



(SEHK stock code: 2003)

## **VCREDIT 2024 Annual Results Investor Conference Call Transcript March 26, 2025**

### **Executives:**

Mr. Stephen LIU	-	Chief Executive Officer
Ms. Hong BAI	-	Chief Financial Officer
Mr. Ethan GONG	-	Chief Risk Officer
Ms. Cecile CHEN	-	Financial Controller

### **MC:**

Ladies and gentlemen, on behalf of VCREDIT Holdings Limited, I would like to welcome all of you to the company's 2024 annual results investor presentation. This presentation will be conducted in English.

First, let me introduce to you the senior executives from the company here with us today: Mr. Stephen LIU, Chief Executive Officer; Ms. Hong BAI, Chief Financial Officer; Mr. Ethan GONG, Chief Risk Officer; and Ms. Cecile CHEN, Financial Controller.

For the first part of the presentation, all participants will be in listen-only mode. Mr. Liu will provide an overview of the company's recent performance and highlights. Ms. Bai will present you with a more detailed discussion on financial results. After the presentations, the management will take questions from participants.

Now, I'd like to take this opportunity to remind you that the company's remarks today may include certain forward-looking statements. A number of risk factors beyond its control may cause certain results to differ materially from the forward-looking statements. During this call, the company will present both IFRS and non-IFRS financial measures. We will also discuss general market conditions for the industry. And such information may come from a variety of sources outside of VCREDIT. Now, I'd like to turn it over to Mr. Liu. Mr. Liu please begin.

**Mr. Stephen Liu:** Thank you. Good morning, everyone. Thank you very much for joining us today. In the second half of 2024, the Chinese economy demonstrated steady growth and improvement, driven by a series of timely policy measures introduced by the government. While consumer

demand continues its recovery, consumer confidence is rebounding, accompanied by structural advancements within the market.

Throughout 2024, we prioritized strengthening our risk management capabilities and enhancing operational efficiency. In parallel, we fostered innovation in financial technology, while placing significant emphasis on safeguarding consumer rights and protecting personal information. We dynamically adapted to evolving regulatory requirements to ensure regulatory compliance. Our performance underscores the success of our strategic adjustments and highlights the resilience of our business operations.

Reflecting our strong performance, we have proposed a final dividend of HKD 20 cents per share for 2024, pending shareholders' approval.

Our total loan origination volume in the Chinese mainland was RMB 55.75 billion in 2024, representing a decrease of 25.9% compared to that in 2023. Our outstanding loan balance was RMB 26.22 billion as at December 31, 2024, representing a decrease of 23.9% compared to that in 2023.

In 2024, we further advanced the integration of artificial intelligence technologies across key areas such as risk management and collections, significantly enhancing the precision and efficiency of our risk identification. Through our continuous refinement of multi-source scoring cards and risk models, along with the dynamic adjustment of risk exposure management policies, we maintained stable key risk indicators while effectively mitigating the impact of tighter regulations and heightened compliance requirements on collection operations.

As a result, the first payment default rate for newly originated loans stabilized at 0.58% in the fourth quarter of 2024, marking a year-on-year decline of 18.3% compared to the fourth quarter of 2023. Additionally, the M3+ ratio, supported by strengthened risk controls, gradually decreased to 3.02% during the same Period.

On the customer acquisition front, we actively expanded premium acquisition channels to attract high-quality customers, while continuously refining the end-to-end customer acquisition process. In the second half of the year, we established successful partnerships with a leading domestic Fintech platform, further bolstering our ability to attract premium customers. Additionally, we implemented tailored targeting strategies for specific customer segments, enabling us to enhance operational efficiency, optimize operating costs, improve conversion rates, and significantly improve our user experience.

As of December 31, 2024, our cumulative registered users reached 158 million, reflecting a 9.7% year-on-year growth. Meanwhile, we strengthened customer retention and engagement through

targeted product and system enhancements. In 2024, repeat borrowers accounted for 85.9% of our total loan volume, highlighting strong customer loyalty and our operational resilience.

Building and maintaining a stable, diversified base of funding partners is essential to our business. As of December 31, 2024, we have established long-term partnerships with 110 external licensed funding partners, including national joint-stock commercial banks, consumer finance companies, and trust funds. Alongside expanding our funding network, we continuously improve fund management through our proprietary fund management system. By leveraging full lifecycle partner management, this system has enhanced operational efficiency and steadily reduced funding costs. As a result, the total loan volume facilitated through our loan facilitation structure reached RMB 43.03 billion, representing 77.2% of our total loan origination volume.

Technology serves as the central driving force behind our development. We are actively pursuing the integration of generative artificial intelligence (AIGC) across diverse business areas. By employing Retrieval-Augmented Generation (RAG) technology, we have seamlessly integrated our enterprise knowledge base with the AI-powered office assistant, ‘維小智’ (V Quick Mind), enabling it to better interpret user intentions and significantly enhance work efficiency.

We are also advancing intelligent solutions in multi-modal scenarios. Through comprehensive analysis of extensive voice data in customer service and post-loan management contexts, we extract high-quality insights to train AI models. This enables us to better understand user needs, identify common patterns in feedback, optimize strategies in real-time, and ultimately enhance the user experience.

Additionally, we are at the forefront of applying Large Vision Model (LVM) technology in risk management. By analyzing user photos, we support risk management teams in effectively identifying abnormal characteristics, further strengthening fraud detection capabilities. These innovations provide robust safeguards for the stability and resilience of our business operations. We are establishing a specialized “AI + Finance” team to enhance AI penetration and value conversion in our core business.

In addition to strengthening our core consumer finance business in Mainland China, we are strategically expanding into new markets and refining our operational model to align with our long-term vision. In May 2024, our Hong Kong business became the first money lender in the region to collaborate with China Mobile Hong Kong Company Limited, significantly enhancing our customer acquisition channels and enabling us to deliver tailored experiences to a broader audience. Furthermore, in July 2024, we introduced the CreFIT Cash Loan, providing customers with a fast and flexible financing solution to address their short-term liquidity needs. This product reflects our commitment to innovation and our dedication to meeting the diverse financial requirements of our users.

Through these strategic actions, we remain focused on achieving sustainable growth and maximizing shareholder value by prioritizing customer-centric innovation and risk-aligned initiatives.

Towards the end of last year, we established a Consumer Protection Committee to promote a healthy consumption environment. In 2024, we took comprehensive measures to strengthen compliance management, seamlessly integrating customer protection with business operations by focusing on product experience optimization and the standardization of customer management practices.

Harnessing technological innovation, we enhanced customer services while fortifying efforts in areas such as data privacy protection and cybersecurity. Through cross-departmental collaboration, we developed a comprehensive consumer protection and risk control framework, incorporating compliance management, advanced technical safeguards, real-time monitoring, emergency response protocols, and fraud prevention strategies.

Looking ahead to 2025, as macroeconomic policies continue to yield their full effects, the Chinese economy is anticipated to embark on a more balanced path of recovery. We will remain steadfast in our commitment to robust risk management and operational excellence, while further enhancing our digital intelligence capabilities and investing in technological innovation. Additionally, we will deepen the strategic integration of AI and other advanced technologies with our core business operations to drive sustainable growth and competitiveness.

I'm eager to continue creating great value for all our stakeholders, including our customers, shareholders, employees, and the broader community.

Now, I would like to turn the call over to our CFO Ms. Hong Bai, who will further discuss our financial results. Thank you.

**Ms. Hong Bai:**

Thanks, Stephen. Good morning, everyone. Welcome to our 2024 annual result conference. In the interest of time, I will not go through all the financial line items on this call. Please refer to our earnings release for further details.

Our total income was RMB 3,929.7 million in 2024, reflecting a 10.1% increase compared to RMB 3,569.5 million in 2023, primarily due to the increase in the average outstanding balance of our on-balance sheet loans and the increased contributions from other revenue streams.

Our fair value loss on loans to customers rose to RMB 979.1 million in 2024, compared to RMB 574.1 million in 2023, reflecting the impact of increased scale of on-balance loans and conservative provisioning approach. Our credit impairment loss decreased to RMB 311.1 million

in 2024, compared to RMB 344.6 million in 2023, due to a decrease in loan origination volume for our credit enhancement and pure loan facilitation structures.

In line with the contraction of our loan origination volume, our operating expenses, excluding share-based compensation expenses, decreased by 1.7% to RMB 2,022.8 million in 2024, as compared to RMB 2,058.3 million in 2023.

As a result, we recorded net profit and adjusted net profit of RMB 478.2 million and RMB 478.7 million, respectively, representing an increase of 5.3% and 5.1%, as compared to RMB 453.9 million and RMB 455.6 million, respectively, in 2023.

Our leverage ratio, which is defined as risk-bearing loan balance divided by the shareholders' equity, was kept at a healthy level of five times at the end of 2024, which was lower than at the end of 2023 mainly driven by the reducing scale.

As Stephen mentioned, our board also recommended a dividend of HKD 20 cents per share for 2024, subject to shareholder's approval.

In summary, we achieved robust operating and financial performance last year. Looking ahead, we will remain committed to optimizing our business model, strengthening our risk management, and enhancing our technological capabilities. We believe these factors will enable the company to maintain resilience in a changing and evolving macro environment, supporting long-term sustainable growth and profitability.

With that, I would like to conclude our prepared remarks. Operator, we can now take some questions. Thank you.

**Operator:**

Thank you, ladies and gentlemen. If you wish to ask a question, please press star one. Our first question comes from Bernard with MAXA Capital.

**Mr. Bernard:**

Hi, management. Thank you for your presentation. I would like to ask about your view on the expected business outlook for 2025.

**Mr. Stephen Liu:**

Thank you, Bernard. As I mentioned earlier, we are seeing stabilization in the Chinese economy. We are quite convinced, judging from various risk and business indicators, that this is quite supportive for our business growth. So, in 2025, our overall strategy is to expand aggressively. We are targeting over 40% growth in total loan origination. Judging from the first-quarter performance, we are in line with our projections. We are convinced that the economy is stabilizing, sentiment is returning, and our various risk and business indicators are very supportive. We want to grow our business significantly in 2025.

**Operator:**

Thank you. The next question comes from Avy with AJA Capital.

**Ms. Avy:**

I am Avy from AJA Capital. Thanks for your presentation. It's insightful. I want to know about AI applications in your business during the Period and your future plans for AI development. Thank you.

**Mr. Stephen Liu:**

Okay, Thank you. Firstly, AI is a very important driving technology for our business. Even before generative AI, we were using AI comprehensively in our business, such as in our scoring cards. With the innovations in generative AI, we realize the tremendous potential for applying AI to optimize our business operations and enhance customer experience. We started implementing our AI strategy almost a year ago and already have an AI team, which we are expanding to over 20 people in 2025. We have successfully completed screening open-source large language models and built our AI platform.

Currently, we have integrated the full version of DeepSeek-R1, MindSpore, and the Qianwen Large Language Model from Alibaba. We have also invested in hardware, implementing our AI strategy both locally and in the cloud. Local implementation is necessary because of our sensitive data. We have finished phase one of our strategy, using Large Language Models with our enterprise knowledge base, based on Retrieval Augmented Generation (RAG) technology. The results are impressive, and we see tremendous potential for improving operational efficiency, both in cost reduction and revenue generation.

Revenue generating side is more referring to the risk management, because the AI will do better risk management and more businesses will be generated. We are actually quickly moving into

phase 2. Internally, we are working with a lot of AI agents to help our business, I think every department, every employee discussed a lot about AI and AI agent ideas, such as during happy hours. We are gradually supervising the fine-tuning stage. We intend to invest heavily, as we have several test cases in various business scenarios and the results are very impressive, and we are fully convinced that further implementation of AI technology and strategy will help improve our business efficiency. Hopefully we will see the results by the end of 2025, in terms of financial performance and further implementation of our AI technologies. Thank you.

**Operator:**

Thank you. As a reminder, please press star one for questions. Once again, please press star one for questions. Thank you. Please press star one for questions. Thank you. There are no further questions. I would like to pass the time to the host. Thank you.

**MC:**

Thank you, management, and thank you for all the questions. If you have further questions, please contact VCREDIT's Investor Relations department. Contact information is available on the company's website. You can also contact us at Burson; our contact details are in the email with the presentation materials. This concludes the investor presentation. Thank you once again for tuning in today and have a nice day. Goodbye.