



Company Flash Note

Buy

Recommendation unchanged

Share price: EUR 8.00

closing price as of 27/07/2018

Target price: EUR 10.00

Target Price unchanged

Upside/Downside Potential 25.0%

Reuters/Bloomberg MBKG.DE/MBK GY

Market capitalisation (EURm) 45

Current N° of shares (m) 6

Free float 65%

Daily avg. no. trad. sh. 12 mth 1

Daily avg. trad. vol. 12 mth (m) 0.00

Price high/low 12 months 7.30 / 9.15

Abs Perfs 1/3/12 mths (%) -6.71/-7.51/2.70

Key financials (EUR) 12/17 12/18e 12/19e

Total Revenue (m) 36 36 36

Pre-Provision Profit (PPP) (m) 12 12 12

Operating profit (OP) 12 11 11

Earnings Before Tax (m) 8 8 8

Net Profit (adj.) (m) 3 4 4

Shareholders Equity (m) 48 50 52

Tangible BV (m) 48 50 52

RWA (m) 720 742 764

ROTE 7.4% 7.5% 7.6%

Total Capital Ratio (B3) 15.3% 15.5% 15.6%

Cost/Income 58.6% 58.9% 58.7%

Price/Pre-Prov Prof 3.8 3.8 3.8

P/E (adj.) 13.0 12.4 11.8

P/BV 0.9 0.9 0.9

P/TBV 0.9 0.9 0.9

Dividend Yield 3.8% 4.0% 4.2%

Pre-Prov Prof per share 2.09 2.08 2.12

EPS (adj.) 0.60 0.64 0.68

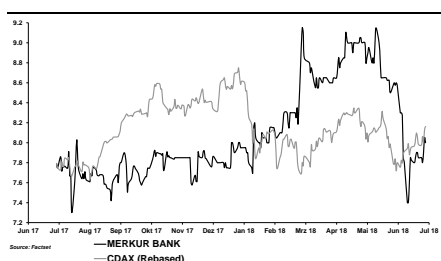
BVPS 8.41 8.73 9.07

TBVPS 8.41 8.73 9.07

DPS 0.30 0.32 0.34

Shareholders

Magnus 25%; HEGE 10%;



Analyst(s)

Philipp Häßler, CFA

philipp.haessler@equinet-ag.de

+49 69 58997 414

Reason: Company newsflow

30 July 2018

Good H1 results support our investment case: Buy, TP EUR 10.00

Last Thursday MERKUR Bank published good H1 results, which support our positive view for the shares. Net profit increased by 6% yoy to EUR 2.2m which was slightly above our forecast of EUR 2.1m. While the operating performance was down yoy due to lower revenues and higher costs, net profit benefited from lower provisions for general banking risks. All in all we see MERKUR Bank well on track to reach our full-year net profit estimate of EUR 3.7m, which is equivalent to an EPS of EUR 0.64.

We see the recent share price decline not as justified and reiterate our Buy recommendation with a target price of EUR 10.00 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 '19e ROE of 9% MERKUR Bank has an above average profitability while offering a dividend yield of 4% for 2018e. Shares are trading below adj. book value at a 2019e 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.

Merkur Bank - H1 2018

EUR m	H1 '18	H1 '18e	H1 '17	yoy	Consensus	delta
Revenues	16.0	15.8	16.3	-2%	na	na
<i>of which Nil</i>	<i>12.3</i>	<i>11.8</i>	<i>11.7</i>	<i>5%</i>	<i>na</i>	<i>na</i>
Expenses	11.0	10.9	10.4	6%	na	na
<i>CIR</i>	<i>68.7%</i>	<i>69.0%</i>	<i>63.8%</i>	<i>493 BP</i>	<i>na</i>	<i>na</i>
Risk provis.	0.2	0.3	0.3	-26%	na	na
EBT	4.8	4.7	5.6	-14%	na	na
Net income	2.2	2.1	2.0	6%	na	na

Sources: Merkur Bank, equinet Research

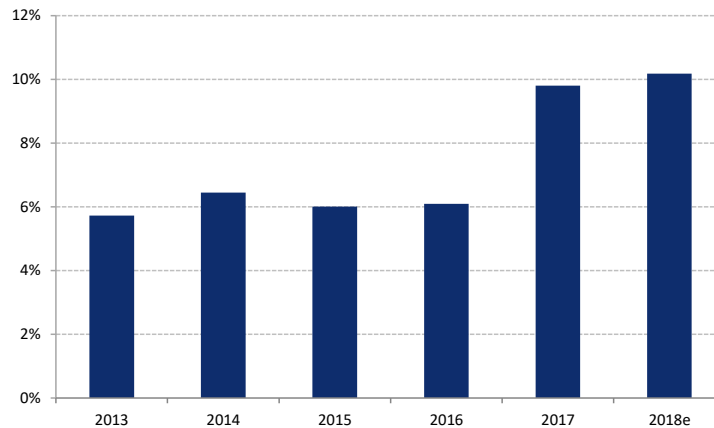
- ✓ **Total revenues** were down by 2% yoy to EUR 16.0m in H1 due to continued high margin pressure on new business as competition remained high. Net interest income increased by 5% yoy to EUR 12.3m which was however due to a change in the booking for loan processing fees which are now booked under net interest and not anymore under commission income.
- ✓ **Costs** increased by 6% yoy due to higher personal expenses as MERKUR Bank increased its staff.
- ✓ **Risk provisions** remained at EUR 0.2m on a very low level; MERKUR Bank seems to continue benefiting from the positive credit environment. Provisions for general banking risks declined by 50% yoy to EUR 0.8m which is due to normal quarterly fluctuations and cannot be extrapolated for the full year in our view.
- ✓ **Assets under custody** continued to increase and stand now at EUR 326m, up by 8% since the end of 2017. Positively, MERKUR Bank managed to increase its total loan portfolio by 16% (since 12 2017) to EUR 1.03bn which bodes well for the revenues development in the coming quarters.



Capitalisation has significantly improved

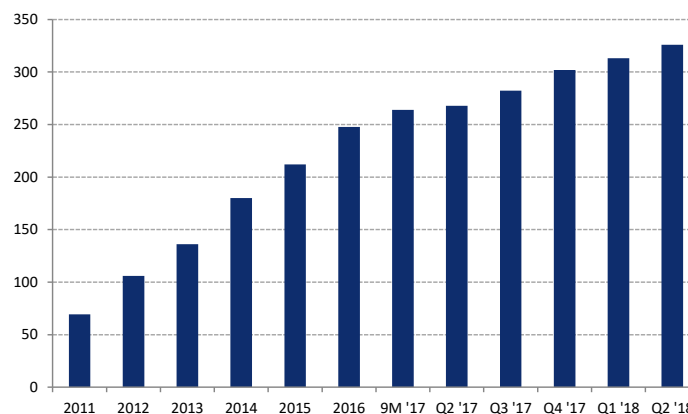
Although this is not new we want to stress again the bank's positive capital development in 2017. The bank's total capital ratio increased by 510 bps yoy to solid 15.3% at the end of 2017. Its CT1 ratio (excl. AT1) improved to 9.8%. As MERKUR Bank's relatively low capital ratio has been one of its key weak spots in the past, this is very important for MERKUR Bank and bodes well for the future as it should enable the bank to further grow its loan book while keeping at the same time its payout ratio at 50%.

Exhibit 1: CT1 Ratio (excl. AT1) development



Source: Merkur Bank, equinet Research

Exhibit 2: Development of Assets under Custody (in EUR m)

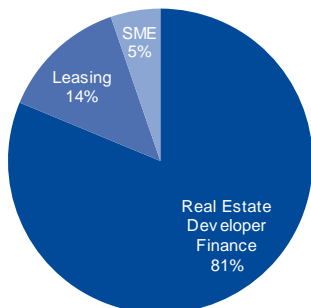


Source: Merkur Bank, equinet Research



Exhibit 3: Investment Case in Charts

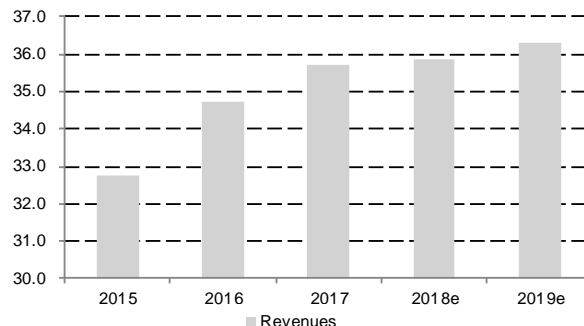
Loan new business split by business unit



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

Source: Merkur Bank, equinet Research

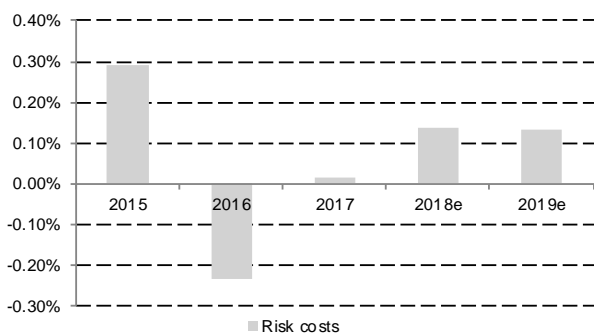
Revenues should stabilize...



Following a strong increase of revenues in recent years we expect a stabilization for 2018; for 2019 we are more positive again.

Source: Merkur Bank, equinet Research

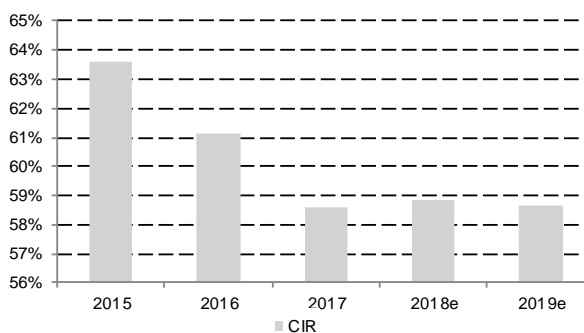
... while risk costs should remain low



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

Source: Merkur Bank, equinet Research

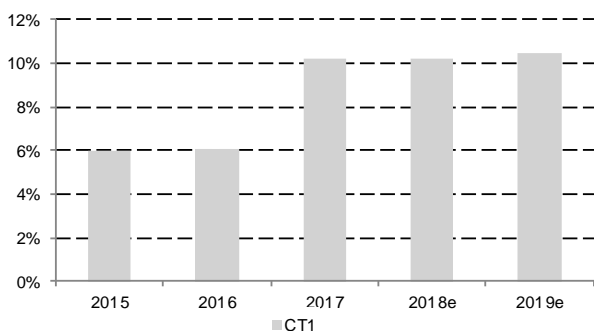
Efficiency is solid with a CIR of slightly above 60%



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

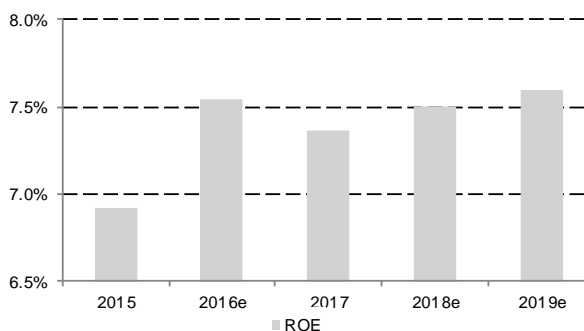
Capitalization with positive development in 2017



Due to various measures (e.g. capital increase) MB has increased its CT1 ratio to solid 10% in 2017.

Source: Merkur Bank, equinet Research

Solid Profitability


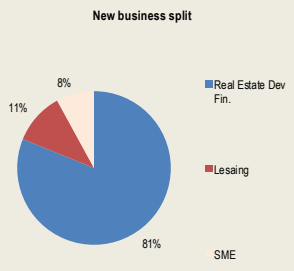
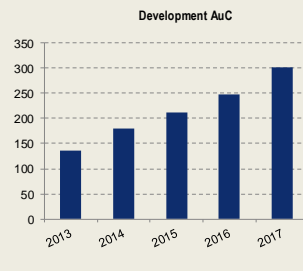
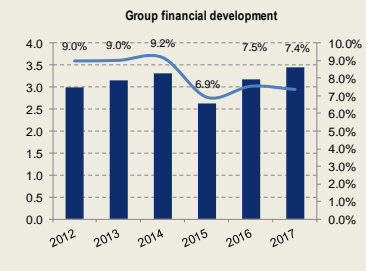


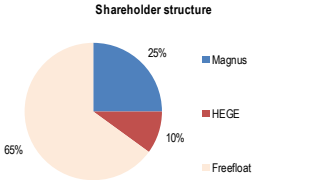


With an expected ROE of around 7.5% for 2018e Merkur Bank has a solid profitability.

Source: Merkur Bank, equinet Research



Exhibit 4: At a Glance

Business Areas	Corporate Banking	Retail / Private Banking		
Company Profile	 <p>MERKUR BANK</p> <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 300m 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 CT1 ratio of 10% (2017, equinet estimate) and total capital ratio of 15.3% MERKUR Bank fulfills the regulatory requirements but capitalization, unlike in the years before the CT 1 ratio, is not a weak spot anymore for MERKUR Bank, i.e. the bank should be able to take advantage of future growth opportunities.			
Strategy & Guidance	Strategy: (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 (II) Further improve its capitalization to be able to make use of the business opportunities in the housing market in Munich	Guidance 2018: no concrete earnings guidance published	equinet Estimates EPS y/y: 0.64 6.4%	Consensus na na
2017	Revenues (EURm) 35.7 v/y 2.8%	CIR 63.2%	Net Profit (EURm) 3.4 ROE 7.4%	EPS 5Y hist. CAGR 0.8%
New bus. & Portfolio Split	  			
Shareholder structure & management	CEO  Dr. Marcus Lingel CEO & personal liability partner <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 	Board member  Claus Herrmann Board member <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 	Shareholder structure 	
# of employees FY 2016	188			

Source: Merkur Bank, equinet Research



Merkur Bank : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Interest Income	21.2	21.6	23.1	23.0	24.6	24.8
Commissions	9.8	10.4	10.1	12.0	10.8	11.0
Trading income						
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Income	1.5	0.7	1.5	0.7	0.5	0.5
Non-Interest Income						
Total Income from Banking Business						
Revenues from Insurance Business						
Total Revenue	32.4	32.8	34.7	35.7	35.9	36.3
Operating Costs	-20.7	-20.8	-21.2	-20.9	-21.1	-21.3
-of which Personnel Expenses	-12.6	-13.1	-13.4	-13.3	-13.7	-13.9
Other Operating Provisions	-3.0	-2.0	-2.1	-2.9	-2.9	-2.9
Pre-Provision Profit (PPP)	8.7	9.9	11.4	11.9	11.8	12.1
Loan Impairment Charge (LIC)	-0.9	-2.2	2.0	-0.1	-1.0	-1.0
Operating profit (OP)	7.8	7.7	13.4	11.7	10.8	11.1
Associates						
Other Income/Loss(Exceptional)	-1.1	-1.8	-6.1	-3.9	-3.1	-2.8
Results from Financial Investments						
Earnings Before Tax (EBT)	6.8	5.9	7.3	7.9	7.8	8.3
Tax	-3.2	-3.3	-4.1	-4.4	-4.1	-4.4
<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	0.0	0.0	0.0	0.0	0.0
Preference Dividends						
Net Profit (Reported)	3.3	2.6	3.2	3.4	3.7	3.8
Earnings Before Tax (Adj.) (1)						
Net Profit (Adj.)	3.3	2.6	3.2	3.4	3.7	3.8
BALANCE SHEET (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Due from Banks	78.0	62.5	42.1	40.3	53.0	53.0
Customer Loans	694	813	847	888	906	924
Securities	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earning Assets (IEA)	772	876	889	929	959	977
Unit Linked Investments						
Goodwill						
Other Assets	67.4	96.7	144	165	157	161
Total Assets	839	973	1,033	1,094	1,116	1,138
Due to Banks	62.6	83.7	74.4	62.1	63.0	63.0
Customer Deposits	688	800	846	905	924	943
Bonds & Debt Capital	28.8	26.8	35.9	41.2	45.8	45.8
Technical Provisions Insurance (Life and Non-Life)						
Other Liabilities	18.5	18.7	26.0	32.4	28.1	29.8
Shareholders Equity	37.2	38.8	45.6	47.8	49.7	51.6
Minorities Equity	4.4	4.6	5.1	5.1	5.1	5.1
Total Liabilities	839	973	1,033	1,094	1,116	1,138
Tangible Book Value (2)	37.2	38.8	45.6	47.8	49.7	51.6
REGULATORY CAPITAL (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Risk Weighted Assets	703	816	862	720	742	764
CT1 ratio (B3 fully loaded)	6.4%	6.0%	6.1%	9.8%	10.2%	10.5%
CT1 ratio (B3 phased-in)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital Ratio (B3)	10.4%	9.2%	10.2%	15.3%	15.5%	15.6%
Leverage Ratio (fully loaded)	7.1%	6.1%	6.6%	8.1%	8.7%	8.9%
<i>Tangible equity as % of Assets</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.5%</i>	<i>4.5%</i>



Merkur Bank : Summary tables

GROWTH RATES %	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Revenue Growth	1.3%	1.0%	6.0%	2.8%	0.5%	1.3%
Operating Cost Growth	8.0%	0.9%	1.8%	-1.4%	1.0%	1.0%
Interest Income Growth	-1.8%	2.1%	6.8%	-0.7%	7.0%	1.0%
Non Interest Income Growth						
Pre-Provision Profit Growth	-23.2%	13.2%	15.4%	4.1%	-0.3%	2.2%
Customer Loan Growth	-5.8%	17.2%	4.1%	4.9%	2.0%	2.0%
Deposits Growth	-4.1%	16.4%	5.7%	7.0%	2.1%	2.0%
Change in NPLs						

KEY RATIOS %	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Interest Income/Avg. IEA	2.7%	2.6%	2.6%	2.5%	2.6%	2.6%
Interest Income/Avg. RWA	2.9%	2.8%	2.8%	2.9%	3.4%	3.3%
Total Revenue/Avg. RWA	4.5%	4.3%	4.1%	4.5%	4.9%	4.8%
Cost/Income ratio (4)	63.7%	63.6%	61.1%	58.6%	58.9%	58.7%
LIC/Avg. Customer Loans	0.12%	0.29%	-0.24%	0.02%	0.11%	0.11%
LIC/Avg.RWA	0.12%	0.29%	-0.23%	0.02%	0.14%	0.13%
Loan Loss Provisions (Balance Sheet)/Loans	0.1%	0.3%	-0.5%	0.0%	0.1%	0.1%
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	100.9%	101.7%	100.1%	98.2%	98.0%	98.0%
ROE	9.2%	6.9%	7.5%	7.4%	7.5%	7.6%
ROTE or ROE (adj.) (5)	9.2%	6.9%	7.5%	7.4%	7.5%	7.6%
Payout Ratio	31.2%	43.2%	42.6%	49.6%	50.0%	50.0%
Dividend Yield (gross)	3.3%	3.7%	3.9%	3.8%	4.0%	4.2%

VALUATION (x)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
P/Pre-Provision Profit per Share	3.6	3.1	3.1	3.8	3.8	3.8
P/E (reported)	9.6	11.6	10.9	13.0	12.4	11.8
P/E (adj.)	9.6	11.6	10.9	13.0	12.4	11.8
P/BV	0.8	0.8	0.8	0.9	0.9	0.9
P/TBV	0.8	0.8	0.8	0.9	0.9	0.9

PER SHARE DATA (EUR)(6)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Average diluted number of shares	5.2	5.2	5.7	5.7	5.7	5.7
Pre-Provision Profit per Share	1.69	1.91	2.19	2.09	2.08	2.12
EPS (reported)	0.64	0.51	0.61	0.60	0.64	0.68
EPS (adj.)	0.64	0.51	0.61	0.60	0.64	0.68
BVPS	7.20	7.51	8.01	8.41	8.73	9.07
TBVPS (2)	7.20	7.51	8.01	8.41	8.73	9.07
DPS	0.20	0.22	0.26	0.30	0.32	0.34

PRICE & SHARES & MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Price** (EUR) (7)	6.1	5.9	6.7	7.9	8.0	8.0
Outstanding number of ordinary shares (m)	5.2	5.2	5.7	5.7	5.7	5.7
Total Market Cap (8)	31.6	30.5	38.0	44.7	45.5	45.5
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.
1&1DRILLISCHAG	Sen	66.00	Buy		Manz AG	Rüzgar	37.00	Neutral	2/3
2GEnergy	Rüzgar	23.50	Accumulate	2/3/5	MAXAutomationSE	Becker	6.70	Buy	2/3
Aareal Bank	Häßler	42.00	Neutral		Merck	Berzhanin	112.00	Buy	
adidas	Josefson	228.00	Accumulate		Merkur Bank	Häßler	10.00	Buy	2/7
Adler Modemaerkte	Josefson	6.35	Buy	7	Metro AG	Bruns	17.00	Buy	2
ADLER Real Estate	Mayer	18.00	Buy		MLP	Häßler	7.50	Buy	2/3
Aixtron	Sen	14.00	Buy	2/3	MTU Aero Engines	Rüzgar	148.00	Reduce	2
Allianz	Häßler	200.00	Neutral		Munich Re	Häßler	210.00	Accumulate	
Axel Springer	Josefson	67.00	Accumulate		Nemetschek SE	Mildner	47.00	Reduce	5
Bayer	Berzhanin	118.00	Buy		Norma Group	Schuldt	54.00	Neutral	
Baywa	Bruns	33.00	Buy	2/7	OHB SE	Rüzgar	40.00	Neutral	7
BB Biotech	Berzhanin	73.00	Buy	7	OVH Holding AG	Häßler	20.00	Neutral	2/5/7
Biotest	Berzhanin	25.00	Neutral	2/3	Patrizia	Mayer	18.00	Neutral	
BMW	Schuldt	95.00	Buy		Pfeiffer Vacuum	Sen	162.00	Buy	5
Brenntag	Hinkel	59.80	Buy	2	Procredit Holding	Häßler	15.00	Buy	2/3/5
Ceconomy AG	Bruns	8.00	Neutral		PSI SOFTWARE AG	Mildner	20.00	Buy	2/3
comdirect	Häßler	11.20	Neutral		Puma	Josefson	565.00	Buy	
Commerzbank	Häßler	13.00	Neutral		PWO	Schuldt	52.00	Buy	2/3
Continental	Schuldt	250.00	Buy		Rheinmetall	Rüzgar	103.00	Neutral	
CORESTATE Capital Holding S.A.	Mayer	72.00	Buy	2/5	RIB Software	Mildner	25.00	Buy	2/3
CTS Eventim	Heilmann	37.50	Reduce		RTL Group	Josefson	72.00	Accumulate	
Daimler AG	Schuldt	71.00	Buy		S&TAG	Sen	27.00	Buy	2/3
Daldrup & Soehne	Becker	13.50	Buy	2/3/5	SAF-Holland	Schuldt	17.00	Neutral	
Demire	Mayer	4.55	Buy	2/5	Schaeffler	Tanzer	14.30	Buy	
Deutsche Bank	Häßler	14.00	Buy		Schalbau Holding AG	Becker	32.70	Buy	2/7
Deutsche EuroShop	Mayer	30.00	Neutral		SCOUT24	Heilmann	31.00	Reduce	2
Deutsche Pfandbriefbank	Häßler	14.50	Accumulate		Siegfried Holding AG	Berzhanin	338.00	Neutral	7
Deutsche Telekom	Sen	13.30	Neutral		Siemens Healthineers AG	Rüzgar	39.00	Neutral	2
Duerr	Augustin	43.00	Accumulate		SLM Solutions	Sen	24.00	Sell	
DWS	Häßler	34.00	Buy		SMT Scharf AG	Rüzgar	17.50	Neutral	2/3
ElingKlinger	Schuldt	7.00	Sell		Software AG	Mildner	30.00	Sell	
elumeo SE	Josefson	10.90	Accumulate		Stabilus	Tanzer	91.00	Buy	
Epigenomics AG	Berzhanin	3.70	Buy	2/3	Suedzucker	Bruns	11.70	Reduce	
Euromicron AG	Becker	11.40	Buy	2/3/5	SuessMicroTec	Sen	13.80	Accumulate	2/3
Evonik	Hinkel	39.00	Buy		Surteco	Mildner	30.50	Buy	2/3
Eyemaxx Real Estate	Mayer	18.00	Buy	2/5/7	Symrise AG	Hinkel	67.00	Neutral	
Ferratum	Häßler	23.00	Buy		Syzygy AG	Heilmann	11.50	Accumulate	2/3
Fielmann	Heilmann	55.00	Reduce		TAKKT AG	Bruns	18.50	Neutral	2
First Sensor AG	Becker	27.30	Buy	7	Talanx Group	Häßler	39.00	Buy	
Freenet	Sen	36.00	Buy	2	Technotrans	Becker	45.70	Neutral	2/3
FuchsPetrolub	Hinkel	48.00	Neutral		TELECOLUMBUS	Sen	9.70	Buy	
Gea Group	Augustin	33.00	Neutral		Telefonica Deutschland	Sen	3.40	Sell	
Gerresheimer AG	Rüzgar	69.00	Neutral		United Internet	Sen	63.00	Buy	
Gerry Weber	Josefson	5.75	Reduce		Vapiano	Bruns	26.50	Buy	2/7
Gesco	Becker	34.80	Buy	2/3	va-Q-tec	Sen	17.00	Neutral	2/3
GFT Technologies	Mildner	15.50	Buy	2/3	Viscom	Rüzgar	28.00	Buy	2/3
Gigaset	Sen	0.85	Accumulate	2/3	Volkswagen	Schuldt	162.00	Neutral	
Grenke	Häßler	90.00	Neutral		Wacker Neuson SE	Becker	27.20	Neutral	
Hannover Re	Häßler	110.00	Neutral		windeln.de	Josefson	3.10	Buy	2
Heidelberg Pharma	Berzhanin	3.50	Accumulate	2/3	XING SE	Heilmann	305.00	Buy	
Heidelberger Druck	Augustin	3.60	Buy		Zalando	Josefson	44.50	Neutral	
HELLA GmbH & Co. KGaA	Tanzer	55.00	Accumulate						
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	81.00	Buy						
Hypoport AG	Häßler	176.00	Accumulate	2/7					
INDUS Holding AG	Becker	64.50	Neutral						
Intershop Communications AG	Mildner	1.85	Accumulate	2/7					
K+S AG	Hinkel	24.40	Neutral						
Koenig & Bauer	Augustin	72.00	Neutral						
Krones AG	Augustin	123.00	Accumulate						
KWS SAAT	Hinkel	348.00	Buy						
Lanxess	Hinkel	83.00	Buy						
Leoni	Schuldt	57.00	Neutral						
Linde	Hinkel	176.00	Neutral						
Logwin	Mildner	165.00	Accumulate	2/3					

* = Coverage suspended

Source: equinet Recommendations



Notice according to § 34 b (German) Securities Trading Act ("Wertpapierhandelsgesetz")

This document is issued by Equinet Bank AG ("Equinet Bank"). It has been prepared by its authors independently of the Company, and none of Equinet Bank, the Company or its shareholders has independently verified any of the information given in this document.

Equinet Bank possesses relations to the covered companies as detailed in the table on the previous page. Additional information and disclosures will be made available upon request and/or can be looked up on our website <http://www.Equinet-Bank-ag.de>

1 - Equinet Bank and/or its affiliate(s) hold(s) more than 5% of the share capital of this company calculated under computational methods required by German law.

2 - Equinet Bank acts as a designated sponsor for this company, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Equinet Bank receives a commission from the company for the provision of the designated sponsor services.

3 – The designated sponsor services include a contractually agreed provision of research services.

4 – Within the last twelve months, Equinet Bank was involved as a lead or co-lead manager in the public offering of securities which are/whose issuer is the subject of this report.

5 – Within the last twelve months, Equinet Bank and/or its affiliate(s) provided investment banking- and/or other consultancy services for this company and/or its shareholders.

6 - Equinet Bank and/or its affiliate(s) has/have other substantial financial interests in relation to this issuer.

7 – Equinet Bank has entered into an agreement with this company about the preparation of research reports and – in return – receives a compensation.

Companies of the Equinet Bank group and/or its directors, officers and employees or clients may take positions in, and may make purchases and/or sales as principal or agent in the securities or related financial instruments discussed in our reports. The Equinet Bank group may provide investment banking and other services to and/or serve as directors of the companies referred to in our reports.

In compliance with Para 5 Sec. 4 of the Ordinance on the Analysis of Financial Instruments (FinAnV) Equinet Bank has realized additional internal and organizational measures, such as specific research guidelines, to prevent or manage conflicts of interest.

Neither the company nor its employees are allowed to receive donations from third parties with a special interest in the content of the analysis.

The salary of the research analysts of Equinet Bank AG does not depend on the investment banking transactions of the company. Nevertheless, this does not rule out the payment of a bonus which depends on the overall financial performance of the bank.

Particular care is taken that the individual performance of each research analyst of Equinet Bank AG is not being assessed by a manager of another business division with similar or same interests.

To assure a highest degree of transparency Equinet Bank AG regularly provides - on a quarterly basis – a summary according to Para 5 Sec. 4 No. 3 of the Ordinance on the Analysis of Financial Instruments (FinAnV). It informs about the overall analysts recommendations and sets them in a relationship to those companies, for which Equinet Bank provided investment banking services within the last twelve months. This summary is published via our website <http://www.Equinet-Bank-ag.de>.

Furthermore, we refer to our conflict of interest policy as well as the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) provided in the download area of our website <http://www.Equinet-Bank-ag.de>.

Remarks

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.

Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.



DISCLAIMER

THE PREPARATION OF THIS DOCUMENT IS SUBJECT TO REGULATION BY GERMAN LAW. THIS DOCUMENT IS BEING SUPPLIED TO YOU SOLELY IN YOUR CAPACITY AS A PROFESSIONAL INSTITUTIONAL INVESTOR FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA, CANADA OR JAPAN OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT THEREOF.

THE DELIVERY OF THIS RESEARCH REPORT TO U.S. PERSONS IN THE UNITED STATES OF AMERICA IS MADE BY AND UNDER THE RESPONSIBILITY OF GSN NA, INC. (REGISTERED WITH THE SEC). THIS RESEARCH REPORT IS ONLY INTENDED FOR PERSONS WHO QUALIFY AS MAJOR U.S. INSTITUTIONAL INVESTORS, AS DEFINED IN SECURITIES EXCHANGE ACT RULE 15A-6, AND DEAL WITH GSN NA, INC. HOWEVER, THE DELIVERY OF THIS RESEARCH REPORT OR SUMMARY TO ANY U.S. PERSON SHALL NOT BE DEEMED A RECOMMENDATION OF GSN NA, INC. TO EFFECT ANY TRANSACTIONS IN THE SECURITIES DISCUSSED HEREIN OR AN ENDORSEMENT OF ANY OPINION EXPRESSED HEREIN. GSN NA, INC. MAY FURNISH UPON REQUEST ALL INVESTMENT INFORMATION AVAILABLE TO IT SUPPORTING ANY RECOMMENDATIONS MADE IN THIS RESEARCH REPORT. ALL TRADES WITH U.S. RECIPIENTS OF THIS RESEARCH SHALL BE EXECUTED THROUGH GSN NA, INC.

THIS DOCUMENT IS FOR DISTRIBUTION IN THE U.K. ONLY TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (ii) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, NAMELY HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED UPON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS OR TO RESIDENTS OF OTHER JURISDICTIONS MAY ALSO BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS. YOU SHALL INDEMNIFY EQUINET BANK AGAINST ANY DAMAGES, CLAIMS, LOSSES, AND DETRIMENTS RESULTING FROM OR IN CONNECTION WITH THE UNAUTHORIZED USE OF THIS DOCUMENT.

This report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: readers must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information herein is believed by Equinet Bank to be reliable and has been obtained from sources believed to be reliable, but Equinet Bank makes no representation as to the accuracy or completeness of such information. The information given in this report is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the Company. Opinions expressed herein may differ or be contrary to opinions expressed by other business areas of the Equinet Bank group as a result of using different assumptions and criteria. Equinet Bank is under no obligation to update or keep the information current. Equinet Bank provides data concerning the future development of securities in the context of its usual research activity. However, if a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. Neither the author nor Equinet Bank accepts any liability whatsoever for any loss howsoever arising from any use of this publication or its contents or otherwise arising in connection herewith, except as provided for under applicable regulations.

Equinet Bank shall only be liable for any damages intentionally caused or which result from any gross negligence of Equinet Bank. Further Equinet Bank shall be liable for the breach of a material obligation of Equinet Bank, however, limited to the amount of the typical foreseeable which shall in no event exceed the amount of EUR 10,000. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt/Main (Germany).

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

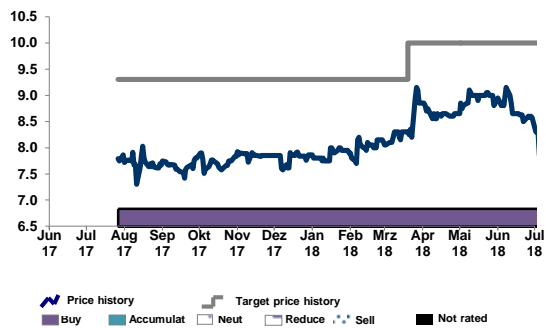


Recommendation history for MERKUR BANK

Date	Recommendation	Target price	Price at change date
20. Mrz 18	Buy	10.00	8.30
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**.



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

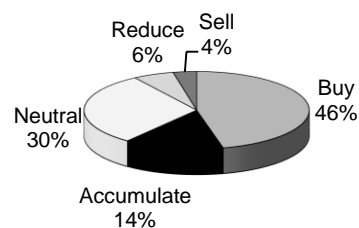
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Equinet Bank Ratings Breakdown



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

Date and time of production: 30 July 2018: 7:31 CET

First date and time of dissemination: 30 July 2018: 7:36 CET

Disclaimer:

These reports have been prepared and issued by the Members of European Securities Network LLP ("ESN"). ESN, its Members and their affiliates (and any director, officer or employee thereof), are neither liable for the proper and complete transmission of these reports nor for any delay in their receipt. Any unauthorised use, disclosure, copying, distribution, or taking of any action in reliance on these reports is strictly prohibited. The views and expressions in the reports are expressions of opinion and are given in good faith, but are subject to change without notice. These reports may not be reproduced in whole or in part or passed to third parties without permission. The information herein was obtained from various sources. ESN, its Members and their affiliates (and any director, officer or employee thereof) do not guarantee their accuracy or completeness, and neither ESN, nor its Members, nor its Members' affiliates (nor any director, officer or employee thereof) shall be liable in respect of any errors or omissions or for any losses or consequential losses arising from such errors or omissions. Neither the information contained in these reports nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). These reports are prepared for the clients of the Members of ESN only. They do not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive any of these reports. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in these reports and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in these reports. In addition, investors in securities such as ADRs, whose value are influenced by the currency of the underlying security, effectively assume currency risk. ESN, its Members and their affiliates may submit a pre-publication draft (without mentioning neither the recommendation nor the target price/fair value) of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. Like all members employees, analysts receive compensation that is impacted by overall firm profitability. For further details about the analyst certification, the specific risks of the company and about the valuation methods used to determine the price targets included in this report/note, please refer to the specific disclaimer pages prepared by the ESN Members. In the case of a short note please refer to the latest relevant published research on single stock or contact the analyst named on the front of the report/note for detailed information on the valuation methods, earning estimates and risks. A full description of all the organisational and administrative measures taken by the Members of ESN to manage interest and conflicts of interest are available on the website of the Members or in the local disclaimer of the Members or contacting directly the Members. Research is available through the ESN Members sales representative. ESN will provide periodic updates on companies or sectors based on company-specific developments or announcements, market conditions or any other publicly available information. Unless agreed in writing with an ESN Member, this research is intended solely for internal use by the recipient. Neither this document nor any copy of it may be taken or transmitted into Australia, Canada or Japan or distributed, directly or indirectly, in Australia, Canada or Japan or to any resident thereof. This document is for distribution in the U.K. Only to persons who have professional experience in matters relating to investments and fall within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (the "order") or (ii) are persons falling within article 49(2)(a) to (d) of the order, namely high net worth companies, unincorporated associations etc. (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The distribution of this document in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. You shall indemnify ESN, its Members and their affiliates (and any director, officer or employee thereof) against any damages, claims, losses, and detriments resulting from or in connection with the unauthorized use of this document. For disclosure upon "conflicts of interest" on the companies under coverage by all the ESN Members, on the "interests" and "conflicts" of the analysts and on each "company recommendation history", please visit the ESN website (http://www.esnpartnership.eu/research_and_database_access/insite), or refer to the local disclaimer of the Members, or contact directly the Members:

www.bancaakros.it regulated by the CONSOB - Commissione Nazionale per le Società e la Borsa

www.caixabi.pt regulated by the CMVM - Comissão do Mercado de Valores Mobiliários

www.cmcioms.com regulated by the AMF - Autorité des marchés financiers

www.equinet-ag.de regulated by the BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht

www.ibg.gr regulated by the HCMC - Hellenic Capital Market Commission

www.nibc.com regulated by the AFM - Autoriteit Financiële Markten

www.op.fi regulated by the Financial Supervision Authority

www.valores.gvcgaesco.es regulated by the CNMV - Comisión Nacional del Mercado de Valores

Members of ESN (European Securities Network LLP)




Banca Akros S.p.A.
Gruppo Banco BPM
Viale Eginardo, 29
20149 MILANO
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302




Caixa-Banco de Investimento
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98




CM - CIC Market Solutions
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 53 48 81 93

equinet Bank AG
Gräfrstraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 - 58997 - 212
Fax: +49 69 - 58997 - 299




GVC Gaesco Beka, SV, SA
C/ Marques de Villamagna 3
28001 Madrid
Spain
Phone: +34 91 436 7813




Investment Bank of Greece
32 Aigialeias Str & Paradissou,
151 25 Maroussi,
Greece
Phone: +30 210 81 73 383




NIBC Bank N.V.
Gustav Mahlerlaan 348
P.O.Box 235
1082 ME Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064




OP Corporate Bank plc
P. O. Box 308
Teollisuuskatu 1, 00013 Helsinki
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703

