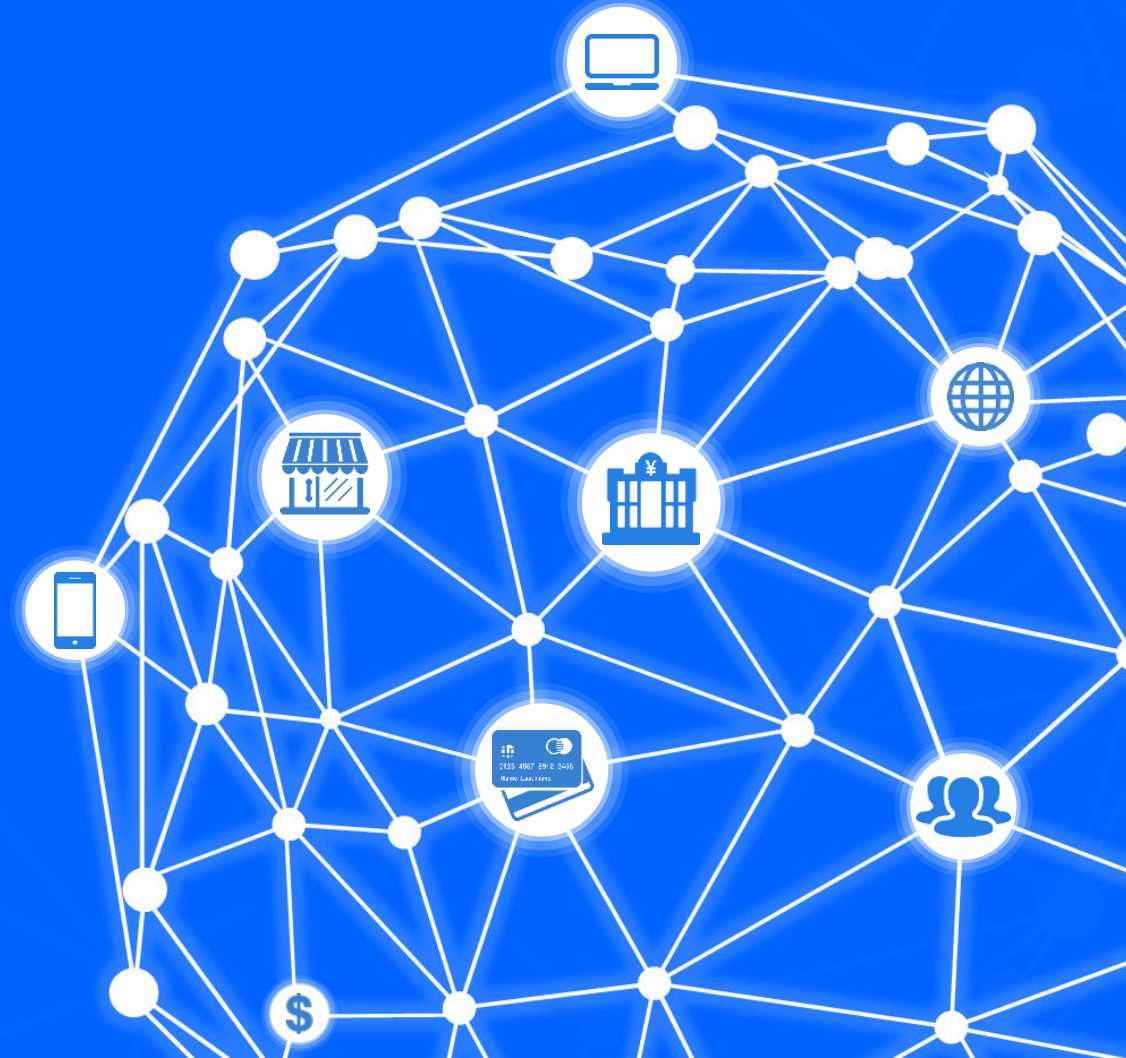


# X Financial (NYSE: XYF)

## 2022 Q3 Earnings Results Presentation

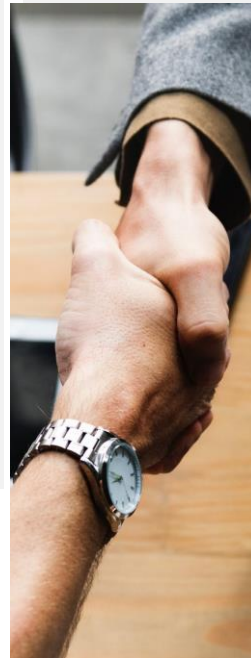
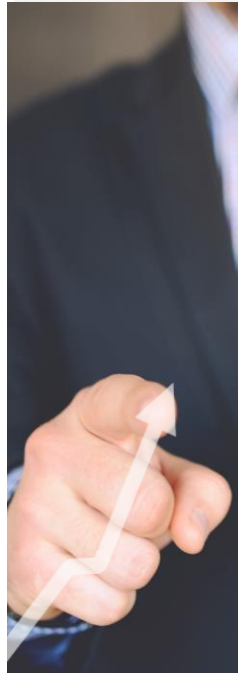


# Disclaimer

- 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 third quarter of 2022:*

**19,825 mn (RMB)**

Total Loan Facilitation Amount

*As of September 30, 2022:*

**33,789 mn (RMB)**

Loan Balance

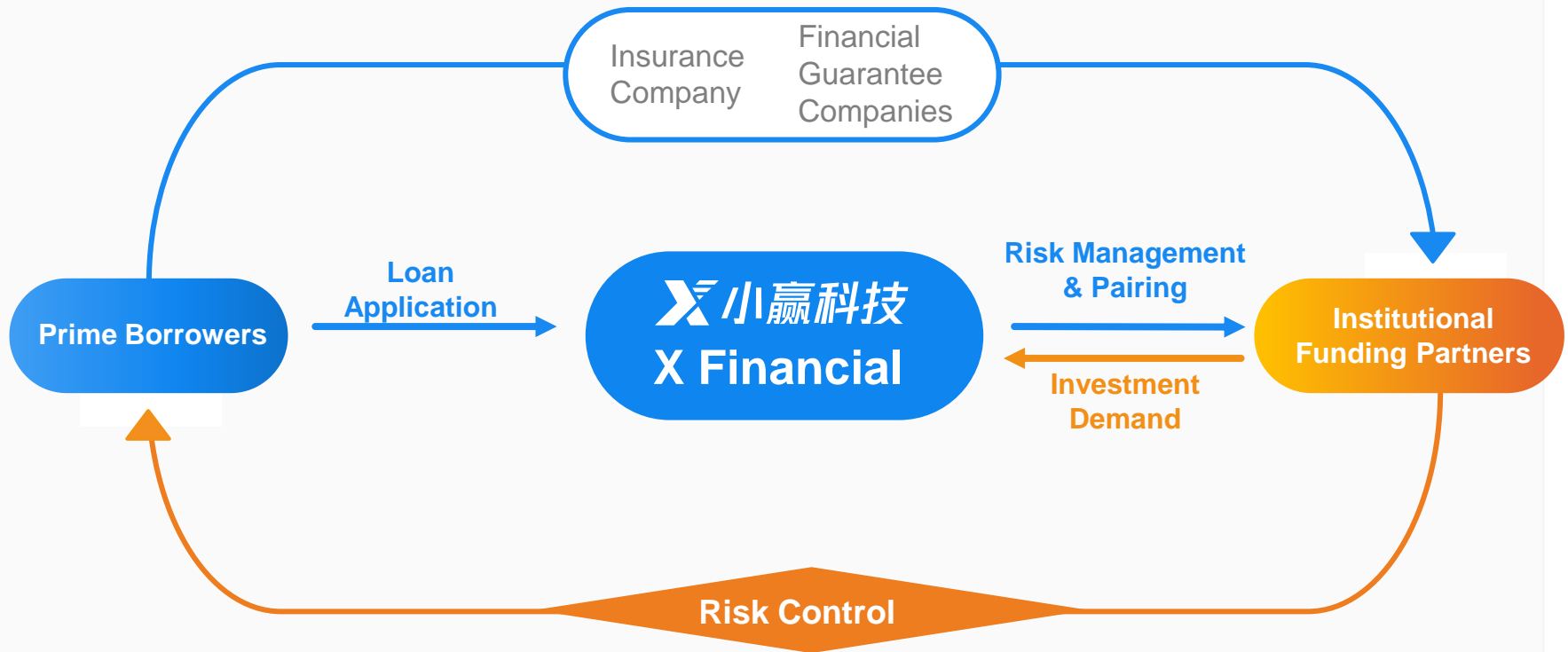
**9.7 mn**

Cumulative Borrowers

**78.9 mn**

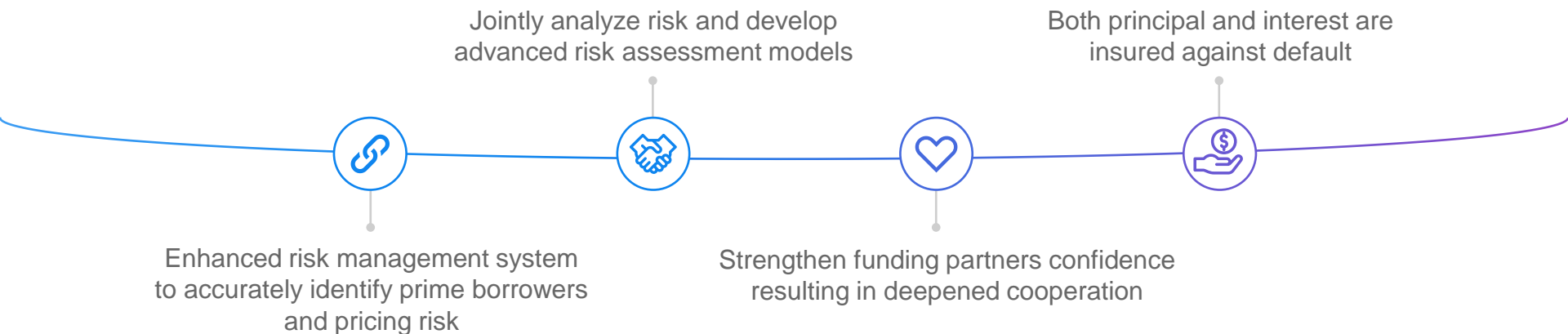
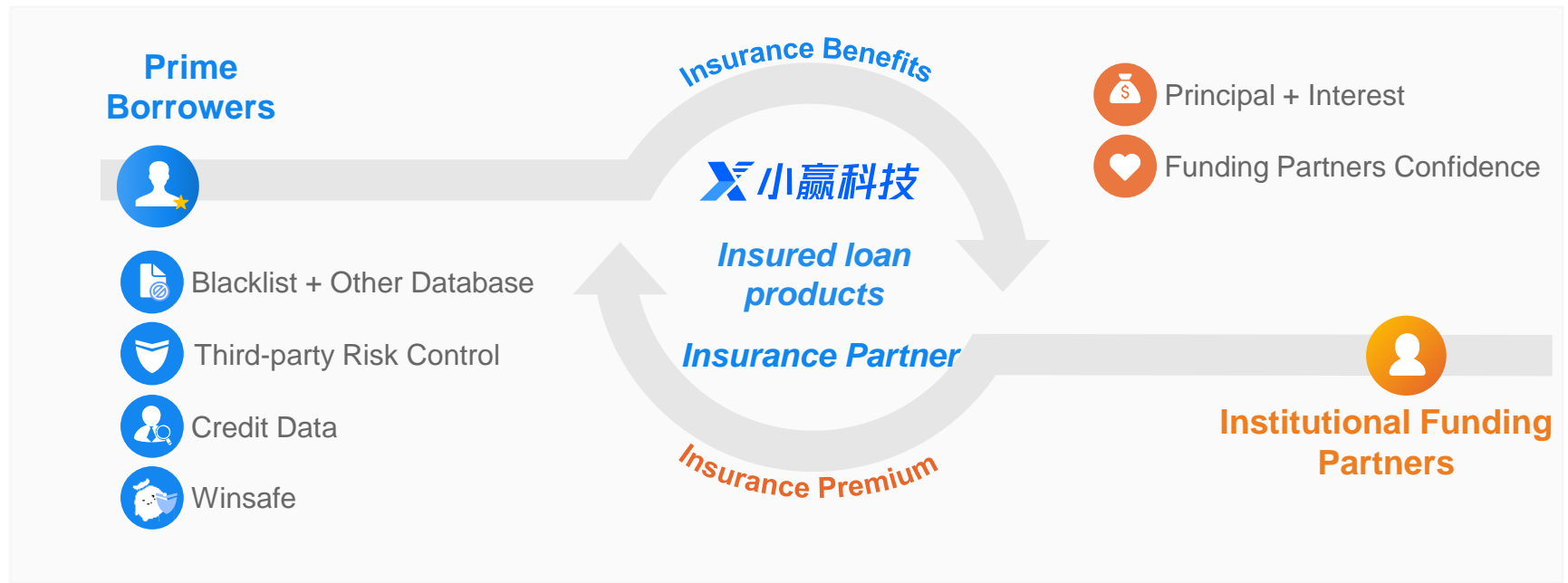
Registered Users

# Our Business



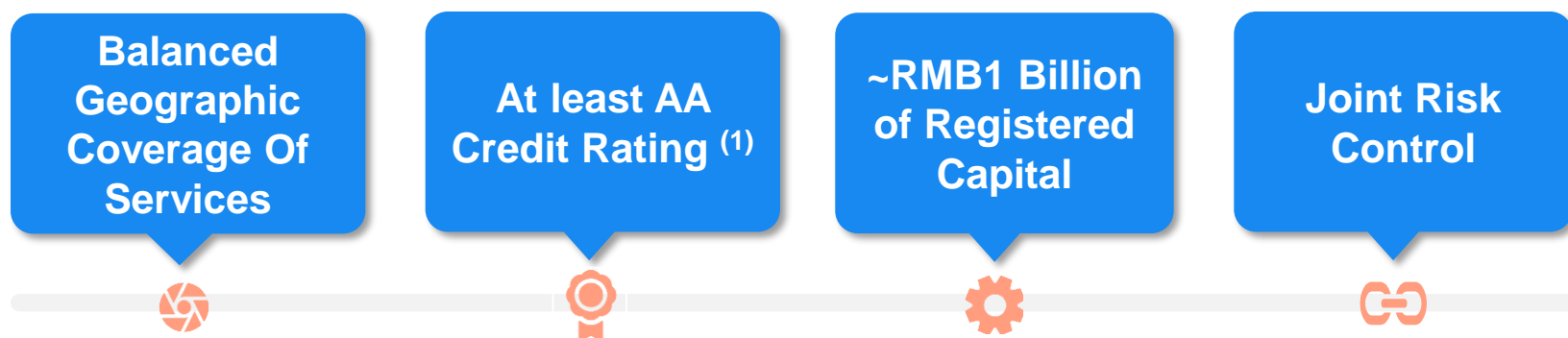
**Loan Facilitation Based on 100% Institutional Funding**

# 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.



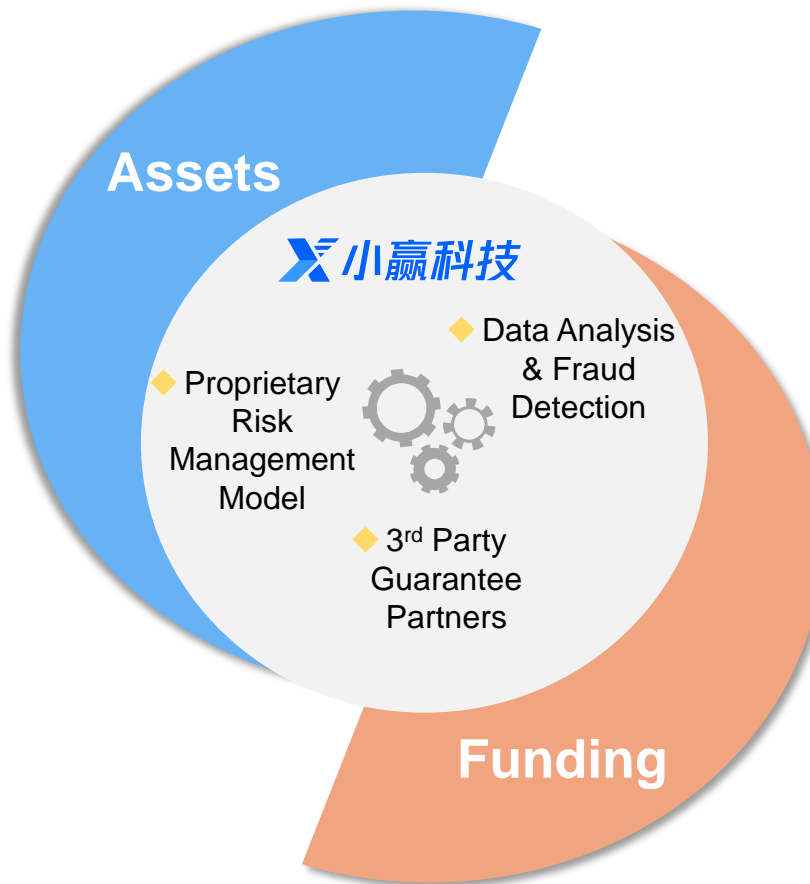
## Strong Capabilities of the Financial Guarantee Companies

(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

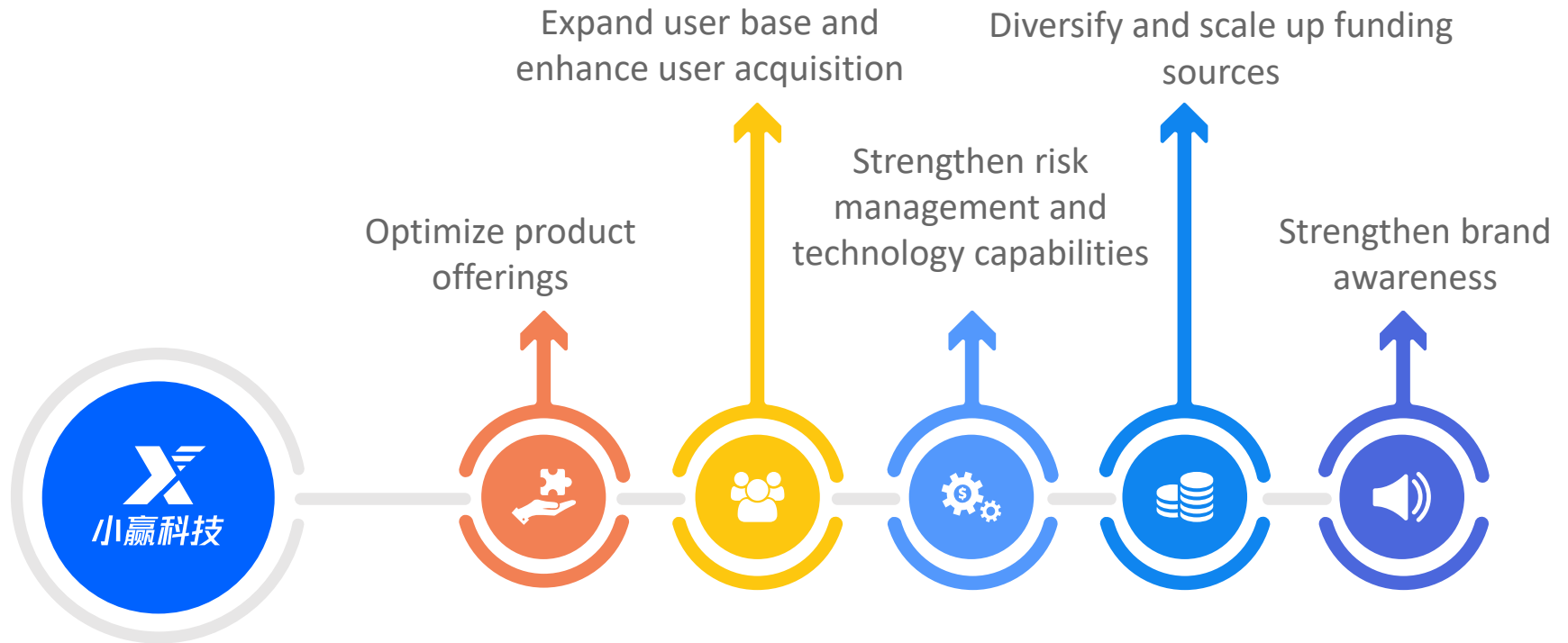
- Customer Profiles
- Lines of Credit
- Borrowing Costs
- Tenure



## 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



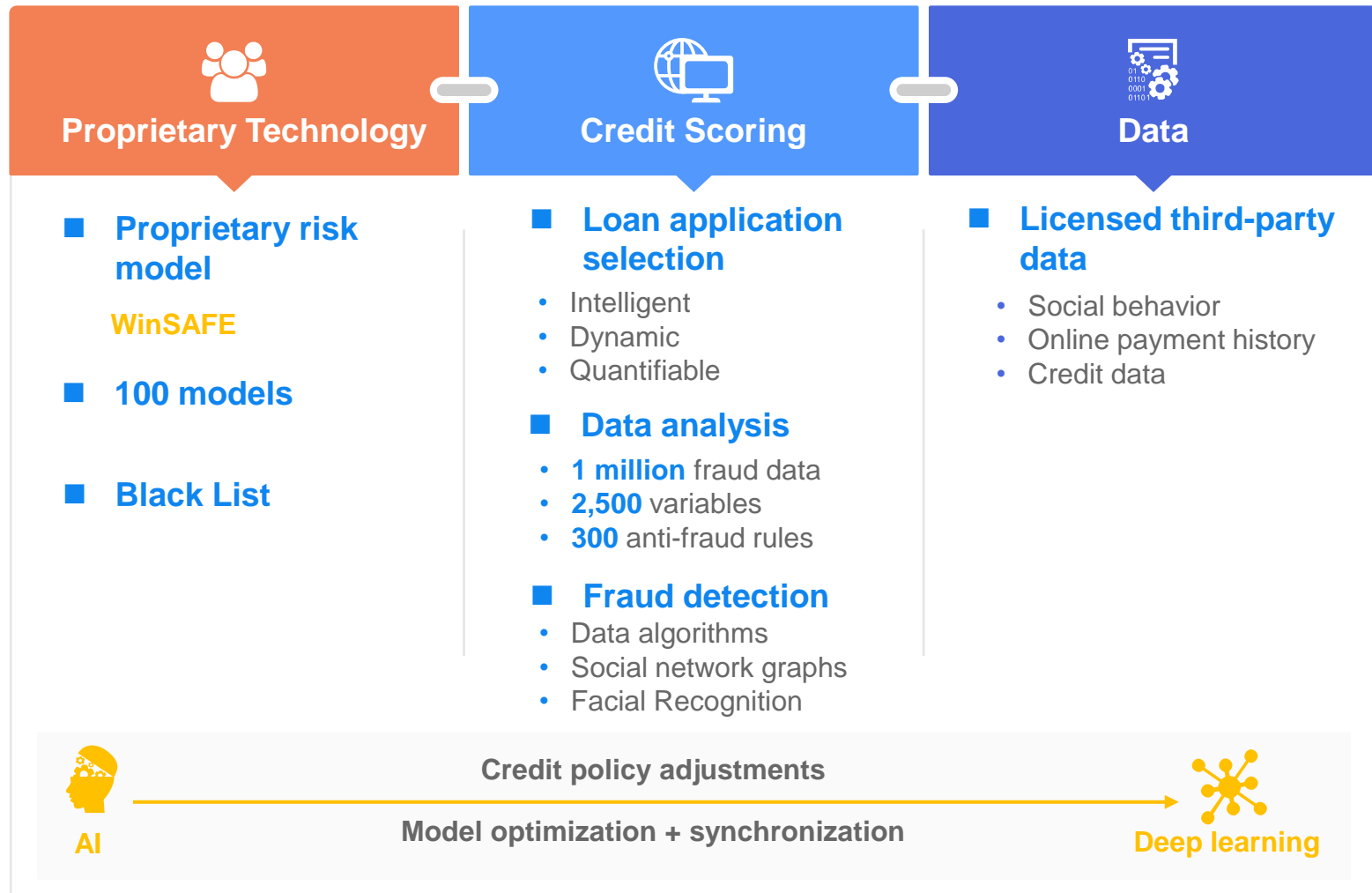
3, 6, 9, 12 months

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

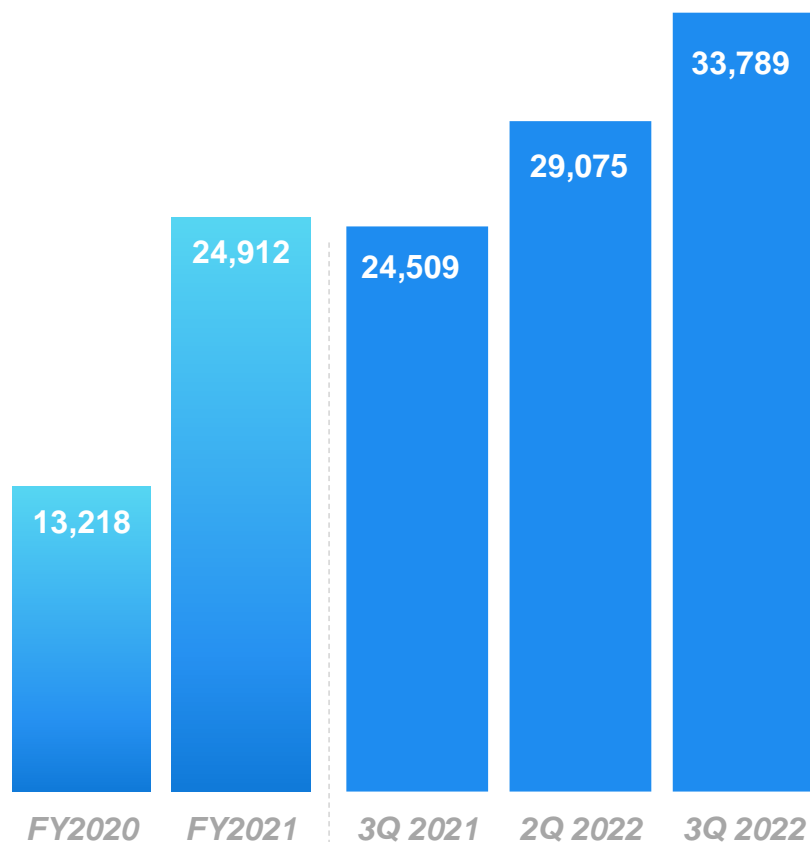


**Founded by a seasoned entrepreneur with proven track record and backed by a strong team of financial and technology talents**

# Performance of Loan Balance and Loan Facilitation

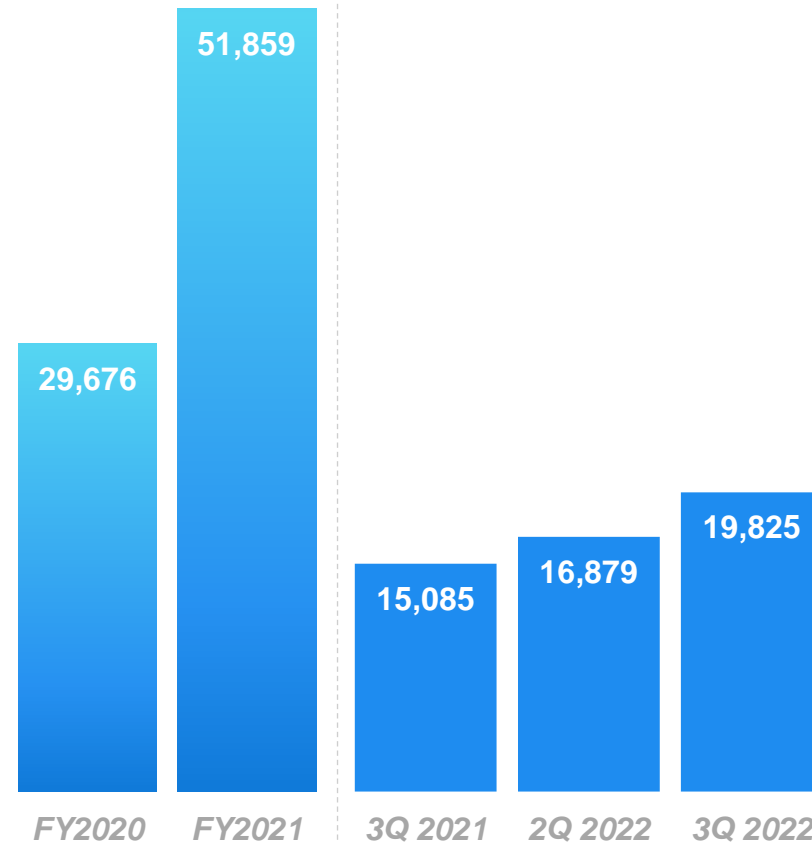
## \_ Total Outstanding Loan Balance <sup>(1)</sup>

(RMBmn)



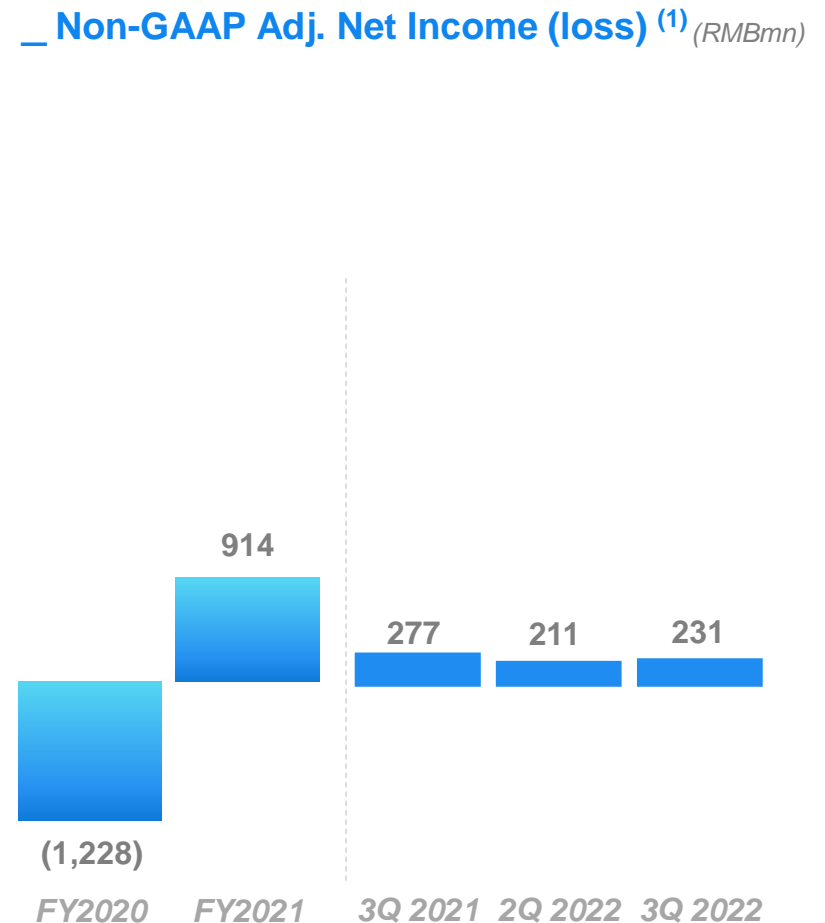
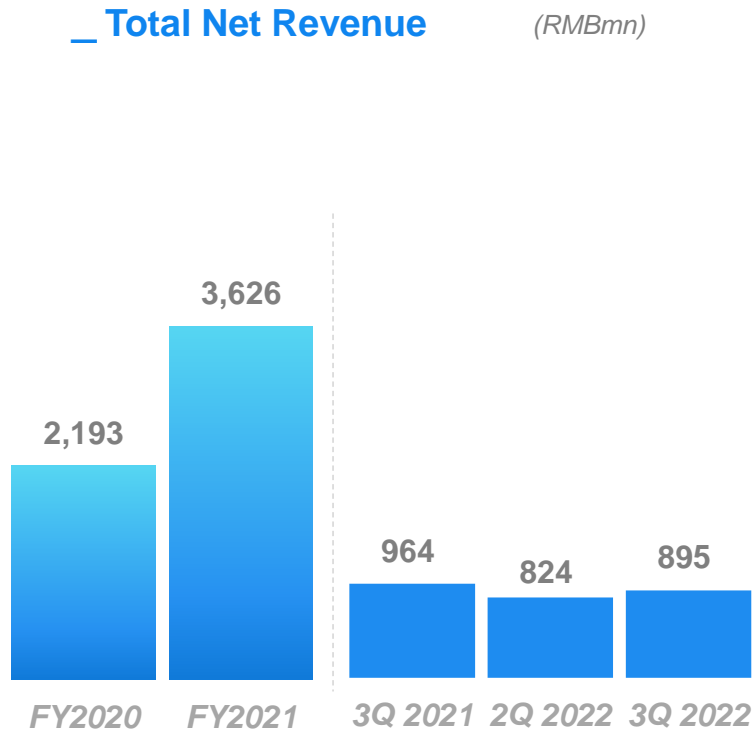
## \_ Total Loan Facilitation Amount

(RMBmn)



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

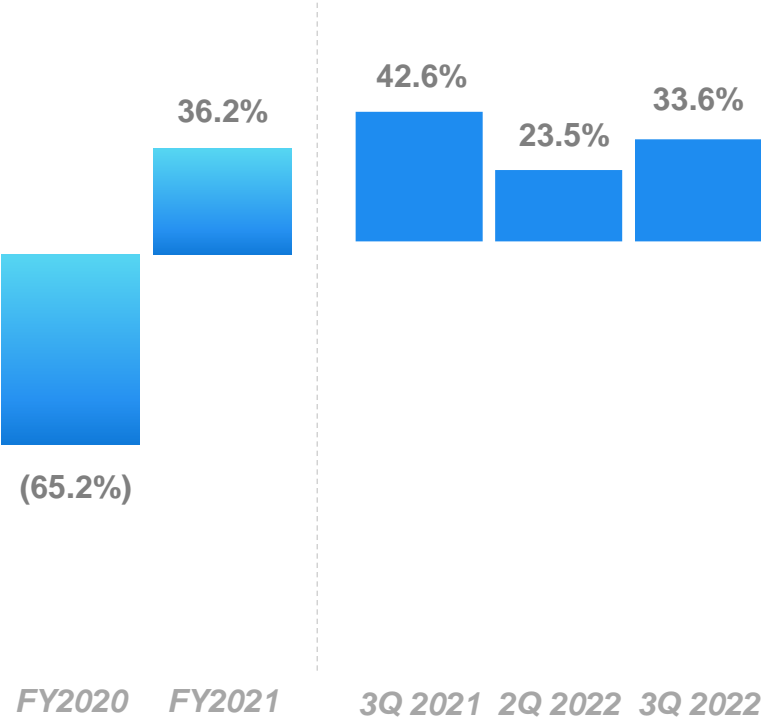
# Revenue and Non-GAAP Adj. Net Income Growth



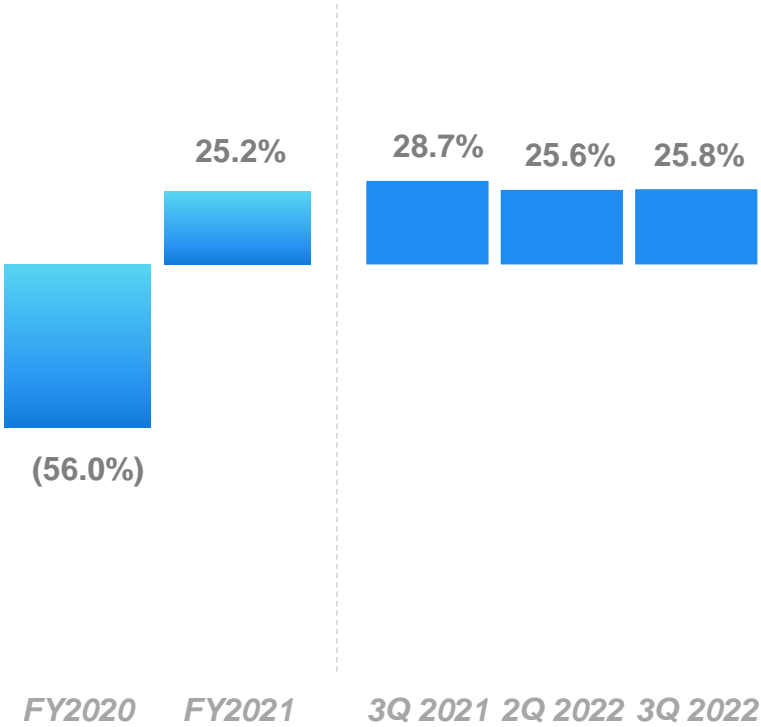
(1) Represents net (loss) / income before share-based compensation expenses, impairment losses on financial investments and income (loss) from financial investments

# Operational Efficiency

\_ Operating Margin



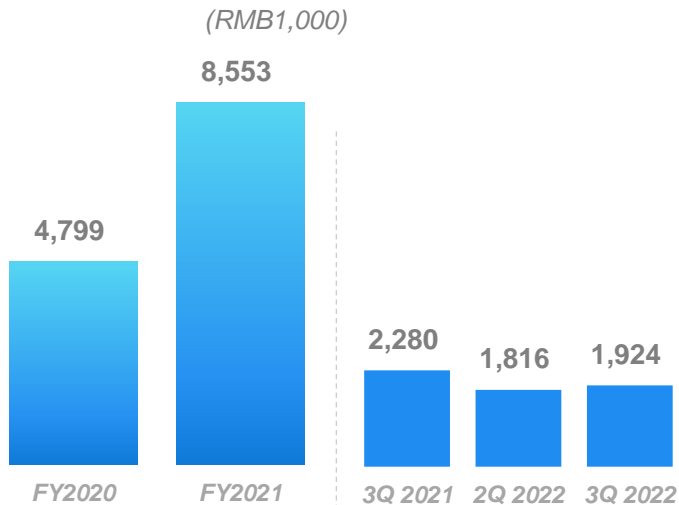
\_ Non-GAAP Adj. Net Income Margin



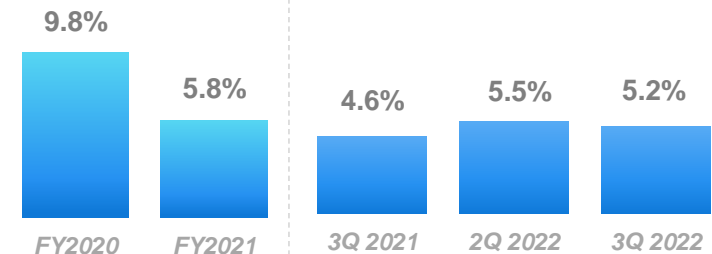


# Net Revenue Per Employee and Operating Expense

## \_ Net Revenue Per Employee



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



- **High revenue per employee**

Enhance risk management capabilities

- **Continue to improve operational efficiency on a sequential basis**

Diversified service offerings with a more balanced quality growth

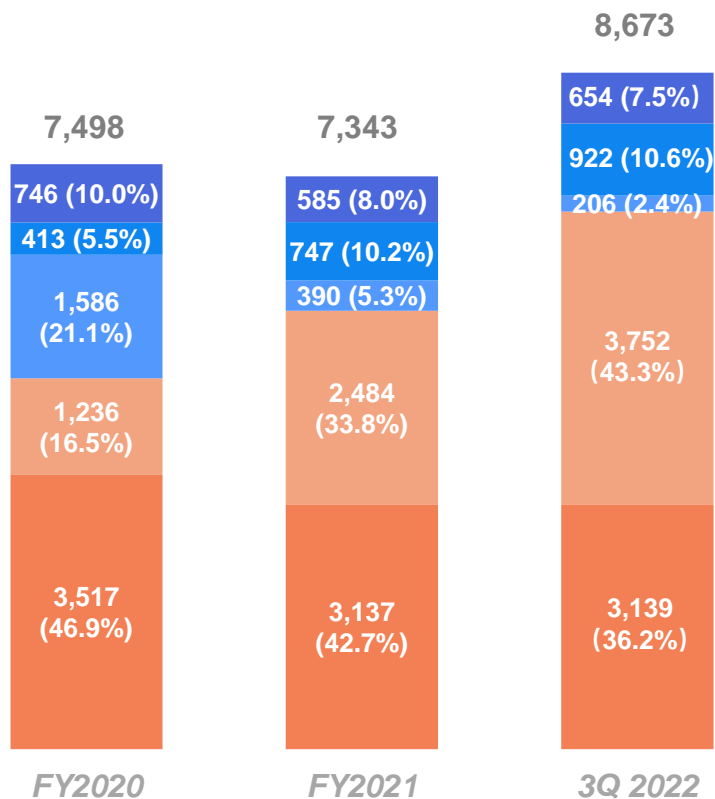
**Enhance profitability, boost operational efficiency and reduce costs**

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

# Outstanding Return on Equity Performance

## — Total Assets

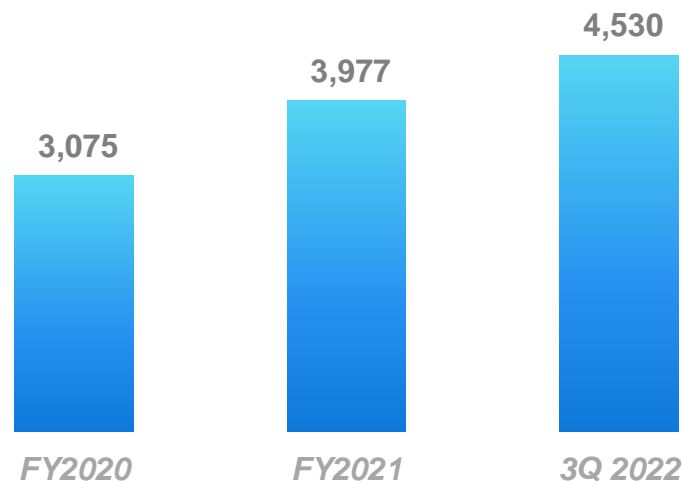
(RMBmn)



- Cash & Cash Equivalents
- Accounts Receivable & Contract Assets
- Loans 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 <i>(in RMB1,000)</i>	As of 9/30/2022 <i>(in RMB1,000)</i> <i>(in USD1,000)</i>	
Cash and cash equivalents	584,762	653,722	91,899
Accounts receivable and contract assets, net	747,480	922,239	129,646
Loans receivable from Xiaoying Credit Loans and Revolving Loans, net	2,484,073	3,751,936	527,439
Loans at fair value	389,679	205,646	28,909
<b>Total assets</b>	<b>7,342,737</b>	<b>8,672,917</b>	<b>1,219,221</b>
Payable to investors at fair value	462,714	250,635	35,234
Payable to institutional funding partners	1,487,379	2,509,891	352,835
Short-term borrowings	166,500	90,209	12,681
Income tax payable	117,148	248,859	34,984
<b>Total liabilities</b>	<b>3,365,841</b>	<b>4,142,678</b>	<b>582,369</b>
<b>Total X Financial shareholders' equity</b>	<b>3,976,896</b>	<b>4,530,239</b>	<b>636,852</b>
Non-controlling interests	-	-	-
<b>Total equity</b>	<b>3,976,896</b>	<b>4,530,239</b>	<b>636,852</b>

Source: Company financial statements

# Consolidated Income Statement

	3Q 2021	3Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
<b>Net revenues</b>			
Loan facilitation service	670,885	501,972	70,566
Post-origination service	88,420	96,026	13,499
Financing income	172,349	251,607	35,370
Other revenue	32,697	45,012	6,328
<b>Total net revenue</b>	<b>964,351</b>	<b>894,617</b>	<b>125,763</b>
<b>Operating costs and expenses</b>			
Origination and servicing	483,833	540,451	75,975
General and administrative	39,081	42,590	5,987
Sales and marketing	5,440	3,726	524
(Reversal of) provision for accounts receivable and contract assets	15,237	(4,385)	(616)
Provision for loans receivable	10,199	17,216	2,420
(Reversal of) provision for credit losses on deposits to institutional cooperators	392	(5,407)	(760)
Reversal of provision for credit losses for other financial assets	(382)	-	-
<b>Total operating costs and expenses</b>	<b>553,800</b>	<b>594,191</b>	<b>83,530</b>
<b>Income from operations</b>	<b>410,551</b>	<b>300,426</b>	<b>42,233</b>
Interest income, net	6,382	643	90
Foreign exchange loss	(954)	(13,991)	(1,967)
Impairment losses on financial investments	-	(8,875)	(1,248)
Income from financial investments	-	1,823	256
Fair value adjustments related to Consolidated Trusts	7,570	(4,886)	(687)
Change in fair value of financial guarantee derivative	(48,042)	21,649	3,043
Other income, net	9,644	6,106	858
<b>Income before income taxes and gain (loss) from equity in affiliates</b>	<b>385,151</b>	<b>302,895</b>	<b>42,578</b>
Income tax expense	(119,458)	(91,104)	(12,807)
Gain (loss) from equity in affiliates, net of tax	1,548	(67)	(9)
<b>Net income</b>	<b>267,241</b>	<b>211,724</b>	<b>29,762</b>
<b>Net income attributable to X Financial shareholders</b>	<b>267,241</b>	<b>211,724</b>	<b>29,762</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, 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, 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

	3Q 2021	3Q 2022	
	(in RMB1,000)	(in RMB1,000)	(in USD1,000)
Reconciliation of Adjusted Net Income from Net Income			
GAAP net income	267,241	211,724	29,762
Less: Impairment losses on financial investments (net of tax of nil)	-	(8,875)	(1,248)
Less: Income from financial investments (net of tax of nil)	-	1,823	256
Add: Share-based compensation expenses (net of tax of nil)	9,719	12,349	1,736
Non-GAAP adjusted net income	276,960	231,125	32,490

	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