

**Qifu Technology (1Q2025 Earnings)
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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; Managing Director
- Alex Ye; UBS; Analyst
- Emma Xu; Bank of America Securities; Analyst
- Cindy Wang; China Renaissance; Director
- Yada Li; CICC; Analyst

PRESENTATION

Operator^ Ladies and gentlemen, thank you for standing by. Welcome to the Qifu Technology First Quarter 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 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 first quarter 2025 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.

In the first quarter of 2025, China’s economy showed early signs of a mild recovery under the guiding principles of “stabilizing growth, optimizing structure, and managing risks.” Meanwhile, the global economy is undergoing profound technological transformation and structural changes.

In an increasingly complex and volatile environment, we upheld prudent operations, leveraged AI to reshape the credit value chain, and achieved high-quality growth, delivering results that surpassed our expectations.

By the end of the quarter, our AI-powered credit decision engine and asset distribution platform empowered a total of 163 financial institutions and served more than 58 million users with approved credit lines, on a cumulative basis.

Total loan facilitation and origination volume on our platform increased by 15.8% year-over-year. With operational efficiency continuing to improve, our take rate for the quarter reached 5.7%, up 2.2 percentage points year-over-year.

Non-GAAP net income increased by 59.9% year-over-year to RMB1.93 billion, while Non-GAAP EPADS on a fully diluted basis rose by 78.5% to RMB13.5.

Despite macroeconomic headwinds, we have consistently improved upon our past results and outperformed our market commitments through ongoing evolution and enhancements to our business.

At the start of this year, we began rolling out our “AI plus credit” strategy at scale aimed at building the industry’s first AI agent platform to empower core credit processes.

We plan to recruit an additional 100 algorithm engineers by the end of the year and accelerate our transformation into an AI-native organization.

We have also established our Deepbank division, which is driving the research and development of our “AI plus bank” agent products to support the intelligent upgrade of financial institutions.

In April, we introduced an internal AI agent platform and by May, deployed 5 digital employees across key functions such as data analytics, operations, compliance, risk management strategy, and financial reconciliation.

Our AI agent “ChatBI” is now deeply integrated into our intelligent decision-making and business analysis workflows. This agent provides real-time data insights and attribution analysis, empowering us to dynamically optimize our strategy and enhance decision efficiency.

Risk management has always been a cornerstone of our business. This quarter, we allocated a small portion of our traffic to pilot an end-to-end risk management framework powered by large language models.

By training on historical decision logs using DeepSeek, we achieved a notable improvement in AUC (area under curve) to 0.64, a metric that measures risk tiering ability.

We also upgraded our data mining capabilities by incorporating video and other multimodal inputs, enabling richer and more diverse feature representations.

On top of that, we developed a user profiling agent that performs consistency checks on user features with over 95% accuracy, supporting differentiated credit lines and pricing based on user profiles.

In terms of risk strategy, we maintained a differentiated approach in user operations, driving moderate loan growth while preserving ample risk buffers.

With loan volume increasing by 15.8% year-over-year during the quarter, our C to M2 metric, which measures delinquency rates after 30-day collections, remained largely stable at 0.6%.

In Q1, we made further upgrades to our intelligent asset distribution platform to improve the precision of fund-asset matching. This helped us boost underwriting efficiency, and strike a better balance between risk and return of our loan portfolio. Benefiting from our robust asset quality, we maintained our negotiating leverage on the funding side, resulting in a consistent decline in funding costs.

In Q1, we issued RMB6.6 billion in ABS, a year-over-year increase of approximately 25%.

With the proportion of ABS in our funding mix growing further, our overall funding costs decreased by an additional 30 basis points sequentially. We expect funding costs for the coming quarters to decrease slightly from Q1 levels.

In terms of user acquisition, we have modestly increased our spending and are actively exploring a broader range of channels.

In Q1, we added 1.54 million new credit line users, up 6% year-over-year, with new borrowers increasing approximately 41% year-over-year to 1.13 million.

Our marketing-focused AI agent leverages multi-modal recognition technology to analyze user intent in real time, integrate campaign management across multiple channels, and enable real-time strategy adjustments. This has significantly improved our user profiling accuracy across channels, with the conversion rate of new credit line users to new borrowers increasing by 33% from the same period last year.

Our embedded finance business remains a key strategic focus as we continue to expand both the breadth and depth of our channel coverage. In Q1, we added 7 new channels, spanning from leading internet platforms and various small and mid-size platforms to banks in multiple regions. We are also in the midst of onboarding two additional strategic

platforms, signaling broader collaboration with leading internet traffic platforms and unlocking meaningful and incremental growth potential going forward.

During the quarter, our new credit line users from the embedded finance channels grew 36% year-over-year, while loan volume surged by roughly 106%. The overall ROA of these channels improved by 20% on a sequential basis.

Regarding our technology solutions business, we established partnerships with three additional mid-to-large-sized municipal banks in Q1, driving loan volume from this segment to grow by roughly 144% year-over-year. Powered by our Focus Pro credit tech platform, our proprietary solution for SME lending, which is built on a three-tiered credit assessment system, gained meaningful scale in loan facilitation volume and delivered better-than-expected risk performance in Q1. This success has created new opportunities for our market expansion and growth in 2025.

We have already received a wide range of inquiries from multiple banks about our “AI plus Bank” agent products and recently entered into strategic partnerships with several of them.

As a key component of these partnerships, we will help banks deploy AI agents across a broad range of applications, including marketing and customer acquisition, risk management and loan approval, decision analytics, growth operations, compliance reviews, multimodal recognition, remote banking, and digital employees, facilitating their digital and intelligent transformation.

In April, China’s National Financial Regulatory Administration issued the *Notice on Strengthening the Management of the Internet Loan Facilitation Business of Commercial Banks to Enhance the Quality and Efficiency of Financial Services*. The Notice provides clearer guidance for internet-based lending practices, emphasizing that commercial banks should establish equal, mutually beneficial partnerships with platform operators and credit enhancement providers, sharing risk responsibilities and adopting a long-term perspective.

We view these guidelines as strong regulatory recognition of the value the loan facilitation model provides.

By setting clearer industry standards, the Notice is expected to improve the overall health and sustainability of the sector. We will continue to engage in proactive and constructive discussions with regulators, regularly reviewing our practices, and upholding prudence and compliance in our operations.

The increasingly complex international landscape has added uncertainty to the pace of China’s economic recovery. That said, we believe the economy will remain fundamentally resilient over the long run, supported by China’s technological innovation, supply chain upgrades, and government measures to boost domestic demand.

At the press conference held on May 7 this year, the State Council Information Office announced a package of financial policies aimed at stabilizing markets and managing

expectations, including guidance for financial institutions to increase support for key consumption verticals. More recently, we are seeing encouraging progress in US-China trade talks.

Overall, the macroeconomic and policy landscape is showing signs of stabilization, which will provide a favorable environment for the steady development of the consumer credit industry.

As we progress through 2025, we remain cautiously optimistic. In the near term, our focus will be on enhancing operational efficiency, optimizing capital allocation, and enhancing shareholder returns. Over the long term, we will continue executing our “One Core, Two Wings” strategy. We expect our core loan facilitation business to sustain high-quality growth, while our technology solutions business will continue to empower financial institutions to accelerate their intelligent transformation through our AI-plus strategy.

Internationally, we will focus on near-prime segments in markets with relatively stable regulatory environments, leveraging our leading fintech capabilities to build a strong competitive edge.

In Q1, we issued USD690 million in convertible senior notes, further expanding our international funding channels and improving capital allocation efficiency. 100% of the proceeds from this issuance will be allocated to share buybacks.

Adopting a cash- par settlement structure allows us to significantly reduce the potential dilution to existing shareholders.

On the March 25 pricing date, we concurrently completed a USD227-million share repurchase, resulting in an immediate 3.6% reduction in our share count. Combined with our USD450 million share repurchase program that took effect on January 1, we expect our total repurchases this year to be no less than USD680 million.

Based on the current share price, we estimate our total share count will decrease by approximately 11% when compared to the beginning of the year.

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 first quarter earnings call.

We started 2025 with a solid Q1 as overall user activities were stronger than normal seasonality.

While macro environment appeared stabilizing early in the year, impacts from trade war added uncertainties recently. We will continue to focus our effort to optimize operations and manage risk exposures in an uncertain market.

Total revenue for Q1 was 4.69 billion, versus 4.48 billion in Q4 and 4.15 billion a year ago.

Revenue from credit driven services (capital-heavy) was 3.11 billion in Q1, compared to 2.89 billion in Q4 and 3.02 billion a year ago. The sequential growth was mainly due to increases in on-balance sheet loans and lower early repayment discount.

Overall funding costs further declined modestly Q-on-Q as ABS contributed a larger portion of total funding in Q1.

Revenue from platform service (capital-light) was 1.58 billion in Q1, compared to 1.59 billion in Q4 and 1.14 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. Platform service accounted for roughly 56% of the quarter 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 21.4%, compared to 21.3% in prior quarter. Looking forward, we expect pricing to be fluctuated around this level for the coming quarters.

Sales and marketing expenses increased 13% Q-on-Q and 42% year-on-year. The sequential and year-on-year increases were mainly due to larger volume contribution from API channels in both new and existing users.

We added approximately 1.54 million new credit line users in Q1, versus 1.69 million in Q4. We will make timely adjustment to the pace of new user acquisition in the coming months given the volatile macro conditions, and further optimize our user acquisition channels and improve user engagement and retention.

90-day delinquency rate was 2.02% in Q1, compared to 2.09% in Q4. Day-1 delinquency rate was 5.0% in Q1 versus 4.8% in Q4. 30-day collection rate was 88.1% in Q1, essentially flat Q-on-Q. Another key risk metric C-M2, which represents the outstanding delinquency rate after 30-day collection, increased modestly Q-on-Q to 0.60%, still within our comfortable range.

We will remain vigilant to manage overall risk exposure particularly given the latest macro uncertainties, and try to maintain relatively stable risk metrics in the coming quarters.

At the same time, we continue to take a conservative approach to book provisions against potential credit losses. Total new provisions for risk bearing loans in Q1 were approximately 2.23 billion versus 2.07 billion in Q4. 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 1.14 billion in Q1 versus 1.02 billion in Q4.

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 666% in Q1, a historical high, compared to 617% in Q4.

Non-GAAP net profit was 1.93 billion in Q1 compared to 1.97 billion in Q4. Non-GAAP net income per fully diluted ADS was 13.53 in Q1 compared to 13.66 in Q4 and 7.58 a year ago as strong earnings growth and proactive share repurchase created significant EPADS accretion.

At the end of Q1, total outstanding ADS share count was approximately 134.5 million, compared to 142.0 million at the end of Q4 and 155.0 million a year ago.

Effective tax rate for Q1 was 18%, compared to our typical ETR of approximately 15%. The higher-than-normal ETR was mainly due to withholding tax provision related to cash distribution from onshore to offshore.

With higher contribution from capital heavy models, our leverage ratio, which is defined as risk-bearing loan balance divided by shareholders' equity, was 2.7x in Q1, still near the low end of historical range. We expect to see leverage ratios fluctuate around this level in the near future.

We generated approximately 2.81 billion cash from operations in Q1, compared to 3.05 billion in Q4. Total cash and cash equivalent and short-term investment was 14.03 billion in Q1, compared to 10.36 billion in Q4. The increase in cash was mainly due to net proceeds from our \$690 million CB issuance.

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.

We started to execute the \$450 million share repurchase plan on January 1. As of May 19, 2025, we had in aggregate purchased approximately 4.4 million ADSs in the open market for a total amount of approximately US\$178 million (inclusive of commissions) at an average price of US\$40.2 per ADS, ahead of the time schedule.

In addition, on March 25, we successfully priced our \$690 million CB offering and repurchased approximately 5.1 million ADSs concurrently with an aggregate value of approximately US\$227 million. The concurrent buyback and the net-share settlement mechanism make the CB immediately accretive to EPADS at issuance.

Altogether, so far in 2025, we bought back approximately 9.6 million ADSs for a total amount of \$405 million, including commissions, at an average price of US\$42.3 per ADS. The accelerated pace of share repurchase further demonstrated management's confidence and commitment to the future of the Company, and management intends to further use share repurchase to achieve extra EPADS accretion.

Finally, regarding our business outlook.

While we observed some tentative signs of marginal improvement in user activities early in the year, macro uncertainties persist. We will continue to take a prudent approach in business planning for 2025 and focus on enhancing efficiency of our operations.

For the second quarter of 2025, the Company expects to generate Non- GAAP net income between RMB1.75 billion and RMB1.85 billion, representing a year-on-year growth between 24% and 31%. 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 comes from Richard Xu from Morgan Stanley.

Richard Xu^ (Speaking in Foreign Language) So I'll just do a translation. There's two questions.

What kind of impact or changes should we expect once the new loan facilitation rules come into effect in Oct 2025? Second is what is the latest trends QFIN is seeing on the credit quality? How does it compare to second half of 2022 and 2023 when QFIN started to tighten risks? Will that impact the total expected loan growth for the year?

Haisheng Wu^ Okay, Richard. Thank you. Let me take your first question, and our CRO will answer your second question.

In terms of regulation, in our opinion, the new rules released in April is a positive signal in a sense that regulator recognizes the value of loan facilitation platforms. The regulator's intention is to promote a more orderly and healthy development of the industry by setting principles and gradually squeezing out the long-tail platforms, which are less capable of complying with the industry standards and meeting regulatory requirements.

At the same time, the new rules recognize the value of leading loan facilitation platforms, and encourage banks to adopt a white-list approach, set clear entry standards, and build equal, long-term and mutually beneficial partnerships based on risk sharing.

In conclusion, with the implementation of the new rules, the industry will become more organized, which will enhance the overall health and sustainability of the loan facilitation sector.

As a leading industry player, we believe we will benefit from the less competitive market environment. We will continue to engage in proactive and constructive discussions with regulators, review our practices, and operate with prudence and in compliance.

And for your second question, Zheng Yan, can you answer it?

Yan Zheng^ (Speaking in Foreign Language)

Karen Ji^ Okay. Let me do the translation for Mr. Zheng. First of all, I want to say that so far, our asst quality has remained largely stable.

Our C to M2 ratio, which measures the delinquency rate after 30-day collections, has fluctuated within a narrow band, which is in line with our expectations.

First, we believe that current situation is completely incomparable to that in the second half of 2022 and 2023. Our average C-M2 was 0.64% in the second half of 2022 and 0.69% in the second half of 2023. The volatility in the second half of 2023 was partially due to macro uncertainties and some line controls by China's telecom carriers.

In Q1, our C-M2 ratio came in at 0.6%, which is significantly better than second half of 2022 and 2023. And we expect this metric to remain largely stable going forward.

Right now, our risk levels remain well under control, and we don't see a need to make any major adjustments to our risk policies. Therefore, the loan volume growth on a full year basis, it will largely depend on consumers' credit demand.

In Q1, we saw early signs of a mild recovery in credit demand, and the overall trend also seemed to be stabilizing. However, the consistently changing global trade environment has increased macro uncertainties.

While recent US-China talks have shown some encouraging progress, we still need to monitor how things will develop, and what kind of impact that will have on China's economy. We will stay prudent in our operations at this moment.

Last, I want to say that our business model is quite diversified, meaning that we can easily shift between asset heavy and asset light. That gives us the flexibility to adjust our asset allocation and balance between growth and risk. Based on what we're seeing now, our outlook for full-year loan volume growth is largely unchanged from what we expected at the start of the year.

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

Alex Ye^ (Speaking in Foreign Language) I will do a translation.

My first question is about the asset quality indicators. Specifically, we saw D1 delinquency ratio was up for 2 consecutive quarters, reaching 5.0% in the quarter, and also bringing the C-M2 metric to 0.6%. So can you share with more color on the reason behind? And how do you expect this indicator to trend going forward?

Second question is on the credit demand trend in the last two months, since we are seeing more noises coming from external environment. So just wondering, how has been the Q-on-Q trend in terms of credit demand?

Yan Zheng^ (Speaking in Foreign Language).

Karen Ji^ Okay. First of all, I want to say that the slight fluctuations in our C to M2 ratio were in line with our expectations, and also well within the target range we have set for our risk performance.

Overall speaking, our asset quality is at a healthy level compared to historical trends.

As for the increase in D1 delinquency rate, it was mainly driven by the change in our loan mix.

In Q1, the percentage of loan volume from our embedded finance channels increased by 31% from last quarter, and this business line usually has a higher D1 delinquency rate compared to our app-based or H5-based business.

Also, our overall loan volume was roughly flat Q-on-Q, leading to a smaller portion of early-stage loans, which usually have a lower D1 delinquency rate. These two structural changes have led to a slight increase in our D1 delinquency rate, and our collection rate is very stable as our CFO just mentioned in his prepared remarks.

In April, given the uncertainty around the tariff impact, we slightly tightened our credit standards. Since then, our risk indicators have remained stable through both April and May. Moving forward, we'll continue to adjust our risk strategy on a dynamic basis.

We expect our C to M2 ratio for the full year to remain largely stable around the 0.6% level based on the assumption that the macro environment doesn't change dramatically. Thank you.

Haisheng Wu^ And in terms of the credit demand, Alex, for the average daily loan volume, April was roughly in line with March. We did see some fluctuation in borrower activities due to the impact of U.S.-China trade tensions, but as we proactively expand our customer reach through partnerships with diversified channels, we should be able to mitigate the potential decline in credit demand.

In May, credit demand slightly decreased sequentially, partly due to the May Day holiday, but this is just normal seasonality. Based on what we are seeing now, we expect loan volume in Q2 will be largely on track as we planned at the start of the year. Thank you.

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

Emma Xu^ (Speaking in Foreign Language) With the recent China-U.S. trade escalation, how do you assess the potential impact of the tariff tensions in the future? And will you tighten your lending standards?

My second question is what strategy is management currently adopting regarding potential ADR delisting risk? Will you consider a dual-primary listing in Hong Kong? Will you take measures to improve the liquidity of your Hong Kong ticker?

Haisheng Wu^ Hey Emma, in terms of tariffs, we believe the direct impact of tariffs on our business is quite limited.

First, the vast majority of our loan volume is in consumer lending.

Second, we've reviewed the industries of our users are involved in. In Q1, those related to exports accounted for just around 4% of our total loan volume. Among them, only about 1% were in sectors likely to be significantly impacted by US tariffs. For these users, we have already adjusted our transaction and asset allocation strategies to mitigate potential impact from tariffs.

On the policy side, U.S.-China tariff talks have achieved some encouraging progress, and we view that as a positive for both credit demand and asset quality. However, the global trade landscape has been shifting quite a bit this year, and this has added uncertainty to China's macro environment and may affect people's consumption sentiment.

Weaker exports could put pressure on areas such as capex and household consumption. So, in April, out of caution, we slightly tightened our risk strategy. So far, overall risk levels have remained largely stable. We will continue to monitor how the tariff situation impacts risk performance, and dynamically adjust our strategy as needed.

In addition, our diversified business model also makes us more flexible to react to the potential challenges.

And then for your second question, our CFO will answer it.

Alex Xu^ Sure, Emma, as you know, this ADR delisting thing, basically re-surfaces every few years depend on the US side of a political need. Given that, in early May, the U.S. and China entered into at least a tentative kind of agreement on the tariff. So, compare to early April, I think the delisting risk clearly kind of reduced by quite a bit.

But with that said, we have been carefully evaluating the potential risk of the delisting. I think we are prepared and we have a very clear plan to response to what-if kind of scenario.

As you know in November 2022, we completed a secondary listing in Hong Kong. This basically has given our shareholders more flexibility. They can choose to continue trading in the U.S. or move it to the Hong Kong market.

So even in a worst-case scenario where our ADRs are forced to delist, investors would still be able to trade our shares seamlessly in Hong Kong.

As for liquidity, currently about 99% of our trading volume is in the U.S. market, and in Hong Kong, obviously, it is very, very light. This is mainly because U.S. trading offers investors more flexibility and relatively low transaction costs.

However, if a forced delisting were to happen, all the trading would probably naturally shift from the U.S. to Hong Kong. And accordingly, liquidity in Hong Kong will, for sure, improve significantly.

At that point, our Hong Kong listing would automatically convert from a secondary listing to a primary listing in accordance with the Hong Kong Exchange rules. We only need to file some additional document after that secondary to primary conversion happening, as a after providing the document support.

Therefore, we believe our secondary listing that we already have already provide sufficient protection for our shareholders. We will continue to obviously monitor as the situation evolves, and take correct measures based on our on-going assessment on this matter. Thank you.

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

Cindy Wang^ (Speaking in Foreign Language) In Q1, the number of new users with approved credit was down by 9% sequentially, but the CAC was up by 22%. So what's the reason behind it? Since April, the trade war may have caused a potential slowdown in credit demand. Has this affected the quality of new borrowers? And have you adjusted customer acquisition strategy? And how do you expect the customer acquisition cost in the second quarter?

Haisheng Wu^ Okay, Cindy. First, the increase in unit customer acquisition cost in Q1 was mainly driven by a change in our business mix. About 30% of our sales expenses came from API channels in the quarter. Unlike other channels, we pay channel fees for both new borrowers and repeat borrowers for API, but when we calculate cost per user, we only count new users, not repeat ones.

So when API channels contribute a higher percentage of loan volume, it pushes up our unit acquisition cost. However, the API channels are generating incremental loan volume for

the company and the acquisition cost per loan through API is much lower than in in-feed marketing. We are able to recover the cost with just the first loan issuance.

In addition, we increased spending on in-feed marketing this quarter to reach higher-quality users. Although these channels usually have higher acquisition costs compared to others, such as app stores or data-driven marketing, users from these channels tend to deliver stronger and healthier value in the medium to long term.

We have also tried new strategies in this space, tailoring our approach to different pricing segments and applying differentiated operations across the full user journey.

Furthermore, I want to say that we pay more attention to the efficiency of customer acquisition rather than the cost of customer acquisition.

As we optimized the entire acquisition journey, the end-to-end approach has made our targeting more accurate in terms of both user quality and intent. This in turn boosts our overall lending efficiency for new users.

This quarter, our conversion rate from new credit line users to new borrowers reached 74%, up from around 55% in the same period last year. That is to say that our end-to-end customer acquisition efficiency remains very healthy.

Since the start of Q2, users' credit needs have been affected by the ongoing trade tension, which in turn will also have a certain impact on our customer acquisition efficiency.

Going forward, we will continue to closely monitor changes in the macro environment and competitive landscape, and adjust our acquisition pace accordingly. We will also carefully evaluate our acquisition costs against the LTV of new users, and further optimize our channels to improve efficiency.

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

Yada Li^ (Speaking in Foreign Language) Then I will do a translation.

My question is given the policy stimulus to promote domestic consumption, looking ahead, how to view the trend of loan demand, funding liquidity from bank partners, and the company's loan strategy? Amid this recovering environment, can we expect the company can maintain a low funding cost in the long run, and may adopt a more proactive loan strategy in the future? That's all.

Haisheng Wu^ Okay, Yada. Since the start of the year, China has rolled out a range of supportive policies aimed at boosting consumption, such as trade-in subsidies and guidelines for stronger support to consumer lending. These measures have made a positive impact in the quarter.

In the Q1 macro data, retail sales were up 4.6% year-over-year, beating market expectations. Credit demand on our platform was also slightly better than typical seasonal trends.

On the funding side, the government announced cuts to both the interest rate and reserve ratio in May, so we expect the funding environment to remain relatively supportive this year, with some room for a further decrease in funding costs.

In addition, we plan to further expand our ABS issuance and optimize our funding structure. Overall, we expect our funding cost for 2025 to decrease slightly from Q1 levels.

And finally, about our lending strategy. I think it really depends on the risk outlook and customer demand. Although our risk indicators remain largely stable at the moment, there is still some uncertainty in the broader macro environment. Therefore, we will continue to maintain a prudent strategy, pursuing high-quality and sustainable growth.

Alex Xu^ Yada, I just want to add one little point here.

So as you know, we are very much focused on the take rate of our portfolio. And as in our previous discussion with the market, we communicate that we continue to see from a full year basis, we will continue to see improvements this year, 2025 versus 2024, in terms of net take rate, assuming there are no dramatic macro changes from now to the year end.

I think that is still the assumption we are looking at, and I think that is still on target. 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. If you have any additional questions, feel free to contact us offline. Thank you.

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