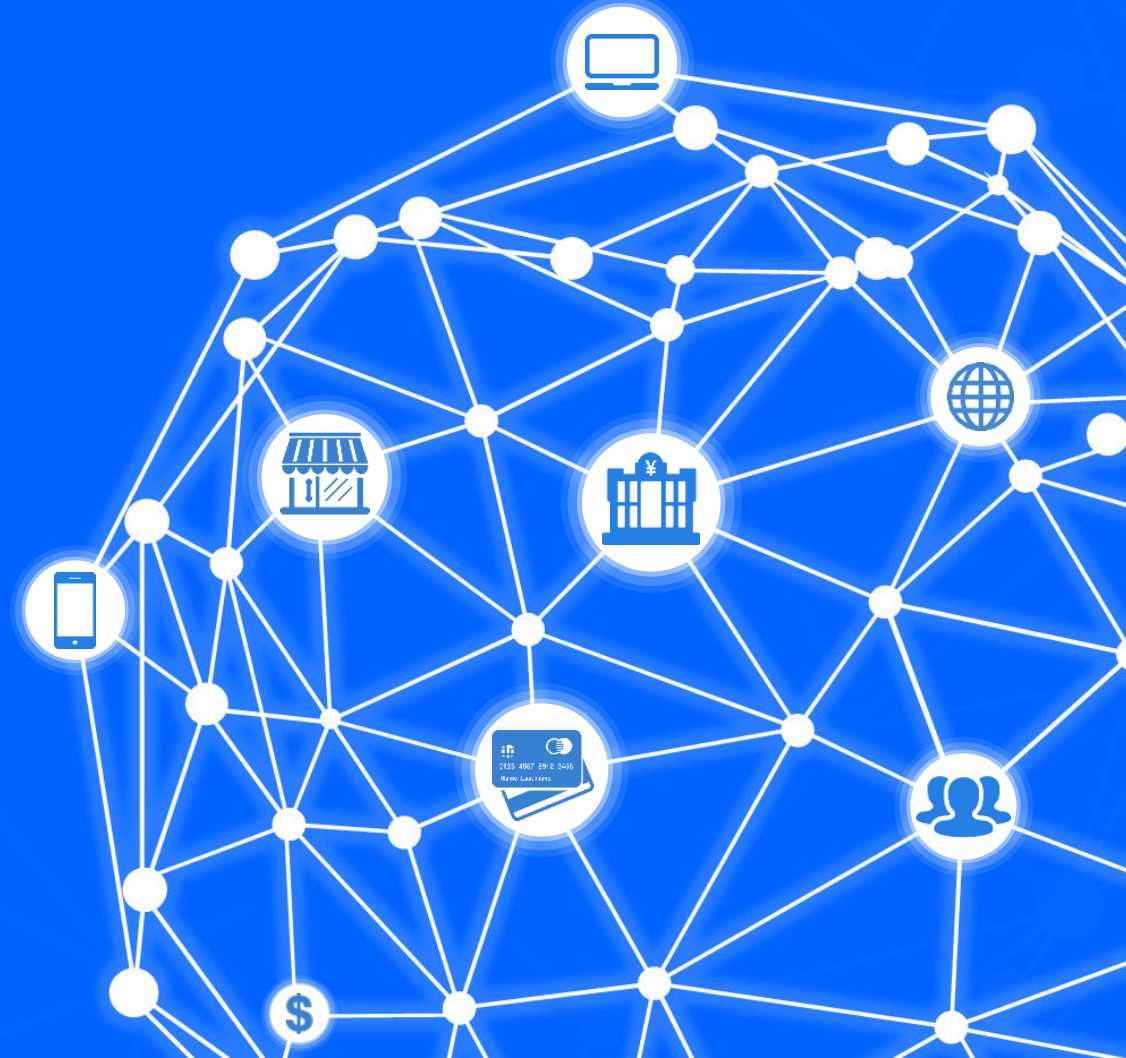


X Financial (NYSE: XYF)

2022 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 2022:

16,879 mn (RMB)

Total Loan Facilitation Amount

As of June 30, 2022:

29,075 mn (RMB)

Loan Balance

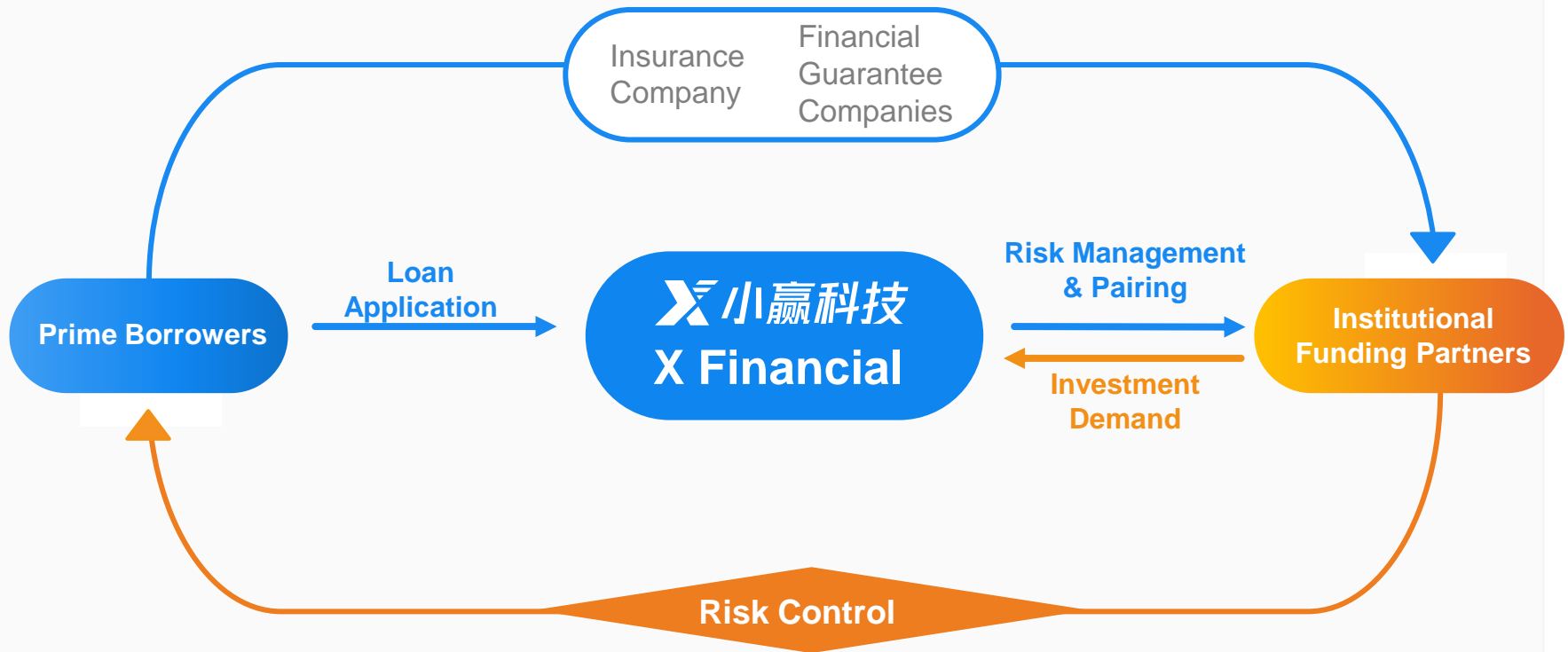
9.0 mn

Cumulative Borrowers

74.4 mn

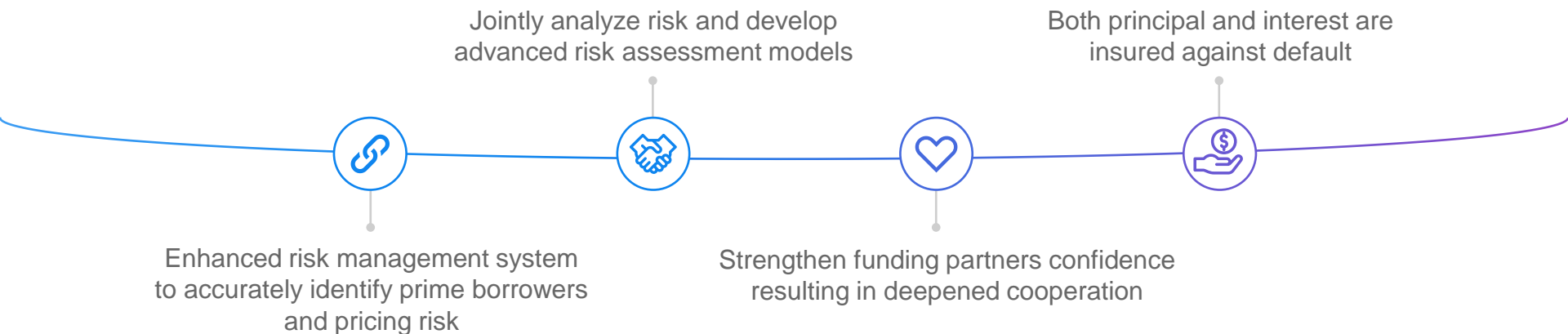
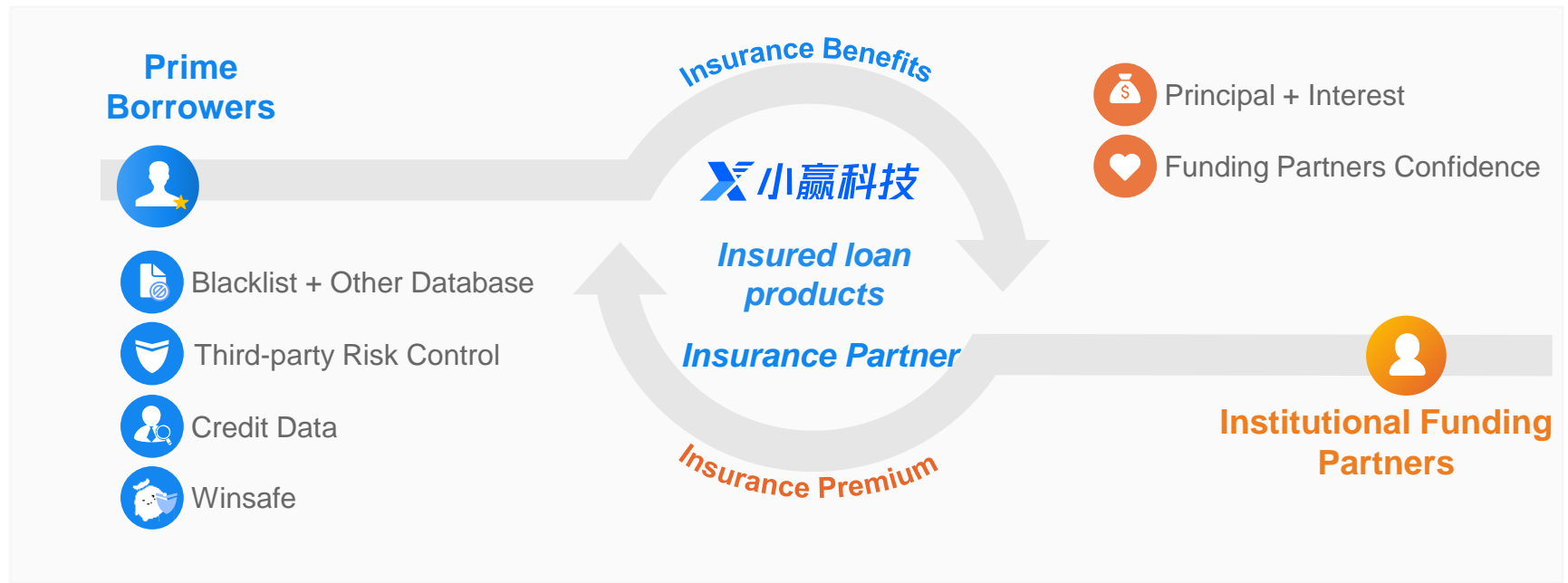
Registered Users

Our Business



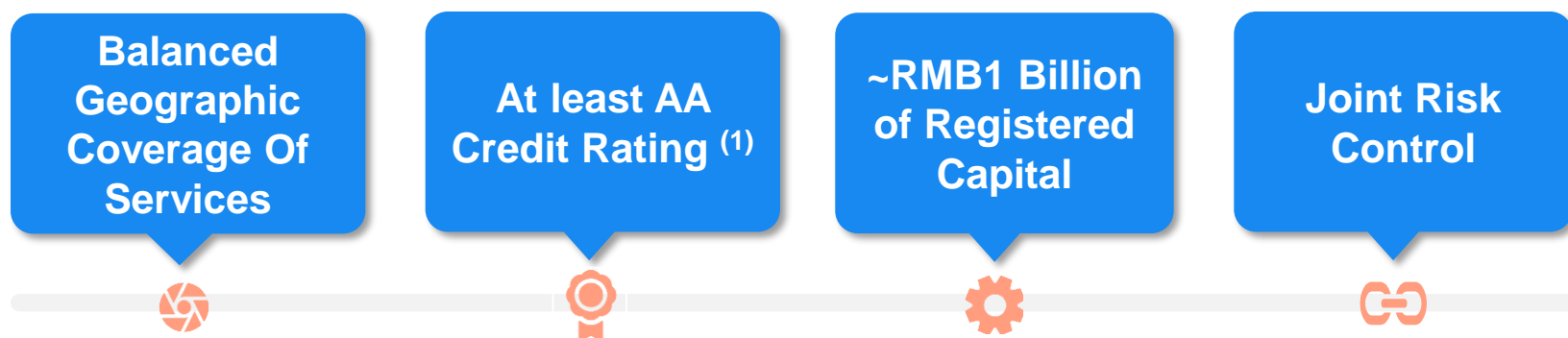
Loan Facilitation Based on 100% Institutional Funding

Credit Insurance Model



Financial Guarantee Model

We have established cooperation with high-quality financing guarantee companies who provide guarantee services to protect institutional funding partners against default for both the principal and interest.



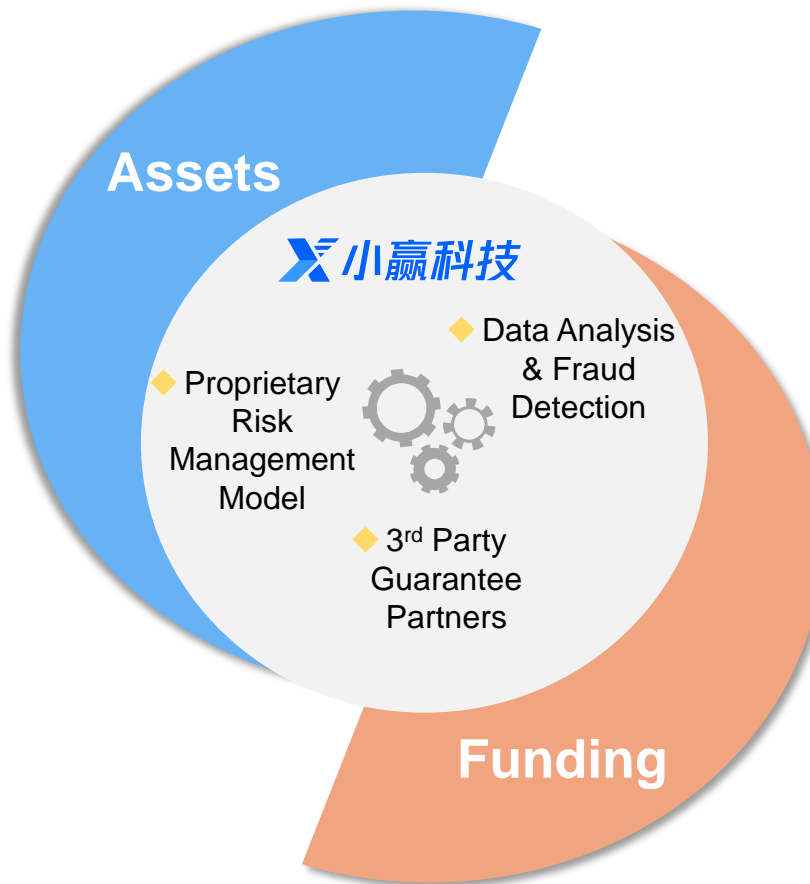
Strong Capabilities of the Financial Guarantee Companies

(1) Substantially all credit ratings were evaluated at least AA level 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

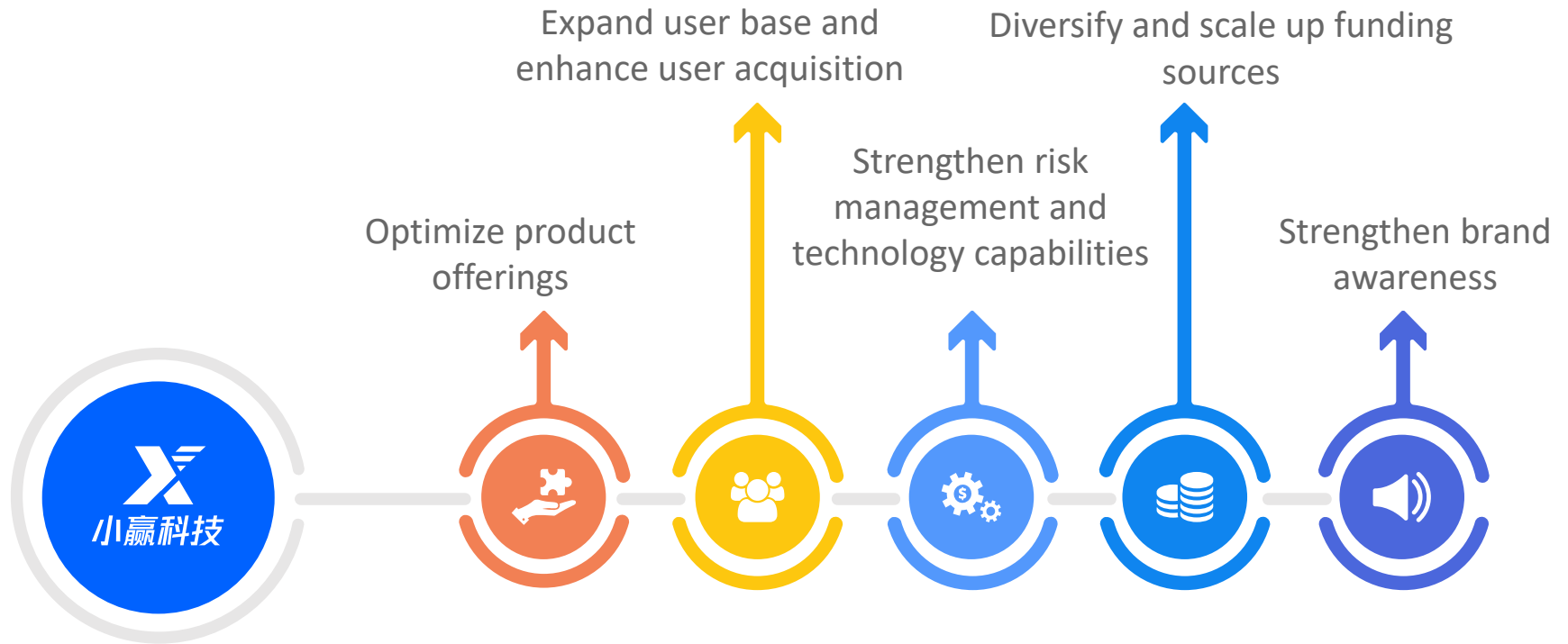
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



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 Product



Xiaoying Card Loan

Wide Range of Age Groups



Early career stage
25 to 40 in average

Flexible Loan Amount/Credit Line



RMB1,000 – 80,000

Flexible Tenor Meeting Borrowers' Liquidity Needs



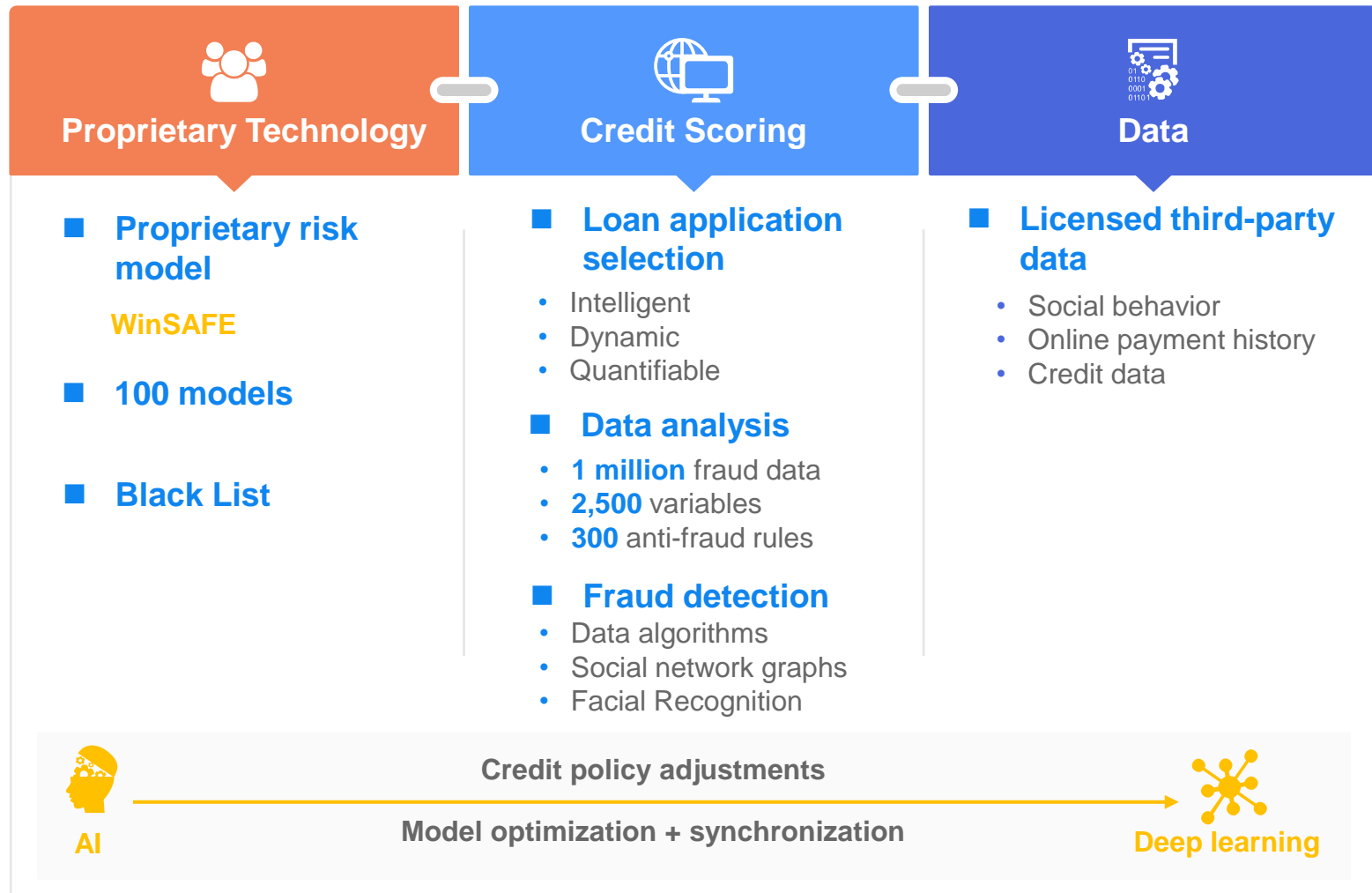
3, 6, 9, 12 months

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, 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

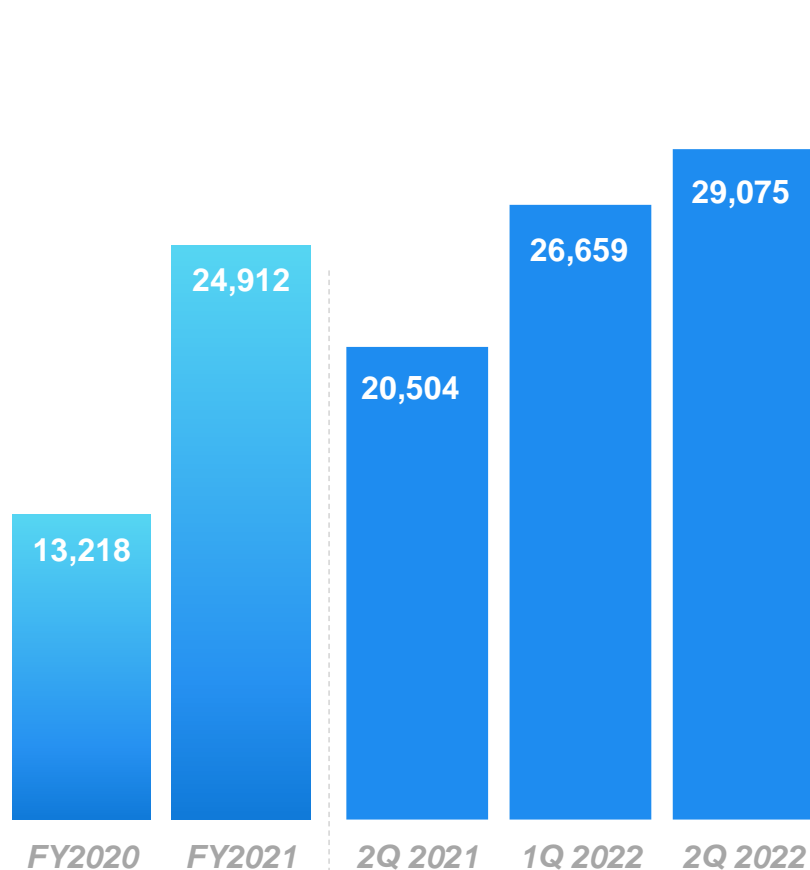


Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents

Performance of Loan Balance and Loan Facilitation

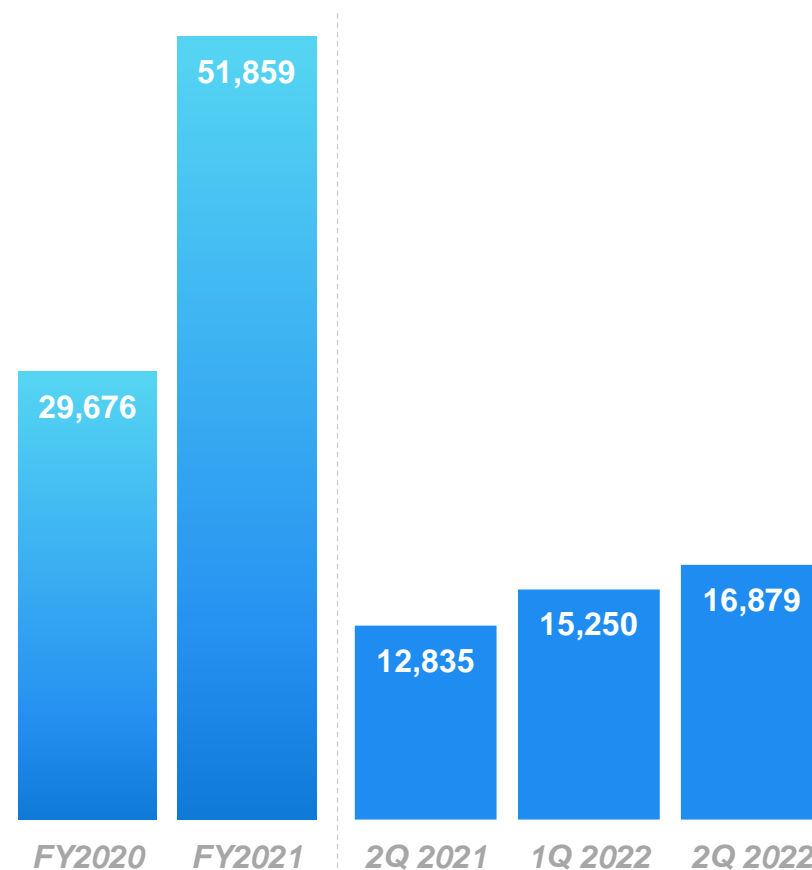
_ Total Outstanding Loan Balance ⁽¹⁾

(RMBmn)



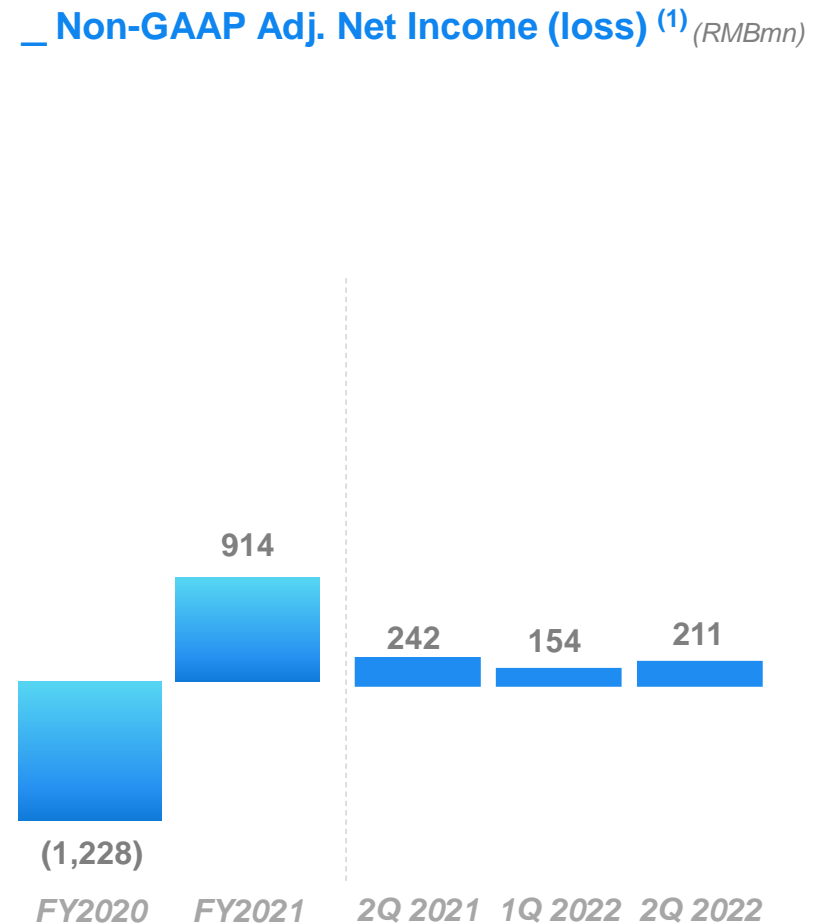
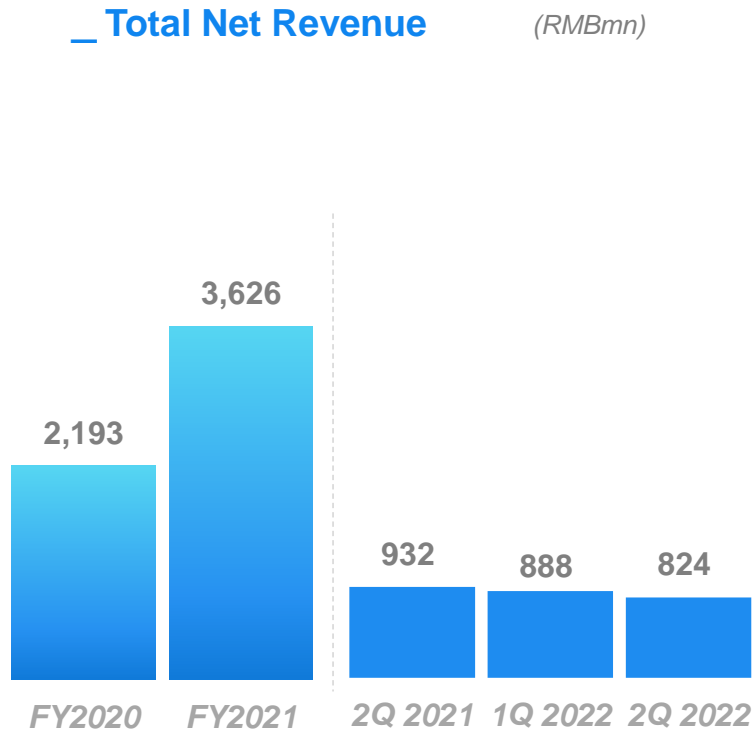
_ Total Loan Facilitation Amount

(RMBmn)



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

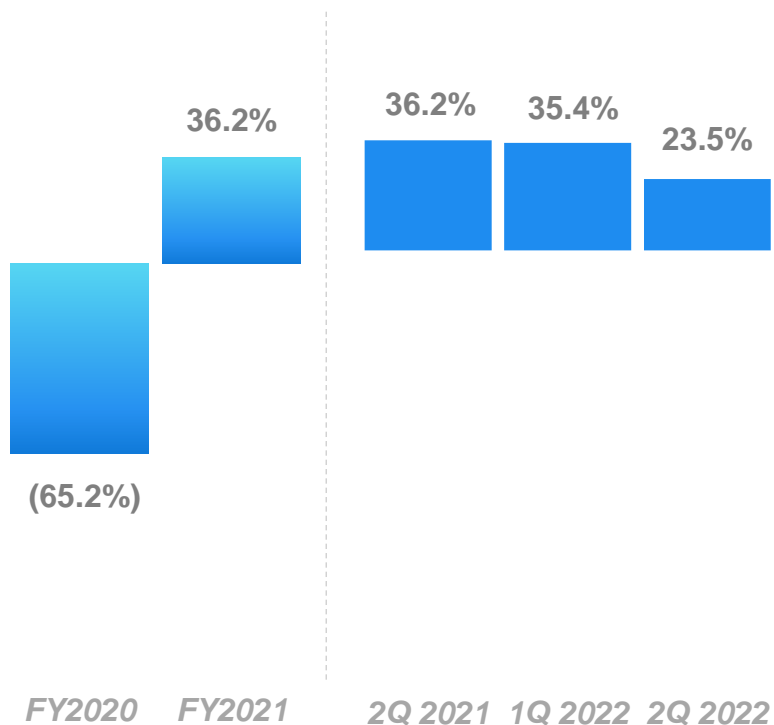
Revenue and Non-GAAP Adj. Net Income Growth



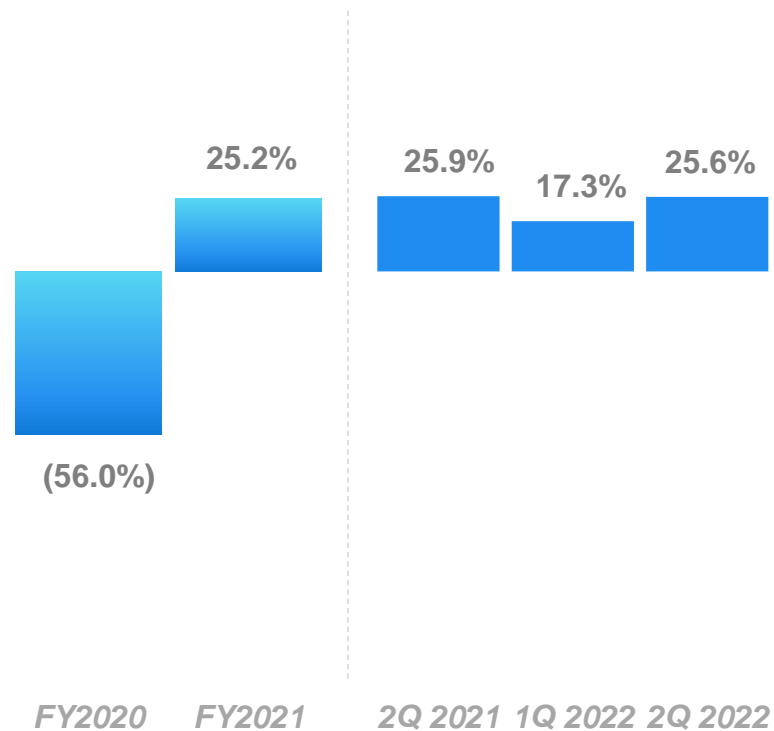
(1) Represents net (loss) / income before share-based compensation expenses and income (loss) from financial investments

Operational Efficiency

_ Operating Margin

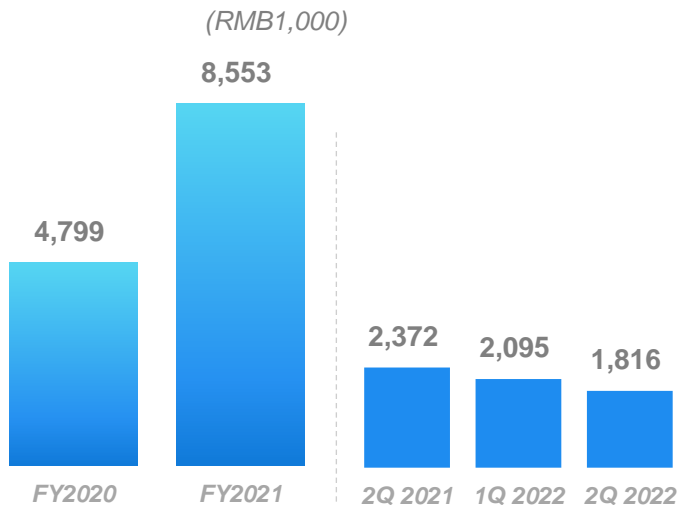


_ Non-GAAP Adj. Net Income Margin

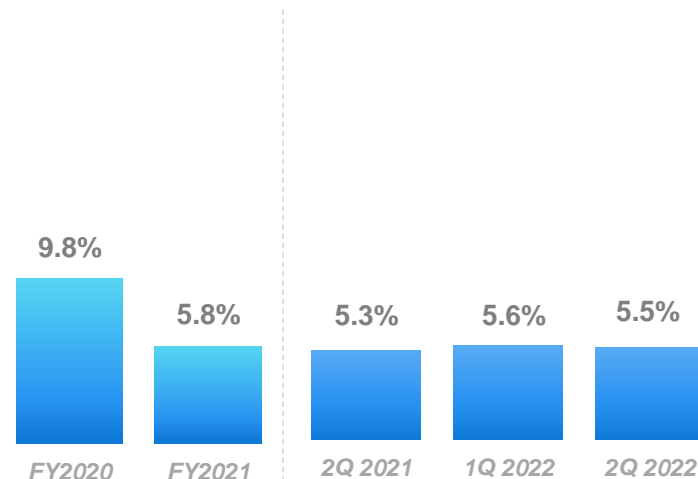


Net Revenue Per Employee and Operating Expense

_ Net Revenue Per Employee



_ Operating Expense % Net Revenue ⁽¹⁾



- **High revenue per employee**

Enhance risk management capabilities

- **Continue to improve operational efficiency**

Diversified service offerings with a more balanced quality growth

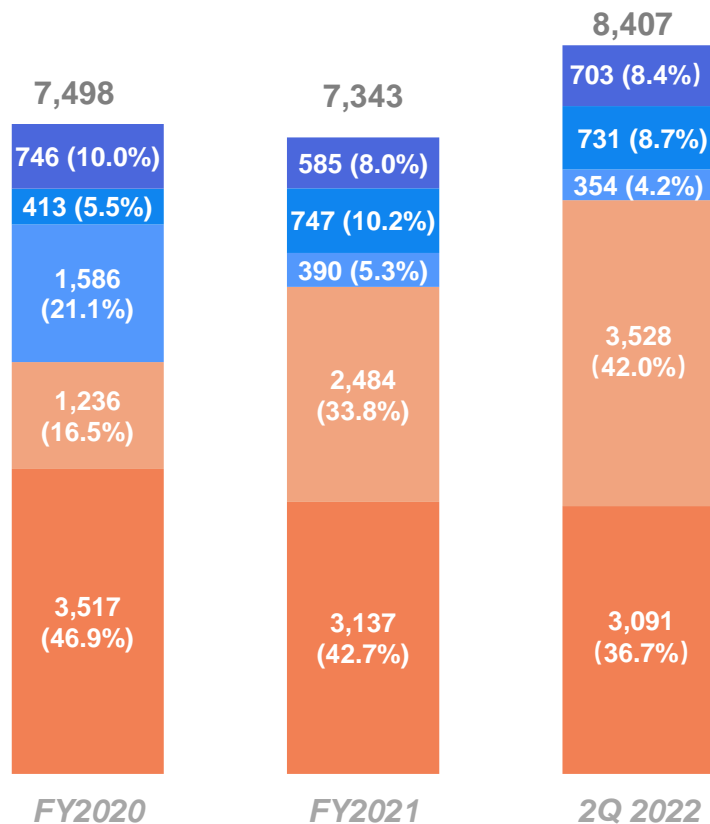
Enhance profitability, boost operational efficiency and reduce costs

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

Outstanding Return on Equity Performance

— Total Assets

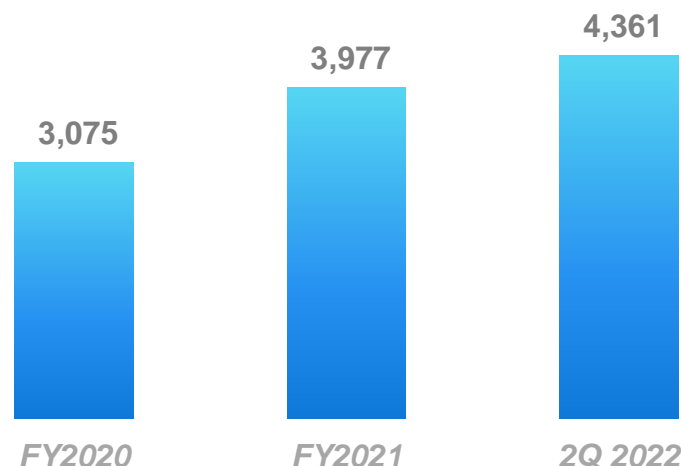
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans at Fair Value
- Loans receivable from Xiaoying Credit Loans & Revolving Loans
- Others

— Total Equity⁽¹⁾

(RMBmn)



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

Summary Consolidated Balance Sheet

	As of 12/31/2021 <i>(in RMB1,000)</i>	As of 6/30/2022 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Cash and cash equivalents	584,762	702,923	104,944
Accounts receivable and contract assets, net	747,480	730,808	109,107
Loans receivable from Xiaoying Credit Loans and Revolving Loans, net	2,484,073	3,528,453	526,784
Loans at fair value	389,679	353,760	52,815
Total assets	7,342,737	8,406,678	1,255,084
Payable to investors at fair value	462,714	388,685	58,029
Payable to institutional funding partners	1,487,379	2,307,584	344,513
Short-term bank borrowings	166,500	20,000	2,986
Income tax payable	117,148	208,529	31,133
Total liabilities	3,365,841	4,045,312	603,949
Total X Financial shareholders' equity	3,976,896	4,361,366	651,135
Non-controlling interests	-	-	-
Total equity	3,976,896	4,361,366	651,135

Source: Company financial statements

Consolidated Income Statement

	2Q 2021	2Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Net revenues			
Loan facilitation service	694,711	471,531	70,398
Post-origination service	72,738	82,304	12,288
Financing income	149,006	234,756	35,048
Other revenue	15,912	35,747	5,337
Total net revenue	932,367	824,338	123,071
Operating costs and expenses			
Origination and servicing	520,874	533,062	79,584
General and administrative	44,037	41,144	6,143
Sales and marketing	5,547	4,567	682
Provision for accounts receivable and contract assets	25,228	25,715	3,839
(Reversal of) provision for loans receivable	(1,093)	32,224	4,811
Reversal of provision for contingent guarantee liabilities	(24)	(14,000)	(2,090)
Provision for credit losses on deposits to institutional cooperators	78	7,803	1,165
Total operating costs and expenses	594,647	630,515	94,134
Income from operations	337,720	193,823	28,937
Interest income (expense), net	7,278	1,691	252
Foreign exchange gain (loss)	3,768	(13,102)	(1,956)
Loss from financial investments	-	(9,626)	(1,437)
Fair value adjustments related to Consolidated Trusts	(7,729)	(3,250)	(485)
Change in fair value of financial guarantee derivative	(61,889)	44,758	6,682
Other income (loss), net	942	5,911	882
Income before income taxes and gain from equity in affiliates	280,090	220,205	32,875
Income tax expense	(57,889)	(42,243)	(6,307)
Gain from equity in affiliates, net of tax	1,243	7,738	1,155
Net income	223,444	185,700	27,723
Net income attributable to X Financial shareholders	223,444	185,700	27,723

Consolidated Income Statement (Cont')

	2020	2021	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Net revenues			
Loan facilitation service	1,307,906	2,545,593	399,459
Post-origination service	203,842	315,590	49,523
Financing income	612,863	671,901	105,436
Other revenue	68,347	93,381	14,654
Total net revenue	2,192,958	3,626,465	569,072
Operating costs and expenses			
Origination and servicing	2,071,506	1,963,006	308,038
General and administrative	179,225	187,859	29,479
Sales and marketing	35,629	20,830	3,269
Provision for accounts receivable and contract assets	121,485	77,248	12,122
Provision for loans receivable	245,204	76,017	11,929
(Reversal of) provision for contingent guarantee liabilities	881	(24)	(4)
(Reversal of) provision for credit losses on deposits to institutional cooperators	970,318	(8,291)	(1,301)
Reversal of provision for credit losses for other financial assets	(975)	(1,223)	(192)
Total operating costs and expenses	3,623,273	2,315,422	363,340
Income (loss) from operations	(1,430,315)	1,311,043	205,732
Interest income (expense), net	21,724	19,709	3,093
Foreign exchange gain	15,399	5,147	808
Fair value adjustments related to Consolidated Trusts	(57,380)	(7,267)	(1,140)
Change in fair value of financial guarantee derivative	(163,670)	(170,339)	(26,730)
Other income (loss), net	12,709	32,506	5,101
Income (loss) before income taxes and gain (loss) from equity in affiliates	(1,601,533)	1,190,799	186,864
Income tax benefit (expense)	299,878	(368,734)	(57,862)
Gain (loss) from equity in affiliates, net of tax	(6,806)	3,342	524
Net income (loss)	(1,308,461)	825,407	129,526
Less: net income attributable to non-controlling interests	41	-	-
Net income (loss) attributable to X Financial shareholders	(1,308,502)	825,407	129,526

Reconciliations of GAAP and Non-GAAP Results

	2Q 2021	2Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	223,444	185,700	27,723
Less: Loss from financial investments (net of tax of nil)	-	(9,626)	(1,437)
Add: Share-based compensation expenses (net of tax of nil)	18,438	15,362	2,293
Non-GAAP adjusted net income	241,882	210,688	31,453

	2020 <i>(in RMB1,000)</i>	2021 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Reconciliation of Adjusted Net Income (Loss) from Net Income (Loss)			
GAAP net income (loss)	(1,308,502)	825,407	129,526
Add: Share-based compensation expenses (net of tax of nil)	80,140	88,435	13,877
Non-GAAP adjusted net income (loss)	(1,228,362)	913,842	143,403