

**Qifu Technology (Q4 2024)
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Corporate Speakers:

- Karen Ji; Qifu Technology; Senior Director of Capital Markets
- Haisheng Wu; Qifu Technology; Chief Executive Officer
- Alex Xu; Qifu Technology; Chief Financial Officer
- Yan Zheng; Qifu Technology; Chief Risk Officer

Participants:

- Richard Xu; Morgan Stanley; Analyst
- Alex Ye; UBS; Analyst
- Cindy Wang; China Renaissance; Analyst
- Emma Xu; Bank of America Securities; Analyst
- Yada Li; CICC; Analyst

PRESENTATION

Operator^ Ladies and gentlemen, thank you for standing by. Welcome to the Qifu Technology Fourth quarter and Full Year 2024 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 call over to Ms. Karen Ji, Senior Director of Capital Markets. Please go ahead, Karen.

Karen Ji^ Thank you, Operator. Hello, everyone. Welcome to Qifu Technology's fourth quarter 2024 earnings conference call. Our earnings release was distributed earlier today and is available on our IR website. Joining me today are Mr. Wu Haisheng, our CEO, Mr. Alex Xu, our CFO, and Mr. Zheng Yan, our CRO.

Before we start, I would like to refer you to our safe harbor statement in the earnings press release, which applies to this call as we will make certain forward-looking statements. Also, this call includes discussions of 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.

Also please note that unless otherwise stated, all figures mentioned in this call are in RMB terms. Before we start, we would like to let you know that today's prepared remarks from our CEO will be delivered in English using an AI-generated voice.

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

Haisheng Wu^ Hello, everyone. Thank you for joining us today. 2024 was an exceptional year for our company. Despite the macroeconomic headwinds, we focused on driving high-quality development and evolving our business, consistently hitting new quarterly

milestones to close out the year on a strong note. As our business model gradually shifts to a “platform” model, our organizational capabilities have been upgraded alongside it. As we look to the future, we will adopt a more open and collaborative approach to engaging and empowering our users and partners, further enhancing the health and resilience of our business.

By the end of 2024, our platform empowered a total of 162 financial institutions to serve more than 56 million users with approved credit lines, on a cumulative basis. Throughout 2024, we maintained a disciplined approach, optimizing risk management and enhancing operational efficiency. In Q4, our C to M2 metric, representing the delinquency rate after 30-day collection, for our overall loan portfolio declined further sequentially, reaching its lowest level of the year and approaching a historical best.

With our risk metrics stabilizing, we strengthened our ability to address user needs through differentiated risk and pricing strategies. Total loan facilitation and origination volume on our platform have grown for two consecutive quarters, with Q4 loan volume increasing by 9% sequentially to RMB89.9 billion. Loan volume in the second half of the year regained positive growth, increasing by approximately 15% compared to the first half. With operational efficiency continuing to improve, our Q4 profitability hit a new record high with non-GAAP net income increasing 71.5% year-over-year to RMB1.97 billion and non-GAAP net income per diluted ADS surging 91.3% year-over-year to RMB13.7. Despite macroeconomic headwinds, we have consistently improved upon our results over the year and outperformed our market commitments through the ongoing evolution and enhancements to our business.

In 2024, with our take rate continuing to improve, full year non-GAAP net income rose 44% year-over-year to reach an all-time high of RMB6.42 billion. Additionally, we successfully executed USD410-million share repurchase, buying back approximately 12% of our share count of the beginning of the year. This also contributed to improved non-GAAP net income per diluted ADS for 2024, which increased 55.7% year-over-year to RMB42.4. Coupled with ongoing improvements in profitability and capital allocation efficiency, our ROE for 2024 increased further to 27.9%, significantly outperforming most financial services and internet companies in China.

Now, I'll walk you through the progress we made in 2024.

First, we remain committed to driving quality growth. We enhanced user acquisition efficiency by proactively diversifying acquisition channels. The number of new borrowers in 2024 increased by 16.2% year-over-year while average acquisition cost per credit line user declined by 5.3%, reflecting a significant improvement in user acquisition efficiency. Notably, the addition of 18 new channels to our embedded finance business drove a 26% increase in new credit line users and a remarkable 98% increase in loan volume from the embedded finance channels, with users acquired through this segment now accounting for 41%.

With improved user profiling accuracy on partner platforms, both credit costs and operational efficiency further improved, driving an ROA increase of approximately 2.48 percentage points from last year. Additionally, our embedded finance model further expanded its reach and now covers the majority of leading internet traffic platforms in China with penetration rates also increasing.

Simultaneously, we deepened collaboration with financial institutions to engage with their existing customer bases, leveraging their proprietary traffic and our precise user identification capabilities and differentiated risk strategies to extend our credit product offerings. As we expand into more channels and strengthen our presence across platforms, we expect loan volume from our embedded finance business to maintain rapid growth momentum in 2025. Additionally, we are developing our intelligent marketing capabilities. 74% of the graphics and 27% of the videos we deploy are now generated by AIGC technology, resulting in a 25.1% improvement in user outreach efficiency and an approximately 10% reduction in average cost per credit line user. Furthermore, with 40% of our ad placements now automated, we achieved a 9% improvement in ROI compared to manual placements.

Second, our asset quality improved significantly in 2024, following the decisive initiatives we implemented to optimize our loan portfolio and prioritize high quality growth. We upgraded our application scorecard, or “A scorecard,” by integrating AI to enhance credit data analysis. This allowed us to lower risk metrics back to target levels and establish a foundation for continuous improvements. Within our post-lending processes, we enhanced overall collection efficiency by upgrading our collection scorecard, or “C scorecard,” with large language models for real-time analysis of user communication data and refining partner management and case assignment strategies.

In the second half of the year, despite a moderate recovery in market demand, we maintained a disciplined risk strategy and focused on differentiated user operations, driving further improvements in our risk indicators. In Q4, our D1 delinquency rate decreased by 0.21 percentage points year-over-year while 30-day collection rate increased by 3.23 percentage points. This robust asset quality has laid a solid foundation for our 2025 strategic planning, and with optimized risk strategies now firmly in place, we expect risk performance to remain stable in the coming quarters.

Benefiting from a favorable interest rate environment and robust asset quality, we maintained our negotiating leverage on the funding side and drove a continuous decline in funding costs throughout the year. Our ABS issuance for the year increased by 21.6% to RMB15.2 billion, further optimizing our funding structure. We also issued the first domestic exchange traded ABS with a triple A international rating which attracted subscriptions from multiple international institutional investors and expanded our funding channels globally. Our leadership in ABS issuance has given us a distinct competitive advantage in funding.

In 2025, we plan to ramp up ABS issuance and increase the share of ABS in our funding mix. Although there has been a slight uptick in interest rate uncertainty this year, we are confident in our ability to drive a moderate decline in our funding costs in the coming year. The proportion of loan volume from our capital-light segment increased by approximately 10 percentage points to 53% throughout 2024. We are the first mover to adopt this model and now boast the highest ratio when compared to our industry peers - a direct result of our strong asset quality and precise asset allocation capabilities. Our flexible asset structure ensures that our loan portfolio remains significantly more resilient during market cycles. Over the past year, by onboarding funding partners with more diverse risk appetites, we have strengthened our ability to serve various loan segments and further optimized our asset allocation strategy. This has driven continuous improvements in our ROA under the capital-light model.

Our technology solution business reached meaningful scale in 2024. We continued to enhance and upgrade our credit tech solution, Focus PRO, to meet the diverse needs of financial institutions. Over the year, we added 11 new partner institutions, bringing the total to 16, with 11 already live on our platform. Loan volume under the Focus PRO model grew at a compound monthly growth rate of 17% in 2024. By extensively engaging with our partners, we have seen strong demand from financial institutions for AI-driven solutions. In response, we plan to develop an “AI-plus bank” agent platform to help banks address pain points in their core business processes and improve operational efficiency. We look forward to sharing more updates on this initiative in the coming quarters.

AI is deeply embedded in our DNA, empowering every stage of our operations. Over the past year, AI has driven significant efficiency improvements across our business, from AI co-pilot models in loan collection and telemarketing, to automating the development of marketing materials with AIGC technology and assisting developers with coding. As large language models increasingly mature and DeepSeek significantly improves inference efficiency, we will allocate more resources to the application of AI across credit scenarios going forward.

First and foremost, risk management is the cornerstone of our business. We have gained valuable insights from over 200 million users and developed more than 2,400 models with 590 thousand data dimensions. In 2024 alone, we iterated our models more than 670 times. We believe DeepSeek will revolutionize how data is mined and analyzed in risk management, transitioning us from a single-modal to a multi-modal approach and driving exponential growth in data dimensions. Its powerful reasoning capabilities will enable us to further enhance user profiling and improve the accuracy of end-to-end risk identification.

Second, we are fully committed to advancing our AI-plus strategy. We plan to build an agent platform that will empower core lending processes. Leveraging the memory, planning, and collaboration capabilities of AI-agents, this platform will fundamentally reshape how we operate, boosting efficiency while unlocking greater potential within our teams to drive even more business value. We have assembled a dedicated team to execute this strategy and expect one-third of our core business processes to be powered by this agent platform in the next one or two years. This initiative has already gained strong

traction among our financial institution partners, and we believe “AI-plus bank” will become a key pillar of our technology solution business moving forward.

In the second half of 2024, we saw marginal improvements in the macroeconomic environment and a modest recovery in credit demand. The 2025 Government Work Report emphasized a commitment to supporting technological innovation, boosting consumption, and advancing the “AI plus” initiative, including the widespread adoption of large language models. We will continue to observe the impact these initiatives will have on our business. From a long-term perspective, our vision is to become a globally respected fintech company. To achieve this vision, we are executing a “One Core, Two Wings” strategy, where our domestic credit business serves as the core, and our technology solutions business and international expansion serve as the two wings. This strategy will allow us to continuously expand business boundaries and drive digital financial inclusion on a larger scale.

Looking ahead to 2025, we remain cautiously optimistic, and expect our core credit business to maintain high-quality development, while our technology solutions business will expand the depth and breadth of our partnerships with banks through our “AI plus” strategy. For international expansion, we will maintain a disciplined approach, focusing on markets with stable regulatory environments and solid infrastructure. We will start small, move quickly, and iterate continuously as we progress. We look forward to sharing more updates on our journey in the future.

In 2024, we further optimized capital allocation to enhance shareholder returns, executing our share repurchase plan at a pace significantly ahead of market expectations. Our dividends and buybacks for 2024 amounted to USD180 million and USD410 million, respectively, with total shareholder returns reaching 100% of our 2023 GAAP net income. As of the end of 2024, we had repurchased a total of 24.5 million ADSs and have begun executing a new repurchase plan of up to USD450 million in 2025. We are confident in the future of our company and remain dedicated to delivering long-term value to our shareholders. Moving forward, we will continue to prioritize efficient capital allocation and shareholder value creation through recurring share buybacks and dividends.

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 with a strong Q4 as macro environment started to see tentative indication of modest improvement in user activities. Our continuous effort to optimize operations, improve efficiencies, and manage risk exposure generated healthy financial results and operating metrics.

Total net revenue for Q4 was 4.48 billion, versus 4.37 billion in Q3 and 4.50 billion a year ago.

Revenue from credit driven services (capital-heavy) was 2.89 billion in Q4, compared to 2.9 billion in Q3 and 3.25 billion a year ago. The year-on-year decline was mainly due to significant decline in off-balance sheet loans despite strong contribution from on-balance sheet loans and other value-added services. Overall funding costs were stable Q-on-Q in a seasonally tightened funding environment.

Revenue from platform service (capital-light) was 1.59 billion in Q4, compared to 1.47 billion in Q3 and 1.25 billion a year ago. The year-on-year growth was mainly due to strong contributions from ICE and other value-added services, more than offsetting the decline in capital light loan facilitation. For the full year 2024, platform service accounted for roughly 53% of total loan volume and 58% of year end loan balance. We expect the ratio to be roughly stable in the near term.

During the quarter, average IRR of the loans we originated and/or facilitated was 21.3%, compared to 21.4% in prior quarter. Looking forward, we expect pricing to be fluctuated around this level for the coming quarters.

Sales and marketing expenses increased 25% Q-on-Q but decline 5% year-on-year. The sequential increase was mainly due to increased customers' activities and typical Q4 seasonality. We added approximately 1.69 million new credit line users in Q4, versus 1.58 million in Q3. We will continue to make timely adjustment to the pace of new user acquisition based on macro conditions from time to time and further diversify our user acquisition channels and improve user engagement and retention. Meanwhile, we will also continue to focus on re-energizing existing user base as repeat borrowers historically contributed vast majority of our business.

90-day delinquency rate was 2.09% in Q4, compared to 2.7% in Q3. Day-1 delinquency rate was 4.8% in Q4 versus 4.6% in Q3. 30-day collection rate was 88.1% in Q4 vs. 87.4% in Q3. Another key risk metric C-M2, which represents the outstanding delinquency rate after 30-day collection, improved slightly Q-on-Q to 0.57%, with higher loan volume. We are comfortable with our current risk exposure, and we expect to see relatively stable risk metrics in the coming months.

Under current macro environment and geopolitical uncertainties, we continued to take a prudent approach to book provisions against potential credit losses. Total new provisions for risk bearing loans in Q4 were approximately 2.07 billion versus 1.63 billion in Q3. The increase in new provisions was mainly due to increase in risk bearing loan volume Q-on-Q and higher provision booking ratio. Writebacks of previous provisions were approximately 1.02 billion in Q4 versus 910 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 617% in Q4, a historical high, compared to 482% in Q3.

Non-GAAP net profit was 1.97 billion in Q4 compared to 1.83 billion in Q3. The significant improvement in profitability was mainly due to favorable year-end tax adjustment. Non-GAAP net income per fully diluted ADS was 13.66 in Q4 compared to

12.35 in Q3 and 7.14 a year ago as strong earnings growth and proactive share repurchase created significant EPADS accretion. Effective tax rate for Q4 was 1.0%, compared to our typical ETR of approximately 15%. The lower-than-normal ETR was mainly due to benefit from withholding tax provision adjustment as withholding tax rate was lowered to 5% in Q4.

With solid operating results and higher contribution from capital light models, our leverage ratio, which is defined as risk-bearing loan balance divided by shareholders' equity, was 2.4x in Q4, near historical low. We expect to see leverage ratios fluctuate around this level in near future.

We generated approximately 3.05 billion cash from operations in Q4, compared to 2.37 billion in Q3. The sequential increase in operating cash flow was mainly due to better operating results and lower tax payout. Total cash and cash equivalent and short-term investment was 10.36 billion in Q4, compared to 9.77 billion in Q3. As we continue to generate strong cash flow from operations, we will further optimize our capital allocation to support our business initiatives and to return to our shareholders.

During Q4 we in aggregate repurchased approximately 3.1 million ADSs in the open market for a total amount of approximately US\$107 million (inclusive of commissions) at an average price of US\$34.5 per ADS. As such we had completed substantially all of the \$350 million share repurchase plan we announced on March 12, 2024.

Furthermore, on November 19, 2024, our Board of Directors approved a new share repurchase plan to buy back up to \$450 million worth of our ADS over a 12-month period starting January 1, 2025. As of March 14, 2025, we had in aggregate purchased approximately 2.2 million ADSs in the open market for a total amount of approximately US\$86 million (inclusive of commissions) at an average price of US\$39.7 per ADS under the new share repurchase plan.

The proactive execution of share repurchase plans demonstrated management's confidence and commitment to the future of the Company, and management intends to further use share repurchase to accelerate EPADS accretion.

In accordance with our current dividend policy, our Board has approved a dividend of US\$0.35 per Class A ordinary share, or US\$0.70 per ADS for the second half of 2024 to holders of record of Class A ordinary shares and ADSs as of the close of business on April 23, 2025 Hong Kong Time and New York Time, respectively. We intend to gradually increase in the dividend per ADS on a semi-annual basis.

Finally, regarding our business outlook.

While we start to see some tentative signs of marginal improvement in user activities, we will continue to take a prudent approach in business planning for 2025 and focus on enhancing efficiency of our operations. For the first quarter of 2025, the Company expects to generate non-GAAP net income between RMB1.80 billion and RMB1.90 billion,

representing a year-on-year growth between 49% and 58%. This outlook reflects the Company's current and preliminary views, 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 comes from Richard Xu with Morgan Stanley.

Richard Xu[^] (Speaking in Foreign Language) Two questions from me. Number one on the AI, could management discuss what areas we're seeing the most potential to integrate it, maybe DeepSeek and other AI models, and what type of efficiency gain could be achieved and any progress so far? Second of all, there's been some, obviously, policy support since September of last year. Are we seeing any credit demand recovery at the moment? What's the credit demand at the moment? Outlook for 2025, any improved credit outlook as well as credit growth outlook? Thank you.

Haisheng Wu[^] Okay. Richard, thank you. For your first question about AI and DeepSeek, actually, it's a really hot topic for now. Over the past year, we are happy to see the great improvements in large language model technology, especially in its reasoning efficiency. We believe credit is a perfect scenario for AI application, because this industry has a strong data foundation, and a high degree of digitalization.

Last year, we had a lot of AI practices and efficiency work, like sales, loan collection, intelligent marketing, and R&D. For example, we launched the Copilot system to empower our collection team. By analyzing our historical phone calls, the system can effectively read users' intent and suggest how to effectively communicate with the users. So far, the adoption rate of the Copilot system among our collection team has reached about 84%. Daily usage is roughly 30 times per person.

This year, we will allocate more resources to applying AI into our credit assessment, leveraging the AI reasoning capabilities to enhance our ability to analyze credit reports. One example is, when we use facial recognition during the loan application process, AI will recognize additional information from the pictures or videos, such as users' clothing or their surroundings. This information can be cross-checked with the identity information provided by the user to reduce the fraud risk. This year we will put a small portion of our traffic into the end-to-end AI-driven risk decision-making process. We are really looking forward to the results of this test.

In addition, we are fully committed to advancing our AI-plus strategy. We plan to build an agent platform that will empower our whole company. These AI agents could become our "digital employees", working together with us. We have built a dedicated team to execute this AI-plus strategy and by the end of the year, we expect this team to grow to around 150 people. In the next one to two years, we expect one-third of our core business processes

will be powered by this agent platform. We have seen strong interest for the agent platform among our financial institution partners, and we believe “AI-plus bank” will make our technology solution business more competitive.

And I want to say, over the past decade, we have captured the growth opportunities in the internet-plus era; we are confident that, based on our scenario, technology, and data, we are also at a good position to capture the AI-plus opportunities. That is for your first question.

And for the second question about the customer demand. We did observe some improvement in user activities after September 24th. For example, the loan application ratio was 10% higher in Q4 versus Q3. In January, we also noticed a seasonal pickup in credit demand, ahead of Chinese New Year, especially from SME users. Then, credit demand declined in February due to the holiday, but rebounded in March. Based on the current situation, we expect Q1 loan volume to grow by more than 10% year-over-year.

At this stage, I think it is still too early for us to call a macro recovery. We still want to adopt a prudent approach to plan our business for this year. But if the market environment improves meaningfully, we will adjust our strategy timely, to capture the growth opportunities. Thank you.

Operator^ Your next question comes from Alex Ye with UBS. Please go ahead.

Alex Ye^ (Speaking in Foreign Language) So my first question is about what's the drivers for the movement of the two early indicators in Q4, including Day-1 delinquency ratio and 30-day collection ratio? What's the latest trend in Q1 so far and the outlook going forward? And second question is about the net take rate outlook, which was guided by management previously at around slightly above 5% for the full year. So based on your latest results and your operation into this year so far, is there any adjustment to this guidance? Thank you.

Yan Zheng^ (Speaking in Foreign Language)

Karen Ji^ Okay. Let me do the translation for Mr. Zheng. First, let me explain how we monitor risk internally. We usually look at both the Day 1 delinquency rate and the 30-day collection rate together, because individual metrics can fluctuate for various reasons. What we focus on more is the C to M2 ratio, which is the delinquency rate after 30-day collection period. Based on this metrics, our risk level is very stable.

Now, about the slight increase of Day 1 delinquency rate and collection rate compared to Q3, it was mainly due to optimizations we made to our repayment reminder strategy. We reduced the coverage of our early reminders by about 30% to improve user experience, without compromising our loss rate. As a result, some of our high-quality users missed the repayment on the due date, but they quickly caught up. That's why you see a small increase in both Day 1 delinquency rate and collection rate, but it didn't have any meaningful impact on our actual credit losses.

Our risk performance in January and February was pretty much in line with Q4, with overall risk levels remaining stable. I also want to emphasize that we are not aiming to reduce our risk to the absolute lowest level, as it doesn't serve the best interest of the company. Right now, with a decent level of take rate, we have a solid margin of safety to experiment with new strategies and find a better balance between growth and risk.

Alex Xu^ Okay, this is Alex, I will respond to your second part of the question about the take rate.

As you know, throughout 2024, we have been on a steady improvement trend in take rate as we reduced the risk and the funding cost continued to trend lower throughout last year. By the end of last year, in Q4, our net take rate approached 6%, so that's the trend for last year.

Obviously, there are some one-off factors, as you guys know, for example, the mix change resulting in a revenue recognition difference between the second half and first half, but excluding all these one-off factors, I think when we're looking at this year, it's a reasonable assumption, as you mentioned, we achieve a 5% kind of take rate for the year. And overall, as our CRO just mentioned, we have enough cushion in our take rate or our risk metrics that enable us to actually do a little bit of testing around the margin. If we see the opportunity, which could be resulted by the macroenvironment change or could be resulted by the user activity change, if we see the opportunity, we will take that and try on the margin to see whether we can bring the incremental marginal profitability on top of our base case. So that will be the process we will continue to push throughout 2025. The end results or the ultimate goal is to really drive a higher total profit on top of the base case there. So that's our approach to looking at this year's profitability and this year's take rate.

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

Cindy Wang^ (Speaking in Foreign Language) So I have a question related to the regulation side. So last week, National Financial Regulatory Administration issued a notice requiring financial institutions to promote consumer finance and to boost consumption in China. So how do you see the new policy impact to the overall industry and the company? Thank you.

Haisheng Wu ^ I am glad you mention this, It's really a big news for our industry. We believe this document sends a very positive signal, and we are very encouraged. It is very clear that the government's direction is to boost consumption by encouraging the development of consumer credit industry, and I think there will be a series of policies to support that direction. I think we notice 3 details in the document.

First, increasing the supply of consumer loans, which means support in terms of monetary policy and liquidity. And secondly, they encourage financial institutions to increase loan volumes and set reasonable terms for the loan products, which means that the regulator will provide more flexible space for financial institutions. And thirdly, they emphasize the consumer protection and providing support for users who have difficulty in repayment.

In a word, the regulators have fully recognized the value of consumer finance in boosting consumption. Therefore, we expect that the regulator environment will remain relatively stable, leaving us more room to innovate and serve our customers. Thank you.

Operator^ The next question comes from Emma Xu with Bank of America Securities. Please go ahead.

Emma Xu^ (Speaking in Foreign Language) So I have a question about the funding cost. Is your funding cost continuing to decline? And what's the lowest level you think the funding cost can go to?

Haisheng Wu^ Thank you, Emma. In terms of funding costs, over the past few years, our funding cost has continued to decline, even much faster compared to the LPR. This is partially driven by the rate cut but more driven by the demand over supply of the consumer credit assets.

In the future, if macro improves, the supply and demand situation will also change. And we have always emphasized that financial institutions have their operating costs. The current cost of funds has already approached the bottom line of financial institutions, so there is limited room for further decline.

In addition to the funding provided by financial institutions, a significant portion of our funding comes from ABS. We will continue to issue more ABS this year to further optimize our funding structure, so hope we can achieve further decline in overall funding costs.

Alex Xu^ Yes, Emma, I just want to add a couple of points.

So basically, you can see there are three factors to really drive the funding cost, two external and one internal. The two external are, one, if you see the reduction in the LPR, it will more or less kind of pass through to us a little bit. But at the same time, the supply and demand situation will also have the impact on the funding costs. In particular, if the macro situation is getting a little bit hot, then you may run into a short-of-fund kind of environment overall. That certainly will put some pressure on our funding costs there. So that's two external factors.

The internal one, on the ABS side, last year, we did about a little bit over RMB15 billion in ABS issuance, which should represent about 20-some percent increase over the year before. I think, at least from our planning perspective, we try to maintain this kind of year-over-year growth pace for this year. And if we can achieve that, that will certainly help us from the mix perspective, reduce the overall funding cost a little bit. But net-net, given how low we already are, so the space in terms of downward movement will still be quite limited.

Operator^ Your next question comes from Yada Li with CICC. Please go ahead.

Yada Li^ (Speaking in Foreign Language) Hello, management. Thank you for taking my questions. My question is about the shareholder's return. I was wondering, do you expect

to deliver more value to the shareholders? And how to view the sustainability and is there still potential for future growth? That's all. Thank you.

Alex Xu^ Sure. Thank you, Yada. I'll take this one.

We have been very committed to returning values to our shareholder in the past couple of years. If you look at 2024, the actual payout almost represents 100% of our earnings for 2023. So, going forward, we have been saying that we try to maintain a 70%-plus payout ratio for the next few years.

Given that we also have a target to shrink our share base by a significant percentage, so we put the current priority and also maybe the next year's priority into the share buyback side. And we have the current 450-million share buyback program running so far in the first quarter. Even though our share price has been moving up quite significantly, we still maintain a very consistent pace in terms of executing the current 450-million buyback program. And we intend to continue to do so for the remainder of the year. If there's an opportunity that arises, we also may consider accelerating the buyback program down the road.

On the dividend side, given the priority for now is on the buyback, we try to achieve a continued increase per share dividend on the semi-annual basis. For example, this quarter, we declared a \$0.70 per ADS dividend versus six months ago, that's only about \$0.60. It's a pretty significant raise in dividends, and you should expect that the dividend per share number to continue to increase over the course of the next few dividends, given that we are shrinking our share base quite significantly, and we also have to meet the Board-authorized at least 20% dividend payout ratio.

Mathematically, you have to see an increased DPS in the going forward basis there. In the long run, once we achieve our share repurchase target, which may be about two years down the road, we will, at that time, reconsider the mix between the buyback and the dividend, but that's still a little bit long time away. For now, the priority is still on the buyback side. Thank you.

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

Alex Xu^ Okay, thank you everyone for joining us for today's conference. We are very efficient to make the call going very quickly than we thought, but if you have any additional questions, feel free to contact us offline. Thank you.

Operator^ That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.