

LX Earnings Call Transcript

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Quarter: 3

Operator: Good day, and thank you for standing by. Welcome to the Lexin Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Please be advised, today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Will Tan. Please go ahead.

Will Tan: Thank you, operator. Hello, everyone. Welcome to our third quarter 2025 earnings conference call. Our results were released earlier today and are currently available on our IR website. Today, you will hear from our Chairman and CEO, Mr. Jay Wenjie Xiao, who will provide an update on our overall performance and strategies of our business. Our CRO, Mr. Arvin Zhanwen Qiao, will then provide more details on our risk management initiatives and updates. Lastly, our CFO, Mr. James Zheng, will discuss our financial performance. Before we continue, I would like to refer you to our safe harbor statement in our earnings press release, which also applies today's call as we will be making forward-looking statements. Last, please note that all figures are presented in renminbi terms, and all comparisons are made on a quarter-over-quarter basis, unless otherwise stated. Please kindly note, Jay and Arvin will give their whole remarks in Chinese first, then the English version will be delivered by Jay's and Arvin's AI-based voices. With that, I'm now pleased to turn over the call to Mr. Jay Wenjie Xiao, Chairman and CEO of Lexin. Please.

Jay Xiao: [Interpreted] Hi, everyone. Thanks for joining us today for our third quarter 2025 earnings call. In the third quarter, we efficiently completed our business adjustments to comply with the new regulation. The smooth transition was mainly attributed to the company's strong risk management capabilities that we've been enhancing over recent years and the resilience of our business ecosystem. This demonstrates our long-term oriented development philosophy and our strong resilience in navigating business cycles, effectively mitigating the impact of industry fluctuations on the company. Against the backdrop of industry fluctuations, we delivered solid performance in the third quarter. Loan volume reached RMB 50.89 billion, revenue reached RMB 3.42 billion. Net profit was RMB 521 million, up 2% quarter-over-quarter and 68% year-over-year. Net profit take rate stood at 2.01%, increasing by 9 basis points quarter-over-quarter and 92 basis points year-over-year. We believe that the implementation of the new regulations will further raise industry entry barriers and drive the industry toward a healthier and more orderly development. Our unique advantages in business ecosystem synergy and customer-centric operation system will position us more favorably in the future. We are confident that our long-term investment in the fundamental capabilities and the ecosystem businesses will gradually turn into our distinctive and powerful advantages. We have always placed great emphasis on shareholder returns. As we announced previously, the dividend payout ratio was increased from 25% to 30% of the net profit starting from the second half of this year. In addition to the cash dividend, the company's share repurchase plan and my personal share purchase plan are progressing well with each initiative, now more than halfway completed. Next, I will walk you through the key initiatives we have made in the third quarter. First, we strengthened user categorization and risk identification and took early actions to address the industry risks. In light of the industry risk trends in the third quarter, we enhanced user categorization and risk identification and took proactive measures to manage risk, effectively balancing business volume and asset risk. During the quarter, leveraging our historical cycle models, we systematically phased out users highly sensitive to cyclical impacts and exhibiting instability and adjusted our risk management strategy accordingly. We further refined our customer segmentation

and implemented tailored pricing strategies accordingly. As a result, new assets in the third quarter maintained a balanced risk return profile. Second, we enhanced user experience by adopting a customer-centric approach. In the third quarter, we upgraded our products and management capabilities, and the development of our customer care system has yielded positive results. This allowed us to fulfill the financial and service needs of different customer segments. During the quarter, we collaborated with financial institutions to optimize funding supply and expanded the coverage of flexible repayment solutions, such as flexible borrowing and repayment and bullet loans. In addition, we provided customized reoffer to improve customer satisfaction and loyalty, effectively enhancing user retention. As a result, the proportion and contribution of high-quality customer continued to grow. Third, we accelerated our AI technology deployment leveraged integrated AI agents to drive digital transformation. In the third quarter, we further advanced our AI initiatives. Our self-developed large model, Lexin GPT, has incorporated multidimensional data providing AI agents with stronger decision-making capabilities under different scenarios. This has improved the accuracy of user request identification by over 20% and significantly enhanced request solution efficiency. During the quarter, AI agent has been applied in multiple areas such as risk management, credit granting and repayment, and we'll continue to expand to other areas. [indiscernible] to the industrial integrated AI agent has facilitated data connectivity and task coordination in different scenarios, thereby creating stronger business synergies. We have laid a solid foundation for AI-driven digital transformation, providing robust technological support for improving efficiency, revenue growth and user experience optimization. In the third quarter, different business units within our ecosystem work together to create synergies and collectively reinforce the resilience of our ecosystem. Online consumer finance business targets at high-quality customers and focused on optimizing service experience, significantly enhancing user engagement and retention. Installment e-commerce business targets at young customers in key consumption scenarios. We continue to refine the supply chain system of our e-commerce platform, GMV, for essential daily consumer goods, grew 58.5% quarter-over-quarter and 133.8% year-over-year during the recent Singles' Day Shopping Festival. The total GMV of e-commerce platform increased by 38% year-over-year, with transaction volume for essential daily consumer goods surging by 237% year-over-year. Offline inclusive finance focuses on small and micro business owners in lower-tier markets. The asset quality of inclusive finance business remained stable in the quarter, validating the value of the lower-tier markets. We will continue to increase investments in off-line markets and further improve its operations. Both tech empowerment business and overseas business achieved steady growth in volume during the quarter. The company has always adhered to a user-centric service philosophy, positioning consumer rights protection as a core competitive advantage. In the third quarter, we comprehensively strengthened our consumer rights protection system across multiple dimensions, including policies, products and services. In terms of policies, we integrated consumer rights protection into our sustainable development strategy, implementing measures across all business processes through various mechanisms. In terms of products and services, we actively responded to user needs by leveraging technological means, such as online customer service center and AI-empowered customer support to improve service efficiency and quality. We also proactively gathered user feedback for data analytics aiming to enhance user satisfaction at the sorts. In response to frequent violations of consumer rights by illegal activities, we actively followed regulatory requirements and collaborated with the industry to combat such activities, which has achieved positive results. With the new regulations taking effect in the fourth quarter, the industry is now on a healthier and more sustainable path. Having completed our business adjustments, we are well positioned to capture opportunities arising from the industry adjustments by increasing investments in ecosystem businesses and drive steady growth. Looking ahead, we are confident in achieving stable performance growth. Next, I'll hand over the floor to our CRO, Arvin. Thanks.

Zhanwen Qiao: [Interpreted] Thanks, Jay. Next, I will provide a review of our key initiatives and achievements in risk management for the third quarter. In the third quarter, industry uncertainty remained elevated. With the new regulations officially took effect in October, industry-wide liquidity tightened further on a month-over-month basis in the fourth quarter. Impacted by the broader industry trends, our day 1 delinquency ratio and the collection rate of loan balance saw a minor increase. Thanks to the proactive measures we've taken to enhance risk control and mitigate risk starting from

the second quarter. The overall risk volatility remains manageable. In response to the complex industry environment, we have further tightened risk controls over high-risk customers by phasing out risky accounts and reducing credit lines. These measures have helped keep new loan risks manageable and ensure full compliance with regulatory requirements. Meanwhile, we doubled down on serving prime customers to promote the growth of high-quality assets. Let me introduce the key initiatives we've taken in the third quarter. First, during the third quarter, we further enhanced risk control measures for high-risk customers. From a credit model perspective, we enhanced data mining on key variables, such as multiple borrowing, pricing preference and income verification to enhance identification of customers sensitive to industry fluctuations. In the meantime, by integrating the latest risk trends and optimizing our customer credit behavior time series model, we were able to identify anomalous signals accurately and swiftly, further enhancing the identification of high-risk customers. From risk strategies perspective, we continue to intensify management of high-risk assets. We systematically phase out customers with excessive share debt exposure, multiple borrowings and high-risk profiles, and reduced credit line of borrowers with weak repayment capacity or those vulnerable to liquidity tightening. Second, in the third quarter, we continued to enhance our operational capabilities tailored to prime customers. In terms of model and enhancement, we operated multidimensional models, including demand, response and churn models and made targeted investments in our outreach approach, credit line granting and pricing alignment to ensure service quality. Also, we have reinforced our customer-centric approach to enhance the customer experience for prime customers. In terms of credit line, we continue to maintain our offer competitiveness. In terms of pricing, we implemented product-based pricing to reactivate dormant and churned customers. In terms of repayment methods, we introduced tailored solutions like flexible borrowing and repayment and bullet loans for prime customers. Furthermore, we enhanced one-on-one services for prime customers by providing customized re-offers, further boosting customer satisfaction and loyalty. Thanks to these initiatives, loan volumes from prime customer segments achieved month-on-month growth in the third quarter. Third, in the installment e-commerce business, our risk management system has been gradually refined with further strengthened risk identification capabilities. In the third quarter, in light of external uncertainties, we proactively adjusted the growth pace of our installment e-commerce business to strike a balance between scale and risk and to achieve sustainable business development. We've strengthened the risk criteria of our installment e-commerce business, proactively scaling back exposure to high-risk and sensitive customers. At the same time, we selectively provided support for categories such as high-quality consumer electronics by allocating dedicated credit lines, which help drive e-commerce GMV growth. Looking ahead to the fourth quarter, we will dynamically adjust our strategies based on the industry risk trends to ensure steady, healthy and sustainable business growth. Last but not the least, in the development of intelligent risk control tools, we've achieved remarkable progress in building the next-generation smart risk control system. The risk control intelligent agent for credit decision-making empowered by larger scale models has been launched. It enables full process automation and intelligence from customer targeting, segmentation and strategy formulation to results evaluation, marking a paradigm shift from quantitative driven to AI-driven risk management. This has significantly enhanced the efficiency and effectiveness of credit decision-making. In the fourth quarter, the impact of the new regulation is expected to persist, characterized by industry-wide liquidity tightening and risk fluctuations. As such, business volume and risk performance are expected to remain under pressure in the first half of the fourth quarter and may gradually stabilize and improve in the second half. In response, we will continue to strengthen risk identification and enhanced management of high-risk assets in order to ensure risk fluctuations under control, laying a solid foundation for steady and sustainable business operations.

Xigui Zheng: Thanks, Arvin. I will now provide a detailed overview of our third quarter financial results. Please note that all figures are presented in renminbi terms, and all comparisons are made on the quarter-over-quarter basis, unless otherwise stated. As Jay mentioned earlier, to proactively adapt to the evolving regulatory environment, we initiated a business adjustment in the third quarter. While this adaptation temporarily led to declines in loan volumes and overall pricing, we leveraged our business ecosystem to effectively mitigate these impacts. Despite ongoing business adjustments and industry credit risk volatility related to the new policy, we delivered steady net profit growth in the third quarter. Our net income grew by 2% quarter-over-quarter and 68% year-over-year to reach RMB 521 million, a

record high in the last 15 quarters. Our net income margin increased to 15% from 14% last quarter. Our net income take rate increased 9 basis points to reach 2.01%. We have realized the net income take rate goal of achieving over 2% by year-end ahead of the original schedule as we communicated earlier this year. This underscores the company's results and improved ability to execute on our business objectives. Now let's take a holistic review of our third quarter financial results. First, net revenue of the credit business, which is derived by adding up credit facilitation service income and tech empowerment service income, net of credit cost, including provisions and fair value changes and the funding cost reached RMB 1.9 billion, a 3% or RMB 59 million decrease quarter-over-quarter. The decrease was primarily attributable to an increase in credit costs of approximately RMB 40 million, reflecting continuously strengthened provisioning. Second, net revenue of the e-commerce business, defined by e-commerce revenue. Net of cost of inventory sold increased by 14% or RMB 14 million to RMB 111 million. So the total net revenue summing the credit and e-commerce business added up to RMB 2.1 billion, a 2% or RMB 46 million decrease quarter-over-quarter. Operating expenses, including sales and marketing, R&D, G&A, processing and serving costs decreased by 4% or RMB 57 million to RMB 1.4 billion. Tax and others increased by 1% or RMB 1.8 million to RMB 162 million. The total expenses added up to RMB 1.5 billion, decreased by 3% or RMB 56 million. By deducting total expenses of RMB 1.5 billion from the total net revenue of RMB 2.1 billion, we get net income of RMB 521 million, an increase of 2% or RMB 10 million quarter-over-quarter. Given the backdrop of the pending regulation and the associated industry credit risk volatility, it was not an easy task to achieve this record high profit in the third quarter. During the net profit growth, driving this is the resilience of our business model and the 3 key factors: one, our operational agility demonstrated by smooth transitioning between the capital light and capital heavy models; two, our installment e-commerce steady growth and the profit contribution; three, our solid financial position underpinned by the adequate and prudent provisioning. Next, I'm going to elaborate a little bit more on these 3 highlights. First, our operational agility demonstrated by smooth transitions between the capital-light and the capital-heavy model. In the third quarter, in order to meet the new regulatory requirements, we started to transition our business by gradually reducing capital light business volume. By October 1, we have completely stopped facilitating loans with APRs above 24% and were fully compliant with the new rules. As a result, in Q3, the mix of capital light loan volume further reduced from 20% to 13%, while the ICP business only accounted for 8.5% of the new loans. As the new regulatory framework, we continue to serve a select group of long-tail clients using the capital-heavy model. As such, the mix of capital-heavy loan volume increased from 80% to 87% of the total new loan volume, largely offsetting the decline of ICP volume. Thanks to the smooth transitions between the 2 models, total loan volume only saw a modest decrease of 3.7% compared to the second quarter. As ICP business primarily serves long-tail customers, it naturally bears higher pricing, therefore, the wind-down of ICP business had a negative impact on our overall pricing, which was partially offset by the lower funding costs associated with the capital-heavy model. Driven by the above factors, our tech empowerment service income, which represents income from capital-light model and value-added services, decreased by 45% or RMB 374 million. While our credit facilitation service income, which mainly consists of income from capital-heavy model, increased by 15.3% or RMB 347 million. As a result, revenue from credit business only decreased by 1% or RMB 27 million despite a loan volume decrease of 3.7% in the third quarter, demonstrating our operational agility to navigate regulatory changes. Second, steady growth of e-commerce business and its growing contribution in the third quarter. Despite strong demand driven by limited credit availability for long-tail customer segments since the second quarter, we observed an industry-wide risk volatility in the third and fourth quarter. In response, we prudently slowed down the growth of e-commerce loan volume as we prioritize quality rather than volume of the assets. As a result, our e-commerce loan volume grew by 50% sequentially to RMB 2.3 billion. For the upcoming fourth quarter, we'll continue to keep a close eye on the asset risk performance and strike a balance between the volume growth and asset quality. As a reminder, if you look at the e-commerce revenue in our P&L, it recorded a decline of 29% to RMB 345 million despite the e-commerce GMV growth of 15%. This is caused by the accounting treatment difference due to the continued volume shift to third-party sellers from company direct sourcing model. For third-party sellers, only platform service fee is recognized as revenue, rather than the entire transaction amount and the direct sourcing model. In the third quarter, third-party seller model

accounted for 85% of e-commerce GMV compared to 75% from last quarter. As mentioned earlier, our e-commerce business generates 2 profit streams, mainly the gross profit from selling merchandise and interest income from loan installment services. In the third quarter, gross profit reached RMB 111 million, representing an increase of 14%. The growth in our e-commerce business gross profit has not only enhanced our overall profitability, but also expanded our targeted long-tail user segments, thereby further mitigating the impact of our business model transition. Going forward, we will continue to grow our e-commerce operations prudently and fully leverage its unique advantages and the new regulatory environment. Third, we continue to maintain a robust financial position, characterized by adequate and prudent provisioning. Our total provisions saw an increase, while the overall asset quality remained healthy, evidenced by a 15-basis-point improvement of 90-day delinquency ratio to 3.0%. However, as the industry transitions towards the new regulatory framework, we observed an increased volatility in early risk indicators starting from September. While we consider the fluctuations to be temporary, the whole industry may need some time to fully absorb the impact, and we expect the industry-wide risk volatility to continue into the fourth quarter. In response, we have sustained our strategy of setting aside ample provisions to ensure a strong buffer during the transition period. In the third quarter, our credit cost, including 3 provision line items and fair value changes on financial guarantee derivatives, rose 4% or RMB 40 million to RMB 1.1 billion. Due to the net accounting policy we've adopted for the item change in fair value of financial guarantee derivatives and loans and fair value, the actual full provision we set was partially offset by the guaranteed income and recorded as a net amount in our P&L.; As such, the reported item only represents part of the actual full provision. If excluding the impact of the net accounting policy and the recovering the growth provision, the full provision ratio of new assets calculated by dividing gross provision by capital-heavy loan volume, increased 6 basis points from the second quarter to 6.97%, well above the historical highs of vintage charge-offs. As Arvin mentioned, we continue to closely monitor asset performance and utilize various post-lending management tools to strengthen collections, while maintaining ample financial buffer to navigate through the credit cycle. As a summary, the above 3 highlights impacted net revenue side of the income statement. In short, total revenue reached RMB 3.4 billion, representing a decrease of 5% quarter-over-quarter. This was mainly due to a 29% decrease in e-commerce platform service income, which was caused by ongoing shift in the e-commerce business model and the corresponding net versus growth adjustment in the accounting treatment. On the cost and expenses side, total operating expenses, which include processing and servicing costs, sales and marketing expenses, R&D; and G&A; expenses, reduced by 4% to RMB 1.4 billion, reflecting reprioritization of user acquisition costs during the uncertain times of business transition. For balance sheet items, as of September 30, our cash position, which includes cash, cash equivalents and restricted cash, was approximately RMB 4.3 billion. Shareholders' equity remained solid at about RMB 11.8 billion. Looking ahead, as Q4 marks the first quarter after the new regulation framework came into force, we expect industry-wide risk fluctuations to remain for some time before the industry enters into a new normal stage. In light of this, we'll continue to adopt a prudent operational approach, prioritizing regulatory compliance and asset quality over business expansion. For the fourth quarter, we expect to see moderate quarter-over-quarter decline in loan volume. Impacted by the ongoing credit risk volatility, net income and net income take rate will see a sequential decrease. We expect to see more clarity and certainty of credit risks and the profit outlook may be at the close of the fourth quarter. To conclude, I'd like to reaffirm our commitment to enhancing shareholder value. In addition to our semi-annual dividend, we'll continue to execute our share buyback program. As of October, we have repurchased \$25 million worth of ADS, alongside the CEO's personal purchase of over USD 5 million worth of shares. On the foundation of current shareholders' return policy, we will continue to evaluate opportunities and explore different ways to ensure we deliver optimal value to our shareholders. That's all our prepared remarks for today. Operator, we are now ready to take questions. Operator: [Operator Instructions] First question today is from Alex Ye from UBS.

Xiaoxiong Ye: [Interpreted] First one is regarding the new regulation on the loan facilitation industry, which has come into effect in October 1. Could you share us more color on what impact does it have on the business operations? Second question is on maybe you can share more color on the development strategy and outlook of the e-commerce business?

Jay Xiao: [Interpreted] This is a translation for Jay's remarks. In the third quarter, we proactively made

business adjustments to comply with the new regulation. On October 1, we have stopped underwriting loans with APR above 24% and ensure the business compliance. All new loans issued by the company carry an APR at or below 24%. After shifting to business with pricing below 24%, we gave up higher risk customers, which have some impact on both business volume and average loan pricing. Following the implementation of the new regulation, industry-wide risks have increased due to tighter funding. Starting in September and October, most platforms stopped offering products with APR above 24%, leading to significant short-term volatilities in risk. Although the overall impact remain manageable, the industry [needs] some time to fully digest the associated credit risk. For Lexin, as we have taken effective measures, our risk performance for new loans or existing loan portfolio have shown signs of stabilization and improvement now, validating the effectiveness of our risk management system. In the long run, the new regulation will pave the way for a more compliant, healthy and sustainable stage of high-quality development in industry. When the regulatory framework becomes clearer, market resources will be increasingly concentrated towards leading compliance platform with strong risk control capabilities and stable operations. Lexin has always adhered to a customer-centric business philosophy, prioritizing compliance operations, asset quality and prudent development. Furthermore, it's worth noting that Lexin's diversified business ecosystem has demonstrated strong resilience in adapting to the new regulation. More specifically, our online consumer finance business is progressing steadily and has been included in the wide list of all major financial partners, paving the way for future development. Our offline inclusive finance business focuses on small and micro business owners in lower-tier markets. This asset quality remained stable in the quarter, validating the value of the lower-tier markets. Installment e-commerce business targets at young segments in key consumption scenarios for building the consumption and financing demand of long-tail customer segments through innovative model. Both tech empowerment and overseas businesses achieved stable volume growth in the quarter. Under the new regulatory environment, Lexin will gradually unlock the unique competitive advantages of its business ecosystem. As a crucial component of Lexin's ecosystem, our installment e-commerce business will continue to play a key role in consumer -- in customer acquisition, engagement and expanding our operational values. In terms of business development strategy, over the past year, we have comprehensively upgraded the e-commerce platform supply chain, introduced branded merchants from various industries and expanded lifestyle product categories to meet users' essential daily consumption. In the third quarter, the transaction volume of essential lifestyle product categories increased by 58.5% quarter-over-quarter and 133.8% year-over-year. During the recent Double 11 Shopping Festival, the e-commerce GMV also experienced significant growth. Meanwhile, leveraging the e-commerce platform's independent risk management system, we are able to balance business quality with scale. Looking ahead, we will continue to optimize and expand our product categories on our platform to meet users' consumption and financial needs while effectively managing risk, further expanding our operational model. In terms of development pace, we have consistently adhered to the principle of prudent operation and prioritized asset quality. The third and fourth quarters, as we observed increased industry-wide rate fluctuation, we proactively moderated the growth pace of our installment e-commerce business. In the near term, given the industry rate do require time to stabilize, we will continue to exercise caution in growing our installment e-commerce business. When industry-wide credit rate show size of stabilization, we will gradually resume the growth pace in order to capture the next phase of rapid expansion opportunities.

Operator: We will now take the next question. And this is from Judy Zhang from Citi.

Judy Zhang: [Interpreted] So during the transitional period before and after the implementation of the new regulation, the industry credit risk has already fluctuated significantly. And the company upgraded the risk control system, how are we managing this round of risk cycle? And what improvements have been made in the risk the management system?

Jay Xiao: [Interpreted] After the rollout of the new regulation, we anticipated that it will affect the industry's liquidity supply. This is based on the experience that we accumulated across multiple cycles. This would, in turn, weigh on the industry's credit rate. Therefore, starting from the second quarter, we made an adjustment in our risk management re-identification strategy and also made business adjustments. We proactively identified customers who were vulnerable to tighten industry liquidity based on factors such as high multi-borrowing, high debt exposure, loan income, unstable employment

and high exposure to high pricing credit. Based on this re-identification, we utilized automated rescanning robot, clearance robots and credit line robots to improve efficiency and effectiveness of account clearing and credit line reduction. This allowed us to respond early in the risk cycle and control the risk fluctuations to both new loans and existing loan portfolio. At the same time, by enhancing pricing competitiveness, optimizing loan tenor and repayment experiences, we've strengthened engagement with prime customers, promoted the growth of quality assets, adjusted asset structure and improved resilience against recycles. So in summary, we not only controlled the formation of delinquent assets, but also tried to increase the volume and mix of high-quality assets. Thanks to the proactive measures that we have taken, the overall risk fluctuation for both new and existing loans remain under control in the third quarter. For the overall loan book, day 1 delinquency ratio increased by around 5 basis points compared to the second quarter. For new loans, the magnitude of FPD30 -- 30 interest is expected to be 5%. Q4 is the first full quarter after the implementation of the new regulation. So it's expected to be more challenging, not only in risk performance, but also in loan volume and also profit. For the existing loan portfolio based on the latest performance, day 1 delinquency ratio peaked in October due to the combined impact of the new regulation implementation and the long National Day holiday and then exhibited month-on-month improvement in November, showing signs of stabilization. For new loans, as we further tightened credit criteria in October, we expect FPD30 of loans in October to improve compared to the peak in September. So overall, moving into the month of October, the risk performance of existing loans and new loans, both show signs of stabilization.

Operator: We will now take the next question. This is from [Dong Peng Chu] from CICC.

Unknown Analyst: [Interpreted] And let me translate my questions, and I have 2 questions. First, what is the outlook and guidance for the fourth quarter and full year 2026 performance? And second question is, as the company has utilized over half of share repurchase quarter, what are the plans for future shareholders' return?

Xigui Zheng: Okay. I guess I will take the first question and ask Jay to take the second. The first one, the fourth quarter is really the first full quarter following the implementation of the new regulation, and our results will be negatively impacted to the similar extent as other leading players in the industry. On the one hand, we ceased facilitated loans with APR above 24% starting October 1. On the other hand, in response to the rising industry-wide risk volatility, we have been proactively controlling the pace of low volume growth. As a result, we expect moderate loan volume decline in the fourth quarter. At the same time, we expect industry-wide risk fluctuation to gradually stabilize towards the end of the quarter. Therefore, along with the industry, our risk indicators will also fluctuate in the fourth quarter, which will push up the credit cost. Affected by these factors, the Q4 net profit will see a sequential decline. To put things in perspective, it is worth mentioning that in the first 9 months of this year, we have achieved a net profit of RMB 1.5 billion, representing a year-over-year growth of 98%, in line with our previous guidance. Although the fourth quarter net profit will see some decline related to the regulation, the company's full year 2025 net profit is still expected to achieve significant year-over-year growth. Looking ahead to 2026. Due to the industry and regulatory uncertainties, it is really hard to pin down a clear guidance at this stage. We are under the same pressure as other leading players. For the same reason, the performance in Q4 cannot be simply taken as a base for predicting 2026 profitability. However, I'd like to discuss several key factors that may impact the net profit of 2026, for your reference. One, the overall pricing impact. After the implementation of the new regulations, the interest rate on new loans are all below 24%. As this portion of the new loans accumulate over time, the average pricing on the outstanding loan book will gradually drop below 24%. So the decline in pricing will put some pressure on the net profit. Two, risk stabilization. When the credit risk in this cycle bottoms out -- when this bottoms out, we're really determining when the volume growth and the profitability pick up. So customers with interest rate within 24% exhibit more stable credit risk profile. Therefore, their credit costs will be lower, which will help offset the declines in pricing to some extent. Three, funding costs trending down. The temporary tightness in the funding supply in Q3, Q4 were gradually eased as the regulations settle in. Therefore, funding costs are expected to follow a downward trend. And at the same time, with a better quality customers who carry lower risks, funding costs will also be lower. Four, the synergies from ecosystem business, i.e., e-commerce. During this period, our e-commerce business has achieved steady growth, enhancing the company's profitability.

Our off-line inclusive finance and the tech empowerment businesses have maintained stable risk performance despite challenging market conditions, enhancing the company's operational resilience. So the continued growth of the company's ecosystem business will further strengthen our operational resilience and boost the overall profitability. So in conclusion, Q4 will be a temporary dip in our business and financial numbers due to the regulation. When the recovery will resume depends on the industry risk stabilization and further regulatory certainty. However, given the unique ecosystem business and the past 3 years turnaround effort, we are confident that we are better positioned than many other players. And we will be the first ones to recover when things are more settled, maybe in the early part of next year or so. That's first question. Jay?

Jay Xiao: [Interpreted] We have been actively executing repurchase program in [indiscernible]. Both the company's share repurchase program and our personal share repurchase plan have been more than halfway, which is well ahead of the original 1-year schedule. This fully demonstrates the management's strong confidence in the company's outlook, and reaffirms our commitment and capability to enhance shareholders [indiscernible]. Company's repurchase program is fully executed, alongside a dividend payout ratio of 30%. Our total shareholder returns rise above the industry average. The company has always attached high importance on shareholder return. Once the current share repurchase program is fully executed, we will explore more initiatives to further enhance value for shareholders.

Operator: [indiscernible] back to management for closing comments.

Will Tan: Thank you. This conference is now concluded. Thank you for joining today's call. If you have any more questions, please do not hesitate to contact us. Thanks again.

Operator: This concludes today's conference call. Thank you for participating, and you may now disconnect. [Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]