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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Yirendai Fourth Quarter and Full Year 2017 Earnings Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today, Thursday, 15th of March 2018.

I would now like to hand the conference over to your first speaker today, Director of IR, Matthew Li. Thank you. Please go ahead.

Li Hui - *Yirendai Ltd. - Director of IR*

Thank you, and welcome to Yirendai's Fourth Quarter and Full Year 2017 Earnings Conference Call. Today's call features presentations by our CEO, Ms. Yihan Fang; and our CFO, Mr. Dennis Cong. Mr. Cao Yang, our COO and CTO; and Ms. Joanne Liu, our VP of Finance, will join the presenters in the Q&A session.

Before beginning, we would like to remind you that discussions during this call today contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and factors that may 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 statements, except as required under applicable law.

During this call, we will be referring to several non-GAAP financial measures as 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 these non-GAAP measures and reconciliation to GAAP measures, please refer to our earnings press release.

With that, I will turn the call over to our CEO. Yihan, please begin.

Yihan Fang - *Yirendai Ltd. - CEO*

Thanks, Matthew, and thank you all for joining the call today. 2017 was a tremendous year for Yirendai. We have delivered outstanding results. In lending, for the full year 2017, our loan origination volume increased by 102% from prior year to RMB 41.4 billion. And as of the end of 2017, we had cumulatively served 1.1 million qualified borrowers. This year, we launched key partnerships with top Internet giant, PICC Insurance Company, as well as a few of the leading banking institutions in China. In wealth management, as of December 31, 2017, we had cumulatively served 1.3 million investors, and total AUM reached a new high of RMB 42 billion. In our technology platform business, we established partnerships with 40 industry stakeholders on technology with management and customer acquisition.

In 2017, we expanded our corporate strategy from online lending to 3 business lines: one, online lending platform, Yirendai; two, online wealth management platform, Yiren Wealth; and three, the technology-enabling platform, YEP. These are the roadmaps that have been set for all 3 business lines. In 2017, we also continued to grow our team with top talents to help move our business to the next level.

China's financial industry is going through an important transition period right now. The tightening of industry regulations has caused a short-term fluctuation of credit performance across the industry. However, as industry consolidation accelerates, with many noncompliant players exiting the market and with the new nationwide personal credit information system underway, we believe that in the long run, the financial industry will be able to develop and grow with high quality and at a healthy rate. As the regulatory environment evolves, Yirendai is well positioned to continue to lead the market. The demand for consumer credit remains strong in China with a large percentage of the market still untapped. With our leading risk management product, data technology and partnership capabilities, coupled with our strong brand positioning, we are well positioned to benefit from these macro changes.

In addition, we have and will continue to remain in close communication with the regulatory bodies to ensure our full compliance and that we will be fully prepared for the upcoming registration process.

Going into 2018, our strategy is very clear. First, continue to grow our online lending business through developing new partnerships and enhancing product development while continuing to improve operational efficiency. We will also focus on building more comprehensive relationships and increasing customer stickiness by offering more diversified products as well as offering other financial services and tools to meet our customers' various -- varying needs at each stage of their lives. Second, Yiren Wealth will be a top priority for us this year. We aim to provide the best long-term wealth management solutions and services to online mass affluent investors. Our goal this year is to acquire new and grow more existing investors into wealth management clients. Third, we are seeing a high demand from our partners for YEP so we'll vigorously grow our platform business. We expect to form many new partnerships and deals in 2018.

With these strategies in place and the effective execution, we're confident to continue growing our business sustainably and to further solidify our leading position in China's fintech industry.

I'll now hand the call over to our CFO, Dennis, to discuss our Q4 and full year 2017 financial results.

Yu Cong - *Yirendai Ltd. - CFO*

Thanks, Yihan. Hello, everyone. Before I start with our financial results, I'd like to make some comments on the market environment and implication to our business. On a macro level, we see a prudent deleveraging process in China with an aim of containing systematic financial risks by controlling credit growth in both corporate and consumer segments, which will result in a healthy and more sustainable long-term consumer credit cycle, given continuous household saving growth, backed by an overall stable economic environment.

Coupled with recent tightened regulation policy towards online lending industry, we expect the industry to enter into a consolidation stage with more rationalized growth rate, thus, open up the opportunity for leading platform to gain market share and extend the leadership position. It is industry consensus that institutional funding will be tight and costs will rise in 2018. However, we have been receiving increasing inbound inquiries from institution partners to collaborate with us given our advanced technology capability and superior asset quality, which we hope to leverage to diversify our funding source and maintain our funding cost advantage.

On the wealth management front, we see overall deceleration of the fixed income asset growth as a result of tightened financial regulation. Such could provide significant opportunities for us. First, this could make our high-quality consumer loan products more attractive to retail investors; and second, generate strong demand for our newly introduced equity-linked investment product service as we ramp up our Yiren Wealth platform. We see 2018 as a year of industry consolidation with many opportunities ahead of us, and we'll continue to exercise our prudent risk management practice to drive long-term sustainable growth.

Now on to our financial update. I will only focus on key highlights of our business operation and financial performance, and you can refer the detailed financial results to our earnings release and IR deck that is now online.

We're pleased to conclude 2017 with yet another strong quarter. We again outperformed industry with more than 100% year-over-year loan origination growth in 2017, comparing to the industry outstanding loan balance growth of 50% from the previous year. We have also been consistently ranked #1 by wangdaizhijia.com in their online lending platform development index in 2017.

On to our credit business. We continue to make strong progress in expanding our volume growth through online channels, driven by the optimization of our online customer acquisition efficiency through deep collaboration with leading online traffic platforms such as Baidu and Tencent, as we have accumulated close to 55 million registered users and serving more than 800,000 current borrowers online. We have also successfully introduced various new products to build the expanded coverage of our diversified product portfolio. Our loan products based on insurance policy and Housing Provident Fund continue to gain traction from high quality borrowers, which resulted in about CNY 800 million sales volume during the quarter. In addition, our new product based on China's social security data, which was launched in Q4, is also gaining traction and expected to expand to wider geographic coverage. Repeat customer have also become significant contribution to our business. In Q4 2017, about 9% of our borrowers were repeat borrowers with the Top-up loans products.

Next, in wealth management, we continue to execute our strategy to build Yiren Wealth into a leading online wealth management platform in China. Our annualized yield to investors remain stable at around 8%, with average tenure close to 10 months. Average AUM per investor has increased to CNY 144,000 as we continue to successfully upgrade our investor base to reach mass affluent population.

Our Yiren Wealth app DAU has reached 600,000 by end of quarter. In Q4 2017, we cross-sold CNY 38 million of insurance and fund products to our existing platform investors to address their diversified investment needs. As of the end of 2017, there were about 130,000 investors who have opened e-wallet account with total AUM reached CNY 355 million. As an important KYC and client service customization tool, we launched our intelligent wealth management system, [Yiren] , which was developed by our in-house engineers based on AI technology. Yiren can provide investors with customized asset allocation plans based on their unique characteristics, including amount of investor assets, liquidity requirements, risk tolerance, risk preference and life stage.

Our new technology enabling platform business, which is conducted through the Yirendai Enabling Platform, continue to grow sturdy, with customers coming from both fintech platforms as well as traditional financial institutions, such as bank. As of the end of 2017, we had established cooperation with 40 industry stakeholders on data collection, anti-fraud and customer acquisition. In 2017, we generated approximately CNY 95 million of revenue through YEP.

As to our risk performance, over the past few months, we noted that recent tightening of industry regulation have resulted in a short-term volatility of borrower credit performance across the industry. Yirendai was marginally impacted as we saw our delinquency rates slightly rising in December. Our 15 to 29 days delinquency rates, as of December 31, 2017, increased to 0.8% as compared to 0.5% as of September 30, 2017. In response, our team reacted immediately by tightening our credit policy while enforcing stronger measure of collection.

In addition, we also conservatively increased our provision for the Quality Assurance Program from 8% to 8.5% of loans facilitated during the quarter as well as accrued an additional contingent liability of CNY 61 million for historical loans to ensure that it's sufficient to cover any potential volatility in recent credit performance of our asset portfolio as well as to provide credit buffer as we further grow our business volume from online channels.

We believe this credit risk volatility is likely short term and expect the risk performance to return to normal as we exercise our risk policy adjustment and strengthen collection measures, and we have already seen early indication of improvement. Of course, at the same time, we'll continue to strengthen our anti-fraud and credit underwriting capabilities as we further grow our business.

Given our strong earnings growth and healthy cash position, the Board of Directors has approved a semi-annual dividend of CNY 0.93 per ordinary share or CNY 1.86 per ADS, equivalent to approximately 15% of the company's second half 2017 net income after tax, which is expected to be paid on May 15, 2018, to holders of company's ordinary share of record as of the close of business April 30, 2018.

Before I give out our 2018 Q1 guidance, I would like to highlight one significant accounting policy change. As required by U.S. GAAP, effective January 1, 2018, we will adopt a new revenue recognition policy, ASC 606, which will mainly impact the recognition revenue from our loan products with monthly fee collection schedule. Previously, we only recognize revenue from monthly fees when cash is collected. Under ASC 606, we'll be accruing and recognizing a significant portion of revenue upfront, irregardless of the fee collection schedule, which we believe will better align our revenue and expenses and provide better reflection of our operating results. We're currently performing assessment on the revenue recognition of our business under ASC 606 to assess the detailed financial impact.

In line with most Chinese ADR companies' earnings release practice, we'll be providing our guidance on quarterly basis going forward. With that, let me go over our guidance for the first quarter of 2018.

Based on new volume originated past January 1, 2018, we expect the loan origination volume to be in the range of CNY 11 billion to CNY 11.2 billion; total net revenue to be in the range of CNY 1.53 billion to CNY 1.57 billion; and adjusted EBITDA to be in the range of CNY 430 million to CNY 450 million.

We would like to make an extra note. These above guidance does not include the earnings contribution from deferred revenue of the loans originated pre-2018, which could add meaningful earnings to the quarterly results, as we continue to assess the effective non-GAAP reporting metrics to represent the impact of this business.

Even we're not giving 2018 full year guidance, our target of reaching CNY 100 billion new loan origination by year 2020 and long-term EBITDA margin of mid-20% should give you a good indication of our near- to mid-term growth projection.

That concludes my remarks. I'd now like to turn the call back to operator for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Richard Xu from Morgan Stanley.

Ran Xu - *Morgan Stanley, Research Division - MD*

I just have 2 quick questions. One, I just -- I guess, given the regulatory environment, we are hearing a lot of the, I guess, platforms are somewhat exiting or less active. So how does that impact, I guess, your costs, client acquisition costs, on the online front? Are you seeing any changes on that front? And any potential moderation? Also, any update on, I guess, your cooperation with some of the large VATs on the acquisition front -- more targeted client acquisition front? Second question is on the cooperation with PICC. Given the announced merger of CBRC and CIRC, do you foresee any potential policies that will probably make you -- make further changes on this credit insurance?

Yang Cao - *Yirendai Ltd. - COO and CTO*

Richard, this is Yang, and I'll take your first question regarding acquisition costs. And so in the -- we do see a slight uptick on the acquisition costs on -- in Q4, mostly due to our approach on credit underwriting and reduced approval rates. But on the market -- overall market side, we -- potentially, we'll see a stabilizing of the acquisition costs and even potentially lower because during -- after those regulatory compliance process, a few major players, we believe, will see an advantage in the market and especially, the one who can acquire and convert customer better with the technology will have a very strong position. And so we do see this stabilizing and potentially going to go lower in the acquisition costs.

Ran Xu - *Morgan Stanley, Research Division - MD*

Right. To follow up, we're not seeing that yet, right? Because the regulation came out several months ago, we're already in March, are we seeing any of that trend? Or we're probably expecting that to happen?

Yang Cao - *Yirendai Ltd. - COO and CTO*

Yes. We are still going through the regulatory process. So we're not seeing that yet.

Yu Cong - *Yirendai Ltd. - CFO*

Yes, Richard, this is Dennis. I also want to add a little bit to that. I think -- of course, I think the overall environment with more platform exiting the industry, we will see a better market opportunity ahead of us. But also on the other note, our customer base are rather unique. We're a prime population. So sometimes we're more focused on our own customer segmentation and less volatilities given what the industry consolidation is happening. I think that's one thing I want to add. And of course, with our foreseeable registration completion with the regulation, we will be standing out in terms of working with the large Internet platforms that there have been very stringent in terms of licensing -- working with the licensing compliance parties. In terms of the PICC, we see the overall regulation environment actually very healthy for us because before, when you have CBRC and CIRC, sometimes there's confusions on what insurance company do and what bank can do. I think when they are combined together, actually you probably have 1 single decision-making process for the business to go through to conduct the reasonable business model. I think it will be quite beneficial as we have the preliminary discussion with our partners.

Operator

Your next question comes from the line of Alice Li from Credit Suisse.

Alice Li

I have 2 questions. The first one is that we found out from Wangdaizhijia and some industry data that the average investment return on P2P platforms has been increasing. So have you seen the intensified competition in the funding side under the tightened liquidity condition? Also, how will this affect your wealth management business? My second question is that we see the -- on a Q-on-Q the -- we see strong Q-on-Q loan volume growth in each quarter in 2017, but your first quarter 2018 guidance implies around 15% of loan volume Q-on-Q decline. So what are the main reasons for the slowdown because we -- or previously, we have not -- is this purely because of the seasonality or because of your caution during this credit crunch?

Yihan Fang - *Yirendai Ltd. - CEO*

First question, Alice. So yes, the overall regulatory tone now is definitely less leveraging and more tightening, not only for the Internet finance industry, overall. So we actually see, we think, in 2018, the cost of funds would be higher, not -- at least not lower for the entire industry. The good thing is that Yirendai has built good brands, and our yield to investors actually remain the same as of now. And going forward, actually, we have the PICC partnership with that. It's more guaranteed. Our clients will feel much safer with this kind of a partnership. So we actually expect we offer like lower -- even lower yield to our investor clients and still, we think they'll feel very safe and trusting us with lower yield. But we do think the entire industry will face a bigger challenge this year in terms of acquiring funding, yes.

Yu Cong - *Yirendai Ltd. - CFO*

And I think to follow up on Yihan's comment, of course, we're also expanding to the institutional funding sources. The partnership with PICC is a significant advantage we have that will easily smooth out the arrangement or working process with institutional fundings and bring a lot of credibility to our platform. And also, even though I think some of other P2P platform has been raising their yield, we do not see any impact to our platform and I think we're pretty confident in terms of brand quality and consumer trust on us. And as for the impact to our overall new wealth management business, I think as we mentioned before, we see a lack of fixed income assets in the market. We believe our asset quality is superior, will be attractive, and also at the same time, it's a great time when the market is shifting from guaranteed fixed income type of assets into more equity-driven wealth management products that fits very well into our strategy of providing a holistic personalized asset allocation service to our wealth management business. So it's a perfect timing for us as well. In terms of the quarter-over-quarter growth rate, in 2018 Q1, I think there's a couple of things. Even with quarter-over-quarter down quarter, on a year-over-year basis, our 2018 Q1 volume is growing around 55%. So that's a very respectable year-over-year growth after 100% year-over-year growth in 2017. Of course, the first quarter is always a slow season given the February shutdown. And also, indeed, we have taken a little bit conservative approach in the first quarter as we see slightly volatilities in the early delinquencies of our asset performance. We've been tightening certain credit policies and certain channels to make sure we're not impacted, even though, as we have been stated, our customer segmentation are superior and relatively less impacted by the recent industry volatilities.

Operator

Your next question comes from the line of Daphne Poon from Citigroup.

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

So I've got 3 questions here. So first is regarding the delinquency rate trend. So we do see on the online loan quite a meaningful pick up in the delinquency rates in 4Q. But you also mentioned that you have seen some early sign of improvement. So looking into the provisioning ratio, do you expect that to stay at above 5% in the coming quarters? Or when will you expect it to more likely to come back to 8%? And also, what is your loan approval rate now versus before? And the second question is regarding your partnership with CreditEase. So we know that the contract of borrower referral is going to expire by the end of this year, so just wondering what will be the plan going forward, like whether you will continue the contract or just consider moving 100% online? And lastly is about the P2P registration timeline. So I'm just wondering, do you have any update in that regarding the registration progress? I guess initially, the government gave other timeline as the first batch of registration will come out in April. But recently, we hear there may be some delays on that. So any update regarding the timing of the application and eventually getting the registration will be great.

Yihan Fang - *Yirendai Ltd. - CEO*

Actually, this is Yihan. Thank you, Daphne. I will answer your third question, which probably is the simplest, first. Yes, there is no, like, clear timeline for now. I think originally, the deadline was, I think, the registration process was to end -- finished by the end of June, but there's a possibility it will be postponed. We don't have a clear timeline yet. And I think in Beijing, if not in batches, it's more like each individual platform, whichever one is at top the process, they will be registered. So there's no, like, first batch, yes.

Yu Cong - *Yirendai Ltd. - CFO*

Okay. Now onto the delinquency and the provision question. I think if you look at our Q4 8.5% provision ratio and plus the CNY 61 million contingent liability, you'll come with about 9% quality assurance provision. That's where we're looking near term. The reason being, actually there's quite a movement in terms of the asset performance and uncertainties. A couple of reasons, let me elaborate. First, February is a slow season, and usually Q1 is -- just because the growth rates slow down, tempering close rate, usually you see delinquency rate goes up, that's one of the reason. And then also, we do see collection efforts that's being delayed due to holiday season and also our team has been approached by other competitors that have certain impacts. Of course, we're building our team and strengthen our overall collection measurements to counteract to that. And then in terms of the risk variation due to the industry consolidation, we're still monitoring that. And as we mentioned that we see early indication of significant movement that give us a very good confidence that this will be rather short term. So given all these, we believe probably 9% is a range that we're looking at right now, and we're taking important data points by end of March, given our strength in collection measures, our early indication of our credit policy changes, to see how our overall asset performance growth change. Then we probably will give you a more clear guidance in terms of 2018. And also, as you rightly point out, our online delinquency tends to be slightly higher. That has been the case historically, and we're making our product adjustment and credit policy adjustments to bring the online risk in line with our overall portfolio expectation. But it may take slightly time for us to adjust to that. And given our strong earnings profile and unique economics, we believe we do have room to adjust the provision, at the same time, maintain a good risk performance that we can also continue to support our growth trajectory for our online business. And also, our operating leverage has been playing out so we have many room for possibilities to support our mid-20% EBITDA margins going forward. In terms of our collaboration with the business from offline referrals from CreditEase, I think we've stated later last year, as our online customer acquisition improvement significantly -- our customer acquisition of our online channels has been coming close to 6% or even below, so with that, with the strategy of Yirendai being a pure online platform, our business, our management strategy was to focus on online channels, grow our business through online operation. And in terms of the offline referrals, I think will be deemphasized going forward. I hope that answers your question.

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

Yes. Just a follow-up on the delinquency rate. You mentioned that the loan collection efforts that has -- like, there's been some competition, like, from other players. Can you elaborate a little bit more on that? And also, just to confirm on the delinquency ratio you see in March so far, is it still rising -- like, rising less? Or has it been coming down month to date?

Yu Cong - *Yirendai Ltd. - CFO*

Yes, so we rely on CreditEase collection team. They're the market leader in China. So that's not surprising, given CreditEase, I think they always had been approached by others. So I think it's more of competitors hiring our people away, but we think we have built a very strong organization and culture and we have a very systematic way of training our collection teams. And so we're, right now, back into our normal capacity and actually strengthening more in terms of collection for Yirendai. So I think that was the competition aspect. In terms of the risk performance, yes, we clearly see the indication of improvement by early March, but we're also having a couple of things we will see the impact as we go into the later part of March or early April, a couple of key efforts in collection, a couple of key efforts in the risk policy adjustment. So we expect to see more data coming out and we're quite comfortable.

Operator

Your next question comes from the line of Han Pu from CICC.

Han Pu - *China International Capital Corporation Limited, Research Division - Associate*

I have a quick question about the regulatory APR card. We want to know how would the regulatory APR card imply -- impact our revenue take rate to the loan value? Actually, we see an increase of the take rate in the guidance in the first quarter of 2018.

Yu Cong - *Yirendai Ltd. - CFO*

Sure. I think we have done certain adjustments to our pricing in February 1 -- in February, early February, we've done some pricing adjustments to our products to be in compliance with the regulation environment or guidance. And that actually has a very limited impact to our revenue take rate. As you probably have seen in our historical financial disclosure, our APRs have been on the volume-adjusted average level is around 33%, and there are certain products has a little bit higher APRs. We just need to move down, trimming down a few percentage points from those products. And then the overall volume-adjusted APR really doesn't really change too much, from our perspective, in terms of revenue take rate. As for 2018 Q1 guidance of revenue take rate, it's a little bit complicated with contribution from both product mix, online, offline mix, channel mix as well as the revenue recognition policy changes. So I think for 2018 Q1, you're probably looking somewhere around 14% -- between 14% to 15% revenue take rate. That's actually not too different from historically the revenue take rate that we have. Probably history had been 12% to 13%. Yes, I think it's actually relatively stable even though there is this revenue recognition change, yes.

Operator

Your next question comes from the line of Bo Pang from China Renaissance.

Bo Pang - *China Renaissance Securities (US) Inc., Research Division - VP*

I just have one here on the Quality Assurance Program. So I understand that we're phasing out QAP over time. So just how should we think about the schedule and road map of replacing QAP with the third-party insurer and guarantor? How that change impact our economics since, I guess, we might need to pay a little bit higher premium now? So any way we can benefit out of the change? For example, maybe the third-party insurers could help us open a door to get more capital from the bank institutions with a more favorable term.

Joanne Liu

It's Joanne. So I'll take this question. So in terms of a transfer, the QAP program to a third-party guarantor, we have made very good progress with partnership with PICC. So PICC, it's not only for we can -- we're -- and we're planning to decrease the investor yield to our individual investors, but also, it open up the door of cooperating with the top banks in China. So the model will be PICC bear the credit risk and provide a guarantee to the bank, and we are the loan facilitator to provide online customer operation and with the first-line risk management service. So yes, as we mentioned, it will significantly lower down our funding costs from the institution partners.

Yu Cong - *Yirendai Ltd. - CFO*

Yes. And in terms of timing, also, I think a method, I think certain portion of the loans will go through PICC, and there's also certain other loans that could go to a guarantee company, a financing guarantee company arrangement. And all these will be online and then ready for the regulation compliance evaluation process. So we're already in place. And in terms of the incremental channel cost, as Joanne mentioned, is very minimum. And then given our regulation and PICC [branding], we actually expect the funding cost to be able to come down, especially, I think with PICC will help to build a channel to work with institutional fundings that will actually provide even more cost saving from a funding side, so actually see near- to mid-term neutral or even lower overall cost from these arrangement changes, yes.

Operator

Your next question comes from the line of Tian Hou from T.H. Capital.

Tianxiao Hou - *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

Just want to ask about this institution funding side. So PICC is the starting point, is a pretty good starting point. So I wonder, in your pipelines, are there any other institution, financial institutions are going to be developed as your partner? That's number one. Number two, as a founding partner, what's the arrangement, financial or economic arrangement? Do you give them a particular fixed fees? Or what kind of arrangement? And also, what's kind of the scale of the capital they are available to provide to you? So that's on the institution funding side. Also, on the approving rate side, so as the policy change is tightening, you guys are also tightening your approval rate. So what can be the ongoing approval rate in 2018? That's my 2 questions.

Yu Cong - *Yirendai Ltd. - CFO*

Okay, so I will take that. So in terms of institutional funding partner, I think the unique partnership with PICC will bring us a lot of sources because PICC has a lot of -- some partner relationships, and then they would like to work with them. The arrangement is rather simple because our loans are guaranteed by PICC, so the bank feel comfortable to invest in those loans with certain expected returns. And these returns can be rather competitive in the market, or what were the initial discussions with some of the partners, we see that it's below the expected return that -- if we were to work directly with the bank. So I think that's the beneficial of the PICC relationships and also the bank institution's trust of PICC and us. And in terms of the scale of the institutions' fundings, internally, we have made a rule of working with banks that we need minimum line of credit from each bank because there is a strong demand from the bank partnership to us, but we can't work with everybody. So we would require at least CNY 1 billion line of credit from each partners if we were to work with them together. So as you probably have seen that we have signed some bank partnership very early on, but it's taking a while for us to do that. I think it's a couple of reasons. One is that our retail investors has all been very strong. It's been our focus. And second is that we're a bit selective in terms of working with bank partners. And of course, in 2018, we see the PICC relationship is a significant entry point for us to get into the -- an institutional funding source that diversify our liquidity risk as well as helping us to manage our costs and also will provide more room for our retail investor base to do asset allocation to invest into non-P2P assets. That's also aligned well with our overall strategy. I think on approval rate, I think near term, we probably see a little bit coming down approval rate, but we expect this to back up to normal after we adjust our credit policies because I think we're testing our risk policies into different channels, different products. For channel and products, we do not believe there's risk. We're actually going to expand and increase the effort of marketing for those channels. So I think it's not one direction. It's actually more optimization process. So we do not expect the approval rate to deviate significantly from what we have been trending for or targeting for.

Tianxiao Hou - *T.H. Capital, LLC - Founder, CEO & Senior Analyst*

So I do have a follow-up question. So you mentioned the new business, which is the -- one of new business is asset management. Would you please elaborate a little bit? So are you going to issue some funds and to bring investor into the fund and investing as -- like a private fund or something like that? So how's the private wealth management is going to work?

Yihan Fang - *Yirendai Ltd. - CEO*

This is Yihan. I'll take this question. Actually, our new business is online wealth management platform, focusing on mass affluent investors in China. So there is -- I would say there's asset management flavor in the wealth management business. In some sense, the Yirendai P2P asset is the asset we manage on this platform, but we -- our goal is actually to offer more diversified asset allocation solutions, including our own asset as well as other things. For example, now the majority is public funds as well as insurance online, yes. And in the future, we might also include some other, for example, CreditEase asset, management asset in the future. But currently, our goal is really to build our wealth management capability and attract a lot of wealth management clients. (inaudible) the other tools or revenue from the fund, if we have a big AUM, for example, for the funds and a lot of [insurance] to sell, we can make money from those. We also -- we're also developing some tools for like KYC and the personalized wealth management solutions. One of them is called the Yiri. It's more artificial-intelligence-backed personalized asset allocation recommendation, and is -- our app already is in the testing stage.

Yang Cao - *Yirendai Ltd. - COO and CTO*

Okay. I just want to add to what Yihan said. By the way, this is Cao Yang. So the reason we see we have advantage for doing wealth management is we do have a very large retailing investor base, and we have a very [good] very trust relationship with them. And so by -- [we add sales] by adding some very data-driven tools like Yiri and also using their past behavior data with us, we can give them a very personalized recommendation for other wealth management products, including funds and also insurance, give them the best recommendation for their life stage and also their need. So that's what the -- we think we have a good head start on wealth management. Also, we are aggressively acquiring new wealth management customers. So when they come to our platform, they already have a good understanding of what we offer and also can take our recommendation pretty easily. So that's what we're going to do on wealth management side.

Yu Cong - *Yirendai Ltd. - CFO*

Yes. I actually want to add more to this because I think wealth management is really a key business initiative to us. I think we are actually very differentiated in terms of online wealth management platform. If you look at other existing platforms, they're more taking a supermarket approach, selling everything to everybody, but as Yihan and Yang mentioned, we're actually doing customized, personalized asset allocation strategy to serve our retail consumers. That's actually a very unique business model. And if we're able to do it well online with technology, I think it's a huge opportunity ahead of us.

Operator

Your next question comes from the line of Ryan Roberts from MCM Partners.

Ryan Clifford Roberts - *MCM Asia Limited, Research Division - Senior Research Analyst*

I just had a couple. The first one is kind of a follow-up on an earlier question in the call kind of on the delinquency rate, like kind of a little bump up. Actually, want to get some more color, if I could, in terms of maybe product wise, if there's any kind of a change there or alternatively, any kind of -- maybe where borrowers are coming from or maybe even cohorts kind of color on the step-up in delinquency and on the back of that, just kind of what kind of tightening or what kind of changes you're making to your risk model to account for that kind of going forward. I have another follow-up after that.

Yu Cong - *Yirendai Ltd. - CFO*

Yes. So I think in terms of products, we do see certain difference from the data sources in terms of risk performance. I think if we have more specific data that are more correlated to the salary income, the risk is -- tend to be much better. So that's one direction we're going to take to have more credit policy tilted towards the income of the borrowers so that prevent these multi-platform borrowing customers who are actually borrowing from other platforms to obtain loans. So that's kind of obvious, but we're seeing that. In terms of vintages, it's actually quite interesting. It's -- across -- it's a very small percentage, but we don't see in terms of vintage differences. I think that also is very reasonable, basically, because I think for every vintages, you have a very small population of users who may have to rely on other borrowings from. But that also speaks to the overall collection impacts as well as the seasonality of this lower loan growth that move the -- it usually curves up. So I guess, that's what we observe from our delinquency data. And the action we're taking is to provide or try to figure out more risk policies to figure out the income level of the borrowers, so we feel more comfortable with their credit performance.

Ryan Clifford Roberts - *MCM Asia Limited, Research Division - Senior Research Analyst*

That's pretty helpful. And just kind of maybe one kind of switching gears to the kind of the product side -- kind of [your guys'] new business side rather, so just switching gears to that. In terms of the cross-sell of the different kind of products that you're trying to develop, you mentioned a second ago -- I think Yihan mentioned a second ago about the asset management and kind of some of the growth initiatives you're trying to do there. I'm just kind of curious how that strategy is kind of going to unfold with respect to, again, selling kind of a different set of products. And just maybe a side question. Is that all going to be internally developed on the product side? Or are we going to white label some of that? Or I think you mentioned you don't want to head to the supermarket kind of approach. I'm just kind of curious about the product sourcing a little bit. But also, more to the sales side, how you're going to make that transition, that cross-sell, be very helpful.

Yihan Fang - *Yirendai Ltd. - CEO*

Yes. The product besides the fixed income [QP] asset from Yirendai currently are mostly publicly available, but we select them carefully. For example, mutual funds, money market funds, ETF as well as the insurance offered by great financial companies, we will -- the reason we think we can sell is that, first, we want to focus on mass affluent population, a couple of things: One, they are underserved by banks. They do not -- they are not qualified like, for example, trust products from private banking or other like private banking, wealth management services. Secondly, there is a lot mass affluent people in China. We think there are like 30 million mass affluent individuals in China; and thirdly, we want to focus on them by providing tailored solutions. And there will be some solutions potentially white labeled by us. For example, we're launching robo adviser end of Q2 and will be a white labeled solution partnering with CreditEase on robo adviser, and we think it will be suitable for our mass affluent investors. So we actually build a good customer base and brand name, and we have the capability of acquiring and converting customers online, so we think we can sell. And this is brand new. We think this is like online lending 3 to 5 years ago in China. It's a great opportunity, and we think we can grab the market and win over there.

Ryan Clifford Roberts - *MCM Asia Limited, Research Division - Senior Research Analyst*

That's helpful. Just really one quick if I could follow up on that real quick. So the differentiation, given most of the products are publicly available, the differentiation versus kind of -- I guess, there are a couple of other competitors kind of doing this. Differentiation is really kind of the recommendation I presume. It sounds like you're going to use some, obviously, AI and I think, mentioned before behavioral data in terms of, let's say, risk appetite and that kind of thing to make the best targeted recommendation to shorten the length between product display and product purchase. Is that right?

Yihan Fang - *Yirendai Ltd. - CEO*

Yes, we want to sell asset allocation based on each individual personalized asset allocation solution.

Yang Cao - *Yirendai Ltd. - COO and CTO*

Yes. I just want to add on that and -- so you already said it's really we tend (inaudible) -- I mentioned we actually see our advantage as, first, we have a large client base and also, we see we can acquire the client and extend those client base. And that's one. Second one is we do have ability to sell based on their needs and their investable assets and also their life stage. And if I look at personal -- I mentioned personalized selling and at the right time. So that's what the -- we -- I know we can do it online. So that's what we already see some positive development, and we hope to scale and grow this business here. And behind this are data and technology and use various algorithm to match the customers with the right financial product. That's what we think we will have advantage here.

Operator

Your next question comes from the line of Alex Ye from UBS.

Alex Ye

Just a quick question on the funding from institution partners. I just want to confirm that I recall in the December there's a regulation saying that financial institution and funding from financial institutions are not allowed to be involved in P2P lending. So just want to quickly confirm is this still the case. Are they, in fact, our partner -- our potential partnership with banks and other financial institutions?

Joanne Liu

It's Joanne. So yes, as -- well, as you mentioned, in December last year, there was a regulation that [delivered] about the detailed model of loan facilitation. So it's not allowed to match the institutions with individual borrowers on the P2P platform. But the loan facilitations of it is it's not -- is allowed but in a new model. So it requires the financial institutions to take credit risk, and they have to do their business -- they have to do -- they cannot outsource the risk management. They have to reserve enough provisions on the balance on the portfolio. On the other hand, if the banks want to take a third-party guarantor, the guarantor has to be a licensed -- or a licensed entity. So there are really just the 2 types of entities that can provide third-party guarantee service to banks: One is insurance company, and the other is financial guarantee companies. So that's exactly why we -- when we transfer the QAP model to third-party guarantor model, we partner with either insurance company or the financial guarantee company. So in the cooperation with banks, it's not P2P business. It's actually more of tech knowledge outsourcing business. So we provide technology service to both PICC -- or insurance company or the banks, and the banks will -- or the insurance company will be the decision-maker of whether to issue the loan or not. So it's a different business model. It's more of a loan facilitation model and different from the P2P.

Yang Cao - *Yirendai Ltd. - COO and CTO*

Yes. I just want to add on that, from our borrowers' perspective, even with, call it, institution funding and from the -- as Joanne said, from the banks and insurance company, we bring risk management and data and also sometimes customer acquisition to them. So it's more like we are their tech and risk technology providers from their perspective. So the revenue model also will reflect that.

Operator

Your next question comes from the line of Daphne Poon from Citigroup.

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

Just a real quick follow-up on the wealth management side. So I'm wondering what will be the difference for our wealth management platform versus CreditEase business. Are they focusing more like on the higher-end, high net worth individual business? And will there be any, like, referral from CreditEase or cross-selling from them to expand our investor base?

Yihan Fang - *Yirendai Ltd. - CEO*

Yes. The CreditEase wealth management is focusing on high net worth individuals, and Yirendai, Yiren Wealth, is focusing on mass affluent online, so a different segmentation and a different product offering. But we expect cost referral from both ways. Yes, we think it will be a good, yes, synergy between the 2 parties.

Operator

Your next question comes from the line of [Frank Shi] from Nezu Asia.

Unidentified Analyst

So I just have 2 questions. The first one is kind of the detachment between the revenue growth and the earnings growth, which has been persisting in 2017, I think, partly because of the offline-to-online shift. So can you elaborate on how the accounting policy change is going to impact or potentially better align the income growth with the earnings growth? Because as you look in your first quarter guidance, EBITDA growth was still below revenue growth. Will we see a gradual catch-up going into the rest of the quarters? Or will there be more expense coming out that we should also expect? I guess, the second question is on your cooperation with PICC P&C as well. So I think you mentioned that for the other parts of the loans are currently not guaranteed by PICC P&C. What's the plan? Will there be any more development with PICC P&C regarding insuring more of the long-duration loans? And from the initial conversations with them, what's their attitude toward this type of business?

Yu Cong - *Yirendai Ltd. - CFO*

Okay, I can take the first one, and maybe Joanne can address the second question. I think, yes, actually, in 2017, there's clearly lag in terms of top line revenue growth versus the earning growth. I think that's just due to our historical very conservative cash-based revenue recognition accounting. And of course, that also means that there is a lot of deferred fees collected in the future that will drop to the bottom line that's supposed to enhance our earning power going forward. Into 2018, I think the ASC 606 is U.S. GAAP requirement, and then they actually provide a much better match in terms of our service providing and revenue recognition kind of at the same time versus our cost associated with providing this service. So I think that is a better unit economics representation of our business model going forward. So I think that will bring the top line growth as well as the earning more in sync. But as I mentioned in the guidance note, the -- there's significant amount of our deferred fees to be collected from the loans we originated before 2008. These fees will be collected on a monthly basis in the next 12 to 24 months, and these are actually revenue hasn't been recognized previously given our policy but now that will flow into our earnings. However, we are still in the process of figuring out what's the best non-GAAP way to present these earnings falling into our bottom lines. I guess, it's getting better in terms of revenue and earning growth match. And also, there is a piece of earnings that will come into our bottom line that is not in our Q1 2018 guidance yet, I mean, at least from the number perspectives.

Joanne Liu

Okay, so I'll talk about the PICC cooperation. So basically, in the future, we will have 2 models of our guarantee that's provided to our individual investors. One is through PICC, and currently, the partnership with PICC only covers the loan with tenor of 12 months, and we both have the intention in this year to expand the scope to cover the longer-tenor loans. And the third model -- the second model is to provide a limited guarantee protection through a financial guarantee company, and that coverage will be similar with the protection we'll provide in the QAP.

Operator

Ladies and gentlemen, there are no further questions at this time. That does conclude our conference for today. Thank you for participating. You may all disconnect.

Yu Cong - *Yirendai Ltd. - CFO*

Okay. Thank you. Bye.
