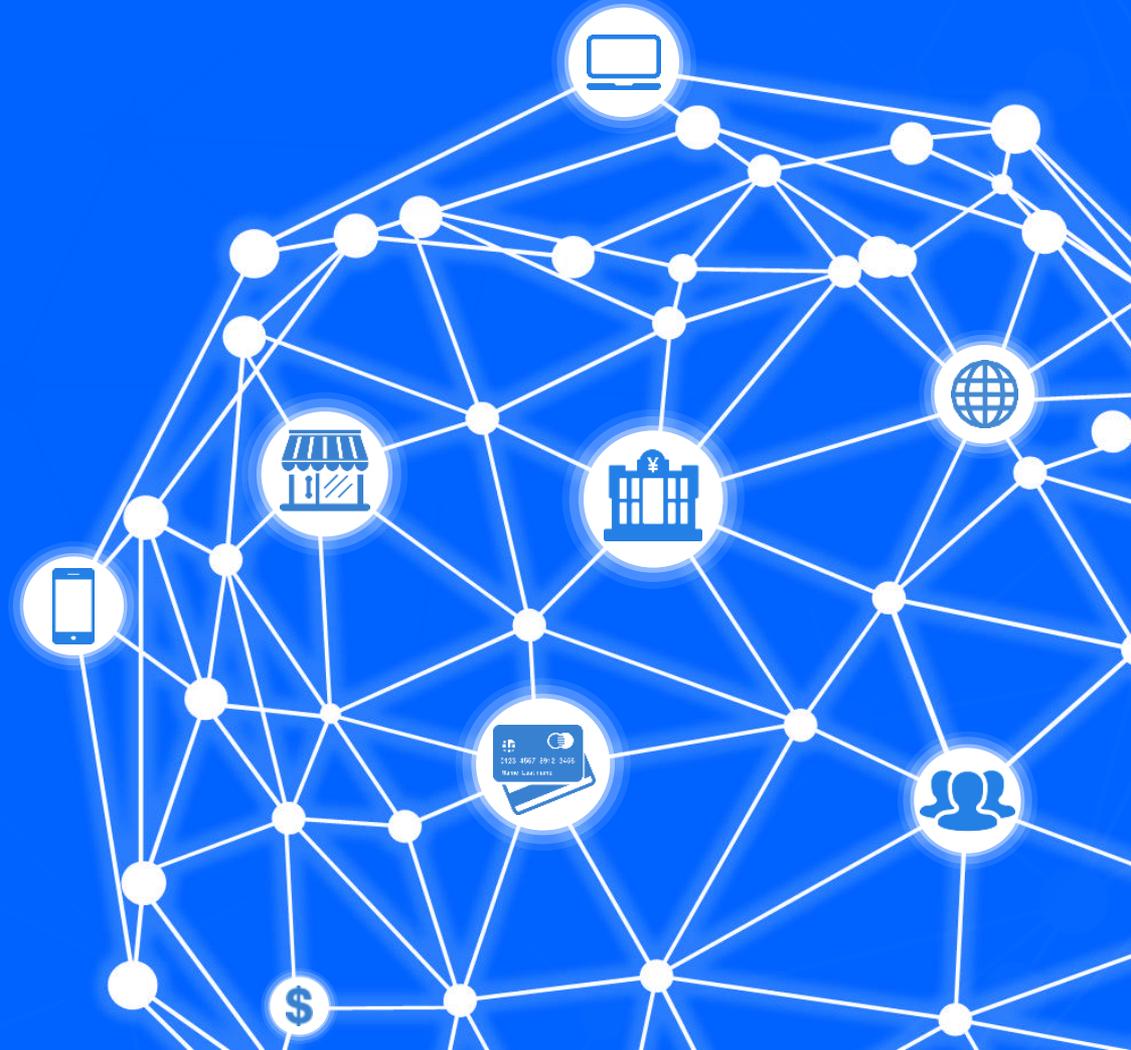


# X Financial (NYSE: XYF)

## 2022 Q4 Earnings Results Presentation

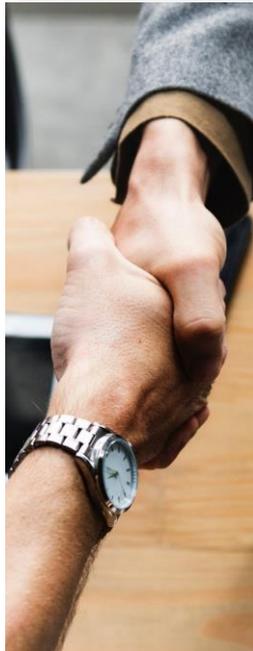
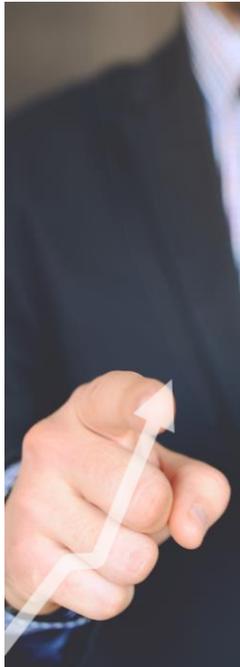


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# X Financial at a Glance

A leading technology-driven personal finance company in China



*In the fourth quarter of 2022:*

**21,700 mn (RMB)**

Total Loan Facilitation Amount

**1.37 mn**

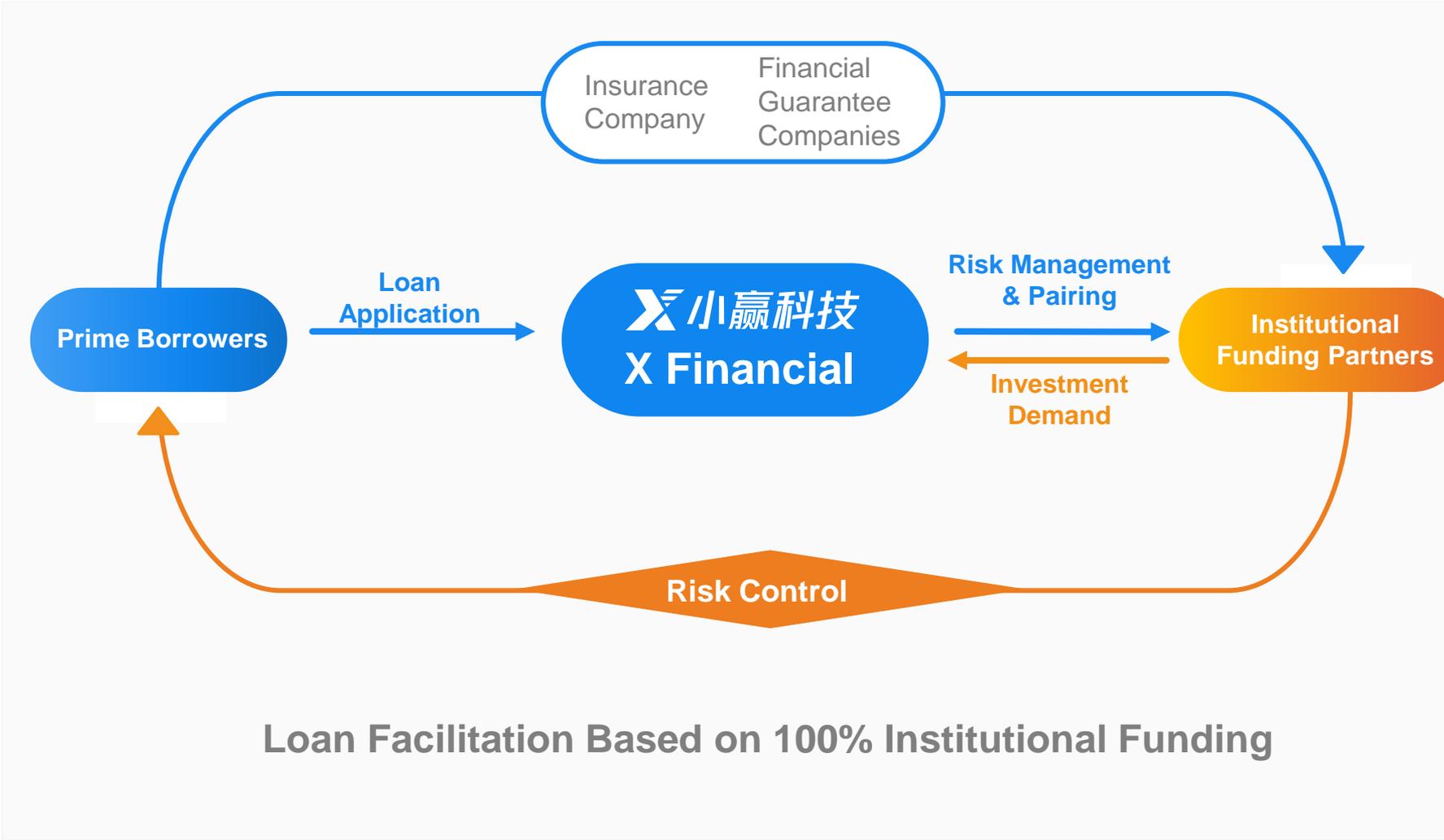
Active Borrowers

*As of December 31, 2022:*

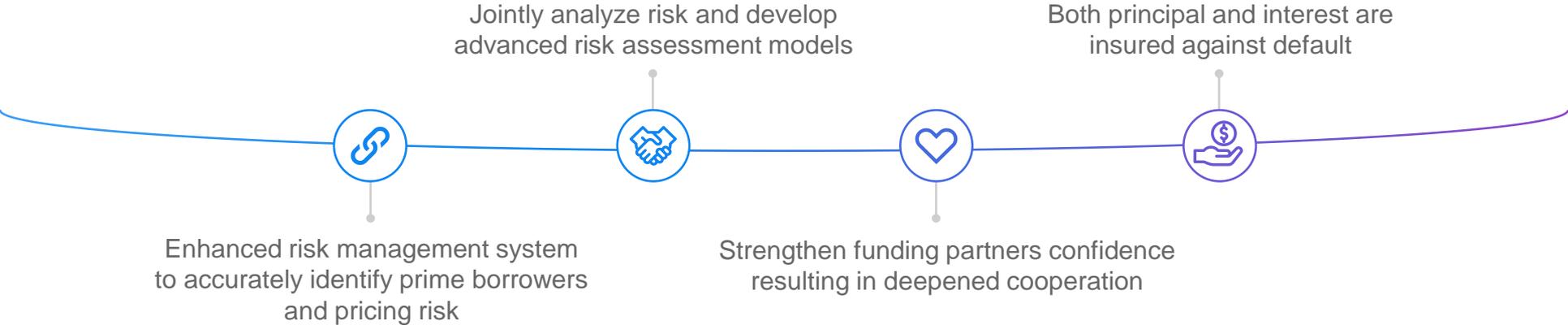
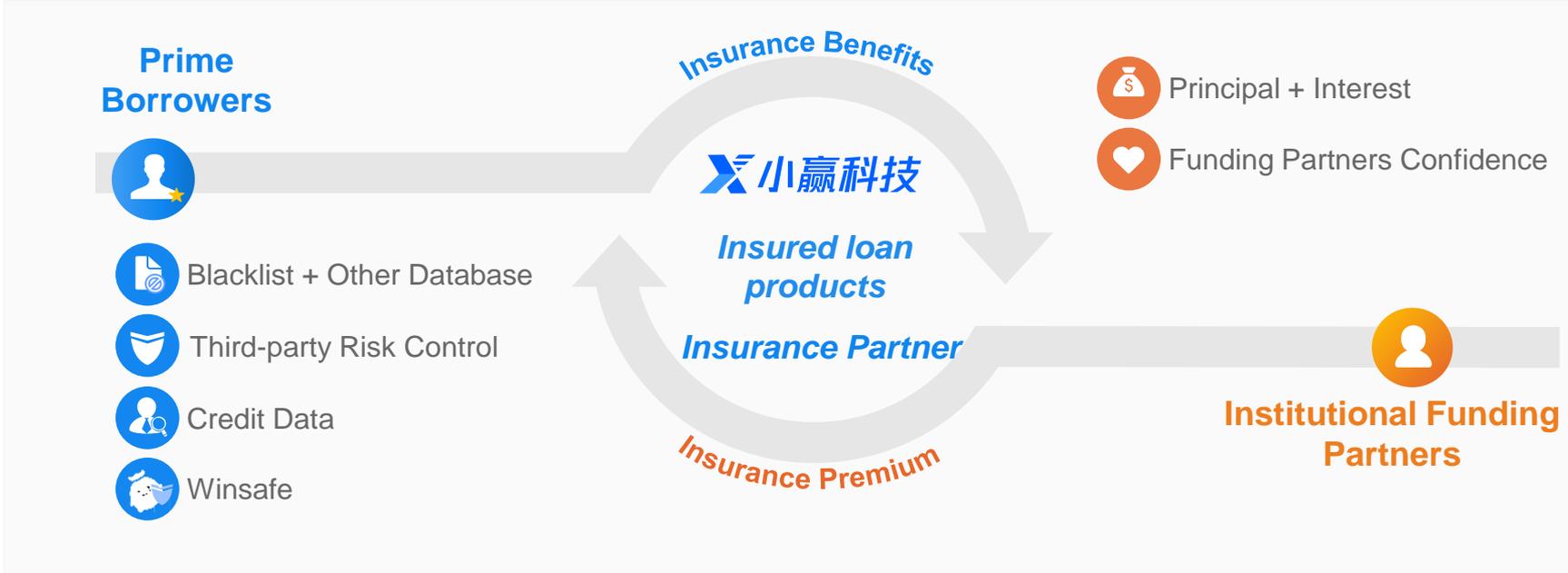
**37,992 mn (RMB)**

Loan Balance

# Our Business

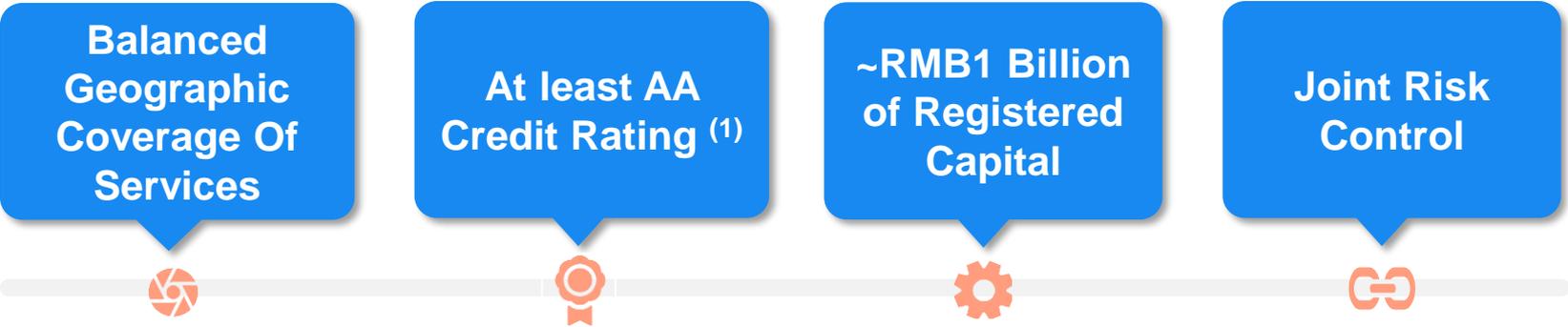


# Credit Insurance Model



# 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.



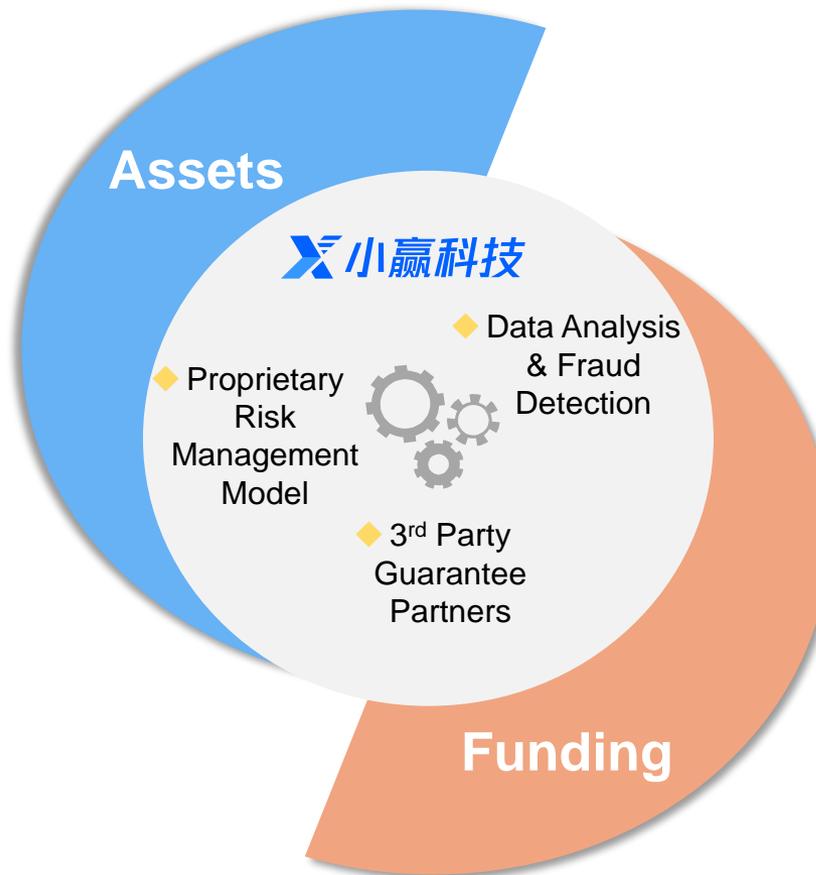
## Strong Capabilities of the Financial Guarantee Companies

(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. and Shenzhen Lianhe Credit Information Service Co., Ltd.

# Technology-driven Approach to Servicing Borrowers and Funding Partners

## Borrowers

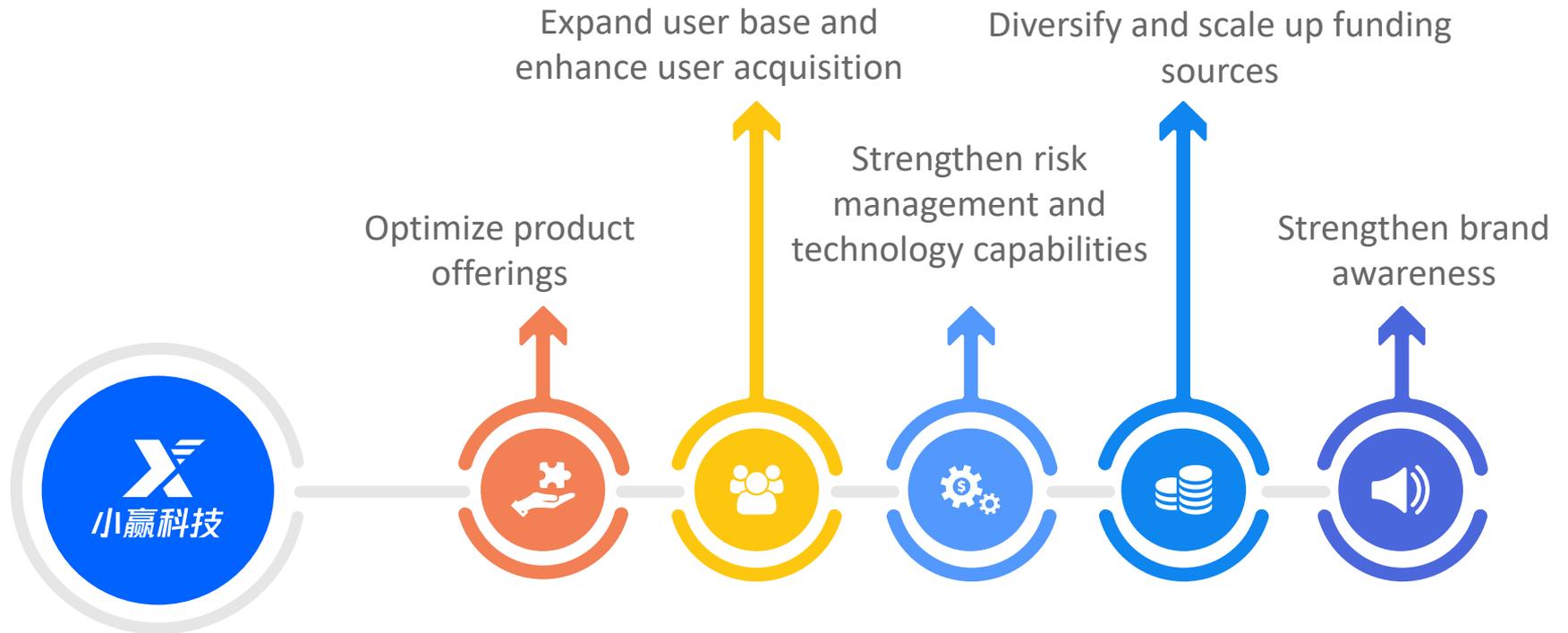
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



## 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



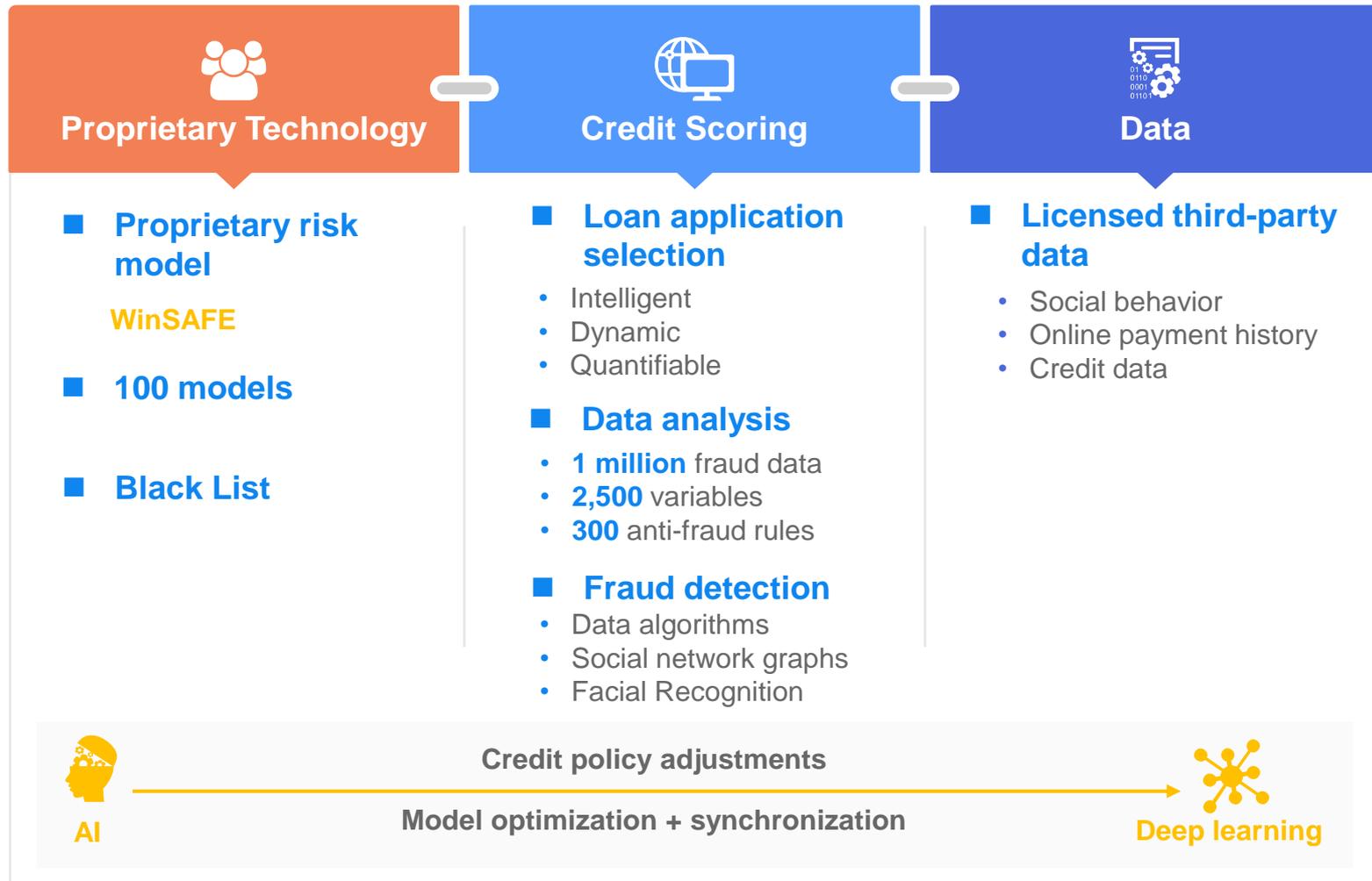
3, 6, 9, 12 months

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

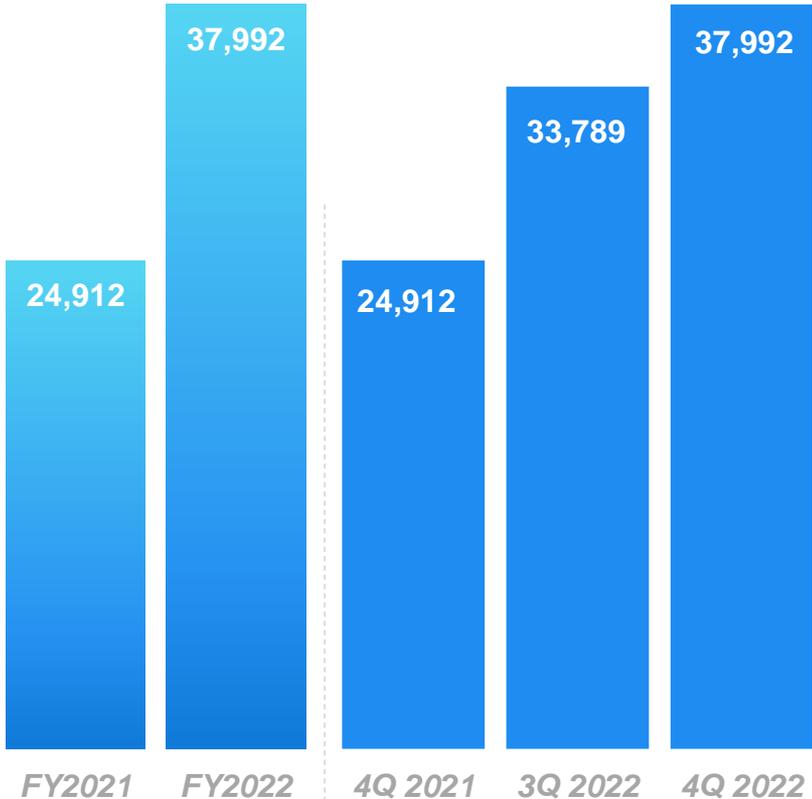


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents**

# Performance of Loan Balance and Loan Facilitation

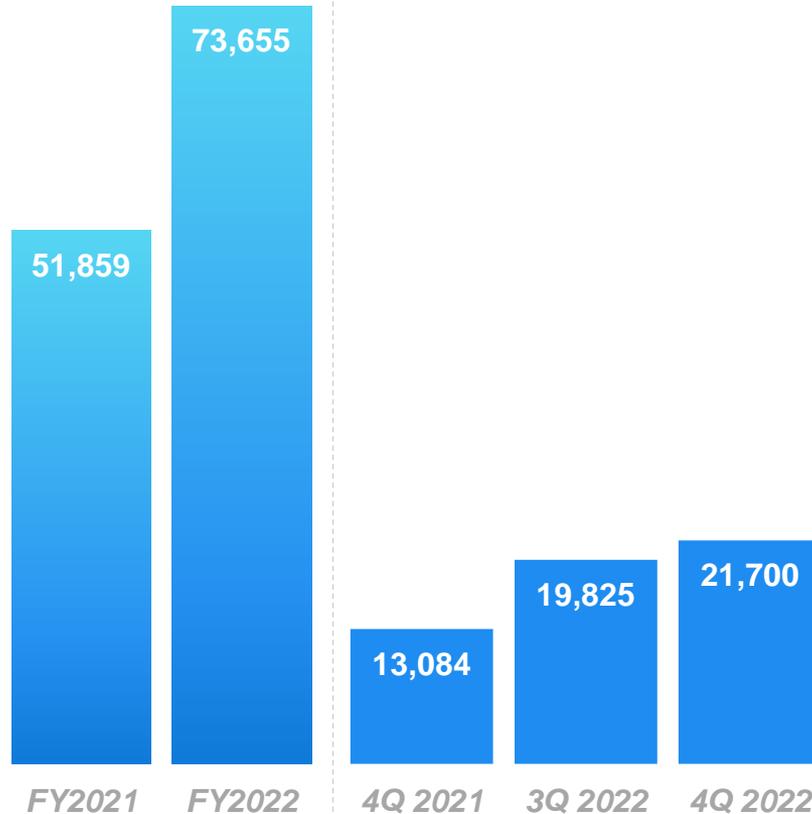
## \_ Total Outstanding Loan Balance (1)

(RMBmn)



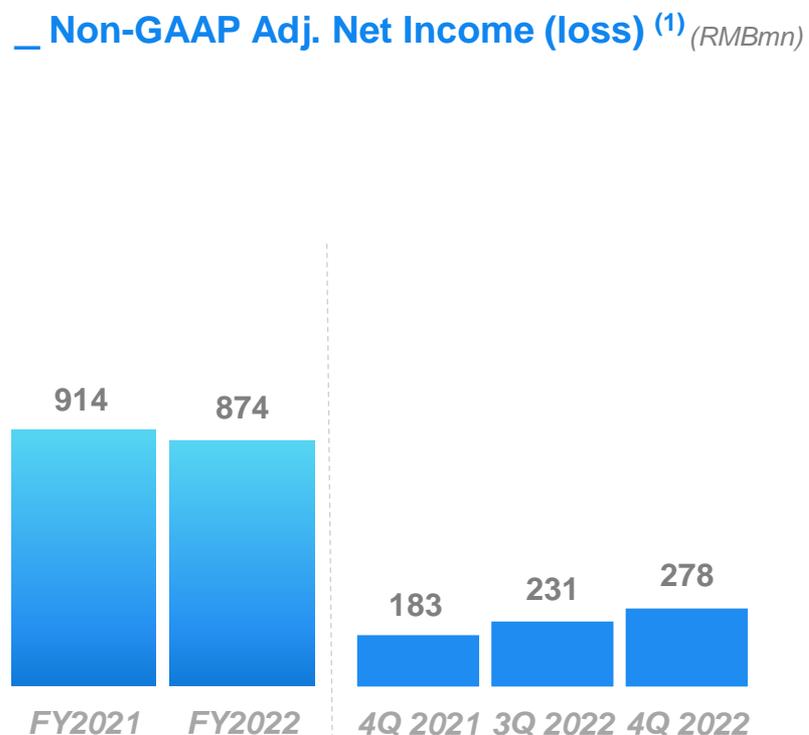
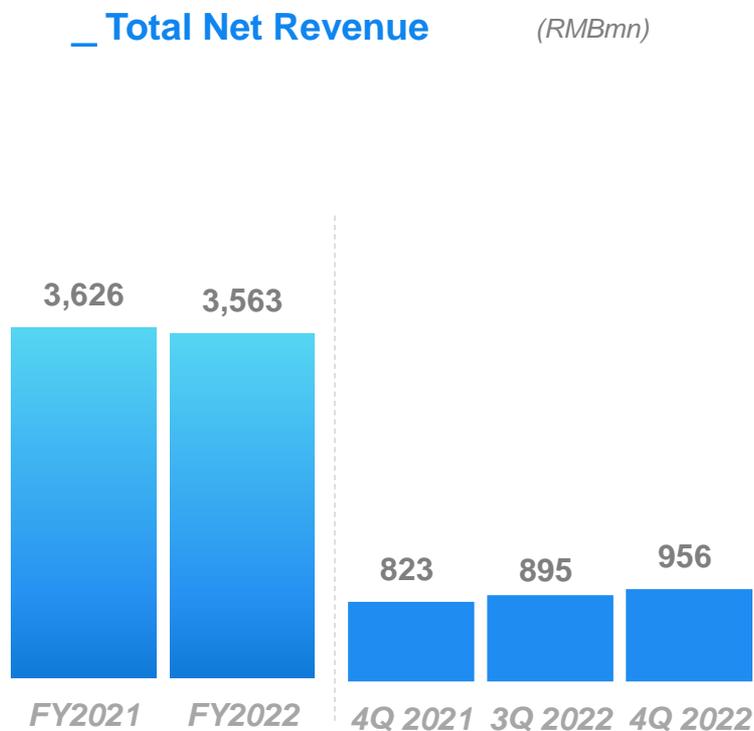
## \_ Total Loan Facilitation Amount

(RMBmn)



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

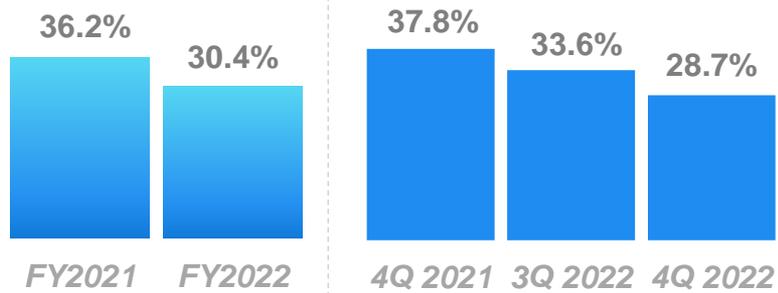
# Revenue and Non-GAAP Adj. Net Income Growth



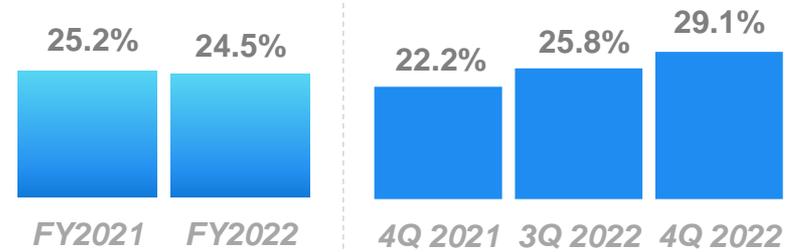
(1) Represents net (loss) / income before share-based compensation expenses, impairment losses on financial investments, impairment losses on long-term investments and income (loss) from financial investments

# Operational Efficiency

## \_ Operating Margin



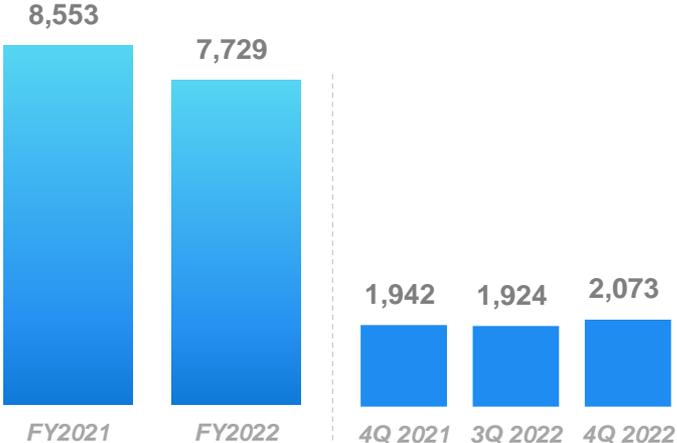
## \_ Non-GAAP Adj. Net Income Margin



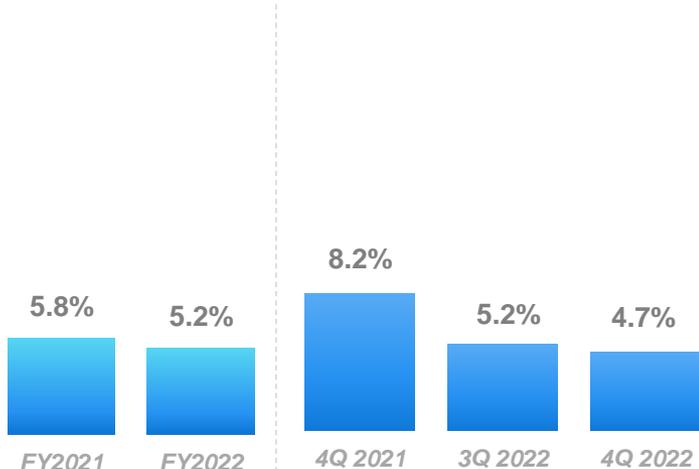
# Net Revenue Per Employee and Operating Expense

## \_ Net Revenue Per Employee

(RMB1,000)



## \_ Operating Expense % Net Revenue (1)



- **High revenue per employee**

Enhance risk management capabilities

- **Continue to improve operational efficiency**

Diversified service offerings with a more balanced quality growth

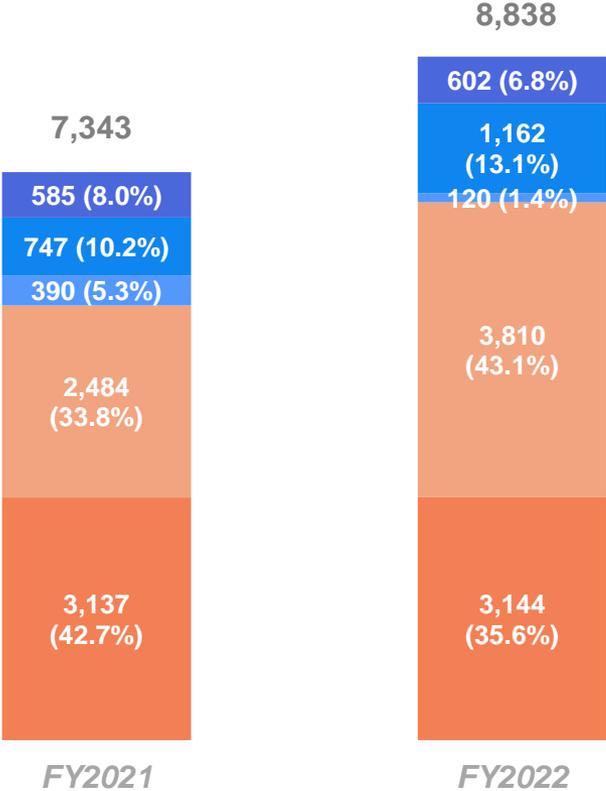
**Enhance profitability, boost operational efficiency and reduce costs**

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

# Outstanding Return on Equity Performance

## \_ Total Assets

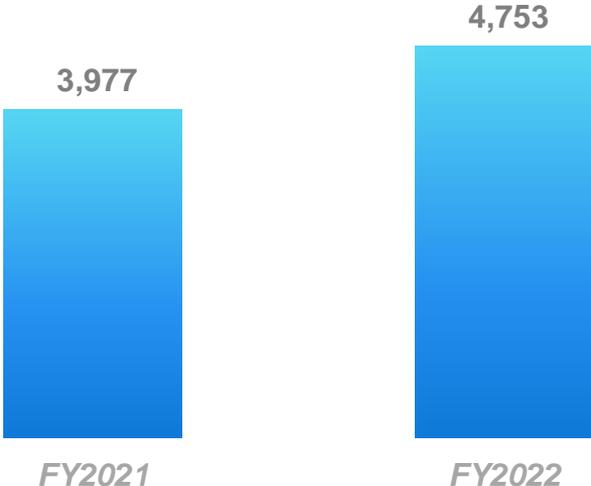
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans at Fair Value
- Loans receivable from Xiaoying Credit Loans and other 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 12/31/2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Cash and cash equivalents	584,762	602,271	87,321
Accounts receivable and contract assets, net	747,480	1,161,912	168,461
Loans receivable from Xiaoying Credit Loans and other loans, net	2,484,073	3,810,393	552,455
Loans at fair value	389,679	120,280	17,439
<b>Total assets</b>	<b>7,342,737</b>	<b>8,837,663</b>	<b>1,281,341</b>
Payable to investors at fair value	462,714	141,289	20,485
Payable to investors and institutional funding partners at amortized cost	1,487,379	2,627,910	381,011
Short-term borrowings	166,500	70,209	10,179
Income tax payable	117,148	270,089	39,159
<b>Total liabilities</b>	<b>3,365,841</b>	<b>4,084,409</b>	<b>592,184</b>
<b>Total X Financial shareholders' equity</b>	<b>3,976,896</b>	<b>4,753,254</b>	<b>689,157</b>
Non-controlling interests	-	-	-
<b>Total equity</b>	<b>3,976,896</b>	<b>4,753,254</b>	<b>689,157</b>

Source: Company financial statements

# Consolidated Income Statement

	4Q 2021	4Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>			
Loan facilitation service	487,774	562,137	81,502
Post-origination service	94,767	106,777	15,481
Financing income	219,094	248,639	36,049
Other revenue	21,763	38,087	5,522
<b>Total net revenue</b>	<b>823,398</b>	<b>955,640</b>	<b>138,554</b>
<b>Operating costs and expenses</b>			
Origination and servicing	385,797	588,730	85,358
General and administrative	62,208	42,445	6,154
Sales and marketing	5,318	2,497	362
(Reversal of) provision for accounts receivable and contract assets	19,529	(25,550)	(3,704)
Provision for loans receivable	40,322	75,396	10,931
Reversal of provision for credit losses on deposits to institutional cooperators	(509)	(1,831)	(265)
Reversal of provision for credit losses for other financial assets	(841)	-	-
<b>Total operating costs and expenses</b>	<b>511,824</b>	<b>681,687</b>	<b>98,836</b>
<b>Income from operations</b>	<b>311,574</b>	<b>273,953</b>	<b>39,718</b>
Interest income, net	3,720	396	57
Foreign exchange gain	3,907	6,175	895
Income from financial investments	-	28,702	4,161
Impairment losses on long-term investments	-	(26,866)	(3,895)
Fair value adjustments related to Consolidated Trusts	(7,158)	209	30
Change in fair value of financial guarantee derivative	(26,681)	91,380	13,249
Other income, net	15,761	8,590	1,245
<b>Income before income taxes and loss from equity in affiliates</b>	<b>301,123</b>	<b>382,539</b>	<b>55,460</b>
Income tax expense	(154,169)	(74,977)	(10,871)
Loss from equity in affiliates, net of tax	(1,433)	(32,923)	(4,773)
<b>Net income</b>	<b>145,521</b>	<b>274,639</b>	<b>39,816</b>
<b>Net income attributable to X Financial shareholders</b>	<b>145,521</b>	<b>274,639</b>	<b>39,816</b>

# Consolidated Income Statement

	2021	2022	
	<i>(in RMB1,000)</i>	<i>(in RMB1,000)</i>	<i>(in USD1,000)</i>
<b>Net revenues</b>			
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
<b>Total net revenue</b>	<b>3,626,465</b>	<b>3,562,950</b>	<b>516,579</b>
<b>Operating costs and expenses</b>			
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)
<b>Total operating costs and expenses</b>	<b>2,315,422</b>	<b>2,480,657</b>	<b>359,663</b>
<b>Income from operations</b>	<b>1,311,043</b>	<b>1,082,293</b>	<b>156,916</b>
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
<b>Income before income taxes and gain (loss) from equity in affiliates</b>	<b>1,190,799</b>	<b>1,223,455</b>	<b>177,383</b>
Income tax expense	(368,734)	(389,358)	(56,452)
Gain (loss) from equity in affiliates, net of tax	3,342	(22,102)	(3,204)
<b>Net income</b>	<b>825,407</b>	<b>811,995</b>	<b>117,727</b>
<b>Net income attributable to X Financial shareholders</b>	<b>825,407</b>	<b>811,995</b>	<b>117,727</b>

# Reconciliations of GAAP and Non-GAAP Results

	4Q 2021	4Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Reconciliation of Adjusted Net Income from Net Income</b>			
<b>GAAP net income</b>	<b>145,521</b>	<b>274,639</b>	<b>39,816</b>
Less: Income from financial investments (net of tax of nil)	-	28,702	4,161
Less: Impairment losses on long-term investments (net of tax)	-	(20,150)	(2,921)
Add: Share-based compensation expenses (net of tax of nil)	37,429	11,852	1,718
<b>Non-GAAP adjusted net income</b>	<b>182,950</b>	<b>277,939</b>	<b>40,294</b>

	2021	2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Reconciliation of Adjusted Net Income from Net Income</b>			
<b>GAAP net income</b>	<b>825,407</b>	<b>811,995</b>	<b>117,727</b>
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
<b>Non-GAAP adjusted net income</b>	<b>913,842</b>	<b>873,658</b>	<b>126,667</b>