

Qifu Technology

Takeaways from management call: slower growth and focus on profitability

Maintain Rating: BUY | PO: 20.00 USD | Price: 15.09 USD

We hosted QFIN CFO as a part of our Asia II Financials Call Series. See below for our key takeaways.

Tightened risk control amid rising credit risk

QFIN's Day 1 Delinquency Rate improved sequentially from 5.4% in 4Q21 to 4.1% in 1Q23, the best in the company's history. It remained stable at 4.2% in 2Q23 but rose to 4.6% in 3Q23 due to economic headwinds. As such, QFIN tightened its new loan underwriting standards sequentially from July to Dec 2023, and maintained the standard stable YTD. New loans' risk performance has stabilized from late Sep/early Oct 2023, but credit risk of loans issued before July/Aug 2023 continued to expose. As QFIN's average loan tenor is around 9 months, overall risk metrics may continue to deteriorate in 4Q23 and probably stabilize/improve from 1Q24.

Slower loan growth, but looks to improve profitability

QFIN saw weaker loan demand in 4Q23 and 1Q24, but its loan growth is more related to risk control standards, as borrower applications are way more than approvals (loan approval rate at around 16-22%). It expects macro environment to remain challenging in 2024 and will be prudent and conservative when planning loan growth this year. However, it remains hopeful of improving profitability and profit growth in 2024, as 1) there is still room to reduce funding cost amid ample liquidity, 2) selling and marketing cost could be managed down given the weak demand amid a tepid economy, and 3) refined client operations could boost revenue (encouraging trends seen since 3Q23).

High and potentially higher capital return

QFIN has a semi-annual dividend policy with payout ratio of 20-30% (30% paid in 1H23). It announced a buyback plan on Jun 20th, 2023, to repurchase up to USD150mn shares over the next 12 months. By Nov 16th, 2023, it had cumulatively repurchased ~USD80mn shares at an average price of USD16.2. QFIN's current capital return (dividend plus buyback) is ~55% of its 2023E profit, implying 13-14% yield. Given the expected slower loan growth and its low leverage ratio, QFIN could further raise its total capital return.

Estimates (Dec) (CNY)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	6,036	4,224	4,524	5,131	5,790
EPS	37.63	25.75	26.95	30.91	35.02
EPS Change (YoY)	60.5%	-31.6%	4.7%	14.7%	13.3%
Dividend / Share	3.46	4.84	7.91	9.27	10.51
Book Value / Share	97.94	116.78	139.55	161.95	187.17
Valuation (Dec)					
P/E	2.56x	4.07x	3.97x	3.50x	3.09x
Dividend Yield	3.60%	4.62%	7.39%	8.58%	9.72%
P/B	1.15x	0.93x	0.79x	0.68x	0.59x
RoE / PB	40.80x	25.52x	26.89x	30.51x	34.50x
Price / Pre-provision Profit	1.30x	1.48x	1.62x	1.36x	1.24x

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Stock Data

Price (ADR / Common)	15.09 USD / 59.20 HKD
Price Objective	20.00 USD / 77.80 HKD
Date Established	17-Nov-2023 / 17-Nov-2023
Investment Opinion	C-1-7 / C-1-7
52-Week Range	13.12 USD-25.49 USD
Market Value (mn)	2,437 USD
Shares Outstanding (mn)	161.5 / 322.9
Average Daily Value (mn)	10.96 USD
Free Float	100.0%
BofA Ticker / Exchange	QFIN / NAS
BofA Ticker / Exchange	XDXXRF / HKG
Bloomberg / Reuters	QFIN US / QFIN.OQ
ROE (2023E)	21.1%

QFIN: Qifu Technology

iQprofileSM Qifu Technology

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(CNY Millions)					
Net Interest Income	2,184	3,488	5,082	6,277	6,897
Net Fee Income	8,868	7,167	6,344	7,393	8,162
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Other Income	5,583	5,899	4,739	5,240	5,736
Total Non-Interest Income	14,452	13,066	11,084	12,633	13,897
Total Operating Income	16,636	16,554	16,165	18,910	20,794
Operating Expenses	(5,237)	(5,498)	(5,533)	(6,191)	(6,827)
Pre-Provision Profit	11,398	11,056	10,632	12,720	13,967
Provisions Expense	(1,534)	(2,216)	(2,502)	(2,899)	(3,197)
Operating Profit	6,786	4,472	5,035	6,094	6,934
Non-Operating Income	236.51	270.19	418.84	198.85	198.85
Pre-Tax Income	7,023	4,742	5,453	6,293	7,133
Net Income to Comm S/Hold.	5,782	4,024	4,338	4,958	5,617
Adjusted Net Income (Operating)	6,036	4,224	4,524	5,131	5,790

Key Balance Sheet Data					
Total Assets	33,505	40,343	46,758	51,520	58,438
Average Interest Earning Assets	5,267	6,641	5,805	4,868	6,322
Weighted Risk Assets	NA	NA	NA	NA	NA
Total Gross Customer Loans	NA	NA	NA	NA	NA
Total Customer Deposits	NA	NA	NA	NA	NA
Tier 1 Capital	NA	NA	NA	NA	NA
Tangible Equity	NA	NA	NA	NA	NA
Common Shareholders' Equity	15,204	18,847	22,217	25,784	29,799

Key Metrics					
Net Interest Margin	41.47%	52.52%	87.54%	128.94%	109.10%
Tier 1 Ratio	NA	NA	NA	NA	NA
Effective Tax Rate	17.9%	15.5%	20.8%	21.5%	21.5%
Loan / Assets Ratio	NA	NA	NA	NA	NA
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Oper Leverage (Inc Growth - Cost Growth)	-17.7%	-5.5%	-3.0%	5.1%	-0.3%
Gearing (Assets / Equity)	2.2x	2.1x	2.1x	2.0x	2.0x
Tangible Common Equity / Assets	0%	0%	0%	0%	0%
Tangible Common Equity / WRAs	NA	NA	NA	NA	NA
Revenue Growth	22.6%	-0.5%	-2.3%	17.0%	10.0%
Operating Expense Growth	40.3%	5.0%	0.6%	11.9%	10.3%
Provisions Expense Growth	22.9%	44.5%	12.9%	15.9%	10.3%
Operating Revenue / Average Assets	57.5%	44.8%	37.1%	38.5%	37.8%
Operating Expenses / Average Assets	18.1%	14.9%	12.7%	12.6%	12.4%
Pre-Provision ROA	39.4%	29.9%	24.4%	25.9%	25.4%
ROA	20.9%	11.4%	10.4%	10.4%	10.5%
Pre-Provision ROE	92.3%	64.8%	51.6%	52.8%	50.1%
ROE	46.8%	23.6%	21.1%	20.7%	20.2%
RoTE	NA	NA	NA	NA	NA
RoWRAs	NA	NA	NA	NA	NA
Dividend Payout Ratio	9.2%	18.8%	29.4%	30.0%	30.0%
Efficiency Ratio	31.5%	33.2%	34.2%	32.7%	32.8%
Headline Cost/Income Ratio	31.5%	33.2%	34.2%	32.7%	32.8%
Total Non-Interest Inc / Operating Inc	87%	79%	69%	67%	67%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	13.5%	20.0%	23.5%	22.8%	22.9%
NPLs plus Foreclosed Real Estate / Loans	NA	NA	NA	NA	NA
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	NA	NA	NA	NA	NA
Provisions Expense / Average Loans	NA	NA	NA	NA	NA

Other Metrics					
Income / Employee	NA	NA	NA	NA	NA
(Operating Expenses) / Employee	NA	NA	NA	NA	NA
Pre-Provision Profit / Employee	NA	NA	NA	NA	NA
Net Profit / Employee	NA	NA	NA	NA	NA

Company Sector

Other Financials

Company Description

Qifu Technology is a Credit-Tech platform in China that provides a comprehensive suite of technology services to assist financial institutions and consumers and SMEs in the loan lifecycle, ranging from borrower acquisition, preliminary credit assessment, fund matching and post-facilitation services. The Company is dedicated to making credit services more accessible and personalized to consumers and SMEs through Credit-Tech services to financial institutions.

Investment Rationale

We rate QFIN at Buy for 1) its leading position and proven track record, 2) stabilized regulatory environment and reduced ADR delisting risk, 3) cyclical consumption recovery and improved loan risk profile, 4) better utilization of capital and upgrading SaaS business, and 5) attractive valuation, dividend and share buyback program.

Stock Data

Shares / Common	0.50
Price to Book Value	0.8x

Exhibit 1: QFIN quarterly financial table

Historical quarterly performance comparison

RMB mn	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23
Credit-driven services	2,557	11,404	2,451	2,405	2,620	2,713	10,189	2,921	2,948	2,941	2,777	11,586	2,631	2,789	3,071
Platform services	780	2,160	1,148	1,597	1,993	1,709	6,446	1,399	1,235	1,203	1,130	4,968	969	1,126	1,210
Total net revenue	3,337	13,564	3,599	4,002	4,613	4,422	16,636	4,320	4,183	4,144	3,907	16,554	3,599	3,914	4,281
Growth (QoQ/YoY)	-9.9%	+47.1%	+7.8%	+11.2%	+15.3%	-4.1%	+22.6%	-2.3%	-3.2%	-0.9%	-5.7%	-0.5%	-7.9%	+8.8%	+9.4%
Total operating expenses	-1,027	-3,732	-1,046	-1,280	-1,461	-1,449	-5,237	-1,394	-1,388	-1,483	-1,233	-5,498	-1,326	-1,362	-1,425
Pre-provision profit	2,310	9,832	2,553	2,721	3,152	2,973	11,398	2,927	2,795	2,662	2,674	11,056	2,273	2,552	2,856
Total provision	-1,069	-6,042	-995	-868	-1,258	-1,491	-4,612	-1,567	-1,784	-1,503	-1,730	-6,584	-1,266	-1,370	-1,467
Operating profit	1,241	3,790	1,558	1,853	1,894	1,482	6,786	1,359	1,011	1,158	944	4,472	1,007	1,182	1,389
Non-operating items	111	292	48	100	29	60	237	32	144	13	81	270	95	185	89
Profit before income tax	1,352	4,082	1,605	1,953	1,923	1,542	7,023	1,391	1,155	1,172	1,025	4,742	1,102	1,366	1,478
Income taxes expense	-148	-586	-258	-405	-359	-236	-1,258	-216	-180	-183	-157	-737	-172	-273	-340
Net profit	1,204	3,496	1,347	1,548	1,564	1,305	5,765	1,174	975	988	868	4,006	930	1,093	1,138
Minority interest & others	0	1	0	0	0	17	17	5	5	4	4	19	4	4	4
Attributed net profit	1,205	3,497	1,347	1,548	1,564	1,323	5,782	1,179	980	993	872	4,024	934	1,097	1,142
Growth (QoQ/YoY)	-2.2%	+39.8%	+11.8%	+14.9%	+1.1%	-15.4%	+65.4%	-10.8%	-16.9%	+1.3%	-12.2%	-30.4%	+7.1%	+17.5%	+4.1%
Non-GAAP attributed net profit	1,313	3,798	1,407	1,615	1,634	1,380	6,036	1,232	1,027	1,042	923	4,224	981	1,151	1,185
Growth (QoQ/YoY)	+1.9%	+38.0%	+7.2%	+14.8%	+1.2%	-15.5%	+58.9%	-10.8%	-16.6%	+1.5%	-11.4%	-30.0%	+6.2%	+17.3%	+3.0%
EPS (RMB)	7.94	23.45	8.84	10.09	10.15	8.56	37.63	7.60	6.29	6.35	5.53	25.75	5.79	6.79	7.12
BPS (RMB)	62.28	62.28	71.19	81.07	91.29	97.94	97.94	104.10	109.01	114.48	116.78	116.78	121.68	128.79	132.24
DPS (RMB)	0.00	0.00	0.00	0.00	1.80	1.66	3.46	1.39	1.21	1.14	1.10	4.84	0.00	3.63	0.00
Supplementary Data	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23
New loan volume	69,045	246,757	74,149	88,452	97,592	96,910	357,103	98,833	98,281	110,675	104,572	412,361	109,456	124,225	123,148
Platform services	23,550	69,524	37,245	49,638	55,476	51,866	194,225	53,327	54,784	64,583	58,438	231,132	61,342	71,860	69,579
Credit driven	45,495	177,233	36,904	38,814	42,116	45,044	162,878	45,506	43,497	46,092	46,134	181,229	48,114	52,365	53,569
Growth	+4.6%	+24.0%	+7.4%	+19.3%	+10.3%	-0.7%	+44.7%	+2.0%	-0.6%	+12.6%	-5.5%	+15.5%	+4.7%	+13.5%	-0.9%
Platform services	+29.5%	+151.5%	+58.2%	+33.3%	+11.8%	-6.5%	+179.4%	+2.8%	+2.7%	+17.9%	-9.5%	+19.0%	+5.0%	+17.1%	-3.2%
Credit driven	-4.8%	+3.4%	-18.9%	+5.2%	+8.5%	+7.0%	-8.1%	+1.0%	-4.4%	+6.0%	+0.1%	+11.3%	+4.3%	+8.8%	+2.3%
Mix	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Platform services	34.1%	28.2%	50.2%	56.1%	56.8%	53.5%	54.4%	54.0%	55.7%	58.4%	55.9%	56.1%	56.0%	57.8%	56.5%
Credit driven	65.9%	71.8%	49.8%	43.9%	43.2%	46.5%	45.6%	46.0%	44.3%	41.6%	44.1%	43.9%	44.0%	42.2%	43.5%
Loan balance	92,075	92,075	101,920	117,559	133,425	141,987	141,987	146,720	150,490	160,020	163,465	163,465	171,302	184,459	189,100
Platform services	29,357	29,357	42,775	58,187	72,435	77,268	77,268	78,804	82,580	91,196	96,558	96,558	104,523	114,835	116,283
Credit driven	62,718	62,718	59,145	59,372	60,990	64,719	64,719	67,916	67,910	68,824	66,907	66,907	66,779	69,624	72,817
Growth	+9.3%	+27.0%	+10.7%	+15.3%	+13.5%	+6.4%	+54.2%	+3.3%	+2.6%	+6.3%	+2.2%	+15.1%	+4.8%	+7.7%	+2.5%
Platform services	+27.3%	+103.5%	+45.7%	+36.0%	+24.5%	+6.7%	+163.2%	+2.0%	+4.8%	+10.4%	+5.9%	+25.0%	+8.2%	+9.9%	+1.3%
Credit driven	+2.6%	+8.0%	-5.7%	+0.4%	+2.7%	+6.1%	+3.2%	+4.9%	-0.0%	+1.3%	-2.8%	+3.4%	-0.2%	+4.3%	+4.6%
Mix	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Platform services	31.9%	31.9%	42.0%	49.5%	54.3%	54.4%	54.4%	53.7%	54.9%	57.0%	59.1%	59.1%	61.0%	62.3%	61.5%
Credit driven	68.1%	68.1%	58.0%	50.5%	45.7%	45.6%	45.6%	46.3%	45.1%	43.0%	40.9%	40.9%	39.0%	37.7%	38.5%
Key financial metrics															
90 day+ delinquency rate	1.48%	1.48%	1.29%	1.19%	1.17%	1.54%	1.54%	2.40%	2.62%	2.31%	2.03%	2.03%	2.18%	1.84%	1.82%
Operating margin	37.2%	27.9%	43.3%	46.3%	41.1%	33.5%	40.8%	31.5%	24.2%	27.9%	24.2%	27.0%	28.0%	30.2%	32.4%
Net profit margin	36.1%	25.8%	37.4%	38.7%	33.9%	29.5%	34.7%	27.2%	23.3%	23.8%	22.2%	24.2%	25.8%	27.9%	26.6%
Effective tax rate	10.9%	14.4%	16.1%	20.8%	18.7%	15.3%	17.9%	15.6%	15.6%	15.6%	15.3%	15.5%	15.6%	20.0%	23.0%
ROA	19.8%	15.6%	21.1%	22.6%	21.2%	16.4%	20.0%	13.6%	10.7%	10.2%	8.7%	10.9%	9.2%	10.4%	10.2%
ROE	54.4%	41.9%	52.9%	53.0%	47.0%	36.1%	46.8%	30.1%	23.6%	22.7%	19.0%	23.6%	19.4%	21.7%	21.8%
Leverage ratio	6.6x	6.6x	5.4x	4.8x	4.3x	4.3x	4.3x	4.2x	4.0x	3.8x	3.5x	3.5x	3.4x	3.3x	3.5x

Source: Company report

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Exhibit 2: China FinTech/Bank valuation comp

QFIN's valuation is attractive considering its high ROE, ROA, and total capital return

	Bloomberg Ticker	BofA Rating	Price (USD; HKD)	Mkt cap (USD mn)	P/E		P/B		Dividend Yield		ROE		ROA	
					2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023	2024E
China FinTech														
Lufax	LU US	NEUTRAL	2.46	1,410	7.2x	40.6x	0.10x	0.11x	14.1%	14.6%	1.4%	0.3%	0.5%	0.1%
Qifu Technology	QFIN US	BUY	15.09	2,437	4.0x	3.5x	0.77x	0.67x	7.3%	8.6%	21.1%	20.7%	10.0%	10.1%
FinVolution	FINV US	NA	4.78	1,339	3.9x	3.4x	0.67x	0.56x	4.7%	5.2%	18.2%	17.9%	11.1%	11.1%
Lexin	LX US	NA	2.07	337	2.0x	1.7x	0.29x	0.24x	7.0%	8.3%	15.3%	16.1%	4.5%	5.0%
Sector total/average				5,523	4.7x	12.8x	0.55x	0.47x	8.4%	9.3%	15.0%	14.5%	7.5%	7.5%
China Banks														
ABC	1288 HK	BUY	3.04	181,136	3.9x	3.9x	0.41x	0.38x	8.2%	8.2%	10.8%	10.0%	0.7%	0.6%
BOC	3988 HK	BUY	2.99	153,964	3.7x	3.7x	0.37x	0.34x	8.5%	8.5%	10.1%	9.5%	0.7%	0.6%
CCB	939 HK	BUY	4.66	152,266	3.3x	3.4x	0.36x	0.34x	9.1%	9.1%	11.3%	10.4%	0.9%	0.8%
ICBC	1398 HK	BUY	3.83	230,897	3.6x	3.6x	0.37x	0.35x	8.7%	8.7%	10.6%	9.9%	0.8%	0.7%
BoComm	3328 HK	BUY	4.68	53,255	3.7x	3.7x	0.35x	0.33x	8.8%	8.8%	9.8%	9.2%	0.6%	0.6%
PSBC	1658 HK	NEUTRAL	3.79	60,833	4.1x	4.3x	0.44x	0.41x	7.7%	7.6%	11.0%	9.9%	0.5%	0.5%
CEB	6818 HK	UNDERPERFORM	2.33	23,647	3.0x	3.1x	0.29x	0.27x	9.0%	9.1%	9.7%	9.1%	0.6%	0.6%
CMB	3968 HK	BUY	28.85	105,838	4.8x	4.5x	0.73x	0.65x	6.9%	7.3%	16.1%	15.1%	1.3%	1.3%
CNCB	998 HK	BUY	3.84	35,593	2.8x	2.7x	0.29x	0.27x	10.1%	10.6%	10.8%	10.5%	0.7%	0.7%
MSB	1988 HK	UNDERPERFORM	2.64	21,998	3.3x	3.1x	0.20x	0.19x	9.2%	9.6%	6.3%	6.2%	0.4%	0.4%
CQRB	3618 HK	BUY	3.03	6,191	3.0x	2.9x	0.27x	0.26x	10.2%	10.4%	9.5%	9.0%	0.8%	0.7%
Sector total/average				1,025,620	3.7x	3.7x	0.41x	0.38x	8.5%	8.5%	11.1%	10.4%	0.8%	0.7%

Source: BofA Global Research estimates, Bloomberg consensus for FINV/LX

BofA GLOBAL RESEARCH

Price objective basis & risk

Qifu Technology (QFIN / XDXRF)

Our PO for QFIN is USD20.0/HKD77.8, based on a target P/E multiple of 5x P/E on our 2023-24E earnings, implying 1.0x 2023-24E P/B. Our target P/E multiple for QFIN is justifiable, compared to traditional banks given QFIN's higher ROE/ROA, higher mix of capital-light business, and high provision coverage ratio. We believe QFIN deserves a valuation premium over other FinTech lenders due to stronger profitability, higher mix of capital-light business, good track record and better stock liquidity.

Downside risks to our PO are weak economic recovery, high youth jobless, lower loan pricing, intensified competition, weak capital markets/RMB and heightened geopolitical tension. Upside risks to our PO are faster-than-expected loan growth, better-than-expected risk performance, higher-than-expected take rate and progress in SaaS business.

Analyst Certification

I, Emma Xu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Greater China - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agricultural Bank of China	ACGBF	1288 HK	Winnie Wu
	Agricultural Bank Of China-A	XACNF	601288 CH	Winnie Wu
	AIA Group Limited	AAIGF	1299 HK	Michael Li
	Bank Of China	BACHF	3988 HK	Winnie Wu
	Bank of Comm	BKFCF	3328 HK	Winnie Wu
	Bank Of Communications Co-A	XNCTF	601328 CH	Winnie Wu
	Bank of Jiangsu	XBJCF	600919 CH	Emma Xu
	Bank of Suzhou	XCZIF	002966 CH	Wenqing Han, CFA
	BOC Hong Kong Holdings Ltd	BNKHF	2388 HK	Winnie Wu
	Chailease	XCAHZ	5871 TT	Brooksley Kang
	China CITIC Bk	CHBJF	998 HK	Emma Xu
	China Construction Bank	CICHF	939 HK	Winnie Wu
	China Construction Bank -A	XCTBF	601939 CH	Winnie Wu
	China Galaxy Securities Co Ltd	CGXYF	6881 HK	Michael Li
	China Life Insurance	CIJF	2628 HK	Michael Li
	China MERCH BK	CIHMF	3968 HK	Winnie Wu
	China MERCH BK -A	CIHKF	600036 CH	Winnie Wu
	China Merchants Securities	XMRKF	600999 CH	Susie Liu, CFA
	China Merchants Securities	XCJRF	6099 HK	Susie Liu, CFA
	China Pacific Insurance Group	CHPXF	2601 HK	Michael Li
	Chongqing Rural Commercial Bank	COGQF	3618 HK	Wenqing Han, CFA
	Chongqing Rural Commercial Bank - A	XCRQF	601077 CH	Wenqing Han, CFA
	CITIC Limited	CTPCF	267 HK	Ronald Leung, CFA
	CITIC Securities	CIHMF	6030 HK	Michael Li
	CITIC Securities -A	CIISF	600030 CH	Michael Li
	CTBC FHC	CTFHF	2891 TT	Brooksley Kang
	Fubon FHC	FUISF	2881 TT	Brooksley Kang
	Futu Holdings	FUTU	FUTU US	Emma Xu
	GF Securities	GFSEZ	1776 HK	Susie Liu, CFA
	GF Securities	XMPQF	000776 CH	Susie Liu, CFA
	Guolian Securities	XLTVF	601456 CH	Susie Liu, CFA
	Guotai Junan International	GUOTF	1788 HK	Michael Li
	Guotai Junan Securities	XGUOF	2611 HK	Michael Li
	Guotai Junan Securities-A	XOQOF	601211 CH	Michael Li
	HKEX	HKXCF	388 HK	Michael Li
	Huatai Securities	XHTLF	601688 CH	Susie Liu, CFA



Greater China - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Huatai Securities	HUATF	6886 HK	Susie Liu, CFA
	Ind & Comm BK	IDCBF	1398 HK	Winnie Wu
	Ind & Comm BK -A	XIKNF	601398 CH	Winnie Wu
	Jiangsu Changshu Rural Commercial Bank	XBJTF	601128 CH	Wenqing Han, CFA
	Lufax Holding	LU	LU US	Emma Xu
	Noah Holdings Limited	NOAH	NOAH US	Emma Xu
	Noah Holdings Limited	XNHLF	6686 HK	Emma Xu
	PICC Group	PINXF	1339 HK	Michael Li
	PICC Property & Casualty	PPCCF	2328 HK	Michael Li
	Ping An Insurance	PIAIF	2318 HK	Michael Li
	Ping An Insurance	XPSPF	601318 CH	Michael Li
	Qifu Technology	QFIN	QFIN US	Emma Xu
	Qifu Technology	XDXXF	3660 HK	Emma Xu
	Sinolink Securities	XERQF	600109 CH	Susie Liu, CFA
	Waterdrop	WDH	WDH US	Michael Li
	Zheshang Securities	XDSEF	601878 CH	Susie Liu, CFA
	ZhongAn Online P&C Insurance	ZZHGF	6060 HK	Michael Li
NEUTRAL				
	Bank Of China -A	BACZF	601988 CH	Winnie Wu
	Bank of Hangzhou	XBHCF	600926 CH	Emma Xu
	Bank of Nanjing	XBNMF	601009 CH	Wenqing Han, CFA
	Bank of Ningbo	XBINF	002142 CH	Emma Xu
	Cathay FHC	XCIFF	2882 TT	Brooksley Kang
	China Securities Corp	XCUEF	6066 HK	Susie Liu, CFA
	E.Sun FHC	ESUFF	2884 TT	Brooksley Kang
	Hang Seng Bk	HSNGF	11 HK	Winnie Wu
	Hang Seng Bk - A	HSNGY	HSNGY US	Winnie Wu
	New China Life	NWWCF	1336 HK	Michael Li
	Postal Savings Bank of China	PSBKF	1658 HK	Winnie Wu
	Postal Savings Bank of China - A	XPSSF	601658 CH	Winnie Wu
UNDERPERFORM				
	Bank of Chengdu	XBCQF	601838 CH	Emma Xu
	Bank of E Asia	BKEAF	23 HK	Winnie Wu
	Bank of E Asia-A	BKEAY	BKEAY US	Winnie Wu
	BOC International (China)	XLFTF	601696 CH	Susie Liu, CFA
	China Cinda Asset Management	CCGDF	1359 HK	Michael Li
	China CITIC Bk -A	CHCKF	601998 CH	Emma Xu
	China Everbright Bank	CEBCF	6818 HK	Emma Xu
	China Everbright Bank	XCBLF	601818 CH	Emma Xu
	China Galaxy Securities Co Ltd	XCXYF	601881 CH	Michael Li
	China Industrial Bank Co. Ltd.	INBLF	601166 CH	Emma Xu
	China International Capital Corporation	CNICF	3908 HK	Susie Liu, CFA
	China Life Insurance	XCNNF	601628 CH	Michael Li
	China Minsheng Banking Corp Ltd	CGMBF	1988 HK	Emma Xu
	China Minsheng Banking Corp Ltd -A	CMAKF	600016 CH	Emma Xu
	China Pacific Insurance Group	XQJNF	601601 CH	Michael Li
	China Securities Corp	XCSIF	601066 CH	Susie Liu, CFA
	Haitong Securities	HTNGF	6837 HK	Michael Li
	Haitong Securities -A	XHTSF	600837 CH	Michael Li
	Mega FHC	MGFNF	2886 TT	Brooksley Kang
	New China Life	XNWCF	601336 CH	Michael Li
	Orient Securities	XOBNF	600958 CH	Susie Liu, CFA
	Orient Securities	XONQF	3958 HK	Susie Liu, CFA
	PICC Group	XPIDF	601319 CH	Michael Li
	Ping An Bank	XPABY	000001 CH	Emma Xu
	Shanghai Pudong Dev Bank	SHVPF	600000 CH	Emma Xu
	Shin Kong FHC	SKFHF	2888 TT	Brooksley Kang

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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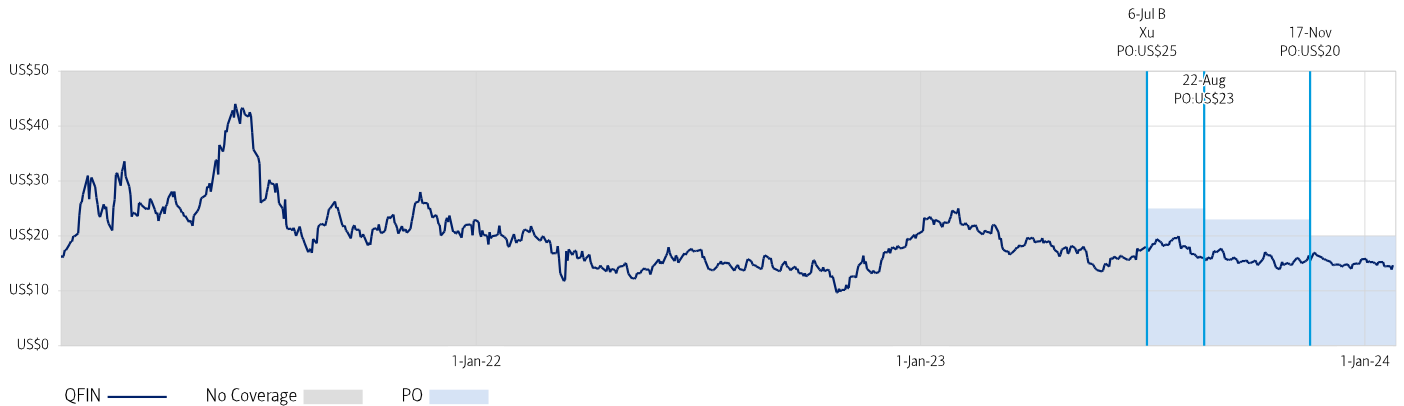
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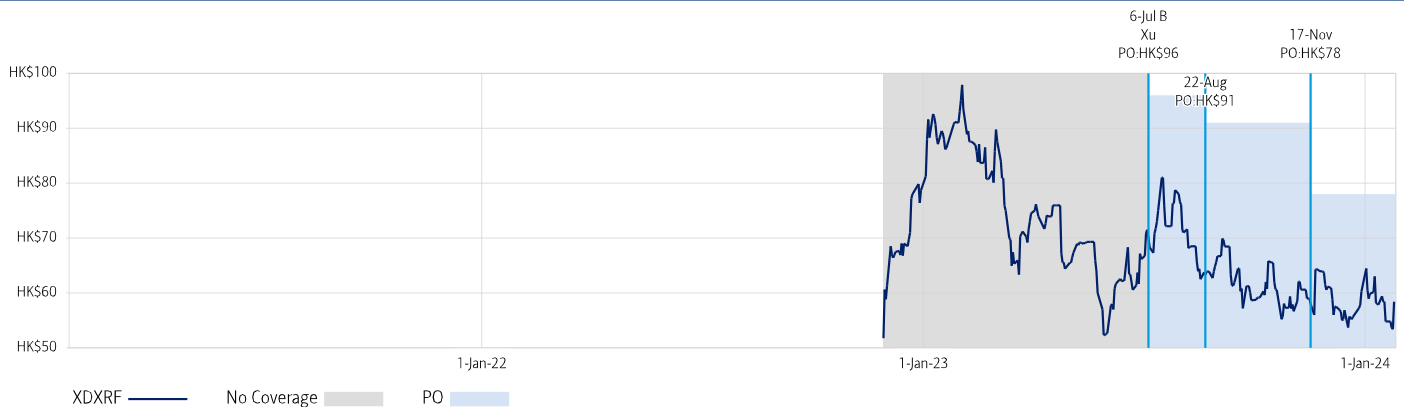
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Qifu Technology (QFIN) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Qifu Technology (XDXRF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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