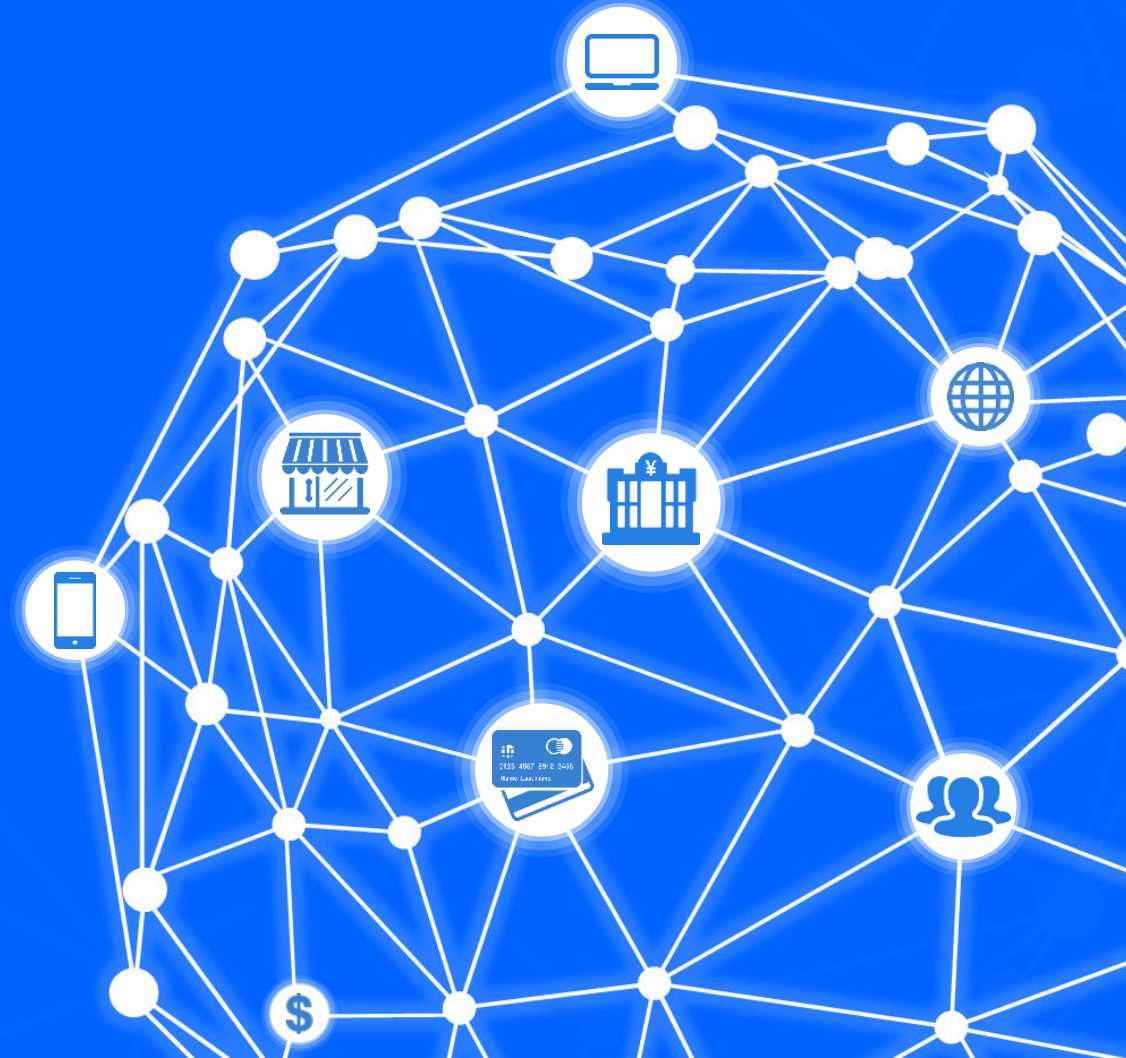


X Financial (NYSE: XYF)

2021 Q2 Earnings Results Presentation

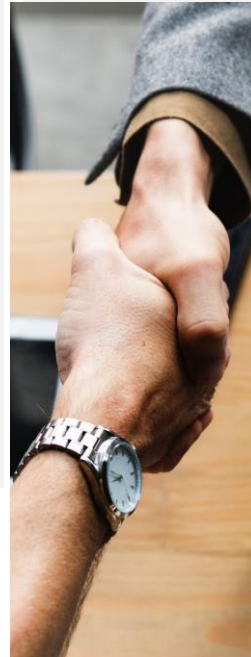
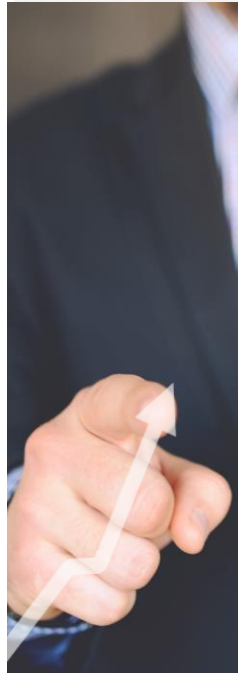


Disclaimer

- This presentation has been prepared by X Financial (the “Company”) solely for information purpose and has not been independently verified. No representations, warranties or undertakings, express or implied, are made by the Company or any of its affiliates, advisers, or representatives or the underwriters as to, and no reliance should be placed upon, the accuracy, fairness, completeness or correctness of the information or opinions presented or contained in this presentation. None of the Company or any of its affiliates, advisers, or representatives or the underwriters accept any responsibility whatsoever (in negligence or otherwise) for any loss howsoever arising from any information presented or contained in this presentation or otherwise arising in connection with the presentation. The information presented or contained in this presentation is subject to change without notice and its accuracy is not guaranteed.
- Certain statements in this presentation, and other statements that the Company may make, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. These statements reflect the Company’s intent, beliefs or current expectations about the future. These statements can be recognized by the use of words such as “expects,” “plans,” “will,” “estimates,” “projects,” “intends,” “anticipates,” “believes,” “confident” or words of similar meaning. These forward-looking statements are not guarantees of future performance and are based on a number of assumptions about the Company’s operations and other factors, many of which are beyond the Company’s control, and accordingly, actual results may differ materially from these forward-looking statements. The Company or any of its affiliates, advisers, or representatives or the underwriters has no obligation and does not undertake to revise forward-looking statements to reflect future events or circumstances.
- This presentation does not constitute an offer to sell or issue or an invitation to purchase or subscribe for any securities of the Company for sale in the United States or anywhere else. No securities of the Company may be sold in the United States without registration with the United States Securities and Exchange Commission (the “SEC”) or an exemption from such registration pursuant to the Securities Act of 1933, as amended (the “Securities Act”) and the rules and regulations thereunder. No part of this presentation shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Specifically, these materials do not constitute a “prospectus” within the meaning of the Securities Act. This presentation does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company and is qualified in its entirety by reference to the detailed information in the prospectus relating to the proposed offering. The Company has filed a registration statement on Form F-1 with the SEC relating to its securities to be offered in the United States, but the registration statement has not yet become effective. Any public offering of the Company’s securities to be made in the United States will be made solely on the basis of the information contained in the statutory prospectus included in such registration statement. The prospectus contains detailed information about the Company, its subsidiaries and affiliated entities, management, the consolidated financial statements and risks and uncertainties associated with its business and industry. Any decision to purchase the Company’s securities in the proposed offering should be made solely on the basis of the information contained in the prospectus relating to the proposed offering.
- In evaluating its business, the Company uses certain non-GAAP measures as supplemental measures to review and assess its operating performance. These non-GAAP financial measures have limitations as analytical tools, and when assessing the Company’s operating performances, investors should not consider them in isolation, or as a substitute for net income attributable to the Company or other consolidated statement of operations data prepared in accordance with U.S. GAAP.
- THE INFORMATION CONTAINED IN THIS DOCUMENT IS HIGHLY CONFIDENTIAL AND IS BEING GIVEN SOLELY FOR YOUR INFORMATION AND ONLY FOR YOUR USE IN CONNECTION WITH THIS PRESENTATION. THE INFORMATION CONTAINED HEREIN MAY NOT BE COPIED, REPRODUCED, REDISTRIBUTED, OR OTHERWISE DISCLOSED, IN WHOLE OR IN PART, TO ANY OTHER PERSON IN ANY MANNER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PRESENTATION IN WHOLE OR IN PART IS UNAUTHORIZED.
- By viewing and accessing this presentation, viewers hereby acknowledge and agree to keep the contents of this presentation and these materials confidential. Viewers agree not to photograph, copy or otherwise reproduce this presentation in any form or pass on this presentation to any other person for any purpose, during the presentation or while in the conference room. Viewers must return this presentation and all other materials provided in connection herewith to the Company upon completion of the presentation. By viewing, accessing or participating in this presentation, viewers agree to be bound by the foregoing limitations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

X Financial at a Glance

A leading technology-driven personal finance company in China



In the second quarter of 2021:

12,835 mn (RMB)

Total Loan Facilitation Amount

As of June 30, 2021:

20,504 mn (RMB)

Loan Balance

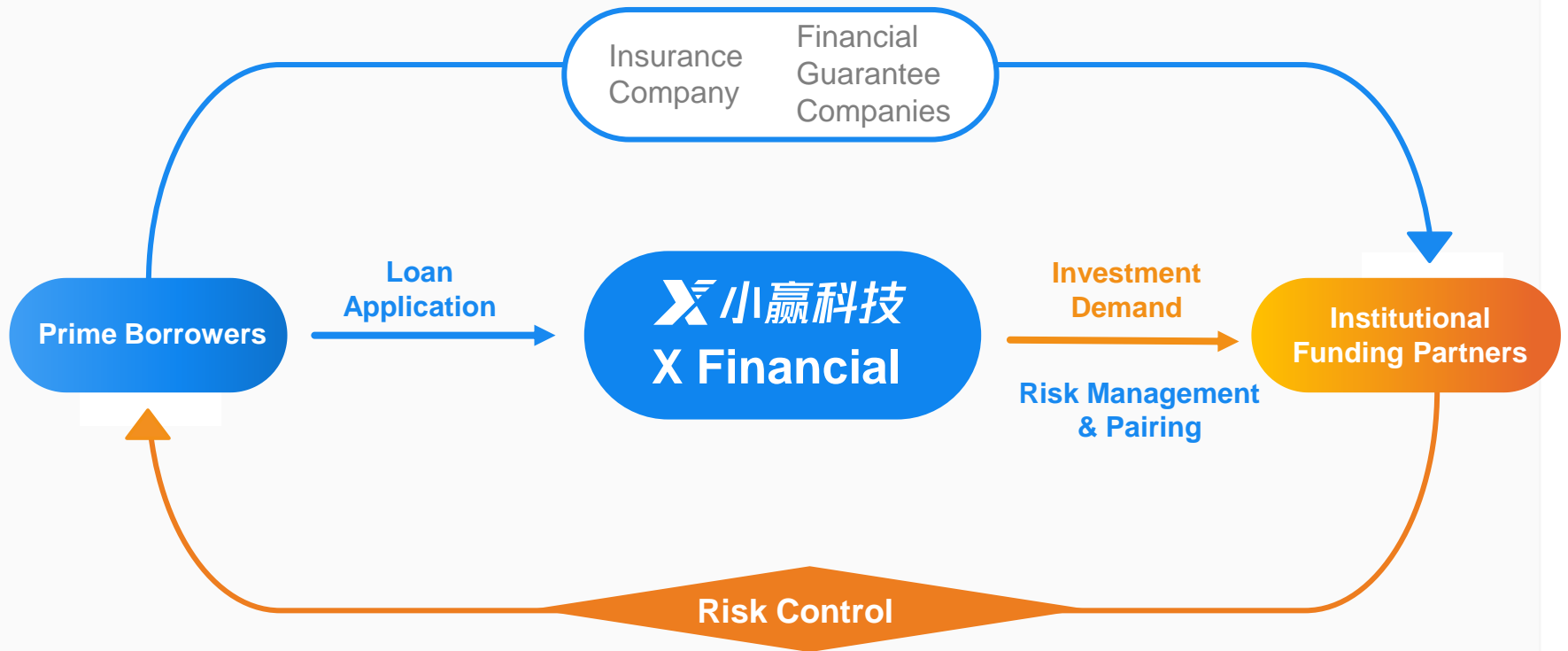
7.5 mn

Cumulative Borrowers

61.8 mn

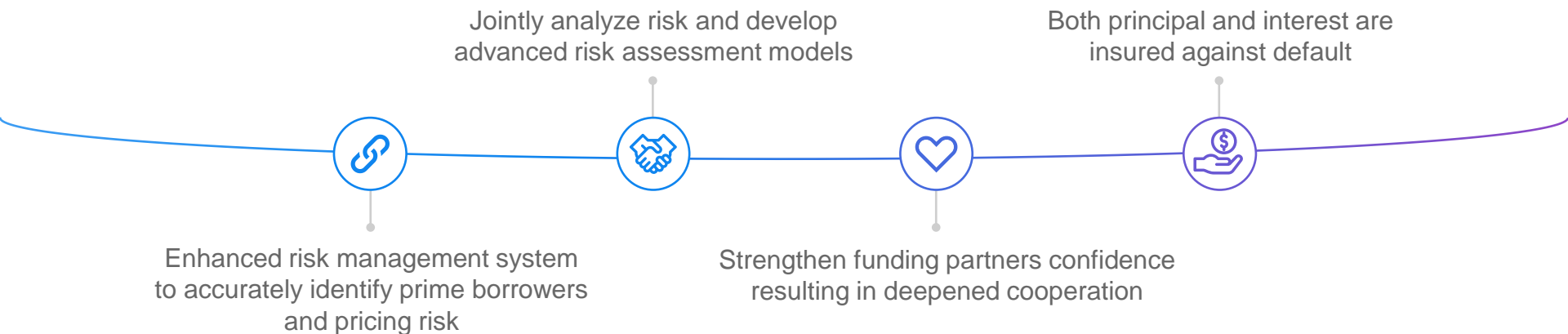
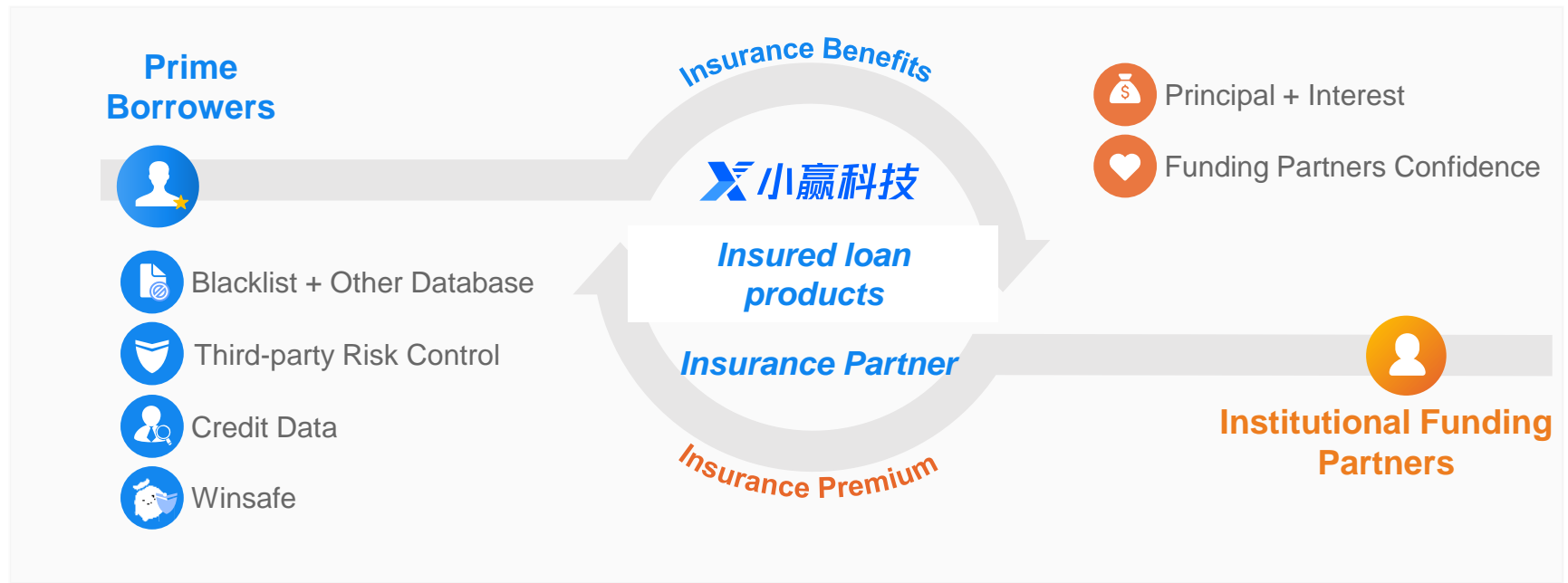
Registered Users

Our Business



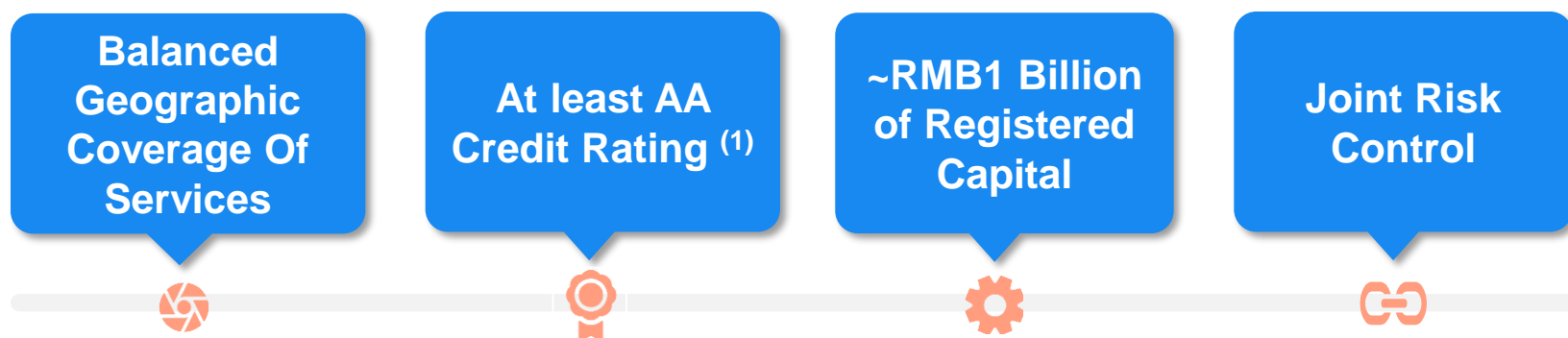
Loan Facilitation Based on 100% Institutional Funding

Credit Insurance Model



Financial Guarantee Model

Since 2020, X Financial has entered into arrangements with various third-party financial guarantee companies. We have limited exposure to compensation to these financial guarantee companies, which is charged based on the contractual guarantee fees up to the pre-determined cap in case of borrower default.



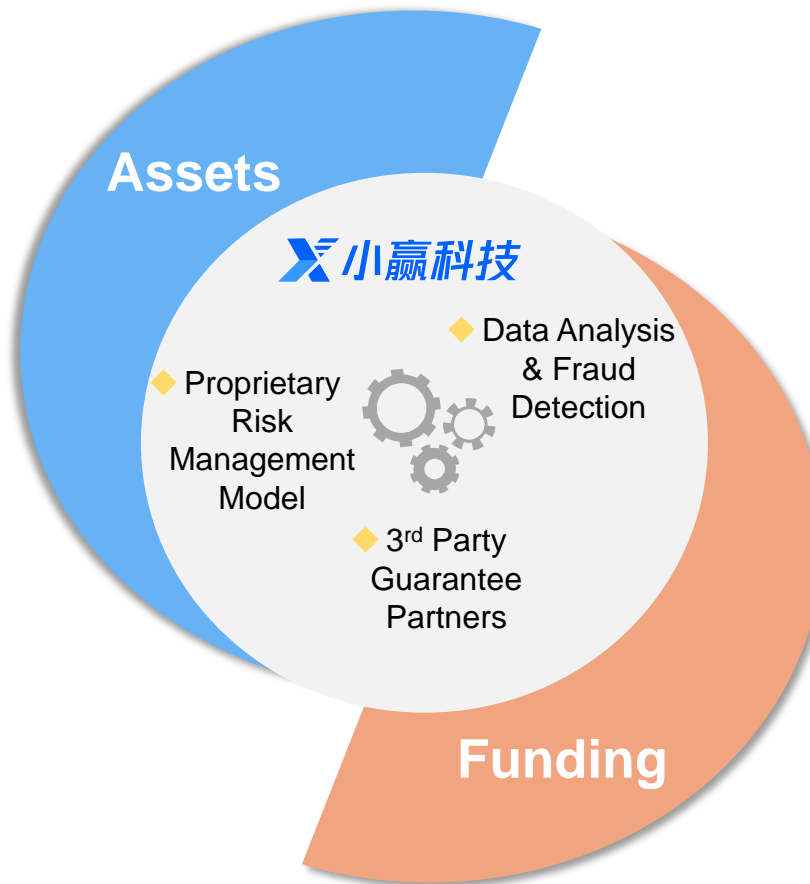
Strong Capabilities of the Financial Guarantee Companies

(1) Credit ratings issued by rating companies including China Lianhe Credit Rating Co., Ltd., China Chengxin Credit Management Co., Ltd. and Shenzhen Lianhe Credit Information Service Co., Ltd.

Technology-driven Approach to Servicing Borrowers and Funding Partners

Borrowers

- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



Funding Partners

- Risk Assessment
- Credit Limit
- Regulation Requirement

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

Diversified funding sources and 100% institutional funding



4

Founded by seasoned entrepreneurs with proven track



1. Leading Industry Position with Differentiated Products that Benefit from China's Booming Personal Finance Market



Flagship Products



Xiaoying Card Loan

Wide Range of Age Groups



Early career stage
avg. late 20 – 40s

Flexible Loan Amount/Credit Line



RMB2,000 – 80,000

Flexible Tenor Meeting Borrowers' Liquidity Needs



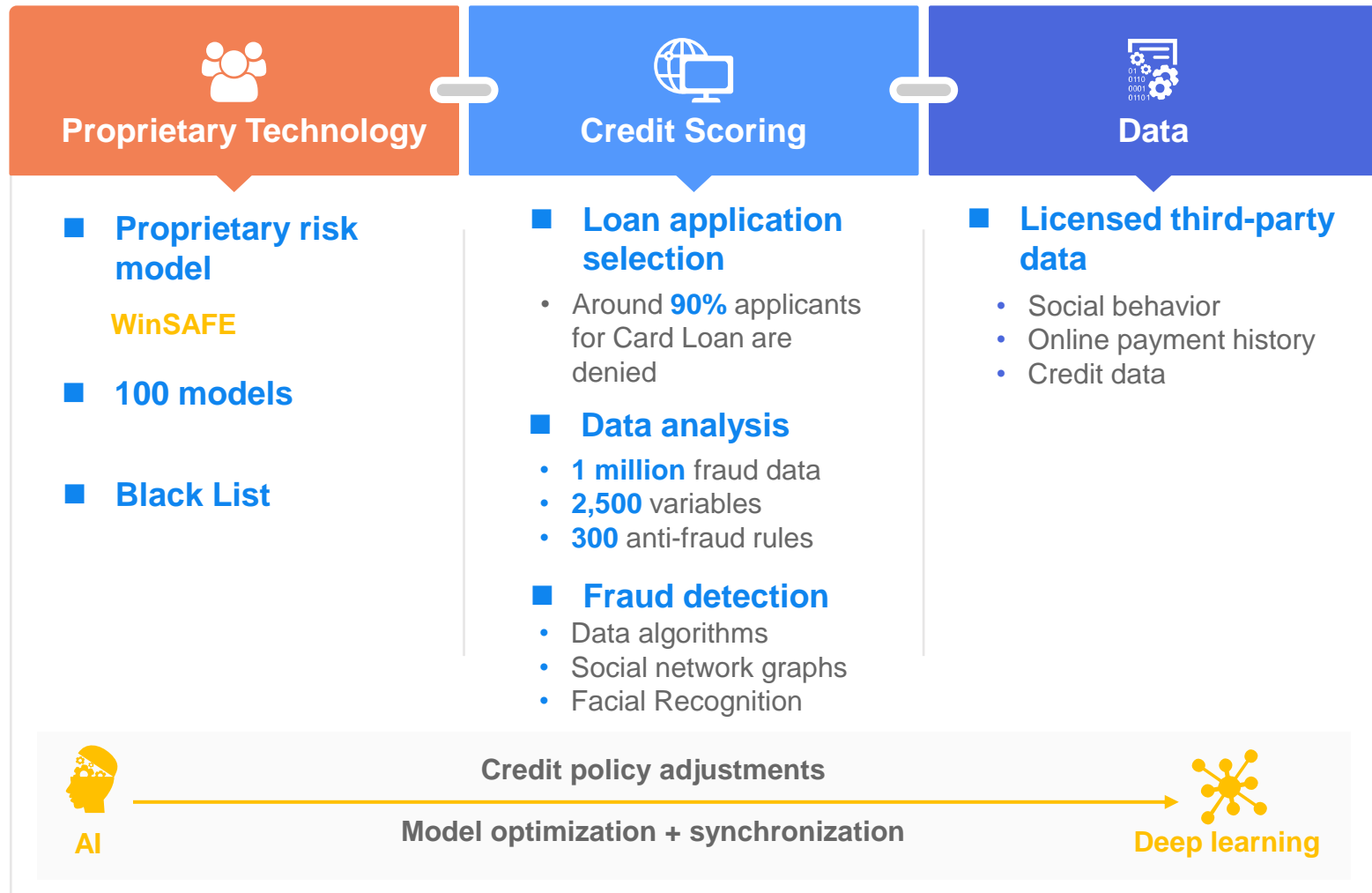
3, 6, 9, 12 months

Various Sources of Credit Proof Reducing Collateral Needs



2. Technology & Data-driven Credit Assessment

Continuous optimization of credit assessment systems that strengthen risk controls



3. Diversified Funding Sources and 100% Institutional Funding

Achieved 100% institutional funding
for new loans facilitated through our platform by Q2 2020

- High-quality loans and strong reputation help us attract more institutional investors.
- Total number of partnerships with institutional funding partners keeps growing.
- Key cooperating financial institutions include FOTIC, Everbright Trust, AIBANK, etc.



4. 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

Vice Chairman

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



Kan (Kent) Li

President

15+ years of work experience in the financial sector

Served as Chief Risk Officer

Former manager at Capital One



Frank Fuya Zheng

Chief Financial Officer

15+ years of work experience with corporate finance and investment management

Former CFO of a Nasdaq-listed company



Ding (Gardon) Gao

Chief Technology Officer

Former software architect at Tencent

Deep understanding and extensive experience in IT industry

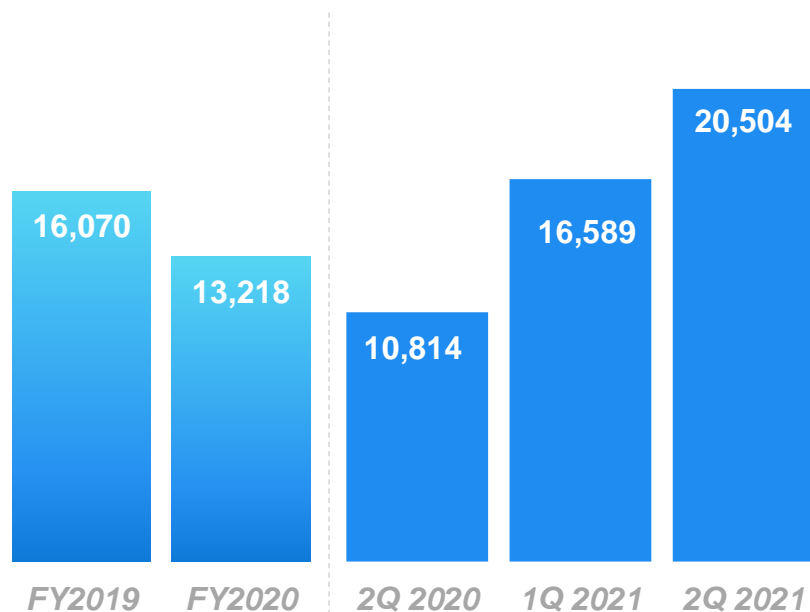


Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talent

Performance of Loan Balance and Loan Facilitation

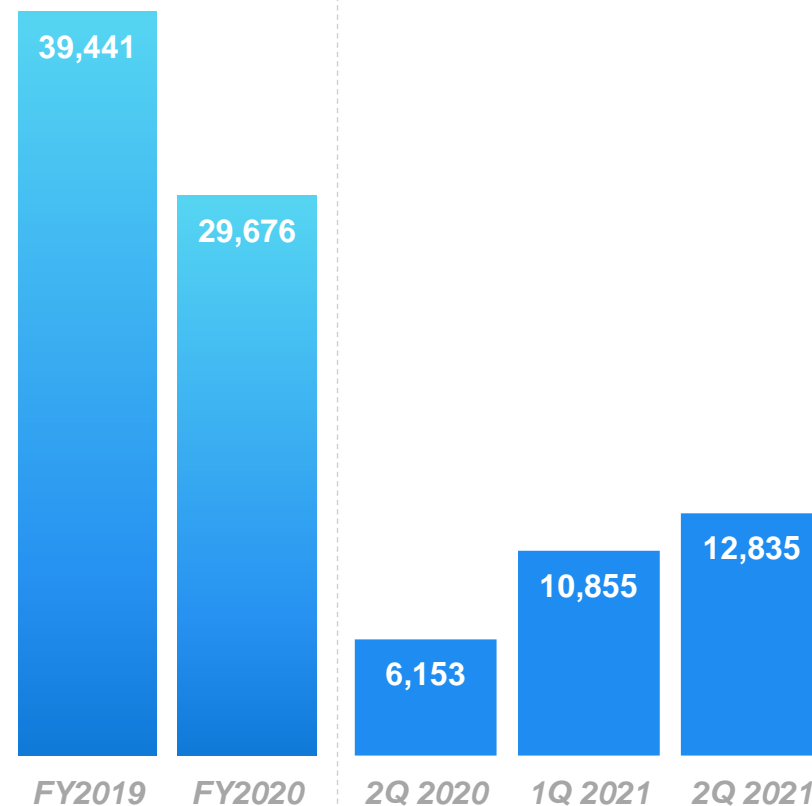
_ Total Outstanding Loan Balance ⁽¹⁾

(RMBmn)



_ Total Loan Facilitation Amount

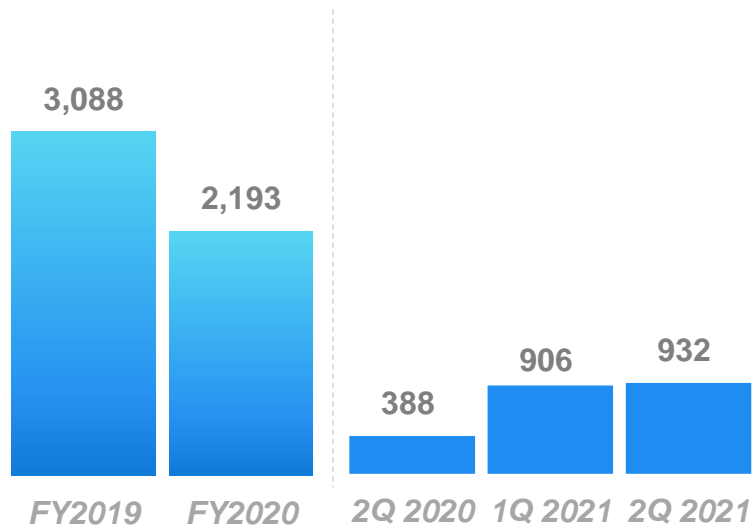
(RMBmn)



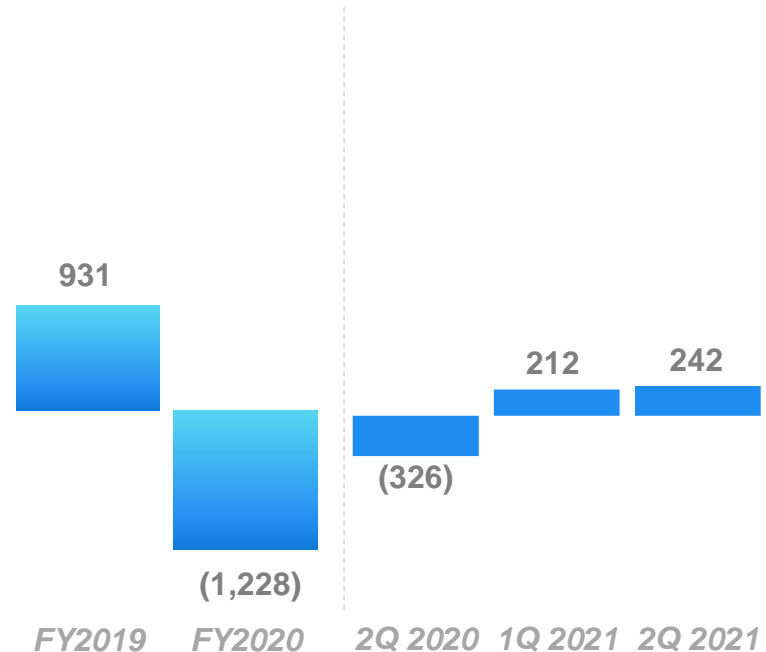
(1) Represents the total amount of loans outstanding for loans X Financial facilitated at the end of the relevant period. Loans that are delinquent for more than 60 days are charged-off and are excluded in the calculation of delinquency rate by balance, except for Xiaoying Housing Loan. Xiaoying Housing Loan is a secured loan product and the Company is entitled to payment by exercising its rights to the collateral. X Financial does not charge off Xiaoying Housing Loans delinquent for more than 60 days and such loans are included in the calculation of delinquency rate by balance.

Revenue and Non-GAAP Adj. Net Income Growth

_ Total Net Revenue (RMBmn)



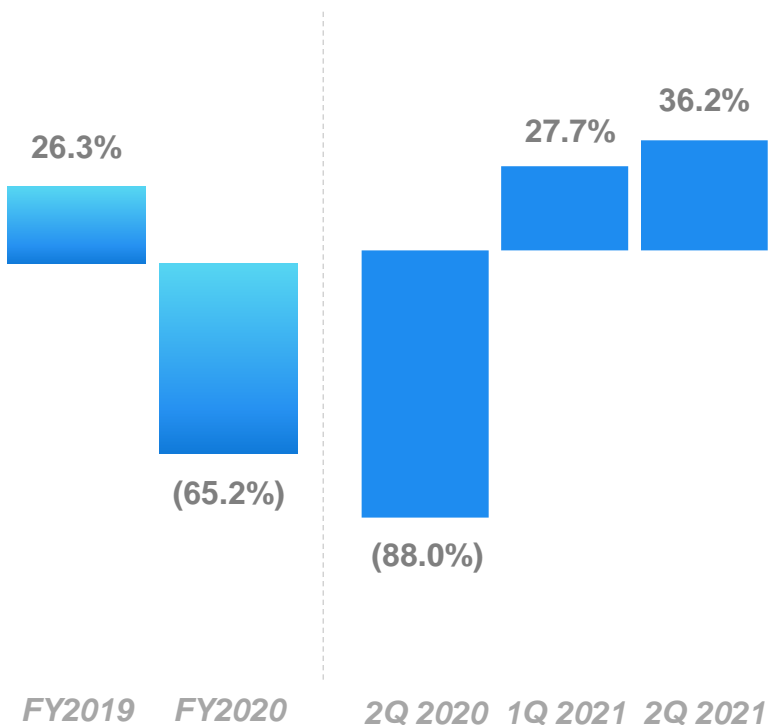
_ Non-GAAP Adj. Net Income (loss) ⁽¹⁾ (RMBmn)



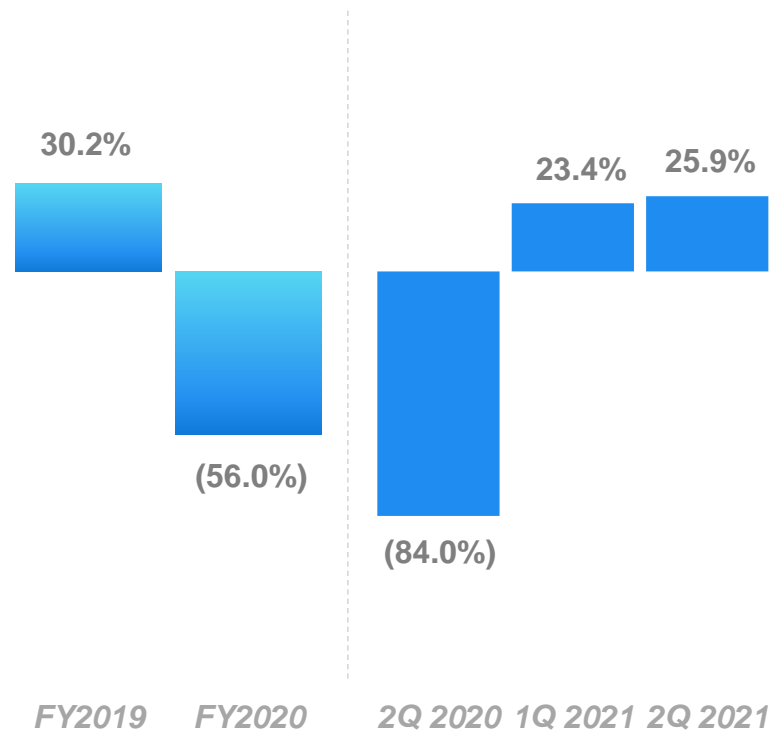
(1) Represents net (loss) / income attributable to X Financial shareholders before share-based compensation expenses and income (loss) from investments in VC funds

Operational Efficiency

_ Operating Margin



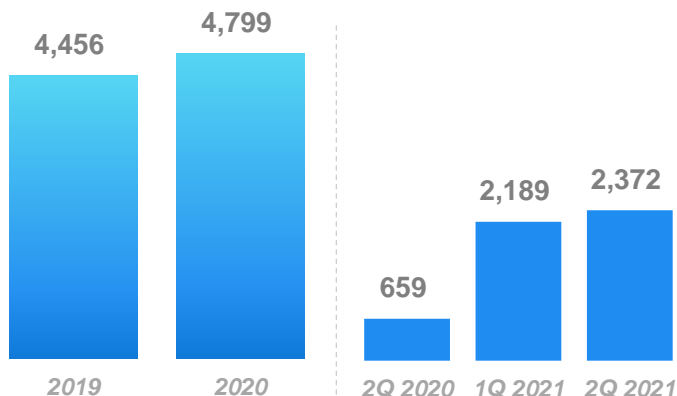
_ Non-GAAP Adj. Net Income Margin



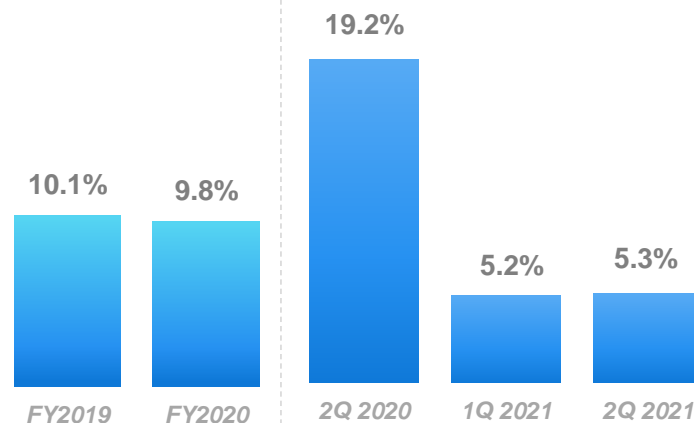
Net Revenue Per Employee and Operating Expense

_ Net Revenue Per Employee

(RMB1,000)



_ Operating Expense % Net Revenue ⁽¹⁾



- **High revenue per employee**

Highly automated risk management system

- **Continue to improve operational efficiency on a yearly basis**

Superior products offering with innovative marketing efforts

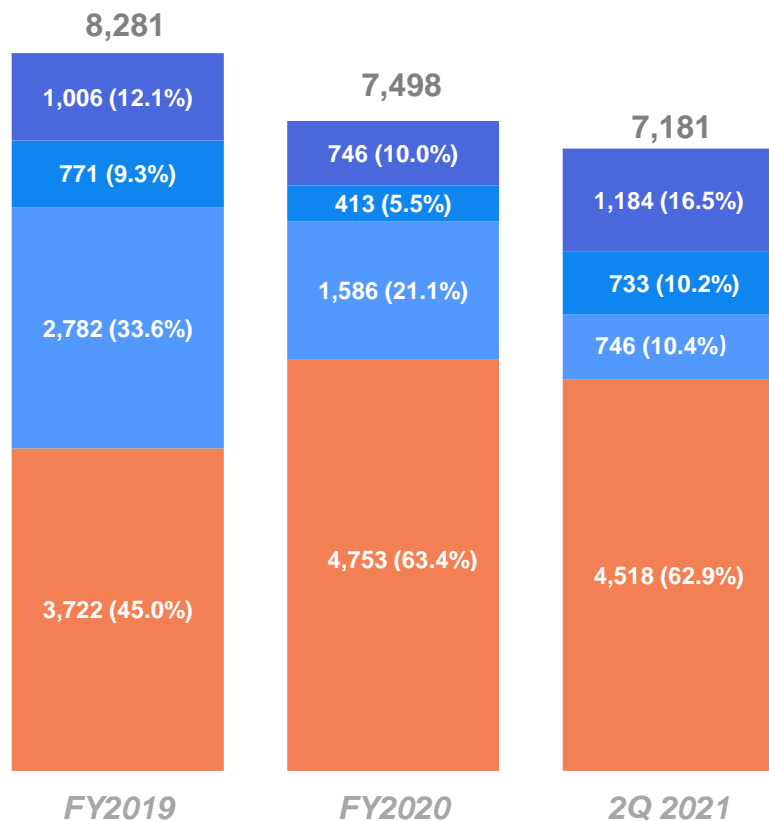
Business Model Light in Capital and Labor

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

Outstanding Return on Equity Performance

_ Total Assets

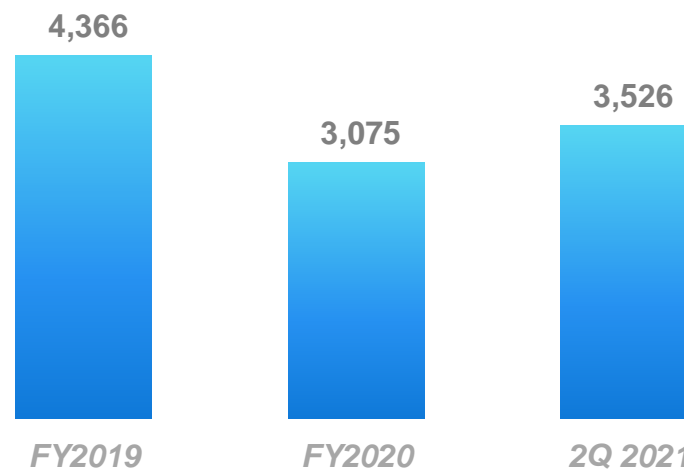
(RMBmn)



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

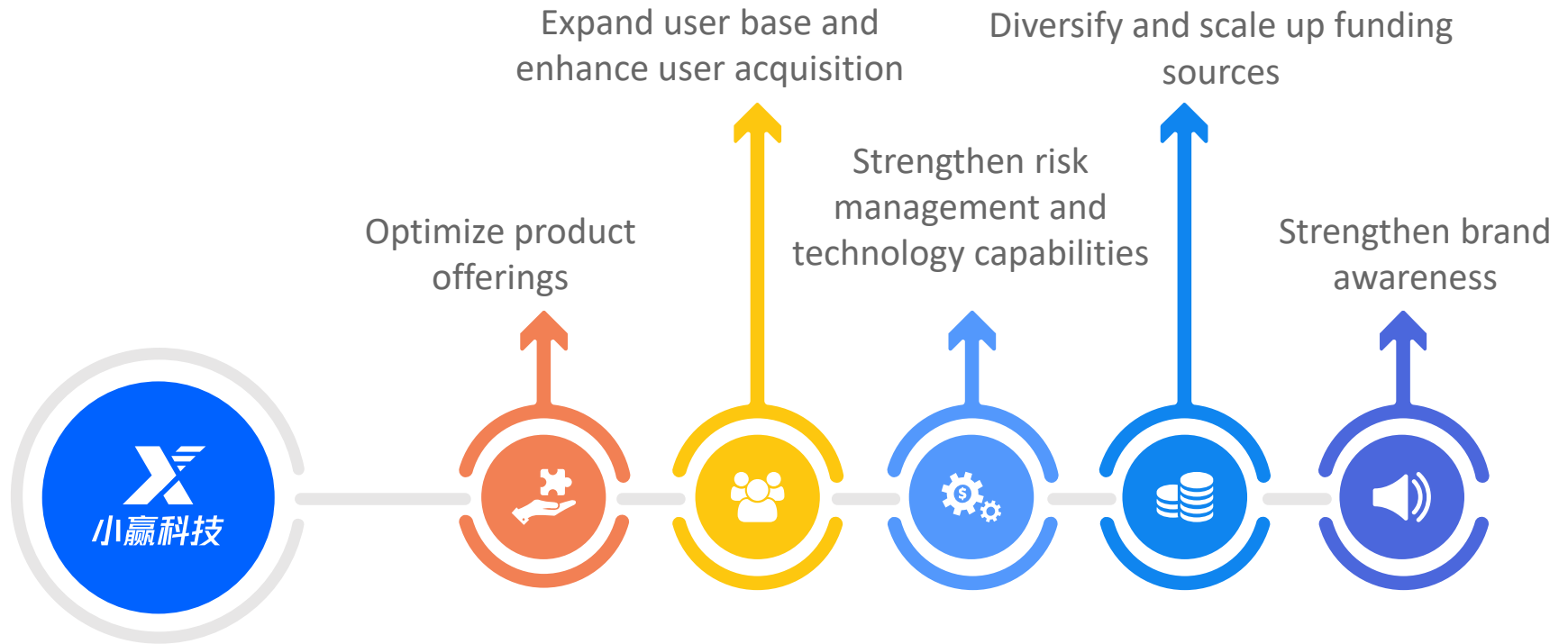
_ Total Equity⁽¹⁾

(RMBmn)



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

Our Growth Strategies



Summary Consolidated Balance Sheet

	As of 12/31/2020 (in RMB1,000)	As of 6/30/2021 (in RMB1,000) (in USD1,000)	
Cash and Cash Equivalents	746,388	1,183,853	183,355
Accounts Receivable & Contract Assets, Net of Allowance for Doubtful Accounts	413,307	733,095	113,542
Loans at Fair Value	1,585,732	746,013	115,543
Total Assets	7,498,010	7,181,416	1,112,259
Payable to investors at fair value	1,914,184	1,061,569	164,416
Short-term bank borrowings	350,545	175,050	27,112
Income tax payable	75,917	40,210	6,228
Total Liabilities	4,421,966	3,655,022	566,090
Total X Financial Shareholders' Equity	3,074,756	3,526,394	546,169
Non-Controlling Interests	1,288	-	-
Total Equity	3,076,044	3,526,394	546,169

Source: Company financial statements

Consolidated Income Statement

	2Q 2020	2Q 2021	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Net Revenues			
Loan Facilitation Service—Direct Model	197,626	694,693	107,594
Loan Facilitation Service—Intermediary Model	1,218	18	3
Post-Origination Service	48,825	72,738	11,266
Financing Income	127,729	149,006	23,078
Other Revenue	12,470	15,912	2,464
Total Net Revenue	387,868	932,367	144,405
Operating Costs and Expenses			
Origination and servicing	512,375	520,874	80,673
General and Administrative	59,415	44,037	6,820
Sales and Marketing	15,084	5,547	859
Provision for accounts receivable and contract assets	28,259	25,228	3,907
(Reversal of) Provision for loans receivable	110,535	(1,093)	(169)
(Reversal of) Provision for contingent guarantee liabilities	3,714	(24)	(4)
Provision for credit losses on deposits to institutional cooperators	-	78	12
Total operating costs and expenses	729,382	594,647	92,098
Income (loss) from operations	(341,514)	337,720	52,307
Interest income (expense), net	3,784	7,278	1,127
Foreign exchange gain	12	3,768	584
Loss from investments in VC funds	-	(224)	(35)
Fair value adjustments related to Consolidated Trusts	(14,309)	(7,729)	(1,197)
Change in fair value of financial guarantee derivative	(39,521)	(61,889)	(9,585)
Other income (loss), net	3,755	942	146
Income (loss) before income taxes and gain from equity in affiliates	(387,793)	279,866	43,347
Income tax benefit (expense)	43,334	(57,889)	(8,966)
Gain from equity in affiliates, net of tax	841	1,243	193
Net income (loss)	(343,618)	223,220	34,574
Less: net income attributable to non-controlling interests	49	-	-
Net income (loss) attributable to X Financial Shareholders	(343,667)	223,220	34,574

Consolidated Income Statement (Cont')

	2019	2020	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Net Revenues			
Loan Facilitation Service—Direct Model	1,986,003	1,266,533	194,105
Loan Facilitation Service—Intermediary Model	238,867	41,373	6,341
Post-Origination Service	330,695	203,842	31,240
Financing Income	408,401	612,863	93,925
Other Revenue	124,084	68,347	10,475
Total Net Revenue	3,088,050	2,192,958	336,086
Operating Costs and Expenses			
Origination and servicing	1,652,221	2,071,506	317,472
General and Administrative	210,083	179,225	27,468
Sales and marketing	103,158	35,629	5,460
Provision for accounts receivable and contract assets	241,187	121,485	18,618
Provision for loans receivable	61,074	245,204	37,579
Provision for contingent guarantee liabilities	7,748	881	135
Provision for credit losses on deposits to institutional cooperators	-	970,318	148,708
Reversal of credit losses for other financial assets	-	(975)	(149)
Total operating costs and expenses	2,275,471	3,623,273	555,291
Income (loss) from operations	812,579	(1,430,315)	(219,205)
Interest income (expense), net	19,386	21,724	3,329
Foreign exchange gain	616	15,399	2,360
Investment loss	(12,538)	-	-
Fair value adjustments related to Consolidated Trusts	64,163	(57,380)	(8,794)
Change in fair value of financial guarantee derivative	(246,372)	(163,670)	(25,084)
Other income (loss), net	26,081	12,709	1,948
Income (loss) before income taxes and gain (loss) from equity in affiliates	663,915	(1,601,533)	(245,446)
Income tax benefit	93,103	299,878	45,958
Gain (loss) from equity in affiliates, net of tax	17,458	(6,806)	(1,043)
Net income (loss)	774,476	(1,308,461)	(200,531)
Less: net income attributable to non-controlling interests	200	41	6
Net income (loss) attributable to X Financial Shareholders	774,276	(1,308,502)	(200,537)

Reconciliations of GAAP and Non-GAAP Results

	2Q 2020	2Q 2021	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income (Loss) from Net Income (Loss)			
Net income (loss) attributable to X Financial shareholders	(343,667)	223,220	34,574
Less: loss from investments in VC funds (net of tax of nil)	-	(224)	(35)
Add: Share-based compensation expenses (net of tax of nil)	17,754	18,438	2,856
Adjusted net income (loss) (Non-GAAP) attributable to X Financial shareholders	(325,913)	241,882	37,465

	2019	2020	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income (Loss) from Net Income (Loss)			
Net income (loss) attributable to X Financial shareholders	774,276	(1,308,502)	(200,537)
Add: Share-based compensation expenses (net of tax of nil)	157,116	80,140	12,282
Adjusted net income (loss) (Non-GAAP) attributable to X Financial shareholders	931,392	(1,228,362)	(188,255)