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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Yirendai First Quarter 2019 Earnings Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today, 11th of July 2019. I would now like to hand the conference over to your first speaker today, Ms. Lydia Yu. Thank you. Please go ahead.

Lydia Yu ***Yirendai Ltd. - IR Manager***

Thank you, and welcome to Yirendai's First Quarter 2019 Earnings Conference Call. Today's call features a presentation by the Founder, Chairman and CEO of CreditEase and CEO of Yirendai, Mr. Ning Tang; our CFO, Mr. Dennis Cong; our Board of Director and CRO, Mr. Huan Chen; Ms. Wei Wang, Our CEO of Yiren Credit; Ms. Xiao Shang, our CEO of Yiren Wealth; and Ms. Joanne Liu, our Co-CFO of Yirendai, will join the presenters in the Q&A session.

Before beginning, we would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities and Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and factors that can cause actual results to differ materially from those contained in any such statements. Further information regarding potential risks, uncertainties or factors is included in Yirendai's filings with the U.S. Securities and Exchange Commission. Yirendai does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

During the call, we will be referring to several 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 to U.S. GAAP. For information about these non-GAAP measures and reconciliation to GAAP measures, please refer to our earnings press release.

I would now pass it on to our CEO Ning for opening remarks

Ning Tang ***Yirendai Ltd. - Executive Chairman***

Thank you all for attending our first earnings conference call post the Yirendai and the CreditEase business realignment. This transaction is a significant milestone for us as it sets the stage for our next strategic business transformation. The business Yirendai assumed from CreditEase includes online wealth management targeting the mass affluent and secured -- and the secured consumer lending and the small business lending which work nicely with Yirendai's existing credit and wealth management operation and will provide a strong foundation for our future growth. Post the realignment, the company will have 2 main business lines, consumer credit and wealth management. The new consumer credit business, Yiren Credit, is now one of the largest creditech platforms in China that provides a full suite of online and offline multichannel lending products and services. With our unique and high-quality fixed income asset, we have attracted and retained a large number of affluent investors on our online wealth management platform and provide a strong investor base for us to build our Yiren Wealth business, one-stop asset allocation-based wealth management solution for affluent investors.

We believe we are well positioned to capture the significant synergies presented by this business realignment and a strategic transformation to deliver long-term operating performance and shareholder value.

Post the transaction, we will be rebranding the listed company under a new name, Yiren Digital, as we are broadening our business to include more holistic personal financial services to our customers.

I would like to take the time now to introduce our new management team for Yiren Digital. Ms. Wei Wang will be our CEO for Yiren Credit. Ms. Wang joined CreditEase in 2010 and has extensive operational and leadership experience in the consumer credit industry. Ms. Xiao Shang will be our CEO for Yiren Wealth. She brings invaluable wealth management and investment experience to Yiren Wealth with over 10 years working experience at CreditEase. Mr. Huan Chen, our Board of Director, will be our CRO for Yiren Digital. He's currently also serving as Chief Strategy Officer for CreditEase and brings with him over 11 years working experience at CreditEase. Along with the new and experienced management team, I look forward to building a leading digital personal financial services platform that provides both wealth management and consumer credit services to our clients.

Now I would like to highlight our strategic plan for the remaining 2019 and beyond. On the credit -- consumer credit front, we will focus on high quality asset growth near term and streamline our online and offline operations to better serve our customers with improved customer acquisition and operational efficiencies and get ready for the upcoming regulatory registration process. We are also making proactive strategic initiatives to expand our business and further strengthen our market leadership position. I'm excited to announce that we have signed a preliminary memorandum of understanding for the acquisition of a leading supply chain financing platform, DaoKouDai Technology Ltd based in Beijing, which will bring a strong team of experts to help us better serve our small and medium-sized enterprises.

We have also formed a joint venture with ZBO Fintech after our strategic investment. ZBO Fintech is a B2B2C auto fintech company incubated by the insurance -- leading insurance company, PICC. The joint venture will provide creditech underwriting solution services for both ZBO Fintech as well as various financial institutions which we believe will further strengthen our business cooperation with PICC.

Yiren Wealth, as part of our strategic transformation, we have started providing multiple non-P2P investment products on our Yiren Wealth platforms, including bank wealth management products, mutual funds and insurance products. We believe with our deep wealth management expertise developed through the years serving our CreditEase high net worth and ultra high net worth clients, we're well positioned to provide the customer-centric, cost-effective and allocation-based wealth management services to China's large mass affluent investor base.

Finally, on regulation, we have successfully completed the Beijing local financial bureau on-site inspection at Yirendai in May and have been submitting our operational data to the National Internet Finance Association as required on a monthly basis. From our interactions and dialogues with government and regulators, we expect a potential trial registration for the online lending industry to begin by the end of the year. We are also in process of increasing our registered capital by RMB 500 million to prepare ourselves for the registration process and ensure our full compliance.

Thank you. Now I will turn the call over to our CFO, Dennis, to review our first quarter financial results.

Dennis Cong ***Yirendai Ltd. - CFO***

Thanks, Ning. Hello, everyone. First, let me provide our financial operational highlights which reflect the combined financial results of Yirendai and the business we assumed from CreditEase.

On the credit business side, we continue to focus on the quality of our asset growth and operate at a conservative risk management mode with controlled loan origination volume as we continue to monitor the remaining uncertainties in the regulatory environment and persistent challenges in the risk management with P2P bidding platform going through consolidation.

Total loan origination for the quarter was CNY 11 billion with about 38.8% of loan volume came from repeat customers in Q1 2019. About 96% of loan sales are unsecured consumer loans, and the rest are secured loans and SME lending product. The accumulated number of borrowers we have served reached more than 4 million as of March 31, 2019, representing an important customer asset to us. The first quarter was a quarter of integration, adjustment and investment for the company. Near term, we're making strong efforts to optimize our internal resources and operational efficiencies by integrating and consolidating various business functions that will help us to grow our business more effectively in the future. Longer term, we plan to transition our operational strategy from being product focused to being more customer focused, and from a distinct online, offline customer acquisition approach to a more integrated online-to-offline model to improve operating efficiencies and customer experience.

In addition, we'll continue to expand our consumer credit product portfolio to include products with different tenure, size and pricing to better meet the needs of our customer.

Institutional funding. We're continuing to make progress in terms of funding source diversification, and today, we have already secured a total of CNY 19 billion from selected national joint stock and city commercial banks. We're in the process of ramping up institutional funding for our credit business and expect institutional funding to become a meaningful percentage of our funding source towards second half of 2019, which could bring us the access to ZBO's credit report system that could also improve our risk performance.

Next, onto our wealth management business. Over the past few years, we have accumulated a large and loyal investor base. As of March 31, 2019, we have served close to 2.2 million investor cumulatively. Total number of active investor in the fourth quarter of 2019 was more than 770,000, with total AUM for Yiren Wealth at CNY 43.3 billion. Average AUM per investor reached CNY 141,000, which is a strong evidence of our high-quality investor base. AUM of non-P2P products were CNY 457.7 million in the first quarter of 2019, which includes money market funds, mutual funds and insurance demonstrate the early traction of our non-P2P wealth management business progress.

Now I would like to update the closure of our business realignment transaction. The final consideration paid to CreditEase is 31 million ADR shares and CNY 2.89 billion in cash. We have remarked down the share portion of this transaction from previous 53 million ADR and increased the cash portion of this transaction to better utilize our cash position and minimize shareholder dilution for -- of Yirendai existing investors.

The bulk of the cash payment is contingent on the monthly total loan volume originated by the acquired target operation reaching certain preset targets for the next 6 quarters.

For our financial update, I'll focus on key terms of our business operation and financial performance, and you can refer the detailed financial results to our earnings release. Just a reminder that due to the closure of our business realignment deal, the financials we're presenting and discussing today are all on a consolidated basis.

Total net revenue declined 47% year-over-year to CNY 2 billion during the quarter due to decrease of loan volume. Net revenue take rate from the credit business is 13.6% for first quarter 2019. Net revenue take rate from the wealth management business is 4.5% for the first quarter of 2019.

This quarter, we have maintained our contribution to the credit insurance program at 14% to ensure our investors will be fully protected.

On the balance sheet side, as at March 31, 2019, our cash and cash equivalents were CNY 2.5 billion. The balance of held-to-maturity investments were CNY 313 million, and the balance of available-for-sale investments were CNY 1.2 billion. As of March 31, 2019, our usable cash increased from CNY 3.4 billion in December 2008 to CNY 3.7 billion.

I would like to also provide an update on our share buyback program that was approved by our Board last year for a total value of USD 20 million. To date, we have brought -- bought back over 360,000 shares equivalent to a total value of close to USD 6 million.

That concludes my update on the financial results, and I will now pass the call to Huan, our Board of Director, to give a brief update on risk.

Huan Chen ***Yirendai Ltd. - Director & CRO***

Thanks, Dennis. On credit performance and risk management, we noted an improvement in credit quality in new loan originations with 15 to 29 days delinquent ratio further decreasing to 1.9% (sic) [0.9%] as of March 31, 2019, compared with 1% as of December 31, 2018, and

1.1% as of September 30, 2018. In spite of a challenging economic and credit environment, we can see risk performance to remain within our expectations in the near term.

In the first half of 2019, we successfully implemented a new enhanced credit scoring to improve our risk management capabilities. In the second half of 2019, we will continue to adjust our risk policies and enhance our customer channels to maintain risk at a reasonable level.

This concludes our prepared remarks. We are ready for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of John Cai from Morgan Stanley.

John Cai ***Morgan Stanley, Research Division - Research Associate***

So I have a few questions on the combined business. So I haven't looked into the details for now, but it seems the EPS is accretive based on the comparison with the restated number for 2018 and the previous reported numbers. So just wondered if the management can share more details on the valuation for the acquired business? Has that changed? Because it seems the shift between mix and -- the mix between the cash payment and the share payment has changed there, but not sure if the total consideration has changed. So that's the first part. And the second part is, I think the first quarter, the revenue has declined and also the OpEx has declined. So I just wonder on -- first of all, on the loan volume, what do we see the trend for this year? Can we see some rebound? And then on the OpEx side, so I just wonder what caused the decline, the significant decline of the OpEx on a year-on-year basis? And how do we see the cost income ratio of the combined business going forward? And the final question is on the regulation. So is there anything more we need to do on the regulations and also how many loan balance do we need to cut for the P2P for the rest of the year?

Ning Tang ***Yirendai Ltd. - Executive Chairman***

This is Ning. On regulation front, we are going through the inspection process, and -- I mean the whole country. And recently the regulators held a meeting to discuss next steps regarding the marketplace lending industry, and we expect that many lower quality companies will have to exit the market. The leading strong companies will have the opportunity to become fully regulated. And that process will likely begin in Q4.

Dennis Cong ***Yirendai Ltd. - CFO***

Okay. Maybe next Wei can talk a little bit about the business trend for the rest of the year. (foreign language)

Wei Wang ***Yirendai Ltd. - CEO of Yiren Credit***

(foreign language)

Lydia Yu ***Yirendai Ltd. - IR Manager***

So John, I'll briefly translate that into English. So on -- on a normal -- normally so -- and each year, February is our low season due to the Chinese New Year holiday, and going into second half of the year and going to December, that should be the peak for our volume. And for this year, in considerations of regulations and depending on when the P2P online registration will start, we expect this later half of the year [as compared to the first half to have a growth rate of around 30%] (corrected by company after the call).

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, so I think what Wei Min said, the first half was flattish due to our risk control mode, but both from a seasonality perspective as also business readiness perspective, we're seeing a ramp-up trend in the second half of the year. And then regarding the consideration, if we take the number of shares and still assume the same price of the shares as we announced the deal in March, the total consideration did not change for the acquisition. However, if you consider the current stock price, then it somewhat changed.

In terms of the EPS accretiveness, yes, indeed, it will look at the consolidated combined 2019 numbers versus the Yirendai 2018 standalone numbers and look at the total shares outstanding. We do see the EPS accretive by about 10% to 15% roughly.

In terms of the margin structure, actually we see the margin reasonably similar between the 2018 versus the first quarter 2019. The customer acquisition sales and marketing cost a bit of higher, but the operating lines are a bit of lower given the nature of our new combined business of online-to-offline operation, especially when the total business volume were at a measured level that the utilization or the capacity is not at full speed. But as we have mentioned, we're ready -- we're in the process of ramping up our business, and we would expect a more productive sales force and channels, and we should see more leverage coming out from the sales and marketing side. So John, does that answer all your questions?

John Cai ***Morgan Stanley, Research Division - Research Associate***

Yes, it's very helpful. So if I can -- can I just add 2 follow-up questions on the funding side. So I just want to clarify, I think we have a credit loan balance of RMB 53 billion, and then I think the AUM of Yiren Wealth is RMB 47 billion and there's some P2P product, I'm not sure if that's credit, but -- so just wonder what's the funding mix for the RMB 53 billion credit loan and maybe RMB 47 billion is the Yiren Wealth AUM or what's the (inaudible) and how much of that is from institutional funding?

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, actually, right now, even if we have already achieved RMB 19 billion line of credit from the bank financial institutions, which is very significant if you compare with our current loan volume growth and balance, but at a current level, the portion of the institutional are still not very big, single-digit percentage, but we're in the process of ramping up.

In terms of the gap between the CNY 53 billion and the CNY 47 billion, we do have outside investor channels that's taking part of those fundings. Some of them are actually from the historical business and remains a balance from the business we acquired.

Operator

(Operator Instructions) Your next question comes from the line of Mei Yan.

Meizhi Yan ***UBS Investment Bank, Research Division - MD & Head of Greater China Financials***

It's Mei Yan from UBS. Can you explain a bit on the rationale for doing this acquisition of DaoKouDai Technology and also the incubation of ZBO Fintech, et cetera? And how do you expect those to contribute to your business going forward?

Ning Tang ***Yirendai Ltd. - Executive Chairman***

I'll take lead and Dennis and other colleagues can, yes, jump in as well. Actually, regarding the acquisition of DaoKouDai, that company is a very high quality marketplace lending platform serving medium- to small-sized enterprise customers and enjoys a very good reputation in the industry and its founding party is the Tsinghua University, the leading school of finance of Tsinghua University. They have a fintech lab incubating leading business models in fintech, marketplace lending being one of them. And we've been strategic partners -- I mean CreditEase and Tsinghua University School of Finance for many years. And we understand each other very well and have shared vision how to serve China's small business community which is a very key government growth agenda, so it's a national priority. And we believe jointly we can do a much better job in that space and also we can better draw upon that, the resources, yes, yes, from Tsinghua University School of Finance. So that's the rationale for the acquisition of DaoKouDai.

Regarding the strategic investment and joint venture with ZBO, we actively look for acquisition channels and high-quality data for our lending business and working together with leading insurance company like PICC will give us such opportunity, yes, to broaden our borrower acquisition channels, and also the data affiliated with that can help us better assess borrower credit worthiness. So yes, this is the rationale for that, yes, joint venture exercise. Dennis, you have anything to add?

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, maybe just a little bit on the scale. In terms of DaoKouDai, of course, we're in the early preliminary discussion. Their business size is about CNY 3 billion or so in terms of loan origination volume, and then the balance of the loans is about CNY 1 billion. That's the scale of DaoKouDai.

And then in terms of ZBO Fintech JV is just the starting point. You're probably not going to see near-term meaningful impact on the business. But as Ning has mentioned, this would significantly expand our business collaboration with PICC. And all of you know that we already have a very strong working relationship with PICC on certain products, but this is more significant for us in terms of collaboration, potentially expanding PICC's own business operation as well, which has a significant potential market opportunity.

Meizhi Yan ***UBS Investment Bank, Research Division - MD & Head of Greater China Financials***

Just to follow up, so with the combined entity now, what percentage of your credit loans are SMEs versus consumer loans? And what percentage is online versus offline?

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, okay. Yes, as we mentioned, close to 96% of our loans are consumer loans, so the SME right now is still a very small percentage, but we do have certain unique products and unique online channels for supply chain as well as online merchants, small business lending that's very unique, data-driven advanced.

In terms of the channels, yes, actually we used to have -- as we mentioned, we used to have more distinct online/offline customer acquisition process, but as we are going through the integration, actually the lines between online and offline have been blurred. We're collecting customer lists from the online channels and then we're utilizing both online direct conversion as well as telemarketing conversion as well as offline conversions. So that line is becoming blurred. But if we have to talk about a customer that direct convert on the mobile app versus customers that have to, in person, filling the forms or closing their applications, it's roughly 50-50.

Operator

Next question is a follow-up question from John Cai.

John Cai ***Morgan Stanley, Research Division - Research Associate***

So I have another look at the numbers for 2018, so basically the combined versus the previous Yirendai and well then there's -- take rate improved so I'm just using the revenue divided by the loan presentation so the take rate has increased. And so I think the acquired business has had a take rate, and I guess can the management explain what's driving this? So from -- maybe introduce more about the products of the offline business in terms of the loan tender or the credit loans, et cetera? So just wonder what makes the offline business reporting the higher take rates here. And also, on the OpEx side, it seems the majority of the offline business is also sales and marketing expense, so I just wonder, is that as -- so it seems very scalable, right? So when we have originations, we have sales and marketing, if not, it's -- the sales and marketing expense will go down. So I just wonder if that's a proper understanding? Or do we have actually a larger fixed cost base? So it seems to me it's mostly sales and marketing and variable similar to the online business.

Wei Wang ***Yirendai Ltd. - CEO of Yiren Credit***

(foreign language)

Huan Chen ***Yirendai Ltd. - Director & CRO***

Yes, and also adding...

Lydia Yu ***Yirendai Ltd. - IR Manager***

Okay. Let me first briefly translate what she touched on. So customers acquired offline versus online have different attributes, and therefore, pricing will be different based on their different characteristics. But overall, the difference in pricing between offline and online is small.

Huan Chen ***Yirendai Ltd. - Director & CRO***

Yes, and also adding, one is -- because we -- the acquired business also have the whole in countries network servicing network, so we also have good branding in many cities and we have higher negotiated products over the customers, and which give us a good advantage on pricings. And so it let us enjoy the higher take rate for our products.

And for product features actually similar to previous Yirendai's product on the own channel. It is also mostly 2-year and 3 years product and because we have a better chance to enhance, to improve our risk management process, we can have a face-to-face chat with the borrowers. So we -- so we can have -- with our new acquired business, we can have the higher average ticket size and less similar tenants with the old business.

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, so I think the offline product has a bit wider price range, but as Huan mentioned, that with the in-person service network, it helps us servicing the clients and when you're actually managing the upfront risk as well as the total collection process actually the probability of the business actually tend to be better. You probably can see that from the consolidated results as well as the risk curves.

John Cai ***Morgan Stanley, Research Division - Research Associate***

Yes, so on the sales and marketing, just wonder -- for the offline, so basically on deducting even the full consolidated amount divided by the previous status, so it seems like last year, we have CNY 4 billion sales and marketing for the offline business. So I just wonder how many of that is fixed and how many of that is variable. I just want to see how scalable is the offline business.

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, I'll try to answer this. If you think about the offline sales network, probably around 15% is rental related, you can think about certain fixed. The remaining 40%, at the current level, at 40%, it's -- you can call it base salary. The other 40 is coming from the sales commission. So that's the split you can be looking at right now, close to 60% is fixed and then 40% is a volume-driven. As the productivity goes up for both sales as well as the offline stores as we integrate more technology from Yirendai enable customer conversion process, we would expect the variable portion to increase that if you see certain efficiency coming up from the business volume revenue in the second half.

John Cai ***Morgan Stanley, Research Division - Research Associate***

Sure. So maybe final question on the AUM for the non-P2P products. I think we have flagged fund share of CNY 57 million there. What's the economics on the price? How many percentage we can take as revenue out of that?

Dennis Cong ***Yirendai Ltd. - CFO***

Xiao, do you want to answer the question? It's okay. I think right now, majority of the products were selling through on our online platform, third party financial products. We're taking revenue between 0.3%, 0.5% on an annual basis on these sales volumes. Even though the revenue is not significant, but it's actually on AUM basis and is a cross-sell for us, so it's upside in terms our revenue opportunity and also this is really helping us to build a more holistic customer wealth management service. And it's significant for us, a good business going forward as we see that more sticky and investor invest more of their investable assets onto our platform.

Operator

There's no more question at this time. (Operator Instructions) Your next question comes from the line of Daphne Poon.

Daphne Poon ***Citigroup Inc, Research Division - Associate***

This is Daphne from Citi. So I have a follow up about the take rate. So can you actually help to share the difference in terms of like the ATR and also the credit cost for the acquired business versus the original Yirendai business? And second is on the AUM number. So you mentioned earlier the AUM for Yiren Wealth is CNY 47 billion, but I also see in the Q1 result, there's a number on the AUM of investment, which is CNY 67 billion. So can you explain what's the difference between that? And also in terms of the strategy between the wealth management business and the P2P business, so which do you see as the key growth driver in the next, say, rest of the year and in the longer term? And what is the percentage of this wealth management business contribution in terms of revenue that you will be targeting next? So that's all my questions.

Ning Tang ***Yirendai Ltd. - Executive Chairman***

First, I'll talk a bit about our wealth management business strategy. Yes, basically, we are moving from single product to comprehensive wealth management based on asset allocation. So an investor, a mass affluent middle-class investor now can access a full suite of products on our wealth management platform. At the beginning, well, when we listed the company, there was only 1 investment opportunity which was P2P lending. But we purposefully targeted this mass affluent investor base, not focusing on longtail because we had the vision, we had the idea that eventually what this investor community people need is not single investment product opportunity, it's actually wealth management advisory work. So our vision is that we have already built this captive investor base mass affluent investors with a much higher per investor AUM than the industry. They actually have -- their wallet size is much bigger than what they have invested with us. So we are cross-selling insurance, mutual funds, bank investment products, so on. So in the future, an investor's portfolio should follow actually the asset allocation strategy. Very soon, we're going to announce our asset allocation strategy to this investor group, telling them how much of their portfolio should go to fixed income, how much go to like real liquid bank investment product, how much go into mid-term, long-term investment opportunities like fund solutions, like mutual fund solutions for their pension, retirement planning, for their kids education planning, so on, and how much go into insurance for their basic protection. This represents a RMB 100 trillion opportunity, 20 million more mass affluent investors in China and we have the lead in this opportunity because, one, through marketplace lending business development, we have already built this investor base, although in the past, it's mainly a funding source for the borrower side of business, but now it's becoming a wealth manager. Two, CreditEase has a wealth management business targeting high net worth, ultra high net worth investors. It's highly recognized as a leading wealth management business ranked by the Asian Banker and Asia Money as the bank the nonbank wealth manager. So we've accumulated a lot of knowledge, we've built a lot of expertise in wealth management, in asset allocation.

Of course, serving the middle-class mass affluent investors is very different from serving the high net worth in that we now, in serving mass affluent investors, more standard products like mutual funds, like bank investment products and so on. And also, we need to serve them digitally, cannot afford to do one-on-one like probably banking type of business. So in that sense, it's much more scalable, and we're going to cross-sell to this existing customer base, and in the future, we expect that bank investment products fund solutions for long-term investment like pension, like kids education, like objective-based investment as well as insurance all being like the high growth areas within our wealth management business. Of course, we're going to continue building our P2P lending fixed income part of the business. That's also a key like asset class for client, portfolio construction and asset allocation.

Dennis Cong ***Yirendai Ltd. - CFO***

Okay. Let me talk a little bit about on the take rate and the APR in terms of Yirendai and the acquired business. So if you look at, in our IR deck, we actually showed the unit economic comparison between Yirendai standalone business in 2018 versus the combined 2018 number as well as the 2019 Q1 numbers. You can think -- you can look at the revenue take rate after the consolidation, it's about 2 percentage points higher than historical Yirendai average. So if you remember, the Yirendai loan pricing is lending somewhere between high 20s to mid-30s APR range. You can think about it because the combined business is about 2 or 3 percentage higher, if you think of it that way.

In terms of the credit performance of the acquired asset, if you look at our vintage curves or the table that we showed on yearly vintages, if you remember the number for the 2015, 2016, you will probably clearly see a drop, decrease in terms of the vintage charge-off. So that probably gives you a pretty good direction in terms of the asset performance, in general.

And then, Daphne, I want to clarify, so that your question, the next question is regarding the discrepancy between the AUM of investment, which is CNY 67 billion, versus the remaining principal of performing loans, which is CNY 63 billion. That's your question, right?

Daphne Poon ***Citigroup Inc, Research Division - Associate***

No, actually I'm referring to the -- so you're first managing the AUM of Yiren Wealth which is CNY 47 billion. And then...

Dennis Cong ***Yirendai Ltd. - CFO***

Got it.

Daphne Poon ***Citigroup Inc, Research Division - Associate***

And there's another number, it's called AUM of investment, which is CNY 67 billion. So what's the difference between that?

Dennis Cong ***Yirendai Ltd. - CFO***

Yes, we still have some third-party channels of individual investors providing a funding source for our loan business. So that's what the business between that individual AUM versus the overall AUM, yes.

Daphne Poon ***Citigroup Inc, Research Division - Associate***

Okay. Actually, I just want to follow up more on the wealth management business strategy. So it seems to me that this wealth management or product distribution businesses actually facing very keen competition from banks or from brokers. And I guess one of your close peers (inaudible), they're also going into the similar direction, adjusting from a P2P into more comprehensive wealth manager. So can you highlight to us like a few points in terms of what you see as your key competitive advantage compared to this peer?

Ning Tang ***Yirendai Ltd. - Executive Chairman***

Sure. And I'll start, and Xiao, please, yes, add to it. And actually, if you look at China's wealth management industry, it's very early stage, yes, in that investors don't have a good idea about asset allocation, don't have a good idea about long-term investment. They are rather short term and very used to fixed income type of products, guaranteed return. So the whole industry, the whole market is going through profound change, moving from fixed income mainly to equity more than fixed income, from domestic RMB-only to global portfolio construction, including 2D type of products, express type of products, like Hong Kong, Shanghai Express, so on; yes, moving from short-term speculation to long-term investment, long-term holding; from single product centric to portfolio construction asset allocation. So these are very profound changes happening right now in China wealth management industry. In the past, many, many players do this product manufacturing or product distribution kind of business, but what investors really need is a trusted adviser, trusted guide helping them construct the portfolio first leading them to the right asset classes and the right products. So from this point of view, we have a lead in the market.

Also, it matters a lot which investor segment you serve. We are not in the business of serving longtail small, small investors. These investors don't have asset allocation wealth management need. They want to buy some simple investment products. So we are talking about really wealthy people, but not that wealthy, but these people having like USD 100,000 to USD 1 million. They have just enough money to think about wealth management, goal-based investment, long-term holdings for pension retirement planning, so on, and they don't have good help from wealth managers. So this is our positioning, this is our edge because we've been focusing on attracting this segment of investors.

If you compare our per-investor AUM, that's much higher than industry norm. Yes, Dennis mentioned, it's over RMB 140,000. Industry average is well below RMB 50,000. Some leading players have about this RMB 50,000 per investor AUM, yes, and many other platforms have even much smaller investor base, yes. So that's a very key differentiation point.

Second, these investors have already built trust with us after many years of working with us, so it's not a new relationship, it's a trusted relationship, already many years long. And now we serve them with other things they also need. So it's very kind of like a low acquisition cost, high trust kind of ballgame. So that's very different from like just going out, acquiring like new customers, yes.

And another point is that CreditEase has a leading position in serving high net worth, ultra high net worth investors. In order to get there, we need to be very good at investment like asset allocation expertise. We need to be really global, yes, because investors look for global portfolio, not just the China products, RMB products. And we are also like very technology-oriented. Yes, we work with our mass affluent investors digitally, yes, compared with like players in the market. They still do this face-to-face, like our branch level kind of acquisition, or yes, not very technology savvy. I think these are the differentiation points, yes, I see for our wealth management business.

Operator

There's no more question at this time. (Operator Instructions) Okay, since there's no more question, I'll hand back the conference over to our speaker today. Please continue.

Lydia Yu ***Yirendai Ltd. - IR Manager***

Thanks, everyone, for joining the call. This concludes our first quarter conference call. Thank you.

Ning Tang ***Yirendai Ltd. - Executive Chairman***

Thank you.

Dennis Cong ***Yirendai Ltd. - CFO***

Thanks.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.
