

# Investor Presentation

May 2021



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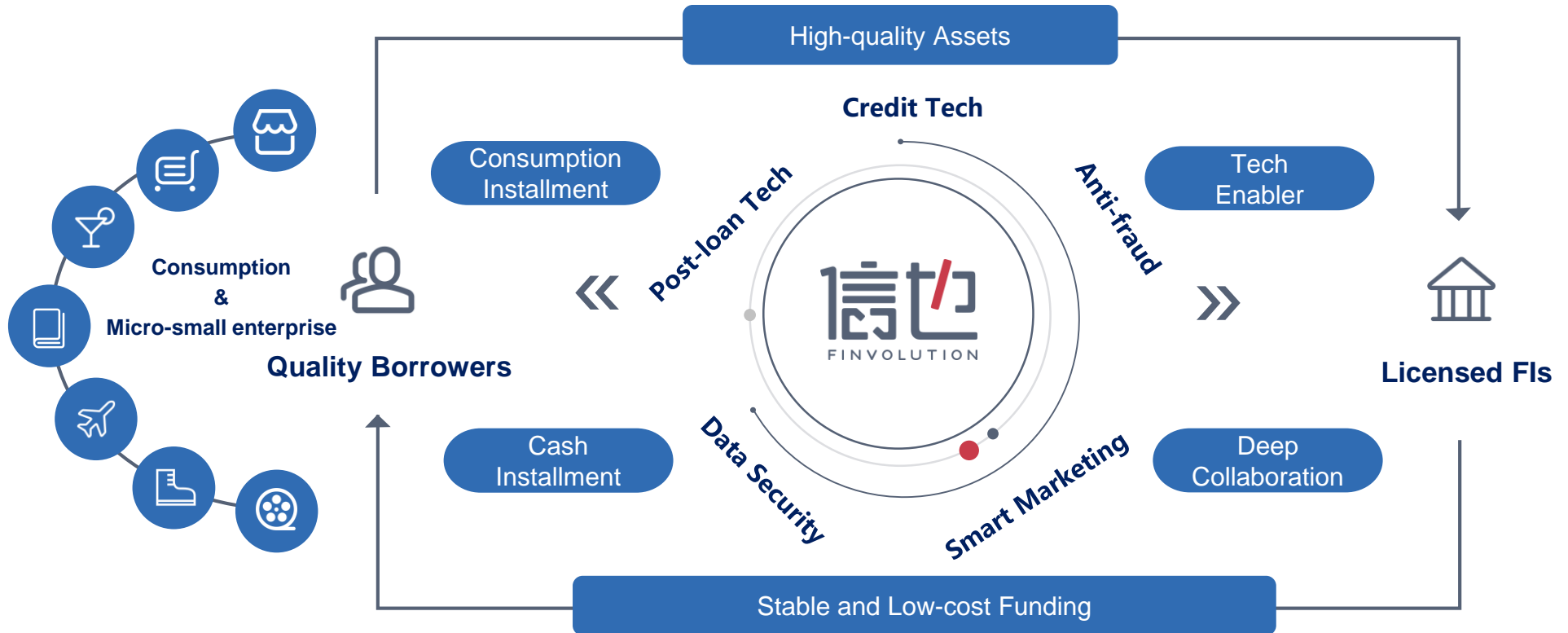
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A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a strong sense of height and scale. The sky is a deep blue with scattered white clouds. The overall color palette is dominated by blues and greys.

# Corporate overview

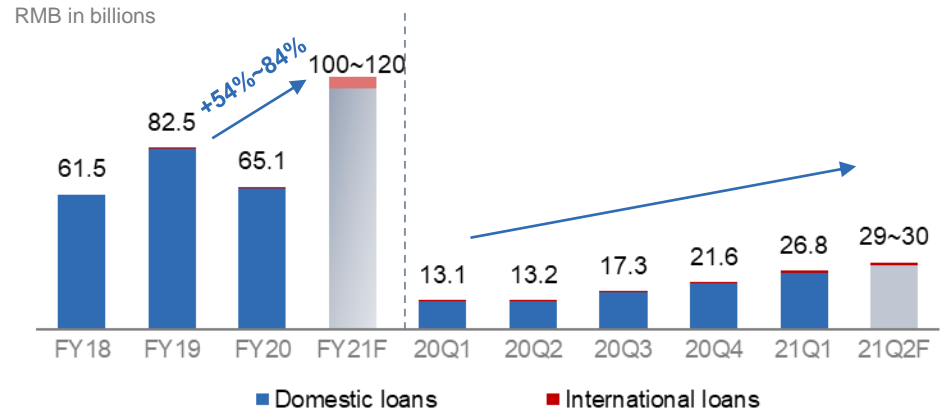
# We leverage technologies to empower the financial institutions by connecting them with quality borrowers



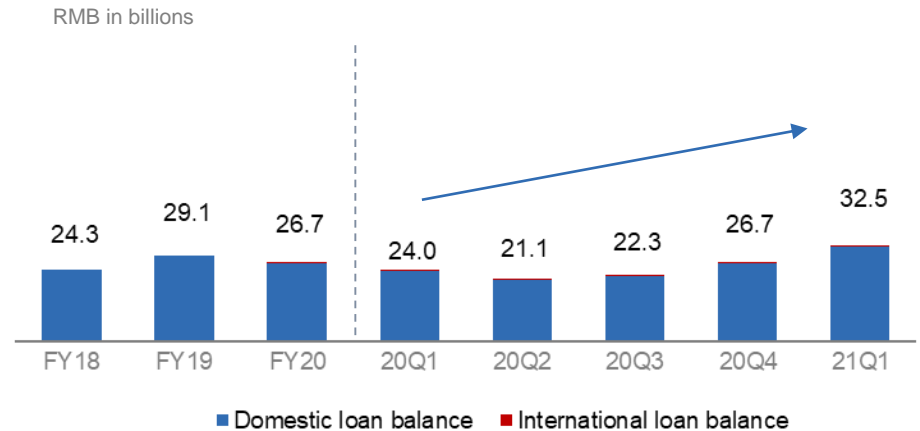
# Proven operating history enabled by technology

- 
**Digital platform with successful transition**  
 With improving funding cost and delinquency rates
- 
**High quality growth**  
 Through shifting towards better quality borrowers
- 
**13-year proven operating history**  
 Successful shift towards 100% Institutional funds<sup>(1)</sup>
- 
**Advanced proprietary technology**  
 Thousands of variables for credit assessment
- 
**Diversified business strategy**  
 Expansion into Southeast Asia

## Loan origination volume<sup>(2)</sup>



## Outstanding loan balance<sup>(3)</sup>



(1)The proportion of loans facilitated by institutional partners increased from 44.8% in 2Q19 to 100.0% in 4Q19 and beyond.

(2)Loan origination volume includes domestic and international business.

(3)Outstanding loan balance represents loan balance of all businesses at the end of each period.

# Key milestones



One of the largest P2P platforms in China

2007

- Founded in **July 2007**, one of the largest P2P platforms in China known as PPDAL.

2017

- In November, listed on NYSE(PPDF) .
- As of Sep 30, total cumulative origination volume reached **RMB75 bn.**
- As of Sep 30, total cumulative registered users reached **58mm.**

2018

- Started exiting P2P business.
- In July, entered into Strategic Agreement with Zhejiang University to Develop AI Research and Development Center.

2019

- Successfully transitioned to loan-facilitation business model.
- In November, strategically upgraded group name to FinVolution Group and proposed ticker symbol change from PPDF to FINV.
- In December, approved by PBOC to access Credit Reference Center.
- In December, invested in Haixia bank.
- In December, subsidiary received a P2P license from the Financial Services Authority of Indonesia.

2020

- In December, fully exited from P2P business.
- In December, **50+** cumulative financial institutional partners.
- In December, total cumulative origination volume reached **RMB300 bn.**
- In December, total cumulative registered users reached **116mm.**



**Successful strategical transformation :**

- Funding from individual investors to **licensed institutions.**
- Shift towards **better quality borrowers.**

# Massive and fast-growing opportunity

## Underserved consumer finance demand



### Domestic China

- Consumer credit-to-GDP at **13%** vs 20% in US<sup>(1)</sup>
- 46%** of adult population have credit records vs 81% in US<sup>(2)</sup>

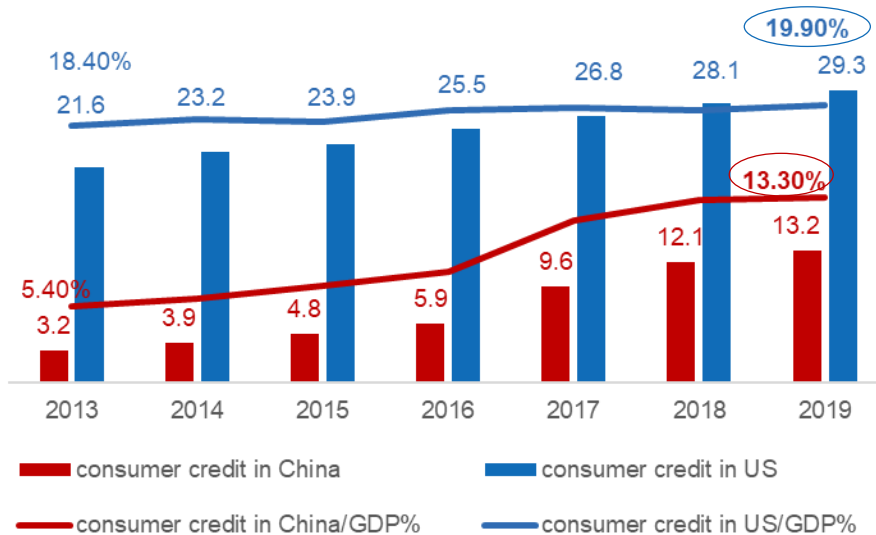


### International expansion

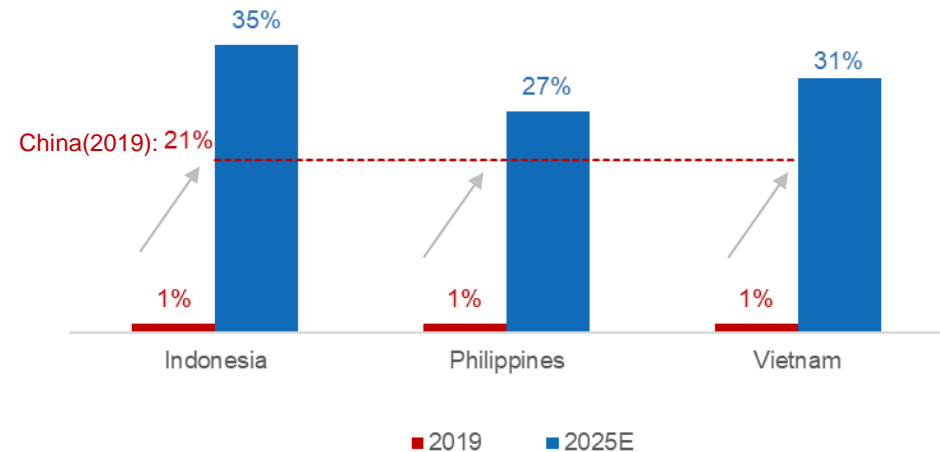
- Large population of **700mm** in SE Asia, of which **60%** are under 35
- 35%** smartphone penetration

## Consumer credit balance--- China vs US

RMB in trillions



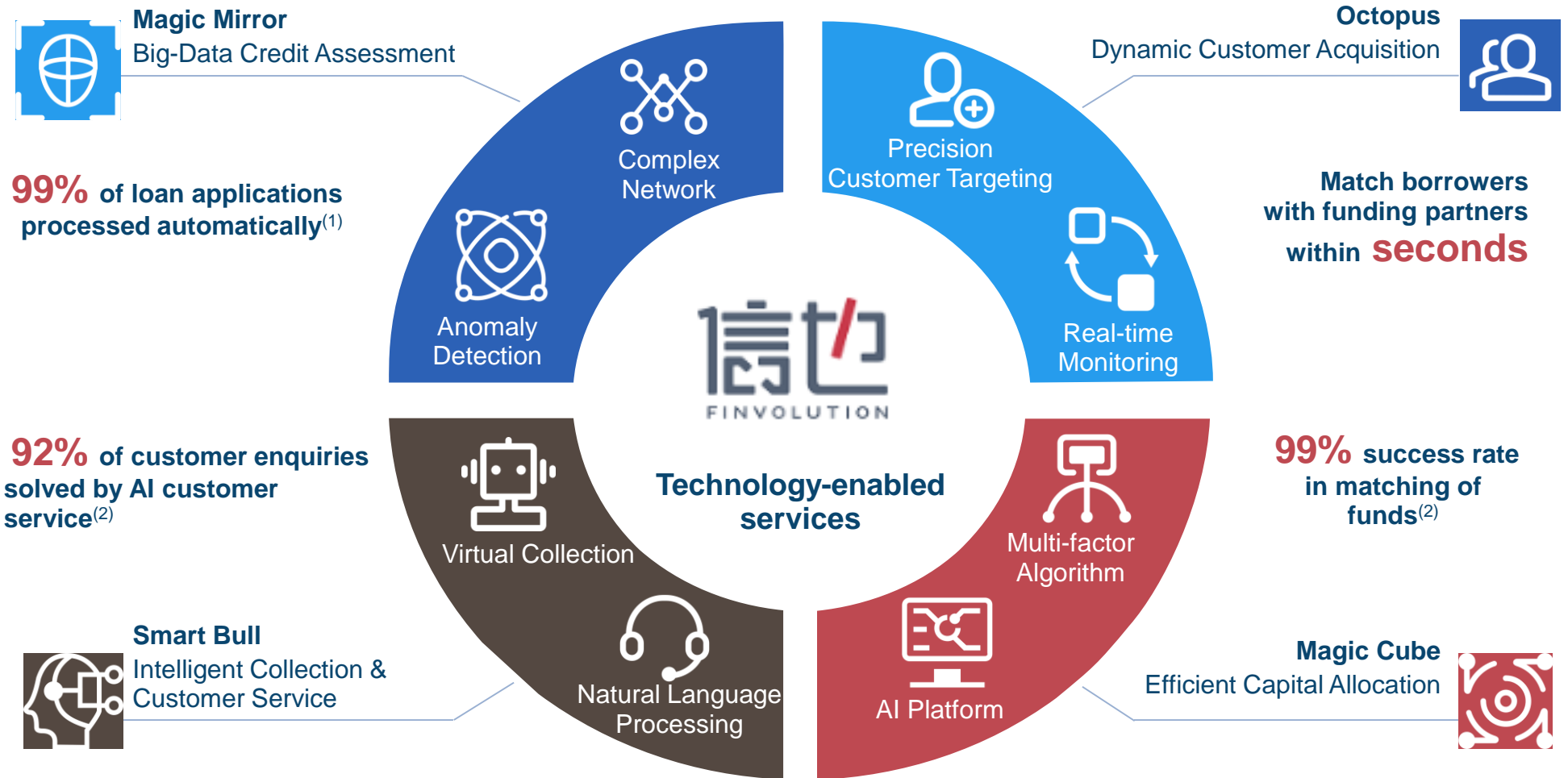
## Online consumer credit penetration % in SE Asia<sup>(3)</sup>



Sources:

- (1)Wind, National Statistics, PBOC, World Bank, Federal Reserve.
- (2)US: Consumer Financial Protection Bureau, May 2015; China: PBOC Credit Reference Center, 2017; FinVolution estimates.
- (3)including online cash loan and consumption loan

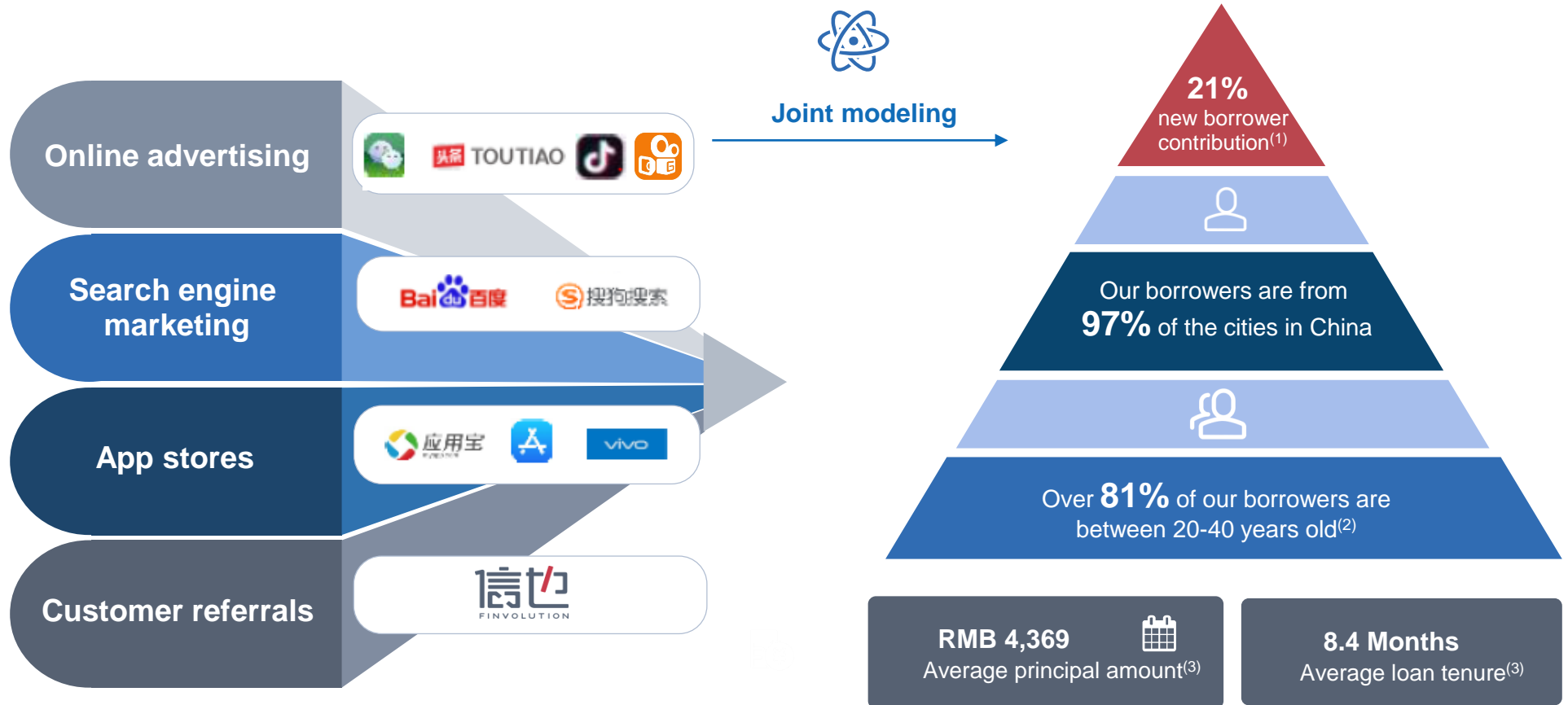
# We leverage our innovative technologies to empower financial institutions



(1) Source: Company filings  
(2) Data as of Mar 31, 2021



# Borrower acquisition through diverse online channels

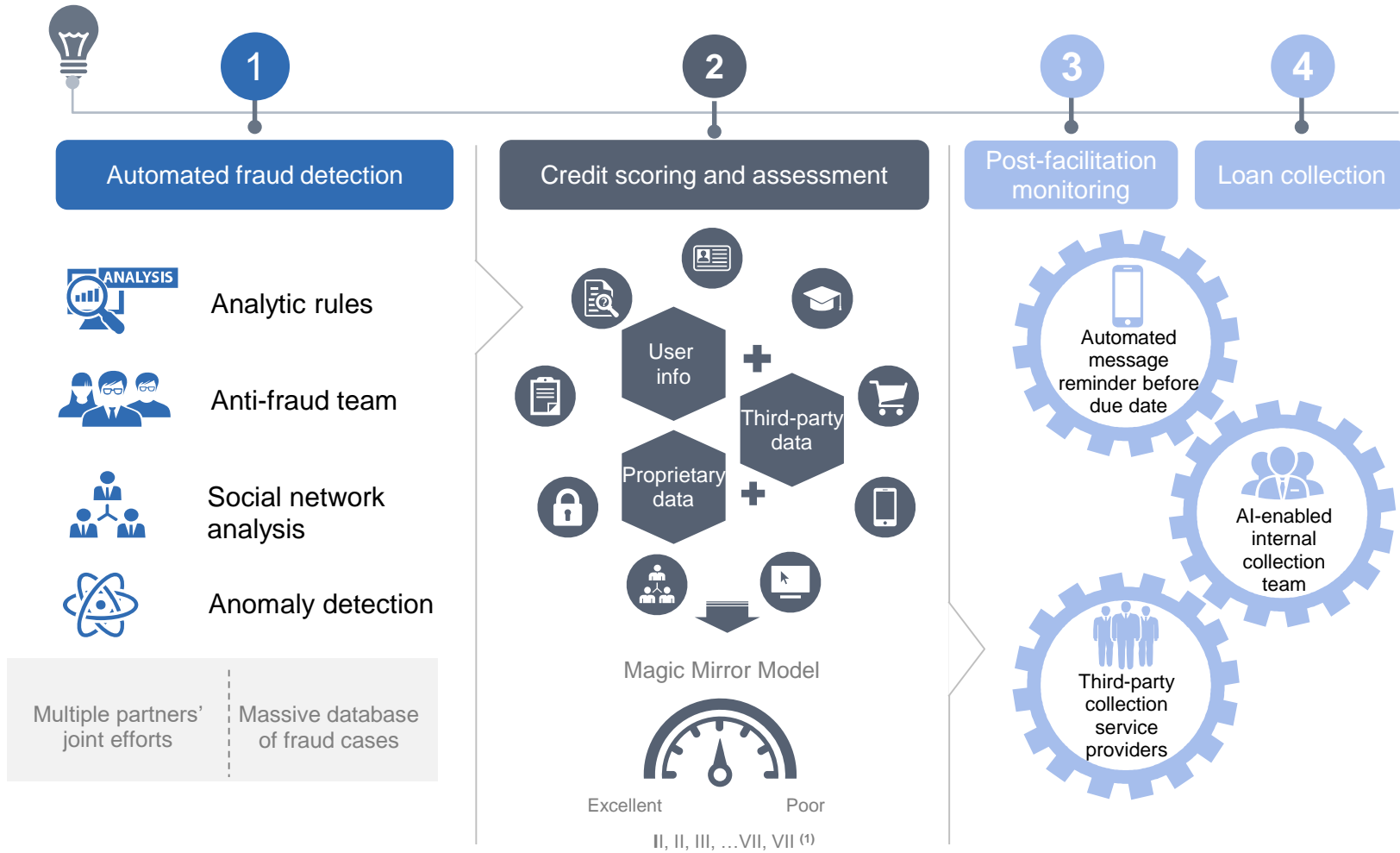


(1) % of loan volume generated by new borrowers. New borrowers are borrowers who have never successfully borrowed on our platform before in the three months ended Mar 31, 2021.

(2) Calculated based on borrowers in Mainland China whose loans were facilitated in the three months ended Mar 31, 2021.

(3) Calculated based on loans originated on our marketplace in Mainland China in the three months ended Mar 31, 2021.

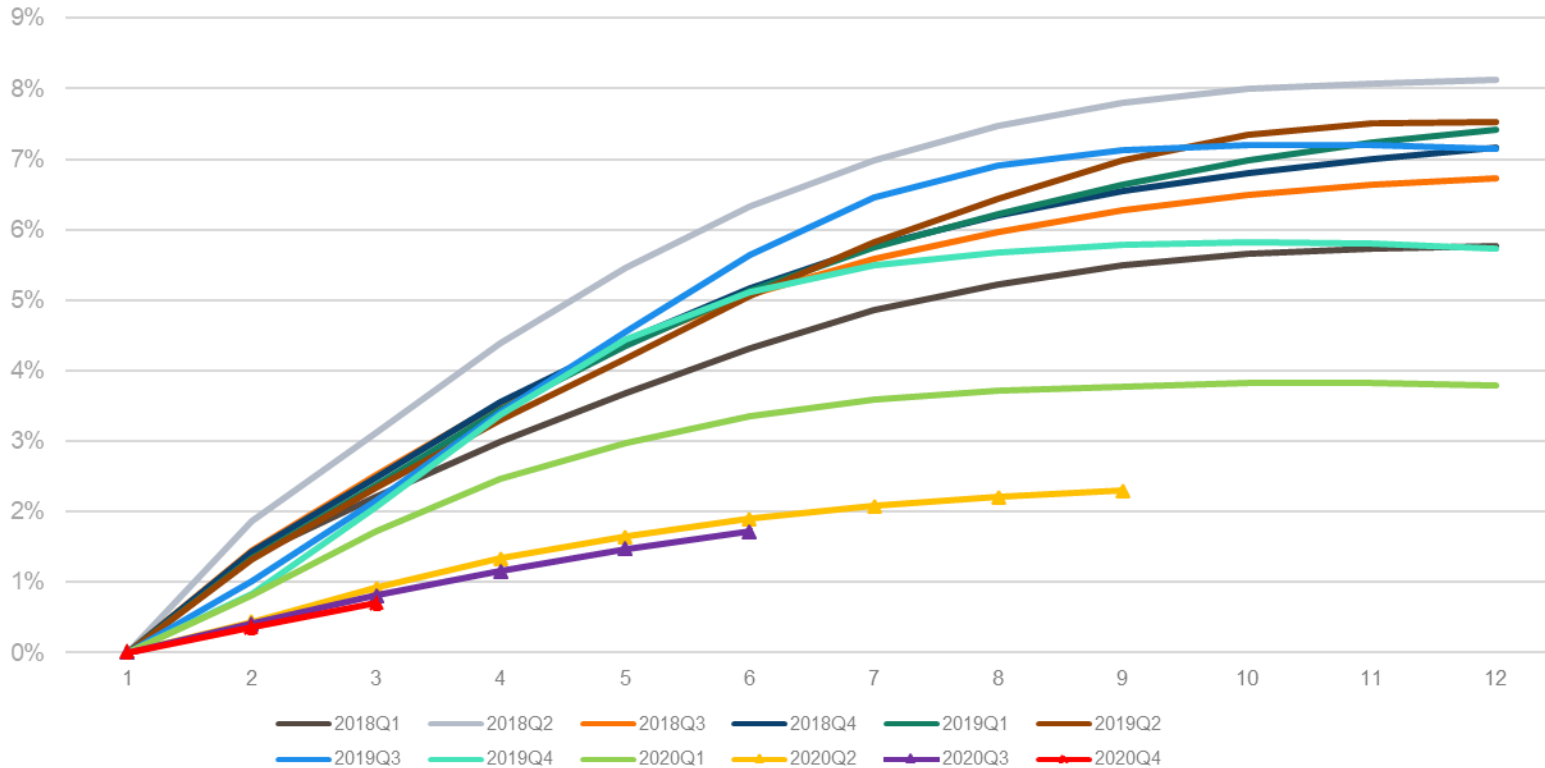
# Sophisticated risk management technologies and capabilities



(1) Loan applicants with credit rating of VIII will be rejected.

# Shift to better quality borrowers with improving delinquency rates

## Delinquency rates by vintage<sup>(1)</sup>



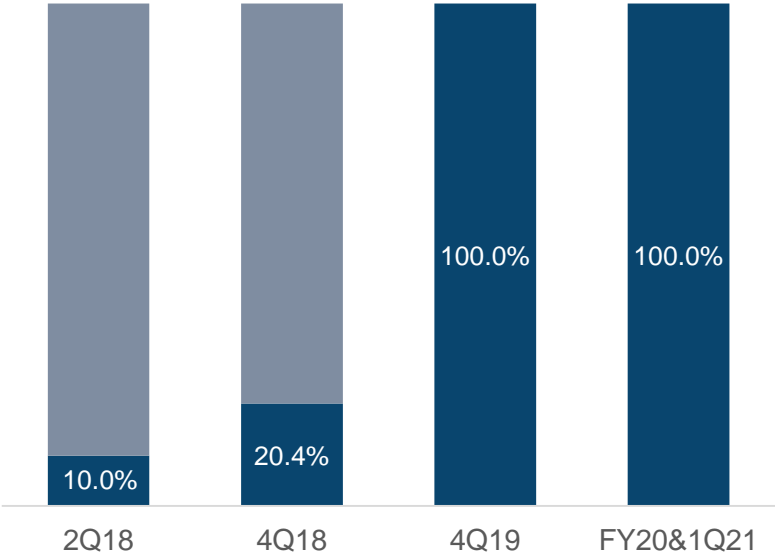
Note: Data as of Mar 31, 2021. Represents the historical cumulative 30-day plus past due delinquency rates by loan origination vintage for all loan products in Mainland China.

(1) Vintage is defined as loans facilitated during a specified time period. Delinquency rate by vintage is defined as (i) the total amount of principal for all loans in a vintage that become delinquent, less (ii) the total amount of recovered past due principal for all loans in the same vintage, and divided by (iii) the total amount of initial principal for all loans in such vintage.

# Successful business model transition

## Successful shift to institutional funding

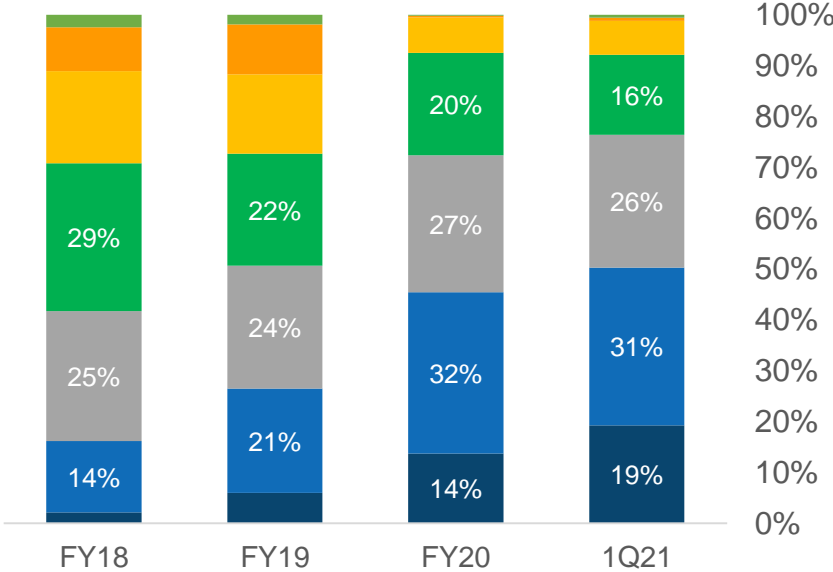
Loan volume % by funding sources



- Loans facilitated by individual investors as % of total loan volume
- Loans facilitated by institutional partners as % of total loan volume

## Shift towards better quality borrowers

Proportion of loan volume by credit rating<sup>(1)</sup>



- I ■ II ■ III ■ IV ■ V ■ VI ■ VII

(1) Credit rating refers to Magic Mirror scores, with Level I representing the lowest risk and Level VII the highest.

# Our digitalization strategies surrounding customers & product innovation

## 1) Digitalization in multiple aspects of our strategy

- Rapid growth in global customer acquisition
- Strengthening risk management capabilities
- Exploring other business concepts with different partners both domestically and internationally
- Empower a variety of businesses across multiple scenarios in different industries

## 2) Deepen relationships with customers & institutional partners

- Progressive loan origination volume growth in mainland, China
- Rapid loan origination volume growth in International market
- Rapid penetration into small business loans serving over **305 thousand** small business owners in Q1, 2021
- Introduced Baas Solutions to enhance institution partners strength

## 3) Consistent investment into research & development

- Enhance technologies capabilities
- Comprehensive innovative product lines

# Committed and professional management team



**GU Shaofeng**

Co-founder  
Chairman &  
Chief Innovation  
Officer



- Education:
  - Shanghai Jiao Tong University



**LI Tiezheng**

Co-founder  
Deputy Chairman  
& President



- Education:
  - Shanghai Jiao Tong University
  - China Europe International Business School



**HU Honghui**

Co-founder  
Advisor to the  
Company



- Education:
  - Shanghai Jiao Tong University
  - Fudan University



**ZHANG Jun**

Co-founder  
Advisor to the  
Company



- Education:
  - Shanghai Jiao Tong University



**ZHANG Feng**

Chief Executive  
Officer



- Education:
  - Tsinghua University
  - Duke University



**XU Jiayuan**

Chief Financial  
Officer



- Education:
  - Shanghai Jiao Tong University
  - China Europe International Business School



**WANG Yuxiang**

Chief Product  
Officer & Chief  
Technology officer



- Education:
  - Fudan University

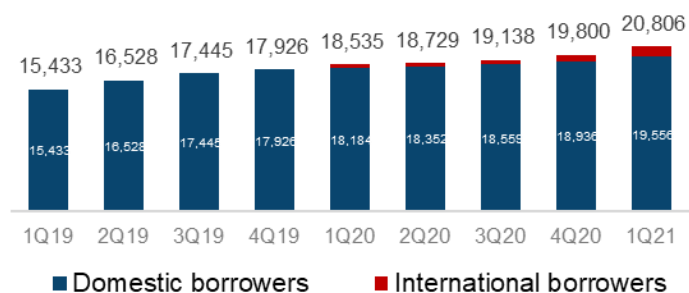
# Operation & Financial metrics



# Operating metrics

## Cumulative borrowers<sup>(1)</sup>

Thousands



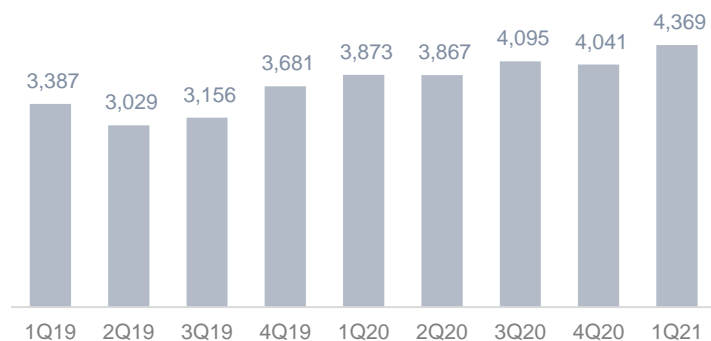
## Outstanding loan balance<sup>(2)</sup>

RMB in billions



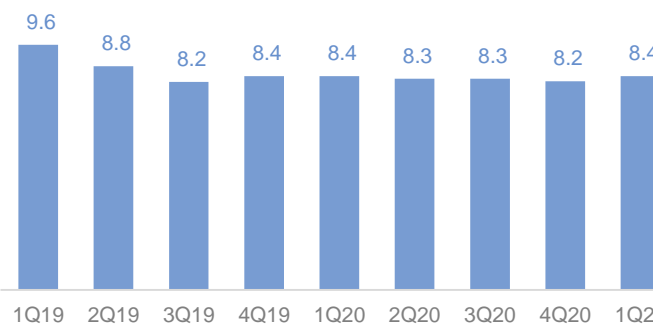
## Average principal amount<sup>(3)</sup>

RMB



## Average loan tenure<sup>(3)</sup>

Months



(1) Total number of borrowers whose loans were facilitated on our platform at least once.

(2) As of the end of each period.

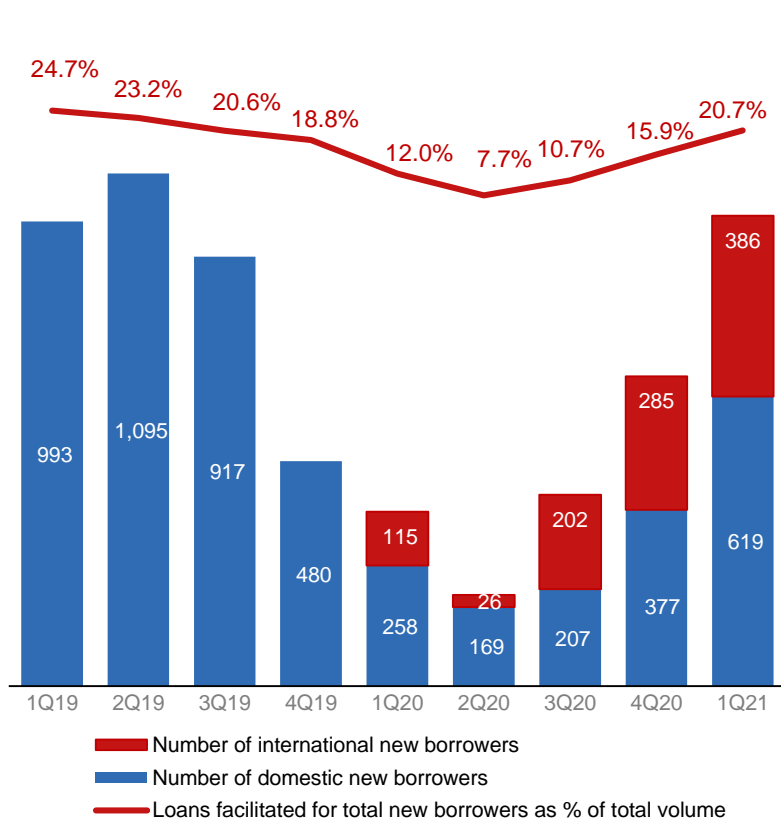
(3) Calculated based on loans originated on our platform during each period in Mainland China.



# Growing Loan origination volume with increasing new borrowers on the platform

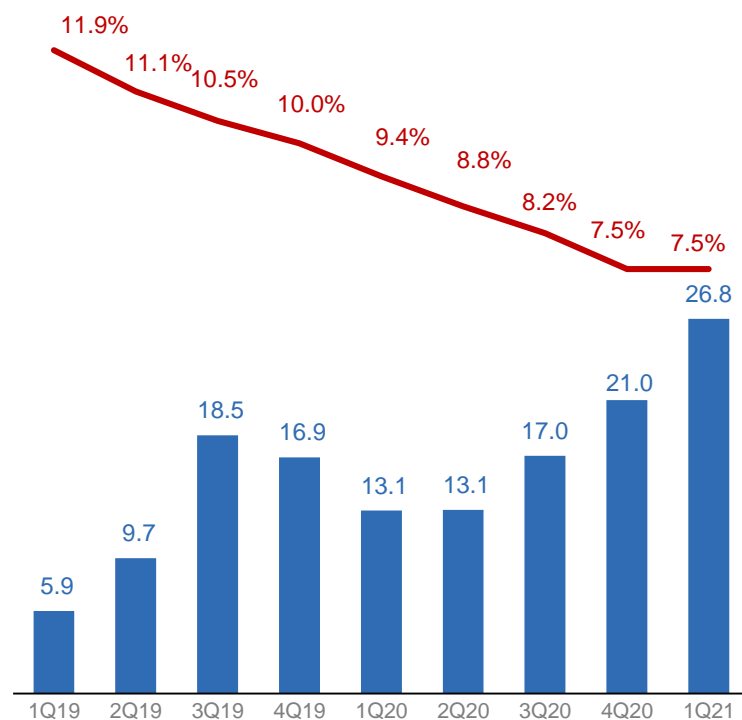
## Number of new borrowers (1)

Thousands Loans facilitated for total new borrowers as % of total volume(2)



## Loan volume funded by institutional partners

RMB in billions Cost of funds on the platform(3)

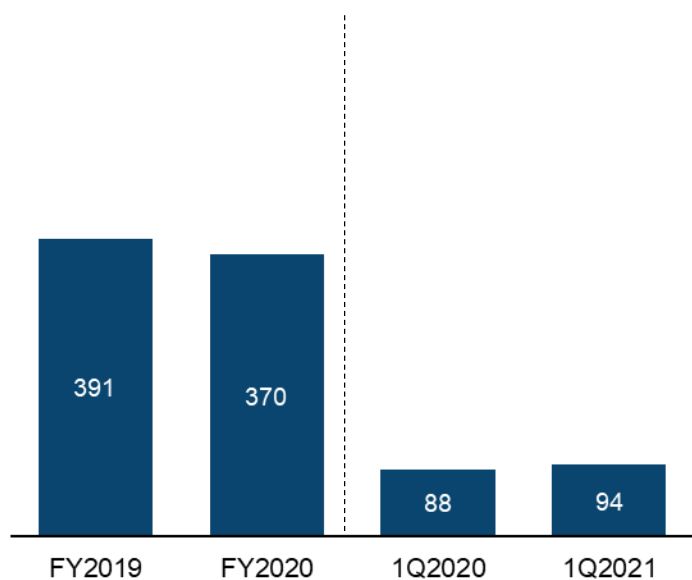


- (1) Total loan volume funded either by institutional partners and individual investors.  
 (2) New borrowers are those who have never successfully borrowed on our platform before each period.  
 (3) Comprehensive cost of funds for risk-bearing models including intermediary fees of off-balance sheet loans facilitated in mainland China.

# Increasing operating income with consistent R&D investment

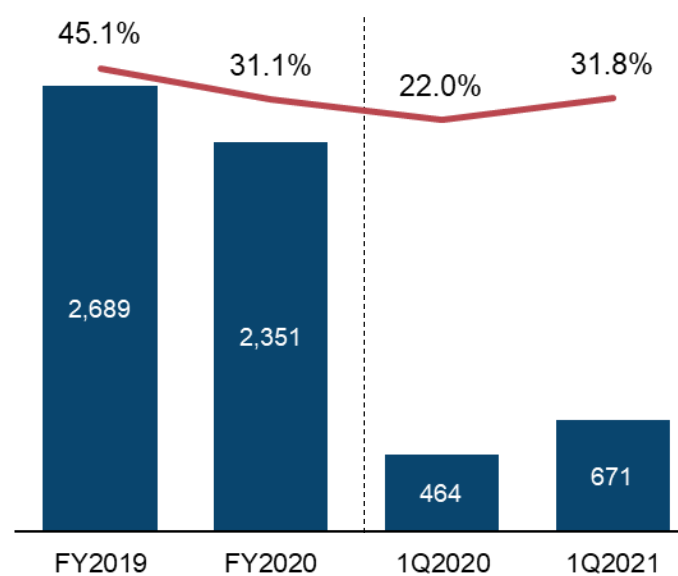
## R&D expenses

RMB in millions



## Non-GAAP adjusted operating income <sup>(1)</sup>

RMB in millions

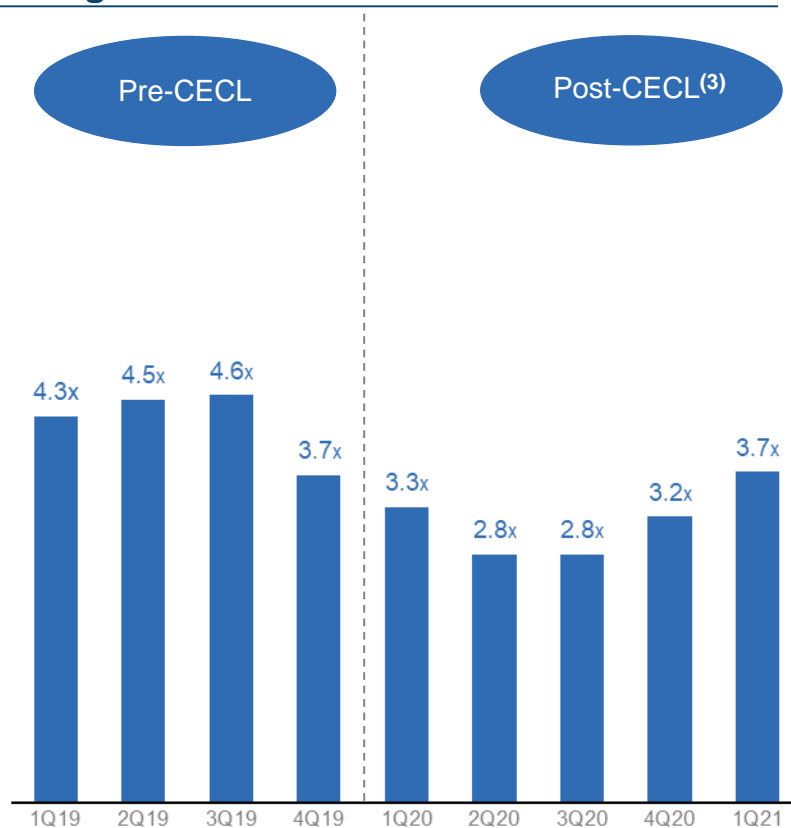


■ Non-GAAP adjusted operating income  
 — Non-GAAP adjusted operating income margin

(1) Non GAAP adjusted operating income for FY2019, which excludes share-based compensation expenses of RMB42.3 million.  
 -Non GAAP adjusted operating income for FY2020, which excludes share-based compensation expenses of RMB43.2 million.  
 -Non GAAP adjusted operating income for 1Q 2020, which excludes share-based compensation expenses of RMB8.0 million.  
 -Non GAAP adjusted operating income for 1Q 2021, which excludes share-based compensation expenses of RMB15.4 million.

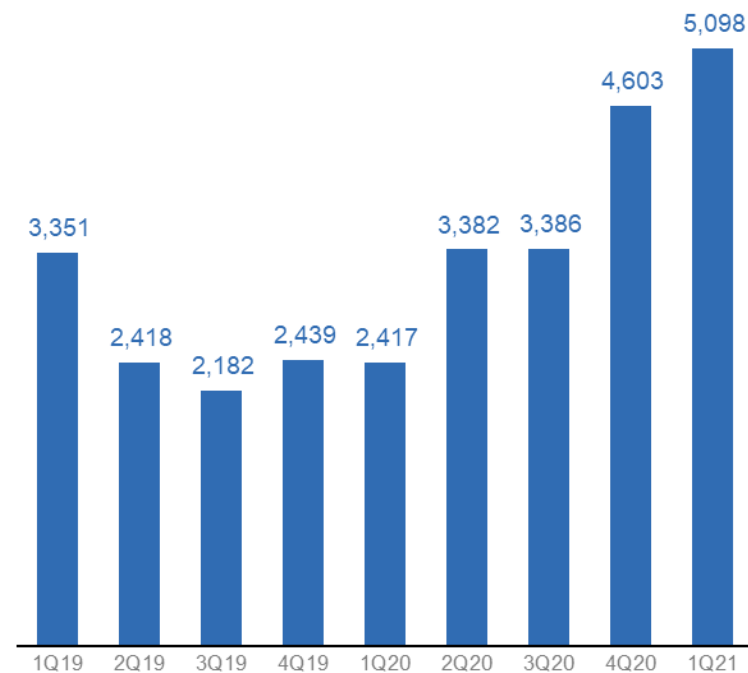
# Strong balance sheet

## Leverage ratio<sup>(1)</sup>



## Short-term liquidity<sup>(2)</sup>

RMB in millions



(1) Leverage ratio = Risk-bearing outstanding loan balance / net assets

(2) Short-term liquidity= Cash and cash equivalents + short-term investments. For illustrative purpose only.

(3) Effective January 1, 2020, FinVolution Group adopted the ASC 326, Measurement of Credit Losses on Financial Instruments or "CECL", using a modified retrospective method.

Source: Company data

## Value returned to shareholders

USD million	FY2018	FY2019	FY2020	1Q21	Cumulative Amount Since IPO*
Dividend per ADS (USD)	0.19	0.12	0.17	-	<b>0.48</b>
Shares repurchase amount	67.3	6.7	55.0	2.3	<b>131.3</b>
Total dividend amount	58.4	36.7	47.8	-	<b>142.9</b>
<b>Total value returned to shareholders</b>	<b>125.7</b>	<b>43.4</b>	<b>102.8</b>	<b>2.3</b>	<b>274.2</b>

\*Company IPO in Nov,2017. Figures as of Mar 31,2021.

# Consolidated statements of comprehensive income

Million	FY2019	FY2020	1Q2020	1Q2021	1Q2021
	RMB	RMB	RMB	RMB	USD
Loan facilitation service fees	3,311	1,909	375	762	116
Post-facilitation service fees	1,200	673	183	226	35
Net interest income	1,107	1,113	315	280	43
Other Revenue	345	482	84	185	28
Changes in expected discretionary payment to IRF investors	-	-	-	-	-
Guarantee income <sup>(1)</sup>	-	3,386	1,150	659	101
<b>Net revenue</b>	<b>5,963</b>	<b>7,563</b>	<b>2,106</b>	<b>2,113</b>	<b>322</b>
Origination and servicing expenses	(1,208)	(1,326)	(249)	(413)	(63)
Sales and marketing expenses	(720)	(483)	(91)	(334)	(51)
General and administrative expenses	(436)	(461)	(96)	(113)	(17)
Research and development expenses	(391)	(370)	(88)	(94)	(14)
Provision for loans receivable	(300)	(463)	(296)	(19)	(3)
Provision for accounts receivable	(262)	(145)	(33)	(40)	(6)
Credit losses for quality assurance commitment <sup>(1)</sup>	-	(2,008)	(797)	(445)	(68)
<b>Total operating expenses</b>	<b>(3,316)</b>	<b>(5,256)</b>	<b>(1,651)</b>	<b>(1,457)</b>	<b>(222)</b>
<b>Operating profit</b>	<b>2,646</b>	<b>2,308</b>	<b>456</b>	<b>656</b>	<b>101</b>
Gain from quality assurance fund	98	-	-	-	-
Realized gain (loss) from financial guarantee derivatives	31	-	-	-	-
Fair value change of financial guarantee derivatives	(56)	-	-	-	-
Other income, net	136	116	54	43	7
<b>Profit before income tax expenses</b>	<b>2,856</b>	<b>2,424</b>	<b>510</b>	<b>698</b>	<b>107</b>
Income tax expenses	(482)	(455)	(89)	(106)	(16)
<b>Net profit</b>	<b>2,375</b>	<b>1,969</b>	<b>420</b>	<b>593</b>	<b>90</b>

(1) Before the adoption of ASC 326 on January 1, 2020, gain or losses related to quality assurance commitments were recorded in one combined financial statement line item within other income. After the adoption of ASC 326, the guarantee income (i.e. the release of ASC 460 component of guarantee liability) was recorded as a separate financial statement line item within revenue and the credit losses for quality assurance commitments (i.e. the recognition of CECL losses) was recorded within expenses.

# Consolidated balance sheets

Million	As of Dec 31,	As of Dec 31,	As of Mar 31,	
	2019	2020	2021	
	RMB	RMB	RMB	USD
Cash and cash equivalents	2,325	2,632	2,560	391
Restricted cash	3,686	3,484	3,547	541
Short-term investments	115	1,971	2,539	387
Investments	953	951	989	151
Quality assurance receivable, net of credit loss allowance for quality assurance receivable	3,650	1,122	1,105	169
Intangible assets	64	99	99	15
Property, equipment and software, net	134	94	92	14
Loans receivable, net of credit loss allowance for loans receivable	4,808	2,355	1,343	205
Accounts receivable, net of credit loss allowance for accounts receivable	882	864	1,215	185
Deferred tax assets	130	156	183	28
Contract assets	21	-	-	-
Right of use assets	96	55	53	8
Prepaid expenses and other assets	1,391	1,050	1,135	173
Goodwill	50	50	50	8
<b>Total assets</b>	<b>18,304</b>	<b>14,882</b>	<b>14,909</b>	<b>2,276</b>
Payable to platform customers	685	103	94	14
Quality assurance payable	4,776	-	-	-
Deferred guarantee income	-	1,259	1,262	193
Expected credit losses for quality assurance commitment	-	2,391	2,651	405
Payroll and welfare payable	177	221	129	20
Taxes payable	128	154	151	23
Short-term borrowings	235	-	-	-
Funds payable to investors of consolidated trusts	3,660	1,662	827	126
Contract liability	56	3	3	0
Deferred tax liabilities	199	104	101	15
Accrued expenses and other liabilities	292	511	589	90
Leasing liabilities	85	43	40	6
Dividends payable	-	-	318	48
<b>Total liabilities</b>	<b>10,293</b>	<b>6,452</b>	<b>6,165</b>	<b>941</b>
Ordinary shares	103	103	103	16
Additional paid-in capital	5,641	5,660	5,647	862
Treasury stock	(47)	(402)	(365)	(56)
Statutory reserves	317	458	458	70
Accumulated other comprehensive income	70	(5)	9	1
Retained earnings	1,967	2,652	2,925	446
<b>Total FinVolution Group shareholders' equity</b>	<b>7,948</b>	<b>8,363</b>	<b>8,675</b>	<b>1,324</b>
Non-controlling interest	64	67	69	11
<b>Total shareholders' equity</b>	<b>8,011</b>	<b>8,430</b>	<b>8,744</b>	<b>1,335</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,304</b>	<b>14,882</b>	<b>14,909</b>	<b>2,276</b>

## Consolidated statements of cash flows

Million	FY2019	FY2020	1Q2020	1Q2021	
	RMB	RMB	RMB	RMB	USD
Net cash provided by (used in) operating activities	(216)	2,207	(583)	293	45
Net cash provided by (used in) investing activities	(828)	1,041	(260)	557	85
Net cash provided by (used in) financing activities	1,750	(3,091)	(431)	(869)	(133)
Effect of exchange rate changes on cash and cash equivalents	11	(51)	3	10	1
Net increase (decrease) in cash, cash equivalent and restricted cash	717	106	(1,272)	(10)	(2)
Cash, cash equivalent and restricted cash at beginning of period	5,294	6,011	6,011	6,116	934
Cash, cash equivalent and restricted cash at end of period	6,011	6,116	4,739	6,106	932

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they converge towards the top of the frame, creating a sense of height and scale. The sky is a deep blue with scattered white clouds. The overall color palette is dominated by blues and greys.

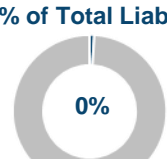
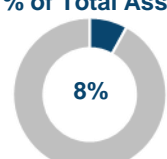
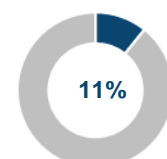
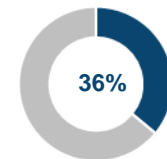
# Appendix



# Off-balance sheet loans<sup>(1)</sup>

Key account items related to service fees

		1Q 2021 (RMB mm)		
Income Statement	Loan facilitation service fees	762	<ul style="list-style-type: none"> <li>For each loan facilitated on our platform, we receive a transaction fee</li> <li>Loan facilitation service fees are the portion of transaction fees received in relation to work we perform in connecting borrowers with investors and facilitating the origination of loan transactions.</li> <li>Such fees are recognized as revenue upon execution of loan agreement.</li> </ul>	As % of Total Revenues
	Post-facilitation service fees	226	<ul style="list-style-type: none"> <li>Post-facilitation service fees are the portion of transaction fees received in relation to services we provide after loan origination, such as repayment facilitation and loan collection.</li> <li>Such fees are deferred and amortized over the period of the loan.</li> </ul>	
	Provision for accounts receivables	-40	<ul style="list-style-type: none"> <li>Provision for doubtful accounts mainly consists of provision for past due transaction fees that are potentially uncollectible.</li> </ul>	
Balance Sheet		Mar 31, 2021 (RMB mm)		As % of Total Assets
	Accounts receivable	1,215	<ul style="list-style-type: none"> <li>Accounts receivable mainly consists of transaction fees for loan facilitation and post-facilitation services.</li> <li>Such transaction fees are collected in monthly installments.</li> </ul>	8%
	Contract liability	3	<ul style="list-style-type: none"> <li>Contract liability includes deferred post-facilitation service fees.</li> </ul>	As % of Total Liabilities
				0%



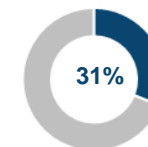
(1) Mainly loans facilitated on our marketplace by institutional partners (banks, consumer finance companies, and other financial institutions).

# Off-balance sheet loans<sup>(1)</sup>

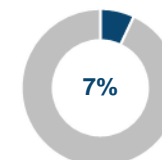
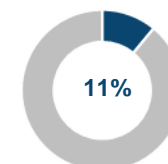
Key account items related to credit risk

		1Q 2021 (RMB mm)	
Income Statement	Guarantee income	659	<ul style="list-style-type: none"> <li>Represents the release of deferred guarantee income as loans and their related risks are reduced. The deferred guarantee income is released systematically over the term of the loans subject to quality assurance commitment.</li> </ul>
	Credit losses for quality assurance commitment	-445	<ul style="list-style-type: none"> <li>Represents expected life time credit losses related to our quality assurance commitment to institutional partners.</li> </ul>
		Mar 31, 2021 (RMB mm)	
Balance Sheet	Restricted cash (Quality Assurance)	1,639	<ul style="list-style-type: none"> <li>Represents the residual amounts in quality assurance accounts after receipt of quality assurance contributions, payouts made to compensate for delinquent loan principal and interest, and amounts recovered from defaulted borrowers.</li> </ul>
	Quality assurance receivable	1,105	<ul style="list-style-type: none"> <li>The Company determines for each loan the guarantee fee, or quality assurance contributions required from each borrower.</li> <li>Such fees or contributions are collected on a monthly basis.</li> <li>A quality assurance receivable is recognized at loan inception at fair value, which takes into account the expected default rate.</li> </ul>
	Expected credit losses for quality assurance commitment	2,651	<ul style="list-style-type: none"> <li>Represents the expected future payouts we would be required to make under our quality assurance commitment to investors.</li> </ul>
	Deferred guarantee income	1,262	<ul style="list-style-type: none"> <li>After adoption of ASC 326, the deferred guarantee income are released as a revenue systematically over the term of the loans subject to quality assurance commitment.</li> </ul>

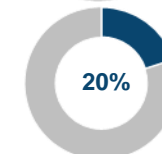
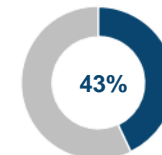
As % of Total Revenues



As % of Total Assets



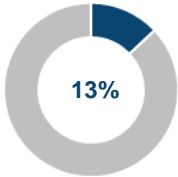
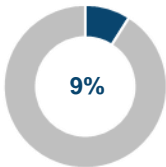
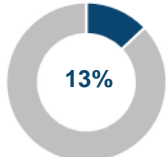
As % of Total Liabilities



(1) Mainly loans facilitated on our marketplace by institutional partners (banks, consumer finance companies, and other financial institutions).

# On-balance sheet loans<sup>(1)</sup>

Key account items

		1Q 2021 (RMB mm)		
<b>Income Statement</b>	Interest income	302	<ul style="list-style-type: none"> <li>Represents interest income on loan receivables, which is recognized on an accrual basis using effective interest rate method</li> <li>Such loan receivables represent loans originated through the Company's micro-lending company, and by consolidated trusts</li> </ul>	<b>As % of Total Revenues</b> 
	Interest expenses	-22	<ul style="list-style-type: none"> <li>Mainly represents the investment returns of third-party investors in the trusts</li> <li>Recognized on an accrual basis</li> </ul>	
	Provision for loans receivable	-19	<ul style="list-style-type: none"> <li>Provision for potential losses on loan receivables based on expected life time credit losses of the loans</li> </ul>	
<b>Balance Sheet</b>		Mar 31, 2021 (RMB mm)		
	Loans receivables, net of provision for loan losses	1,343	<ul style="list-style-type: none"> <li>Represents loans originated by the Company through its micro-lending company, and the consolidated trusts, net of allowances for loan losses.</li> <li>The Company is the primary beneficiary of the trusts, which solely invest in loans on the Company's platform</li> <li>Their assets, liabilities, results of operations, cash flows are consolidated.</li> </ul>	<b>As % of Total Assets</b> 
	Funds payable to investors of consolidated trusts	827	<ul style="list-style-type: none"> <li>Represents the funds payable to third-party investors in the trusts.</li> </ul>	<b>As % of Total Liabilities</b> 

(1) Mainly loans facilitated on our marketplace by trusts and our micro-lending company.

## Delinquency rates by balance<sup>(1)</sup>

	Delinquent for			
	15–29 days	30–59 days	60–89 days	90–179 days
March 31, 2018	0.87%	2.11%	2.43%	8.01%
June 30, 2018	0.83%	1.21%	1.05%	4.61%
September 30, 2018	1.03%	1.77%	1.49%	3.37%
December 31, 2018	0.92%	1.63%	1.41%	4.23%
March 31, 2019	0.80%	1.61%	1.45%	3.80%
June 30, 2019	0.86%	1.42%	1.37%	3.66%
September 30, 2019	0.90%	1.50%	1.35%	3.68%
December 31, 2019	1.34%	2.40%	1.86%	4.91%
March 31, 2020	1.34%	3.03%	2.33%	7.25%
June 30, 2020	0.71%	1.36%	1.70%	7.13%
September 30, 2020	0.46%	0.72%	0.74%	3.40%
December 31, 2020	0.35%	0.55%	0.48%	1.56%
March 31, 2021	0.29%	0.52%	0.43%	1.13%

(1) Delinquency rate by balance is defined as the balance of outstanding principal for loans facilitated in Mainland China that were 15-29, 30-59, 60-89, 90-179 calendar days past due as of the date indicated as a percentage of the total outstanding principal for loans, excluding those at 180+ days delinquent, as of the same date.

## Delinquency rates by vintage<sup>(1)</sup>

	Month on book										
	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
2018Q1	1.37%	2.20%	2.99%	3.67%	4.32%	4.86%	5.23%	5.50%	5.66%	5.74%	5.77%
2018Q2	1.87%	3.12%	4.39%	5.46%	6.33%	6.99%	7.47%	7.80%	7.99%	8.08%	8.13%
2018Q3	1.45%	2.51%	3.53%	4.39%	5.09%	5.59%	5.97%	6.28%	6.50%	6.64%	6.72%
2018Q4	1.43%	2.49%	3.55%	4.42%	5.18%	5.76%	6.20%	6.54%	6.81%	7.01%	7.16%
2019Q1	1.34%	2.38%	3.45%	4.36%	5.13%	5.75%	6.22%	6.65%	6.99%	7.25%	7.43%
2019Q2	1.33%	2.34%	3.31%	4.18%	5.05%	5.82%	6.44%	6.98%	7.34%	7.50%	7.52%
2019Q3	1.02%	2.16%	3.42%	4.55%	5.64%	6.45%	6.92%	7.13%	7.20%	7.20%	7.15%
2019Q4	0.83%	2.07%	3.37%	4.45%	5.12%	5.50%	5.68%	5.79%	5.83%	5.80%	5.73%
2020Q1	0.81%	1.73%	2.46%	2.97%	3.35%	3.59%	3.71%	3.78%	3.82%	3.82%	3.80%
2020Q2	0.44%	0.92%	1.34%	1.65%	1.90%	2.08%	2.21%	2.30%			
2020Q3	0.41%	0.81%	1.16%	1.47%	1.72%						
2020Q4	0.36%	0.70%									

(1) The table display the historical cumulative 30-day plus as of Mar 31, 2021 represent past due delinquency rates by loan origination vintage for all loan products facilitated in Mainland China through the Company's online marketplace.

## Accounting policy change to CECL<sup>(1)</sup>

The following table sets forth the impact to the financial position of the Company and retained earnings upon adoption of the standard on January 1, 2020:

(RMB million)	December 31, 2019	CECL adoption impact	January 1, 2020
<b>Credit loss allowance for assets</b>			
Quality assurance receivable	809.5	35.0	844.5
Loans receivable	316.1	303.3	619.4
Accounts receivable	145.7	142.1	287.8
<b>Liabilities</b>			
Quality assurance payable	4,776.2	690.1	5,466.3 <sup>(2)</sup>
<b>Retained earnings</b>			
Total pre-tax impact		1,170.5	
Tax effects		(287.5)	
		<b>883.0</b>	

(1) Effective January 1, 2020, FinVolution Group adopted the ASC 326, Measurement of Credit Losses on Financial Instruments or “CECL”, using a modified retrospective method. As a result of adopting ASC 326, the Company recognized the cumulative effect of initially applying the standard as a decrease of approximately RMB 883.0 million to the opening balances of retained earnings.

The adoption of this standard established a single credit loss model for all financial assets carried at amortized cost and certain off balance sheet credit exposures (i.e. guarantees). Under ASC 326, the Company is required to record the expected credit losses of the financial assets and off balance sheet credit exposures upon initial recognition, which is typically earlier than the old standard. Also, the CECL framework requires our estimate to reflect expected credit losses over the full expected life and considers expected future changes in the macroeconomic conditions. Further, before the adoption of ASC 326, guarantee liabilities subsequent to initial recognition, was recorded at the higher of our stand ready obligation (ASC 460 component) and the contingent component (ASC 450 component). Upon adoption of ASC 326, the expected credit losses, which replaces ASC 450 component, was recorded separately from and in addition to the ASC 460 component upon initial recognition. Subsequently, the ASC 460 component is released as revenue systematically over the term of the loans and the expected credit losses is trued up based on expected life time credit losses of the loans covered by the quality assurance commitments at each balance sheet date..

(2) Upon adoption of ASC 326, quality assurance payable is separated into deferred guarantee income (i.e. the unamortized ASC 460 component of guarantee) amounting to 1,873.3 million and expected credit losses for quality assurance commitment (i.e. CECL liability) amounting to 3,593.0 million.