

Our Fintech Consumer Finance Practice in China

Simon Cheng



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President of X financial

Over 20 years of experience in risk management and consumer financial services for large financial institutions

Bachelor and Master's degree in Tsinghua University

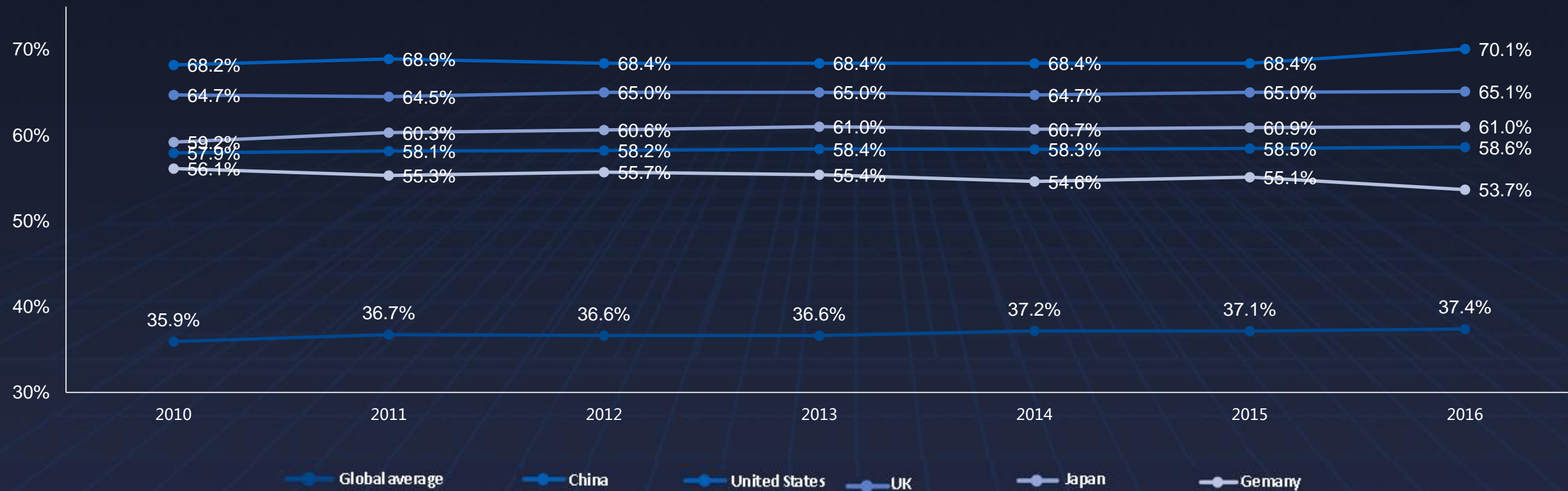
MBA in University of Southern California

MS in industry and system engineering



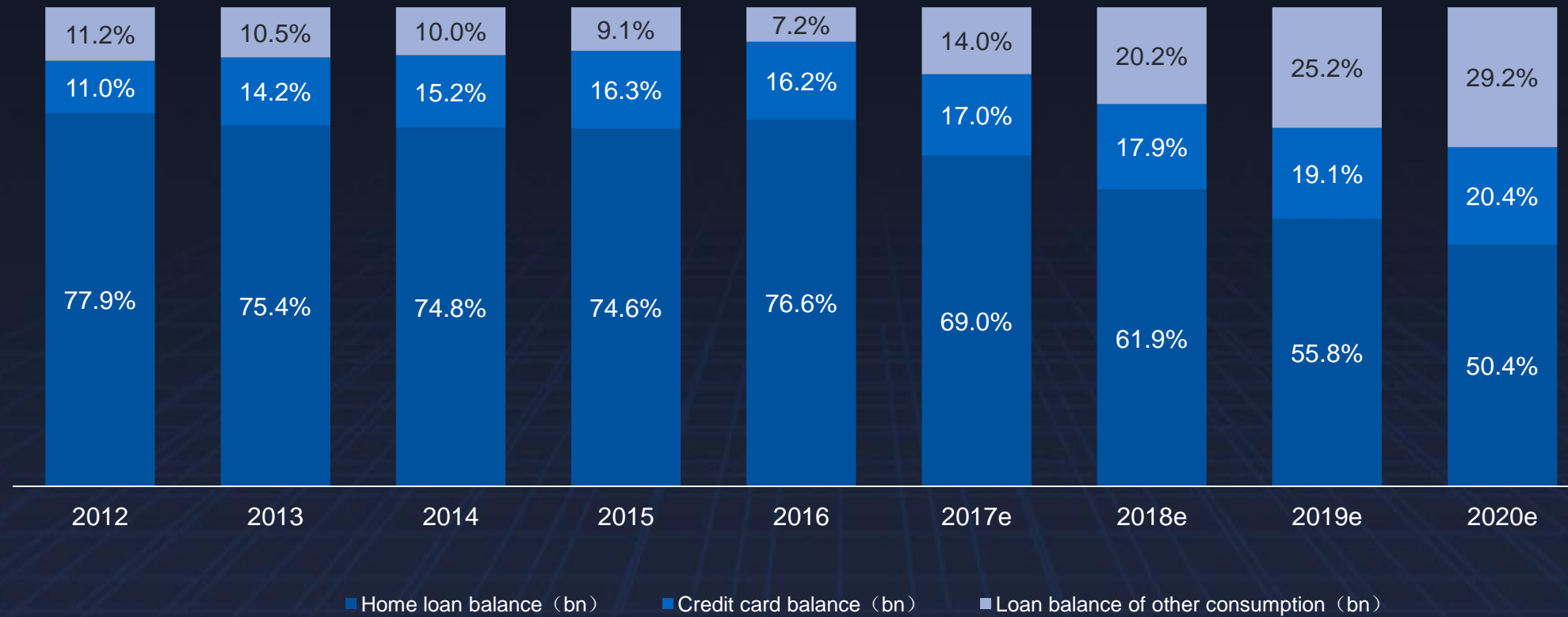
| The world's largest consumption market with high growth rate

- The retail consumption of Chinese consumers continued to rise. In 2017, total retail sales of consumption goods exceeded US\$5.7 trillion.
- China's consumer market has great potential. The ratio of China's consumption to GDP is lower than the world average by 20 percentage points.
- The driving force of China's economic growth moves to domestic consumption. In 2017年, domestic consumption contributed 58.8% of China's GDP growth while international trade is only 9.1%.



| Promising consumer credit structure

China's Consumer Credit Structure for 2012-2020

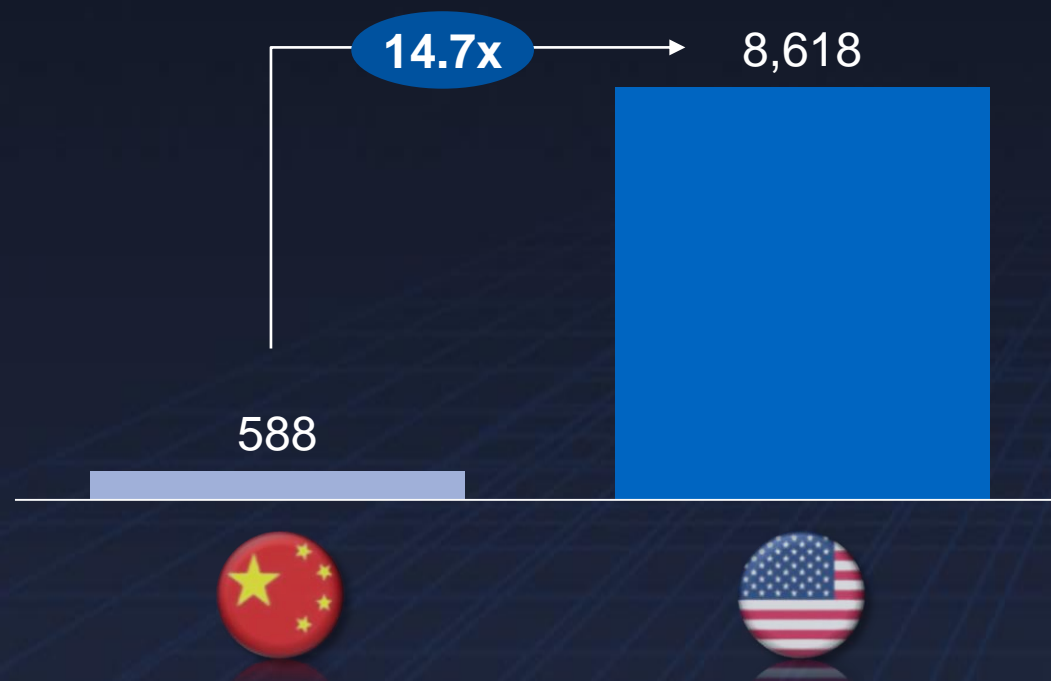


Source: People's Bank of China, wind

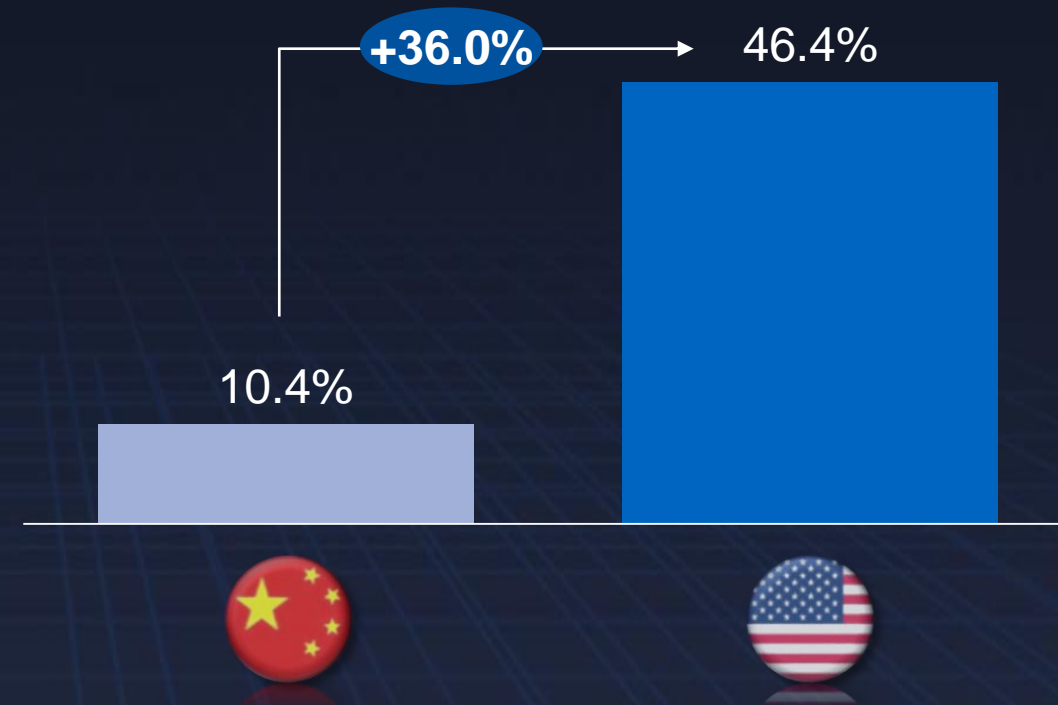
| Great growth potential by comparing China with US

High demand for consumer credit

Consumer finance outstanding loan balance per capita in 2016 (US\$)¹



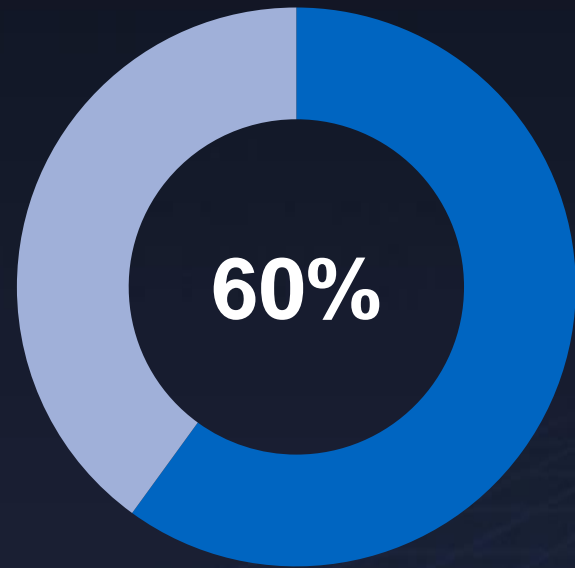
Personal retail credit debt-to-deposit ratio in 2016 (%)



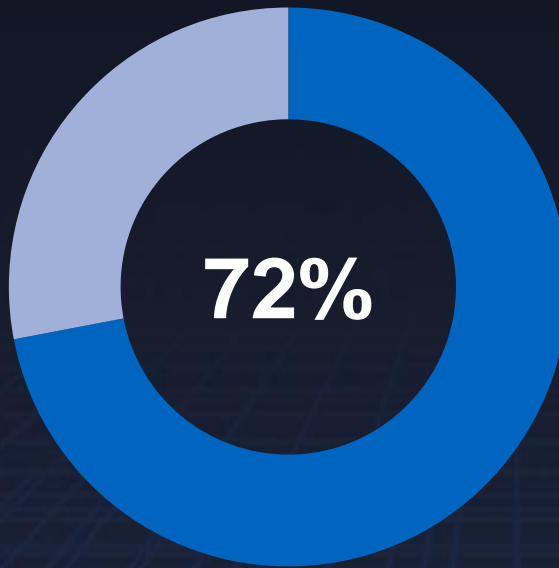
1. Outstanding credit covers home mortgage, auto loan, credit card loan, unsecured personal credit and personal consumption loans

Comparison of China and US in Consumer Finance

Individuals and SMEs underserved by traditional FIs



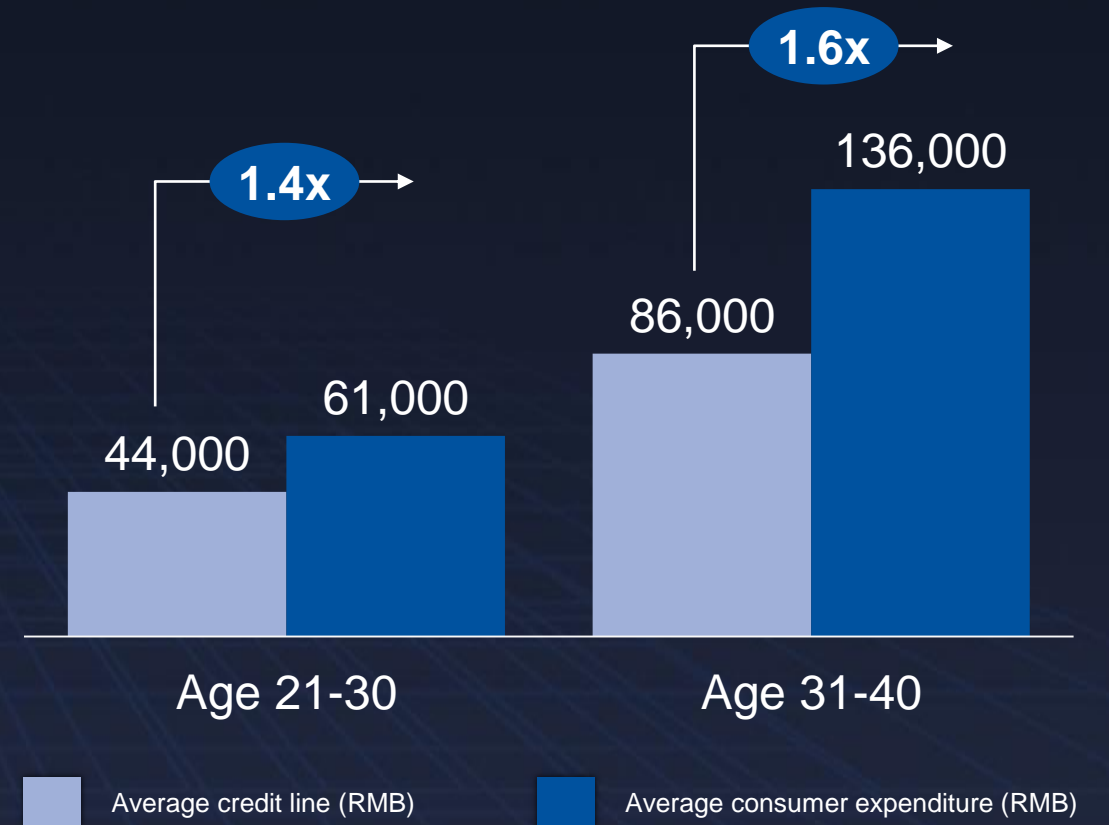
of the loan balance of 5 largest commercial banks allocated to **corporate customers**¹



Of total population **without credit data record** in PBOC CRC



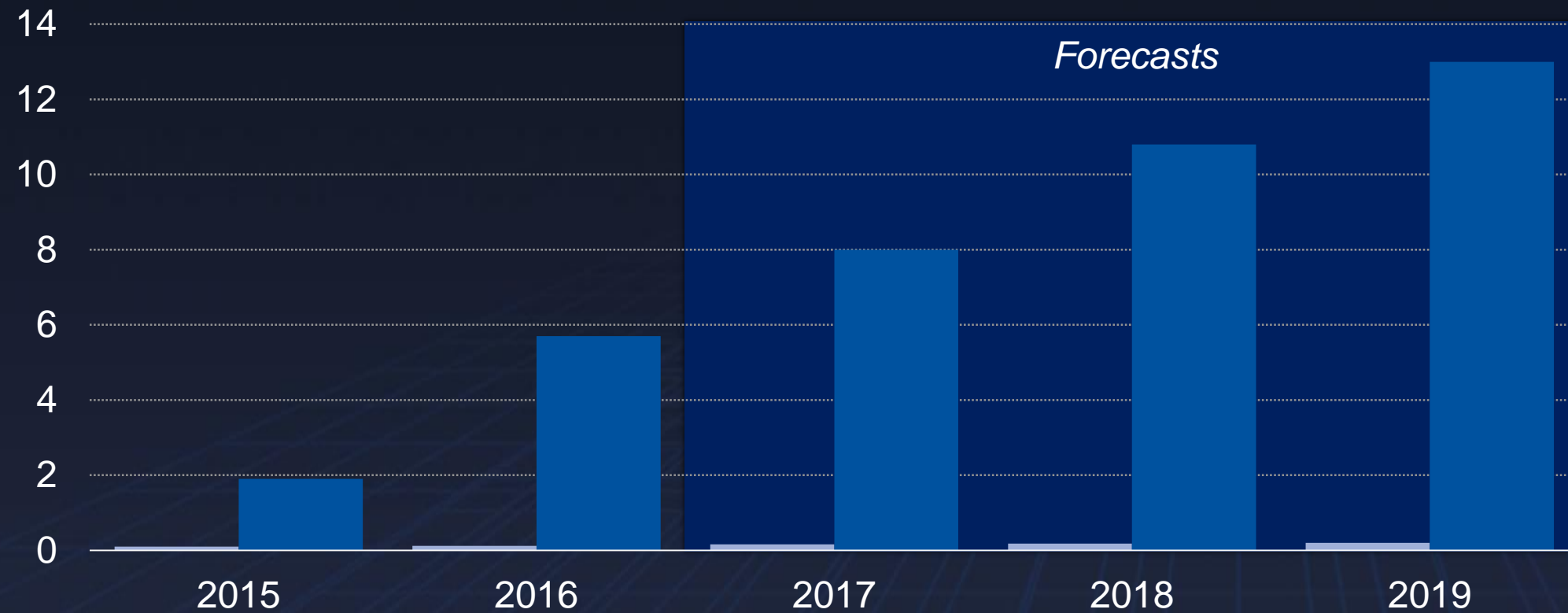
Insufficient credit line for credit card holders¹



1. As of December 2016

Consumer payment behaviors are quite different between US and China while China leads in mobile payments

China mobile payments dwarf US
Transaction value of third-party payments (US\$ tn)



According to the “Overall Situation of Payment System Operation in 2017” report released by People's Bank of China in 2017, the banking financial institutions processed a total of 37.552 billion mobile payment transactions, amounting to 202.93 trillion yuan (US\$32 trillion), which was a year-on-year increase of 28.8%

Note: Post-2015 figures are forecasts: renminbi values converted to US\$ at current exchange rate
Source: Forrester Research (US); iResearch (China)

| Difficulty in consumer financial service coverage in China



High service costs
Lack of effective coverage

+



Lack of sufficient
information in
measure credit
risk

| Younger generation presents a different consumption behavior from other generations

The concept of “Buying out of loving” is directly reflected in consumption features like “impulsive consumption” and “Moonlight (spending the entire salary before the end of the month) consumption”.

14.01

Giving up buying



85.99

Manage to get it

Real users:
They are emerging backbones with high diploma (above college degree), working in the first-tier and major second- and third-tier cities.

| Internet aboriginals prefer to use mobile device

The emerging middle class is the generation of mobile internet aboriginals with a preference to use [mobile device](#).

10.53

Years

Average network age

11.45

Hours

Average daily Internet access time

80.7%

Proportion of mobile terminal use

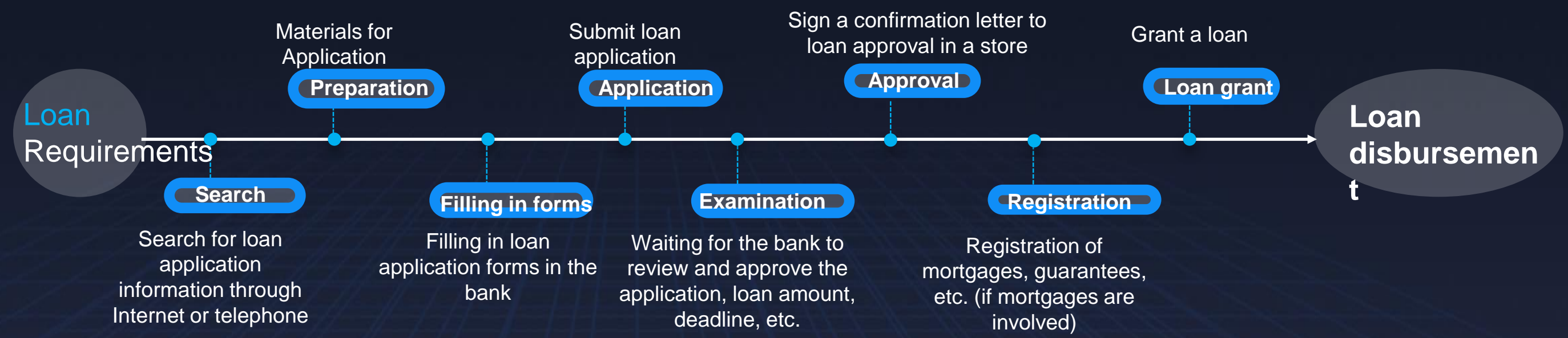
19.3%

Proportion of PC terminal use

| The cumbersome procedures of traditional financial institutions can no longer satisfy young users

7 Days +

Procedures of loan application in traditional financial institutions can be more than 7 days



| Why technology plays a very important role in China's consumer finance industry?



| X financial Group : A leading Fintech Company in China

Mission

Based on internet technology and data, with the pursuit of creating best customer value and experience, we're committed to providing optimized financial service solutions

Vision

Reshaping people's financial experience with mobile internet technology

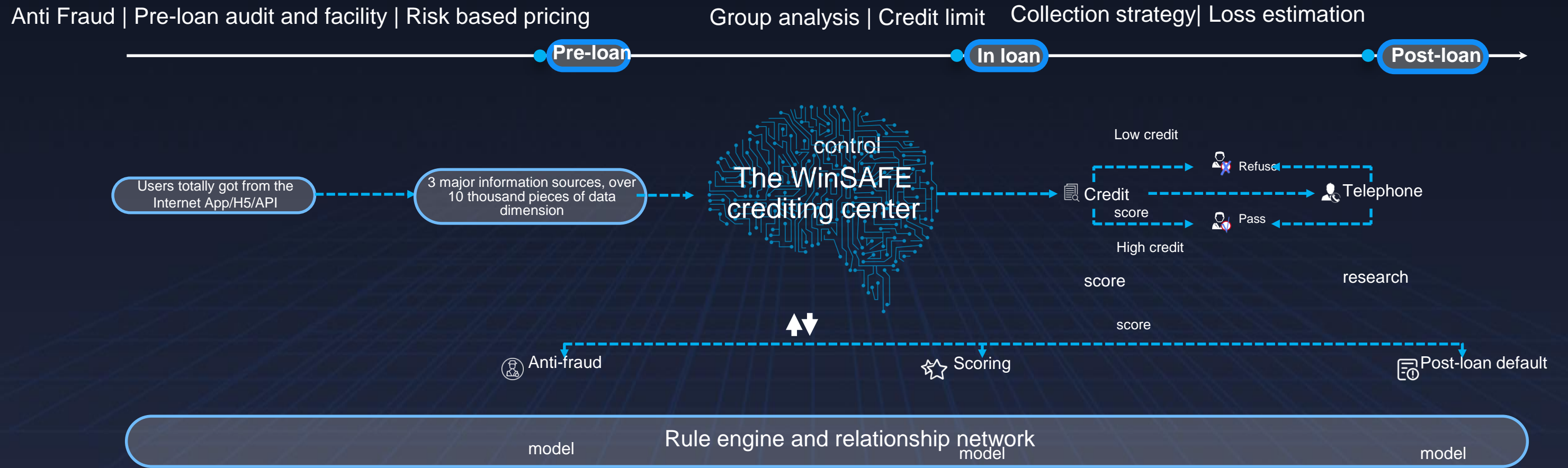
Culture

Superior customer experience, respect for risks
Opening and equality, innovation and sharing

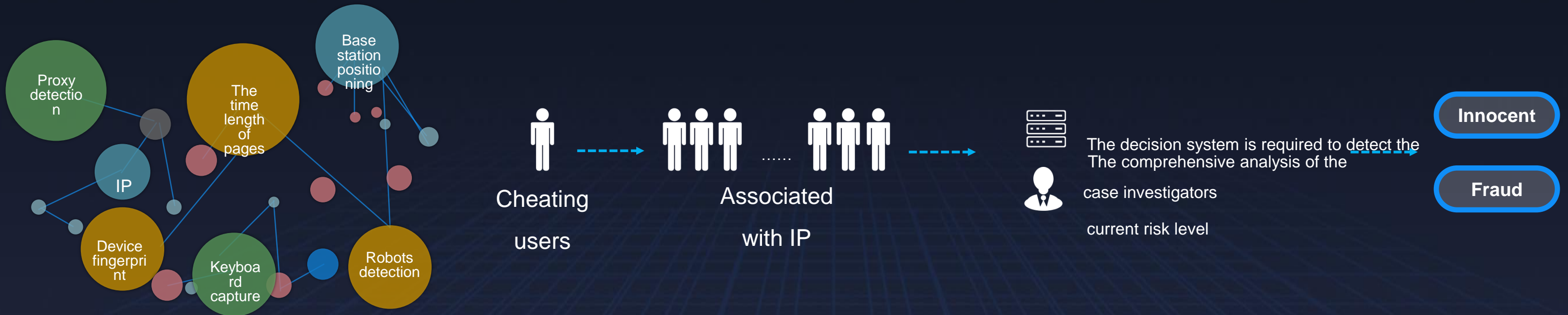
| X financial Group provides users with the best financial experience



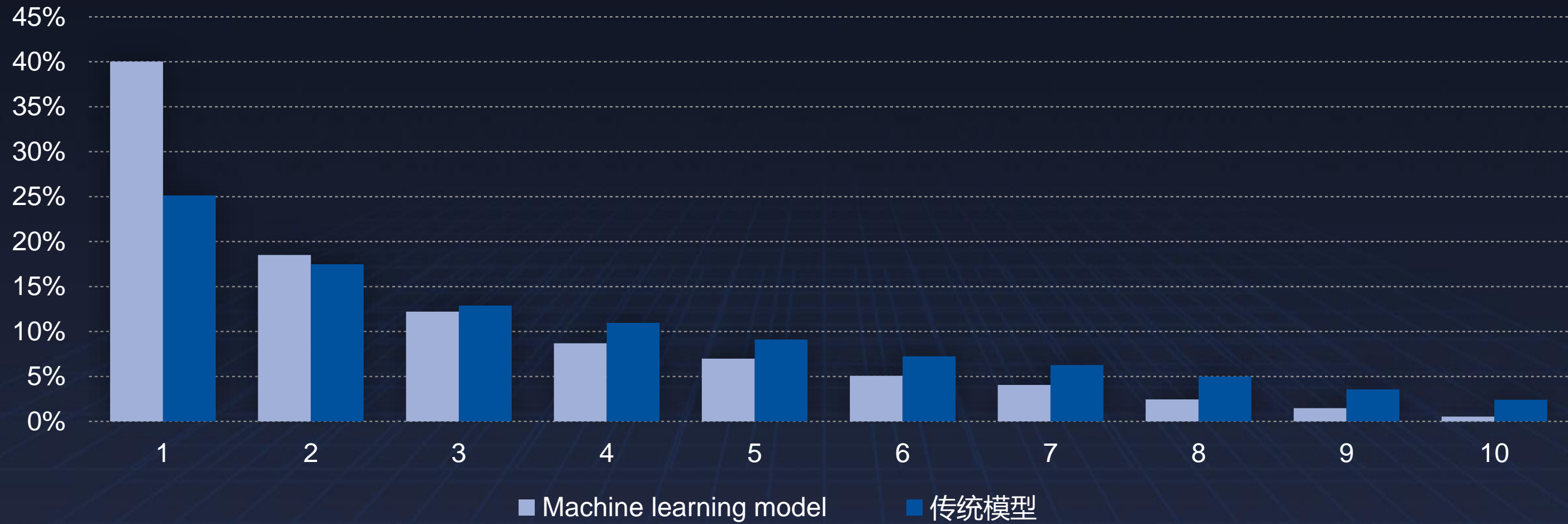
| X financial Group has advanced data analysis and modeling capabilities in mobile age which are applied at each stage of the credit cycle: more data and models, faster computing and more frequent iteration



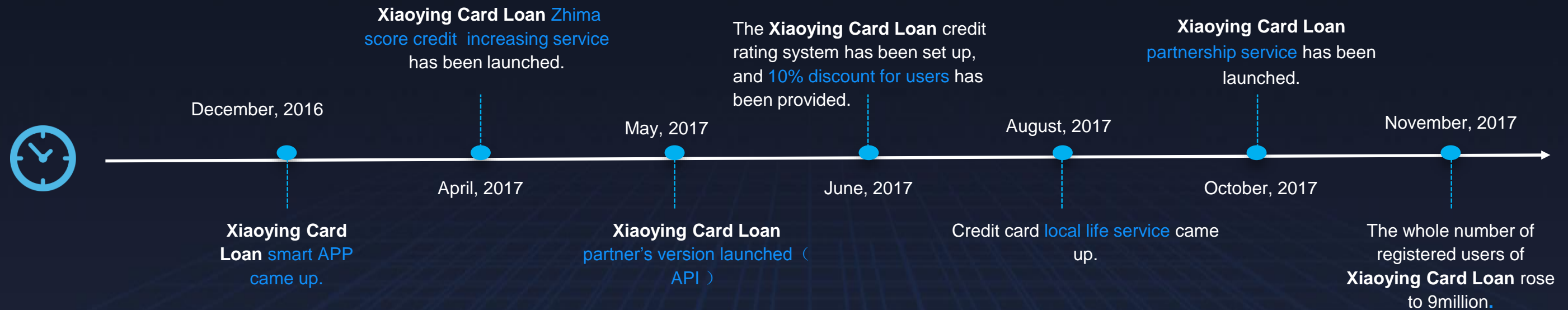
Based on AI and customer behavior, anti-fraud model could effectively prevent fraud in mobile credit applications



| Both regression model and machine learning model are used



Xiaoying Card Loan product has progressed quickly to provide better experience for customers and become the leading brand for credit card balance transfer in China



Accumulated loan volume : **12.81** billion RMB (US\$2B)

Accumulated registered users: **10.56** million as of December 31st , 2017



We believe that technology will change and make
a better life for ordinary consumers