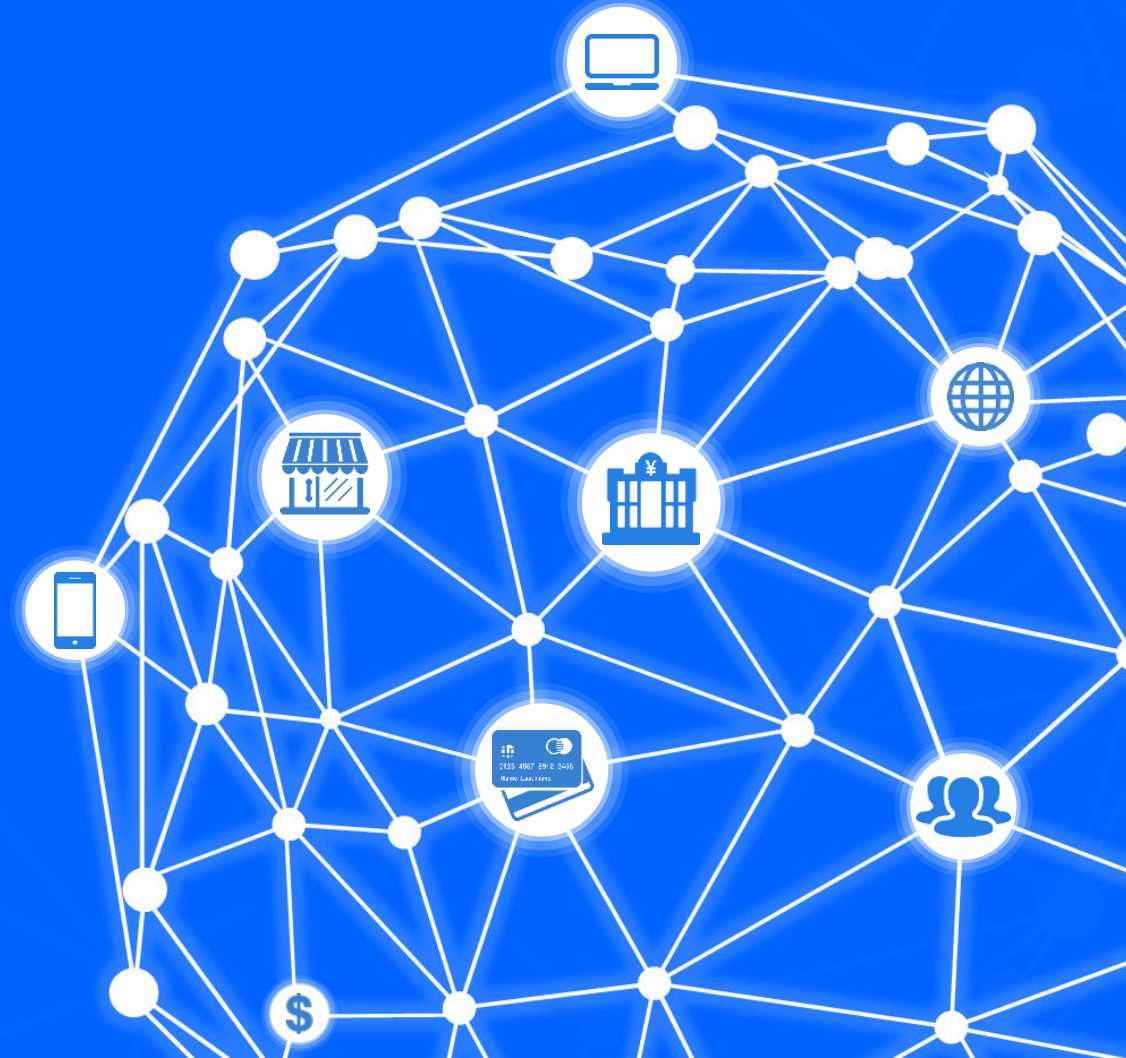


# X Financial (NYSE: XYF)

## 2022 Q1 Earnings Results Presentation

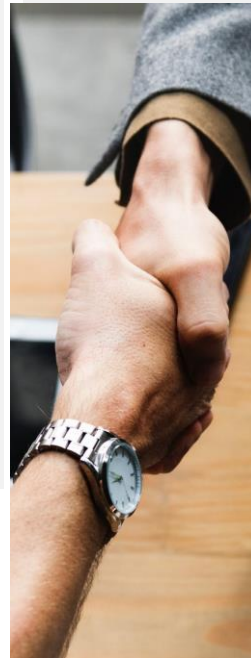
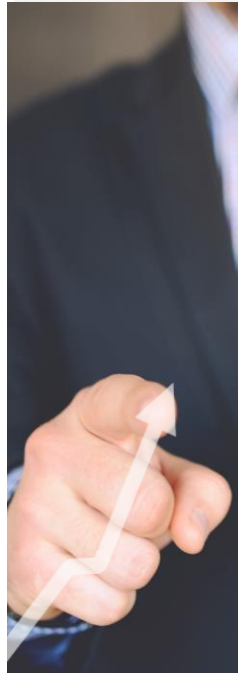


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# X Financial at a Glance

A leading technology-driven personal finance company in China



*In the first quarter of 2022:*

**15,250 mn (RMB)**

Total Loan Facilitation Amount

*As of March 31, 2022:*

**26,659 mn (RMB)**

Loan Balance

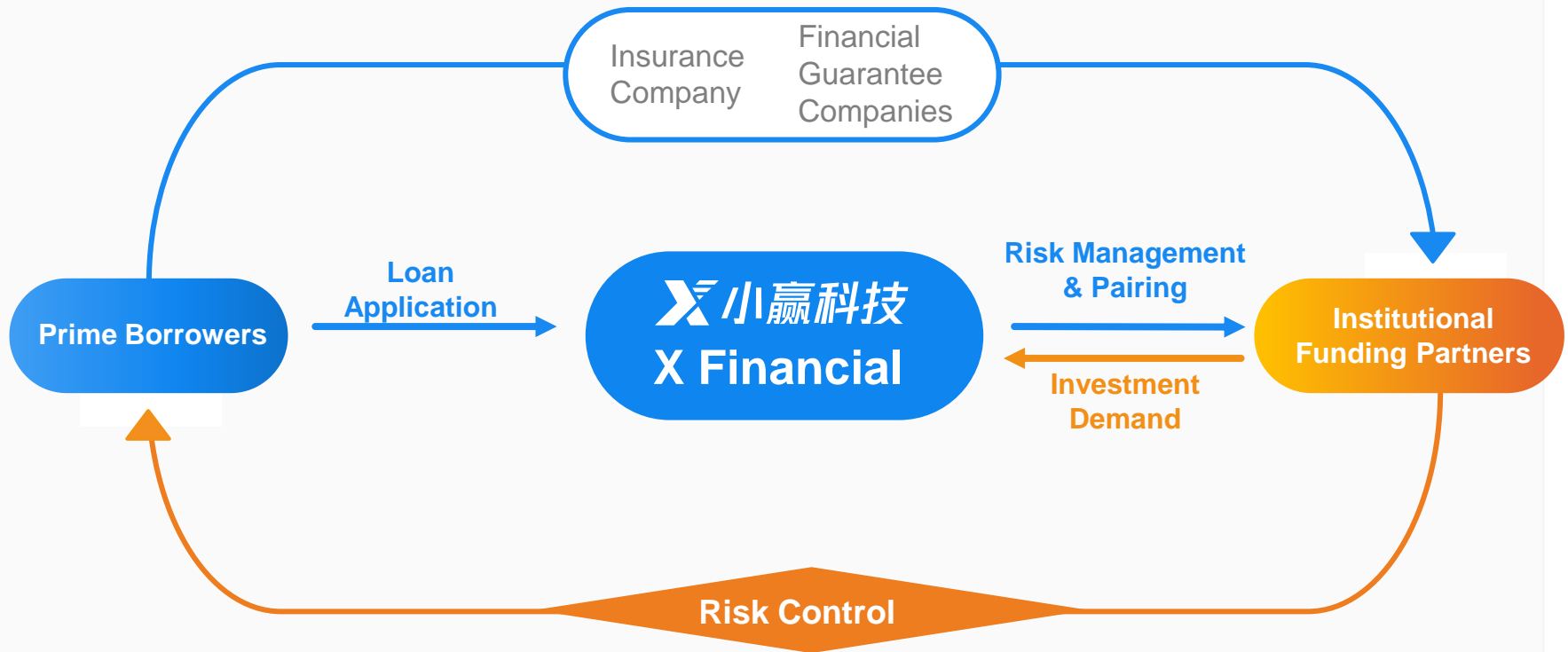
**8.4 mn**

Cumulative Borrowers

**70.1 mn**

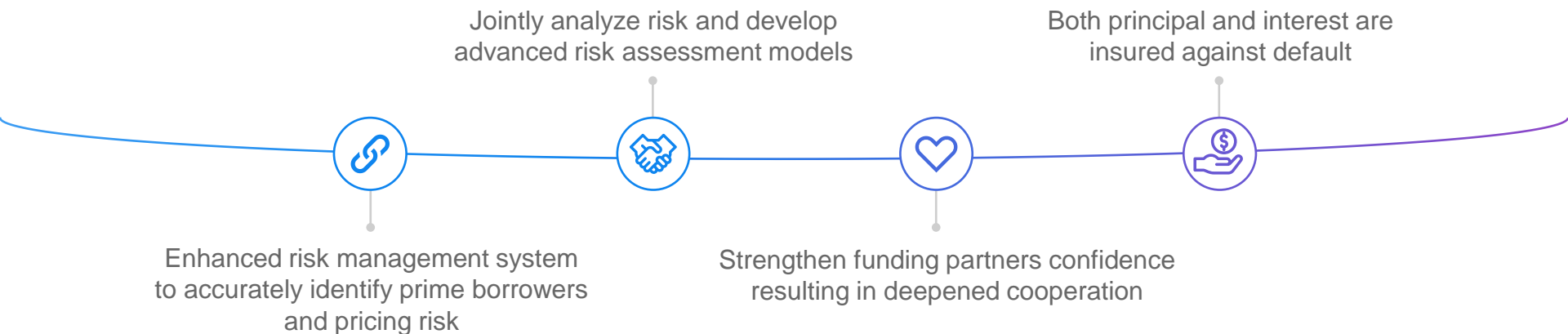
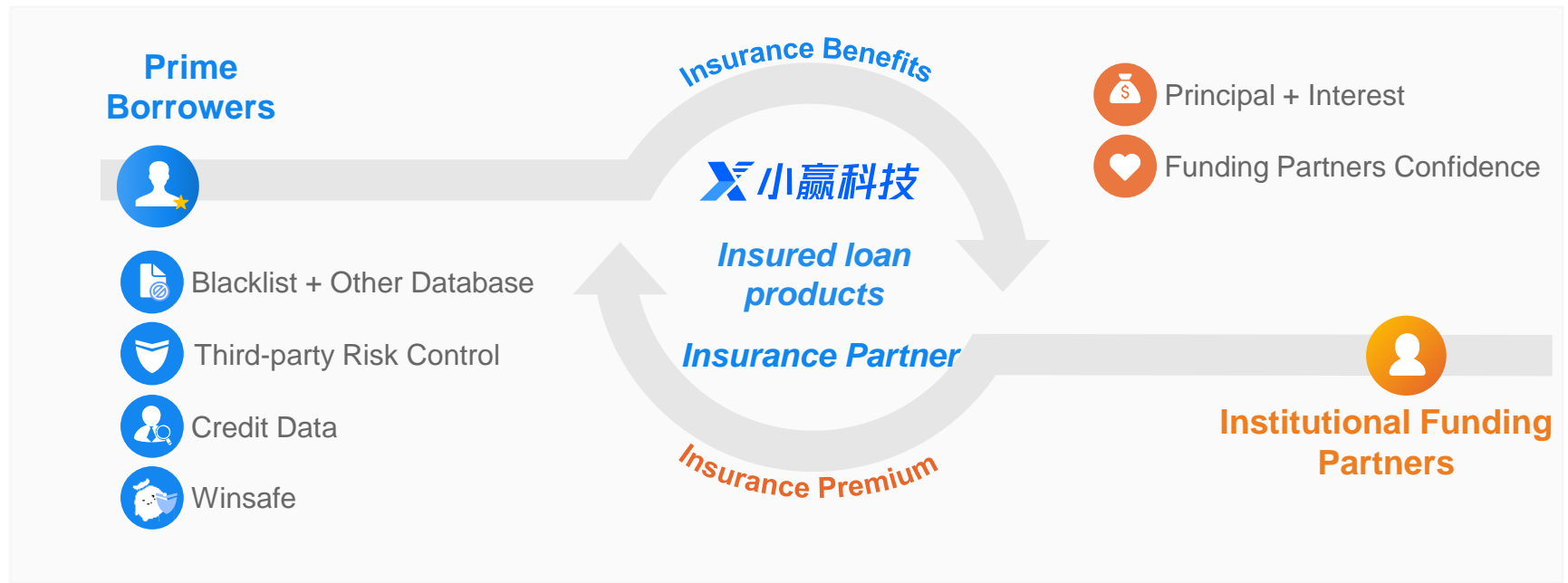
Registered Users

# Our Business



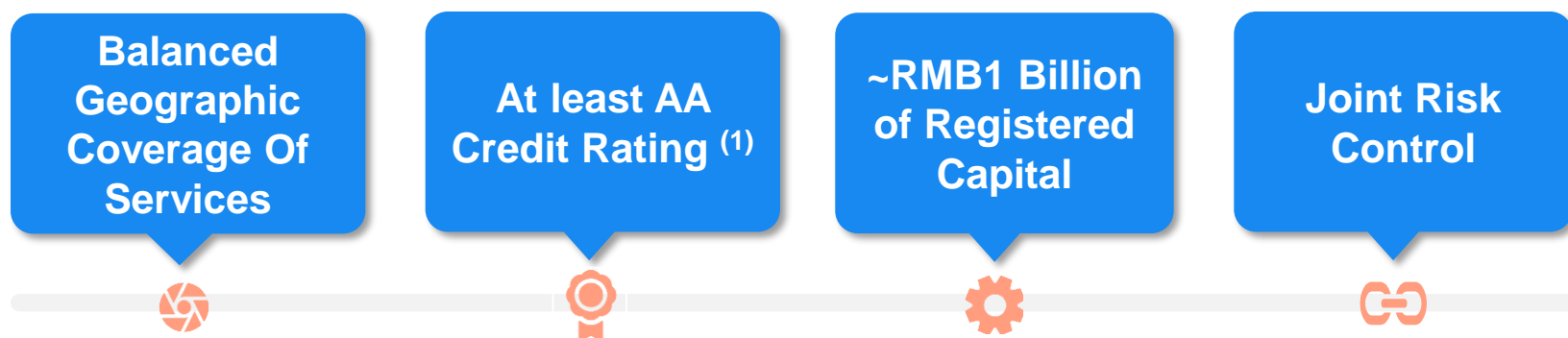
**Loan Facilitation Based on 100% Institutional Funding**

# 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.



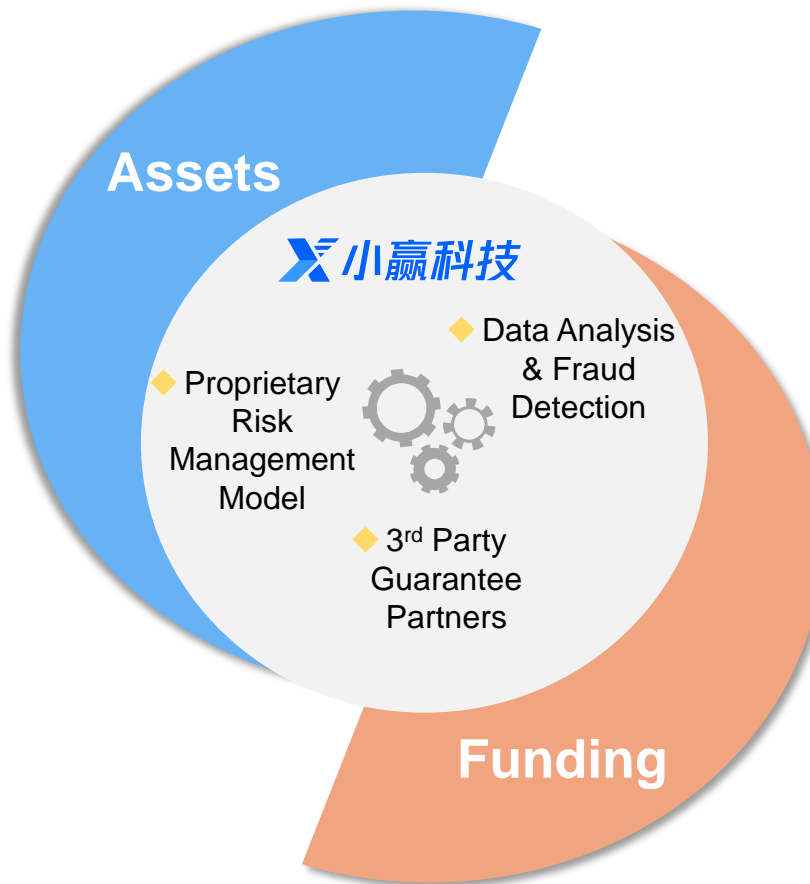
## Strong Capabilities of the Financial Guarantee Companies

(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

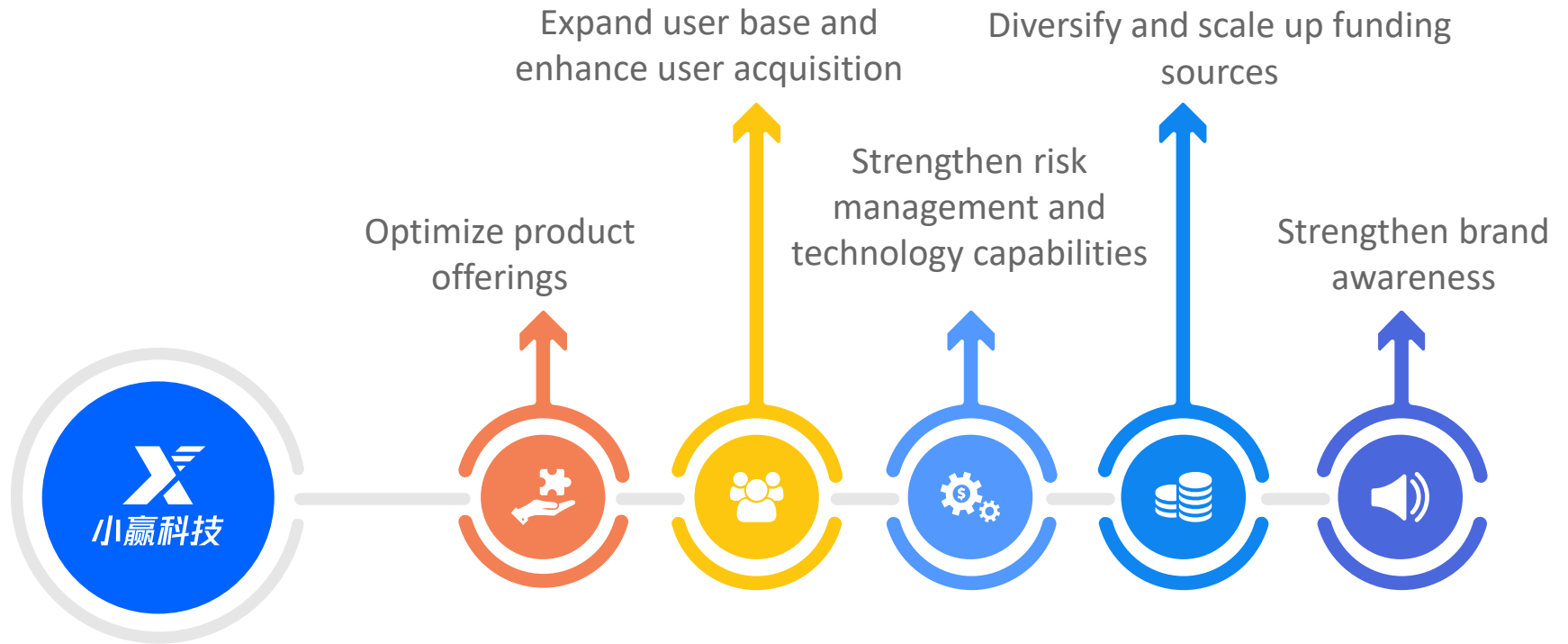
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



## 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



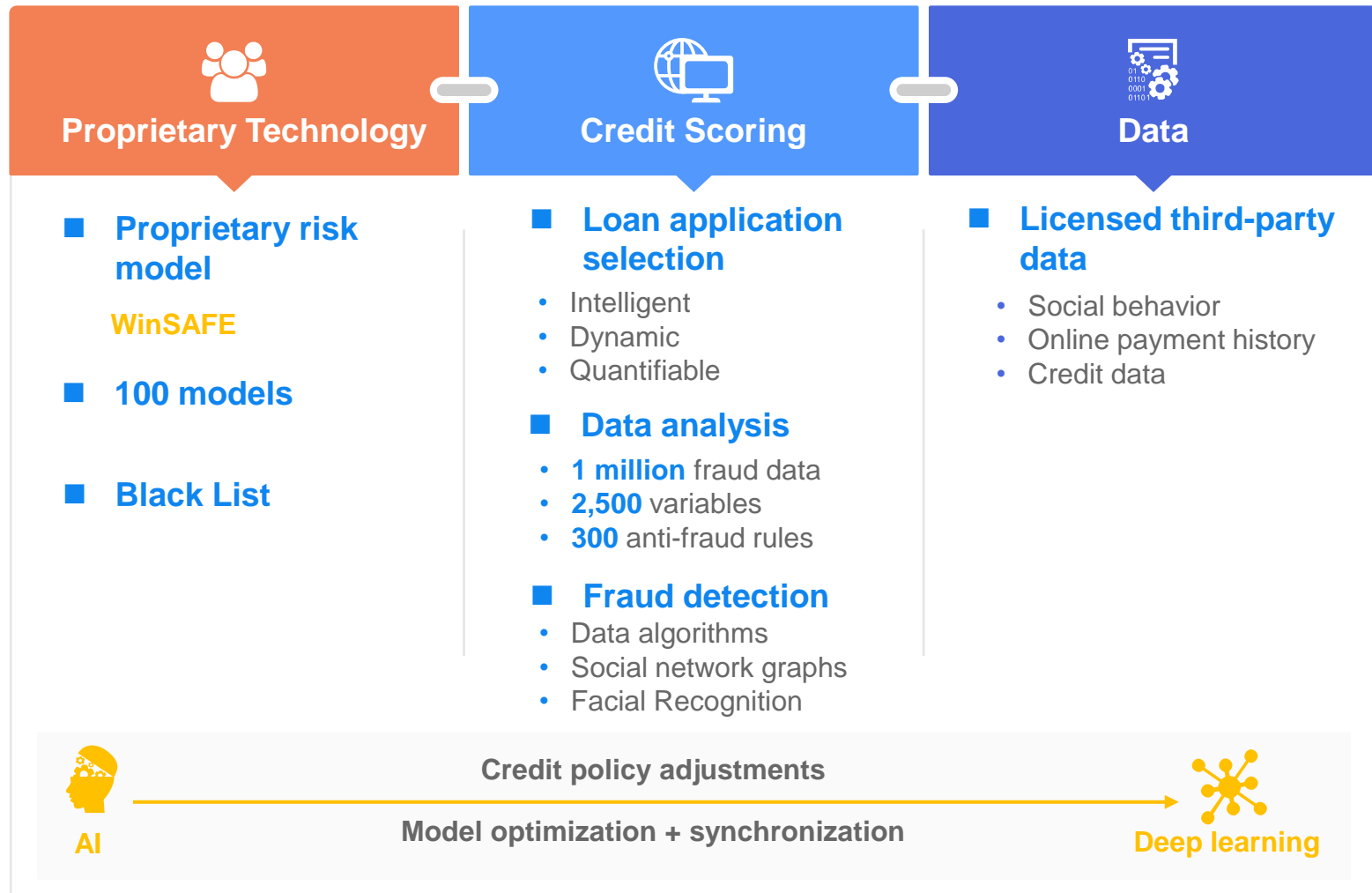
3, 6, 9, 12 months

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

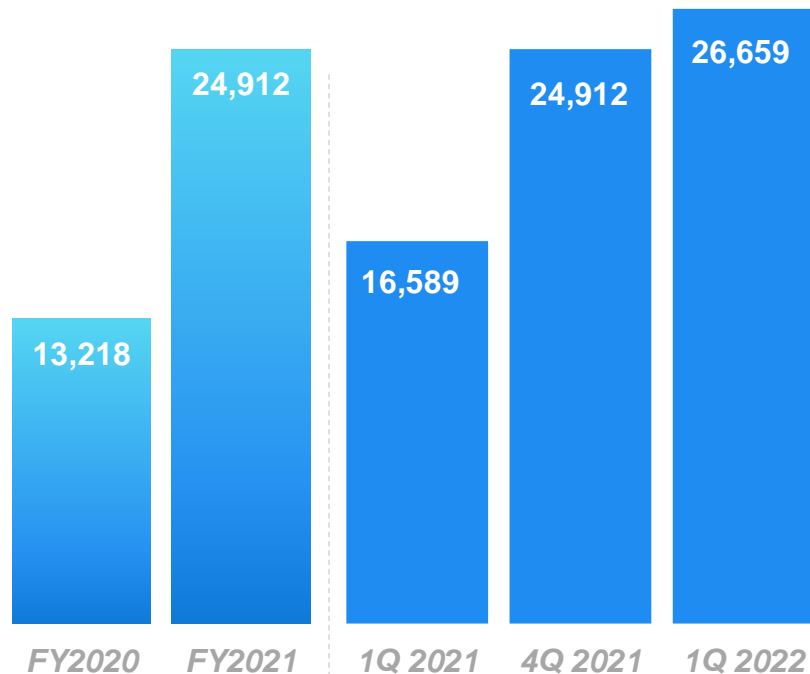


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents**

# Performance of Loan Balance and Loan Facilitation

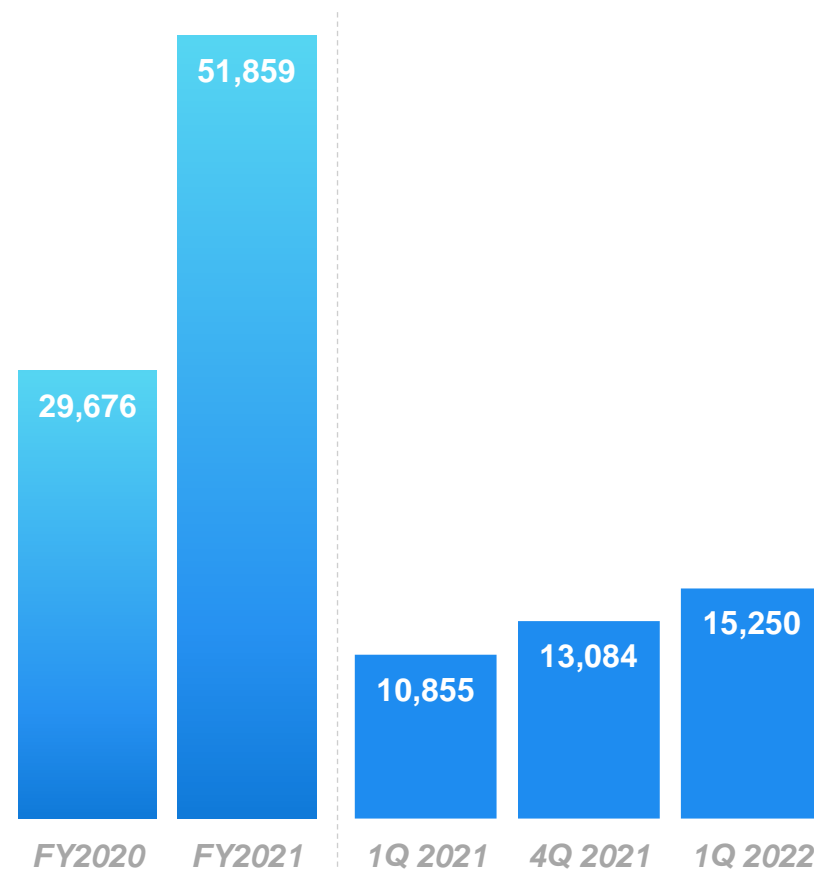
## \_ Total Outstanding Loan Balance <sup>(1)</sup>

(RMBmn)



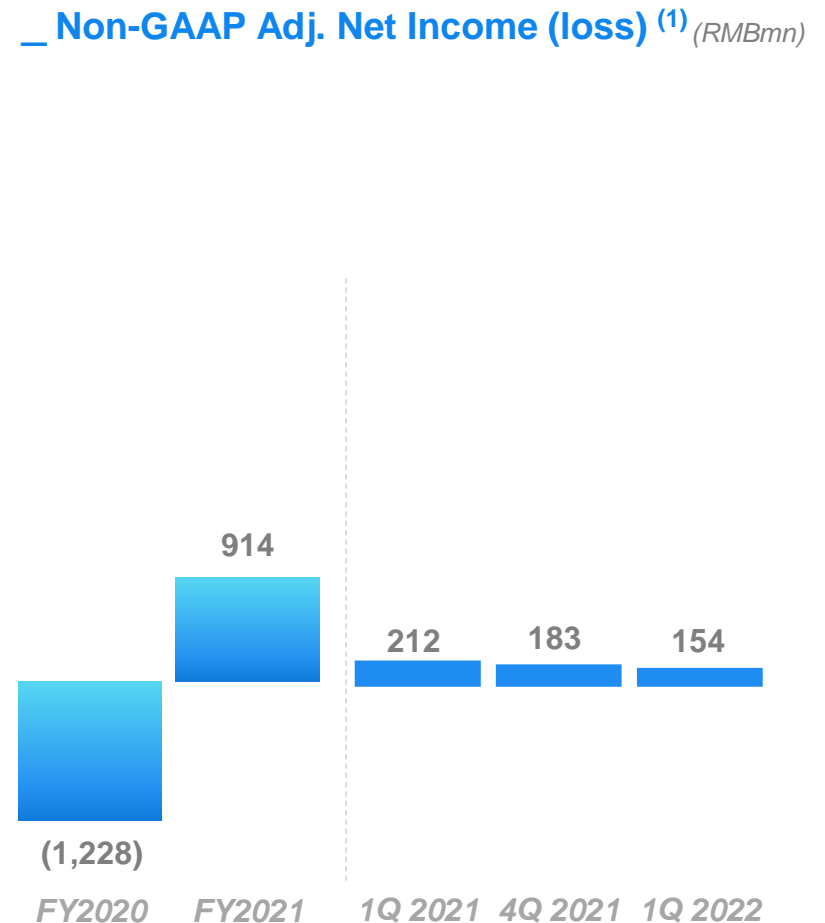
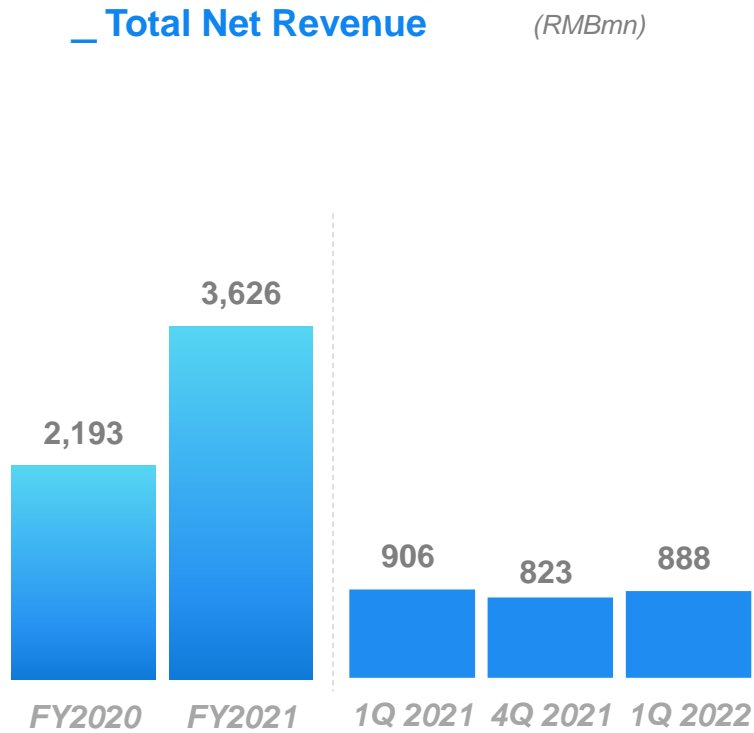
## \_ Total Loan Facilitation Amount

(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. Xiaoying Housing Loan is a secured loan product and the Company is entitled to payment by exercising its rights to the collateral.

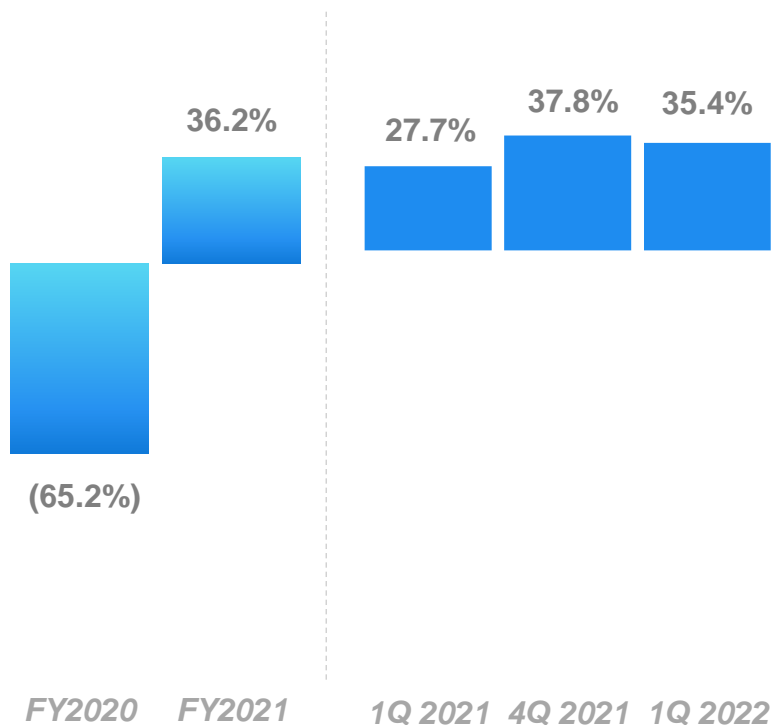
# Revenue and Non-GAAP Adj. Net Income Growth



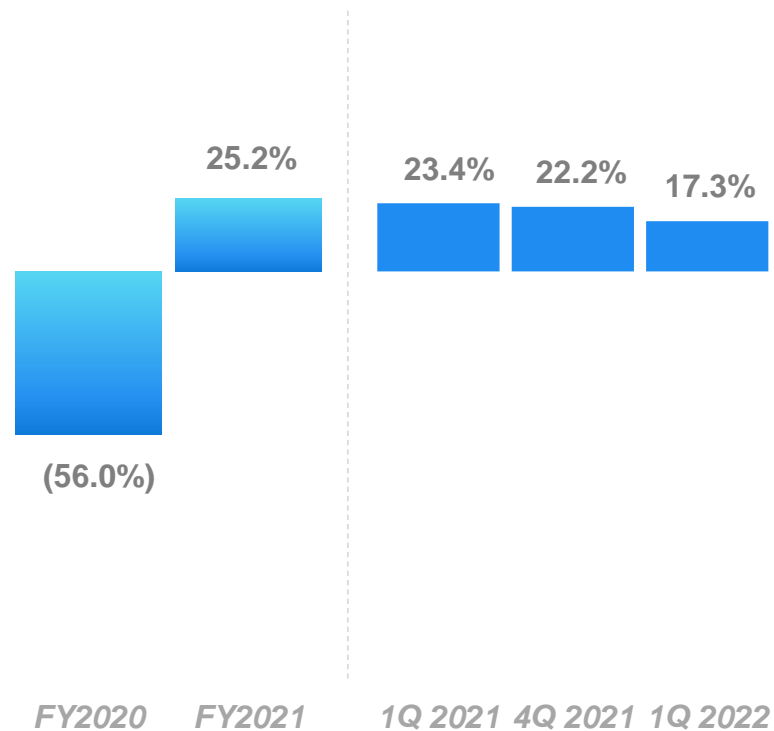
(1) Represents net (loss) / income before share-based compensation expenses and income (loss) from financial investments

# Operational Efficiency

## \_ Operating Margin



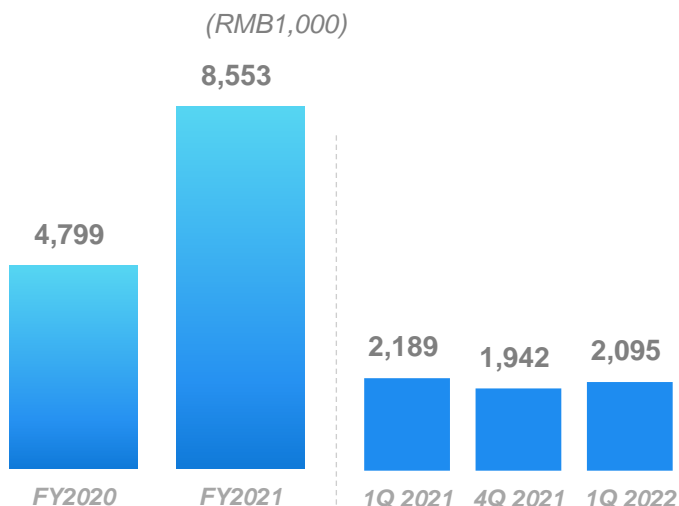
## \_ Non-GAAP Adj. Net Income Margin



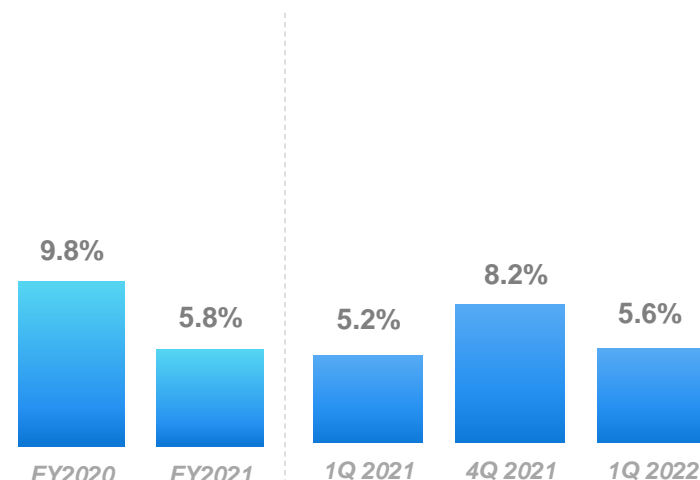


# Net Revenue Per Employee and Operating Expense

## \_ Net Revenue Per Employee



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



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

Enhance risk management capabilities

- **Continue to improve operational efficiency**

Diversified service offerings with a more balanced quality growth

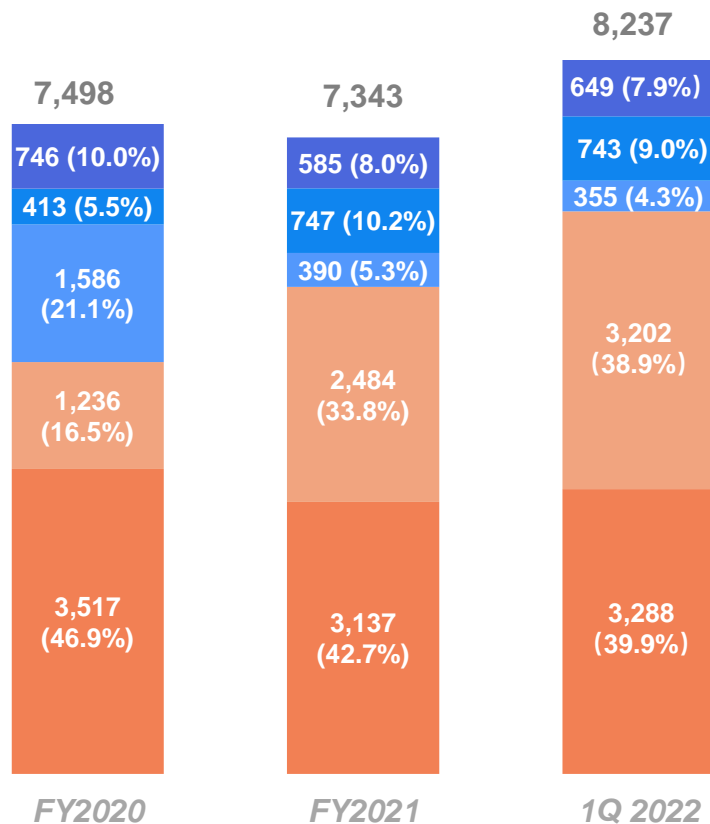
**Enhance profitability, boost operational efficiency and reduce costs**

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

# Outstanding Return on Equity Performance

## — Total Assets

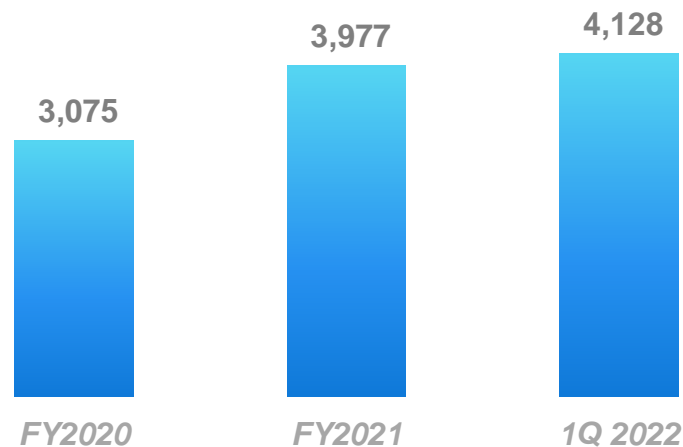
(RMBmn)



- 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 12/31/2021	As of 3/31/2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Cash and cash equivalents	584,762	649,199	102,409
Accounts receivable and contract assets, net	747,480	742,762	117,168
Loans receivable from Xiaoying Credit Loans and Revolving Loans, net	2,484,073	3,202,026	505,107
Loans at fair value	389,679	355,175	56,027
<b>Total assets</b>	<b>7,342,737</b>	<b>8,237,213</b>	<b>1,299,388</b>
Payable to investors at fair value	462,714	448,370	70,729
Payable to institutional funding partners	1,487,379	2,158,426	340,483
Short-term bank borrowings	166,500	119,500	18,851
Income tax payable	117,148	179,493	28,314
<b>Total liabilities</b>	<b>3,365,841</b>	<b>4,109,274</b>	<b>648,222</b>
<b>Total X Financial shareholders' equity</b>	<b>3,976,896</b>	<b>4,127,939</b>	<b>651,166</b>
Non-controlling interests	-	-	-
<b>Total equity</b>	<b>3,976,896</b>	<b>4,127,939</b>	<b>651,166</b>

Source: Company financial statements

# Consolidated Income Statement

	1 Q 2021	1 Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>			
Loan facilitation service	692,223	508,703	80,246
Post-origination service	59,665	87,344	13,778
Financing income	131,452	231,275	36,483
Other revenue	23,009	61,032	9,628
<b>Total net revenue</b>	<b>906,349</b>	<b>888,354</b>	<b>140,135</b>
<b>Operating costs and expenses</b>			
Origination and servicing	572,503	464,499	73,273
General and administrative	42,534	45,344	7,153
Sales and marketing	4,525	4,658	735
Provision for accounts receivable and contract assets	17,255	26,056	4,110
Provision for loans receivable	26,589	33,740	5,322
(Reversal of) provision for credit losses on deposits to institutional cooperators	(8,252)	732	115
Reversal of provision for credit losses for other financial assets	-	(765)	(121)
<b>Total operating costs and expenses</b>	<b>655,154</b>	<b>574,264</b>	<b>90,587</b>
<b>Income (loss) from operations</b>	<b>251,195</b>	<b>314,090</b>	<b>49,548</b>
Interest income (expense), net	2,330	1,027	162
Foreign exchange gain (loss)	(1,574)	955	151
Fair value adjustments related to Consolidated Trusts	51	1,759	277
Change in fair value of financial guarantee derivative	(33,726)	(20,133)	(3,176)
Other income (loss), net	6,159	20,118	3,174
<b>Income before income taxes and gain from equity in affiliates</b>	<b>224,435</b>	<b>317,816</b>	<b>50,136</b>
Income tax expense	(37,220)	(181,035)	(28,558)
Gain from equity in affiliates, net of tax	1,985	3,150	497
<b>Net income</b>	<b>189,200</b>	<b>139,931</b>	<b>22,075</b>
<b>Net income attributable to X Financial shareholders</b>	<b>189,200</b>	<b>139,931</b>	<b>22,075</b>

# Consolidated Income Statement (Cont')

	2020	2021	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>			
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
<b>Total net revenue</b>	<b>2,192,958</b>	<b>3,626,465</b>	<b>569,072</b>
<b>Operating costs and expenses</b>			
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)
<b>Total operating costs and expenses</b>	<b>3,623,273</b>	<b>2,315,422</b>	<b>363,340</b>
<b>Income (loss) from operations</b>	<b>(1,430,315)</b>	<b>1,311,043</b>	<b>205,732</b>
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
<b>Income (loss) before income taxes and gain (loss) from equity in affiliates</b>	<b>(1,601,533)</b>	<b>1,190,799</b>	<b>186,864</b>
Income tax benefit (expense)	299,878	(368,734)	(57,862)
Gain (loss) from equity in affiliates, net of tax	(6,806)	3,342	524
<b>Net income (loss)</b>	<b>(1,308,461)</b>	<b>825,407</b>	<b>129,526</b>
Less: net income attributable to non-controlling interests	41	-	-
<b>Net income (loss) attributable to X Financial shareholders</b>	<b>(1,308,502)</b>	<b>825,407</b>	<b>129,526</b>

# Reconciliations of GAAP and Non-GAAP Results

	1Q 2021	1Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	189,200	139,931	22,075
Add: Share-based compensation expenses (net of tax of nil)	22,848	13,975	2,205
Non-GAAP adjusted net income	212,048	153,906	24,280

	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