Global financial institutions

JP Morgan Chase & Co¹

Deutsche Bank AG²

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1 - CARM $\beta = 1,62$

2 - CARM $\beta = 1,22$

Global financial institutions next year

DB Strategy

Expansions



JPM Strategy
Consolidation

I Risk

• The Federal Reserve System will start to increase fed fund rate which is in range 0%-0.25% at the moment.

II Risk

EU will change the regulation of its financial sector.

III Risk

• Some regulatory agency will start some investigation due to violation of regulatory requirements.

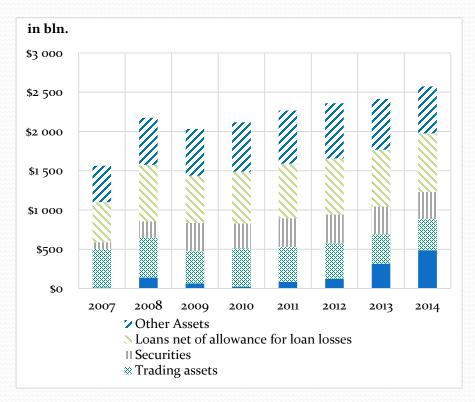
IV Risk

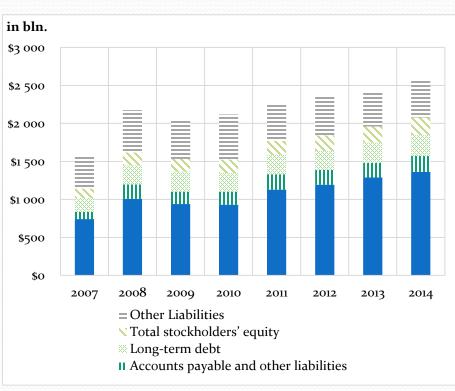
 Bank's approachability of consumers will be lowered due to competition with "shadow" banking

Balance sheet of Morgan Chase

Assets

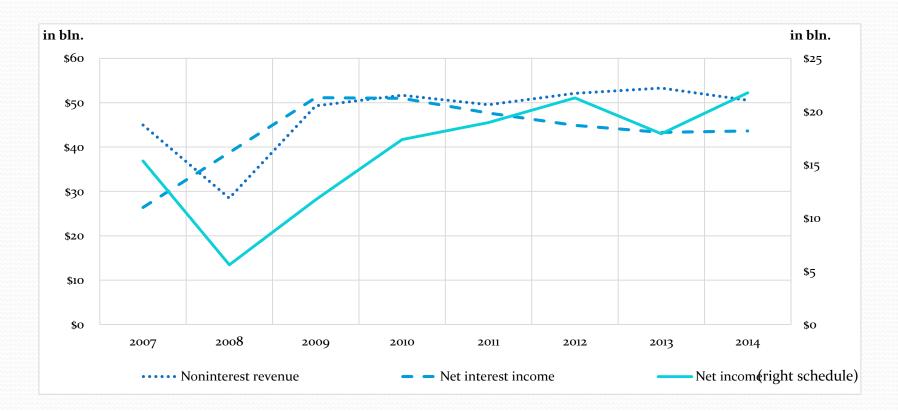
Liabilities





- ☐ The only huge surge of balance was in 2008 when it increased by 39% comparing to 2007.
- ☐ MC balance rose by 4.85% in average for the last five years.

Key income figure of Morgan Chase

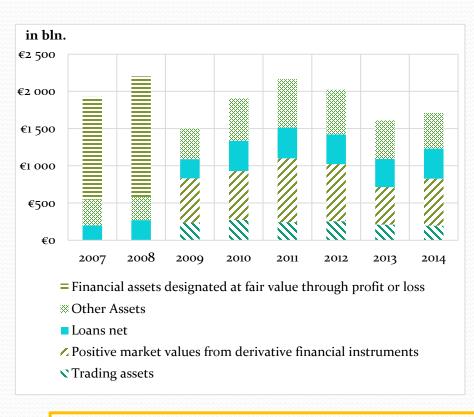


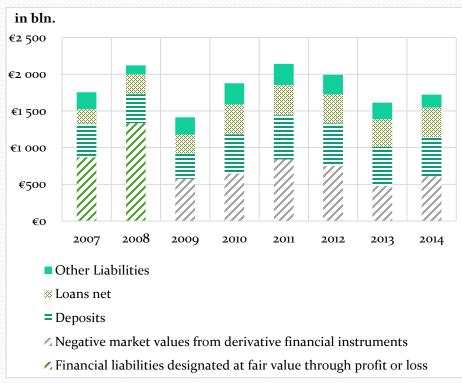
- Economic crisis affected "Provision for credit losses", which increased by 205% to \$21 bln. in 2008.
- Average net income growth rate during last five years was 15%.

Balance sheetof Deutsche Bank

Assets

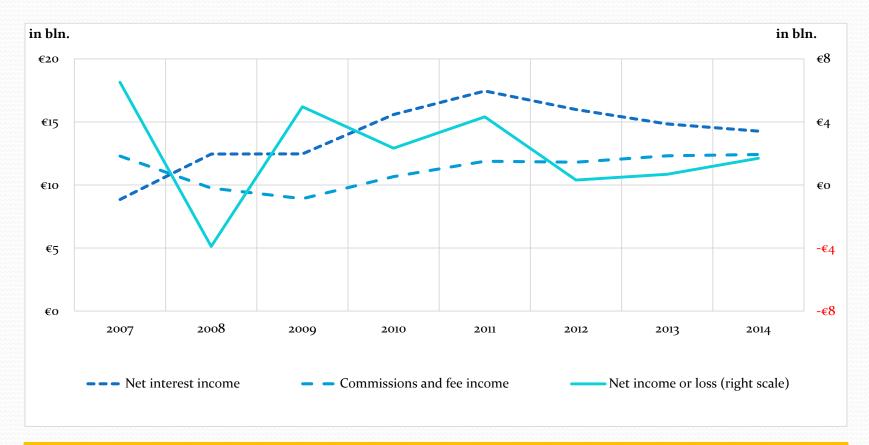
Liabilities





- □ Significant decrease of balance was in 2009 by 32% comparing to 2008.
- ☐ In average growth rate for the last five years was 4%.

Key income figures of Deutsche Bank



- ☐ In 2008, Deutsche Bank got loss from market operations in amount of €9.9 bln.
- Profits from market operations dropped to €3.9 bln. in average for the last five years.

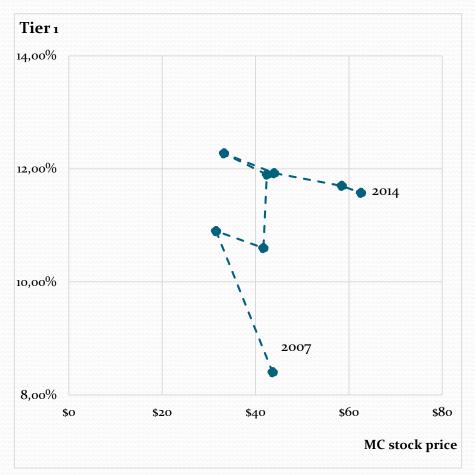
Comparative Table

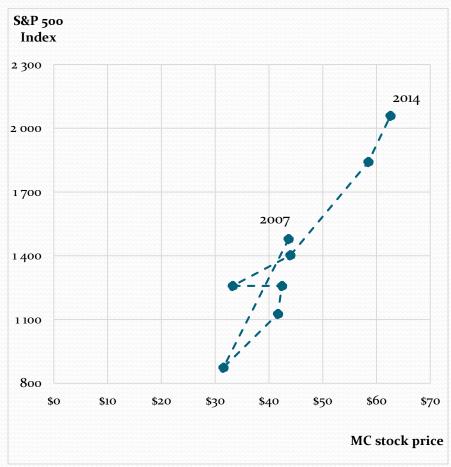
	JP Morgan	Deutsche Bank	I	Bank of	Bank of New York	HSBC
	r		UBS Group AG			Holdings PLC.
Assets, in bln.	\$2 590	€1 710	CHF 1 060	\$2 110	\$385	£1 690
Investments to Assets	60%	61%	55%	40%	46%	45%
Loans to Assets	28%	27%	31%	41%	15%	38%
Deposits to Assets	53%	31%	39%	53%	69%	51%
Debt to Assets	24%	14%	23%	23%	14%	9%
Equity to Assets	9.0%	4.0%	5.1%	11.5%	10.0%	7.6%
Investments to Debt ratio	252%	424%	242%	176%	333%	522%
Deposits to Loans ratio	185%	114%	125%	129%	451%	136%
ROA	0.8%	0.1%	0.3%	0.2%	0.7%	0.5%
ROE	9.6%	2.7%	7.0%	2.0%	6.7%	7.2%
Net Margin	21.8%	3.5%	9.5%	4.9%	16.7%	14.9%
Earnings per share	\$5.49	\$1.47	\$0.96	\$0.69	\$2.27	\$3.62
Dividend yield	2.56%	2.45%	2.67%	1.28%	1.62%	8.38%
Stock price as of April 24, 2015	\$62.62	\$34.26	\$20.22	\$15.62	\$42.14	\$47.8
P/E	11.4	23.3	21.1	22.6	18.6	13.2

[☐] Morgan Chase has the best performance figures among other competitors unlike Deutsche Bank with the worst figures.

[■] HSBC also has good performance figures but enormous dividend yield, high other liabilities share, and scandals around its CEO create a threat to stability in future

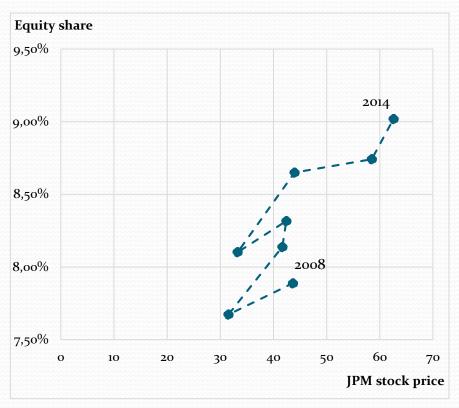
Relation of price and indicators Morgan Chase (part 1)

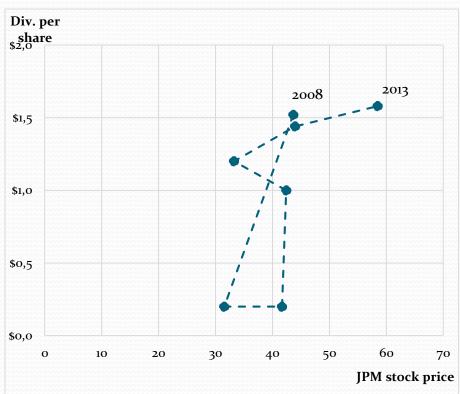




■ Investors of MC were interested mostly with market situation when the suitable current price, but not with real improvement of bank figures

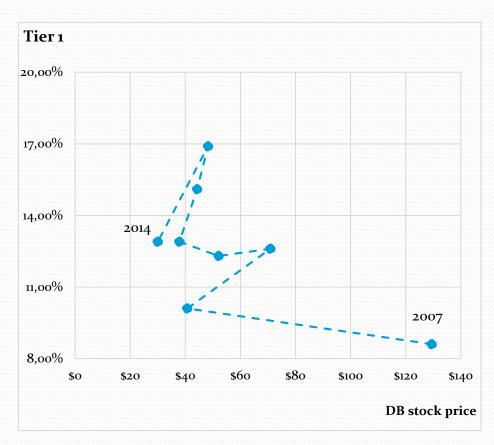
Relation of price and indicators Morgan Chase (part 2)

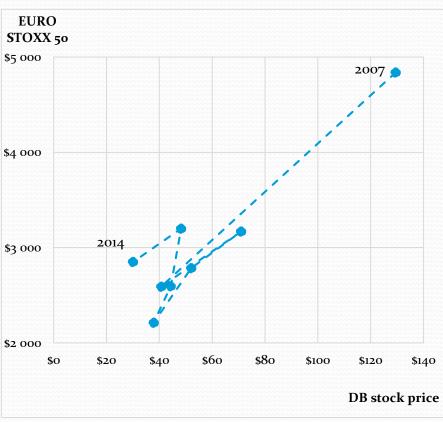




□ No visible correlation between stock price and Equity share to assets or dividends per share.

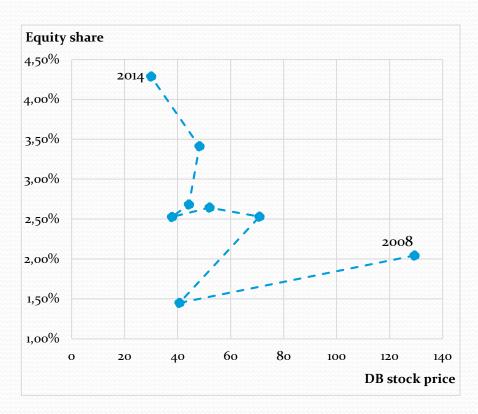
Relation of price and indicators Deutsche Bank(part 1)

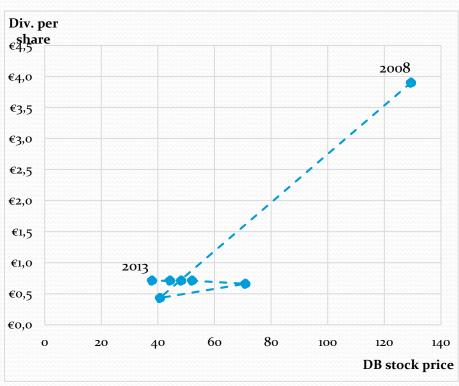




- Stock price of DB do not show any significant relation to EURO STOXX 50 Index from 2013.
- □ Connection with price could be recovered together with Quantitive easing program in Europe, but there is no unambiguous sign for that at the moment.

Relation of price and indicators Deutsche Bank(part 2)





□ No visible correlation between stock price and Equity share to assets or dividends per share.

Stock price perspectives of Morgan Chase



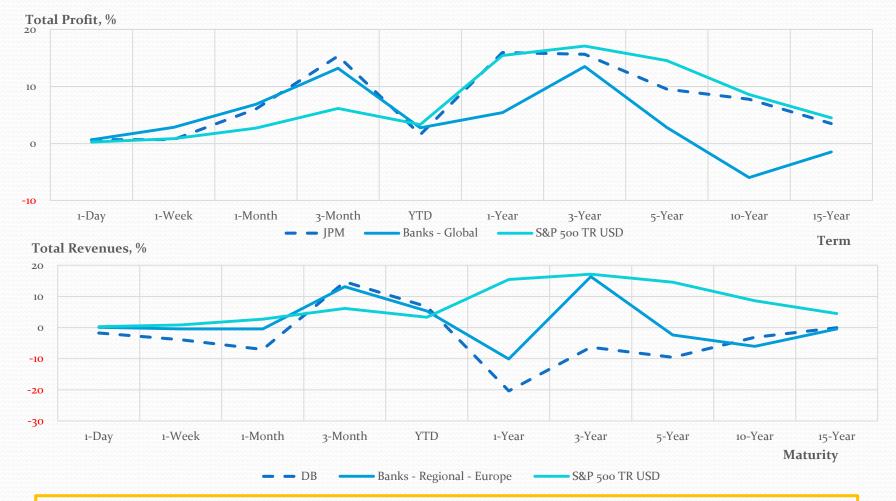
■ MC stock price will fluctuate in the range from \$55 to \$65 per share.

Stock price perspectives of Deutsche Bank



□ DB stock price will continue their fall trend even despite quantitive easing in Europe.

Investors income from stocks as of 28 April 2015



- MC investors income from stocks exceed average banking level and is near S&P level
- □ DB investors income from stocks is lower than average European banking level and is lower than S&P.

JPM Conclusions

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Hold with the target price \$70.

- Return on equity was 9.75% in 2014 (almost the same as it was the last five years).
- Dividend grew by 9.7% in 2014, after two year growth in amount of 20%. Dividend payout ratio was only 29.9% in 2014. At the same time, the management declared the goal in the range 55%-75%.
- Dividend yield was 2.56% for 2014 with the goal on 3.5% from management.
- The earnings in first-quarter of 2015 grew on 13.3% to \$1.45 per share in comparing to first quarter in a year earlier rebound in fixed-income trading.

DB Conclusions

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III

IV

Sell with the target price \$30.

• Return on equity was 2,7% in 2014 (in average 3,57% for the last five years).

• Dividend grew the last time in 2010 and was constant on the level of €0,71 per share in the last four years. Average payout ratio of DB during last seven years was 86.3%; moreover, in 2013 it exceeded 100% level and in 2012 even 300% level

• Equity share in liabilities is only 4.0% at the time as Tier 1 Capital adequacy ratio is 12.9%.

 The earnings in first-quarter of 2015 fell two-times after huge fine according to settlement in Libor probe.