

LEXIN 乐信

# Investor Presentation

March 2020



01

**WHO  
WE ARE**



# Who We Are

— Leading Online Consumer Finance Platform For Educated Young Adults in China



# We Serve Educated Young Adults in China

## Our Differentiated Customer Cohort



Source: Company filings

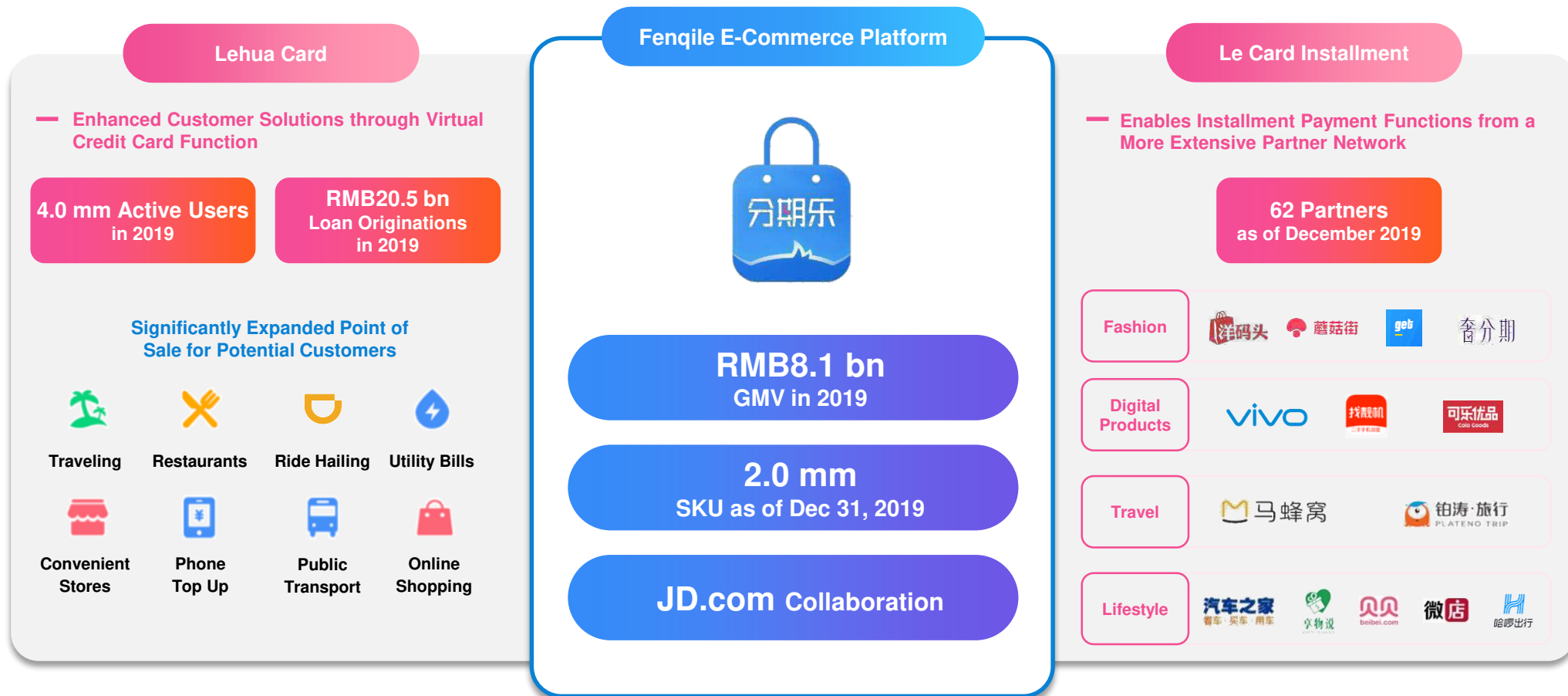
Note: Educated young adults refer to (i) students enrolled in college programs or associate degree programs in colleges, or college students, and (ii) working population with college or associate degrees and under the age of 36, or educated young professionals

<sup>1</sup> Represents the weighted average loan tenor for the loans originated in the fourth quarter of 2019

<sup>2</sup> Weighted average APR is weighted by loan origination amount for each loan originated in the fourth quarter of 2019

<sup>3</sup> Represents outstanding principal balance of on- and off-balance sheet loans that were 90 to 179 calendar days past due as a percentage of the total outstanding principal balance of on- and off-balance sheet loans on our platform as of December 31, 2019

# Our Unique and Competitive E-Commerce Platform



Source: Company filings

02

## RECENT DEVELOPMENT

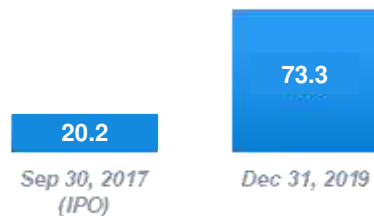


# A Track Record of Strong Execution Since IPO

## Enlarged User Base

### Registered Users

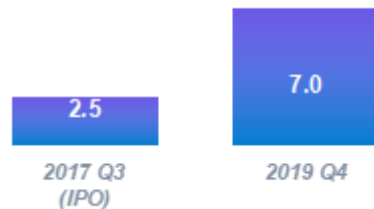
(mm)



## Effective User Acquisition

### Number of Active Customers

(mm)



## Increasing Loan Origination

### Total Outstanding Balance

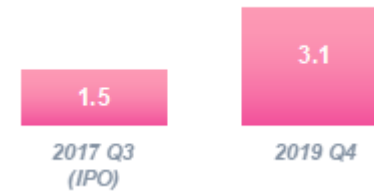
(RMB bn)



## Stronger Monetization Capabilities

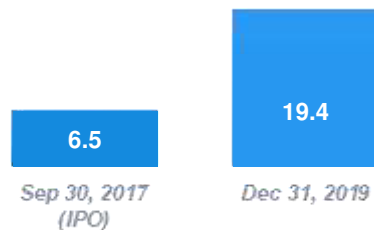
### Quarterly Operating Revenue

(RMB mm)



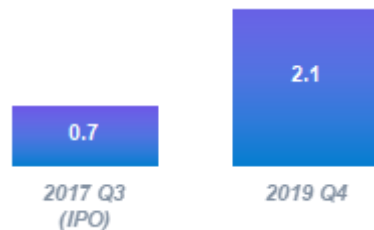
### Users with Credit Line

(mm)



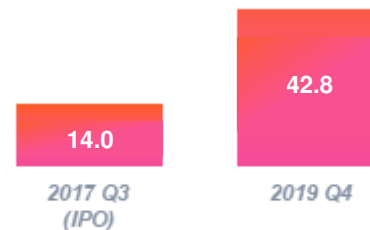
### Number of New Active Customers

(mm)



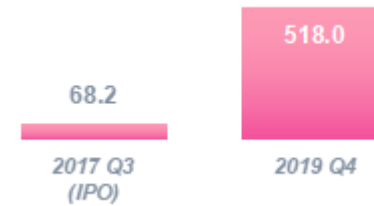
### Total Loan Origination

(RMB bn)



### Quarterly Net Income

(RMB mm)



Source: Company filings

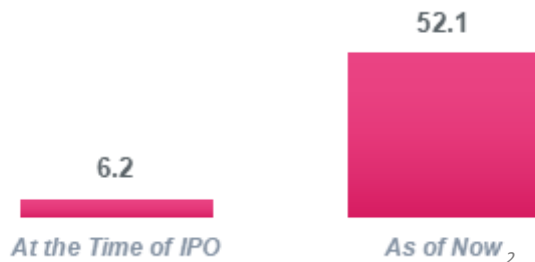
# More Diversified and Scalable Funding Sources

% of Total Loan Originations

100%

## Institutional Funding Outstanding Balance

(RMB bn)



% of Total Loan Originations

0%

## Individual Investors Outstanding Balance

(RMB bn)



### Increasing Institutional Funding Partners



中国工商银行  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA



中国银行  
BANK OF CHINA



招商银行  
CHINA MERCHANTS BANK



上海银行  
Bank of Shanghai



南京银行  
BANK OF NANJING



天津银行  
BANK OF TIANJIN

.....

30+ Funding Partners



100+ Funding Partners

Strategic Cooperation with 10+ National Banks



### More Ways For Individual Investors to Invest



桔子理财

Online Investment Platform



Trust Fund



Wealth Management Program

1. Represents cumulative number of individual investors who have invested on Juzi Lical as of Sep 30, 2017 and Sep 30, 2019

2. As of Dec 31, 2019



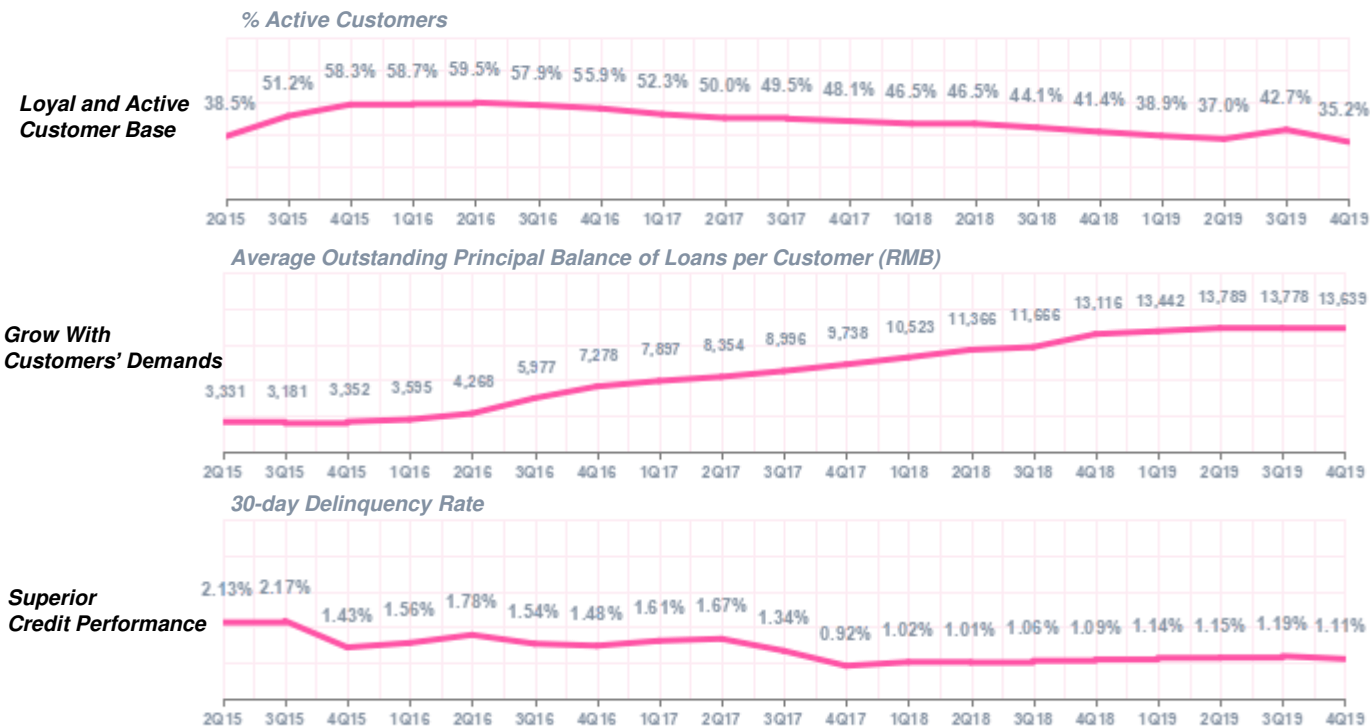
03

## INVESTMENT HIGHLIGHTS



# We Serve Educated Young Adults in China

## — Tracking the Same Customer Cohort Acquired In 1Q15<sup>1</sup>



Unique Insights into Current and Future Consumption Needs



Strong Understanding of Credit Profiles and Behaviors

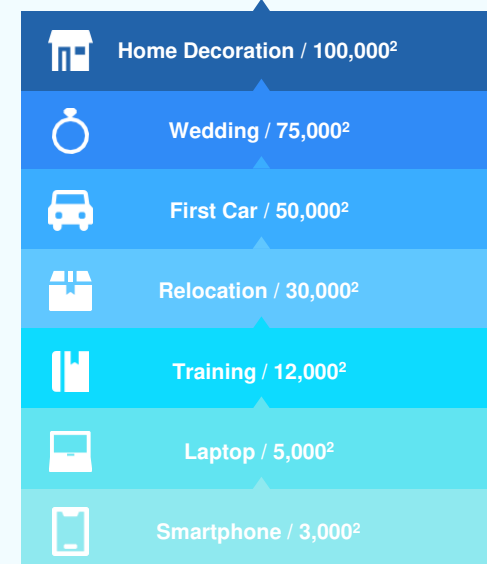


Targeted Offerings, Larger Credit Lines and Improved Pricing over Time

## — We Are Many Customers' First Touch point for Consumer Finance Services

Illustrative Credit Line Size (RMB)

And More



Note:

<sup>1</sup> Represents a cohort analysis on the customers acquired in the three months ended March 31, 2015. This analysis compares certain metrics of this customer cohort for each three month period from April 1, 2015 through September 30, 2019. Active customers refer to customers who have made at least one transaction during a specified period on our consumer finance platform

<sup>2</sup>. Illustrative amount only; does not represent actual credit lines granted by the Company

# Increasingly Diversified Customer Acquisition Channels

## Lexin's Unique Channels

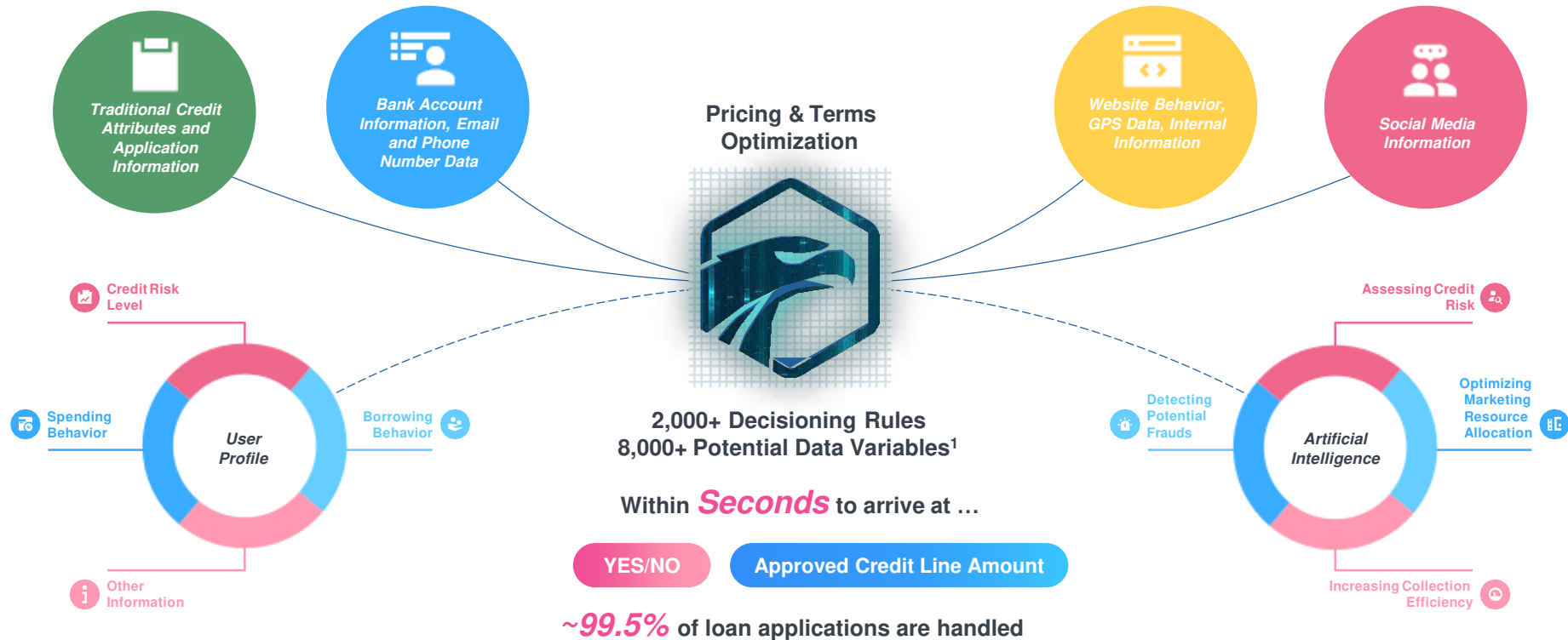


## Traditional Channels

- ✓ Advertising
- ✓ Digital Marketing
- ✓ Marketing Campaign

# Our Advanced and Customized Credit Risk Management

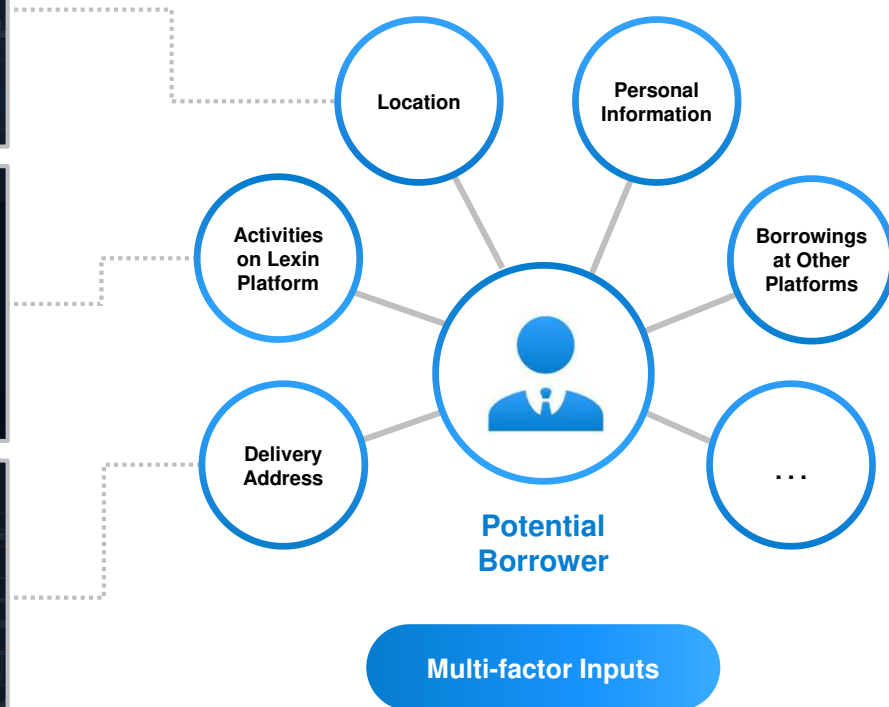
## — Hawkeye Engine: Automated and Dynamic Credit Approval



We have been awarded *The Best Lending Technology* in China by *The Asian Banker* in 2019

# Our Advanced and Customized Credit Risk Management

## — Complex Network: Effective Fraud Detection Based on Multiple Factors



More advanced risk analytics model  
Pre-loan

More precise risk pricing model  
For loan price-up

More efficient debt collection  
Post-loan monitoring

# Our Management Team



**Jay Wenjie Xiao**

Founder,  
CEO and Chairman

Tencent 腾讯



**Jared Yi Wu**

President and Director

Tencent 腾讯



**Craig Yan Zeng**

Chief Financial Officer



**Ryan Huanian Liu**

Chief Risk Officer



**Kris Qian Qiao**

Chief Financing Cooperation  
Officer



**Shirley Yunwen Yang**

Chief Human  
Resource Officer



Strong Management Team Uniquely Combining Internet and Traditional Finance DNA

04

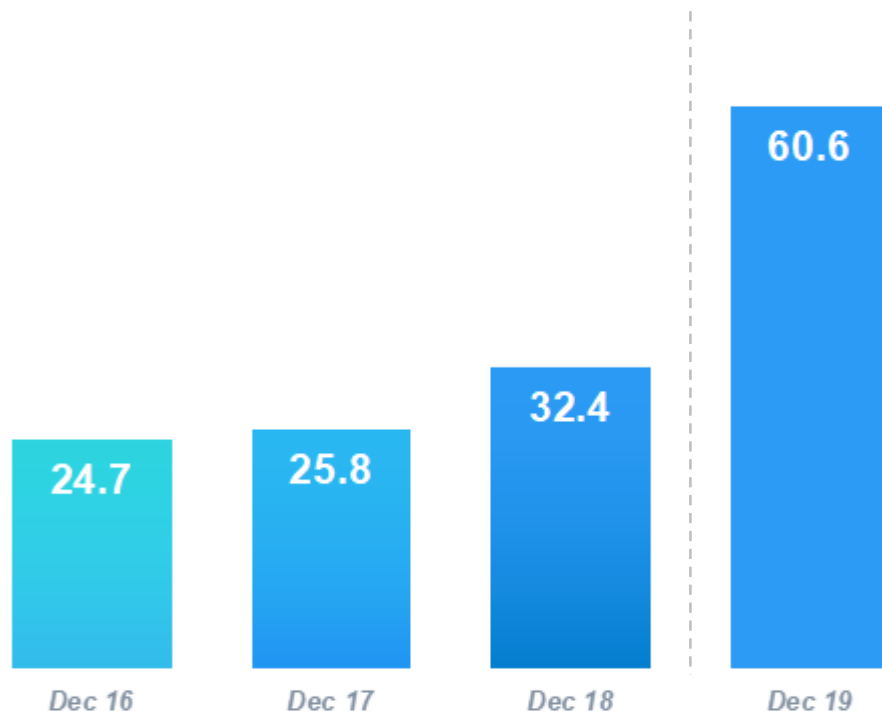
## OUR FINANCIALS



# Exponential Business Growth

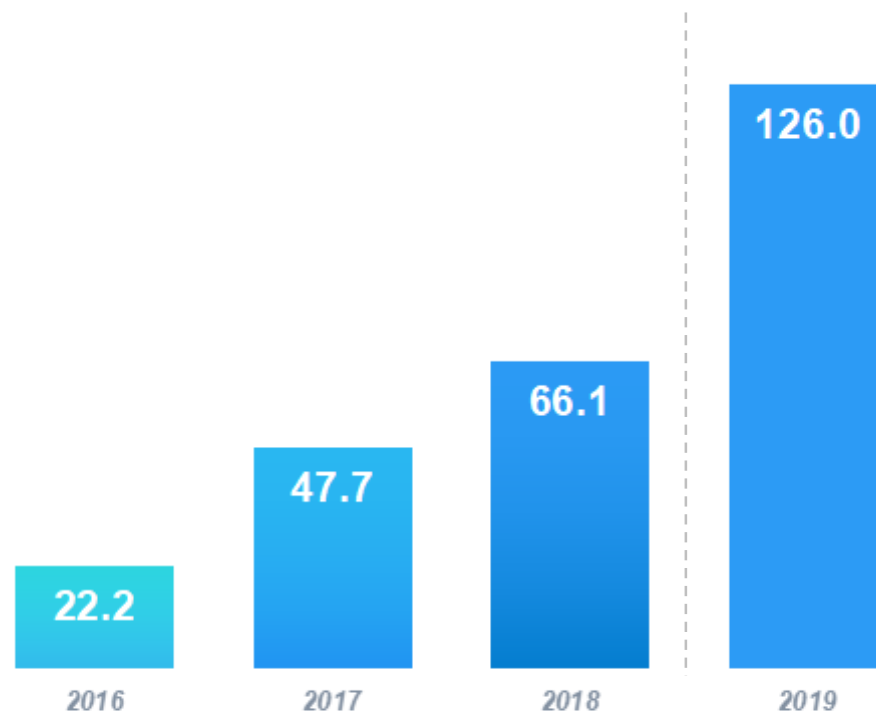
## — Total Outstanding Loan Balance<sup>1</sup>

(RMB bn)



## — Total Loan Originations<sup>2</sup>

(RMB bn)



<sup>1</sup> Outstanding principal balance represents the total amount of principal outstanding for loans originated on our platform at the end of the relevant period, which includes both on and off-balance sheet loans

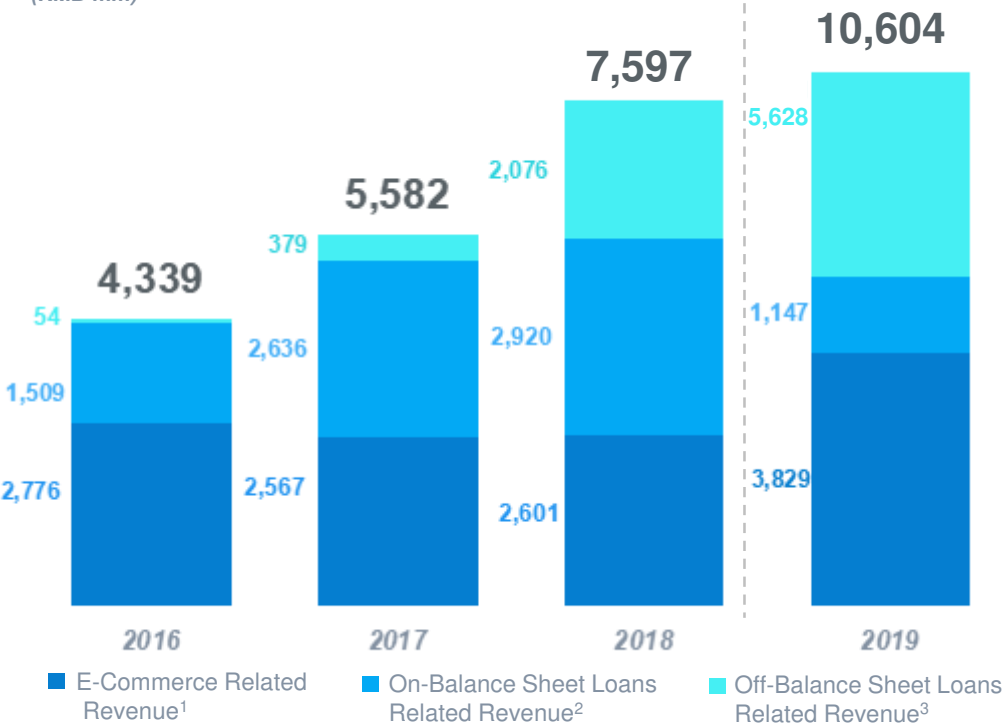
<sup>2</sup> Total loan origination represents the total amount of loans originated during each relevant period, which includes both on and off-balance sheet loans



# More Resilient Business Mix

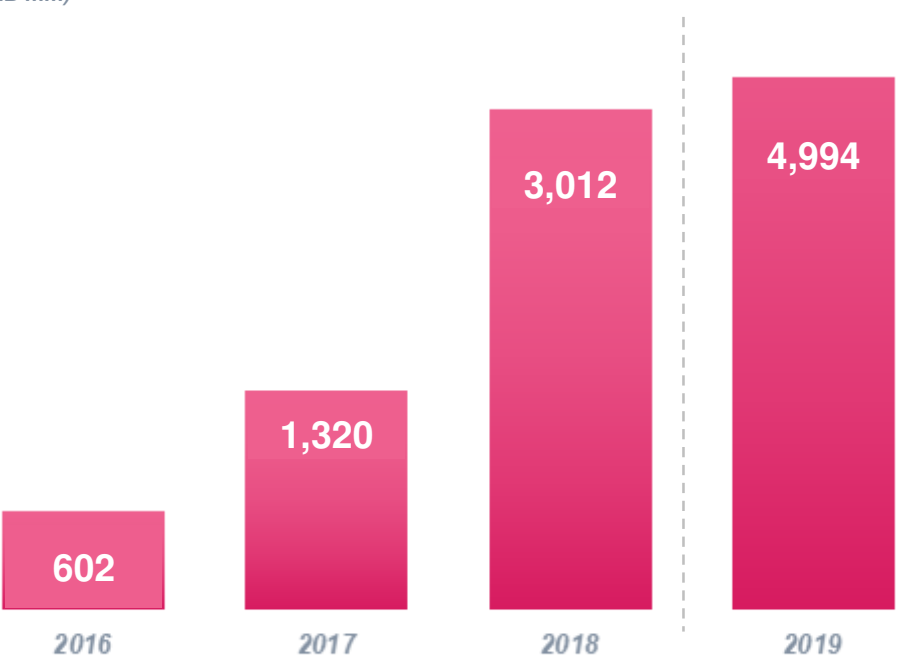
## — Total Operating Revenue

(RMB mm)



## — Gross Profit

(RMB mm)



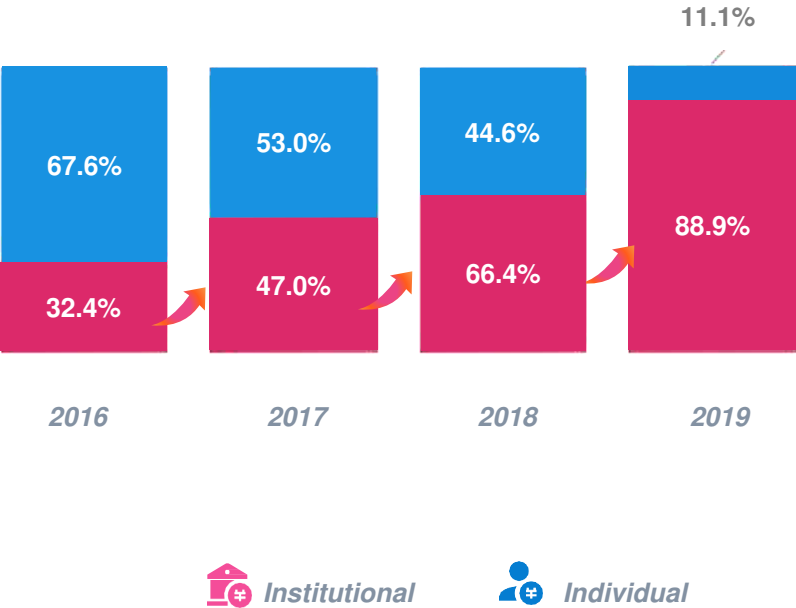
- ✓ Gradual Shift to More Off-Balance Sheet Assets with Lower Risks
- ✓ Strong Growth Trend in Gross Profit Driven by More Resilient Business Mix

<sup>1</sup> Corresponding to online direct sales and services income in Income Statement  
<sup>2</sup> Corresponding to interest and financial services income and other revenue in income Statement  
<sup>3</sup> Corresponding to loan facilitation and servicing fees in Income Statement

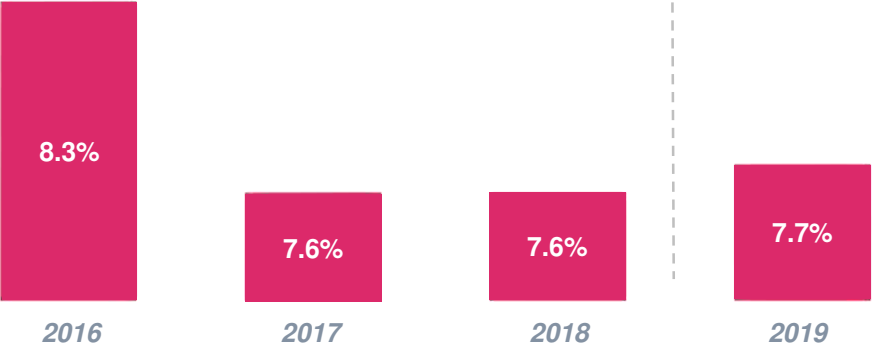
# Diversified and Scalable Funding

— Loan Origination by Different Funding Sources  
(RMB mm)

## Increasing Institutional Funding

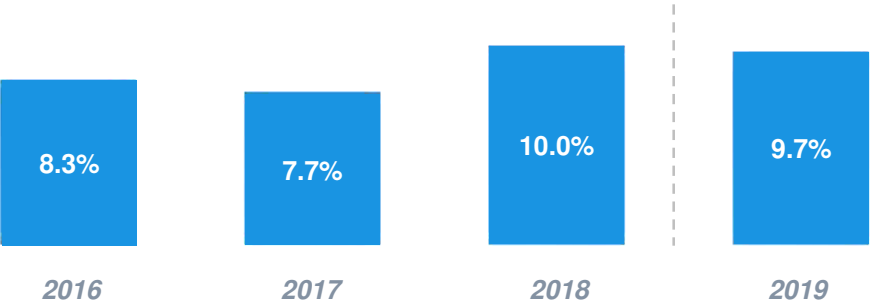


— Weighted Average Interest Rate<sup>1</sup> of Juzi Licai



## Continued optimization of funding cost

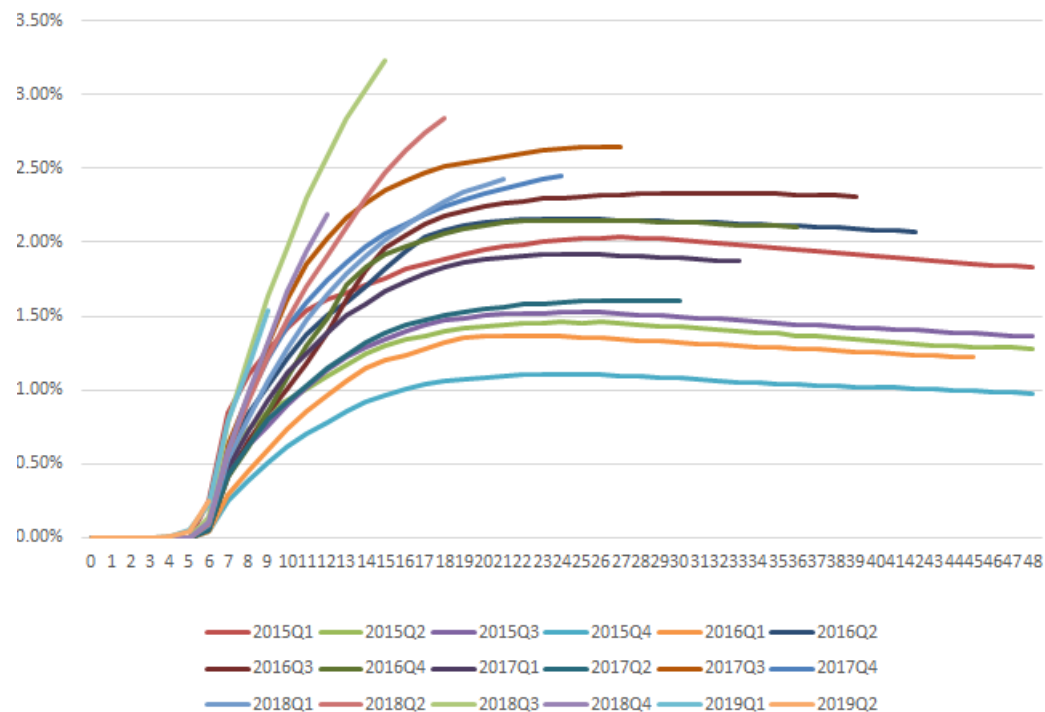
— Weighted Average Interest Rate<sup>1</sup> of Institutional Funding Partners



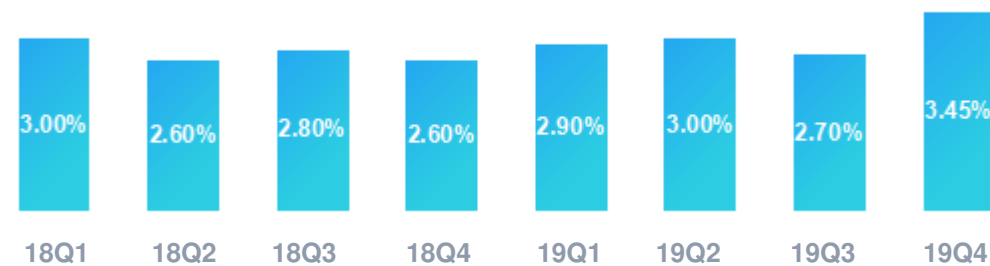
<sup>1</sup> Annualized weighted average interest rate by funding debt balance as end of each period.  
<sup>2</sup> Calculated as funding cost of average beginning and ending outstanding principal balance of on-balance sheet funding debts of respective year.

## Charge-Off Rate

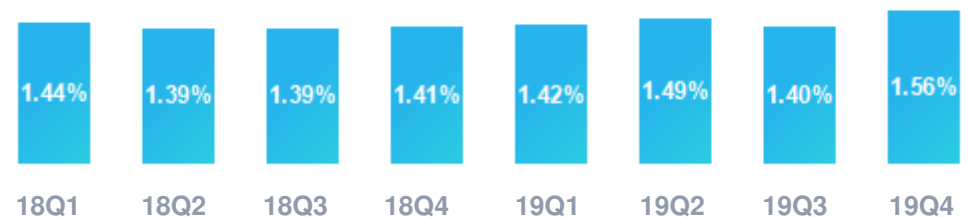
## —Vintage Curve



## —30 Days+ Delinquency Ratio

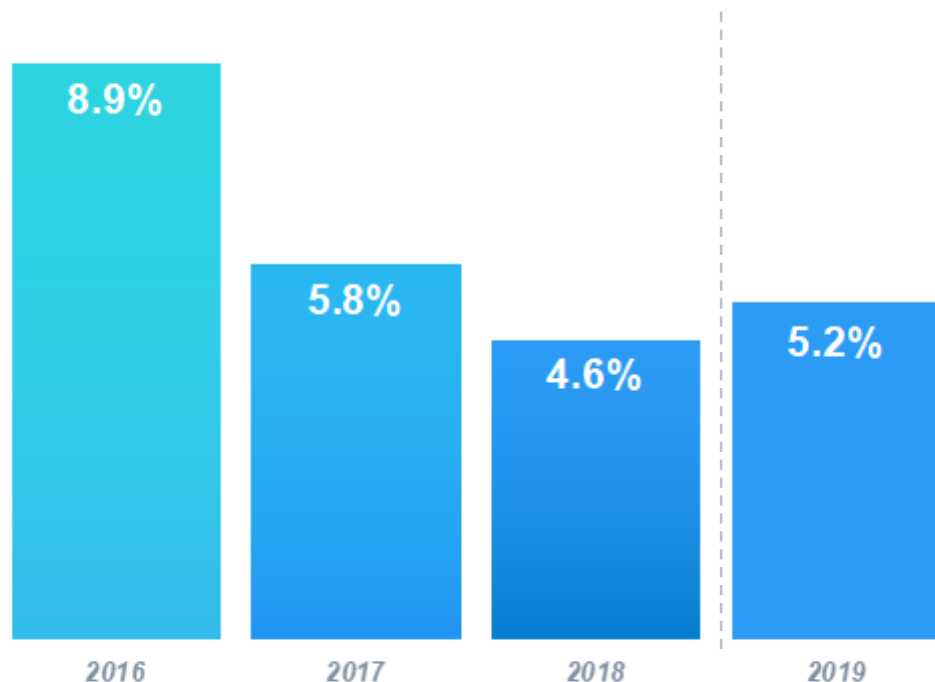


## —90 Days+ Delinquency Ratio

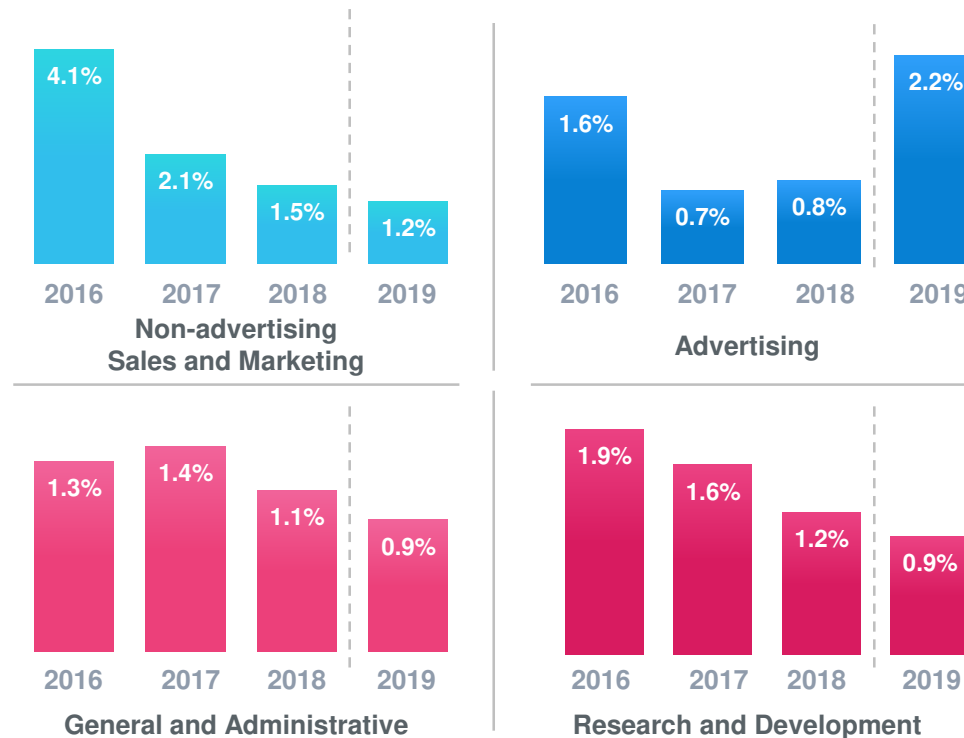


# Well-maintained Operating Efficiency

## — Total Operating Expense/Average Loan Balance<sup>1</sup>



## — Operating Expense Breakdown/Average Loan Balance<sup>1</sup>



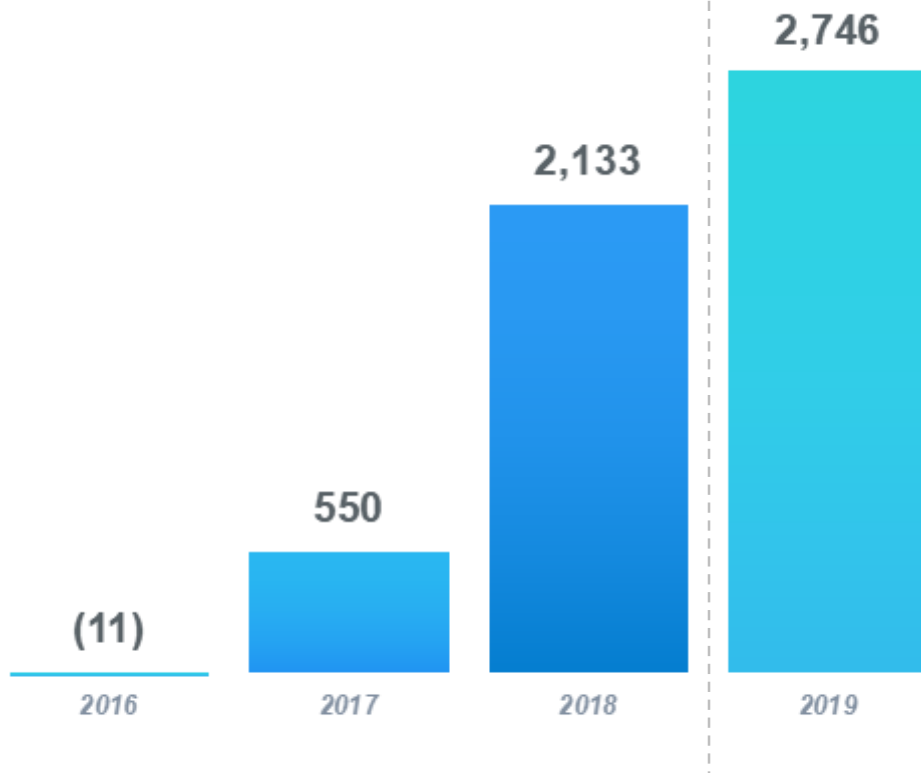
Operating expense as a percentage of average loan balance has maintained at stable level

<sup>1</sup> Average loan balance represents the average beginning and ending outstanding principal loan balance on and off-balance sheet of respective year.

# Strong Profit Trend

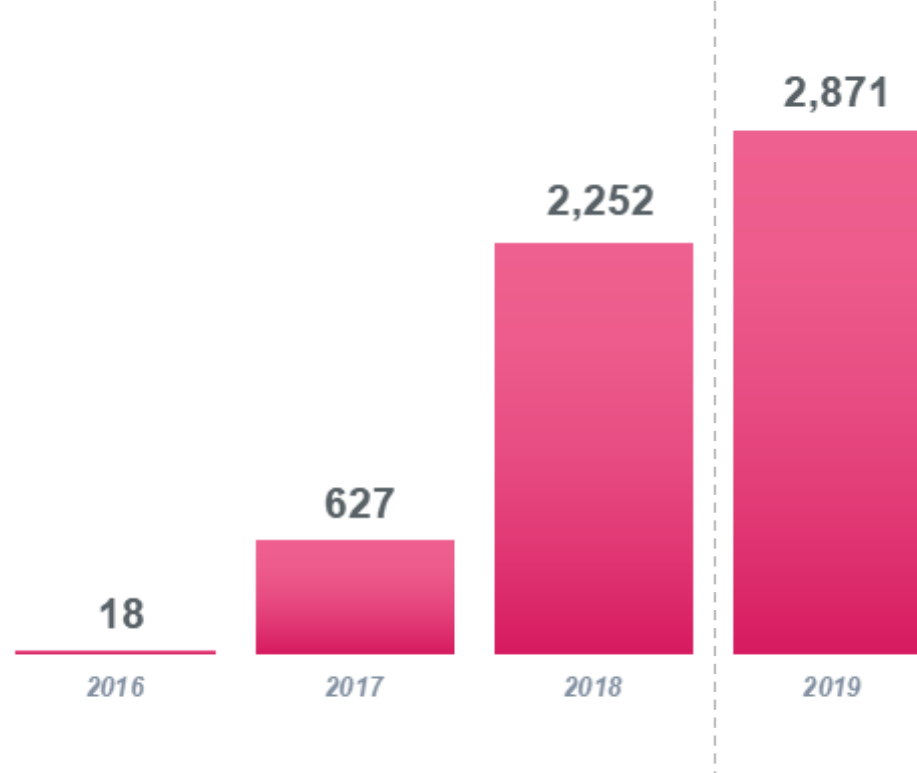
## — EBIT (GAAP Measure)<sup>1</sup>

(RMB mm)



## — EBIT (Non-GAAP)<sup>2</sup>

(RMB mm)



<sup>1</sup> Net (loss)/income plus income tax (benefit)/expense and interest expense, net

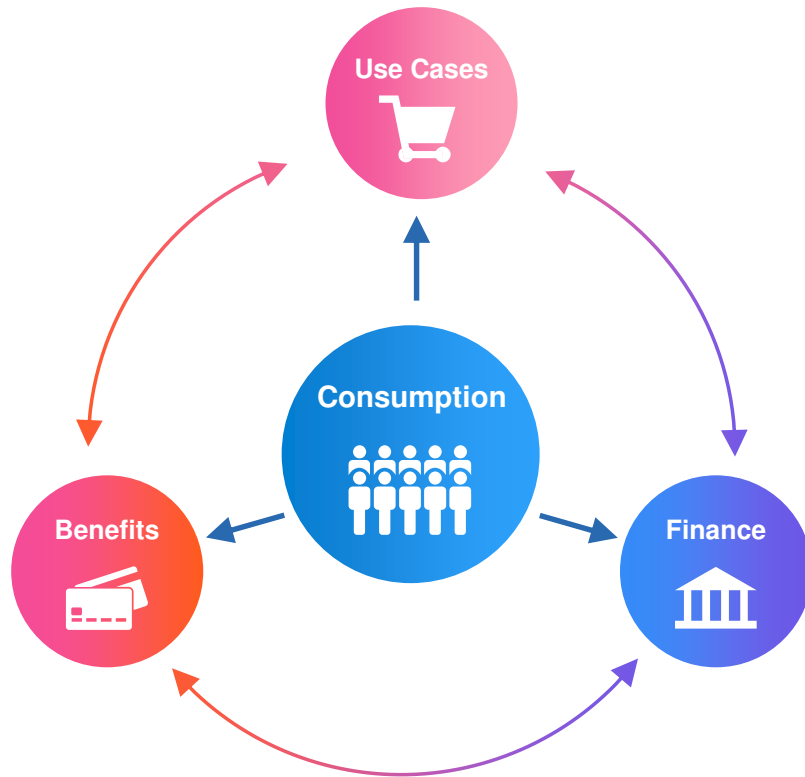
<sup>2</sup> Adjustments include share-based compensation expenses, investment-related impairment and investment loss

05

## OUR STRATEGY



# Our Growth Strategies



**Invest in Technology**

**Expand Customer Acquisition Channels  
and Grow Our Customer Base**

**Grow with Our Existing Customers and Continue  
to Serve Their Growing Credit and Consumption Needs**

**Strengthen the Partnerships with Financial Institutions,  
Further Scale and Diversify Funding Sources**

**Pursue Strategic Alliances, Investments and  
Acquisitions**

# 06 APPENDIX —





# Ever-expanding Use Cases

## Lehua Card

### — Enhanced Customer Solutions through Virtual Credit Card Function

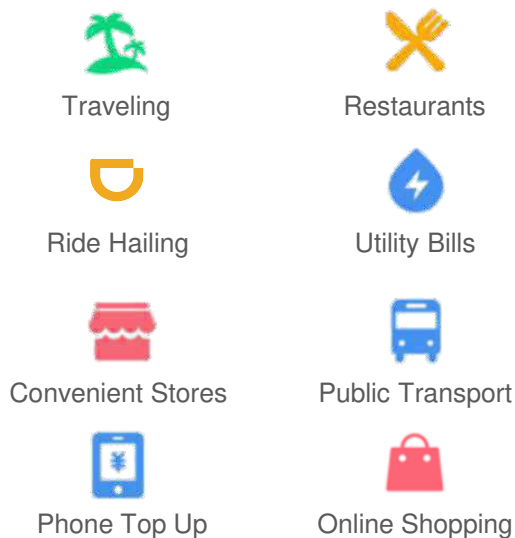
With virtual accounts offered by our partner banks, Lehua Card can be easily added to major payment wallets



(Class II Accounts)

**4.0 mm Active Users**  
in 2019

Available at various  
offline locations



**RMB20.5 bn**  
Loan Origination in 2019

- ✓ Embedded into Major Payment Wallets
- ✓ Virtual Credit Function via Banks' Cooperation
- ✓ Significantly Expanded Point of Sale for Potential Customers

# Additional Customer Acquisition Channel through New Partnerships

## Le Card Installment

— Enables Installment Payment Functions from a More Extensive Partner Network



Preferred Installment Payment Option for More Customers



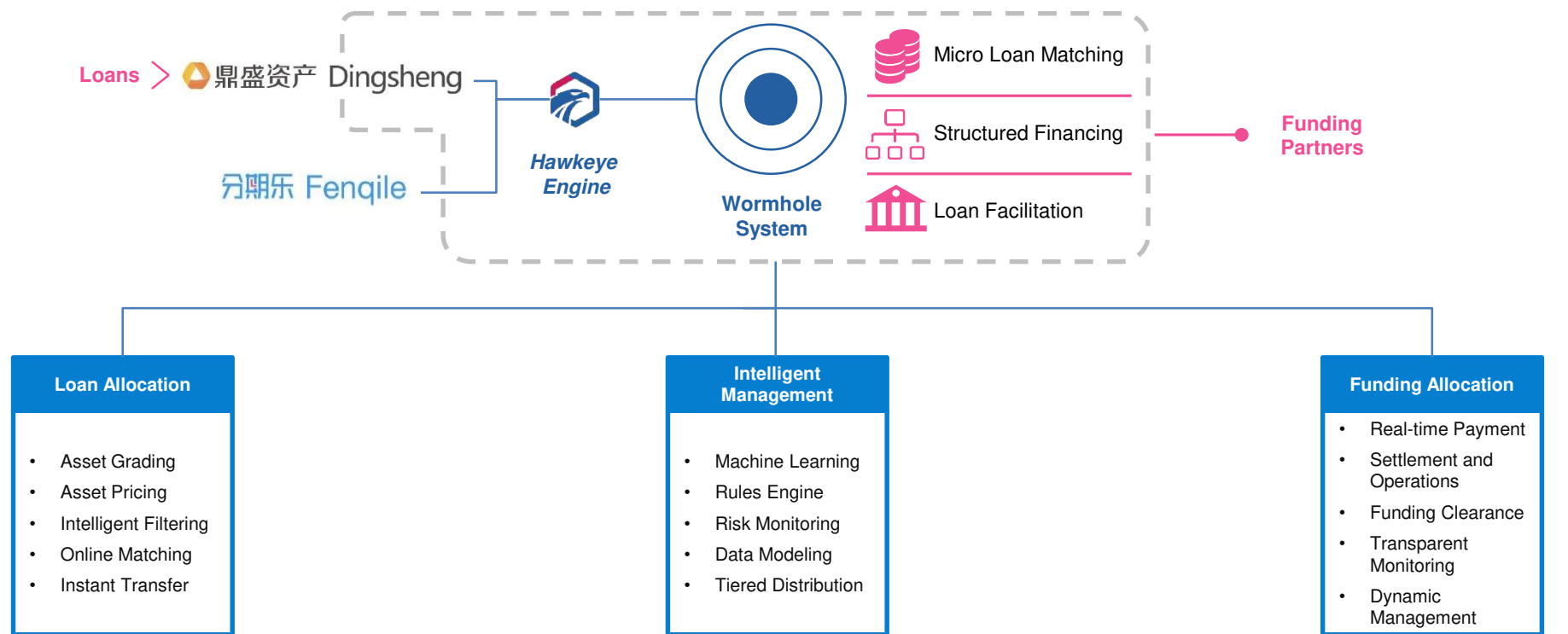
Extensive Network Coverage



Preferred Third Party Installment Provider for Merchants

62 Partners  
as of December 2019

# Our Efficient Capital Deployment for Investors and Partners



Connect customers and funding partners in real time



Allocate to various funding sources according to their respective risk parameters



Send qualified customer loans to funding partners for final approval

# Our Advanced and Customized Credit Risk Management

## — Complex Network: Effective Fraud Detection Based on Multiple Factors



Identify the risk of any location based on concentration and risk profiles of existing borrowers



Analyze the risk of a borrower based on his/her activities on Lexin platform

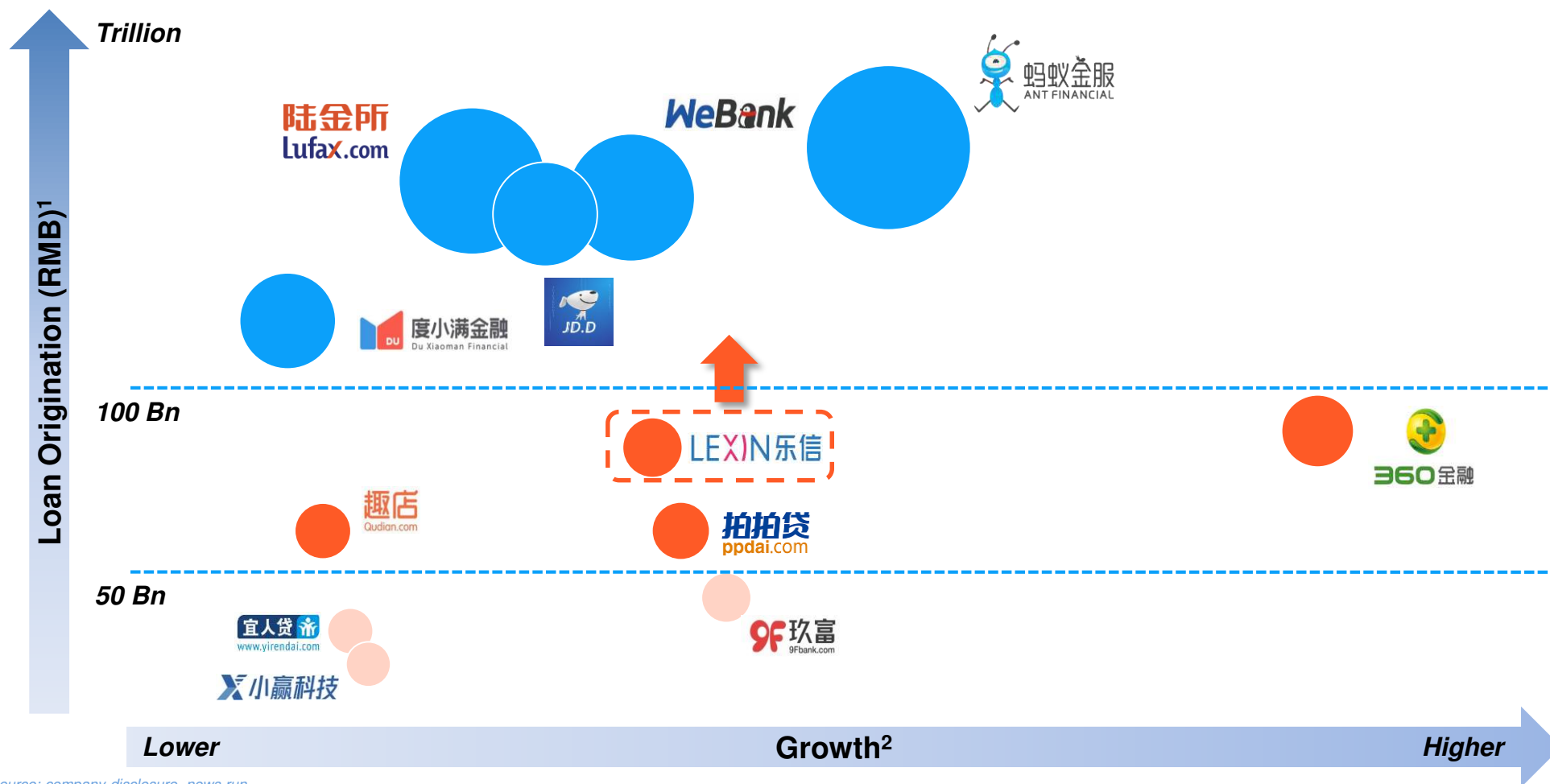
# Recipient of The Asian Banker's 2019 Award for Best Lending Technology in China



Lexin received the prestigious Asian Banker Award for Best Lending Technology Initiative, Application or Programme in China.

- 98% of the loans applications are handled automatically.
- 2,000 cases of fraud were prevented last year, representing savings of an average of over RMB30 million worth of losses per month.
- IT cost has been reduced to 10% of that of the traditional financial institutions.

# Market Landscape



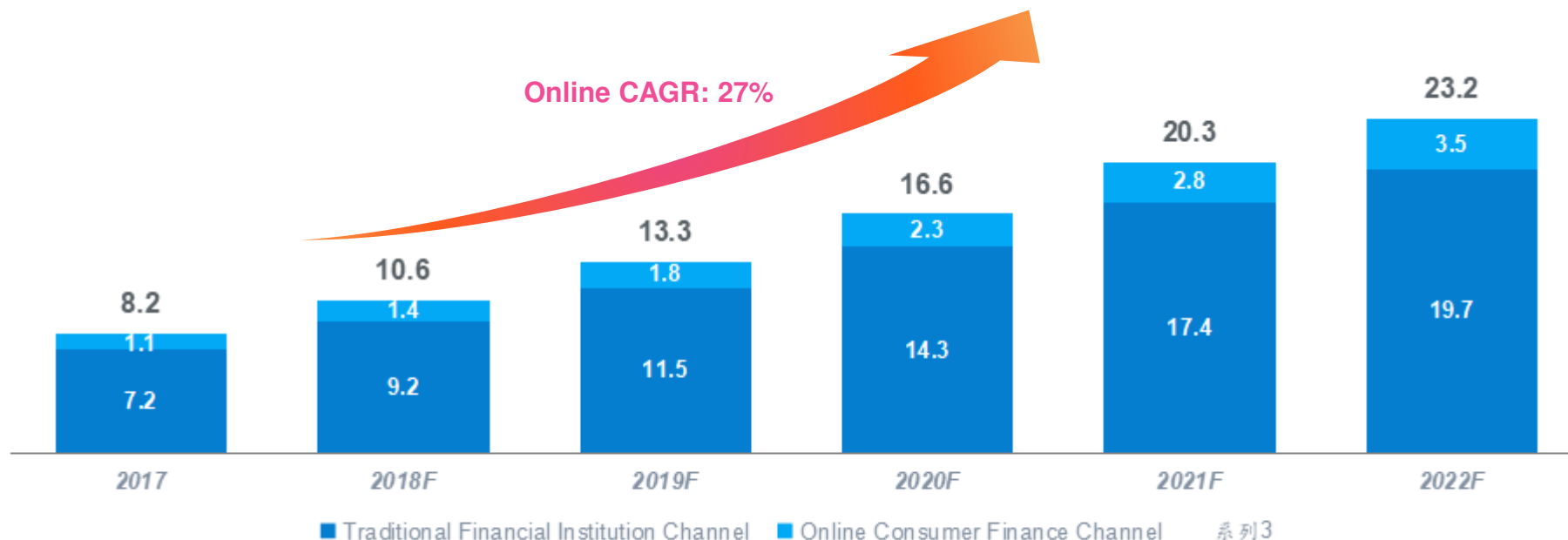
# Tremendous Market Opportunity of Consumer Finance in China

Consumer finance in China is significantly underpenetrated, which traditional financial institutions are unable to serve due to lack of credit infrastructure

Online players are reshaping the industry with superior user experience, efficiency and convenient access to affordable credit

## – Online Consumer Lending in China is Growing Rapidly

Outstanding balance of China's consumer finance market (RMB tn)

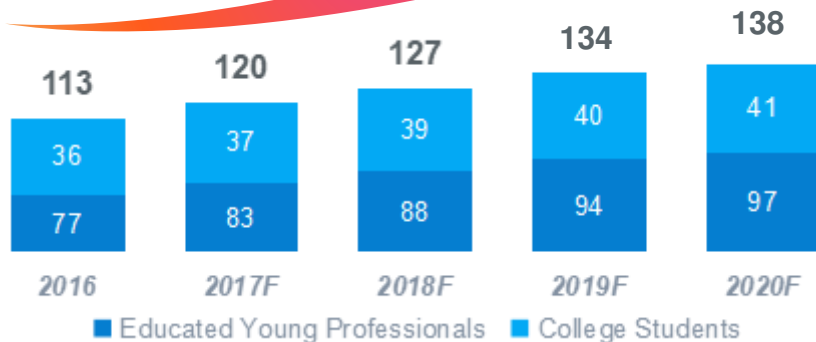


# Educated Young Adults Represent the Sweet Spot of Online Consumer Finance Market

— Increasing Addressable Population of Educated Young Adults in China...

Population (mm)

CAGR: 5.1%



Underserved given insufficient credit history



Frequent internet usage and open to online lending



High income growth potential

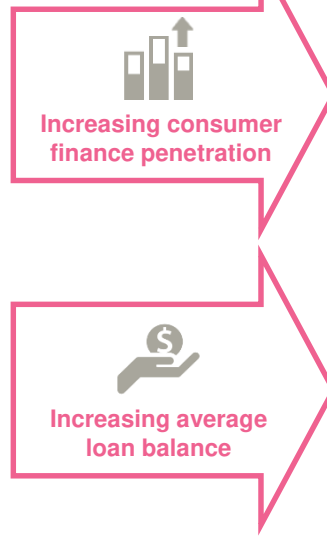
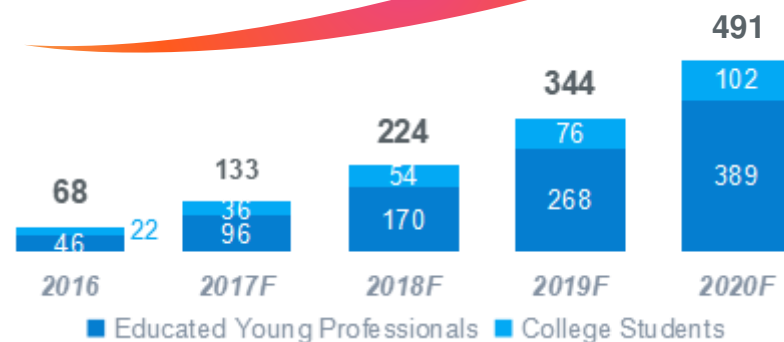


Focus on maintaining personal credit records in the long run

— ...Together with Continuous Robust Growth of the Educated Young Adult Consumer Finance Market

Market Size (RMB bn)

CAGR: 64.1%





# Key Industry Trends



**Industry is expected to grow steadily in the long-term after a period of consolidation**



**Emergence of smaller group of leading industry participants with track record of responsible operation**



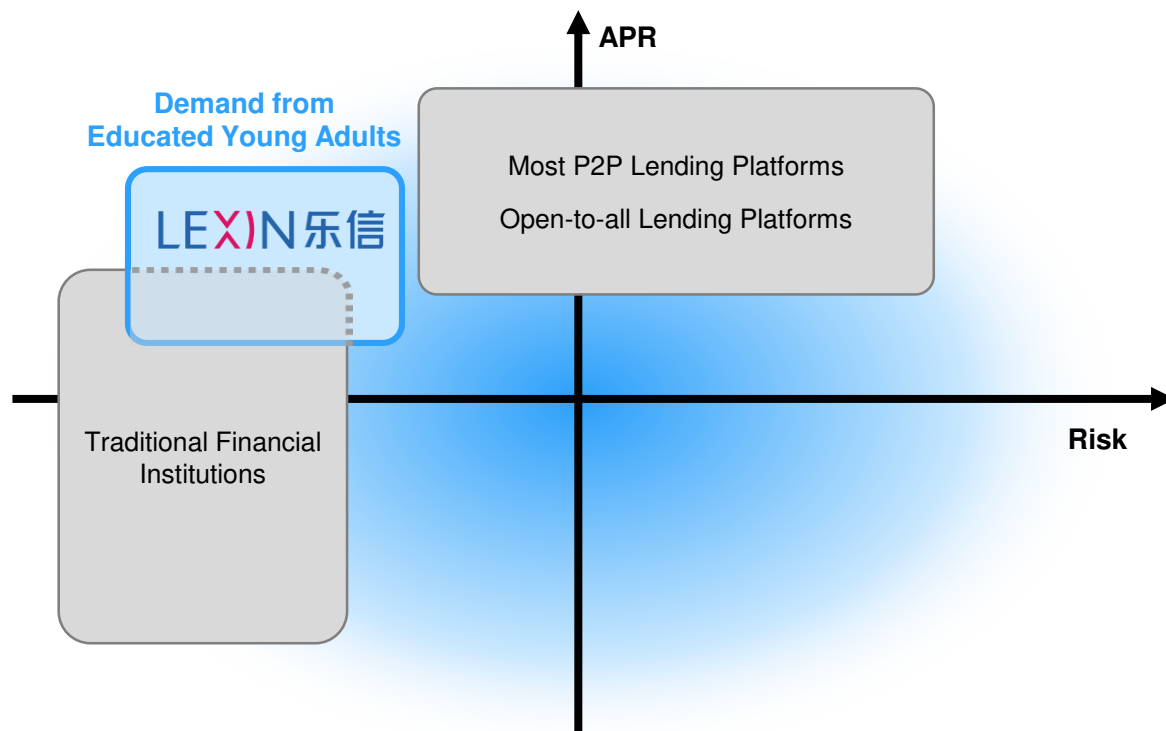
**The leading players will benefit from industry consolidation, through increase in market share, margin improvement and economies of scale**



**Development in technology and credit data infrastructure will be the key drivers of industry growth**

# Lexin is Well Positioned as Market Leader under the Evolving Regulatory Environment

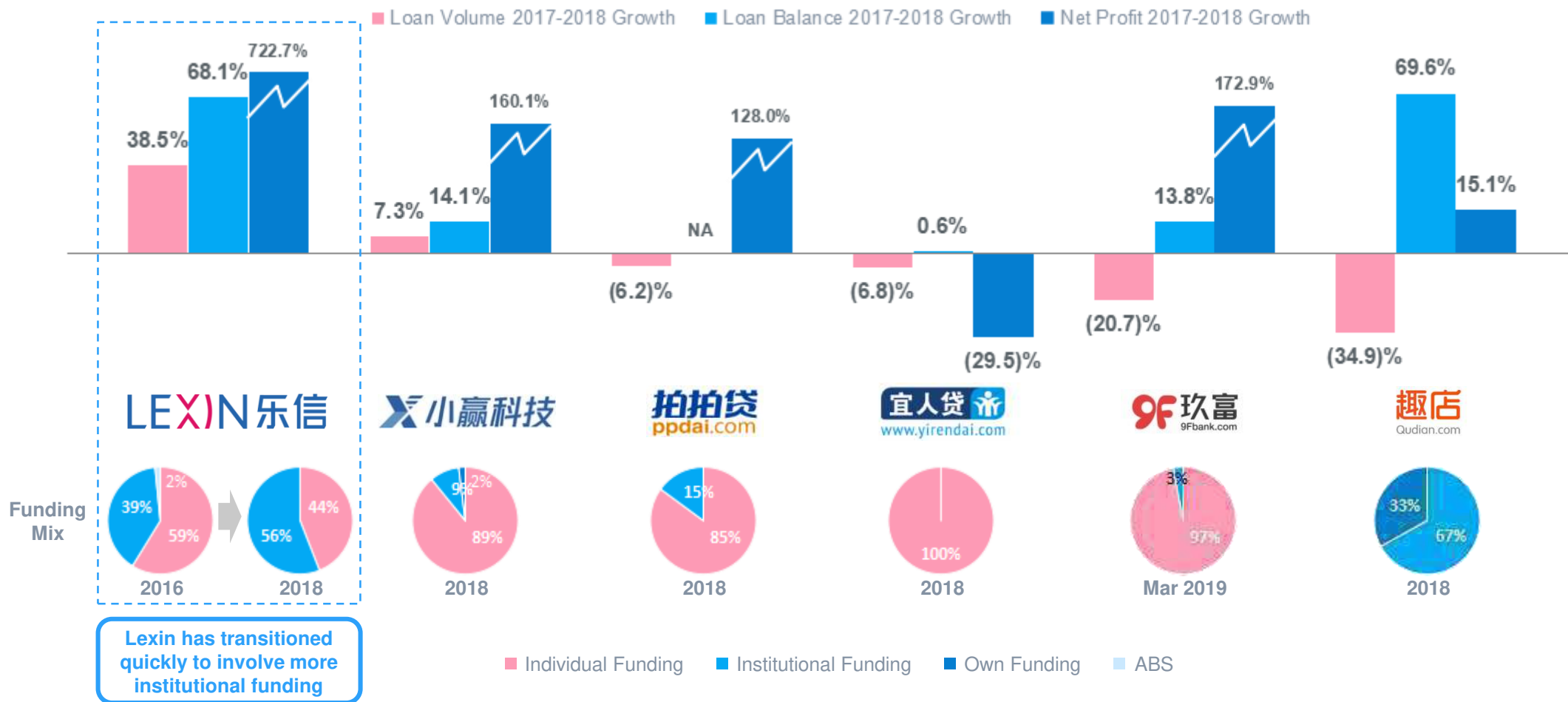
- Lexin Focuses on the Inherently Low Risk Group with the Best Balance between Risk and Return...



- ...and is Well Positioned as Market Leader in the Long Run



# Lexin has Outstanding Growth in Business Scale and Earnings



Note: Qudian's funding mix is based on loan volume and others' funding mix are based on loan balance

**THANK YOU**