

In talks with Otto M. Schröder Bank on a business combination

Merkur Privatbank (Merkur) has issued a press release announcing its advanced discussions with the unlisted Otto M. Schröder Bank (Schröder) regarding a potential business combination. It is indicated that Schröder, based in Hamburg, will be acquired by Merkur, while the former owners of the target bank will maintain a stake in the resultant group, resolving a succession issue. While the key aspects of the deal have been agreed upon by all parties involved, the precise terms are yet to be finalized. Both Merkur and Schröder are engaged in real estate financing and wealth management. Given Schröder's primary operations in Hamburg, Berlin, and Sylt, we anticipate minimal, if any, geographical overlap with Merkur. This is further emphasized by the intention to retain all of Schröder's employees (35 as of 2022) post-transaction. Like Merkur, Schröder is a privately-owned bank, with the Schröder Family holding a 95% stake. Consequently, we believe there is a strong alignment not only in the business areas but also in the corporate cultures of the two entities. Our latest price target stood at EUR 18, with a 'buy' recommendation.

More details on the Otto M. Schröder Bank:

- Total assets amounted to EUR 389m in 2023, which compares with EUR 4bn at Merkur Privatbank. This means that total assets have decreased by 5% yoy. Otherwise, no further details on the annual report 2023 were publicly known.
- In 2022, the lending volume was EUR 355m, revenues at EUR 26.9m, and the net income at EUR 4.9m. This translates into a RoE of ~10.3% for the year.
- With EUR 6.5m, net commissions stood for 24% of revenues in 2022.
- The CT1 ratio was at a healthy 16.3% in 2022.
- Berlin as a region stood for two thirds of the real estate loan book in 2022. Like in other German tier 1 cities, real estate prices have dropped by ~5% in 2023, according to Statista.
- We expect Merkur to publish H1 results in the next couple of days.

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