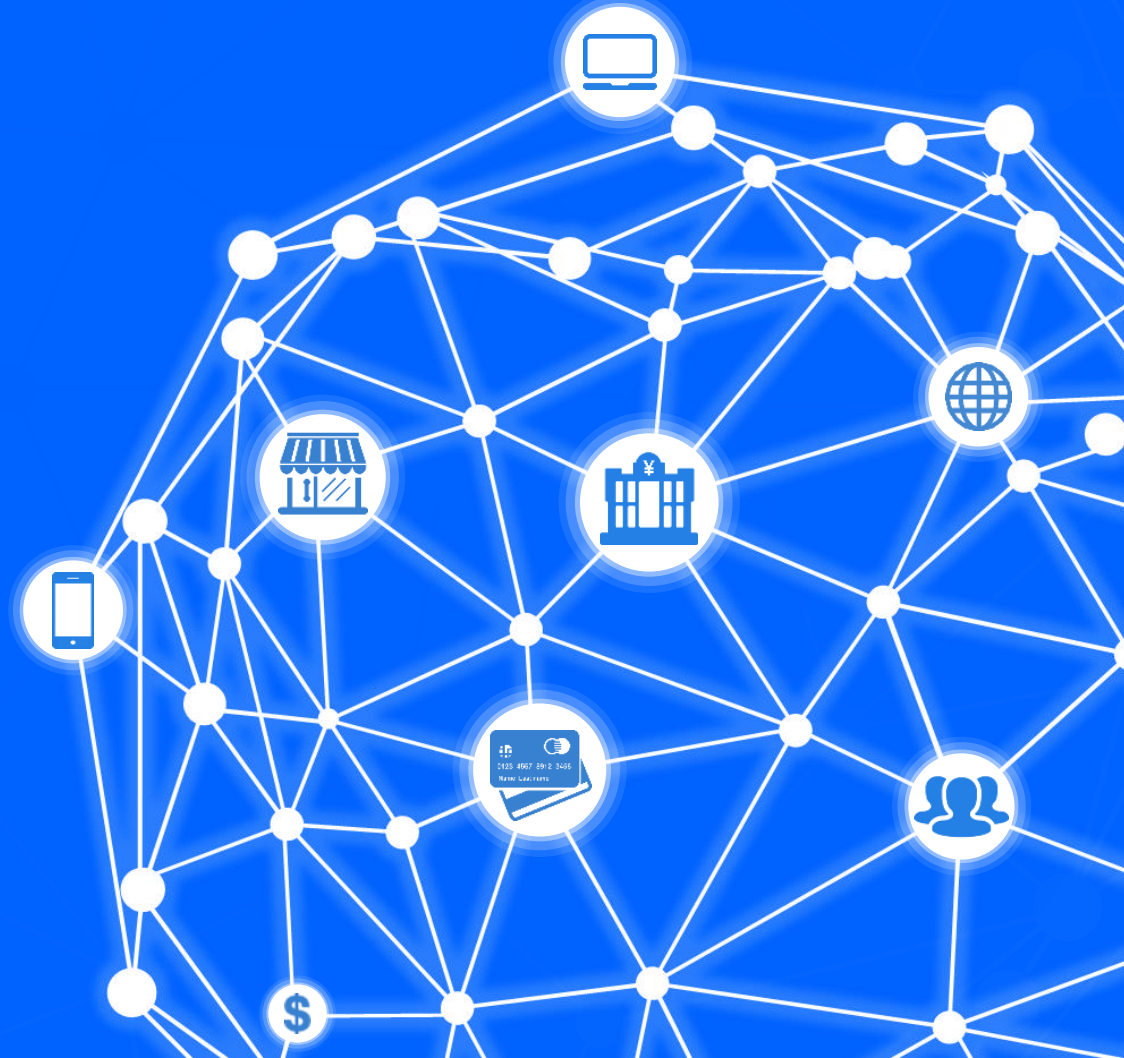


# X Financial (NYSE: XYF)

## 2021 Q3 Earnings Results Presentation



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# X Financial at a Glance

A leading technology-driven personal finance company in China



*In the third quarter of 2021:*

**15,085 mn (RMB)**

Total Loan Facilitation Amount

*As of September 30, 2021:*

**24,509 mn (RMB)**

Loan Balance

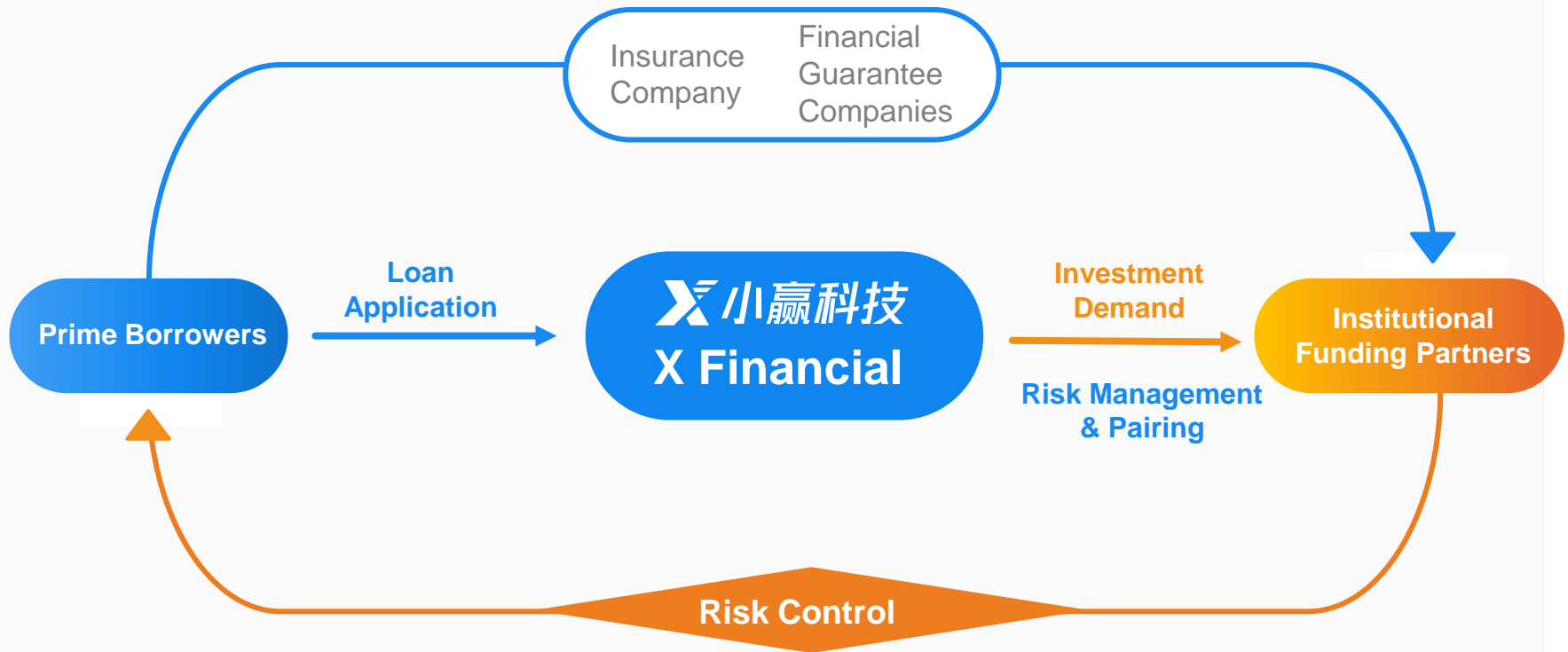
**8.0 mn**

Cumulative Borrowers

**65.4 mn**

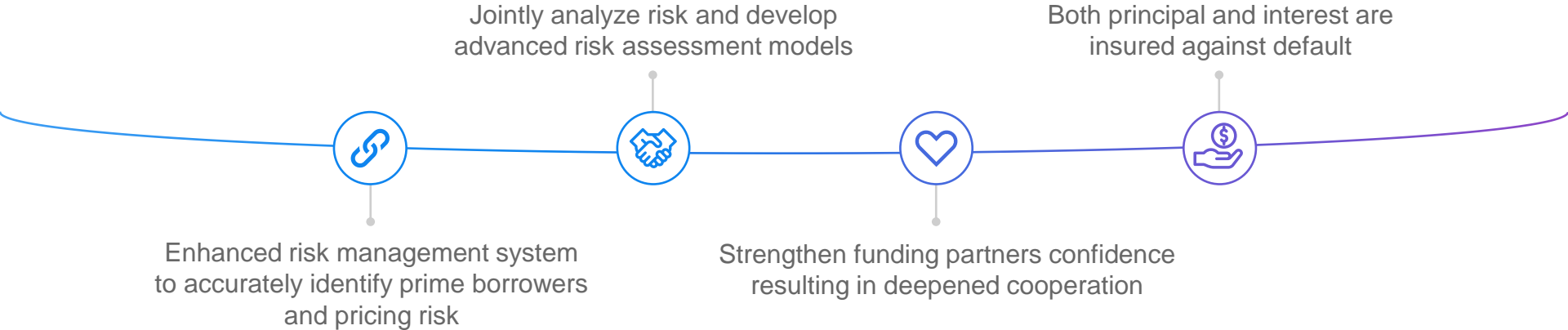
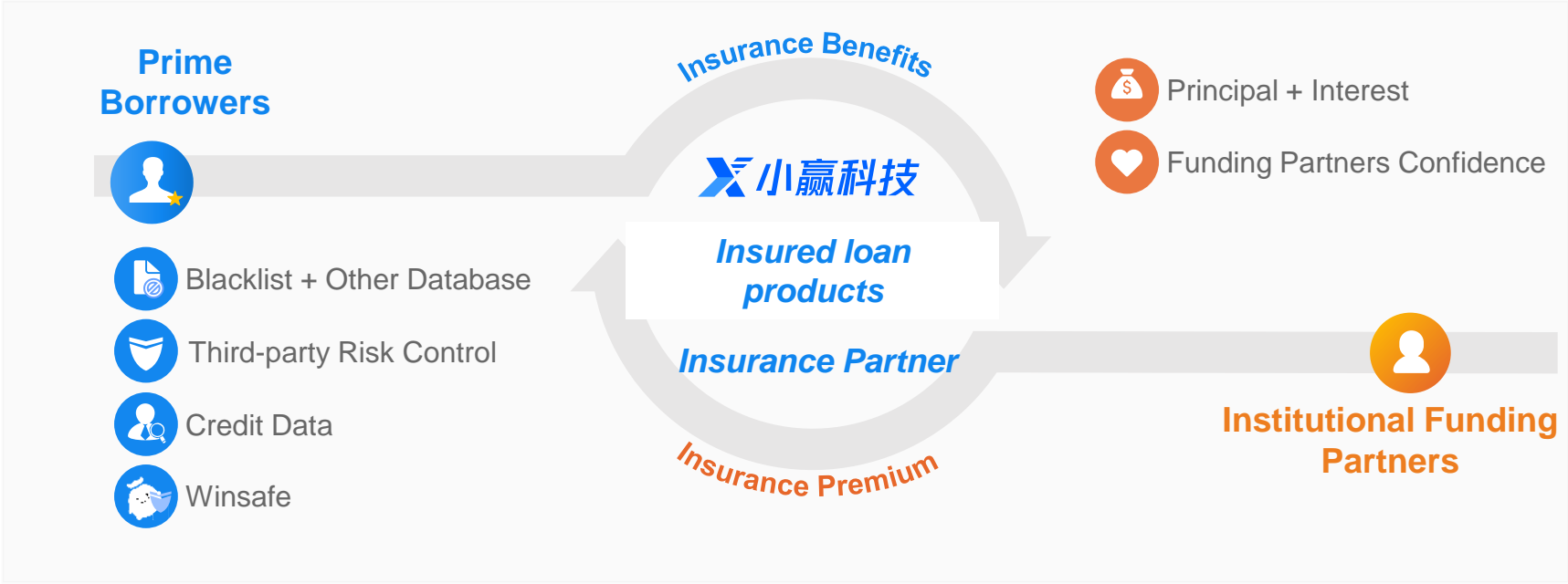
Registered Users

# Our Business



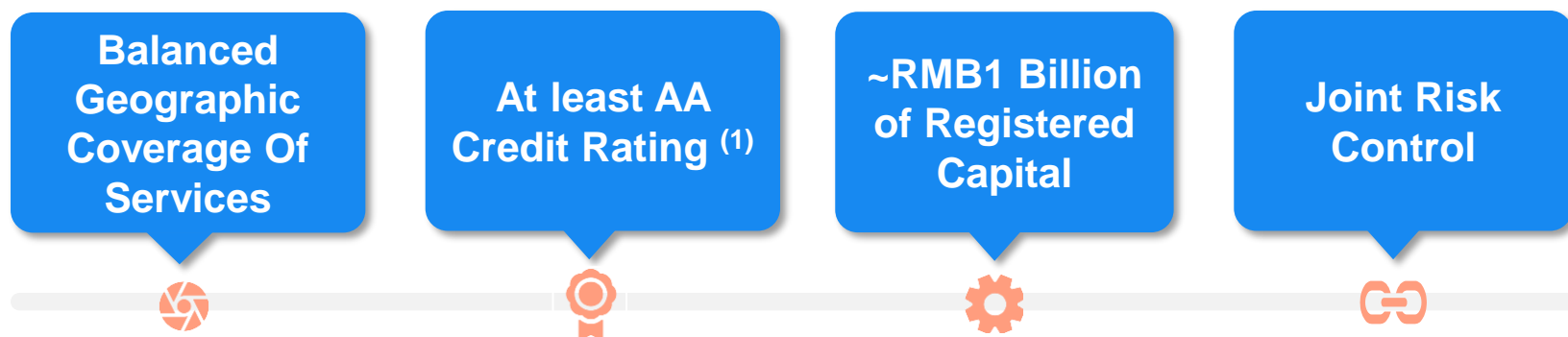
**Loan Facilitation Based on 100% Institutional Funding**

# 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.



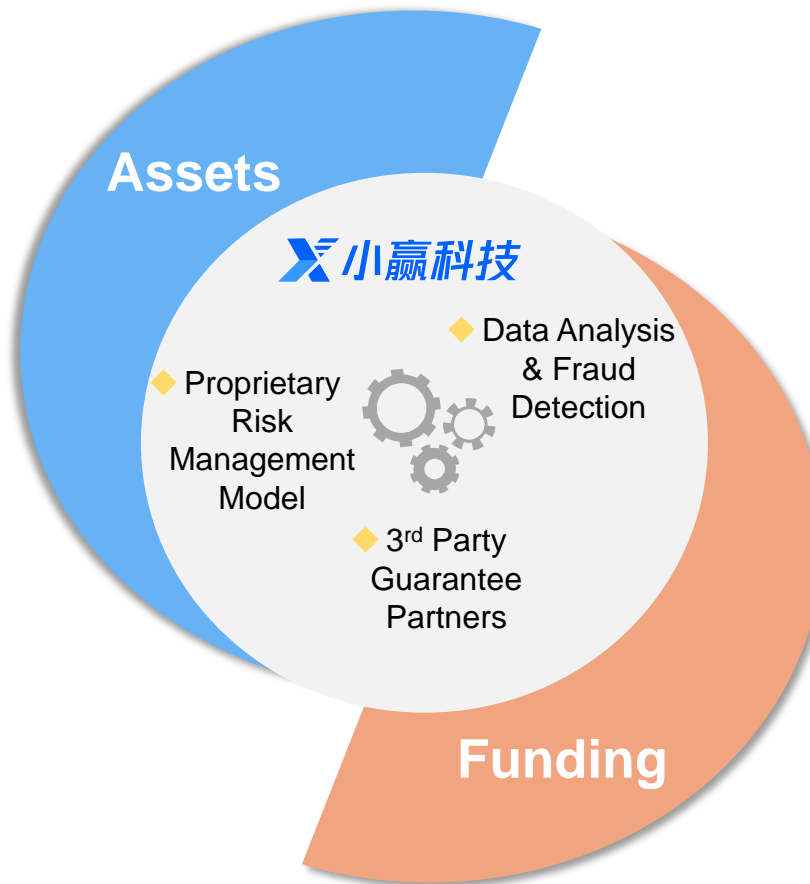
## Strong Capabilities of the Financial Guarantee Companies

(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

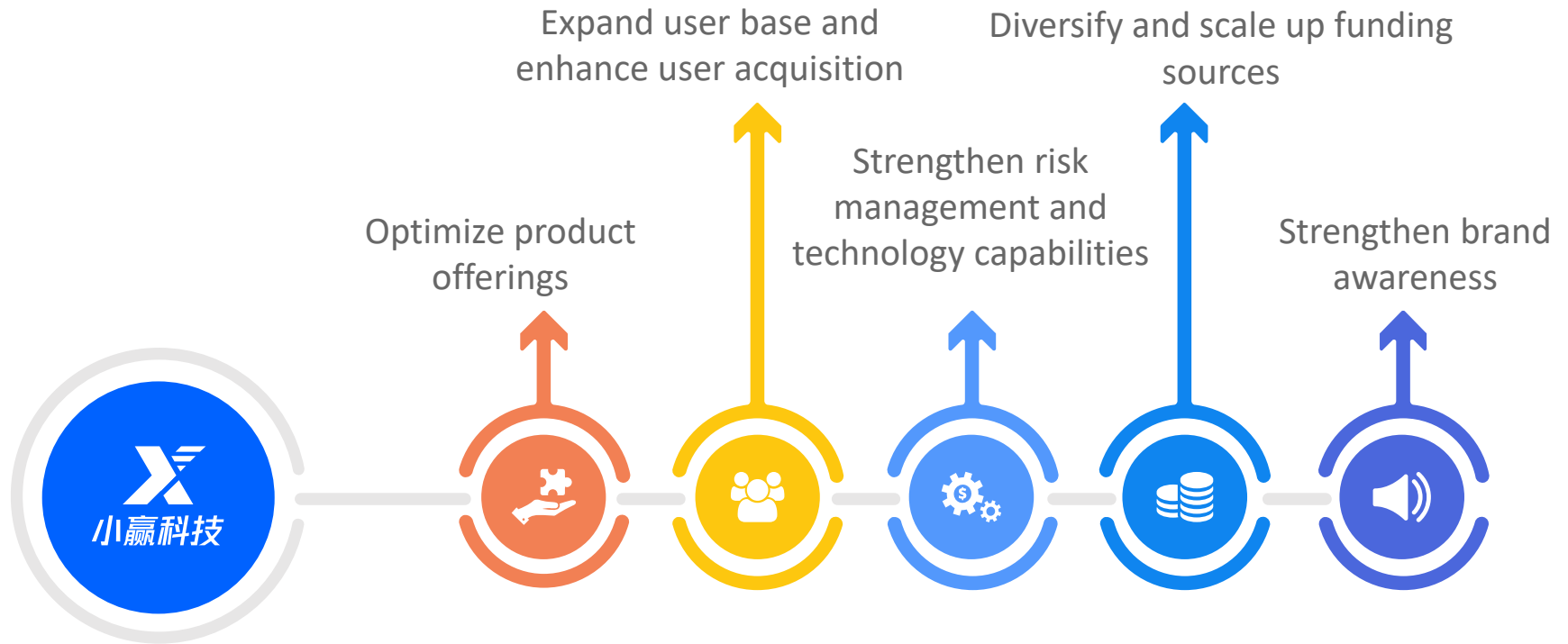
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



## Funding Partners

- Risk Assessment
- Credit Limit
- Regulation Requirement

# Our Growth Strategies





# 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



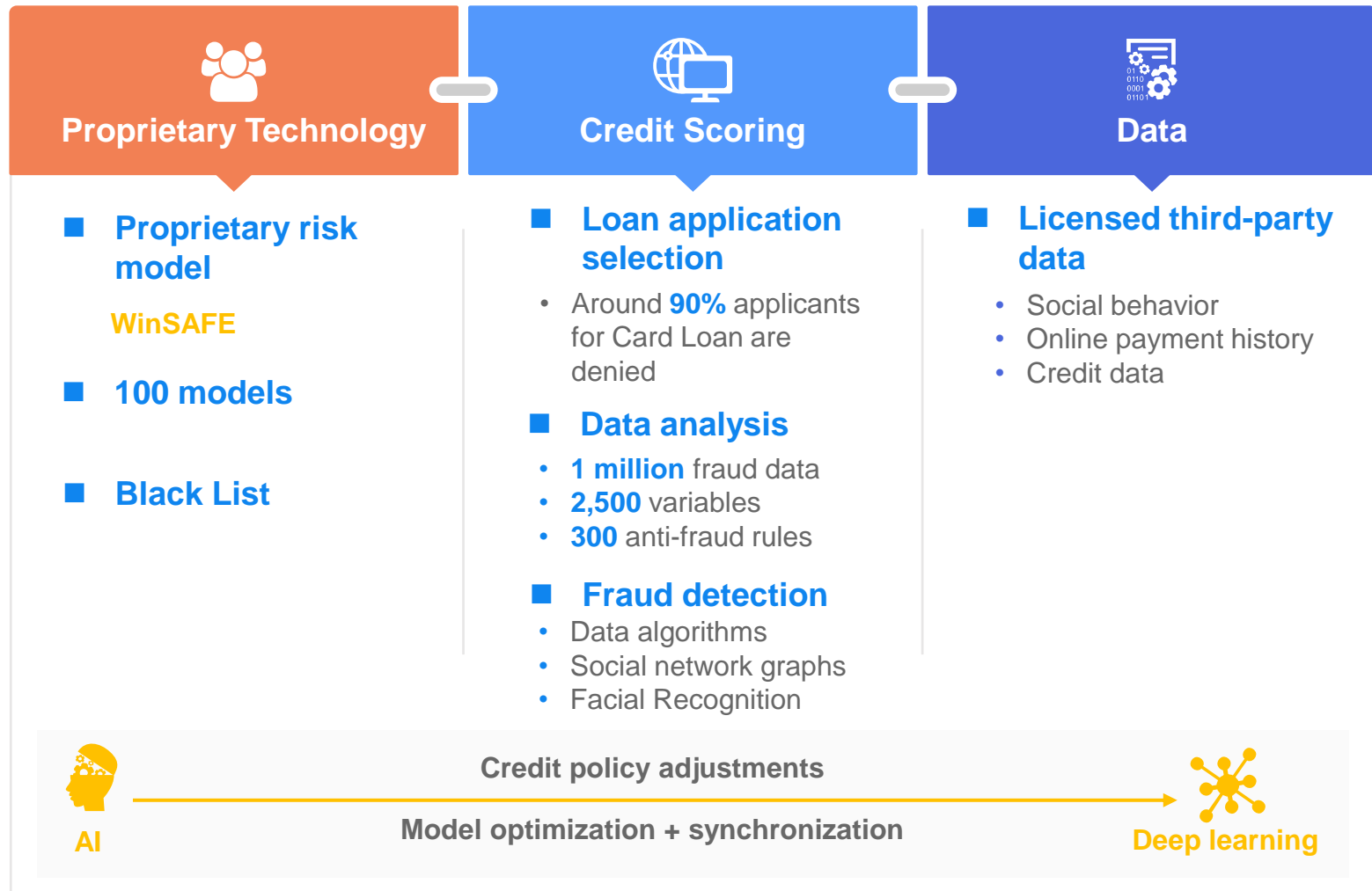
3, 6, 9, 12 months

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 Bank of Hangzhou Consumer Finance Company, FOTIC, National 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

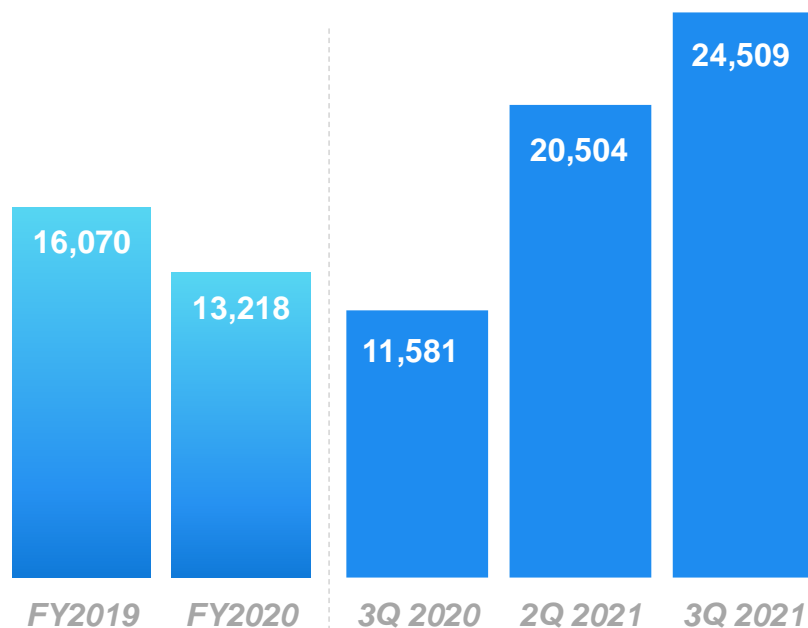


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talent**

# Performance of Loan Balance and Loan Facilitation

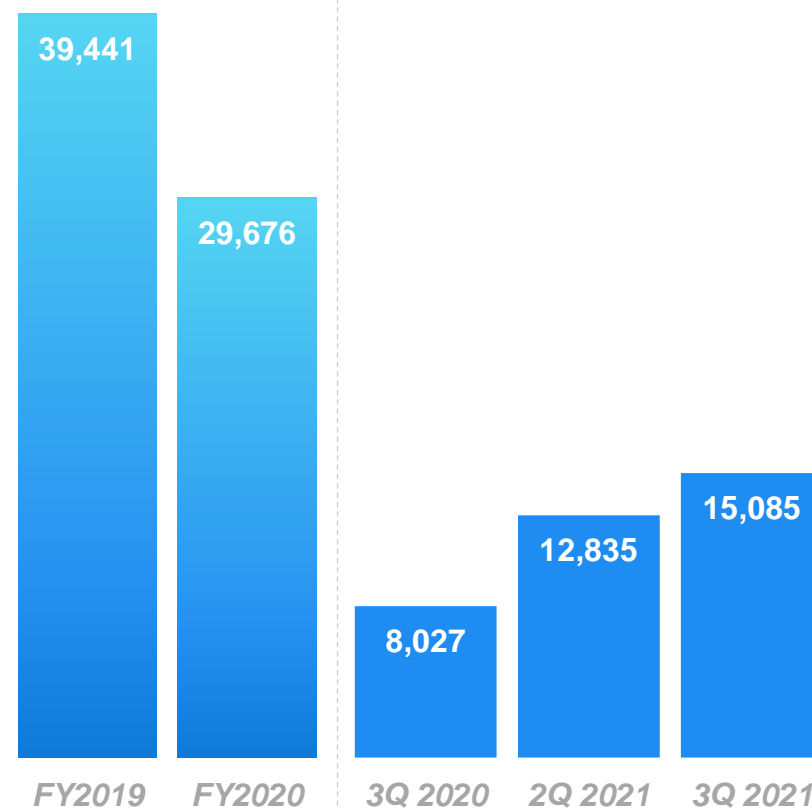
## \_ Total Outstanding Loan Balance <sup>(1)</sup>

(RMBmn)



## \_ Total Loan Facilitation Amount

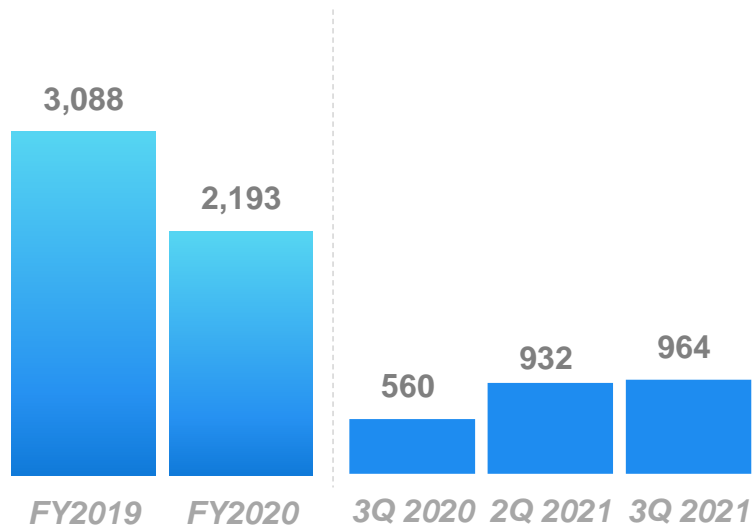
(RMBmn)



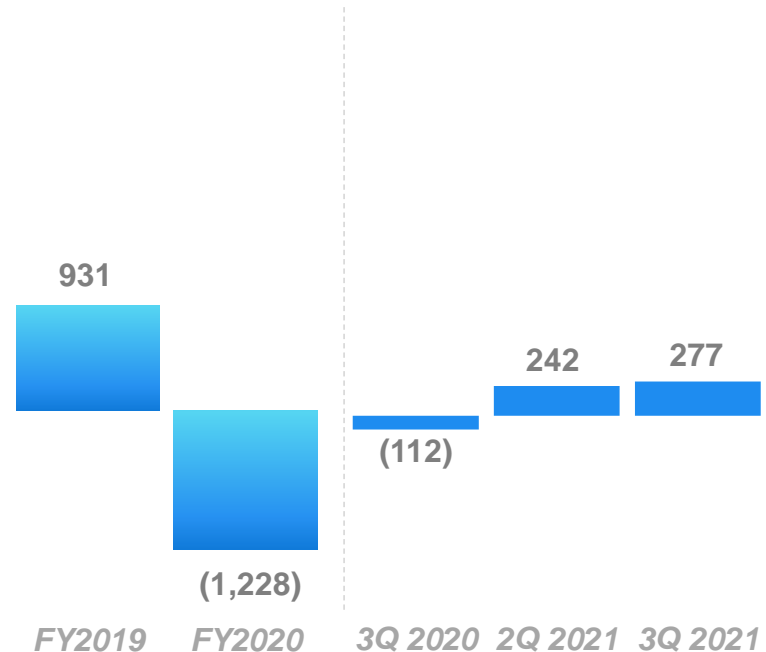
(1) Represents the total amount of loans outstanding for loans X Financial facilitated at the end of the relevant period. Loans that are delinquent for more than 60 days are charged-off and are excluded in the calculation of delinquency rate by balance, except for Xiaoying Housing Loan. Xiaoying Housing 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)



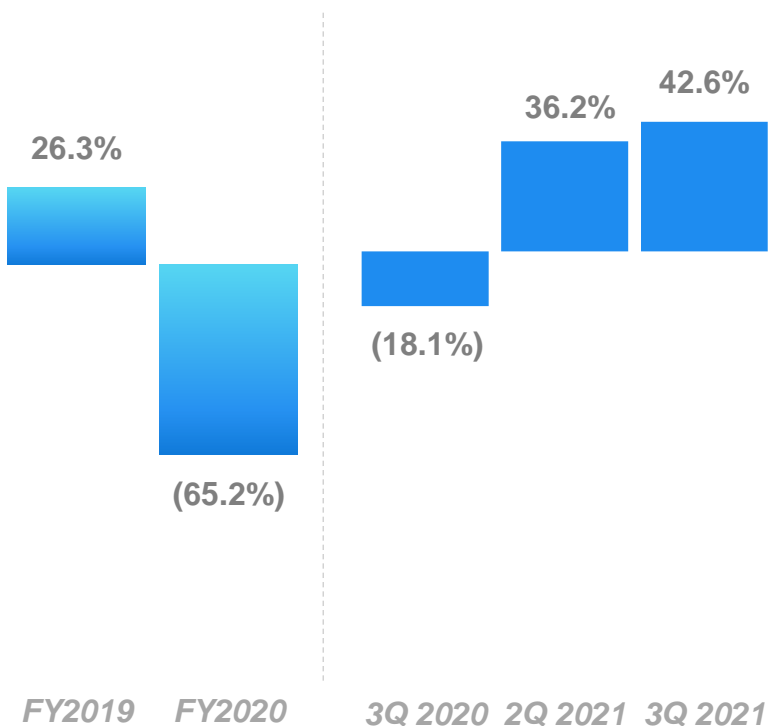
\_ Non-GAAP Adj. Net Income (loss) <sup>(1)</sup> (RMBmn)



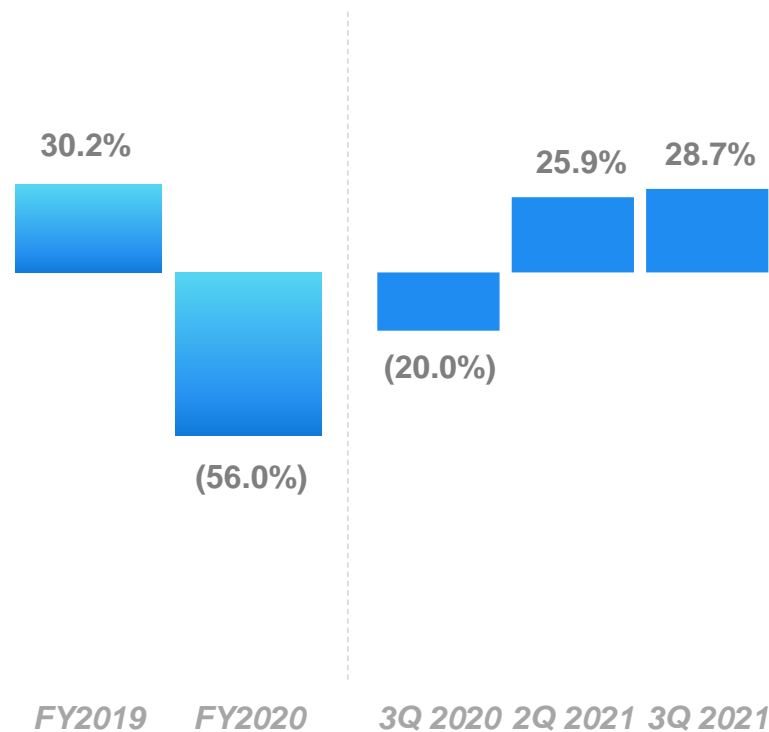
(1) Represents net (loss) / income attributable to X Financial shareholders before share-based compensation expenses and income (loss) from investments in VC funds

# Operational Efficiency

## \_ Operating Margin



## \_ Non-GAAP Adj. Net Income Margin

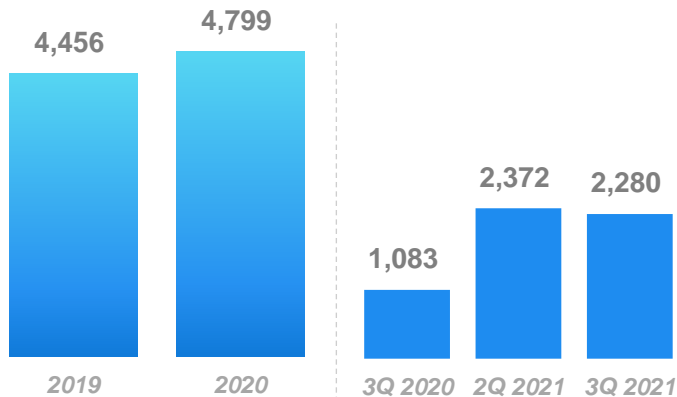




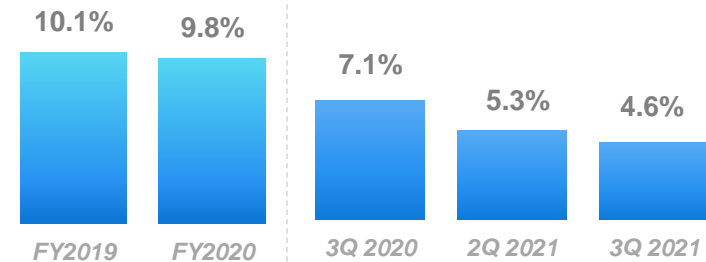
# Net Revenue Per Employee and Operating Expense

## \_ Net Revenue Per Employee

(RMB1,000)



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



- **Improved revenue per employee on a yearly basis**

Enhance risk management capabilities

- **Continue to improve operational efficiency**

Diversified service offerings with a more balanced quality growth

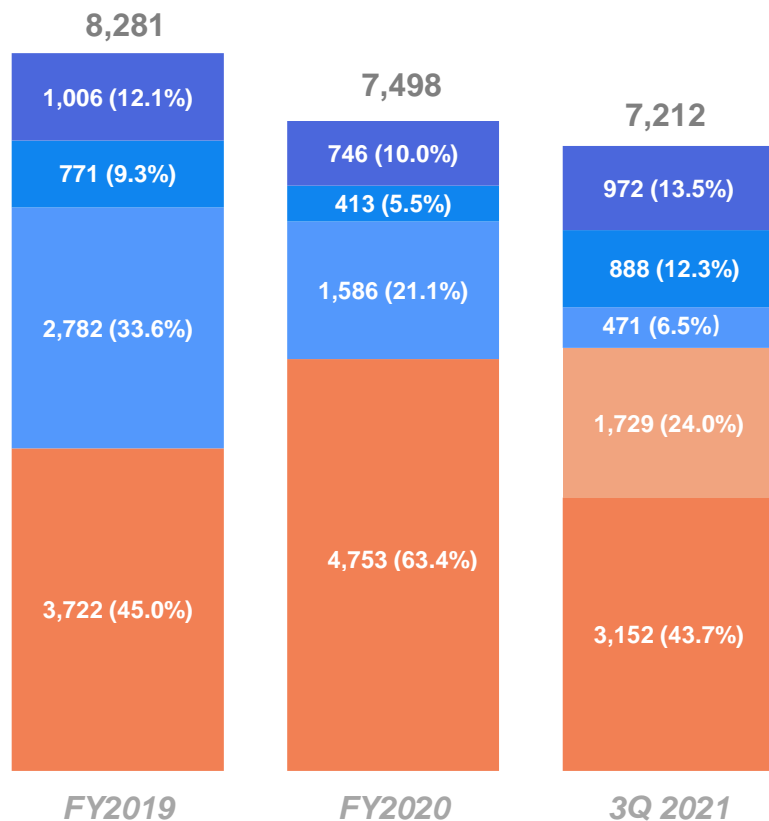
**Enhance profitability, boost operational efficiency and reduce costs**

(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

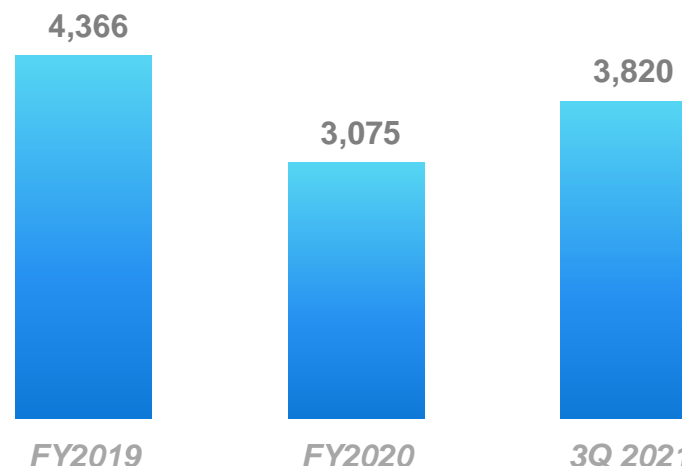
■ Loans at Fair Value

■ Loans receivable from Xiaoying Credit Loans & Revolving Loans

■ Others

## — Total Equity<sup>(1)</sup>

(RMBmn)



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

# Summary Consolidated Balance Sheet

	As of 12/31/2020 <i>(in RMB1,000)</i>	As of 9/30/2021 <i>(in RMB1,000) (in USD1,000)</i>	
Cash and Cash Equivalents	746,388	971,761	150,815
Accounts Receivable & Contract Assets, Net	413,307	888,459	137,887
Loans at Fair Value	1,585,732	470,538	73,026
<b>Total Assets</b>	<b>7,498,010</b>	<b>7,211,561</b>	<b>1,119,217</b>
Payable to investors at fair value	1,914,184	594,477	92,261
Short-term bank borrowings	350,545	75,050	11,648
Income tax payable	75,917	63,554	9,863
<b>Total Liabilities</b>	<b>4,421,966</b>	<b>3,391,424</b>	<b>526,341</b>
<b>Total X Financial Shareholders' Equity</b>	<b>3,074,756</b>	<b>3,820,137</b>	<b>592,876</b>
Non-Controlling Interests	1,288	-	-
<b>Total Equity</b>	<b>3,076,044</b>	<b>3,820,137</b>	<b>592,876</b>

Source: Company financial statements

# Consolidated Income Statement

	3Q 2020	3Q 2021	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net Revenues</b>			
Loan Facilitation Service—Direct Model	350,381	670,885	104,120
Loan Facilitation Service—Intermediary Model	2,959	-	-
Post-Origination Service	49,514	88,420	13,723
Financing Income	138,826	172,349	26,748
Other Revenue	18,120	32,697	5,074
<b>Total Net Revenue</b>	<b>559,800</b>	<b>964,351</b>	<b>149,665</b>
<b>Operating Costs and Expenses</b>			
Origination and servicing	561,241	483,833	75,090
General and Administrative	35,791	39,081	6,065
Sales and Marketing	3,874	5,440	844
Provision for accounts receivable and contract assets	24,346	15,237	2,365
Provision for loans receivable	58,135	10,199	1,583
(Reversal of) provision for contingent guarantee liabilities	(19,438)	-	-
(Reversal of) provision for credit losses on deposits to institutional cooperators	-	392	61
(Reversal of) provision for credit losses for other financial assets	(2,718)	(382)	(59)
<b>Total operating costs and expenses</b>	<b>661,231</b>	<b>553,800</b>	<b>85,949</b>
<b>Income (loss) from operations</b>	<b>(101,431)</b>	<b>410,551</b>	<b>63,716</b>
Interest income (expense), net	5,752	6,382	990
Foreign exchange gain (loss)	8,984	(954)	(148)
Income from investments in VC funds	-	12,639	1,962
Fair value adjustments related to Consolidated Trusts	3,245	7,570	1,175
Change in fair value of financial guarantee derivative	(26,579)	(48,042)	(7,456)
Other income (loss), net	1,798	9,644	1,497
<b>Income (loss) before income taxes and gain (loss) from equity in affiliates</b>	<b>(108,231)</b>	<b>397,790</b>	<b>61,736</b>
Income tax benefit (expense)	(1,576)	(119,458)	(18,540)
Gain (loss) from equity in affiliates, net of tax	(3,224)	1,548	240
<b>Net income (loss)</b>	<b>(113,031)</b>	<b>279,880</b>	<b>43,436</b>
Less: net income (loss) attributable to non-controlling interests	(7)	-	-
<b>Net income (loss) attributable to X Financial shareholders</b>	<b>(113,024)</b>	<b>279,880</b>	<b>43,436</b>

# Consolidated Income Statement (Cont')

	2019	2020	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net Revenues</b>			
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
<b>Total Net Revenue</b>	<b>3,088,050</b>	<b>2,192,958</b>	<b>336,086</b>
<b>Operating Costs and Expenses</b>			
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)
<b>Total operating costs and expenses</b>	<b>2,275,471</b>	<b>3,623,273</b>	<b>555,291</b>
<b>Income (loss) from operations</b>	<b>812,579</b>	<b>(1,430,315)</b>	<b>(219,205)</b>
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
<b>Income (loss) before income taxes and gain (loss) from equity in affiliates</b>	<b>663,915</b>	<b>(1,601,533)</b>	<b>(245,446)</b>
Income tax benefit	93,103	299,878	45,958
Gain (loss) from equity in affiliates, net of tax	17,458	(6,806)	(1,043)
<b>Net income (loss)</b>	<b>774,476</b>	<b>(1,308,461)</b>	<b>(200,531)</b>
Less: net income attributable to non-controlling interests	200	41	6
<b>Net income (loss) attributable to X Financial Shareholders</b>	<b>774,276</b>	<b>(1,308,502)</b>	<b>(200,537)</b>

# Reconciliations of GAAP and Non-GAAP Results

	3Q 2020	3Q 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	(113,024)	279,880	43,436
Less: Income from investments in VC funds (net of tax of nil)	-	12,639	1,962
Add: Share-based compensation expenses (net of tax of nil)	1,292	9,719	1,508
Adjusted net income (loss) (Non-GAAP) attributable to X Financial shareholders	(111,732)	276,960	42,982

	2019 <i>(in RMB1,000)</i>	2020 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
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)