



Merkur Bank

Germany | Banks

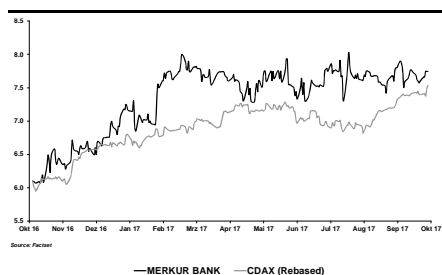
Investment Research

Flash Note

Reason: Company Newsflow

30 October 2017

Buy			
Recommendation unchanged			
Share price: EUR	7.75		
closing price as of 27/10/2017			
Target price: EUR	9.30		
Target Price unchanged			
Upside/Downside Potential	20.1%		
Reuters/Bloomberg	MBKG.DE/MBK GY		
Market capitalisation (EURm)	44		
Current N° of shares (m)	6		
Free float	65%		
Daily avg. no. trad. sh. 12 mth	3		
Daily avg. trad. vol. 12 mth (m)	0.00		
Price high/low 12 months	6.07 / 8.03		
Abs Perfs 1/3/12 mths (%)	-0.19/-0.58/26.97		
Key financials (EUR)	12/16	12/17e	12/18e
Total Revenue (m)	35	35	35
Pre-Provision Profit (PPP) (m)	11	11	11
Operating profit (OP)	13	9	9
Earnings Before Tax (m)	7	7	7
Net Profit (adj.) (m)	3	3	4
Shareholders Equity (m)	46	47	49
Tangible BV (m)	46	47	49
RWA (m)	862	870	879
ROTE	7.5%	7.4%	7.4%
Total Capital Ratio (B3)	10.2%	11.1%	11.4%
Cost/Income	61.1%	61.9%	61.5%
Price/Pre-Prov Prof	3.1	4.0	3.9
P/E (adj.)	10.9	12.8	12.3
P/BV	0.8	0.9	0.9
P/TBV	0.8	0.9	0.9
Dividend Yield	3.4%	3.6%	3.9%
Pre-Prov Prof per share	2.19	1.95	2.01
EPS (adj.)	0.61	0.60	0.63
BVPS	8.01	8.33	8.67
TBVPS	8.01	8.33	8.67
DPS	0.26	0.28	0.30
Shareholders			
Magnus 25%; HEGE 10%;			



Analyst(s)

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Good Q3 results & positive roadshow feedback

Merkur Bank reported good Q3 results last Thursday, which were above our forecast. Pretax profit was down by 41% yoy to EUR 3.6m (equinet: EUR 2.9m), the strong decline yoy was due to a base effect. Net profit was up by 8% yoy to EUR 1.1m (equinet: EUR 0.9m). Main reasons for the better than expected net profit were higher than forecasted revenues (delta of EUR 0.3m) and lower than forecasted risk provisions (delta of EUR 0.4m). Costs were down by 3% yoy and thus fully in line with our forecast. For the full year Merkur Bank expects to reach an EPS of EUR 0.59 (equinet: EUR 0.60) and targets to once again increase the dividend yoy (equinet forecast: EUR 0.28 vs. 2016 DPS: EUR 0.26). Last Friday we hosted a roadshow in Frankfurt with Merkur Bank's CEO, Dr. Marcus Lingel, which confirmed our positive view for the shares. Hence, we reiterate our Buy rating with a target price of EUR 9.30.

Merkur Bank - Q3 2017

EUR m	Q3 '17	Q3 '17e	Q3 '16	yoy	Consensus	delta
Revenues	8.6	8.3	9.0	-5%	na	na
<i>of which NII</i>	5.7	6.1	6.0	-5%	na	na
Expenses	5.2	5.2	5.3	-3%	na	na
<i>CIR</i>	60.7%	62.7%	59.2%	148 BP	na	na
Risk provis.	-0.2	0.2	-2.4	na	na	na
EBT	3.6	2.9	6.1	-41%	na	na
Net income	1.1	0.9	1.0	8%	na	na

Sources: Merkur Bank, equinet Research

Revenues development: Net interest income was down by 5% yoy to EUR 5.7m in Q3 which was below our forecast of EUR 6.1m. The decline was mainly due to a lower net interest margin due to high competition. This was however offset by a stronger than expected commission income which benefited from a good development of the retail banking unit and good new volumes in the residential real estate developer business.

Risk provisions: Merkur Bank released some risk provisions in Q3. Although the market environment remains very positive we would not expect Merkur Bank to continue releasing risk provisions in the coming quarters. We would interpret the release as normal quarterly fluctuation. Generally the CEO, Dr. Marcus Lingel, seemed to be relatively relaxed regarding the bank's asset quality.

Business volumes with strong development: While Merkur Bank's loan volume has increased by 7% since end of 2016 to EUR 903m, its assets under custody in the retail banking unit have increased by 14% to EUR 282m (+5% qoq). Thus, Merkur Bank remains on track on further strengthening its retail banking activities. In the mid-term the CEO targets to achieve a volume of around EUR 500m. New business in the real estate developer unit increased by 11% yoy to EUR 660m after 9 months. At the same time Merkur Bank increased the volumes that it has syndicated to its partner banks to EUR 225m (2016: EUR 176m). We see the latter development positively as it helps Merkur Bank to manage both its risks and its capital ratios. New business leasing was up by 14% yoy to EUR 92m after 9 months, better than expected by Merkur Bank.

Produced by:

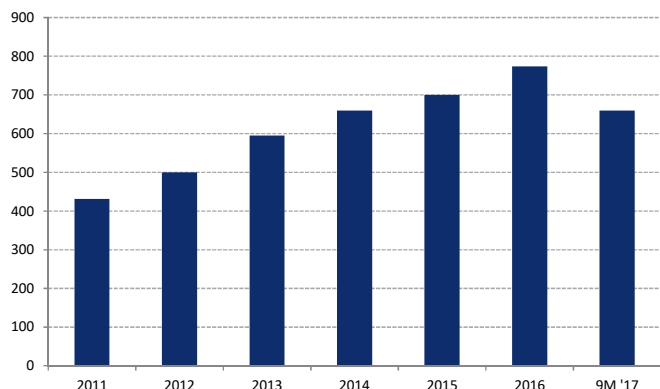
equinetBank
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For important disclosure information, please refer to the disclaimer page of this report.

All ESN research is available on Bloomberg, "ESNR", Thomson-Reuters, S&P Capital IQ, FactSet

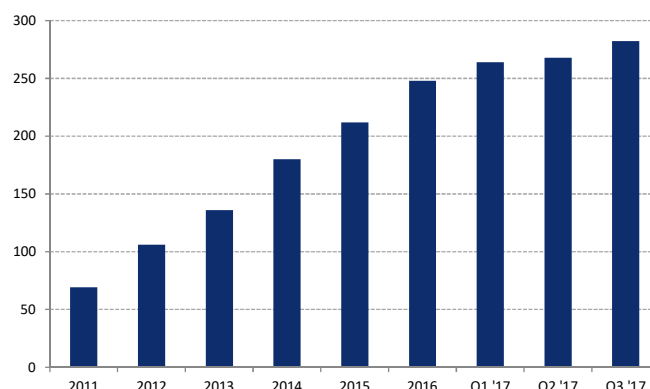


Exhibit 1: New business in residential developer finance



Source: Merkur Bank, equinet Research; figures in EUR m

Exhibit 2: Development of AuC in retail banking (in EURm)



Source: Merkur Bank, equinet Research

Roadshow Feedback: Last Friday we hosted a roadshow with Dr. Marcus Lingel, CEO of Merkur Bank, in Frankfurt. Key news from the roadshow were in our view:

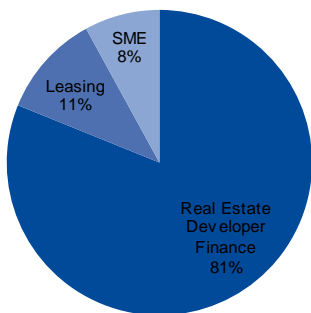
- 1) that Merkur Bank will benefit from a lower risk weighting for its leasing portfolio (down from 100% to 20% risk weighting) due to a regulatory change. As capital has always been a limiting factor for Merkur Bank in the past, this is very good news for Merkur Bank as it should give Merkur Bank some relief on the capital side. Note that Merkur Bank increased its total regulatory capital by around EUR 12m during 2017 to EUR 100m,
- 2) that Merkur Bank targets to grow its leasing portfolio somewhat stronger in the future as it sees good business opportunities in this market. At the same time it wants to further reduce its dependence on the residential developer business,
- 3) that the CEO is optimistic for 2018/2019 and does not see any significant risks for the bank at the moment.

Financials: We forecast Merkur Bank to keep the EPS stable yoy in 2017e at EUR 0.60 (which is equivalent to an increase of the net profit by 8% yoy), DPS should increase by 8% yoy to EUR 0.28. Having reached a net profit of EUR 3.1m after 9 months our full-year net profit estimate of EUR 3.44m looks very conservative. As we would not rule out that Merkur Bank increases its allocation to the fund for general banking risks and builds risk provisions on a normal level in Q4 again, we rather stick to our cautious forecast.



Exhibit 3: Investment Case in Charts

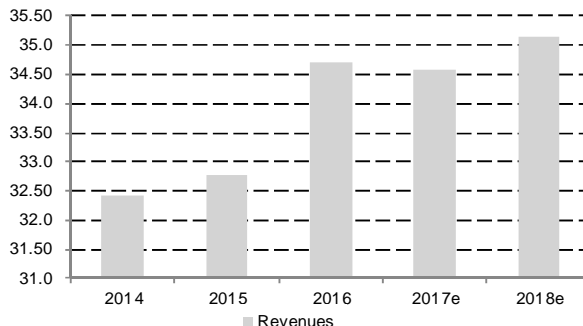
Loan new business split by business unit



Commercial Real Estate Developer Financing business is Merkur Bank's key revenue pillar.

Source: Merkur Bank, equinet Research

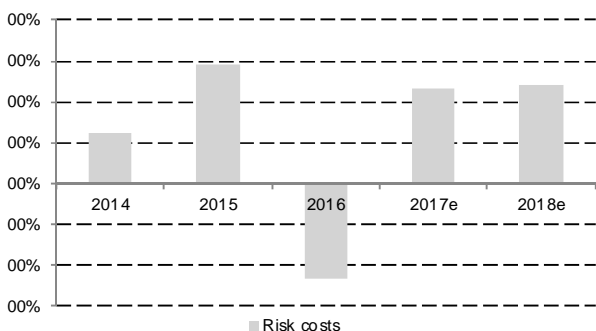
Revenues should further rise...



As Merkur Bank should continue to benefit from the positive market environment we forecast revenues to further increase in 2018e.

Source: Merkur Bank, equinet Research

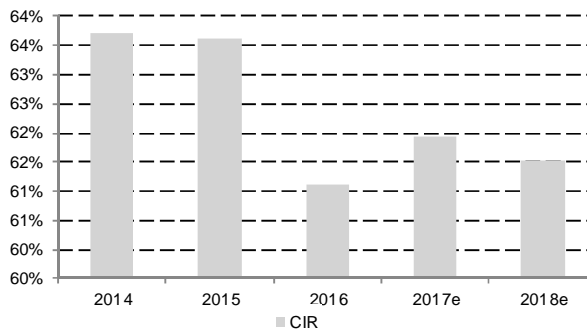
... while risk costs should remain low



Risk costs should remain on low level as we expect the benign commercial real estate environment to continue.

Source: Merkur Bank, equinet Research

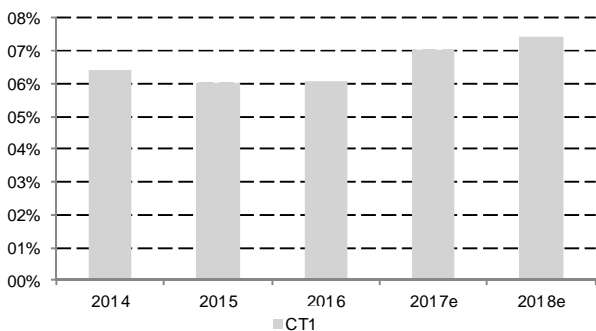
Efficiency is solid with a CIR of slightly above 60%



CIR is at relatively low level. We see however no room for further improvement as Merkur Bank is already operating quite efficiently.

Source: Merkur Bank, equinet Research

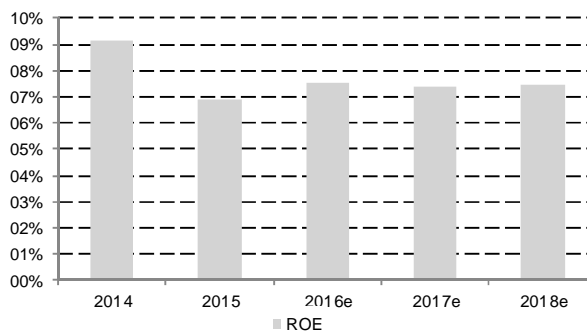
Capitalization is relatively low ...



CT1 ratio remains relatively weak compared to other German banks but we see Merkur Bank adequately capitalized.

Source: Merkur Bank, equinet Research

... while profitability is solid


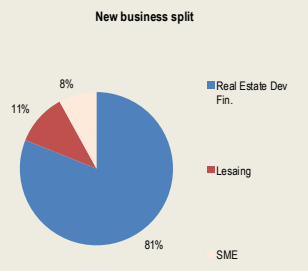
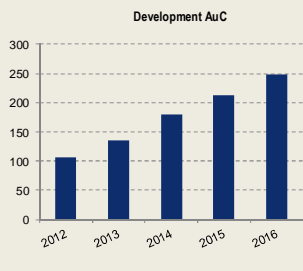
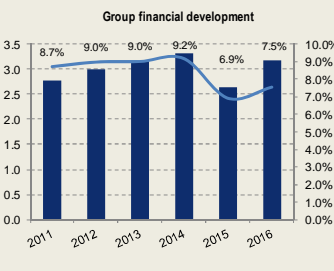

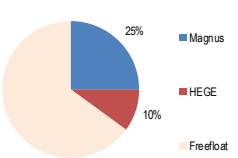


With an expected ROE of more than 7% for 2017e/'18e Merkur Bank has a solid profitability.

Source: Merkur Bank, equinet Research



Exhibit 4: At a Glance

Business Areas	Corporate Banking	Retail / Private Banking		
Company Profile	 <p>MERKUR BANK is a private bank, located in Munich, focusing on corporate and retail banking. While it has expanded its retail banking activities in recent years, residential real estate developer finance remains its most important business. MERKUR Bank has the legal status of a KGaA and is listed on the Munich stock exchange.</p>			
Business Focus	MERKUR Bank offers residential real estate developer finance, leasing and classical loans to its customers with a clear focus on developer loans. Total corporate loans amount to around EUR 900m.	In Retail / Private Banking MERKUR Bank offers retail banking services both online and through its four branches to its customers. It has around EUR 260m assets under custody.		
Customers	MERKUR Bank's customer are SME customers. While in real estate financing they comprise different real estate investors, they include traditional SME in the other segments.	MERKUR Bank's customers are classical retail customers which should be somewhat more affluent than the average retail customer.		
Regional Focus	Regional Focus in real estate developer finance is Munich and to a lesser extent Stuttgart and Nuremberg.	Regional Focus is Bavaria, Thuringia and Saxony with the branches being located in Munich, Jena, Plauen and Auerbach.		
Market share/ positioning	MERKUR Bank's market share should be insignificant overall but in its core market Munich MERKUR Bank should be among the established players in its niche.	MERKUR Bank's market share in the German retail banking market insignificant.		
Drivers	Apart from the general macroeconomic development in Germany, the overall demand for housing in Munich and thus new construction activity is the key driver for MERKUR Bank's revenues.	We see two developments which should be beneficial for MERKUR Bank: 1) The ongoing branch closures of the market leaders (savings and mutual banks) should continue to be beneficial for MERKUR Bank as it should help it to further grow its assets under custody. 2) The low interest rate environment forces people to invest its assets into riskier assets which should be beneficial for banks/asset managers offering asset management services.		
Asset Quality	We do not have any NPL figures for MERKUR Bank but based upon the current very favorable housing market in Munich, particularly the high demand for new housing, and the company's statement we assume that NPLs are currently on low levels. Clearly, a deterioration of the housing market in Munich should lead to rising NPLs.			
Capitalization	With a CT 1 ratio of 7.0% (2016; equinet estimate) and total capital ratio of 11.1% MERKUR Bank fulfills the regulatory requirements but capitalization, particularly the CT 1 ratio, clearly remains a weak spot for MERKUR Bank, as it limits future growth opportunities somewhat.			
Strategy & Guidance	<p>Strategy:</p> <p>(I) MERKUR Bank intends to further increase its AuC to increase revenues in retail/private banking to become less dependent from the real estate business</p> <p>(II) Further improve its capitalization to be able to make use of the business opportunities in the housing market in Munich</p>	<p>Guidance 2017:</p> <p>no concrete earnings guidance published</p>	<p>EPS y/y</p> <p>equinet Estimates</p> <p>0.60</p> <p>-1.0%</p> <p>Consensus</p> <p>na</p> <p>na</p>	
2016	Revenues (EURm) 34.7 y/y 6.0%	CIR 63.8%	Net Profit (EURm) 3.2 ROE 7.5%	EPS 5Y hist. CAGR 2.6%
New bus. & Portfolio Split	<p>New business split</p> 	<p>Development AuC</p> 	<p>Group financial development</p> 	
Shareholder structure & management	<p>CEO <u>Dr. Marcus Lingel</u></p> <p>CEO & personal liability partner</p> <ul style="list-style-type: none"> • Dr. Lingel joined MERKUR Bank's management board in 2005 • He joined MERKUR Bank in 2000 after having finished his studies and having worked for a large private bank in the corporate banking unit 	<p>Board member</p>  <ul style="list-style-type: none"> • Mr. Herrmann joined MERKUR Bank in 1999 and became a board member in 2002 • Mr. Herrmann has gained bank experience in different savings banks and other mid-sized banks 	<p>Shareholder structure</p> 	
# of employees FY 2016	188			

Source: Merkur Bank, equinet Research



Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Rüzgar	22.50	Neutral	2/3/5	OHB SE	Rüzgar	32.00	Neutral	7
4SC	Miemietz	3.50	Buy	7	OVH Holding AG	Häßler	20.00	Accumulate	2/5/7
Aareal Bank	Häßler	38.00	Accumulate		Patrizia	Häßler	20.00	Buy	
adidas	Josefson	211.00	Accumulate		Pfeiffer Vacuum	Sen	162.00	Accumulate	5
Adler Modemaerkte	Josefson	7.50	Buy	7	Procredit Holding	Häßler	15.60	Buy	2
ADLER Real Estate	Häßler	15.20	Accumulate		PSISOFTWAREAG	Droste	18.00	Accumulate	2/3
Aixtron	Sen	11.60	Accumulate	2/3	PWO	Schuldt	52.00	Buy	2/3
Allianz	Häßler	194.00	Accumulate		Rheinmetall	Rüzgar	107.00	Accumulate	
Axel Springer	Josefson	51.00	Neutral		RIB Software	Droste	16.50	Buy	2/3
Bayer	Miemietz	118.00	Buy		RTL Group	Josefson	72.00	Accumulate	
BB Biotech	Miemietz	60.00	Buy	7	SAF-Holland	Schuldt	17.00	Accumulate	7
Biotest	Miemietz	19.00	Neutral	2/3	Siegfried Holding AG	Miemietz	295.00	Accumulate	
BMW	Schuldt	98.00	Accumulate		SLM Solutions	Sen	27.50	Reduce	
Brenntag	Mildner	53.00	Buy	2	SMT Scharf AG	Rüzgar	13.50	Accumulate	2/3
Ceconomy	Bruns	9.00	Reduce		Software AG	Droste	30.00	Sell	
Cenit	Droste	22.50	Buy		Stabilus	Tanzer	85.00	Accumulate	
comdirect	Häßler	10.60	Neutral		Suedzucker	Bruns	15.50	Reduce	
Commerzbank	Häßler	11.50	Neutral		SuessMicroTec	Sen	11.00	Accumulate	2/3
Continental	Schuldt	265.00	Buy		Surteco	Mildner	28.00	Accumulate	2/3
CORESTATE Capital Holding S.A.	Mayer	67.00	Buy	2/5	Symrise	Hinkel	67.00	Neutral	
CTS Eventim	Heilmann	40.00	Buy		Szygy AG	Heilmann	12.00	Accumulate	2/3
Daimler AG	Schuldt	76.00	Buy		TAKKT	Bruns	18.70	Neutral	2
Daldrup & Soehne	Becker	10.10	Buy	2/3/5	Talanx Group	Häßler	34.00	Neutral	
Demire	Mayer	4.30	Accumulate	2/5	Technotrans	Becker	46.50	Neutral	2/3
Deutsche Bank	Häßler	17.50	Buy		TELECOLUMBUS	Sen	12.00	Buy	
Deutsche EuroShop	Mayer	33.00	Neutral		Telefonica Deutschland	Sen	3.70	Sell	
Deutsche Pfandbriefbank	Häßler	12.00	Neutral		United Internet	Sen	63.00	Buy	
Deutsche Telekom	Sen	15.50	Neutral		va-Q-tec	Sen	17.00	Neutral	2/3/5
Drillisch	Sen	66.00	Buy		Viscom	Rüzgar	29.50	Neutral	2/3
EiringKlinger	Schuldt	14.00	Reduce		Volkswagen	Schuldt	166.00	Buy	
elumeo SE	Josefson	9.60	Buy		WCM AG	Mayer	3.25	Neutral	2/3
Epigenomics AG	Miemietz	4.72	Accumulate	2/3	Wilex	Miemietz	3.66	Buy	2/3
Euromicron AG	Droste	13.00	Buy	2/3/5	windeln.de	Josefson	4.60	Buy	2
Ferratum	Häßler	28.00	Buy		XING	Heilmann	310.00	Buy	
Fielmann	Heilmann	81.00	Accumulate		Zalando	Josefson	48.00	Buy	
Freenet	Sen	36.00	Buy	2					
Fuchs Petroleum	Hinkel	47.00	Neutral						
Gerry Weber	Josefson	10.00	Reduce						
Gesco	Becker	29.60	Accumulate	2/3/5					
GFT Technologies	Droste	15.00	Buy	2/3					
Gigaset	Sen	0.85	Accumulate	2/3					
Grenke	Häßler	83.00	Neutral						
Hannover Re	Häßler	100.00	Neutral						
Heidelberger Druck	Augustin	3.70	Buy						
HELLA	Tanzer								
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	164.00	Accumulate	7					
INDUS Holding AG	Becker	63.00	Neutral						
K+S	Hinkel	22.00	Accumulate						
KWS	Hinkel	346.00	Neutral						
Leoni	Schuldt	57.00	Neutral						
Linde	Hinkel	174.00	Neutral						
Logwin	Mildner	148.00	Neutral	2/3/5					
Manz AG	Rüzgar	37.00	Neutral	2/3					
MAX Automation AG	Becker	9.20	Buy	2/3/5					
Merck	Miemietz	112.00	Buy						
Merkur Bank	Häßler	9.30	Buy	2/7					
Metro	Bruns	29.00	Buy	2					
MLP	Häßler	7.50	Buy	2/3					
MTU Aero Engines	Rüzgar	142.00	Neutral	2					
Munich Re	Häßler	200.00	Accumulate						
Nemetschek SE	Droste	47.00	Reduce	5					
Nexus AG	Droste	28.00	Buy						
Norma Group	Schuldt	61.00	Neutral						

* =Coverage suspended

Source: equinet Recommendations



Merkur Bank : Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Net Interest Income	21.6	21.2	21.6	23.1	23.3	23.6
Commissions	9.3	9.8	10.4	10.1	10.7	11.1
Trading income						
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Income	1.1	1.5	0.7	1.5	0.5	0.5
Non-Interest Income						
Total Income from Banking Business						
Revenues from Insurance Business						
Total Revenue	32.0	32.4	32.8	34.7	34.6	35.1
Operating Costs	-19.1	-20.7	-20.8	-21.2	-21.4	-21.6
-of which Personnel Expenses	-11.5	-12.6	-13.1	-13.4	-13.6	-13.8
Other Operating Provisions	-1.5	-3.0	-2.0	-2.1	-2.1	-2.1
Pre-Provision Profit (PPP)	11.3	8.7	9.9	11.4	11.1	11.4
Loan Impairment Charge (LIC)	-0.2	-0.9	-2.2	2.0	-2.0	-2.1
Operating profit (OP)	11.2	7.8	7.7	13.4	9.1	9.3
Associates						
Other Income/Loss(Exceptional)	-4.5	-1.1	-1.8	-6.1	-2.0	-2.0
Results from Financial Investments						
Earnings Before Tax (EBT)	6.7	6.8	5.9	7.3	7.1	7.3
Tax	-3.3	-3.2	-3.3	-4.1	-3.6	-3.7
Tax rate	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations						
Minorities	-0.3	-0.3	0.0	0.0	0.0	0.0
Preference Dividends						
Net Profit (Reported)	3.2	3.3	2.6	3.2	3.4	3.6
Earnings Before Tax (Adj.) (1)						
Net Profit (Adj.)	3.2	3.3	2.6	3.2	3.4	3.6
BALANCE SHEET (EURm)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Due from Banks	46.3	78.0	62.5	42.1	50.0	50.0
Customer Loans	736	694	813	847	873	890
Securities	12.5	0.0	0.0	0.0	0.0	0.0
Interest Earning Assets (IEA)	795	772	876	889	923	940
Unit Linked Investments						
Goodwill						
Other Assets	72.6	67.4	96.7	144	156	157
Total Assets	868	839	973	1,033	1,079	1,097
Due to Banks	63.0	62.6	83.7	74.4	65.0	63.0
Customer Deposits	717	688	800	846	899	908
Bonds & Debt Capital	32.6	28.8	26.8	35.9	35.8	45.8
Technical Provisions Insurance (Life and Non-Life)						
Other Liabilities	16.4	18.5	18.7	26.0	26.9	25.8
Shareholders Equity	34.9	37.2	38.8	45.6	47.4	49.3
Minorities Equity	4.1	4.4	4.6	5.1	5.1	5.1
Total Liabilities	868	839	973	1,033	1,079	1,097
Tangible Book Value (2)	34.9	37.2	38.8	45.6	47.4	49.3
REGULATORY CAPITAL (EURm)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Risk Weighted Assets	753	703	816	862	870	879
CT1 ratio (B3 fully loaded)	5.7%	6.4%	6.0%	6.1%	7.0%	7.4%
CT1 ratio (B3 phased-in)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital Ratio (B3)	9.3%	10.4%	9.2%	10.2%	11.1%	11.4%
Leverage Ratio (fully loaded)	5.0%	7.1%	6.1%	6.6%	7.1%	7.4%
Tangible equity as % of Assets	4.0%	4.4%	4.0%	4.4%	4.4%	4.5%



Merkur Bank : Summary tables

GROWTH RATES %	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Revenue Growth	4.4%	1.3%	1.0%	6.0%	-0.4%	1.6%
Operating Cost Growth	-0.3%	8.0%	0.9%	1.8%	1.0%	1.0%
Interest Income Growth	6.2%	-1.8%	2.1%	6.8%	1.0%	1.0%
Non Interest Income Growth						
Pre-Provision Profit Growth	8.0%	-23.2%	13.2%	15.4%	-2.9%	3.2%
Customer Loan Growth	8.8%	-5.8%	17.2%	4.1%	3.0%	2.0%
Deposits Growth	19.7%	-4.1%	16.4%	5.7%	6.2%	1.0%
Change in NPLs						

KEY RATIOS %	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Interest Income/Avg. IEA	2.9%	2.7%	2.6%	2.6%	2.6%	2.5%
Interest Income/Avg. RWA	5.7%	2.9%	2.8%	2.8%	2.7%	2.7%
Total Revenue/Avg. RWA	8.5%	4.5%	4.3%	4.1%	4.0%	4.0%
Cost/Income ratio (4)	59.8%	63.7%	63.6%	61.1%	61.9%	61.5%
LIC/Avg. Customer Loans	0.02%	0.12%	0.29%	-0.24%	0.23%	0.24%
LIC/Avg.RWA	0.04%	0.12%	0.29%	-0.23%	0.23%	0.24%
Loan Loss Provisions (Balance Sheet)/Loans	0.0%	0.1%	0.3%	-0.5%	0.2%	0.2%
NPL Ratio (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NPL Coverage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans/Deposits Ratio	102.7%	100.9%	101.7%	100.1%	97.1%	98.0%
ROE	9.0%	9.2%	6.9%	7.5%	7.4%	7.4%
ROTE or ROE (adj.) (5)	9.0%	9.2%	6.9%	7.5%	7.4%	7.4%
Payout Ratio	32.8%	31.2%	43.2%	42.6%	46.3%	47.5%
Dividend Yield (gross)	2.7%	3.3%	3.7%	3.4%	3.6%	3.9%

VALUATION (x)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
P/Pre-Provision Profit per Share	3.3	3.6	3.1	3.1	4.0	3.9
P/E (reported)	12.0	9.6	11.6	10.9	12.8	12.3
P/E (adj.)	12.0	9.6	11.6	10.9	12.8	12.3
P/BV	1.1	0.8	0.8	0.8	0.9	0.9
P/TBV	1.1	0.8	0.8	0.8	0.9	0.9

PER SHARE DATA (EUR)(6)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Average diluted number of shares	5.2	5.2	5.2	5.7	5.7	5.7
Pre-Provision Profit per Share	2.19	1.69	1.91	2.19	1.95	2.01
EPS (reported)	0.61	0.64	0.51	0.61	0.60	0.63
EPS (adj.)	0.61	0.64	0.51	0.61	0.60	0.63
BVPS	6.76	7.20	7.51	8.01	8.33	8.67
TBVPS (2)	6.76	7.20	7.51	8.01	8.33	8.67
DPS	0.20	0.20	0.22	0.26	0.28	0.30

PRICE & SHARES & MKT CAP (EURm)	12/2013	12/2014	12/2015	12/2016	12/2017e	12/2018e
Price** (EUR) (7)	7.3	6.1	5.9	6.7	7.7	7.7
Outstanding number of ordinary shares (m)	5.2	5.2	5.2	5.7	5.7	5.7
Total Market Cap (8)	37.7	31.6	30.5	38.0	44.0	44.0
Assets Under Management (bn)						

Source: Company, equinet Bank estimates.

Notes

(1) Earnings Before Tax (adj.) = EBT +/- Exceptional Items

(2) Tangible Book Value = Shareholders Equity less Goodwill

(3) Core Tier1 Ratio (ESN adj.) = Tier1 capital less Tier1 Hybrid capital and less preference capital divided by risk weighted assets

(4) Cost/Income = Operating Costs divided by Banking Revenues

(5) ROTE or ROE (adj.) = Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity excluding Goodwill

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

(7) Price (in local currency): Historical Price for Historical Years and Current Price for current and forecast years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

Sector: Banks/Banks

Company Description: Merkur Bank is a small bank, located in Munich, focusing on real estate financing, leasing, SME lending and retail banking in Germany, mainly in Bavaria.



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Remarks

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Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

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Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

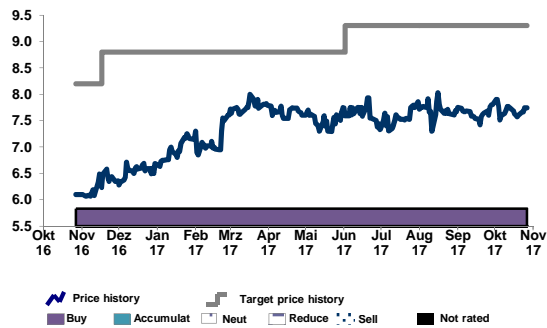


Recommendation history for MERKUR BANK

Date	Recommendation	Target price	Price at change date
02. Jun 17	Buy	9.30	7.59
17. Nov 16	Buy	8.80	6.23
02. Aug 16	Buy	8.20	5.72
17. Feb 16	Buy	7.80	6.01

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Philipp Häßler, CFA (since 17/02/2016)





ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



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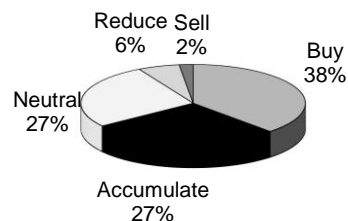
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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Equinet Bank Ratings Breakdown



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