UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from________to________

Commission File Number: 001-39797

Upstart Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**46-4332431** (I.R.S. Employer Identification No.)

Upstart Holdings, Inc.
2950 S. Delaware Street, Suite 410
San Mateo, CA 94403
(Address of principal executive offices, including zip code)

(833) 212-2461
(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	UPST	Nasdaq Global Select Market

Indicate by check mark whether the 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. 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an 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	☐

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). Yes ☐ No ☒

As of April 29, 2025 there were 95,144,858 shares of the registrant's common stock outstanding.

Upstart Holdings, Inc.
FORM 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “seek,” “could,” “intend,” “target,” “aim,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, our operating expenses, our ability to determine reserves and our ability to achieve and maintain profitability;
- our ability to improve the effectiveness and predictiveness of our AI models and our expectations that improvements in our AI models can lead to higher approval rates and lower interest rates;
- our ability to increase the volume of loans facilitated through our AI lending marketplace;
- our ability to successfully maintain a diversified and resilient loan funding strategy, including lending partnerships, whole loan sales, committed capital and other co-investment arrangements and securitization transactions;
- our capital allocation plans, including expectations regarding funding loans through our balance sheet and allocations of cash and timing for any share repurchases and other investments;
- our ability to maintain competitive interest rates offered to borrowers on our platform, while enabling our lending partners and institutional investors to achieve an adequate return over their cost of funding;
- our ability to successfully build our brand and protect our reputation from negative publicity;
- our ability to increase the effectiveness of our marketing strategies, including our direct consumer marketing initiatives;
- our expectations regarding macroeconomic events, including inflation and related changes in interest rates and monetary policy;
- our expectations regarding the credit performance of Upstart-powered loans;
- the impact of disruption in the banking industry, and any associated effects on our business and industry;
- our expectations and management of future growth, including expanding the number of potential borrowers;
- our ability to successfully adjust our proprietary AI models, products and services, and provide up-to-date information to our lending partners, in a timely manner in response to changing macroeconomic conditions and fluctuations in the credit market;
- our compliance with applicable local, state and federal laws;
- our ability to comply with and successfully adapt to complex and evolving regulatory environments, including regulation of artificial intelligence and machine learning technology;
- our expectations regarding regulatory support of our approach to AI-based lending;

- our expectations regarding the success of our strategic investments and acquisitions, including the integration of acquired operations, products, technology, internal controls and personnel;
- our expectations regarding new and evolving markets and our ability to enter into new markets and introduce new products and services;
- our expectations concerning relationships with third parties;
- our ability to protect against increasingly sophisticated fraudulent borrowing and online theft;
- our ability to service our loans and pursue collection of delinquent and defaulted loans;
- our ability to successfully compete with companies that are currently in, or may in the future enter, the markets in which we operate;
- our ability to effectively secure and maintain the confidentiality of the information received, accessed, stored, provided and used across our systems;
- our ability to successfully obtain and maintain corporate funding and liquidity to support continued growth and for general corporate purposes, which includes our ability to manage existing and future indebtedness;
- our ability to attract, integrate and retain qualified employees;
- our ability to maintain an effective system of disclosure controls and internal control over financial reporting and operations;
- our ability to effectively manage and expand the capabilities of our operations teams, outsourcing relationships and other business operations;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations regarding outstanding litigation and regulatory investigations; and
- our ability to manage the increased expenses associated with being a public company.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this report.

Forward-looking statements should not be relied upon as predictions of future events. We have based the forward-looking statements contained in this report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled "*Risk Factors*" and elsewhere in this report. Readers are urged to carefully review and consider the various disclosures made in this report and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC") that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law. Undue reliance should not be placed on our forward-looking statements as we may not actually achieve the plans, intentions, or expectations disclosed in our forward-

looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

Each of the terms the “Company,” “we,” “our,” “us” and similar terms used herein refer collectively to Upstart Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries, unless otherwise stated.

AVAILABLE INFORMATION

Our website is located at www.upstart.com and our investor relations website at ir.upstart.com. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge on our investor relations website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The SEC also maintains a website that contains our SEC filings at www.sec.gov. The content of our websites and information that can be accessed through our websites is not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

We announce material information to the public about us, our products and services and other matters through a variety of means, including SEC filings, press releases, public conference calls, webcasts, the investor relations (ir.upstart.com) and newsroom (upstart.com/news) sections of our website, and our X (formerly known as Twitter) account @Upstart, in order to achieve broad, non-exclusionary distribution of information to the public and for complying with our disclosure obligations under Regulation FD.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Upstart Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	December 31, 2024	March 31, 2025
Assets		
Cash and cash equivalents	$ 788,422	$ 599,778
Restricted cash	187,841	239,750
Loans (at fair value)[1]	806,304	814,677
Property, equipment, and software, net	39,013	42,407
Operating lease right of use assets	43,455	40,557
Beneficial interest assets (at fair value)	176,848	216,578
Non-marketable equity securities	41,250	41,250
Goodwill	67,062	67,062
Other assets (includes $107,627 and $131,266 at fair value as of December 31, 2024 and March 31, 2025, respectively)	216,763	234,218
Total assets[2]	$ 2,366,958	$ 2,296,277
Liabilities and Stockholders' Equity		
Liabilities:		
Payable to investors	$ 60,173	$ 83,114
Borrowings	1,402,168	1,334,863
Payable to securitization note holders (at fair value)	87,321	75,904
Accrued expenses and other liabilities (includes $15,883 and $10,093 at fair value as of December 31, 2024 and March 31, 2025, respectively)	133,800	78,680
Operating lease liabilities	50,278	47,074
Total liabilities[2]	1,733,740	1,619,635
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.0001 par value; 700,000,000 shares authorized; 93,469,721 and 95,071,582 shares issued and outstanding as of December 31, 2024 and March 31, 2025, respectively	9	10
Additional paid-in capital	1,044,366	1,090,236
Accumulated deficit	(411,157)	(413,604)
Total stockholders' equity	633,218	676,642
Total liabilities and stockholders' equity	$ 2,366,958	$ 2,296,277

(1) Includes $102.9 million and $88.9 million of loans, at fair value, contributed as collateral for the consolidated securitization as of December 31, 2024 and March 31, 2025, respectively. Refer to "*Note 5. Fair Value Measurement*" for details.

(2) The following table presents information on assets and liabilities related to variable interest entities ("VIEs") that are consolidated by Upstart Holdings, Inc. at December 31, 2024 and March 31, 2025, respectively. The liabilities of each VIE can only be settled using the assets of the corresponding VIE and creditors of these entities do not have recourse to the general credit of Upstart Holdings, Inc. The assets and liabilities in the table below exclude intercompany balances that eliminate in consolidation.

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Upstart Holdings, Inc.

Condensed Consolidated Balance Sheets (Continued)

(In thousands, except share data)

(Unaudited)

	December 31, 2024	March 31, 2025
Assets		
Cash and cash equivalents	$ 1,312	$ 447
Restricted cash	47,642	53,670
Loans (at fair value)	750,184	724,251
Other assets (includes $1,864 and $1,129 at fair value as of December 31, 2024 and March 31, 2025, respectively)	12,971	11,620
Total assets	$ 812,109	$ 789,988
Liabilities		
Payable to investors	$ 154	$ 154
Borrowings	195,606	126,976
Payable to securitization note holders (at fair value)	87,321	75,904
Accrued expenses and other liabilities	4,493	2,462
Total liabilities	287,574	205,496
Total net assets	$ 524,535	$ 584,492

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

Upstart Holdings, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended March 31,	
	2024	**2025**
Revenue:		
Revenue from fees, net	$ 138,068	$ 185,475
Interest income, interest expense, and fair value adjustments, net:		
Interest income[(1)]	51,171	40,568
Interest expense[(1)]	(10,714)	(7,020)
Fair value and other adjustments[(1)]	(50,731)	(5,652)
Total interest income, interest expense, and fair value adjustments, net	(10,274)	27,896
Total revenue	127,794	213,371
Operating expenses:		
Sales and marketing	35,150	58,970
Customer operations	39,408	40,501
Engineering and product development	63,091	57,838
General, administrative, and other	57,613	60,558
Total operating expenses	195,262	217,867
Loss from operations	(67,468)	(4,496)
Other income, net	2,884	2,078
Net loss before income taxes	(64,584)	(2,418)
Provision for income taxes	14	29
Net loss	$ (64,598)	$ (2,447)
Net loss per share, basic	$ (0.74)	$ (0.03)
Net loss per share, diluted	$ (0.74)	$ (0.03)
Weighted-average number of shares outstanding used in computing net loss per share, basic	87,030,695	94,274,538
Weighted-average number of shares outstanding used in computing net loss per share, diluted	87,030,695	94,274,538

(1) Balances for the three months ended March 31, 2024 and 2025 include amounts related to the consolidated securitization. Refer to "*Note 2. Revenue*" for details.

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

Upstart Holdings, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended March 31, 2024				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2023	**86,330,303**	**$ 9**	**$ 917,872**	**$ (282,576)**	**$ 635,305**
Issuance of common stock upon exercise of stock options	351,968	—	1,204	—	1,204
Issuance of common stock upon settlement of restricted stock units	925,027	—	—	—	—
Shares withheld related to net share settlement of restricted stock units	(38)	—	(1)	—	(1)
Stock-based compensation expense	—	—	36,323	—	36,323
Issuance of common stock under employee stock purchase plan	198,133	—	4,565	—	4,565
Net loss	—	—	—	(64,598)	(64,598)
Balance as of March 31, 2024	**87,805,393**	**$ 9**	**$ 959,963**	**$ (347,174)**	**$ 612,798**

	Three Months Ended March 31, 2025				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2024	**93,469,721**	**$ 9**	**$ 1,044,366**	**$ (411,157)**	**$ 633,218**
Issuance of common stock upon exercise of stock options	661,617	1	8,208	—	8,209
Issuance of common stock upon settlement of restricted stock units	789,454	—	—	—	—
Shares withheld related to net share settlement of restricted stock units	(63)	—	(5)	—	(5)
Stock-based compensation expense	—	—	32,975	—	32,975
Issuance of common stock under employee stock purchase plan	150,853	—	4,692	—	4,692
Net loss	—	—	—	(2,447)	(2,447)
Balance as of March 31, 2025	**95,071,582**	**$ 10**	**$ 1,090,236**	**$ (413,604)**	**$ 676,642**

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

Upstart Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2024	**2025**
Cash flows from operating activities		
Net loss	$ (64,598)	$ (2,447)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in fair value of loans	54,017	7,062
Change in fair value of servicing assets	4,286	4,090
Change in fair value of servicing liabilities	(454)	(285)
Change in fair value of beneficial interest assets	(4,481)	(17,600)
Change in fair value of beneficial interest liabilities	4,973	(65)
Change in fair value of other financial instruments	1,551	(33)
Stock-based compensation	35,777	29,831
Gain on loan servicing rights, net	(2,946)	(4,945)
Depreciation and amortization	5,632	6,400
Loan premium amortization	(2,539)	(8,352)
Non-cash interest expense and other	768	1,325
Net changes in operating assets and liabilities:		
Purchases of loans held-for-sale	(796,543)	(1,345,253)
Proceeds from sale of loans held-for-sale	772,690	1,316,696
Principal payments received for loans held-for-sale	52,841	38,252
Principal payments received for loans held by consolidated securitization	12,338	10,280
Settlements of beneficial interest liabilities	(710)	(5,992)
Proceeds from beneficial interest assets (derivatives)	—	731
Settlements of beneficial interest assets (derivatives)	—	(485)
Other assets	(825)	6,437
Operating lease liability and right-of-use asset	(202)	(306)
Payable to investors for beneficial interest assets[1]	(1,392)	—
Accrued expenses and other liabilities	(25,846)	(48,827)
Net cash provided by (used in) operating activities	44,337	(13,486)
Cash flows from investing activities		
Purchases and originations of loans held-for-investment	$ (46,152)	$ (149,916)
Proceeds from sale of loans held-for-investment	—	1,647
Principal payments received for loans held-for-investment	27,242	57,417
Principal payments received for notes receivable and repayments of residual certificates	1,225	2,685
Acquisition of beneficial interest assets	(18,113)	(305)
Settlements of beneficial interest assets (hybrid instruments)	—	(312)
Proceeds from beneficial interest assets (hybrid instruments)	—	16,374
Purchases of property and equipment	(684)	—
Capitalized software costs	(1,065)	(6,159)
Net cash used in investing activities	(37,547)	(78,569)

Upstart Holdings, Inc.

Condensed Consolidated Statements of Cash Flows (Continued)

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2024	**2025**
Cash flows from financing activities		
Proceeds from warehouse borrowings	$ 74,260	$ 53,655
Payment of debt issuance costs to third party	—	(443)
Repayments of warehouse borrowings	(110,175)	(122,285)
Principal payments made on securitization notes	(13,564)	(11,444)
Payable to investors[1]	8,285	22,941
Proceeds from issuance of common stock under employee stock purchase plan	4,565	4,692
Proceeds from exercise of stock options	1,204	8,209
Taxes paid related to net share settlement of equity awards	(1)	(5)
Net cash used in financing activities	(35,426)	(44,680)
Change in cash, cash equivalents and restricted cash	(28,636)	(136,735)
Cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period	467,787	976,263
Cash, cash equivalents and restricted cash at end of period	$ 439,151	$ 839,528
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 12,463	$ 7,378
Cash paid for income taxes, net	88	96
Supplemental disclosures of non-cash investing and financing activities		
Beneficial interests obtained in connection with loan sale	13,555	38,133
Capitalized stock-based compensation expense	546	3,144
Issuance of line of credit receivable	—	24,856
Beneficial interest assets included in payable to investors	4,400	—

(1) During 2024, the Company elected to change the presentation of changes in the payable to investors balance on the condensed consolidated statement of cash flows, refer to "*Note 1. Description of Business and Significant Accounting Policies"* for further details.

The following presents cash, cash equivalents and restricted cash by category within the unaudited condensed consolidated balance sheets:

	December 31, 2024	**March 31, 2025**
Cash and cash equivalents	$ 788,422	$ 599,778
Restricted cash	187,841	239,750
Total cash, cash equivalents and restricted cash	$ 976,263	$ 839,528

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

1. Description of Business and Significant Accounting Policies

Description of Business

Upstart Holdings, Inc. and its subsidiaries (together "Upstart", the "Company", "we", or "our") apply artificial intelligence models and cloud applications to the process of underwriting consumer credit. The Company helps originate credit by providing lending partners with access to a proprietary, cloud-based, artificial intelligence lending marketplace. As the Company's technology continues to improve and additional lending partners adopt the Upstart platform, consumers benefit from improved access to affordable and frictionless credit. The Company currently operates in the United States and is headquartered in San Mateo, California. The Company's fiscal year ends on December 31.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements included in our Annual Report on Form 10-K. Certain prior period amounts have been reclassified where appropriate to conform to the current period presentation of such amounts. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position, results of operations, comprehensive loss and cash flows for the periods presented, but are not necessarily indicative of the results of operations to be anticipated of any future annual or interim periods.

Certain information and disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to rules and regulations of the SEC. Accordingly, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Reclassifications

During the second quarter of 2024, the Company elected to change its presentation of changes in the payable to investors balance on the condensed consolidated statement of cash flows. Payable to investors balance consists of a) liabilities associated with fiduciary cash that is temporarily held by the Company on behalf of our institutional investors and is presented within restricted cash on the condensed consolidated balance sheets; and b) cash payable to investors for acquisitions or settlements of beneficial interests. Under the new presentation, the portion of the payable to investors balance related to fiduciary cash is reclassified from operating to financing activities within the condensed consolidated statement of cash flows. There is no change in the presentation for the change in the payable to investors balance related to acquisition and settlements of beneficial interests. Comparative amounts have been reclassified to conform to the current period presentation. The following table presents the effects of the changes in presentation within the condensed consolidated statements of cash flows:

	Three Months Ended March 31, 2024		
	As Previously Reported	Adjustment	As Adjusted
Cash flows from operating activities			
Payable to investors	$ 6,893	$ (6,893)	$ —
Payable to investors for beneficial interest assets	—	(1,392)	(1,392)
Net cash provided by (used in) operating activities	52,622	(8,285)	44,337
Cash flows from financing activities			
Payable to investors[(1)]	—	8,285	8,285
Net cash provided by (used in) financing activities	$ (43,711)	$ 8,285	$ (35,426)

(1) Related to liabilities associated with fiduciary cash that is temporarily held by the Company on behalf of our institutional investors.

The reclassification had no impact on the condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss or condensed consolidated statements of stockholders' equity.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Significant estimates and assumptions made in the accompanying condensed consolidated financial statements, which management believes are critical in understanding and evaluating the Company's reported financial results include: (i) fair value determinations; (ii) stock-based compensation; (iii) consolidation of VIEs; and (iv) the evaluation for impairment of goodwill. The Company bases its estimates on various factors it believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could affect the results of operations reported in future periods.

Recently Adopted Accounting Pronouncements

On January 1, 2025, the Company adopted Accounting Standards Update ("ASU") 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. The new guidance requires certain crypto assets to be measured at fair value with changes in fair value recorded in net income, and additional disclosures about the holdings of certain crypto assets. The adoption of the new standard did not have an impact on the Company's condensed consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update require entities to disclose specific categories in the effective tax rate reconciliation and provide additional information for reconciling items where the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income/loss by the applicable statutory income tax rate. In addition, entities are required to disclose the year-to-date amount of income taxes paid (net of refunds received) disaggregated by jurisdictions. This ASU is effective for annual periods beginning after December 15, 2024 with early adoption permitted. The Company is currently evaluating the impact of these amendments to its condensed consolidated financial statements

and related disclosures and plans to include the additional required disclosures relating to income taxes beginning in the 2025 Annual Report on Form 10-K.

In November 2024, the FASB issued ASU 2024-03 and subsequently ASU 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.* The amendments in this update require disaggregated disclosures in the notes to the financial statements for certain expenses such as employee compensation, depreciation, and intangible asset amortization, which are commonly presented in aggregate. This ASU is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027 with early adoption permitted. The Company is currently evaluating the impact of these amendments to its condensed consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments.* The amendments in this update clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This ASU is effective for annual reporting periods beginning after December 15, 2025 with early adoption permitted. The Company is currently evaluating the impact of these amendments to its condensed consolidated financial statements and related disclosures.

2. Revenue

Revenue from Fees, Net

The Company disaggregates revenue from fees by type of service for the periods presented as follows:

	Three Months Ended March 31,	
	2024	**2025**
Revenue from fees, net:		
Platform and referral fees, net	$ 103,859	$ 150,975
Servicing and other fees, net	34,209	34,500
Total revenue from fees, net	$ 138,068	$ 185,475

Platform and Referral Fees, Net

Lending Partners. The Company enters into contracts with lending partners to provide access to a cloud-based artificial intelligence lending marketplace developed by the Company (the “Upstart platform”) to enable lending partners to originate unsecured personal and secured auto refinance loans. The Upstart platform includes a cloud-based application (through Upstart.com or a lending partner-branded program) for submitting loan applications, verifying information provided within submitted applications, risk underwriting (through a series of proprietary technology solutions), delivery of electronic loan offers, and if the offer is accepted by the borrower, electronic loan documentation signed by the borrower. Lending partners can specify certain parameters of loans they are willing to originate. Under these contracts, lending partners can choose to use Upstart’s referral services, which allow them to access new borrowers through Upstart’s marketing channels.

After origination, Upstart-powered loans are either retained by lending partners, purchased by the Company for immediate resale to institutional investors under loan sale agreements, or purchased and held by the Company. For loans not retained by the lending partners, the Company pays the lending partners a one-time loan premium fee upon completion of the minimum contractual holding period and a monthly loan trailing fee based on the amount and timing of principal and interest payments made by the borrowers of the underlying loans. Both the loan

premium fees and loan trailing fees are consideration payable to customers, which are our lending partners, and are recorded as a reduction to platform and referral fees, net, which is part of revenue from fees, net, in the condensed consolidated statements of operations and comprehensive loss. The Company recognized an immaterial amount of loan premium fees and loan trailing fees as contra-revenue within platform and referral fees, net during the three months ended March 31, 2024 and 2025.

As of both December 31, 2024 and March 31, 2025, the Company recognized $4.6 million of loan trailing fee liability, which is recorded at fair value and included within accrued expenses and other liabilities on the Company's condensed consolidated balance sheets. Refer to "*Note 5. Fair Value Measurement*" for additional information on changes in fair value associated with trailing fee liabilities.

The Company's arrangements for platform and referral services typically consist of an obligation to provide one or both of these services to customers, on a when and if needed basis (a stand-ready obligation), and revenue is recognized as such services are performed. Additionally, the services have the same pattern and period of transfer, and when provided individually or together, are accounted for as a single combined performance obligation representing a series of distinct services.

Platform and referral services are typically provided under a fixed or variable price per unit based on a percentage of the value of loans originated each period with certain lending partners subject to minimum fees; however, pricing for these services may also be based on usage fees, calculated as a percentage of each loan originated. The nature of the Company's promise is to stand-ready and provide continuous access to and process transactions through the platform. Platform and referral fees represent variable consideration as loan origination volume is not known at contract inception. These fees are determined each time a loan is originated. Fees for platform and referral services are typically billed and paid on a monthly basis. As such, the Company's contracts with customers do not include a significant financing component.

Auto Dealerships. The Company enters into subscription agreements with auto dealerships to access Upstart Auto Retail software, a cloud-based solution that facilitates dealership operations and enables them to provide consumers with access to Upstart-powered auto loans. Subscription agreements generally have a contractual term of one to six months with evergreen monthly renewals. The Company bills customers on a monthly basis. Subscription fees are recognized over the contract term as the performance obligation is satisfied, and is included within platform and referral fees, net in the condensed consolidated statements of operations and comprehensive loss. The Company recognized an immaterial amount of subscription fee revenue for the three months ended March 31, 2024 and 2025.

As of both December 31, 2024 and March 31, 2025, the Company had $19.0 million of accounts receivable that are included in other assets on the condensed consolidated balance sheets related to contracts with customers. The standard payment terms on accounts receivable are 30 days. The Company's allowance for bad debt and bad debt expense were immaterial for the periods presented.

The Company capitalizes incremental costs of obtaining a contract with a customer, which are certain sales commissions paid to employees in connection with the acquisition of lending partners. Capitalized costs are amortized over the expected period of benefit, which we have determined, based on an analysis, to be three years. The Company applies the practical expedient to expense costs to obtain contracts with customers if the amortization period is one year or less. As of December 31, 2024 and March 31, 2025, the Company had $2.5 million and an immaterial amount, respectively, of contract costs capitalized within other assets on the condensed consolidated balance sheets. During the three months ended March 31, 2024 and 2025, the Company amortized immaterial amounts of capitalized contracts costs to sales and marketing in the condensed consolidated statements of operations and comprehensive loss.

Customers accounting for greater than 10% of total revenue were as follows:

	Three Months Ended March 31,	
	2024	2025
Customer A	*	27%
Customer B	24%	21%
Customer C	39%	*
Customer D	11%	*

* Less than 10%

Customers accounting for greater than 10% of accounts receivable were as follows:

	December 31, 2024	March 31, 2025
Customer E	15%	12%

Servicing and Other Fees, Net

The Company also enters into contracts with lending partners and institutional investors to provide loan servicing for the life of Upstart-powered loans. These services commence upon origination of these loans by lending partners and include collection, processing and reconciliations of payments received, institutional investor reporting and borrower customer support as well as distribution of funds to the holders of the loans. The Company charges the loan holder a monthly servicing fee calculated based on a predetermined percentage of the outstanding principal balance. Servicing fees also include certain ancillary fees charged on a per transaction basis for processing late payments and payments declined due to insufficient funds. Servicing fees are recognized in the period the services are provided. Loan servicing fees are not within the scope of ASC 606, *Revenue from Contracts with Customers*, and are accounted for under ASC 860, *Transfers and Servicing*.

The Company charges lending partners and institutional investors for collection agency fees related to their outstanding loan portfolio. The Company either performs borrower collection activities in-house, or outsources to third-party collection agencies particularly for loans that are more than 30 days past due or charged off. The Company has discretion in hiring the collection agencies and determining the scope of their work. As the principal in the arrangement, the Company recognizes gross revenue from collection agency fees in the period that the services are provided. Upstart also receives certain ancillary borrower fees inclusive of late payment fees and ACH fail fees. The total fees charged by collection agencies are recognized in the period incurred and reported as part of customer operations expenses.

Servicing and other fees, net also includes gains and losses on assets and liabilities recognized under loan servicing arrangements for loans retained by lending partners or loans sold to institutional investors. Such gains or losses are recognized based on whether the benefits of servicing are expected to be more or less than adequate compensation for servicing obligations performed by the Company. Servicing fees also include changes in fair value of loan servicing assets and liabilities. Refer to "*Note 5. Fair Value Measurement*" for additional information on changes in fair value associated with servicing assets and liabilities.

The following table presents the components of servicing and other fees, net as part of revenue from fees, net in the Company's condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended March 31,	
	2024	2025
Servicing fees	$ 23,242	$ 22,812
Borrower fees	7,159	6,660
Collection agency fees	4,596	3,792
Other fees	98	97
Net gain (loss) on servicing rights and fair value adjustments	(886)	1,139
Total servicing and other fees, net	$ 34,209	$ 34,500

Interest Income, Interest Expense, and Fair Value Adjustments, Net

Interest income, interest expense, and fair value adjustments, net is comprised of interest income, interest expense and net changes in the fair value of financial instruments held in the Company's normal course of business at fair value, including loans, derivatives, beneficial interests, notes receivable and residual certificates, trailing fee liabilities, payable to securitization note holders, and line of credit receivable.

The following table presents components of the interest income, interest expense, and fair value adjustments, net presented in the Company's condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended March 31,	
	2024	2025
Interest income(1)	$ 51,171	$ 40,568
Interest expense(1)	(10,714)	(7,020)
Fair value and other adjustments, net:		
Unrealized loss on loans, loan charge-offs, and other fair value adjustments, net(1)	(29,593)	(21,326)
Realized loss on sale of loans, net	(7,104)	(1,991)
Fair value adjustments and realized gains (losses) on beneficial interests, net	(14,034)	17,665
Total fair value and other adjustments, net	(50,731)	(5,652)
Total interest income, interest expense, and fair value adjustments, net	$ (10,274)	$ 27,896

(1) Includes interest income, interest expense and unrealized loss on loans, loan charge-offs, and other fair value adjustments, net related to the consolidated securitization as follows:

	Three Months Ended March 31,	
	2024	2025
Interest income, interest expense, and fair value adjustments, net related to consolidated securitization:		
Interest income	$ 8,624	$ 5,112
Interest expense	(2,760)	(1,849)
Unrealized loss on loans, loan charge-offs, and other fair value adjustments, net	(10,651)	(3,780)
Total interest income, interest expense, and fair value adjustments, net	$ (4,787)	$ (517)

Interest Income

Interest income is recognized based on the terms of the underlying agreements with borrowers for loans and line of credit receivable held on the Company's condensed consolidated balance sheets and is earned over the life of a loan or a line of credit receivable.

Interest income also includes accrued interest earned on outstanding loans and line of credit receivable but not collected. Home equity lines of credit ("HELOCs") that have reached a delinquency over 180 days and all other loans and line of credit receivable that have reached a delinquency over 120 days are charged off and do not accrue interest. The Company does not record an allowance for credit losses on accrued interest receivable. As of December 31, 2024 and March 31, 2025, the Company has recorded $8.2 million and $7.4 million of accrued interest income in loans on the condensed consolidated balance sheets, respectively. Accrued interest income on the line of credit receivable was immaterial as of December 31, 2024 and March 31, 2025.

Interest Expense

Interest expense is primarily related to interest recorded on the Company's borrowings on warehouse credit facilities and interest expense related to the consolidated securitization. Interest expense includes accrued interest incurred but not paid. Interest expense also includes changes in fair value of the interest rate caps. Accrued interest expenses for the warehouses were immaterial as of December 31, 2024 and March 31, 2025.

Fair Value and Other Adjustments, Net

Fair value and other adjustments, net include changes in fair value of financial instruments, other than loan servicing assets and liabilities and interest rate caps. These adjustments are recorded in the Company's condensed consolidated statements of operations and comprehensive loss and include both realized and unrealized changes to the value of related assets and liabilities. Refer to "*Note 5. Fair Value Measurement*" for additional information.

Fair value and other adjustments, net also includes amounts received from borrowers for previously charged-off loans held on the Company's condensed consolidated balance sheets. These amounts are recognized in the period when amounts are received. Amounts received from borrowers for previously charged-off loans were $3.3 million and immaterial for the three months ended March 31, 2024 and 2025, respectively.

3. Variable Interest Entities

Consolidated VIEs

The Company consolidates VIEs in which the Company has a variable interest and is determined to be the primary beneficiary. This determination is based on whether the Company has a variable interest (or combination of variable interests) that provides the Company with both (a) the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or right to receive benefits that could be potentially significant to the VIE. The Company continually reassesses whether it is the primary beneficiary of a VIE throughout the entire period the Company is involved with the VIE.

The Company also determines whether decision-maker or service-provider fees are variable interests. Decision-maker or service-provider fees are not considered variable interests when the arrangement does not expose the Company to risks of loss that a potential VIE was designed to pass on to its variable interest holders, the fees are commensurate, the arrangement is at market, and the Company does not have any other interests (including direct interests and certain indirect interests held through related parties) that absorb more than an insignificant amount of a VIE's potential variability. This determination can have a significant impact on the Company's consolidation analysis, as it could affect whether a legal entity is a VIE and whether the Company is the primary beneficiary of a VIE. When the Company's decision-maker or service-provider fee is not a variable interest, the Company is viewed as acting as a fiduciary for the potential VIE.

The following tables present a summary of financial assets and liabilities from the Company's involvement with consolidated VIEs:

	December 31, 2024		
	Assets	Liabilities	Net Assets
Consolidated securitization	$ 109,739	$ 87,322	$ 22,417
Consolidated warehouse entities	430,887	196,982	233,905
Other consolidated VIEs	271,483	3,270	268,213
Total consolidated VIEs	$ 812,109	$ 287,574	$ 524,535

	March 31, 2025		
	Assets	Liabilities	Net Assets
Consolidated securitization	$ 94,918	$ 75,905	$ 19,013
Consolidated warehouse entities	336,844	128,161	208,683
Other consolidated VIEs	358,226	1,430	356,796
Total consolidated VIEs	$ 789,988	$ 205,496	$ 584,492

Consolidated Securitization

On July 6, 2023, the Company completed a private securitization securities offering ("UPST 2023-2"). As a retaining sponsor of the transaction, under risk retention requirements in Title 17 U.S. *Code of Federal Regulations* Part 246, Credit Risk Retention, promulgated by the SEC, the Company is required to retain at least 5% of the economic risk in UPST 2023-2. The Company elected to satisfy the risk retention requirements by holding eligible vertical retained interests in the form of a combination of securitization notes and residual certificates. The Company has also retained the remainder of the residual certificates issued as part of the transaction. The Company was the sole contributor of the collateral, which included $204.7 million outstanding principal balance of Upstart-powered loans held by the Company. The weighted-average coupon of the securitization notes issued was approximately 9.2%, and their sale generated approximately $165.3 million in gross cash proceeds. These proceeds and payments

made on securitization notes are classified as financing activities in the condensed consolidated statement of cash flows.

The retained interests in UPST 2023-2 held by the Company were deemed to potentially absorb more than an insignificant amount of expected losses or expected returns at the inception of the securitization transaction. The Company, as servicer, also has the power to direct the activities that most significantly impact the economics of the entities associated with the UPST 2023-2 securitization, and as such, the Company determined it was the primary beneficiary and consolidated the entities associated with UPST 2023-2.

The loans held in the consolidated securitization trust are classified as held-for-sale and included in loans, at fair value, and the notes sold to third-party investors are recorded at fair value as payable to securitization note holders on the condensed consolidated balance sheets. Refer to "*Note 5. Fair Value Measurement*" for additional information on determination of fair value of these assets and liabilities. The value of the residual certificates issued as part of the securitization and retained by the Company was eliminated as part of the consolidation.

Warehouse Entities

The Company established various entities deemed to be VIEs to enter into warehouse credit facilities for the purpose of purchasing Upstart-powered loans. Refer to "*Note 8. Borrowings*" for additional information. These entities are Delaware statutory trusts that are structured to be bankruptcy-remote, with third-party banks operating as trustees.

Other Consolidated VIE

The Company has formed a number of VIEs for the purpose of holding Upstart-powered loans that are not pledged or eligible to be pledged to the Company's warehouse credit facilities. In addition, the Company has formed consolidated VIEs for the purpose of holding restricted cash or loans as collateral in connection with committed capital and other co-investment arrangements.

Unconsolidated VIEs

The Company's transactions with unconsolidated VIEs include securitizations of unsecured personal whole loans and sales of whole loans to VIEs, including loan sales under its committed capital and other co-investment arrangements. Refer to "*Note 4. Beneficial Interests*" for additional information on unconsolidated VIEs related to committed capital and other co-investment arrangements.

Securitizations

While the Company continues to be involved with the unconsolidated VIEs in its role as the sponsor and the servicer of securitization transactions, the Company has determined that it is not the primary beneficiary of these entities. The Company's unconsolidated VIEs include entities established as the issuers and grantor trusts for various securitization transactions.

In cases where the VIEs are not consolidated and the transfer of the loans from the Company to the securitization trust meets sale accounting criteria, the Company recognizes a gain or loss on sales of loans. The net proceeds of the sale represent the fair value of any assets obtained or liabilities incurred as part of the transaction. The assets are transferred into a trust such that the assets are legally isolated from the creditors of the Company and are not available to satisfy obligations of the Company. These assets can only be used to settle obligations of the underlying securitization trusts.

During the three months ended March 31, 2024, the Company exercised clean up calls related to two historical unconsolidated securitizations and subsequently liquidated the associated entities. As part of the clean up calls, the Company, as servicer, repurchased the remaining collateral and received the cash reserve amounts held by the related entities. The clean up calls had no material impact on the condensed consolidated financial statements of the Company.

The following tables summarize the aggregate value of assets and liabilities of unconsolidated VIEs associated with securitizations in which the Company holds a variable interest but is not the primary beneficiary:

	December 31, 2024			
	Assets[(1)]	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 507,666	$ 363,890	$ 143,776	$ 25,774

(1) Represents cash and the unpaid principal balance of loans held by the unconsolidated VIEs.

	March 31, 2025			
	Assets[(1)]	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 449,814	$ 313,453	$ 136,361	$ 23,190

(1) Represents cash and the unpaid principal balance of loans held by the unconsolidated VIEs.

The Company's maximum exposure to loss from its involvement with unconsolidated VIEs represents the value of securities retained and cash deposits made under the risk retention requirements for the related securitizations and estimates the loss that would be incurred under severe, hypothetical circumstances, for which the Company believes the possibility is remote. The carrying value of assets that relate to variable interests in unconsolidated VIEs consists of $22.1 million and $19.5 million of securitization notes and residual certificates that are carried at fair value and included in other assets on the condensed consolidated balance sheets as of December 31, 2024 and March 31, 2025, respectively. The Company also had $3.7 million of cash deposits held as reserve accounts for related securitizations, included in other assets on the condensed consolidated balance sheets as of December 31, 2024 and March 31, 2025.

For securitization transactions where the Company is not the risk retaining sponsor, and servicing is the only form of continuing involvement, the Company would only experience a loss if it were required to repurchase a loan due to a breach in representations and warranties and is not able to collect all repayments, refer to "*Note 11. Commitments and Contingencies*" for further information.

The investors and the securitization trusts have no direct recourse to the Company's assets, and holders of the securities issued by the securitization trusts can look only to the assets of the securitization trusts that issued their securities for payment. The interests held by the Company and its affiliates are subject principally to the credit and prepayment risk stemming from the underlying unsecured personal whole loans.

4. Beneficial Interests

The Company's beneficial interests are associated with committed capital and other co-investment arrangements with a number of third-party institutional investors and lending partners, in which the Company puts certain amounts of assets at risk. The risk is subject to a dollar cap, which represents the Company's maximum exposure to losses in each particular arrangement.

In certain arrangements, the Company is obligated to make payments to these third-parties or is entitled to receive payments from them if credit performance of the loans sold or originated under the arrangements deviates from initial expectations set at the time of loan sale or origination. These arrangements meet the definition of derivatives under ASC 815 and can produce an asset or a liability depending on the credit performance of the underlying loan portfolio as of the reporting date, which are settled periodically in cash based on contractual terms. Under other arrangements, the Company makes an initial investment and is entitled to a portion of cash flows from repayments received over time on the underlying loan portfolios sold under these arrangements. These cash flows vary depending on the demonstrated credit performance relative to our expectations. These arrangements are debt-like financial instruments with embedded derivatives related to the variability of demonstrated credit performance of underlying loan portfolios against initial expectations. The Company accounts for these derivatives and hybrid instruments at fair value under ASC 815 and ASC 825, respectively. Refer to "*Note 5. Fair Value Measurement*" for additional information.

Beneficial interests represent the value of the future cash flows as part of these arrangements, discounted to the present value based on expected performance. The following table presents the aggregate outstanding principal balance of the underlying loan portfolios as well as the fair value of beneficial interest assets, by type, which collectively are presented as a separate asset line item on the condensed consolidated balance sheets, and beneficial interest liabilities, which are presented in other liabilities on the condensed consolidated balance sheets.

	December 31, 2024		March 31, 2025	
	Outstanding Principal Balance	**Fair Value**	**Outstanding Principal Balance**	**Fair Value**
Beneficial interest assets (hybrid instruments)	$ 2,214,535	$ 168,091	$ 2,199,658	$ 206,054
Beneficial interest assets (derivatives)	$ 1,943,215	$ 8,757	$ 2,130,599	$ 10,524
Total beneficial interest assets	$ 4,157,750	$ 176,848	$ 4,330,257	$ 216,578
Beneficial interest liabilities (derivatives)	$ 1,091,538	$ 10,089	$ 1,555,959	$ 4,032

The Company recognizes beneficial interests at fair value with changes reported as part of the fair value and other adjustments on the condensed consolidated statements of operations and comprehensive loss. The table below presents gains (losses) recognized on beneficial interests during the following periods:

	Three Months Ended March 31,	
	2024	**2025**
Fair value adjustments and realized gains (losses) on beneficial interests, net	$ (14,034)	$ 17,665

The Company's beneficial interests are associated with entities that meet the definition of a VIE or are evaluated under the voting interest model. The Company has variable interests in certain entities established in relation to its committed capital and co-investment arrangements, including purchaser trusts, which are unconsolidated VIEs. While the Company holds variable interests in these unconsolidated VIEs through committed capital and co-investment arrangements and as the servicer of the loans sold, the Company does not have the power to direct the activities that most significantly impact the VIE's economic performance and has determined that it is not the primary beneficiary of these entities. The Company additionally holds loans as collateral in connection with committed capital and other co-investment arrangements in a consolidated VIE. Refer to "*Note 3. Variable Interest Entities*" for additional information. While held as collateral, these loans are ineligible to be sold and are classified as held-for-investment on the Company's condensed consolidated balance sheets.

The contractual terms of committed capital and other co-investment arrangements also determine the Company’s maximum exposure to losses and dictate types of assets the Company puts at risk. The Company’s maximum exposure to loss from its involvement with these arrangements estimates the loss that would be incurred under severe, hypothetical circumstances, for which the Company believes the possibility is remote. The following table presents the Company’s aggregate maximum exposure to losses by asset type under these arrangements:

	December 31, 2024	March 31, 2025
Cash and cash equivalents	$ 85,105	$ 90,726
Restricted cash	84,065	111,458
Beneficial interests	204,814	228,291
Other assets - Line of credit receivable[(1)]	54,780	79,636
Loans[(1)]	30,579	43,455
Total	$ 459,343	$ 553,566

(1) Represents the unpaid principal balance

As of December 31, 2024 and March 31, 2025, $137.4 million and $162.3 million, respectively, of the Company’s cash was held by one of our institutional investors in relation to the line of credit receivable and the beneficial interest asset. We mitigate our risk exposure through corporate guarantees provided by the investor.

5. Fair Value Measurement

The following table presents assets and liabilities measured at fair value and categorized in accordance with the fair value hierarchy:

	Level	December 31, 2024	March 31, 2025
Assets			
Loans	3	$ 806,304	$ 814,677
Beneficial interest assets	3	176,848	216,578
Line of credit receivable	3	56,269	81,780
Loan servicing assets	3	27,439	28,886
Notes receivable and residual certificates	3	22,055	19,471
Interest rate caps(1)	2	1,864	1,129
Total assets		$ 1,090,779	$ 1,162,521
Liabilities			
Payable to securitization note holders	3	$ 87,321	$ 75,904
Trailing fee liabilities	3	4,614	4,574
Beneficial interest liabilities	3	10,089	4,032
Loan servicing liabilities	3	1,180	1,487
Total liabilities		$ 103,204	$ 85,997

(1) The fair value of interest rate caps is determined based on the present value of the estimated future cash flows over the contract term using observable market-based inputs as of the valuation date, including implied interest rates.

Financial instruments are categorized in the fair value hierarchy based on the significance of unobservable inputs and assumptions in the overall fair value measurement. Financial instruments classified as Level 3 within the fair value hierarchy 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. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the years presented.

Loans

Loans included in the Company’s condensed consolidated balance sheets are classified as either held-for-sale or held-for-investment based on the Company’s intent and ability to sell the loans prior to maturity. From time to time, the Company transfers loans between the classification categories based on changes in the Company’s intent and ability. Loans held in the consolidated securitization include loans contributed as collateral to and held in the consolidated securitization (UPST 2023-2) and are classified as held-for-sale.

The following table presents the fair value of classes of loans included in the Company's condensed consolidated balance sheets as of December 31, 2024 and March 31, 2025:

	December 31, 2024	March 31, 2025
Loans held-for-sale	$ 405,812	$ 347,749
Loans held-for-investment	297,543	378,012
Loans held in consolidated securitization	102,949	88,916
Total	$ 806,304	$ 814,677

Valuation Methodology

Loans held-for-sale and held-for-investment are measured at estimated fair value using a discounted cash flow model. The fair valuation methodology considers projected prepayments and historical defaults, losses and recoveries to project future losses and net cash flows on loans. Net cash flows are discounted using an estimate of market rates of return. The fair value of these loans also includes accrued interest.

The Company elected the measurement alternative under Topic 810, *Consolidation*, and maximizes the use of observable inputs to estimate the fair value of the financial assets and liabilities of UPST 2023-2. Under the measurement alternative, the Company determined that inputs and market data used to determine the value of UPST 2023-2 liabilities, which consist of securitization notes and residual certificates issued as part of this securitization, are more observable than those used to measure fair value of UPST 2023-2 financial assets, which consist of held-for-sale loans contributed as collateral. Thus, the loans are measured based on the sum of the fair value of the UPST 2023-2 securitization notes and residual certificates, with changes in fair value included in the condensed consolidated statements of operations and comprehensive loss. The fair value is also corroborated with discounted cash flow that considers projected prepayments and historical defaults, losses and recoveries to project future losses and net cash flows on loans, discounted using an estimate of market rates of return as disclosed below in the Significant Inputs and Assumptions section. The fair value of loans in consolidated securitization also includes accrued interest.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for loans held-for-investment and held-for-sale, excluding loans held in consolidated securitization:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average (1)	Minimum	Maximum	Weighted-Average (1)
Discount rate	9.75 %	22.37 %	11.91 %	4.93 %	16.12 %	9.92 %
Credit risk rate	0.01 %	93.12 %	17.87 %	0.01 %	91.50 %	14.63 %
Prepayment rate	0.45 %	89.07 %	33.07 %	0.45 %	94.99 %	33.47 %

(1) Unobservable inputs were weighted by relative fair value.

The following table presents quantitative information about the significant unobservable inputs implied for the Company’s Level 3 fair value measurements for loans held in consolidated securitization, which is determined by the sum of the fair value of the related securitization notes and residual certificates, and corroborated with a discounted cash flow model, similar to the one used for other loans held on the condensed consolidated balance sheet:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average (1)	Minimum	Maximum	Weighted-Average (1)
Discount rate	5.96 %	15.25 %	9.59 %	5.80 %	15.25 %	9.74 %
Credit risk rate	0.67 %	37.70 %	15.66 %	0.67 %	37.70 %	15.73 %
Prepayment rate	6.73 %	89.84 %	41.51 %	6.73 %	89.84 %	41.11 %

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(1) Unobservable inputs were weighted by relative fair value.

Discount rates–The discount rates are rates of return used to discount future expected cash flows to arrive at a present value, which represents the fair value. The discount rates used for the projected net cash flows are the Company’s estimates of the rates of return that market participants would require when investing in these financial instruments with cash flows dependent on credit quality of the related loan. A risk premium component is implicitly included in the discount rates to reflect the amount of compensation market participants require due to the uncertainty inherent in the instruments’ cash flows resulting from risks such as credit and liquidity.

Credit risk rates–The credit risk rates are an estimate of the net cumulative principal payments that will not be repaid over the entire life of a financial instrument. The credit risk rates are expressed as a percentage of the original principal amount of the instrument. The estimated net cumulative loss represents the sum of the net losses estimated to occur each month of the life of the instrument, net of the average recovery expected to be received.

Prepayment rates–Prepayment rates are an estimate of the cumulative principal prepayments that will occur over the entire life of a loan as a percentage of the original principal amount of the loan. The assumption regarding cumulative prepayments impacts the projected balances and expected terms of the loans.

Significant Recurring Level 3 Fair Value Input Sensitivity

The following table presents the sensitivity of the fair value of loans held-for-sale and held-for-investment, excluding the loans in consolidated securitization, to adverse changes in key assumptions used in the valuation model as of December 31, 2024 and March 31, 2025:

	December 31, 2024	March 31, 2025
Fair value of loans held-for-sale and held-for-investment	$ 703,355	$ 725,761
Discount rates		
100 basis point increase	(9,048)	(8,811)
200 basis point increase	(17,881)	(17,343)
Expected credit loss rates on underlying loans		
10% adverse change	(9,135)	(7,843)
20% adverse change	(18,129)	(15,397)
Expected prepayment rates		
10% adverse change	(1,899)	*
20% adverse change	(3,783)	*

* Immaterial

The table below presents the fair value sensitivity of loans in consolidated securitization to adverse changes in key assumptions. The fair value of loans in consolidated securitization is not sensitive to adverse changes in discount rates and prepayment rates as such changes do not result in a material impact on the fair value as of December 31, 2024 and March 31, 2025.

	December 31, 2024	March 31, 2025
Fair value of loans held in consolidated securitization	$ 102,949	$ 88,916
Expected credit loss rates on underlying loans		
10% adverse change	(1,799)	(1,521)
20% adverse change	(3,577)	(3,026)

Rollforward of Level 3 Fair Values

The following tables include a rollforward of the loans classified within Level 3 of the fair value hierarchy:

	Loans Held-for-Sale	Loans Held-for-Investment	Loans Held in Consolidated Securitization	Total
Fair value at December 31, 2023	$ 830,574	$ 146,768	$ 179,071	$ 1,156,413
Purchases and originations of loans[1][2]	579,086	46,152	—	625,238
Sale of loans[1]	(563,338)	—	—	(563,338)
Purchase of loans for immediate resale[1]	217,457	—	—	217,457
Immediate resale of loans[1]	(217,457)	—	—	(217,457)
Repayments received[1]	(55,308)	(24,775)	(12,338)	(92,421)
Charge-offs and changes in fair value recorded in earnings	(26,240)	(10,261)	(9,411)	(45,912)
Other changes	(1,460)	2,345	—	885
Fair value at March 31, 2024	$ 763,314	$ 160,229	$ 157,322	$ 1,080,865

(1) Represents the principal balance.

(2) Purchase activity includes an immaterial unpaid principal balance related to securitization clean-up calls during the three months ended March 31, 2024.

	Loans Held-for-Sale	Loans Held-for-Investment	Loans Held in Consolidated Securitization	Total
Fair value at December 31, 2024	$ 405,812	$ 297,543	$ 102,949	$ 806,304
Purchases and originations of loans [1]	570,654	149,883	—	720,537
Sale of loans[1]	(571,696)	(1,618)	—	(573,314)
Purchase of loans for immediate resale[1]	774,632	—	—	774,632
Immediate resale of loans[1]	(774,632)	—	—	(774,632)
Repayments received[1]	(39,904)	(55,765)	(10,280)	(105,949)
Charge-offs and changes in fair value recorded in earnings	(15,722)	(20,973)	(3,753)	(40,448)
Other changes	(1,395)	8,942	—	7,547
Fair value at March 31, 2025	$ 347,749	$ 378,012	$ 88,916	$ 814,677

(1) Represents the principal balance.

The following table presents the aggregate fair value and aggregate principal outstanding of all loans and loans that were 90 days or more past due included in the condensed consolidated balance sheets:

	Loans		Loans > 90 Days Past Due	
	December 31, 2024	March 31, 2025	December 31, 2024	March 31, 2025
Outstanding principal balance	$ 858,440	$ 876,577	$ 11,236	$ 10,558
Net fair value and accrued interest adjustments	(52,136)	(61,900)	(9,638)	(8,641)
Fair value[1]	$ 806,304	$ 814,677	$ 1,598	$ 1,917

(1) Includes $285.5 million and $307.0 million of auto loans at fair value as of December 31, 2024 and March 31, 2025, respectively, of which an immaterial amount are 90 days or more past due as of December 31, 2024 and March 31, 2025. Also includes $54.3 million and $76.7 million of HELOCs at fair value as of December 31, 2024 and March 31, 2025, respectively, of which immaterial amounts are 90 days or more past due as of December 31, 2024 and March 31, 2025, respectively.

The Company charges off HELOCs that have reached a delinquency of 180 days past due and all other loans at 120 days past due. Any accrued interest recorded in relation to these loans is reversed in the respective period when charge-off occurs.

Line of Credit Receivable

In connection with one of its committed capital and other co-investment arrangements, the Company issued a revolving line of credit receivable to a third-party, which is classified as held-for-investment and presented within other assets on the Company's condensed consolidated balance sheets. The fair value of the line of credit receivable as of December 31, 2024 and March 31, 2025 was $56.3 million and $81.8 million, respectively.

Valuation Methodology

The line of credit receivable is measured at estimated fair value using a discounted cash flow model. The model is based on the expected monthly outstanding balance of the line of credit receivable over the life of the agreement and considers the present creditworthiness of the counterparty and the difference between current interest rates and the stated interest rate. Cash flows are discounted using an estimate of market rates of return. The fair value of the line of credit receivable also includes accrued interest.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements related to the line of credit receivable:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average	Minimum	Maximum	Weighted-Average
Discount rate	6.75%	6.75%	6.75%	6.75 %	6.75 %	6.75 %

Discount rate–The discount rate is the rate of return used to discount future expected cash flows to arrive at a present value, which represents the fair value. The discount rate used for the projected net cash flows are the Company's estimate of the rate of return that market participants would require when investing in this financial instrument with cash flows dependent on credit quality of the counterparty. A risk premium component is implicitly included in the discount rate to reflect the amount of compensation market participants require due to the uncertainty inherent in the instrument's cash flows resulting from risks such as credit and liquidity of the counterparty.

Significant Recurring Level 3 Fair Value Input Sensitivity

The fair value sensitivity of the line of credit receivable to adverse changes in key assumptions do not result in a material impact on the Company's financial position or results of operations.

Rollforward of Level 3 Fair Values

The following table presents a rollforward of the line of credit receivable classified by the Company within Level 3 of the fair value hierarchy. The Company held no line of credit receivable during the three months ended March 31, 2024.

	Line of Credit Receivable
Fair value at December 31, 2024	$ 56,269
Issuances	24,856
Changes in fair value recorded in earnings	500
Changes in accrued interest	155
Fair value at March 31, 2025	$ 81,780

Assets and Liabilities related to Securitization Transactions

As of December 31, 2024 and March 31, 2025, the Company held notes receivable and residual certificates with an aggregate fair value of $22.1 million and $19.5 million, respectively, within other assets on the Company's

condensed consolidated balance sheets. The balances consist of securitization notes and residual certificates retained from unconsolidated securitization transactions.

As of December 31, 2024 and March 31, 2025, the Company recognized payables to securitization note holders of $87.3 million and $75.9 million at fair value, respectively. The balance represents the value of the securitization notes issued and owned by third-party investors in connection with UPST 2023-2. The value of the UPST 2023-2 securitization notes and residual certificates retained by the Company is eliminated in the consolidation process.

Valuation Methodology

The Company prioritizes the use of observable inputs in estimating the fair value of notes receivable and residual certificates and payable to securitization note holders when available. When market activity for these financial instruments is not observable, the fair value is determined using a discounted cash flow methodology. This approach uses assumptions of projected cash flows of the underlying collateral loan pools adjusted for features of these securities, which reflect the Company's best estimates of the assumptions a market participant would use to determine fair value.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements related to note receivable, residual certificates, and payable to securitization note holders:

	December 31, 2024			March 31, 2025		
	Minimum	**Maximum**	**Weighted-Average [1]**	**Minimum**	**Maximum**	**Weighted-Average [1]**
Notes receivable and residual certificates						
Discount rate	9.60 %	22.37 %	12.59 %	6.93 %	14.12 %	11.46 %
Credit risk rate	0.54 %	50.28 %	19.00 %	0.54 %	50.28 %	19.13 %
Prepayment rate	4.61 %	94.53 %	35.72 %	4.61 %	94.53 %	35.12 %
Payable to securitization note holders						
Discount rate	5.96 %	10.98 %	8.52 %	5.80 %	10.78 %	8.73 %
Credit risk rate	0.67 %	37.70 %	15.66 %	0.67 %	37.70 %	15.73 %
Prepayment rate	6.73 %	89.84 %	41.51 %	6.73 %	89.84 %	41.11 %

(1) Unobservable inputs were weighted by relative fair value.

Significant Recurring Level 3 Fair Value Input Sensitivity

Notes Receivable and Residual Certificates

Adverse changes in discount rates, credit risk rates, or prepayment rates do not result in a material impact to the fair value of notes receivable and residual certificates as of December 31, 2024 and March 31, 2025.

Payable to Securitization Note Holders

Adverse changes in discount rates, credit risk rates, and expected prepayment rates do not result in a material impact to the fair value of payable to securitization note holders as of December 31, 2024 and March 31, 2025.

Rollforward of Level 3 Fair Values

The following tables include a rollforward of the notes receivable and residual certificates and payables to securitization note holders related to securitization transactions classified by the Company within Level 3 of the fair value hierarchy:

	Notes Receivable and Residual Certificates	Payable to Securitization Note Holders
Fair value at December 31, 2023	$ 14,847	$ 141,416
Repayments and settlements	(1,225)	(13,564)
Changes in fair value recorded in earnings	(246)	1,240
Fair value at March 31, 2024	$ 13,376	$ 129,092

	Notes Receivable and Residual Certificates	Payable to Securitization Note Holders
Fair value at December 31, 2024	$ 22,055	$ 87,321
Repayments and settlements	(2,685)	(11,444)
Changes in fair value recorded in earnings	101	27
Fair value at March 31, 2025	$ 19,471	$ 75,904

Loan Servicing Assets and Liabilities

As of December 31, 2024 and March 31, 2025, the Company's loan servicing assets had a fair value of $27.4 million and $28.9 million, respectively, recorded within other assets on the condensed consolidated balance sheets. As of December 31, 2024 and March 31, 2025, the Company's loan servicing liabilities had a fair value of $1.2 million and $1.5 million, respectively, recorded within accrued expenses and other liabilities on the condensed consolidated balance sheets.

Valuation Methodology

Loan servicing assets and liabilities are measured at estimated fair value using a discounted cash flow model. The cash flows in the valuation model represent the difference between the contractual servicing fees charged to institutional investors and an estimated market servicing fee. Since contractual servicing fees are generally based on the monthly outstanding principal balance of the underlying loans, the expected cash flows in the model incorporate estimates of net losses and prepayments.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for loan servicing assets and liabilities:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average (1)	Minimum	Maximum	Weighted-Average (1)
Discount rate	13.00 %	20.00 %	17.14 %	13.00 %	20.00 %	17.20 %
Credit risk rate	0.08 %	61.96 %	16.05 %	0.08 %	61.96 %	16.30 %
Market-servicing rate (2)(3)	0.62 %	3.70 %	0.62 %	0.62 %	3.70 %	0.62 %
Prepayment rate	2.17 %	96.90 %	36.43 %	2.17 %	96.90 %	35.39 %

(1) Unobservable inputs were weighted by relative fair value.
(2) Excludes ancillary fees that would be passed on to a third-party servicer.
(3) Expressed as a percentage of the outstanding principal balance for auto loans of 3.70% as of both December 31, 2024 and March 31, 2025, and 0.62% for personal loans as of both December 31, 2024 and March 31, 2025.

Discount rates–The discount rates are the Company's estimate of the rates of return that market participants in servicing rights would require when investing in similar servicing rights. Discount rates for servicing rights on existing loans are adjusted to reflect the time value of money and a risk premium intended to reflect the amount of compensation market participants would require due to the uncertainty associated with these instruments' cash flows.

*Credit risk rate*s–The credit risk rates are the Company's estimate of the net cumulative principal payments that will not be repaid over the entire life of a loan expressed as a percentage of the original principal amount of the loan. The assumption regarding net cumulative losses impacts the projected balances and expected terms of the loans, which are used to project future servicing revenues.

Market-servicing rates–Market-servicing rate is an estimated measure of adequate compensation for a market participant, if one was required. The rate is expressed as a fixed percentage of outstanding principal balance per annum. The estimate considers the profit that would be demanded in the marketplace to service the portfolio of outstanding loans subject to the Company's servicing agreements.

Prepayment rates–Prepayment rates are the Company's estimate of the cumulative principal prepayments that will occur over the entire life of a loan as a percentage of the original principal amount of the loan. The assumption regarding cumulative prepayments impacts the projected balances and expected terms of the loans, which are used to project future servicing revenues.

Significant Recurring Level 3 Fair Value Input Sensitivity

The table below presents the fair value sensitivity of loan servicing assets to adverse changes in key assumptions. The fair value of loan servicing assets and liabilities is not sensitive to adverse changes in discount rates and prepayment rates as such changes do not result in a material impact on the fair value as of December 31, 2024 and March 31, 2025. Adverse changes in market-servicing rates do not result in a material impact to the fair value of loan servicing liabilities as of December 31, 2024 and March 31, 2025.

	December 31, 2024	March 31, 2025
Fair value of loan servicing assets	$ 27,439	$ 28,886
Expected market-servicing rates		
10% market-servicing rates increase	(6,931)	(7,125)
20% market-servicing rates increase	(14,098)	(14,216)

Rollforward of Level 3 Fair Values

The following tables present a rollforward of the loan servicing assets and liabilities classified by the Company within Level 3 of the fair value hierarchy:

	Loan Servicing Assets	Loan Servicing Liabilities
Fair value at December 31, 2023	$ 28,092	$ 2,038
Sale of loans	2,947	1
Changes in fair value recorded in earnings	(4,286)	(454)
Fair value at March 31, 2024	$ 26,753	$ 1,585

	Loan Servicing Assets	Loan Servicing Liabilities
Fair value at December 31, 2024	$ 27,439	$ 1,180
Sale of loans	5,537	592
Changes in fair value recorded in earnings	(4,090)	(285)
Fair value at March 31, 2025	$ 28,886	$ 1,487

Beneficial Interests

In connection with the committed capital and other co-investment arrangements that meet a definition of derivatives (derivative beneficial interests), the Company is obligated to make payments to the third-party or is entitled to receive payments from the third-party if credit performance on the underlying loans deviates from initial expectations set at the time of loan sale or origination, subject to a dollar cap. In the arrangements that are associated with debt-like securities with embedded derivative features, the Company makes an initial investment and is entitled to a portion of cash flows from repayments received over time on the underlying loan portfolios. These cash flows vary depending on the demonstrated credit performance relative to our expectations.

As of December 31, 2024 and March 31, 2025, the fair value of the beneficial interest assets related to these arrangements was $176.8 million and $216.6 million, respectively. As of the same dates, the fair value of the beneficial interest liabilities was $10.1 million and $4.0 million, respectively.

Valuation Methodology

Beneficial interests are measured at estimated fair value using a discounted cash flow model. This discounted cash flow model sets expectations for cash flows to be received by the Company under each arrangement

based on contractually-defined terms, such as total return, portfolio composition, frequency of cash distribution, and others and calculates net cash flows to be received by the Company. These net cash flows are then discounted using an estimate of market rates of return that reflect the risk premium related to those cash flows. As credit performance is demonstrated by the underlying loan portfolios, each discounted cash flow model is periodically updated to determine future cash inflows and outflows based on the latest estimated performance for the duration of each arrangement. The discounted cash flow model uses inputs discussed below that are inherently judgmental and reflect the Company's best estimates of the assumptions a market participant would use to determine fair value of our beneficial interests.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's fair value measurements of beneficial interests as of December 31, 2024 and March 31, 2025:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average[1]	Minimum	Maximum	Weighted-Average[1]
Beneficial interest assets						
Discount rate	6.75 %	13.75 %	13.53 %	6.75 %	13.75 %	13.44 %
Credit risk rate spread[2]	(4.00)%	12.60 %	1.32 %	(4.40)%	12.90 %	0.46 %
Beneficial interest liabilities						
Discount rate	13.75 %	13.75 %	13.75 %	13.75 %	13.75 %	13.75 %
Credit risk rate spread[2]	(0.24)%	18.68 %	9.78 %	(1.82)%	16.06 %	6.53 %

(1) Unobservable inputs were weighted by relative fair value.
(2) Expressed as a percentage of cumulative net loss expectations as of the valuation date compared to the initial expectations as of the origination date or date of loan sale.

Discount rates–The discount rates are rates of return used to discount future expected cash flows to arrive at a present value, which represents the fair value. The discount rates used for the projected net cash flows are the Company's estimates of the rates of return that market participants would require when investing in these financial instruments with cash flows dependent on credit performance of the underlying loan portfolio. A risk premium component is implicitly included in the discount rates to reflect the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity. The Company uses two different discount rates for expected cash flows associated with demonstrated to-date credit performance and those associated with future credit performance. The difference in these rates reflects the level of uncertainty and, as a result, risk premium that would be required by market participants when investing in these instruments.

Credit risk rate spreads–Credit risk rate spreads are the measurement of estimated credit performance of underlying loan portfolios as of the reporting date in comparison to the Company's estimates at the time of origination or sale of loans under these arrangements ("initial expectation"). More specifically, credit risk rate spreads are the Company's estimated difference between the initial expectation of the cumulative principal of a loan portfolio, net of average recoveries, that is estimated not be repaid over the life of a beneficial interest ("cumulative net loss") and the same estimate as of the reporting date. A positive credit risk rate spread indicates that the currently estimated cumulative net loss is higher than initially estimated for a particular portfolio. A negative credit risk rate spread indicates the opposite – the currently estimated cumulative net loss is lower than the initial expectation. Credit risk rate spreads are expressed as a percentage of the initial expectation of the cumulative total net losses. The difference between initially expected and currently estimated cumulative net losses impacts the amount and the timing of cash flows the Company expects to receive on beneficial interest assets or to pay for beneficial interest liabilities.

The following table presents the sensitivity of beneficial interest assets and liabilities to adverse changes in key assumptions used in the valuation model as of December 31, 2024 and March 31, 2025. Adverse changes in discount rates do not result in a material impact to the fair value of beneficial interest liabilities as of December 31, 2024 and March 31, 2025.

Significant Recurring Level 3 Fair Value Input Sensitivity

	December 31, 2024	March 31, 2025
Fair value of beneficial interest assets	$ 176,848	$ 216,578
Discount rate		
100 basis point increase	(3,247)	(3,716)
200 basis point increase	(6,384)	(7,310)
Expected credit risk rate spreads on underlying loans		
10% adverse change	(44,356)	(53,920)
20% adverse change	(89,605)	(106,954)
Fair value of beneficial interest liabilities	$ 10,089	$ 4,032
Expected credit risk rate spreads on underlying loans		
10% adverse change	4,720	11,438
20% adverse change	10,259	23,150

Rollforward of Level 3 Fair Values

The following tables presents a rollforward of beneficial interest assets and liabilities:

	Beneficial Interest Assets	Beneficial Interest Liabilities
Fair value at December 31, 2023	$ 41,012	$ 4,221
Acquisition of beneficial interests[(1)]	30,277	—
Settlement of beneficial interests	—	(709)
Changes in fair value recorded in earnings	(9,075)	4,973
Fair value at March 31, 2024	$ 62,214	$ 8,485

(1) Effective June 30, 2024, the Company combined the presentation of payments on beneficial interest assets with acquisition of beneficial interests.

	Beneficial Interest Assets	Beneficial Interest Liabilities
Fair value at December 31, 2024	$ 176,848	$ 10,089
Acquisition of beneficial interests	38,438	—
Settlement of beneficial interests, net	(16,308)	(5,992)
Changes in fair value recorded in earnings	17,600	(65)
Fair value at March 31, 2025	$ 216,578	$ 4,032

Trailing Fee Liabilities

The Company pays certain bank partners monthly trailing fees based on the amount and timing of principal and interest payments made by borrowers of the underlying loans. The Company held trailing fee liabilities of $4.6 million as of December 31, 2024 and March 31, 2025, respectively.

Valuation Methodology

The discounted cash flow methodology, which is used to estimate the fair value of trailing fee liabilities, uses the same projected net cash flows as the underlying loans. The fair valuation methodology considers projected prepayments and historical defaults, losses and recoveries to project future losses and net cash flows of the underlying loans. Net cash flows are discounted using an estimate of market rates of return.

Significant Inputs and Assumptions

The following table presents quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements for trailing fee liabilities:

	December 31, 2024			March 31, 2025		
	Minimum	Maximum	Weighted-Average (1)	Minimum	Maximum	Weighted-Average (1)
Discount rate	9.55 %	22.37 %	12.54 %	4.93 %	16.12 %	11.39 %
Credit risk rate	0.02 %	88.53 %	18.97 %	0.02 %	69.01 %	19.11 %
Prepayment rate	1.51 %	95.80 %	35.50 %	1.52 %	95.96 %	34.54 %

(1) Unobservable inputs were weighted by relative fair value.

Significant Recurring Level 3 Fair Value Input Sensitivity

The fair value sensitivity of trailing fee liabilities to adverse changes in key assumptions do not result in a material impact on the Company's financial position or results of operations.

Rollforward of Level 3 Fair Values

The following tables include a rollforward of trailing fee liabilities classified by the Company within Level 3 of the fair value hierarchy:

	Trailing Fee Liabilities
Fair value at December 31, 2023	$ 4,251
Issuances	616
Repayments and settlements	(663)
Changes in fair value recorded in earnings	40
Fair value at March 31, 2024	$ 4,244

	Trailing Fee Liabilities
Fair value at December 31, 2024	$ 4,614
Issuances	700
Repayments and settlements	(603)
Changes in fair value recorded in earnings	(137)
Fair value at March 31, 2025	$ 4,574

6. Goodwill and Intangible Assets

Goodwill

During the three months ended March 31, 2024 and 2025, there were no changes in the carrying amount of goodwill of $67.1 million on the Company's condensed consolidated balance sheets.

Intangible Assets

Acquired intangible assets subject to amortization consist of developed technology and customer relationships, and are recorded net of amortization and included within other assets on the condensed consolidated balance sheets. The gross and net carrying values and accumulated amortization are as follows:

	December 31, 2024			March 31, 2025		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	$ 9,400	$ (9,400)	$ —	$ 9,400	$ (9,400)	$ —
Customer relationships	13,700	(4,281)	9,419	13,700	(4,567)	9,133
Total intangible assets	$ 23,100	$ (13,681)	$ 9,419	$ 23,100	$ (13,967)	$ 9,133

Amortization expense was immaterial for the three months ended March 31, 2024 and 2025.

Expected future amortization expense for intangible assets is as follows:

	March 31, 2025
Remaining 2025	$ 856
2026	1,142
2027	1,142
2028	1,142
2029	1,142
Thereafter	3,709
Total	$ 9,133

7. Balance Sheet Components

Other Assets

Other assets consisted of the following:

	December 31, 2024	March 31, 2025
Line of credit receivable (at fair value)[1]	$ 56,269	$ 81,780
Receivables	48,233	43,008
Loan servicing assets (at fair value)	27,439	28,886
Prepaid expenses	28,830	28,129
Notes receivable and residual certificates (at fair value)	22,055	19,471
Other assets	17,457	17,083
Intangible assets, net[2]	9,431	9,145
Deposits	5,185	5,587
Interest rate caps (at fair value)	1,864	1,129
Total other assets	$ 216,763	$ 234,218

(1) Refer to "*Note 5. Fair Value Measurement*" for further information.
(2) Refer to "*Note 6. Goodwill and Intangible Assets*" for further information.

Receivables represent amounts recognized as revenue but not yet collected in relation to servicing and other agreements with institutional investors and lending partners.

Property, Equipment, and Software, Net

Property, equipment, and software, net consisted of the following:

	December 31, 2024	March 31, 2025
Internally developed software	$ 68,481	$ 77,784
Leasehold improvements	15,069	15,106
Computer and networking equipment	6,069	6,069
Furniture and fixtures	4,795	4,795
Total property, equipment, and software	94,414	103,754
Accumulated depreciation and amortization	(55,401)	(61,347)
Total property, equipment, and software, net	$ 39,013	$ 42,407

For the three months ended March 31, 2024 and 2025, depreciation and amortization expense on property, equipment, and software was $4.6 million and $6.1 million, respectively.

Capitalized internally developed software balances, net of accumulated amortization, were $31.0 million and $35.2 million as of December 31, 2024 and March 31, 2025, respectively. There were no impairments of long-lived assets during the three months ended March 31, 2024 and 2025.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	December 31, 2024	March 31, 2025
Accrued expenses	$ 37,781	$ 38,321
Accounts payable	12,381	13,344
Accrued payroll	64,514	12,846
Trailing fee liability (at fair value)	4,614	4,574
Other liabilities	3,241	4,076
Beneficial interest liabilities (at fair value)	10,089	4,032
Loan servicing liabilities (at fair value)	1,180	1,487
Total accrued expenses and other liabilities	$ 133,800	$ 78,680

8. Borrowings

The following table presents the aggregate principal outstanding of all debt that are included in the condensed consolidated balance sheets:

	December 31, 2024	March 31, 2025
Warehouse credit facilities	$ 195,605	$ 126,975
Convertible senior notes	1,230,379	1,230,379
Total payments due	1,425,984	1,357,354
Unamortized debt discount	(23,816)	(22,491)
Total borrowings	$ 1,402,168	$ 1,334,863

The following table summarizes the aggregate amount of maturities of all borrowings:

	March 31, 2025
Remaining 2025	$ 622
2026	351,175
2027	—
2028	74,307
2029	431,250
2030	500,000
Thereafter	—
Total	$ 1,357,354

Warehouse Credit Facilities

The following table presents the details of the Company's revolving warehouse credit facilities:

				December 31, 2024		March 31, 2025	
	Stated Interest Rate[1]	Termination and Maturity[2]	Total Borrowing Capacity[3]	Collateral[4]	Outstanding Borrowings	Collateral[4]	Outstanding Borrowings
Upstart Auto Warehouse Trust	Benchmark rate + 3.0%	June 2024 - December 2025	$ —	$ 167,166	$ 23,228	$ 145,182	$ 622
Upstart Auto Warehouse Trust 2	Benchmark rate + 0% - 4.0%	June 2025 - June 2026	50,000	19,396	11,353	23,980	13,547
Upstart Loan Trust	Benchmark rate + 2.8% - 3.8%	June 2025 - June 2026	325,000	74,541	34,217	58,595	38,499
Upstart Small Dollar Loan Trust	Benchmark rate + 5.5%	June 2027 - June 2028	100,000	108,980	61,807	142,175	74,307
Upstart High Yield Loan Trust	Benchmark rate + 2.8%	December 2025 - December 2026	150,000	87,493	65,000	10	—
Total			$ 625,000	$ 457,576	$ 195,605	$ 369,942	$ 126,975

(1) The interest rates on our warehouse credit facilities are floating and designed as a reference rate plus a spread. Reference rates include the Compounded Secured Overnight Financing Rate, weighted-average cost of commercial paper notes issued by the lender, and the federal funds rate. The stated interest rate excludes unused commitment fees which range from 0.5% to 1.0%. The undrawn fee for Upstart Small Dollar Loan Trust is the dollar amount of interest and fees that would have been due if the daily average aggregate outstanding principal balance was equal to 75% of the then-applicable borrowing base.

(2) The first date represents the final date the Company may borrow up to the maximum capacity under the warehouse. The second date is the maturity date, when the outstanding principal amount, together with accrued and unpaid interest will be due and payable in full.

(3) Total capacity is as of March 31, 2025. All amounts are committed, except for Upstart High Yield Loan Trust of $150.0 million, Upstart Small Dollar Loan Trust of $100.0 million and Upstart Loan Trust for which $150.0 million of the $325.0 million total capacity is uncommitted. As of March 31, 2025, the Upstart Auto Warehouse Trust facility is in the amortization period and can no longer be drawn on.

(4) Represents the aggregate restricted cash and unpaid principal balance of loans pledged as collateral.

On April 24, 2024, Upstart Loan Trust entered into an amendment to the Amended and Restated Revolving Credit and Security Agreement, which increased the uncommitted portion of the total borrowing capacity to purchase unsecured personal loans from $75.0 million to $150.0 million. All other key terms of the agreement remain the same.

On June 7, 2024, Upstart Auto Warehouse Trust amended its credit agreement to extend the maturity date to December 15, 2025. The amortization period began on June 14, 2024 and accordingly, Upstart Auto Warehouse Trust may no longer draw on the facility and all collections that represent repayment of loans pledged as collateral under the facility are applied to reduce the outstanding balance.

On June 28, 2024, Upstart Auto Warehouse Trust 2 entered into a warehouse credit facility for auto loans, and Upstart Small Dollar Loan Trust entered into a warehouse credit facility for small dollar loans. On December 27, 2024, Upstart High Yield Loan Trust entered into a warehouse credit facility for unsecured personal loans. These warehouse credit facilities are secured by a lien and security interest in the auto, small dollar, or unsecured personal loans, as applicable, the purchases of which are financed by the borrowings. Each of Upstart Auto Warehouse Trust 2, Upstart Small Dollar Loan Trust, and Upstart High Yield Loan Trust may borrow up to the capacity until the facility termination date, and must pay all outstanding amounts by the maturity date, under its respective warehouse credit facility.

The warehouse credit facilities contain certain financial covenants. As of March 31, 2025, the Company was in compliance with all applicable covenants for each of its warehouse credit facilities.

Convertible Senior Notes

In August 2021, the Company issued $661.3 million in aggregate principal amount of 0.25% convertible senior notes due 2026 (the “2026 Notes”). In September 2024, the Company issued $431.3 million in aggregate principal amount of 2.00% convertible senior notes due 2029 (the “2029 Notes”). In November 2024, the Company issued $500.0 million in aggregate principal amount of 1.00% convertible senior notes due 2030 (the “2030 Notes” , together with the “2029 Notes” and 2026 Notes, the “Notes”). Concurrently with the issuance of the 2029 Notes, the Company used approximately $302.4 million of the proceeds to repurchase approximately $334.2 million in aggregate principal amount of the outstanding 2026 Notes in individually negotiated transactions. The Company additionally repurchased approximately $27.9 million of the outstanding 2026 Notes during the third quarter of 2024 through open market purchases.

The repurchases of the 2026 Notes were accounted for as a debt extinguishment. The difference between the consideration paid to repurchase the 2026 Notes and the carrying value of the 2026 Notes, resulted in a gain on debt extinguishment of $33.4 million separately reported on the condensed consolidated statement of operations and comprehensive loss during the third quarter of 2024. The partial extinguishment did not result in any changes to the terms of the 2026 Notes.

Each series of Notes is governed by its respective indenture (each, an “Indenture”), and represents senior unsecured obligations of the Company. The 2026 Notes mature on August 15, 2026, the 2029 Notes mature on October 1, 2029, and the 2030 Notes mature on November 15, 2030 unless such Notes are earlier converted, redeemed, or repurchased in accordance with their terms. The Company may redeem for cash all or any portion of the Notes, at its option, on or after August 20, 2024, in the case of the 2026 Notes, on or after October 6, 2027, in the case of the 2029 Notes, and on or after November 20, 2027, in the case of the 2030 Notes, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price for the Notes of the applicable series then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides a notice of redemption for the Notes of such series at a redemption price equal to 100% of the principal amount of the Notes of such series to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date.

The following table presents details of the Notes:

	Interest Rate	Initial Conversion Rate per $1,000 Principal	Initial Conversion Price	Conversion Date
2026 Notes	0.25%; payable semiannually on February 15 and August 15	3.5056	$285.26	May 15, 2026
2029 Notes	2.00%; payable semiannually on April 1 and October 1	21.9029	$45.66	July 1, 2029
2030 Notes	1.00%; payable semiannually on May 15 and November 15	10.8702	$91.99	August 15, 2030

Holders of the Notes may convert their Notes at their option any time prior to the close of business on the business day immediately preceding May 15, 2026, in the case of the 2026 Notes; July 1, 2029, in the case of the 2029 Notes; and August 15, 2030, in the case of the 2030 Notes, only under the following circumstances:

(1) during any calendar quarter commencing after December 31, 2021, in the case of the 2026 Notes, December 31, 2024, in the case of the 2029 Notes, and March 31, 2025, and in the case of the 2030 Notes, (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price for the respective Notes on each applicable trading day;

(2) during the five business-day period after any five consecutive trading-day period in which the trading price per $1,000 principal amount of the applicable series of Notes for each trading day of such five consecutive trading-day period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate of the respective Notes on each such trading day;

(3) if the Company calls any or all of the Notes of the applicable series for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

(4) upon the occurrence of specified corporate events.

On or after May 15, 2026, in the case of the 2026 Notes; July 1, 2029, in the case of the 2029 Notes; and August 15, 2030, in the case of the 2030 Notes, holders of the Notes of the applicable series may surrender all or any portion of their Notes of such series for conversion at any time prior to the close of business on the second scheduled trading day immediately preceding the applicable maturity date regardless of the foregoing conditions. Upon conversion, the Company will pay or deliver, as the case may be, either cash, shares of common stock or a combination of cash and shares of common stock, at its election.

The conversion price for each series of Notes will be subject to adjustment if certain events occur. In addition, following certain corporate events that may occur prior to the applicable maturity date or following the Company's issuance of a notice of redemption for a series of Notes, the Company may be required to increase the conversion rate for the holder of the Notes of such series who elect to convert such Notes in connection with such corporate event or during the related redemption period in certain circumstances. Additionally, upon the occurrence of a corporate event that constitutes a "fundamental change" pursuant to the applicable Indenture, holders of the applicable series of Notes may require the Company to repurchase for cash all or a portion of such Notes at a repurchase price equal to 100% of the principal amount of the Notes of such series to be redeemed plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Company accounted for the issuance of each series of the Notes as a single liability at par as the conversion feature of each series of Notes does not require bifurcation as a derivative under ASC 815 and the Notes were not issued at a substantial premium. Debt issuance costs related to the 2026 Notes, 2029 Notes, and the 2030 Notes totaled $15.7 million, $10.4 million, and $11.8 million respectively, which are amortized to interest expense under the effective interest method over the contractual term. The effective interest rate of the 2026 Notes, 2029 Notes, and 2030 Notes is 0.7%, 2.5%, and 1.4% respectively. The Company recorded immaterial coupon interest expense related to the Notes and immaterial amortization of debt issuance costs within other income, net on the condensed consolidated statements of operations and comprehensive loss for all periods presented. Accrued interest expenses related to the Notes were $3.3 million and $6.6 million as of December 31, 2024 and March 31, 2025, respectively.

The following table presents the components of the Notes as of December 31, 2024 and March 31, 2025:

	December 31, 2024				March 31, 2025			
	Principal Amount	Unamortized Debt Discount	Net Carrying Amount	Fair Value	Principal Amount	Unamortized Debt Discount	Net Carrying Amount	Fair Value
2026 Notes	$ 299,129	$ (2,339)	$ 296,790	$ 272,727	$ 299,129	$ (1,990)	$ 297,139	$ 279,312
2029 Notes	431,250	(9,932)	421,318	675,732	431,250	(9,433)	421,817	560,474
2030 Notes	500,000	(11,545)	488,455	488,015	500,000	(11,068)	488,932	438,355
Total	$ 1,230,379	$ (23,816)	$ 1,206,563	$ 1,436,474	$ 1,230,379	$ (22,491)	$ 1,207,888	$ 1,278,141

The estimated fair value represents Level 2 valuations in the fair value hierarchy and was determined based on the estimated or actual bids and offers of the Notes in an over-the-counter market.

Capped Call Transactions

In connection with the issuance of the 2026 Notes and the 2029 Notes, the Company entered into separate privately negotiated capped call instruments with certain financial institutions (the "2026 Capped Calls," with respect to the 2026 Notes and the "2029 Capped Calls," with respect to the 2029 Notes, and the 2026 Capped Calls together with the 2029 Capped Calls, the "Capped Calls").

The Capped Calls are generally expected to offset the potential dilution to the Company's common stock upon any conversion of the 2026 Notes and 2029 Notes, as applicable, and/or reduce any cash payments the Company is required to make in excess of the principal amount of such converted 2026 Notes and 2029 Notes, as the case may be, in the event the market price per share of the Company's common stock, as measured under the terms of the Capped Calls, is greater than the strike price of the Capped Calls, with such offset and/or reduction subject to a cap. If, however, the market price per share of the common stock, as measured under the terms of the Capped Calls, exceeds the cap price of the Capped Calls, there would be dilution and/or there would not be a reduction of such potential cash payments, in each case, to the extent that such market price per share of the Company's common stock exceeds the cap price of the Capped Calls.

The following table sets forth other key terms for the Capped Calls related to each series of Notes as of March 31, 2025:

	Initial Strike Price per Share, Subject to Certain Adjustments	Initial Cap Price per Share, Subject to Certain Adjustments	Shares of Common Stock Covered, Subject to Anti-Dilution Adjustments (in millions)	Final Expiration Date
2026 Capped Calls	$285.26	$400.36	1.0	August 15, 2026
2029 Capped Calls	$45.66	$70.24	9.4	September 27, 2029

The Capped Calls were determined to be freestanding financial instruments that meet the criteria for classification in equity; as such the Capped Calls were recorded as a reduction of additional paid-in capital within stockholders' equity.

In the third quarter of 2024, in connection with the partial repurchase of the 2026 Notes described above, the Company entered into agreements to terminate the portion of the 2026 Capped Calls corresponding to the principal amount of the 2026 Notes repurchased. As a result of the partial terminations of the 2026 Capped Calls, the Company received immaterial cash payments which were recorded as an increase of additional paid-in capital within stockholders' equity.

9. Stockholders' Equity

Common Stock Reserved for Future Issuance

In December 2020, the Company's amended and restated certificate of incorporation became effective, which authorizes the issuance of 700,000,000 shares of common stock with a par value of $0.0001 per share. Shares of common stock reserved for issuance, on an as-converted basis, are as follows:

	December 31, 2024	March 31, 2025
Options issued and outstanding	10,709,898	10,122,309
Restricted stock units outstanding	3,703,631	3,826,545
Shares available for future issuance under 2020 plan	7,669,374	11,353,410
Shares available for issuance under employee stock purchase plan	3,425,952	4,209,172
Total	25,508,855	29,511,436

Share Repurchase Program

In February 2022, the Board of Directors authorized the Company to purchase up to $400.0 million of common stock of the Company. The Company may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1. The repurchase program does not obligate the Company to acquire any particular amount of its common stock, and may be suspended or terminated by the Company at any time at its discretion without prior notice.

The Company records share repurchases on the settlement date. Repurchased shares are subsequently retired and returned to the status of authorized but unissued. The Company's policy for share retirements is to allocate the excess between par value and the repurchase price, including costs and fees, to additional paid-in capital. During the three months ended March 31, 2025, the Company made no repurchases of common stock. As of March 31, 2025, $222.1 million remains available for future purchases of our common stock under the share repurchase program.

At-the-Market Program

On February 14, 2025, in connection with the commencement of an "at the market" offering program, the Company entered into a sales agreement (the "Sales Agreement") with BTIG, LLC, under which the Company may offer and sell, from time to time, up to an aggregate of $500 million of its common stock. The Company will pay a commission of up to 2% of the gross proceeds of shares sold, if any, under the Sales Agreement and intends to use the net proceeds from sales for working capital and general corporate purposes.

As of March 31, 2025, no shares were issued under the program.

Equity Incentive Plans

The 2020 Equity Incentive Plan authorizes grants of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards to eligible participants.

Stock Options

The following table summarizes stock option activity for the three months ended March 31, 2025:

	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Balances at December 31, 2024	10,709,898	$ 18.35	5.9	$ 495,359
Options granted	762,479	66.55		
Options exercised	(661,617)	12.41		
Options cancelled and forfeited	(688,451)	25.16		
Balances at March 31, 2025	10,122,309	21.91	5.9	298,912
Options exercisable – March 31, 2025	7,170,739	16.96	4.8	244,043
Options vested and expected to vest – March 31, 2025	10,087,894	$ 21.80	5.9	$ 298,692

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the fair value of the Company's stock as of March 31, 2025. The aggregate intrinsic value of options exercised for the three months ended March 31, 2024 and 2025 was $9.1 million and $37.9 million respectively. The weighted-average grant date fair value of options granted during the three months ended March 31, 2024 and 2025 was $14.06 and $35.74 per share, respectively. The total fair value of options vested for the three months ended March 31, 2024 and 2025 was $7.9 million, and $6.5 million, respectively.

As of March 31, 2025, total unrecognized stock-based compensation expense related to unvested stock options was $50.8 million, which is expected to be recognized over a remaining weighted-average period of 2.5 years.

Restricted Stock Units

The Company grants restricted stock units ("RSUs") to employees and nonemployees. RSUs vest upon satisfaction of a service-based condition, which is generally satisfied over one to four years. The following table summarizes RSU activity for the three months ended March 31, 2025:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Unvested at December 31, 2024	3,703,631	$ 33.46
RSUs granted	1,317,207	66.30
RSUs vested	(789,454)	38.70
RSUs cancelled and forfeited	(404,839)	26.94
Unvested at March 31, 2025	3,826,545	$ 44.37

As of March 31, 2025, total unrecognized stock-based compensation expense related to outstanding unvested RSUs was $143.7 million, which is expected to be recognized over a remaining weighted-average period of 1.4 years.

2020 Employee Stock Purchase Plan

Our employee stock purchase plan ("ESPP") provides for consecutive six-month offering periods. The offering periods are scheduled to start on the first trading day on or after February 15 and August 15 of each year. The ESPP permits participants to purchase shares in the amount of 85% of the lower of the fair market value of our shares of common stock on the first trading day of the offering period or on the exercise date. During the three months ended March 31, 2025, 150,853 shares of common stock were purchased under the ESPP.

As of March 31, 2025, total unrecognized stock-based compensation expense related to the ESPP was immaterial.

Fair Value of Awards Granted

In determining the fair value of stock-based awards, the Company uses a Black-Scholes option-pricing model for its options granted and ESPP purchase rights. The inputs used for estimating the fair values of options and ESPP purchase rights granted during the period include:

Fair Value of Common Stock–The fair value of the Company's common stock is determined by the closing price, on the date of grant, of its common stock, which is traded on the Nasdaq Global Select Market.

Expected Term–The expected term represents the period that the Company's stock options and ESPP purchase rights are expected to be outstanding. We estimate the expected term based on the simplified method, which is the weighted-average time to vesting and the contractual maturity.

Volatility–Because the Company has not had an active trading market for its common stock for a sufficient period of time, the expected volatility is estimated based on the average volatility for comparable publicly-traded companies, over a period equal to the expected term of the stock option grants.

Risk-free Interest Rate–The risk-free interest rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

Dividends–The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock for the foreseeable future. Therefore, the Company uses an expected dividend yield of zero.

The following assumptions were used to estimate the fair value of options granted:

	Three Months Ended March 31,	
	2024	2025
Expected term (in years)	5.3 – 7.0	5.2 – 7.0
Expected volatility	50.32% – 53.38%	50.66% – 53.33%
Risk-free interest rate	4.21% – 4.27%	3.96% – 4.09%
Dividend yield	—%	—%

The following assumptions were used to estimate the fair value of ESPP purchase rights:

	Three Months Ended March 31,	
	2024	2025
Expected term (in years)	0.5	0.5
Expected volatility	96.69%	99.09%
Risk-free interest rate	5.30%	4.34%
Dividend yield	—%	—%

Stock-Based Compensation

The Company recorded stock-based compensation in the following expense categories in its condensed consolidated statements of operations and comprehensive loss for employees and nonemployees:

	Three Months Ended March 31,	
	2024	2025
Sales and marketing	$ 2,978	$ 2,703
Customer operations	1,963	1,646
Engineering and product development	19,210	14,552
General, administrative, and other	11,626	10,930
Total	$ 35,777	$ 29,831

10. Leases

The Company’s operating leases expire between 2027 and 2029 and are primarily for its corporate headquarters in San Mateo, California, as well as additional office space in Columbus, Ohio and Austin, Texas. Certain leases have rent abatement, escalating rent payment provisions, lease renewal options, and tenant allowances. Rent expense is recognized on a straight-line basis over the non-cancelable lease term, except when it is reasonably certain that the renewal option will be exercised.

In connection with the Company’s lease agreements, a letter of credit was issued on behalf of the Company for the benefit of the landlord. As of March 31, 2025 the letter of credit was $2.6 million. The letter of credit is secured by certificates of deposit which are included in restricted cash on the condensed consolidated balance sheets.

Future minimum lease payments are as follows:

	March 31, 2025
Remaining 2025	$ 11,555
2026	15,850
2027	15,474
2028	6,143
2029	2,990
Total undiscounted lease payments	52,012
Less: Present value adjustment	(4,938)
Operating lease liabilities	$ 47,074

The Company had no finance lease expense during the three months ended March 31, 2024 and 2025. The Company's operating lease expense consists of rent and variable lease payments. Variable lease payments such as common area maintenance and parking fees, were included in operating expenses. Rent expense for the Company's short-term leases was immaterial during the periods presented. Sublease income was immaterial during the three months ended March 31, 2024 and 2025. Operating lease expense was as follows:

	Three Months Ended March 31,	
	2024	2025
Rent expense	$ 3,542	$ 3,571
Variable lease payments	$ 917	$ 960

Supplemental cash flow and non-cash information related to the Company's operating leases was as follows:

	Three Months Ended March 31,	
	2024	2025
Cash paid for amounts included in the measurement of lease liabilities	$ 3,669	$ 3,612

Supplemental balance sheet information related to the Company's operating leases was as follows:

	December 31, 2024	March 31, 2025
Weighted-average remaining lease term (in years)	3.60	3.36
Weighted-average discount rate	5.22%	5.25%

11. Commitments and Contingencies

Commitments

The Company has loan purchase obligations under the Company's loan agreements with certain lending partners. These lending partners retain ownership of the loans facilitated through Upstart's platform for three days or longer (the "holding period") after origination, as required under the respective agreements. The Company has committed to purchase the loans at the conclusion of the required holding period. As of December 31, 2024 and March 31, 2025, the total loan purchase commitment included outstanding principal balance of $72.8 million and $89.3 million, respectively.

The Company has extended a line of credit in connection with one of its committed capital and other co-investment arrangements. As of December 31, 2024 and March 31, 2025, the Company had unfunded commitments related to the line of credit of $7.6 million and $7.8 million, respectively.

The Company has commitments to fund future advances on HELOCs. As of December 31, 2024 and March 31, 2025, these commitments were $7.6 million and $11.2 million, respectively, however, since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Contingencies

Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. The Company records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company discloses material contingencies when it believes a loss is not probable but reasonably possible and may voluntarily provide information on additional contingencies.

From time to time the Company is subject to, and it is presently involved in, various litigation and legal proceedings arising from the ordinary course of business activities, the outcome of which the Company cannot reasonably determine. Other than the class actions and derivative actions described below, the Company does not believe that it is presently a party to any litigation of which the outcome would individually, or taken together, have a material adverse effect on our business, operating results, cash flows, or financial condition. As of December 31, 2024 and March 31, 2025, immaterial loss contingencies were recorded in connection with legal proceedings.

Indemnifications

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, directors, officers and other parties with respect to certain matters. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements, and thus, there are no claims that the Company is aware of that could have a material adverse effect on the Company's condensed consolidated financial statements.

Repurchases

Under the terms of the loan purchase and loan servicing agreements between the Company and institutional investors, as well as in agreements with investors in securitizations and pass-through certificate transactions, the Company may, in certain circumstances, become obligated to repurchase loans from such institutional investors. Generally, these circumstances include the occurrence of verifiable identity theft, the failure of sold loans to meet

the terms of certain loan-level representations and warranties that speak as of the time of origination or sale, the failure to comply with other contractual terms with the institutional investors, or a violation of the applicable federal, state, or local lending laws.

The maximum potential amount of future payments associated under this obligation is the outstanding balances of the loans sold to the institutional investors, which as of December 31, 2024 and March 31, 2025, was $11,237.2 million and $11,514.7 million, respectively. Actual payments made relating to the Company's repurchase and indemnification obligations were immaterial for the three months ended March 31, 2024 and 2025.

The Company did not have material contingent liabilities related to future loan repurchase obligations as of December 31, 2024 and March 31, 2025. These amounts are included in accrued expenses and other liabilities on the Company's condensed consolidated balance sheets.

Legal

On July 26, 2022, a lawsuit was filed in United States District Court, Southern District of Ohio, captioned Crain v. Upstart Holdings, Inc. et al., Case No. 2:22-cv-02935-ALM-EPD (S.D. Ohio) against the Company, the Company's Chief Executive Officer, and Chief Financial Officer, alleging that the defendants made false and/or misleading statements or omissions about the Company's business, operations, and prospects in violation of Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Rule 10b-5 promulgated thereunder, as well as Section 20(a) of the Exchange Act. The Crain lawsuit claims unspecified damages and legal fees. On August 16, 2022, the court appointed a lead plaintiff and approved lead counsel in the Crain action. On December 5, 2022, the lead plaintiff filed a consolidated amended complaint, which names the same defendants as the previous complaint, along with two Company executives, as well as Third Point LLC and its CEO and Third Point Ventures LLC and its managing partner (also a former Upstart board member). The consolidated amended complaint brings the same claims as the previous complaint but adds a claim under Section 20A of the Exchange Act. On February 24, 2023, the Upstart defendants filed a motion to dismiss the consolidated amended complaint. On September 29, 2023, the Court issued an order, granting in part and denying in part the Upstart defendants' motion. On November 7, 2023, the Upstart defendants filed a motion for reconsideration, which the Court denied on August 5, 2024. On February 2, 2024, Lead Plaintiff, Universal-Investment-Gesellschaft mbH, and plaintiffs, Kathy Brooks and Kevin Crain, filed a motion for an order to certify this matter, now captioned In re Upstart Holdings Securities Litigation, as a class action, appoint themselves as class representatives, and approve their selection of Motley Rice LLC and Robbins Geller Rudman & Dowd LLP as co-class counsel, which motion the Court granted on March 27, 2025. On December 6, 2024, plaintiffs filed a motion for leave to file a first amended complaint. On January 21, 2025, Third Point Ventures LLC, Third Point LLC, and its CEO filed a motion to intervene for the limited purpose of opposing plaintiffs' motion for leave to file a first amended complaint, and on February 18, 2025 plaintiffs filed a reply in support of their motion for leave to file a first amended complaint. No hearing has been set on the motion. The Company believes the remaining claims in the action are without merit and intends to defend itself vigorously.

On July 28, 2022, a derivative lawsuit was filed in United States District Court, Southern District of Ohio, captioned OConnor v. Huber et al., Case No. 2:22-cv-02961-EAS-KAJ (S.D. Ohio). The OConnor action includes allegations similar to those in the Crain complaint, and names as defendants each of the Company's current board members and its Chief Financial Officer. The Company is named as a nominal defendant. The OConnor action includes claims for violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, and waste of corporate assets. The OConnor action seeks unspecified monetary damages and an accounting from the individual defendants. The OConnor action also seeks unspecified corporate governance and internal procedure modifications, punitive damages, and legal fees.

On October 7, 2022, a second derivative lawsuit was filed in United States District Court, Southern District of Ohio, captioned Chung v. Huber et al., No. 2:22-cv-03620-MHW-CMV (S.D. Ohio). The Chung action includes allegations similar to those in the OConnor complaint, and names as defendants each of the Company's current board members, a former board member, and its Chief Financial Officer. The Company is named as a nominal defendant. The Chung action includes claims for violation of Section 10(b), 14(a), and 21D of the Exchange Act, breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Chung action seeks unspecified monetary damages, restitution, and attorney's fees and costs from the individual defendants. It also seeks corporate governance and internal procedure modifications.

On December 12, 2022, in response to a joint motion by the parties, the Court consolidated the OConnor and Chung matters, appointed co-lead counsel, and stayed the consolidated case until resolution of the related securities class action. On April 24, 2024, the plaintiffs in the consolidated action filed an amended complaint. The amended complaint includes allegations similar to those in the initial complaint in the OConnor action, and names the same defendants as the initial complaint, along with an additional Company executive and another former board member. The amended complaint brings the same claims as the initial complaint in the OConnor action but adds claims under Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, for contribution under Sections 10(b) and 21D of the Exchange Act, and for abuse of control and gross mismanagement. The amended complaint seeks similar relief to that sought in the initial complaint in the OConnor action.

On February 3, 2023, a third derivative lawsuit was filed, in the United States District Court, District of Delaware, captioned Hsu v. Girouard, et al., 1:23-cv-00132-UNA (D. Del.). The Hsu action includes allegations similar to those in the consolidated derivative matter pending in Ohio, and names as defendants each of the Company's current board members, a former board member, and its Chief Financial Officer. The Company is named as a nominal defendant. The Hsu action includes claims for violation of Section 14(a) of the Exchange Act as well as breach of fiduciary duties, and seeks unspecified monetary damages, restitution, and attorney's fees and costs from the individual defendants. It also seeks corporate governance and internal procedure modifications. On February 16, 2023, in response to a joint stipulation and proposed order submitted by the parties, the Court stayed the Hsu action until resolution of the related securities class action.

On March 8, 2023, a fourth derivative lawsuit was filed, in the United States District Court, District of Delaware, captioned Sornchai et al. v. Girouard, et al., 1:23-cv-00253-MN (D. Del). The Sornchai action includes allegations similar to those in the consolidated derivative matter pending in Ohio, and names as defendants each of the Company's current board members, a former board member, its Chief Financial Officer, and a Company executive. The Company is named as a nominal defendant. The Sornchai action includes claims for violations of Sections 10(b), 14(a) and 21D of the Exchange Act, breach of fiduciary duties, breach of fiduciary duty through misappropriation of material non-public information, and unjust enrichment, and seeks unspecified monetary damages, restitution, and attorney's fees and costs from the individual defendants. It also seeks corporate governance and internal procedure modifications. On March 24, 2023, in response to a joint stipulation and proposed order submitted by the parties, the Court stayed the Sornchai action until resolution of the related securities class action.

On April 5, 2023, a fifth derivative lawsuit was filed, in the Court of Chancery of the State of Delaware, captioned Okhai v. Girouard, et al., C.A. No. 2023-0401-BWD (Del. Ch.). The Okhai action includes allegations similar to those in the consolidated derivative matter pending in Ohio, and names as defendants the Company's current board members, two former board members, its Chief Financial Officer, and two current or former Company executives, as well as Third Point LLC and Third Point Ventures LLC. The Okhai action includes claims for breach of fiduciary, aiding and abetting such alleged breaches, and unjust enrichment, and seeks equitable and/or injunctive relief, restitution, and attorney's fees and costs from the individual defendants. On August 3, 2023, in response to a motion to stay by the defendants in the Okhai action, the Court stayed the Okhai action until resolution of the motion to dismiss in the related securities class action. Following the issuance of the September 29, 2023 order on the motion to dismiss in the related securities class action, on November 16, 2023, in response to a joint stipulation and proposed order submitted by the parties, the Court stayed the Okhai action until resolution of the motion for

reconsideration of the September 29, 2023 order on the motion to dismiss in the related securities class action. Following denial of the motion for reconsideration in the related securities class action, the parties in the Okhai action finished briefing and argued the defendants' motion to continue the stay. On October 24, 2024, the Court continued the stay until February 1, 2025. On January 31, 2025, the parties submitted to the Court a proposed schedule for briefing Defendants' motion to continue the stay. On April 11, 2025, in response to a joint stipulation and proposed order submitted by the parties, the Court ordered that the case remain stayed pending plaintiffs filing a consolidated amended complaint on or before May 7, 2025, after which Defendants shall file a renewed motion to stay.

On October 13, 2023, a sixth derivative lawsuit was filed, in the Court of Chancery of the State of Delaware, captioned Romanyshyn v. Girouard, et al., C.A. No. 2023-1029-BWD (Del. Ch.). The Romanyshyn action includes allegations similar to those in the consolidated derivative matter pending in Ohio, and names as defendants current and former directors and Company executives, as well as Third Point LLC and its CEO, and Third Point Ventures LLC. The Romanyshyn action includes claims for breach of fiduciary, and seeks unspecified monetary damages, restitution, and attorney's fees and costs from the individual defendants. It also seeks corporate governance and internal procedure modifications. On November 3, 2023, in response to a joint stipulation and proposed order submitted by the parties, the Court stayed the Romanyshyn action pending the outcome of the motion to stay in the related Okhai derivative action (which stay will be briefed, consistent with the above).

On October 24, 2023, a seventh derivative lawsuit was filed, in the Court of Chancery of the State of Delaware, captioned Agarwal v. Girouard, et al., C.A. No. 2023-1075-BWD (Del. Ch.). The Agarwal action includes allegations similar to those in the consolidated derivative matter pending in Ohio, and names as defendants current and former directors and Company executives, as well as Third Point LLC and its CEO, and Third Point Ventures LLC. The Agarwal action includes claims for breach of fiduciary, and seeks unspecified monetary damages, restitution, and attorney's fees and costs from the individual defendants. It also seeks corporate governance and internal procedure modifications. On November 3, 2023, in response to a joint stipulation and proposed order submitted by the parties, the Court stayed the Agarwal action pending the outcome of the motion to stay in the related Okhai derivative action (which stay will be briefed, consistent with the above).

On November 22, 2024, in response to a joint stipulation and proposed order submitted by the parties, the Court consolidated the Okhai, Romanyshyn, and Agarwal matters under the consolidated caption In re Upstart Holdings, Inc. Derivative Litigation, Consolidated C.A. No. 2023-0401-BWD and appointed co-lead plaintiffs and co-lead counsel. The consolidated action remains stayed consistent with the above.

Given the uncertainty of litigation described above, the preliminary stage of the cases, and the legal standards that must be met for, among other things, class certification and success on the merits, the Company cannot estimate the reasonably possible loss or range of loss that may result from these actions.

On November 17, 2023, we received a subpoena from the SEC seeking various documents and information regarding our disclosures, including the use of our AI models and loans, among other things. We cooperated with the SEC in its investigation and, on March 10, 2025, the SEC notified the Company that it was closing the investigation and would not pursue an enforcement action against the Company.

12. Income Taxes

The Company's effective tax rates for the three months ended March 31, 2024 and 2025, are as follows:

	Three Months Ended March 31,	
	2024	2025
Provision for income taxes	$ 14	$ 29
Effective tax rate	(0.02)%	(1.20)%

The Company's tax provision and the resulting effective tax rate for interim periods are determined based upon its estimated annual effective tax rate adjusted for the effect of discrete items arising during the period. The Company's effective tax rate for the three months ended March 31, 2025 was primarily driven by an increase in the Company's state tax liabilities, despite maintaining a full valuation allowance. The effective tax rate differs from the U.S. statutory tax rate primarily due to the valuation allowance on the Company's deferred tax assets as it is more likely than not that some or all of these deferred tax assets will not be realized.

13. Net Loss Per Share

Basic net loss per common share is based on the weighted-average common shares outstanding during the relevant period. Diluted net loss per share is based on the weighted-average common shares outstanding during the relevant period, adjusted for the dilutive effect of share-based awards and convertible debt.

For periods in which the Company reports net losses, basic and diluted net loss per share are the same because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

	Three Months Ended March 31,	
	2024	2025
Numerator:		
Net loss	$ (64,598)	$ (2,447)
Denominator:		
Weighted-average common shares outstanding used to calculate net loss per share, basic	87,030,695	94,274,538
Weighted-average common shares outstanding used to calculate net loss per share, diluted	87,030,695	94,274,538
Net loss per share, basic	$ (0.74)	$ (0.03)
Net loss per share, diluted	$ (0.74)	$ (0.03)

The following securities were excluded from the computation of diluted net loss per share for the periods presented, due to their anti-dilutive effect. These amounts represent the number of instruments outstanding at the end of each respective period:

	Three Months Ended March 31,	
	2024	2025
Options to purchase common stock	13,525,333	10,122,309
Unvested RSUs	6,293,739	3,826,545
Purchase rights committed under the ESPP	167,621	66,056
Convertible debt	2,318,078	15,929,353
Total	22,304,771	29,944,263

14. Segment Information

The Company's organization and management structure is designed to support development of different lending product offerings, which are grouped into three operating segments - Personal Lending (unsecured personal loans and small dollar loans), Auto Lending (auto refinance and auto retail loans), and Other (HELOCs and other). These operating segments are separately managed and evaluated by the Chief Operating Decision Maker ("CODM"), the Company's Chief Executive Officer, who allocates resources and assesses performance at this level. The Company has determined that only one operating segment, Personal Lending, meets the definition of a reportable segment.

The Company generates all its revenue in the U.S. and a majority is earned in exchange for the use of the Company's platform and for borrower referrals as well as for loan servicing activities provided to its lending partners and institutional investors. Refer to *Note 2. Revenue* for further information related to the Company's disaggregation of revenue from fees by type of service.

Contribution Profit is the primary measure of segment profit and loss reviewed by the CODM to assess business performance and strategy, prepare the Company's annual operating budget and financial forecasts, and communicate with the Company's Board of Directors concerning the Company's financial performance. To derive Contribution Profit, the Company subtracts the sum of borrower acquisition costs as well as borrower verification and servicing costs from revenue from fees, net.

The following table presents financial information, including Contribution Profit, for the Company's Personal Lending segment [(1)]:

	Three Months Ended March 31,	
	2024	2025
Personal Lending		
Revenue from fees, net	$ 135,414	$ 182,580
Borrower acquisition costs[(2)]	(23,194)	(45,141)
Borrower verification and servicing costs[(3)]	(26,950)	(29,474)
Contribution Profit for Personal Lending	$ 85,270	$ 107,965

(1) Personal Lending includes unsecured personal loans and small dollar loans. It does not include Auto Lending and Other operating segments as these did not meet the separate reporting or aggregation criteria under GAAP.

(2) Borrower acquisition costs consist of the Company's sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for the Company's business development and marketing teams, as well as other operational, brand awareness and marketing activities. These costs do not include reorganization expenses.

(3) Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of the Company's customer operations team whose work is not directly attributable to onboarding and servicing loans. These costs do not include reorganization expenses.

The following table presents a reconciliation of total Contribution Profit to Net loss before income taxes:

	Three Months Ended March 31,	
	2024	2025
Contribution Profit:		
Personal Lending	$ 85,270	$ 107,965
Reconciling items:		
Other Contribution Profit/(Loss)[1]	(4,128)	(5,593)
Sales and marketing, net of borrower acquisition costs[2]	(10,331)	(10,408)
Customer operations, net of borrower verification and servicing costs[3]	(7,301)	(5,960)
Engineering and product development	(63,091)	(57,838)
General, administrative, and other	(57,613)	(60,558)
Interest income, interest expense, and fair value adjustments, net	(10,274)	27,896
Other income, net	2,884	2,078
Net loss before income taxes	$ (64,584)	$ (2,418)

(1) Includes Auto Lending and Other operating segments, which did not meet the separate reporting or aggregation criteria under GAAP.

(2) Borrower acquisition costs were $24.8 million and $48.6 million for the three months ended March 31, 2024 and 2025, respectively. Borrower acquisition costs consist of the Company's sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for the Company's business development and marketing teams, as well as other operational, brand awareness and marketing activities. These costs do not include reorganization expenses.

(3) Borrower verification and servicing costs were $32.1 million and $34.5 million for the three months ended March 31, 2024 and 2025, respectively. Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of the Company's customer operations team whose work is not directly attributable to onboarding and servicing loans. These costs do not include reorganization expenses.

The CODM does not evaluate operating segments using asset information and, accordingly, the Company does not report asset information by segment.

15. Subsequent Events

The Company has evaluated events that have occurred through the filing date of this Quarterly Report on Form 10-Q. Based on its evaluation, other than any items recorded or disclosed within the condensed consolidated financial statements and related notes, the Company has determined no subsequent events were required to be recognized or disclosed.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled “Risk Factors” and other parts of this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Upstart applies artificial intelligence (“AI”) models and cloud applications to the process of underwriting consumer credit. Our AI marketplace connects consumers with our lending partners. Consumers can access Upstart-powered loans via Upstart.com, through a lender-branded product on our lending partners’ own websites, and through auto dealerships that use our Upstart Auto Retail software. We enable our lending partners to provide an exceptional digital-first experience to consumers and originate valuable credit products. As our technology continues to improve and additional lending partners adopt our platform, consumers benefit from improved access to affordable and frictionless credit.

We believe that banks and other traditional lenders will continue to be at the forefront of consumer lending in the United States. We believe AI lending will become increasingly critical as this industry continues to undergo a broad digital transformation. Our strategy is to partner with banks and credit unions and provide them with access to an AI lending marketplace that they can configure as they originate consumer loans, according to their own business and regulatory requirements.

Loans issued through our marketplace are retained by our lending partners, purchased by our network of institutional investors, or funded by Upstart’s balance sheet. Investors may also invest in Upstart-powered loans through our pass-through and securitization programs. We believe that institutional investors, often referred to as “private credit,” have played an increasingly large role in financing consumer lending in the United States and we have adapted our strategy to take advantage of this opportunity.

Out of the total principal of loans transacted on our marketplace during the three months ended March 31, 2025, 60% were purchased by institutional investors, 29% were retained by our lending partners, and 11% were held on our balance sheet. We retain loans on our balance sheet to fill gaps in investor demand, to aid in price discovery, and for research and development purposes (“R&D Loans”), including to test and evaluate our AI models for these loans. R&D Loans are primarily our auto refinance and auto retail loan products, personal loan products issued to new categories of borrowers, and other new loan products, including small dollar loans and HELOCs. R&D Loans are not yet part of our fully-established capital markets programs with institutional investors and we continue our work on developing such programs. The remainder of loans on our balance sheet represent core personal loans, which Upstart would sell to institutional investors.

To improve the loan funding capacity for our marketplace across business and macroeconomic cycles, we have secured multiple committed capital and other co-investment arrangements with institutional investors and lending partners beginning in 2023, which have delivered a significant amount of loan funding to the Upstart marketplace. While these efforts have strengthened the amount and resiliency of our loan funding, we continue to secure additional capital to support the growth of our business and further diversify our sources of capital and institutional investor base to ensure long-term scalability.

Credit Performance

We consider credit performance of Upstart-powered loans to be one of the most important measures of the effectiveness of our AI models. However, credit performance is impacted by multiple factors, including factors that our models do not predict, such as macroeconomic conditions.

Lending is a cyclical industry, and we believe it is important to take a long-term view of credit performance. An equal investment in all vintages of Upstart-powered core personal loans that originated in the first quarter of 2018 through the fourth quarter of 2024 is currently expected to deliver annual returns in line with a blended target of approximately 9.7%, or 9.0% after servicing fees. Looking at more recent performance, an equal investment in all vintages of Upstart-powered core personal loans that originated in the first quarter of 2023 through the fourth quarter of 2024 is currently expected to deliver annual returns in line with a blended target of approximately 13.0%, or 12.2% after servicing fees.

We evaluate the credit performance of core personal loans by comparing the target returns expected at the time of origination to the returns received by our lending partners, institutional investors, or us. The target return, a critical component of our loan pricing, is calculated using estimated cash flows, which are developed based on a number of factors, including credit losses and prepayment rates. While target returns across our lending partners and institutional investors vary depending on their programs' objectives and risk tolerance, overall performance is calculated based on the variance between the initially expected returns and the actual return on capital invested in Upstart-powered loans.

At a more granular level, all quarterly vintages of core personal loans that originated in the first quarter of 2023 through the first quarter of 2024 are currently forecasted to underperform relative to their target returns. Even though our underwriting models have over time utilized more variables and data points about borrowers which has improved model performance, they were not designed to predict the severe impact changing macroeconomic conditions, credit market volatility and interest rate fluctuations that occurred following the COVID-19 pandemic, all of which were (and still are) beyond our control. The forecasted underperformance for these vintages reflects the impact of a combination of factors that occurred during that period, including the elimination of government stimulus measures and the worsening of the macroeconomic environment, via rising inflation and the resulting sharply higher interest rates.

The core personal loans that originated in the second quarter of 2024 or later are currently forecasted to deliver returns in line with target yields. This reversion in performance, relative to the quarterly vintages of core personal loans that originated in the first quarter 2023 through the first quarter 2024, was driven by a combination of factors including increased conservatism in underwriting, the relative stabilization of macroeconomic conditions, and improvements in our more recent models.

Impact of Macroeconomic Environment

In addition to impacting credit performance, the macroeconomic environment has a direct and indirect impact on our business financial condition, and results of operation. In an economic downturn, we believe consumer lending will generally contract. Lending partners and institutional investors will generally require higher rates of return, which in turn increases the interest rates offered to borrowers, leading to lower borrower demand. Macroeconomic factors can also cause fluctuations of available capital in our lending marketplace due to shifts in the risk preferences of our lending partners and institutional investors. We expect these dynamics would generally invert in an economic upswing.

For example, loan funding provided by institutional investors started to become constrained in 2022, largely due to concerns about the macroeconomic environment. Rising interest rates also led to more expensive loan offers across borrower categories, which decreased borrower demand. In order to create greater stability for our business, we began securing committed capital and co-investment arrangements with institutional investors and

other third parties that provide loan funding over longer durations. While we believe that the macroeconomic environment started to improve in 2024, disruption in financial markets could once again lower borrower demand or impair our lending partners and result in constrained funding, which would adversely impact our business, financial condition and operating results.

To respond to macroeconomic changes and provide relevant and up-to-date information to our lending partners, we introduced a new metric, the Upstart Macro Index (“UMI”), in 2023. Since its peak starting in the fourth quarter of 2023, UMI has been largely improving. As of March 31, 2025, it remains elevated but stable, measured at approximately 1.49, meaning that current macroeconomic conditions contributed an incremental risk of approximately 49% to the repayment performance of an Upstart-powered unsecured personal loan, compared to the baseline measurement of 1.0.

Key Operating and Non-GAAP Financial Metrics

We focus on several key operating and Non-GAAP financial metrics to measure the performance of our business and help determine strategic direction. The following presents our key operating and financial metrics:

	Three Months Ended March 31,	
	2024	**2025**
Transaction Volume, Dollars	$ 1,130,799	$ 2,133,608
Transaction Volume, Number of Loans[1]	119,380	240,706
Conversion Rate	14.0%	19.1%
Percentage of Loans Fully Automated	90%	92%
Contribution Profit[2]	$ 81,142	$ 102,372
Contribution Margin[2]	59%	55%
Adjusted EBITDA[2]	$ (20,339)	$ 42,577
Adjusted EBITDA Margin[2]	(16)%	20%
Adjusted Net Income (Loss)[2]	$ (27,165)	$ 31,189
Adjusted Net Income (Loss) Per Share:		
Basic[2]	$ (0.31)	$ 0.33
Diluted[2]	$ (0.31)	$ 0.30

(1) Transaction Volume, Number of Loans is shown in ones for the periods presented.
(2) Represents a non-GAAP financial measure. See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures*” for further information.

Transaction Volume

We define Transaction Volume, Dollars as the total principal of loan originations (or committed amounts for HELOCs) facilitated on our marketplace during the periods presented. We define Transaction Volume, Number of Loans as the number of loan originations (or commitments issued for HELOCs) facilitated on our marketplace during the periods presented. Increases in Transaction Volume are dependent on our loan funding programs having sufficient access to capital. Decreases in the availability of funding due to factors such as volatility in the capital markets and macroeconomic conditions will generally cause a decline in Transaction Volume. Transaction Volume is driven by improvements in our AI models and technology, including our ability to streamline and automate the loan application and origination process. Transaction Volume can also be driven by several other factors, including borrower acceptance rates and their sensitivity to the interest rates offered through our platform. We believe these metrics are good proxies for our overall scale and reach as a marketplace. Transaction Volume, Dollars increased 89% in the three months ended March 31, 2025 compared to the same period of 2024 and Transaction Volume, Number of Loans increased 102% in the three months ended March 31, 2025 compared to the same period of 2024. These increases were primarily due to model improvements and product initiatives, which resulted in an increase in the number of qualified borrowers and more attractive loan offers. The increase in Transaction Volume, Number of Loans was higher than the increase in Transaction Volume, Dollars due to the decrease in average loan size, primarily due to the increase in small dollar loans.

Conversion Rate

We define Conversion Rate as the Transaction Volume, Number of Loans in a period divided by the number of rate inquiries received that we estimate to be legitimate, which we record when a borrower requests a loan offer on our platform. We track this metric to understand the impact of improvements to the efficiency of our borrower funnel on our overall growth. Historically, our Conversion Rate has benefited from improvements to our technology, which have made our evaluation of risk more accurate and our verification process more automated, or from the addition of lending partners that have made our offers more competitive. However, our Conversion Rate can be impacted by a variety of internal factors such as changes in the amount of origination fees that we charge or changes in the rate of returns we target for our lending partners and institutional investors. External factors such as shifts in macroeconomic conditions, including interest rate changes, also impact our Conversion Rate. Our ability to continue to improve our Conversion Rate depends in part on our ability to continue to improve our AI models and Percentage of Loans Fully Automated and the mix of marketing channels in any given period. Our Conversion Rate increased to 19.1% in the three months ended March 31, 2025 from 14.0% in the same period of 2024, primarily driven by underwriting model improvements and product and pricing initiatives, coupled with continued optimization in our acquisition channels.

Percentage of Loans Fully Automated

A driver of our Contribution Margin and operating efficiency is the Percentage of Loans Fully Automated, which is defined as the total number of loans in a given period originated end-to-end (from initial rate request to final funding for personal loans and small dollar loans and from initial rate request to signing of the loan agreement for auto loans) with no human involvement required by the Company divided by the Transaction Volume, Number of Loans in the same period. We have been successful in increasing the level of loan automation on the platform over the past few years while simultaneously holding fraud rates at very low levels. We believe our growth over the last several years has been driven in part by our ability to rapidly streamline and automate the loan application and origination process on our platform. We expect growth of the Percentage of Loans Fully Automated to subside in the near term. However, as we expand our loan offerings, this percentage may fluctuate from period to period depending on the loan offering mix and other external factors. Our Percentage of Loans Fully Automated increased to 92% in the three months ended March 31, 2025 from 90% in the same period of 2024.

Contribution Profit and Contribution Margin

We use Contribution Profit and Contribution Margin as part of our overall assessment of performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our Board of Directors concerning our financial performance. We believe Contribution Profit and Contribution Margin are useful to investors for year-to-year comparisons of our business and in evaluating and understanding our operating results and ability to scale. Contribution Profit and Contribution Margin are also useful to investors because our management uses Contribution Profit and Contribution Margin, in conjunction with financial measures prepared in accordance with GAAP, to evaluate our operating results and financial performance and the effectiveness of our strategies.

Contribution Profit and Contribution Margin have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Contribution Profit and Contribution Margin are not GAAP financial measures of, nor do they imply, profitability. Even if our revenue exceeds variable expenses over time, we may not be able to achieve or maintain profitability, and the relationship of revenue to variable expenses is not necessarily indicative of future performance. Contribution Profit and Contribution Margin reflect all expenses that we consider to be variable, which may involve some judgment and discretion around what costs vary directly with loan volume. Other companies that present contribution profit and contribution margin may calculate it differently and, therefore, similarly titled measures presented by other companies may not be directly comparable to ours.

To derive Contribution Profit, we subtract from revenue from fees, net our borrower acquisition costs as well as our borrower verification and servicing costs. To calculate Contribution Margin we divide Contribution Profit by revenue from fees, net.

The following table provides a calculation of Contribution Profit and Contribution Margin:

	Three Months Ended March 31,	
	2024	**2025**
Revenue from fees, net	$ 138,068	$ 185,475
Borrower acquisition costs[1]	(24,819)	(48,562)
Borrower verification and servicing costs[2]	(32,107)	(34,541)
Total direct expenses	(56,926)	(83,103)
Contribution Profit	$ 81,142	$ 102,372
Contribution Margin	59 %	55 %

(1) Borrower acquisition costs consist of our sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for our business development and marketing teams, as well as other operational, brand awareness and marketing activities. These costs do not include reorganization expenses.

(2) Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of our customer operations team whose work is not directly attributable to onboarding and servicing loans. These costs do not include reorganization expenses.

See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures*” for a reconciliation of loss from operations to Contribution Profit.

Adjusted EBITDA and Adjusted EBITDA Margin

We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful for investors to use in comparing our financial performance with the performance of other companies for the following reasons:

- Adjusted EBITDA and Adjusted EBITDA Margin are widely used by investors and securities analysts to measure a company’s operating performance without regard to items such as depreciation, and interest expense, that can vary substantially from company to company depending upon their financing and capital structures, and the method by which assets were acquired; and
- Adjusted EBITDA and Adjusted EBITDA Margin eliminate the impact of certain items such as stock-based compensation expense and certain payroll tax expense, expense on convertible notes, gain on debt extinguishment and reorganization expenses that may obscure trends in the underlying performance of our business; and
- Adjusted EBITDA and Adjusted EBITDA Margin provide consistency and comparability with our past financial performance, and facilitate comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

We calculate Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense and certain payroll tax expenses, depreciation and amortization, expense on convertible notes, provision for income taxes, gain on debt extinguishment and reorganization expenses. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue. Adjusted EBITDA and Adjusted EBITDA Margin includes interest expense from corporate debt and warehouse credit facilities which is incurred in the course of earning corresponding interest income. See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures*” for a reconciliation of net income (loss) to Adjusted EBITDA and Adjusted EBITDA Margin.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share

We believe Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share are useful measures for investors in evaluating our ability to generate earnings, more readily comparable between past and future periods, and provide comparability of our performance with performance of other companies. We define Adjusted Net Income (Loss) as net income (loss) exclusive of stock-based compensation expense and certain payroll tax expenses as well as certain items that are not related to core business and ongoing operations, such as gain on debt extinguishment and reorganization expenses. Adjusted Net Income (Loss) Per Share is calculated by dividing Adjusted Net Income (Loss) Per Share by the weighted-average common shares outstanding. See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures*” for a reconciliation of net income (loss) to Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share.

Components of Results of Operations

Revenue from Fees, Net

Platform and Referral Fees, Net

We charge our lending partners platform fees in exchange for usage of our AI lending marketplace, which includes collection of loan application data, underwriting of credit risk, verification and fraud detection, and the delivery of electronic loan offers and associated documentation. We also charge referral fees to our lending partners in exchange for the referral of borrowers from Upstart.com. Referral fees are charged to lending partners on a per borrower basis upon origination of a loan. These fees are charged net of any fees the lending partner charges Upstart. Upstart pays these lending partners a one-time loan premium fee upon completion of the minimum holding periods. Upstart also pays certain lending partners monthly loan trailing fees based on the amount and timing of principal and interest payments made by borrowers of the underlying loans.

The Company also recognizes fees in relation to contracts with auto dealers for the use of Upstart Auto Retail software, a cloud-based solution that facilitates dealership operations and enables them to provide consumers with access to Upstart-powered auto loans. Refer to “*Note 2. Revenue*” to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

Servicing and Other Fees, Net

Servicing fees are calculated as a percentage of outstanding principal and are charged monthly to any entities holding loans facilitated through our marketplace, to compensate us for activities we perform throughout the loan term, including collection, processing and reconciliations of payments received, institutional investor reporting and borrower customer support. Servicing fees are recorded net of any gains, losses or changes to fair value recognized in the underlying servicing rights and obligations, which are carried as assets and liabilities on our condensed consolidated balance sheets. Upstart currently acts as loan servicer for substantially all outstanding loans facilitated through the Upstart marketplace. Borrower payment collections for loans that are more than 30 days past due or charged off are generally outsourced to third-party collection agencies. Upstart charges lending partners and institutional investors for collection agency fees related to their outstanding loan portfolio. Upstart also receives certain ancillary fees on a per transaction basis inclusive of late payment fees and ACH fail fees.

Interest Income, Interest Expense, and Fair Value Adjustments, Net

Interest income, interest expense, and fair value adjustments, net is comprised of interest income, interest expense and net changes in the fair value of financial instruments held on our condensed consolidated balance sheets as part of our ongoing operating activities, excluding loan servicing assets and liabilities. Interest income, interest expense, and fair value adjustments, net also includes realized gain or loss on the sale of loans. Interest income, interest expense, and fair value adjustments, net can fluctuate based on the fair value of financial instruments held on our condensed consolidated balance sheets. This amount has historically been a small percentage of our total revenue, and we do not manage our business with a focus on growing this component of revenue.

Sales and Marketing

Sales and marketing expenses primarily consist of costs incurred across various advertising channels, including expenses for partnerships with third parties providing borrower referrals, direct mail and digital advertising campaigns, as well as other expenses associated with building overall brand awareness and experiential marketing costs. Sales and marketing expenses also include payroll and other personnel-related costs, including stock-based compensation expense. These costs are recognized in the period incurred. We expect that our sales and marketing expenses will generally fluctuate as a percentage of our total revenue from period to period and may increase as we hire additional sales and marketing personnel, increase our marketing activities and build greater brand awareness.

Customer Operations

Customer operations expenses include payroll and other personnel-related expenses, including stock-based compensation expense, for personnel engaged in borrower onboarding, loan servicing, customer support and other operational teams. These costs also include systems, third-party services and tools we use as part of loan servicing, information verification, fraud detection and payment processing activities. These costs are recognized in the period incurred. We expect that our customer operations expenses will generally fluctuate as a percentage of our total revenue from period to period, and may increase in absolute dollars as we expand our portfolio.

Engineering and Product Development

Engineering and product development expenses primarily consist of payroll and other personnel-related expenses, including stock-based compensation expense, for the engineering and product development teams as well as the costs of systems and tools used by these teams. These costs are recognized in the period incurred. We expect that our engineering and product development expenses will generally fluctuate as a percentage of our total revenue from period to period, and may increase in absolute dollars as we expand our engineering and product development team to continue to improve our AI models and develop new products and product enhancements.

General, Administrative and Other

General, administrative and other expenses consist primarily of payroll and other personnel-related expenses, including stock-based compensation expense, for legal and compliance, finance and accounting, human resources and facilities teams, as well as depreciation and amortization of property, equipment, software, and intangibles, professional services fees, facilities and travel expenses. These costs are recognized in the period incurred. We expect to increase the size of our general and administrative function to support the further growth of our business. As a result, we expect that our general, administrative and other expenses will increase in absolute dollars but may fluctuate as a percentage of our total revenue from period to period.

Other Income, Net

Other income, net primarily consists of dividend income earned by the Company on its unrestricted cash and cash equivalents balances in addition to coupon interest expense and amortization of the debt discount on our Notes.

Results of Operations

The following table summarizes our historical condensed consolidated statements of operations data:

	Three Months Ended March 31,	
	2024	2025
Revenue:		
Revenue from fees, net	$ 138,068	$ 185,475
Interest income, interest expense, and fair value adjustments, net:		
Interest income	51,171	40,568
Interest expense	(10,714)	(7,020)
Fair value and other adjustments, net	(50,731)	(5,652)
Total interest income, interest expense, and fair value adjustments, net	(10,274)	27,896
Total revenue	127,794	213,371
Operating expenses[(1)]:		
Sales and marketing	35,150	58,970
Customer operations	39,408	40,501
Engineering and product development	63,091	57,838
General, administrative, and other	57,613	60,558
Total operating expenses	195,262	217,867
Loss from operations	(67,468)	(4,496)
Other income, net	2,884	2,078
Net loss before income taxes	(64,584)	(2,418)
Provision for income taxes	14	29
Net loss	$ (64,598)	$ (2,447)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2024	2025
Sales and marketing	$ 2,978	$ 2,703
Customer operations	1,963	1,646
Engineering and product development	19,210	14,552
General, administrative, and other	11,626	10,930
Total stock-based compensation	$ 35,777	$ 29,831

Revenue

Revenue from Fees, Net

The following table set forth our revenue from fees, net in the periods shown:

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Platform and referral fees, net	$ 103,859	$ 150,975	$ 47,116	45 %
Servicing and other fees, net	34,209	34,500	291	1 %
Total revenue from fees, net	$ 138,068	$ 185,475	$ 47,407	34 %

Revenue from fees, net increased $47.4 million, or 34%, in the three months ended March 31, 2025, compared to the same period in 2024, which included an increase of $47.1 million in revenue from platform and referral fees, net, and an increase of $0.3 million in servicing fees, net. The increase of the platform and referral fees, net was primarily driven by a 89% increase in the Transaction Volume, Dollars from $1,130.8 million in the three months ended March 31, 2024 to $2,133.6 million in the same period in 2025, partially offset by a decrease in prices of our services, including those related to prime borrowers. The increase in servicing fees was primarily due to an increase in outstanding principal of serviced loans.

Interest Income, Interest Expense, and Fair Value Adjustments, Net

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Operating entities[1]:				
Interest income	$ 42,547	$ 35,456	$ (7,091)	(17)%
Interest expense	(7,954)	(5,171)	2,783	35 %
Fair value adjustments, net	(40,080)	(1,872)	38,208	95 %
Consolidated securitization entities:				
Interest income	8,624	5,112	(3,512)	(41)%
Interest expense	(2,760)	(1,849)	911	33 %
Fair value adjustments, net	(10,651)	(3,780)	6,871	65 %
Total Company:				
Interest income	51,171	40,568	(10,603)	(21)%
Interest expense	(10,714)	(7,020)	3,694	34 %
Fair value adjustments, net	(50,731)	(5,652)	45,079	89 %
Total interest income, interest expense, and fair value adjustments, net	$ (10,274)	$ 27,896	$ 38,170	372 %

(1) Consists of balances recognized by entities participating in ongoing operating activities of the Company, excluding entities associated with the UPST 2023-2 consolidated securitization.

Interest income, interest expense, and fair value adjustments, net increased $38.2 million, or 372% in the three months ended March 31, 2025, compared to the same period in 2024. The increase was driven by a $45.1 million decrease in unfavorable fair value adjustments and a $3.7 million decrease in interest expense, partially offset by a $10.6 million decrease in interest income. The decrease in unfavorable fair value adjustments is attributable to a $31.7 million decrease in fair value loss on beneficial interests, a $8.3 million decrease in unrealized loss and loan charge-offs, and a $5.1 million decrease in realized loss on loan sales during the three months ended March 31, 2025 compared to the same period in 2024. The decrease in interest expense resulted from the decrease in fair value of interest rate caps and a $0.9 million decrease in interest expense recognized by consolidated

securitization entities due to lower payable to securitization note holders in the period. The decrease in unfavorable fair value adjustments and decrease in interest expense was partially offset by a decrease in interest income due to a $7.1 million decrease in interest income recognized by operating entities and a $3.5 million decrease in interest income recognized by consolidated securitization entities, consistent with a decrease in the average outstanding principal balance of loans held on the condensed consolidated balance sheets by operating entities during the period and a decrease in the outstanding principal balance of loans held in the consolidated securitization during the period.

Operating Expenses

Sales and Marketing

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Sales and marketing	$ 35,150	$ 58,970	$ 23,820	68 %
% of revenue	*28 %*	*28 %*		

Sales and marketing expenses increased by $23.8 million, or 68%, in the three months ended March 31, 2025 compared to the same period in 2024, which was driven primarily by a $23.7 million increase in advertising and borrower acquisition costs. As a percentage of total revenue, sales and marketing expenses remained flat at 28%.

Customer Operations

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Customer operations	$ 39,408	$ 40,501	$ 1,093	3%
% of revenue	*31 %*	*19 %*		

Customer operations expenses increased by $1.1 million, or 3%, in the three months ended March 31, 2025, compared to the same period in 2024. The increase was primarily due to a $3.2 million increase in information verification expenses and a $1.7 million increase in servicing expenses. The increase was partially offset by a $3.7 million decrease in payroll and other personnel-related expenses due to a decrease in headcount and a $0.2 million decrease in refunds due to overpayment. As a percentage of total revenue, customer operations expenses decreased from 31% to 19%.

Engineering and Product Development

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Engineering and product development	$ 63,091	$ 57,838	$ (5,253)	(8)%
% of revenue	*49 %*	*27 %*		

Engineering and product development expenses decreased by $5.3 million, or 8%, for the three months ended March 31, 2025, compared to the same period in 2024. The decrease was primarily due to a $8.0 million decrease in payroll and other personnel-related expenses from capitalization of internal-use software development costs, offset by a $2.7 million increase in other engineering operating expenses. As a percentage of total revenue, engineering and product development expenses decreased from 49% to 27%.

General, Administrative, and Other

	Three Months Ended March 31,		Change	
	2024	2025	$	%
General, administrative, and other	$ 57,613	$ 60,558	$ 2,945	5 %
% of revenue	*45 %*	*28 %*		

General, administrative, and other expenses increased by $2.9 million, or 5%, in the three months ended March 31, 2025, compared to the same period in 2024. The increase was primarily due to a $3.1 million increase in payroll and other personnel-related expenses, $1.7 million increase in professional expenses, and $0.8 million increase in depreciation expenses, partially offset by a $2.7 million decrease in legal and compliance expenses. As a percentage of total revenue, general, administrative, and other expenses decreased from 45% to 28%.

Other Income, Net

	Three Months Ended March 31,		Change	
	2024	2025	$	%
Other income, net	$ 2,884	$ 2,078	$ (806)	(28)%

In the three months ended March 31, 2025, other income, net decreased by $0.8 million, or 28%, compared to the same period in 2024, due to a $3.8 million increase in interest expense related to our Notes as a result of issuances of 2029 and 2030 Notes and a $0.1 million decrease in miscellaneous other income, net, partially offset by a $3.1 million increase in dividend income.

Reconciliation of Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements prepared and presented in accordance with GAAP, we use the non-GAAP financial measures of Contribution Profit, Contribution Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) Per Share to provide investors with additional information about our financial performance and to enhance the overall understanding of our past performance and future prospects. We are presenting these non-GAAP financial measures because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple years with the performance of other companies.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our condensed consolidated financial statements prepared and presented in accordance with GAAP.

In particular, some of the limitations with respect to Adjusted EBITDA and Adjusted Margin are as follows:

- Although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA Margin do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA and Adjusted EBITDA Margin exclude stock-based compensation expense and certain employer payroll taxes on employee stock transactions. Stock-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense for our business

and an important part of our compensation strategy. The amount of employer payroll tax-related expense on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business;

- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us; and
- The expenses and other items that we exclude in our calculation of Adjusted EBITDA and Adjusted EBITDA Margin may differ from the expenses and other items, if any, that other companies may exclude from adjusted EBITDA and adjusted EBITDA margin when they report their operating results.

To address these limitations, we provide a reconciliation of Contribution Profit, Contribution Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) Per Share to income (loss) from operations and net income (loss), respectively. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Contribution Profit, Contribution Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) Per Share in conjunction with their respective related GAAP financial measures.

Contribution Profit and Contribution Margin

The following table presents a reconciliation of loss from operations to Contribution Profit and Contribution Margin. We define Operating Margin as our loss from operations divided by revenue from fees, net.

	Three Months Ended March 31,	
	2024	**2025**
Revenue from fees, net	$ 138,068	$ 185,475
Loss from operations	(67,468)	(4,496)
Operating Margin	(49)%	(2)%
Sales and marketing, net of borrower acquisition costs[1]	$ 10,331	$ 10,408
Customer operations, net of borrower verification and servicing costs[2]	7,301	5,960
Engineering and product development	63,091	57,838
General, administrative, and other	57,613	60,558
Interest income, interest expense, and fair value adjustments, net	10,274	(27,896)
Contribution Profit	$ 81,142	$ 102,372
Contribution Margin	59 %	55 %

(1) Borrower acquisition costs were $24.8 million and $48.6 million for the three months ended March 31, 2024 and 2025, respectively. Borrower acquisition costs consist of our sales and marketing expenses adjusted to exclude costs not directly attributable to attracting a new borrower, such as payroll-related expenses for our business development and marketing teams, as well as other operational, brand awareness and marketing activities. These costs do not include reorganization expenses.

(2) Borrower verification and servicing costs were $32.1 million, and $34.5 million for the three months ended March 31, 2024 and 2025, respectively. Borrower verification and servicing costs consist of payroll and other personnel-related expenses for personnel engaged in loan onboarding, verification and servicing, as well as servicing system costs. It excludes payroll and personnel-related expenses and stock-based compensation for certain members of our customer operations team whose work is not directly attributable to onboarding and servicing loans. These costs do not include reorganization expenses.

Adjusted EBITDA and Adjusted EBITDA Margin

The following table provides a reconciliation of net loss and Net Loss Margin to Adjusted EBITDA and Adjusted EBITDA Margin. We define Net Loss Margin as net loss divided by total revenue.

	Three Months Ended March 31,	
	2024	2025
Total revenue	$ 127,794	$ 213,371
Net loss	(64,598)	(2,447)
Net Loss Margin	(51)%	(1)%
Adjusted to exclude the following:		
Stock-based compensation and certain payroll tax expenses[(1)]	$ 37,433	$ 33,636
Depreciation and amortization	5,632	6,400
Expense on convertible notes	1,180	4,959
Provision for income taxes	14	29
Adjusted EBITDA	$ (20,339)	$ 42,577
Adjusted EBITDA Margin	(16)%	20 %

(1) Payroll tax expenses include the employer payroll tax-related expense on employee stock transactions, as the amount is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share

The following table presents a reconciliation of net loss to Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share.

	Three Months Ended March 31,	
	2024	2025
Net loss	$ (64,598)	$ (2,447)
Adjusted to exclude the following:		
Stock-based compensation and certain payroll tax expenses[(1)]	37,433	33,636
Adjusted Net Income (Loss)	$ (27,165)	$ 31,189
Net loss per share:		
Basic	$ (0.74)	$ (0.03)
Diluted	$ (0.74)	$ (0.03)
Adjusted Net Income (Loss) Per Share:		
Basic	$ (0.31)	$ 0.33
Diluted	$ (0.31)	$ 0.30
Weighted-average common shares outstanding:		
Basic	87,030,695	94,274,538
Diluted	87,030,695	103,569,446

(1) Payroll tax expenses include the amount of employer payroll tax-related expense on employee stock transactions, as the amount is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

Liquidity and Capital Resources

Sources and Uses of Cash and Cash Equivalents

As of March 31, 2025, our primary source of liquidity was cash and cash equivalents of $599.8 million. We also held $5.0 million of investments in certificates of deposit with maturities greater than three months as of March 31, 2025. Changes in the balance of cash and cash equivalents are generally a result of working capital fluctuations and the timing of purchases and sales of loans facilitated through our marketplace. To finance purchases of certain loans facilitated through our lending marketplace, we rely on our warehouse credit facilities through the special-purpose trusts and corporate cash.

Our convertible senior notes have an aggregate principal balance of $1,230.4 million and bear interest at a rate of 0.25% per year in the case of the 2026 Notes, 2.00% per year in the case of the 2029 Notes, and 1.00% per year in the case of the 2030 Notes, in each case payable semiannually. The 2026 Notes mature on August 15, 2026, the 2029 Notes mature on October 1, 2029, and the 2030 Notes mature on November 15, 2030, in each case unless earlier converted, redeemed, or repurchased in accordance with their terms. Refer to “*Note 8. Borrowings*” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our Notes.

Our warehouse credit facilities, which mature between December 2025 and June 2028, allow us to borrow up to an aggregate of $475.0 million to purchase unsecured personal loans, $100.0 million to purchase small dollar loans, and up to $50.0 million to purchase auto loans. As of June 14, 2024, the revolving period ended for Upstart Auto Warehouse Trust, and we may no longer draw from the facility. The Upstart Auto Warehouse Trust facility matures in December 2025, by which time all outstanding amounts owed must be repaid. As of March 31, 2025, we have drawn an aggregate of $127.0 million on our warehouse credit facilities. Refer to “*Note 8. Borrowings*” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our warehouse credit facilities.

We have also entered into an “at the market” offering program pursuant to which we may offer and sell, from time to time, shares of our common stock with an aggregate offering price of up to $500 million, as described in the prospectus supplement dated February 14, 2025 filed with the U.S. Securities and Exchange Commission.

We lease office facilities under operating lease agreements which expire between 2027 and 2029. Our cash requirements related to these lease agreements are $52.0 million, of which $15.5 million is expected to be paid within the next 12 months. Refer to “*Note 10. Leases*” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our operating lease obligations.

We have committed to purchase loans from certain lending partners at the conclusion of the required holding period, which is generally equal to three business days. As of March 31, 2025, the total loan purchase commitment was $89.3 million. We have also extended a line of credit to a third-party in connection with one of our committed capital and other co-investment arrangements. As of March 31, 2025, the Company had unfunded commitments related to the line of credit of $7.8 million. The Company also has commitments to fund future advances on HELOCs. As of March 31, 2025, these commitments were $11.2 million, however since we can limit these commitments under certain conditions or these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. See “*Note 11. Commitments and Contingencies*” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our commitments.

In connection with our committed capital and other co-investment arrangements, we are obligated to put a certain amount of our assets at risk in relation to the credit performance of the underlying loans. The risk in these arrangements is subject to a dollar cap, which represents the Company’s maximum exposure to losses in a particular arrangement under severe, hypothetical circumstances, for which the Company believes the possibility is remote. As of March 31, 2025, the Company’s aggregate maximum exposure to losses was $553.6 million. Refer to “*Note 4. Beneficial Interests*” in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our committed capital and co-investment arrangements. Our cash requirements for the next 12 months related to investments in these existing arrangements is estimated to be up to $154.0 million.

While we believe that our cash and cash equivalents on hand will be sufficient to meet our liquidity needs for at least the next 12 months, our future capital requirements will depend on multiple factors, including our revenue growth, working capital requirements, volume of loan purchases for product development purposes or during market downturns, and our capital expenditures. We may decide to raise additional capital through the sale of equity, equity-linked or debt securities or other debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Future debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or equity financing that we raise may contain terms that are not favorable to us or our stockholders. Further, if we are unable to raise additional capital when our cash and cash equivalents balances and cash generated by operations are insufficient to satisfy liquidity needs, our results of operations and financial condition would be materially and adversely impacted.

Cash Flows

The following table summarizes our cash flows during the periods indicated:

	Three Months Ended March 31,	
	2024	2025
Net cash provided by (used in) operating activities[1]	$ 44,337	$ (13,486)
Net cash used in investing activities	(37,547)	(78,569)
Net cash used in financing activities[1]	(35,426)	(44,680)
Change in cash, cash equivalents and restricted cash	$ (28,636)	$ (136,735)

(1) During the second quarter of 2024, the Company elected to change its presentation of changes in the payable to investors balance on the condensed consolidated statement of cash flows. Comparative amounts have been reclassified to conform to the current period presentation. Refer to *Note 1. Description of Business and Significant Accounting Policies* for further information.

Net Cash from Operating Activities

Our main sources of cash provided by operating activities are our revenue from fees earned under contracts with lending partners and institutional investors and interest income we receive for loans held on our balance sheet.

Our main uses of cash in our operating activities include payments to marketing partners, vendor payments, payroll and other personnel-related expenses, payments for facilities, and other general business expenditures.

Net cash used in operating activities was $13.5 million for the three months ended March 31, 2025, which consisted of adjustments for non-cash items of $17.4 million, $28.5 million in net changes in operating assets and liabilities, and net loss of $2.4 million. The increase in non-cash adjustments was primarily related to $29.8 million of stock-based compensation, $7.1 million of changes in fair value of loans, $6.4 million of depreciation and amortization, and $4.1 million of changes in fair value of servicing assets, partially offset by $17.6 million of changes in fair value of beneficial interest assets, $8.4 million of loan premium amortization, and a $4.9 million gain on loan servicing rights. The decrease in net changes in operating assets and liabilities was primarily related to a $48.8 million decrease in accrued expenses and other liabilities, $28.6 million of net payments from purchase and sale of loans held-for-sale, and $6.0 million of settlements of beneficial interest liabilities, partially offset by $38.3 million in principal payments received for loans held-for-sale, $10.3 million in principal payments received for loans held in consolidated securitization, and $6.4 million of changes in other assets.

Net Cash from Investing Activities

Net cash used in investing activities was $78.6 million for the three months ended March 31, 2025 as a result of $149.9 million purchases and originations of loans held-for-investment and $6.2 million of capitalized software costs, partially offset by $57.4 million principal payments received for loans held-for-investment, $16.4 million proceeds from beneficial interest assets, and $2.7 million of principal payments received for notes receivable and repayments of residual certificates.

Net Cash from Financing Activities

Net cash used in financing activities was $44.7 million for the three months ended March 31, 2025 primarily due to $122.3 million repayments of warehouse borrowings and $11.4 million of principal payments made on securitization notes, partially offset by $53.7 million proceeds from warehouse borrowings, $22.9 million increase in amounts payable to investors, $8.2 million proceeds from exercise of stock options, and $4.7 million in proceeds from issuance of common stock under ESPP.

Composition of Balance Sheet Loan Portfolio

As of March 31, 2025, we held $814.7 million of loans on our condensed consolidated balance sheet. $538.2 million of these loans were originated for research and development purposes, primarily in support of our auto lending products, HELOCs, and expansion of our unsecured personal loan product to new categories of borrowers. We also held $187.6 million of core personal loans which would otherwise be immediately purchased by institutional investors and $88.9 million of core personal loans held by the consolidated securitization. We will continue to utilize our capital to support research and development activities and, at times, as a funding source for core personal loans during periods of marketplace funding constraints. The extent and timing of utilizing our capital as a funding source for loans will largely depend on the availability of capital in our marketplace relative to the demand from qualified borrowers and our business priorities. We plan to sell loans held on our balance sheet to institutional investors over time in the form of secondary sales or securitizations.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities that are not reflected on our condensed consolidated balance sheets, generally referred to as off-balance sheet arrangements. These activities involve transactions with unconsolidated VIEs, including sale of whole loans, committed capital and other co-investment arrangements, and sponsored and co-sponsored securitization transactions, which we contractually service. We use these transactions to provide a source of liquidity to finance our business and to diversify our institutional investor base. If we are the retaining sponsor of a securitization transaction, we are required by law to retain at least 5% of the credit risk of the securities issued in these securitizations. We provide additional information regarding transactions with unconsolidated VIEs in “*Note 3. Variable Interest Entities*” in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Our critical accounting policies are described in Part II, Item 7, “*Critical Accounting Policies and Estimates*” in our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no material changes to these policies for the three months ended March 31, 2025.

Recent Accounting Pronouncements

Refer to *"Note 1. Description of Business and Significant Accounting Policies"* in Part I, Item 1 of this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted when applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business, which primarily relate to fluctuations in market discount rates, credit risks, and interest rates. We are exposed to market risk directly through loans and securities held on our condensed consolidated balance sheets, access to the securitization markets, institutional investor demand for loans facilitated through our marketplace, and availability of funding under our warehouse credit facilities. Our inability or failure to manage market risks could harm our business, financial condition or results of operations.

Discount Rate Risk

Discount rate sensitivity refers to the risk of loss to future earnings, values or future cash flows that may result from changes in market discount rates.

As of December 31, 2024 and March 31, 2025, we were exposed to market discount rate risk on $703.4 million and $725.8 million, respectively, of loans held on our condensed consolidated balance sheets, excluding loans held in consolidated securitization. The fair value of these loans is estimated using a discounted cash flow methodology, where the discount rate represents an estimate of the required rate of return by market participants. The changes in the discount rates for loans held on our balance sheet reflect the expected returns of similar financial instruments available in the market and can be caused by changes in the market interest rates, expected loan performance, and other factors. Any gains and losses from discount rate changes are recorded in earnings. A hypothetical 100 basis point and 200 basis point increase in the discount rate would result in a $9.0 million and $17.9 million decrease, respectively, in the fair value of loans as of December 31, 2024 and a $8.8 million and $17.3 million decrease, respectively, as of March 31, 2025.

As of December 31, 2024 and March 31, 2025, we held $102.9 million and $88.9 million, respectively, of loans held in the consolidated securitization which are included in loans, at fair value, on the condensed consolidated balance sheets. The fair value of these loans is determined by the sum of the fair value of the related securitization notes and residual certificates issued as part of the consolidated securitization, and uses the same projected net cash flows as the underlying collateral loan pool. As the Company retained all residual certificates issued by the consolidated securitization, their value is eliminated as part of the consolidation process. A hypothetical 100 basis point and 200 basis point increase in the discount rate do not result in a material impact to the fair value of loans held in consolidated securitization as of December 31, 2024 and March 31, 2025.

As of December 31, 2024 and March 31, 2025, we were also exposed to market discount rate risk on payable to securitization note holders of $87.3 million and $75.9 million, respectively. A hypothetical 100 basis point and 200 basis point increase in the discount rate do not result in a material impact to the fair value of payable to securitization note holders as of December 31, 2024 and March 31, 2025.

As of December 31, 2024 and March 31, 2025, we were also exposed to market discount rate risk on other financial instruments, including $176.8 million and $216.6 million of beneficial interest assets, respectively. Beneficial interest assets are estimated at fair value using a discounted cash flow model which considers projected defaults, losses and recoveries to project future losses and net cash flows on the underlying loans. We use two different discount rates for expected cash flows associated with demonstrated to-date credit performance and those associated with future credit performance. Any gains and losses from discount rate changes are recorded in earnings. A hypothetical 100 basis point and 200 basis point increase in the discount rate would result in a $3.2 million and $6.4 million decrease, respectively, in the fair value of beneficial interest assets as of December 31, 2024, and a $3.7 million and $7.3 million decrease, respectively, as of March 31, 2025.

Credit Risk

Credit risk refers to the risk of loss of loans arising from individual borrower default due to inability or unwillingness to meet their financial obligations. The performance of certain financial instruments, including loans, beneficial interests, securitization notes and residual certificates, and payable to securitization note holders on our condensed consolidated balance sheets are dependent on the credit performance of loans facilitated by us. To manage this risk, we monitor borrower payment performance through our lending marketplace and utilize our AI capabilities to price loans in a manner that we believe is reflective of their credit risk.

The fair values of these loans, beneficial interests, securitization notes and residual certificates, and payable to securitization note holders are estimated based on a discounted cash flow model which involves the use of significant unobservable inputs and assumptions. These instruments are sensitive to changes in credit risk.

As of December 31, 2024 and March 31, 2025, we were exposed to credit risk on $703.4 million and $725.8 million, respectively, of loans held on our condensed consolidated balance sheets, excluding loans held in consolidated securitization. Loans bear fixed interest rates and are carried on our condensed consolidated balance sheets at fair value. As of December 31, 2024, a hypothetical 10% and 20% increase in credit risk would result in a $9.1 million and $18.1 million decrease, and as of March 31, 2025, a hypothetical 10% and 20% increase in credit risk would result in a $7.8 million and $15.4 million decrease in the fair value of loans, respectively.

As of December 31, 2024 and March 31, 2025, we held $102.9 million and $88.9 million, respectively, of loans held in the consolidated securitization which are included in loans, at fair value, on the condensed consolidated balance sheets. The fair value of these loans is determined by the sum of the fair value of the related securitization notes and residual certificates issued by the consolidated entities, and uses the same projected net cash flows as the underlying collateral loan pool. As the Company retained all residual certificates issued by the consolidated securitization, the residual certificates value is eliminated as part of the consolidation process. A hypothetical 10% and 20% increase in the credit risk would result in a $1.8 million and $3.6 million decrease, respectively, in the fair value of loans held in consolidated securitization as of December 31, 2024 and a $1.5 million and $3.0 million decrease, respectively, as of March 31, 2025.

We are also exposed to credit risk through credit risk rate spreads on beneficial interest assets and beneficial interest liabilities held on the condensed consolidated balance sheet of $176.8 million and $10.1 million, respectively, as of December 31, 2024, and $216.6 million and $4.0 million, respectively, as of March 31, 2025. These assets and liabilities are associated with committed capital and other co-investment arrangements with institutional investors and lending partners, in which the Company puts certain amounts of assets at risk. See "*Note 4. Beneficial Interests*" for additional information on maximum exposure to losses from these arrangements. A hypothetical 10% and 20% adverse change in credit risk spread would result in a $44.4 million and $89.6 million decrease, respectively, in the fair value of beneficial interest assets held on our condensed consolidated balance sheet, and would result in a $4.7 million and $10.3 million increase in the fair value of beneficial interest liabilities on our condensed consolidated balance sheet, respectively, as of December 31, 2024. A hypothetical 10% and 20% adverse change in credit risk spread would result in a $53.9 million and $107.0 million decrease, respectively, in the fair value of beneficial interest assets, and would result in a $11.4 million and $23.1 million increase in the fair value of beneficial interest liabilities, respectively, as of March 31, 2025.

Counterparty Risk

We are subject to risk that arises from our derivative financial instruments, line of credit receivable, beneficial interests, warehouse facilities, and third-party custodians. These activities generally involve an exchange of obligations with unaffiliated lenders or other individuals or entities, referred to in such transactions as "counterparties". If a counterparty were to default or otherwise fail to perform, we could potentially be exposed to loss if such counterparty were unable to meet its obligations to us. We manage this risk by selecting only counterparties that we believe to be financially strong, spreading the risk among multiple such counterparties, and placing contractual limits on the amount of dependence on any single counterparty.

As of December 31, 2024 and March 31, 2025, we held $976.3 million and $839.5 million, respectively, related to cash, cash equivalents and restricted cash in business checking accounts and interest-bearing deposit accounts as well as money market accounts at various financial institutions in the United States. We are exposed to credit risk in the event of default by these financial institutions to the extent the amount recorded on our condensed consolidated balance sheets exceeds the insured amounts by the Federal Deposit Insurance Corporation, or FDIC. We reduce credit risk by placing our cash, cash equivalents and restricted cash in reputable institutions.

As of December 31, 2024 and March 31, 2025, $137.4 million and $162.3 million, respectively, of the Company's cash was held by one of our institutional investors in relation to the line of credit receivable and the beneficial interest asset. We mitigate our risk exposure through corporate guarantees provided by the investor.

Interest Rate Risk

An increase in interest rates typically results in an increase in the rate of return required by lending partners and institutional investors, and therefore leads to a decrease in borrower demand. Higher interest rates also correspond with higher payment obligations for borrowers, which may reduce the ability of individual borrowers to remain current on their obligations, leading to increased delinquencies, defaults, borrower bankruptcies and charge-offs, and decreasing recoveries, all of which could have a material adverse effect on our business. We expect these outcomes would generally invert in an environment of decreasing interest rates.

An increase or decrease in interest rates may also impact our exposure to interest rate risk on our warehouse credit facilities. As of December 31, 2024 and March 31, 2025, we were exposed to interest rate risk on $195.6 million and $127.0 million, respectively, under our warehouse credit facilities, which bear floating interest rates. Changes in interest rates may impact our cost of borrowing. We have entered into interest rate cap agreements in connection with certain warehouse credit facilities with an aggregate notional amount of $228.6 million. The interest rate caps provide protection for certain credit facilities against exposure to changes in cash flows to the extent the 1-month SOFR exceeds the strike rate. The Upstart Auto Warehouse Trust interest rate cap matures in April 2029 and the Upstart Loan Trust interest rate cap matures June 2025.

Equity Investment Risk

Our non-marketable equity securities are subject to a wide variety of market-related risks that could substantially reduce or increase the carrying value of our investments.

Our non-marketable equity investments are in equity securities of privately-held companies without readily determinable fair values. We elected to account for each such investment using the measurement alternative which is cost less impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer. The determination of whether an orderly transaction is for an identical or similar investment requires significant management judgment and is inherently complex due to the lack of readily available market data. We consider factors such as differences in the rights and preferences of the investments and the extent to which those differences would affect the fair values of each investment. We also assess our non-marketable equity securities for impairment on a quarterly basis. Our impairment analysis encompasses an assessment of both qualitative and quantitative factors including the investee's financial metrics, market acceptance of the investee's product or technology, general market conditions and liquidity considerations. Adjustments and impairments are recorded in other expense on the condensed consolidated statements of operations and comprehensive loss upon recognition of such adjustments or impairments. As of December 31, 2024 and March 31, 2025, the carrying value of our non-marketable equity securities, which do not have readily determinable fair values, totaled $41.3 million.

ITEM 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2025, our disclosure controls and procedures were designed and function effectively to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

b. Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

c. Limitations on Effectiveness of Disclosure Controls and Procedures

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of disclosure controls and procedures must reflect the fact there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see “*Note 11. Commitments and Contingencies*” in Part I, Item 1 of this Quarterly Report on Form 10-Q and “*Risk Factors*” in Part II, Item 1A of this Quarterly Report on Form 10-Q incorporated herein by reference.

ITEM 1A. RISK FACTORS

RISK FACTORS

Investing in our common stock involves a high degree of risk. The risks and uncertainties described below should be carefully considered, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

SUMMARY OF RISK FACTORS

The material risks that may affect our business, financial condition or results of operations include, but are not limited to, those relating to the following:

- Our business has been and will continue to be adversely affected by economic conditions and other factors that we cannot control.
- If we are unable to maintain diverse and resilient loan funding to our marketplace from institutional investors or successfully manage risks associated with committed capital and other co-investment arrangements, our growth prospects, business, financial condition and results of operations could be adversely affected.
- If we are unable to continue to improve our AI models or if our AI models contain errors or are otherwise ineffective, our growth prospects, business, financial condition and results of operations would be adversely affected.
- If our AI models do not accurately reflect the impact of economic conditions on borrowers' credit risk in a timely manner, the performance of Upstart-powered loans may be worse than anticipated and our AI models may be perceived as ineffective.
- If we are unable to approve a significant number of borrowers for loans through our marketplace, our growth prospects, business, financial condition and results of operations would be adversely affected.
- If our existing lending partners cease or limit their participation in our marketplace or if we are unable to attract new lending partners to our marketplace, our business, financial condition and results of operations will be adversely affected.
- We have a relatively limited operating history, which may result in increased risks, uncertainties, expenses and difficulties, and makes it difficult to evaluate our future prospects.
- If we are unable to manage the risks associated with the Upstart Macro Index (UMI), which we introduced in 2023 and which does not have a long history or proven track record, our credibility, reputation, business, financial condition and results of operations could be adversely affected.
- We have incurred net losses, and we may not be able to achieve profitability in the future.
- If we are unable to manage risks associated with the loans on our balance sheet, our business, financial condition and results of operations may be adversely affected.
- Our revenue growth rate and financial performance in the past may not be indicative of future performance.
- Our quarterly results are likely to fluctuate and as a result may adversely affect the trading price of our common stock.

- Our loan funding arrangements with institutional investors, securitization programs and warehouse credit facilities expose us to certain risks, and if we fail to successfully manage such risks, it may result in the reduced supply of loan funding capital or require us to seek more costly or less efficient financing for our marketplace.
- Our top three lending partners account for a significant portion of loan originations on our marketplace and our revenue.
- Our reputation and brand are important to our success, and if we are unable to continue developing our reputation and brand, our ability to retain existing and attract new lending partners, our ability to attract borrowers to our marketplace, our ability to maintain diverse and resilient loan funding and our ability to maintain and improve our relationship with regulators of our industry could be adversely affected.
- Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations.
- If we are unable to manage the risks related to our loan servicing and collections obligations, our business, financial condition and results of operations could be adversely affected.
- Substantially all of our revenue is derived from a single loan product, and we are thus particularly susceptible to fluctuations in the unsecured personal loan market.
- The sales and onboarding process of new lending partners could take longer than expected, leading to fluctuations or variability in expected revenues and results of operations.
- We are continuing to introduce and develop new loan products and services, and if these products and services are not successful or we are unable to manage the related risks, our growth prospects, business, financial, condition and results of operations could be adversely affected.
- We rely on strategic relationships with loan aggregators to attract applicants to our marketplace, and if we cannot maintain effective relationships with loan aggregators or successfully replace their services, our business could be adversely affected.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business has been and will continue to be adversely affected by economic conditions and other factors that we cannot control.

Uncertainty, volatility and negative trends in general economic conditions historically have created a difficult operating environment for our industry. Many factors, including factors that are beyond our control, have impacted and will continue to impact our business, financial condition and results of operations by affecting the supply of capital to our marketplace from our lending partners and institutional investors, the demand by borrowers for Upstart-powered loans, and borrowers' ability and willingness to repay their loans. These factors include, but are not limited to, interest rates, inflation, personal savings rates, U.S. politics (including state and federal elections, changes in presidential and gubernatorial administrations and related impact to policy), fiscal and monetary policies, recession or fear of recession, unemployment levels, disruptions in the banking sector, lower consumer confidence, reduced consumer discretionary spending, conditions in the housing market, immigration policies, gas prices, energy costs, government shutdowns, trade wars, tariff increases and delays in tax refunds, as well as events such as natural disasters, acts of war, geopolitical conflicts, terrorism, catastrophes and pandemics. If any of these factors negatively affect borrowers, lending partners or institutional investors, or if we are unable to mitigate the risks associated with them, our business, financial condition and results of operations could be adversely affected.

In recent years, the United States experienced historically high levels of inflation. In response, the government implemented policy interventions. The U.S. Federal Reserve raised interest rates eleven times in 2022 and 2023. While the goal was to curb inflation, these interventions may have had, and could continue to have, broad macroeconomic implications, including contributing to an economic downturn, higher unemployment rates or

disruptions to the banking sector. While the U.S. Federal Reserve lowered interest rates in the second half of 2024 in response to indications of lower inflation levels, the timing of additional interest rate cuts, if any, is uncertain.

The current macroeconomic environment and resulting uncertainty and volatility have had, and could continue to have, several effects on our business and results of operations, including, among other things:

- a decrease in loan origination volume;
- a reduction in loan funding from lending partners and institutional investors;
- a reduction in liquidity in the capital markets;
- lower approval rates for, and acceptance of loan offers by, applicants;
- increased utilization of our balance sheet to purchase Upstart-powered loans;
- delays in the adoption of our AI lending marketplace by new lending partners;
- increased delinquencies and default rates for Upstart-powered loans; and
- reductions in workforce.

The current macroeconomic environment has had, and may continue to have, a material adverse effect on our business by affecting the supply of capital to our marketplace from institutional investors and lending partners. For more information, see the risk factors titled "*—If we are unable to maintain diverse and resilient loan funding to our marketplace from institutional investors, our growth prospects, business, financial condition and results of operations could be adversely affected*" and "*—If our existing lending partners cease or limit their participation in our marketplace or if we are unable to attract new lending partners to our marketplace, our business, financial condition and results of operations will be adversely affected.*"

We offer consumer loans on our marketplace, and many consumers that come to our marketplace have poor, limited or no credit history. Such consumers have historically been, and may in the future be, disproportionately affected by adverse macroeconomic conditions. Inflation, higher interest rates, recession or fear of recession, availability of government assistance programs, unemployment, bankruptcy, government interventions, such as stimulus measures, major medical expenses, divorce or death may affect borrowers' ability or willingness to borrow or make payments on loans. Macroeconomic changes have in the past and may in the future negatively impact borrowers' ability and willingness to borrow and make repayments. For more information, see the risk factors titled "*—If we are unable to approve significant number of borrowers for loans through our marketplace, our growth prospects, business, financial condition and results of operations would be adversely affected*."

During an economic down cycle, there is a greater risk that borrowers will not make payments on loans. Also, borrowers may not prioritize repayment of unsecured personal loans over loans that are secured by necessities, for example, mortgages, home equity loans or auto loans. Higher interest rates often lead to higher payment obligations, which may reduce the ability of borrowers to remain current on their obligations. These factors may lead to increased delinquencies, defaults and bankruptcies declared by borrowers, resulting in more charge-offs and fewer recoveries, all of which have had, and could continue to have, a material adverse effect on the credit performance of loans facilitated on our marketplace and our business. From time to time, the vintages of core personal loans that originated in prior quarters may underperform relative to the target returns set at the time of loan origination. For example, as of March 31, 2025, the quarterly vintages that originated in the first quarter of 2023 through the first quarter of 2024 were forecasted to underperform. When a borrower defaults on a loan, it increases our costs to service the loan. If default rates exceed our expectations, demand by our lending partners to originate loans, and institutional investors to fund loans, facilitated through our marketplace could be negatively impacted, with such impacts having occurred in the past. Similarly, any sustained decline in applicant approvability or acceptance of loan offers or loan origination volume, or any increase in delinquencies or defaults by borrowers beyond our expectation, would harm our business, financial condition and results of operations.

If we are unable to maintain diverse and resilient loan funding to our marketplace from institutional investors or successfully manage risks associated with committed capital and other co-investment arrangements, our growth prospects, business, financial condition and results of operations could be adversely affected.

Our business depends on sourcing and maintaining diverse and resilient loan funding from institutional investors to our marketplace. The institutional investors provide loan funding to our marketplace by purchasing whole loans, pass-through certificates and asset-backed securities. Out of the total principal of loan originations facilitated on our marketplace during the three months ended March 31, 2025, 60% were purchased by institutional investors. The availability and capacity of loan funding from institutional investors depend on many factors that are outside of our control, such as economic and market conditions, interest rates, liquidity in the capital markets and regulatory requirements or restrictions, which are subject to change. While we have experienced funding constraints since 2022 due to the macroeconomic environment, we have since increased loan funding capacity. We cannot be sure that the existing funding sources will continue to be available, or any new funding source will become available, on commercially reasonable terms or at all. Decreased funding from institutional investors has negatively impacted our business in the past, and may negatively impact us in the future. Any sustained decline in investor demand for Upstart-powered loans or securities secured by such loans for any reason, including due to adverse economic conditions or due to any increase in delinquencies, defaults or losses beyond our expectation, may adversely affect our financial results.

A significant portion of our loan funding from institutional investors comes from committed capital and other co-investment arrangements. These arrangements may include terms that provide downside risk protection, subject to certain limits and conditions. In particular, we have agreed to compensate certain investors, subject to a limit, if credit performance on the loans under these arrangements deviates from our initial expectations and, subject to certain conditions, if we are unable to sell the minimum required volume of loans to our committed capital providers. As such, if the loans do not perform as expected due to unexpected shifts in borrower behaviors, ability to pay or otherwise, if we have a decrease in borrower demand for Upstart-powered loans, or if our models' expectation for credit performance is inaccurate for any reason, our financial results could be adversely impacted. As of March 31, 2025, our maximum exposure to losses under these committed capital and other co-investment arrangements was approximately $553.6 million. This amount has grown from $169.6 million as of March 31, 2024, as we have entered into more committed capital and other co-investment arrangements. As the amount of our maximum exposure to losses under these arrangements grows and may continue to grow in the future, risks associated with committed capital and other co-investment arrangements could have a greater impact on our business, financial condition and results of operations. Committed capital and other co-investment arrangements may negatively impact our financial results through unfavorable fair value adjustments, with such impacts having occurred in the past and may occur again in the future. We may also experience declines in revenue and transaction volume if existing committed capital or other capital arrangements do not provide funding on the agreed upon terms or we fail to secure additional committed capital or other capital arrangements in the future on commercially reasonable terms or at all. Moreover, the capital arrangements that we entered into during a high interest rate environment, such as the committed capital and other co-investment arrangements, may become more costly if interest rates continue to fall and the terms of such arrangements remain in place. Despite our efforts, we may continue to experience funding constraints and cannot be certain if any measures we have taken, such as committed capital or other co-investment arrangements, or will take to address or mitigate the effects of funding constraints, will be sufficient or successful. In the event of funding constraints, we may not be able to maintain our current loan origination volume without incurring substantially higher funding costs, agreeing to terms that are not favorable to us or relying on our balance sheet to support funding, each of which could adversely affect our business, financial condition and results of operations.

We cannot be certain about the level of investor demand for securitizations. Events of default or breaches of financial, performance or other covenants, or worse than expected performance of certain pools of loans underpinning our asset-backed securitizations, debt facilities or other structured and unstructured transactions, have limited in the past and could limit our access to funding from institutional investors. For example, as of March 31, 2025, the loans originated in 2021 through 2023 that were included in our asset-backed securitizations had

underperformed relative to their expected target returns at the time of origination, resulting in negative rating agency actions in several of our asset-based securitizations.

If we are unable to continue to improve our AI models or if our AI models contain errors or are otherwise ineffective, our growth prospects, business, financial condition and results of operations would be adversely affected.

Our ability to attract potential borrowers, and thus increase loan originations on our marketplace, depends in large part on our ability to effectively evaluate the creditworthiness of borrowers and likelihood of default and, based on that evaluation, offer competitively priced loans. Our overall operating efficiency and margins further depend in part on our ability to maintain a high degree of automation in our application process and achieve incremental improvements in the degree of automation. If our AI models fail to adequately predict the creditworthiness of borrowers and the likelihood of default due to the design of our models or programming or any other errors or inaccuracies, and our AI models do not detect or account for such errors or inaccuracies, or any of the other components of our credit decisioning process fails, there could be higher than forecasted losses on Upstart-powered loans. Any of the foregoing could result in sub-optimally priced loans or incorrect approvals or denials of loans, any of which may lead to lower demand by borrowers and reduce loan originations and our revenue. Moreover, in addition to reduced borrower demand, higher than expected losses on Upstart-powered loans could further harm our ability to attract lending partners and/or capital to our marketplace. Our lending partners and institutional investors may decide to limit their funding or reduce the number of loans or types of loans they originate or fund if they experience higher than expected losses due to underperformance of the loans. The underperformance of Upstart-powered loans as compared to the expectations set by our AI models can have a negative impact on our financial results, as while subject to certain limits, we are obligated in certain arrangements to provide downside risk protection to our capital partners and compensate them for any deviation in expected credit performance of the loans sold in connection with the committed capital and other co-investment arrangements. It may also hinder our ability to increase the size of, or enter into new, debt facilities or other financing arrangements.

Our AI models also target, optimize or predict other aspects of the lending process, such as borrower acquisition, fraud detection, default timing, loan stacking and prepayment timing. Our continued improvements to such models have allowed us to facilitate loans inexpensively and virtually instantly, with a high degree of consumer satisfaction while maintaining loan performance. However, such applications of our AI models may prove to be less predictive than we expect, or than they have been in the past, for a variety of reasons, including inaccurate assumptions or other errors made in constructing such models, incorrect interpretations of the results of such models and failure to update model assumptions and parameters in a timely manner. It is also possible that the instant approval process on our marketplace makes us a target for certain borrowers who intend to accumulate as much debt as quickly as possible without regard for the viability of repayment. Additionally, such models may not be able to effectively account for matters that are inherently difficult to predict and beyond our control, such as macroeconomic conditions, credit market volatility and interest rate fluctuations, which often involve complex interactions between a number of dependent and independent variables and factors. Material errors or inaccuracies in such AI models could lead us to make inaccurate or sub-optimal operational or strategic decisions, which could adversely affect our business, financial condition and results of operations.

If our AI models do not accurately reflect the impact of economic conditions on borrowers' credit risk in a timely manner, the performance of Upstart-powered loans may be worse than anticipated and our AI models may be perceived as ineffective.

The performance of loans facilitated through our marketplace is significantly dependent on the effectiveness of our proprietary AI models used to evaluate a borrower's credit profile and likelihood of default. Our AI models have not been extensively tested during different types of economic downturns or recessions. Even if credit decisions take into account macroeconomic conditions, there is no assurance that our AI models can accurately predict loan performance during periods of adverse economic conditions or quickly respond to changing economic conditions. If our AI models are unable to accurately reflect the credit risk of loans under such economic conditions, we, our lending partners and our institutional investors would experience greater than expected losses on such loans, which would harm our reputation and erode the trust we have built with our lending partners and

institutional investors. We have experienced and may continue to experience high delinquency rates and underperformance of loans originated using our AI models in recent periods. For example, as of March 31, 2025, the quarterly vintages of core personal loans that originated in the first quarter of 2023 through the first quarter of 2024 were forecasted to underperform relative to the target returns set at the time of loan origination. The fair value of the loans on our balance sheet has declined and may continue to decline. Our business, financial condition and results of operations can continue to be adversely affected if our AI models are not able to accurately and timely assess the impact of macroeconomic conditions on the performance and default rates of loans facilitated through our marketplace.

If we are unable to approve a significant number of borrowers for loans through our marketplace, our growth prospects, business, financial condition and results of operations would be adversely affected.

The vast majority of our revenue comes from platform and referral fees and servicing fees on loans facilitated through our marketplace. Growing our revenue from fees depends in significant part on our ability to increase the transaction volume of consumer loans on our marketplace. To serve more consumer demand for credit and increase transaction volume on our marketplace, we must have an adequate supply of capital from lending partners and institutional investors, we must drive sufficient demand from potential borrowers seeking loans, and the borrowers must satisfy the requirements for approval established by our models and our lending partners.

While we continue to improve the accuracy of our AI models, which we believe is key to our long-term success, such improvements may not lead to more borrowers being approved on our platform. These improvements have led us in the past and may lead us in the future to reevaluate our credit decisioning process, including the risks associated with certain borrowers. Changes in borrower default patterns and increases in the numbers of borrowers who default have in the past and could in the future result in fewer borrowers being approved for loans on our platform. In addition, our lending partners' credit requirements and the target returns our institutional investors and lending partners demand in order to provide capital to our marketplace have, and could continue to, negatively impact our ability to extend loan offers with competitive terms or at all to certain borrowers on our marketplace. If we are not able to fill funding commitments by our institutional investors or lending partners, we risk jeopardizing our current or future supply of capital to our marketplace.

In the current macroeconomic environment with elevated costs of borrowing and risks associated with consumer credit, the pool of qualified borrowers has become smaller, and fewer applicants have received or accepted loan offers on our marketplace than they have in the past. Approving more borrowers can also be limited as we have historically held the maximum annual percentage rate of Upstart-powered loans to 35.99% or less due to regulatory reasons. Moreover, loan terms have become less borrower-friendly in the current environment with higher interest rates, and we have experienced an overall decrease in borrower demand. These factors have and may continue to negatively affect transaction volume on our marketplace and therefore our revenue. If we are not able to maintain or increase transaction volume on our marketplace, or attract and retain qualified borrowers, our growth prospects, business, financial condition and results of operations would be adversely affected.

If our existing lending partners cease or limit their participation in our marketplace or if we are unable to attract new lending partners to our marketplace, our business, financial condition and results of operations will be adversely affected.

Our success depends in significant part on the participation of our lending partners in our marketplace. In the three months ended March 31, 2025, 74% of our total revenue was generated from platform, referral and servicing fees that we receive from our lending partners. Our lending partners also provide loan funding to our marketplace by retaining a significant portion of the loans facilitated through our marketplace. Out of the total principal of loan originations facilitated on our marketplace during the three months ended March 31, 2025, 29% were retained by our lending partners. If we are unable to keep existing lending partners or attract new lending partners to our marketplace, or if we are unable to maintain or increase the portion of loans retained by the lending partners, our financial performance could suffer.

Our lending partners may suspend, limit or cease their participation in our marketplace for a number of reasons. While lending partners' loan funding to our marketplace has started to improve, we have experienced a reduction of loan originations by lending partners in the past due to disruptions in the banking sector and adverse macroeconomic conditions. If our lending partners suspend, limit or cease their operations or terminate their relationships with us, the number of loans facilitated through our marketplace will decrease and our revenue will be adversely affected. Moreover, new lending partners may find our sales and onboarding process to be long and unpredictable. If we are unable to timely onboard our lending partners, or if our lending partners are not willing to work with us to complete an onboarding process, our results of operations could be adversely affected.

We enter into a separate agreement with each of our lending partners. Our agreements with our lending partners are nonexclusive and may contain minimum fee amounts. Our lending partners could decide to stop working with us, ask to modify their agreement terms in a cost prohibitive manner when their agreement is up for renewal or enter into exclusive or more favorable relationships with our competitors. In addition, federal or state regulators may require that they terminate or otherwise limit their business with us, or impose regulatory pressure limiting their ability to do business with us. See the risk factors titled "*—Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations*" and "*—The CFPB has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other agency could impact our business*" for more information. Moreover, we could in the future have disagreements or disputes with any of our lending partners, which could negatively impact or threaten our relationship with them. In our agreements with lending partners, we make certain representations and warranties and covenants concerning our compliance with specific policies of a lending partner, certain procedures and guidelines related to laws and regulations applicable to our lending partners, as well as the services to be provided by us. If those representations and warranties were not accurate when made or if we fail to perform a covenant, we may be liable for any resulting damages, including potentially any losses associated with impacted loans, and our reputation and ability to continue to attract new lending partners would be adversely affected. Additionally, our lending partners may engage in mergers, acquisitions or consolidations with each other, our competitors or with third parties, any of which could be disruptive to our existing and prospective relationships with our lending partners. If we fail to maintain or grow the number of lending partners, our business, financial condition and results of operations could be adversely affected.

We have a relatively limited operating history, which may result in increased risks, uncertainties, expenses and difficulties, and makes it difficult to evaluate our future prospects.

We were founded in 2012 and have been a publicly traded company for a limited number of years. Our limited operating history may make it difficult to make accurate predictions about our future performance. Assessing our business and future prospects may also be difficult because of the risks and difficulties we face. These risks and difficulties include our ability to:

- successfully mitigate any adverse effects of economic conditions such as high interest rates, inflation, unemployment levels, personal savings rates and other macroeconomic factors on our business;
- improve the effectiveness and predictiveness of our AI models, including successfully adjusting our proprietary AI models, products and services in a timely manner in response to changing macroeconomic conditions and fluctuations in the credit market;
- maintain and increase the volume of loans facilitated through our AI lending marketplace;
- successfully maintain diverse and resilient loan funding to our marketplace from institutional investors;
- attract new lending partners to our marketplace and maintain existing lending partnerships;
- successfully meet our borrower demand with competitive products and terms;
- offer competitive interest rates to borrowers on our marketplace, while enabling our lending partners and institutional investors to achieve an adequate return over their cost of funds;

- successfully build our brand and protect our reputation from negative publicity;
- increase the effectiveness of our marketing strategies;
- continue to expand the number of potential borrowers;
- comply with and successfully adapt to complex and evolving regulatory environments;
- protect against increasingly sophisticated fraudulent borrowing and online theft;
- successfully compete with companies that are currently in, or may in the future enter, the business of providing online lending services to financial institutions or consumer financial services to borrowers;
- enter into new markets and introduce new products and services;
- effectively secure and maintain the confidentiality of the information received, accessed, stored, provided and used across our systems;
- successfully obtain and maintain corporate funding and liquidity to support growth and for general corporate purposes;
- attract, integrate and retain qualified employees; and
- effectively manage and expand the capabilities of our operations teams, outsourcing relationships and other business operations.

If we are not able to timely and effectively address these risks and difficulties as well as those described elsewhere in this "*Risk Factors*" section, our business and results of operations may be harmed.

If we are unable to manage the risks associated with the Upstart Macro Index (UMI), which we introduced in 2023 and which does not have a long history or proven track record, our credibility, reputation, business, financial condition and results of operations could be adversely affected.

UMI is our effort to quantify the level of macroeconomic risks in terms of the losses or defaults within Upstart-powered unsecured personal loan portfolios, excluding small dollar loans. We introduced UMI in 2023 and it does not have a long history or track record. Since it is a relatively new initiative, UMI remains unproven and, therefore, may not perform as expected. We intend to continue our research and development efforts to improve UMI. In light of such efforts, we have revised our previously published UMI values, including to remove seasonal patterns, and may further change or revise the current or past UMI values in the future. Any significant changes or revisions could harm our reputation and credibility with our lending partners and institutional investors, which in turn could adversely affect our business, financial condition and results of operations.

Furthermore, the correlation between UMI and the level of macroeconomic risks in terms of losses or defaults within Upstart-powered unsecured personal loan portfolios may not be as significant or meaningful as we expect. If the correlation between UMI and the level of macroeconomic risks is misaligned or skewed in a way that is unacceptable to our lending partners or institutional investors, or UMI fails to accurately or adequately quantify the level of macroeconomic risks, this lack of a meaningful correlation may result in distrust or disregard of UMI. This outcome could adversely affect our reputation and credibility with our lending partners and institutional investors and thus, negatively impact our business, financial condition and results of operations.

UMI is based on our analysis of the losses within Upstart-powered unsecured personal loan portfolios, excluding small dollar loans, and is specific to our borrower base. Because the composition of our borrower base changes over time and UMI is an aggregate computed across all Upstart-powered unsecured personal loans, except small dollar loans, UMI may not be the best indicator of the level of macroeconomic risks for a specific subset of loans or borrower segments. UMI is not intended to measure the macroeconomic risks in terms of losses of loan portfolios or assets that are not Upstart-powered loans, including loans held by other segments of the U.S. population. It is not designed to measure the current state of the overall economy or to measure or predict future macroeconomic conditions, trends or risks. It is also not designed to measure or predict Upstart's future loan performance, results of operations or stock price. Investors, lending partners and analysts may improperly use or rely

on UMI for these or other unintended purposes, or otherwise misunderstand or misinterpret UMI. If UMI is misunderstood or misinterpreted in these ways, it could harm our reputation and credibility with our lending partners and institutional investors and impair our ability to retain and attract them to our lending marketplace. This could further reduce the number or types of loan products that our lending partners and institutional investors are willing to fund. Any failure to manage the foregoing risks could adversely affect our ability to maintain diverse and resilient loan funding to our marketplace, which in turn would negatively impact our business, financial condition and results of operations.

We have incurred net losses, and we may not be able to achieve profitability in the future.

For the three months ended March 31, 2025, we incurred a net loss of $2.4 million. We have expended, and intend to continue to expend, significant funds to develop and improve our proprietary AI models, attract additional borrowers to our marketplace, enhance the features and overall user experience on our platform, expand loan product offerings and otherwise continue to grow our business, and we may not be able to increase our revenue enough to offset these significant expenditures. We have incurred, and expect to incur in the future, significant losses for a number of reasons, including the other risks described in this section, and unforeseen expenses, difficulties, complications and delays, macroeconomic conditions and other unknown events. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses would prevent us from being profitable. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition and results of operations could be adversely affected.

If we are unable to manage risks associated with the loans on our balance sheet, our business, financial condition and results of operations may be adversely affected.

We have held more Upstart-powered loans on our balance sheet in recent years and may continue to do so in the future. We have used, and may continue to use, our balance sheet to support our research and development activities for new loan products and borrower segments. In addition to research and development activities, we have used and may continue to use our balance sheet to purchase Upstart-powered loans from lending partners to address fluctuations in supply and demand in our marketplace and periodically sell these loans to institutional investors prior to their maturity. Out of the total principal of loan originations facilitated on our marketplace during the three months ended March 31, 2025, 11% were held on our balance sheet. As of March 31, 2025, we held $725.8 million of loans on our balance sheet, excluding loans held in consolidated securitization. We hold loans on our balance sheet at fair value and estimate fair value using a discounted cash flow methodology. An increase in the market interest rates reduces the fair value of loans held on our balance sheet by increasing the discount rate used to determine fair value under the discounted cash flow methodology. Currently, we are in a high interest rate environment. The high interest rates have negatively affected the fair value of loans held on our balance sheet and may continue to do so in the future. In addition, for these loans and any future loans to be held on our balance sheet, we bear the credit risk in the event of borrower default. Our exposure to rising borrower default rates and their volatility has increased, and may continue to increase, as we hold more Upstart-powered loans on our balance sheet. The R&D loans make up a substantial portion of the loans held on our balance sheet and are generally more risky and more likely to default than the core personal loans.

At times, the default rates and charge-offs for these loans have been higher than expected for certain loan categories, and consequently, we had to make unfavorable fair value adjustments to the loans on our balance sheet. Unfavorable fair value adjustments have negatively impacted our revenue in the past, and if we experience higher than expected default rates or the loans otherwise fail to perform as expected, we would need to make unfavorable fair value adjustments in the future, which would negatively impact our revenue. It is also possible that we may recognize a loss if we sell the loans held on our balance sheet, such as the R&D loans, at an unfavorable price. Furthermore, a portion of our revenue is interest income derived from the loans held on our balance sheet, and if we increase the amount of loans held on our balance sheet, we become more dependent on interest income as a source of revenue and become more vulnerable to credit risk and borrower defaults associated with these loans. From a liquidity perspective, a growing amount of loans on our balance sheet increases our liquidity risk. We cannot be certain whether we will be able to sell loans currently on our balance sheet, or any future loans to be put on our balance sheet, on commercially reasonable terms or at all. If we are unable to do so, it is possible that our ability to

meet our operational needs and obligations may be disrupted. Moreover, the use of our balance sheet diverts financial resources from other uses, such as improving our products and services, which could have an adverse effect on our results of operations.

Our revenue growth rate and financial performance in the past may not be indicative of future performance.

We grew rapidly in the past, and our historical revenue growth rate and financial performance may not be indicative of our future performance. Our revenue for any previous quarterly or annual periods should not be relied upon as any indication of our revenue or revenue growth in the future. Our revenue may decline in the future for a number of reasons, which may include: adverse macroeconomic conditions, changing interest rates, slowing demand for or reduced funding through our lending marketplace, sales of loans held on our balance sheet at a loss, losses from our committed capital and co-investment arrangements with institutional capital partners, increasing competition, credit market volatility, increasing regulatory costs and challenges and our failure to capitalize on growth opportunities.

We believe our growth was driven in large part by our AI models and our continued improvements to our AI models. Future incremental improvements to our AI models may not lead to the same level of growth as they did in the past. In addition, we believe our past growth was driven in part by our ability to rapidly streamline and automate the loan application and origination process on our platform. We expect the Percentage of Loans Fully Automated to level off and remain relatively stable in the long term. However, the expansion of loan offerings on our platform beyond unsecured personal loans, such as auto financing and home equity lines of credit, may cause fluctuations of such percentage from period to period depending on the loan offering mix. As a result of these factors, our revenue may further decline, and our financial performance may continue to be adversely affected.

Our quarterly results are likely to fluctuate and as a result may adversely affect the trading price of our common stock.

Our quarterly results of operations, including our revenue, net income (loss) and other key metrics, are likely to vary significantly in the future, and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results for any one quarter are not necessarily an accurate indication of future performance. Our quarterly financial results may fluctuate due to a variety of factors, many of which are outside of our control. Factors that may cause fluctuations in our quarterly financial results include but are not limited to:

- general economic conditions, including economic slowdowns, recessions, interest rate changes, inflation, tightening of credit markets and disruptions in the banking sector;
- our cost of borrowing money and access to loan funding sources;
- our ability to improve the effectiveness and predictiveness of our AI models, including improvements that negatively impact transaction volume, such as lower approval rates;
- our ability to attract new lending partners and institutional investors to our marketplace;
- our ability to maintain relationships with existing lending partners and institutional investors;
- our ability to maintain or increase loan volumes, and improve loan mix and the channels through which the loans, lending partners and loan funding are sourced;
- our ability to maintain effective relationships with loan aggregators from which prospective borrowers access our website;
- our ability to identify and prevent fraudulent activity and the impact of fraud prevention measures;
- changes in the fair value of assets and liabilities on our balance sheet;
- the timing and success of new products and services;
- the effectiveness of our direct marketing and other marketing channels;

- the amount and timing of operating expenses related to maintaining and expanding our business, operations and infrastructure, including acquiring new and maintaining existing lending partners and institutional investors and attracting borrowers to our marketplace;
- the number and extent of prepayments of loans facilitated on our platform;
- the availability and integrity of our network, products and services or infrastructure, or actual or perceived security breaches or incidents experienced by us or third parties that we rely on to operate our business;
- our involvement in litigation or regulatory enforcement efforts (or the threat thereof) or those that impact our industry generally;
- the length of the onboarding process related to acquisitions of new lending partners;
- changes in laws and regulations, or interpretations of such laws and regulations, that impact our business; and
- changes in the competitive dynamics of our industry, including consolidation among competitors or the development of competitive products by larger well-funded incumbents.

In addition, we typically experience seasonality in the demand for Upstart-powered loans, which is generally lower in the first quarter. This seasonal slowdown is primarily attributable to high loan demand around the holidays in the fourth quarter and the general increase in borrowers' available cash flows in the first quarter, including cash received from tax refunds, which temporarily reduces borrowing needs. Such seasonality and other fluctuations in our quarterly results may also adversely affect and, increase the volatility of, the trading price of our common stock.

Our loan funding arrangements with institutional investors, securitizations and warehouse credit facilities expose us to certain risks, and if we fail to successfully manage such risks, it may result in the reduced supply of loan funding capital or require us to seek more costly or less efficient financing for our marketplace.

We have facilitated securitizations, and may in the future facilitate additional securitizations, of Upstart-powered loans to allow our institutional investors, certain lending partners and/or ourselves to liquidate or finance such loans through the asset-backed securities markets or through other capital markets products. In asset-backed securities transactions, we sell and convey pools of loans to a special purpose entity, or SPE. We likewise fund certain loans on our balance sheet by selling loans to warehouse trust SPEs and drawing on the associated warehouse credit facilities. Each securitization SPE issues notes and/or certificates pursuant to the terms of indentures and trust agreements. In the case of the warehouse credit facilities, the warehouse trust SPE borrows money from banks pursuant to credit and security agreements. The securities issued by the SPEs in asset-backed securitization transactions and the lines of credit borrowed by the warehouse SPEs are each secured by the pool of loans owned by the applicable SPE. We, our institutional investors who have purchased whole loans or pass-through certificates, and/or our lending partners contribute loans to the SPE and in exchange, receive cash and/or securities representing debt and/or equity interests in such SPE.

When we are the sole sponsor of securitizations, we are required under Regulation RR to retain at least five percent of the credit risk in such transactions for a specific period of time, depending on the type of asset that is securitized. We have in the past and may choose in the future to retain additional securities, such as notes or certificates, issued in asset-backed securitization transactions we sponsor or facilitate. The certificates represent residual equity interests in the SPEs and are subordinated to the notes and thus are exposed to greater credit risk. In 2023 and 2024, we acted as a sole retaining sponsor to asset-backed securitizations and, in one instance, retained not only the securities required for risk retention purposes under Regulation RR, but also additional residual equity interests, exposing us to greater credit risk. The securities we retain may lose value, including becoming worthless. In the future, we may retain securities issued as part of our securitizations beyond risk retention requirements again. In addition, other matters, such as capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, macroeconomic factors impacting allocations of funds or increasing competition from other issuers of asset-backed securities, could negatively impact our business by decreasing institutional investor demand for securities issued through our securitization transactions. In addition,

compliance with certain regulatory requirements, including the Dodd-Frank Act, the Investment Company Act of 1940, as amended, or the Investment Company Act, the so-called "Volcker Rule," and states licensing requirement changes to include SPEs, may affect the type of securitizations that we are able to complete.

If it is not possible or economical for us to securitize loans in the future or for us to serve as risk retention holder in securitizations for the benefit of our investors who have purchased whole loans or pass-through certificates and/or our lending partners, we may need to seek alternative financing to provide loan funding to our marketplace and to meet our existing debt obligations. Such funding may not be available on commercially reasonable terms, or at all. If the cost of such loan funding mechanisms were to be higher than that of our securitizations it would negatively impact our results of operations. If we are unable to access such financing, our ability to originate loans and our results of operations, financial condition and liquidity may be materially adversely affected.

The servicing fees generated by our loan servicing activities for the loans sold to institutional investors and contributed to asset-based securitizations and pass-through certificate transactions also represent a material portion of our earnings. There is no assurance that our institutional investors will continue to purchase loans or securities (either through whole loan sales, asset-backed securities, pass-through certificate issuances or other direct or indirect purchase arrangements) or that they will continue to purchase loans in transactions that generate the same spreads and/or fees that we have historically obtained. In the past, we sold loans that had been originated in an earlier, lower interest rate environment. We recognized losses on these sales which reduced our revenue. As we purchase and hold more loans on our balance sheet, our business, financial condition and results of operations could be adversely affected, including further reductions in revenue. Factors that may affect demand by institutional investors for Upstart-powered loans include:

- competition in the whole loan sales markets where we compete with loan originators who can sell either larger loan portfolios or loans that have characteristics, pricing and terms that may be perceived to be more desirable to certain institutional investors than those offered in Upstart-powered loans that comprise our whole loan sales;
- competition in the securitization markets where we compete with loan originators and other issuers who can securitize or sell pools of loans (which such pools may include Upstart-powered loans, on a commingled basis or otherwise) with characteristics, pricing and terms that may be perceived to be more desirable to certain institutional investors than those offered in Upstart-powered loans contributed to asset-based securitization transactions that we facilitate;
- the extent to which servicing fees and other expenses may reduce overall net return on purchased pools of loans;
- the actual or perceived credit performance of loan products offered through our marketplace;
- economic conditions such as high interest rates, inflation, economic volatility and other macroeconomic factors;
- risk appetite of our institutional investors;
- the loan grade and term mix of the portfolios of loans offered for sale;
- institutional investors' sector and company investment diversification requirements and strategies;
- higher yielding investment opportunities at a risk profile deemed similar to our sold loan portfolios;
- borrower prepayment behavior within the underlying pools;
- regulatory or investment practices related to maintaining net asset value, mark-to-market and similar metrics surrounding pools of purchased loans; and
- the ability of our institutional investors to access funding and liquidity channels, including warehouse financing and securitization markets, on terms they find acceptable to deliver an appropriate return net of funding costs, as well as general economic conditions and market trends, such as increasing interest rates, that affect the appetite for loan financing investments.

In connection with our committed capital and other co-investment arrangements, we have agreed to compensate our loan buyers/co-investors, subject to a limit, if credit performance on the loans deviates from expectations. As of March 31, 2025, our maximum exposure to losses under these committed capital and other co-investment arrangements was approximately $553.6 million. See "*Note 4. Beneficial Interests*" for more information. Committed capital and other co-investment arrangements could negatively impact our financial results. We may also experience declines in revenue and loan volume if existing committed capital or other co-investment arrangements do not provide funding on the agreed upon terms or we fail to secure additional committed capital or other capital arrangements on commercially reasonable terms, or at all.

We are also subject to risk that arises from our derivative instruments, beneficial interests, warehouse facilities, and third-party custodians. These activities generally involve an exchange of obligations with unaffiliated lenders or other individuals or entities, referred to in such transactions as "counterparties". If a counterparty were to default or otherwise fail to perform, we could potentially be exposed to loss if such counterparty were unable to meet its obligations to us, which could adversely affect our business, financial condition and results of operations.

Our top three lending partners account for a significant portion of loan originations on our marketplace and our revenue.

Our top three lending partners originate a significant portion of loans on our marketplace. In the three months ended March 31, 2025, our top three lending partners collectively originated 83% of the Transaction Volume, Number of Loans and accounted for 57% of our total revenue. There are no minimum commitments for our lending partners to originate any volume of loans under our agreements. If our top three lending partners were to suspend, limit or cease their operations or otherwise terminate their relationship with us, our business, financial condition and results of operations would be adversely affected. As of March 31, 2025, we had more than 100 lending partners participating on our marketplace, and we continue to expand our lending partnerships to new participants. If we are unable to continue to increase the participation by other lending partners on our marketplace, we will continue to be reliant on a small number of lending partners for a significant portion of loan originations and revenue, which could harm our business.

Our reputation and brand are important to our success, and if we are unable to continue developing our reputation and brand, our ability to retain existing and attract new lending partners, our ability to attract borrowers to our marketplace, our ability to maintain diverse and resilient loan funding and our ability to maintain and improve our relationship with regulators of our industry could be adversely affected.

We believe maintaining a strong brand and trustworthy reputation is critical to our success and our ability to attract borrowers to our marketplace, attract new lending partners, maintain diverse and resilient loan funding and sustain good relations with regulators. Factors that affect our brand and reputation include: perceptions of AI, our industry and our company, including the quality and reliability of our AI lending marketplace; the accuracy of our AI models; characterizations of our company due to our novel business model; perceptions regarding the application of AI to consumer lending specifically and that algorithmic-based lending is inherently biased; perceptions of rate exportation and the bank partnership model; the reputation of the vehicle dealerships with which we partner; loan funding to our marketplace; changes to the Upstart marketplace; our ability to effectively manage and resolve borrower complaints; collection practices; privacy and data security practices; litigation, such as class action and shareholder derivative lawsuits described in *"Legal"* section under *"Note 11. Commitments and Contingencies"*; regulatory activity; and the overall user experience of our marketplace. Negative publicity or negative public perception of these factors, even if inaccurate, could adversely affect our brand and reputation.

For example, consumer advocacy groups, state legislatures, politicians and certain government and media reports have advocated governmental action to prohibit or severely restrict consumer loan arrangements where banks contract with a third-party platform such as ours to provide origination assistance services to bank customers. Such criticism has frequently been levied in the context of high-interest "payday" loans, although other entities operating programs through which loans similar to Upstart-powered loans are originated have also faced criticism. In addition, some state legislatures are now challenging the right of state-chartered banks to export their home-state

rates to other states by proposing, threatening to propose, or passing laws that opt out of the federal Depository Institution Deregulation Monetary Control Act, or DIDMCA. Opting out purportedly prevents out-of-state, state-chartered banks from exporting the rates from their home state for loans made to residents of the state that opted out. Iowa opted out of DIDMCA in the 1980s and in 2023, Colorado passed a law to opt out. The Colorado law is currently subject to an injunction that prevents enforcement, pending outcome of litigation regarding the effectiveness of such opt out. The high-interest loans that have been subject to more frequent criticism and challenge are fundamentally different from Upstart-powered consumer loans in many ways, including that Upstart-powered loans typically have lower interest rates and longer terms, and are not refinanced. In particular, interest rates of Upstart-powered consumer loans have always been and are currently less than 36% APR, as compared to the triple-digit interest rates of many payday or small dollar loans that have been subject to such criticism. However, states that are addressing their marketplace lending and rate exportation concerns through legislation may impact our marketplace if the state rate limit is below 36%. Where that happens, our state-chartered lending partners may need to scale back lending on our marketplace to comply with state laws or may terminate their participation in our marketplace, leading to a reduction in origination volume. These challenges to the marketplace lending model could also negatively impact demand for Upstart-powered loans, our ability to attract new lending partners, our ability to attract loan funding to our marketplace or reduce the number of potential borrowers to our marketplace. Any of the foregoing could adversely affect our results of operations and financial condition.

Any negative publicity or public perception of Upstart-powered loans or other similar consumer loans or the consumer lending services we provide may also result in us being subject to more restrictive laws and regulations and potential investigations and enforcement actions. For example, some unfair or deceptive practices by vehicle dealerships can be attributed to us as a purchaser of retail installment contracts under the FTC Holder Rule, which allows a vehicle purchaser to bring any claim it has against the dealership against the current holder of the retail installment contract. Borrowers may complain about our data sharing practices, even though such practices are described in our privacy policy and comply with applicable laws and regulations. In addition, regulators may decide they are no longer supportive of our AI lending marketplace if there is enough negative perception surrounding the use of AI or the bank partnership model. We may also become subject to lawsuits, including class action lawsuits, or other challenges such as government enforcement or arbitration, against our lending partners or us for loans originated by our lending partners on our marketplace, loans we service or have serviced, loans we hold for sale or investment on our balance sheet, or retail installment contracts we have purchased. If there are changes in the laws or in the interpretation or enforcement of existing laws affecting consumer loans similar to those offered on our marketplace, or our marketing and servicing of such loans, or if we become subject to such lawsuits, our business, financial condition and results of operations would be adversely affected.

AI and related technologies are subject to public debate and heightened regulatory scrutiny. Although policy prerogatives of the Consumer Financial Protection Bureau ("CFPB") have changed with the recent change in the U.S. presidential administration, the CFPB previously indicated that AI was a regulatory hot topic for the agency, including the use of complex credit scoring models as part of the loan underwriting process. The agency previously took several steps to increase regulatory scrutiny of financial technology companies that rely on AI. In April 2023, the Federal Trade Commission ("FTC"), the Department of Justice ("DOJ"), the CFPB, and the Equal Employment Opportunity Commission ("EEOC") released a joint statement on AI demonstrating their interest in monitoring the development and use of automated systems and enforcement of their respective laws and regulations. The Congressional Research Service released a report on April 3, 2024 on the use of AI and machine learning in financial services, noting that financial industry policymakers face competing pressures of providing beneficial technology and avoiding any consumer harm from such technology. In addition, recently, the SEC cautioned companies against "AI washing" and took enforcement actions against companies for their claims about the use of AI in their products and services. In June 2024, the Treasury Department also issued a request for information seeking public comments on the use of AI in the financial services sector and the opportunities and risks presented by developments and applications of AI within the sector. In August 2024, the CFPB also responded to a Department of Treasury Request For Information regarding the use of AI in financial services, reinforcing their expectation that companies using emerging technologies including AI comply with existing consumer protection laws and regulations. States have also started to regulate the use of AI, with Colorado passing the first comprehensive AI bill in June 2024. That same month, Colorado passed its AI Act, creating duties for developers of AI and persons using AI to use reasonable care to protect consumers from any known or reasonably foreseeable risks of algorithmic discrimination arising from the use of "high-risk AI systems". California attempted to pass a

similar law, but was not successful. Other states have begun proposing and passing legislation addressing the use of AI and automated decision making, and we expect the number of states with similar legislation to grow. Any negative publicity or negative public perception of AI could negatively impact demand for our AI lending marketplace, hinder our ability to attract new lending partners or slow the rate at which lending partners adopt our AI lending marketplace. From time to time, certain advocacy groups have made claims that unlawful or unethical discriminatory effects may result from the use of AI technology by various companies, including ours. Such claims, whether or not accurate, and whether or not concerning us or our AI lending marketplace, may harm our ability to attract prospective borrowers to our marketplace, retain existing and attract new lending partners and achieve regulatory acceptance of our business.

In 2020, we entered into an agreement with the NAACP Legal Defense Education Fund (the “LDF”), and the Student Borrower Protection Center (the “SBPC”), to participate in fair lending reviews of our AI underwriting models by an independent third-party firm, Relman Colfax LLC (“Relman”). The fair lending testing was designed to determine if our AI underwriting models have caused or resulted in a disparate impact on any protected class, and if so, whether there are any alternative, less discriminatory practices that could be employed without sacrificing the models’ predictiveness. In March 2024, following a number of quantitative assessments and prior reports, Relman published a final report that summarized developments during the monitorship as well as industry fair lending recommendations. The Relman final report marked the conclusion of our agreement with the LDF and the SBPC and the fair lending reviews by Relman. If the conclusion of the Relman monitorship or any of the final report’s findings are viewed negatively for any reason, our brand and reputation and the overall market acceptance of, and trust in, our AI lending marketplace could suffer, and we could be subject to increased regulatory and litigation risk. In addition, the publication of information arising from our agreement with the LDF and the SBPC, including the reports published by Relman, could lead to additional regulatory scrutiny for us or our lending partners.

We have been subject to other governmental inquiries on this topic. See the risk factor titled “*—We have been in the past and may in the future be subject to federal and state regulatory inquiries regarding our business*” for more information. The CFPB issued a final rule in June 2024 that will require us and other non-bank entities to report any public regulatory or court orders related to violations of consumer protection laws in a registry that will be available to the public, which can impact our public perception and reputation. While the rule is still in effect, in April 2025, the CFPB announced it would not prioritize enforcement or supervision for entities that do not register, and it is considering rescinding or narrowing the scope of this regulation. Negative public perception, actions by advocacy groups or legislative and regulatory interest groups could lead to lobbying for and enactment of more restrictive laws and regulations that impact the use of AI technology in general, AI technology as applied to lending operations generally or as used in our applications more specifically. Any of the foregoing could negatively impact our business, financial condition and results of operations.

Harm to our reputation can also arise from many other sources, including inaccurate or unfavorable statements made by securities analysts or others, failure by us or our lending partners to meet minimum standards of service and quality, loan underperformance, inadequate protection of borrower information and compliance failures and claims, and employee or former employee misconduct, misconduct by outsourced service providers or other counterparties, as further described below. If we are unable to protect our reputation, our business, financial condition and results of operations would be adversely affected.

Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations.

We are subject to numerous laws and regulations at a federal, state and local level, that are aimed at providing consumer protections in the financial services industry. This body of laws and regulations applicable to our business is complex, evolving and subject to varying interpretations, in many cases due to the lack of specificity regarding the application of AI and related technologies to the already highly regulated consumer lending industry or to changing sentiments about the bank partnership model. As a result, the application of such laws and regulations in practice may change or develop over time as more products are offered on our marketplace, and through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal, state and local administrative agencies.

New laws and regulations and changes to existing laws and regulations continue to be adopted, implemented and interpreted in response to our industry and the emergence of AI and related technologies. Recent financial, political and other events, including disruptions in the banking sector, may increase the level of regulatory scrutiny on financial technology companies. As we expand our business into new markets, introduce new financial products and services, and as we continue to improve and evolve our AI models, additional regulatory requirements will apply. In some cases, state licenses are required based on our business operations and regulatory bodies could reject our applications for licenses or deny renewals, delay or impede our ability to operate, charge us fees or levy fines or penalties, commence investigations or inquiries into our business practices, or otherwise disrupt our ability to operate our AI lending marketplace, any of which could adversely affect our business, financial condition and results of operations. We may also face additional regulatory scrutiny or supervision at a federal level. For example, in February 2024 and again in December 2024, the CFPB exercised a previously dormant provision of Dodd Frank to establish supervisory authority over non-bank entities based on its belief such entities posed risk to consumers. If the CFPB decides to subject us to its supervisory process, it could significantly increase the level of regulatory scrutiny of our business practices.

Federal and state regulators have also focused on eliminating or regulating “junk fees”, which are often not well defined. The CFPB has identified the fees associated with the sale of ancillary products in connection with financing the purchase of an auto or undisclosed banking or collection fees as having the potential to be unfair or deceptive. More recently, the FTC finalized a rule on junk fees and narrowed the scope of the industries covered to exclude financial services. However, the increased focus on fees in the financial services space by federal and state regulators will likely continue. Should any of the fees charged to borrowers on loans obtained through our marketplace be deemed unfair or deceptive, such fees may be subject to refund or deemed uncollectable.

The CFPB has the ability to regulate and investigate our business activity and has increased their activity and scrutiny in the financial services industry in recent years. The CFPB has issued several rules, interpretive statements and guidance documents that could impact our business practices including, but not limited to, a September 2023 circular on compliance obligations under the Equal Credit Opportunity Act (“ECOA”) for companies that rely on complex algorithms when making credit decisions, a June 2023 rule requiring registration of nonbank entities that receive a final order or judgment, and a circular that criticized the use of boilerplate language in consumer agreements where such language would be unlawful if enforced against the particular consumer agreeing to the contract. It has also issued several supervisory highlights focusing on various aspects of consumer lending, such as credit reporting, servicing and repossession activities in the auto lending space. The CFPB previously issued an interpretive rule expanding states’ authority to enforce requirements of federal consumer financial laws. In October 2024 the CFPB finalized its Opening Banking Rule to provide consumers greater rights over their personal financial data. In December 2024, the CFPB proposed a rule that makes significant revisions to Regulation V, which implements the Fair Credit Reporting Act (“FCRA”) and imposes new obligations and limitations on entities that collect, sell or share consumer information with third parties. However, in January 2025, the new U.S. presidential administration issued an executive order to halt all activity on the CFPB’s pending and proposed rules, and in March and April the CFPB began issuing statements that limit the enforcement of or indicate the potential rescission of prior rules, opinions, and statements. Due to the changing nature of the regulatory

environment and uncertainty about the priorities and direction of the CFPB under the new U.S. presidential administration, we cannot be certain how the regulatory environment may impact our business.

State regulators have also increased the level of regulatory scrutiny on financial technology companies and the bank partnership model. Massachusetts recently used its unfair, deceptive or abusive acts or practices ("UDAAP") law to find that a fintech company that partnered with a federally insured, state-chartered bank to offer loans in the state was the "true lender" of the loans, and required the fintech company to permanently cease all business in Massachusetts. A recent alert from the Ohio banking regulator announced a change in the regulator's opinion that the small loan license is now required for fintech companies to broker loans to their bank partners. Increased scrutiny of bank partnership arrangements continues, as states codify laws to determine who is the true lender for certain loans with the goal of regulating either the non-bank partner or limiting the rate that can be charged and/or collected. Moreover, the OCC, FDIC, and the Board of Governors of the Federal Reserve System issued joint guidance indicating they intend to use their supervisory authority through examinations to review bank third-party relationships with financial technology companies to identify business practices that could pose a risk of potential consumer harm. Should the agencies review our program and identify any such risks or issue consent orders against any of our lending partners, it could impact the viability of the bank partnership model or require additional actions by us and the lending partner to mitigate risks identified.

While we have been proactively working with the federal government and state regulatory bodies to ensure that our AI lending marketplace and other services are in compliance with applicable laws and regulations, we can provide no assurance that we will not be subject to any regulatory actions. For example, the CFPB issued Upstart the no-action letters, which provided that the CFPB, after a detailed review of Upstart's fair lending program, did not recommend any supervisory or enforcement action against Upstart for a violation of the ECOA. However, in June 2022, at our request, the no-action letter was terminated so that we can keep our models accurate and updated during a period of significant economic change. As a result, we can provide no assurance that the CFPB or any other federal or state regulator will not take supervisory or enforcement action against us in the future.

We have been subject to governmental inquiries as well. See the risk factor titled "*—We have been in the past and may in the future be subject to federal and state regulatory inquiries regarding our business*" for more information. Any government investigations or inquiries, whether or not accurate or warranted, or whether concerning us or one of our competitors, could negatively affect our brand and reputation and the overall market acceptance of and trust in our AI lending marketplace. Any of the foregoing could harm our business, financial condition and results of operations.

If we are unable to manage the risks related to our loan servicing and collections obligations, our business, financial condition and results of operations could be adversely affected.

Our success depends in part on our loan servicing and collection efforts. In the three months ended March 31, 2025, 19% of our revenue from fees, net was generated from loan servicing fees. The vast majority of Upstart-powered loans are not secured by any collateral, and none are guaranteed or insured by any third party or backed by any governmental authority. As a result, we are limited in our ability to collect on such loans on behalf of our lending partners and institutional investors if a borrower is unwilling or unable to repay them. Where the loan is secured by an automobile, for our auto product, or home, for our HELOC product, we could still be limited in our ability to collect on the loan if we cannot secure the automobile or home. The ability to collect on the loans is largely dependent on the borrower's continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including, but not limited to, unemployment, divorce, death, illness, bankruptcy or the economic or social factors beyond personal circumstances of a borrower. In addition, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws as a result of the current inflationary environment, the possibility of a recession and market volatility. Federal, state, or other restrictions could impair our ability to collect amounts owed and due on the loans facilitated through our marketplace, reduce income received from the loans facilitated through our marketplace, or negatively affect our business, financial condition and results of operations.

We began conducting first-party collection activities for our lending partners in the fourth quarter of 2022 for loans facilitated through our marketplace. We have limited experience conducting first-party or in-house collection activities, and we cannot be certain that we will be able to effectively manage risks associated with such activities. In addition to first-party collection activities, we partner with third-parties, including collection agencies, to collect on loans we service for our lending partners. In late 2024, we partnered with a third party to begin, for the first time, pursuing litigation as a strategy to collect from certain delinquent borrowers who demonstrate an ability but not a willingness to repay. If Upstart or the third-parties with whom we work on collections do not perform as expected or if we or these third parties act unprofessionally or otherwise cause harm to borrowers of Upstart-powered loans, our brand and reputation could be harmed and our ability to attract potential borrowers to our marketplace could be negatively impacted. For example, during periods of increased delinquencies caused by economic downturns or otherwise, it is important that we and collection agencies we use are proactive and consistent in contacting a borrower to bring a delinquent balance current and ultimately avoid the loan becoming charged off. If we or the third parties we work with are unable to maintain a high quality of service, or fulfill the servicing and collection obligations due to resource constraints, it could result in increased delinquencies and charge-offs on the loans, which could decrease fees payable to us, cause our lending partners to decrease their demand for Upstart-powered loans, erode trust in our lending marketplace or increase the costs of loan funding for our marketplace. If we fail to successfully address any of the foregoing risks associated with our collection activities, our business, financial condition and results of operations could be adversely affected.

We are the loan servicer for most loans facilitated through our marketplace, including the loans that are sold as part of whole loan sales, contributed to asset-backed securitizations and pass-through certificate transactions, and pledged in connection with warehouse credit facilities. Loan servicing is a highly manual process and an intensely regulated activity. Errors in our servicing activities, including payment collection and charge-off processes, or failures to comply with our servicing obligations, have in the past and could in the future affect our internal and external reporting of the loans that we service, adversely affect our business and reputation and expose us to liability to borrowers, lending partners or institutional investors. In addition, we charge our loan holders a fixed percentage servicing fee based on the outstanding balance of loans serviced. If we fail to efficiently service or collect on such loans and the costs incurred exceed the servicing fee charged, our results of operations would be adversely affected. Moreover, the laws and regulations governing these activities, including licensing obligations and requirements, are subject to change. For institutional investors that are statutory trusts, there is now additional risk based on a court decision in the United States Court of Appeals for the Third Circuit, where the CFPB recently obtained a favorable decision that it has enforcement authority over these trusts when the trusts engage in providing financial products or services, such as using third parties to collect on delinquent debts. Overall, if we are unable to comply with such laws and regulations governing servicing activities, we could lose one or more of our licenses or authorizations, become subject to greater scrutiny by regulatory agencies or become subject to sanctions or litigation, which may have an adverse effect on our ability to perform our servicing obligations or make our marketplace available to borrowers in particular states. Any of the foregoing could adversely affect our business, financial condition and results of operations.

While auto loans issued through our lending marketplace or retail installment contracts we purchase from automobile dealerships are secured by collateral, auto loans are inherently risky, as they are secured by assets that may be difficult to locate and can depreciate rapidly. We generally begin the repossession process for auto loans that become 60 days past due. We have engaged a third-party auto repossession vendor to handle all repossession activity. Following a repossession, if a borrower fails to redeem their vehicle or reinstate their loan agreement, whichever is required by law, the repossessed vehicle is sold at an auction and the proceeds are applied to the unpaid balance of the loan and related expenses. If the proceeds do not cover the unpaid balance of the loan and any related expenses permitted to be charged, and we are unable to recover the deficiency balance from the borrower, where permitted, the deficiency would be charged-off. Further, if a vehicle cannot be located, repossession and sale of the vehicle would not be possible and the outstanding loan balance may not be recovered. A significant number of delinquencies and charge-offs could decrease fees collectable by us, cause our lending partners to reduce loan originations, erode trust in our lending marketplace and lead to an increase in the costs of loan funding for our marketplace.

Additionally, if such repossession vendors do not perform consistent with agreements entered into with us, or if vendors act unprofessionally or otherwise cause harm to borrowers of Upstart-powered loans, our brand and reputation could be harmed and our ability to attract potential borrowers to our marketplace could be negatively impacted. We may also become subject to regulatory scrutiny and potential litigation based on the conduct of our repossession vendors.

Substantially all of our revenue is derived from a single loan product, and we are thus particularly susceptible to fluctuations in the unsecured personal loan market.

The vast majority of loan originations currently facilitated through our marketplace are unsecured personal loans. While the market for unsecured personal loans has grown rapidly in recent years, it is unclear to what extent such market will continue to grow, if at all. A wide variety of factors could impact the market for unsecured personal loans, including macroeconomic conditions, competition, regulatory developments and other developments in the credit market. Our success will depend in part on the continued growth of the unsecured personal loan market, and if such market does not grow or grows more slowly than we expect, our business, financial condition and results of operations could be adversely affected.

In order to preserve and expand our relationships with lending partners and institutional investors, it may become important for us to be able to offer a wider variety of products than we currently provide. We are also susceptible to competitors that may intentionally underprice their loan products, even if such pricing practices lead to losses. Such practices by competitors would negatively affect the overall demand for loans facilitated through our marketplace.

Further, because personal loans are unsecured, there is a risk that borrowers will not prioritize repayment of such loans, particularly in any economic down-cycle. To the extent borrowers have or incur other indebtedness that is secured, such as a mortgage, a home equity line of credit or an auto loan, borrowers may choose to repay those obligations before repaying their unsecured Upstart-powered personal loans. In addition, borrowers may not view Upstart-powered loans, originated through an online lending marketplace, as having the same significance as other credit obligations arising under more traditional circumstances, such as loans directly from banks or other commercial financial institutions. Any of the foregoing could lead to higher default rates and decreased demand by our lending partners and institutional investors to fund loans facilitated through our marketplace, which would adversely affect our business, financial condition and results of operations.

We are also more susceptible to the risks of changing and increased regulations and other legal and regulatory actions targeted towards the unsecured personal loan market. If we are unable to manage the risks associated with the unsecured personal loan product, our business, financial condition and results of operations could be adversely affected.

The sales and onboarding process of new lending partners could take longer than expected, leading to fluctuations or variability in expected revenues and results of operations.

Our sales and onboarding process with new lending partners can be long, vary widely and generally takes approximately two to twelve months. As a result, revenues and results of operations may vary significantly from period to period. Prospective lending partners are often cautious in making decisions to implement our platform and related services because of the risk management alignment and regulatory uncertainties related to their use of our AI models, including their oversight, model governance and fair lending compliance obligations associated with using such models. In addition, prospective lending partners undertake an extensive diligence review of our platform, compliance and servicing activities before choosing to partner with us. Further, the implementation of our AI models often involve shifts by the lending partner to a new software platform or changes in their operational procedures, which may involve significant time and expense to implement. Delays in onboarding new lending partners can also arise while prospective lending partners complete their internal procedures to approve expenditures and test and accept our applications. Consequently, we face difficulty predicting the quarter in which new lending

partners will begin using our platform and the volume of fees we will receive, which can lead to fluctuations in our revenues and results of operations.

We are continuing to introduce and develop new loan products and services offerings, and if these products are not successful or we are unable to manage the related risks, our growth prospects, business, financial condition and results of operations could be adversely affected.

We have introduced auto loan, small dollar loan, and home equity lines of credit products and are continuing to invest in developing these products and other new loan products and service offerings. New initiatives are inherently risky, as each involves unproven business strategies, new regulatory requirements and new financial products and services with which we, and in some cases our lending partners, have limited or no prior development or operating experience.

We cannot be sure that we will be able to develop, commercially market and achieve market acceptance of any new products and services. In addition, our investment of resources to develop new products and services may either be insufficient or result in expenses that are excessive in light of revenue actually derived from these new products and services. It is also possible that such investment of resources may need to be delayed or deferred, as was the case with respect to the small business loan product when we decided to suspend its development in January 2023 due to the adverse macroeconomic conditions affecting our business at that time. We may also have difficulty with securing adequate loan funding, either from lending partners or from institutional investors, for new loan products and services, and if we are unable to do so, our ability to develop and grow these new offerings and services will be impaired. If the profile of borrowers using any new products and services is different from that of those currently served by the existing loan products offered through our marketplace, our AI models may not be able to accurately evaluate the credit risk of such borrowers, and we may not be able to obtain loan funding for new products and services on commercially reasonable terms, or at all. Moreover, it is possible that a new product in its development stage has a higher level of delinquencies or defaults than a more established product as our AI models calibrate to a potentially different set of data. Failure to accurately predict demand or growth with respect to our new products and services could have an adverse impact on our reputation and business, and there is always risk that new products and services will be unprofitable, will increase our costs, decrease operating margins or take longer than anticipated to achieve target margins. In addition, any new products or services may raise new and potentially complex regulatory compliance obligations, which would increase our costs and may cause us to change our business in unexpected ways. Further, our development efforts with respect to these initiatives could distract management from current operations and will divert capital and other resources from our existing business. If we are unable to effectively manage the foregoing risks, our growth prospects, business, financial condition and results of operations could be adversely affected.

Misconduct and errors by our employees, former employees, vendors, or service providers could harm our reputation and subject us to significant legal liability.

We operate in an industry in which integrity and the confidence of our borrowers and lending partners is of critical importance. Our business depends on our employees, vendors, and service providers to process a large number of increasingly complex transactions, including transactions that involve significant dollar amounts and loan transactions that involve the use and disclosure of sensitive personal and business information. We are thus exposed to the risk of misconduct and errors by our employees, vendors, and other service providers that could adversely affect our business, including employees, vendors, or service providers taking, converting, or misusing funds, documents, or data, or failing to follow applicable laws and regulations or our internal policies or protocol when interacting with consumers and borrowers. It is not always possible to identify and deter misconduct or errors by employees, vendors, or service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. There have been numerous highly-publicized cases of fraud and other misconduct by financial services industry employees. We have experienced employee misconduct and may continue to do so in the future. Depending on the severity, any illegal, improper, or suspicious activity or other misconduct by our employees, vendors or service providers could result in serious harm to our reputation, financial condition, relationships with lending partners and borrowers, and our ability to attract new lending partners or borrowers. We could also be subject to civil or criminal liability as a result of actions by our employees, vendors

or service providers. Any of these occurrences could result in our diminished ability to operate our business, inability to attract future borrowers or lending partners, reputational damage, regulatory intervention, and financial harm, which could negatively impact our business, results of operations, financial condition, and future prospects.

If we do not compete effectively in our target markets, our business, results of operations and financial condition could be harmed.

The consumer lending market is highly competitive and increasingly dynamic as emerging technologies continue to enter the marketplace. With the introduction of new technologies and the influx of new entrants, competition may persist and intensify in the future, which could have an adverse effect on our operations or business.

Our inability to compete effectively could result in reduced loan volumes, reduced average size of loans facilitated on our marketplace, reduced fees, increased marketing and borrower acquisition costs or the failure of the Upstart marketplace to achieve or maintain more widespread market acceptance, any of which could have an adverse effect on our business and results of operations.

Consumer lending is a vast and competitive market, and we compete to varying degrees with all other sources of consumer credit. This can include banks, non-bank lenders, retail-based lenders and other financial technology lending platforms. Because personal loans often serve as a replacement for credit cards, we also compete with the convenience and ubiquity that credit cards and buy now, pay later products represent. Many of our competitors operate with different business models, such as lending-as-a-service, have different funding sources, have different cost structures or regulatory obligations, or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, economic, technological and other developments, including utilizing new data sources or credit models. We may also face competition from banks or companies that have not previously competed in the consumer lending market, including companies with access to vast amounts of consumer-related information that could be used in the development of their own credit risk models. Our current or potential competitors may be better at developing new products due to their large and experienced data science and engineering teams, who are able to respond more quickly to new technologies. Many of our current or potential competitors have significantly more resources, such as financial, technical and marketing resources, than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels.

We face competition in a variety of areas. Our competitors may have longer operating histories, lower commercial financing costs or costs of capital, more extensive borrower bases, more diversified products and borrower bases, operational efficiencies, a better user experience, more versatile or extensive technology platforms, greater brand recognition and brand loyalty, broader borrower and partner relationships, more extensive and/or a more diversified loan funding institutional investor bases, greater capacity to fund loans through their balance sheets, and more extensive product and service offerings. Furthermore, our existing and potential competitors may decide to modify their pricing and business models to compete more directly with us. Our ability to compete will also be affected by our ability to provide our lending partners with a commensurate or more extensive suite of loan products than those offered by our competitors. In addition, current or potential competitors, including financial technology lending platforms and existing or potential lending partners, may also acquire or form strategic alliances with one another, which could result in our competitors being able to offer more competitive loan terms due to their access to lower-cost capital. Such acquisitions or strategic alliances among our competitors or potential competitors could also make our competitors more adaptable to a rapidly evolving regulatory environment. To stay competitive, we may need to increase our regulatory compliance expenditures or our ability to compete may be adversely affected.

Our industry is driven by constant innovation. We utilize AI and machine learning, which is characterized by extensive research efforts and rapid technological progress. If we fail to anticipate or respond adequately to technological developments, our ability to operate profitably could suffer. There can be no assurance that research, data accumulation and development by other companies will not result in AI models that are superior to our AI models or result in products superior to those we develop or that any technologies, products or services we develop

will be preferred to any existing or newly-developed technologies, products or services. If we are unable to compete with such companies or fail to meet the need for innovation in our industry, the use of our technology could stagnate or substantially decline, or our AI lending marketplace could fail to maintain or achieve more widespread market acceptance, which could harm our business, results of operations and financial condition.

Our business is heavily concentrated in U.S. consumer credit, and therefore our results are more susceptible to fluctuations in that market than a more diversified company.

Our business is heavily concentrated in U.S. consumer credit. As a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a more diversified company. For example, our business is particularly sensitive to macroeconomic conditions that affect the U.S. economy and consumer spending and consumer credit, such as rising interest rates and changes in monetary policy. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted at consumer credit. Our business concentration could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

If we are unable to manage the risks associated with fraudulent activity, our brand and reputation, business, financial condition and results of operations could be adversely affected.

Fraud is prevalent in the financial services industry and is likely to increase as perpetrators become more sophisticated. High profile fraudulent activity also could negatively impact our brand and reputation. We are subject to the risk of fraudulent activity associated with borrowers and third parties handling borrower information and, in limited situations, we cover certain fraud losses of our lending partners and institutional investors. For example, in the third quarter of 2021 and the first quarter of 2022, we experienced temporary increases in fraudulent activity. Fraud rates could also increase in a down-cycle economy. We have experienced employee misconduct in the past and continue to be subject to risk of fraudulent activity associated with our own employees. We use several identity and fraud detection tools, including tools provided by third-party vendors and our proprietary AI models, to predict and otherwise validate or authenticate applicant-reported data and data derived from third-party sources. If such efforts are insufficient to accurately detect and prevent fraud, the level of fraud-related losses of Upstart-powered loans could increase, which would decrease confidence in our AI lending marketplace and have a negative impact on our financial condition and operating results. It is also possible that fraud perpetrators target our marketplace because of the high degree of automation in our credit decision process where borrowers can be approved instantly. In addition, our lending partners, institutional investors or we may not be able to recover amounts disbursed on loans made in connection with inaccurate statements, omissions of fact or fraud, which could erode the trust in our brand and negatively impact our ability to attract new lending partners and institutional investors to our marketplace.

In addition, significant increases in fraudulent activity could lead to regulatory intervention, which could increase our costs and also negatively impact our brand and reputation. Further, if there is any increase in fraudulent activity that increases the need for human intervention in screening loan application data, the level of automation on our platform could decline and negatively affect our unit economics. If we are unable to manage these risks, our business, financial condition and results of operations could be adversely affected.

We depend on our key personnel and other highly skilled personnel, and if we fail to attract, retain and motivate our personnel, our business, financial condition and results of operations could be adversely affected.

Our success significantly depends on the continued service of our senior management team and other highly skilled personnel. Our success also depends on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization.

Competition is high for skilled personnel, including engineering and data analytics personnel, particularly in the San Francisco Bay Area where our headquarters is located. While we have transitioned to a Digital First work model which allows us to recruit nationwide, we have experienced, and expect to continue to face, some difficulty identifying and hiring qualified personnel, especially as we pursue our growth strategy. We may not be able to hire

or retain such personnel at compensation or flexibility levels consistent with our existing compensation and salary structure and policies. We periodically review our compensation levels to ensure they remain competitive and have increased them when we believe market conditions warrant it. However, we may need to further increase our existing compensation levels in response to competition, rising inflation or labor shortages, which would increase our operating costs and reduce our margins. Many of the companies with which we compete for experienced employees have greater resources and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment. The recent significant volatility in the price of our stock may have adversely contributed to, and in the future may affect, our ability to attract or retain highly skilled technical, financial and marketing personnel.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements. While we are in the process of training their replacements, the quality of our services and our ability to serve our lending partners, institutional investors and borrowers whose loans we service may suffer, resulting in an adverse effect on our business.

Furthermore, we have reduced our workforce in the past and may further reduce our workforce in the future to lower our operating costs and streamline operations. These reductions in our workforce may adversely affect employee morale, our culture and our ability to attract and retain personnel who are critical to our business. It may also negatively impact our ability to pursue new initiatives due to insufficient resources and personnel. We may be unsuccessful in distributing duties and obligations of impacted employees among the remaining employees. We also may not realize the anticipated benefits and cost savings and may suffer unintended consequences, such as the loss of institutional knowledge, higher than expected employee turnover and significant disruptions in our day-to-day operations. If we are unable to realize the expected operational efficiencies or cost savings from the reductions in our workforce, or if we experience significant adverse consequences as a result, our business, financial condition and results of operations may be adversely affected.

If we fail to effectively manage the fluctuations in our business, our business, financial condition and results of operations could be adversely affected.

Our growth in the past placed significant demands on our management, processes and operational, technological and financial resources. Economic headwinds in recent years led to us announcing reductions in our workforce which were intended to help us achieve a more cost-efficient organization. These fluctuations in the momentum of our business challenge our ability to manage our growth effectively and to integrate new employees and technologies into our existing business. Our success as a business continues to require us to retain, attract, train, motivate and manage employees and invest strategically to refine our operational, technological and financial infrastructure. See also the risk factor titled "*—We depend on our key personnel and other highly skilled personnel, and if we fail to attract, retain and motivate our personnel, our business, financial condition and results of operations could be adversely affected*." As part of that effort and from time to time, we rely on temporary independent contractor programs to scale our operations team. Failure to effectively implement and manage such programs could result in misclassification or other employment related claims or inquiries by governmental agencies. Continued fluctuations in the momentum of our business will strain our ability to develop and improve our operational policies and procedures, AI models and technology, disclosure controls and procedures, internal control over financial reporting, management oversight, loan funding and relationships with borrowers, lending partners and institutional investors. For example, there are certain aspects of our information technology and our operations, such as servicing activities, that have required, and still require, manual processes which are prone to errors and that we have not yet fully automated with new technologies. Some of the foregoing factors, like the manual processes, have negatively affected, and could continue to negatively affect, our business, financial condition and results of operations.

Security breaches, improper access to our or borrowers' data, or other security incidents may harm our reputation, adversely affect our results of operations and expose us to liability.

We are increasingly dependent on data, information systems, services and infrastructure to operate our business. In the ordinary course of our business, we collect, process, transmit and store large amounts of sensitive information, including personal information, credit information and other sensitive data of borrowers and potential borrowers. It is critical that we do so in a manner designed to maintain the confidentiality, security and integrity of such sensitive information. We also have arrangements in place with certain of our third-party vendors that require us to share consumer information in order for the vendor to provide its services. We have outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third-party vendors who may have access to our computer networks and sensitive or confidential information. In addition, many of those third parties may in turn subcontract or outsource some of their responsibilities to other parties. As a result, our information technology systems, including the functions of third parties that are involved or have access to those systems, are large and complex, with many points of entry and access.

While all information technology operations are inherently vulnerable to inadvertent or intentional security breaches, incidents, attacks and exposures, the size, complexity, accessibility and distributed nature of our information technology systems that house sensitive information make such systems potentially vulnerable to unintentional or malicious, internal and external attacks. Any vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third-party vendors, lending partners, institutional investors, or by malicious threat actors. While we continuously mature our security controls to address the evolving threat landscape, such measures will not provide absolute security, and remediation efforts may not be successful. Cybersecurity attacks in the financial services industry are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by organized groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation states and others. These risks may be heightened in connection with geopolitical conflicts. In addition to the extraction of sensitive information, cyber attacks could result in compromising the integrity or availability of our information systems, products and services or infrastructure to operate our business and the confidentiality of our and borrowers' data. Such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means. The prevalent use of mobile devices increases the risk of data security incidents. Further, our Digital First working environment could increase the risks of security breaches and incidents as more of our employees are accessing our services and infrastructure remotely, reducing physical and social security controls on employee monitoring.

We also face indirect technology, cybersecurity and operational risks relating to the borrowers, lending partners, institutional investors, vendors and other third parties with whom we do business or upon whom we rely on to facilitate or enable our business activities. Security breaches and attacks on our information systems and infrastructure or those of our business partners may cause interruptions to the services we provide, degrade the user experience of our products and services, cause our customers, borrowers or business partners to lose confidence and trust in us, or harm our transaction volume, revenue or future growth prospects. Significant disruptions to information technology systems or other security incidents within our company, our lending partners and dealerships, or third parties that we or they do business with could adversely affect our business operations and result in the loss, misappropriation, or unauthorized access, use or disclosure of, or the prevention of access to, sensitive consumer or employee information, which could result in financial, legal, regulatory, business and reputational harm to us. When security breaches, incidents or attacks impact information systems of third parties, we may not always have control over security measures or responses to such events. For example, a mid-2024 cyber attack on CDK Global, a third-party vendor that provides customer relationship management and deal management services solutions to dealerships, temporarily disrupted dealership operations nationwide. While we promptly implemented workaround solutions to support our dealer partners and thus the business impact to our company was minimal, the dealers were impacted in their ability to make sales and provide auto loans. Our use of AI technology may create additional cybersecurity risks or increase cybersecurity risks, including risks of security breaches and incidents. Further, AI technology may be used in connection with certain types of cybersecurity attacks, resulting in heightened risks of security breaches and incidents.

Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we, our business partners or any third parties that we rely on to operate our business may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many governments have enacted laws requiring companies to notify individuals of data security breaches involving their personal information. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity following a breach, which may cause borrowers and potential borrowers to lose confidence in the effectiveness of our security measures for our products and enterprise. Any security breach or incident, whether actual or perceived, would harm our reputation and ability to attract new borrowers to our marketplace.

Like other financial and technology services firms, we have been and continue to be the subject of actual or attempted unauthorized access, mishandling or misuse of information, computer viruses or malware, and cyber-attacks that could obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, distributed denial of service attacks, data breaches and other infiltration, exfiltration or other similar events. Any event that leads to unauthorized access, use or disclosure of personal information or other sensitive information that we or our vendors maintain, including our own proprietary business information and sensitive information such as personal information regarding borrowers or any security compromises in our industry or industries that we rely on to conduct our business, whether actual or perceived, or information technology system disruptions could interrupt our business or operations, harm our reputation, erode borrower confidence, negatively affect our ability to attract new borrowers, or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our business and results of operations.

Security incidents and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. There can be no assurance that our security measures intended to protect our services and infrastructure will successfully prevent service interruptions or security incidents. We cannot provide any assurance that security vulnerabilities will not arise in the future as we continue to expand the features and functionalities of our platform and introduce new loan products on our platform, and we expect to continue investing substantially to protect against security vulnerabilities and incidents.

We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will continue to be available on economically reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that an insurer will not deny coverage as to any future claim, or that any insurer will be adequately covered by reinsurance or other risk mitigants or that any insurer will offer to renew policies at an affordable rate or offer such coverage at all in the future. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

Our proprietary AI models rely in part on the use of loan applicant and borrower data and other third-party data, and if we lose the ability to use such data, or if such data contain inaccuracies, our business could be adversely affected.

We rely on our proprietary AI models, which are statistical models built using a variety of data-sets. Our AI models rely on a wide variety of data sources, including data collected from applicants and borrowers, credit bureau data, and our credit experience gained through monitoring the payment performance of borrowers over time. The CFPB recently issued a final rule on “open banking” and protection of personal financial data rights that would give consumers certain rights in deciding how financial institutions and companies like us can use and transfer consumer personal financial data, and also includes additional restrictions and requirements on companies that use such data. The CFPB also issued a proposed rule on Regulation V, which implements the FCRA, which, if not withdrawn, could limit our use of data. If we are unable to access and use data collected from applicants and borrowers, data received from credit bureaus, repayment data collected as part of our loan servicing activities, or any other data for our AI models, or our access to such data is limited, our ability to accurately evaluate potential borrowers, detect fraud and verify applicant data would be compromised. Any of the foregoing could negatively impact the accuracy

of our pricing, the degree of automation in our loan application process and the volume of loans facilitated on our marketplace. In addition, if we were required to share unique data we collect from applicants and borrowers with third parties, that could lessen Upstart's competitive advantage.

Third-party data sources on which we rely include the consumer reporting agencies regulated by the CFPB and other alternative data sources. Such data is electronically obtained from third parties and used, for example, in our AI models to price applicants and in our fraud models to verify the accuracy of applicant-reported information. Data from national credit bureaus and other consumer reporting agencies, as well as other information that we receive from third parties about an applicant or borrower, may be inaccurate or may not accurately reflect the applicant or borrower's creditworthiness for a variety of reasons, including inaccurate reporting by creditors to the credit bureaus, errors, staleness or incompleteness. Loan applicants' credit scores may not reflect such applicants' actual creditworthiness because the credit scores or data underlying those credit scores may be outdated, incomplete or inaccurate. Although regulatory protections, such as ECOA and the FCRA, are in place to afford consumers the right to dispute inaccuracies and despite the fact that we use numerous third-party data sources and multiple credit factors within our proprietary models, which helps mitigate this risk, it does not eliminate the risk of an inaccurate individual report.

Further, although we attempt to verify the income, employment and education information provided by applicants, we cannot guarantee the accuracy of applicant information. Our fraud models rely in part on data we receive from a number of third-party verification vendors, data collected from applicants, and our experience gained through monitoring the performance of borrowers over time. Information provided by applicants may be incomplete, inaccurate or intentionally false. Applicants may also misrepresent their intentions for the use of loan proceeds. We do not verify or confirm any statements by applicants as to how loan proceeds are to be used after loan funding, although borrowers agree that they will use the funds for household or personal use. If an applicant supplied false, misleading or inaccurate information and our fraud detection processes do not flag the application, repayments on the corresponding loan may be lower, in some cases significantly lower, than expected, leading to losses for the lending partner or institutional investor.

In addition, if any data used to train and improve our AI models is inaccurate or otherwise unreliable, or access to third-party data is limited or becomes unavailable to us, our ability to continue to improve our AI models would be adversely affected. Any of the foregoing could result in sub-optimally and inefficiently priced loans, incorrect approvals or denials of loans, or higher than expected loan losses, which in turn could adversely affect our ability to attract new borrowers, lending partners and institutional investors to our marketplace or increase the number of Upstart-powered loans and adversely affect our business, financial condition and results of operations.

In connection with asset-backed securitizations, pass-through certificate transactions, warehouse credit facilities and whole loan sales, we make representations and warranties concerning the loans transferred, and if such representations and warranties are not accurate when made, we could be required to repurchase the applicable loans or make other payments.

In our asset-backed securitizations, pass-through certificate transactions, warehouse credit facilities, whole loan sale arrangements and other commercial transactions, we make numerous representations and warranties concerning the characteristics of the Upstart-powered loans sold and transferred in connection with such transactions, including representations and warranties that the loans meet the eligibility requirements of those facilities and of institutional investors. If those representations and warranties were not accurate when made and are not timely cured or incurable, we may be required to repurchase the underlying loans or make payments. Failure to repurchase such loans or make payments could constitute a default or termination event under the agreements governing our various arrangements or transactions and could require us to indemnify certain financing parties. Through March 31, 2025, the number of Upstart-powered loans requiring repurchase or payments from Upstart as a result of inaccurate representations and warranties represents less than 1% of all Upstart-powered loans. While only a small number of Upstart-powered loans have been historically repurchased by us or make payments, there can be no assurance that we would have adequate cash or other qualifying assets available to make such repurchases or payments if and when required. Such repurchases or repayments could be limited in scope, relating to small pools of loans, or significant in scope, across multiple pools of loans. If we were required to make such repurchases or

repayments and if we do not have adequate liquidity to fund such repurchases or repayments, our business, financial condition and results of operations could be adversely affected. In addition, a high volume of repurchases or repayments due to a breach of such representations and warranties could have an adverse impact on our reputation as a loan seller and servicer.

Borrowers may prepay a loan at any time without penalty, which could reduce our servicing fees and deter our lending partners and institutional investors from investing in loans facilitated through our lending marketplace.

A borrower may decide to prepay all or a portion of the outstanding principal amount on a loan at any time without penalty. If the entire outstanding unpaid principal amount of a loan is prepaid, we would not receive a servicing fee, or we would receive significantly less servicing fees for such prepaid loan. Our AI models are designed to predict prepayment rates, but prepayment may occur for a variety of reasons. If a significant volume of prepayments occur that our AI models do not accurately predict, the amount of our revenue from servicing fees would decline and returns targeted by our lending partners and institutional investors would be adversely affected, which would harm our business and results or operations and our ability to attract new lending partners and institutional investors.

Our marketing efforts and brand promotion activities may not be effective.

Promoting awareness of our AI lending marketplace is important to our ability to grow our business, attract new lending partners, increase the number of potential borrowers on our marketplace and attract institutional investors to our marketplace. We believe that the importance of brand recognition will increase as competition in the consumer lending industry expands. For example, because some of our lending partners have adopted our lending partner-branded version of our AI lending marketplace through their own websites, potential borrowers may not be aware they are experiencing our AI lending marketplace, which may hinder recognition of our brand. Successful promotion of our brand will depend largely on the effectiveness of marketing efforts and the overall user experience of our lending partners and potential borrowers on the Upstart marketplace. The marketing channels that we employ may also become more crowded and saturated by other lending platforms, which may decrease the effectiveness of our marketing campaigns and increase borrower acquisition costs. Also, the methodologies, policies and regulations applicable to marketing channels may change. For example, the CFPB has proposed a rule that limits how data brokers can share consumer information and that prohibits secondary use of data, including for targeted marketing. Similarly, internet search engines could revise their methodologies, which could adversely affect borrower volume from organic ranking and paid search. Search engines may also implement policies that restrict the ability of companies such as us to advertise their services and products, which could prevent us from appearing in a favorable location or any location in the organic rankings or paid search results when certain search terms are used by the consumer.

Our brand promotion activities may not yield increased revenues. If we fail to successfully build trust in our AI lending marketplace and the performance and predictability of Upstart-powered loans, we may lose existing lending partners and institutional investors to our competitors or be unable to attract new lending partners and institutional investors, which in turn would harm our business, results of operations and financial condition. Even if our marketing efforts result in increased revenue, we may be unable to recover our marketing costs through increases in loan volume, which could result in a higher borrower acquisition cost per account. Any increases due to greater marketing expenditures, could have an adverse effect on our business, financial condition and results of operations.

Unfavorable outcomes in legal proceedings may harm our business and results of operations.

We are, and may in the future become, subject to lawsuits by governmental agencies or private parties, other claims, examinations, investigations, enforcement actions, legal and administrative cases and proceedings, whether civil or criminal, all of which may affect our results of operations. These claims, lawsuits, and proceedings could involve, and in some cases have involved, labor and employment, discrimination and harassment, commercial disputes, intellectual property rights (including patent, trademark, copyright, trade secret, and other proprietary

rights), class actions, general contract, tort, defamation, data privacy rights, antitrust, common law fraud, government regulation, alleged federal and state securities and "blue sky" law violations or other investor claims, and other matters. For example, we are a defendant in a number of securities class action and other related lawsuits. See the "*Legal*" section under "*Note 11. Commitments and Contingencies*" and the risk factor titled "*—The trading price of our common stock may be volatile, and you could lose all or part of your investment*" for more information.

In addition, due to the consumer-oriented nature of our business and the application of certain laws and regulations, participants in our industry are regularly named as defendants in litigation alleging violations of federal and state laws and regulations, including consumer protection laws.

See the risk factor titled "*—If loans facilitated through our marketplace for one or more lending partners were subject to successful challenge that the lending partner was not the "true lender," such loans may be unenforceable, subject to rescission or otherwise impaired, we or other program participants may be subject to penalties, and/or our commercial relationships may suffer, each which would adversely affect our business and results of operations*" for more information.

See also the risk factors titled "*—If loans originated by our lending partners were found to violate the laws of one or more states, whether at origination or after sale by the lending partner, loans facilitated through our marketplace may be unenforceable or otherwise impaired, we or other program participants may be subject to, among other things, fines and penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations*" and "*—We have been in the past and may in the future be subject to federal and state regulatory inquiries regarding our business*" for more information.

If we were subject to such litigation or enforcement, then any unfavorable results of pending or future legal proceedings may result in contractual damages, usury related claims, fines, penalties, injunctions, the unenforceability, rescission or other impairment of loans originated through our marketplace or other censure that could have an adverse effect on our business, results of operations and financial condition. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

The long-term impact of operating with a Digital First workforce on our business, financial condition and results of operations is uncertain.

Since our announcement of a Digital First work model in June 2021, remote work with less time in the office has been the primary experience for most of our employees. Our workforce is currently distributed across the U.S., and we expect this to continue. Although we anticipate that this Digital First model will have a long-term positive impact on our business, financial condition and results of operations, there is no guarantee that we will realize any anticipated benefits to our business from this model, including cost savings, operational efficiencies, or productivity.

Our Digital First model could lead to a negative long-term impact on our operations, the execution of our business plans and sales and marketing efforts, our company culture, or the productivity and retention of key personnel and other employees necessary to conduct our business, or otherwise cause operational failures due to changes in our past business practices. If a natural disaster, power outage, connectivity issue, or other event were to occur that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in increased exposure to consumer privacy and data security incidents, or fraudulent activity. Furthermore, our understanding of applicable legal and regulatory requirements related to a remote workforce may be subject to legal or regulatory challenge, particularly as regulatory guidance evolves in response to future developments. If we are unable to successfully address the foregoing risks and challenges as we encounter them, our business, financial condition and results of operations could be adversely affected.

We may evaluate and potentially consummate acquisitions or investments in complementary business and technologies, which could require significant management attention, consume our financial resources, disrupt our business and adversely affect our results of operations, and we may fail to realize the anticipated benefits of these acquisitions or investments.

Our success will depend, in part, on our ability to grow our business. In some circumstances, we may determine to do so through the acquisition of, or investments in, complementary businesses and technologies rather than through internal development. For example, in 2021, we completed the acquisition of Prodigy, a provider of automotive retail software. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. In the future, we may acquire assets or businesses. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- utilization of our financial resources for acquisitions or investments that may fail to realize the anticipated benefits;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- coordination of technology, product development and sales and marketing functions and integration of administrative systems;
- transition of the acquired company's borrowers to our systems;
- retention of employees from the acquired company;
- regulatory risks, including maintaining good standing with existing regulatory bodies or receiving any necessary approvals, as well as being subject to new regulators with oversight over an acquired business;
- attracting financing;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of loans or intangibles or other assets acquired in such transactions that may have an adverse effect on our results of operations in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property or increase our risk for liability; and
- litigation, claims or other liabilities in connection with the acquired company.

Our failure to address these risks or other problems encountered in connection with any future acquisitions and strategic investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, or cause us to incur unanticipated liabilities and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the write-off of goodwill, any of which could harm our financial condition.

Strategic investments in which we have a minority ownership stake and that we do not control may from time to time have economic, business, or legal interests or goals that are inconsistent with our goals. As a result, business decisions or other actions or omissions of controlling shareholders, management, or other persons or entities who control companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, or otherwise damage our reputation and brand.

Our business is subject to the risks of natural disasters and other catastrophic events, many of which are becoming more acute and frequent due to climate change, and to interruption by human-induced problems.

Significant natural disasters or other catastrophic events, such as earthquakes, fires, hurricanes, blizzards, or floods (many of which are becoming more acute and frequent as a result of climate change), or interruptions by strikes, crime, terrorism, epidemics, pandemics, cyber-attacks, computer viruses, internal or external system failures, telecommunications failures, a failure of banking or other financial institutions, power outages or increased risk of cybersecurity breaches due to a swift transition to remote work brought about by a catastrophic event, could have an adverse effect on our business, results of operations and financial condition.

The long-term effects of climate change on the global economy and our industry in particular are unclear; however, we recognize that there are inherent climate-related risks wherever business is conducted. Either of our headquarters may be vulnerable to the adverse effects of climate change. Our headquarters is located in the San Francisco Bay Area, a region that is prone to seismic activity and has experienced and may continue to experience, climate-related events and at an increasing rate. Examples include but are not limited to drought and water scarcity, warmer temperatures, wildfires and air quality impacts and power shut-offs associated with wildfire prevention. The increasing intensity of drought throughout California and annual periods of wildfire danger increase the probability of planned power outages. Our office in Columbus, Ohio is a region at higher risk for extreme winter weather, including blizzards. Although we maintain a disaster response plan and insurance, such events could disrupt our business, the business of our lending partners or third-party suppliers, and may cause us to experience losses and additional costs to maintain and resume operations. We may not maintain sufficient business interruption or property insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to provide our financial products and services.

In addition, acts of war and other armed conflicts, disruptions in global trade, travel restrictions and quarantines, terrorism and other civil, political and geopolitical conflicts, could cause disruptions in our business and lead to interruptions, delays or loss of critical data. Any of the foregoing risks may be further increased if our business continuity plans prove to be inadequate and there can be no assurance that both personnel and non-mission critical applications can be fully operational after a declared disaster within a defined recovery time. If our personnel, systems or data centers are impacted, we may suffer interruptions and delays in our business operations. In addition, to the extent these events impact the ability of borrowers to timely repay their loans, our business could be negatively affected.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.

The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States requires our management to make estimates and assumptions that affect the amounts reported and disclosed in our condensed consolidated financial statements and accompanying notes. We base our estimates and assumptions on historical experience and on various other data points that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and assumptions which we believe are critical in understanding and evaluating our financial results include: (i) fair value determinations; (ii) stock-based compensation; (iii) consolidation of VIEs; and (iv) the evaluation for impairment of goodwill and acquired intangible assets. The judgments and assumptions used in accounting conclusions related to committed capital and other co-investment arrangements are especially complex. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our common stock.

Additionally, we regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, or changes to existing standards, and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial condition, and profit and loss, or cause an adverse deviation from our revenue and operating profit and loss target, which may negatively impact our results of operations.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Global Select Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we have expended, and anticipate that we will continue to expend significant resources, including accounting-related costs, and significant management oversight. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business.

Weaknesses in our disclosure controls and internal control over financial reporting have been discovered in the past and may be discovered in the future. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to identify or prevent future material weaknesses or deficiencies. The nature of our business is such that our financial statements involve a number of complex accounting policies, many of which involve significant elements of judgment, including determinations regarding the consolidation of variable interest entities, determinations regarding the fair value of financial assets and liabilities (including loans, line of credit receivable, notes receivable, payable to securitization note holders and residual certificate holders, servicing assets and liabilities, and trailing fee liabilities) and the appropriate classification of various items within our financial statements. See Note 1 to our condensed consolidated financial statements for more information about our significant accounting policies. The inherent complexity of these accounting matters and the nature and variety of transactions in which we are involved require that we have sufficient qualified accounting personnel with an appropriate level of experience and controls in our financial reporting process commensurate with the complexity of our business. While we believe we have sufficient internal accounting personnel and external resources and appropriate controls to address the demands of our business, we expect that the growth and development of our business will place significant additional demands on our accounting resources. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information,

which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Select Market. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting. There can be no assurance that we will maintain internal control over financial reporting sufficient to enable us to identify or avoid material weaknesses in the future.

Any failure to maintain effective disclosure controls and internal control over financial reporting could materially and adversely affect our business, results of operations, and financial condition and could cause a decline in the trading price of our common stock.

Some of our estimates, including our key metrics in this report, are subject to inherent challenges in measurement, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Certain estimates and forecasts included in this report, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this report relating to the size and expected growth of our target market may prove to be inaccurate. It is impossible to offer every loan product, term or feature that every customer wants or that any given lending partner is necessarily capable of supporting, and our competitors may develop and offer loan products, terms or features that we do not offer. Even if the markets in which we compete meet the size estimates and growth forecasted in this report, we may be unable to address these markets successfully and our business could fail to grow for a variety of reasons outside of our control, including competition in our industry. We regularly review and may adjust our processes for calculating our key metrics to improve their accuracy. For example, in the third quarter of 2021, we adjusted our process for calculating Conversion Rate to account for an increase in fraudulent applications. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be adversely affected.

We maintain cash deposits in excess of federally insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation (“FDIC”) insured banks that exceed the FDIC insurance limits. Bank failures, events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. The failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. treasury, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY AND PLATFORM DEVELOPMENT

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

Our ability to operate our platform depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively, which would allow competitors to duplicate our AI models or AI lending marketplace and adversely affect our ability to compete with them. We rely on a combination of copyright, trade secret, patent, trademark laws and other rights, as well as confidentiality procedures, contractual provisions and our information security infrastructure to protect our proprietary technology, processes and other intellectual property. While we have, as of March 31, 2025, four patents granted and six patent applications pending in the United States related to our proprietary risk model and data engineering, we have limited patent protection and our patent applications may not be successful. A third party may attempt to reverse engineer or otherwise obtain and use our proprietary technology without our consent. The pursuit of a claim against a third party for infringement of our intellectual property could be costly, and there can be no guarantee that any such efforts would be successful. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

Our proprietary technology, including our AI models, may actually or may be alleged to infringe upon third-party intellectual property rights, and we may face intellectual property challenges from such other parties. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes. If we are unsuccessful, such claims or litigation could result in a requirement that we pay significant damages or licensing fees, or we could in some circumstances be required to make changes to our business to avoid such infringement, which would negatively impact our financial performance. We may also be obligated to indemnify parties, cease using the technology or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to modify applications or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time-consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Furthermore, our technology may become obsolete or inadequate, and there is no guarantee that we will be able to successfully develop, obtain or use new technologies to adapt our models and systems to compete with other technologies as they develop. If we cannot protect our proprietary technology from intellectual property challenges, or if our technology becomes obsolete or inadequate, our ability to maintain our model and systems, facilitate loans or perform our servicing obligations on the loans could be adversely affected.

Any significant disruption in our AI lending platform could prevent us from processing loan applicants and servicing loans, reduce the effectiveness of our AI models and result in a loss of lending partners, institutional investors, applicants or borrowers.

In the event of a system outage or other event resulting in data loss or corruption, our ability to process loan applications, service loans or otherwise facilitate loans through our marketplace would be adversely affected. We also rely on facilities, components, and services supplied by third parties, including data center facilities, cloud storage services and national consumer reporting agencies to process loan applications, service loans and otherwise facilitate loans through our marketplace. We host our AI lending platform using Amazon Web Services, or AWS, a provider of cloud infrastructure services. In the event that our AWS service agreements are terminated, or there is a

lapse of service, interruption of internet service provider connectivity or damage to AWS data centers, we could experience interruptions in access to our platform as well as delays and additional expense in the event we must secure alternative cloud infrastructure services. For a large portion of borrowers' data used in our AI lending marketplace, we obtain borrowers' data from national consumer reporting agencies, such as TransUnion, and rely on their services in order to process loan applications for our lending partners. Any interference or disruption of our technology and underlying infrastructure or our use of third-party services could adversely affect our relationships with our lending partners and institutional investors, and the overall user experience of our marketplace. Depending on the type and severity of any such disruption, we could be exposed to litigation and regulatory risk. For example, a cybersecurity incident could result in the exposure of consumer data triggering remedial measures, notification requirements, as well as litigation and regulatory exposure. Also, as our business grows, we may be required to expand and improve the capacity, capability and reliability of our infrastructure. If we are not able to effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to reliably support our business, our business, financial condition and results of operations could be adversely affected.

Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses incurred. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage or other event resulting in data loss or corruption. These factors could prevent us from processing or posting payments on the loans, damage our brand and reputation, divert our employees' attention, subject us to liability and cause borrowers to abandon our business, any of which could adversely affect our business, results of operations and financial condition.

Our platform and internal systems rely on software that is highly technical, and if our software contains undetected errors, our business could be adversely affected.

Our platform and internal systems rely on software that is highly technical and complex. In addition, our platform and internal systems depend on the ability of such software to store, retrieve, process and manage high volumes of data. The software on which we rely has contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in failure to accurately predict a loan applicant's creditworthiness, failure to comply with applicable laws and regulations, approval of sub-optimally priced loans, incorrectly displayed interest rates to applicants or borrowers, or incorrectly charged interest to borrowers or fees to lending partners or institutional investors, failure to present or properly display regulatory disclosures to applicants for an extended period of time, failure to detect fraudulent activity on our platform, a negative experience for consumers or lending partners, delayed introductions of new features or enhancements, or failure to protect borrower data or our intellectual property. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of consumers or lending partners, increased regulatory scrutiny, fines or penalties, loss of revenue or liability for damages, any of which could adversely affect our business, financial condition and results of operations. Furthermore, updates made to our software to remediate any errors discovered may prove to be ineffective, resulting in repeated issues and further harm to our business.

Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of our systems and negatively affects our business operations.

Some open source licenses contain requirements that we make source code available at no cost for modifications or derivative works we create based upon the type of open source software we use.

We may face claims from third parties demanding the release or license of, such modifications or derivative works (which could include our proprietary source code or AI models) or otherwise seeking to enforce the terms of the applicable open source license. If portions of our proprietary AI models are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our model or change our business activities, any of which could negatively affect our business operations and potentially our intellectual property rights. If we were required to publicly disclose any portion of our proprietary models, it is possible we could lose the benefit of trade secret protection for our models.

In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business.

The use of generative AI technologies by our employees or contractors could expose us to unexpected liability.

Our employees and contractors use generative AI technologies in connection with their performance of services and, as with many developing technologies, generative AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. While we have policies and processes in place to protect against it, we face the risk of security threats from employee or contractor errors (such as unauthorized use of third party generative AI technologies in job functions, our products, or in the operation of our business) or malfeasance in connection with generative AI technologies. Even authorized use of generative AI technologies by our employees or contractors may generate content, including software code, that appears facially correct but is factually inaccurate or flawed or contains security vulnerabilities. Our customers, employees, or others may rely on or use such factually incorrect or flawed content to their detriment, which may expose us to brand or reputational harm, competitive harm, and/or legal liability. Further, security vulnerabilities introduced by generative AI technologies into our software could expose us to cybersecurity risks. Questions surrounding license rights and liability for infringement in AI technology generally, and generative AI technology specifically, have not been fully addressed by competent legal tribunals or applicable laws or regulations. The use or adoption of third-party AI technology, including generative AI technology, into our products and services and our internal business operations may result in exposure to claims of copyright infringement, other intellectual property-related causes of action, or other potential reputational harms.

While we have policies governing our personnel's use of third party generative AI technologies, we cannot guarantee that the policies will be adhered to by all of our employees and contractors and we cannot guarantee that the policies will protect us from all potential liability relating to our adoption of generative AI technologies.

RISKS RELATED TO OUR DEPENDENCE ON THIRD PARTIES

We rely on strategic relationships with loan aggregators to attract applicants to our marketplace, and if we cannot maintain effective relationships with loan aggregators or successfully replace their services, our business could be adversely affected.

A significant number of consumers that apply for a loan on Upstart.com learn about and access Upstart.com through the websites of loan aggregators, typically with hyperlinks from such loan aggregators' websites to landing pages on our website. While we are continuing to expand our direct acquisition channels, we anticipate that we will continue to depend in significant part on relationships with loan aggregators to maintain and grow our business. For example, a significant amount of our loan originations was derived from traffic from Credit Karma, one of the loan aggregators with whom we partner. The loan aggregators, including Credit Karma, are not required to display offers from our lending partners on their websites nor are they prohibited from working with our competitors or adding our competitors to their platforms. If traffic from Credit Karma or other loan aggregators decreases in the future for any reason or if the loan aggregators implement policies that would adversely impact our business, our loan originations and results of operations would be adversely affected. There is also no assurance that Credit Karma or other loan aggregators will continue to partner with us on commercially reasonable terms or at all. Our competitors may be effective in providing incentives to loan aggregators to favor their products or services or in reducing the volume of loans facilitated through our marketplace. Loan aggregators may not perform as expected under our agreements with them, and we may have disagreements or disputes with them, which could adversely affect our brand and reputation. If we cannot successfully enter into and maintain effective strategic relationships with loan aggregators, our business could be adversely affected.

Such loan aggregators also face litigation and regulatory scrutiny for their part in the consumer lending ecosystem, and as a result, their business models may require fundamental change or may not be sustainable in the future. For example, loan aggregators are increasingly required to be licensed as loan brokers or lead generators in many states, subjecting them to increased regulatory supervision and more stringent business requirements. While we require loan aggregators to make certain disclosures in connection with our lending partners' offers and restrict how loan aggregators may display such loan offers, loan aggregators may nevertheless alter or even remove these required disclosures without notifying us, which may result in liability to us. Further, we do not have control over any content on loan aggregator websites unrelated to our product, and it is possible that our brand and reputation may be adversely affected by being associated with such content. An unsatisfied borrower could also seek to bring claims against us based on the content presented on a loan aggregator's website. Such claims could be costly and time-consuming to defend and could distract management's attention from the operation of the business.

We rely on third-party vendors and if such third parties do not perform adequately or terminate their relationships with us, our costs may increase and our business, financial condition and results of operations could be adversely affected.

Our success depends in part on our relationships with third-party vendors. In some cases, third-party vendors are one of a limited number of sources. For example, we rely on national consumer reporting agencies, such as TransUnion, for a large portion of the data used in our AI models. In addition, we rely on third-party verification technologies and services that are critical to our ability to maintain a high level of automation on our platform. In addition, because we are not a bank, we cannot belong to or directly access the ACH payment network. As a result, we rely on one or more payment processors or banks with access to the ACH payment network to process collections on Upstart-powered loans. Many of our vendor agreements are terminable by either party without penalty and with little notice. If any of our third-party vendors terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternate provider, and may not be able to secure similar terms or replace such providers in an acceptable time frame. We also rely on other software and services supplied by vendors, such as communications, analytics and software-as-a-service platforms, and our business may be adversely affected to the extent such software and services do not meet our expectations, contain errors or vulnerabilities, are compromised or experience outages. Any of these risks could increase our costs and adversely affect our business, financial condition and results of operations. Further, any negative publicity related to

any of our third-party partners, including any publicity related to quality standards or safety concerns, could adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure.

We incorporate technology from third parties into our platform. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that the suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our platform containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternate technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive loan products or service offerings and increase our costs. If alternate technology cannot be obtained or developed, we may not be able to offer certain functionality as part of our platform and service offerings, which could adversely affect our business, financial condition and results of operations.

Failure by our third-party vendors or our failure to comply with legal or regulatory requirements or other contractual requirements could have an adverse effect on our business.

We have significant vendors that provide us with a number of services to support our platform. If any third-party vendors fail to comply with applicable laws and regulations or comply with their contractual requirements, including failure to maintain adequate systems addressing privacy and data protection and security, we could be subject to service outages, regulatory enforcement actions, consumer demands and lawsuits and suffer economic and reputational damage to our business. Further, we may incur significant costs to resolve any such disruptions in service or failure to provide contracted services, which could adversely affect our business.

The CFPB and each of the prudential bank regulators that supervise our lending partners have issued guidance stating that institutions under their supervision may be held responsible for the actions of the companies with which they contract. In addition, several state regulators have issued rules that impact how non-banks protect data that is shared by or with third parties, and eight federal regulators recently issued a proposed rule to establish joint standards for collection of information reported to those agencies, including proposed standards for data transmission to the agencies. As a service provider to supervised entities and when subject to state laws on similar topics, we must ensure we have implemented an adequate vendor management program and would have to comply with any data transmission requirements to which our lending partners are subject related to loans our bank partners originated through our marketplace. We or our lending partners could be adversely impacted to the extent we fail to implement a vendor management system that is satisfactory to the CFPB and other regulators or our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. Our use of third-party vendors is subject to increasing regulatory attention.

The CFPB and other regulators have also issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, including, for example, the June 2023 interagency guidance on third party risk management and the supplement guidance released for community banks issued in March 2024. Such guidance increases the scope of management involvement in connection with using third-party vendors. Moreover, if regulators conclude that we or our lending partners have not met the heightened standards for oversight of our third-party vendors, we or our lending partners could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions, which could have an adverse effect on our business, financial condition and results of operations.

If loans originated by our lending partners were found to violate the laws of one or more states, whether at origination or after sale by the lending partner, loans facilitated through our marketplace may be unenforceable or otherwise impaired, we or our lending partners or institutional investors may be subject to, among other things, fines and penalties, and/or our commercial relationships may suffer, each of which would adversely affect our business and results of operations.

When establishing the interest rates and structures (and the amounts and structures of certain fees constituting interest under federal and state banking laws, such as origination fees, late fees and non-sufficient funds fees) that are charged to borrowers on loans originated through our marketplace, our lending partners rely on authority under federal law to export the interest rate requirements of each lending partner's home state. Further, we, our securitization vehicles and our institutional investors that purchase Upstart-powered loans originated by our lending partners rely on the ability, as subsequent holders of the loans, to continue charging the interest rates and fee structures and enforce other contractual terms agreed to between the lending partners and the borrowers, as permitted under federal banking laws. The current maximum annual percentage rate of the loans facilitated through our marketplace is 35.99% and in some cases, the maximum rate is lower based on regulatory or legislative action in a particular state. In other states, the interest rates and fee structures of certain Upstart-powered loans exceed the maximum interest rate or may not align with the fee structure permitted for consumer loans applicable to non-bank lenders to borrowers residing in, or that have nexus to, such states. In 2024, several states introduced legislation to opt out of the federal law that allows for the exportation of interest rates by state-chartered banks (DIDMCA), which, if passed, would arguably prevent out-of-state banks from exporting their higher interest rates into the states that opted out. Iowa opted out of rate exportation many years ago and more recently, Colorado passed legislation to opt out, although the law is the subject of litigation and is not currently enforceable.

Usury, fee, and disclosure related claims involving Upstart-powered loans may be raised in multiple ways. We or the participants in our marketplace, including lending partners and institutional investors, may face litigation, government enforcement or other challenges, for example, based on claims that our lending partners did not establish loan terms that were permissible in the state they were located or did not correctly identify the home state in which they were located for purposes of interest exportation authority under federal law. Alternatively, we or our institutional investors may face litigation, government enforcement or other challenge, for example, based on claims that rates and fees were lawful at origination and through any period during which the lending partner retained the loan and interests therein, but following the sale of loans, we or other purchasers of the loans, including our institutional investors, are not permitted to enforce the loans pursuant to their contracted-for terms, or that while certain disclosures were not required at origination because the loans were originated by banks, they may be required following the sale of such loans.

In *Madden v. Midland Funding, LLC,* 786 F.3d 246 (2d Cir. 2015), cert. denied, 136 S.Ct. 2505 (June 27, 2016), for example, the United States Court of Appeals for the Second Circuit held that the non-bank purchaser of defaulted credit card debt could not rely on preemption standards under the National Bank Act applicable to the originator of such debt in defense of usury claims. The Madden case addressed circumstances under which a defaulted extension of credit under a consumer credit card account was assigned, following default, to a non-bank debt buyer that then attempted to collect the loan and to continue charging interest at the contracted-for rate. The debtor filed a suit claiming, among other claims, that the rate charged by the non-bank collection entity exceeded the usury rates allowable for such entities under New York usury law. Reversing a lower court decision, the Second Circuit held that preemption standards under the National Bank Act applicable to the bank that issued the credit card were not available to the non-bank debt buyer as a defense to usury claims. Following denial of a petition for rehearing by the Second Circuit, the defendant sought review by the United States Supreme Court. The Supreme Court denied certiorari on June 27, 2016, and therefore, the Second Circuit's decision remains binding on federal courts in the Second Circuit (which include all federal courts in New York, Connecticut, and Vermont). Upon remand to the District Court for consideration of additional issues, the parties settled the matter in 2019.

The scope and validity of the Second Circuit's Madden decision remain subject to challenge and clarification, including outside of the Second Circuit. For example, the Colorado Administrator of the Colorado Uniform Consumer Credit Code, or the UCCC, reached a settlement with respect to complaints against two online lending platforms whose operations share certain commonalities with ours, including with respect to the role of

lending partners originating loans and non-bank purchasers of such loans. The complaints included, among other claims, allegations, grounded in the Second Circuit's *Madden* decision, that the rates and fees for certain loans could not be enforced lawfully by non-bank purchasers of bank-originated loans. Under the settlement, the banks and non-bank purchasers committed to, among other things, limit the annual percentage rates, or APR, on loans to Colorado consumers to 36% and take other actions to ensure that the banks were in fact the true lenders. The non-bank purchasers also agreed to obtain and maintain a Colorado lending license. In Colorado, this settlement created a helpful model for what constitutes an acceptable bank partnership model; however, Colorado passed legislation to opt out of the federal law that allows state-chartered banks to export their rates, with such law scheduled to become effective July 1, 2024 but was later subject to an injunction pending the outcome of a legal challenge of the law. Regardless, the settlement may also invite other states to initiate their own actions, and set their own regulatory standards through enforcement.

In addition, in June 2019, private plaintiffs filed class action complaints against multiple traditional credit card securitization programs, including, *Petersen, et al. v. Chase Card Funding, LLC, et al.,* (No. 1:19-cv-00741-LJV-JJM (W.D.N.Y. June 6, 2019)) and *Cohen, et al. v. Capital One Funding, LLC et al.*, (No. 19-03479 (E.D.N.Y. June 12, 2019)). In *Petersen*, the plaintiffs sought class action status against certain defendants affiliated with a national bank that have acted as special purpose entities in securitization transactions sponsored by the bank. The complaint alleged that the defendants' acquisition, collection and enforcement of the bank's credit card receivables violated New York's civil usury law and that, as in *Madden*, the defendants, as non-bank entities, are not entitled to the benefit of federal preemption of state usury law. The complaint sought a judgment declaring the receivables unenforceable, monetary damages and other legal and equitable remedies, such as disgorgement of all sums paid in excess of the usury limit. The *Cohen* case involved a materially similar claim against another national bank. In September 2020, both District Courts dismissed the *Peterson* and *Cohen* finding that the usury claims were expressly preempted by the National Bank Act and that a subsequent sale, assignment or transfer of a valid loan (e.g. credit card receivables) did not affect legally permissible interest charged on such loans. The plaintiffs in both cases filed, but ultimately dropped, their appeals of the decision to the second circuit.

As noted above, federal prudential regulators have also taken actions to address the *Madden* decision. The OCC and FDIC each issued rules in 2020 clarifying that, when a national bank or savings association sells, assigns, or otherwise transfers a loan, interest permissible before the transfer continues to be permissible after the transfer. Both rules were subject to legal challenge, with several states challenging permissible interest rates post-loan transfer on the grounds that the OCC and FDIC exceeded their authority when promulgating those rules. While the court ruled in favor of the OCC and FDIC holding that the agencies did not exceed their statutory authorities when promulgating their "valid when made" rules, there is risk that the OCC and FDIC rules continue to be challenged or are repealed in the future through legislation.

There are factual distinctions between our program and the circumstances addressed in the Second Circuit's *Madden* decision, as well as the circumstances in the Colorado UCCC settlement, credit card securitization litigation, and similar cases. As noted above, there are also bases on which the *Madden* decision's validity might be subject to challenge or the Madden decision may be addressed by federal regulation or legislation. Nevertheless, there can be no guarantee that a Madden-like claim will not be brought against us, our lending partners or our institutional investors.

By the end of 2024, at least twelve (12) states had or proposed to enact true lender laws. Also known as anti-evasion laws, true lender laws are statutory tests, providing that a non-bank entity is a "lender" subject to certain requirements of the state consumer lending license laws if the entity, among other things: (i) has the predominant economic interest in a loan; (ii) brokers, arranges, or facilitates a loan with a greater rate of interest than is permitted by the state's lending laws; (iii) brokers, arranges or facilitates a loan and has the right to purchase the loan; or (iv) based on the totality of the circumstances, appears to be the lender (e.g. operates or controls the credit program). Washington most recently passed a true lender law that became effective June 6, 2024. More states may also institute similar statutory "true lender" tests, which may increase the risk of true lender litigation in certain jurisdictions. More true lender tests may also result in increased usury and licensing risk or an unwillingness by our lending partners or investors to originate or purchase loans in states with these laws. Other states may take different paths to promulgate similar "true lender" restrictions, and if not through a legislative path, impacted parties may

have little to no advance notice of new restrictions and compliance obligations (e.g. Massachusetts recently concluded a non-bank entity was the true lender using the state's unfair and deceptive practices statute).

If a borrower or any state agency were to successfully bring a claim against us, our lending partners, our securitization vehicles and/or the trustees of such vehicles or our institutional investors that we are the true lender and therefore, violated for a state usury law or fee limitation or state licensing requirement or restriction, we, our lending partners, securitization vehicles and/or trustees or institutional investors may face various commercial and legal repercussions, including that such parties would not receive the total amount of interest expected, and in some cases, may not receive any interest or principal, may hold loans that are void, voidable, rescindable, or otherwise impaired or may be subject to monetary, injunctive or criminal penalties. Were such repercussions to apply to us, we may suffer direct monetary loss or may be a less attractive candidate for lending partners, securitization trustees or institutional investors to enter into or renew relationships; and were such repercussions to apply to our lending partners or institutional investors, such parties could be discouraged from using our marketplace. We may also be subject to payment of damages in situations where we agreed to provide indemnification, as well as fines and penalties assessed by state and federal regulatory agencies.

If loans facilitated through our marketplace for one or more lending partners were subject to successful challenge that the lending partner was not the "true lender," such loans may be unenforceable, subject to rescission or otherwise impaired, we or other program participants may be subject to penalties, and/or our commercial relationships may suffer, each which would adversely affect our business and results of operations.

Loans originated through Upstart's marketplace are originated in reliance on the fact that our lending partners are the "true lenders" for such loans. Their true lender status determines various loan program details, and Upstart-powered loans may involve interest rates and structures (including certain fees and fees structures) permissible at origination because the loan terms and lending practices are set by duly chartered and insured banks or credit unions. Because the loans facilitated by our marketplace are originated by our lending partners, many state consumer financial regulatory requirements, including usury restrictions (other than the restrictions of the state in which a lending partner originating the loans is located) and many licensing requirements and substantive requirements under state consumer credit laws, are inapplicable to the loans, based on principles of federal preemption or express exemptions provided in relevant state laws .

Certain recent litigation and regulatory enforcement has challenged, or is currently challenging, the characterization of bank partners as the "true lender" of loans in connection with programs involving origination and/or servicing relationships between a bank partner and non-bank lending platform or program manager. As noted above, the Colorado Administrator has entered into a settlement agreement with certain banks and non-banks that addresses this true lender issue, such settlement to end in 2025 or under the change to Colorado law to prohibit rate exportation to the state. Other states could also bring lawsuits based on these types of bank-partnership relationships. For example, in June 2020, the Washington, D.C. Attorney General filed a lawsuit against online lender Elevate for allegedly deceptively marketing high-cost loans with interest rates above the District's usury cap of 24%. The usury claim is based on an allegation that Elevate, and not its partner bank, is the true lender of these loans, and was therefore in violation of the state's usury laws. This case ultimately settled, with Elevate agreeing to charge rates only up to 24%, instead of rates over 100%, and to refund consumers who were charged rates over what is allowed under Washington, DC law. Similarly, in June 2021, a putative class action lawsuit was filed against the online lender Marlette Funding LLC, alleging that the company, doing business as Best Egg, was the true lender of usurious loans originated through a partnership with Cross River Bank, with a rate of interest in excess of the 6% rate permitted to be charged in Pennsylvania by unlicensed non-banks. Furthermore, in April 2022, Opportunity Financial, LLC ("OppFi") filed a lawsuit against the California Department of Financial Protection and Innovation to challenge the Department's application of California usury caps to loans originated on OppFi's online platform. OppFi argued that the Department was applying a "true lender" test to several loans to California residents that exceeded the applicable California usury limit for small dollar loans, even though such test does not exist in California law. While OppFi received a favorable decision in October 2023 that denied California's motion for preliminary injunction, in California and other states where OppFi faced legal challenges, the case has not yet been resolved and there is an ongoing risk that government agencies and private plaintiffs will seek to challenge these

types of relationships that are similar to our business model. Finally, in June 2024, the Massachusetts Attorney General entered into a settlement with a fintech company it believed to be the true lender of loans originated using the bank partnership model, relying on the state's UDAAP authority to reach such a conclusion, rather than a state licensing or true lender law.

We note that the OCC issued on October 27, 2020, a final rule to address the "true lender" issue for lending transactions involving a national bank. For certain purposes related to federal banking law, including the ability of a national bank to "export" interest-related requirements from the state from which they lend, the rule would treat a national bank as the "true lender" if it is named as the lender in the loan agreement or funds the loan. However, the rule was subsequently challenged by the Attorneys General from seven states and ultimately repealed by Congress pursuant to the Congressional Review Act on June 30, 2021. Although supported by the FDIC, no similar rule applicable to state-chartered banks was issued by the FDIC, and thus there is no clear federal standard.

While we have taken steps to comply with the safe harbor in the Colorado settlement and other laws, regulations and guidance, we, lending partners, institutional investors, securitization vehicles and other similarly situated parties could become subject to challenges like those presented above, by private actions or by state or federal regulators, and, if so, we could face penalties and/or Upstart-powered loans may be void, voidable or otherwise impaired in a manner that may have adverse effects on our operations (directly, or as a result of adverse impact on our relationships with our lending partners, institutional investors or other commercial counterparties). There have been no formal proceedings against us or indication of any proceedings against us to date, but there can be no assurance that the Colorado Administrator or any other regulator will not make assertions similar to those made in its present actions with respect to the loans facilitated by our marketplace in the future.

We are subject to counterparty risk with respect to the capped call transactions.

The counterparties to the capped call transactions entered into in connection with the 2026 Notes (as defined below) and 2029 Notes (as defined below) are financial institutions, and we are subject to the risk that one or more of the counterparties may default or otherwise fail to perform their obligations under the capped call transactions. Our exposure to the credit risk of the counterparties will not be secured by any collateral. Global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a counterparty to a capped call transaction becomes subject to bankruptcy or other insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under the relevant capped call transaction. Our exposure will depend on many factors but, generally, our exposure will increase to the extent there is an increase in our common stock market price and in the volatility of the market price of our common stock. In addition, upon a default or other failure to perform, or a termination of obligations by a counterparty, we may suffer adverse consequences or experience more dilution with respect to our common stock than anticipated. We can provide no assurance as to the financial stability or viability of any of the counterparties.

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

In the ordinary course of business, we have been named as a defendant in various legal actions, including class action lawsuits and other litigation. Generally, this litigation arises from the dissatisfaction of a consumer with the products or services offered on our marketplace; some of this litigation, however, has arisen from other matters, including claims of violation of laws related to credit reporting, statements made regarding our business and prospects, collections, and do-not-call requests or restrictions. All such legal actions are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. In addition, certain actions may include claims for indeterminate amounts of damages. Our involvement in any such matter also could cause significant harm to our or our lending partners' reputations, even if the matters are ultimately determined in our favor. If resolved against us, legal actions could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business.

In addition, a number of participants in the consumer financial services industry have been the subject of putative class action lawsuits, state attorney general actions and other state regulatory actions or federal regulatory enforcement actions alleging noncompliance with various laws and regulations relating to originating, servicing and collecting consumer loans and providing consumer financial services and products, including actions relating to alleged unfair, deceptive or abusive acts or practices, violations of state licensing and lending laws, including state usury and disclosure laws and actions alleging discrimination on the basis of race, ethnicity, gender or other prohibited bases. The current regulatory environment, increased regulatory compliance efforts and enhanced regulatory enforcement have resulted in us undertaking significant time-consuming and expensive operational and compliance efforts to operate in accordance with relevant laws, which may delay or preclude our or our lending partners' ability to provide certain new products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have a material adverse effect on our business. In particular, legal proceedings brought under state or federal consumer protection statutes may result in a separate fine assessed for each violation or substantial damages from class action lawsuits, potentially in excess of the amounts we earned from the underlying activities or that may be covered by our insurance.

Some of the agreements used in the course of our business include arbitration clauses that permit either party to request arbitration. If our arbitration agreements were to become unenforceable for any reason, we could experience an increase to our consumer litigation costs and exposure to potentially damaging class action lawsuits, with a potential material adverse effect on our business and results of operations.

We contest our liability and the amount of damages, as appropriate, in each pending matter. The outcome of pending and future matters could be material to our results of operations, financial condition and cash flows, and could materially adversely affect our business.

In addition, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and result in financial remediation to impacted borrowers. These self-identified issues and voluntary remediation payments could be significant, depending on the issue and the number of borrowers impacted, and could generate litigation or regulatory investigations that subject us to additional risk.

We are subject to or facilitate compliance with a variety of federal, state, and local laws, including those related to consumer protection and lending requirements.

We must comply with regulatory regimes or facilitate compliance with regulatory regimes on behalf of our lending partners that are independently subject to federal and/or state oversight by bank regulators, including those applicable to our referral and marketing services, consumer credit transactions, loan servicing and collection activities and the purchase and sale of whole loans and other related transactions. It is possible that regulators in the

current or future presidential administrations could promulgate rulemakings and bring enforcement actions that materially impact our business and the business of our lending partners. These regulators may augment requirements that apply to loans facilitated by our marketplace, or impose new programs and restrictions, and could otherwise revise or create new regulatory requirements that apply to us (or our lending partners), impacting our business, operations, and profitability.

Federal and certain state laws regulate financial products and services, including requirements that apply to the origination, servicing and collection of loans originated on our marketplace, and the purchase and sale of whole loans or asset-backed securitizations. In particular, the laws, regulations and rules we or our lending partners are subject to include:

- state lending laws and regulations that require certain parties to hold licenses or other government approvals or filings in connection with specified lending activities, and impose requirements related to brokering loans, loan disclosures and terms, fees and interest rates, credit discrimination, credit reporting, servicemember relief, debt collection, repossession, unfair or deceptive business practices and consumer protection, as well as other state laws relating to privacy, information security, conduct in connection with data breaches and money transmission;
- the Truth-in-Lending Act and Regulation Z promulgated thereunder, and similar state laws, which require certain disclosures to borrowers regarding the terms and conditions of their loans and credit transactions, require creditors to comply with certain lending practice restrictions, limit the ability of a creditor to impose certain loan terms;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, and similar state fair lending laws, which prohibit creditors from discouraging or discriminating against credit applicants on a prohibited basis, including race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act;
- the Fair Credit Reporting Act and Regulation V promulgated thereunder, which impose certain obligations on users of consumer reports and those that furnish information to consumer reporting agencies, including obligations relating to obtaining consumer reports, marketing using consumer reports, taking adverse action on the basis of information from consumer reports, addressing risks of identity theft and fraud and protecting the privacy and security of consumer reports and consumer report information, including the CFPB's recent proposed amendments to Regulation V that could add additional requirements thereunder if not withdrawn;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service, and analogous state laws prohibiting unfair, deceptive or abusive acts or practices;
- the Credit Practices Rule which (i) prohibits lenders from using certain contract provisions that the Federal Trade Commission has found to be unfair to consumers; and (ii) prohibits certain activity relating to the assessment of late charges;
- the Fair Debt Collection Practices Act, and Regulation F promulgated thereunder, and similar state debt collection laws, which provide guidelines and limitations on the conduct of third-party debt collectors (and some limitation on creditors collecting their own debts) in connection with the collection of consumer debts;
- the Gramm-Leach-Bliley Act, or GLBA, and Regulation P promulgated thereunder, and similar state privacy laws, which include limitations on financial institutions' disclosure of nonpublic personal information about a consumer to nonaffiliated third parties, in certain circumstances requires financial institutions to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information and requires financial institutions to disclose certain privacy notices and practices with respect to information sharing with affiliated and unaffiliated entities as well as to safeguard personal borrower information, and other state privacy laws and regulations;

- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Servicemembers Civil Relief Act and similar state laws, which allows military members to suspend or postpone certain civil obligations, requires creditors to reduce the interest rate to 6% on loans to military members under certain circumstances, and imposes restrictions on enforcement of loans to servicemembers, so that the military member can devote his or her full attention to military duties;
- the Military Lending Act, which requires those who lend to “covered borrowers”, including members of the military and their dependents, to only offer Military APRs (a specific measure of all-in-cost-of-credit) under 36%, prohibits arbitration clauses in loan agreements, and prohibits certain other loan agreement terms and lending practices in connection with loans to military servicemembers, among other requirements, and for which violations may result in penalties including voiding of the loan agreement;
- the Electronic Fund Transfer Act and Regulation E promulgated thereunder, which provide guidelines and restrictions on the electronic transfer of funds from consumers’ bank accounts, including a prohibition on a creditor requiring a consumer to repay a credit agreement in preauthorized (recurring) electronic fund transfers and disclosure and authorization requirements in connection with such transfers;
- the Telephone Consumer Protection Act and the regulations promulgated thereunder, and similar state laws, which impose various consumer consent requirements and other restrictions in connection with telemarketing activity and other communication with consumers by phone, fax or text message, and which provide guidelines designed to safeguard consumer privacy in connection with such communications;
- the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 and the Telemarketing Sales Rule and similar state laws, which impose various restrictions on commercial marketing conducted use of email, telephone, fax or text message;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, particularly the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and which require creditors and loan servicers to obtain a consumer’s consent to electronically receive disclosures required under federal and state laws and regulations that would otherwise be provided in a physical writing;
- the Right to Financial Privacy Act and similar state laws enacted to provide financial institution customers a reasonable amount of privacy from government scrutiny of their financial records;
- the Bank Secrecy Act and the USA PATRIOT Act, which relate to compliance with anti-money laundering, borrower due diligence and record-keeping policies and procedures;
- the regulations promulgated by the Office of Foreign Assets Control under the U.S. Treasury Department related to the administration and enforcement of sanctions against foreign jurisdictions and persons that threaten U.S. foreign policy and national security goals, primarily to prevent targeted jurisdictions and persons from accessing the U.S. financial system;
- federal and state securities laws, including, among others, the Securities Act of 1933, as amended, or the Securities Act, the Exchange Act, the Investment Advisers Act of 1940, as amended, or the IAA, and the Investment Company Act, rules and regulations adopted under those laws, and similar state laws and regulations, which govern how we offer, sell and transact in our loan financing products; and
- other state-specific and local laws and regulations.

We may not always have been, and may not always be, in compliance with these and other applicable laws, regulations and rules. And while compliance with these requirements is a business priority for us, it is also costly, time-consuming and limits our operational flexibility. Additionally, Congress, the states and regulatory agencies, as well as local municipalities, could further regulate the consumer financial services industry in ways that make it more difficult or costly for us to offer our AI lending marketplace and related services or facilitate the origination of loans for our lending partners. These laws also are subject to changes that could severely limit the operations of our business model. Further, changes in the regulatory application or judicial interpretation of the laws and regulations

applicable to financial institutions also could impact the manner in which we conduct our business. The regulatory environment in which financial institutions operate has become increasingly complex, and following the financial crisis that began in 2008, supervisory efforts to apply relevant laws, regulations and policies have become more intense. Additionally, states are increasingly introducing and, in some cases, passing laws that restrict interest rates and APRs on loans similar to the loans made on our marketplace, which could end rate exportation in their states by out-of-state, state-chartered banks. Colorado was the first state to enact such legislation since Iowa, and other states have proposed similar legislation. Further, in late 2020, California created the Department of Financial Protection and Innovation ("DFPI"), a "mini-CFPB," through expansion of regulation of financial service providers under the California Consumer Financial Protection Law. This increases the state's authority and oversight of bank partnership relationships and strengthens state consumer protection authority to police debt collections and unfair, deceptive or abusive acts and practices. Voter referendums also have introduced and, in some cases, passed, restrictions on interest rates and/or APRs. If such legislation or bills were to be propagated with rates and/or APRs under 36%, or if state or federal regulators seek to restrict regulated financial institutions such as our lending partners from engaging in business with Upstart in certain ways, our lending partners' ability to originate loans in certain states could be greatly reduced, and as a result, our business, financial condition and results of operations would be adversely affected.

Where applicable, we seek to comply with state broker, small loan, automobile lender, finance lender, servicing, collection, money transmitter and similar statutes. Nevertheless, if we are found to not comply with applicable laws, we could lose one or more of our licenses or authorizations, become subject to greater scrutiny by other state regulatory agencies, face other sanctions or be required to obtain a license in such jurisdiction, which may have an adverse effect on our ability to continue to facilitate loans, perform our servicing obligations or make our marketplace available to consumers in particular states, which may harm our business. Further, failure to comply with the laws and regulatory requirements applicable to our business and operations may, among other things, limit our ability to collect all or part of the principal of or interest on Upstart-powered loans. In addition, non-compliance could subject us to damages, revocation of required licenses, class action lawsuits, administrative enforcement actions, rescission rights held by investors in securities offerings and civil and criminal liability, all of which would harm our business.

Internet-based loan origination processes may give rise to greater risks than paper-based processes and may not always be allowed under state law.

We use the internet to obtain application information and distribute certain legally required notices to applicants and borrowers, and to obtain electronically signed loan documents in lieu of paper documents with actual borrower signatures. These processes may entail greater risks than would paper-based loan origination processes, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that borrowers may challenge the authenticity of loan documents, and risks that despite internal controls, unauthorized changes are made to the electronic loan documents. In addition, our software could contain "bugs" that result in incorrect calculations or disclosures or other non-compliance with federal or state laws or regulations. If any of those factors were to cause any loans, or any of the terms of the loans, to be unenforceable against the borrowers, or impair our ability to service loans, the performance of the underlying loan documents could be adversely affected.

For auto loans issued through our auto lending marketplace, certain state laws may not allow for electronic lien and title transfer, which would require us to use a paper-based title process to secure title to the underlying collateral. Because it is highly manual and outside of our usual practices and titling rules can vary by state, we may be prone to errors or delays in placing titles or otherwise encounter greater difficulty complying with the proper procedures. If we fail to effectively follow such procedures we may, among other things, be limited in our ability to secure the collateral associated with loans issued through our auto lending marketplace.

If we are found to be operating without having obtained necessary state or local licenses, our business, financial condition and results of operations could be adversely affected.

Certain states have adopted laws regulating and requiring licensing by parties that engage in certain activities regarding consumer finance transactions, including facilitating and assisting such transactions or in connection with collecting, servicing and/or purchasing or selling consumer loans. While we believe we have obtained or are in the process of obtaining all necessary licenses, the application of some consumer finance licensing laws to our AI lending marketplace and the related activities we perform, as well as to our lending partners, is unclear. In addition, state licensing requirements and state regulators' interpretation of such requirements may evolve over time, including, in particular, recent trends toward increased licensing requirements and regulation of parties engaged in loan solicitation, student loan servicing activities and debt collection. If we or one of our lending partners were found to be in violation of applicable state licensing requirements by a court or a state, federal, or local enforcement agency, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties and other penalties or consequences, and the loans originated by our lending partners on our marketplace could be rendered void or unenforceable in whole or in part, any of which could have a material adverse effect on our business.

The CFPB has recently adopted a more restrictive view of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other agency could impact our business.

The CFPB, which commenced operations in July 2011, has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as UDAAP authority under the Consumer Financial Protection Act, the Truth in Lending Act and Regulation Z, ECOA and Regulation B, the Fair Credit Reporting Act and Regulation V, the Electronic Funds Transfer Act and Regulation E, among other regulations, and to enforce compliance with those laws. The CFPB has broad enforcement authority over all providers of financial products and services. The CFPB also has supervisory authority over banks, thrifts and credit unions with assets over $10 billion and certain participants in the consumer financial services market, including short-term, small dollar lenders, non-bank mortgage originators and servicers, and larger participants in other areas of financial services, including some of our lending partners and Upstart Mortgage LLC. The CFPB is also authorized to prevent "unfair, deceptive or abusive acts or practices" through its rulemaking, supervisory and enforcement authority. To assist in its enforcement and supervisory activity, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including the loan products offered through our marketplace, and recently finalized a rule establishing a public registry for final orders issued against non-banks subject to CFPB enforcement actions. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB may also request reports concerning our organization, business conduct, markets and activities and conduct on-site examinations of our business on a periodic basis if the CFPB were to determine, through its complaint system, that we were engaging in activities that pose risks to consumers.

In May 2024, the Supreme Court ruled that the CFPB's funding structure is constitutional, and although more recent actions have been filed that challenge the CFPB's authority on other grounds, the Supreme Court's decision ended uncertainty about the future of the CFPB and how its strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. In the aftermath, the CFPB increased hiring in its Enforcement Division and created a Repeat Offender Unit. In February 2024, the CFPB published a decision and order in a supervisory designation proceeding against a non-bank installment lender that, for the first time, officially established the CFPB's supervisory authority over a non-bank entity not otherwise subject to the CFPB's supervisory authority due to the risk the non-bank lender posed to consumers. The CFPB opined that risk does not need to be based on a violation of law. The CFPB exercised this previously dormant authority for the second time in December 2024, establishing supervisory authority over a technology company offering a peer-to-peer payment product. If the CFPB decides to subject us to its supervisory process, it could significantly increase the level of regulatory scrutiny of our business practices.

Despite this history of enforcement of consumer protection laws, as of the filing of this Quarterly Report Form 10-Q, given that the priorities and direction of the CFPB and other federal agencies under the new U.S. presidential administration have changed, we cannot be certain how the regulatory environment under the new administration may impact our business. See the risk factor titled "*—Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure or perceived failure to comply with such laws and regulations could harm our business, financial condition and results of operations*" for more information.

In addition, evolving views regarding the use of alternative variables and machine learning in assessing credit risk could result in the CFPB taking actions that result in requirements to alter or cease offering affected financial products and services, making them less attractive and restricting our ability to offer them. See the risk factor titled "*—Our reputation and brand are important to our success, and if we are unable to continue developing our reputation and brand, our ability to retain existing and attract new bank partners, our ability to attract borrowers to our marketplace, our ability to maintain diverse and resilient loan funding and our ability to maintain and improve our relationship with regulators of our industry could be adversely affected*" for more information. The CFPB could also implement rules that restrict our effectiveness in servicing our financial products and services.

Although we have committed resources to enhancing our compliance programs, future actions by the CFPB (or other regulators) against us, our lending partners or our competitors could discourage the use of our services or those of our lending partners, which could result in reputational harm, a loss of lending partners, borrowers or institutional investors, or discourage the use of our or their services and adversely affect our business, especially now that actions resulting in orders will be subject to publication on the CFPB's public registry. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement of past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. This is particularly true with respect to the application of ECOA and Regulation B to credit risk models that rely upon alternative variables and machine learning, an area of law where regulatory guidance is currently uncertain and still evolving, and for which there are not well-established regulatory norms for establishing compliance.

The former presidential administration appointed consumer-oriented regulators at federal agencies such as the CFPB, the FTC, the OCC and the FDIC. The current administration has significantly reduced staff at these agencies and has appointed persons who favor less government regulation to lead the agencies. While we expect the government to continue to enforce federal consumer protection laws, it remains to be seen how the new presidential administration will address consumer protection under new leadership.

We have been in the past and may in the future be subject to federal and state regulatory inquiries regarding our business.

We have, from time to time in the normal course of our business, received, and may in the future receive or be subject to, inquiries or investigations by state and federal regulatory agencies and bodies such as the CFPB, the FTC, state Attorneys General, the SEC, state financial regulatory agencies and other state or federal agencies or bodies regarding the Upstart marketplace, including the marketing of loans for lenders, underwriting and pricing of consumer loans for our lending partners, our fair lending compliance program and licensing and registration requirements. While we expect to address inquiries or investigations and engage in open dialogue with regulators, we cannot guarantee that a federal or state regulator will not take supervisory or enforcement action against us in the future. Since the no-action letter with the CFPB was terminated in June 2022, we no longer enjoy the protection of the no-action letter which had provided that the CFPB would not take supervisory or enforcement action against us for a violation of ECOA. We intend to continue to pursue a transparent and cooperative relationship with the CFPB, which could involve sharing information about our models and other aspects of our business. It is also possible the CFPB may take supervisory or enforcement action against us in the future.

We have also received inquiries from state regulatory agencies regarding requirements to obtain licenses from or register with those states, including in states where we have determined that we are not required to obtain such a license or be registered with the state, and we expect to continue to receive such inquiries. Any such inquiries

or investigations could involve substantial time and expense to analyze and respond to, could divert management's attention and other resources from running our business, and could lead to public enforcement actions or lawsuits and fines, penalties, injunctive relief, and the need to obtain additional licenses that we do not currently possess. Our involvement in any such matters, whether tangential or otherwise and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation, lead to additional investigations and enforcement actions from other agencies or litigants, and further divert management attention and resources from the operation of our business. Formal enforcement actions are generally made public, which also carries reputational risk. The market price of our common stock could decline as a result of the initiation of a regulatory investigation of Upstart or even the perception that such an investigation could occur, even in the absence of any finding by a regulator that we have violated any state or federal law. As a result, the outcome of legal and regulatory actions arising out of any state or federal inquiries we receive could be material to our business, results of operations, financial condition and cash flows and could have a material adverse effect on our business, financial condition or results of operations.

For non-bank financial institutions, the FTC is also a primary regulator, and in recent years the FTC has been focused on practices of financial technology companies. Based on publicly available actions, the FTC's primary focus has been with respect to financial technology company marketing and disclosure practices. For instance, in October 2018 the FTC took action against student loan refinance lender SoFi, claiming that the company made prominent false statements regarding the average savings a consumer would realize over the lifetime of the loan if they refinanced with SoFi. In addition, SoFi allegedly exaggerated claims of anticipated borrower savings by excluding certain customer populations from the analysis. In addition, in July 2021 the FTC settled litigation with LendingClub regarding, among other things, the adequacy of its disclosures of an origination fee associated with the product. Moreover, the FTC recently issued a staff report on digital "dark patterns," sophisticated design practices that can trick or manipulate consumers into buying products or services or giving up their private information, that, among other things, highlighted marketing and disclosure practices by some financial technology companies that the FTC claimed were deceptive because of their use of dark patterns. Based upon prior enforcement actions, staff reports, and statements by FTC officials, we believe this scrutiny of financial technology company marketing and disclosure practices will continue in the near future. While we maintain policies and procedures that require our marketing and loan application and servicing operations comply with UDAP standards, we may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of vendor cooperation.

The collection, processing, storage, use and disclosure of personal information could give rise to liabilities as a result of existing or new governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

We receive, transmit and store large volumes of personal information and other sensitive data, which may potentially include biometric data as defined by state law, from applicants and borrowers. Each lending partner can access information about their respective borrowers and declined applicants via daily loan reports and other reporting tools that are provided via the platform. For loan institutional investors, while we generally limit access to personal information, we do share some personal information about borrowers with certain institutional investors. There are federal, state and foreign laws regarding privacy and the storing, sharing, use, disclosure and protection of personal information and sensitive data including those specific to biometric data. Specifically, cybersecurity and data privacy issues, particularly with respect to personal information, are increasingly subject to legislation and regulations to protect the privacy and security of personal information that is collected, processed and transmitted. For example, the GLBA includes limitations on financial institutions' disclosure of nonpublic personal information about a consumer to non-affiliated third parties, in certain circumstances requires financial institutions to limit the use and further disclosure of nonpublic personal information by non-affiliated third parties to whom they disclose such information and requires financial institutions to disclose certain privacy notices and practices with respect to information sharing with affiliated and unaffiliated entities as well as to safeguard personal borrower information. Privacy requirements under the GLBA are enforced by the CFPB, as well as the FTC, and under Section 5 of the Federal Trade Commission Act, we and our lending partners are prohibited from engaging in unfair and deceptive acts and practices, or UDAP. For example, both the FTC and CFPB have relied on UDAP/UDAAP principles to increase enforcement of "dark patterns", the definition of which varies but has been defined as "design features used to deceive, steer, or manipulate users into behavior that is profitable for an online service, but often harmful to users

or contrary to their intent.” We are and our lending partners are also prohibited from sharing consumer information without proper notification and consent. For example, lawsuits were recently filed against TD Bank and Capital One for alleged privacy violations under GLBA and similar state privacy laws and unfair and deceptive practices under UDAAP, for the alleged sharing of nonpublic personal information (“NPI”) with Meta without (1) properly disclosing in the bank’s privacy policy or elsewhere that NPI was shared with Meta; and (2) allowing customers to opt out of having their NPI shared with Meta.

In addition to the FTC’s heightened focus on UDAP/UDAAP regulations, the FTC enhanced guidance to the FTC Safeguards Rule, enacted under the GLBA, which mandates that financial institutions develop, implement, and maintain comprehensive information security programs to protect customer data. The revisions reflect technological advancements and rising threats to consumer data, introducing specific measures like multifactor authentication, annual written reports to senior management, data retention requirements, and stricter third-party oversight.

At the state level, the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020, requires, among other things, that covered companies provide disclosures to California residents and afford such persons new abilities to opt-out of certain sales or retention of their personal information by us. Aspects of the CCPA and its interpretation remain unclear. In addition, California voters approved Proposition 24 in the November 2020 election to create the California Privacy Rights Act, or CPRA, which amends and purports to strengthen the CCPA and created a state agency, the California Privacy Protection Agency, to enforce privacy laws. The CPRA amendments create obligations relating to consumer data as of January 1, 2023 (with a one-year lookback), and enforcement beginning March 29, 2024. Following the enactment of the CCPA, certain states have enacted, and other states are proposing to enact, laws and regulations that impose obligations similar to the CCPA or that otherwise involve significant obligations and restrictions. While many of these laws include exemptions for information covered by the GLBA, and we therefore may be exempt from all or most obligations under many of these state privacy laws, some states may not provide for such exemptions, and such exemptions may not fully exempt us from compliance with state laws.

Many privacy and data security laws, such as the CCPA, apply to biometric data. Some states also have passed or are considering legislation that is biometric-specific. For instance, in Illinois, the Biometric Information Privacy Act, or BIPA, specifically governs the collection, possession, and disclosure of biometric information or biometric identifiers. There has been a corresponding increase in litigation related specifically to state biometric privacy laws. Whether information we receive from borrowers is subject to state laws expressly governing biometric data depends on how such laws define “biometric data” or other similar terms of art.

Compliance with current and future borrower privacy data protection and information security laws and regulations could result in higher compliance, technical or operating costs. We cannot fully predict the impact of the CCPA, BIPA, or other privacy and data security state laws on our business or operations, but it may require us to further modify our data infrastructure and data processing practices and policies and to incur additional costs and expenses in an effort to continue to comply. Further, any actual or perceived violations of these laws and regulations may require us to change our business practices, data infrastructure or operational structure, address legal claims and regulatory investigations and proceedings and sustain monetary penalties and/or other harms to our business. We could also be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified such that we are required to alter our systems or change our business practices or privacy policies.

In 2023 and 2024, New York adopted and later amended its Cybersecurity Regulation (23 NYCRR Part 500). As a part of these amendments, NYDFS Cybersecurity Regulation addresses evolving cyber threats. Key changes include: new obligations for larger entities, enhanced governance requirements related to cybersecurity risk oversight, expanded incident reporting requirements, and strengthened requirements for technical controls such as encryption, multi-factor authentication, and vulnerability management to safeguard nonpublic information.

As the regulatory framework for AI and machine learning technology evolves, our business, financial condition and results of operations may be adversely affected.

The regulatory framework for AI and machine learning technology is evolving and remains uncertain. For example, in April 2023, the FTC, DOJ, EEOC and CFPB released a joint statement on potential "threats" posed by AI, such as contributing to discriminatory outcomes. Additionally, the CFPB published statements in May 2022 and September 2023 on the applicability of ECOA to AI and machine learning underwriting models when generating adverse action notices. Several federal agencies including the CFPB and Treasury Department have issued requests for information to investigate the impacts of AI on the provision of financial goods and services. On the other hand, in January 2025, the U.S. President issued an Executive Order directing heads of executive departments and agencies to develop an action plan to enhance the United States's global AI dominance.

There is also a significant amount of proposed legislation at the state and federal levels addressing the use and development of AI and on AI governance and oversight. For example, the Colorado Artificial Intelligence Act (the "CAIA"), the first comprehensive state AI regulation, will go into effect in February 2026. Among other things, the CAIA imposes a duty of reasonable care on developers and deployers to avoid "algorithmic discrimination" in high-risk AI systems, and sets forth various disclosure, risk assessment, and governance requirements. Several other states have passed legislation regulating the use of AI and many more are working to pass such legislation.

However, the language of the primary fair lending regulation (i.e. ECOA) remains unaltered. Therefore, it is possible that new laws and regulations will be adopted in the United States, or existing laws and regulations may be interpreted in new ways, that would affect the operation of our marketplace and the way in which we use AI and machine learning technology, including with respect to fair lending laws. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

If we are required to register under the Investment Company Act, our ability to conduct business could be materially adversely affected.

The Investment Company Act contains substantive legal requirements that regulate the manner in which "investment companies" are permitted to conduct their business activities. In general, an "investment company" is a company that holds itself out as an investment company or holds more than 40% of the total value of its assets (minus cash and government securities) in "investment securities." We believe we are not an investment company. Our business involves developing and operating an online lending marketplace that provides our lending partners with access to technology, including proprietary AI models, and related services, so lending partners can assess the credit risk of potential borrowers and offer loans online, and our revenue derives primarily from fees based on the platform and referral services provided to our lending partners and loan servicing. We do not hold ourselves out as an investment company. We understand, however, that the loans held on our balance sheet could be viewed by the SEC or its staff as "securities," which could in turn cause the SEC or its staff to view Upstart Holdings, Inc., Upstart Network, Inc., or an affiliate as an "investment company" subject to regulation under the Investment Company Act. We believe that we have never been an investment company because, among other reasons, we are primarily engaged in the business of providing an AI-based lending marketplace, and therefore can reasonably rely on exemptions from investment company status.

If we are not able to rely on exemptions from investment company status, we could be deemed an investment company and may be required to institute burdensome compliance requirements, restricting our activities in a way that could adversely affect our business, financial condition and results of operations. For example, among other things, we could be subject to investment company governance requirements; restricted as to future borrowings and in our transactions with affiliates; and be more limited in available corporate financing alternatives and compensation arrangements. If we were ever deemed to be in non-compliance with the Investment Company Act, we could also be subject to various penalties, including administrative or judicial proceedings that might result in censure, fine, civil penalties, cease-and-desist orders or other adverse consequences, as well as private rights of action, any of which could materially adversely affect our business.

If we are required to register under the Investment Advisers Act, our ability to conduct business could be materially adversely affected.

The IAA contains substantive legal requirements that regulate the manner in which "investment advisers" are permitted to conduct their business activities. We do not believe that we or our affiliates are required to register as an investment adviser with either the SEC or any of the various states, because our business consists of providing a marketplace for consumer lending and loan financing for which investment adviser registration and regulation does not apply under applicable federal or state law. However, one of our affiliates, Upstart Network, Inc., has notice filed as an exempt reporting adviser with the state of California based on its limited activities advising a fund.

While we believe our current practices do not require us or any of our other affiliates or subsidiaries to register or notice file as an investment adviser, or require us to extend regulations related to Upstart Network, Inc.'s status as an exempt reporting adviser to our other operations, if a regulator were to disagree with our analysis with respect to any portion of our business, we or a subsidiary may be required to register or notice file as an investment adviser and to comply with applicable law. Registering as an investment adviser could adversely affect our method of operation and revenues. For example, the IAA requires that an investment adviser act in a fiduciary capacity for its clients. Among other things, this fiduciary obligation requires that an investment adviser manage a client's portfolio in the best interests of the client, have a reasonable basis for its recommendations, fully disclose to its client any material conflicts of interest that may affect its conduct and seek best execution for transactions undertaken on behalf of its client. The IAA also limits the ways in which a company can market its services and offerings. It could be difficult for us to comply with these obligations without meaningful changes to our business operations, and there is no guarantee that we could do so successfully. If we were ever deemed to be in non-compliance with applicable investment adviser regulations, we could also be subject to various penalties, including administrative or judicial proceedings that might result in censure, fine, civil penalties, cease-and-desist orders or other adverse consequences, as well as private rights of action, any of which could materially adversely affect our business.

If our transactions involving institutional investors who provide loan funding to our marketplace are found to have been conducted in violation of the Securities Act or similar state law, or we have generally violated any applicable law, our ability to obtain financing for loans facilitated through our marketplace could be materially adversely affected, and we could be subject to private or regulatory actions.

Certain transactions involving institutional investors or related to acquisitions may rely or have relied on exemptions from the registration requirements of the Securities Act provided for in Regulation D or Section 4(a)(2) of the Securities Act. If any of these transactions were found to not be in compliance with the requirements necessary to qualify for these exemptions from Securities Act registration, or otherwise found to be in violation of the federal or state securities laws, our business could be materially adversely affected. The SEC or state securities regulators could bring enforcement actions against us, or we could be subject to private litigation risks as a result of any violation of the federal or state securities laws, which could result in civil penalties, injunctions and cease and desist orders from further violations, as well as monetary penalties of disgorgement, pre-judgment interest, rescission of securities sales, or civil penalties, any of which could materially adversely affect our business.

If we are found to be in violation of state or federal law generally, we also may be limited in our ability to conduct future transactions. For example, we could in the future become ineligible to sell securities under Regulation D if we become subject to "bad actor" disqualification pursuant to Rule 506(d) of Regulation D. Under Rule 506(d), issuers are ineligible "bad actors" if they or certain related persons, including directors and certain affiliates, are subject to disqualifying events, including certain cease-and-desist orders obtained by the SEC. If we were subject to this or other "bad actor" provisions of the securities laws, we may not be able to continue sales of whole loans, fractional interests in loans, or asset-backed securities, or we could be subject to significant additional expense associated with making our offerings, which would adversely affect our business, financial condition and results of operations.

If we are required to register with the SEC or under state securities laws as a broker-dealer, our ability to conduct business could be materially adversely affected.

We are not currently registered with the SEC as a broker-dealer under the Exchange Act or any comparable state law. The SEC heavily regulates the manner in which broker-dealers are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our being characterized as a broker-dealer, based on guidance published by the SEC and its staff. Among other reasons, this is because we do not believe we take any compensation that would be viewed as being based on any transactions in securities in any of our business lines. To the extent that the SEC or its staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. There can be no assurance that the laws and regulations governing our broker-dealer status or that SEC guidance will not change in a manner that adversely affects our operations. If we are deemed to be a broker-dealer, we may be required to institute burdensome compliance requirements and our activities may be restricted, which would adversely affect our business, financial condition and results of operations. We may also be subject to private litigation and potential rescission of certain investments investors in our loan financing products have made, which would harm our operations as well.

Similarly, we do not believe that our sales of whole loans and asset-backed securities will subject us to broker-dealer registration in any state in which we operate, primarily because we do not accept compensation that we believe could be viewed as transaction-based. However, if we were deemed to be a broker-dealer under a state's securities laws, we could face civil penalties, or costly registration requirements, that could adversely affect our business.

Anti-money laundering, anti-terrorism financing, anti-corruption and economic sanctions laws could have adverse consequences for us.

We maintain a compliance program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act and U.S. economic sanctions laws administered by the Office of Foreign Assets Control. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering and terrorist financing and engaging in transactions involving sanctioned countries, persons and entities. These controls include procedures and processes to detect and report suspicious transactions, perform borrower due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. We are also subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, and the U.S. Travel Act, which prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the private sector in order to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. We have implemented an anti-corruption policy to ensure compliance with these anti-corruption and anti-bribery laws. No assurance is given that our programs and controls will be effective to ensure compliance with all applicable anti-money laundering and anti-terrorism financing and anti-corruption laws and regulations, and our failure to comply with these laws and regulations could subject us to significant sanctions, fines, penalties, contractual liability to our lending partners or institutional investors, and reputational harm, all of which could harm our business.

Our securitizations are subject to regulation under federal law, and failure to comply with those laws could adversely affect our business.

Our loan securitizations and sales of asset-backed securities are subject to regulation under federal law, and banks and other regulated financial institutions acquiring and holding asset-based securities, including asset-backed securities sponsored by us, are subject to capital and leverage requirements. These requirements, which are costly to comply with, could decrease investor demand for securities issued through our securitization transactions. For example, the Credit Risk Retention rule, codified as Regulation RR under the Exchange Act, was jointly adopted by

the SEC, the Department of the Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the Department of Housing and Urban Development in 2014. Regulation RR generally requires the sponsor of asset-backed securities to retain not less than five percent of the credit risk of the assets collateralizing the securities, and generally prohibits the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained credit risk for a specified period of time, depending on the type of asset that is securitized. Some aspects of these risk retention rules have not been the subject of significant separate guidance. We believe, but cannot be certain, that we have conducted our business, and will continue to conduct our business, in such a way that we are compliant with these risk retention rules. However, if we have failed to comply, or should fall out of compliance with these rules, it could adversely affect our source of funding and our business.

We may also face regulatory risks related to compliance with Section 13 of the Bank Holding Company Act, commonly known as the "Volcker Rule," which prohibits banking entities from acquiring an ownership interest in entities that are investment companies for purposes of the Investment Company Act, or would be investment companies but for Sections 3(c)(1) or 3(c)(7) of the Investment Company Act, which are generally known as "private funds." This means that in order for a banking entity regulated under the Volcker Rule to purchase certain asset-backed securities issued by our affiliates, such affiliates may need to rely on another exemption or exception from being deemed "investment companies" if they wish to continue selling to banking entities. Currently, those affiliates generally rely on Rule 3a-7 under the Investment Company Act, which provides an exclusion to the definition of an investment company for issuers that pool income-producing assets and issue securities backed by those assets. However, if a regulator or other third party were to find or assert that our analysis under Rule 3a-7 (or, where applicable, some other exemption or exemption) is incorrect, banks that have purchased asset-backed securities may be able to rescind those sales, which would adversely affect our business. We believe, but cannot guarantee, that we have conducted our business, and will continue to conduct our business, in such a way that enables our applicable banking entity investors to be compliant with the Volcker Rule.

RISKS RELATED TO INDEBTEDNESS

We rely on borrowings under our warehouse credit facilities to fund certain aspects of our operations, and any inability to meet our obligations as they come due or to comply with various covenants or representations contained in our warehouse credit facilities could harm our business.

We, through our warehouse trust special purpose entities, have entered into warehouse credit facilities to partially finance the purchase of certain loans from certain lending partners that originate loans through our marketplace, which credit facilities are secured by the purchased loans.

Under our warehouse credit facilities, we may borrow up to an aggregate of $475.0 million to purchase unsecured personal loans, $100.0 million to purchase small dollar loans, and up to $50.0 million to purchase auto loans. Our warehouse credit facilities mature between December 2025 and June 2028, by which time the outstanding principal, together with any accrued and unpaid interest, are due and payable. As of March 31, 2025, the aggregate amount borrowed under our warehouse credit facilities was $127.0 million, and $369.9 million of the aggregate outstanding principal of loans and restricted cash pledged as collateral.

Our warehouse credit facilities impose operating and financial covenants on the applicable warehouse trust special purpose entity, and under certain events of default, the applicable lender could require that all or a portion of our outstanding borrowings become immediately due and payable or terminate their respective agreement with us. We have in the past, and may in the future, fail to comply with certain operating or financial covenants in our warehouse credit facilities, requiring a waiver from our lenders. If we are unable to repay our obligations at maturity or in the event of default, the applicable borrowing warehouse trust special purpose entity may have to liquidate the loans held as collateral at an inopportune time or price or, if the lender liquidated the loans, such warehouse trust would have to pay any amount by which the original purchase price exceeded their sale price. An event of default would negatively impact our ability to purchase loans from our marketplace and require us to rely on alternative funding sources, which might increase our costs or which might not be available when needed. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to limit our loan funding, which

could have an adverse effect on our lending partners' ability or willingness to originate new loans or our ability to use leverage for the loans we hold, which in turn would have an adverse effect on our business, results of operations and financial condition.

Corporate and asset-backed debt ratings could adversely affect our ability to support loan funding for our marketplace at attractive rates, which could negatively affect our results of operations, financial condition and liquidity.

Our unsecured senior corporate debt currently has no rating. Asset-backed securities sponsored or co-sponsored by us are currently rated by a limited number of credit rating agencies. Structured finance ratings reflect these rating agencies' opinions of our receivables credit performance and ability of the receivables cash flows to pay interest on a timely basis and repay the principal of such asset-backed securitizations, as well as our ability to service the receivables and comply with other obligations under such programs, such as the obligation to repurchase loans subject to breaches of loan-level representations and warranties. Such ratings also reflect the rating agencies' opinions of other service providers in such transactions, such as trustees, back-up servicers, charged-off loan purchasers and others.

Our asset-backed securities have been subject to downgrades in the past, and any future downgrade or non-publication of ratings may increase the interest rates that are required to attract investment in such asset-backed securities, adversely impacting our ability to provide liquidity or financing to our lending partners and institutional investors. Our lack of parent debt rating and any further downgrades to the ratings of our asset-backed securities could negatively impact our business, financial condition and results of operations.

We may need to raise additional funds in the future, including through equity, equity-linked, or debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

We may continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new loan products, enhance our AI models, supplement loan funding, improve our operating infrastructure, acquire complementary businesses and technologies, or make strategic investments. Accordingly, we may need to engage in equity, equity-linked or debt financings to secure additional funds. If we raise additional funds by issuing equity securities or securities convertible into equity securities, our stockholders may experience dilution. For example, if we elect to deliver shares of our common stock to settle the conversion (other than paying cash in lieu of delivering any fractional share) of our outstanding Notes (as defined below), it may have a dilutive effect on our stockholders' equity holdings. Further, debt financing, if available, may involve protective provisions or covenants restricting our operations or our ability to incur additional debt. Any additional financing that we raise may contain terms that are not favorable to us or our stockholders.

If we are unable to obtain adequate financing or on terms satisfactory to us when we require it, we may pursue alternate transactions or be unable to pursue certain business opportunities and our ability to continue to support our business growth and to respond to business challenges could be impaired and our business may be harmed.

In August 2021, we issued $661.3 million in aggregate principal amount of 0.25% convertible senior notes due 2026 (the "2026 Notes"). In September 2024, we issued $431.3 million in aggregate principal amount of 2.00% convertible senior notes due 2029 (the "2029 Notes") and in November 2024, we issued $500.0 million in aggregate principal amount of 1.00% convertible senior notes due 2030 (the "2030 Notes" and together with the 2026 Notes and 2029 Notes, the "Notes"). Concurrently with the issuance of the 2029 Notes, we used $302.4 million of the proceeds to repurchase a portion of the outstanding 2026 Notes in individually negotiated transactions, and additionally repurchased a portion of the outstanding 2026 Notes during the third quarter of 2024 through open market purchases.

Holders of the Notes may require us to purchase all or a portion of their Notes upon the occurrence of a fundamental change (as defined in the applicable Indenture) with respect to such series of Notes before the applicable maturity date, at a fundamental change repurchase price equal to 100% of the principal amount of the

Notes of such series to be repurchased, plus accrued and unpaid interest, if any. Additionally, upon conversion of the Notes, as applicable, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. Moreover, we will be required to repay the Notes of each series in cash at their respective maturities unless earlier converted, redeemed or repurchased. However, we may not have enough available cash or be able to obtain financing at the respective times we are required to make repurchases of the Notes of each series, pay cash for the Notes being converted, or at their respective maturities. In addition, our ability to repurchase the Notes of each series or to pay cash upon conversion of any such Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness at the time. Our failure to repurchase the Notes of a series at a time when the repurchase is required by the applicable Indenture, or to pay any cash payable upon future conversions of the Notes of a series as required by the applicable Indenture would constitute a default under such Indenture. A default under the applicable Indenture or the fundamental change itself could also lead to a default under agreements governing our other existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes of each series, pay cash with respect to the Notes being converted, or at the respective maturities of the Notes.

Provisions in the Indentures governing our 2026 Notes, 2029 Notes and 2030 Notes may deter or prevent a business combination that may be favorable to you.

If a fundamental change (as defined in the applicable Indenture) occurs prior to the maturity date for a series of Notes, holders of the applicable series of Notes will have the right, at their option, to require us to repurchase all or a portion of such Notes. In addition, if a make-whole fundamental change (as defined in the applicable Indenture) occurs prior to the maturity date of the applicable series of Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes of such series in connection with such make-whole fundamental change in the manner specified in the applicable Indenture. Furthermore, the Indentures prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions in the Indentures could deter or prevent a third party from acquiring us even when the acquisition may be favorable to you.

RISKS RELATED TO TAXES

Our ability to use our deferred tax assets to offset future taxable income may be subject to certain limitations, which may have a material impact on our result of operations.

As of March 31, 2025, a valuation allowance has been recorded to recognize only deferred tax assets that are more likely than not to be realized in the United States federal, state and local tax jurisdictions. We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Certain of our deferred tax assets may expire unutilized or underutilized, which could prevent us from offsetting future taxable income.

We may also be limited in the portion of NOLs that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. The Tax Cuts and Jobs Act, or the Tax Act made broad and complex changes to U.S. tax law, including changes to the uses and limitations of NOLs. A lack of future taxable income would adversely affect our ability to utilize NOLs. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Future changes in our stock ownership, including future offerings, as well as other changes that may be outside of our control, could result in additional ownership changes under Section 382 of the Code. Our NOLs may also be limited under similar provisions of state and local law.

We continue to assess the realizability of our deferred tax assets in the future. Future adjustments in our valuation allowance may be required, which may have a material impact on our quarterly and annual operating results.

Changes in tax laws could have a material adverse effect on our business, financial condition and results of operations.

We are subject to taxes in the United States under federal, state and local jurisdictions in which we operate. The governing tax laws and applicable tax rates vary by jurisdiction and are subject to interpretation and macroeconomic, political or other factors. For example, the results of U.S. presidential and congressional elections may lead to tax law changes. We may be subject to examination in the future by federal, state and local authorities on income, employment, sales and other tax matters. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority would not have an adverse effect on our business, financial condition and results of operations. Various tax authorities may disagree with tax positions we take and if any such tax authorities were to successfully challenge one or more of our tax positions, the results could adversely affect our financial condition. Further, the ultimate amount of tax payable in a given financial statement period may be impacted by sudden or unforeseen changes in tax laws, changes in the mix and level of earnings by taxing jurisdictions, or changes to existing accounting rules or regulations. For example, the Inflation Reduction Act of 2022, enacted on August 16, 2022, imposes a one-percent non-deductible excise tax on repurchases of stock that are made by U.S. publicly traded corporations on or after January 1, 2023, which may affect our share repurchase program. In addition, effective as of January 1, 2022, the Tax Cuts and Jobs Act requires research and experimental expenditures attributable to research conducted within the United States to be capitalized and amortized ratably over a five-year period. Any such expenditures attributable to research conducted outside the United States must be capitalized and amortized over a 15-year period. Accordingly, the determination of our overall provision for income and other taxes is inherently uncertain as it requires significant judgment around complex transactions and calculations. As a result, fluctuations in our ultimate tax obligations may differ materially from amounts recorded in our financial statements and could adversely affect our business, financial condition and results of operations in the periods for which such determination is made.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, gross receipts, value added or similar taxes and may successfully impose additional obligations on us, and any such assessments or obligations could adversely affect our business, financial condition and results of operations.

The application of indirect taxes, such as sales and use tax, value-added tax, digital services tax, digital advertising tax, business tax, gross receipts tax, and other similar tax to platform and financial technology businesses is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and e-commerce. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations and as a result amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. In addition, proposed or newly enacted laws regarding indirect tax could increase our compliance obligation. Any failure by us to prepare for and to comply with the reporting and record-keeping obligations could result in penalties and other sanctions, and could adversely affect our financial condition and results of operations.

We have faced, and may face in the future, various indirect tax audits in various U.S. jurisdictions. Tax authorities may raise questions about or challenge or disagree with our calculation, reporting or collection of taxes and may require us to collect taxes in jurisdictions in which we do not currently do so or to remit additional taxes and interest, and could impose associated penalties and fees. Although we have reserved for potential payments of past tax liabilities on our financial statements, a successful assertion by one or more tax authorities could result in substantial tax liabilities in excess of such reserves as well as penalties and interest, and could harm our business, financial condition and results of operations.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely impact our results of operations in future years in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

The trading price of our common stock may be volatile, and you could lose all or part of your investment.

The trading price of our common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of financial technology stocks;
- general economic conditions, including economic slowdowns, recessions, changes in interest and inflation rates, tightening of credit markets and disruptions in the banking sector;
- a reduction in the availability of loan funding and liquidity from lending partners and institutional investors;
- quarterly fluctuations in demand for the loans we facilitate through our marketplace;
- changes in operating performance and stock market valuations of other financial technology companies and technology companies that offer services to financial institutions;
- sales of shares of our common stock by us or our stockholders, including sales to cover tax withholding obligations upon vesting of RSUs issued to our employees;
- issuance of shares of our common stock, whether in connection with an acquisition or upon conversion of some or all of the outstanding Notes;
- failure of securities analysts to maintain coverage of us, changes in financial estimates or other statements made by securities analysts or others, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new products, features, or services;
- the public’s reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- compliance with government policies or regulations;
- the issuance of any cease-and-desist orders from regulatory agencies that we are subject to;
- developments or disputes concerning our intellectual property or other proprietary rights;
- market perception of the accuracy of our AI models;
- actual or perceived data security breaches or other data security incidents;
- announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;

- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- recruitment or departure of key personnel; and
- other events or factors, including those resulting from war, incidents of terrorism, political unrest, natural disasters, pandemics or responses to these events.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigation has often been instituted against these companies. For example, in May 2022, June 2022 and July 2022, we and certain of our officers were sued in purported class action lawsuits alleging violations of the federal securities laws for allegedly making materially false and misleading statements about our business, operations, and prospects. This litigation could result in substantial costs and a diversion of our management's attention and resources, which could harm our business. We may be the target of additional litigation of this type in the future as well.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term shareholder value. Share repurchases could also affect the trading price of our stock, increase volatility of our stock and diminish our cash reserves.

Although our Board of Directors has authorized a share repurchase program that does not have an expiration date, the program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our common stock. We cannot guarantee that the program will be fully consummated or that it will enhance long-term stockholder value. The timing and number of shares repurchased under the program will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. The program could affect the trading price of our stock, increase volatility and diminish our cash reserves. Our Board of Directors will review the program periodically and may authorize adjustments of its terms if appropriate. Any announcement of a suspension or termination of this program may result in a decrease in the trading price of our stock.

The capped call transactions entered into in connection with the issuance of each of the 2026 Notes and the 2029 Notes may affect the market price of our common stock.

In connection with the issuance of each of the 2026 Notes and the 2029 Notes, we entered into privately negotiated capped call transactions with certain financial institutions as counterparties. These capped call transactions are expected generally to offset the potential dilution to our common stock upon any conversion of the applicable series of Notes and/or reduce any cash payments we are required to make in excess of the principal amount of such converted Notes, as the case may be, with such offset and/or reduction subject to a cap.

From time to time, the counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the applicable series of Notes (and are likely to do so following May 15, 2026, in the case of the 2026 Notes, and July 1, 2029, in the case of the 2029 Notes, during the observation period for conversions of the applicable series of Notes following any conversion of such Notes prior to May 15, 2026, in the case of the 2026 Notes, and July 1, 2029, in the case of the 2029 Notes, in connection with any repurchase or redemption of the Notes of the applicable series, to the extent we unwind a corresponding portion of the capped call transactions, or if we otherwise unwind all or a portion of the capped call transactions). This activity could also cause or prevent an increase or a decrease in the market price of our common stock.

Certain insiders have significant voting power, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, officers, and each of our stockholders who own greater than 5% of our outstanding capital stock and their affiliates, in the aggregate, beneficially own a significant portion of the outstanding shares of our capital stock. As a result, these stockholders, if acting together, are able to influence matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions, or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale, and might ultimately affect the trading price of our common stock.

The large number of shares of our capital stock eligible or registered for public sale could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, and the perception that these sales could occur may also depress the market price of our common stock. We have filed and in the future may file registration statements on Form S-8 to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods or vesting conditions and compliance with our Insider Trading Policy, the shares issued upon exercise of outstanding stock options and settlement of fully vested RSUs will be available for immediate resale in the United States in the open market.

We have also filed a shelf registration statement on Form S-3ASR in connection with the commencement of an “at the market” offering program, pursuant to which we may offer and sell up to $500 million of our common stock. Sales of our shares may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our common stock to fall and make it more difficult for you to sell shares of our common stock.

Our common stock does not provide any rights directly related to the loans we hold.

Investors in our common stock own a form of equity that may provide returns based on either an increase in the value of the stock or any distributions made to common stockholders. Investors will not, however, receive any interest in or fees based on the loans or other assets we hold on our balance sheet. In particular, investors in our common stock will not receive any distributions directly based on principal or interest payments made by borrowers on the loans we hold. Those loans are not directly related in any way to the common stock investors’ purchase.

You may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue 604,928,418 shares of authorized but unissued common stock and rights relating to common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved 11,353,410 shares for issuance under our 2020 Equity Incentive Plan subject to adjustment in certain events. Any common stock that we issue, including under our 2020 Equity Incentive Plan or other equity incentive plans that we may adopt in the future, could dilute the percentage ownership held by the investors in our common stock.

Transactions relating to our 2026 Notes, 2029 Notes and 2030 Notes may dilute the ownership interest of stockholders, or may otherwise depress the price of our common stock.

If the 2026 Notes, the 2029 Notes or the 2030 Notes are converted by holders of such series, we are required under the applicable Indenture to pay or deliver, as the case may be, either cash, shares of common stock, or a combination of cash and shares of common stock, at our election. If we elect to deliver any shares of common stock upon conversion of the 2026 Notes, the 2029 Notes or the 2030 Notes with respect to our conversion obligation, it would dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, certain holders of the 2026 Notes, the 2029 Notes or the 2030 Notes may engage in short selling to hedge their position in the Notes. Anticipated future issuances of shares of our common stock upon conversion of the 2026 Notes, 2029 Notes or 2030 Notes could depress the price of our common stock.

To the extent a large number of shares of our common stock are sold in connection with any "sell to cover" transactions upon vesting of restricted stock units (RSUs) issued to our employees, our stock price may fluctuate.

Under U.S. tax laws, employment tax withholding and remittance obligations for RSUs arise in connection with their vesting. To fund the tax withholding and remittance obligations arising in connection with the vesting of RSUs, we use the "sell-to-cover" method, under which shares with a market value equivalent to the tax withholding obligation are sold by a broker on behalf of the holder of the RSUs upon vesting to cover the tax withholding liability and the cash proceeds from such sales are subsequently remitted by us to the taxing authorities. The tax withholding due in connection with such RSU vesting is based on the then-current value of the underlying shares of our common stock. Such sales do not result in the expenditure of additional cash by us to satisfy the tax withholding obligations for RSUs. To the extent a large number of shares are sold in connection with any vesting event, such sales volume may cause our stock price to fluctuate.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder unless certain conditions are met, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- our Board of Directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- vacancies and newly-created seats on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only the Chair of our Board of Directors, our Chief Executive Officer, our president, or a majority of our entire Board of Directors are authorized to call a special meeting of stockholders;
- certain litigation against us or our directors, stockholders, officers or employees can only be brought in Delaware;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- any amendment of the above anti-takeover provisions in our amended and restated certificate of incorporation or amended and restated bylaws will require the approval of at least 66 2/3% of the combined voting power of our then-outstanding shares of our capital stock.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware (or any federal district court, for Securities Act claims) as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers, or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over the claims at issue and the indispensable parties; provided that the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America are the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. We note, however, that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder, and that there is uncertainty as to whether a court would enforce this exclusive forum provision. Further, the enforceability of similar choice of forum provisions in other companies' governing documents has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. For example, in December 2018, the Court of Chancery of the State of Delaware determined that a provision stating that U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. Although this decision was reversed by the Delaware Supreme Court in March 2020, other courts may still find these provisions to be inapplicable or unenforceable.

Any person or entity purchasing, holding or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. This exclusive forum provision does not apply to any causes of action arising under the Exchange Act or any other claim for which the federal or other courts have exclusive jurisdiction. If a court were to find either of the exclusive-forum provisions in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

Our common stock market price and trading volume could decline if equity or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our common stock will depend in part on the research and reports that equity or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our common stock to decline.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the Nasdaq Global Select Market and other applicable securities rules and regulations. Our management and other personnel must devote substantial time to these public company requirements that would otherwise be focused on operational and other business matters. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased demand on our systems and resources, and we will need to continue to invest additional resources and incur substantial costs on ongoing compliance burdens, including compliance with new rules and regulations that are adopted from time to time and applicable to us as a public company.

Being a public company also makes it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage, incur substantially higher costs to obtain coverage or only obtain coverage with a significant deductible. These factors could also make it more difficult for us to attract and retain qualified executive officers and qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts, we fail to comply with new laws, regulations and standards or our efforts differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, as well as to fund our share repurchase program, and we do not expect to declare or pay any dividends in the foreseeable future. In addition, the terms of our existing corporate debt agreements do, and any future debt agreements may, preclude us from paying dividends. As a result, capital appreciation of our common stock, if any, will be the only way for stockholders to realize any future gains on their investment for the foreseeable future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

There were no repurchases of the Company’s common stock during the three months ended March 31, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) Securities Trading Plans of Executive Officers and Directors

From time to time, some of the Company's executive officers or directors may determine that it is advisable to diversify their investments for personal financial planning reasons or may seek liquidity for other reasons and may sell shares of common stock of the Company. To effect such sales, from time to time, some of the Company's executive officers or directors may enter into trading plans that are designed to comply with the Company's Insider Trading Policy and intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

During the quarter ended March 31, 2025, the following directors and officers (as defined in Rule 16a-1(f) of the Exchange Act) of the Company each adopted a "Rule 10b5-1 trading arrangement" (as defined in Item 408(a) of Regulation S-K):

Name and title of director and officer: Paul Gu, Chief Technology Officer
Date of adoption: February 26, 2025
Duration of the trading arrangement: Through May 31, 2026 or earlier if all transactions under the trading arrangement are completed
Aggregate number of securities to be sold from time to time: up to 656,500 shares, including shares issuable upon the exercise of outstanding options upon reaching the pricing targets defined in the trading arrangement.

None of the Company's officers or directors modified or terminated a "Rule 10b5-1 trading arrangement"or adopted, modified or terminated a "non-Rule 10b5-1 trading arrangement" (as defined under Item 408(a) of Regulation S-K) during the quarter ended March 31, 2025.

ITEM 6. EXHIBITS

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q or are incorporated herein by reference, in each case as indicated below.

EXHIBIT INDEX

			Incorporated by Reference		
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**
10.1	Sales Agreement, dated February 14, 2025, by and between the Company and BTIG, LLC.	8-K	001-39797	1.1	February 14, 2025
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*#	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

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* Filed herewith.

\# The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

	Upstart Holdings, Inc. (Registrant)	
Date: May 6, 2025	By:	/s/ Dave Girouard Dave Girouard Chief Executive Officer and Director *(Principal Executive Officer)*
Date: May 6, 2025	By:	/s/ Sanjay Datta Sanjay Datta Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dave Girouard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upstart Holdings, 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(s) 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(s) 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.

Date: May 6, 2025

UPSTART HOLDINGS, INC.

By: /s/ Dave Girouard

Name: Dave Girouard

Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sanjay Datta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upstart Holdings, 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(s) 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(s) 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.

Date: May 6, 2025

UPSTART HOLDINGS, INC.

By: /s/ Sanjay Datta

Name: Sanjay Datta

Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dave Girouard, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Upstart Holdings, Inc. for the quarter ended March 31, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Upstart Holdings, Inc.

Date: May 6, 2025	By:	/s/ Dave Girouard
	Name:	Dave Girouard
	Title:	Chief Executive Officer and President (Principal Executive Officer)

I, Sanjay Datta, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Upstart Holdings, Inc. for the quarter ended March 31, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Upstart Holdings, Inc.

Date: May 6, 2025	By:	/s/ Sanjay Datta
	Name:	Sanjay Datta
	Title:	Chief Financial Officer (Principal Financial Officer)