2.20 per share.

2020 Estimates	
Revenues	$115,488,750
Net Income	$51,432,698
Book Value	$133,994,916

	Industry Average	Fair Value (2020E)	Current FV	Current FV / Share
P/S	2.80	$323,368,500	$205,628,098	$1.81
P/E	12.00	$617,192,377	$392,468,946	$3.45
P/B	1.80	$241,190,849	$153,371,820	$1.35
Average		**$393,917,242**	**$250,489,621**	**$2.20**

Based on our DCF and comparables valuation, we are initiating coverage on IEG with a BUY rating and a fair value estimate of $2.40 per share.

Risk

We believe the company is exposed to the following key risks:

- Consumer finance lending is a highly competitive market. Although we believe the U.S. consumer credit market is healthy, unfavorable macroeconomic changes may impact consumer finance lenders and their ability to grow.
- The company's ability to consistently originate good quality loans at attractive yields is critical.
- Loan loss rates have to be maintained at reasonable levels.
- The company's ability to grow depends heavily on management's ability to raise capital (equity and debt).
- IEG has been operating at losses and has yet to generate profits.
- As with most investments, there is no guarantee that the company will be able to return principal and meet interest payments on the notes.

- The average trading volume of IEG's s shares has been low as the shares are tightly held; the CEO holds 72.5% of the outstanding shares.
- Due to lack of liquidity, the company's shares may have been mispriced in the past. For example, IEG's share price was $27.5 per share as of August 24, 2015, implying a market capitalization of $637 million, based on 23.16 million shares outstanding at that time. The company had only $6.68 million in loan receivables (net of provision for losses) as of June 30, 2015.

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APPENDIX

STATEMENTS OF OPERATIONS (in US$) - YE Dec 31st	2012	2013	2014	2015	2016E	2017E
Interest revenue	28,950	56,585	521,018	1,789,701	2,355,122	9,392,500
Other revenue	8,829	6,364	8,207	45,464	70,654	281,775
Total revenue	**37,779**	**62,949**	**529,225**	**1,835,165**	**2,425,776**	**9,674,275**
EXPENSES						
Salaries and wages	1,680,264	1,345,243	1,889,136	2,126,243	1,723,556	2,154,445
Professional fees	21,687	100,924				
Consulting fees	64,923	462,771	871,228	1,013,690	1,068,666	1,335,833
Advertising			459,804	950,905	611,650	1,825,000
G&A	625,442	836,224	1,531,765	1,773,129	2,295,607	2,869,509
Provision for credit losses	20,340	63,492	614,684	1,134,518	742,437	1,012,500
Depreciation and amortization	81,664	36,885	15,054	14,124	7,128	5,346
Start up costs		1,500,000				
Interest expense	51,109	198,385	558,257	527,921	0	355,494
Total Operating Expenses	2,545,429	4,543,924	5,939,928	7,540,530	6,449,044	9,558,126
Loss from Operations	**(2,507,650)**	**(4,480,975)**	**(5,410,703)**	**(5,705,365)**	**(4,023,268)**	**116,149**
Misc income / Tax	129	510	8,949	7,167	11,750	-
Net Income	**(2,507,521)**	**(4,480,465)**	**(5,401,754)**	**(5,698,198)**	**(4,011,518)**	**116,149**
EPS	-0.01	-0.01	-0.40	-0.24	-0.04	0.00

BALANCE SHEETS						
(in US$) - YE Dec 31st	2012	2013	2014	2015	2016E	2017E
ASSETS						
CURRENT						
Cash and cash equiv.	178,601	281,879	433,712	485,559	0	0
Loans receivable - current, net	18,482	64,719	4,316,316	7,124,702	13,500,000	50,000,000
Advances to officer	203,119					
Other receivables			25,882	76,262	235,512	939,250
Prepaid expenses				7,276	5,888	23,481
Total Current Assets	**400,202**	**346,598**	**4,775,910**	**7,693,799**	**13,741,400**	**50,962,731**
PP&E	80,235	43,349	36,100	28,511	21,383	16,037
Loans Receivable - long term	112,004	361,394				
Security deposits	34,454	39,329	39,329	35,839	35,839	35,839
Loan costs, net	164,301	131,470	77,781			
Total Assets	**791,196**	**922,140**	**4,929,120**	**7,758,149**	**13,798,622**	**51,014,608**
LIABILITIES						
CURRENT						
A/P & accrued expenses	157,504	323,978	172,139	96,441	644,904	955,813
Deferred salary	1,401,763					
Deferred rent	48,844	48,844	28,429	11,522	3,283	3,283
Working capital loans		140,000				
Current portion of senior debt		114,562				
Preferred dividends payable						
CEO accrued consulting fees			106,588			
Total Current Liabilities	**1,608,111**	**627,384**	**307,156**	**107,963**	**648,187**	**959,096**
Senior debt	250,000	385,438	2,230,000		7,109,879	40,219,915
Deposit on common stock to be issued						
Deposits on preferred stock to be issued		1,910,774				
SHAREHOLDERS EQUITY						
Equity	3,736,608	7,280,042	17,075,216	28,031,636	30,433,524	34,112,417
Accumulated deficit	-4,803,523	-9,281,498	-14,683,252	-20,381,450	-24,392,968	-24,276,819
Total shareholders' equity (deficiency)	**(1,066,915)**	**(2,001,456)**	**2,391,964**	**7,650,186**	**6,040,556**	**9,835,597**
Total Liabilities and Shareholders Equity	**791,196**	**922,140**	**4,929,120**	**7,758,149**	**13,798,622**	**51,014,608**

STATEMENTS OF CASH FLOWS (in US$) - YE Dec 31st	2012	2013	2014	2015	2016E	2017E
OPERATING ACTIVITIES						
Net loss	-2,507,521	-4,480,465	-5,401,754	-5,698,198	-4,011,518	116,149
Adjusted for items not involving cash:						
Provision for credit losses	20,340	63,462	614,684	1,134,518		
Depreciation & amortization	81,664	36,885	15,054	14,124	7,128	5,346
Amortization of loan costs	25,734	48,281	53,689	77,781		
Loss on disposition of P&E				12,582		
Change in assets:						
Deposits	1,473	-4,875		3,490		
Loan costs	-20,000	-15,450				
Other receivables			-25,882	-50,380	-159,250	-703,738
Prepaid expenses				-7,276	1,388	-17,593
Change in liabilities						
AP & accrued expenses	-12,833	373,964	554,867	452,285	548,463	310,908
Deferred salary	803,847	952,903	907,598	118,412		
Deferred rent	15,984	0	-20,415	-16,906	-8,239	0
Charge for rights sales agreement		1,500,000				
NET CASH USED IN OPERATING ACTIVITIES	**-1,591,312**	**-1,525,295**	**-3,302,159**	**-3,959,568**	**-3,622,028**	**-288,928**
INVESTING ACTIVITIES						
Net Loans	-100,616	-359,089	-4,504,945	-3,942,905	-6,375,298	-36,500,000
Purchases of PP&E	-12,982	0				
Advances to CEO			0	-95,003		
Advance to officer	-203,119	-267,832	-9,009	-19,117		
Advances to IEG Holdings Limited	0	-966,620				
NET CASH USED IN INVESTING ACTIVITIES	**-417,333**	**-1,593,541**	**-4,513,954**	**-4,057,025**	**-6,375,298**	**-36,500,000**
FINANCING ACTIVITIES						
Payments for buyback of common stock						
Proceeds from long term debt	199,965	250,000	1,730,000		7,109,879	33,110,035
proceeds from short term loans		500,000	669,980	400,000		
payments on short term loans		-360,000	-419,980	-400,000		
Repayment of senior debt				-2,230,000		
Prepaid preferred share redemption				-160,000		
Deposit on common shares to be issued		936,763	1,834,112			
Deposit on preferred shares to be issued						
Preferred dividends paid			-114,115	-220,974	-59,834	
Proceeds from issuance of preferred stock				6,100,000	90,550	
Proceeds from issuance of common stock		1,892,861	4,267,949	4,579,414	2,371,172	3,678,893
Capital contributions	1,743,415					
NET CASH FROM FINANCING ACTIVITIES	**1,943,380**	**3,219,624**	**7,967,946**	**8,068,440**	**9,511,767**	**36,788,928**
INCREASE IN CASH FOR THE YEAR	35,350	103,278	151,833	51,847	-485,559	0
CASH, BEGINNING OF THE YEAR	143,251	178,601	281,879	433,712	485,559	0
CASH, END OF THE YEAR	**178,601**	**281,879**	**433,712**	**485,559**	**0**	**0**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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