



DCF VALUATION III



Financial Service companies

You are valuing a bank that is conservatively capitalized, with a regulatory capital ratio that is well above the regulatory minimum. How would you expect to see this reflected in the company's fundamentals?

- a. High return on equity, low risk
- b. Low return on equity, low risk
- c. High return on equity, high risk
- d. Low return on equity, high risk

Price and value

□ If you feel certain about your estimate of the value of a company, and it is higher than the stock price, you should be willing to put all of your money in that stock.

a. True

b. False

Explain.