



Qfin Holdings (4Q2025 Earnings)

March 17, 2026

Corporate Speakers:

- Haisheng Wu; Qfin Holdings; Chief Executive Officer
- Alex Xu; Qfin Holdings; Chief Financial Officer
- Yan Zheng; Qfin Holdings; Chief Risk Officer
- Karen Ji; Qfin Holdings; Senior Director of Capital Markets
- Mia Yang; Qfin Holdings; IR Manager

Participants:

- Richard Xu; Morgan Stanley; Analyst
- Emma Xu; BofA; Analyst
- Alex Ye; UBS; Analyst
- Cindy Wang; China Renaissance; Analyst

PRESENTATION

Operator^ Ladies and gentlemen, thank you for standing by. And welcome to the Qfin Holdings' Fourth Quarter and Full Year 2025 Earnings Conference Call. (Operator Instructions)

Please also note that today's event is being recorded. At this time I'd like to turn the conference over to Ms. Karen Ji, Senior Director of Capital Markets. Please go ahead.

Karen Ji^ Thanks, Darcy. Good morning. And good evening, everyone. Welcome to Qfin Holdings' Fourth Quarter 2025 Earnings Conference Call.

Joining me today are Mr. Wu Haisheng, our CEO; Mr. Alex Xu, our CFO; and Mr. Zheng Yan, our CRO.

Before we start, I will quickly cover the safe harbor statement. Today's discussions may contain forward-looking statements, particularly statements about our business and financial outlook that are subject to risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements. Please refer to the safe harbor statements in our earnings release. On this call we will also discuss certain non-GAAP financial measures. Please refer to our earnings release which contains a reconciliation of the non-GAAP financial measures to GAAP financial measures.

Now I will turn the call over to Mr. Wu Haisheng. Please go ahead.

Haisheng Wu^ Hello, everyone. Thank you for joining us today.



In 2025, China's consumer finance industry underwent a systemic restructuring under regulatory guidance, with the introduction of several key policies, including new loan facilitation rules, window guidance for consumer finance companies, and guidelines on comprehensive financing cost management for micro lenders.

In the near term, these measures tightened market liquidity, which in turn suppressed credit demand and put unprecedented pressure on both loan growth and risk management across the industry. Over the longer term, however we expect the ongoing consolidation will facilitate a healthier and more efficient market environment, creating broader opportunities for leading credit-tech platforms.

We have proactively pivoted our strategy to embrace regulatory changes. By putting compliance and risk management at the core of our strategy, we concluded 2025 with resilient financial and operational results.

As of the end of 2025, our AI-powered credit decision engine and asset distribution platform served 167 financial institutions, delivering intelligent digital credit services to over 63 million credit line users on a cumulative basis. The rollout of new loan facilitation rules in Q4 led to a further contraction in market liquidity.

In response to the dynamic market conditions, we further tightened our risk standards while continuing to optimize our business structure. As a result, total loan facilitation and origination volume on our platform decreased by 21.8% year-over-year to RMB70.3 billion in the quarter. Non-GAAP net income in Q4 decreased by 45.7% year-over-year to RMB1.07 billion, and non-GAAP EPADS on a fully diluted basis decreased by 39.8% year-over-year to RMB8.23%. We delivered on our previously issued Q4 guidance despite the challenging market environment.

Turning to the full year, our performance remained resilient and stable overall. Total loan facilitation and origination volume reached approximately RMB327.1 billion, representing a year-over-year increase of 1.6%. Non-GAAP net income declined by 1.0% year-over-year to RMB6.35 billion, while non-GAAP EPADS on a fully diluted basis increased 10.4% year-over-year to RMB46.8.

In the second half of 2025, the consumer credit industry saw a sector-wide risk elevation amid significant business adjustments. Our risk metrics also experienced notable volatilities. Although leading risk indicators for new vintages improved meaningfully in Q4, legacy portfolios continued to face headwinds. Our C-M2 ratio, which measures the outstanding delinquency rate after 30 days of collection, increased to 0.97%, the highest recorded since COVID in 2020.

Against this challenging backdrop, we prioritized risk management and promptly adjusted risk strategies across the entire credit lifecycle to ensure sustainable, high-quality growth.



First, we continued to strengthen the acquisition and engagement of high-quality users. By optimizing our credit approval framework and pricing strategies, we drove higher utilization and retention among high-quality borrowers. The proportion of loan volume from this group rose by 6 percentage points sequentially in Q4.

At the same time, we enhanced our ability to detect and guard against multi-borrowing risks. For example, when our models detect that a user is submitting loan applications across multiple platforms within a short period, the system interprets this as a sign of potential financial stress and automatically triggers an alert. We would take proactive measures, such as lowering credit limit or restricting loan disbursements, to mitigate potential risks before they materialize. These enhancements improved our area under curve, or AUC, by 10% to 15%, reflecting a stronger ability to differentiate risk tiers.

With this dual approach, we maintained stable originations to high-quality borrowers while strategically contracting higher-risk segments, resulting in a meaningfully improved asset mix. As a result, our FPD 30, a leading risk indicator for new loans declined by approximately 18% sequentially in Q4.

Second, on the collection front, we optimized the resource allocation toward high-performing partners to boost productivity. By refining borrower profiling analysis, we improved our ability to assess borrowers' willingness and capacity to repay allowing for more tailored collection strategies. As a result, our 30-day collection rate improved marginally month-over-month in both November and December, indicating steady recovery in collection efficiency.

In late December, the PBOC introduced a one-time credit remediation policy, which allows eligible individuals to fix damaged credit records by March 31, 2026. We have seamlessly incorporated this policy into our collection strategy metrics to further support asset recovery. This has partially incentivized repayment intent among borrowers, and we expect it to have some positive impact on our collection efforts in Q1.

Despite a challenging industry environment, our risk strategies continued to deliver tangible results. FPD30 for December vintages was close to our historical lows over the past two years. As new loans constitute an increasing share of our portfolio, our C-M2 ratio remained broadly stable after peaking in October.

As of January 2026, supported by continued asset mix optimization and the runoff of legacy assets, C-M2 ratio declined by 8.2% month over month from December. Based on our recent observation, we expect C-M2 ratio in February to broadly return to the levels seen in July and August 2025.

Looking ahead, given the uncertainty around the regulatory environment and industry liquidity in the coming months, we will continue to dynamically adjust our risk strategies to bolster business resilience amid market volatility.



On the funding front, underpinned by our diversified financial partnerships and strong market standing, we achieved a modest reduction in ABS issuance costs despite liquidity contraction in Q4. As ABS comprised a larger proportion of our risk-bearing funding mix, our overall funding cost fell by another 20 basis points from Q3 to a historical low.

For full year 2025, total ABS issuance grew 40.8% year-over-year to RMB21.4 billion, while the average issuance cost declined by 72 basis points from last year, supported by our robust asset quality and long-standing partnerships with financial institutions.

Looking into 2026, the funding environment remains challenging, which may cause short-term volatility in our funding costs. However, our track record of consistent asset performance has enabled us to build strong, trusted partnerships with financial institutions, ensuring a well-positioned funding access relative to industry peers. Looking ahead, we will continue to diversify our funding channels, and optimize our funding structure to ensure stable liquidity at competitive funding costs amid market volatility.

In user acquisition, we maintained a prudent approach with a continued focus on high-quality users. At the same time, we proactively expanded into lower pricing borrower segments to further optimize our customer mix. While these segments entail slightly higher up-front acquisition costs than those of our mainstream segments, their demand tends to be more stable over time and their risk profiles are more predictable.

We also optimized our embedded finance channel mix by phasing out underperforming channels and concentrating on high-value channel partners. As a result, FPD30 for new loans from embedded finance channels improved sequentially in both November and December. In 2026, our priority remains increasing the proportion of high-quality users in our acquisition mix. At the same time, we will further refine underwriting and pricing strategies to improve acquisition efficiency and maintain a relatively stable customer acquisition cost.

Our technology solutions business exhibited strong growth momentum in 2025, with total loan volume up by approximately 448% year-over-year.

Our business scale has reached a new milestone, with outstanding loan balance approaching RMB11.7 billion by year-end. Built on our deep technological capabilities and fintech expertise, *Focus Pro*, our proprietary lending solution tailored for financial institutions helps banks serve customer segments priced typically between 3% and 12%. By applying digital and intelligent tools across the entire credit lifecycle, from customer acquisition and marketing, to product design, risk identification and process optimization, *Focus Pro* enables banks to expand beyond traditional customer segments and efficiently serve the financing needs of underserved small businesses and individuals. This initiative not only broadens our business scope, but also underscores our commitment to supporting the real economy and advancing financial inclusion.

Under our “AI+ credit” strategy, our two core AI agents, the AI Loan Officer and AI Credit Officer, have delivered encouraging early results across multiple use cases. As



these products continue to evolve, we plan to gradually extend them beyond retail credit into a broader set of business scenarios.

Looking ahead to 2026, we will remain committed to our "One Core, Two Wings" strategy, strengthening our operating capabilities and enhancing resilience under the evolving regulatory framework.

For our credit business, serving high-quality users will remain a long-term strategic priority. By leveraging dynamic pricing and a superior user experience, we will continue to grow the proportion of high-quality users within our customer mix, maximizing customer lifetime value and ensuring stable asset quality. We are witnessing a regulatory-driven restructuring that will likely accelerate industry consolidation over the next two years. As a leading credit tech platform, we embrace this evolution as an opportunity to upgrade our core competencies and build the foundation for sustainable long-term growth. By navigating this cycle, we expect to emerge as a stronger and more resilient industry leader with deeper structural moats.

Our technology solutions business is entering into a new phase of growth. After two years of refinement, its value proposition has been validated through extensive institutional partnerships. Leveraging our AI technologies and full lifecycle credit expertise developed over the years, we are integrating these capabilities deeply into banks' inclusive lending value chain. Through flexible collaboration models across a diverse range of business scenarios, we help financial institutions strengthen their in-house risk management and operations capabilities, while advancing our shared mission of financial inclusion.

2025 marked the successful launch of our international business. This year, we will actively pursue opportunities across several overseas markets to accelerate global expansion, including Europe, Latin America, Southeast Asia and so on. Our vision is to become a globally respected fintech company that leverages technology to promote financial inclusion and elevate the quality of financial services worldwide. We look forward to sharing more progress in the coming quarters.

Finally, on capital allocation.

In 2025, we returned approximately USD200 million in dividends and USD680 million via share repurchases, representing 98% of our 2024 GAAP net income. Since the start of 2024, we have cumulatively repurchased 40 million ADSs, equivalent to 25.4% of our outstanding shares at the start of 2024.

Looking ahead to 2026, we will remain committed to delivering decent shareholder returns through "a progressive dividend" policy. Capital allocation efficiency is one of our top priorities. Going forward, we will continue to strike a balance between growth initiatives and shareholder returns to deliver sustainable long-term value for our shareholders.



With that, I will now turn the call over to Alex.

Alex Xu^ Thank you, Haisheng. Good morning and good evening, everyone.

Welcome to our fourth quarter earnings call.

We closed the year in a drastically changing operating environment. Challenging macro conditions combined with intense regulatory scrutiny, put significant pressure to the consumer finance industry, causing noticeable liquidity squeeze and rising risks in Q4. Our operational focus has shifted towards efficiency improvement and cost reduction, as well as a continuous effort to manage risk exposure.

Total net revenue for Q4 was RMB4.09 billion versus RMB5.21 billion in Q3 and RMB4.48 billion a year ago.

Revenue from credit-driven services (capital-heavy) was RMB3.43 billion in Q4 compared to RMB3.87 billion in Q3 and RMB2.89 billion a year ago. The year-on-year increase was mainly due to the increase in on-balance sheet loans more than offsetting the decline in off-balance sheet loans. The sequential decline was also due to significantly lower off-balance sheet loans. Overall funding costs declined 20 bps Q-on-Q as we relied on less external funding in Q4.

Revenue from platform services (capital-light) was RMB660 million in Q4, compared to RMB1.34 billion in Q3 and RMB1.59 billion a year ago. The year-on-year and sequential decline was mainly due to significantly lower ICE contribution in response to the regulatory changes and lower ICE take rate due to the rising risks.

During the quarter, average IRR of the loans we originated and/or facilitated declined about 140 bps versus prior quarter. Looking forward, we may continue to see gradual decline in average pricing as we focus more on high-quality and low-priced users in the coming quarters.

Sales and marketing expenses declined 17% Q-on-Q. We took a more cautious view in customer acquisition given the higher overall risks. We added approximately 1.45 million new credit line users in Q4 versus 1.95 in Q3. We will likely maintain controlled pace to acquire new users in the near term in response to the changing regulatory directions and still uncertain macro condition.

90-day delinquency rate was 2.71% in Q4, compared to 2.09% in Q3. Day-1 delinquency rate was 6.1% in Q4 versus 5.5% in Q3. 30-day collection rate was 84.1% in Q4 versus 85.7% in Q3. Another key metric, C-M2, which represent the outstanding delinquency rate after 30-day collection was 0.97% in Q4 versus 0.79% in Q3.

With our latest risk tightening measures in place, we started to see marginal improvement in overall risk performance in recent months. Given current macro conditions and the regulatory changes, we continue to take a prudent approach to book provisions against



potential credit losses. Total new provisions for risk-bearing loans in Q4 were approximately RMB1.92 billion versus RMB2.58 billion in Q3. The decline in new provision was mainly due to lower risk-bearing loan volume and improved new loan risks Q-on-Q.

Write-backs of the previous provisions were approximately RMB274 million in Q4 versus RMB785 million in Q3. Provision coverage ratio, which is defined as total outstanding provisions divided by total outstanding delinquent risk-bearing loan balance between 90 and 180 days were 481% in Q4, while declined sequentially, but still well above historical average.

Non-GAAP net profit was RMB1.07 billion in Q4, compared to RMB1.51 billion in Q3 and RMB1.97 billion a year ago. The significant year-on-year and sequential decline in profitability was mainly due to lower loan volume, higher credit cost and deleveraging in operations.

Non-GAAP net income per fully diluted ADS was RMB8.2 in Q4, which brought non-GAAP EPADS for the full year of 2025 to RMB46.8, a year-on-year increase of 10.4% as substantial share count reduction continued to create EPADS accretion.

Effective tax rate for Q4 was 11.3% compared to our typical ETR of approximately 15%. The lower-than-normal ETR in Q4 was mainly due to the typical year-end adjustments. Leverage ratio, which is defined as risk-bearing loan balance divided by shareholders' equity was 2.7x in Q4 versus 3.0x in Q3 due to lower risk-bearing loan balance.

We expect to see the leverage ratios fluctuate around this level in the near future.

We generated approximately RMB3.15 billion cash from operations in Q4 compared to RMB2.5 billion in Q3. Total cash and cash equivalents and short-term investment was RMB10.72 billion in Q4 compared to RMB14.35 billion in Q3.

During Q4, we, in aggregate, repurchased approximately 8.7 million ADSs in the open market for a total amount of approximately USD168.8 million (inclusive of commissions) at an average price of USD19.4 per ADS. As such, we had completed substantially all of the \$450 million 2025 share repurchase plan. Combined with the USD227 million share repurchase we completed in connection with our CB issuance in March 2025.

For full year 2025, we have in aggregate repurchased approximately 21.1 million ADSs for a total amount of approximately USD677 million (inclusive of the commissions) at an average price of USD32.1 per ADS, representing 14.8% of our total share outstanding at the beginning of 2025.

In Q4, we took market opportunities to start to buy back our outstanding CBs. As of March 17, 2026, we had repurchased approximately USD460 million in aggregate principal amount of the CB for USD399 million in cash on the open market and in off-



market privately negotiated transactions. Approximately USD230 million in aggregate principal amount of the CB remains outstanding.

The repurchase of the CB allows us to reduce our long-term debt obligations and associated interest payments at favorable terms, potentially strengthening our financial position and flexibility, and meanwhile, realizing cash gains.

In accordance with our current dividend policy, our Board has approved a dividend of USD39 cents per Class A ordinary share or USD78 cents per ADS for the second half of 2025 to holders of record of Class A ordinary shares and ADSs as of the close of business on April 22, 2026, Hong Kong Time and New York Time, respectively.

We will continue to optimize our capital allocation strategy to reflect the changing macro dynamic to support business initiatives and to return to the shareholders.

As we maintain a progressive DPS dividend policy, we will also opportunistically look into an entry point to resume share repurchase when macro and regulatory environment becomes more stable and settled.

Finally, regarding our business outlook, while we start to see some tentative signs of improvement in some operating metrics, macro uncertainties and regulatory pressure persist in the foreseeable future. We will continue to take a cautious approach in business planning for 2026 and focus on efficiency and cost-cutting.

For the first quarter of 2026, the Company expects to generate non-GAAP net income between RMB900 million and RMB950 million, representing a year-on-year decline between 51% and 53%. This outlook reflects the Company's current and preliminary view, which is subject to material changes.

With that, I would like to conclude our prepared remarks.

Operator, we can now take some questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Your first question today comes from Richard Xu from Morgan Stanley.

Richard Xu^ (Speaking in Foreign Language) Basically, two questions for me.

One is considering the regulatory efforts to reduce the funding loan yield, what are the some of these medium-term, long-term outlook for the pricing of loans? And also, what are the average or sustainable net take rate levels going forward?

Second question is on the shareholder return, how do you balance dividend and buyback and particularly whether the dividend is sustainable? Thank you.



Haisheng Wu^ Okay. Richard, let me take your first one and Alex can take the second one. And for the first one, over the past year, a series of new regulations and window guidance were rolled out to driven down overall borrowing costs. As the industry evolves, small platforms with high pricing are quickly exiting the market. In the long run, these policies will reduce the burden of borrowers and create a healthier market. This will lead to industry consolidation and support the growth of the consumption sector.

Following the regulatory guidance, we are proactively focusing on high-quality users. In the fourth quarter, our average pricing dropped by 140 basis points. In 2026, we will continue to build our strength in serving these high-quality users. By using flexible pricing and a better user experience, we can gradually increase the portion of high-quality users in our customer mix, thus ensuring stable asset quality and better LTV. As we improve our asset structure, we expect some room for further downward adjustment in our average pricing for 2026. In the medium to long term, our pricing will depend on changes in the market and the regulatory environment.

In terms of the take rate, our Q4 take rates were 3.5%. Excluding one-time items, the operational take rate was slightly below 3%. We believe there is still substantial room to optimize this through better risk management and efficiency improvement. Since Q4, our proactive measures have already shown clear results. Looking ahead, if the regulatory environment stays stable, we aim to maintain a take rate of about 3%.

Alex Xu^ Okay. Richard, I will take the shareholder return part.

As you know, we have always been putting the shareholder return as one of the top items when we're making the critical decisions in the company. In 2025, the cumulative dividend payout and the share buyback were close to USD200 million and USD680 million, respectively. That basically gives us a total payout ratio about 98% as a percentage of our 2024 GAAP net income.

And since the beginning of 2024, we have bought back approximately 40 million ADSs in total, accounting for about 25.4% of the total share count at the beginning of 2024. This payout ratio as well as the combined yield is probably still the highest among the Chinese ADRs.

In the future, as I mentioned in the prepared remarks, we intend to maintain the progressive DPS policy in the foreseeable future. So that can give the shareholders an expectable kind of dividend yield with that policy support.

Regarding the buyback, I think at this point, I would say we take a little bit more cautious approach for this, just given what's happening in the macro environment and also the regulatory dynamic there, but we are open-minded. And as you know, we still have an outstanding buyback program not being fully utilized yet. And if the opportunities arise, meaning when the macro conditions become more stable and the regulatory environment becomes more settled, we will restart the buyback program.



Some people are concerned that with the buyback of the CBs, we sort of used up all the CB kind of proceeds at this point. But in reality, if you look at our balance sheet, we still have plenty of cash on the balance sheet to support any of the potential shareholder return programs there. So for the longer-term view, I think we will continue to balance between investing in the long-term business growth and shareholder returns and to maintain a decent ROE and create long-term value to the shareholders. Thank you.

Operator^ Your next question comes from Emma Xu from Bank of America Securities.

Emma Xu^ (Speaking in Foreign Language) So the first question is about the risk. What has been the trend of risk indicators so far this year? And how do you foresee the future trend of risk changes?

The second question is about business structure. Given the latest market environment, how should we weigh the choice between asset-heavy and asset-light business models? What is your outlook on the proportion of asset-heavy versus asset-light structure for this year?

Alex Xu^ I will probably refer to the first risk question to our CRO, Mr. Zheng.

Yan Zheng^ (Speaking in Foreign Language)

Mia Yang^ Okay. I will do the brief translation. So in the fourth quarter, the industry faced huge pressure due to tightened liquidity. We took proactive steps in both underwriting and collections. And by far, we have seen clear results.

For underwriting, we quickly tightened our pricing and credit limit standards. We also improved our ability to identify multi-platform borrowing risks. This has helped us exclude high-risk groups early and focus more on high-quality customers, which has largely improved our customer structure.

For collection, we adjusted our strategy on a timely basis. First, we started manpower intervention in collection earlier for high-risk users. Second, we offered fee discounts or waivers for customers with temporary financial difficulties. Third, we increased incentives to boost the performance of our teams.

Yan Zheng^ (Speaking in Foreign Language)

Mia Yang^ Thanks to these efforts, our FPD30 for new loans in Q4 dropped by 18% Q-on-Q. The FPD30 for December cohorts was close to its best level in the past two years. This positive trend continues in 2026. Our January data shows that the FPD7 improved by another 10% from December, also reaching a 2-year best.

As new loans make up a larger share of our portfolio, our overall risk is improving, and we also see our C-M2 ratio peaked in October and stayed stable in November and



December. In January, the C-M2 ratio dropped by 8.2% month-on-month. Based on current change, we expect February C-M2 ratio to return to the levels of July and August '25.

Yan Zheng^ (Speaking in Foreign Language)

Mia Yang^ Of course, the macro environment is still undergoing changes with ongoing industry adjustments. We will closely monitor early risk signals and remain flexible to adjust our strategies as the environment changes. Thank you.

Alex Xu^ And Emma, I will take the second part regarding the business mix.

As you know the capital-light and capital-heavy have their own sort of pros and cons. We normally will adjust the mix between the two, depending on the macro condition and outside environment. Normally, in the upcycle, we intend to do more capital-heavy because it's generally speaking, generating higher return and higher take rate, while in the down cycle, we prefer offloading more risks. So we prefer the capital-light side of the model.

Given the current regulatory and the macro environment, we probably want to have more flexibility and more diverse risk. And so this year, meaning 2026, we probably will directionally move towards capital-light a little bit. In '25, for example, on the loan volume side, total capital-light was about 44% as a total volume in '25. This year, most likely, we will see this number moving up.

But that said, we're not going to set a fixed target in terms of mix between the light and heavy. It's more like a dynamically changing target from time to time given the then market conditions there. Thank you.

Operator^ Your next question comes from Alex Ye from UBS.

Alex Ye^ (Speaking in Foreign Language) I have two questions here.

First one is about the ICE business. So we have seen the Q4 referral service fee was down by 85% Q-on-Q. So could you help us understand the reason behind? And with the new loan facilitation regulation, so how should we expect this ICE business, the take rate to evolve going forward and the business outlook?

Second question is about the funding cost. So with the new micro loan regulation, setting the 4x LPR cap on loan pricing, so how does that impact our ABS issuance plan for this year and the implication for our overall blended funding cost for the year?

Alex Xu^ Okay. Alex, I will take the first part, and then Haisheng will take over the funding cost side of things.

So yes, in the first quarter, our revenue contribution from ICE declined pretty meaningfully. Basically, there are two factors to drive that.



First of all, the volume. Under the new regulatory setting, the funding partners in the ICE segment become much more cautious in terms of providing funding. And also the ICE targeted segment overall as in the industry declined significantly. And this caused our ICE volume declined by 41% Q-on-Q and ICE only accounted for roughly 20% of our total loan volume in Q4.

Secondly, the second driver is actually the take rate decline. As you know, most of the ICE users are what we consider the marginal customers in terms of the risk level tend to be higher than other users. To maintain a sustainable business relationship with those ICE partners, we basically proactively lowered our take rate a little bit to ensure the reasonable conversion rate and also to ensure the partner still can run a sustainable business.

So although in the short term, we sacrificed some of the take rate there. But longer term, I think it's a good way to maintain a sustainable relationship and sustainable business in terms of ICE in the challenging period.

Looking forward, we still believe ICE is a very important part of our platform strategy. We want to serve a user base as broad as possible. By using different models, we can match assets with the right funding in the most efficient way. Even though the pricing dynamics changed quite significantly, still, the ICE segment can still serve some of the users in compliance with the current pricing environment.

So our future focus is to explore the diversity in need of the long-tail customers while staying in compliance. And by offering more value-added services, we will improve their stickiness to the platform and long-term value. This will ensure the long-term profitability of our ICE businesses. Haisheng?

Haisheng Wu^ Okay. Let me take your second question about the funding cost. Given the macro and regulatory environment uncertainty this year, the market liquidity remains tight. This is putting pressure on our funding costs.

First, regarding ABS funding costs, the implementation of 4x LPR are making investors more cautious. They may ask for higher returns on micro loan assets. As a result, both our issuance amount and the funding costs will face some uncertainty this year.

Second, regarding funding of loan facilitation business, many financial institutions have received regulatory guidance to be more careful about deploying capital into this segment. This will also lead to a tighter funding supply to some extent.

In terms of funding structure, if our ABS issuance goes smoothly, the proportion of our on-balance sheet loan will remain at a steady level, and we expect the overall funding structure to stay stable as well.



Our strategy is to continue expanding our financing channels and optimizing our structure. We aim to keep our funding supply stable and our cost competitive throughout the whole year. Thank you.

Operator^ Your next question comes from Cindy Wang from China Renaissance.

Cindy Wang^ (Speaking in Foreign Language) And I have two questions here.

First, management mentioned that the C-M2 level improved significantly in January and February. So can we conclude that the credit risk has stabilized? And what is management's outlook for new loan volume growth in Q2 this year and beyond?

Second is related to the overseas market expansion strategies. Please give us an update on the latest development in overseas markets, especially in the U.K. Are there any plans to enter new markets this year?

Haisheng Wu^ Okay Cindy. Yes, indeed, the risk control measures we took in Q4 have shown clear results recently. Especially in February, the C-M2 ratio returned to the level of last July and August. However, we need some more time to see if this improvement is sustainable. In addition, as the industry-wide adjustments continue and the regulatory uncertainty remains, we will keep a prudent risk strategy and focus on quality of loans.

At the same time, we are working to attract higher-quality users and improve our operational capabilities to serve them better. To us, healthiness and the sustainability of our business is more important than just volume growth.

We have seen positive signals from the recent “Two Sessions” regarding consumption and credit support. In our view, the underlying logic of consumer credit-driven consumption remains unchanged. After the industry consolidation, we will become stronger and better positioned to capture long-term growth opportunities in the market.

And in terms of the overseas business, yes, overseas business will be a vital part of our company's strategy to drive long-term growth and a diversified business structure. By reshaping our business mix, we will become more robust and defensive. Given today's market environment, this strategy is especially meaningful. Therefore, we will firmly invest more resources and speed up our pace of overseas expansion.

In 2025, we took the lead and entered the mature market. We used small-scale volume to train our risk model and build our market know-how. This has already achieved early results. At the same time, we conducted extensive and deep research on multiple global markets. We have selected several markets for preparation and one of them has started operations in 2026.

In 2026, we will actively explore multiple markets including both mature and the developing regions, such as Europe, Latin America and Southeast Asia.



These two types of markets have different pros and cons. Mature markets have higher entry barriers, but they have established credit system and higher regulatory uncertainty. Developing markets may not have perfect credit data yet, but they have a huge market scale and the lower barrier to enter. In this market, there is also a clear path to profit. Therefore, we'll rebalance our resources between both types of markets. We expect our overseas teams to grow to about 200 people by the end of the year.

Over the past two years, based on our extensive research and studies in different overseas markets, we are extremely confident that our technology and risk model are best in class. With our deep credit know-how, AI and big data-driven technology and a strong balance sheet, we are fully committed to our overseas strategy and aim to take a frog leap to become a leading global credit tech company in the foreseeable future. Thank you.

Operator^ Thank you. There are no further questions at this time. I'll now hand back over for any closing remarks.

Alex Xu^ Sure. Thank you again for everyone to join the conference. If you have any additional questions, please feel free to contact us off-line. Thank you. Have a good day.

Operator^ That does conclude our conference for today. Thank you for participating. You may now disconnect.