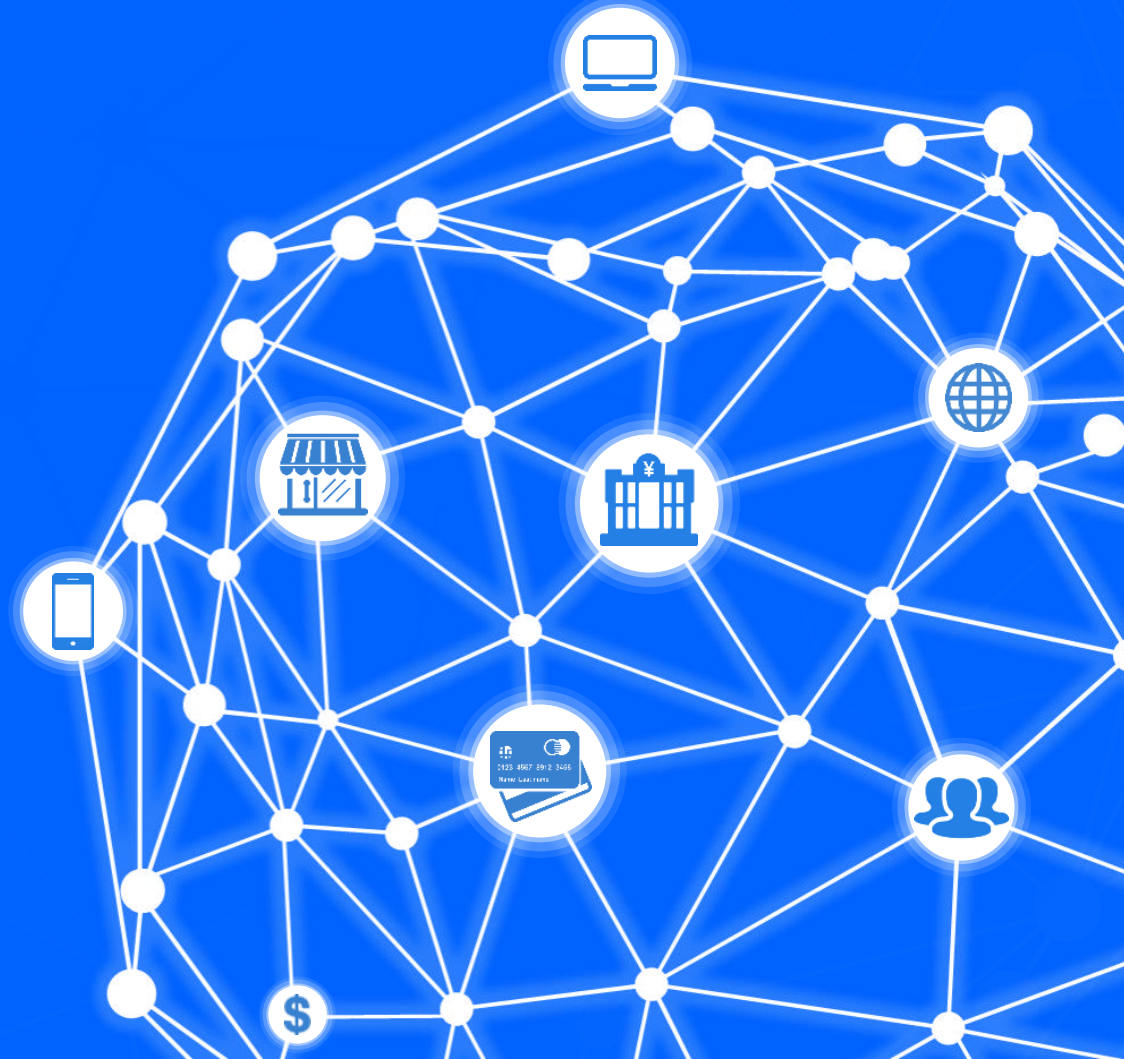


# X Financial (NYSE: XYF)

## 2019 Q1 Earnings Results Presentation



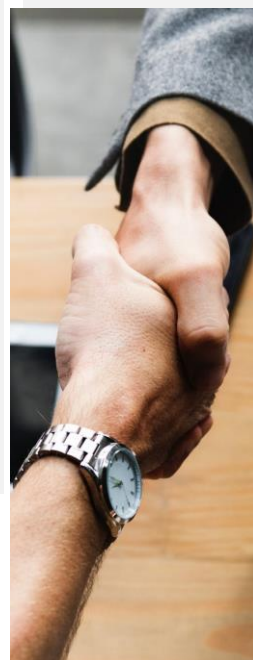
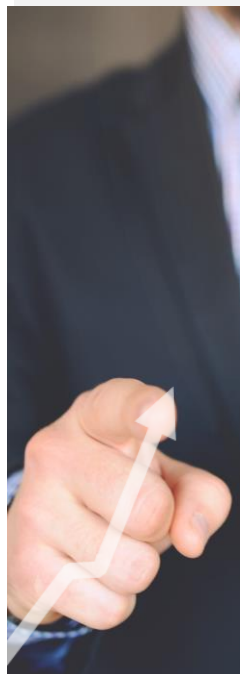
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# X Financial at a glance

A leading technology-driven personal finance company in China

----- serving the vast personal financing demand with a focus on prime borrowers



*In the first quarter of 2019:*

**9,629 mn (RMB)**

Total loan facilitation amount

*As of March 31, 2019:*

**20,187 mn (RMB)**

Loan balance

**4,580,576**

Cumulative borrowers

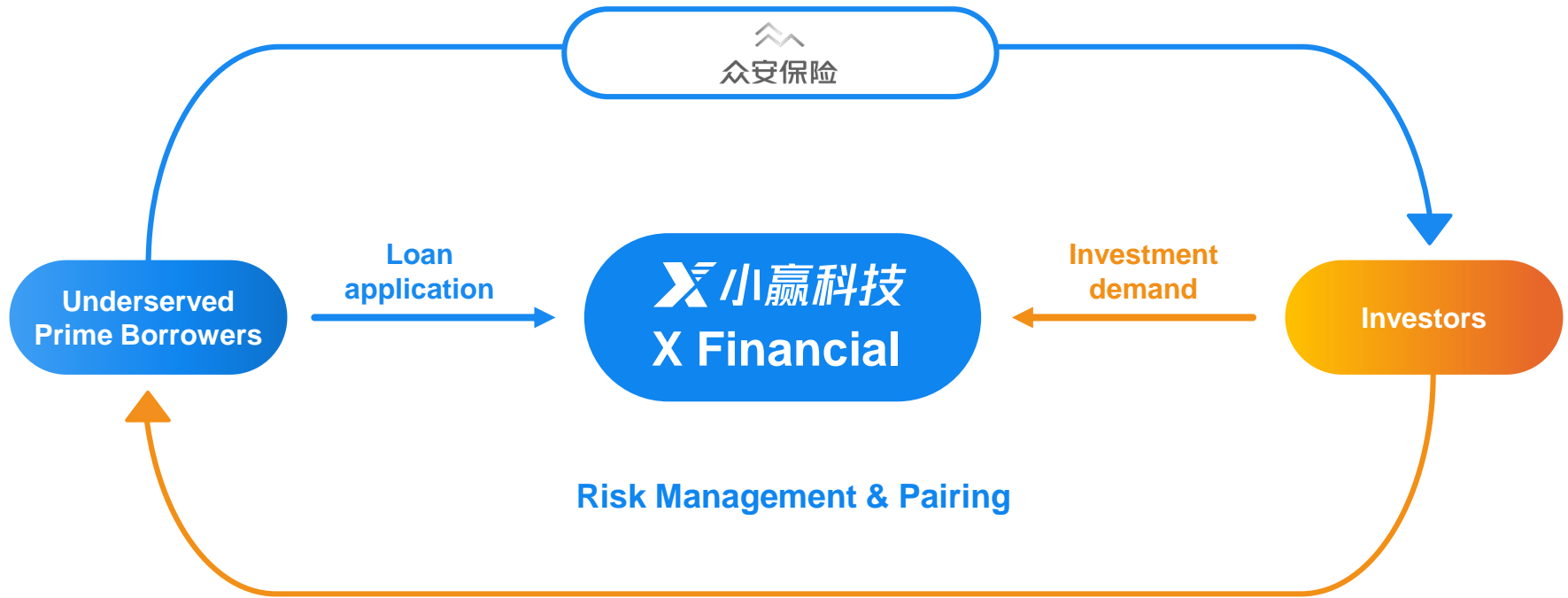
**477,489**

Cumulative investors

**25,797,200**

Registered users

# Business model



## \_ Underserved Prime Borrowers



Credit card holders



Micro business owners

## \_ Investors



Mass affluent individuals

















Corporates

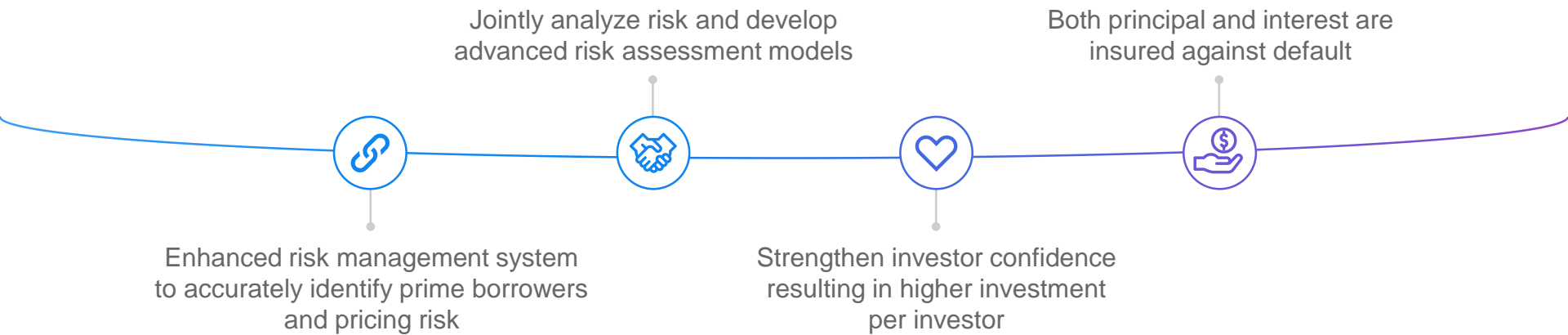
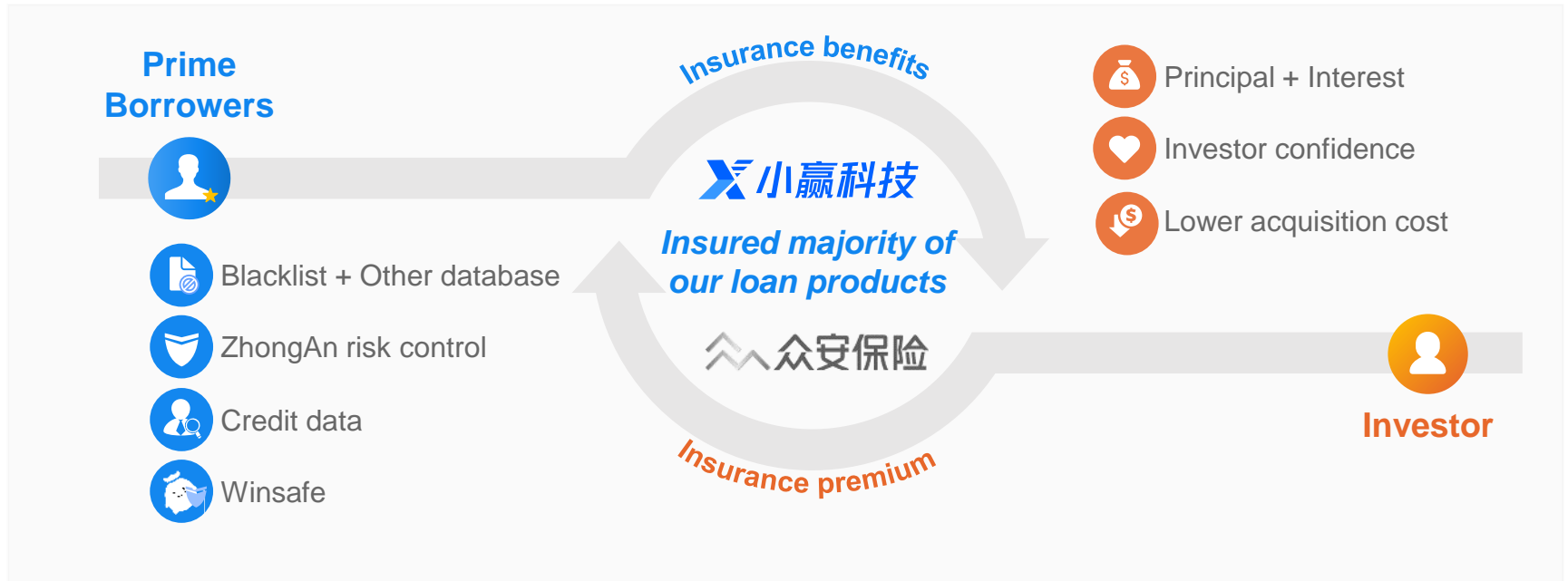


Financial institutions (FIs)

# Comprehensive suite of products with attractive features

Products	Wide range of age groups	Flexible loan amount/ credit line	Flexible tenor meeting borrowers' liquidity needs	Various sources of credit proof reducing collateral needs
 <b>Xiaoying Credit Loan</b>	 Early career stage Avg. late 20 – 30s	 RMB2,000 – 60,000	 3, 6, 9, 12 months	
 <b>Xiaoying Wallet</b>	 Young Generation Avg. 20 - 30s	 Credit limit: Avg. RMB 6000+ Avg. RMB 300+ per transaction	 Recurring, daily consumption	
Investment	Mass affluent investors with RMB600,000 -RMB6 million of investable assets	Low investment entry barrier to attract investors	Variety of products catering to investor risk appetite	Enhanced liquidity with transaction facilitation
 <b>Xiaoying Wealth Management</b>	 Mass affluent investors Avg. mid 30	 Starting from RMB100	Insurance P2P Fixed Deposits Sharing Money Market Funds	 Secondary market transfer

# Strategic partnership with ZhongAn Insurance



**Significant majority of loan products are insured by ZhongAn which significantly enhances consumer confidence**

# Investment highlights

1

Leading industry position with differentiated products benefiting from China's booming personal finance market



2

Rigorous data-driven credit assessment modeling system



3

Superior user experience continuously attracts investors and borrowers



4

Low funding costs **create solid** competitive advantage



5

Strong brand image with continuous promotional campaigns



6

Founded by seasoned entrepreneurs with proven track record



# 1. Leading industry position with differentiated products that benefit from China's booming personal finance market



Xiaoying Credit Loan



**Leading platform** among credit card balance transfer products in China



Xiaoying Wallet



**One of the most welcomed** credit consumption products in China.



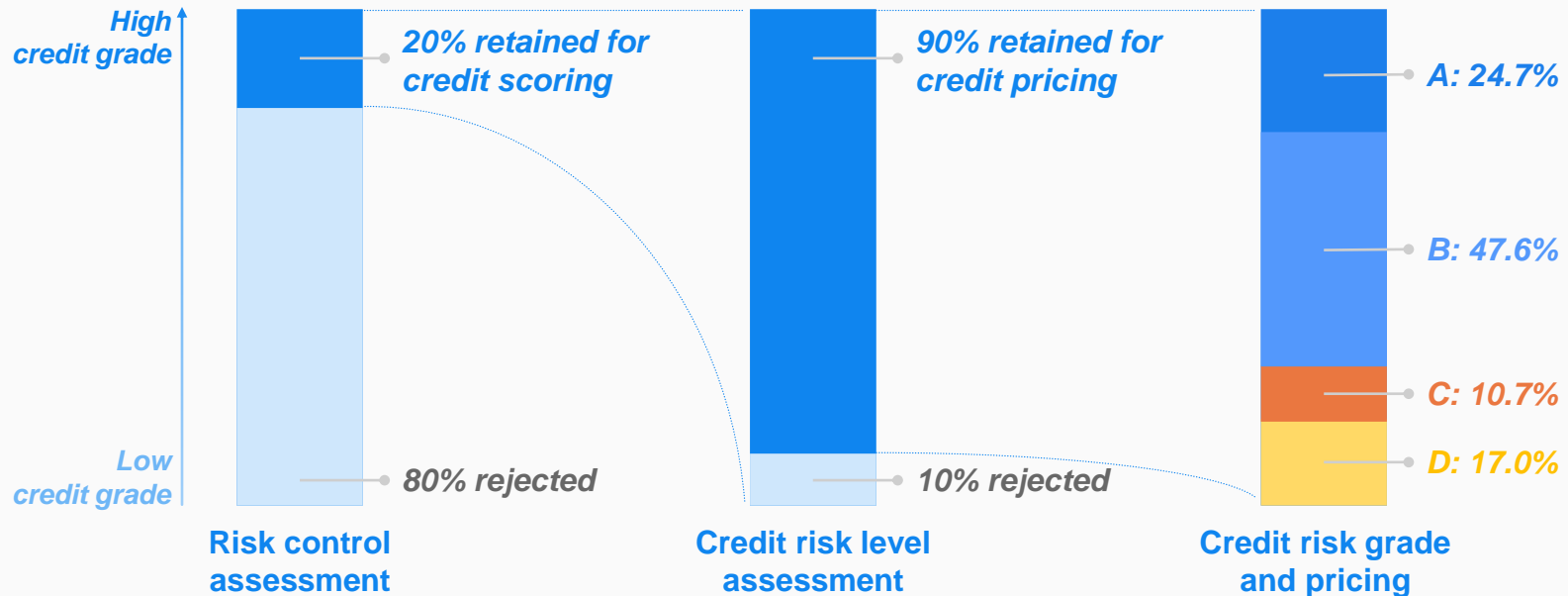
Xiaoying Wealth Management



**Leading** wealth management product on consumer finance marketplaces in China

## 2.1 Rigorous credit grade modeling system

### Illustrative Example for Card Loan

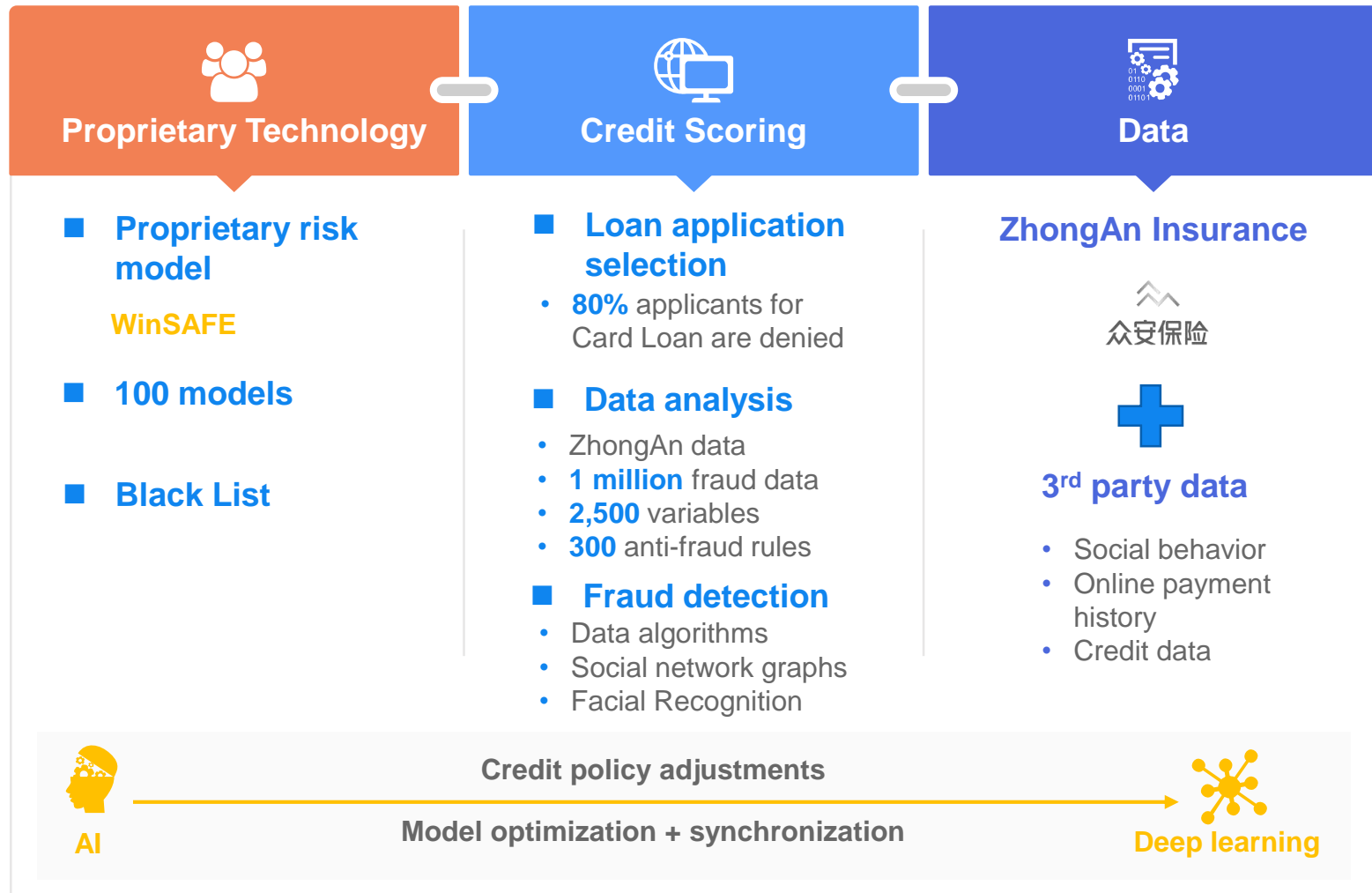


*Different credit line for different credit score:*



## 2.2 Technology & data-driven credit assessment

Continuous optimization of credit assessment systems that strengthen risk controls



### 3. Superior user experience continuously attracts investors and borrowers



## 4. Low funding costs creates solid competitive advantage

### Low Funding Cost



### Individual Investors



### Corporate Investors and Institutional Funding Partners

Enlarging  
funding  
percentage  
from  
Institutions



### Diversified Funding Source and Increasing Funding from Institutions

## 5. Strong brand image with continuous promotional campaigns



(1) Source: Deloitte website

## 6. Seasoned management team



**Yue (Justin) Tang**

*Founder,  
Chairman and CEO*

Co-founder of eLong, one of the first online travel service companies in China

Co-founder of Blue Ridge China, an investment and consulting company



**Shaoyong (Simon) Cheng**

*President*

20+ years of experience in risk management in Capital One, HSBC, Bank of Communications, and other FIs across China and US.



**Jie (Kevin) Zhang**

*Chief Financial Officer*

17+ years of work experience with 12+ years of experience in auditing

Former CFO of a famous Fintech company



**Ding (Gardon) Gao**

*Chief Technology Officer*

Former software architect at Tencent

Deep understanding and extensive experience in IT industry



**Kan (Kent) Li**

*Chief Risk Officer*

Formerly in charge of unsecured loan risk

Former manager at Capital One

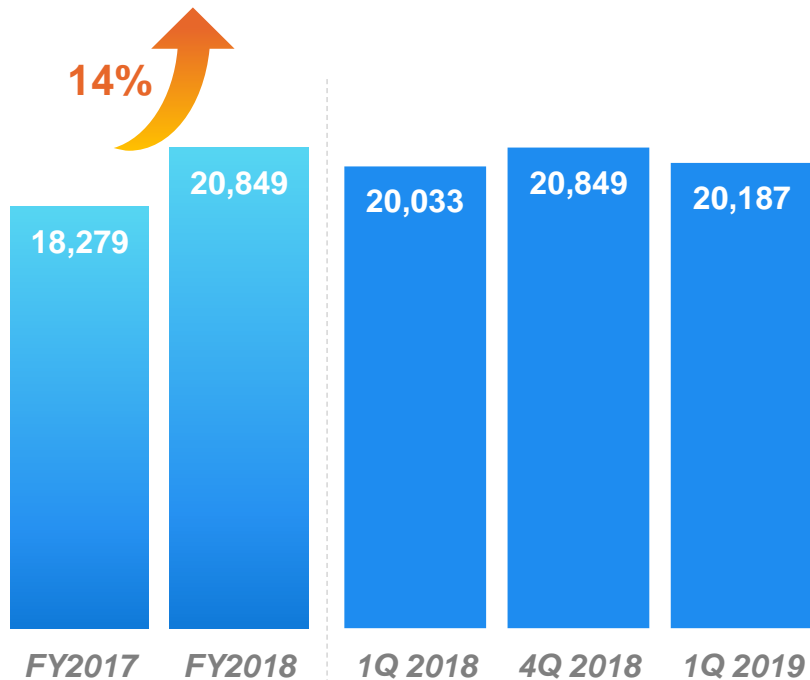


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talent**

# Solid performance of loan balance and loan facilitation

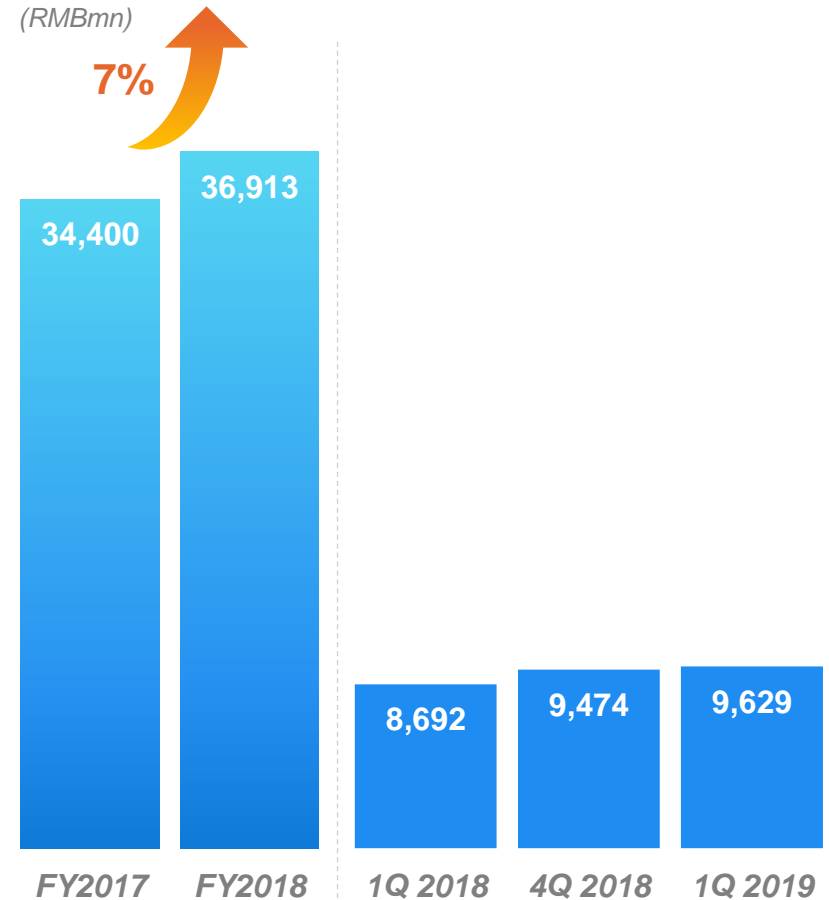
## \_ Total Outstanding Loan Balance

(RMBmn)



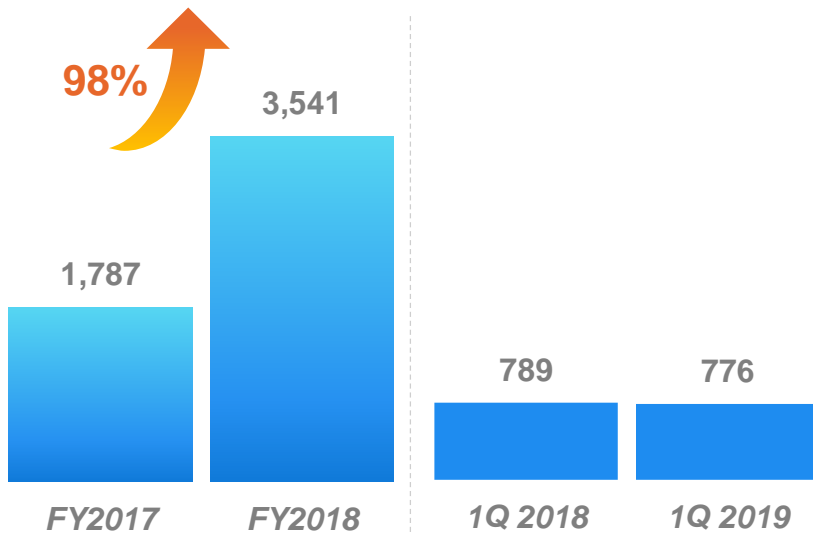
## \_ Total Loan Facilitation Amount

(RMBmn)

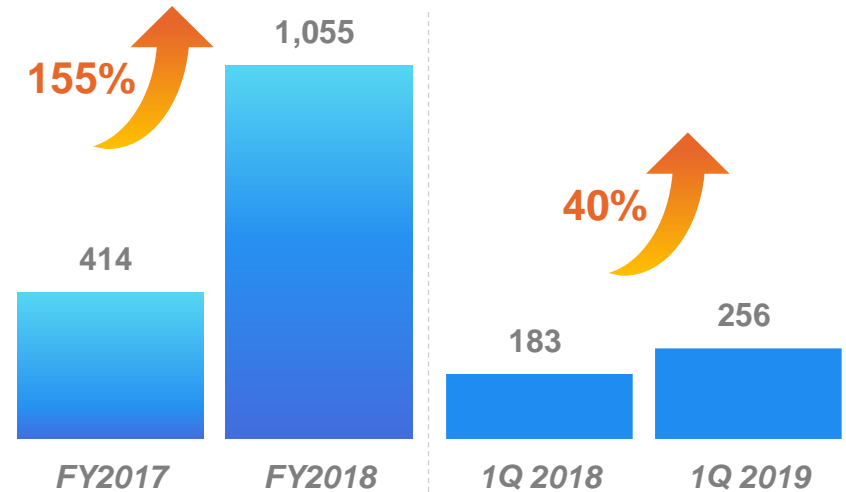


# Strong revenue and Non-GAAP net income growth

\_ Total Net Revenue (RMBmn)



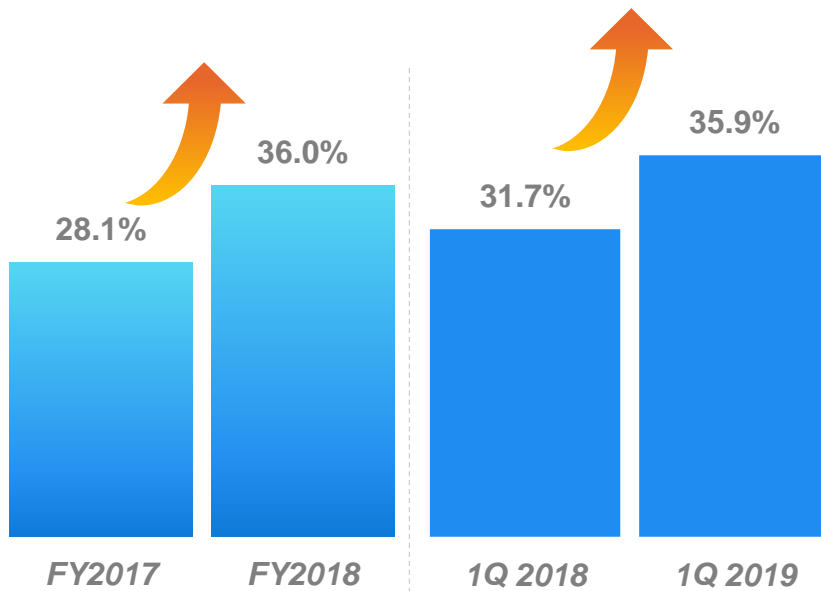
\_ Non-GAAP Adj. Net Income<sup>(1)</sup> (RMBmn)



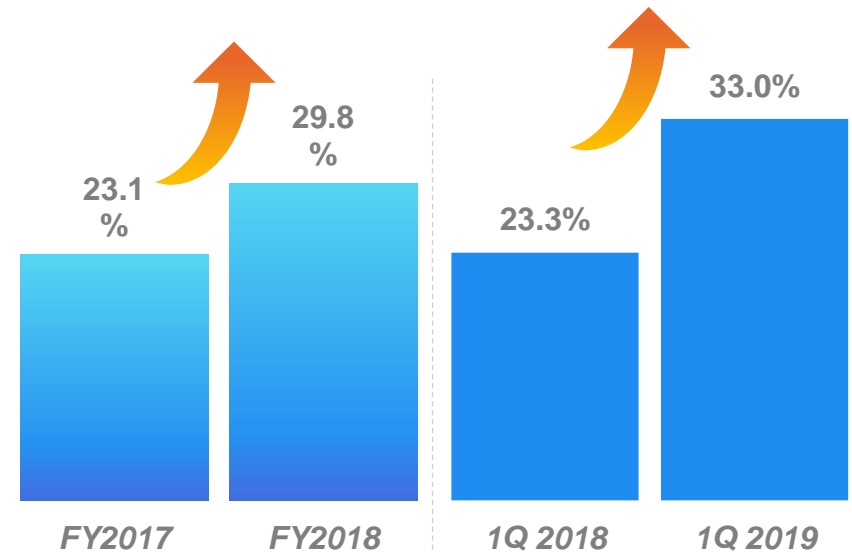
(1) Represents net (loss) / income before share-based compensation expenses

# Improving operating efficiency

## \_ Operating Margin



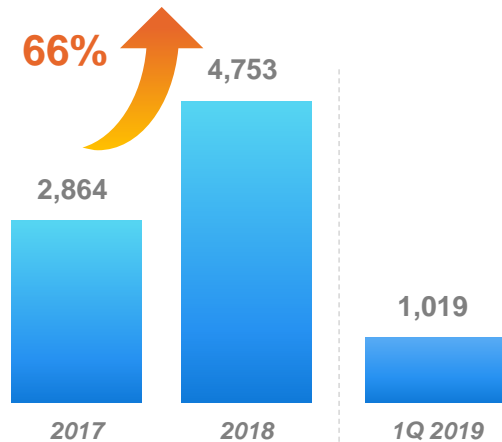
## \_ Non-GAAP Net Income Margin



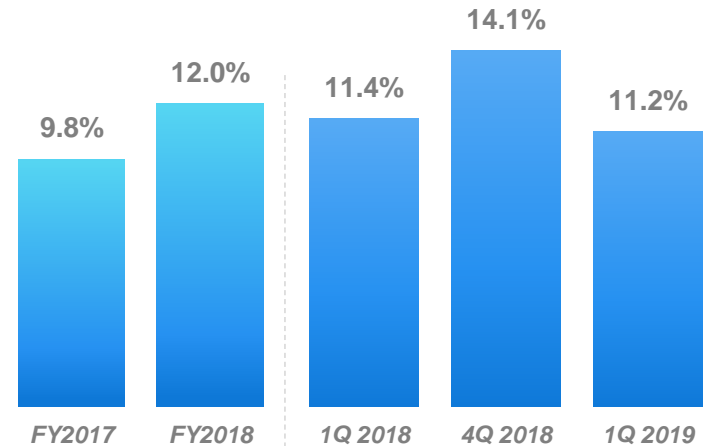
# Continuous increase of revenue per person

## \_ Net Revenue Per Employee

(RMB1,000)



## \_ Operating Expense % Net Revenue<sup>(1)</sup>



- **High revenue per employee**

Highly automated risk management system

- **Decreasing operating expense percentage & improving operation efficiency**

Superior products offering with innovative marketing efforts

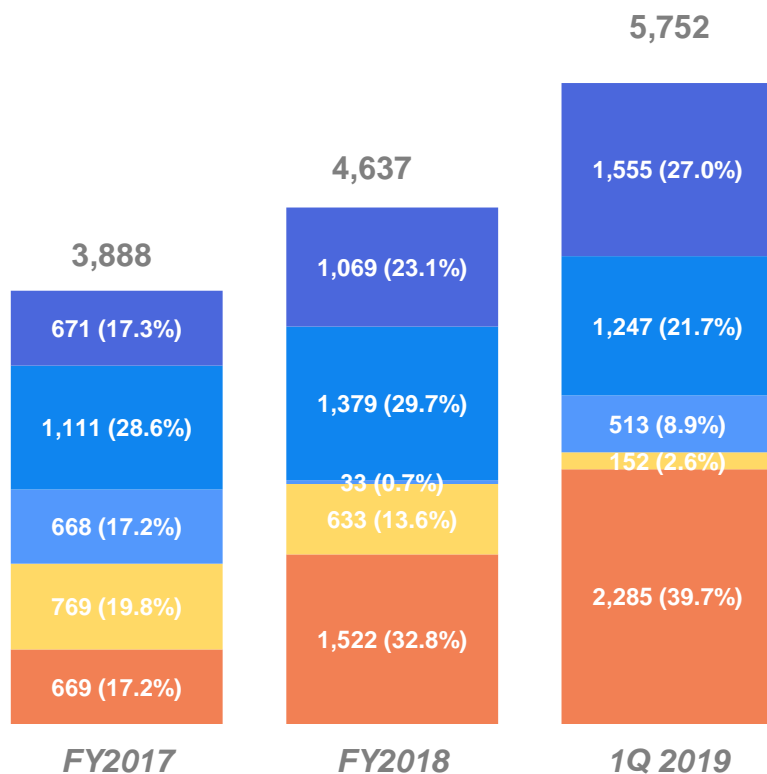
**Business model light in capital and labor**

(1) Operating expense includes sales marketing expense, as well as general and administrative expense

# Outstanding return on equity performance

## \_ Total Assets

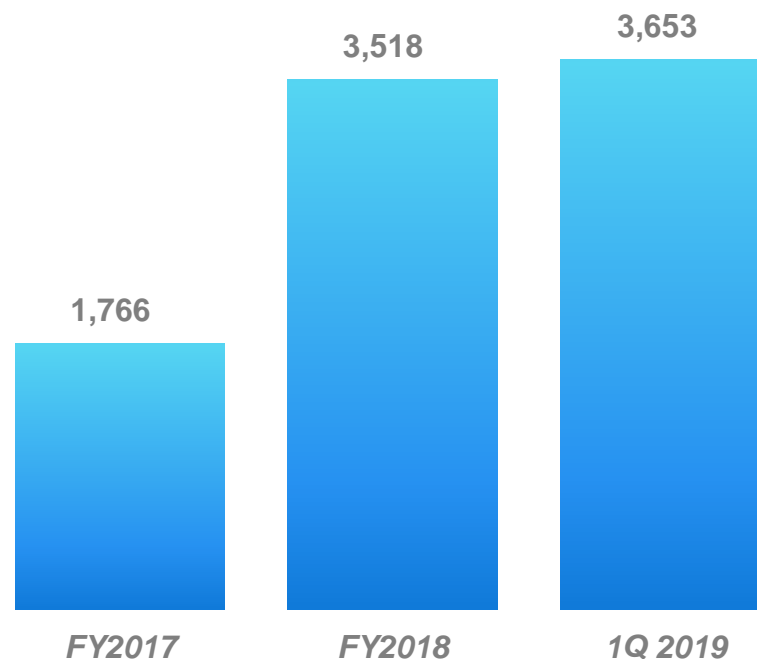
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans at Fair Value
- Loans Held for Sale
- Others

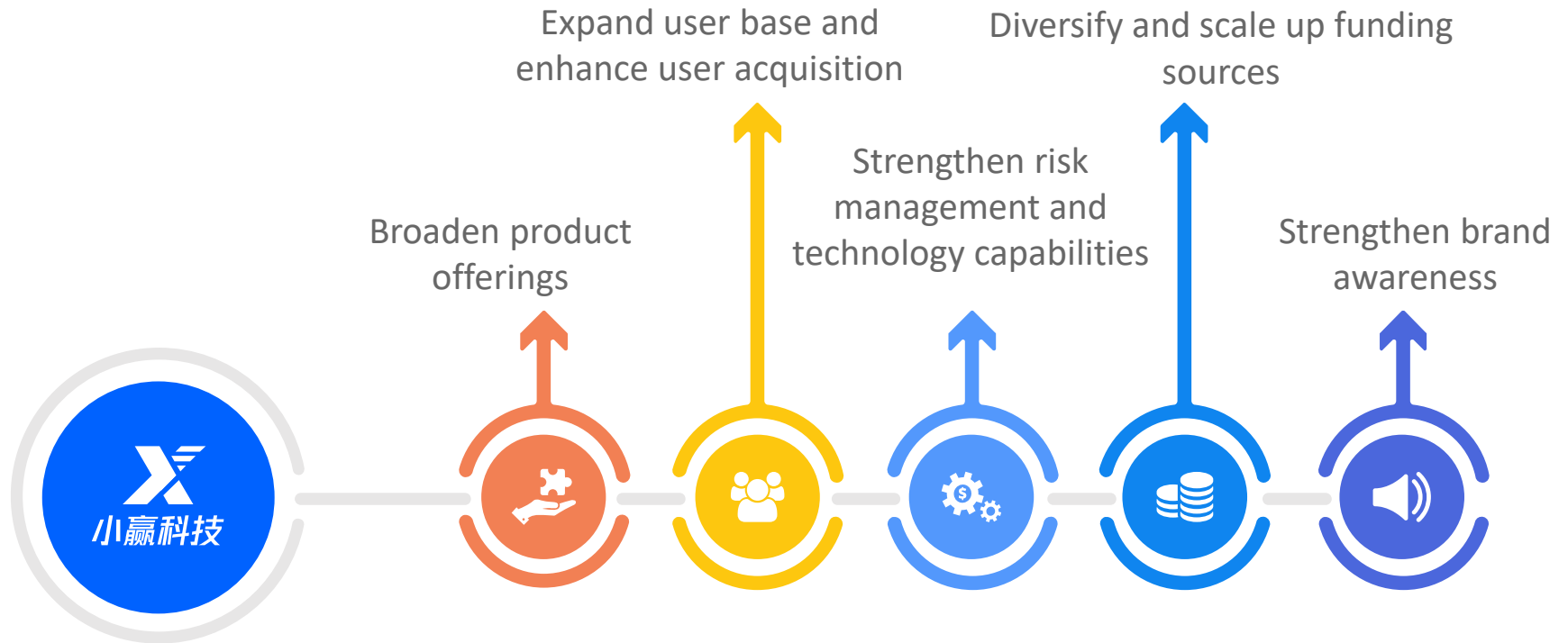
## \_ Total Equity<sup>(1)</sup>

(RMBmn)



(1) Represents total X Financial shareholders' equity, excluding non-controlling interest in subsidiaries

# Our growth strategies



# Summary consolidated balance sheet

	As of 12/31/2018 (in RMB1,000)	As of 3/31/2019 (in RMB1,000)	(in USD1,000)
Cash and Cash Equivalents	1,069,361	1,555,395	231,761
Accounts Receivable & Contract Assets, Net of Allowance for Doubtful Accounts	1,379,293	1,247,067	185,819
Loans Held for Sale	632,717	152,270	22,689
Loans at Fair Value	33,417	512,880	76,422
<b>Total Assets</b>	<b>4,636,970</b>	<b>5,752,356</b>	<b>857,344</b>
Payable to Investors at Fair Value of the Consolidated Trusts	-	642,685	95,763
Short-term borrowings	198,000	401,000	59,751
Income tax payable	312,238	305,901	45,581
Deposit Payable to Channel Cooperators	134,042	155,371	23,151
<b>Total Liabilities</b>	<b>1,118,900</b>	<b>2,099,388</b>	<b>313,035</b>
<b>Total X Financial Shareholders' Equity</b>	<b>3,517,023</b>	<b>3,651,722</b>	<b>544,123</b>
Non-Controlling Interests	1,047	1,246	186
<b>Total Equity</b>	<b>3,518,070</b>	<b>3,652,968</b>	<b>544,309</b>

Source: Company audited financial statements

# Consolidated income statement

	1Q18	1Q19	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net Revenues</b>			
Loan Facilitation Service—Direct Model	639,451	626,382	93,334
Loan Facilitation Service—Intermediary Model	73,301	35,162	5,239
Post-Origination Service	14,363	73,007	10,878
Financing Income	26,112	17,801	2,652
Other Revenue	35,463	24,067	3,586
<b>Total Net Revenue</b>	<b>788,690</b>	<b>776,419</b>	<b>115,689</b>
<b>Operating Costs and Expenses</b>			
Origination and servicing	288,288	336,539	50,146
General and Administrative	39,726	56,268	8,384
Sales and Marketing	50,484	30,685	4,572
Provision for contingent guarantee liabilities	99,183	-	-
Provision for accounts receivable and contract assets	61,221	66,404	9,895
Provision for loan receivable from Xiaoying Housing Loans	-	7,460	1,112
<b>Total operating costs and expenses</b>	<b>538,902</b>	<b>497,356</b>	<b>74,109</b>
<b>Income from operation</b>	<b>249,788</b>	<b>279,063</b>	<b>41,580</b>
Interest income (expense), net	2,577	763	114
Foreign exchange gain (loss)	(8)	(873)	(130)
Change in fair value of financial guarantee derivative	(46,114)	(52,991)	(7,896)
Fair value adjustments related to Consolidated Trusts	689	33,008	4,918
Other income (expense), net	6	456	68
<b>Income before income taxes and gain from equity in affiliates</b>	<b>206,938</b>	<b>259,426</b>	<b>38,654</b>
Income tax expense	64,884	49,421	7,364
Gain from equity in affiliates	140	3,796	566
<b>Net income</b>	<b>142,194</b>	<b>213,801</b>	<b>31,856</b>
Less: net gain (loss) attributable to non-controlling interests	(44)	200	30
<b>Net income attributable to X Financial</b>	<b>142,238</b>	<b>213,601</b>	<b>31,826</b>

# Consolidated income statement (cont')

	2017	2018	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net Revenues</b>			
Loan Facilitation Service—Direct Model	1,231,055	2,957,572	430,161
Loan Facilitation Service—Intermediary Model	302,614	228,272	33,201
Post-Origination Service	50,327	131,243	19,089
Financing Income	130,740	76,104	11,069
Other Revenue	72,199	147,409	21,440
<b>Total Net Revenue</b>	<b>1,786,935</b>	<b>3,540,600</b>	<b>514,960</b>
<b>Operating Costs and Expenses</b>			
Origination and servicing	760,143	1,185,937	172,487
General and Administrative	98,236	220,024	32,001
Sales and Marketing	76,584	205,726	29,922
Provision for contingent guarantee liabilities	182,579	216,364	31,469
Provision for accounts receivable and contract assets	167,700	396,996	57,741
Provision for loan receivable from Xiaoying Housing Loans	-	40,348	5,868
<b>Total operating costs and expenses</b>	<b>1,285,242</b>	<b>2,265,395</b>	<b>329,488</b>
<b>Income from operation</b>	<b>501,693</b>	<b>1,275,205</b>	<b>185,472</b>
Interest income (expense), net	3,633	4,225	615
Foreign exchange gain (loss)	(479)	10	1
Investment income	1,500	-	-
Change in fair value of financial guarantee derivative	(18,111)	(200,971)	(29,230)
Fair value adjustments related to Consolidated Trusts	(9,751)	12,359	1,798
Other income (loss), net	90	(5,904)	(362)
<b>Income before income taxes and gain (loss) from equity in affiliates</b>	<b>478,575</b>	<b>1,084,923</b>	<b>157,797</b>
Income tax expense	138,248	209,921	30,532
Gain (loss) from equity in affiliates	(832)	8,055	1,172
<b>Net income</b>	<b>339,495</b>	<b>883,057</b>	<b>128,437</b>
Less: net loss attributable to non-controlling interests	(780)	(55)	(8)
<b>Net income attributable to X Financial</b>	<b>340,275</b>	<b>883,112</b>	<b>128,445</b>

# Reconciliations of GAAP and Non-GAAP results

	1Q18 <i>(in RMB1,000)</i>	1Q19 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Reconciliation of Adjusted Net Income to Net Income			
Net income	142,194	213,801	31,856
Add: Share-based compensation expenses (net of tax of nil)	41,212	42,199	6,288
Adjusted net income (Non-GAAP)	183,406	256,000	38,144

	2017	2018	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income to Net Income			
Net income	339,495	883,057	128,437
Add: Share-based compensation expenses (net of tax of nil)	74,010	171,836	24,993
Adjusted net income (Non-GAAP)	413,505	1,054,893	153,430