



(SEHK stock code: 2003)

VCREDIT 2025 Interim Results Investor Conference Call Transcript August 26, 2025

Executives:

Mr. Stephen Liu - Chief Executive Officer;
Ms. Hong Bai - Chief Financial Officer;
Mr. Thomas Liu - Chief Operating Officer; and
Ms. Cecile Chen – Financial Controller

MC:

Good morning, ladies and gentlemen. On behalf of VCREDIT Holdings Limited, I would like to welcome all of you to the company's 2025 Interim 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. Thomas Liu, Chief Operating Officer. And Ms. Cecile Chen, Financial Controller.

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

Now, I'd like to take the opportunity to remind you that the company's remarks today may include certain forward-looking statements. The number of risk factors beyond its control may cause actual results to differ materially from these forward-looking statements. During this presentation, 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. Stephen Liu. Stephen, please begin.

Mr. Stephen Liu: Thank you. Good morning, everyone. Thanks for joining us today. During the first half of 2025(the “Period”), we have maintained a prudent course in our business and operations to manage ongoing uncertainties in China's macro environment due to global trade tensions, real estate sector softness, and evolving regulations. In response to these headwinds, we focused our resources on product innovation and technology-driven upgrades, bolstering our compliance framework and building a more adaptive business ecosystem in a fast-evolving landscape. Our performance during the Period demonstrates the resilience of our business and its strong foundation.

Reflecting our solid performance, we have proposed a dividend of HK 5 cents per share for the Interim Period of 2025, pending shareholders' approval.

Our loan origination volume in the Chinese mainland reached RMB 38.00 billion for the Period, representing an increase of 40.6% compared to the six months ended June 30, 2024 (the “Corresponding Period”). As of June 30, 2025, our outstanding loan balance in the Chinese mainland was RMB 33.55 billion, representing a 28.0% increase from RMB 26.22 billion as of December 31, 2024.

During the Period, we enacted a series of strategic initiatives to enhance business resilience by systematically upgrading our risk control framework and customer portfolio structure, which allowed us to refine the quality and creditworthiness of our customer base. In addition to actively piloting exclusive new data sources for premium borrowers, we have also strengthened partnerships with several leading platforms and strategically improved the approval rate for this cohort. These initiatives are aimed at building a robust sample set of high-quality borrowers, thereby refining underwriting policies and risk models.

Additionally, responding to heightened regulatory and funding partner focus on consumer protection, we have dedicated substantial resources to reducing customer complaint rate to historical low, reinforcing our ability to sustainable operations. While these strategic enhancements temporarily increased early-stage risk metrics - with first payment delinquency

(FPD) ratio rising to 0.91% in second quarter of 2025 from 0.58% in the fourth quarter of 2024, we remain confident that these adjustments will substantially strengthen business's long-term resilience and growth. Supported by reinforced risk control, the M3+ ratio gradually declined to 2.43% by the end of the second quarter of 2025.

In addition to continuously optimizing risk policies and risk models, we have adopted a diversified marketing strategy for customer acquisition, actively expanding into premium scenarios and marketing channels. Over the Period, we established successful partnerships with several leading domestic lifestyle and travel platforms. By leveraging multi-dimensional user profiling to enhance precision marketing conversions, we have achieved a dual breakthrough in both user scale and user quality. Furthermore, we have integrated consumer rights protection into every stage of the process by enhancing product transparency, streamlining loan procedures, and safeguarding account security, thus striving to create a more reassuring and secure experience for users. As of June 30, 2025, our cumulative registered users in the Chinese mainland reached 166.6 million, a growth of 11.7% compared to the Corresponding Period.

As of June 30, 2025, we have established a long-term partnership with 112 external licensed funding partners in the Chinese mainland, including national joint-stock commercial banks, consumer finance companies, and trust funds. In the end, the total loan volume facilitated through our loan facilitating structure reached RMB 29.05 billion for the Period, representing 76.4% of the total loan origination volume.

Technology serves as a core driving force for our development.

In the first half of this year, we continued to promote an in-depth integration of artificial intelligence technology and business scenarios through the strategic upgrading of AI 2.0. Leveraging the multi-agent collaboration capability of the 'Sunbird AI Hub' ('金鳥大模型'), we profoundly reshaped the business processes in intelligent marketing and intelligent customer service. In our marketing efforts, AI agent clusters achieved improvements in communication efficiency and conversion through real-time parsing of user intention and dynamic optimization of script.

In customer service scenarios, relying on multimodal interaction capabilities, we are able to automatically integrate multi-dimensional information such as text and voice to generate

solutions, significantly improving the efficiency of problem resolution. Additionally, in the field of risk management, we are deeply applying the causal reasoning capability of large models. By interpreting and analyzing users' credit reports and behavioral data, the system automatically constructs multi-dimensional user portraits, and proactively identifies and pushes abnormal risk characteristics to risk decision-making nodes. This application has significantly enhanced the accuracy and forecasting of our risk identification, effectively supporting the continuous optimization of asset quality and business security boundaries.

Simultaneously, we are actively expanding our presence in emerging technologies. Last year, we made a strategic investment in EXIO Group - one of the first 11 licensed virtual asset trading platforms (VATP) approved by Hong Kong Securities and Futures Commission (SFC). EXIO focuses on bridging traditional finance with the Web 3.0 ecosystem, empowering global users through innovative Web 3-based financial services. This investment allows us to explore the synergies between traditional finance and emerging digital asset categories, advancing sophisticated solutions that ensure superior asset safety and a trusted user experience for our customers.

More than tools for efficiency, we view next generation technologies, including AI enhanced systems, as a strategic imperative to pioneer new business models, create new asset classes, and fundamentally reshape global financial architecture, therefore, the core pillar of our long-term strategy. Through our deliberate and focused deployments, we are building a more efficient, secure, and sustainable financial ecosystem within a compliant framework, unlocking new vectors for future diversification of our business.

Apart from strengthening our core consumer finance business in the Chinese mainland, we are continuing with our strategic expansion into new markets. Our Hong Kong business, CreFIT, continues to deepen partnerships with high-quality, cross-industry platforms to widen our user access. Furthermore, we remain committed to our acquisition of Banco Português de Gestão, S.A. (BPG), a Portuguese bank, and are actively pursuing strategic expansion into the Southeast Asian markets. We look forward to achieving a breakthrough in these new endeavors and delivering the best returns for our shareholders.

On the regulatory front, in April 2025, the National Financial Regulatory Administration issued the “Notice of Strengthening the Management of Commercial Banks' Internal Loan Facilitation Business and Enhancing the Quality and Efficiency of Financial Services”. This new guideline aims

to guide commercial banks in strengthening their management of online lending partnerships, standardizing business practices, promoting the sector's healthy deployment, improving the quality and efficiency of financial services, and better protecting consumer rights. We believe this new regulation will drive long-term healthy industry development and foster sustainable growth.

Looking ahead to the second half of 2025, we will remain steadfast in our commitment to the principles of robust risk management and operational excellence, while further deepening the strategic integration of AI and other advanced technologies with our core business operations. I look forward to delivering greater value to all our stakeholders, including our customers, shareholders, employees, and the broader community.

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

Ms. Hong Bai:

Thanks, Stephen. Good morning, everyone. Welcome to our 2025 Interim Results conference. In the interest of time, I will not go through all of the financial line items on this call. Please refer to our earnings release for further details.

Our total income was RMB 2,499.9 million for the Period, representing an increase of 43.8% as compared to RMB 1,738.4 million for the Corresponding Period, primarily due to an increase in loan volume and loan balance in the loan facilitation structure.

Our fair value losses of loans to customers increased to RMB 624.1 million for the Period as compared to RMB 592.3 million for the Corresponding Period, mainly due to growth in loan origination volume of on-balanced loans and conservative approach on provisioning given continuing macro uncertainties. Our credit impairment losses increased to RMB 214.7 million for the Period, as compared to RMB 144.1 million for the Corresponding Period, due to increase in loan volume for our credit enhancement and pure loan facilitation structures.

As our loan origination volume grew, our operating expenses, excluding share-based compensation expenses, were RMB 1,379.9 million for the Period, an increase of 58.8%, as compared to RMB 868.8 million for the Corresponding Period.

As a result, we recorded net profit and adjusted net profit of RMB 216.0 million and RMB 217.9 million, respectively, for the Period, an increase of 79.5% and 80.5%, as compared to RMB 120.3 million and RMB 120.7 million, for the Corresponding Period, respectively.

Our leverage ratio, which is defined as risk-bearing loan balance divided by the shareholders' equity, kept at a healthy level of 6.2 times at the end of June 2025, which is higher than the end of 2024, mainly driven by the growing scale.

As Stephen mentioned, our board also recommended a dividend of HK 5 cents per share for the first half of the year 2025, subject to shareholders' approval.

In summary, we achieved robust operating and financial performance in the first half of the year. In the rest of 2025, 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 the 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.

MC:

Thank you, Ms. Bai. Over to you, operator.

Operator:

Thank you, ladies and gentlemen. If you wish to ask a question, please press star one. Thank you.

Once again, please press star one for questions. Thank you.

The first question comes from Alice with Max Capital. Thank you.

Ms. Alice:

Hi, management. This is Alice from Max Capital. Thank you for taking my question. My question is, with new loan facilitation regulations taking effect later this year, how does the company view the potential impact and what steps are the company taking to ensure the smooth transition? Thank you.

Mr. Stephen Liu:

Okay, thank you for the question.

Firstly, I would say that we have been in this industry for more than a decade, and this industry has always been in a sort of uncertainty in terms of regulatory changes. The lesson we learned is that we have to adapt ourselves to the new environment. But the one thing we are quite comfortable with is that as long as the market is there, I think the regulation will create some uncertainty in the short term, but in the medium to long term, I think somehow the competitive landscape will achieve its own balance in a very interesting way. That's what we have experienced previously. For example, when the interest rate cap was set at a maximum of 36%, most industry players, including ourselves, demonstrated resilience by successfully adapting business models to operate sustainably within the new framework.

The biggest impact of the new guideline lies in its emphasis on full interest rate transparency. Most of the players in the market are trying and we are trying to get ourselves prepared to react starting from 1st October. At this moment, market interpretations regarding the new guidance are still developing, and we are actively engaging with our funding partners to ensure our practices are fully aligned with the latest regulatory expectations across all regions.

As I said, we have plenty of experience dealing with these challenges in the past decade. At this moment, as the company's role, what we do is to come up with several plans. Actually, we have

ABC plans. We've already tested them and are getting ourselves ready to react, but which plan we will adopt—A, B, or C—very much depends on what happens starting from 1st October. Meanwhile, to keep our business volume and grow our business in the long run, we have recently signed up the partnership with multiple customer acquisition channels with high-quality customers and offering financial products below 24%.

In summary, we are comfortable dealing with the challenges. We have always been prudent and compliant in operating the business, and we will continue to closely monitor market dynamics to identify the recalibration towards a new equilibrium. As I mentioned, we have developed multiple scenario-based plans to ensure operational resilience, and we are thoroughly prepared to manage this situation effectively. Thank you.

Operator:

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

Ms. Avy:

Hello, this is Avy Yu from AJA Capital. I would like to ask, how is the company leveraging Artificial Intelligence (AI). Thank you.

Mr. Stephen Liu:

Okay, thank you. We believe AI is going to be an everyday thing in the future, integrated into everything. As a company in the Fintech sector, we recognize there's a huge potential for us to integrate AI into our business model. For that regard, we have established our AI team in our company. We have hired many talents, including PhDs in very specialized areas. Our current initiatives include continuously evaluating the large language models available in the market through benchmarking, and we are also trying in our effort to integrate our proprietary data into those large language models.

In terms of application, our strategy focuses on two primary areas. One is applying AI to improve our operational efficiency. As I said, we have our own large AI model platform. This is a proprietary platform called the Sunbird AI Hub (“金鳥大模型”), and it's now deployed across

multiple functions. It automatically integrates text and voice to generate solutions, significantly improving the efficiency of our problem-solving, especially in dealing with our customer services function. Also, in terms of our R&D team with the programming and code generation, at this moment, around 25% of our program or code generation is actually generated by our AI. That has also significantly enhanced our work efficiency.

The other part is to improve our risk management. Our core system is called Hummingbird and has also undergone further iterative upgrades. It has enhanced the precision of our risk identification and allowed us to dynamically adjust our risk model in response to market changes in a very quick way. This is very crucial to keep improving our asset quality. Furthermore, we are also applying the large visual model to analyze user-provided images and videos, which will further strengthen our fraud detection capabilities.

Overall, we are leveraging AI technologies to drive operational efficiency and fortify our risk management. These innovations are foundational to building a more stable and resilient business model. We will continue to promote an in-depth integration of AI technology with our business operation.

Thank you.

Operator: Thank you. Once again, ladies and gentlemen, please press star one for questions. Thank you.

Once again, please press star one for questions. Thank you.

Ladies and gentlemen, please press star one for questions. Thank you.

Excuse me, there's no further questions at this point in time. Thank you.

MC:

Thank you. Thank you, management, and thanks again for all the questions. If you have any additional questions that haven't been answered, please contact the IR department of VCREDIT. You can find the contact information on the company's website, or you can contact us at Burson. Our contact details are in the email that we sent with the presentation material. This concludes the investor presentation. Thank you everyone for tuning in today and have a nice day. Goodbye.