

Q4 2018 Financial Results

14 March 2019

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Map chart

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Mission

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

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科技即未来
2019年中国金融科技百强企业



智慧金融研究院
SMART FINANCE INSTITUTE

#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⁽¹⁾



Large user base
89mn registered users⁽²⁾/14.4mn borrowers⁽³⁾



Consistent growth
Sequential operating revenues increase⁽⁴⁾

Loan origination volume

RMB in billions



Operating revenues

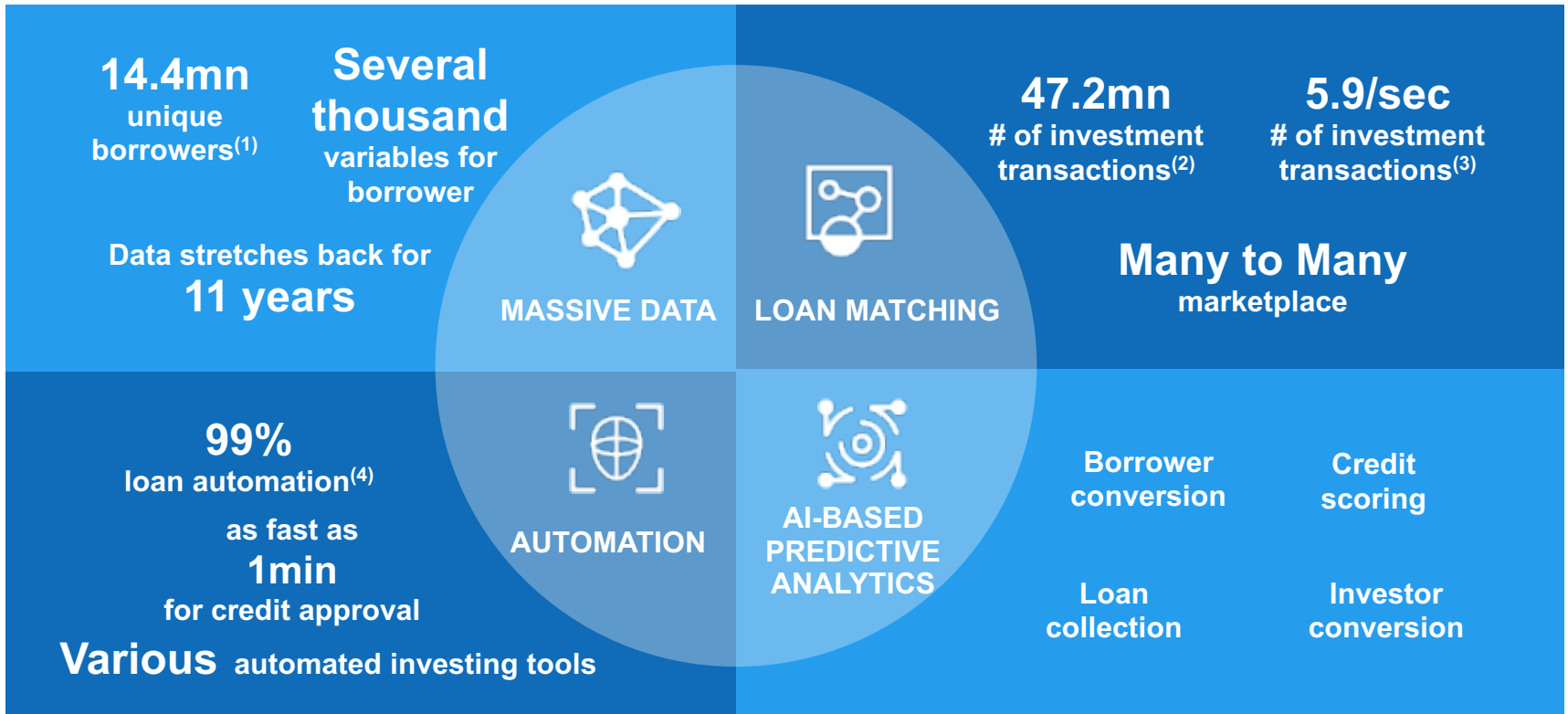
RMB in millions



Note:

- (1) 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.
- (2) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended December 31, 2018.
- (3) As of December 31, 2018.
- (4) On a cumulative basis, as of December 31, 2018.
- (5) Sequential operating revenues growth from Q4 2017 to Q4 2018.

Automation powered by big data and proprietary technologies

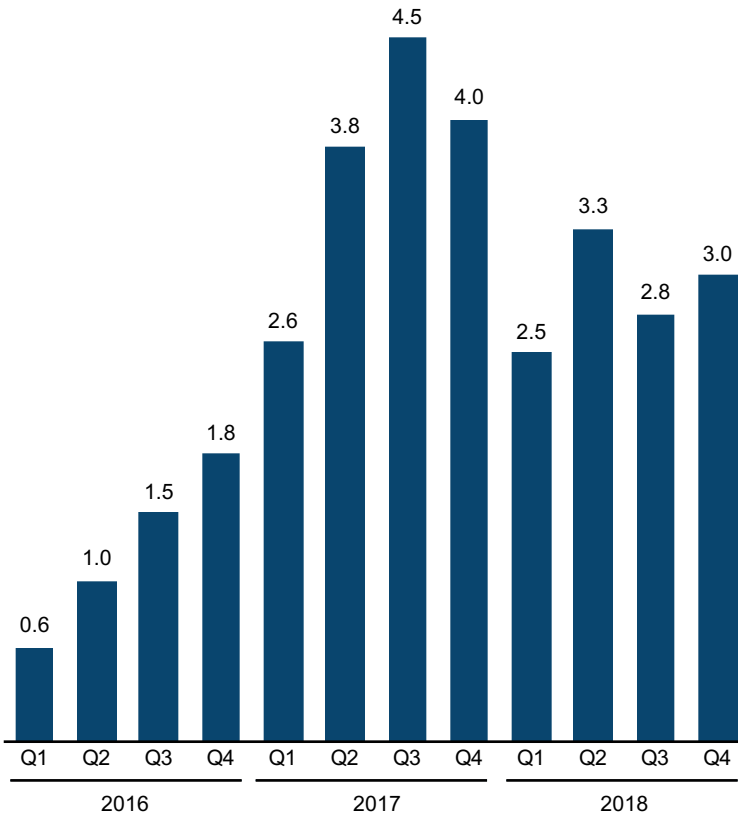


(1) On a cumulative basis, data as of December 31, 2018.
 (2) Data for the three months ended December 31, 2018.
 (3) Data for the three months ended December 31, 2018. Calculated by: (i) number of investment transactions, divided by (ii) number of seconds during the period.
 (4) Represents the % of loan applications on the marketplace that go through the automated process. Data for the three months ended December 31, 2018.

Borrowers fuel our loan origination volume

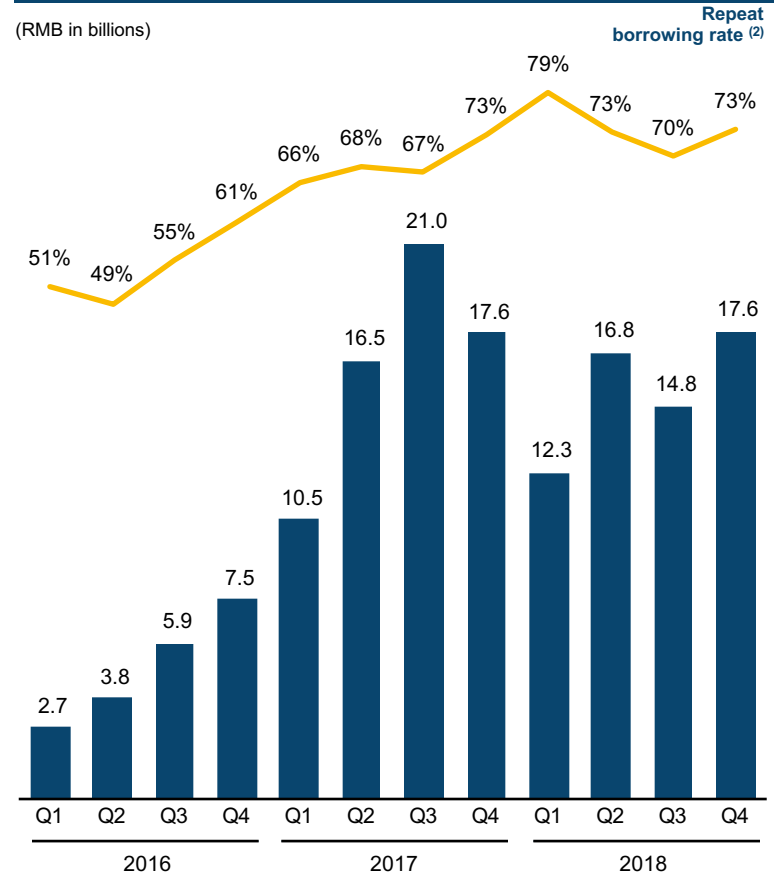
Number of unique borrowers⁽¹⁾

(Millions)



Loan origination volume

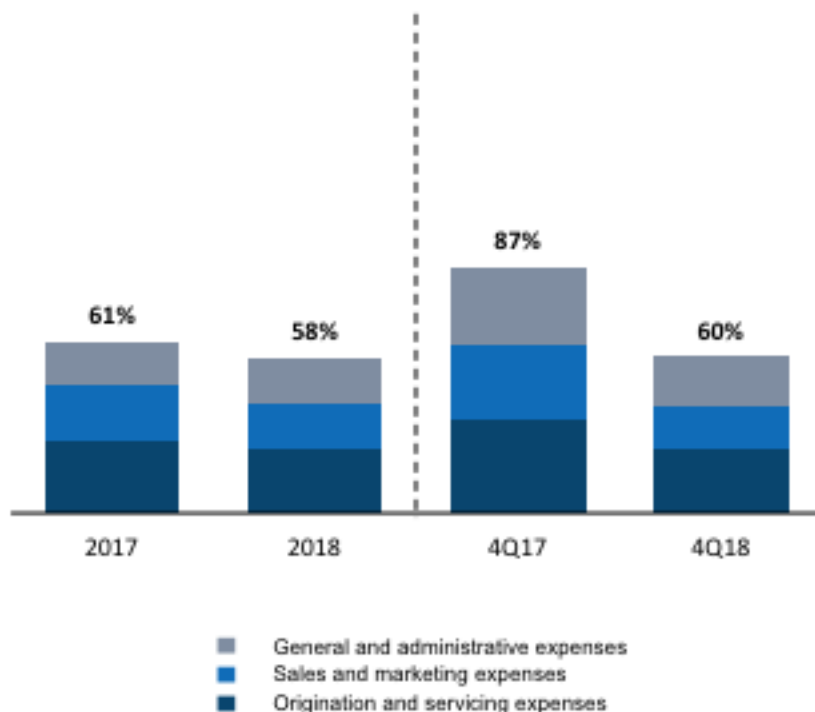
(RMB in billions)



(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.

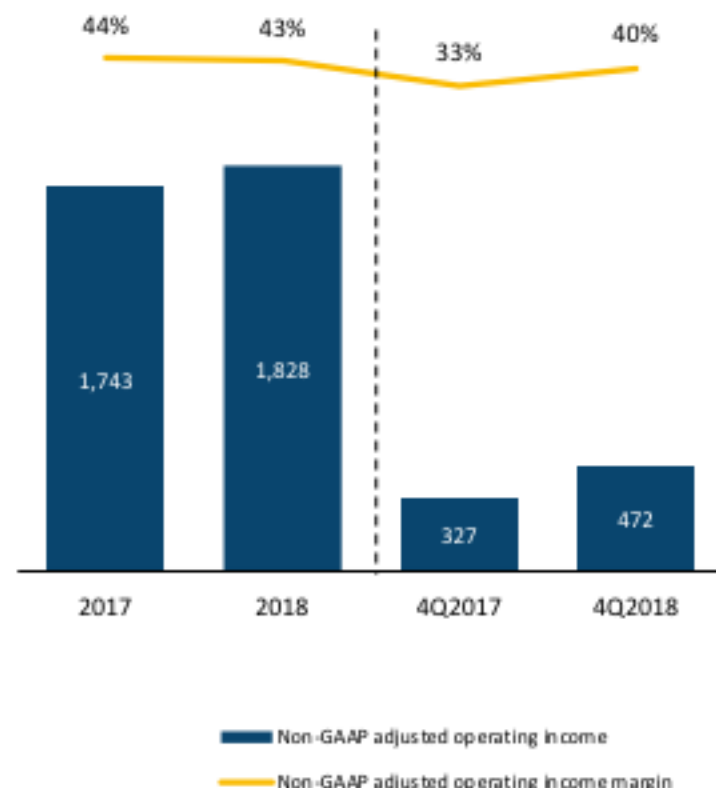
High operating leverage driving profitability

Operating expenses as percentage of net revenue



Non-GAAP adjusted operating income⁽¹⁾

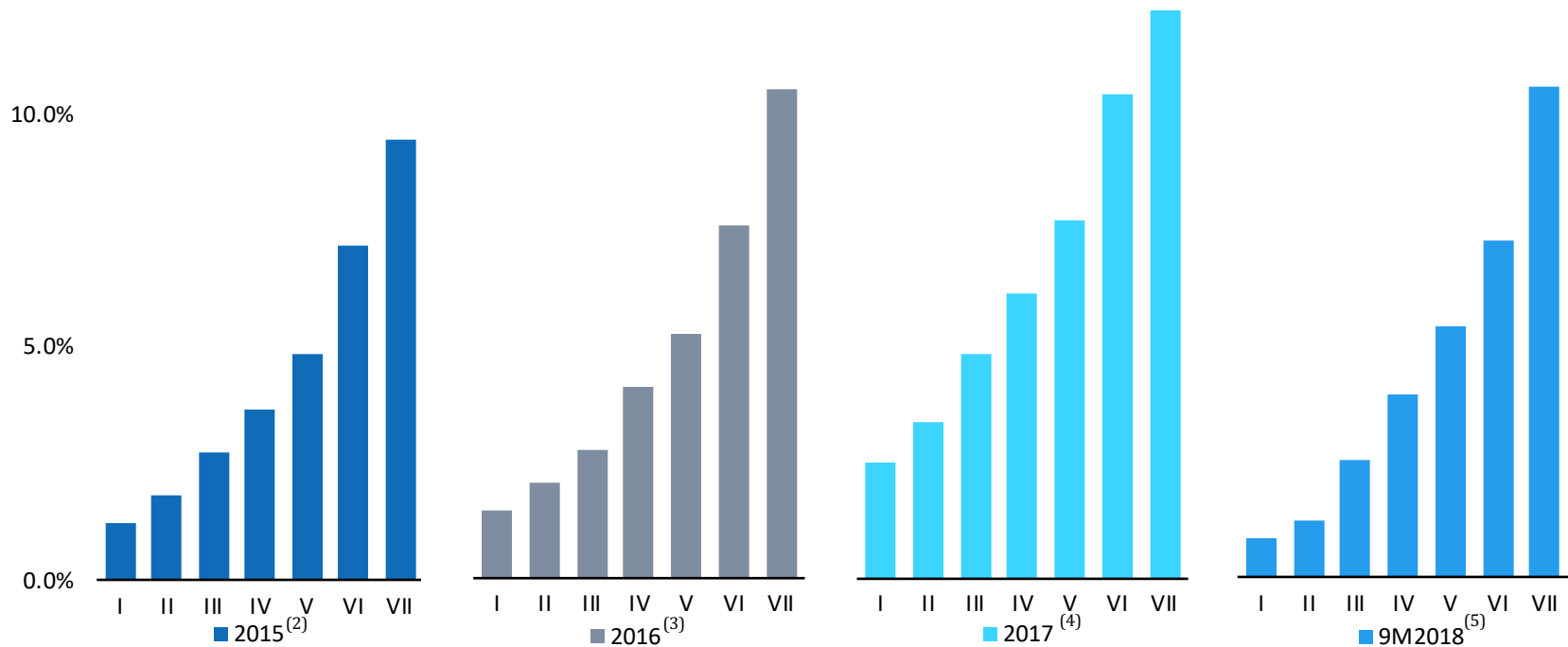
(RMB in millions)



(1) Non-GAAP adjusted operating income for FY2017, which excludes share-based compensation expenses of RMB106.2 million and a provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds.
 Non-GAAP adjusted operating income for FY2018, which excludes share-based compensation expenses of RMB50.3 million and a write-back of provision of RMB68.6 million for expected discretionary payments to investors in investment programs protected by the Company's investor reserve funds.
 Non-GAAP adjusted operating income for Q4 2017, which excludes share-based compensation expenses of RMB106.2 million and a provision of RMB107.7 million for expected discretionary payments to investors in investment programs protected by the investor reserve funds.
 Non-GAAP adjusted operating income for Q4 2018, which excludes share-based compensation expenses of RMB9.6 million and a write back provision of RMB24.0 million for expected discretionary payments to investors in investment programs protected by the investor reserve funds.

Strong and consistent risk-sloping capability by credit rating

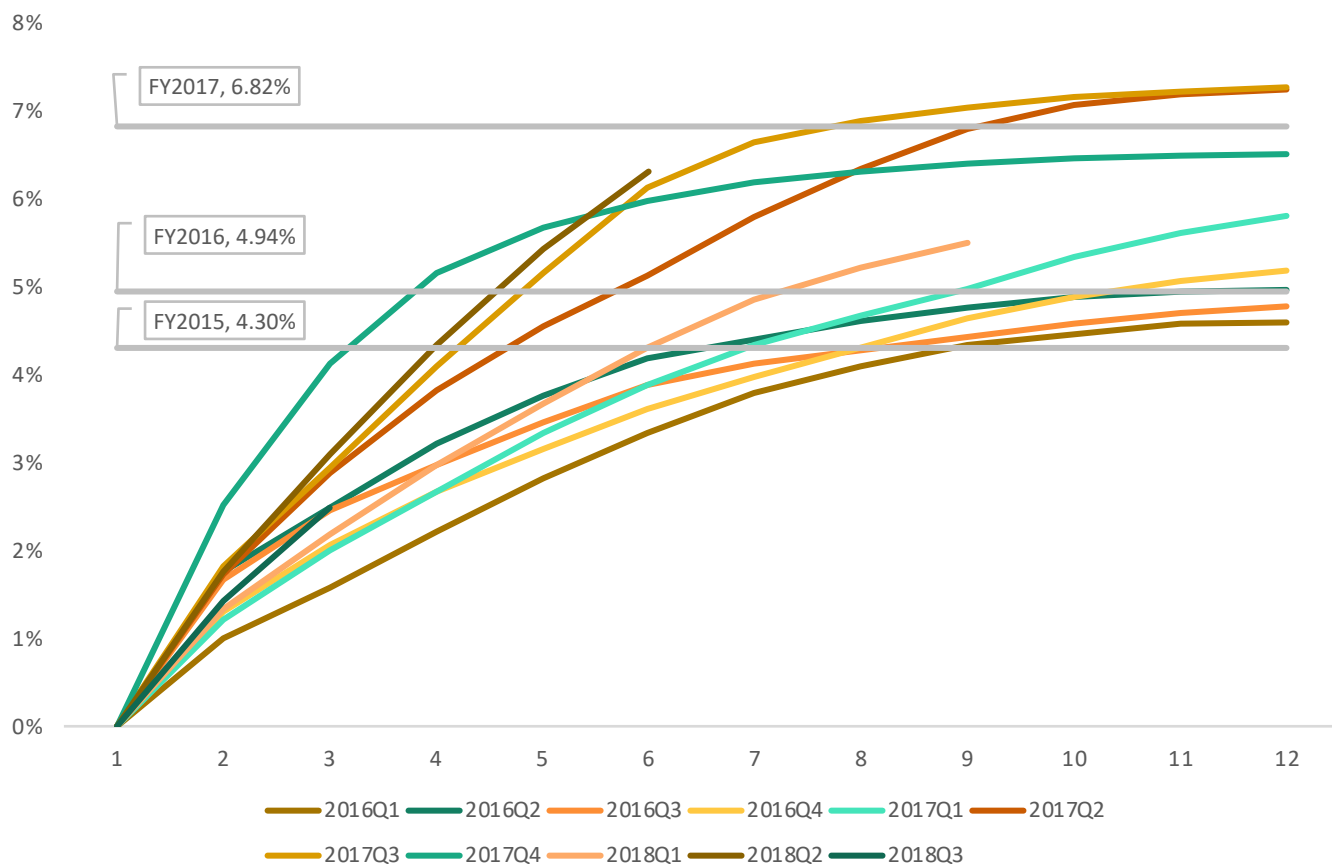
Vintage delinquency rate by credit rating⁽¹⁾



(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 31,2018.
 (5) Represents vintage delinquency rate for loans facilitated during 9M2018 as of December 31,2018.

Cumulative delinquency rates by vintage

Delinquency rate by vintage⁽¹⁾



Note: Data as of December 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 rates by balance⁽¹⁾

	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%
June 30, 2018	0.83%	1.21%	1.05%	4.61%
September 30, 2018	1.03%	1.77%	1.49%	3.37%
December 31, 2018	0.92%	1.63%	1.41%	4.23%

(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.

Financials



Income statement summary

RMB million	FY2016	FY2017	FY2018	4Q2017	4Q2018
Operating revenues	1,209	3,896	4,288	912	1,219
Loan facilitation service fees	911	2,843	2,919	620	837
Post-facilitation service fees	127	669	923	227	250
Other revenue	170	491	377	172	108
Expected discretionary payment to IRF investors	-	(108)	69	(108)	24
Net revenues	1,216	3,881	4,351	899	1,210
<i>% YoY growth</i>	521%	219%	12%	81%	35%
Operating expenses	(979)	(2,351)	(2,504)	(785)	(723)
Origination and servicing expenses	(388)	(975)	(986)	(296)	(278)
Sales and marketing expenses	(353)	(788)	(711)	(239)	(181)
General and administrative expenses	(238)	(589)	(701)	(250)	(212)
Operating income⁽¹⁾	237	1,529	1,847	114	487
<i>Operating income margin⁽²⁾</i>	19%	39%	42%	13%	40%
Other income ⁽³⁾	313	(172)	774	(695)	94
Profit before income tax expenses	550	1,358	2,621	(581)	581
Net profit	502	1,083	2,470	(507)	775
<i>Net profit margin⁽⁴⁾</i>	41%	28%	57%	(56%)	64%

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

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

(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 (v) Other income/(expenses), net.

(4) Net profit margin = Net profit divided by net revenues.

Selected balance sheet items

RMB million	As of Dec 31, 2016	As of Dec 31, 2017	As of Dec 31, 2018
Cash and cash equivalents	405	1,891	1,616
Restricted cash:	803	2,393	3,678
<i>Quality assurance fund</i>	330	1,059	2,414
<i>Investor reserve fund</i>	52	175	18
<i>Cash received from investors or borrowers</i>	422	1,114	905
Short-term investments	260	1,959	1,694
Quality assurance fund receivable	287	1,153	2,064
Loan receivable, net provision for loan losses	28	682	2,331
Financial guarantee derivative	167	-	56
Total assets	2,147	8,604	13,142
Payable to platform customers	422	1,114	905
Quality assurance fund payable	474	2,063	3,819
Funds payable to investors of consolidated trusts	30	503	1,506
Financial guarantee derivative	-	216	-
Total liabilities	1,375	4,921	7,157
Total shareholders' equity	(438)	3,682	5,986

Selected Statement of Cash Flow

RMB million	FY2017	FY2018	4Q2017	4Q2018
Net cash provided by operating activities	3,409	1,885	(28)	519
Net cash used in investing activities	(2,451)	(1,447)	(876)	(820)
Net cash generated in financing activities	2,133	530	1,702	441
Effect of exchange rate changes on cash and cash equivalents	(15)	42	(15)	(3)
Net increase/(decrease) in cash and cash equivalents	3,076	1,010	782	137
Cash and cash equivalent at beginning of year/period	1,208	4,284	3,501	5,157
Cash and cash equivalent at end of year/period	4,284	5,294	4,284	5,294