

Stock Watch: ANZ Under Pressure – Westpac or Bank of QLD Attractive Alternatives

ANZ: Current Share Price: \$22.32 Current Dividend Yield: 8.11%

WBC: Current Share Price: \$28.54 Current Dividend Yield: 6.53%

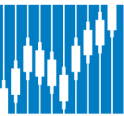
BOQ: Current Share Price: \$10.92 Current Dividend Yield: 6.96%

ANZ Bank has been under pressure of late, and the share price has remained weak. Many research analysts have commented about ANZ's "ballooning bad debts" and predict cuts to the upcoming dividend. We are suggesting clients consider reducing their exposure to ANZ, and look at either Westpac or Bank of Queensland as more attractive opportunities to invest for better returns over the next 12 to 18 months. At iInvest we expect the full year dividend for ANZ to be cut from \$1.81 last year to \$1.50 for this year, this cut will drop the yield from 8.11% currently to 6.76%

Morgan Stanley recently made the following comments about ANZ. *"We see material downside risk to consensus earnings, return on equity and dividend estimates from higher Asian loan losses and growing institutional bank revenue headwinds. At the same time, we believe a re-rating is unlikely until ANZ strengthens its balance sheet, sets a sustainable dividend payout ratio and adjusts the Asian business strategy for a structural change."*

At iInvest, we currently have a buy recommendation on WBC and expect it to be able to maintain its dividend and its yield of 6.53%. While this is lower than the revised dividend we expect from ANZ, when WBC reports on the 2nd of May, we will be looking for management to show the banks clear commitment to managing its margin over chasing market share. Ongoing cost cutting should provide further benefits and its stronger capital position plus lower credit risk profile than the other majors. WBC has been in the news this week after ASIC started legal action over wholesale interest rate market rigging. WBC have stated they will defend their position. We feel the market has over reacted to this action by ASIC and see the current share price weakness as a great chance to buy our best bank at a great price.

Another opportunity to consider, Bank of Queensland reported its results yesterday and the stock will go ex its 38 cent interim dividend on 28 April 2016. BOQ notched up an 11% increase in half-year profit, bolstered mainly by its aggressive lending growth as they broadened the availability of mortgages on offer. The rise was also backed by a steady margin and efforts to control costs. Morgan Stanley also makes the following comments on regional player, Bank of Queensland. *"A challenging operating environment is weighing on BOQ's EPS and dividend growth prospects. However it is our preferred Australian bank given re-pricing benefits, cost savings, de-risking and a relatively strong capital positions."* At iInvest, we see BOQ as an attractive option to the big 4 banks, and it's certainly a standout amongst its regional competitors.



iInvest Securities

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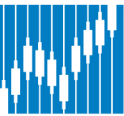
Below: WBC chart showing a previous buying support level around \$28.00



Below: BOQ showing a bullish move technically - bouncing off the 200 day moving price average line



Below: Technical sell signals for ANZ. Both the 30 and 50 day moving price average lines have crossed the 200-day moving average line showing sentiment may have



changed for the longer term. The chart also shows a major support level established in 2012 around \$20.00 – a further \$2.30 down from the market price today.



Note: Westpac is due to release half year results on 2 May (estimated reporting date). Buying the stock now will entitle shareholders to the upcoming dividend.

To discuss reducing your ANZ exposure, entering a new holding in Westpac or Bank of Queensland, or topping an existing holding, please give me a call.

Should you have any questions or require further information, please do not hesitate to contact me.

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