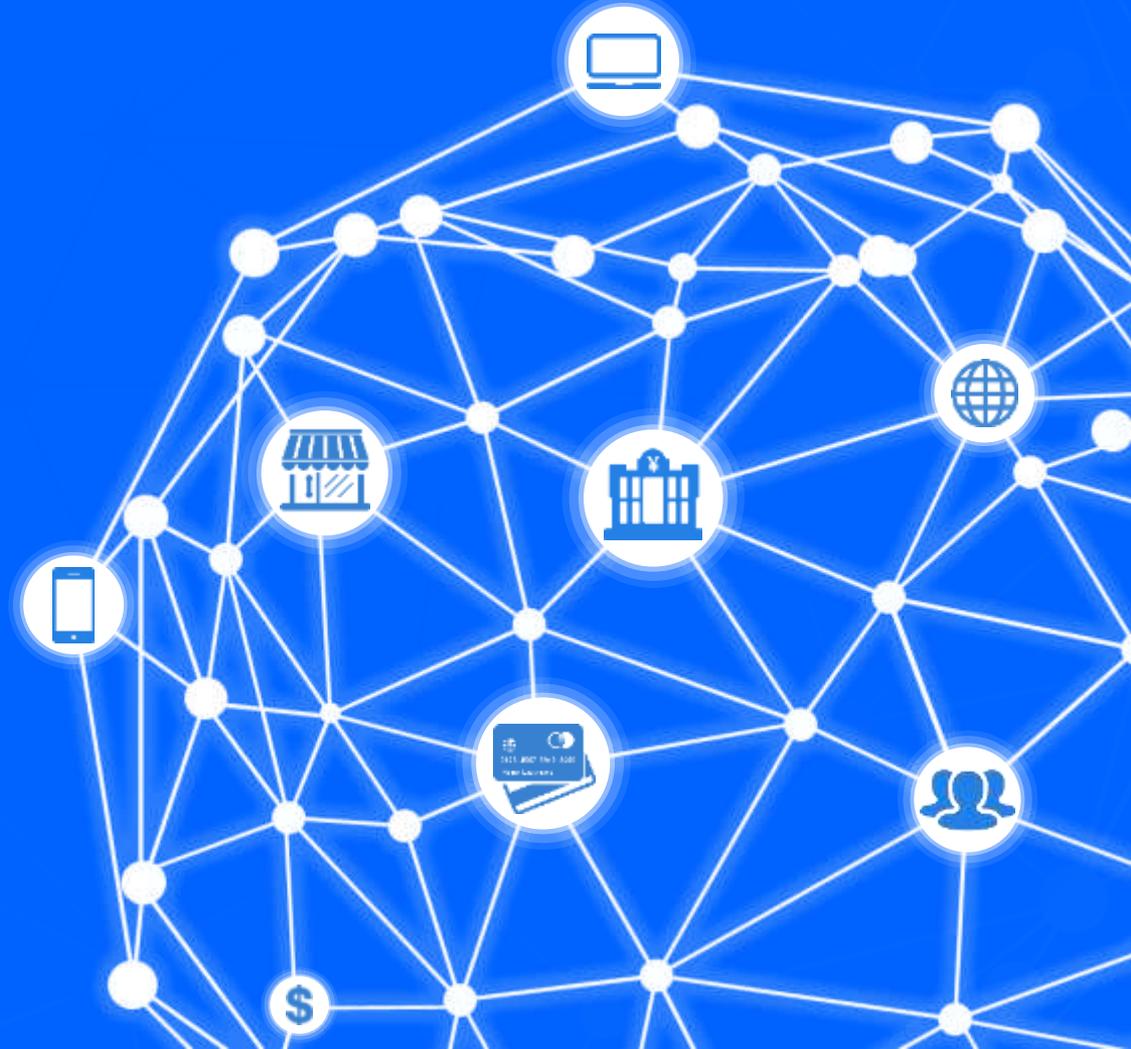


X Financial (NYSE: XYF)

2023 Q2 Earnings Results Presentation



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X Financial at a Glance

A leading technology-driven personal finance company in China



In the second quarter of 2023:

25,874 mn (RMB)

Total Loan Facilitation Amount

1.47 mn

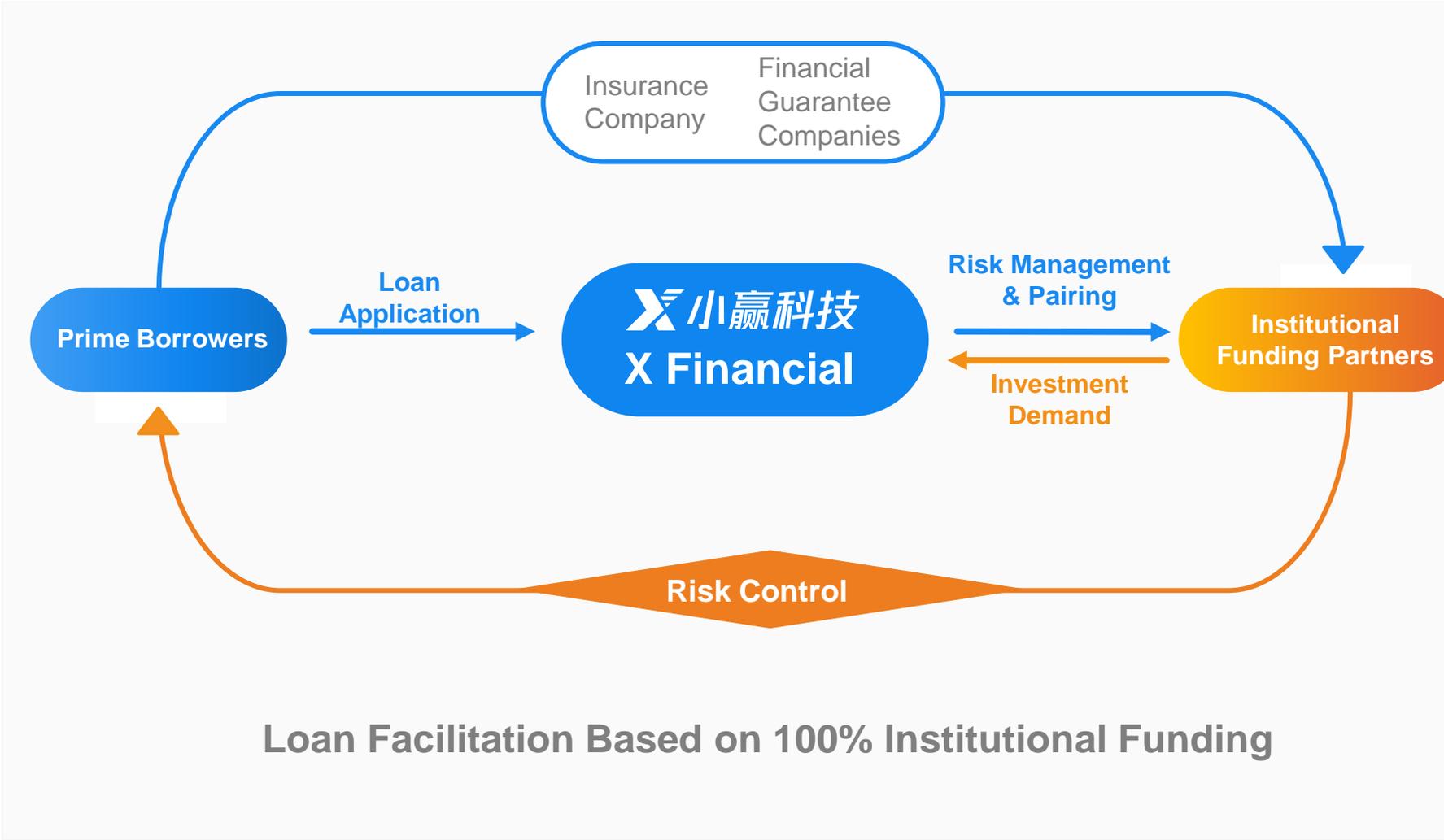
Active Borrowers

As of June 30, 2023:

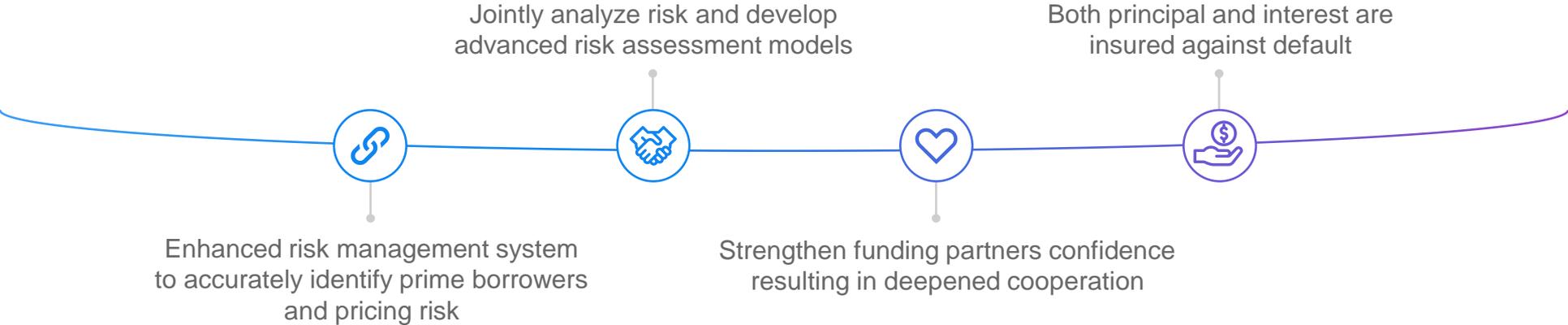
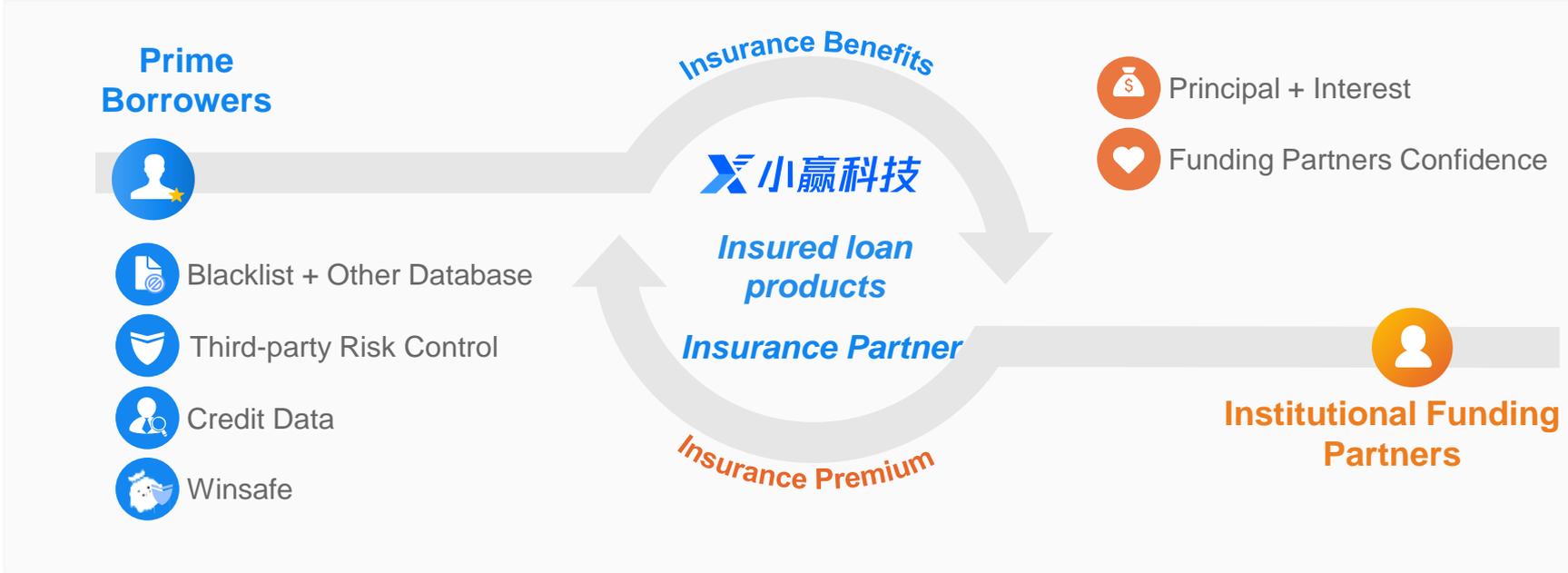
45,071 mn (RMB)

Loan Balance

Our Business

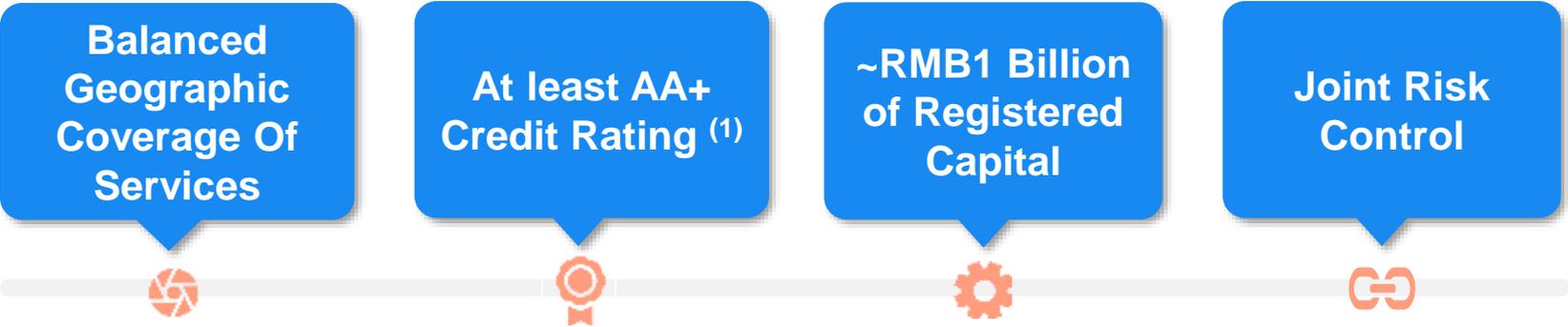


Credit Insurance Model



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.



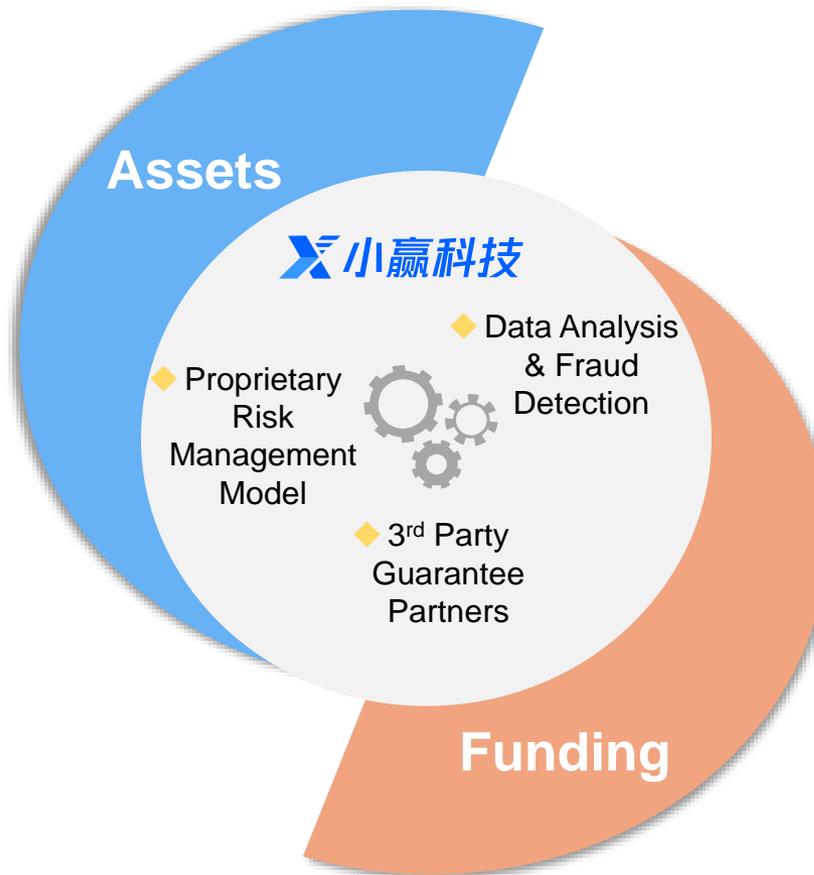
Strong Capabilities of the Financial Guarantee Companies

(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., Shenzhen Lianhe Credit Information Service Co., Ltd and Fujian China Chengxin Credit Rating Consulting Co., Ltd.

Technology-driven Approach to Servicing Borrowers and Funding Partners

Borrowers

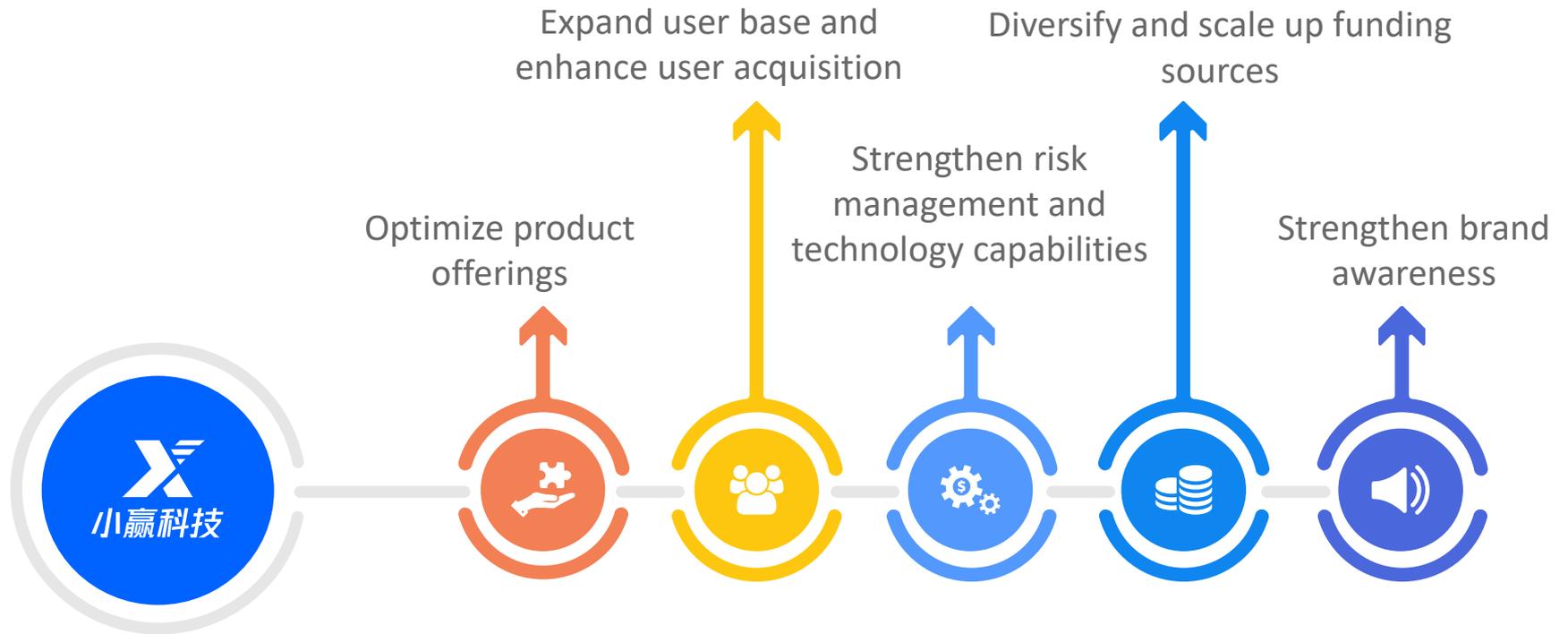
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



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 record** 

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 – 50,000

Flexible Tenor Meeting Borrowers' Liquidity Needs



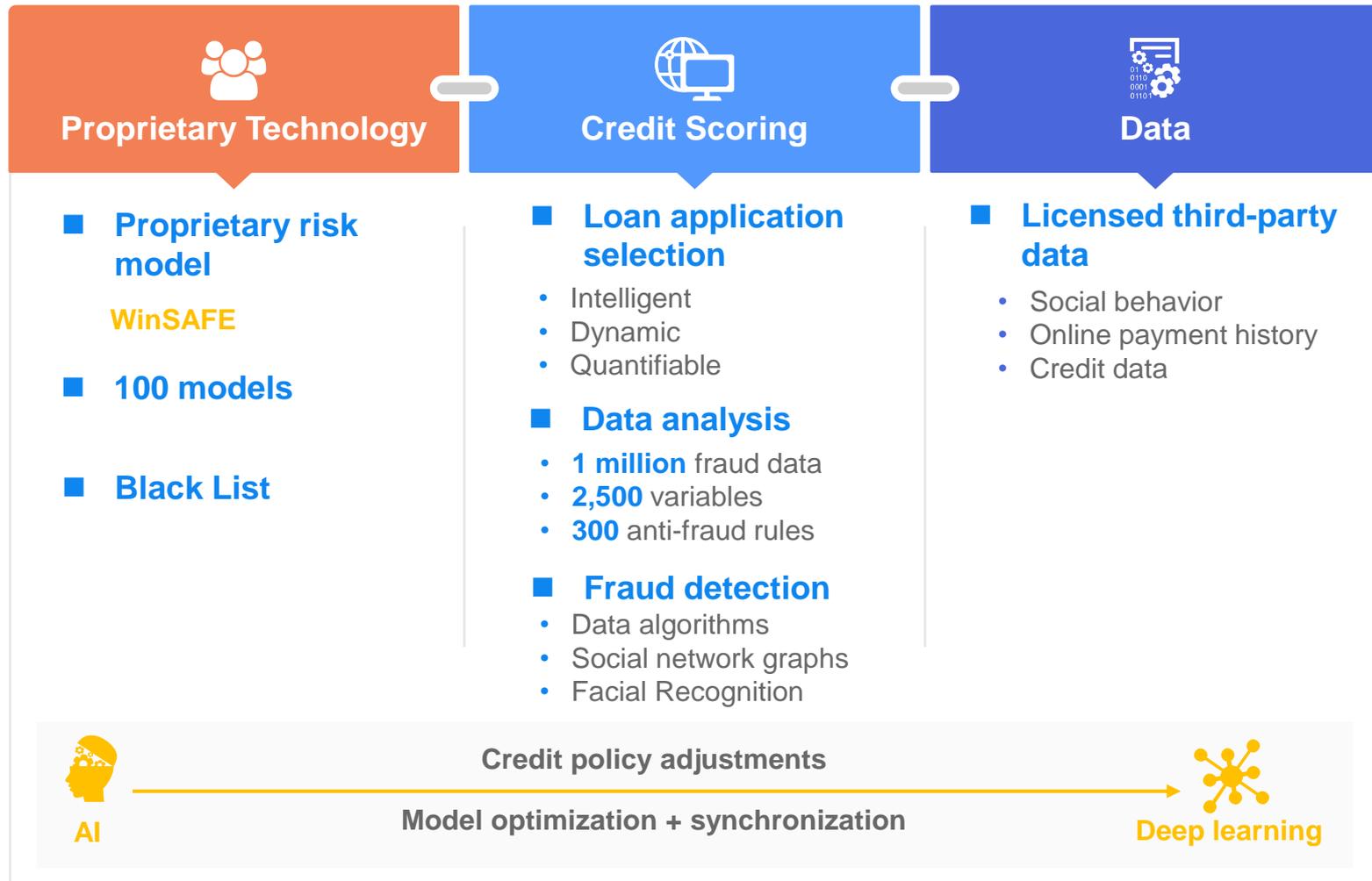
3, 6, 9, 12 months

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

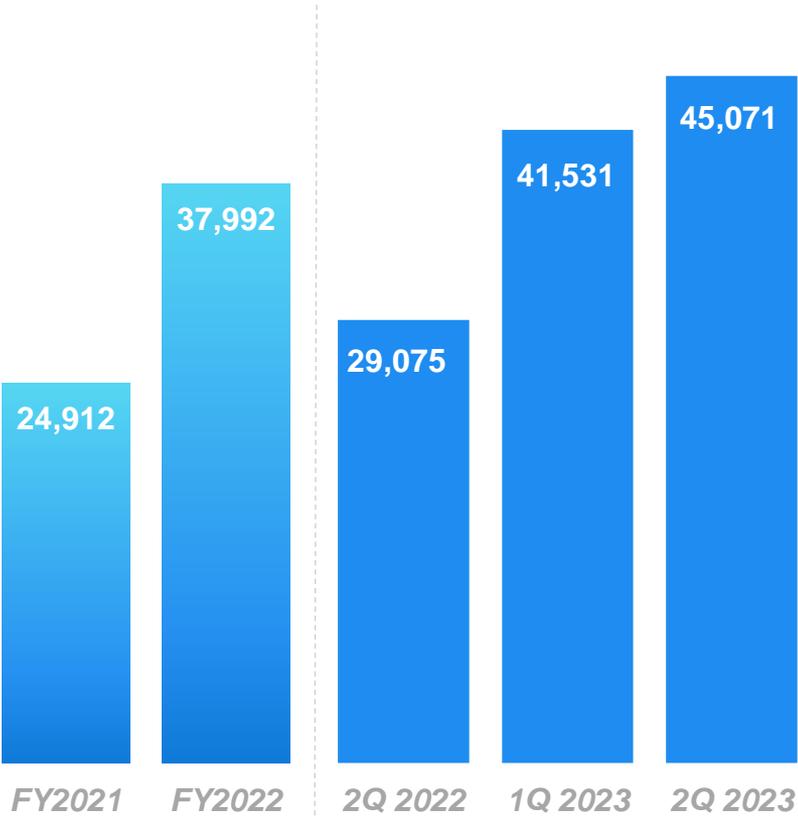


Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents

Performance of Loan Balance and Loan Facilitation

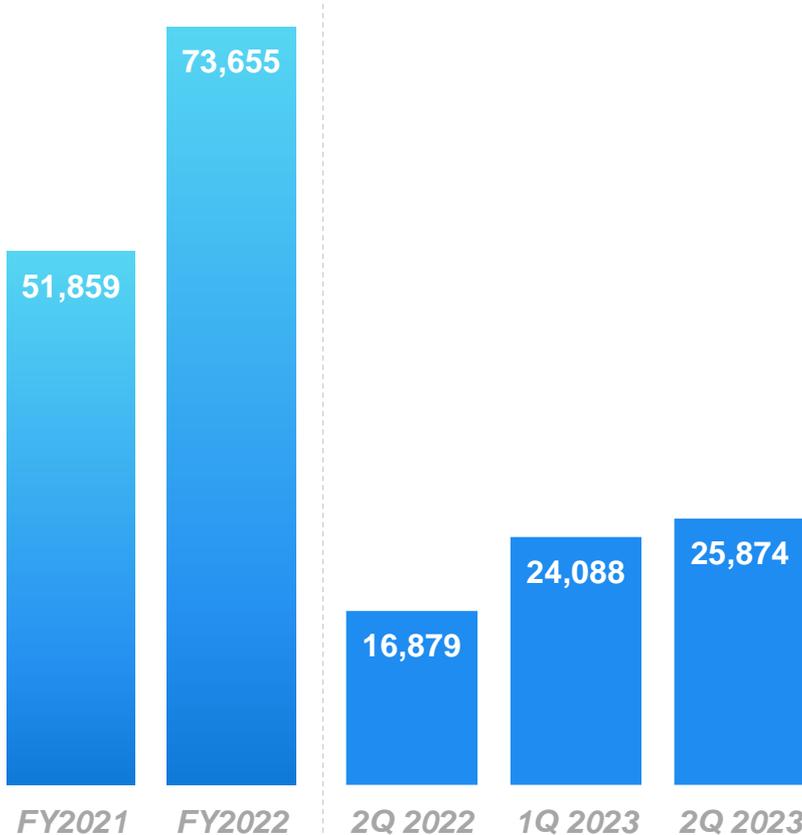
_ Total Outstanding Loan Balance (1)

(RMBmn)



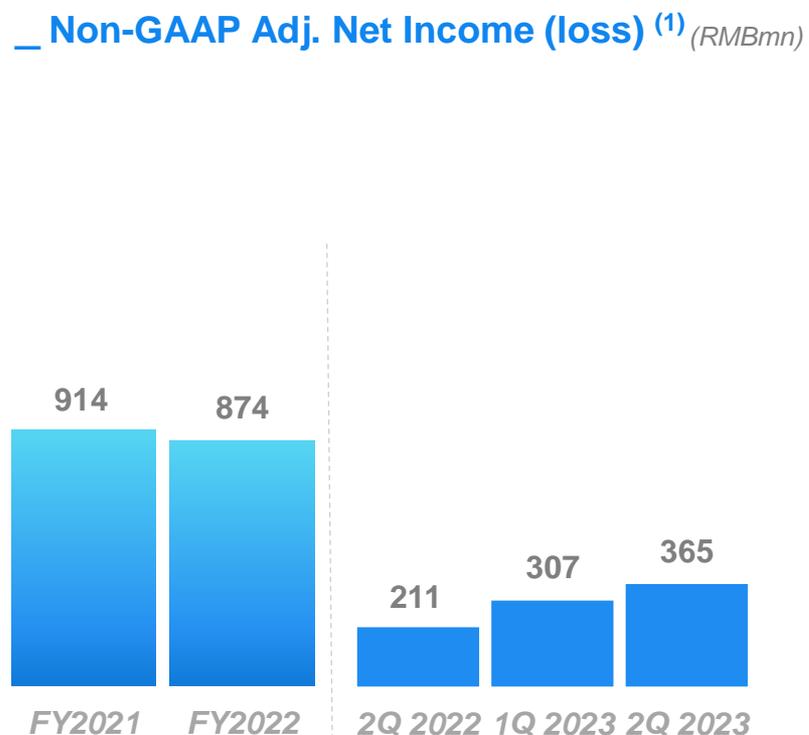
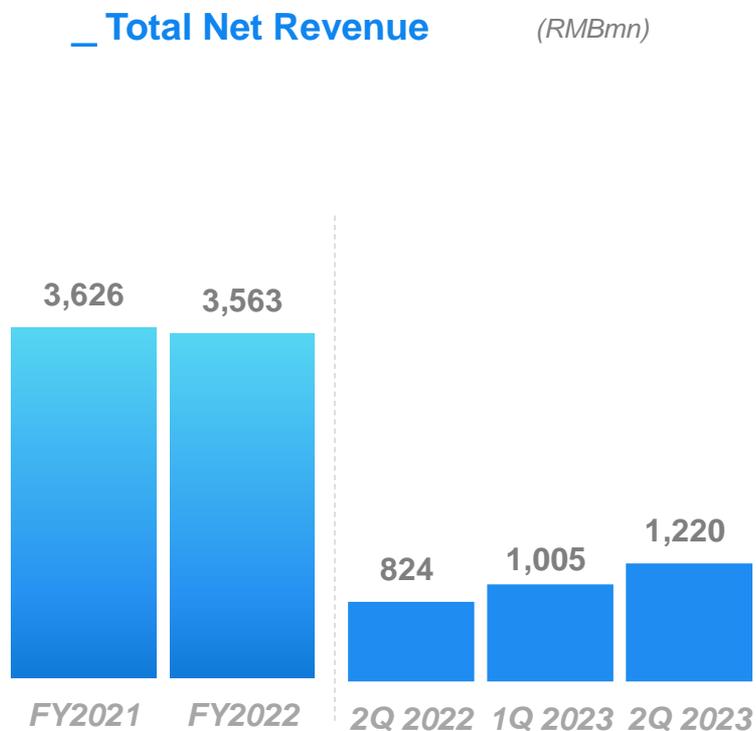
_ Total Loan Facilitation Amount

(RMBmn)



(1) Represents the total amount of loans outstanding for loans X Financial facilitated and originated 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.

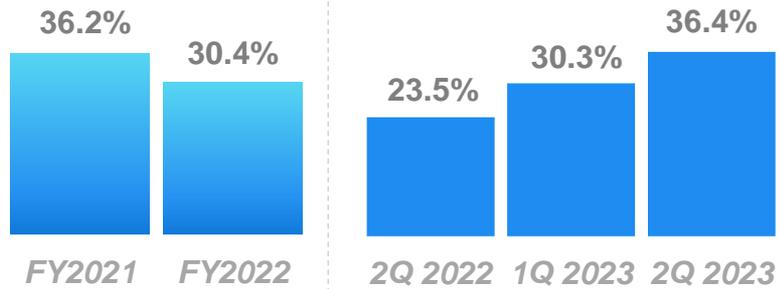
Revenue and Non-GAAP Adj. Net Income Growth



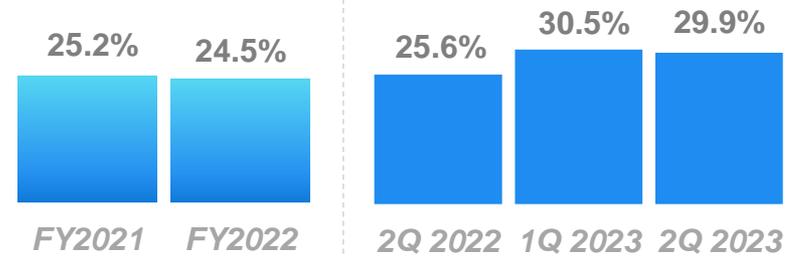
(1) Represents net (loss) / income before share-based compensation expenses, impairment losses on financial investments, impairment losses on long-term investments and income (loss) from financial investments

Operational Efficiency

_ Operating Margin



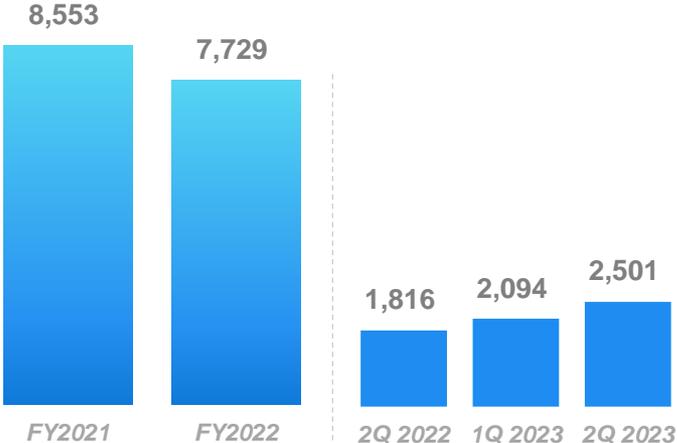
_ Non-GAAP Adj. Net Income Margin



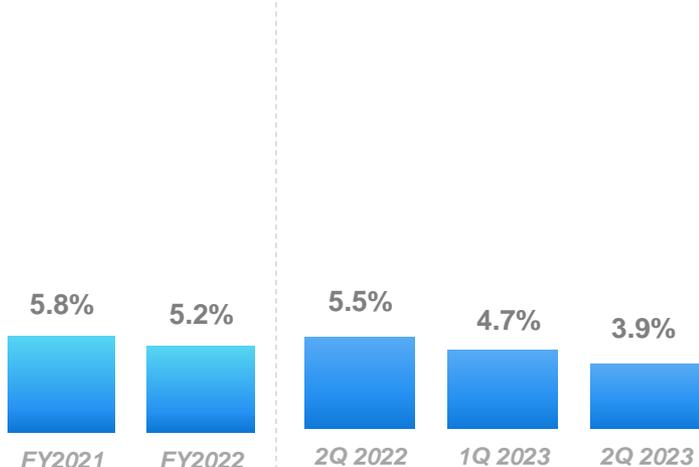
Net Revenue Per Employee and Operating Expense

_ Net Revenue Per Employee

(RMB1,000)



_ Operating Expense % Net Revenue (1)



- **High revenue per employee**
Enhance risk management capabilities
- **Continue to improve operational efficiency on both an annual and a quarterly basis**
Diversified service offerings with a more balanced quality growth

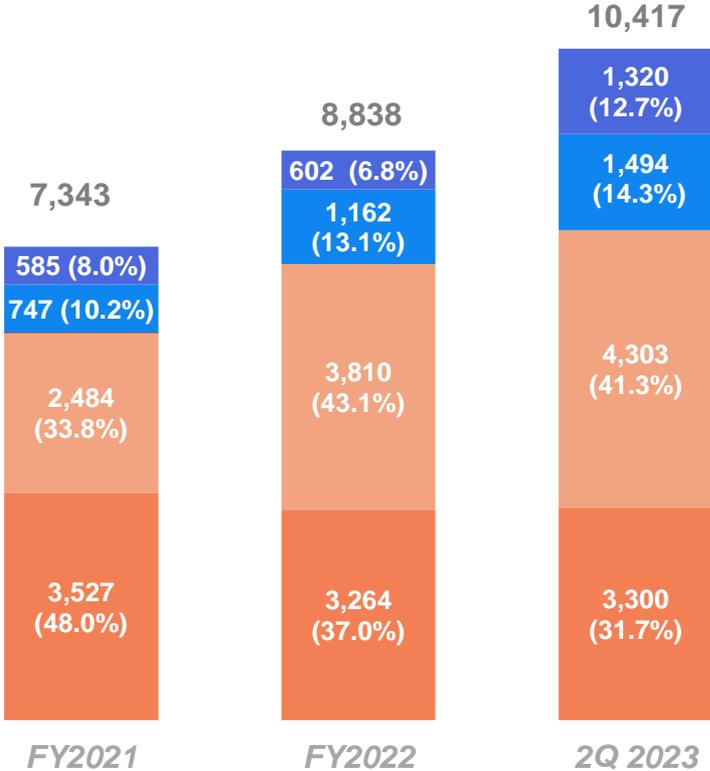
Enhance profitability, boost operational efficiency and reduce costs

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

Outstanding Return on Equity Performance

_ Total Assets

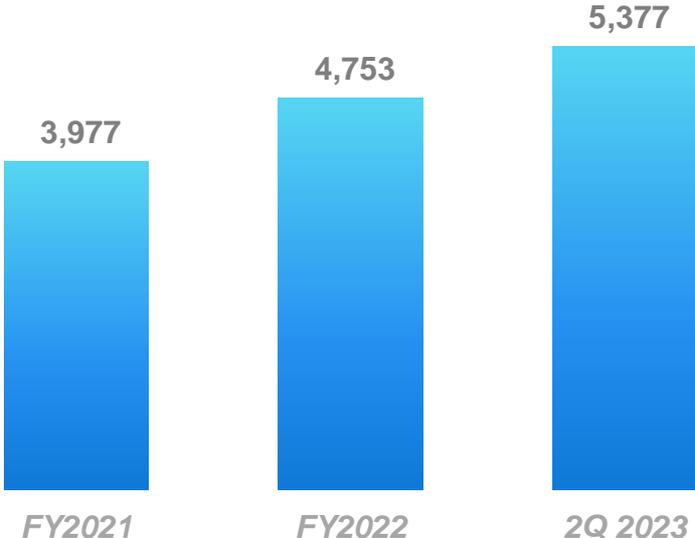
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans receivable from Xiaoying Credit Loans and other 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 12/31/2022	As of 6/30/2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Cash and cash equivalents	602,271	1,320,414	182,093
Accounts receivable and contract assets, net	1,161,912	1,493,595	205,976
Loans receivable from Xiaoying Credit Loans and other loans, net	3,810,393	4,302,970	593,407
Total assets	8,837,663	10,417,007	1,436,570
Payable to investors and institutional funding partners at amortized cost	2,627,910	3,034,343	418,455
Short-term borrowings	70,209	662,709	91,392
Income tax payable	270,089	371,935	51,292
Total liabilities	4,084,409	5,039,843	695,025
Total X Financial shareholders' equity	4,753,254	5,377,164	741,545
Non-controlling interests	-	-	-
Total equity	4,753,254	5,377,164	741,545

Source: Company financial statements

Consolidated Income Statement

	2Q 2022	2Q 2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Net revenues			
Loan facilitation service	471,531	715,503	98,672
Post-origination service	82,304	140,317	19,351
Financing income	234,756	274,639	37,874
Other revenue	35,747	89,963	12,406
Total net revenue	824,338	1,220,422	168,303
Operating costs and expenses			
Origination and servicing	533,062	669,720	92,359
General and administrative	41,144	44,138	6,087
Sales and marketing	4,567	3,431	473
Provision for accounts receivable and contract assets	25,715	3,175	438
Provision for loans receivable	32,224	55,449	7,647
Reversal of provision for contingent guarantee liabilities	(14,000)	-	-
(Reversal of) provision for credit losses on deposits to institutional cooperators	7,803	(200)	(28)
Total operating costs and expenses	630,515	775,713	106,976
Income from operations	193,823	444,709	61,327
Interest income (expenses), net	1,691	(8,457)	(1,166)
Foreign exchange loss	(13,102)	(11,798)	(1,627)
Income (loss) from financial investments	(9,626)	12,093	1,668
Fair value adjustments related to Consolidated Trusts	(3,250)	(247)	(34)
Change in fair value of financial guarantee derivative	44,758	667	92
Other income, net	5,911	6,932	956
Income before income taxes and gain from equity in affiliates	220,205	443,899	61,216
Income tax expense	(42,243)	(87,043)	(12,004)
Gain from equity in affiliates, net of tax	7,738	9,436	1,301
Net income	185,700	366,292	50,513
Net income attributable to X Financial shareholders	185,700	366,292	50,513

Consolidated Income Statement

	2021 <i>(in RMB1,000)</i>	2022 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Net revenues			
Loan facilitation service	2,545,593	2,044,344	296,402
Post-origination service	315,590	372,451	54,000
Financing income	671,901	966,277	140,097
Other revenue	93,381	179,878	26,080
Total net revenue	3,626,465	3,562,950	516,579
Operating costs and expenses			
Origination and servicing	1,963,006	2,126,742	308,349
General and administrative	187,859	171,524	24,869
Sales and marketing	20,830	15,448	2,240
Provision for accounts receivable and contract assets	77,248	21,836	3,166
Provision for loans receivable	76,017	158,576	22,992
Reversal of provision for contingent guarantee liabilities	(24)	(14,000)	(2,030)
(Reversal of) provision for credit losses on deposits to institutional cooperators	(8,291)	1,296	188
Reversal of provision for credit losses for other financial assets	(1,223)	(765)	(111)
Total operating costs and expenses	2,315,422	2,480,657	359,663
Income from operations	1,311,043	1,082,293	156,916
Interest income, net	19,709	3,756	545
Foreign exchange gain (loss)	5,147	(19,963)	(2,894)
Income from financial investments	-	20,900	3,030
Impairment losses on financial investments	-	(8,875)	(1,287)
Impairment losses on long-term investments	-	(26,866)	(3,895)
Fair value adjustments related to Consolidated Trusts	(7,267)	(6,168)	(894)
Change in fair value of financial guarantee derivative	(170,339)	137,654	19,958
Other income, net	32,506	40,724	5,904
Income before income taxes and gain (loss) from equity in affiliates	1,190,799	1,223,455	177,383
Income tax expense	(368,734)	(389,358)	(56,452)
Gain (loss) from equity in affiliates, net of tax	3,342	(22,102)	(3,204)
Net income	825,407	811,995	117,727
Net income attributable to X Financial shareholders	825,407	811,995	117,727

Reconciliations of GAAP and Non-GAAP Results

	2Q 2022	2Q 2023	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	185,700	366,292	50,513
Less: Income (loss) from financial investments (net of tax of nil)	(9,626)	12,093	1,668
Less: Impairment losses on financial investments (net of tax of nil)	-	-	-
Less: Impairment losses on long-term investments (net of tax)	-	-	-
Add: Share-based compensation expenses (net of tax of nil)	15,362	10,686	1,474
Non-GAAP adjusted net income	210,688	364,885	50,319

	2021	2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	825,407	811,995	117,727
Less: Income from financial investments (net of tax of nil)	-	20,900	3,030
Less: Impairment losses on financial investments (net of tax of nil)	-	(8,875)	(1,287)
Less: Impairment losses on long-term investments (net of tax)	-	(20,150)	(2,921)
Add: Share-based compensation expenses (net of tax of nil)	88,435	53,538	7,762
Non-GAAP adjusted net income	913,842	873,658	126,667