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## Investor Presentation

May 2018

触手可及的金融

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## Mission

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We leverage **innovative technology** to deliver the most **accessible** and **convenient** financial services

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# #1 online consumer finance marketplace in China

**Marketplace business model**  
Driving scalability in the long run

**11-year operating history**  
Consistent strategy and continuous innovation

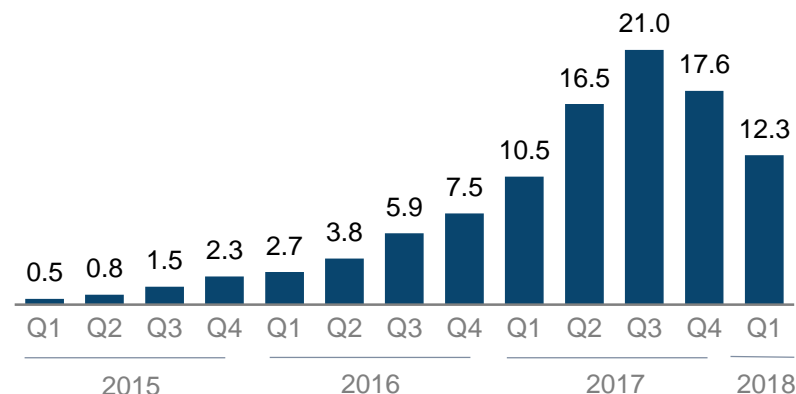
**Technology driven**  
99% of loans processed automatically<sup>(1)</sup>

**Large user base**  
71mn registered users<sup>(2)</sup>/11.3mn borrowers<sup>(3)</sup>

**Consistent growth**  
17% y-o-y loan volume growth<sup>(4)</sup>

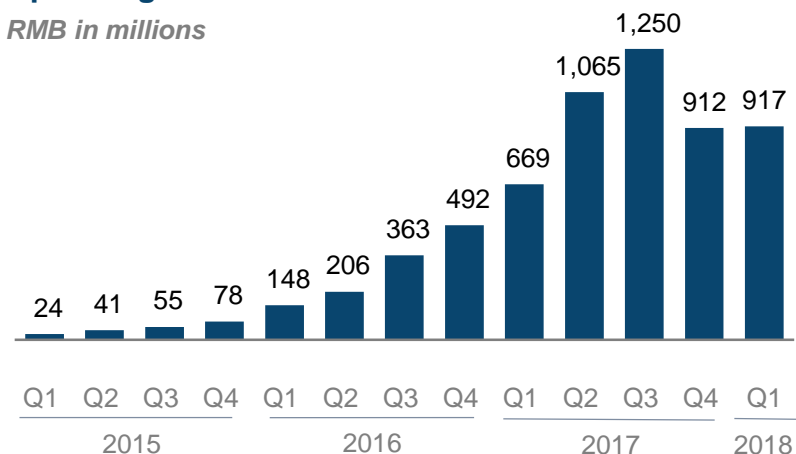
## Loan origination volume

RMB in billions



## Operating revenues

RMB in millions



Note: Rank No.1 among China's online consumer finance marketplaces in terms of number of borrowers as of December 31, 2016 and June 30, 2017.

(1) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended March 31, 2018.

(2) As of March 31, 2018.

(3) On a cumulative basis, as of March 31, 2018.

(4) Total origination amount of loans facilitated through our marketplace was RMB12.3bn in the three months ended March 31, 2018, 17% growth from RMB10.5bn in the three months ended March 31, 2017.

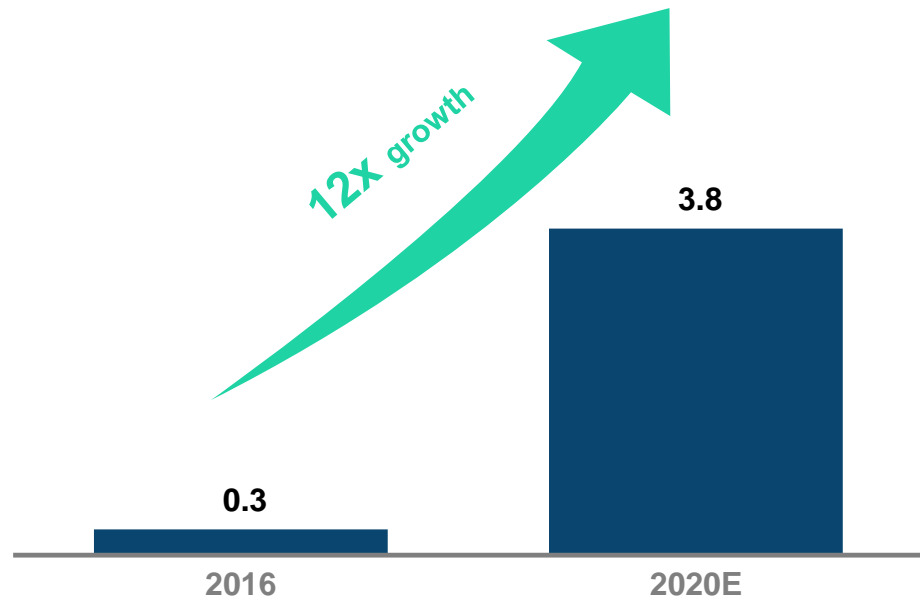
# Massive and fast-growing online consumer finance market

**Over  
440mn<sup>(1)</sup>**

people under  
served by the  
banking system



**China online consumer finance market outstanding balance**  
*RMB in trillions*



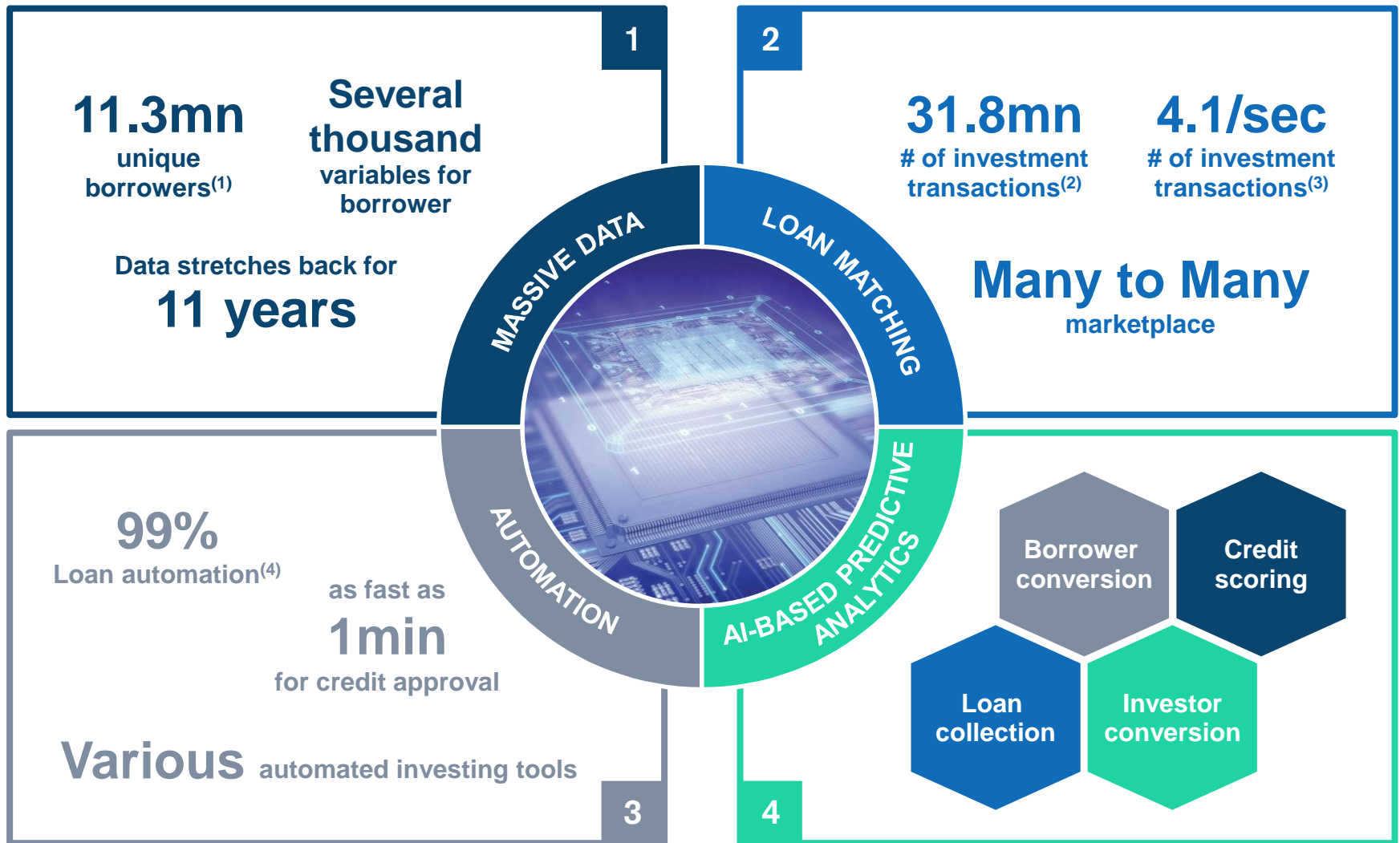
Sources: iResearch. Scale is approximate only.

(1) According to iResearch's estimation, at the end of 2016, China had a population of 850 million between ages of 18 and 60 while only 410 million people has credit history. Number is estimated based on difference between China's population between the age of 18 to 60 at the end of 2016 and China's population who have credit history at the end of 2016.

# Virtuous business model amplified by network effects



# Automation powered by big data and proprietary technologies



(1) On a cumulative basis, data as of March 31, 2018.

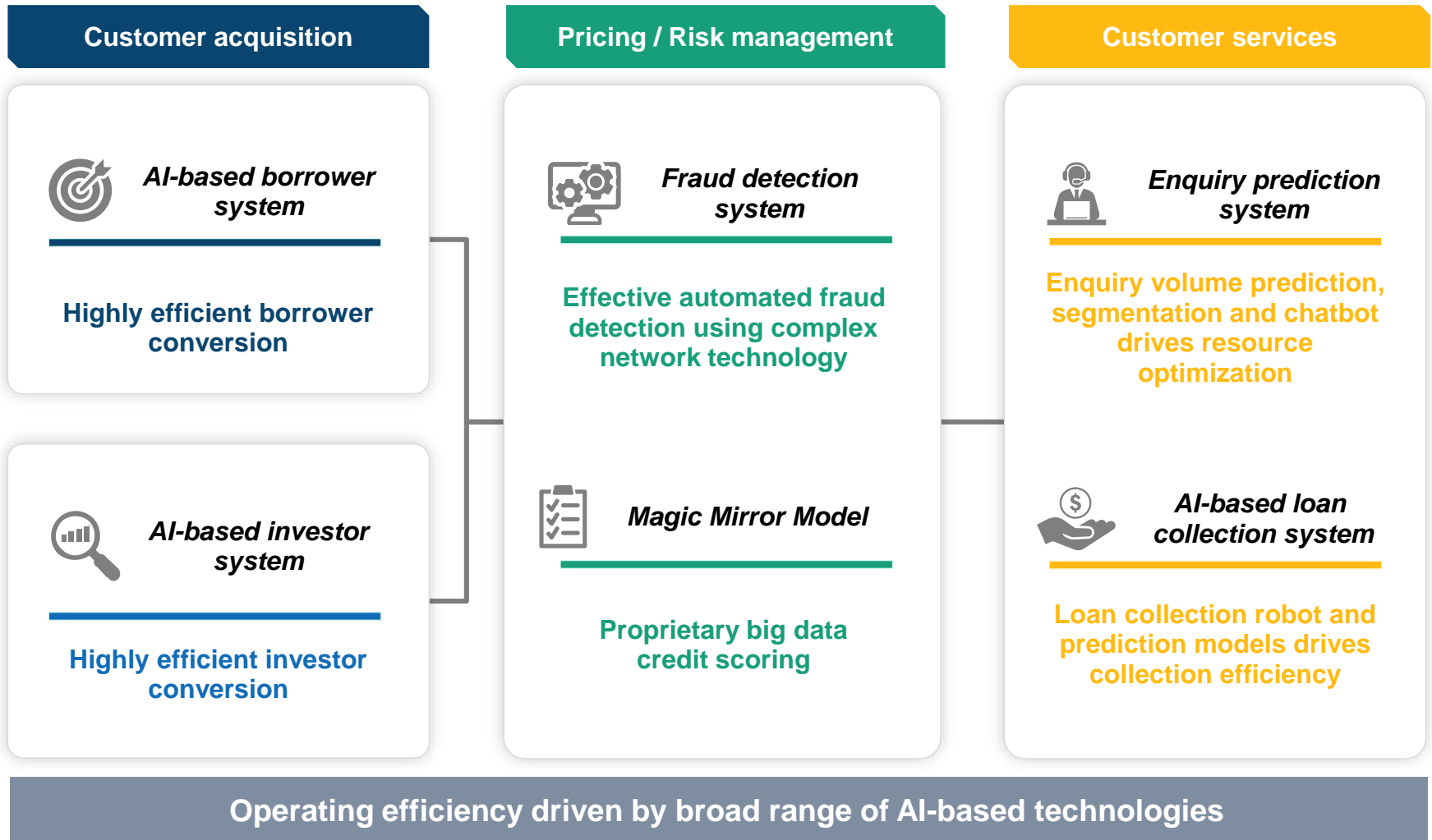
(2) Data for the three months ended March 31, 2018.

(3) Data for the three months ended March 31, 2018. Calculated by: (i) number of investment transactions, divided by (ii) number of seconds during the period.

(4) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended March 31, 2018.



# Advanced technologies drive all aspects of the business





# Our borrowers and investors

## Borrower profile



**20-40**  
Average borrower age

**RMB3,066**  
Average principal amount<sup>(2)</sup>



**9.3 months**  
Average loan tenure<sup>(2)</sup>

## Investor profile

**582K**  
Individual investors<sup>(1)</sup>



**RMB65,504**  
Average investment amount<sup>(3)</sup>

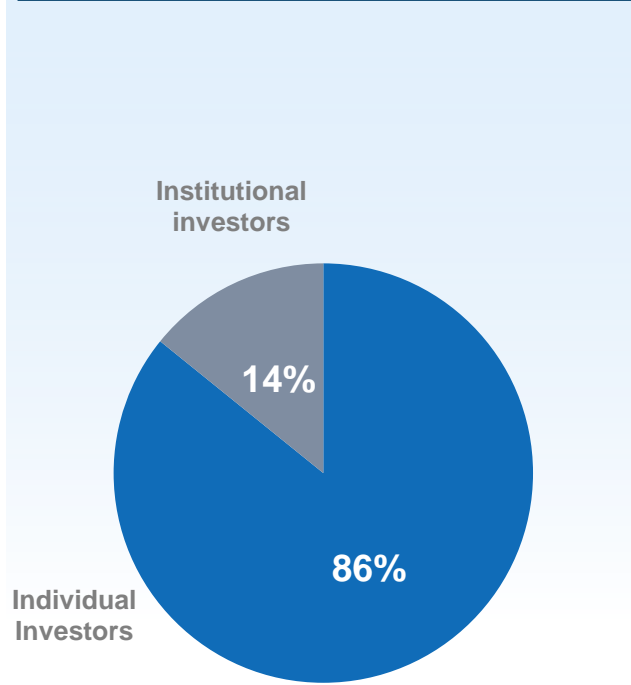
**Strong**  
Investor traction/loyalty



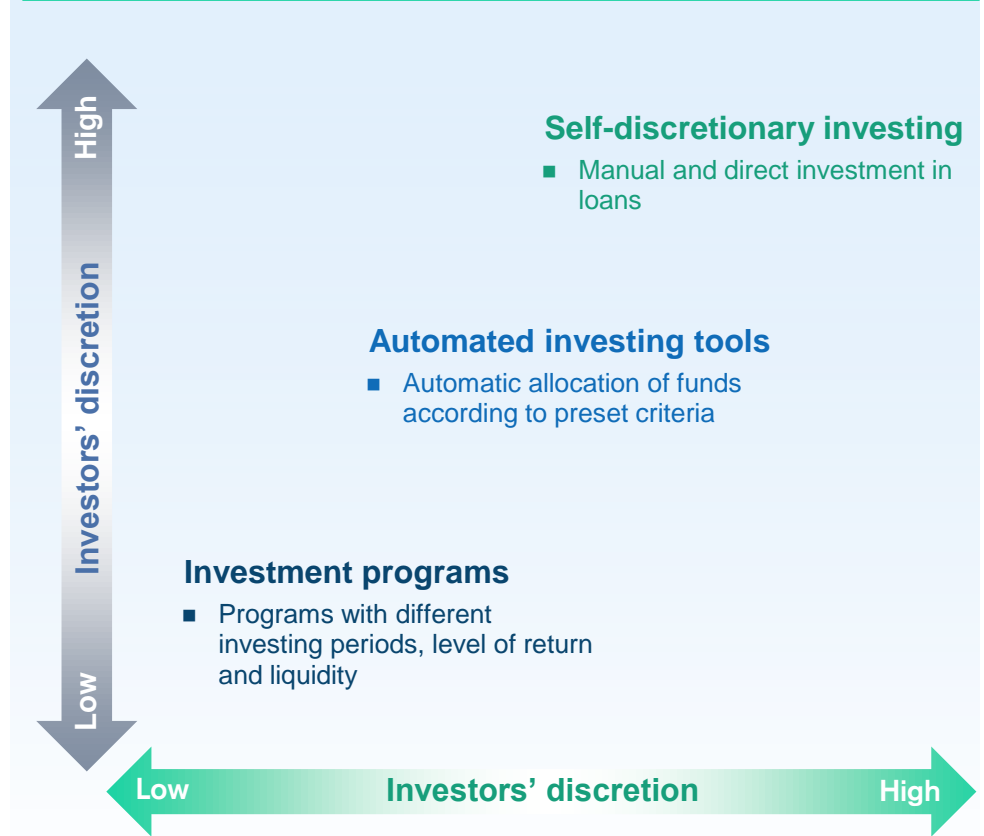
- (1) On a cumulative basis, as of March 31, 2018.  
(2) Calculated based on loans originated on our marketplace in the three months ended March 31, 2018.  
(3) Investment amount per individual investor, who has made at least one investment, in the three months ended March 31, 2018.

# Diversified funding sources and investment methods

## Outstanding balance<sup>(1)</sup> breakdown

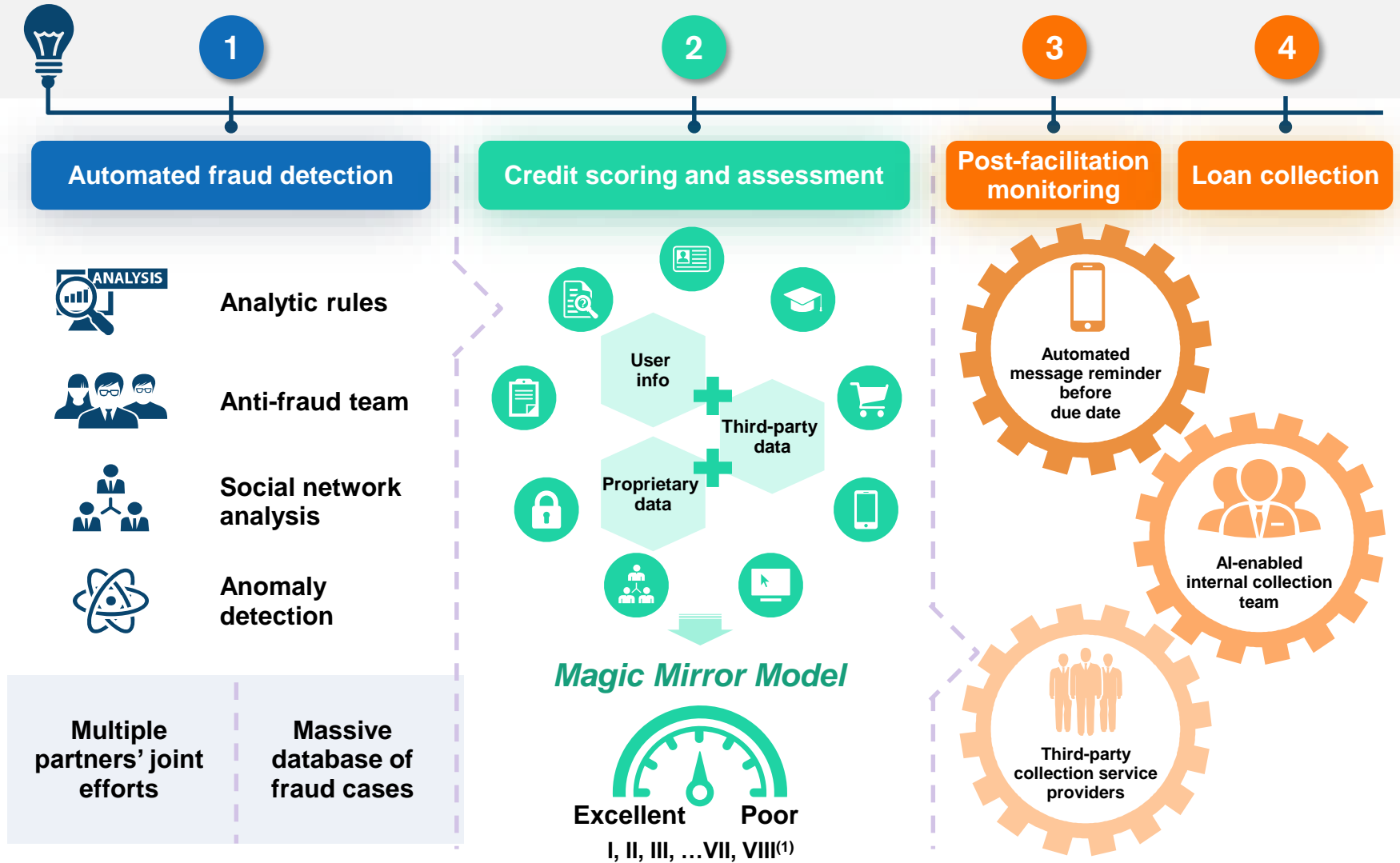


## Flexible investment methods



(1) Data as of December 31, 2017.

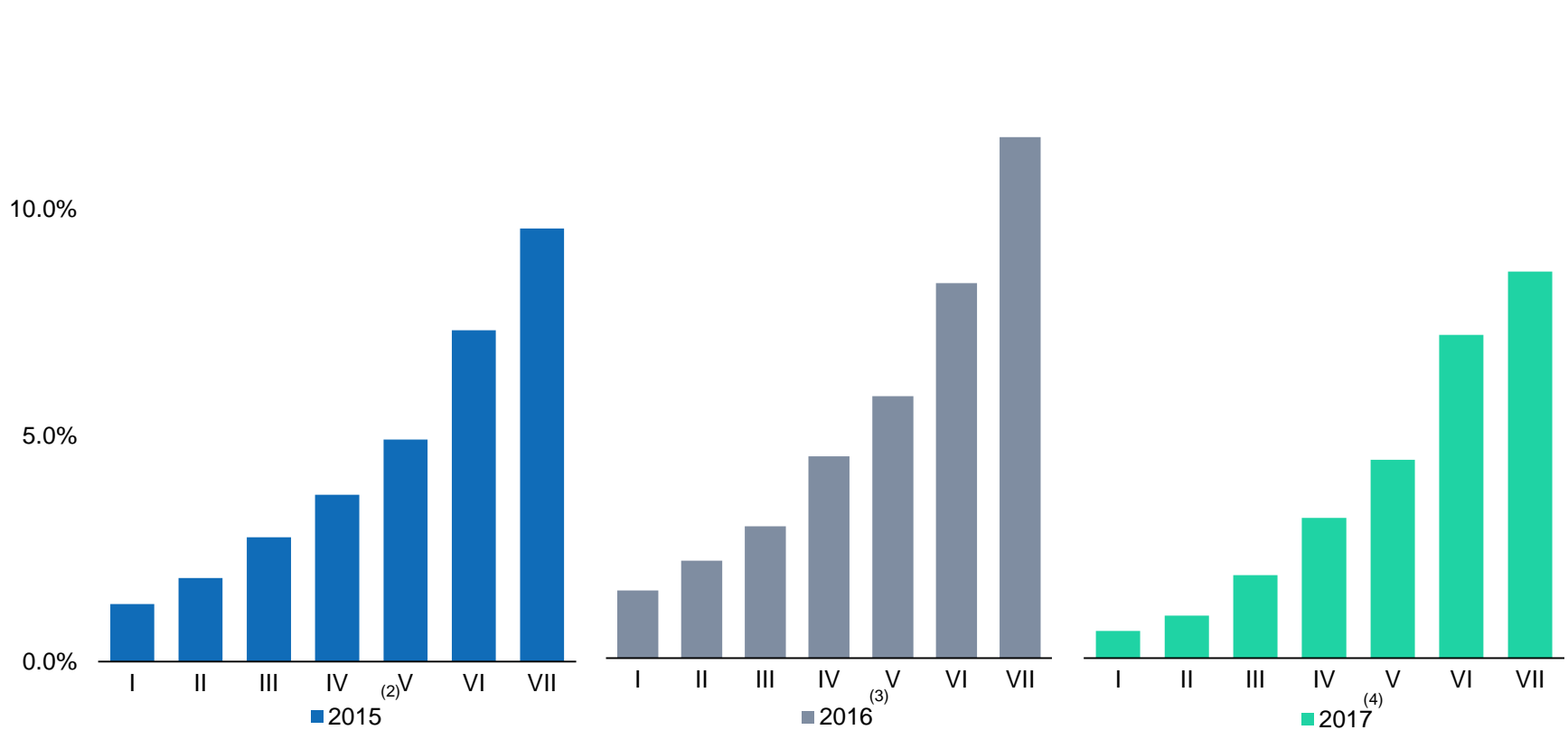
# Sophisticated risk management technologies and capabilities



(1) Loan applicants with credit rating of VIII will be rejected.

# Strong and consistent risk-sloping capability by credit rating

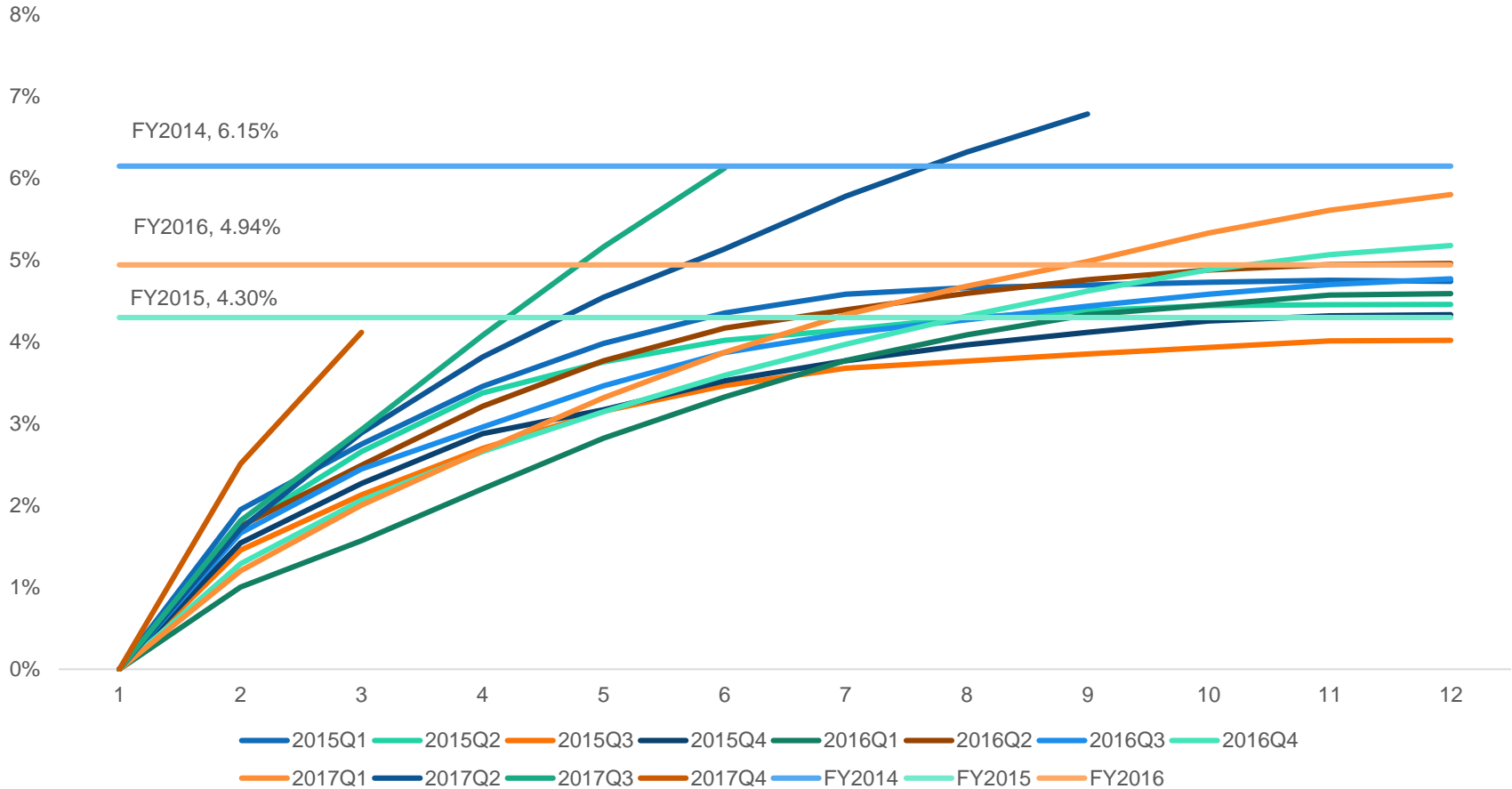
Vintage delinquency rate by credit rating<sup>(1)</sup>



(1) Credit rating refers to Magic Mirror scores, with Level I representing the lowest risk and Level VIII the highest, Level VIII loan applicants will be rejected.  
 (2) Vintage delinquency rate for loans facilitated during 2015 is calculated as the volume weighed average of the quarterly vintage delinquency rates at the end of the 12th month following the inception of each loan in an applicable vintage.  
 (3) Vintage delinquency rate for loans facilitated during 2016 is calculated as the volume weighed average of the quarterly vintage delinquency rates at the end of the 12th month following the inception of each loan in an applicable vintage.  
 (4) Represents vintage delinquency rate for loans facilitated during 2017 as of December 31, 2017.

# Cumulative delinquency rates by vintage

Delinquency rate by vintage<sup>(1)</sup>



Note: Data as of March 31, 2018. Represents the historical cumulative 30-day plus past due delinquency rates by loan origination vintage for all continuing loan products.  
 (1) Vintage is defined as loans facilitated during a specified time period. Delinquency rate by vintage is defined as (i) the total amount of principal for all loans in a vintage that become delinquent, less (ii) the total amount of recovered past due principal for all loans in the same vintage, and divided by (iii) the total amount of initial principal for all loans in such vintage.

# Delinquency rate by balance<sup>(1)</sup>

	Delinquent for			
	15–29 days	30–59 days	60–89 days	90–179 days
March 31, 2015	0.79%	1.75%	1.10%	2.56%
June 30, 2015	0.88%	1.06%	0.67%	2.10%
September 30, 2015	0.67%	0.89%	0.61%	1.33%
December 31, 2015	0.80%	0.93%	0.51%	1.20%
March 31, 2016	0.62%	0.93%	0.72%	1.41%
June 30, 2016	0.82%	1.01%	0.63%	1.34%
September 30, 2016	0.83%	1.11%	0.80%	1.50%
December 31, 2016	0.63%	0.91%	0.75%	2.04%
March 31, 2017	0.57%	0.95%	0.79%	1.64%
June 30, 2017	0.86%	1.11%	0.79%	1.58%
September 30, 2017	0.89%	1.40%	1.15%	2.41%
December 31, 2017	2.27%	2.21%	1.72%	4.19%
March 31, 2018	0.87%	2.11%	2.43%	8.01%

(1) Delinquency rate by balance is defined as the balance of outstanding principal for loans that were 15-29, 30-59, 60-89, 90-179 calendar days past due as of the date indicated as a percentage of the total outstanding principal for loans, excluding those at 180+ days delinquent, as of the same date.

# Visionary and experienced management team



**ZHANG Jun**  
Co-founder  
Chief Executive Officer

■ Industry experience: 18 years



■ Education:  
- Shanghai Jiao Tong University



**HU Honghui**  
Co-founder  
President

■ Industry experience: 18 years



■ Education:  
- Shanghai Jiao Tong University  
- Fudan University



**LI Tiezheng**  
Co-founder  
Chief Strategy Officer

■ Industry experience: 13 years



■ Education:  
- Shanghai Jiao Tong University  
- China Europe International Business School



**GU Shaofeng**  
Co-founder  
Strategy advisor

■ Industry experience: 18 years



■ Education:  
- Shanghai Jiao Tong University



**HO Simon**  
Chief  
Financial Officer

■ Industry experience:  
22 years



■ Education:  
- Northwestern University



**ZHANG Feng**  
Chief  
Operating Officer

■ Industry experience:  
15 years



■ Education:  
- Tsinghua University  
- Duke University



**GU Ming**  
Chief Risk Officer  
and Chief Data  
Officer

■ Industry experience:  
9 years



■ Education  
- Grinnell College  
- California Institute of Technology



**SI Jinqi**  
Chief  
Technology  
Officer

■ Industry experience:  
15 years



■ Education:  
- Lanzhou University



**WANG Yuxiang**  
Chief Product  
Officer

■ Industry experience:  
17 years



■ Education:  
- Fudan University



# Strategies for growth

## Broaden user base



Expand loan products



Expand investment options



Strengthen brand recognition

## Improve operating efficiency

Leverage AI capabilities to...



Optimize sales and marketing efforts



Improve customer service



Enhance loan collection

## Expand into new businesses



Diversify wealth management solutions

Explore M&A opportunities



Technologies as a service to third party financial service providers



# Financials

# Financial highlights

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**Solid growth in borrower base and loan volume**

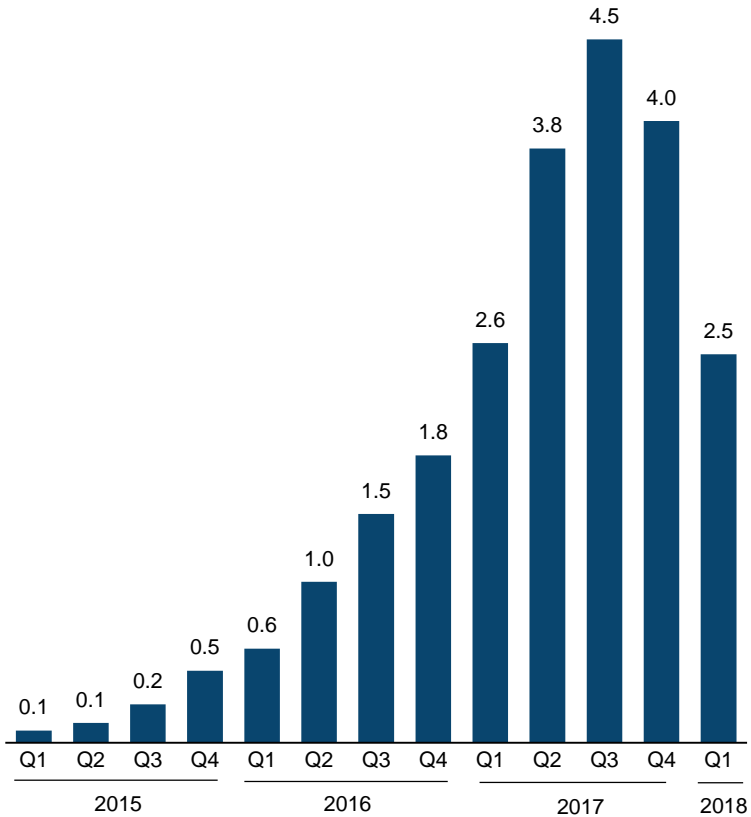


**High operating leverage driving profitability**

# Solid borrower growth fuels transactions and loan volume

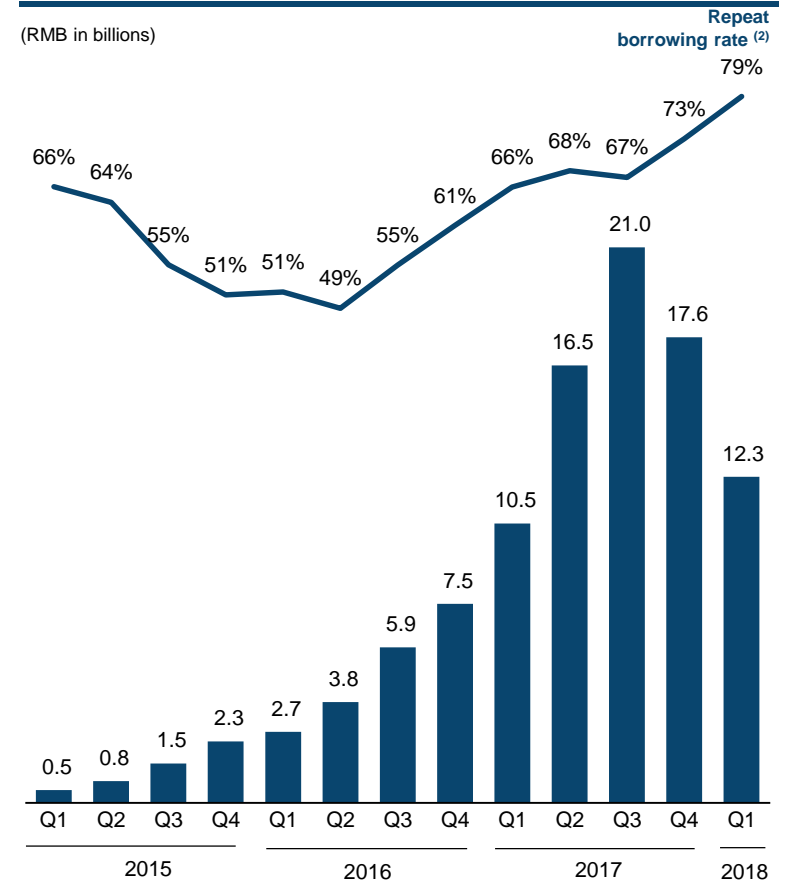
## Number of unique borrowers<sup>(1)</sup>

(Millions)



## Loan origination volume

(RMB in billions)

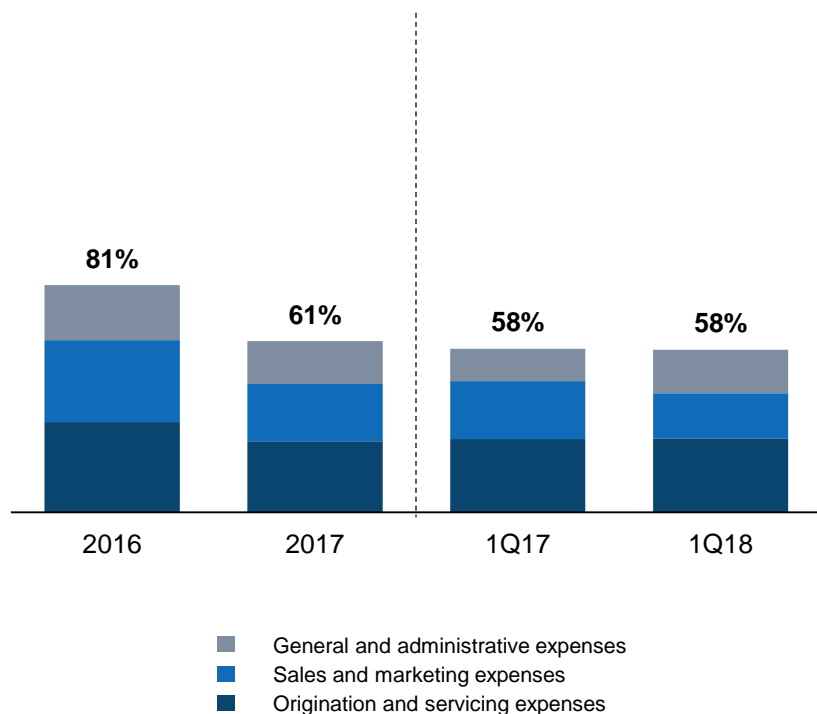


(1) Represents number of borrowers whose loans were funded during each period presented.

(2) % of loan volume generated by repeat borrowers. Repeat borrowers are borrowers who have successfully borrowed on our platform before.

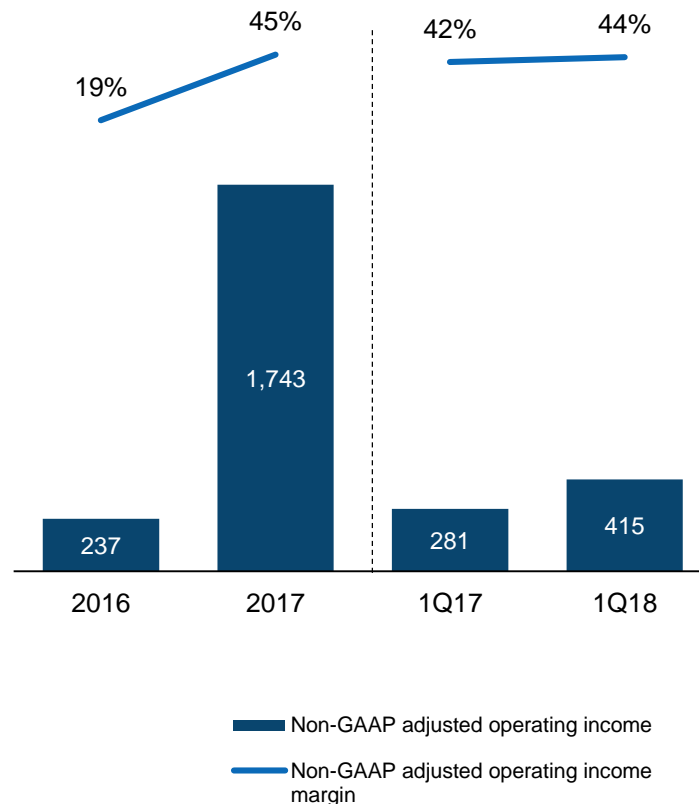
# High operating leverage driving profitability

## Operating expenses as percentage of net revenue



## Non-GAAP adjusted operating income<sup>(1)</sup>

(RMB in millions)



(1) Non GAAP adjusted operating income for FY2017, which excludes share-based compensation expenses of RMB106.2 and a one time provision of RMB107.7 for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds. Non GAAP adjusted operating income for 1Q 2018 which excludes share-based compensation expenses of RMB14.7 million.

# #1 online consumer finance marketplace in China



## Leading independent platform

- ✓ 71mn registered users<sup>(1)</sup>, 11.3 mn borrowers<sup>(2)</sup>
- ✓ Data and technology driven platform
- ✓ 11-year operating history with a strong brand and trust

## Sustainable and compliant business

- ✓ Low-cost and competitive customer acquisition
- ✓ Diversified and loyal investor base
- ✓ Highly effective risk management

## Huge market opportunity

- ✓ Huge underserved population of 440mn
- ✓ Track record of rapid and consistent growth
- ✓ Well positioned to expand into new markets

Note: Rank No.1 among China's online consumer finance marketplaces in terms of number of borrowers as of December 31, 2016 and June 30, 2017.

(1) As of March 31, 2018.

(2) On a cumulative basis, as of March 31, 2018.



# Appendix



# Income statement summary

RMB million	FY2016	FY2017	1Q2017	1Q2018
<b>Operating revenues</b>	<b>1,209</b>	<b>3,895</b>	<b>669</b>	<b>917</b>
Loan facilitation service fees	911	2,843	505	621
Post-facilitation service fees	127	669	85	227
Other revenue	170	491	78	69
Expected discretionary payment to IRF investors	-	(108)	-	-
<b>Net revenues</b>	<b>1,216</b>	<b>3,881</b>	<b>669</b>	<b>944</b>
<i>% YoY growth</i>	521%	219%	-	41%
<b>Operating expenses</b>	(979)	(2,351)	(388)	(544)
Origination and servicing expenses	(388)	(974)	(173)	(247)
Sales and marketing expenses	(353)	(788)	(137)	(151)
General and administrative expenses	(238)	(589)	(77)	(146)
<b>Operating income<sup>(1)</sup></b>	<b>237</b>	<b>1,529</b>	<b>281</b>	<b>400</b>
<i>Operating income margin<sup>(2)</sup></i>	19%	39%	42%	42%
Other income <sup>(3)</sup>	313	(172)	209	132
Profit/(Loss) before income tax expenses	550	1,358	490	532
<b>Net income/(loss)</b>	<b>501</b>	<b>1,083</b>	<b>417</b>	<b>438</b>
<i>Net income/(loss) margin<sup>(4)</sup></i>	41%	30%	62%	46%

(1) Operating income = net revenues – total operating expenses.

(2) Operating income margin = (net revenues – operating expenses) divided by net revenues

(3) Other income includes (i) Gain from quality assurance fund, (ii) Realized gain from financial guarantee derivatives, (iii) Fair value change of financial guarantee derivatives, (iv) Gain from disposal of a subsidiary, and (v) Other income/(expenses), net.

(4) Net income/(loss) divided by net revenues.

# Selected balance sheet items

RMB million	As of Dec 31, 2016	As of Dec 31, 2017	As of Mar 31, 2018
Cash and cash equivalents	405	1,891	1,476
Restricted cash:	803	2,393	2,564
<i>Quality assurance fund</i>	330	1,059	1,164
<i>Investor reserve fund</i>	52	175	130
<i>Cash received from investors or borrowers</i>	422	1,114	1,241
Short-term investments	260	1,959	2,262
Quality assurance fund receivable	287	1,153	1,325
Financial guarantee derivative	167	-	-
<b>Total assets</b>	<b>2,147</b>	<b>8,604</b>	<b>9,159</b>
Payable to platform customers	422	1,114	1,241
Quality assurance fund payable	474	2,063	2,281
Financial guarantee derivative	-	216	144
<b>Total liabilities</b>	<b>1,375</b>	<b>4,921</b>	<b>4,898</b>
Total mezzanine equity	1,211	-	-
<b>Total shareholders' equity</b>	<b>(438)</b>	<b>3,682</b>	<b>4,261</b>