

Investment Research

Reason: Company Newsflow

17 November 2016

Buy

Recommendation unchanged

Share price: EUR 6.40

closing price as of 16/11/2016

Target price: EUR 8.80

from Target Price: EUR 8.20

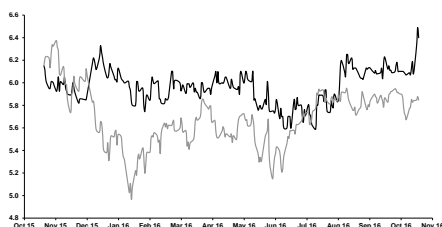
Reuters/Bloomberg

MBKG.DE/MBK GY

Daily avg. no. trad. sh. 12 mth	1
Daily avg. trad. vol. 12 mth (m)	36.19
Price high 12 mth (EUR)	6.49
Price low 12 mth (EUR)	5.59
Abs. perf. 1 mth	2.7%
Abs. perf. 3 mth	9.7%
Abs. perf. 12 mth	6.5%

Market capitalisation (EURm)	36
Current N° of shares (m)	6
Free float	65%

Key financials (EUR)	12/15	12/16e	12/17e
Total Revenue (m)	33	34	34
Pre-Provision Profit (PPP) (m)	9	11	11
Operating profit (OP)	7	13	9
Earnings Before Tax (m)	6	7	7
Net Profit (adj.) (m)	3	3	3
Shareholders Equity (m)	39	44	46
Tangible BV (m)	39	44	46
RWA (m)	718	873	881
ROTE	6.8%	7.1%	7.5%
Total Capital Ratio (B3)	10.4%	10.3%	10.7%
Cost/Income	64.4%	62.1%	61.9%
Price/Pre-Prov Prof	3.3	3.1	3.3
P/E (adj.)	11.8	11.4	10.8
P/BV	0.8	0.8	0.8
P/TBV	0.8	0.8	0.8
Dividend Yield	3.4%	4.1%	4.4%
Pre-Prov Prof per share	1.80	2.06	1.95
EPS (adj.)	0.50	0.56	0.59
BVPS	7.51	7.78	8.09
TBVPS	7.51	7.78	8.09
DPS	0.22	0.26	0.28



Source: Factset

Shareholders: Magnus 25%; HEGE 10%;

For company description please see summary table footnote

Strong Q3 results lead to higher TP: Buy, TP EUR 8.80

We have updated our model taking into account MERKUR Bank's strong Q3 results and the planned capital increase; as the latter is guaranteed by the bank's major shareholder we see no risk that the capital increase will not successfully be implemented and hence we have already adjusted our earnings estimates. We increase both our 2016e and 2017e EPS estimates because of the strong earnings trend in 2016 YtD. Thus, we increase our target price from EUR 8.20 to EUR 8.80 and confirm our Buy recommendation for the shares.

With an adjusted '17e ROE of 10% MERKUR Bank has an above average profitability while offering a dividend yield of 4% for 2016e. Shares are trading below book value at a 2017e P/B of 0.8x. 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. We do not see the planned capital increase negatively as it would enable MERKUR Bank to continue to benefit from the favourable market environment while preparing the bank for the tougher capital rules. The fact that the major shareholder is willing to pay a significant premium to the current share price for the new shares, shows in our view his trust and confidence in the bank's future.

- ✓ **Strong Q3 Results:** Total revenues in Q3 '16 increased by 19% yoy to EUR 9.03m (equinet: EUR 8.54m), a higher commission income (+29% yoy) was the main driver. According to the CEO the bank benefited from a strong new business development in the real estate developer segment. The net interest income increased by 10% yoy to EUR 5.96m. Expenses remained stable yoy at EUR 5.34m and were thus slightly below our forecast. MERKUR Bank released risk provisions of EUR 2.45m in Q3. Thus, pretax profit almost tripled to EUR 6.13m. Net profit increased by only 1% yoy to EUR 1.01m as MB increased its § 340g reserves to EUR 4m.
- ✓ **Capital Increase:** MERKUR Bank plans to raise EUR 4m (gross) with the issuance of 517,000 new shares for EUR 7.80. The bank plans a 10% capital increase with subscription rights at EUR 7.80. Subscription period for the shares will last from 21.11.2016 until 5.12.2016. Most importantly, the capital increase is guaranteed by the bank's CEO and personal liable partner, Dr. Marcus Lingel.
- ✓ **Capital Position:** With the different measures (capital increase and higher allocation to its § 340g reserves) MERKUR Bank's regulatory capital position should improve by around EUR 10m c.p. Assuming RWAs of EUR 873m for the year-end, a pro-forma CT1 ratio would amount to 7.0%, up by 1%-pt. yoy, incl. AT1 capital we forecast a Tier1 ratio of 9.0%.
- ✓ **Financials:** We have increased our EPS estimates from EUR 0.55 to EUR 0.56 and from EUR 0.58 to EUR 0.59 for 2016e and 2017e, respectively. At first glance this seems to be more or less unchanged. Looking at the net profit level (to exclude the effect from the higher number of shares) our 2017e forecast has increased from EUR 3.0m to EUR 3.3m. For 2016e we expect a DPS of EUR 0.26 (EUR 0.23).

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

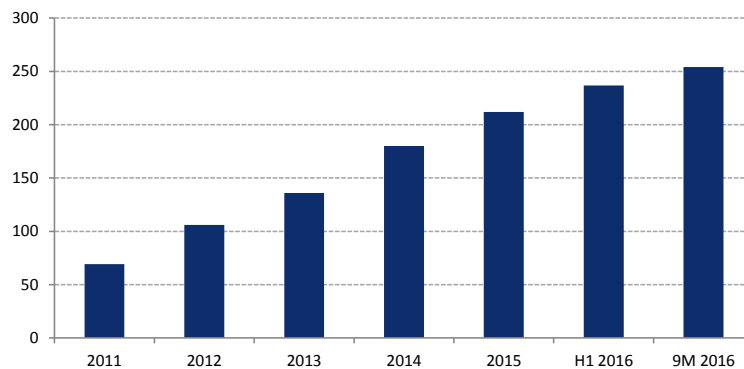
MORE THAN WORDS

Quarterly Earnings Development

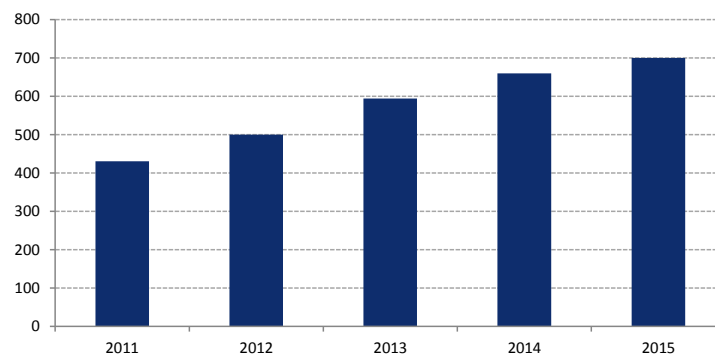
	Q2 2016	Q3 2016	Q3 2016e	yoy
Total revenues	8.29	9.03	8.54	19%
of which Net Interest Income	5.78	5.96	5.84	10%
of which Commission Income	2.67	3.33	2.70	29%
Total expenses	5.43	5.34	5.50	0%
Risk provisions	0.35	-2.45	0.40	nm
Pretax profit	2.52	6.13	2.64	274%
Taxes	0.86	1.12	1.06	75%
\$340g HGB reserves	0.80	4.00	0.70	
Net Profit	0.86	1.01	0.88	1%

Sources: Merkur Bank, equinet

Development of assets under custoder in retail banking (in EUR m; sources: MERKUR Bank, equinet)



New business in real estate development finance (in EUR m; sources: MERKUR Bank, equinet)



Valuation

Our Target Price of EUR 8.80 is derived from the average fair values calculated from three different valuation methods: Peer Group analysis, Gordon Growth Model and Dividend Discount Model.

Peer Group MERKUR BANK

Company	Share Price (LC)	MC (LC m)	PER 2016e	PER 2017e	P/B 2016e	P/B 2017e	ROE 2016e	ROE 2017e	Yield 2016e	1M Perf	12M Perf
Aareal Bank AG	33.16	1,985	10.0x	11.3x	0.8x	0.7x	7.5%	6.5%	6.0%	11%	2%
comdirect	9.44	1,334	18.8x	24.8x	2.1x	2.1x	11.1%	8.5%	4.1%	3%	-15%
Commerzbank AG	7.28	9,116	18.9x	15.1x	0.3x	0.3x	1.7%	2.1%	0.5%	29%	-29%
Deutsche Bank AG	15.30	21,377	13.2x	10.4x	0.3x	0.3x	2.6%	3.3%	0.0%	26%	-35%
Deutsche Pfandbrief	10.06	1,353	7.9x	11.0x	0.5x	0.5x	6.1%	4.3%	7.2%	16%	-7%
Oldenburgische Lande	19.16	445	13.5x	12.6x	0.7x	0.7x	4.8%	5.1%	1.3%	5%	7%
Umweltbank	63.37	351	21.9x	19.9x	4.3x	3.9x	35.4%	37.2%	2.2%	0%	-16%
Average	Share Price		PER 2016e	PER 2017e	P/B 2016e	P/B 2017e	ROE 2016e	ROE 2017e	Yield 2016e	1M Perf	12M Perf
MERKUR BANK	6.49	34	11.5x	10.9x	0.6x	0.6x	16.3%	8.6%	4.0%	17%	0%

Source: Factset

Gordon Growth Model - Sensitivity Analysis (ROE = 9.8%)

		Growth (g)						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
COE	7.5%	13.09	13.23	13.39	13.58	13.81	14.09	14.44
	8.0%	12.22	12.29	12.36	12.45	12.56	12.69	12.84
	8.5%	11.46	11.47	11.48	11.50	11.52	11.54	11.56
	9.0%	10.79	10.76	10.72	10.68	10.63	10.58	10.52
	9.5%	10.19	10.12	10.05	9.97	9.88	9.77	9.64
	10.0%	9.65	9.56	9.46	9.35	9.22	9.07	8.90
	10.5%	9.17	9.06	8.94	8.80	8.64	8.47	8.27

Source: equinet Research

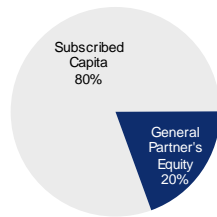
Dividend Discount Model

Financial Discount Model												
EUR m	Phase I				Phase II						Phase III	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
EBT	12.8	9.0	9.1	9.4	9.9	10.4	10.9	11.4	12.0	12.6		
CIR	65.3%	64.8%	64.5%	68.4%	67.4%	66.4%	65.4%	64.4%	63.4%	62.5%		
Tax	-3.8	-3.6	-3.6	-3.8	-3.9	-4.1	-4.3	-4.6	-4.8	-5.0		
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	3.5	3.6	3.9	4.2	4.5	4.8	5.2	5.5		
grow th rate	11.5%	15.2%	2.6%	3.6%	7.8%	7.6%	7.4%	7.3%	7.1%	7.0%		
Total dividend	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.4	2.6	2.8	40	
payout ratio	50.4%	47.1%	49.1%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
PV Phase I	6					Risk premium		4.0%	Beta		1.1	
PV Phase II	8					Risk free rate		4.5%	Cost of equity		9.0%	
PV Phase III	18											
Total Fair Value	32					Sensitivity		Growth in phase III				
# shares	6							1.0%	1.5%	2.0%	2.5%	3.0%
						8.1%	6	6	6	7	7	
						8.6%	5	6	6	6	7	
Fair value per share	5.58					C. of eq.	9.0%	5	5	6	6	
							9.5%	5	5	5	6	
							9.9%	5	5	5	5	

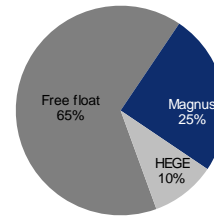
Source: Company data, equinet Research

MERKUR Bank - Key figures at a Glance

Capital split

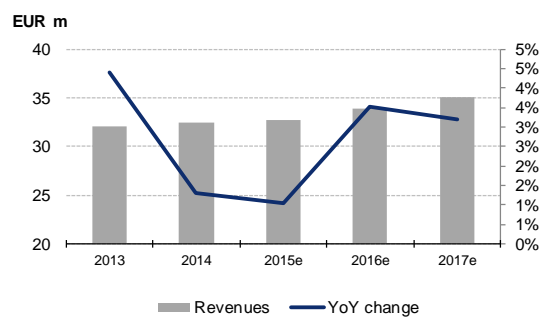


Shareholder Structure

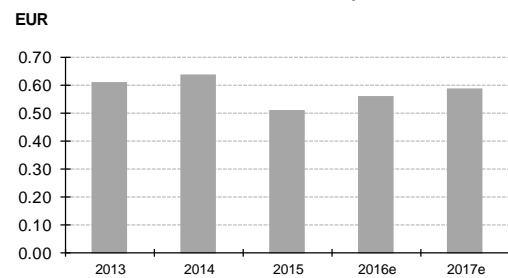


MERKUR Bank - Key figures at a Glance

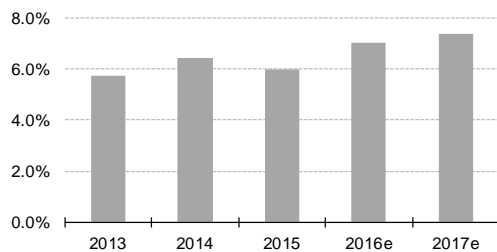
Revenues development



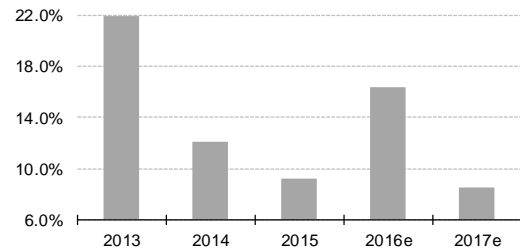
EPS development



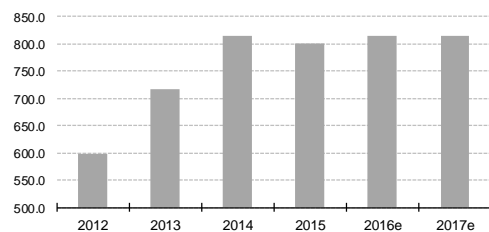
CT 1 development (B III, fully loaded; 2012/'13/'14: B II)



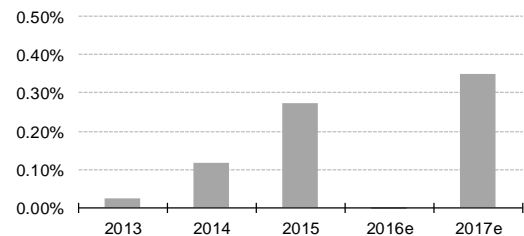
ROE development



Lending volume development



Risk costs development (based upon average loan vol.)



Sources: Company data, equinet Research

Merkur Bank: Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Interest Income	21.6	21.2	21.4	23.1	23.4	23.6
Commissions	9.3	9.8	10.3	11.2	11.0	11.2
Trading income						
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Income	1.1	1.5	1.5	-0.4	0.0	0.0
Non-Interest Income						
Total Income from Banking Business						
Revenues from Insurance Business						
Total Revenue	32.0	32.4	33.2	33.9	34.3	34.8
Operating Costs	-19.1	-20.7	-21.4	-21.1	-21.3	-21.5
-of which Personnel Expenses	-11.5	-12.6	-13.3	-13.3	-13.6	-13.7
Other Operating Provisions	-1.5	-3.0	-2.5	-2.1	-2.0	-2.0
Pre-Provision Profit (PPP)	11.3	8.7	9.3	10.8	11.1	11.3
Loan Impairment Charge (LIC)	-0.2	-0.9	-2.0	2.0	-2.1	-2.2
Operating profit (OP)	11.2	7.8	7.3	12.8	9.0	9.1
Associates						
Other Income/Loss(Exceptional)	-4.5	-1.1	-1.5	-6.0	-2.0	-2.0
Results from Financial Investments						
Earnings Before Tax (EBT)	6.7	6.8	5.8	6.8	7.0	7.1
Tax	-3.3	-3.2	-2.9	-3.8	-3.6	-3.6
<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	-0.3	0.0	0.0	0.0
Preference Dividends						
Net Profit (Reported)	3.2	3.3	2.6	2.9	3.4	3.5
Earnings Before Tax (Adj.) (1)						
Net Profit (Adj.)	3.2	3.3	2.6	2.9	3.4	3.5
BALANCE SHEET (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Due from Banks	46.3	78.0	62.5	70.0	74.0	78.0
Customer Loans	736	694	813	815	815	815
Securities	12.5	0.0	0.0	0.0	0.0	0.0
Interest Earning Assets (IEA)	795	772	876	885	889	893
Unit Linked Investments						
Goodwill						
Other Assets	72.6	67.4	96.7	84.9	85.6	85.8
Total Assets	868	839	973	970	975	979
Due to Banks	63.0	62.6	83.7	53.0	53.0	56.0
Customer Deposits	717	688	800	815	815	815
Bonds & Debt Capital	32.6	28.8	26.8	26.8	26.8	26.8
Technical Provisions Insurance (Life and Non-Life)						
Other Liabilities	16.4	18.5	18.7	25.4	28.2	31.1
Shareholders Equity	34.9	37.2	38.8	44.2	46.0	44.5
Minorities Equity	4.1	4.4	4.6	5.6	5.6	5.6
Total Liabilities	868	839	973	970	975	979
Tangible Book Value (2)	34.9	37.2	38.8	44.2	46.0	44.5
REGULATORY CAPITAL (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Risk Weighted Assets	753	703	718	873	881	890
CT1 ratio (B3 fully loaded)	5.7%	6.4%	6.6%	7.0%	7.4%	7.8%
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%	10.4%	10.3%	10.7%	11.0%
Leverage Ratio (fully loaded)	5.0%	7.1%	6.3%	8.1%	8.5%	8.8%
<i>Tangible equity as % of Assets</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.0%</i>	<i>4.6%</i>	<i>4.7%</i>	<i>4.5%</i>

Merkur Bank: Summary tables

GROWTH RATES %	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Revenue Growth	4.4%	1.3%	2.2%	2.3%	1.2%	1.3%
Operating Cost Growth	-0.3%	8.0%	3.4%	-1.4%	1.0%	1.0%
Interest Income Growth	6.2%	-1.8%	1.0%	8.1%	1.0%	1.0%
Non Interest Income Growth						
Pre-Provision Profit Growth	8.0%	-23.2%	6.5%	15.9%	2.8%	2.3%
Customer Loan Growth	8.8%	-5.8%	17.2%	0.2%	0.0%	0.0%
Deposits Growth	19.7%	-4.1%	16.4%	1.9%	0.0%	0.0%
Change in NPLs						

KEY RATIOS %	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Interest Income/Avg. IEA	2.9%	2.7%	2.6%	2.6%	2.6%	2.6%
Interest Income/Avg. RWA	5.7%	2.9%	3.0%	2.9%	2.7%	2.7%
Total Revenue/Avg. RWA	8.5%	4.5%	4.7%	4.3%	3.9%	3.9%
Cost/Income ratio (4)	59.8%	63.7%	64.4%	62.1%	61.9%	61.7%
LIC/Avg. Customer Loans	0.02%	0.12%	0.27%	-0.25%	0.26%	0.27%
LIC/Avg.RWA	0.04%	0.12%	0.28%	-0.25%	0.24%	0.25%
Loan Loss Provisions (Balance Sheet)/Loans	0.0%	0.1%	0.2%	-0.2%	0.3%	0.3%
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%	100.0%	100.0%	100.0%
ROE	9.0%	9.2%	6.8%	7.1%	7.5%	7.7%
ROTE or ROE (adj.) (5)	9.0%	9.2%	6.8%	7.1%	7.5%	7.7%
Payout Ratio	32.8%	31.2%	44.1%	46.2%	47.1%	49.1%
Dividend Yield (gross)	2.7%	3.3%	3.4%	4.1%	4.4%	4.7%

VALUATION (x)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
P/Pre-Provision Profit per Share	3.3	3.6	3.3	3.1	3.3	3.2
P/E (reported)	12.0	9.6	11.8	11.4	10.8	10.5
P/E (adj.)	12.0	9.6	11.8	11.4	10.8	10.5
P/BV	1.1	0.8	0.8	0.8	0.8	0.8
P/TBV	1.1	0.8	0.8	0.8	0.8	0.8

PER SHARE DATA (EUR)(6)	12/2013	12/2014	12/2015	12/2016e	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	1.80	2.06	1.95	1.99
EPS (reported)	0.61	0.64	0.50	0.56	0.59	0.61
EPS (adj.)	0.61	0.64	0.50	0.56	0.59	0.61
BVPS	6.76	7.20	7.51	7.78	8.09	7.82
TBVPS (2)	6.76	7.20	7.51	7.78	8.09	7.82
DPS	0.20	0.20	0.22	0.26	0.28	0.30

PRICE & SHARES & MKT CAP (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Price** (EUR) (7)	7.3	6.1	5.9	6.4	6.4	6.4
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	36.4	36.4	36.4
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.
2G Energy	Schmidt	24.00	Buy	2/3/5	Logwin	Rothenbacher	2.20	Neutral	2/3/5
4SC	Miemietz	3.50	Buy	7	Manz AG	Kruchevska	33.00	Neutral	2/3
Aareal Bank	Häßler	37.00	Accumulate		MAX Automation AG	Schmidt	7.00	Accumulate	2/3/5
Adpepper	Heilmann	3.00	Buy	2/3	Merck	Miemietz	91.00	Neutral	
adidas	Josefson	139.00	Neutral		Merkur Bank	Häßler	8.80	Buy	2/3
Adler Modemaerkte	Josefson	8.90	Buy	7	MLP	Häßler	4.30	Accumulate	2/3
ADLER Real Estate	Häßler	16.00	Buy		Munich Re	Häßler	180.00	Neutral	
Aixtron	Kruchevska	6.00	Accumulate	2/3	Nemetschek SE	Droste	47.00	Reduce	5
Allianz	Häßler	160.00	Buy		Nexus AG	Droste	20.00	Buy	
Axel Springer	Josefson	51.00	Neutral		Norma Group	Schmidt	48.00	Buy	
BASF	Schäfer*	95.00	Accumulate		OHB SE	Kruchevska	20.00	Neutral	7
Bayer	Miemietz	118.00	Buy		OVH Holding AG	Häßler	20.00	Buy	2/3/5
BayWa	Schäfer*	33.00	Neutral	5	Patrizia	Häßler	22.00	Accumulate	
BB Biotech	Miemietz	52.00	Buy	7	Pfeiffer Vacuum	Sen	92.00	Buy	
Beiersdorf	Schäfer*	64.00	Sell		PSI	Droste	13.00	Accumulate	2/3
Biotest	Miemietz	18.00	Buy	2/3	Rheinmetall	Rau*	79.00	Buy	
BMW	Schmidt	96.00	Accumulate		RIB Software	Droste	14.00	Buy	2/3
Cenit	Droste	22.50	Buy	2/3	RTL Group	Josefson	81.00	Accumulate	
comdirect	Häßler	10.00	Neutral		RWE	Schäfer*	13.00	Neutral	
Commerzbank	Häßler	7.50	Buy		SAF-Holland	Schmidt	13.50	Buy	7
Continental	Schmidt	240.00	Buy		Siegfried Holding AG	Miemietz	220.00	Accumulate	
CTS Eventim	Josefson	33.00	Neutral		SLM Solutions	Sen	27.50	Buy	
Cytotools AG	Heilmann	11.50	Accumulate	2/3	SMT Scharf AG	Schmidt	11.00	Neutral	2/3
Daimler AG	Schmidt	83.00	Buy		Software AG	Droste	30.00	Neutral	
Daldrup & Soehne	Schäfer*	15.00	Accumulate	2/3/5	SuessMicroTec	Kruchevska	7.00	Neutral	2/3
Demire	Mayer	4.50	Buy		Surteco	Schmidt	27.00	Buy	2/3
Deutsche Bank	Häßler	13.00	Neutral		Symrise AG	Schäfer*	36.00	Neutral	
Deutsche Boerse	Häßler	79.00	Neutral		Syzygy AG	Heilmann	13.00	Neutral	2/3
Deutsche EuroShop	Mayer	42.00	Neutral		Talanx Group	Häßler	32.00	Accumulate	
Deutsche Pfandbriefbank	Häßler	12.30	Buy		Technotrans	Kruchevska	24.00	Accumulate	2/3
Deutsche Telekom	Sen	15.50	Neutral		TELECOLUMBUS	Sen	10.00	Buy	2
Deutz AG	Schmidt	5.00	Buy		United Internet	Sen	55.00	Buy	
Draegerwerk AG & Co. KGaA	Rau*	98.00	Neutral		VIB Vermoegen	Rothenbacher	22.00	Buy	
Drillisch	Sen	41.00	Neutral		Viscom	Kruchevska	14.50	Accumulate	2/3
E.ON	Schäfer*	10.50	Accumulate		Volkswagen	Schmidt	166.00	Buy	
Elmos Semiconductor	Kruchevska	15.00	Buy		Vossloh	Rau*	74.00	Buy	
Ernst & Young	Schmidt	17.00	Neutral		WCM AG	Mayer	3.25	Accumulate	2/3
elumio SE	Josefson	14.00	Buy		Willex	Miemietz	4.00	Buy	2/3
Epigenomics AG	Miemietz	6.70	Buy	2/3	Wincor Nixdorf	Sen	50.00	Accumulate	
Euromicron AG	Droste	13.00	Buy	2/3	Zumtobel Group AG	Kruchevska	18.50	Buy	2/3/5
Evonik	Schäfer*	34.00	Accumulate						
Ferratum	Häßler	20.00	Buy						
Fielmann	Heilmann	58.00	Reduce						
Freenet	Sen	36.00	Buy	2					
Fuchs Petrolub	Schäfer*	37.00	Neutral						
GEA Group	Rau*	49.00	Buy						
Gerry Weber	Josefson	9.50	Reduce						
Gesco	Schmidt	65.00	Neutral	2/3/5					
GFT Technologies	Droste	28.00	Buy	2/3/5					
Gigaset	Sen	0.65	Accumulate	2/3					
Grand City Properties	Häßler	20.00	Neutral						
Grenke	Häßler	200.00	Buy						
Hannover Re	Häßler	100.00	Neutral						
Heidelberger Druck	Rau*	3.40	Buy						
Henkel	Schäfer*	82.00	Neutral						
Hugo Boss	Josefson	72.00	Buy						
Hypoport AG	Häßler	100.00	Buy	7					
Jenoptik	Rau*	14.00	Neutral						
K+S AG	Schäfer*	22.00	Accumulate						
Kontron	Sen	3.60	Buy						
Krones AG	Rau*	104.00	Neutral						
KWS	Hinkel	346.00	Buy						
Lanxess	Schäfer*	54.00	Neutral						
Leoni	Schmidt	35.00	Accumulate						
Linde	Hinkel	160.00	Buy						

* = Coverage suspended

Source: equinet Recommendations

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Recommendation System

- Buy - The stock is expected to generate a total return of over 15% during the next 12 months time horizon.
- Accumulate - The stock is expected to generate a total return of 5% to 15% during the next 12 months time horizon.
- Neutral - The stock is expected to generate a total return of -5% to 5% during the next 12 months time horizon
- Reduce - The stock is expected to generate a total return of -15% to -5% during the next 12 months time horizon
- Sell - The stock is expected to generate a total return below -15% 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

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Sources

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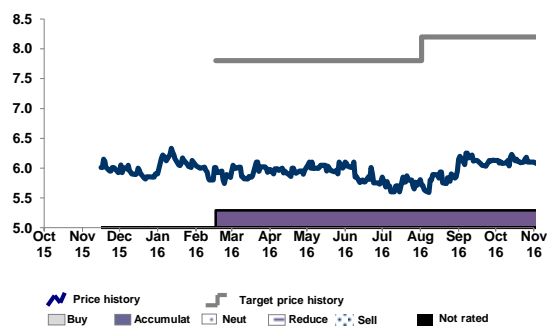
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Recommendation history for MERKUR BANK

Date	Recommendation	Target price	Price at change date
17-Nov-16	Buy	8.80	6.40
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

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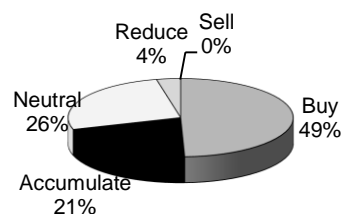
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Meaning of each recommendation or rating:

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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 Ratings Breakdown



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