

MANAGEMENT PRESENTATION ANALYST DAY & ANNUAL RESULTS

May 2020



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AGENDA

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1

A QUICK SUMMARY OF 2019

2

WHAT HAPPENED IN 2019Q4

3

PRELIMINARY VIEWS ON 2020



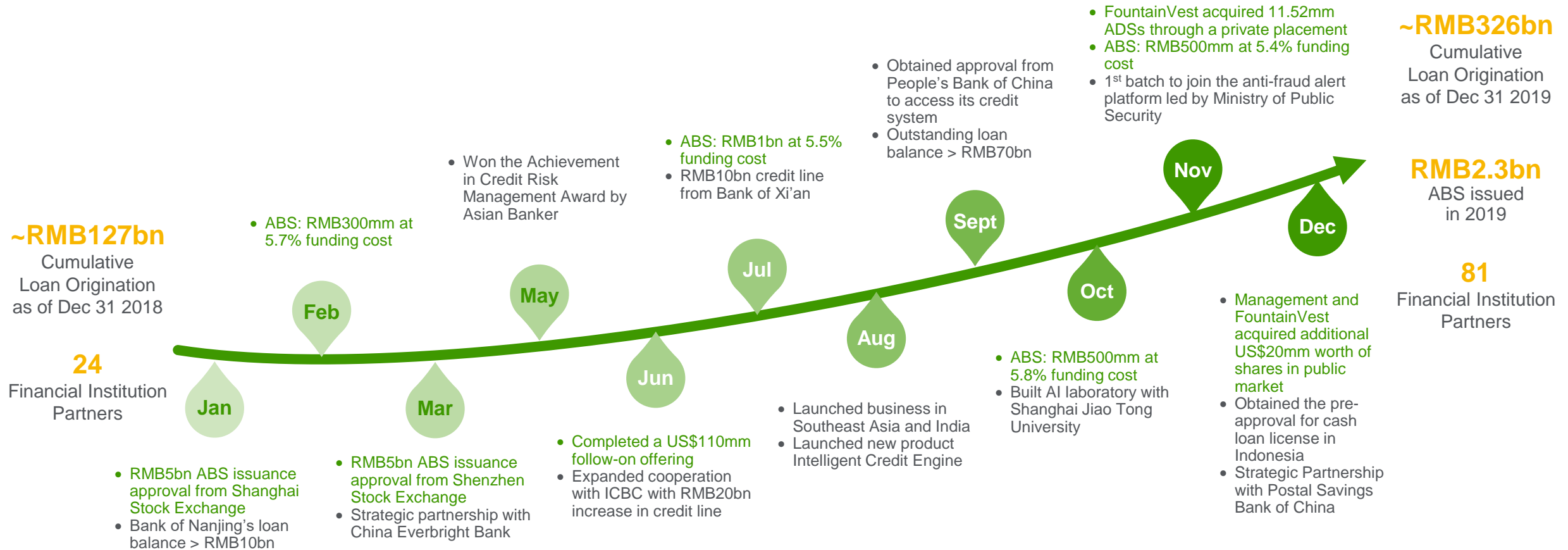


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1

A QUICK SUMMARY OF 2019

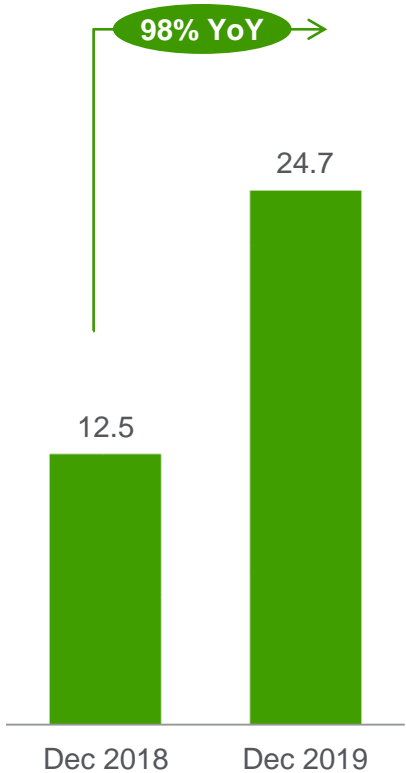
WE HAVE ACHIEVED A LOT...



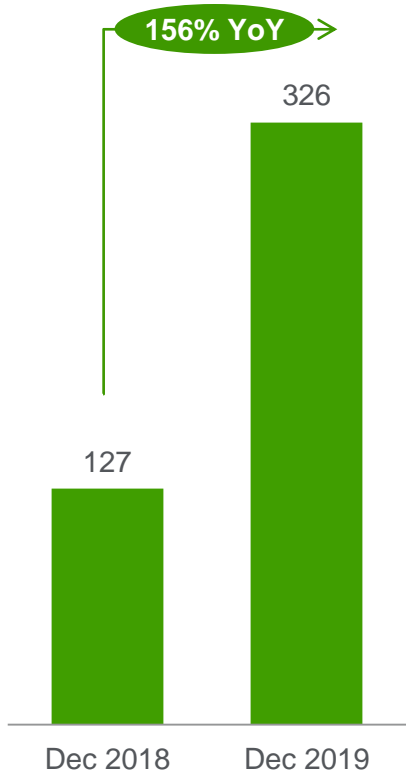
WHICH TRANSLATED INTO HIGH QUALITY GROWTH

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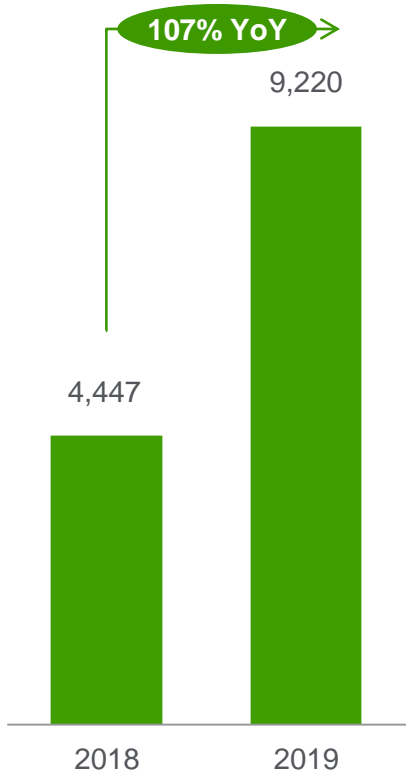
Users with
Approved Credit Lines¹
(mm)



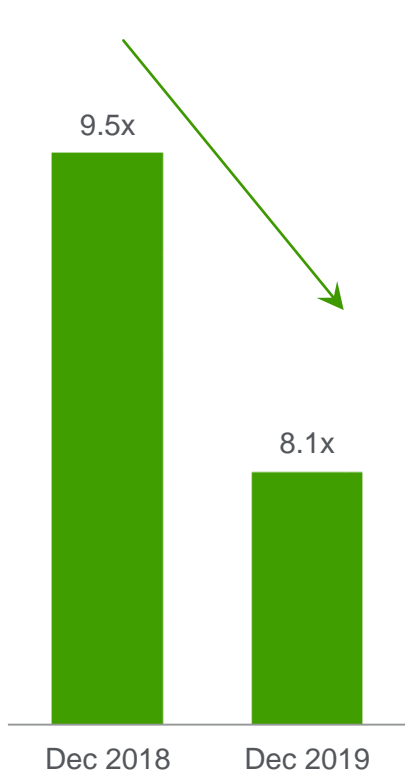
Cumulative Loan
Origination
(RMB bn)



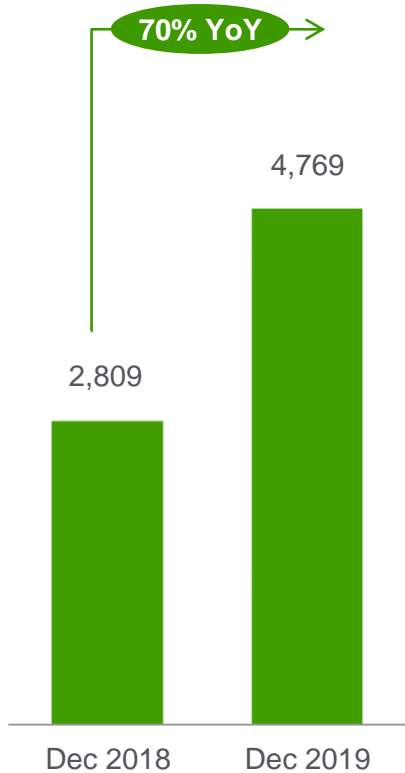
Revenue
(RMB mm)



Leverage Ratio²
(x)



Cash³
(RMB mm)

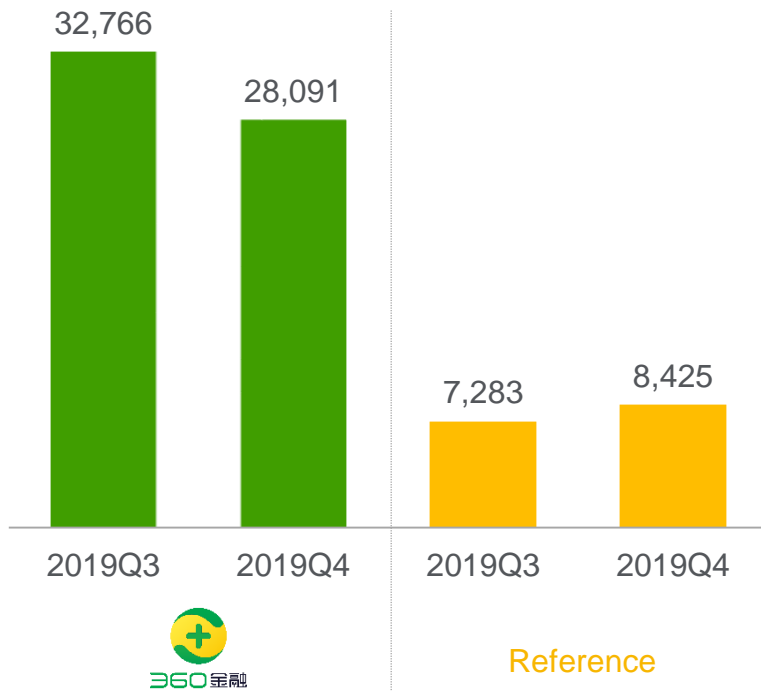


Note: 1. Refers to the total number of users who had submitted their credit applications and were approved with a credit line by the Company at the end of each period. 2. Leverage ratio is calculated by (i) the outstanding balance for credit driven services, divided by (ii) total shareholder's equity. 3. Includes cash and cash equivalents, restricted cash and security deposit prepaid to third-party guarantee companies.

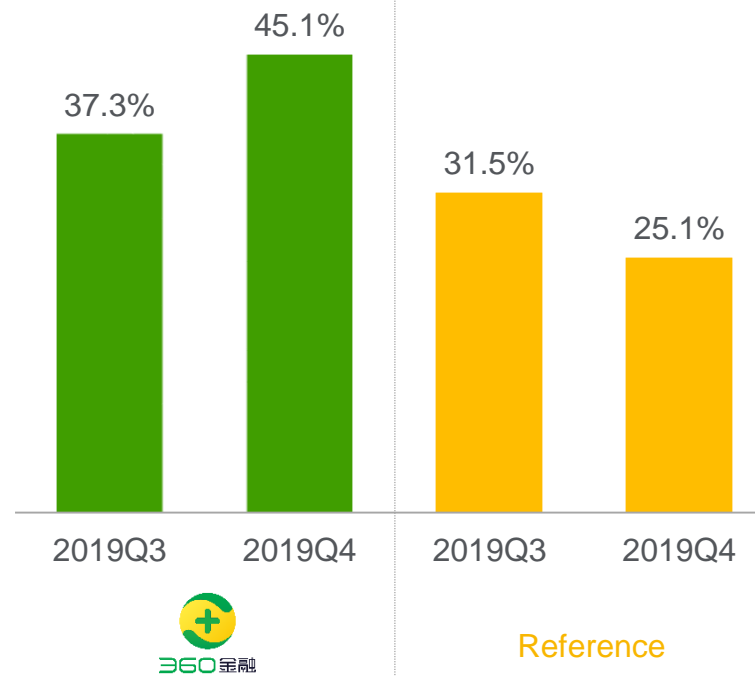
WHAT'S MORE, WE GOT MORE FOCUSED ON OPERATIONAL EFFICIENCY

.....

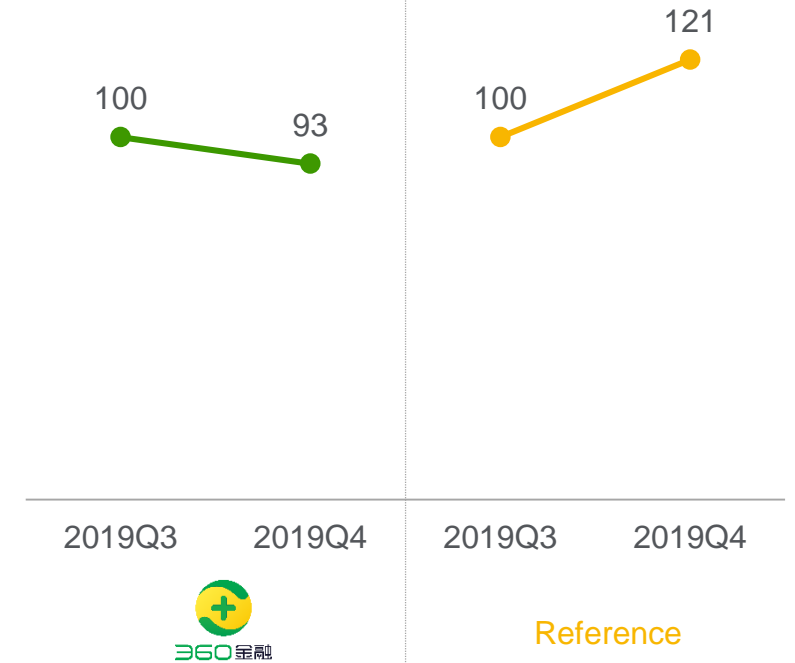
Operational Efficiency¹
(RMB '000 / Person)



Adjusted Operating Margin²



User Acquisition Cost - Rebased^{3,4}

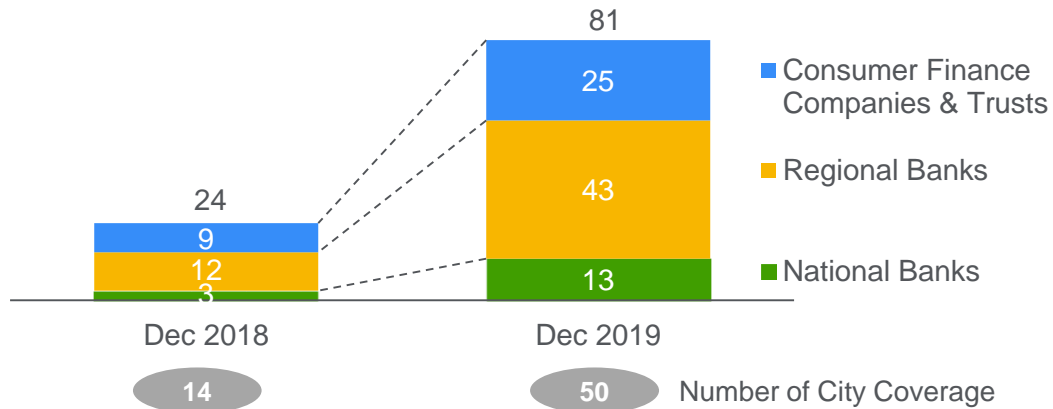


Note: 1. Operational efficiency is measured by loan origination per person for the period. 2. Excludes share-based compensation related expenses and expense on guarantee liabilities. 3. User acquisition cost is calculated by (i) sales and marketing expenses, divided by (ii) the number of new users with credit lines for the period. 4. Rebased to 2019Q3.

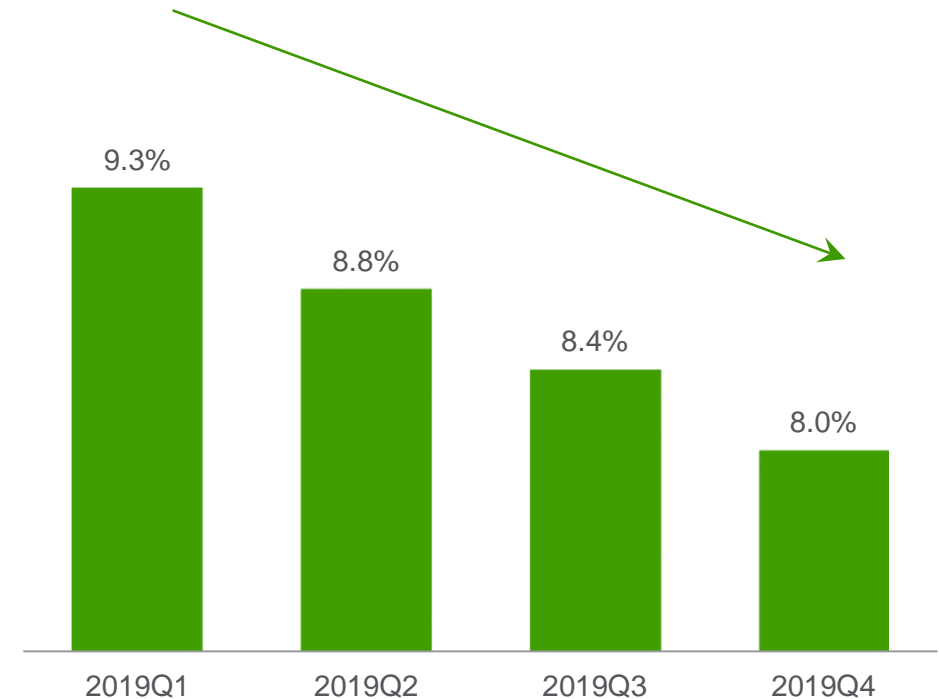
WHAT'S MORE, WE GOT MORE FOCUSED ON OPERATIONAL EFFICIENCY (CONT'D)

.....

Financial Institution Partners Breakdown¹



Funding Cost of Capital from Financial Institutions



ABS Issuance

Time	Stock Exchange	Amount (RMB mm)	Funding Cost
Feb 2019	SHSE ²	300	5.7%
July 2019	SHSE ²	1,000	5.5%
Oct 2019	SZSE ³	500	5.8%
Nov 2019	SZSE ³	500	5.4%
Total		2,300	5.6%

Note: 1. Includes financial institution partners that the Company has signed contracts with. 2. Refers to Shanghai Stock Exchange. 3. Refers to Shenzhen Stock Exchange.

BY THE WAY, WE MADE OUR STATEMENTS MORE READER FRIENDLY

.....

Previously

Going Forward

Why?

Traditional loan
facilitation



Credit driven
services
(Capital heavy)

Capital light
+
Referral services



Platform services
(Capital light +
referral services)

- To reflect the intrinsic business nature
- To easily monitor the business trend

DIFFERENCES BETWEEN TWO SEGMENTS IN OPERATION

.....

Credit Driven Services



Capital heavy



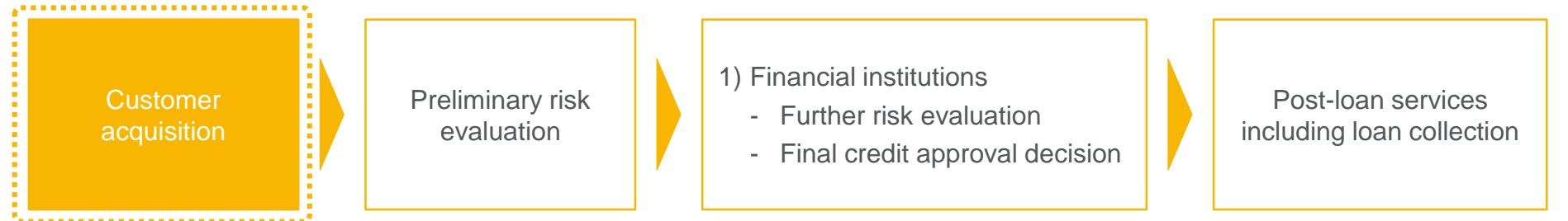
Platform Services



Capital light



Referral services



Denotes the process where the Company is involved

P&L LINES CHANGE

.....

Change in Revenue Lines

Previously

- Revenue from loan facilitation services
 - Traditional loan facilitation
 - Capital light
- Revenue from post-origination services
 - Traditional loan facilitation
 - Capital light
- Financing income
- Other service fee revenues

Going Forward

Credit driven services

- Loan facilitation and servicing fees – capital heavy
- Financing income
- Revenue from releasing of guarantee liabilities
- Other service fees¹

Platform services

- Loan facilitation and servicing fees – capital light
- Referral service fees
- Other service fees²

Change in Cost Lines

Funding costs: Funding costs include interest expense that we pay to institutional funding partners of our consolidated trusts and the investors of our asset backed securities, as well as relating to the set-up and operation of our consolidated trusts. Such interest expense was previously recorded under origination and servicing expenses and general and administrative expenses

Note: 1. Primarily includes late fees from borrowers under credit driven services. 2. Primarily includes late fees from borrowers under platform services and to a less extent revenue from other businesses such as 360Finance E-commerce Platform.

P&L LINES CHANGE (CONT'D)

.....

Old (2019 Full Year Result)

	RMB '000
Revenue from loan facilitation services	5,069,282
Revenue from post-origination services	2,018,430
Financing income	1,309,616
Other service fee revenues	822,519
Total net revenue	9,219,847
Origination and servicing	1,365,545
Sales and marketing	2,846,595
General and administrative	477,939
Provision for loans receivable	486,991
Provision for financial assets receivable	166,176
Provision for accounts receivable and contract assets	230,280
Expense on guarantee liabilities	734,730
Total operating costs and expenses	6,326,256
Income from operations	2,893,591
Income before income tax expense	2,967,287
Income taxes benefit (expense)	(465,983)
Net income	2,501,304

New (2019 Full Year Result)

	RMB '000
Credit driven services	8,013,391
Loan facilitation and servicing fees – capital heavy	6,273,131
Financing income	1,309,616
Revenue from releasing of guarantee liabilities	285,407
Other services fees	145,237
Platform services	1,206,456
Loan facilitation and servicing fees - capital light	814,581
Referral services fees	375,551
Other services fees	16,324
Total net revenue	9,219,847
Origination and servicing	1,083,372
Funding costs	344,999
Sales and marketing	2,851,519
General and administrative	428,189
Provision for loans receivable	486,991
Provision for financial assets receivable	166,176
Provision for accounts receivable and contract assets	230,280
Expense on guarantee liabilities	734,730
Total operating costs and expenses	6,326,256
Income from operations	2,893,591
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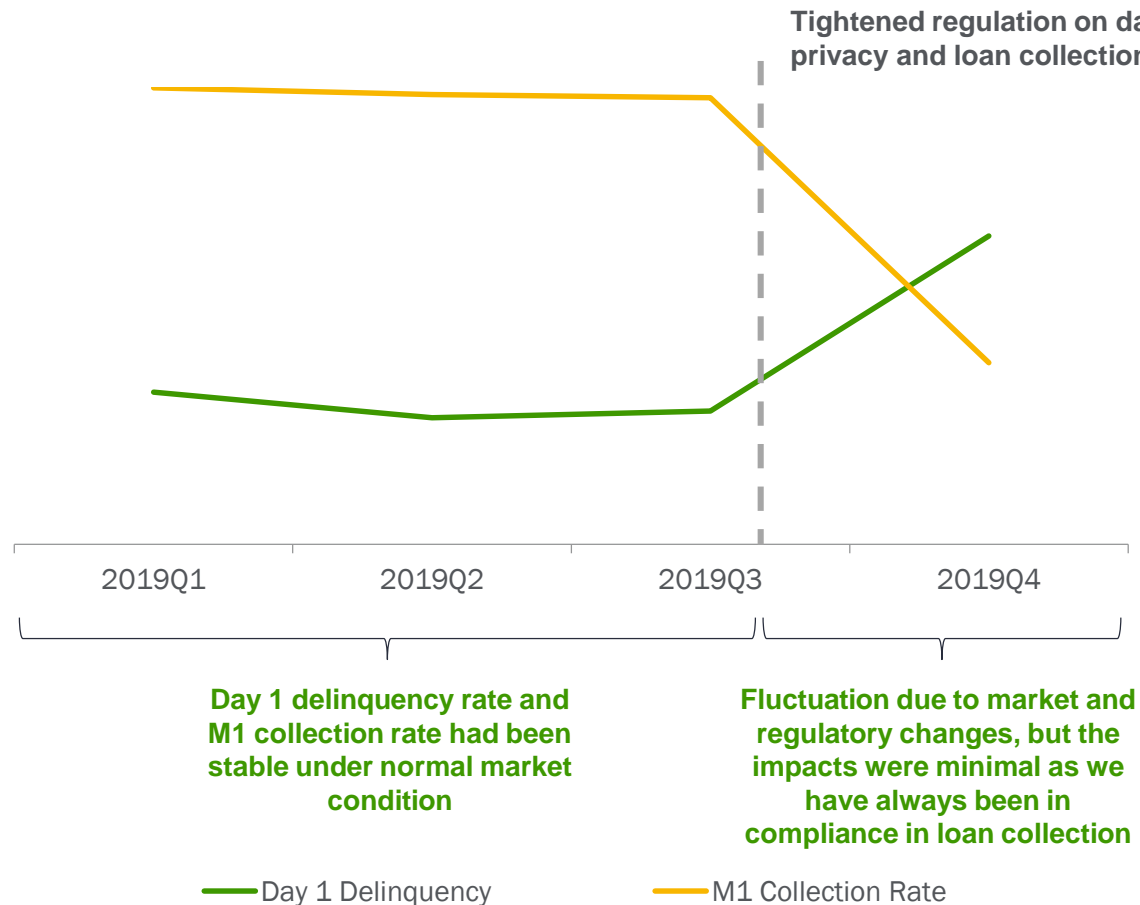
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2

WHAT HAPPENED IN 2019Q4

ASSET QUALITY FACED PRESSURE DUE TO TIGHTENED REGULATION

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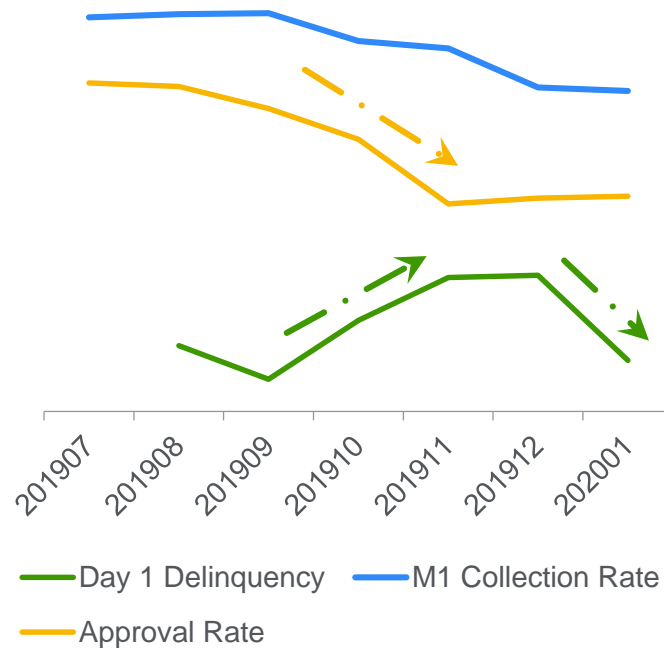
- We believe **regulation will tighten** and all companies will **eventually use the same loan collection methods**
- We **closely follow the regulation** to make the best practice based on our best understanding
- We are **NOT** on the list of top 20 platforms ranking by the number of compliant cases from borrowers, according to *ts.21cn.com*, one of the key independent fintech supervising platforms in China
- We are **fully in compliance** and prepared for regulatory tightening

WE TREATED IT AS A PRESSURE TEST AND TOOK INITIATIVES TO COPE WITH

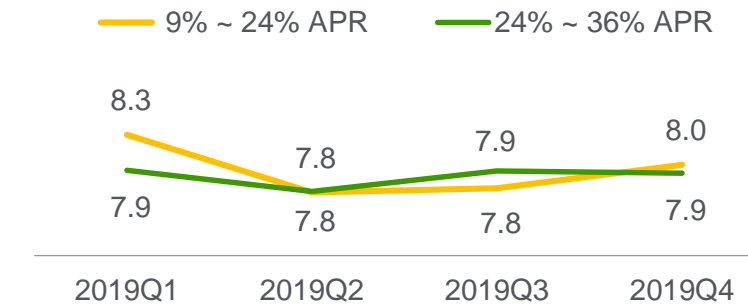
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Operational Level

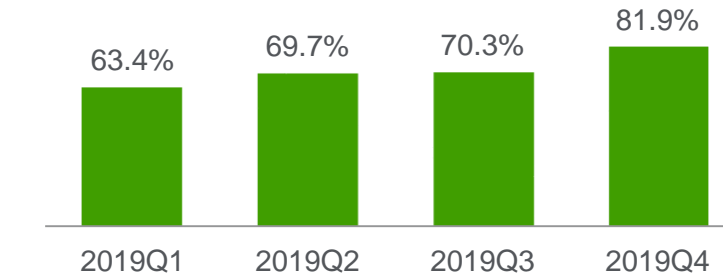
Tightened Credit Approval



Tenor by APR (Month)



Repeat Borrower Contribution¹



Loan Collection Compliance Measures



78% of loan collection amount is performed by **AI Robots**; we continue to improve AI Robots performance to increase user reach and effective call length

Maximum compliance:



- ✓ **Record all loan collection activities** in system, including those by outsourced companies, **100% AI quality check**
- ✓ Example: **Real-time monitor model** to track **complaint key word “attitude”** and **tone changes reflecting emotional change**, matching cases will be alerted to manager for immediate action to comfort users

←----- Pre-Loan -----→

←----- Mid-Loan -----→

←----- Post-Loan -----→

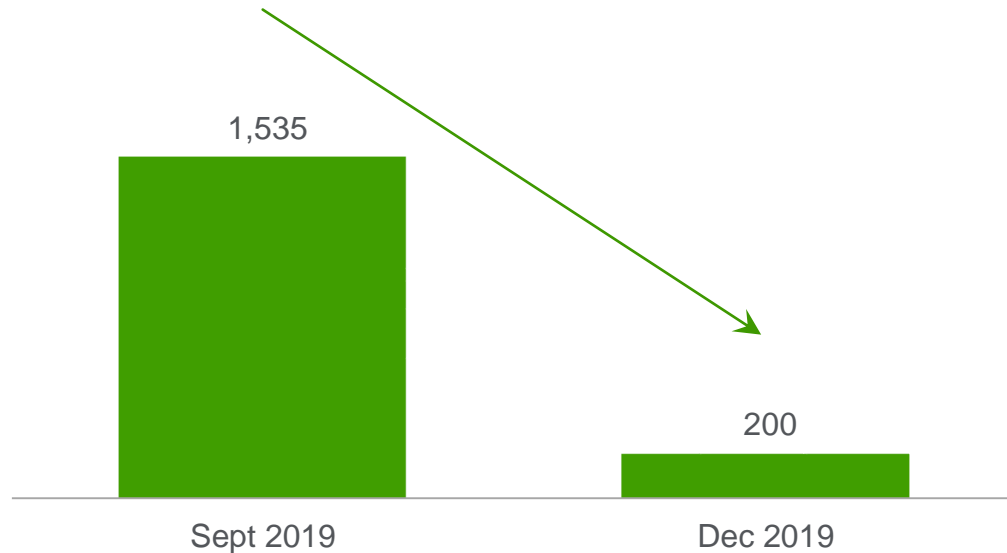
Note: 1. Repeat borrower contribution for a given period is calculated by (i) the principal amount of loans borrowed during that period by borrowers who had historically made at least one successful drawdown, divided by (ii) the total loan origination volume through our platform during this period.

WE TREATED IT AS A PRESSURE TEST AND TOOK INITIATIVES TO COPE WITH (CONT'D)

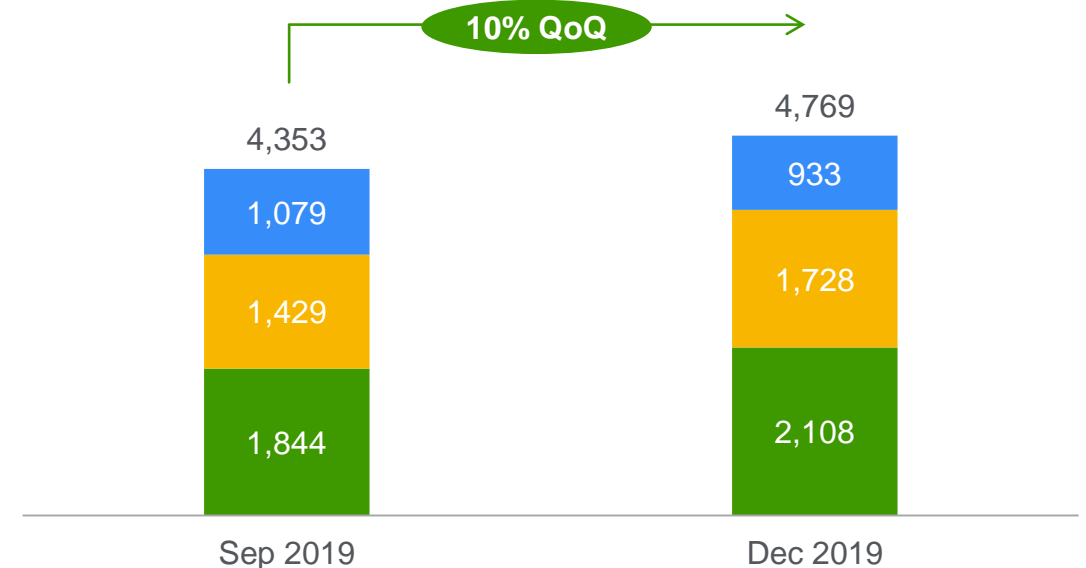
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Margin of Safety

Short-term Loan
(RMB mm)



Cash Position
(RMB mm)



- Cash and Cash Equivalents
- Restricted Cash
- Security Deposit Prepaid to Third-party Guarantee Companies

WE INCREASED GUARANTEE LIABILITIES AND PROVISIONS TO MITIGATE THE IMPACT OF MARKET UNCERTAINTIES

.....

From Loan Origination and Vintage Perspective

		For 2019Q3 Report			For 2019Q4 Report		
	Loan origination ¹ (RMB bn)	Estimated vintage loss rate	Markup	Guarantee liabilities and provisions (RMB bn)	Estimated vintage loss rate	Markup	Guarantee liabilities and provisions (RMB bn)
2018Q4 - 2019Q3	162	2.23%	A ²	B	2.64%	C ²	D

$$B = 162 * 2.23\% * A$$

$$D = 162 * 2.64\% * C$$

Increase in guarantee liabilities and provisions (RMB bn):

$$D - B = c.0.8$$

Breakdown of increase in guarantee liabilities and provisions	(RMB bn)
Lower vintage than estimated vintage upon expiry ³	
Expense on guarantee liabilities	
Provision for FAR ⁴ and AR ⁵	
Provision for loans receivable	
Total	c.0.8

Notes: 1. Refers to loan origination for credit driven services. 2. Both A and C are higher than 120%. 3. Recorded in revenue from releasing of guarantee liabilities. 4. FAR refers to financial assets receivable. 5. AR refers to accounts receivable.

WE INCREASED GUARANTEE LIABILITIES AND PROVISIONS TO MITIGATE THE IMPACT OF MARKET UNCERTAINTIES (CONT'D)

.....

From Outstanding Balance and Delinquency Perspective

For all loans (credit driven services & platform services)		2019Q1	2019Q2	2019Q3	2019Q4
Loan origination (RMB mm)	(a)	41,202	48,378	55,965	53,121
Outstanding balance (RMB mm)	(b)	52,578	61,289	70,568	72,155
Outstanding balance for M3+ ¹ (RMB mm)	(c)	494	625	755	945
M3+ delinquency rate	(d=c/b)	0.94%	1.02%	1.07%	1.31%

For loans for which we take credit risk (credit driven services)		2019Q1	2019Q2	2019Q3	2019Q4
Loan origination (RMB mm)	(e)	40,862	44,555	44,591	41,411
Outstanding balance (RMB mm)	(f)	51,733	57,793	59,445	58,086
Outstanding balance for M3+ ¹ (RMB mm)	(g)	485	610	740	870
M3+ delinquency rate	(h=g/f)	0.94%	1.06%	1.24%	1.50%
Outstanding balance in quarter T-2 (RMB mm)	(i)	33,423	42,086	51,733	57,793
Adjusted M3+ delinquency rate ²	(j=g/i)	1.45%	1.45%	1.43%	1.50%
Provision rate before adjustment ³	(k)	4.0%	4.2%	4.9%	5.1%
Additional provision	(l)	-	-	-	1.5%
Provision rate	(m=k+l)	4.0%	4.2%	4.9%	6.6%
Reserve coverage ratio	(n=m/j)	276%	290%	343%	440%

Notes: 1. Excludes outstanding balance for M6+. 2. Adjusted M3+ delinquency rate = (outstanding balance for M3+ in quarter T) / (outstanding balance in quarter T-2). 3. Provision rate before adjustment = (loan facilitation provisions + provisions for on-balance-sheet loan) / outstanding balance for credit driven services.

A SIDE NOTE – HOW TO CORRECTLY READ DELINQUENCY METRICS

.....

Define the Adjusted M3+ Delinquency Rate

- In quarter T, the outstanding balance of all loans is mostly outstanding balance for M0. Some of such outstanding balance for M0 will become outstanding balance for M1-M3 if delinquent in quarter T+1, and then become outstanding balance for M3+ if still delinquent in quarter T+2
- Therefore, we define the adjusted M3+ delinquency rate as: **adjusted M3+ delinquency rate = (outstanding balance for M3+ in quarter T) / (outstanding balance in quarter T-2)**
- The adjusted M3+ delinquency rate is more meaningful than the conventional M3+ delinquency rate, because in the conventional M3+ delinquency rate calculation, loans originated in quarter T and quarter T-1 only affect the denominator (i.e. outstanding balance in quarter T) but not the numerator (i.e. outstanding balance for M3+ in quarter T)

Illustrative Example

Company A	Outstanding balance	M3+ Delinquency rate	Outstanding balance for M3+	Adjusted M3+ delinquency rate
2018Q1	100.0	1.50%	1.50	-
2018Q2	110.0	1.50%	1.65	-
2018Q3	126.5	1.50%	1.90	1.90%
2018Q4	151.8	1.50%	2.28	2.07%
2019Q1	189.8	1.50%	2.85	2.25%
2019Q2	246.7	1.50%	3.70	2.44%
2019Q3	333.0	1.50%	5.00	2.63%
2019Q4	466.2	1.50%	6.99	2.83%

Company B	Outstanding balance	M3+ delinquency rate	Outstanding balance for M3+	Adjusted M3+ delinquency rate
2018Q1	100.0	0.90%	0.90	-
2018Q2	140.0	0.95%	1.33	-
2018Q3	189.0	1.00%	1.89	1.89%
2018Q4	245.7	1.05%	2.58	1.84%
2019Q1	307.1	1.10%	3.38	1.79%
2019Q2	368.5	1.15%	4.24	1.73%
2019Q3	423.8	1.20%	5.09	1.66%
2019Q4	466.2	1.30%	6.06	1.64%

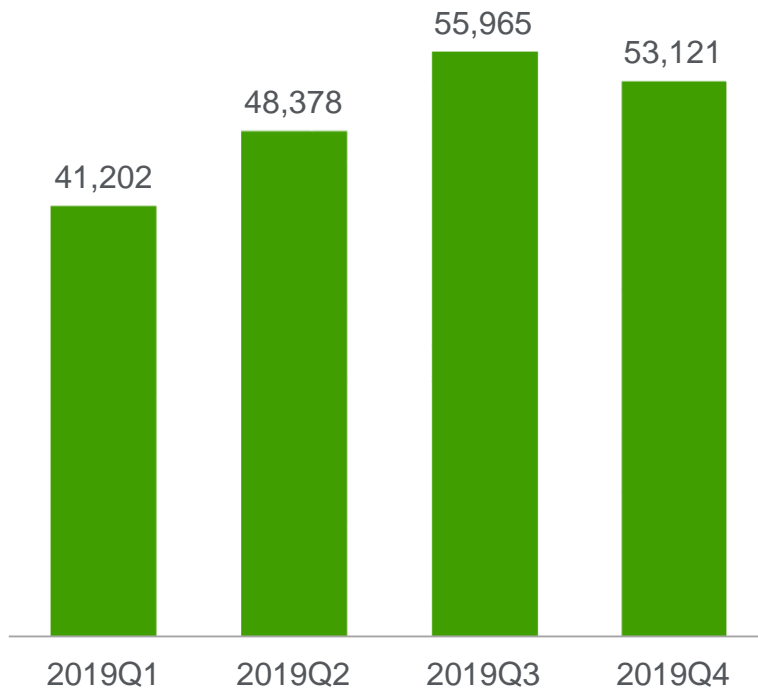
Company A's adjusted M3+ delinquency rate in 2019Q4 is: 2.83% = 6.99/246.7

Notes: Both outstanding balance and outstanding balance for M3+ exclude loans delinquent for more than 180 days.

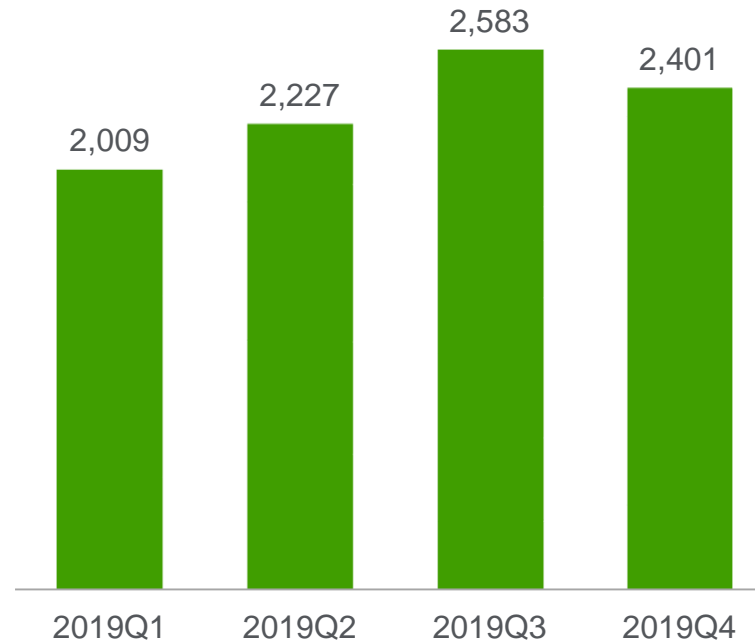
THESE INITIATIVES HELPED US STABILIZE OUR BUSINESS

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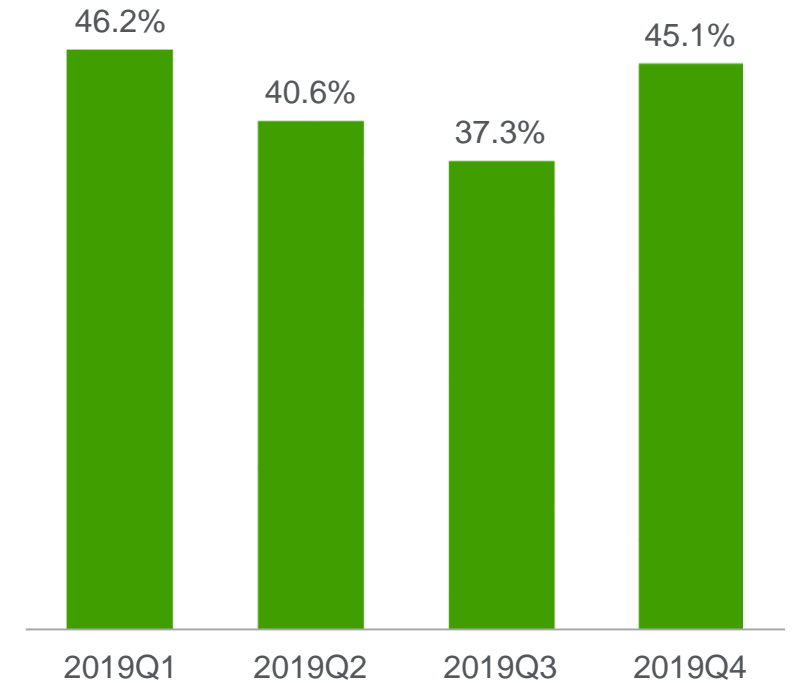
Loan Origination
(RMB mm)



Revenue
(RMB mm)



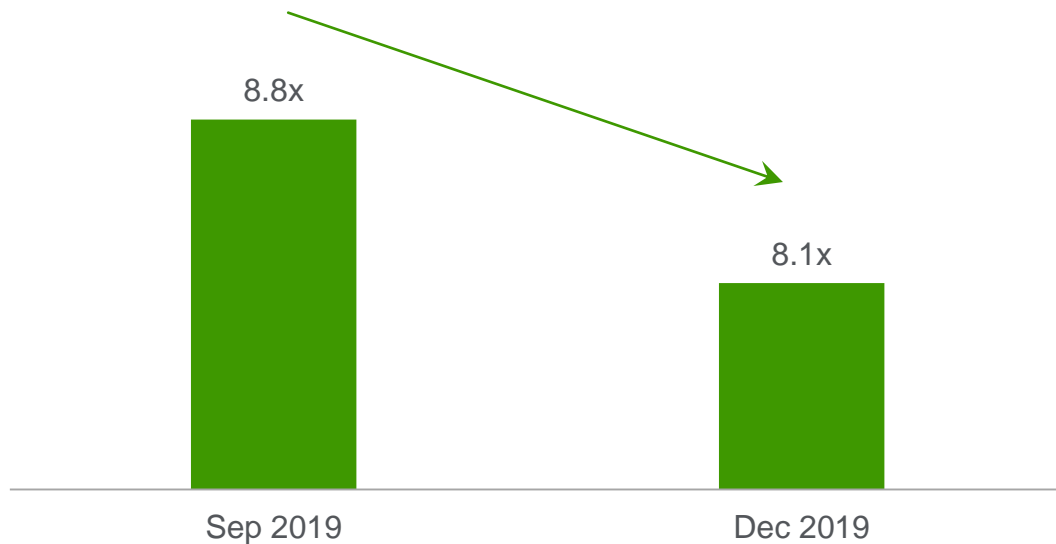
Adjusted Operating Margin¹



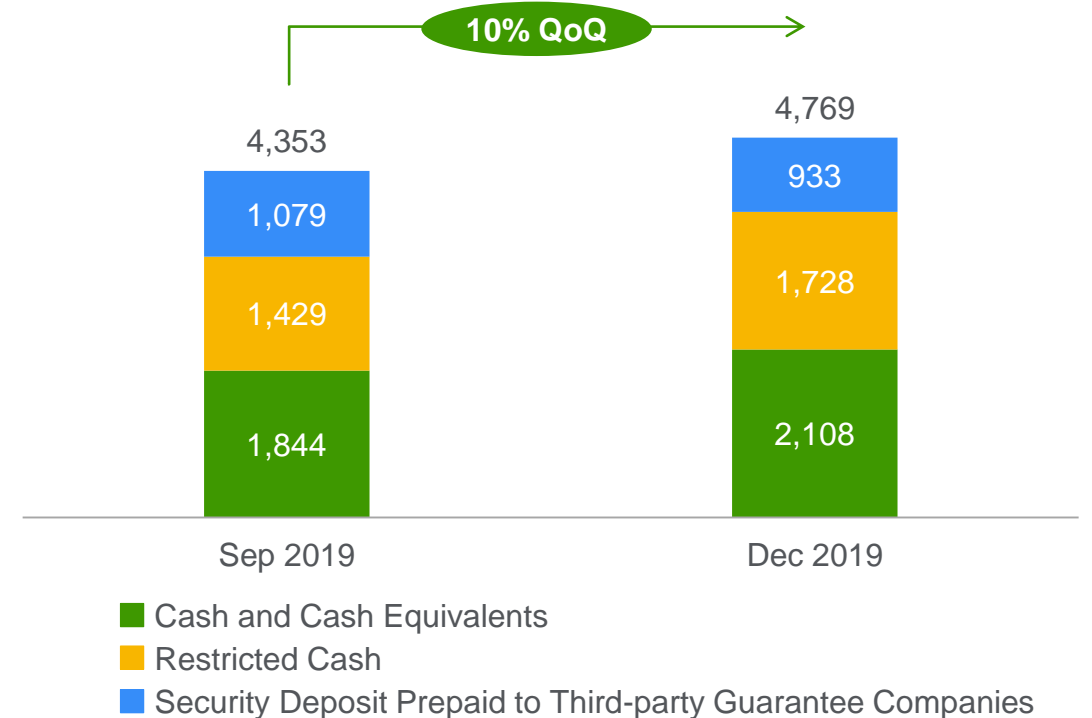
Note: 1. Excludes share-based compensation related expenses and expense on guarantee liabilities.

..... AND PUT US IN A **BETTER POSITION** TO THE UNEXPECTED TURBULENCE IN THE COMING 2020

Improving Leverage Ratio¹
(x)



Cash Position
(RMB mm)



Note: 1. Leverage ratio is calculated by (i) the outstanding balance for credit driven services, divided by (ii) total shareholder's equity.



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3

PRELIMINARY VIEWS ON 2020

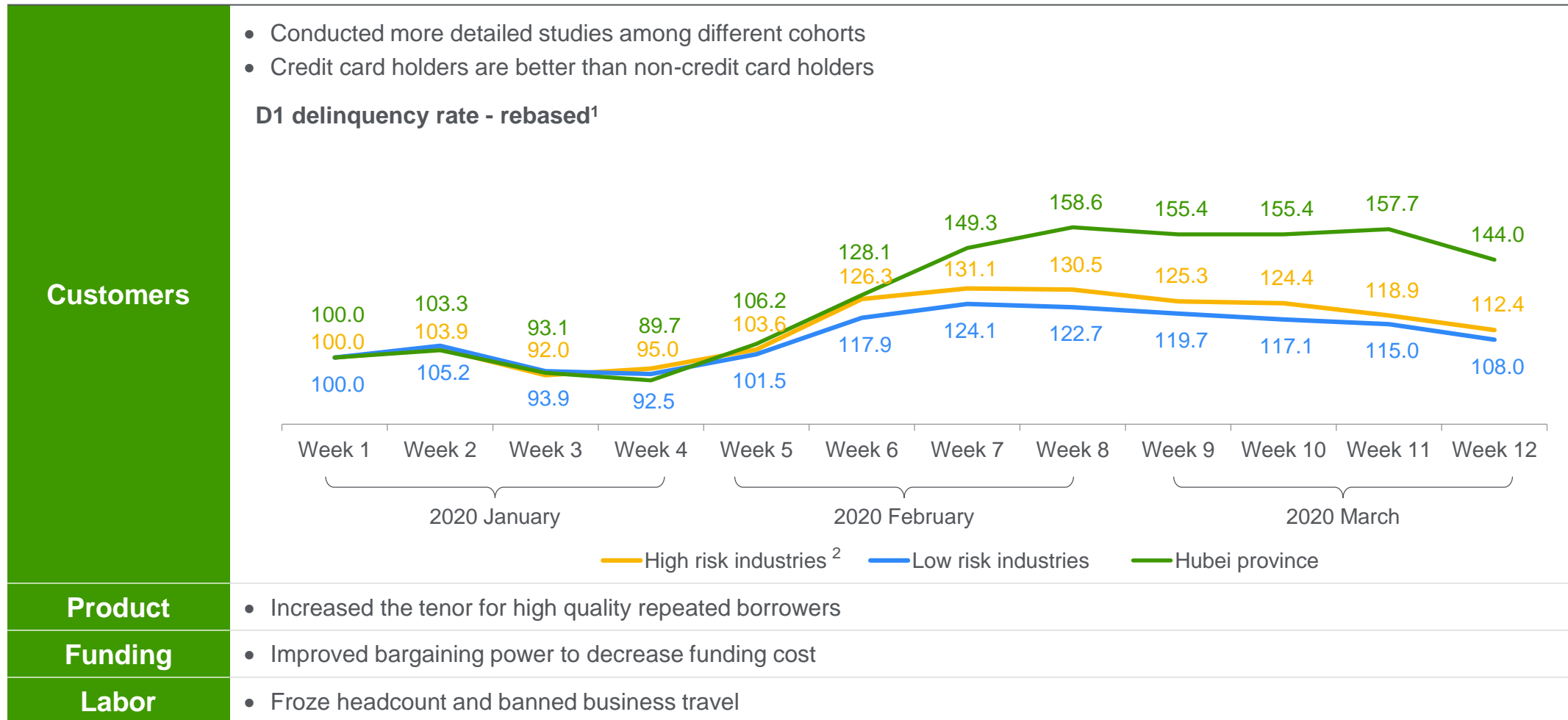
WHAT DID WE DO IN RESPONSE TO COVID-19

.....

	Before Chinese New Year	During Chinese New Year	After Chinese New Year
Business	<ul style="list-style-type: none"> Suspended loan origination in Hubei province Tightened up risk assessment strategies, and decreased approval rate Monitored key areas and borrowers 	<ul style="list-style-type: none"> Offered the borrowers in affected regions some favorable treatment 	<ul style="list-style-type: none"> Resumed full loan collection capability by February Temporarily converted some in-house tele-marketing staff to handle loan collection work
Employee Care Plan		<ul style="list-style-type: none"> One of the first companies to take actions in response to COVID-19 by setting up remote working system Provided loan collection staff and technology developers with laptops to ensure all loan collection is recorded 	<ul style="list-style-type: none"> Used DingTalk for online communication Senior executive broadcast Daily and weekly reports Purchased masks and disinfectants to distribute to on-site employees No confirmed case among employees
Social Responsibility		<ul style="list-style-type: none"> Joined with the 360 Group to make donations Donated supplies to Wuhan 	

WHAT DID WE DO IN RESPONSE TO COVID-19 (CONT'D)

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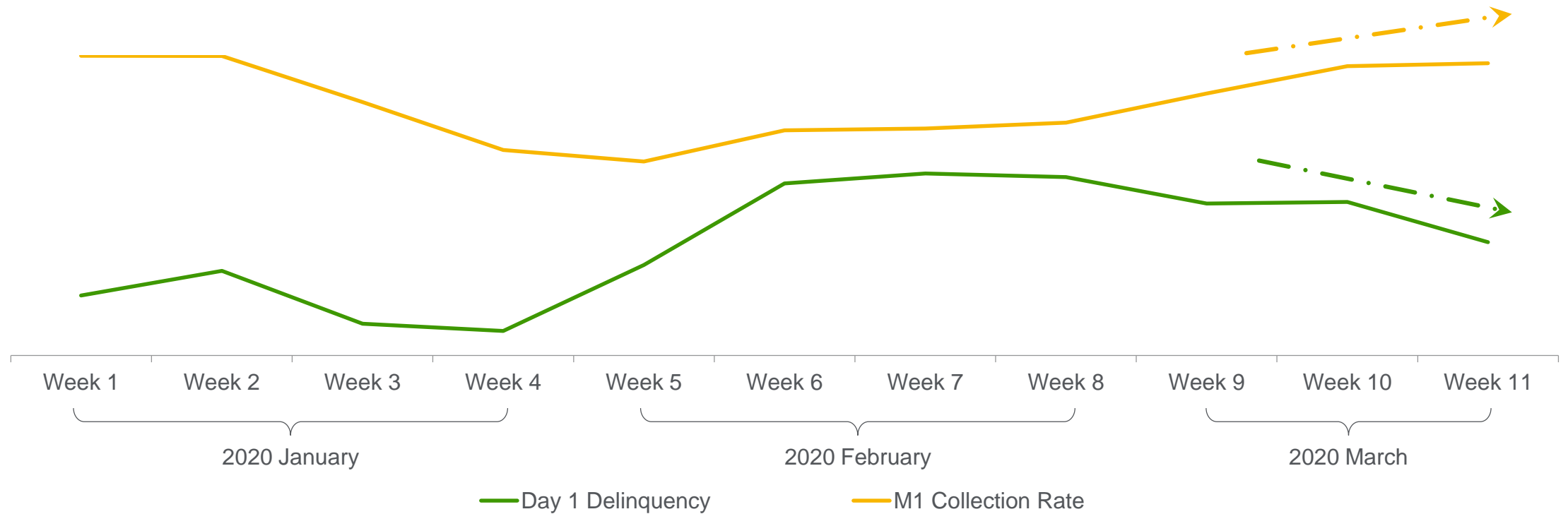


Note: 1. Chart is rebased to week 1 in 2020. 2. High risk industry includes delivery, sports, entertainment, beauty, hotel, restaurant industries.

INDICATORS SHOW **SIGNS OF STABILIZATION**

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Day 1 Delinquency & M1 Collection Rate - Rebased¹

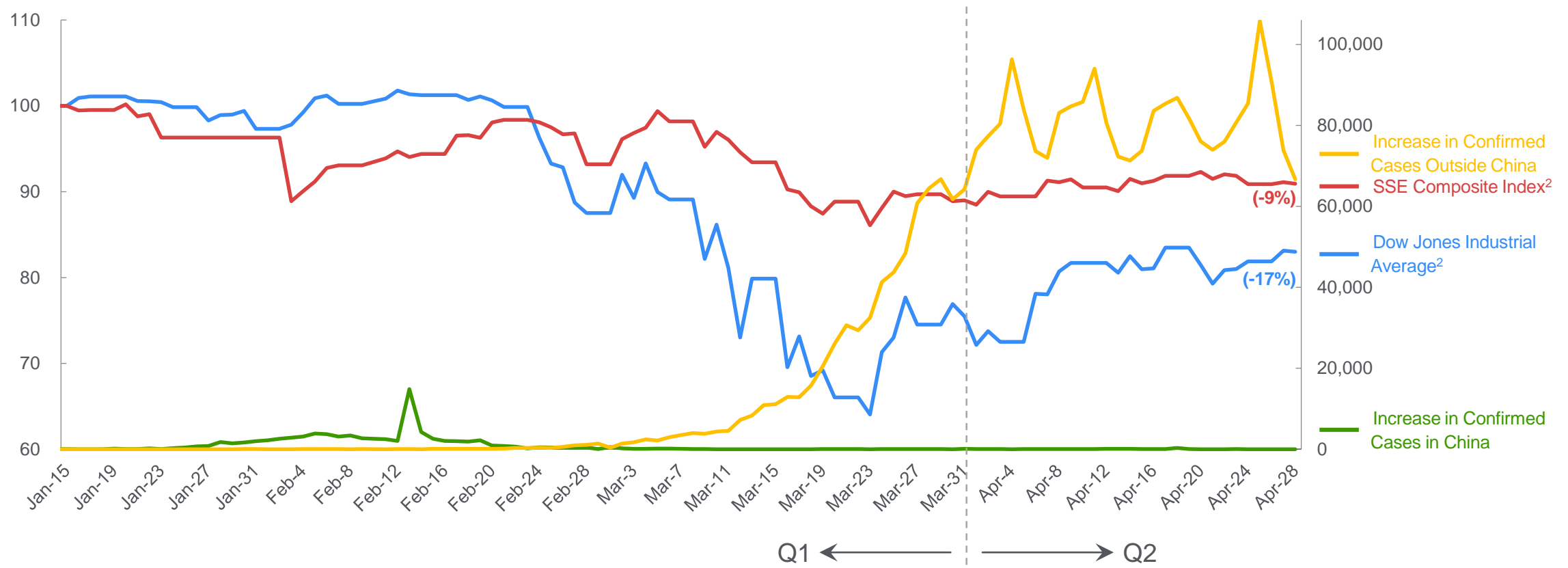


Note: 1. Rebased to week 1 in 2020.

MARKET VOLATILITY DUE TO COVID-19 IMPACT

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Increase in COVID-19 Confirmed Cases & Changes in Stock Market¹



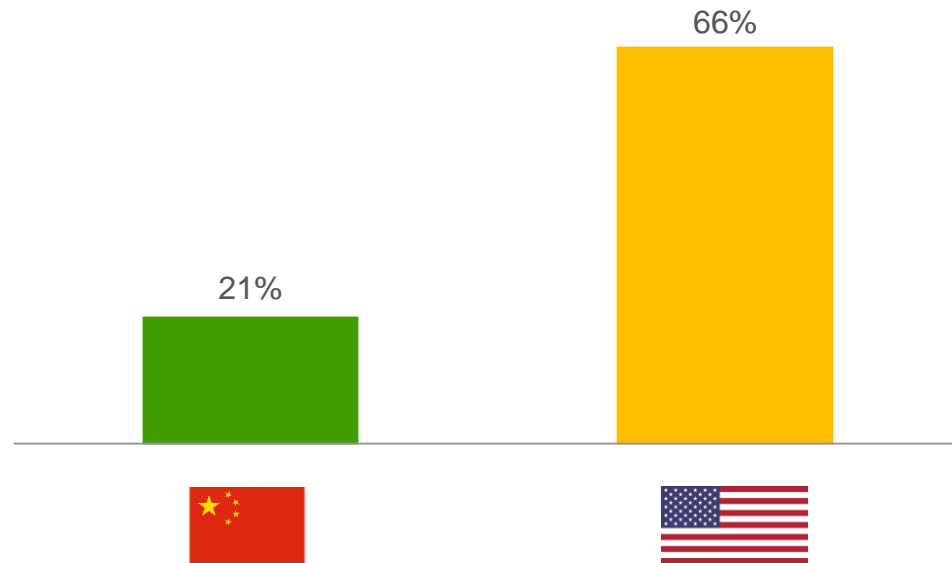
Note: 1. Data as of April 28, 2020. 2. Rebased to January 15, 2020.

BUT WE SEE **TREMENDOUS MARKET OPPORTUNITY** TO **SERVE CHINA'S CUSTOMERS**

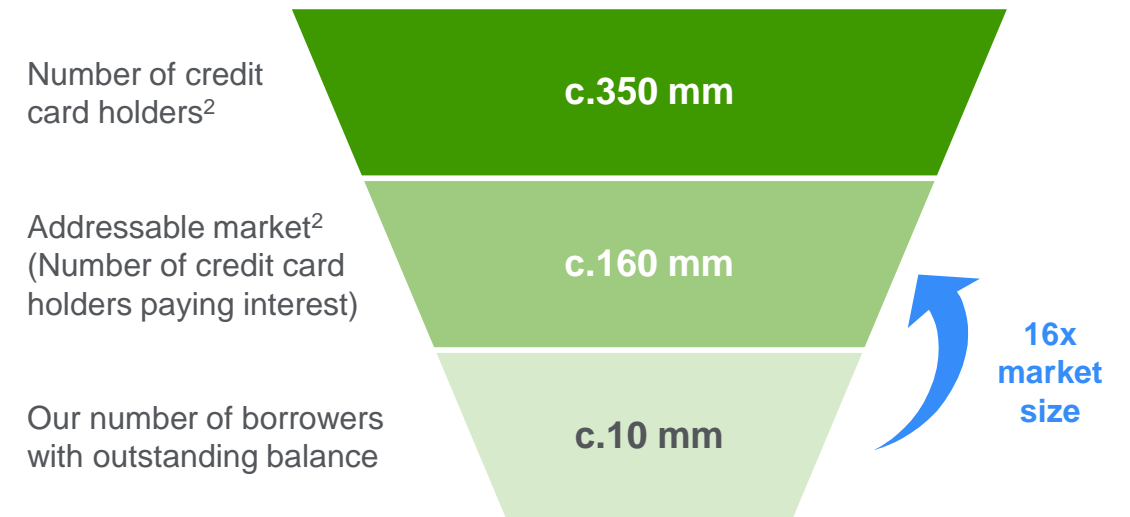
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Credit card holders, as a key indicator, represent **c.70%** of our users and are our **core customers**

2017 Credit Card Penetration¹
(As % of Respective Population with Age 15+)



Tremendous Market Opportunity in China



WE DEVELOP **DIVERSIFIED PRODUCTS** TO SERVE OUR CUSTOMERS

.....

Loan Plus+

- High quality customers
- Average credit line of c.RMB48,000



Conditional Credit Limit Upgrade

- Customers with good credit record
- Average credit line of c.RMB26,000

Small Business Loan

- Target SME owners
- Average credit line of c.RMB35,000



V Pocket

- Virtual credit card products with bank partners offering consumption and cash loans
- Average credit line of c.RMB17,000



360Finance E-commerce Platform

- Consumption installment products
- Average credit line of c.RMB14,000
- Average APR of c.24%



360 Penny Loan

- Customers without credit record
- Average credit line of c.RMB4,500
- APR of c.36%



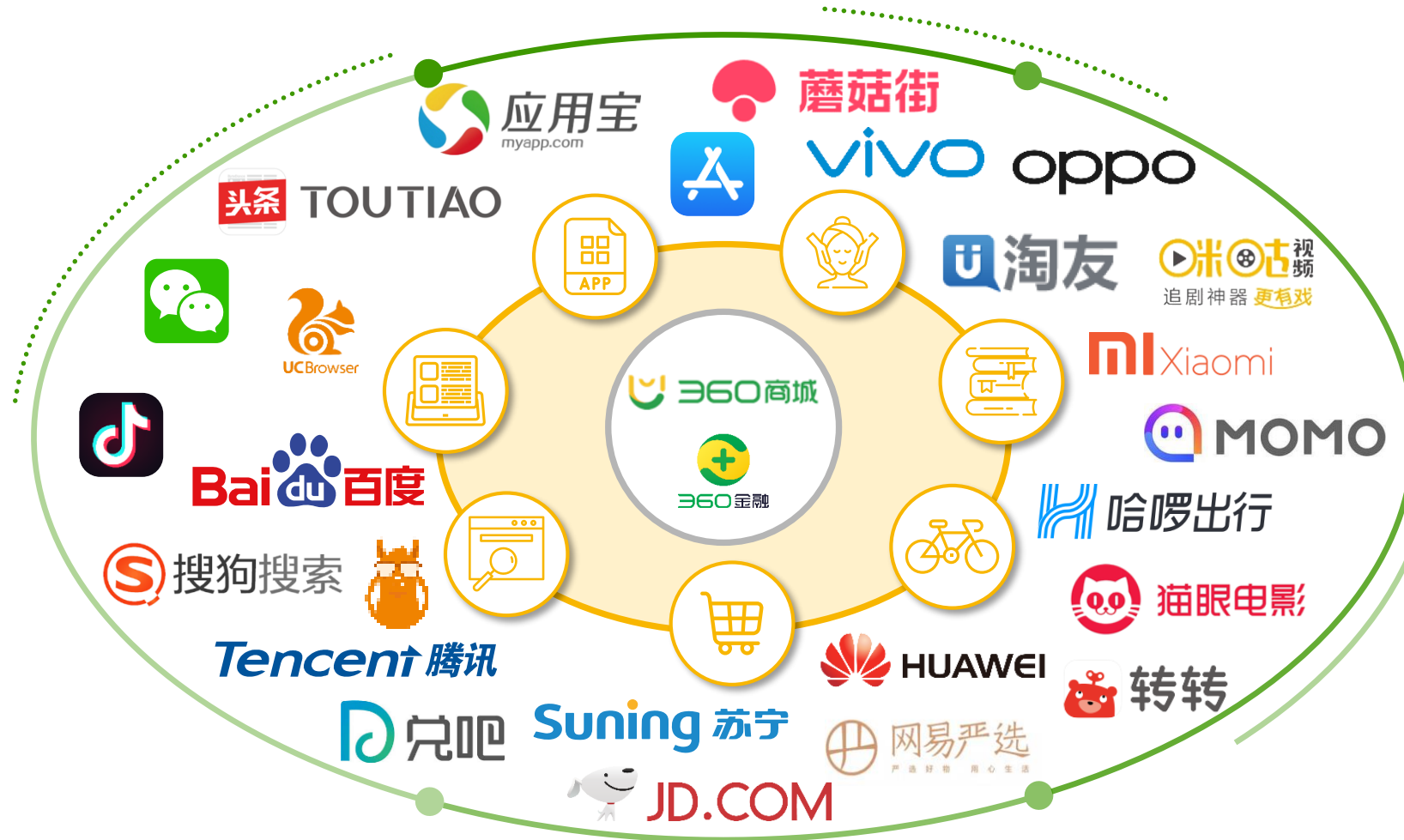
Intelligent Credit Engine

- Match borrowers and financial institutions through big data and cloud computing technology
- Provide pre-loan investigation report of borrowers, which enables financial institutions to control risk



IN ADDITION, WE **CONNECT VARIOUS PLATFORMS AND CREATE AN ECOSYSTEM** TO MEET OUR CUSTOMERS' NEED

.....



AND, A CLEARER ROADMAP ON REGULATION FRONT

.....

PAST

Crisis management
in response to
market events
(such as P2P turmoil)

PRESENT



FUTURE

- More details of daily operations to be scrutinized
- Leading platforms will benefit

Legitimacy Status under the Draft Version
of *Commercial Bank Internet Lending
Provisional Regulatory Measures*

WHAT'S OUR **PRELIMINARY VIEWS** ON 2020 AND OUR RESPONSE

.....



Cash is king



Asset quality and operating efficiency are top priorities



Maintain a conservative approach in Q1; expand market share after the COVID-19 situation becomes stabilized



Explore comprehensive financial services



Loan origination of RMB200bn to RMB220bn



35-40% capital light model



Customer acquisition cost lower than 2019



Issue more ABS and reduce funding cost to c.7.5% by year end

A QUICK HEADSUP – **NEW ACCOUNTING POLICY** IS COMING

.....

New Accounting Policy Introduction

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group's portfolio.

The Group will adopt the new standard effective January 1, 2020, using the modified retrospective transition method. ASC 326 establishes a new accounting principle which requires gross accounting for guarantee liability. That is, to record both a guarantee obligation and an allowance for credit losses, calculated using the CECL impairment model, in addition to the guarantee obligation under ASC 460. As a result, at inception of the guarantee, the Group will recognize both a stand-ready guarantee liability under ASC 460 with an associated financial assets receivable, and a contingent guarantee liability with an allowance for credit losses under CECL model. Subsequent to the initial recognition, the ASC 460 stand-ready guarantee is recognized into guarantee revenue over the term of the guarantee, while the contingent guarantee is reduced by the payouts made by the Group to compensate the investors upon borrowers' default. The adoption of ASC 326 is expected to reduce the beginning balance of retained earnings as of January 1, 2020 by approximately 1.8 billion without taking into consideration of effect of income tax.

A QUICK HEADSUP – NEW ACCOUNTING POLICY IS COMING (CONT'D)

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Illustrative Accounting Treatment Comparison – Old Rule

Key Assumptions	
<ul style="list-style-type: none">3-month product, loan originated in Month 1, principal and interest repaid in Month 3Loan facilitation revenue all recognized in Month 1 (no post-origination revenue)No Tax	
Key Metrics	
Principal	100
APR	29%
Funding cost	8%
Vintage loss	7%
Net interest spread	14%

Old Rule			
Month 1			
P&L		B&S	
	Loan facilitation revenue		AR
	+14		+14
Net off directly	Guarantee revenue		FAR
	+7		+7
	Provision for GL		GL
	+7		+7
	Net Income		Equity
	+14		+14
Month 3			
Default (Loss rate at 7%)		No Default	
P&L	B&S	P&L	B&S
No impact	Cash	Revenue from releasing of GL	Cash
	+14	+7	+21
	AR		AR
	-14		-14
	FAR		FAR
	-7		-7
	GL		GL
	-7		-7
Net Income	-	Net Income	+7
	Equity		Equity
	-		+7

Denotes liability items on B&S

Note: FAR refers to financial assets receivable. AR refers to accounts receivable. GL refers to guarantee liabilities.

A QUICK HEADSUP – NEW ACCOUNTING POLICY IS COMING (CONT'D)

.....

Illustrative Accounting Treatment Comparison – New Rule

Key Assumptions		New Rule							
<ul style="list-style-type: none"> 3-month product, loan originated in Month 1, principal and interest repaid in Month 3 Loan facilitation revenue all recognized in Month 1 (no post-origination revenue) No Tax 		Month 1							
		P&L				B&S			
		Loan facilitation revenue +14				AR +14			
		Provision for GL +7				FAR +7			
						GL – stand ready +7			
						GL +7			
		Net Income +7				Equity +7			
		Month 2							
		P&L				B&S			
		Guarantee revenue +4				GL – stand ready -4			
		Net Income +4				Equity +4			
		Month 3							
		Default (Loss rate at 7%)				No Default			
		P&L		B&S		P&L		B&S	
		Guarantee revenue +3		Cash 14		Guarantee revenue +3		Cash 21	
				AR -14				AR -14	
				FAR -7		Provision for GL -7		FAR -7	
				GL – stand ready -3				GL – stand ready -3	
				GL -7				GL -7	
		Net Income +3		Equity +3		Net Income +10		Equity +10	

Denotes liability item on B&S

Note: FAR refers to financial assets receivable. AR refers to accounts receivable. GL refers to guarantee liabilities. GL – stand ready is classified as a contra asset on balance sheet.

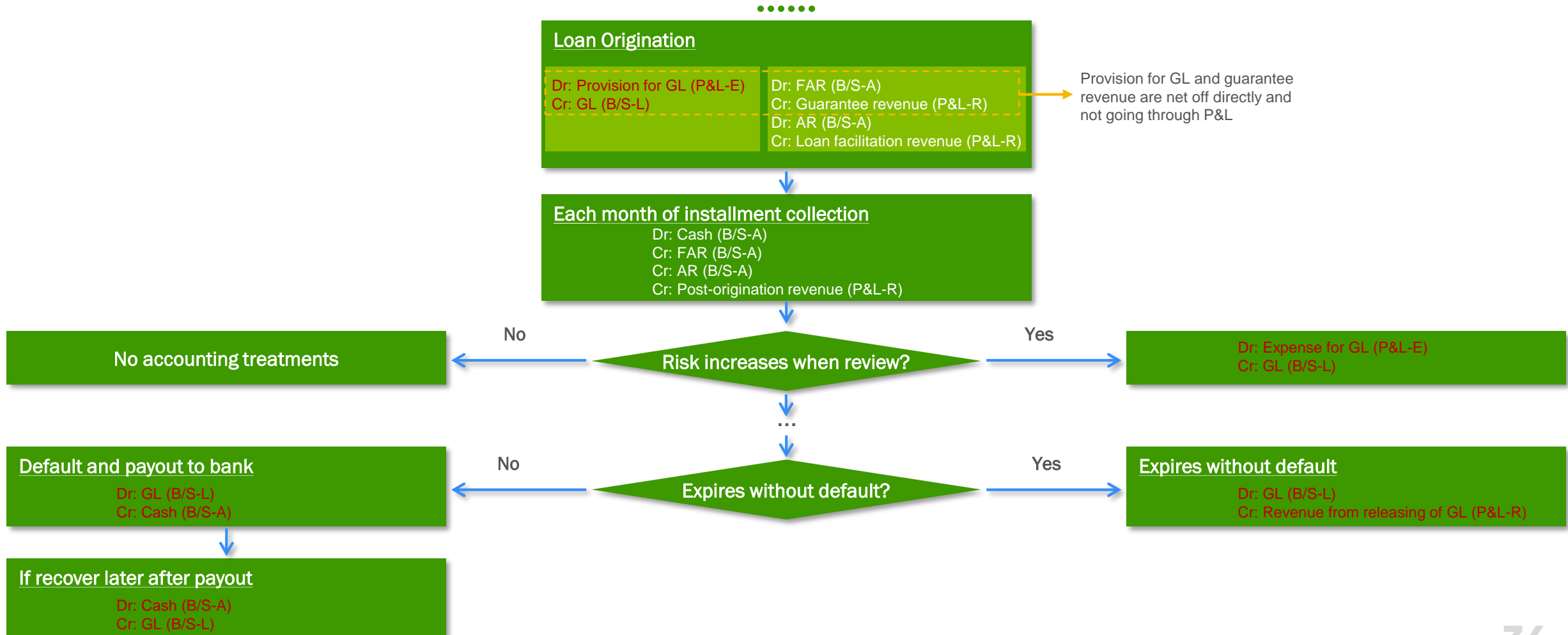
A QUICK HEADSUP – NEW ACCOUNTING POLICY IS COMING (CONT'D)

Illustrative Accounting Treatment Comparison – Old vs New Rule

Key Assumptions	Revenue Comparison					Net Income & Equity Comparison				
<ul style="list-style-type: none"> 3-month product, loan originated in Month 1, principal and interest repaid in Month 3 Loan facilitation revenue all recognized in Month 1 (no post-origination revenue) No Tax 	Default as expected	Month 1	Month 2	Month 3	Lifetime	Default as expected	Month 1	Month 2	Month 3	Lifetime
Key Metrics	Old					Old				
Principal	100	Loan facilitation revenue					14	-	-	14
APR	29%	Net revenue					14	-	-	14
Funding cost	8%	New					Guarantee revenue			
Vintage loss	7%	Loan facilitation revenue					7	-	-	7
Net interest spread	14%	Guarantee revenue					Provision for GL			
		Net revenue					(7)	-	-	(7)
		Net difference between old vs new					Net income			
							14	-	-	14
							Equity			
							14	-	-	14
							New			
							Net revenue			
							14	4	3	21
							Provision for GL			
							(7)	-	-	(7)
							Net income			
							7	4	3	14
							Equity			
							7	4	3	14
							Net difference between old vs new			
							7	(4)	(3)	-

Note: GL refers to guarantee liabilities.

ILLUSTRATIVE ACCOUNTING TREATMENT FOR LOAN FACILITATION (OLD RULE)

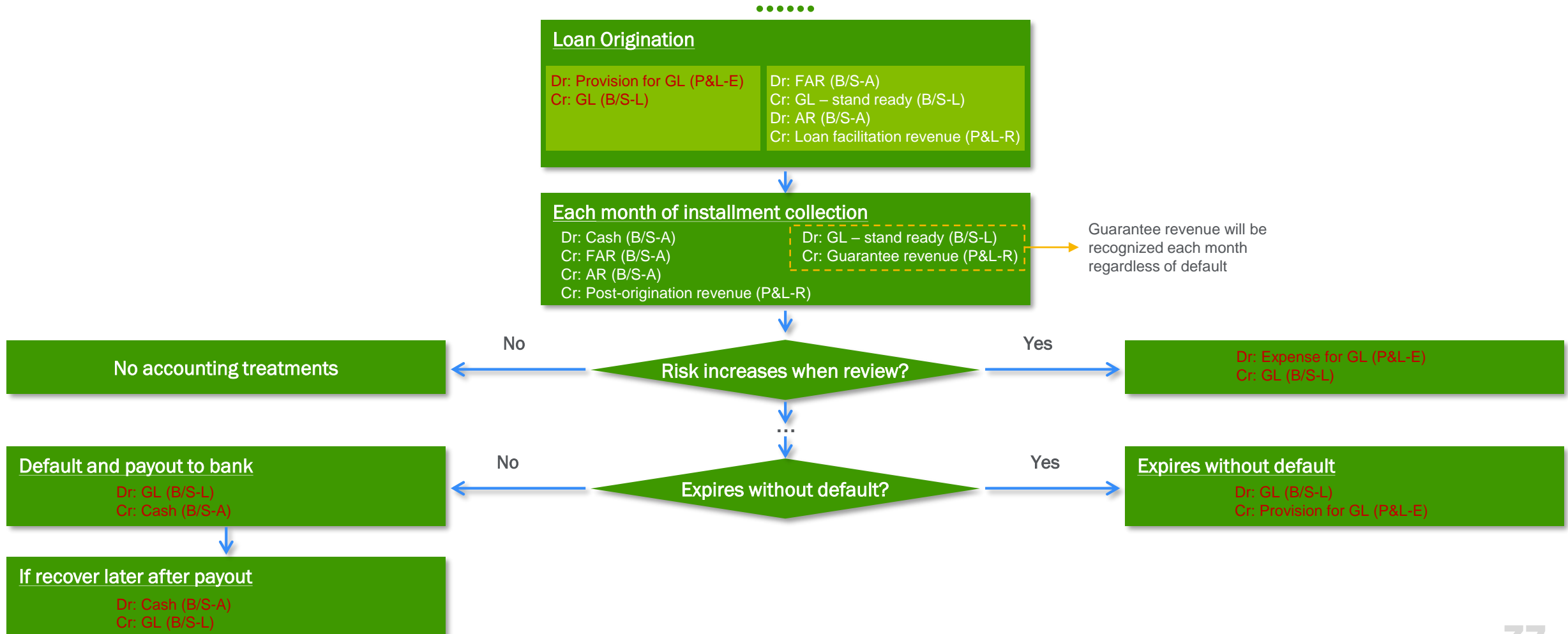


Red denotes accounting treatments related to principal and funding cost, white denotes accounting treatments related to interest spread.

Note: Accounting treatments above are not exhaustive, only include key items. FAR refers to financial assets receivable. AR refers to accounts receivable. GL refers to guarantee liabilities.

P&L-E denotes expense item on P&L, P&L-R denotes revenue item on P&L, B/S-A denoted asset item on B/S, B/S-L denotes liability item on B/S.

ILLUSTRATIVE ACCOUNTING TREATMENT FOR LOAN FACILITATION (NEW RULE)



Red denotes accounting treatments related to principal and funding cost, white denotes accounting treatments related to interest spread.

Note: Accounting treatments above are not exhaustive, only include key items. FAR refers to financial assets receivable. AR refers to accounts receivable. GL refers to guarantee liabilities.

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