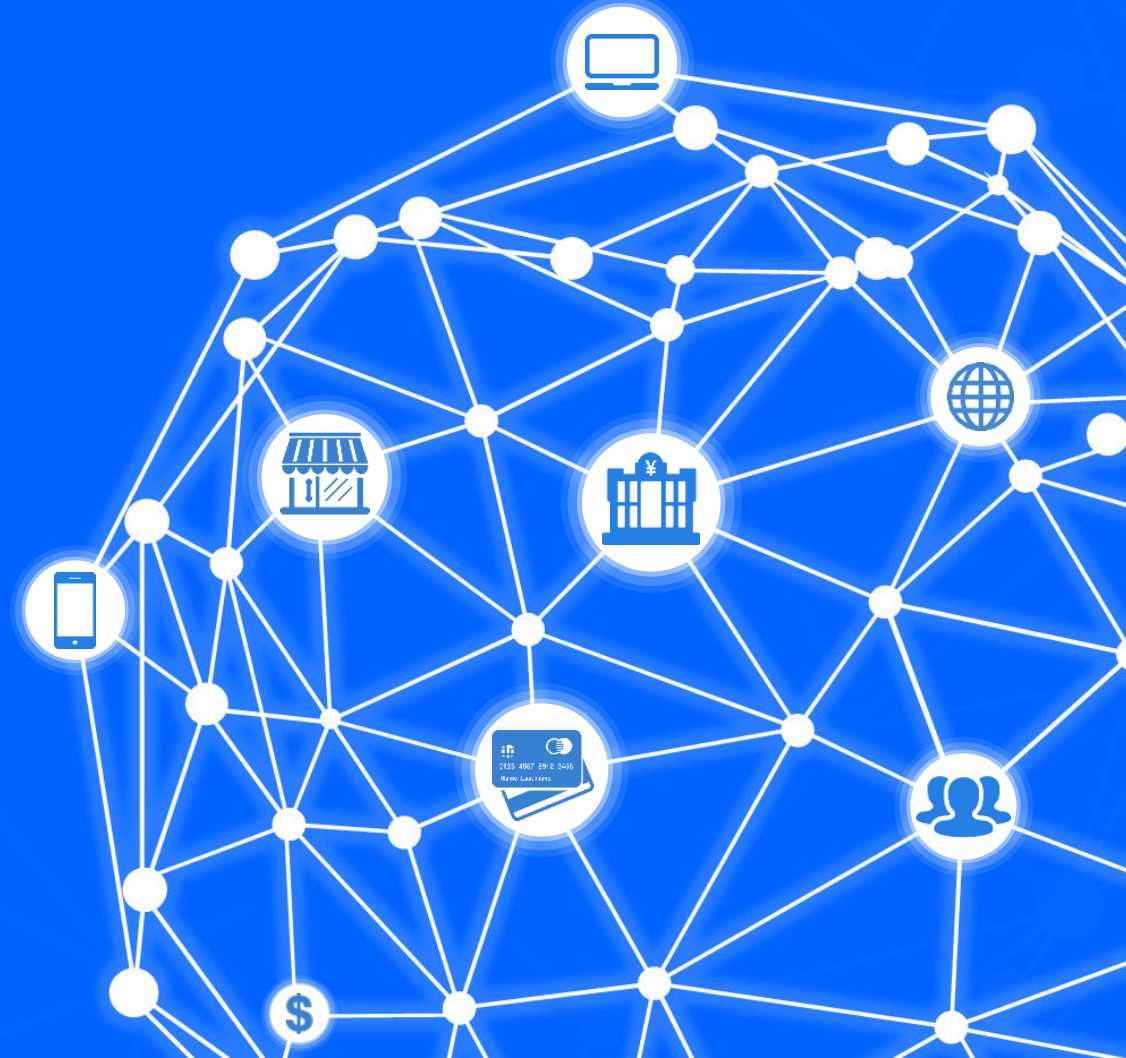


# X Financial (NYSE: XYF)

## 2020 Q3 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 quarter of 2020:*

**8,027 mn (RMB)**

Total loan facilitation amount

*As of September 30, 2020:*

**12,280 mn (RMB)**

Loan balance

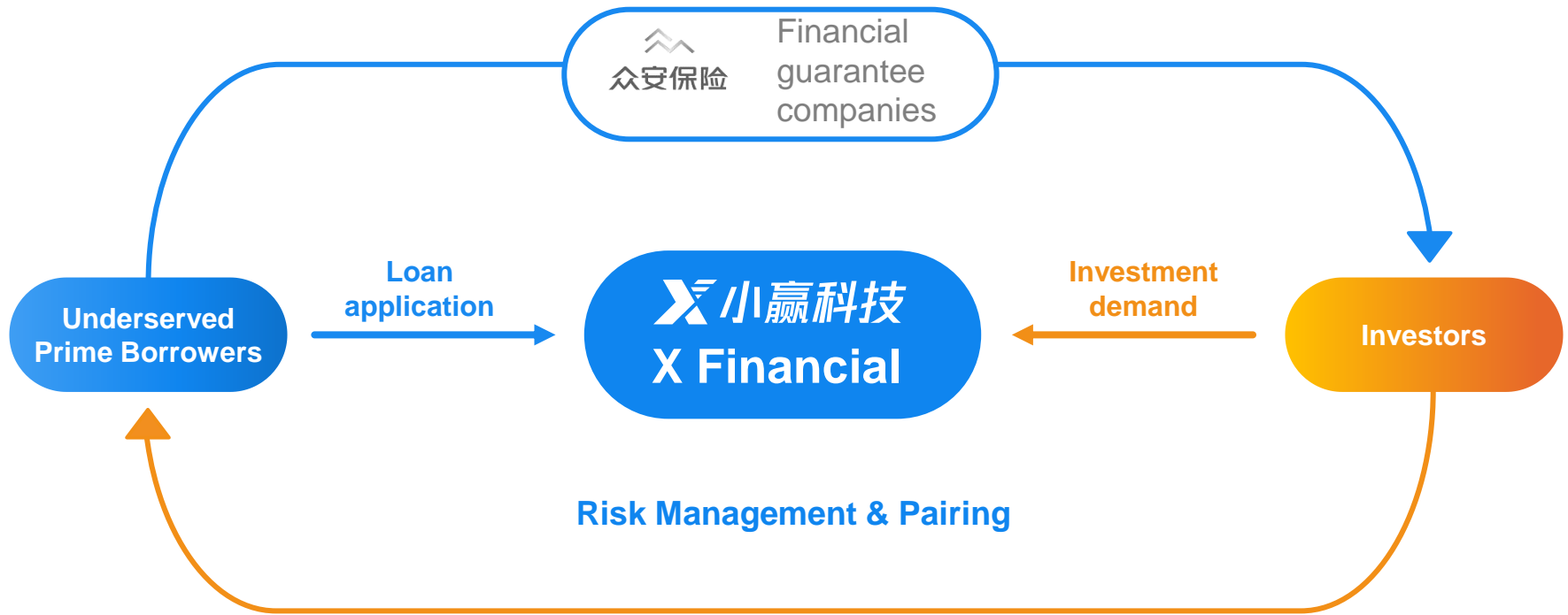
**6,326,338**

Cumulative borrowers

**51.1 mn**

Registered users

# Business model



## \_ Underserved Prime Borrowers



Credit card holders



Micro business owners

## \_ Investors mainly include:













Financial institutions (FIs)

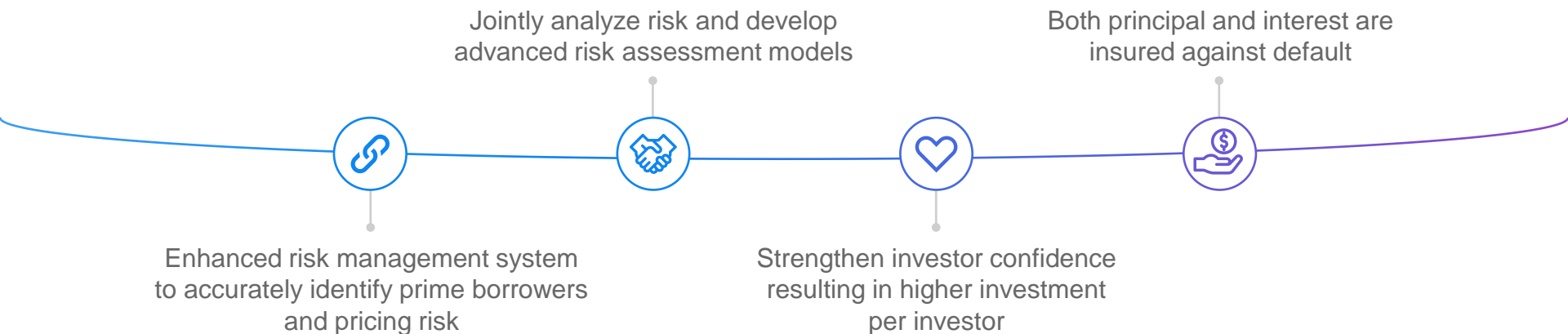
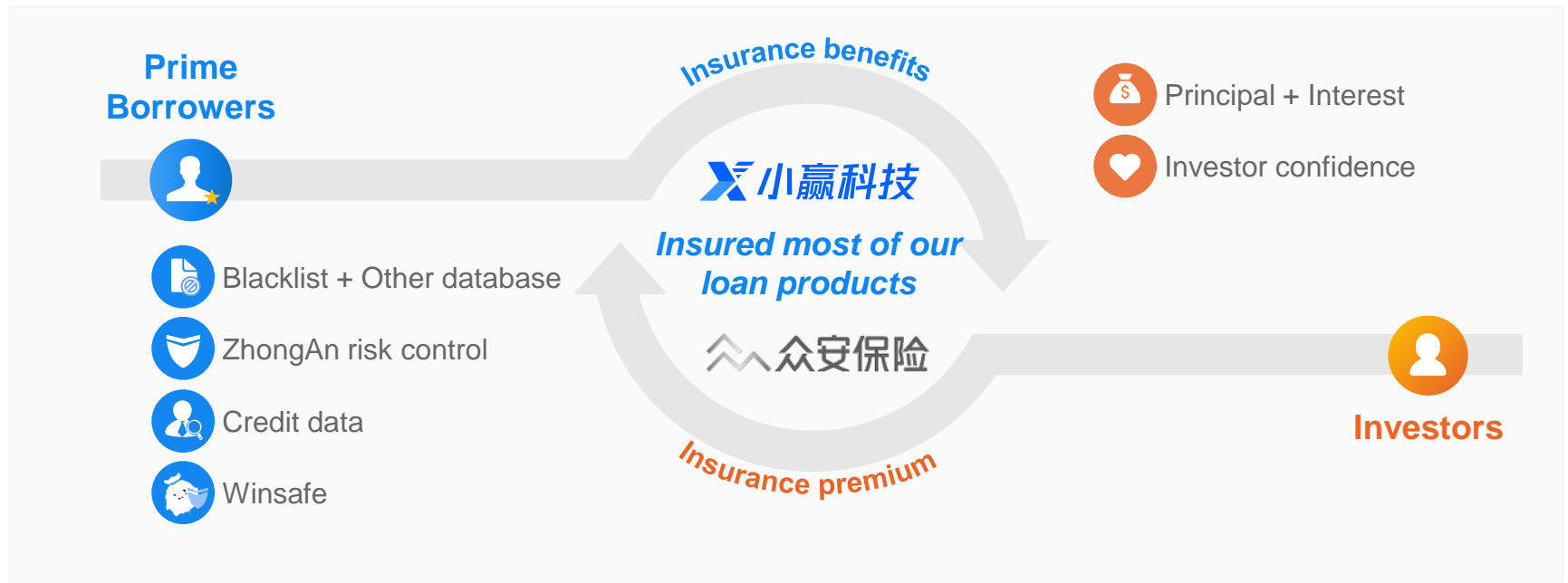


Corporates

# 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>Yaoqianhua</b>	 Young Generation Avg. 20 - 30s	 Credit limit: Avg. RMB6000+	 Recurring, daily consumption	

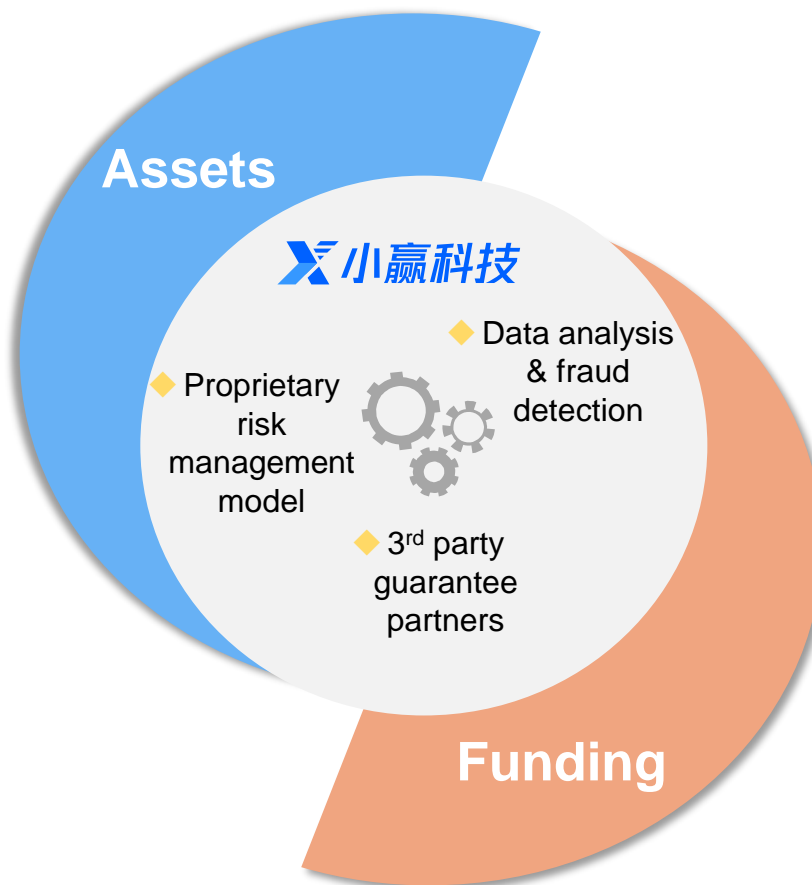
# Strategic partnership with ZhongAn Insurance



# Technology-driven approach to servicing investors and funding partners

## Borrowers

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



## Investors & Funding Partners

- Risk appetite
- Credit limit
- Interest rates
- Tenure

In addition to cooperating with ZhongAn, we have expanded our partnership with third-party financial guarantee companies to further optimize the financing costs for borrowers.

# 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

Low funding costs create solid competitive advantage



4

Diversified funding sources and increasing funding from institutions



5

Strong growth momentum of revolving credit product - Yaoqianhua



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.



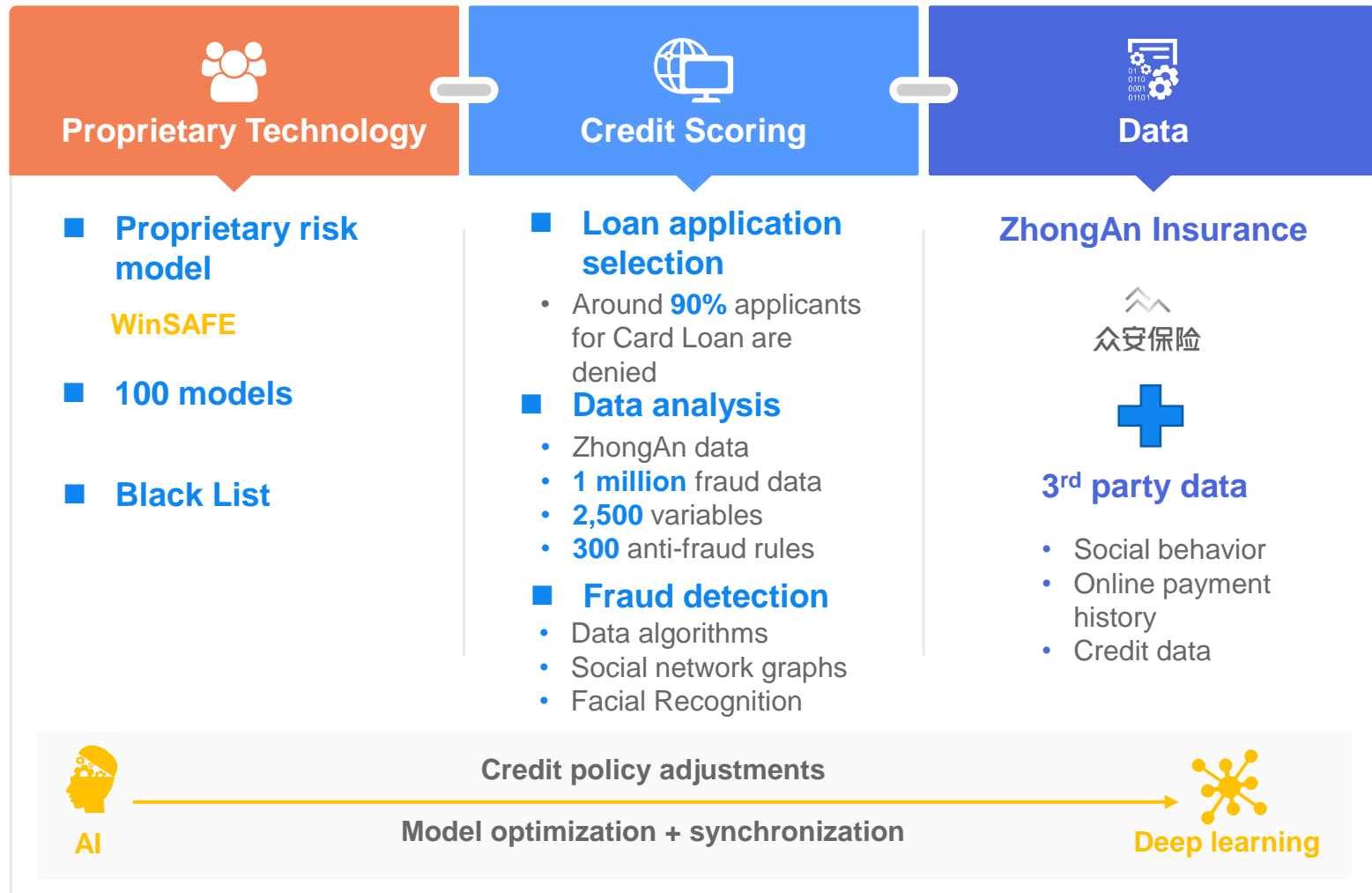
Yaoqianhua



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

## 2. Technology & data-driven credit assessment

Continuous optimization of credit assessment systems that strengthen risk controls

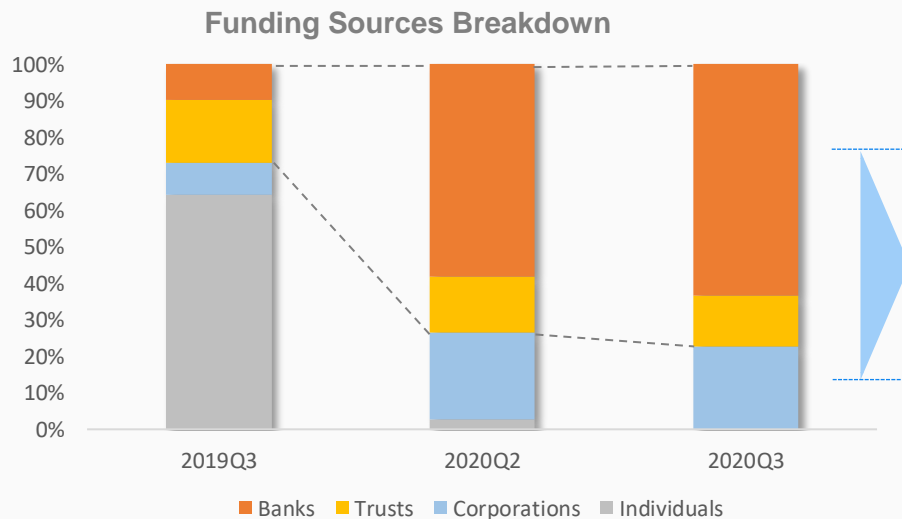


### 3. Low funding costs creates solid competitive advantage

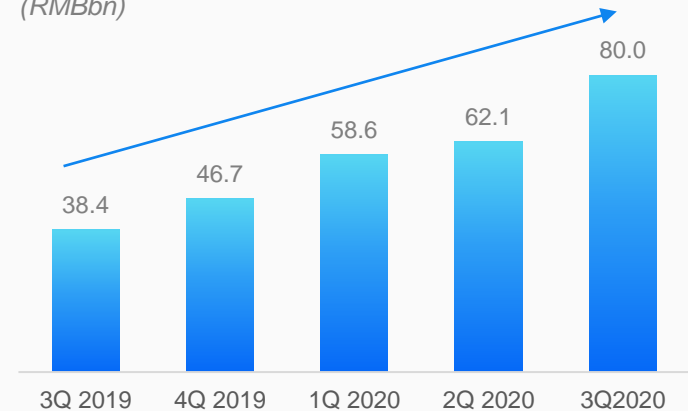
#### Low Funding Cost



#### Diversified Funding Sources Create Solid Competitive Advantage

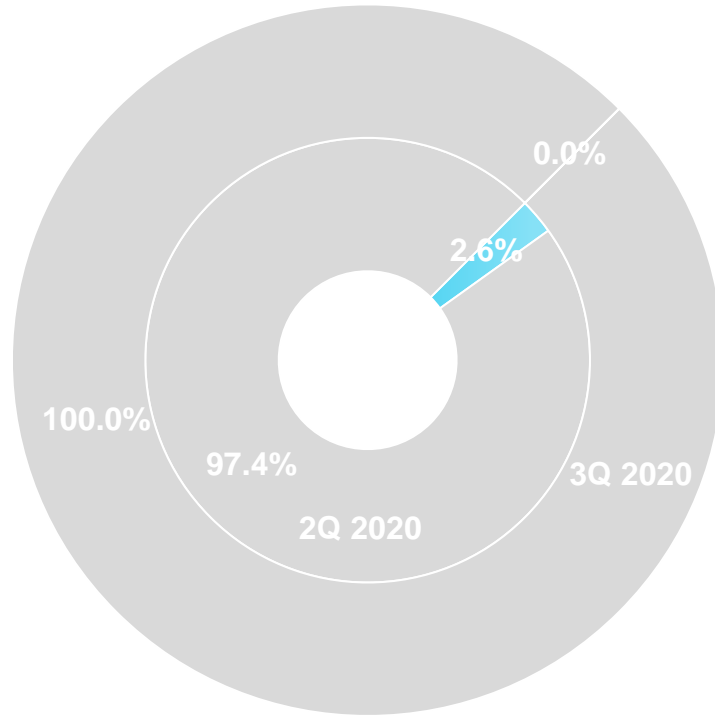


**Credit Lines Provided by Financial Institutions**  
(RMBbn)



(1) For three months ended September 30, 2020

## 4. Diversified Funding Sources and Increasing Funding from Institutions



- Funding from individual investors
- Funding from non-individual investors

- High-quality loans and strong reputation helping us attract more institutional investors
- Larger percentage of funding comes from non-individual investors, including banks and trusts.
- Our cooperating financial institutions include CITIC Trust, aiBank and etc.



中信信托



光大信托



中国外贸信托



## 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.



**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



**Kan (Kent) Li**

*Chief Risk Officer*

Formerly in charge of unsecured loan risk

Former manager at Capital One

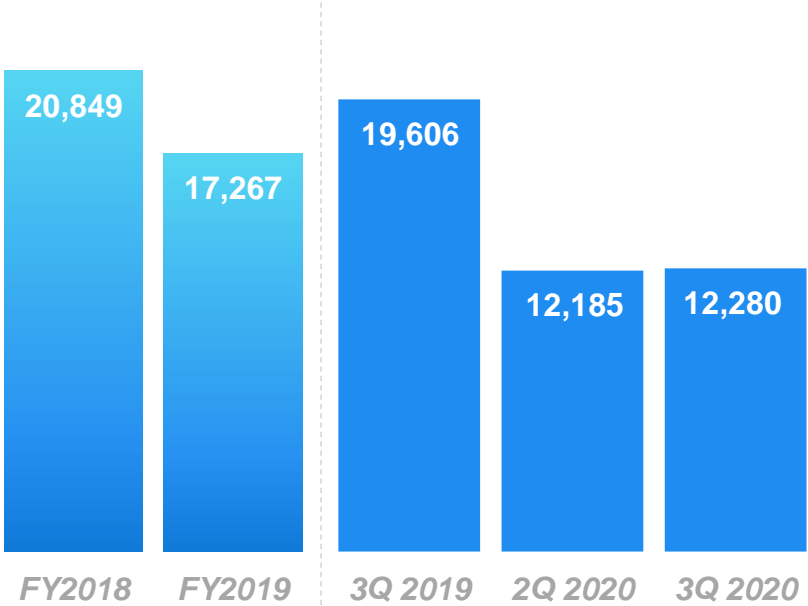


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talent**

# Performance of loan balance and loan facilitation

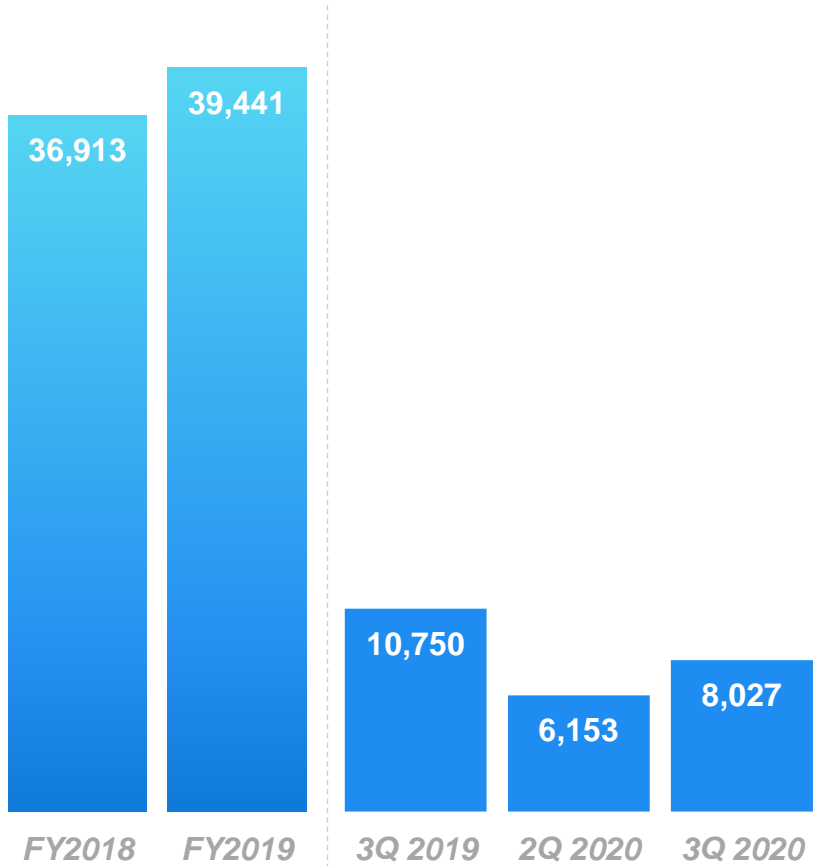
**\_ Total Outstanding Loan Balance**

(RMBmn)



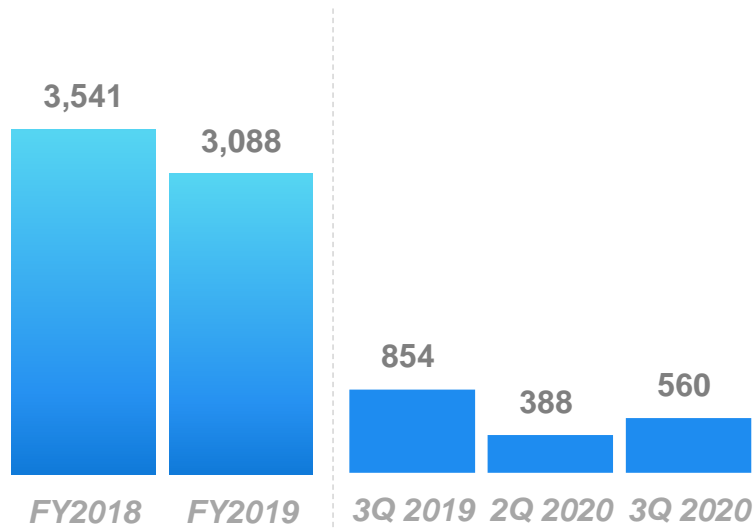
**\_ Total Loan Facilitation Amount**

(RMBmn)

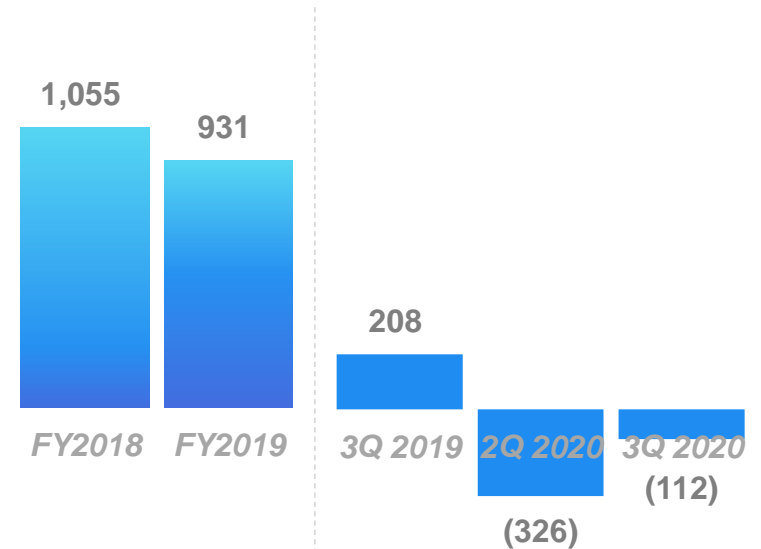


# Revenue and non-GAAP adj. net income growth

\_ Total Net Revenue (RMBmn)



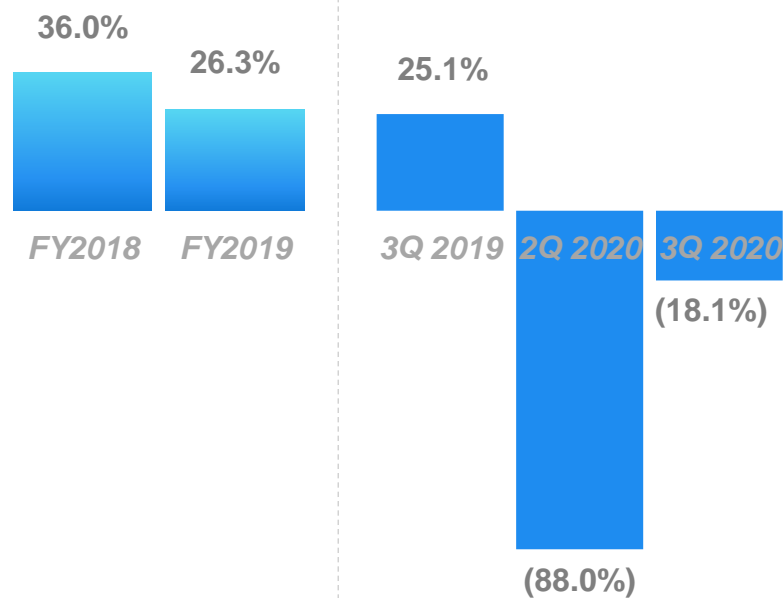
\_ Non-GAAP Adj. Net Income (loss)<sup>(1)</sup> (RMBmn)



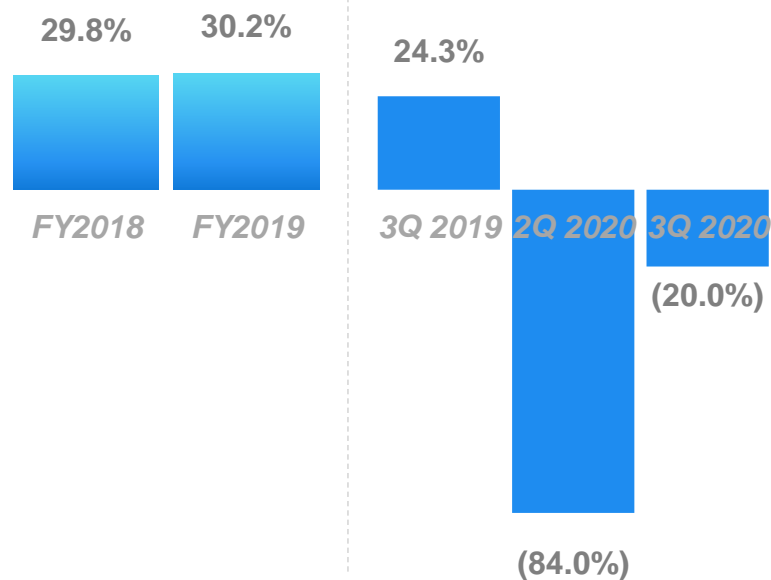
(1) Represents net (loss) / income before share-based compensation expenses

# Operational efficiency

## \_ Operating Margin



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

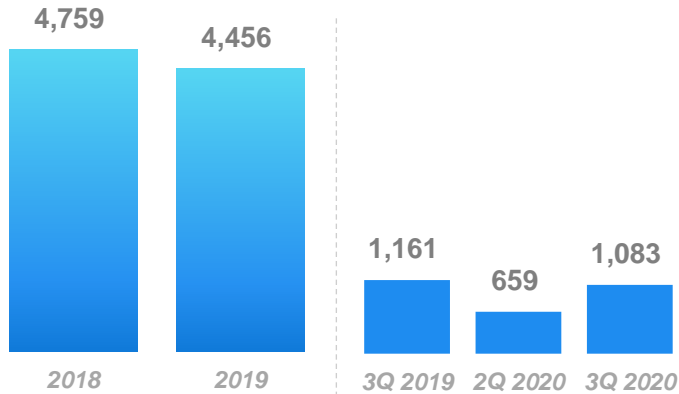




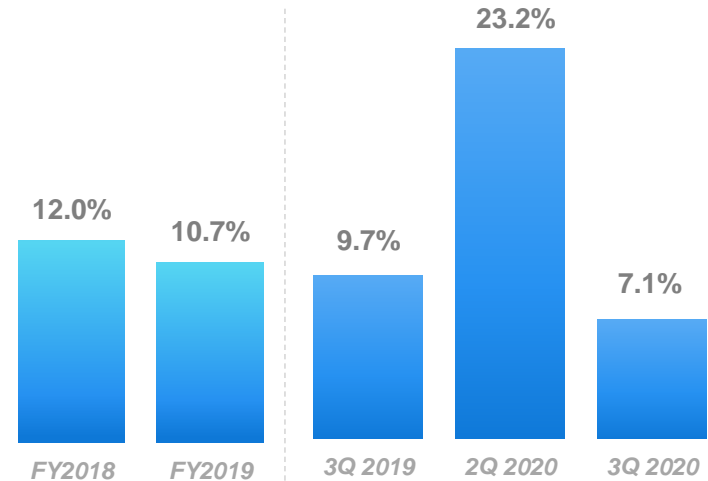
# Net revenue per employee and operating expense

## \_ Net Revenue Per Employee

(RMB1,000)



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



- **High revenue per employee**

Highly automated risk management system

- **Continue to improve operational efficiency**

Superior products offering with innovative marketing efforts

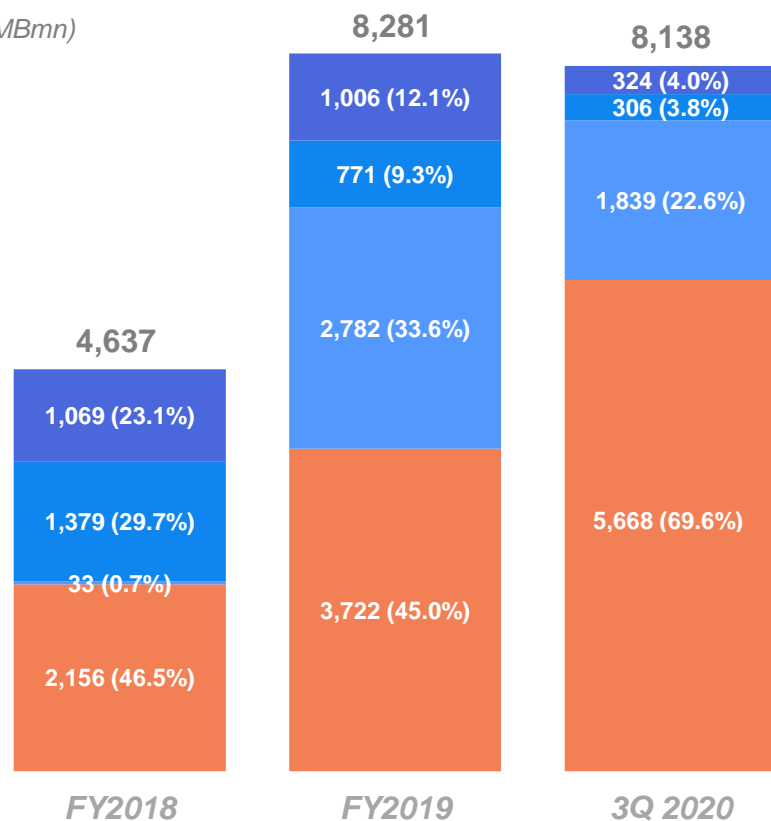
**Business model light in capital and labor**

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

# Outstanding return on equity performance

## \_ Total Assets

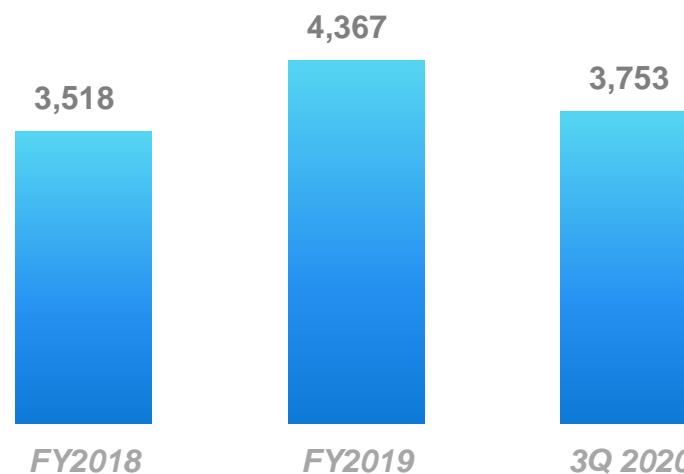
(RMBmn)



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

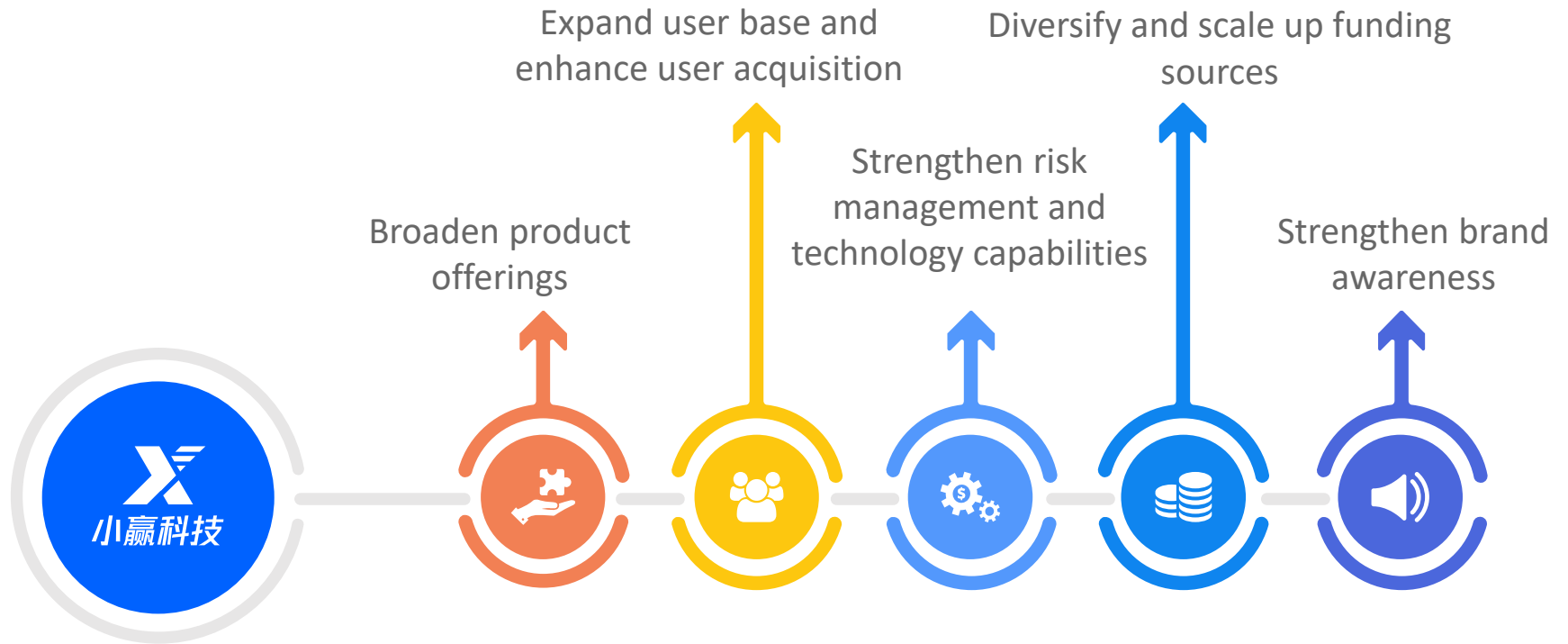
## \_ Total Equity<sup>(1)</sup>

(RMBmn)



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

# Our growth strategies



# Summary consolidated balance sheet

	As of 12/31/2019 <i>(in RMB1,000)</i>	As of 9/30/2020 <i>(in RMB1,000)</i>	<i>(in USD1,000)</i>
Cash and Cash Equivalents	1,005,980	324,251	47,757
Accounts Receivable & Contract Assets, Net of Allowance for Doubtful Accounts	771,154	306,369	45,123
Loans at Fair Value	2,782,333	1,839,056	270,864
<b>Total Assets</b>	<b>8,280,632</b>	<b>8,137,918</b>	<b>1,198,587</b>
Payable to Investors	3,006,349	3,259,161	480,023
Short-term borrowings	-	322,495	47,498
Income tax payable	340,996	294,006	43,302
Deposit Payable to Channel Cooperators	108,923	24,733	3,643
<b>Total Liabilities</b>	<b>3,913,527</b>	<b>4,384,587</b>	<b>645,780</b>
<b>Total X Financial Shareholders' Equity</b>	<b>4,365,859</b>	<b>3,752,043</b>	<b>552,617</b>
Non-Controlling Interests	1,246	1,288	190
<b>Total Equity</b>	<b>4,367,105</b>	<b>3,753,331</b>	<b>552,807</b>

Source: Company financial statements

# Consolidated income statement

	3Q 2019 <i>(in RMB1,000)</i>	3Q 2020 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>
<b>Net Revenues</b>		
Loan Facilitation Service—Direct Model	562,066	350,381 51,606
Loan Facilitation Service—Intermediary Model	50,186	2,959 436
Post-Origination Service	78,768	49,514 7,293
Financing Income	136,353	138,826 20,447
Other Revenue	26,901	18,120 2,669
<b>Total Net Revenue</b>	<b>854,274</b>	<b>559,800</b> <b>82,451</b>
<b>Operating Costs and Expenses</b>		
Origination and servicing	468,226	561,241 82,662
General and Administrative	56,914	35,791 5,271
Sales and Marketing	25,854	3,874 571
Provision for contingent guarantee liabilities	-	(19,438) (2,863)
Provision for accounts receivable and contract assets	84,659	24,346 3,586
Provision for loans receivable	3,923	58,135 8,562
Credit losses for other financial assets	-	(2,718) (400)
<b>Total operating costs and expenses</b>	<b>639,576</b>	<b>661,231</b> <b>97,389</b>
<b>Income (loss) from operation</b>	<b>214,698</b>	<b>(101,431)</b> <b>(14,938)</b>
Interest income	7,286	5,752 847
Foreign exchange gain (loss)	692	8,984 1,323
Change in fair value of financial guarantee derivative	(84,690)	(26,579) (3,915)
Fair value adjustments related to Consolidated Trusts	49,079	3,245 478
Other income (loss), net	1,042	1,798 265
<b>Income (loss) before income taxes and gain from equity in affiliates</b>	<b>188,107</b>	<b>(108,231)</b> <b>(15,940)</b>
Income tax benefit (expense)	(26,514)	(1,576) (232)
Gain from equity in affiliates	7,983	(3,224) (475)
<b>Net income (loss)</b>	<b>169,576</b>	<b>(113,031)</b> <b>(16,647)</b>
Less: net income (loss) attributable to non-controlling interests	-	(7) (1)
<b>Net income (loss) attributable to X Financial Shareholders</b>	<b>169,576</b>	<b>(113,024)</b> <b>(16,646)</b>

# Consolidated income statement (cont')

	2018	2019	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net Revenues</b>			
Loan Facilitation Service—Direct Model	2,957,572	1,986,003	285,272
Loan Facilitation Service—Intermediary Model	228,272	238,867	34,311
Post-Origination Service	131,243	330,695	47,501
Financing Income	76,104	408,401	58,663
Other Revenue	147,409	124,084	17,824
<b>Total Net Revenue</b>	<b>3,540,600</b>	<b>3,088,050</b>	<b>443,571</b>
<b>Operating Costs and Expenses</b>			
Origination and servicing	1,185,937	1,634,822	234,827
General and Administrative	220,024	227,482	32,676
Sales and Marketing	205,726	103,158	14,818
Provision for contingent guarantee liabilities	216,364	7,748	1,113
Provision for accounts receivable and contract assets	396,996	241,187	34,644
Provision for loan receivable from Xiaoying Housing Loans	40,348	23,431	3,366
Provision for loans receivable from Xiaoying Credit Loans and Xiaoying Revolving Loans	-	37,643	5,407
<b>Total operating costs and expenses</b>	<b>2,265,395</b>	<b>2,275,471</b>	<b>326,851</b>
<b>Income from operation</b>	<b>1,275,205</b>	<b>812,579</b>	<b>116,720</b>
Interest income, net	4,225	19,386	2,785
Foreign exchange gain (loss)	10	616	88
Investment loss	-	(12,538)	(1,801)
Change in fair value of financial guarantee derivative	(200,971)	(246,372)	(35,389)
Fair value adjustments related to Consolidated Trusts	12,359	64,163	9,216
Other income (loss), net	(5,905)	26,081	3,746
<b>Income before income taxes and gain from equity in affiliates</b>	<b>1,084,923</b>	<b>663,915</b>	<b>95,365</b>
Income tax benefit (expense)	(209,921)	93,103	13,374
Gain from equity in affiliates	8,055	17,458	2,508
<b>Net income</b>	<b>883,057</b>	<b>774,476</b>	<b>111,247</b>
Less: net income (loss) attributable to non-controlling interests	(55)	200	29
<b>Net income attributable to X Financial Shareholders</b>	<b>883,112</b>	<b>774,276</b>	<b>111,218</b>

# Reconciliations of GAAP and Non-GAAP results

	3Q 2019	3Q 2020	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income (Loss) to Net Income (Loss)			
Net income (loss)	169,576	(113,031)	(16,647)
Add: Share-based compensation expenses (net of tax of nil)	38,421	1,292	190
Adjusted net income (loss) (Non-GAAP)	207,997	(111,739)	(16,457)

	2018 <i>(in RMB1,000)</i>	2019 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Reconciliation of Adjusted Net Income (Loss) to Net Income (Loss)			
Net income (loss)	883,057	774,476	111,247
Add: Share-based compensation expenses (net of tax of nil)	171,836	157,116	22,568
Adjusted net income (loss) (Non-GAAP)	1,054,893	931,592	133,815