

## Flash Note

### Buy

Recommendation unchanged

**Share price: EUR 7.75**

closing price as of 01/06/2017

**Target price: EUR 9.30**

from Target Price: EUR 8.80

**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) 36.42

Price high/low 12 months 5.59 / 8.00

Abs Perfs 1/3/12 mths (%) 1.91/0.32/26.97

**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

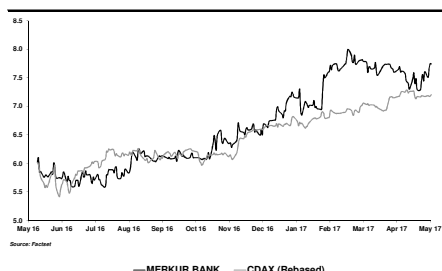
BVPS 8.01 8.33 8.67

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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## Reason: Company Newsflow

2 June 2017

### Model Update: Buy, TP EUR 9.30

Following the publication of strong Q1 results and the annual report 2016 we have updated our model. We have slightly increased our earnings estimates and have thus slightly increased our target price from EUR 8.80 to EUR 9.30.

We stick to our Buy recommendation as we see Merkur Bank well positioned to benefit from an expected ongoing positive residential developer real estate market environment while successfully growing its assets under custody in the retail unit. With an adjusted '18e ROE of 8% MERKUR Bank has an above average profitability while offering a dividend yield of well above 3% for 2016e. Shares are trading below adj. book value at a 2018e P/B of 0.6x. Importantly, the CEO is a personally liable partner and should therefore be highly committed to the bank and make sure that the bank pursues a cautious and risk adverse strategy.

- ✓ **Strong start into the year:** Merkur Bank's key revenue source, net interest income, was up by 4% yoy to EUR 5.7m which was in line with our forecast. Commission income has increased by 25% yoy to EUR 2.3m which was well above our forecast of EUR 1.9m. According to the CEO, Dr. Marcus Lingel, a good performance of the private banking operations were the main reason for the good performance. Costs were down by 3% yoy to EUR 5.3m, Merkur Bank benefiting from the branch closures it had executed in 2016. Despite slightly higher than expected risk provisions pretax profit was up by 21% yoy to EUR 2.4m and thus above our forecast of EUR 2.2m. Net profit was with EUR 1.1m (+8% yoy) also higher than expected.

### Merkur Bank - Q1 2017

EUR m	Q1 '17	Q1 '17e	Q1 '16	yoy	Consensus	delta
<b>Revenues</b>	7.8	7.6	7.5	4%	na	na
<i>of which NII</i>	5.7	5.7	5.6	1%	na	na
<b>Expenses</b>	5.3	5.4	5.4	-3%	na	na
<i>CIR</i>	67.6%	70.5%	72.5%	-481 BP	na	na
<b>Risk provis.</b>	0.2	0.1	0.1	49%	na	na
<b>EBT</b>	2.4	2.2	2.0	21%	na	na
<b>Net income</b>	1.1	1.0	1.1	8%	na	na

Sources: Merkur Bank, equinet Research

Loan volume was up by 6% qoq to EUR 902m, assets under custody increased by 7% qoq to EUR 264m. While it is clearly positive that Merkur Bank managed to further increase its loan portfolio and thus seems to continue to benefit from the positive market environment we are particularly pleased by the good performance of the private banking unit as it shows that Merkur Bank's strategy of investing into this business seems to be paying off. This is important as the positive real estate market environment is unlikely to last forever.

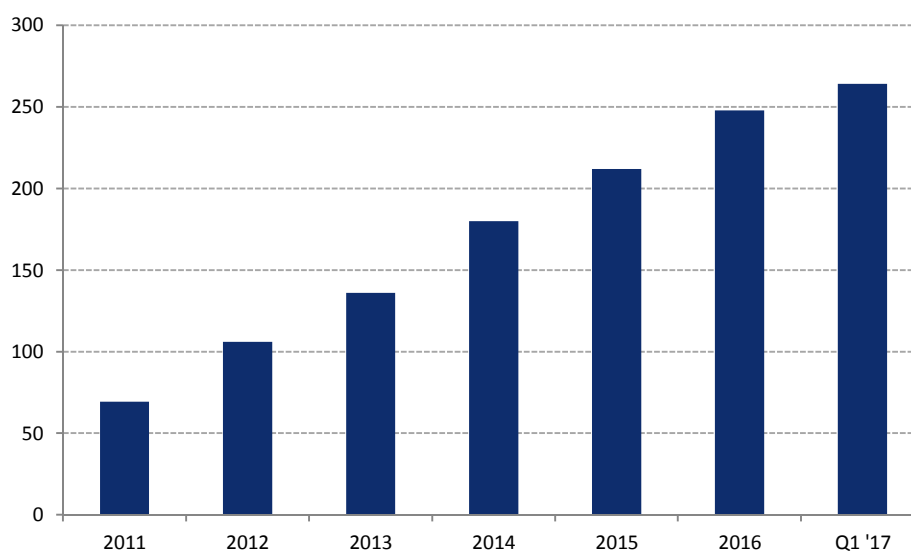
### Capital situation should further improve

During 2016 Merkur Bank's CT1 ratio increased by only 10 bp's to 6.1% as the regulator has not yet approved the proceeds from the capital increase. Assuming a slight RWA increase of 1% in 2017 and taking into account the capital increase CT1 ratio should increase to 7.0% by the end of 2017. Total capital ratio stood at 10.2% (excl. the capital increase) at the end of 2016.

### Assets under custody should further increase

We see Merkur Bank in pole position to continue to benefit from the problems of its main competitors, the savings banks, mutual banks, Commerzbank, HVB and online banks. Except for Commerzbank all its competitors have already started closing branches and are likely to continue doing so because of the low interest rate environment and rising popularity of online/mobile banking. Although Merkur Bank has only four branches in Bavaria and Saxony we think it should be able to further grow its assets under custody as it offers an attractive product and advisory service both through its branches and a state-of-the-art online banking offering. Thus, it should be able to attract new customers that are not satisfied anymore with their current bank because of branch closures or change of advisors.

**Exhibit 1: Development of assets under custody (in EUR m)**



Source: Merkur Bank, equinet Research

### Financials

On the back of the strong Q1 results we have slightly increased our EPS estimates from EUR 0.59 to EUR 0.60 and from EUR 0.61 to EUR 0.63. We have basically increased our revenues estimates as Q1 was strong and above our forecast.

## Valuation

Our TP of EUR 9.30 is derived from the average fair values calculated from 3 different valuation methods: Peer Group analysis, Gordon Growth Model & Dividend Discount Model.

### Exhibit 2: Peer Group Valuation

Company	Share Price (LC)	MC (LC m)	PER 2017e	PER 2018e	P/B 2017e	P/B 2018e	ROE 2017e	ROE 2018e	Yield 2016e	1M Perf	12M Perf
Aareal Bank AG	35.55	2,128	11.5x	11.6x	0.8x	0.8x	6.8%	6.6%	5.6%	-4%	9%
comdirect	9.72	1,373	24.2x	23.1x	2.1x	2.1x	8.8%	9.1%	2.6%	1%	-2%
Commerzbank AG	9.41	11,781	21.0x	14.3x	0.4x	0.4x	1.9%	2.8%	0.0%	5%	27%
Deutsche Bank AG	15.61	32,194	11.8x	10.0x	0.5x	0.5x	4.0%	4.6%	0.9%	-5%	14%
Deutsche Pfandbrief	11.38	1,530	11.9x	12.2x	0.5x	0.5x	4.6%	4.3%	9.2%	-9%	12%
Oldenburgische Lande	19.61	456	13.8x	12.9x	0.7x	0.7x	4.8%	5.1%	1.3%	2%	64%
Umweltbank	66.03	366	22.9x	20.8x	4.5x	4.1x	35.4%	37.2%	2.1%	0%	-17%
<b>Average</b>	<b>Share Price</b>		<b>PER 2017e</b>	<b>PER 2018e</b>	<b>P/B 2017e</b>	<b>P/B 2018e</b>	<b>ROE 2017e</b>	<b>ROE 2018e</b>	<b>Yield 2016e</b>	<b>1M Perf</b>	<b>12M Perf</b>
MERKUR BANK	7.75	44	12.8x	12.3x	0.9x	0.9x	7.4%	7.4%	0.0%	-4%	9%

Source: FactSet, equinet Research

### Exhibit 3: Gordon Growth Model

		Growth (g)						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
COE	7.5%	13.66	13.77	13.90	14.05	14.24	14.47	14.75
	8.0%	12.74	12.78	12.82	12.87	12.93	13.01	13.09
	8.5%	11.94	11.92	11.90	11.88	11.85	11.81	11.77
	9.0%	11.24	11.17	11.10	11.02	10.93	10.82	10.69
	9.5%	10.61	10.51	10.41	10.28	10.14	9.98	9.80
	10.0%	10.05	9.93	9.79	9.64	9.46	9.27	9.04
	10.5%	9.54	9.40	9.24	9.07	8.87	8.64	8.39

Source: equinet Research

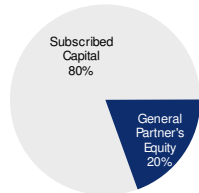
### Exhibit 4: Dividend Discount Model

EUR m	Phase I				Phase II						Phase III
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Jahre	0.1	1.1	2.1	3.1	4.1	5.1	6.1	7.1	8.1	9.1	
EBT	12.8	9.1	9.3	9.7	10.2	10.7	11.2	11.8	12.4	13.0	
CIR	65.3%	64.5%	64.1%	63.6%	62.7%	61.7%	60.8%	59.9%	59.0%	58.1%	
Tax	-3.8	-3.6	-3.7	-3.9	-4.1	-4.3	-4.5	-4.7	-4.9	-5.2	
Tax rate	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	
Minorities/Others	-6.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	
grow th rate	0.0%	0.0%	100.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Net profit	2.9	3.4	3.6	3.8	4.1	4.4	4.7	5.0	5.4	5.7	
grow th rate	21.0%	17.2%	4.4%	5.0%	7.7%	7.5%	7.3%	7.2%	7.0%	6.9%	
Total dividend	1.5	1.6	1.7	1.8	2.0	2.2	2.3	2.5	2.7	2.9	42
payout ratio	50.4%	46.3%	47.5%	46.8%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
PV Phase I	6										
PV Phase II	8										
PV Phase III	19										
Total Fair Value	33										
# shares	6										
Fair value per share	5.86										
					Risk premium	4.0%		Beta		1.1	
					Risk free rate	4.5%		Cost of equity		9.0%	
					Sensitivity			Growth in phase III			
						1.0%	1.5%	2.0%	2.5%	3.0%	
					8.1%	6	6	7	7	8	
					8.5%	6	6	6	7	7	
					9.0%	5	6	6	6	6	
					9.4%	5	5	5	6	6	
					9.9%	5	5	5	5	6	

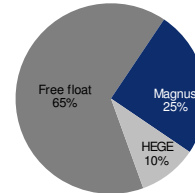
Source: equinet Research

**Exhibit 5: Overview KPIs**

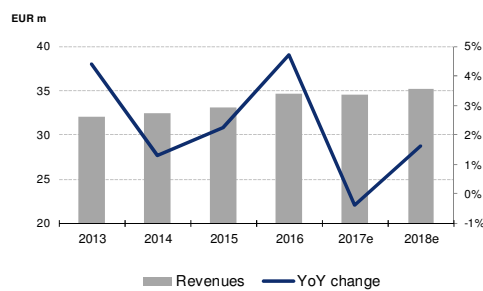
**Capital split**



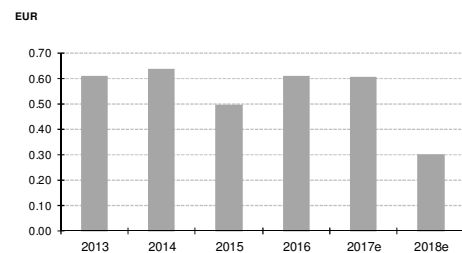
**Shareholder Structure**



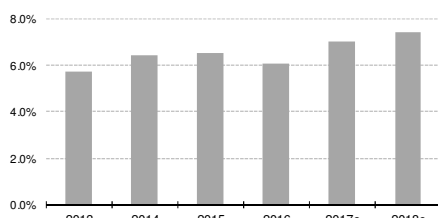
**Revenues development**



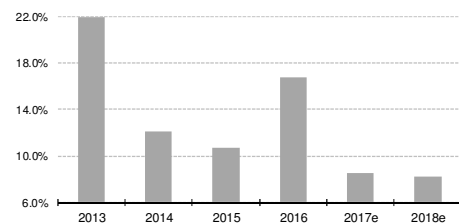
**EPS development**



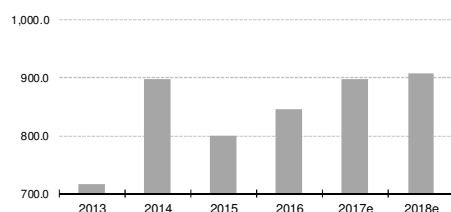
**CT 1 development (B III, fully loaded; 2012/13/14: B II)**



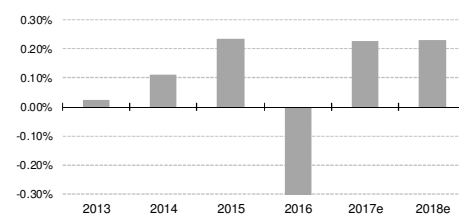
**ROE development**



**Lending volume development**



**Risk costs development (based upon average loan vol.)**



Source: Merkur Bank, equinet Research

**Merkur Bank : Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017e</b>	<b>12/2018e</b>
<b>Net Interest Income</b>	<b>21.6</b>	<b>21.2</b>	<b>21.6</b>	<b>23.1</b>	<b>23.3</b>	<b>23.6</b>
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	<b>1.1</b>	<b>1.5</b>	<b>0.7</b>	<b>1.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Non-Interest Income</b>						
<b>Total Income from Banking Business</b>						
<b>Revenues from Insurance Business</b>						
<b>Total Revenue</b>	<b>32.0</b>	<b>32.4</b>	<b>32.8</b>	<b>34.7</b>	<b>34.6</b>	<b>35.1</b>
Operating Costs	<b>-19.1</b>	<b>-20.7</b>	<b>-20.8</b>	<b>-21.2</b>	<b>-21.4</b>	<b>-21.6</b>
-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
<b>Pre-Provision Profit (PPP)</b>	<b>11.3</b>	<b>8.7</b>	<b>9.9</b>	<b>11.4</b>	<b>11.1</b>	<b>11.4</b>
Loan Impairment Charge (LIC)	-0.2	-0.9	-2.2	2.0	-2.0	-2.1
<b>Operating profit (OP)</b>	<b>11.2</b>	<b>7.8</b>	<b>7.7</b>	<b>13.4</b>	<b>9.1</b>	<b>9.3</b>
Associates						
Other Income/Loss(Exceptional)	-4.5	-1.1	-1.8	-6.1	-2.0	-2.0
Results from Financial Investments						
<b>Earnings Before Tax (EBT)</b>	<b>6.7</b>	<b>6.8</b>	<b>5.9</b>	<b>7.3</b>	<b>7.1</b>	<b>7.3</b>
Tax	-3.3	-3.2	-3.3	-4.1	-3.6	-3.7
<i>Tax rate</i>	<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						
<b>Net Profit (Reported)</b>	<b>3.2</b>	<b>3.3</b>	<b>2.6</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>
Earnings Before Tax (Adj.) (1)						
Net Profit (Adj.)	3.2	3.3	2.6	3.2	3.4	3.6
<b>BALANCE SHEET (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017e</b>	<b>12/2018e</b>
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
<b>Interest Earning Assets (IEA)</b>	<b>795</b>	<b>772</b>	<b>876</b>	<b>889</b>	<b>923</b>	<b>940</b>
Unit Linked Investments						
Goodwill						
Other Assets	72.6	67.4	96.7	144	156	157
<b>Total Assets</b>	<b>868</b>	<b>839</b>	<b>973</b>	<b>1,033</b>	<b>1,079</b>	<b>1,097</b>
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
<b>Shareholders Equity</b>	<b>34.9</b>	<b>37.2</b>	<b>38.8</b>	<b>45.6</b>	<b>47.4</b>	<b>49.3</b>
Minorities Equity	4.1	4.4	4.6	5.1	5.1	5.1
<b>Total Liabilities</b>	<b>868</b>	<b>839</b>	<b>973</b>	<b>1,033</b>	<b>1,079</b>	<b>1,097</b>
<b>Tangible Book Value (2)</b>	<b>34.9</b>	<b>37.2</b>	<b>38.8</b>	<b>45.6</b>	<b>47.4</b>	<b>49.3</b>
<b>REGULATORY CAPITAL (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017e</b>	<b>12/2018e</b>
Risk Weighted Assets	753	703	816	862	870	879
<b>CT1 ratio (B3 fully loaded)</b>	<b>5.7%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>7.0%</b>	<b>7.4%</b>
<b>CT1 ratio (B3 phased-in)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total Capital Ratio (B3)</b>	<b>9.3%</b>	<b>10.4%</b>	<b>9.2%</b>	<b>10.2%</b>	<b>11.1%</b>	<b>11.4%</b>
<b>Leverage Ratio (fully loaded)</b>	<b>5.0%</b>	<b>7.1%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>7.4%</b>
<i>Tangible equity as % of Assets</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.5%</i>

## 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						
<b>Pre-Provision Profit Growth</b>	<b>8.0%</b>	<b>-23.2%</b>	<b>13.2%</b>	<b>15.4%</b>	<b>-2.9%</b>	<b>3.2%</b>
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%
<b>Cost/Income ratio (4)</b>	<b>59.8%</b>	<b>63.7%</b>	<b>63.6%</b>	<b>61.1%</b>	<b>61.9%</b>	<b>61.5%</b>
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
<b>P/E (adj.)</b>	<b>12.0</b>	<b>9.6</b>	<b>11.6</b>	<b>10.9</b>	<b>12.8</b>	<b>12.3</b>
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
<b>EPS (adj.)</b>	<b>0.61</b>	<b>0.64</b>	<b>0.51</b>	<b>0.61</b>	<b>0.60</b>	<b>0.63</b>
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
<b>Total Market Cap (8)</b>	<b>37.7</b>	<b>31.6</b>	<b>30.5</b>	<b>38.0</b>	<b>44.0</b>	<b>44.0</b>
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.

## Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Rüzgar	22.50	Neutral	2/3/5	Procredit Holding	Häßler	15.60	Accumulate	2
4SC	Miemietz	3.50	Buy	7	PSI	Droste	13.00	Accumulate	2/3
Aareal Bank	Häßler	38.00	Neutral		PWO	Schuldt	53.00	Accumulate	2/3
Adpepper	Heilmann	2.20	Neutral	2/3	RIB Software	Droste	16.50	Buy	2/3
adidas	Josefson	180.00	Buy		RTL Group	Josefson	81.00	Accumulate	
Adler Modemaerkte	Josefson	7.50	Buy	7	SAF-Holland	Schuldt	17.00	Accumulate	7
ADLER Real Estate	Häßler	17.00	Buy		Siegfried Holding AG	Miemietz	220.00	Accumulate	
Aixtron	Sen	4.00	Neutral	2/3	SLM Solutions	Sen	27.50	Reduce	
Allianz	Häßler	185.00	Accumulate		SMT Scharf AG	Rüzgar	14.50	Neutral	2/3
Axel Springer	Josefson	51.00	Neutral		Software AG	Droste	30.00	Sell	
Bayer	Miemietz	118.00	Buy		Stabilus	Tanzer	71.00	Accumulate	
BB Biotech	Miemietz	60.00	Buy	7	Suedzucker	Bruns	20.00	Neutral	
Biotest	Miemietz	19.00	Neutral	2/3	SuessMicroTec	Sen	11.00	Accumulate	2/3
BMW	Schuldt	98.00	Accumulate		Surteco	Mildner	26.10	Accumulate	2/3
Cenit	Droste	22.50	Buy		Symrise	Hinkel	67.00	Neutral	
comdirect	Häßler	8.00	Sell		Syzygy AG	Heilmann	11.50	Neutral	2/3
Commerzbank	Häßler	9.50	Neutral		Talanx Group	Häßler	34.00	Neutral	
Continental	Schuldt	240.00	Buy		Technotrans	Becker	36.00	Neutral	2/3
CORESTATE Capital Holding S.A.	Mayer	39.00	Accumulate	2/5	TELECOLUMBUS	Sen	10.00	Buy	
CTS Eventim	Heilmann	40.00	Buy		Telefonica Deutschland	Sen	3.70	Sell	
Daimler AG	Schuldt	84.00	Buy		United Internet	Sen	55.00	Buy	
Daldrup & Soehne	Becker	9.50	Buy	2/3/5	va-Q-tec	Sen	17.00	Neutral	2/3/5
Demire	Mayer	4.50	Buy		Viscom	Rüzgar	18.00	Accumulate	2/3
Deutsche Bank	Häßler	19.00	Buy		Volkswagen	Schuldt	166.00	Buy	
Deutsche EuroShop	Mayer	42.00	Accumulate		WCM AG	Mayer	3.25	Neutral	2/3
Deutsche Pfandbriefbank	Häßler	11.30	Accumulate		Wilex	Miemietz	4.00	Buy	2/3
Deutsche Telekom	Sen	15.50	Neutral		Wincor Nixdorf	Sen	50.00	Accumulate	
Drillisch	Sen	66.00	Buy		windeln.de	Josefson	5.00	Buy	2
EringKlinger	Schuldt	17.00	Reduce						
elumeo SE	Josefson	9.60	Buy						
Epigenomics AG	Miemietz	7.52	Neutral	2/3					
Euromicron AG	Droste	13.00	Buy	2/3/5					
Ferratum	Häßler	25.00	Buy						
Fielmann	Heilmann	58.00	Sell						
Freenet	Sen	36.00	Buy	2					
FuchsPetrolub	Hinkel	47.00	Accumulate						
Gerry Weber	Josefson	9.50	Reduce						
Gesco	Becker	25.40	Accumulate	2/3/5					
GFT Technologies	Droste	28.00	Buy	2/3					
Gigaset	Sen	0.85	Accumulate	2/3					
Grenke	Häßler	200.00	Buy						
Hannover Re	Häßler	100.00	Neutral						
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	78.00	Buy						
Hypoport AG	Häßler	114.00	Accumulate	7					
Kontron	Sen	3.60	Buy						
KWS	Hinkel	346.00	Neutral						
Leoni	Schuldt	40.00	Neutral						
Linde	Hinkel	174.00	Accumulate						
Logwin	Mildner	145.00	Neutral	2/3/5					
Manz AG	Rüzgar	42.50	Accumulate	2/3					
MAX Automation AG	Becker	8.65	Buy	2/3/5					
Merck	Miemietz	91.00	Neutral						
Merkur Bank	Häßler	9.30	Buy	2/7					
Metro	Bruns	38.00	Buy						
MLP	Häßler	6.00	Neutral	2/3					
MTU Aero Engines	Rüzgar	135.00	Accumulate	2					
Munich Re	Häßler	180.00	Neutral						
Nemetschek SE	Droste	47.00	Reduce	5					
Nexus AG	Droste	20.00	Buy						
Norma Group	Schuldt	56.00	Buy						
OHB SE	Rüzgar	25.00	Neutral	7					
OVH Holding AG	Häßler	20.00	Accumulate	2/5/7					
Patrizia	Häßler	22.00	Buy						
Pfeiffer Vacuum	Sen	124.00	Accumulate	5					

\*=Coverage suspended

Source: equinet Recommendations

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#### Recommendation System

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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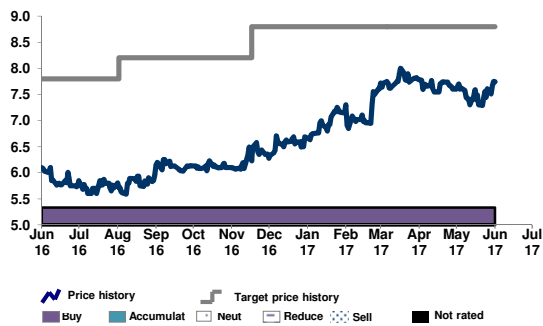
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-BaFin- (Federal Financial Supervisory Authority)  
Graurheindorfer Straße 108, 53117 Bonn and  
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

**Recommendation history for MERKUR BANK**

Date	Recommendation	Target price	Price at change date
02-Jun-17	Buy	9.30	7.75
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 Häbler, CFA (since 17/02/2016)



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The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **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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### Equinet Bank Ratings Breakdown

For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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