

Trading Idea: Westpac Banking Corp: **BUY**

Current Share Price: \$29.02 Yield at Current Price: 6.43% fully franked

We see an opportunity to buy WBC as recent news about increasing bad loans may be overshadowing the true size of company earnings. Bad debt has taken over headlines over the last few weeks, looking at where the bad debt is coming from is where we see an opportunity – Bad debts are increasing in small stressed pockets of the economy and are not systematic. Westpac's bad debts as a proportion of gross loans are expected to increase 33% to **0.16%** in fiscal 2016 up from **0.12%** last year.

Deutsche Bank recommendation below: **Buy**

Westpac (WBC.AX),AUD30.35	Buy		
	2015A	2016E	2017E
P/E (x)	14.1	12.4	11.9
Div yield (%)	5.5	6.3	6.4
Price/book (x)	1.8	1.7	1.6
Source: Deutsche Bank			

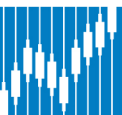
Morningstar recommendation and positive points below: **Accumulate below \$34.20**



Positive Points:

- Good operating momentum from core retail and business banking franchises, impressive cost/income performance and solid economic conditions underpin consistent profit growth with a lower-risk domestic business model
- Growing economies of scale, dominant market positions, pricing power, a superior balance sheet and high credit ratings provide a strong platform to drive growth
- The balance sheet is built around consumer banking, which provides the retail-oriented bank with earnings diversity to complement the more volatile returns generated from business and wholesale banking activities

Technically: Below shows a chart with recent support levels supporting our buy/accumulate recommendation and a target price of \$34.00 in the medium term



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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 entering a new holding in Westpac, 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 on 07 5520 8788.

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