

**Yiren Digital (ADR)**  
**Q1 2024 Earnings Conference Call**  
**June 21, 2024 at 07:30 AM ET.**

Executives

Keyao He, Investor Relations  
Ning Tang, Founder, Chairman, Chief Executive Officer  
Na Mei, Chief Financial Officer

Analysts

Matthew Larson, Fincadia Capital  
Marco Zhang, Water Tower Research  
Andrew Corprett, Private Investor  
Peter Ruh, BlueBird Advisory

**Presentation**

Operator: Good day, and welcome to the Yiren Digital First Quarter 2024 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Keyao He, Investor Relations Officer. Please go ahead.

Keyao He: Thank you, operator. Good morning and good evening, everyone. This call features the presentation by the Founder, Chairman, and CEO of CreditEase, our CEO, Mr. Ning Tang, and our CFO, Ms. Na Mei, and our SVP, Ms. Mei Zhao will also attend the Q&A session after the prepared remarks.

Before beginning, we'd like to remind you that discussions during this call contain forward-looking statements made under the Safe Harbor provision of U.S. Federal Security Litigation Reform Act of 1995. Such statements are subject to risk, uncertainties, and factors that can cause actual results to differ materially from those contained in any such statements. Further information regarding such risk, uncertainties, or factors is included in our filing with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements as required under the relevant laws.

During the call, we will be referring to certain non-GAAP financial measures and supplemental measures to review and assess our operating performance. These non-GAAP financial measures are not intended to be considered in isolation, or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about those non-GAAP

financial measures and reconciliations of GAAP measures, please refer to our earnings press release.

I will now pass it on to Ning for opening remarks.

Ning Tang: Thank you all for joining our earnings conference call today. We are pleased to report another solid quarter, with stable growth in our top line and overall business scale during a traditional off-season in the industry, while maintaining healthy profitability. Moreover, we are excited to announce that our AI Lab initiative has begun to yield early results, as AI integration continues to permeate all aspects of our operations.

Before delving into our business performance, I would like to highlight our recent branding upgrade. As you may know, we've rebranded our Chinese company name from Yiren Jinke to Yiren Zhike. The term "Jinke," meaning "fintech", has been replaced with "Zhike," signifying intelligent technology or AI technology. This change underscores our commitment to ongoing technological innovation and our dedication to enhancing our customers' experience. Our core mission of leveraging technology to deliver value to our clients remains unwavering.

Now I would like to go through our business highlights for this quarter. First, regarding our financial services business. The first quarter of 2024 saw a steady growth, with total loan volume reaching RMB 11.9 billion, marking an 86% increase year-over-year and the fifth consecutive quarter of growth. The number of borrowers experienced a slight decline to 1.35 million from 1.37 million in the prior quarter, influenced by seasonal factors, as well as our emphasis on quality growth and a strategic shift towards a higher-quality borrower segment.

Additionally, our loan facilitation platform, the Yixianghua app, has seen a surge in popularity. Its monthly active users grew to over 4.4 million in the first quarter of 2024, up from 3.5 million last quarter, representing a 26% increase. This impressive growth is due to our improved customer services and enhanced efforts to boost customer engagement.

It's also worth mentioning that our AI integration into loan facilitation business has shown concrete progress. Currently, our proprietary Large Language Model-based intelligent voice interaction model has been applied into our telemarketing, asset management and customer service, which has brought visible improvement in efficiency. For instance, our intelligent robots used for customer acquisition are now able to make over 400,000 phone calls daily, doubling the previous volume.

In addition, our telemarketing team has seen an almost 40% improvement in customer conversion rate through the use of AI-powered robots. Currently, the voice recognition accuracy of our system has reached 92%, and this ratio is expected to increase as we continue to fine-tune our models and train them with more data.

Meanwhile, our international business has been showing strong momentum, with a 60% increase in total loan volume compared to the previous quarter. In the first quarter of 2024, our Philippine market achieved a milestone by surpassing RMB 10 million in monthly loan volume, showcasing exceptional growth.

Additionally, we have seen a continued decline in customer acquisition costs as we continue to optimize our products and enhance our conversion rates. Specifically, the cost of acquiring new borrowers in March decreased by double-digits compared to January.

Furthermore, our overseas operations extensively leverage AI technology. For example, our anti-fraud AI models are highly effective in detecting image fraud. Our black-and-white document detection model boasts an accuracy rate of over 97%, and our mobile screenshot detection model achieves an accuracy rate of 99%. These AI models have significantly enhanced our risk management efficiency, reducing potential fraud losses.

Now, turning to asset quality. In the first quarter of 2024, the overall delinquency rates of our loan portfolio increased, with the 15 to 89 day delinquency rate rising to 3.9% due to industry-wide credit quality fluctuations. However, we are actively upgrading our customer base and fine-tuning our risk control standards through AI analysis. As a result, the asset quality of new customers continues to improve. The M1 collection rate in the first quarter of 2024 has increased by 67 basis points compared to the prior quarter. As the proportion of assets from our new borrowers continues to increase, the risk indicators of our overall loan portfolio started to decline in May and continue to trend downward.

On the funding front, we experienced a consistent decrease in costs as our network of funding partners grows. In the first quarter of 2024, our funding costs decreased by 43 basis points compared to the previous quarter, a trend we expect to continue throughout the year. Moreover, to achieve a better balance between risk management and profitability, we began engaging more in risk-taking model where the company takes the credit risk of the loans facilitated. Therefore, the proportion of loans under risk-taking model is expected to grow in the coming quarters.

Now, regarding our insurance brokerage business, recent regulatory changes have impacted the overall growth of the life insurance sector. In response, our strategy emphasizes prioritizing quality over quantity, improving profitability, and shifting towards a stronger focus on property insurance.

In the first quarter of 2024, our total premiums reached RMB 912million, indicating a slight 1% decrease year-over-year. Specifically, life insurance premiums declined by 16% annually, consistent with industry trends. However, property insurance premiums increased by 19% year-over-year, generating RMB 118 million in revenue, a 12% rise compared to the previous year and marking a peak over the past 2 years.

Notably, we have optimized our business structure by reducing the proportion of low-margin products, such as auto insurance, and focusing on liability insurance and overseas construction insurance. By prioritizing gross profit margin as a key performance indicator for the team, we substantially enhanced the profitability of our property insurance segment, achieving a 5.5% point improvement in average commission rates.

Moreover, our product innovation and customization capabilities have been recognized within the industry, resulting in a steady stream of high-quality orders in our pipeline. During the first quarter of 2024, Hexiang Insurance secured contracts with Xinjiang Transportation Investment Group and ranked the top among its three major suppliers. This achievement sets a strong

foundation for our future expansion in providing customized services within the construction insurance sector.

In the realm of AI integration, our insurance business is actively exploring innovative applications, and currently developing our proprietary AI-driven Insurance Renewal Reminder Robot. Following rigorous voice training, program testing, and data segmentation, we have already begun initial deployment in practical operations.

Additionally, we are making significant progress in customer acquisition through social media channels. In the first quarter of 2024, we converted leads from our social media efforts into RMB 2.2 million in premiums. This momentum remains strong as we enter into the second quarter.

Moving forward, we will continue to focus on strengthening our channel partnerships and overall profitability. However, we maintain a conservative attitude towards the life insurance sector as the regulatory impact is expected to continue in the foreseeable future.

In the consumption and lifestyle services segment, our total GMV reached RMB 625 million in the first quarter of 2024, making a remarkable 103% year-over-year increase, largely driven by our existing and expanding customer pool. As we continue to deepen penetration within our current customer base, we anticipate the growth rate of this segment will gradually normalize, aligning with our other business segments.

To wrap up my prepared remarks, I would like to reiterate our AI strategy as a foundational direction for our future development. It is structured in three comprehensive phases, or three steps. Firstly, Empowering Existing Business: We are leveraging AI to enhance and optimize our current operations, driving efficiencies and improving outcomes across all segments, as we are currently doing.

Secondly, Building Advanced AI Capabilities and Ecosystem: While we integrate AI into our existing business, we have developed many high-value tools, capabilities and partnerships. For example, our proprietary DiTing intelligent decision-making system had made over 1 billion decisions by the end of the first quarter of 2024, and has earned industry-wide recognition with a prestigious award. Another example is our AI-driven Intelligent Customer Service solution, which was honored with the Outstanding Solution Award at the national Industrial-Financial Collaboration Data Modeling Algorithm Competition, among others.

Such tools, together with our Large Language Model training, fine-tuning and optimization capabilities, can serve not just us, but many other industries and enterprises as well. We are keen to explore such business opportunities. Furthermore, we are actively seeking strategic investment and partnership opportunities, and have built a healthy pipeline for execution. They can help build better access to top talents and technologies.

Lastly, for the long-run long-term goal, exploring Future AI Commercialization: We endeavor to build AI native businesses as our business expansion and company transformation strategy. We believe the high-value tools, capabilities and relationships, as mentioned above, serve as a solid foundation.

Our AI strategy is not a sudden shift in business direction, but a solid, step-by-step approach to upgrading and sharpening our core competitive strengths that we've built over the past decade of operations. We are excited to continue this journey with our partners and shareholders to embrace a bright future.

Now, I will pass it to Na, who will go through the financial performance for this quarter.

Na Me: Thank you, Ning, and hello, everyone. On this call, I will only focus on our key financial highlights. Please refer to our earnings release and IR desk for further details.

First of all, we are glad to deliver a solid quarter with heavy margins. In this quarter of 2024, our total revenue reached RMB 1.4 billion, representing 40% increase year-over-year.

In the financial services segment, our total loan facilities continued to grow steadily, reaching RMB 11.9 billion, an increase of 86% year-over-year, driven by the strong demand of our small revolving loan products. Revenue from financial services business increased 53% year-over-year to RMB 738.1 million.

In the insurance sector, our gross written premiums would be RMB 912 million, representing a decrease of 1% year-over-year. As mentioned by Ning earlier, the decline in our premiums was mainly driven by a substantial drop in our life insurance sales following by the local regulation change, which was offset by an increase in our property insurance products. Consequently, the proportion of property insurance in our overall premium mix increased sharply.

Compared to our life insurance products, the average commission rate in the property insurance sector is lower, resulting in a 36% year-over-year decrease in the revenue from our insurance brokerage segment to RMB 125 million for this quarter. However, going forward, we also expect our life insurance business to gradually rebound in line with market recovery, but the regulatory insurance is (indiscernible) persist in the short term.

In the consumption and lifestyle segment, the total GMV for this quarter reached RMB 625 million, representing an increase of 103% year-over-year, driven by our large customer base. As mentioned previously, this segment was launched a year ago to serve our users across all business lines. Therefore, as service penetration grows, (indiscernible) this type of GMV of this segment grows strong to align with our business (indiscernible) in the number of our combined consumers across our business segments.

On the expense side, sales and marketing spend increased to 161% year-over-year to RMB 277 million. This growth was primarily driven by the rapid [expansion] of our financial services segment and enhanced our marketing efforts aimed at acquiring new high-quality customers, as we continue to optimize our customer mix.

Research and development expense increased 39% year-over-year to RMB 41 million, due to our continuous investment in AI upgrades and the technological innovations.

Origination and the service cost increased 17% year-over-year to RMB 233 million. The growth is primarily attributed to our higher channel rebates in the property insurance business compared

to our life insurance. As the proportion of property insurance premiums increases, there is a corresponding increase in channel settlement costs.

Moreover, our G&A costs increased by 32% year-over-year to RMB 84 million, primarily due to necessary personnel adjustments, which included adding model personnel staff and providing additional incentives. The allowance for contract assets and receivables was RMB 102 million for the quarter, representing a 160% year-over-year increase, mainly due to the growth in our loan volume facilitated.

Moreover, as Ning mentioned earlier, aiming to improve the balance between our overall risk management costs and profitability, we have started to gradually increase the loan volume facilitated under the risk-taking model. Therefore, we have added a new item named provision for contingent liabilities to reflect the upfront provisions under this model. Additionally, as the loan volume under this model grows, we expect a gradual increase in our revenue from our guarantee services in the coming quarters.

Onto our bottom line, we continue to deliver a strong profit of RMB 486 million this quarter, representing a 14% increase from the prior year. We generate about RMB 632 million net cash from operation in this quarter, an increase of 62% from prior year.

On the balance sheet side, our balance sheet remained robust with RMB 5.9 billion in cash and cash equivalents as of the end of this quarter. We have already USD 2.1 million to perform our shares in the public market for the first quarter of this year, bringing our total deployment for the share repurchase program to USD 9.5 million by the end of March 2024. We will continue to do our share repurchases and maintain confidence in the fundamental direction of our company's business and its growth potential.

Based on our assessment of current business and marketing conditions, we expect our revenue for the second quarter this year to stand between RMB 1.4 billion to RMB 1.6 billion, with a healthy net profit margin.

This reflect our current and the preliminary review, which is subject to changes and uncertainties. With that, we conclude our remarks.

Operator, now we are open for questions. Thank you.

## **Questions and Answers**

Operator: And thank you. We will now begin the question-and-answer session. (Operator Instructions). Our first question today will come from Matthew Larson of Fincadia.

Matthew Larson: Just a couple of comments. Another good quarter. You guys generated quite a bit of cash and earnings, and you do quarter-after-quarter. And I've been involved in and out of your company's stock since you went public. I've mentioned that in previous conference calls,

and I've done quite well over the last year or so. The stocks have done very well. I'm hoping it can break out to kind of a more mainstream-price level. Working against you is the -- just the lack of interest in the Chinese securities here in the United States. Your local markets, the Hang Seng and Shanghai markets, have not done well. So you kind of got the wind in your face, so to speak, versus the wind at your back.

But -- and I will give you guys tremendous credit for improving your public relations over the last few months. You've put out updates on your business, and you've used catch words like "artificial intelligence" quite often, which I think are accurate. Your company has used algorithms and some level of AI for years to determine your lending activities and acquiring new customers and things like that, so it's quite legitimate. And I'm glad that you are highlighting that sort of technology that your company has used for years. And it hasn't helped the stock recently, but your stock has remained elevated and I'm hoping the next move gets us significantly higher, so thank you. All right.

However, an area that we've talked about -- I have one other thing. Also, your earnings announcement today was a lot better. It was broken out in two or three parts; you're comparing it from the year before, it wasn't just a one-line thing. So whoever you're using to get your news out is a great improvement, but we've talked in the past about maybe instituting a dividend.

Many of your peers that are listed in the United States do have a significant dividend. QFIN, [Qifu], if I'm pronouncing it correctly, or XYF, just announced a tender offer and a dividend. And then GIN, JFIN just announced another large dividend. So they're returning cash to their investors. And like your company, they traded a very low multiple between 1x and 2x earnings. I wish you would do that. You have a huge amount of cash on your balance sheet. \$30 million or \$40 million presumably wouldn't change your business model or your growth prospects, but that would really be great for shareholders. And it could very well raise the value of your stock several times that amount, so I continue with that suggestion. Your peer group is doing it.

And then also, your share buyback is still pretty small. But outside of that, thank you for another good quarter. I have confidence in your company, and if more interest in the Chinese stock market is created here, I think your stock could do well, so I'll leave it there. Thank you.

Ning Tang: Thank you, Matthew. A couple of thoughts following your very nice remarks. One is that, indeed, yes, we have improved like the way we communicate with the public. Thank you. And some other shareholder friends, yes, are making this great suggestion, and we'll continue to do that.

And secondly, artificial intelligence is for us very, very real, and this time is the new-new thing and it's the real thing, yes. So for all the industries and the companies -- and we have strong conviction that we are well positioned to capture this great change element opportunity. So we've already seen like very exciting initial results as we embrace AI strategy, yes, so we will continue doing that and also talking about that.

And thirdly, regarding the dividend suggestion, while we continue to believe share buyback and investing into the future, like AI can best serve our shareholders. We hear you and other shareholder friends regarding this issue and we are evaluating, further evaluating, this issue. And

this is where we are and we will report more as there is additional progress, and it is our intention to really serve our shareholders with great value creation in many different ways. And I appreciate the suggestion you and some other shareholder friends have given us.

And lastly, regarding China, so indeed, there is this impact, but we are also growing internationally and so, yes, and we are in more markets, so the business is more balanced. And so the story is not just a China story, but a global story; it's not just a fintech story, but an AI story. So I think what we are doing is really in terms of a business strategy, transforming the company to an AI player.

And in terms of a capital market strategy, we are like re-categorizing the company, you may say. And I hope by doing this well for some time, yes, we can best serve our shareholders, including ourselves. Thank you.

Operator: Marco Zhang of Water Tower Research.

Marco Zhang: So following Mr. Tang's answer to Matthew's question earlier, not just a Chinese story. So my first question is about your international business. So as you mentioned in your last earnings call, you have a pretty big plan for expansion, international expansion, this year into Southeast Asia, Latin America, and also Mexico. Just for our modeling purpose, I don't know if you can disclose like how much of your revenue this quarter came from your international business? And what's your target percentage by the end of 2024?

Ning Tang: Thank you. Again, going global, being truly global is our clear strategy and so, yes, we are making very solid progress in Southeast Asia and also Latin America. And I mentioned certain information in my prepared remarks, and let me see whether Na can provide more details at this point.

Marco Zhang: Got it. Yes, maybe we can talk offline and get this out, yes.

Ning Tang: Okay. Okay. Yes. And our --

Na Mei: (Inaudible), yes.

Ning Tang: Okay. This is (indiscernible) all right. (Indiscernible) information for your reference, our international business (indiscernible) this year. As mentioned in our -- each caller has mentioned (indiscernible) also the overseas business is mainly one of our main business strategies for our company. And from 2022, after we acquired our licenses (indiscernible) actually, our overseas business volume increased with digital clients.

And in this quarter, our overseas value is looking about RMB 32 million, representing 52% growth compared to the last quarter of 2023. And for the second quarter of this year, we also have the confidence in our overseas business, and we think that we will maintain the high growth rate easily, the same as the first quarter, as may be the higher than the first quarter. And for the full year of this year, we expect our overseas loan volume is increased about 5x to 6x compared to the last year, so we can look forward our future business.



Of course, for the revenue, actually, for the first quarter of this year, due to we have only RMB 32 million loan volume sales, the total revenue is not just significant compared to our total revenue. But for the 1 year, based on our forecast, and we plan to do the total revenue of our [overseas], it's about 2% to 5% of our overall financial service for the whole year.

Of course, except for the loan volume and the revenue, we also put more attention to our profitability, our overseas product. Actually, in this quarter, our overseas product, especially in the Philippines, our margin has got a positive result. And so we hope we ever have the confidence in our overseas deployment, and always think that by the end of this year, our overseas business can contribute more profit, including the revenue and profit margin, as well as (indiscernible) revenue.

Okay. Thank you. I hope the information is useful for your question. Thank you.

Marco Zhang: Okay, perfect. Yes, that answers my question about your international business. Yes, and my second question is about AI, so congratulations on your successful launch of AI Lab last quarter. And you also mentioned in your last earnings call that you aim to expand your AI expertise beyond the fintech verticals to more selected sectors. Is there any progress there that you can disclose?

And also, as you have a much stronger cash position, and you change your Chinese name from Yiren FinTech to Yiren SmartTech, do you have any strategic plans in AI, such as acquisitions in the near future?

Ning Tang: Thank you. And so the new Chinese name is more like Yiren AI Tech or Yiren Intelligent Tech, yes, so but it's smart, yes, thank you. And so what we're doing right now is that as I mentioned, there are three steps. The first step is that we utilize AI really well in our existing businesses and in our company management operations, yes. And because it's really not an easy, easy thing to do our existing business well, as you know, given like risk situation, like we need to do better risk management, so long like there's always competition and so on, yes, and so we need to utilize AI really well in our existing business.

At the same time though, we are preparing for the future. For example, we train our models, right, like the capability of training like our own models, fine-tuning them, optimizing them. And it's actually quite valuable, yes, for many other companies and industries so -- and also, many of the like agents, you'd say, are -- we use in our own business.

The way we build the agents, the way we use them, yes, it's also very valuable for other companies and industries, so we are productizing, yes, is that the right word, like productizing, yes. So making such capabilities, such tools, into products which we can sell to other companies, industries. So that's like one key thing we are doing right now.

At the same time, as I mentioned, we are looking to do some like incubation and strategic investment work, like focusing on AI native business opportunities. So we are still in early stage of exploration and implementation, but there will be more coming out. We will report in a timely way.

And so regarding acquisition, we are interested in doing smart M&A. So there is actually indeed one idea we are currently evaluating. As it progresses to a certain stage, we will be in a position to share more. But overall, I think we are doing the first step, which is utilizing AI in our own business. And the second step, which is developing, like advanced -- building advanced AI capabilities and the ecosystem through like productizing the tools and the solutions we use in our own business for our the future like business opportunities. And also, we are looking to build a strategic relationship through investment and smart M&A. Hope I can share more next time.

Marco Zhang: Okay, great. Yes, that's great to hear. And congratulations again on another strong quarter. And we look forward to hearing more good news from the company. Operator, I have no more questions.

Operator: Thank you. [Andrew Corprett], a Private Investor.

Andrew Corprett: Thank your great result and great work on this company. I wanted to first start with a remark that YRD is still trading at 1.4, or even it was 1.5 price earnings, but the net profit increased quarter-on-quarter, so it's lower right now. And my question is -- my first question is how did the net cash from operations increase by 62% from the previous quarter, 2023 and why?

Ning Tang: I beg your pardon, what about the 60%?

Andrew Corprett: The net cash from operations, it increased by 62% from last year. I was wondering why this happened, or should we expect this in quarter 2, quarter 3, quarter 4, better cash performance, better net cash provided by operations? Should we expect it to be 30%, 40% roughly in quarter 2, quarter 3, quarter 4 year-on-year?

Ning Tang: Can (inaudible) --

Na Mei: (Inaudible) yes, I will answer your question. Yes, as you mentioned, in this quarter, our R&D is 41 million, and also it's (indiscernible) increase trying to compare to the first quarter of last year. But actually, it's a [major] decrease compared to last year in the last in the 2023. In the first quarter of last year, the total research and development is 48 million. The decrease in this quarter is mainly due to we take active action to do some staffing adjustments; for example, maybe replace some lower technical staff to replace some higher technical staff. So there is some staff cost of the technical staff will be a little decreased in this quarter.

And however, although this quarter is compared to last quarter, it's a little decrease. We still have our [more] R&D enrollment and expense in the next future. And in our R&D plan, we hope in this whole year, our R&D expense is about 100 million and 200 million. And compared to the last year, the total R&D is 149 million. So comprised the whole year, we still put our (indiscernible) to R&D expense.

Andrew Corprett: Okay. Again, I asked about net cash use provided by operations, so it's like cash from operations, it increased a lot, and I was happy about it, but okay. Second question is your guidance is again, I think, reiterated in 2023 last quarter in 2023, Q4. You provided a guidance, a middle guidance, a mid-bound guidance, of RMB 6.4 billion. With the current projections in Q2 for RMB 1.4 billion to RMB 1.6 billion, if you continue doing RMB 1.6 billion in Q3 and Q4, you should achieve the mid-bound target of RMB 6.4 billion. I think you're

expecting that, right, on the revenue guidance. So my question is actually the revenue guidance, which you provided in 2023 Q4, if you will reach mid-bound to upper-bound of that guidance because you succeeded better, or how are you feeling in Q2, Q1?

Ning Tang: And Na, can you please?

Andrew Corprett: Sorry. So you gave a guidance --

Ning Tang: No, no, I'm asking my colleague to respond.

Andrew Corprett: Okay. My apologies. If you don't understand anything, I can repeat.

Ning Tang: I got it.

Na Mei: Yes, I think for the volume of the 2023, (indiscernible) our current assessment, we can meet our -- the total outlook of the total revenue we released in the third quarter of the last year. But for this quarter, because this is the last [factor] in China mainland because like the (indiscernible) is not our business peak season and it's the low season. That is why you can see our revenue cannot increase much. But in the future, we think generally, we can meet the guidance (indiscernible), yes. We have the confidence in our business to have the contribution for the whole year.

Andrew Corprett: Okay. Just if you reach this mid-bound guidance, you will have 31% or 30.6% growth increase in revenue, with 1.4% price range for anybody hearing this call, and you're also AI-powered.

Okay. My last question, or one of the last, is your prepaid expenses and other assets in the balance sheet, it increased quite a lot. It's the current assets from what I know. My question is what caused this increase year-on-year? And also from quarter 4, from last quarter, it increased, I think, by RMB 800 million or RMB 900 million. The prepaid expenses increased a lot -- the current assets, prepaid expenses and other assets. What caused that? It's a good thing, I think. It's like accounts receivables increasing, it's a hard question, (inaudible).

Ning Tang: Na is probably looking into the details.

Na Mei: (Inaudible).

Andrew Corprett: Okay. Yes, so prepaid expenses, yes, they increased a lot.

Na Mei: Yes, yes, yes, so to compare to the -- by the end of the last year, our prepaid expense and other (indiscernible) represent an increase compared to the end of last year, because consider our business development. Some of our suppliers (indiscernible) so like some channel customers and like our AI investment, which is a prepayment from our channel customers from suppliers, so to (indiscernible) for the purpose of our prepayment from (indiscernible) our suppliers because we can have our cooperation with our partners, and can fix some good asset releases and other good channel (indiscernible).

So you can see there is some increase of our prepaid assets. That is mainly due to our prepayment to our suppliers in advance about 3 or 4 months to fix some of the sources and to the supply service.

Andrew Corprett: Okay. Again, I want to congratulate you for these results. I'm actually very happy and you're executing great. A question for Mr. Ning Tang, or actually a suggestion. If you change the name in the Chinese company to AI, or whatever, from even Digital to AI, even AI or something, AI in the name.

Could you change also the New York Stock Exchange name or the LTD, which appears when you say search, where the stock on Google or whatever, you see Yiren Digital Ltd. Could you change the name of the Ltd. also to even AI? Maybe it will catch more eyes of investors if the name change or like the name change in Chinese?

Ning Tang: Yes, I really like the Yiren Digital English name, yes, because --

Andrew Corprett: Okay. As you wish.

Ning Tang: -- yes, Digital is a great like --

Andrew Corprett: But the investors see the Chinese name; investors don't see the Chinese name. You must Google-Translate the Chinese name, so American investors on New York Stock Exchange, they see Digital; we don't see AI in the name.

Ning Tang: I see. Okay.

Andrew Corprett: Or the --

Ning Tang: I know, if you did a name change in China, maybe you think about it. Thank you very much.

Andrew Corprett: (Laughter).

Ning Tang: And if you have one more question --

Andrew Corprett: (Inaudible).

Ning Tang: (Inaudible) sorry.

Andrew Corprett: Yes, I really want our interested prospects, investors, shareholders to look a bit further into all the details, right, and not just the name. But I will say investment banker on work days like the 90 (inaudible) --

Ning Tang: Yes, yes.

Andrew Corprett: So I experienced like if you just added dot-com, your name is like all of a sudden, your market cap, it goes up like --

Ning Tang: Yes.

Andrew Corprett: -- maybe it goes 3 (indiscernible) times that, yes, my sense is so it's probably good for the short term, but really, yes, I'm not so --

Andrew Corprett: You said in the Chinese, it's Yiren artificial something, or you said to the previous guy who asked the questions, that the name --

Ning Tang: The change made in China is mainly because the original Chinese name suggested fintech. If we are more than fintech, we better change the name, but the English name, even Digital, doesn't suggest the fintech. Yes, my sense is Digital includes -- certainly it includes fintech notion, but also includes like AI notion. But I took your point and I'll think about it.

Andrew Corprett: Okay. Maybe Yiren Fintech and AI or small AI capital, I don't know, whatever, as you wish. Thank you very much, sir. And the last question also about AI. You said I will have to read the transcript. You have so many achievements this quarter, but you said 400,000 calls were provided by an AI-powered language model. So there was like an AI language model, smart language model, selling or do the sales rep -- as a sales rep, but it was AI? Did I understand correctly, 400,000 calls?

Ning Tang: Yes, yes, I think it's outbound call, automated intelligent call to prospect customers.

Andrew Corprett: Okay. So customers joined or they bought your -- whatever, they entered Yiren Digital because of these 400,000 calls, which were powered by AI? Very interesting.

Ning Tang: Yes, yes, we made this number of calls to try and sign them on.

Andrew Corprett: Um-hum, very nice. Okay. Thank you very much, sir. And thank you also for the \$2 million repurchases, and I hope they will continue, even though they are peanuts compared to your cash balance, but whatever. I hope you continue to grow and continue to execute and build something so good for your team, features of it. I think they're very nice. And thank you very much for you being also a great shareholder of the company and see you. Have a wonderful day, bye-bye.

Operator: Peter Ruh of BlueBird Advisory.

Peter Ruh: It's disappointing that the CEO and Founder is not on the call for the second consecutive quarter.

Ning Tang: I'm the Founder and the CEO of the company. This is Ning Tang speaking.

Peter Ruh: Oh, thank you. I apologize, Mr. Tang.

Ning Tang: I've been doing a lot of talking. I did the prepared remarks, and then I answered a number of the questions.

Peter Ruh: Okay. Thank you. I know you've --

Na Mei: Yes, our CEO is here, yes, hello.

Peter Ruh: Okay. (Inaudible) --

Ning Tang: I have actually participated in every earnings conference call since the company went public.

Peter Ruh: Were you on last quarter? I thought you were traveling.

Ning Tang: Yes, yes. No, the CFO, our CFO, my colleague, was traveling, yes, and she is with us now.

Peter Ruh: Yes, , but it could be my phone. My question is the reason your stock is so low is people don't have faith in you because of all the changes. I think having a dividend, you have a lot of cash; it's not a good use of shareholder cash. I know you're the main shareholder, and I know you probably don't really care what (inaudible) people say. But you just having money in the bank is not good; it hurts your return on invested capital, so it's hurting your fundamentals. And you should either put that to better use or return it to shareholders. And like Matthew said, a small \$50 million dividend would probably greatly increase your overall market capitalization by that or more. And it would instill some confidence in the market that you treat your fellow small shareholders with respect.

My second question is even though you made \$90 million of cash, your cash balance did not increase at all; in fact, it went down a little bit. And as the prior gentleman said, your prepaid expenses and other assets went up 200%. It's the second-largest item, second-largest asset on your balance sheet., prepaid expenses and other assets. What are prepaid expenses and other assets that went from RMB 400 million to RMB 1.2 billion, an increase of over RMB 800 million, a 200% increase. Could you, the Founder, Mr. Tang, tell us because I can understand you better than your CFO.

Ning Tang: First of all, thank you very much for your -- yes, asking again about the dividend. So we understand the importance of this issue, but did you -- were you there at the beginning of the Q&A session? Was I clear about my -- yes.

Peter Ruh: Well, yes, yes, I heard your answer to Matthew, and you said that it is under consideration. I was hoping you would announce that this month, since you've had 3 months to hear our feedback from the last conference call, and I don't know if I should sell your stock or keep it for another 3 months if you're just going to tell us in another 3 months that you're still investigating it. You've had 3 months to think about it, and you did nothing today with regard to the dividend.

Ning Tang: So I don't have to repeat my answer at the beginning of the Q&A session. And yes, we will try and do a good job evaluating this issue. And regarding the prepaid expenses, I don't know what additional color can Na provide.

But Na, can you please help out if you can?

Na Mei: Yes, I can add some information about our cash management we can do currently. And so we now use our front row (indiscernible) our current business, for example, used to fund to cooperate with the transfer company to set up the [traffic line] to facilitate our use of

(indiscernible). And in the first quarter of this year, our cooperation with the transfer (indiscernible) is about RMB 500 million. And we also plan to use our fund to acquire some financial license, which our financial services required -- yes, the first focus.

And the second focus, as I mentioned in my script, we also continue to do our share payback continue, and set up (indiscernible) for our staff. And for this quarter, we have at least two (indiscernible) million dollars to our share purchase in the marketing and accumulated (indiscernible) U.S. dollars (indiscernible). And we also keep on continuing our share purchase in the future and we're also confident in our business development.

And finally, but not last, as we mentioned, so (inaudible) any gains that we will keep on one thing in our lab and RMP is (indiscernible) technical development. Also, for my (indiscernible) investment AI. So also, it's a preliminary review. We can see if something finalized about our investment policy and external (indiscernible) finding timely to show the public (indiscernible). Okay. I hope I can give you some information for you. Thank you.

Operator: Thank you. And ladies and gentlemen, at this time, we will conclude our question-and-answer session. And we will also conclude the Yiren Digital conference call. If you have further questions, please contact the Investor Relations team at Yiren Digital. Thank you for attending today's presentation. You may now disconnect.