



**VCREDIT Holdings Limited**  
Management Presentation

August 2020

## Unique product offerings

 Serving the **underserved** borrowers

 Offering **readily available** inclusive consumer finance

 Establishing **traceable records** in the universal credit system



## Large addressable market

**900mn** people covered by CCRC credit database<sup>(1)</sup>

**450mn** people with credit history in CCRC credit database<sup>(1)</sup>

**95%** of our borrowers had CCRC official credit records<sup>(2)</sup>



## Sustainable Funding

**100%** institutional funding

Wholly-owned licensed **financing guarantee** and **online small loan** companies

Pioneer in facilitation with **34** licensed institutional funding partners under facilitation structures

## Real-time data integration

Read-and-write access to the **CCRC** consumer credit database 

**Hummingbird** system with proprietary alternative data aggregation **algorithms**

Notes:

(1) According to the Frost & Sullivan Report, updated as of December 31, 2017

(2) For the year ended Dec 31, 2018, and by loan origination volume

## Latest development



Economic slowdown caused by **Covid-19** outbreak



Persistent efforts by government to regulate the **use of personal data** and **unlawful collection practices**



Ongoing **P2P** platform exits and **effective 36%** APR cap



Circular **141, 175** and **83**, and ancillary regulatory pieces



Loan origination volume<sup>(1)</sup>  
**RMB13.3bn**



Third-party Funding partners<sup>(2)</sup>  
**48**



Registered users<sup>(2)</sup>  
**90.6mn**

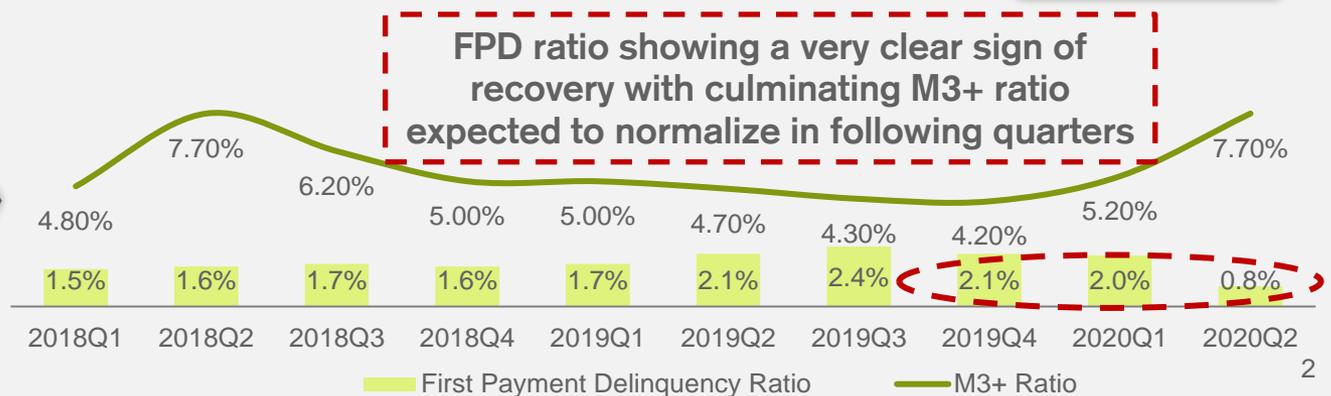


Outstanding loan balance<sup>(2)</sup>  
**RMB15.7bn**

## Operating results

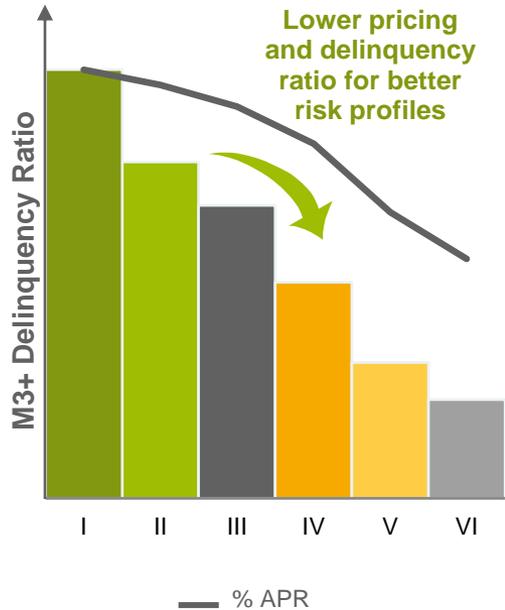
Notes:  
(1) For 6 months ended June 30, 2020  
(2) As of June 30, 2020

## Asset quality

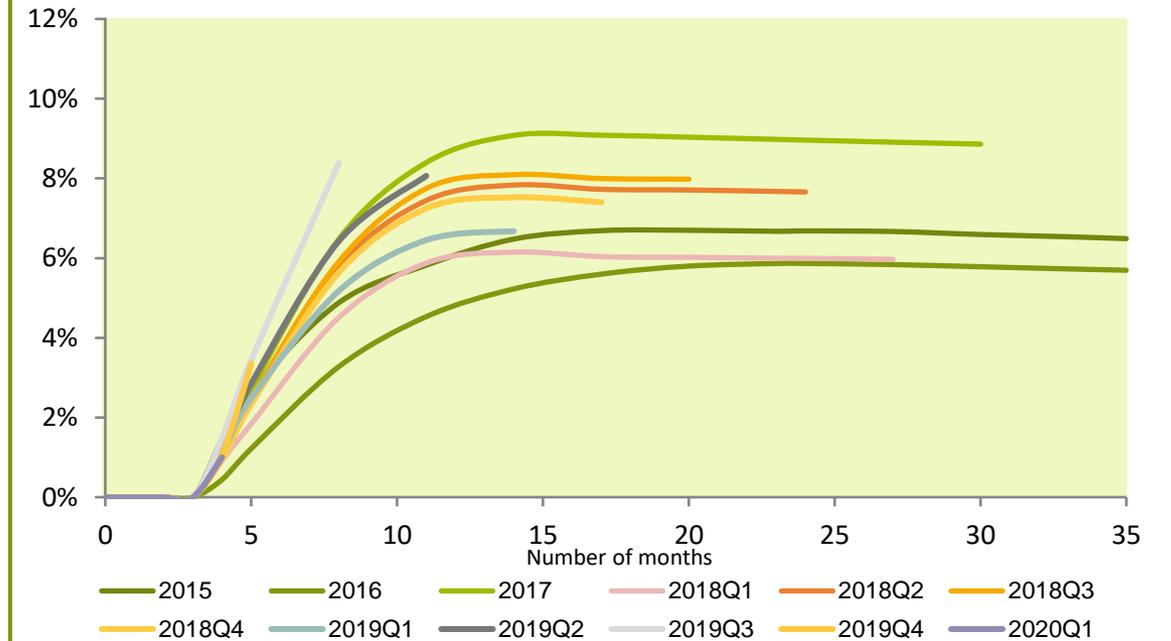


# Effective credit rating and risk management

M3+ Delinquency Ratio distribution across risk rating categories<sup>(1)</sup>



Cohort-based M3+ delinquency ratio for online credit products<sup>(2)</sup>



- ✓ Effective internal credit rating
- ✓ Effective pricing methodology according to the respective credit rating

✓ Shift to pure online business model

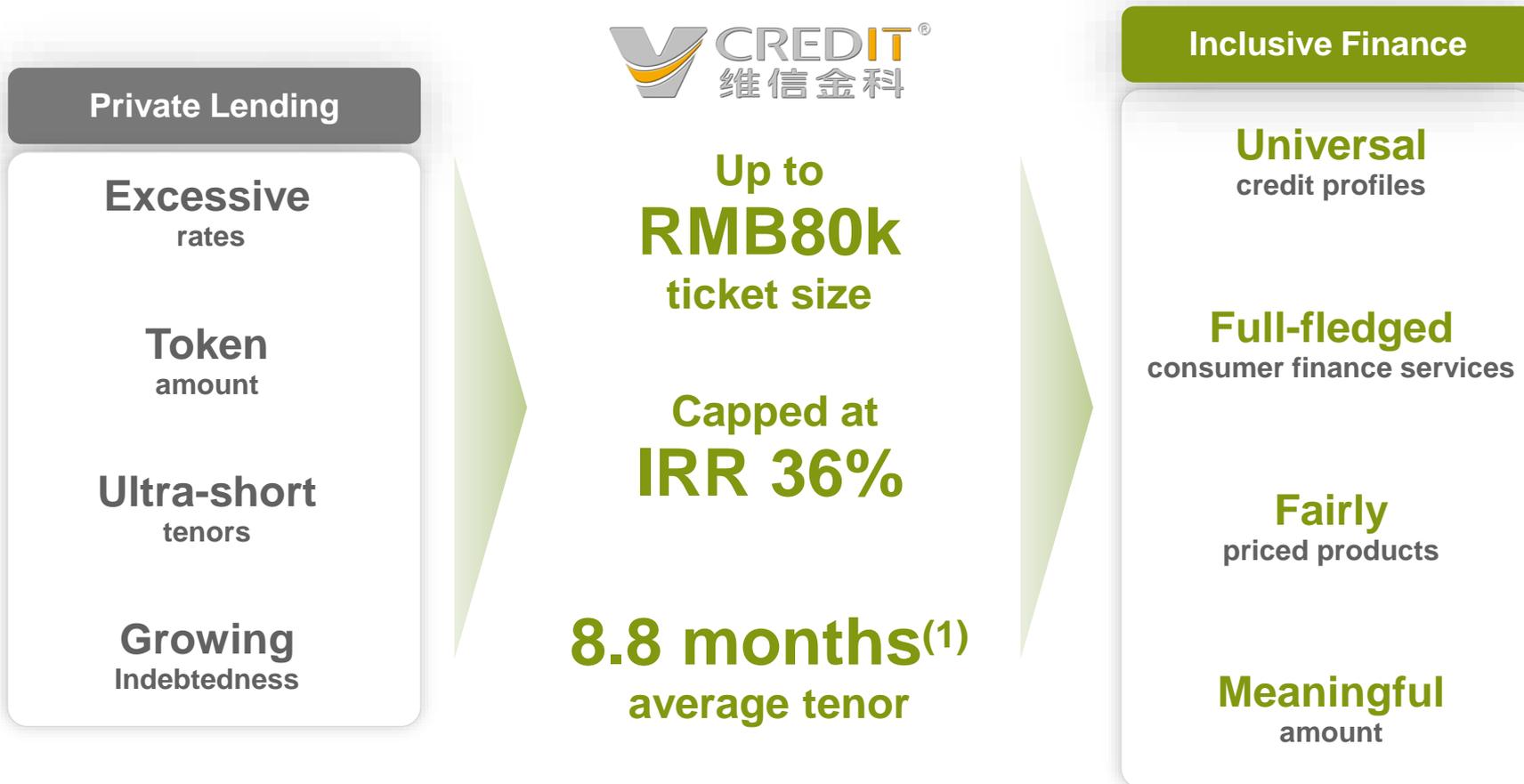
✓ Enhanced risk decision and pricing mechanism

✓ Better consequence enforcements

Notes:

- (1) The loan applicants are sorted into six credit rating categories, including Class I to VI (with VI representing the highest rating) and an extra category where all applicants are automatically rejected
- (2) As of a specified date, defined as the aggregate balance of outstanding principal of all loans within the applicable cohort under which any payment of principal or interest is delinquent for 3-12 months divided by the aggregate loan origination volume within the applicable cohort

# Foster credit profiles for young adults with promising income growth prospects



Note:

(1) For the loans originated in the 6 months ended June 30, 2020

# Promote inclusive finance by partnering with licensed financial institutions

## On-Balance Sheet Model

### 1% Direct Lending

- **2** online small loan licenses
- Clear regulatory requirements

### 38% Trust Lending

- **Efficient** leverage
- Long-term partnership with FOTIC

## Facilitation Model

### 60% Credit-Enhanced Loan Facilitation



Credit-enhancement through own financing guarantee license



Regulatory endorsement



Perfect duration match

## Platform Model

### 1% Pure Loan Facilitation



Taking **zero credit risk**



**4** partnerships with licensed consumer finance companies



Empowering funding partners' **direct** dealing with borrowers

Well positioned in the inclusive finance value chain through technology solutions

# Experienced and stable management team leading cohesive talent development



**Lawrence Ma**  
Founder, Chairman



**Stephen Liu**  
Founder, CEO



**Thomas Liu**  
COO



**Lan Xue**  
General Manager



**Jiafang Jin**  
CTO



**Ethan Gong**  
CRO



**Ray Yu**  
CMO



**Daniel Zhou**  
CFO



**Credit-risk  
centric**

**Adaptive to  
regulatory  
environment**

**Technology-  
driven efficiency**

**Institutional  
mindset**

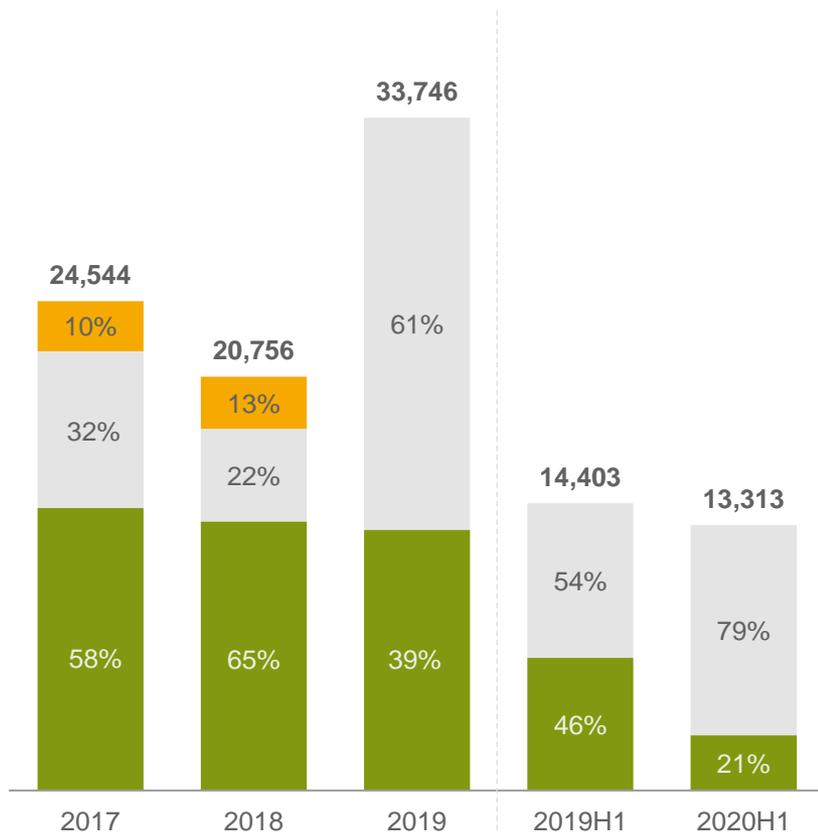


## Financial highlights

# Business Overview

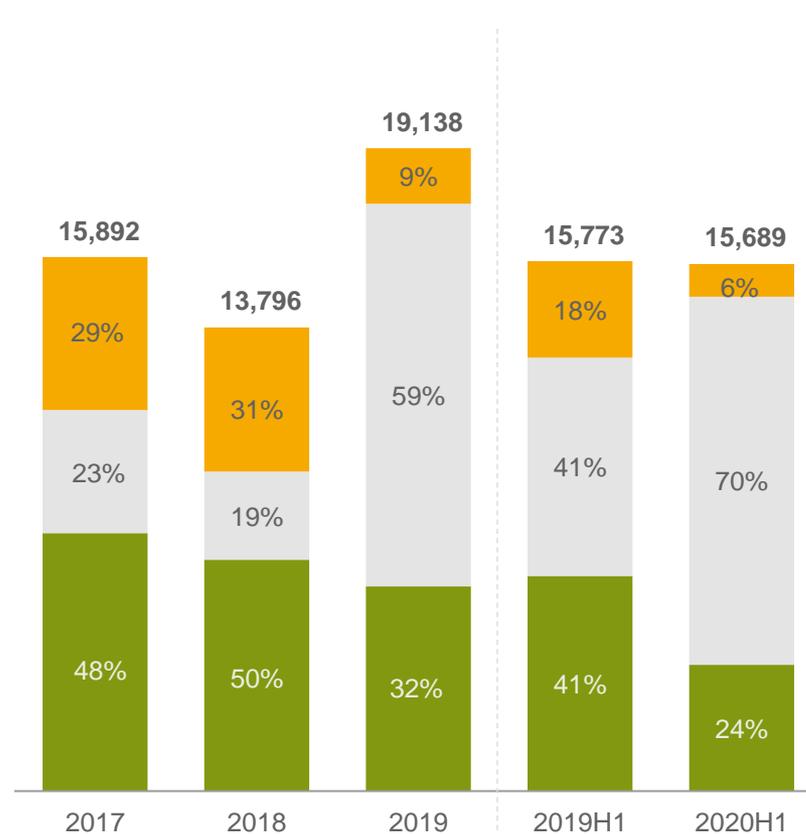
## Loan origination volume

(RMB mn)



## Outstanding balance of loans to customers<sup>(1)</sup>

(RMB mn)



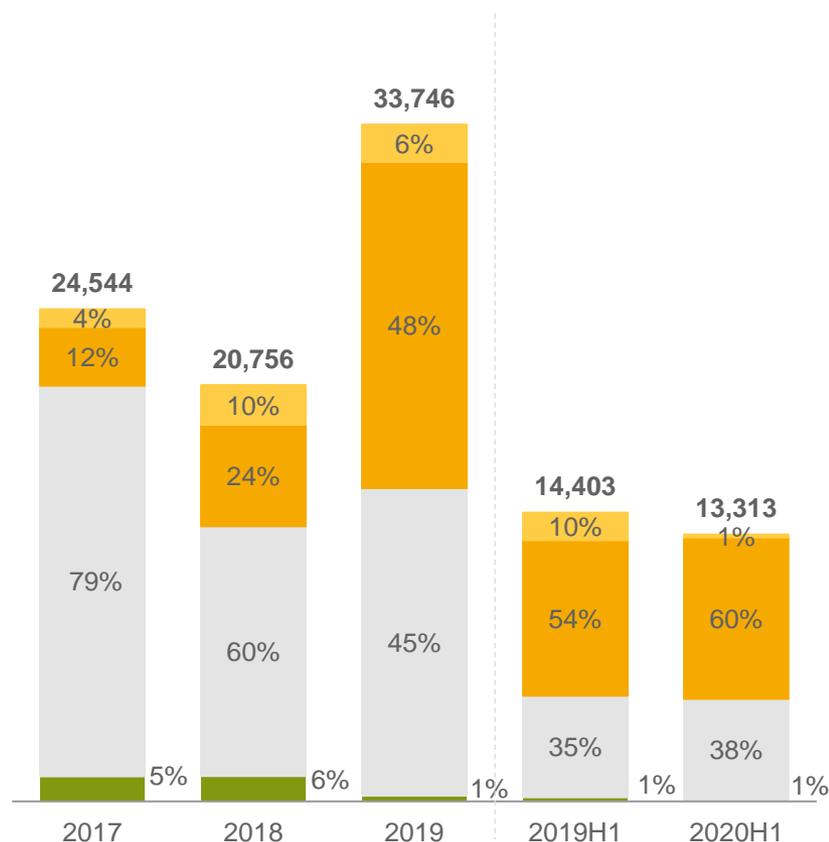
■ Credit card balance transfer products    
 ■ Consumption credit products    
 ■ Online-to-offline credit products

Note:

(1)The outstanding loan principal calculated using amortization schedule is defined as outstanding balance of loans to customers

## Funding structure

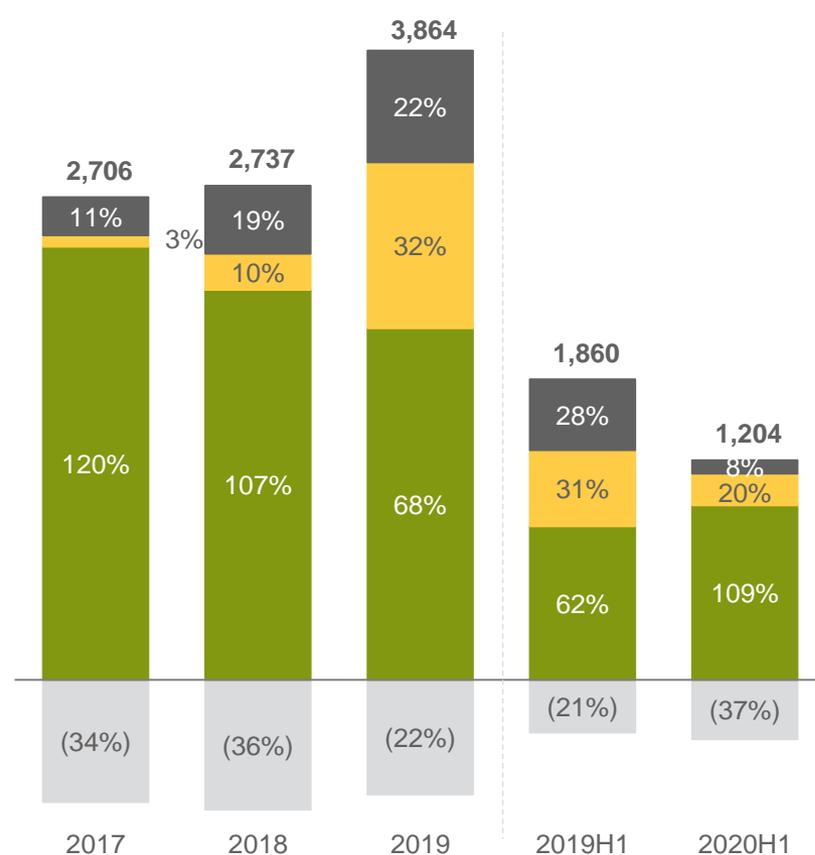
(RMB mn)



- Direct lending
- Credit-enhanced loan facilitation
- Trust lending
- Pure loan facilitation

## Income breakdown

(RMB mn)



- Interest income/interest type income<sup>(1)</sup>
- Loan facilitation service fees
- Interest expenses
- Other income

Note:

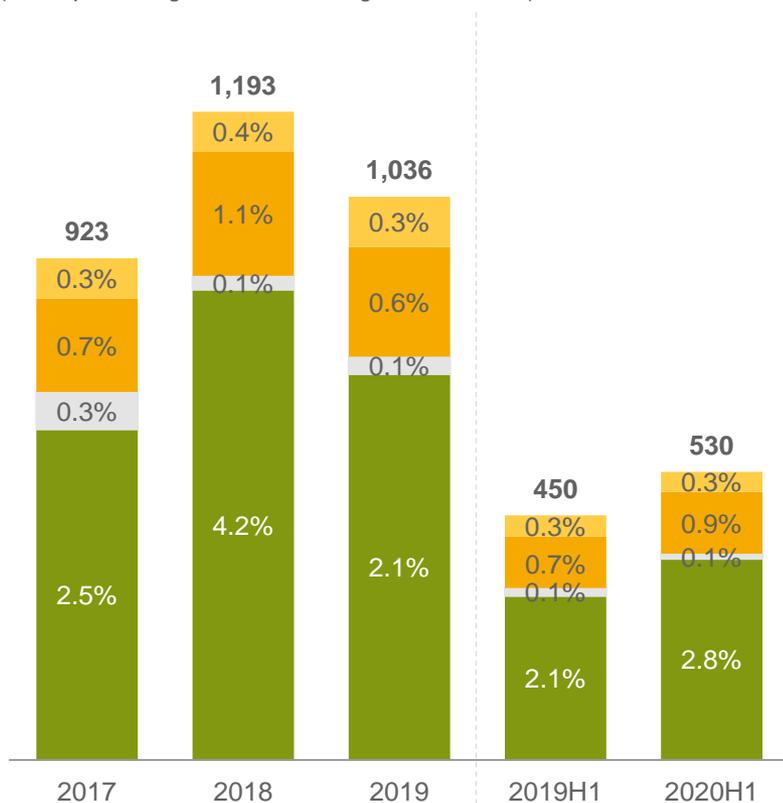
(1) Interest income was reclassified as interest type income under IFRS 9 since January 1, 2018

# Financial overview (cont'd)

## Adjusted operating expenses breakdown<sup>(1)</sup>

(RMB mn)

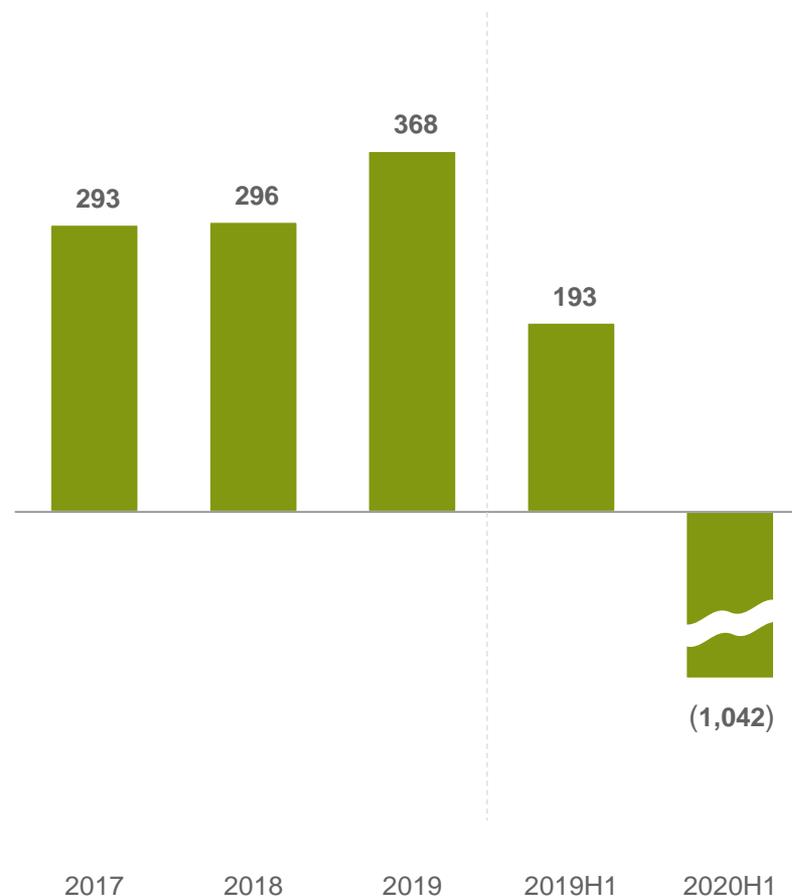
(%: as percentage of total loan origination volume)



- Origination and servicing    ■ Sales and marketing
- General and administrative    ■ Research and development

## Adjusted net profit<sup>(2)</sup>

(RMB mn)



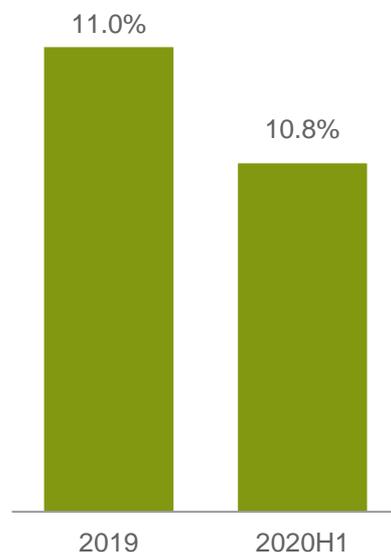
Notes:  
 (1) Adjusted operating expenses are calculated by excluding share-based compensation expenses from operating expenses  
 (2) Adjusted net profit is calculated by excluding fair value loss of convertible redeemable preferred shares and share-based compensation expenses from net profit

# Unique capital structure and stable funding cost

## Unique and flexible capital structure

- Our company is set up as a WFOE, instead of a VIE which is commonly adopted by industry peers
- Under the WFOE structure, there are relatively less cross-border capital flow restrictions
- The capital raised offshore can be channeled back onshore smoothly for
  - lending/trust investment;
  - deposits with funding partners;
  - capital requirements for our onshore licensed entities

## Stable funding expense<sup>(1)</sup>



## Historical funding cost

(%)

	As of December 31,		As of June 30	
	2017	2018	2019	2020
Trust funding	10.0	11.0	11.0	10.6
Corporate borrowings	10.0	10.0	10.5	11.9
Individual borrowings	10.0	10.0	10.0	—
Bank lending	7.4	6.2	6.2	—
Bond	—	—	11.0	11.0

Note:

(1) Funding expense is calculated as the overall weighted average interest rates of borrowings and bond

## Mutually Beneficial Funding Partnerships



Provide advanced technology solutions



Enable precision marketing



Provide necessary credit-enhancement

## Strategic Collaborations



Initiated partnerships with leading internet companies



Formed collaborations with all 3 mobile carriers



Continue to identify cross-industry and overseas opportunities

## Operating Efficiency Optimization



Streamline organization structure



Enhance product profitability



Improve funding efficiency

# Leading market position with proven track record and unique market focus

## Regulatory encouraged business model

Extensive industry know-how and insights in China

Established well-recognized brands

Tested in economic cycles

## Serving the underserved

Promotion of technology driven inclusive finance

Unique access to CCRC consumer credit database

Cultivation of universal trailable credit profiles

## Diversified institutional funding

Structured and securitized funding

Proven funding scalability, stability and sustainability

Vanguard of innovative structures within the regulatory framework