Financial Sector

Nathan Tepley, Brandon Sauter, Yuwei Tang, Danielle Seamon
Overview
American Express
Keycorp
Wells Fargo
CitiGroup
Conclusion
Overview
## Current Sector Holdings

<table>
<thead>
<tr>
<th>Company</th>
<th>Current Price (as of 10/30/15)</th>
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</tbody>
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|                | S&P 500 Weight                  | 16.19%       |
|                | Under/Overweight                | -0.69bps     |
S&P 500 Weight 16.19%
SIM Weight 15.50%
Underweight 69 Basis points

Recommendation HOLD
Interest rates rising in December
Strengthening economy But Long bull market
American Express Co.
American Express Co.

- Ticker: NYSE: AXP
- Current Price: $73.26 (October 30th 2015)
- Initial Price: $75.70 → $317,940
- Target Price: $81.58 (11.36% upside potential)
- Recommendation: HOLD

**Company Description:**
American Express Company is a global payment and travel company. The company’s Principal Products and services are charge and credit payment cards products and travel-related services offered to consumers and business around the world.

### 12 Month Share Price

![12 Month Share Price Chart]

### Market Profile

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 Week Range</td>
<td>$71.39 - $94.89</td>
</tr>
<tr>
<td>P/E</td>
<td>14.06</td>
</tr>
<tr>
<td>Price/Bv</td>
<td>3.43</td>
</tr>
<tr>
<td>Beta</td>
<td>1.082</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.60%</td>
</tr>
<tr>
<td>ROE</td>
<td>27.10%</td>
</tr>
<tr>
<td>ROA</td>
<td>3.70%</td>
</tr>
<tr>
<td>Market Cap</td>
<td>$73,208mil</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>34.50%</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>984.2mil</td>
</tr>
<tr>
<td>Bv/Share</td>
<td>21.66</td>
</tr>
<tr>
<td>Assets</td>
<td>$159,103mil</td>
</tr>
<tr>
<td>Employees</td>
<td>54,000</td>
</tr>
</tbody>
</table>
AmEx Business Overview

Economic/Macro Drivers

- US Disposable Income
- Personal Savings
- Consumer Confidence
- Consumer Spending Growth
AmEx Advantages & Risks

Advantages

• Closed Loop network
• Affluent Customer Base
• Profitable Performance

Risks

• Credit Risk
• Fraud
• Negative Economic Drivers

<table>
<thead>
<tr>
<th>Profitability Ratios</th>
<th>Net Revenue Margin</th>
<th>Pretax Margin</th>
<th>ROA</th>
<th>ROE</th>
<th>Eff Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Express</td>
<td>95.3%</td>
<td>26.2%</td>
<td>3.8%</td>
<td>29.1%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Synchrohony Financial</td>
<td>92.8%</td>
<td>28.7%</td>
<td>3.1%</td>
<td>25.7%</td>
<td>37.7%</td>
</tr>
<tr>
<td>Discover</td>
<td>88.2%</td>
<td>43.6%</td>
<td>2.9%</td>
<td>21.8%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Capital One</td>
<td>93.8%</td>
<td>29.5%</td>
<td>1.5%</td>
<td>10.3%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Alliance Data System</td>
<td>15.8%</td>
<td>3.0%</td>
<td>30.2%</td>
<td>38.4%</td>
<td></td>
</tr>
</tbody>
</table>
**KeyCorp Overview**

**Key Community Bank** serves individuals and small to mid-sized businesses by offering services including deposit, investment, lending, credit card and personalized wealth management products and business advisory services.

**Key Corporate Bank** offers to its clients banking and capital markets products including syndicated finance, debt and equity capital markets, commercial payments, equipment finance, commercial mortgage banking, CMBS, derivatives, foreign exchange, financial advisory and public finance.

### Market Profile

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<tr>
<td>52 Week Range</td>
<td>$12.04-$15.7</td>
</tr>
<tr>
<td>P/E</td>
<td>12.5</td>
</tr>
<tr>
<td>Beta</td>
<td>1.35</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.10%</td>
</tr>
<tr>
<td>ROE</td>
<td>8.84%</td>
</tr>
<tr>
<td>ROA</td>
<td>1.01%</td>
</tr>
<tr>
<td>Market Cap</td>
<td>$11B</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>835M</td>
</tr>
<tr>
<td>Asset</td>
<td>$93.8B</td>
</tr>
<tr>
<td>Employees</td>
<td>13590</td>
</tr>
<tr>
<td>ATM</td>
<td>1287</td>
</tr>
<tr>
<td>Branches</td>
<td>994</td>
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**2015 Revenue**

- Key Community Bank: 60%
- Key Corporate Bank: 30%
- Other: 10%
Opportunities
- Merge and acquisition
- Regional expansion
- Pending interest rate

Risks
- Uncertainties in global economy
- Regulation burdens
52 Week Range: $12.04-$15.7
Current Price: $12.42
Target Price: $14.88
Upside Potential: 19.81%
Recommendation: HOLD
• Ticker: NYSE: WFC
• Current Price: $54.14 (October 30th 2015)
• Initial Price: $35.19 → $274,474
• Target Price: $66.87 (23.51% upside)
• Recommendation: HOLD

Company Description:
Wells Fargo, founded in 1852, is a diversified provider of financial services to individuals, businesses and institutions. The three main segments of the business are: Community Banking, Wholesale Banking, and Wealth, Brokerage and Retirement. The company operates out of 8,700 locations with 12,500 ATMs and offices in 36 countries.
Risks and Advantages

Risks

- Headquarters located in Earthquake prone San Francisco, California
- Economic slowdown/downturn
  - Long bull market

Advantages

- Good dividend yield with room to grow
- Strengthening economy
  - Increased spending, saving and lending
- Strong competitive advantages

Wells Fargo
- Recommendation: HOLD
- Already at 4.28%
- Could slightly raise position
- Upside is over a long period
Company Description
Citigroup is a multinational banking and financial conglomerate that is the result of a $70 billion merger between Citicorp and Travelers Group in 1998. Today, Citigroup does business in four different regions — North America; Europe, Middle East and Africa (EMEA); Latin America; and Asia — in two primary business segments — Citicorp and Citi Holdings.

- Ticker: NYSE: C
- Current Price: $54.28 (November 23rd, 2015)
- Initial Price: $52.58 → $446,936
- Target Price: $58.22 (9.5% upside potential)
- Recommendation: HOLD
C Business Overview

Citigroup is managed pursuant to the following segments:

**Citigroup Segments**

**Citicorp**
- North America
- Latin America
- Asia
- EMEA
- Consisting of:
  - Retail banking
  - Local commercial banking
  - Branch-based financial advisors
  - Residential real estate
  - Asset management in Latin America
  - Citibank cards in all regions
  - Citi retail services in North America

**Institutional Clients Group** (ICG)
- Banking
  - Investment banking
  - Treasury and trade solutions
  - Corporate lending
- Private Bank
- Markets and securities services
- Fixed income markets
- Equity markets
- Securities services

**Corporate/Other**
- Treasury
- Operations and technology
- Global staff functions and other corporate expenses
- Discontinued operations

**Citi Holdings**
- Consumer loans, including consumer loans originated by Citi's legacy CitiFinancial North America business
- Certain international consumer portfolios
- Certain institutional businesses
- Certain portfolios of securities, loans and other assets
- Certain retail alternative investments

*For reporting purposes, Asia GCB includes EMEA GCB for all periods presented.*
Citi Advantages & Risks

Advantages

• Biggest international presence
• Cost cuts
• Speculated interest rate hike

Risks

• Past economic performance
• Chinese economy
Conclusion
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