

Fixed Interest Weekly

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AGL Energy Subordinated Notes

AGLHA.ASX

Hybrid 3-Bbsw+3.80%08-06-39 Sub Step T-06-19

Security Issue Size
A\$650m

Avg. Daily Turnover
\$0.02m

Last price **A\$105.05**
Fair value **A\$104.10**
Fair margin **252 bp**

HOLD

Pricing

Clean price: \$103.73
Cash yield: 5.33%
Gross yield: 5.33%
Yield to call: 4.13%
Implied sw ap: 2.05%
Trading margin: 2.08%

Issuer Details

AGL Energy Limited (AGL) is an Australian integrated renewable energy company. AGL engaged in creating a sustainable energy future for investors, communities, and customers. AGL's power generation portfolio includes base, peaking and intermediate generation plants, which spread across both traditional thermal generation and renewable sources. The company operates in four segments: Retail Energy, Merchant Energy, Upstream Gas and Energy Investment.

Issue Details

Issuer: AGL
Face Value: \$100.00
Issue Date: 4 Apr 12
Call Date: 8 Jun 19
Term to Call: 2.3 years
Maturity Date: 8 Jun 39

Key Credit Positives

- A significant generation portfolio which would benefit from an increase in wholesale electricity prices.
- The business is moving out of upstream gas exploration to focus on generation.

Key Credit Negatives

- Uncertain demand across in the national electricity market with poor customer demand and solar system installations remaining solid.
- Competition in the retail space with potential customer churn.

Distribution Details

Dist. Rate: 3.80% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 5.57%
Next distribution: 8 Mar 17
Ex distribution: 27 Feb 17
Accrued: \$1.32
Cash payment: \$1.37
Gross payment: \$1.37
Deferrable: No
Cumulative: Yes
Div. Stopper: No

Financial Commentary

AGL reported underlying 1H17 EBIT +5% to \$685m and Underlying PAT +4% to \$389m, due to strength in the wholesale electricity market and cost-outs offset by decline in gas margins. Underlying Operating CF -19% to \$699m, impacted by futures margin calls (to be offset by future benefit of rising wholesale prices) and lower collections.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	7,454.0	9,714.8	9,542.0	10,678.0	11,150.0
EBITDA (A\$m)	874.7	1,307.8	1,300.0	1,221.0	1,646.0
NPAT (A\$m)	114.9	388.7	570.0	218.0	-408.0
Operating Cashflow (A\$m)	208.4	252.3	498.0	1,082.0	1,119.0
Gross Debt (A\$m)	4,353.8	3,109.0	3,714.0	3,882.0	3,108.0
Total Equity (A\$m)	7,132.9	7,339.0	7,587.0	8,806.0	7,915.0
Debt / EBITDA	4.98x	2.38x	2.86x	3.18x	1.89x
EBITDA / Int Exp	8.76x	5.99x	5.99x	5.29x	8.76x
Gearing (ND/E)	31.5%	36.0%	37.7%	36.8%	30.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

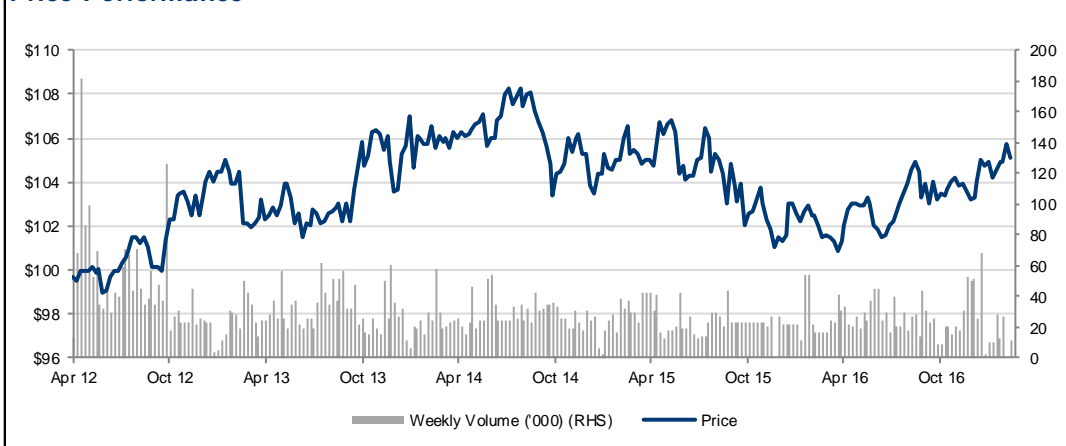
Financial Covenants

Interest Cover: > 3.0x
Leverage ratio: < 4.0x

Security Details

The AGL Notes are a subordinated note that pays quarterly, cumulative coupons based on a rate of 3.80% above the 90d BBSW. The security has a final maturity date of 8 June 2039 but is redeemable by the issuer on the Step-up date of 8 June 2019. If not redeemed on this date, the coupon rate will increase by 0.25% per annum. The security has been afforded equity credit by the rating agencies which will be lost if the security is left outstanding past the call date. While coupons are cumulative they are subject to payment tests and may be deferred in these tests are failed.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

AMP Subordinated Notes II

AMPHA.ASX

Sub Bond 3-Bbsw+2.65%18-12-23 Cum Red T-12-18

Security Issue Size
A\$325m

Avg. Daily Turnover
\$0.01m

Last price **A\$103.00**
Fair value **A\$102.12**
Fair margin **195 bp**

HOLD

Pricing

Clean price: \$102.07
Cash yield: 4.32%
Gross yield: 4.32%
Yield to call: 3.39%
Implied sw ap: 1.96%
Trading margin: 1.44%

Issuer Details

AMP Limited (AMP) is Australia and New Zealand's independent wealth management company, with an international investment management business and a retail banking business in Australia. It serves customers in Australia, New Zealand, Asia, Europe, the Middle East and North America.

Issue Details

Issuer: AMP
Face Value: \$100.00
Issue Date: 18 Dec 13
Call Date: 18 Dec 18
Term to Call: 1.8 years
Maturity Date: 18 Dec 23

Key Credit Positives

- A surplus capital position of \$1.9m above the minimum regulatory requirements.
- An improving cost to income ratio and a bottoming of earnings in the life business.

Key Credit Negatives

- Increased competition from other wealth managers and life insurance companies.
- Volatile equity markets persist and this may impact fee performance.

Distribution Details

Dist. Rate: 2.65% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 4.44%
Next distribution: 20 Mar 17
Ex distribution: 9 Mar 17
Accrued: \$0.93
Cash payment: \$1.11
Gross payment: \$1.11
Deferrable: No
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

AMP's result was relatively clean, with Australian Wealth Protection (AWP) seeing only -\$1m in negative experience profits for the year and management believing AWP business improvement plans are delivering results. AMP appears to have turned a corner and is benefitting from improving flows.

Company Financials

	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Net Interest Income (A\$m)	5,651.0	1,688.0	11,407.0	13,912.0	12,459.0
Reported NPAT (A\$m)	688.0	671.0	717.0	884.0	972.0
Cash Earnings (A\$m)	929.0	931.0	867.0	843.0	971.0
Cash EPS (A\$)	0.35	0.32	0.30	0.35	0.38
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	84.0%	77.0%	80.0%	73.0%	75.0%
Core Tier 1 Capital Ratio	N/A	N/A	N/A	N/A	N/A
Tier 1 Ratio	N/A	N/A	N/A	N/A	N/A
Gearing (ND/E)	22.0%	21.0%	24.0%	18.0%	21.0%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Features

CET: No
Viability Trigger: Yes

Security Details

The AMP Notes II are a subordinated debt security with a call date of 18 December 2018, when the Issuer may redeem the security. If the security is not redeemed early by the issuer it will mature on the maturity date of 18 December 2023 when holders will receive \$100.00 per security. The AMP Notes count as Tier 2 Regulatory Capital for the Issuer and contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

AMP Capital Notes

AMPPA.ASX

Cap Note 3-Bbsw+5.10%Perp Non-Cum Red T-12-21

Security Issue Size
A\$268m

Avg. Daily Turnover
\$0.01m

Last price **A\$107.99**
Fair value **A\$105.74**
Fair margin **411 bp**

REDUCE

Pricing

Clean price: \$106.88
Cash yield: 4.47%
Gross yield: 6.39%
Yield to call: 6.07%
Implied sw ap: 2.51%
Trading margin: 3.56%

Issuer Details

AMP Limited (AMP) is Australia and New Zealand's independent wealth management company, with an international investment management business and a retail banking business in Australia. It serves customers in Australia, New Zealand, Asia, Europe, the Middle East and North America.

Issue Details

Issuer: AMP
Face Value: \$100.00
Issue Date: 30 Nov 15
Call Date: 22 Dec 21
Term to Call: 4.8 years
Maturity Date: Perpetual

Key Credit Positives

- A surplus capital position of \$1.9m above the minimum regulatory requirements.
- An improving cost to income ratio and a bottoming of earnings in the life business.

Key Credit Negatives

- Increased competition from other wealth managers and life insurance companies.
- Volatile equity markets persist and this may impact fee performance.

Distribution Details

Dist. Rate: 5.10% + 90d
Payable: Quarterly
Franking: 80%
Current coupon: 7.37%
Next distribution: 22 Mar 17
Ex distribution: 10 Mar 17
Accrued: \$1.11
Cash payment: \$1.35
Gross payment: \$1.82
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

AMP's result was relatively clean, with Australian Wealth Protection (AWP) seeing only -\$1m in negative experience profits for the year and management believing AWP business improvement plans are delivering results. AMP appears to have turned a corner and is benefitting from improving flows.

Company Financials

	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Net Interest Income (A\$m)	5,651.0	1,688.0	11,407.0	13,912.0	12,459.0
Reported NPAT (A\$m)	688.0	671.0	717.0	884.0	972.0
Cash Earnings (A\$m)	929.0	931.0	867.0	843.0	971.0
Cash EPS (A\$)	0.35	0.32	0.30	0.35	0.38
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	84.0%	77.0%	80.0%	73.0%	75.0%
Common Equity Tier 1 Capital Ratio	N/A	N/A	N/A	N/A	N/A
Total Tier 1 Capital Ratio	N/A	N/A	N/A	N/A	N/A
Total Capital Ratio	22.0%	21.0%	24.0%	18.0%	21.0%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

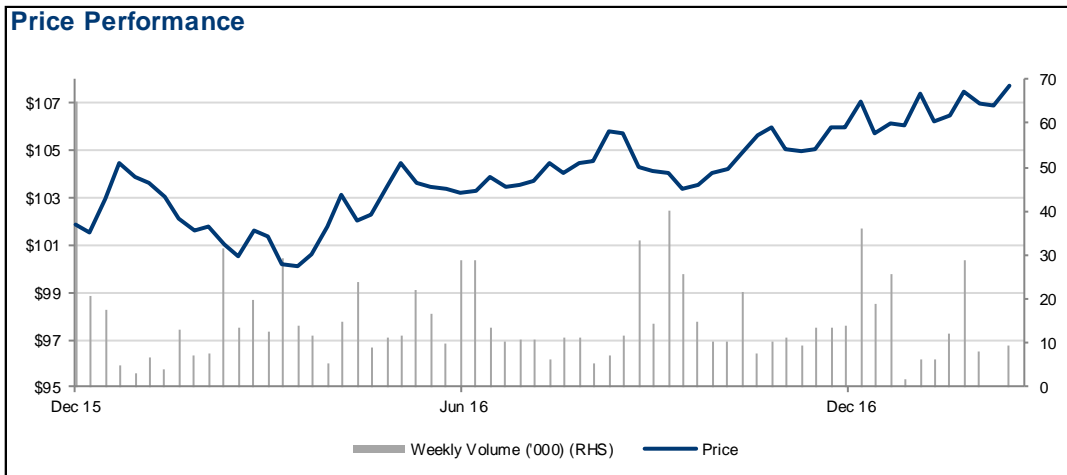
Security Features

CET: No
Viability Trigger: Yes

Security Details

AMPPA is a Capital Note and will convert into AMP Ordinary Shares assuming the AMP share price is above \$2.948 on the Mandatory Conversion Date (22 December 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem AMPPA for \$100.00 per security on the Call Date of 22 December 2021. AMPPA contains a Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Subordinated Notes

ANZHA.ASX

Sub Bond 3-Bbsw+2.75%20-06-22 Red T-06-17

Security Issue Size
A\$1,509m

Avg. Daily Turnover
\$0.06m

Last price **A\$101.39**
Fair value **A\$101.31**
Fair margin **123 bp**

ADD

Pricing

Clean price: \$100.45
Cash yield: 4.48%
Gross yield: 4.48%
Yield to call: 2.75%
Implied sw ap: 1.78%
Trading margin: 0.97%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer: ANZ
Face Value: \$100.00
Issue Date: 20 Mar 12
Call Date: 20 Jun 17
Term to Call: 0.3 years
Maturity Date: 20 Jun 22

Key Credit Positives

- A steady capital position.
- A stable balance sheet composition and good liquidity.

Key Credit Negatives

- Exposure to Asian economies (though this is reducing as assets are divested).
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate: 2.75% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 4.55%
Next distribution: 20 Mar 17
Ex distribution: 9 Mar 17
Accrued: \$0.94
Cash payment: \$1.12
Gross payment: \$1.12
Deferrable: No
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,112.0	12,758.0	13,810.0	14,616.0	0.0
Reported NPAT (A\$m)	5,661.0	6,310.0	7,271.0	7,493.0	0.0
Cash Earnings (A\$m)	5,959.0	6,500.0	7,117.0	7,215.0	0.0
Cash EPS (A\$)	2.16	2.38	2.60	2.50	0.00
Cost to Income Ratio	46.3%	44.7%	44.3%	44.4%	50.6%
Dividend Payout Ratio	64.4%	71.4%	67.4%	69.2%	0.0%
Common Equity Tier 1 Capital Ratio	8.80%	8.48%	8.79%	9.60%	9.60%
Total Tier 1 Capital Ratio	10.80%	10.37%	10.68%	11.30%	11.80%
Total Capital Ratio	12.20%	12.19%	12.65%	13.30%	14.35%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

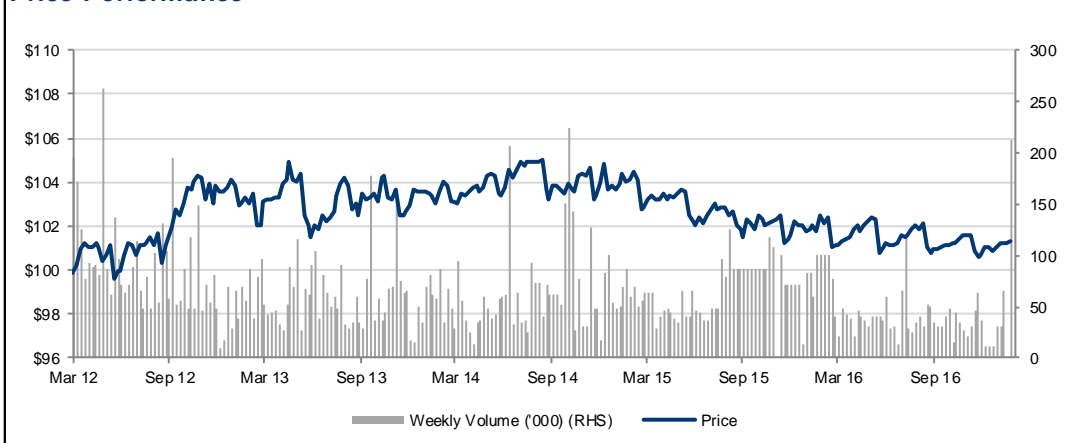
Security Features

CET: No
Viability Trigger: No

Security Details

ANZHA is a Subordinated Note with a Call Date of 20 June 2017 and a final Maturity Date of 20 June 2022. The security pays unfranked coupons based on a rate of 2.75% above the 90d BBSW. Coupons are Cumulative as well in the unlikely event of non-payment. The Security does not contain Common Equity Capital or Non-Viability Triggers.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Convertible Preference Shares III

ANZPC.ASX

Cnv Pref 6-Bbsw+3.10% Perp Sub Non-Cum T-09-19

Security Issue Size
A\$1,340m

Avg. Daily Turnover
\$0.05m

Last price **A\$100.80**
Fair value **A\$99.79**
Fair margin **338 bp**

HOLD

Pricing

Clean price:	\$100.88
Cash yield:	3.40%
Gross yield:	4.86%
Yield to call:	3.05%
Implied sw ap:	1.67%
Trading margin:	1.38%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer:	ANZ
Face Value:	\$100.00
Issue Date:	28 Sep 11
Call Date:	1 Sep 17
Term to Call:	0.5 years
Maturity Date:	Perpetual

Key Credit Positives

- A steady capital position.
- A stable balance sheet composition and good liquidity.

Key Credit Negatives

- Exposure to Asian economies (though this is reducing as assets are divested).
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate:	3.10% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	5.42%
Next distribution:	1 Mar 17
Ex distribution:	Ex-dist
Accrued:	-\$0.07
Cash payment:	\$0.00
Gross payment:	\$0.00
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

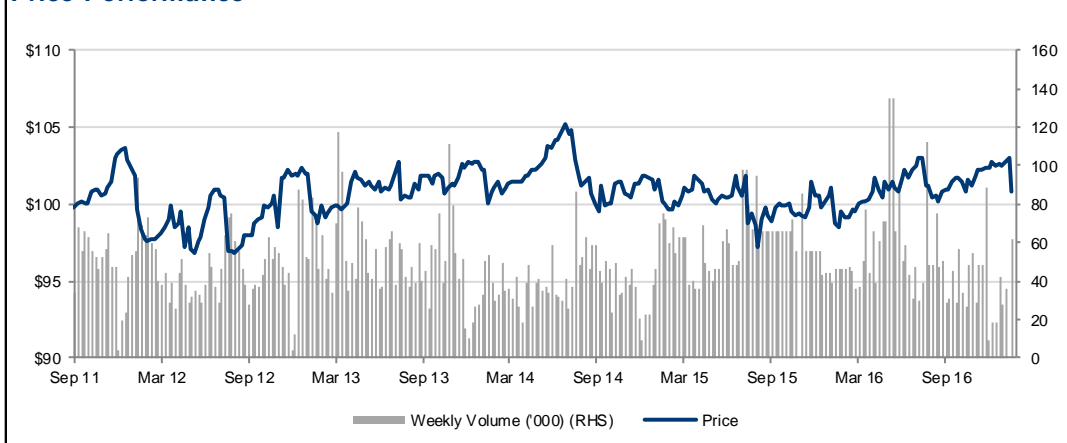
	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Net Interest Income (A\$m)	11,481.0	12,112.0	12,758.0	13,810.0	14,616.0
Reported NPAT (A\$m)	5,355.0	5,661.0	6,310.0	7,271.0	7,493.0
Cash Earnings (A\$m)	5,594.0	5,959.0	6,500.0	7,117.0	7,215.0
Cash EPS (A\$)	2.09	2.16	2.38	2.60	2.50
Cost to Income Ratio	46.5%	46.3%	44.7%	44.3%	44.4%
Dividend Payout Ratio	64.2%	64.4%	71.4%	67.4%	69.2%
Common Equity Tier 1 Capital Ratio	8.50%	8.80%	8.48%	8.79%	9.60%
Total Tier 1 Capital Ratio	10.90%	10.80%	10.37%	10.68%	11.30%
Total Capital Ratio	12.10%	12.20%	12.19%	12.65%	13.30%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

ANZPC is a Mandatory Convertible Security and will convert into ANZ Ordinary Shares assuming the ANZ share price is above \$10.94 on the Mandatory Conversion Date (1 September 2019). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem ANZPC for \$100.00 per security on the Call Date of 1 September 2017. ANZPC contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Capital Notes

ANZPD.ASX

Cap Note 6-Bbsw+3.40% Perp Non-Cum Red T-09-21

Security Issue Size
A\$1,120m

Avg. Daily Turnover
\$0.04m

Last price	A\$98.41
Fair value	A\$98.07
Fair margin	390 bp

HOLD

Pricing

Clean price: \$98.49
Cash yield: 3.70%
Gross yield: 5.28%
Yield to call: 6.27%
Implied sw ap: 2.46%
Trading margin: 3.81%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer: ANZ
Face Value: \$100.00
Issue Date: 7 Aug 13
Call Date: 1 Sep 21
Term to Call: 4.5 years
Maturity Date: Perpetual

Key Credit Positives

- A steady capital position.
- A stable balance sheet composition and good liquidity.

Key Credit Negatives

- Exposure to Asian economies (though this is reducing as assets are divested).
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate: 3.40% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 5.72%
Next distribution: 1 Mar 17
Ex distribution: Ex-dist
Accrued: **-\$0.08**
Cash payment: \$0.00
Gross payment: \$0.00
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Net Interest Income (A\$m)	11,481.0	12,112.0	12,758.0	13,810.0	14,616.0
Reported NPAT (A\$m)	5,355.0	5,661.0	6,310.0	7,271.0	7,493.0
Cash Earnings (A\$m)	5,594.0	5,959.0	6,500.0	7,117.0	7,215.0
Cash EPS (A\$)	2.09	2.16	2.38	2.60	2.50
Cost to Income Ratio	46.5%	46.3%	44.7%	44.3%	44.4%
Dividend Payout Ratio	64.2%	64.4%	71.4%	67.4%	69.2%
Common Equity Tier 1 Capital Ratio	8.50%	8.80%	8.48%	8.79%	9.60%
Total Tier 1 Capital Ratio	10.90%	10.80%	10.37%	10.68%	11.30%
Total Capital Ratio	12.10%	12.20%	12.19%	12.65%	13.30%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

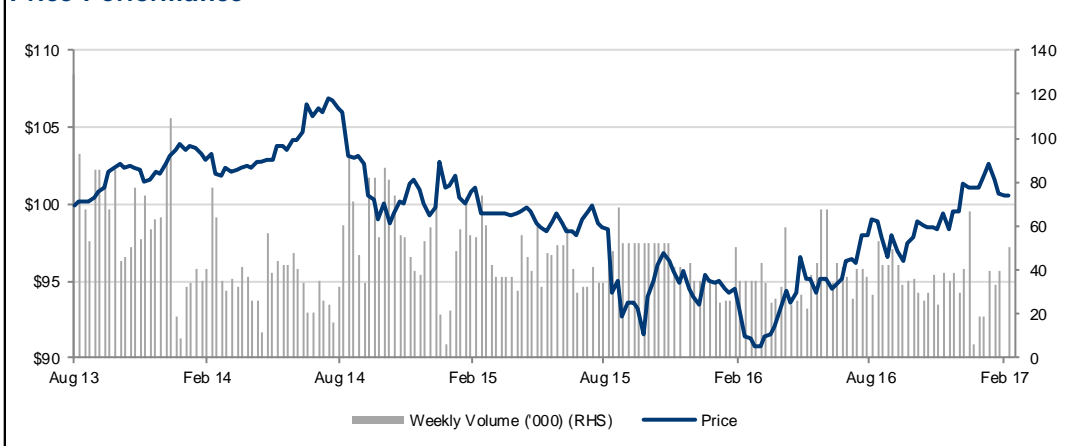
Security Features

CET: Yes
Viability Trigger: Yes

Security Details

ANZPD is a Mandatory Convertible Security and will convert into ANZ Ordinary Shares assuming the ANZ share price is above \$16.33 on the Mandatory Conversion Date (1 September 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem ANZPD for \$100.00 per security on the Call Date of 1 September 2021. ANZPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Capital Notes 2

ANZPE.ASX

Cap Note 6-Bbsw+3.25% Perp Non-Cum Red T-03-22

Security Issue Size
A\$1,160m

Avg. Daily Turnover
\$0.06m

Last price	A\$99.50
Fair value	A\$99.23
Fair margin	395 bp

HOLD

Pricing

Clean price: \$97.91
Cash yield: 3.55%
Gross yield: 5.07%
Yield to call: 6.44%
Implied sw ap: 2.55%
Trading margin: 3.89%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer: ANZ
Face Value: \$100.00
Issue Date: 31 Mar 14
Call Date: 24 Mar 22
Term to Call: 5.1 years
Maturity Date: Perpetual

Key Credit Positives

- A steady capital position.
- A stable balance sheet composition and good liquidity.

Key Credit Negatives

- Exposure to Asian economies (though this is reducing as assets are divested).
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate: 3.25% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 5.86%
Next distribution: 24 Mar 17
Ex distribution: 15 Mar 17
Accrued: \$1.59
Cash payment: \$1.79
Gross payment: \$2.56
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Net Interest Income (A\$m)	11,481.0	12,112.0	12,758.0	13,810.0	14,616.0
Reported NPAT (A\$m)	5,355.0	5,661.0	6,310.0	7,271.0	7,493.0
Cash Earnings (A\$m)	5,594.0	5,959.0	6,500.0	7,117.0	7,215.0
Cash EPS (A\$)	2.09	2.16	2.38	2.60	2.50
Cost to Income Ratio	46.5%	46.3%	44.7%	44.3%	44.4%
Dividend Payout Ratio	64.2%	64.4%	71.4%	67.4%	69.2%
Common Equity Tier 1 Capital Ratio	8.50%	8.80%	8.48%	8.79%	9.60%
Total Tier 1 Capital Ratio	10.90%	10.80%	10.37%	10.68%	11.30%
Total Capital Ratio	12.10%	12.20%	12.19%	12.65%	13.30%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

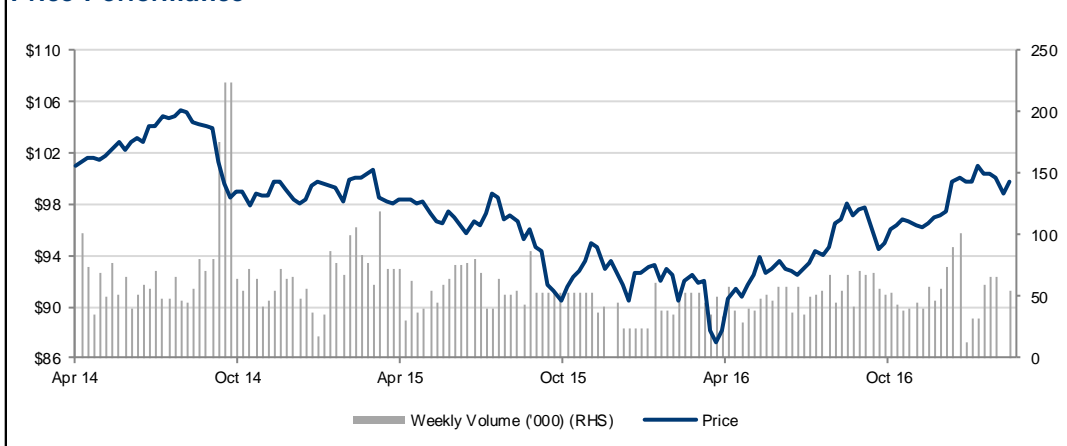
Security Features

CET: Yes
Viability Trigger: Yes

Security Details

ANZPE is a Capital Note and will convert into ANZ Ordinary Shares assuming the ANZ share price is above \$18.09 on the Mandatory Conversion Date (24 March 2024). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem ANZPE for \$100.00 per security on the Call Date of 24 March 2022. ANZPE contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Capital Notes 3

ANZPF.ASX

Cap Note 6-Bbsw+3.60% Perp Non-Cum Red T-03-23

Security Issue Size
A\$970m

Avg. Daily Turnover
\$0.04m

Last price **A\$100.98**
Fair value **A\$99.88**
Fair margin **407 bp**

HOLD

Pricing

Clean price:	\$99.28
Cash yield:	3.74%
Gross yield:	5.34%
Yield to call:	6.53%
Implied sw ap:	2.70%
Trading margin:	3.84%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer:	ANZ
Face Value:	\$100.00
Issue Date:	5 Mar 15
Call Date:	24 Mar 23
Term to Call:	6.1 years
Maturity Date:	Perpetual

Key Credit Positives

- A steady capital position.
- A stable balance sheet composition and good liquidity.

Key Credit Negatives

- Exposure to Asian economies (though this is reducing as assets are divested).
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate:	3.60% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	5.98%
Next distribution:	24 Mar 17
Ex distribution:	15 Mar 17
Accrued:	\$1.70
Cash payment:	\$1.91
Gross payment:	\$2.73
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

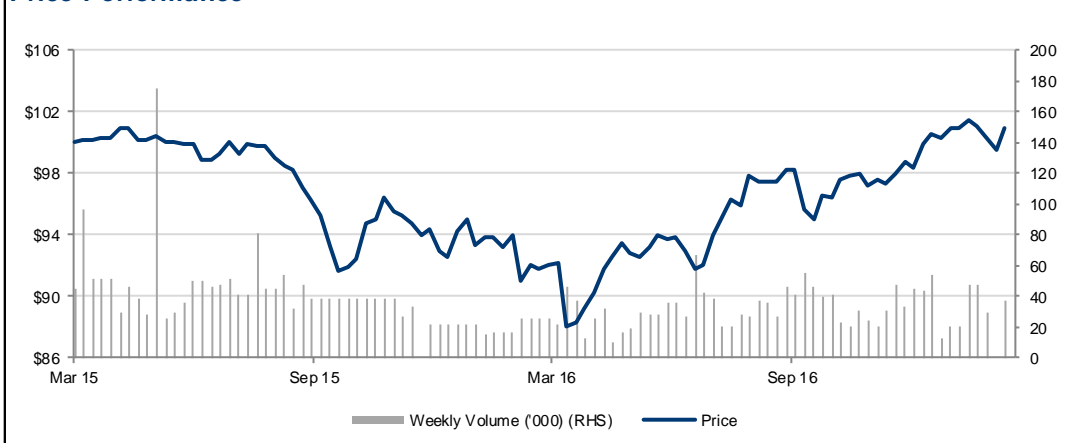
	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Net Interest Income (A\$m)	11,481.0	12,112.0	12,758.0	13,810.0	14,616.0
Reported NPAT (A\$m)	5,355.0	5,661.0	6,310.0	7,271.0	7,493.0
Cash Earnings (A\$m)	5,594.0	5,959.0	6,500.0	7,117.0	7,215.0
Cash EPS (A\$)	2.09	2.16	2.38	2.60	2.50
Cost to Income Ratio	46.5%	46.3%	44.7%	44.3%	44.4%
Dividend Payout Ratio	64.2%	64.4%	71.4%	67.4%	69.2%
Common Equity Tier 1 Capital Ratio	8.50%	8.80%	8.48%	8.79%	9.60%
Total Tier 1 Capital Ratio	10.90%	10.80%	10.37%	10.68%	11.30%
Total Capital Ratio	12.10%	12.20%	12.19%	12.65%	13.30%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

ANZPF is a Capital Note and will convert into ANZ Ordinary Shares assuming the ANZ share price is above the required level on the Mandatory Conversion Date (24 March 2025). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem ANZPF for \$100.00 per security on the Call Date of 24 March 2023. ANZPF contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

ANZ Capital Notes 4

ANZPG.ASX

Cap Note 3-Bbsw+4.70%Perp Non-Cum Red T-03-24

Security Issue Size
A\$1,622m

Avg. Daily Turnover
\$0.06m

Last price **A\$104.50**
Fair value **A\$104.39**
Fair margin **421 bp**

HOLD

Pricing

Clean price: \$103.57
Cash yield: 4.35%
Gross yield: 6.22%
Yield to call: 7.01%
Implied sw ap: 2.82%
Trading margin: 4.19%

Issuer Details

ANZ Banking Group (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

Issue Details

Issuer: ANZ
Face Value: \$100.00
Issue Date: 27 Sep 16
Call Date: 20 Mar 24
Term to Call: 7.1 years
Maturity Date: Perpetual

Key Credit Positives

– A steady capital position.
– A stable balance sheet composition and good liquidity.

Key Credit Negatives

– Exposure to Asian economies (though this is reducing as assets are divested).
– Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate: 4.70% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 6.45%
Next distribution: 20 Mar 17
Ex distribution: 9 Mar 17
Accrued: \$0.93
Cash payment: \$1.11
Gross payment: \$1.59
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

ANZ reported FY16 cash earnings of \$5,889m, 1.5% higher than our forecast. Of the \$278m pre-tax restructuring provision taken in FY16, \$166m was spent in FY16 and the remaining restructuring provision of \$112m will be utilised in FY17. The company's CET1 ratio sits at 9.60%.

Company Financials

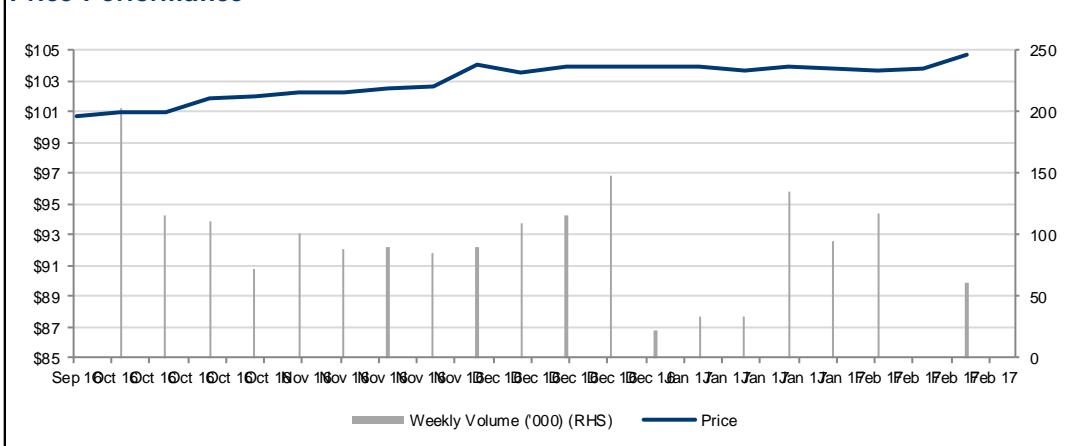
	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Net Interest Income (A\$m)	11,481.0	12,112.0	12,758.0	13,810.0	14,616.0
Reported NPAT (A\$m)	5,355.0	5,661.0	6,310.0	7,271.0	7,493.0
Cash Earnings (A\$m)	5,594.0	5,959.0	6,500.0	7,117.0	7,215.0
Cash EPS (A\$)	2.09	2.16	2.38	2.60	2.50
Cost to Income Ratio	46.5%	46.3%	44.7%	44.3%	44.4%
Dividend Payout Ratio	64.2%	64.4%	71.4%	67.4%	69.2%
Common Equity Tier 1 Capital Ratio	8.5%	8.8%	8.5%	8.8%	9.6%
Total Tier 1 Capital Ratio	10.9%	10.8%	10.4%	10.7%	11.3%
Total Capital Ratio	12.1%	12.2%	12.2%	12.7%	13.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

ANZPG is a Capital Note and will convert into ANZ Ordinary Shares assuming the ANZ share price is above the required level on the Mandatory Conversion Date (24 March 2026). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem ANZPG for \$100.00 per security on the Call Date of 24 March 2024. ANZPG contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

APA Subordinated Notes

AQHHA.ASX

Hybrid 3-Bbsw+4.50%30-09-72 Sub Cum Red T-03-18

Security Issue Size
A\$515m

Avg. Daily Turnover
\$0.02m

Last price **A\$103.68**
Fair value **A\$103.08**
Fair margin **257 bp**

HOLD

Pricing

Clean price:	\$102.62
Cash yield:	6.07%
Gross yield:	6.07%
Yield to call:	3.79%
Implied sw ap:	1.80%
Trading margin:	1.99%

Issuer Details

APA Group (APA), comprising the Australian Pipeline Trust and APT Investment Trust, owns Australia's largest natural gas distribution and storage infrastructure network, constituting mainly gas transmission and distribution, mostly servicing power generation, industrial, and commercial customers.

Issue Details

Issuer:	APA
Face Value:	\$100.00
Issue Date:	18 Sep 12
Call Date:	31 Mar 18
Term to Call:	1.1 years
Maturity Date:	30 Sep 72

Key Credit Positives

- A strong position in the domestic gas transition market with scope to expand this further via acquisitions.
- A history of growing profit and beating market expectations and guidance.

Key Credit Negatives

- Regulatory resets occurring over the coming years which may impact the rates of return afforded to the company.
- Potential increased leverage to partially fund any future acquisition.

Distribution Details

Dist. Rate:	4.50% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	6.30%
Next distribution:	31 Mar 17
Ex distribution:	22 Mar 17
Accrued:	\$1.06
Cash payment:	\$1.55
Gross payment:	\$1.55
Deferrable:	Yes
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

2H16 EBITDA increased 58% on pcp, in-line with forecast. Growth was driven by acquisitions (LNG pipeline, Mt Isa power stations) and also by ramp-up of earnings from organic growth investment (WA, QLD). EBITDA growth offset by higher debt service drove a 42% increase in 2H16 Operating CF. Key credit metrics improved meaningfully.

Company Financials

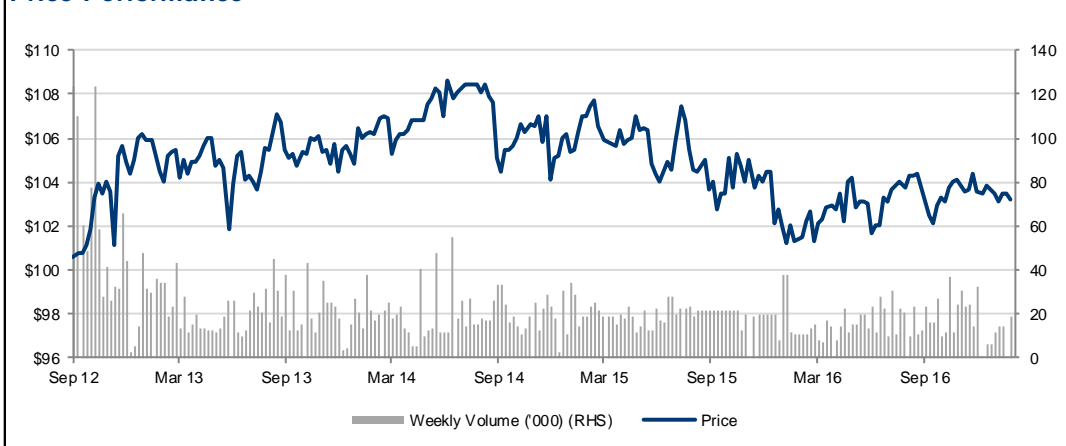
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	1,009.2	1,204.9	1,322.5	1,503.0	2,059.8
EBITDA (A\$m)	481.0	615.9	676.9	796.0	1,299.7
NPAT (A\$m)	130.7	298.8	343.7	559.9	179.6
Operating Cashflow (A\$m)	378.8	451.2	354.8	750.7	996.7
Gross Debt (A\$m)	2,905.9	4,314.2	4,708.3	9,305.9	9,724.2
Total Equity (A\$m)	1,614.0	2,512.3	2,496.4	4,382.6	4,029.1
Debt / EBITDA	6.04x	7.00x	6.96x	11.69x	7.48x
EBITDA / Int Exp	2.00x	1.89x	2.09x	2.06x	2.52x
Gearing (ND/E)	159.6%	167.9%	187.7%	202.4%	238.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

The securities have an initial call date of 31 March 2018, a Step-up date of 31 March 2038 and a final maturity date of 30 September 2072. The notes are redeemable on the call date and every coupon date thereafter. Coupons are cumulative, unfranked and floating rate based on a Margin of 4.50% above the 90 day BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Bendigo Bank Income Security

BENHB.ASX

Hybrid 3-Bbsw+1.00% Perp Sub Cum Red

Security Issue Size
A\$35m

Avg. Daily Turnover
\$0.00m

Last price **A\$70.00**
Fair value **A\$64.54**
Fair margin **439 bp**

REDUCE

Pricing

Clean price: \$70.05
Cash yield: 4.00%
Gross yield: 4.00%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Bendigo and Adelaide Bank Limited (BEN) a broad range of banking and other financial services including consumer, residential, business and commercial lending, deposit taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services. The Group conducts its activities solely in Australia.

Issue Details

Issuer: BEN
Face Value: \$100.00
Issue Date: 8 Jul 99
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- BEN is progressing well as it seeks to achieve Advanced Accreditation.
- BEN's CET1 ratio now sits at 8.17%.

Key Credit Negatives

- Margins look to have peaked, with the tailwind from deposit pricing beginning to wane.
- There remains stiff competition for loans and deposits and there is regulatory uncertainty for financial institutions.

Distribution Details

Dist. Rate: 1.00% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 2.99%
Next distribution: 2 Mar 17
Ex distribution: Ex-dist
Accrued: **-\$0.05**
Cash payment: \$0.00
Gross payment: \$0.00
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

BEN's full year 2015 cash earnings were \$432.4m with the company's CET1 ratio sitting at 8.17%. The total capital ratio increased to 12.57% while the net interest margin declined 4bp on the prior year to 2.20%.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	935.0	944.0	1028.0	1,118.0	1,184.1
Reported NPAT (A\$m)	342.0	195.0	352.0	372.0	423.9
Cash Earnings (A\$m)	336.0	323.0	348.0	382.0	432.4
Cash EPS (A\$)	0.87	0.82	0.79	0.91	0.95
Cost to Income Ratio	58.0%	59.7%	57.7%	55.9%	55.2%
Dividend Payout Ratio	65.0%	71.2%	71.4%	70.0%	69.4%
Common Equity Tier 1 Capital Ratio	6.8%	7.4%	7.8%	8.7%	8.2%
Total Tier 1 Capital Ratio	7.8%	8.4%	9.3%	10.0%	10.6%
Total Capital Ratio	10.6%	10.4%	10.7%	12.3%	12.6%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

BENHB is a perpetual income security that pays investors non-cumulative distributions based on a rate of 1.00% above the 90d BBSW. The issuer has previously undertaken off-market buy-backs of the security.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Bendigo Bank CPS

BENPD.ASX

Cnv Pref 6-Bbsw+5.00% Perp Non-Cum Red T-12-19

Security Issue Size
A\$269m

Avg. Daily Turnover
\$0.01m

Last price **A\$103.35**
Fair value **A\$102.37**
Fair margin **385 bp**

HOLD

Pricing

Clean price:	\$102.27
Cash yield:	4.60%
Gross yield:	6.58%
Yield to call:	4.32%
Implied sw ap:	1.74%
Trading margin:	2.59%

Issuer Details

Bendigo and Adelaide Bank Limited (BEN) a broad range of banking and other financial services including consumer, residential, business and commercial lending, deposit taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services. The Group conducts its activities solely in Australia.

Issue Details

Issuer:	BEN
Face Value:	\$100.00
Issue Date:	1 Nov 12
Call Date:	13 Dec 17
Term to Call:	0.8 years
Maturity Date:	Perpetual

Key Credit Positives

- BEN is progressing well as it seeks to achieve Advanced Accreditation.
- BEN's CET1 ratio now sits at 8.17%.

Key Credit Negatives

- Margins look to have peaked, with the tailwind from deposit pricing beginning to wane.
- There remains stiff competition for loans and deposits and there is regulatory uncertainty for financial institutions.

Distribution Details

Dist. Rate:	5.00% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	7.26%
Next distribution:	13 Jun 17
Ex distribution:	25 May 17
Accrued:	\$1.08
Cash payment:	\$2.44
Gross payment:	\$3.49
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

BEN's full year 2015 cash earnings were \$432.4m with the company's CET1 ratio sitting at 8.17%. The total capital ratio increased to 12.57% while the net interest margin declined 4bp on the prior year to 2.20%.

Company Financials

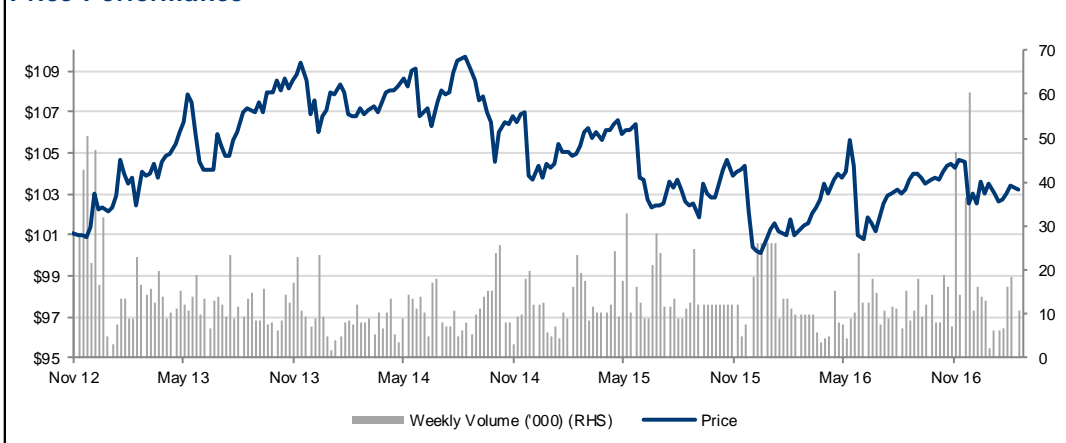
	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	935.0	944.0	1028.0	1,118.0	1,184.1
Reported NPAT (A\$m)	342.0	195.0	352.0	372.0	423.9
Cash Earnings (A\$m)	336.0	323.0	348.0	382.0	432.4
Cash EPS (A\$)	0.87	0.82	0.79	0.91	0.95
Cost to Income Ratio	58.0%	59.7%	57.7%	55.9%	55.2%
Dividend Payout Ratio	65.0%	71.2%	71.4%	70.0%	69.4%
Common Equity Tier 1 Capital Ratio	6.8%	7.4%	7.8%	8.7%	8.2%
Total Tier 1 Capital Ratio	7.8%	8.4%	9.3%	10.0%	10.6%
Total Capital Ratio	10.6%	10.4%	10.7%	12.3%	12.6%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

BENPD is a Mandatory Convertible Security and will convert into BEN Ordinary Shares assuming the BEN share price is above \$4.47 on the Mandatory Conversion Date (13 December 2019). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem BENPD for \$100.00 per security on the Call Date of 13 December 2017. BENPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Bendigo Bank CPS II

BENPE.ASX

Cnv Pref 6-Bbsw+3.20% Perp Non-Cum Red T-11-20

Security Issue Size
A\$292m

Avg. Daily Turnover
\$0.01m

Last price **A\$98.70**
Fair value **A\$98.07**
Fair margin **418 bp**

HOLD

Pricing

Clean price:	\$97.78
Cash yield:	3.54%
Gross yield:	5.06%
Yield to call:	6.32%
Implied sw ap:	2.33%
Trading margin:	3.98%

Issuer Details

Bendigo and Adelaide Bank Limited (BEN) a broad range of banking and other financial services including consumer, residential, business and commercial lending, deposit taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services. The Group conducts its activities solely in Australia.

Issue Details

Issuer:	BEN
Face Value:	\$100.00
Issue Date:	10 Oct 14
Call Date:	30 Nov 20
Term to Call:	3.8 years
Maturity Date:	Perpetual

Key Credit Positives

- BEN is progressing well as it seeks to achieve Advanced Accreditation.
- BEN's CET1 ratio now sits at 8.17%.

Key Credit Negatives

- Margins look to have peaked, with the tailwind from deposit pricing beginning to wane.
- There remains stiff competition for loans and deposits and there is regulatory uncertainty for financial institutions.

Distribution Details

Dist. Rate:	3.20% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	5.43%
Next distribution:	30 May 17
Ex distribution:	17 May 17
Accrued:	\$0.92
Cash payment:	\$1.81
Gross payment:	\$2.58
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

BEN's full year 2015 cash earnings were \$432.4m with the company's CET1 ratio sitting at 8.17%. The total capital ratio increased to 12.57% while the net interest margin declined 4bp on the prior year to 2.20%.

Company Financials

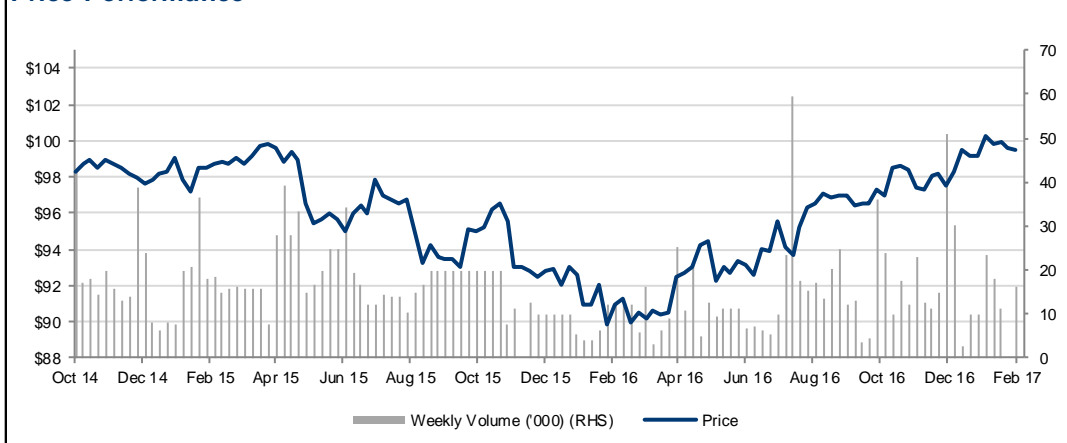
	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	935.0	944.0	1028.0	1,118.0	1,184.1
Reported NPAT (A\$m)	342.0	195.0	352.0	372.0	423.9
Cash Earnings (A\$m)	336.0	323.0	348.0	382.0	432.4
Cash EPS (A\$)	0.87	0.82	0.79	0.91	0.95
Cost to Income Ratio	58.0%	59.7%	57.7%	55.9%	55.2%
Dividend Payout Ratio	65.0%	71.2%	71.4%	70.0%	69.4%
Common Equity Tier 1 Capital Ratio	6.8%	7.4%	7.8%	8.7%	8.2%
Total Tier 1 Capital Ratio	7.8%	8.4%	9.3%	10.0%	10.6%
Total Capital Ratio	10.6%	10.4%	10.7%	12.3%	12.6%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

BENPE is a Mandatory Convertible Security and will convert into BEN Ordinary Shares assuming the BEN share price is above \$6.04 on the Mandatory Conversion Date (30 November 2022). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem BENPE for \$100.00 per security on the Call Date of 30 November 2020. BENPE contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Bendigo Bank CPS III

BENPF.ASX

Cnv Pref 6-Bbsw+4.00% Perp Non-Cum Red T-06-21

Security Issue Size
A\$282m

Avg. Daily Turnover
\$0.01m

Last price **A\$100.51**
Fair value **A\$100.48**
Fair margin **427 bp**

REDUCE

Pricing

Clean price: \$99.70
Cash yield: 4.04%
Gross yield: 5.77%
Yield to call: 6.48%
Implied sw ap: 2.43%
Trading margin: 4.05%

Issuer Details

Bendigo and Adelaide Bank Limited (BEN) a broad range of banking and other financial services including consumer, residential, business and commercial lending, deposit taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services. The Group conducts its activities solely in Australia.

Issue Details

Issuer: BEN
Face Value: \$100.00
Issue Date: 15 Jun 15
Call Date: 15 Jun 21
Term to Call: 4.3 years
Maturity Date: Perpetual

Key Credit Positives

– BEN is progressing well as it seeks to achieve Advanced Accreditation.
– BEN's CET1 ratio now sits at 8.17%.

Key Credit Negatives

– Margins look to have peaked, with the tailwind from deposit pricing beginning to wane.
– There remains stiff competition for loans and deposits and there is regulatory uncertainty for financial institutions.

Distribution Details

Dist. Rate: 4.00% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 6.26%
Next distribution: 15 Jun 17
Ex distribution: 1 Jun 17
Accrued: \$0.82
Cash payment: \$2.09
Gross payment: \$2.99
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

BEN's full year 2015 cash earnings were \$432.4m with the company's CET1 ratio sitting at 8.17%. The total capital ratio increased to 12.57% while the net interest margin declined 4bp on the prior year to 2.20%.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	935.0	944.0	1028.0	118.0	1184.1
Reported NPAT (A\$m)	342.0	195.0	352.0	372.0	423.9
Cash Earnings (A\$m)	336.0	323.0	348.0	382.0	432.4
Cash EPS (A\$)	0.87	0.82	0.79	0.91	0.95
Cost to Income Ratio	58.0%	59.7%	57.7%	55.9%	55.2%
Dividend Payout Ratio	65.0%	71.2%	71.4%	70.0%	69.4%
Common Equity Tier 1 Capital Ratio	6.8%	7.4%	7.8%	8.7%	8.2%
Total Tier 1 Capital Ratio	7.8%	8.4%	9.3%	10.0%	10.6%
Total Capital Ratio	10.6%	10.4%	10.7%	12.3%	12.6%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

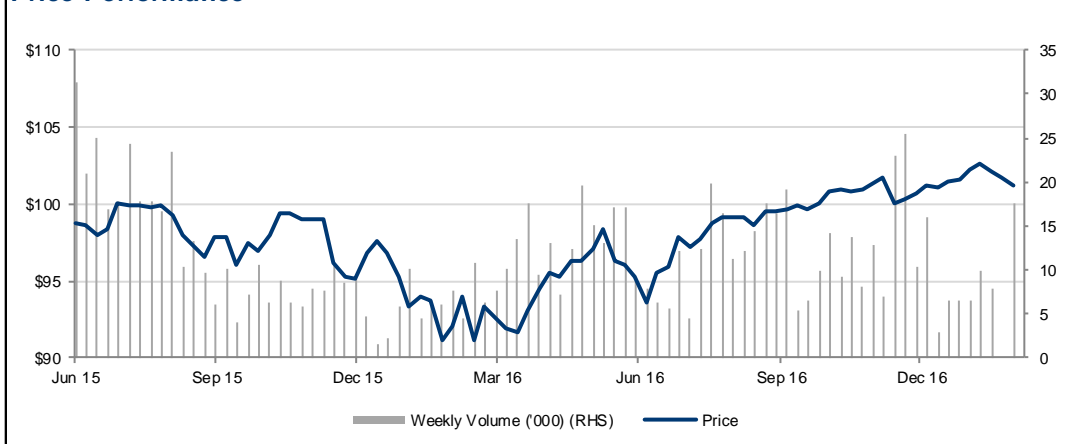
Security Features

CET: Yes
Viability Trigger: Yes

Security Details

BENPF is a Mandatory Convertible Security and will convert into BEN Ordinary Shares assuming the BEN share price is above \$6.05 on the Mandatory Conversion Date (15 June 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem BENPF for \$100.00 per security on the Call Date of 15 June 2021. BENPF contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

BOQ Convertible Preference Shares

BOQPD.ASX

Cnv Pref 6-Bbsw+5.10% Perp Non-Cum Red T-04-20

Security Issue Size
A\$300m

Avg. Daily Turnover
\$0.01m

Last price **A\$105.10**
Fair value **A\$104.04**
Fair margin **388 bp**

HOLD

Pricing

Clean price: \$103.06
Cash yield: 4.59%
Gross yield: 6.56%
Yield to call: 4.72%
Implied sw ap: 1.81%
Trading margin: 2.91%

Issuer Details

Bank of Queensland Limited (BOQ) is a financial institution offering core banking (commercial/retail) services, equipment finance, wealth management and insurance. BOQ uses its unique concept of the Owner-Managed Branch (OMB), which is a partnership between the Bank of Queensland (franchisor) and experienced bank managers (franchisees) to provide banking services.

Issue Details

Issuer: BOQ
Face Value: \$100.00
Issue Date: 21 Dec 12
Call Date: 15 Apr 18
Term to Call: 1.1 years
Maturity Date: Perpetual

Key Credit Positives

- Margins continue to improve due to credit rating upgrades and lower cost funding.
- Lower loan impairment expenses.

Key Credit Negatives

- Overall loan growth continues to be sluggish, with commercial lending outgrowing retail.
- Heightened regulatory risk following the inquiry into the financial system.

Distribution Details

Dist. Rate: 5.10% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 7.36%
Next distribution: 15 Apr 17
Ex distribution: 30 Mar 17
Accrued: \$2.04
Cash payment: \$2.57
Gross payment: \$3.67
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

BOQ's FY15 NPAT was up 22% and came in at \$318m. A strong net interest margin was again showcased, which was up 15bp to 1.97%. Capital continued to increase with CET1 sitting at 8.91%, up from 8.6% in the prior year while the total capital adequacy ratio also increased to 12.72% a 70bps gain from 12.02% in Aug-14.

Company Financials

	Aug 11	Aug 12	Aug 13	Aug 14	Aug 15
Net Interest Income (A\$m)	2,677.0	2,596.0	2,303.0	2,117.0	2,231.0
Reported NPAT (A\$m)	159.0	-17.0	185.8	260.5	318.0
Cash Earnings (A\$m)	177.0	18.0	250.9	301.2	357.0
Cash EPS (A\$)	0.75	0.07	0.78	0.90	0.98
Cost to Income Ratio	44.5%	45.7%	44.3%	43.9%	46.0%
Dividend Payout Ratio	71.1%	735.7%	73.3%	73.7%	73.0%
Common Equity Tier 1 Capital Ratio	7.4%	8.5%	8.6%	8.7%	8.9%
Total Tier 1 Capital Ratio	8.4%	9.5%	10.0%	9.9%	12.7%
Total Capital Ratio	11.4%	12.6%	12.2%	12.1%	0.0%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

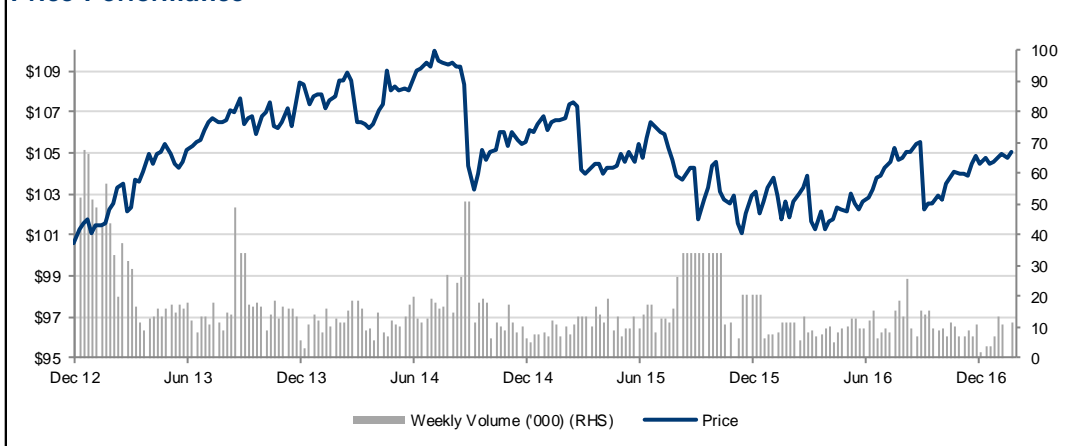
Security Features

CET: Yes
Viability Trigger: Yes

Security Details

BOQPD is a Mandatory Convertible Security and will convert into BOQ Ordinary Shares assuming the BOQ share price is above \$4.47 on the Mandatory Conversion Date (15 April 2020). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem BOQPD for \$100.00 per security on the Call Date of 15 April 2018. BOQPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Commonwealth Bank Perls VI

CBAPC.ASX

Cap Note 3-Bbsw+3.80% Perp Non-Cum Red T-12-20

Security Issue Size
A\$2,000m

Avg. Daily Turnover
\$0.08m

Last price **A\$102.94**
Fair value **A\$101.35**
Fair margin **370 bp**

HOLD

Pricing

Clean price: \$102.10
Cash yield: 3.81%
Gross yield: 5.44%
Yield to call: 4.71%
Implied sw ap: 1.95%
Trading margin: 2.75%

Issuer Details

The Commonwealth Bank of Australia (CBA) is one of the country's largest retail banks. Its core business is the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. CBA conducts its operations primarily in Australia, New Zealand and Asia Pacific region. It also operates in several countries including United Kingdom and USA.

Issue Details

Issuer: CBA
Face Value: \$100.00
Issue Date: 17 Oct 12
Call Date: 15 Dec 18
Term to Call: 1.8 years
Maturity Date: Perpetual

Key Credit Positives

- Strong deposit funding as a percentage of total funding.
- Solid capital position relative to domestic and international peers.

Key Credit Negatives

- Heightened regulatory risk following the inquiry into the financial system.
- Expected requirement for increased capital levels.

Distribution Details

Dist. Rate: 3.80% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 5.96%
Next distribution: 15 Mar 17
Ex distribution: 6 Mar 17
Accrued: \$0.84
Cash payment: \$0.96
Gross payment: \$1.37
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

CBA has reported FY16 cash earnings of \$9.45bn, 1.6% lower than our forecast. The earnings miss is due to a soft insurance result and softness in banking noninterest income. The company has a strong CET1 ratio of 10.6% and a Total Capital ratio of 14.3%.

Company Financials

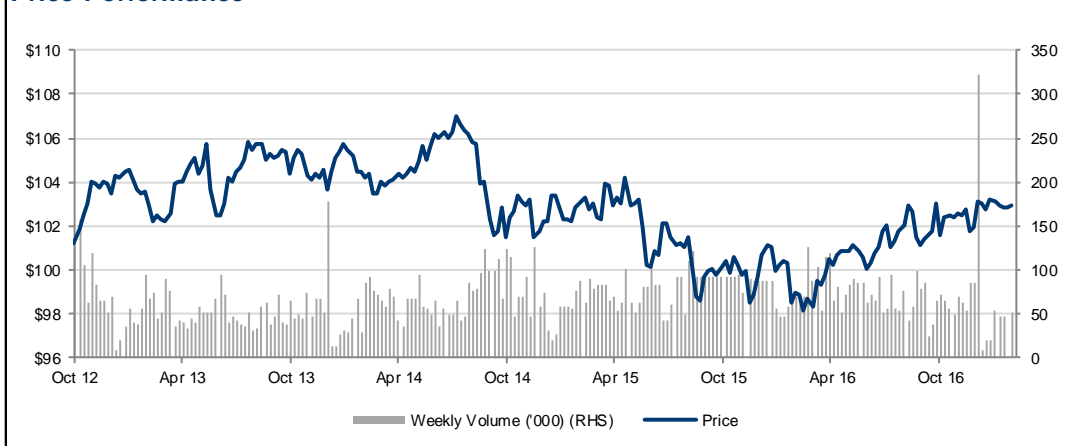
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Net Interest Income (A\$m)	13,122.0	13,944.0	15,091.0	15,799.0	16,935.0
Reported NPAT (A\$m)	7,090.0	7,677.0	8,631.0	9,063.0	9,227.0
Cash Earnings (A\$m)	7,071.0	7,779.0	8,635.0	9,085.0	9,400.0
Cash EPS (A\$)	4.33	4.74	5.23	5.40	5.55
Cost to Income Ratio	45.6%	43.3%	42.4%	42.4%	42.1%
Dividend Payout Ratio	74.3%	75.5%	74.8%	74.9%	76.0%
Common Equity Tier 1 Capital Ratio	7.8%	8.2%	9.3%	9.1%	10.6%
Total Tier 1 Capital Ratio	10.0%	10.2%	11.1%	11.2%	12.3%
Total Capital Ratio	11.0%	11.2%	12.0%	12.7%	14.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

CBAPC is a Mandatory Convertible Security and will convert into CBA Ordinary Shares assuming the CBA share price is above \$31.41 on the Mandatory Conversion Date (15 December 2020). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem CBAPC for \$100.00 per security on the Call Date of 15 December 2018. CBAPC contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

CommBank Perls VII

CBAPD.ASX

Cap Note 3-Bbsw+2.80% Perp Non-Cum Red T-12-24

Security Issue Size
A\$3,000m

Avg. Daily Turnover
\$0.11m

Last price	A\$95.30
Fair value	A\$95.41
Fair margin	404 bp

HOLD

Pricing

Clean price: \$94.61
Cash yield: 3.38%
Gross yield: 4.82%
Yield to call: 6.72%
Implied sw ap: 2.66%
Trading margin: 4.06%

Issuer Details

The Commonwealth Bank of Australia (CBA) is one of the country's largest retail banks. Its core business is the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. CBA conducts its operations primarily in Australia, New Zealand and Asia Pacific region. It also operates in several countries including United Kingdom and USA.

Issue Details

Issuer: CBA
Face Value: \$100.00
Issue Date: 1 Oct 14
Call Date: 15 Dec 22
Term to Call: 5.8 years
Maturity Date: Perpetual

Key Credit Positives

- Strong deposit funding as a percentage of total funding.
- Solid capital position relative to domestic and international peers.

Key Credit Negatives

- Heightened regulatory risk following the inquiry into the financial system.
- Expected requirement for increased capital levels.

Distribution Details

Dist. Rate: 2.80% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 4.96%
Next distribution: 15 Mar 17
Ex distribution: 6 Mar 17
Accrued: \$0.69
Cash payment: \$0.79
Gross payment: \$1.13
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

CBA has reported FY16 cash earnings of \$9.45bn, 1.6% lower than our forecast. The earnings miss is due to a soft insurance result and softness in banking noninterest income. The company has a strong CET1 ratio of 10.6% and a Total Capital ratio of 14.3%.

Company Financials

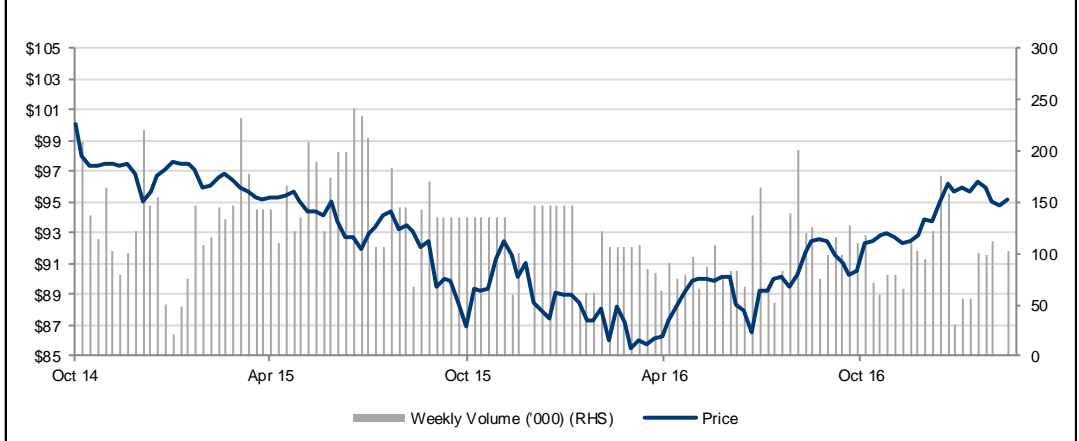
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Net Interest Income (A\$m)	13,122.0	13,944.0	15,091.0	15,799.0	16,935.0
Reported NPAT (A\$m)	7,090.0	7,677.0	8,631.0	9,063.0	9,227.0
Cash Earnings (A\$m)	7,071.0	7,779.0	8,635.0	9,085.0	9,400.0
Cash EPS (A\$)	4.33	4.74	5.23	5.40	5.55
Cost to Income Ratio	45.6%	43.3%	42.4%	42.4%	42.1%
Dividend Payout Ratio	74.3%	75.5%	74.8%	74.9%	76.0%
Common Equity Tier 1 Capital Ratio	7.8%	8.2%	9.3%	9.1%	10.6%
Total Tier 1 Capital Ratio	10.0%	10.2%	11.1%	11.2%	12.3%
Total Capital Ratio	11.0%	11.2%	12.0%	12.7%	14.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

CBAPD is a Mandatory Convertible Security and will convert into CBA Ordinary Shares assuming the CBA share price is above \$44.02 on the Mandatory Conversion Date (15 December 2024). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem CBAPD for \$100.00 per security on the Call Date of 15 December 2022. CBAPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

CommBank Perls VIII

CBAPE.ASX

Cap Note 3-Bbsw+5.20% Perp Non-Cum Red T-10-21

Security Issue Size
A\$1,450m

Avg. Daily Turnover
\$0.06m

Last price **A\$107.00**
Fair value **A\$106.77**
Fair margin **391 bp**

HOLD

Pricing

Clean price: \$105.94
Cash yield: 4.58%
Gross yield: 6.54%
Yield to call: 6.19%
Implied sw ap: 2.48%
Trading margin: 3.71%

Issuer Details

The Commonwealth Bank of Australia (CBA) is one of the country's largest retail banks. Its core business is the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. CBA conducts its operations primarily in Australia, New Zealand and Asia Pacific region. It also operates in several countries including United Kingdom and USA.

Issue Details

Issuer: CBA
Face Value: \$100.00
Issue Date: 30 Mar 16
Call Date: 15 Oct 21
Term to Call: 4.6 years
Maturity Date: Perpetual

Key Credit Positives

- Strong deposit funding as a percentage of total funding.
- Solid capital position relative to domestic and international peers.

Key Credit Negatives

- Heightened regulatory risk following the inquiry into the financial system.
- Expected requirement for increased capital levels.

Distribution Details

Dist. Rate: 5.20% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 7.50%
Next distribution: 15 Mar 17
Ex distribution: 6 Mar 17
Accrued: \$1.06
Cash payment: \$1.20
Gross payment: \$1.72
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

CBA has reported FY16 cash earnings of \$9.45bn, 1.6% lower than our forecast. The earnings miss is due to a soft insurance result and softness in banking noninterest income. The company has a strong CET1 ratio of 10.6% and a Total Capital ratio of 14.3%.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Net Interest Income (A\$m)	13,122.0	13,944.0	15,091.0	15,799.0	16,935.0
Reported NPAT (A\$m)	7,090.0	7,677.0	8,631.0	9,063.0	9,227.0
Cash Earnings (A\$m)	7,071.0	7,779.0	8,635.0	9,085.0	9,400.0
Cash EPS (A\$)	4.33	4.74	5.23	5.40	5.55
Cost to Income Ratio	45.6%	43.3%	42.4%	42.4%	42.1%
Dividend Payout Ratio	74.3%	75.5%	74.8%	74.9%	76.0%
Common Equity Tier 1 Capital Ratio	7.8%	8.2%	9.3%	9.1%	10.6%
Total Tier 1 Capital Ratio	10.0%	10.2%	11.1%	11.2%	12.3%
Total Capital Ratio	11.0%	11.2%	12.0%	12.7%	14.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

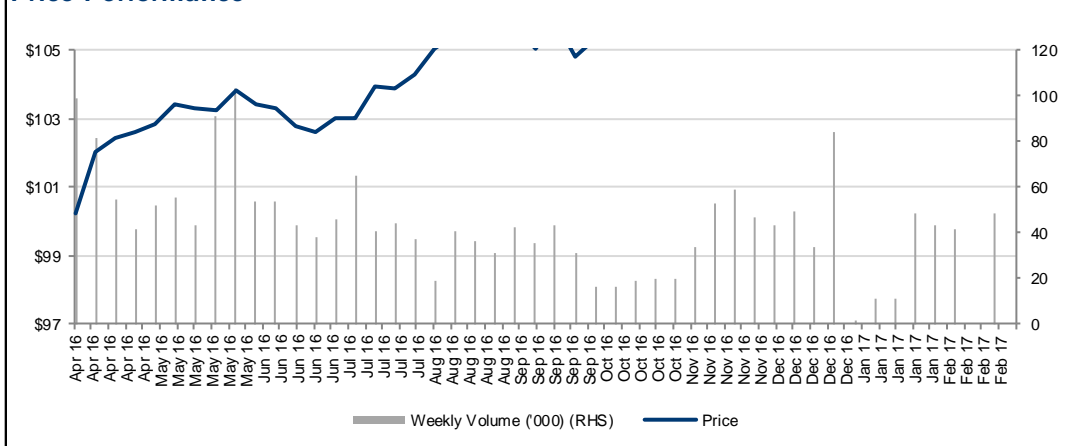
Security Features

CET: Yes
Viability Trigger: Yes

Security Details

CBAPE is a Mandatory Convertible Security and will convert into CBA Ordinary Shares assuming the CBA share price is above \$37.83 on the Mandatory Conversion Date (15 October 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem CBAPE for \$100.00 per security on the Call Date of 15 October 2021. CBAPE contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Challenger Capital Notes

CGFPA.ASX

Cnv Pref 3-Bbsw+3.40% Perp Sub Non-Cum Red T-05-22

Security Issue Size
A\$345m

Avg. Daily Turnover
\$0.01m

Last price **A\$99.00**
Fair value **A\$98.22**
Fair margin **408 bp**

HOLD

Pricing

Clean price: \$99.05
Cash yield: 3.67%
Gross yield: 5.25%
Yield to call: 6.04%
Implied sw ap: 2.24%
Trading margin: 3.80%

Issuer Details

Challenger Limited (CGF) is an investment management firm focusing on providing Australians with financial security in retirement. Challenger operates two core investment businesses, Life division and Funds Management division.

Issue Details

Issuer: CGF
Face Value: \$100.00
Issue Date: 9 Oct 14
Call Date: 25 May 20
Term to Call: 3.2 years
Maturity Date: Perpetual

Key Credit Positives

- An aging demographic and an increase in the demand for CGF's financial products.
- Increasing lifetime annuity sales.

Key Credit Negatives

- Low bond yields are impacting the profitability of the business.
- There is some margin decline being witnessed.

Distribution Details

Dist. Rate: 3.40% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 5.52%
Next distribution: 27 Feb 17
Ex distribution: Ex-dist
Accrued: **-\$0.05**
Cash payment: \$0.00
Gross payment: \$0.00
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

CGF's 1Q17 sales and assets under management continued the strong momentum seen in 4Q16. Total retail annuity sales were up 46% on the pcp to A\$1.03b. Life net book growth of 3.1% for the quarter was double the level achieved in the pcp. The sales mix continues to improve with lifetime annuity sales, longer duration and more profitable, increasing to 29% of total retail annuity sales up from 14% in the pcp. In funds management, inflows were A\$0.9b for 1Q17, with assets under management rising 4% to A\$58b.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	1,076.1	1,528.5	1,408.1	1,612.8	1,660.2
EBITDA (A\$m)	#N/A	#N/A	#N/A	#N/A	#N/A
NPAT (A\$m)	148.5	416.8	340.6	299.0	327.7
Operating Cashflow (A\$m)	2,599.7	1,352.7	-225.8	1,064.5	2,038.0
Gross Debt (A\$m)	6,815.7	5,861.5	5,301.4	5,118.4	5,777.2
Total Equity (A\$m)	1,692.2	1,947.4	2,153.3	2,543.2	2,680.9
Debt / EBITDA	#N/A	#N/A	#N/A	#N/A	#N/A
EBITDA / Int Exp	#N/A	#N/A	#N/A	#N/A	#N/A
Gearing (ND/E)	334.2%	233.8%	218.0%	177.9%	190.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

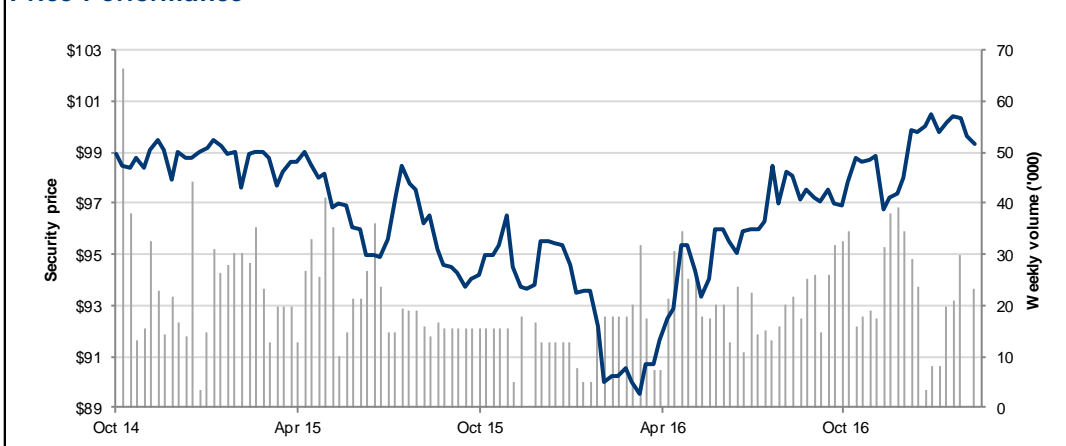
Security Features

CET: No
Viability Trigger: Yes

Security Details

CGFPA is a Mandatory Convertible Security and will convert into CGF Ordinary Shares assuming the CGF share price is above \$3.61 on the Mandatory Conversion Date (25 May 2022). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem CGFPA for \$100.00 per security on the Call Date of 25 May 2020. CGFPA contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Caltex Subordinated Notes

CTXHA.ASX

Hybrid 3-Bbsw+4.50% 15-09-37 Sub Cum Red T-09-17

Security Issue Size
A\$550m

Avg. Daily Turnover
\$0.02m

Last price **A\$102.75**
Fair value **A\$102.45**
Fair margin **231 bp**

HOLD

Pricing

Clean price: \$101.40
Cash yield: 6.13%
Gross yield: 6.13%
Yield to call: 3.44%
Implied sw ap: 1.68%
Trading margin: 1.76%

Issuer Details

Caltex Australia Limited (CTX) is a transport fuel supplier, convenience retailer and an integrated oil refining and marketing company. It operates two major refineries at Kurnell in Sydney and Lytton in Brisbane. The company also operates with a myriad of subsidiaries; Caltex Australia Custodians, Caltex Australia Petroleum, Caltex Fuel Services, Petroleum Services, Hunter Pipe Line Company, B&S Distributors and Jet Fuels Petroleum Distributors.

Issue Details

Issuer: CTX
Face Value: \$100.00
Issue Date: 5 Sep 12
Call Date: 15 Sep 17
Term to Call: 0.6 years
Maturity Date: 15 Sep 37

Key Credit Positives

– Strong balance sheet with gearing below 30%.
– Good brand recognition and high market share.

Key Credit Negatives

– A challenging competitive landscape.

Distribution Details

Dist. Rate: 4.50% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 6.28%
Next distribution: 15 Mar 17
Ex distribution: 6 Mar 17
Accrued: \$1.35
Cash payment: \$1.55
Gross payment: \$1.55
Deferrable: Yes
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

Favourable refiner margins helped boost the company's FY15 EBIT at the Pytton refinery by \$188m to \$406m. The replacement cost of sales operating profit (RCOP) was \$628m, up 27% on the prior year. The company continues to target a 'BBB+' credit rating.

Company Financials

	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Revenue (A\$m)	22,105.2	22,105.2	23,261.9	24,352.2	23,878.2
EBITDA (A\$m)	572.4	572.4	13.9	713.4	156.4
NPAT (A\$m)	-713.5	-713.5	56.8	530.0	19.9
Operating Cashflow (A\$m)	320.3	320.3	718.8	537.5	1,099.1
Gross Debt (A\$m)	618.7	618.7	949.9	942.3	692.3
Total Equity (A\$m)	2,206.0	2,206.0	2,147.7	2,587.8	2,520.6
Debt / EBITDA	108x	108x	68.57x	132x	4.43x
EBITDA / Int Exp	8.44x	8.44x	0.15x	7.36x	1.77x
Gearing (ND/E)	28.0%	28.0%	34.5%	28.7%	25.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

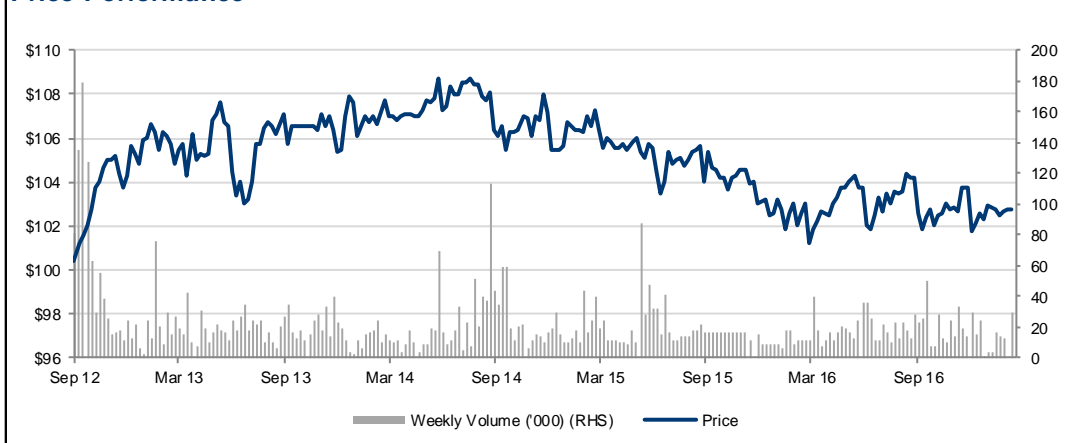
Financial Covenants

Interest Cover: N/A
Leverage ratio: N/A

Security Details

The securities have an initial call date of 15 September 2017 and a final maturity date of 15 September 2037. The notes are redeemable on the call date and every coupon date thereafter. Coupons are cumulative, unfranked and floating rate based on a Margin of 4.50% above the 90 day BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Crown Subordinated Notes

CWNHA.ASX

Hybrid 3-Bbsw+5.00% 14-09-72 Sub Cum Red T-09-18

Security Issue Size
A\$532m

Avg. Daily Turnover
\$0.02m

Last price **A\$102.31**
Fair value **A\$104.96**
Fair margin **264 bp**

HOLD

Pricing

Clean price:	\$100.79
Cash yield:	6.64%
Gross yield:	6.64%
Yield to call:	6.38%
Implied sw ap:	1.90%
Trading margin:	4.47%

Issuer Details

Crown's core businesses and investments are in the integrated resorts sector. Crown wholly owns and operates two of Australia's leading integrated resorts, Crown Entertainment Complex in Melbourne and Crown Perth. Overseas, Crown also fully owns and operates the Aspinall's Club in London. Crown holds a significant interest in Melco Crown Entertainment Limited, a NASDAQ and Stock Exchange of Hong Kong listed company operating casino/hotel properties in Macau.

Issue Details

Issuer:	CWN
Face Value:	\$100.00
Issue Date:	14 Sep 12
Call Date:	14 Sep 18
Term to Call:	1.6 years
Maturity Date:	14 Sep 72

Key Credit Positives

- Diverse set of casino operations both within Australia and overseas.
- Solid interest coverage well in excess of the covenant for the Subordinated Notes.

Key Credit Negatives

- Large growth plans which will require funding over the coming years.
- A relatively weak performance from the Melco joint venture.

Distribution Details

Dist. Rate:	5.00% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	6.78%
Next distribution:	14 Mar 17
Ex distribution:	3 Mar 17
Accrued:	\$1.52
Cash payment:	\$1.67
Gross payment:	\$1.67
Deferrable:	Yes
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

CWN reported a normalised NPAT of A\$393.6m, down 11.8% on the pcp following a 22.7% drop in revenue. The company continues to progress the splitting of the business and the potential initial public offering of a 49% interest in a property trust.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	2,773.2	2,878.4	3,077.1	3,464.7	3,587.5
EBITDA (A\$m)	776.7	748.4	877.8	778.8	849.2
NPAT (A\$m)	513.3	395.8	655.8	385.0	948.8
Operating Cashflow (A\$m)	578.3	441.1	702.3	715.5	252.0
Gross Debt (A\$m)	1,694.7	1,635.3	1,742.8	2,662.0	2,261.3
Total Equity (A\$m)	3,374.8	3,652.6	3,981.7	4,524.7	5,062.3
Debt / EBITDA	2.18x	2.18x	1.99x	3.42x	2.66x
EBITDA / Int Exp	6.18x	5.23x	6.96x	4.82x	4.22x
Gearing (ND/E)	45.8%	39.1%	39.3%	51.3%	35.8%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

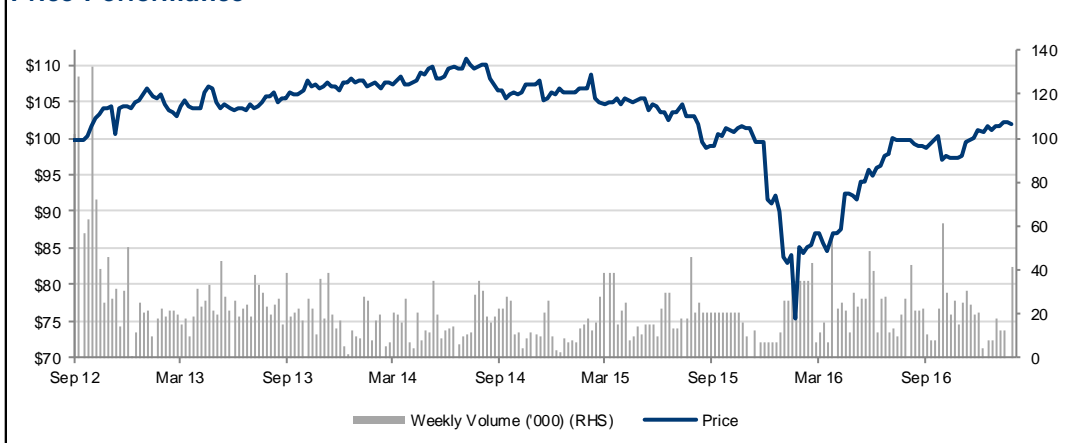
Financial Covenants

Interest Cover:	> 2.5x
Leverage ratio:	< 5.0x

Security Details

The securities have an initial step-up/call date of 14 September 2018 and a final maturity date of 14 September 2072. The notes are redeemable on the call date and every coupon date thereafter. Coupons are cumulative, unfranked and floating rate based on a Margin of 5.00% above the 90 day BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Crown Subordinated Notes II

CWNHB.ASX

Hybrid 3-Bbsw+4.00%23-04-75 Sub Cum Red T-07-21

Security Issue Size
A\$630m

Avg. Daily Turnover
\$0.02m

Last price **A\$95.00**
Fair value **A\$104.36**
Fair margin **328 bp**

HOLD

Pricing

Clean price:	\$93.70
Cash yield:	6.10%
Gross yield:	6.10%
Yield to call:	8.35%
Implied sw ap:	2.44%
Trading margin:	5.90%

Issuer Details

Crown's core businesses and investments are in the integrated resorts sector. Crown wholly owns and operates two of Australia's leading integrated resorts, Crown Entertainment Complex in Melbourne and Crown Perth. Overseas, Crown also fully owns and operates the Aspinall's Club in London. Crown holds a significant interest in Melco Crown Entertainment Limited, a NASDAQ and Stock Exchange of Hong Kong listed company operating casino/hotel properties in Macau.

Issue Details

Issuer:	CWN
Face Value:	\$100.00
Issue Date:	23 Apr 15
Call Date:	23 Jul 21
Term to Call:	4.4 years
Maturity Date:	23 Apr 75

Key Credit Positives

- Diverse set of casino operations both within Australia and overseas.
- Solid interest coverage well in excess of the covenant for the Subordinated Notes.

Key Credit Negatives

- Large growth plans which will require funding over the coming years.
- A relatively weak performance from the Melco joint venture.

Distribution Details

Dist. Rate:	4.00% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	5.77%
Next distribution:	14 Mar 17
Ex distribution:	3 Mar 17
Accrued:	\$1.30
Cash payment:	\$1.42
Gross payment:	\$1.42
Deferrable:	Yes
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

CWN reported a normalised NPAT of A\$393.6m, down 11.8% on the pcp following a 22.7% drop in revenue. The company continues to progress the splitting of the business and the potential initial public offering of a 49% interest in a property trust.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	2,773.2	2,878.4	3,077.1	3,464.7	3,587.5
EBITDA (A\$m)	776.7	748.4	877.8	778.8	849.2
NPAT (A\$m)	513.3	395.8	655.8	385.0	948.8
Operating Cashflow (A\$m)	578.3	441.1	702.3	715.5	252.0
Gross Debt (A\$m)	1,694.7	1,635.3	1,742.8	2,662.0	2,261.3
Total Equity (A\$m)	3,374.8	3,652.6	3,981.7	4,524.7	5,062.3
Debt / EBITDA	2.18x	2.18x	1.99x	3.42x	2.66x
EBITDA / Int Exp	6.18x	5.23x	6.96x	4.82x	4.22x
Gearing (ND/E)	45.8%	39.1%	39.3%	513%	35.8%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

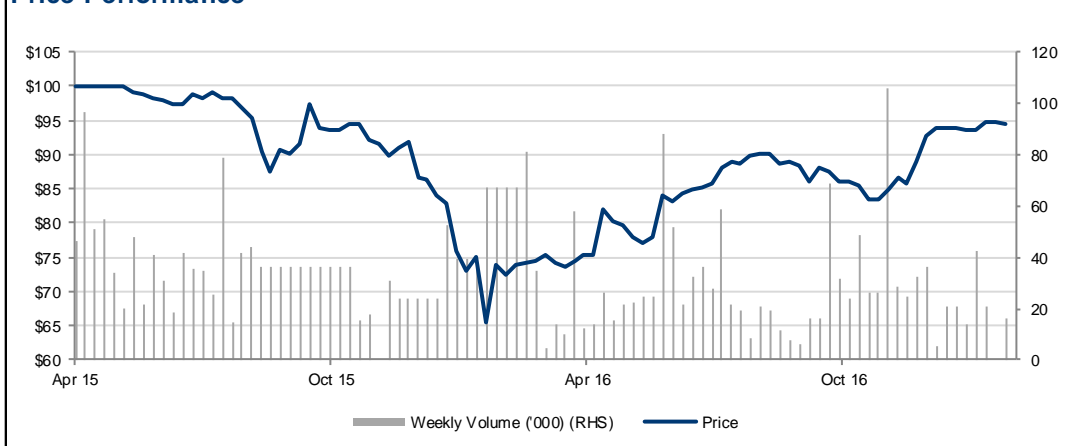
Financial Covenants

Interest Cover:	> 2.5x
Leverage ratio:	< 5.0x

Security Details

The securities have an initial step-up/call date of 14 September 2018 and a final maturity date of 14 September 2072. The notes are redeemable on the call date and every coupon date thereafter. Coupons are cumulative, unfranked and floating rate based on a Margin of 5.00% above the 90 day BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Elders HYBRIDS

ELDPA.ASX

Cnv Pref 3-Bbsw+2.50% Perp Sub Non-Cum Stp T-06-11

Security Issue Size
A\$150m

Avg. Daily Turnover
\$0.01m

Last price **A\$107.20**
Fair value **A\$95.23**
Fair margin **457 bp**

HOLD

Pricing

Clean price: #N/A
Cash yield: 4.24%
Gross yield: 6.06%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Bendigo Bank (BEN) is a regional Australian bank, headquartered in country Victoria. BEN was founded as a building society in 1858, and converted to bank status on 1 July 1995. BEN's historical focus was on retail banking in regional Victoria, but the bank has grown rapidly in recent years through a number of acquisitions of small building societies and other lenders, including First Australian Building Society in Queensland.

Issue Details

Issuer: ELD
Face Value: \$100.00
Issue Date: 11 Apr 06
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- A new, return focussed management team.
- No core debt (the company does retain working capital facilities).

Key Credit Negatives

- The business is still being restructured and will take time to turn around and generate attractive returns.
- Leveraged to seasonal agricultural conditions.

Distribution Details

Dist. Rate: 7.20% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 0.00%
Next distribution: #N/A
Ex distribution: #N/A
Accrued: #N/A
Cash payment: #N/A
Gross payment: #N/A
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

ELD's 1H16 result was ahead of our expectations and was solid considering the company was cycling strong comps and operating conditions were somewhat challenging during the period. The smaller Live Export division disappointed, reporting an EBIT loss of A\$2.9m. However, the Australian Network division surprised on the upside with EBIT up 36.5% to A\$41.1m.

Company Financials

	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15
Revenue (A\$m)	2,263.1	2,157.9	1,657.1	1,431.5	1,514.2
EBITDA (A\$m)	28.5	14.0	-47.1	30.1	48.3
NPAT (A\$m)	-97.8	-24.4	-295.8	213	38.3
Operating Cashflow (A\$m)	-58.5	-89.9	-115.7	17	-64.3
Gross Debt (A\$m)	427.1	385.8	294.7	305.3	244.4
Total Equity (A\$m)	456.6	399.0	-103.2	-89.5	2.8
Debt / EBITDA	15.00x	27.47x	-6.25x	10.15x	5.06x
EBITDA / Int Exp	0.67x	0.45x	-1.79x	1.29x	4.26x
Gearing (ND/E)	75.5%	73.3%	-245.7%	-316.0%	8818.8%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

ELDPA had the Distribution Rate on the Security increased on the Step-up Date by 2.50% to 4.70% above the higher of the 90d BBSW and the 10yr sw ap rate. The Security is Perpetual and Exchange can only be initiated by the Issuer on a Distribution Payment Date or under certain other circumstances. The security has a further Step-up Date of 30 June 2016 when the company stated it will increase the Issue Margin to 6.20%. Distributions on ELDPA are currently suspended.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Goodman PLUS

GMPPA.ASX

Hybrid 3-Bbsw+1.90% Perp Non-Cum Step

Security Issue Size
A\$327m

Avg. Daily Turnover
\$0.01m

Last price **A\$101.75**
Fair value **A\$101.43**
Fair margin **343 bp**

HOLD

Pricing

Clean price: \$100.71
Cash yield: 5.60%
Gross yield: 5.60%
Yield to call: 4.77%
Implied sw ap: 1.75%
Trading margin: 3.03%

Issuer Details

Goodman Group (GMG) is an integrated property group that owns, develops and manages industrial property and business space in Asia, Australia and throughout Europe. The company invests in business parks, office parks, industrial estates, and warehouse and distribution centres. It offers clients a range of property funds, giving investors access to specialist services and property assets.

Issue Details

Issuer: GMG
Face Value: \$100.00
Issue Date: 21 Dec 07
Call Date: 31 Dec 17
Term to Call: 0.8 years
Maturity Date: 31 Dec 73

Bull points

- Attractive suit of assets and strong interest coverage.
- Average debt tenor of approximately five years with attractive interest rates of below 5% locked in.

Bear points

- An increasing focus on development work in emerging markets.
- Uncommitted developments are a larger part of the development pipeline, thereby placing greater risk on GMG in the event it cannot find tenants.

Financial Commentary

Total assets under management increased to \$34.1B (up from 33.2B) on the back of completed developments and property revaluations. GMG continues to maintain strong occupancy rates at 96% across the group. The weighted average lease expiry is currently 4.7 years (down from 5.1 years).

Distribution Details

Dist. Rate: 3.90% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 6.05%
Next distribution: 30 Mar 17
Ex distribution: 20 Mar 17
Accrued: \$1.04
Cash payment: \$1.49
Gross payment: \$1.49
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Company Financials

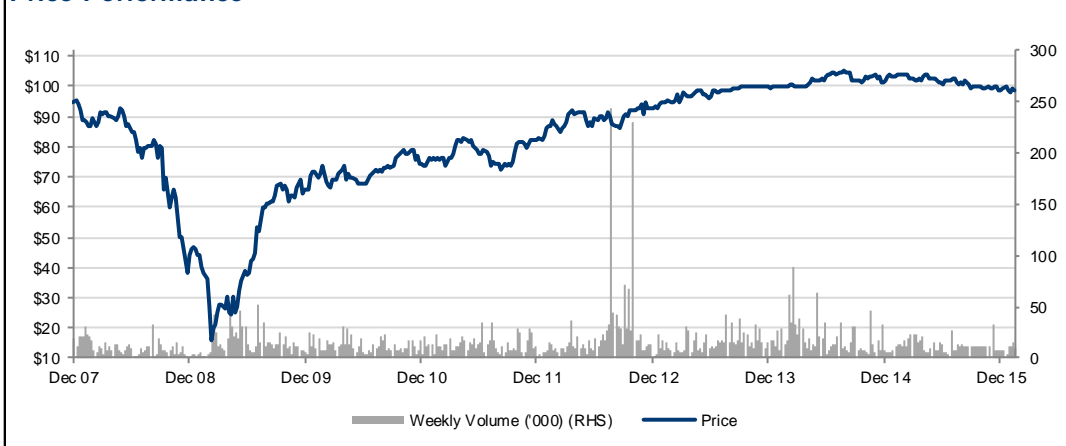
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	703.8	873.5	1,170.6	1,009.2	1,655.1
EBITDA (A\$m)	403.2	103.8	796.8	829.7	992.9
NPAT (A\$m)	408.3	128.5	657.3	1,208.0	1,274.6
Operating Cashflow (A\$m)	135.4	257.3	251.6	557.8	964.1
Gross Debt (A\$m)	2,347.5	2,249.8	2,160.5	2,707.9	2,865.2
Total Equity (A\$m)	77.4	5,504.2	5,904.6	7,050.3	8,067.5
Debt / EBITDA	5.82x	21.67x	2.71x	3.26x	2.89x
EBITDA / Int Exp	3.68x	0.78x	7.58x	7.07x	4.80x
Gearing (ND/E)	2631.4%	29.1%	30.5%	27.8%	18.9%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

Following the successful noteholder vote, the terms of GMPPA have been amended. The security will have a Call date of 31 December 2017 and will lose S&P equity credit from 31 December 2018. The security will have two step-up dates, 30 September 2022 (25bp increase) and 31 December 2038 (75bp increase). Additionally, distributions will become cumulative and the security will have a Maturity date of 2073.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

IAG Convertible Preference Shares

IAGPC.ASX

Cnv Pref 6-Bbsw+4.00% Perp Sub Non-Cum T-05-19

Security Issue Size
A\$337m

Avg. Daily Turnover
\$0.01m

Last price **A\$102.10**
Fair value **A\$101.97**
Fair margin **348 bp**

HOLD

Pricing

Clean price:	\$100.70
Cash yield:	3.97%
Gross yield:	5.68%
Yield to call:	4.72%
Implied sw ap:	1.98%
Trading margin:	2.74%

Issuer Details

Insurance Australia Group Ltd (IAG) is a general insurance group, with operations in Australia, New Zealand, and Asia. Its current business is to sell insurance under several brands including NRMA Insurance, CGU, SGIO, SGIC and Swann Insurance (Australia); NZI, State and AMI Insurance (NZ); and Safety and NZI (Thailand). IAG also has interest in general insurance joint ventures in Malaysia, India and China.

Issue Details

Issuer:	IAG
Face Value:	\$100.00
Issue Date:	1 May 12
Call Date:	1 May 17
Term to Call:	0.2 years
Maturity Date:	Perpetual

Key Credit Positives

- A strong capital position.
- Geographic diversification across Australia and overseas.

Key Credit Negatives

- Slowing gross written premium growth.
- Key weather events.

Distribution Details

Dist. Rate:	4.00% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	6.26%
Next distribution:	1 May 17
Ex distribution:	20 Apr 17
Accrued:	\$1.40
Cash payment:	\$2.08
Gross payment:	\$2.97
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

IAG's 1H16 reported NPAT of A\$466m was well above Bloomberg consensus (A\$395m). However, it benefitted from a low tax rate (11.1%) with pre-tax profit of A\$601m actually 10% below consensus of A\$670m. IAG's reported insurance margin (ITR) of 14.9% reflected a strong Consumer business result offset by a low NZ ITR (1.4%) due to a A\$143m NZ earthquake reserve top up, and a weaker than expected Australian Business division result on higher claims.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	8,050.0	8,992.0	9,498.0	9,779.0	11,440.0
Reported NPAT (A\$m)	249.0	207.0	773.0	1,223.0	728.0
Cash Earnings (A\$m)	425.0	540.0	1,118.0	1,254.0	987.0
Cash EPS (A\$)	0.20	0.26	0.57	0.56	0.40
Cost to Income Ratio	18.6%	18.8%	17.8%	17.3%	17.5%
Dividend Payout Ratio	78.0%	65.0%	65.0%	70.0%	73.0%
Book Value	2.12	2.09	2.30	2.80	2.80
MCR Ratio	169	174	167	172	170
Insurance Margin	9.1%	10.6%	17.2%	18.3%	10.7%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Features

CET:	No
Viability Trigger:	Yes

Security Details

IAGPC is a Mandatory Convertible Security and will convert into IAG Ordinary Shares assuming the IAG share price is above \$1.99 on the Mandatory Conversion Date (1 May 2019). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem IAGPC for \$100.00 per security on the Call Date of 1 May 2017. IAGPC contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

IAG Reset Exchangeable Securities

IANG.ASX

Convert Bond 3-Bbsw+4.00% Perp Sub Non-Cum Ex Res

Security Issue Size
A\$550m

Avg. Daily Turnover
\$0.02m

Last price **A\$104.00**
Fair value **A\$103.97**
Fair margin **294 bp**

ADD

Pricing

Clean price: \$103.13
Cash yield: 3.90%
Gross yield: 5.57%
Yield to call: 5.09%
Implied sw ap: 2.16%
Trading margin: 2.93%

Issuer Details

Insurance Australia Group Ltd (IAG) is a general insurance group, with operations in Australia, New Zealand, and Asia. Its current business is to sell insurance under several brands including NRMA Insurance, CGU, SGIO, SGIC and Swann Insurance (Australia); NZI, State and AMI Insurance (NZ); and Safety and NZI (Thailand). IAG also has interest in general insurance joint ventures in Malaysia, India and China.

Issue Details

Issuer: IAG
Face Value: \$100.00
Issue Date: 14 Jan 05
Call Date: 15 Dec 19
Term to Call: 2.8 years
Maturity Date: N/A

Key Credit Positives

- A strong capital position.
- Geographic diversification across Australia and overseas.

Key Credit Negatives

- Slowing gross written premium growth.
- Key weather events.

Distribution Details

Dist. Rate: 4.00% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 6.16%
Next distribution: 15 Mar 17
Ex distribution: 6 Mar 17
Accrued: \$0.87
Cash payment: \$1.00
Gross payment: \$1.42
Deferrable: No
Cumulative: No
Div. Stopper: Yes

Financial Commentary

IAG's 1H16 reported NPAT of A\$466m was well above Bloomberg consensus (A\$395m). However, it benefitted from a low tax rate (11.1%) with pre-tax profit of A\$601m actually 10% below consensus of A\$670m. IAG's reported insurance margin (ITR) of 14.9% reflected a strong Consumer business result offset by a low NZ ITR (1.4%) due to a A\$143m NZ earthquake reserve top up, and a weaker than expected Australian Business division result on higher claims.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	8,050.0	8,992.0	9,498.0	9,779.0	11,440.0
Reported NPAT (A\$m)	249.0	207.0	773.0	1,223.0	728.0
Cash Earnings (A\$m)	425.0	540.0	1,118.0	1,254.0	987.0
Cash EPS (A\$)	0.20	0.26	0.57	0.56	0.40
Cost to Income Ratio	18.6%	18.8%	17.8%	17.3%	17.5%
Dividend Payout Ratio	78.0%	65.0%	65.0%	70.0%	73.0%
Book Value	2.12	2.09	2.30	2.80	2.80
MCR Ratio	169	174	167	172	170
Insurance Margin	9.1%	10.6%	17.2%	18.3%	10.7%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

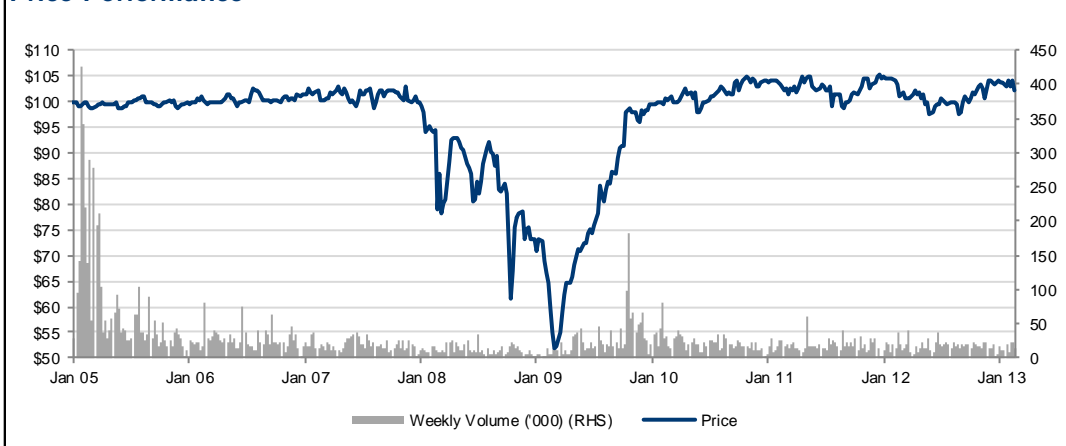
Security Features

CET: No
Viability Trigger: No

Security Details

IANG is a preference share issued by Insurance Australia Group and pays investors a distribution rate of 4.00% + 90 day BBSW (from 1.20% + 90 day BBSW on the old security). IANG has an Exchange Date of 16 December 2019 (from 15 March 2010) and the Issuer can also convert the Security into IAG Ordinary Shares on any future Distribution Date.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Macquarie Income Securities

MBLHB.ASX

Hybrid 3-Bbsw+1.70% Perp Sub Non-Cum Stap

Security Issue Size
A\$400m

Avg. Daily Turnover
\$0.02m

Last price **A\$73.75**
Fair value **A\$70.44**
Fair margin **493 bp**

HOLD

Pricing

Clean price: \$73.29
Cash yield: 4.74%
Gross yield: 4.74%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Macquarie Group Limited (MQG) is a global provider of banking, financial, advisory, investment and funds management services, headquartered in Sydney.

Issue Details

Issuer: MQG
Face Value: \$100.00
Issue Date: 25 Nov 99
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

– A strong performance from the annuity style businesses.
– MQG offers strong leverage to financial markets, rebounding corporate activity and AUD weakness.

Key Credit Negatives

– Higher levels of earnings volatility.
– Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 1.70% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 6.50%
Next distribution: 18 Apr 17
Ex distribution: 29 Mar 17
Accrued: \$0.46
Cash payment: \$0.86
Gross payment: \$0.86
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

MQG's FY16 NPAT of A\$2.06bn was ~1% above Bloomberg consensus of A\$2.04bn. While the result benefitted from a slightly favourable 2H16 tax rate of ~28.5% (1H16: 33.1%), it was solid across the board and hard to fault. Overall cash NPAT growth was strong, up 29% on pcp, driven by positive jaws with revenue growth of 9% outpacing 6% cost growth. MQG's capital position was a clear positive in the result with an APRA CET1 ratio of 10.7% up from 9.7% at 31 March 2015.

Company Financials

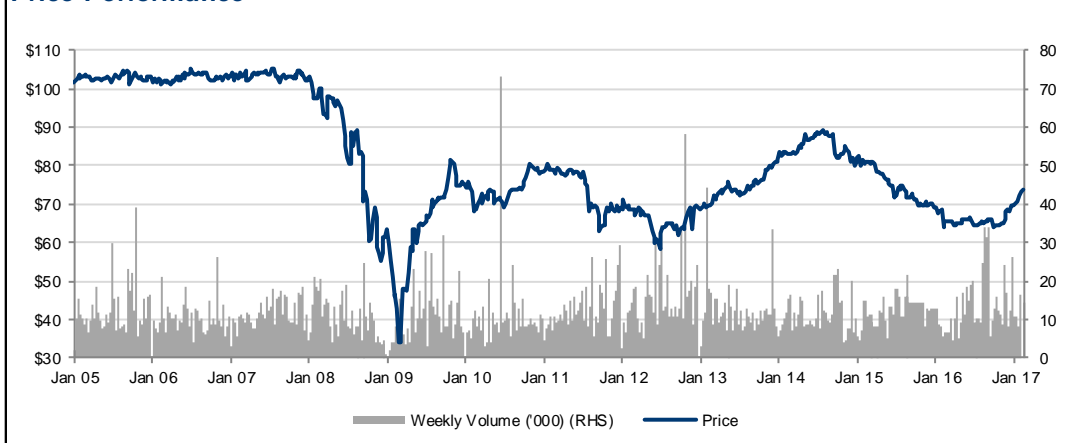
	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16
Net Interest Income (A\$m)	1,644.0	1,776.0	1,509.0	1,913.0	2,194.0
Reported NPAT (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash Earnings (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash EPS (A\$)	2.02	2.46	3.69	4.84	6.00
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	62.7%	79.6%	66.8%	67.6%	64.6%
Core Tier 1 Capital Ratio	10.7%	9.7%	9.6%	9.7%	10.7%
Tier 1 Ratio	N/A	N/A	N/A	N/A	N/A
Total Capital	N/A	N/A	N/A	N/A	N/A

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

MBLHB is a perpetual income security that is callable by MQG on any future distribution date. The security pays distributions based on a margin of 1.70% above the 90d BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Macquarie Bank Capital Notes

MBLPA.ASX

Cap Note 6-Bbsw+3.30% Perp Non-Cum Red T-03-23

Security Issue Size
A\$429m

Avg. Daily Turnover
\$0.02m

Last price **A\$100.85**
Fair value **A\$101.09**
Fair margin **372 bp**

ADD

Pricing

Clean price: \$98.93
Cash yield: 4.31%
Gross yield: 5.05%
Yield to call: 6.02%
Implied sw ap: 2.21%
Trading margin: 3.81%

Issuer Details

Macquarie Group Limited (MQG) is a global provider of banking, financial, advisory, investment and funds management services, headquartered in Sydney.

Issue Details

Issuer: MQG
Face Value: \$100.00
Issue Date: 8 Oct 14
Call Date: 24 Mar 20
Term to Call: 3.1 years
Maturity Date: Perpetual

Key Credit Positives

- A strong performance from the annuity style businesses.
- MQG offers strong leverage to financial markets, rebounding corporate activity and AUD weakness.

Key Credit Negatives

- Higher levels of earnings volatility.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 3.30% + 180d
Payable: Semi-annual
Franking: 40%
Current coupon: 5.61%
Next distribution: 24 Mar 17
Ex distribution: 15 Mar 17
Accrued: \$1.92
Cash payment: \$2.16
Gross payment: \$2.53
Deferrable: Yes
Cumulative: No
Div. Stopper: No

Financial Commentary

MQG's FY16 NPAT of A\$2.06bn was ~1% above Bloomberg consensus of A\$2.04bn. While the result benefitted from a slightly favourable 2H16 tax rate of ~28.5% (1H16: 33.1%), it was solid across the board and hard to fault. Overall cash NPAT growth was strong, up 29% on pcp, driven by positive jaws with revenue growth of 9% outpacing 6% cost growth. MQG's capital position was a clear positive in the result with an APRA CET1 ratio of 10.7% up from 9.7% at 31 March 2015.

Company Financials

	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16
Net Interest Income (A\$m)	1644.0	1776.0	1509.0	1913.0	2,194.0
Reported NPAT (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash Earnings (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash EPS (A\$)	2.02	2.46	3.69	4.84	6.00
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	62.7%	79.6%	66.8%	67.6%	64.6%
Core Tier 1 Capital Ratio	10.7%	9.7%	9.6%	9.7%	10.7%
Tier 1 Ratio	N/A	N/A	N/A	N/A	N/A
Total Capital	N/A	N/A	N/A	N/A	N/A

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

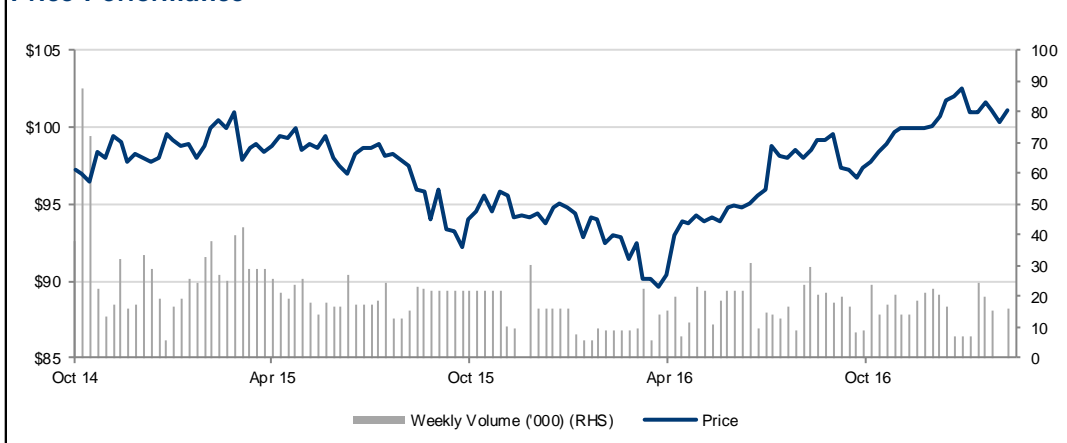
Security Features

CET: No
Viability Trigger: Yes

Security Details

MBLPA is a Capital Note and will convert into MQG Ordinary Shares assuming the MQG share price is above \$32.44 on the Mandatory Conversion Date (24 March 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem MBLPA for \$100.00 per security on the Call Date of 24 March 2022. MBLPA contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Macquarie Capital Notes

MQGPA.ASX

Cap Note 6-Bbsw+4.00% Perp Non-Cum Red T-06-21

Security Issue Size
A\$600m

Avg. Daily Turnover
\$0.02m

Last price **A\$102.85**
Fair value **A\$101.75**
Fair margin **380 bp**

ADD

Pricing

Clean price: \$101.63
Cash yield: 4.81%
Gross yield: 5.64%
Yield to call: 4.75%
Implied sw ap: 1.85%
Trading margin: 2.90%

Issuer Details

Macquarie Group Limited (MQG) is a global provider of banking, financial, advisory, investment and funds management services, headquartered in Sydney.

Issue Details

Issuer: MQG
Face Value: \$100.00
Issue Date: 7 Jun 13
Call Date: 19 Jun 18
Term to Call: 1.3 years
Maturity Date: Perpetual

Key Credit Positives

- A strong performance from the annuity style businesses.
- MQG offers strong leverage to financial markets, rebounding corporate activity and AUD weakness.

Key Credit Negatives

- Higher levels of earnings volatility.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 4.00% + 180d
Payable: Semi-annual
Franking: 40%
Current coupon: 6.25%
Next distribution: 9 Jun 17
Ex distribution: 26 May 17
Accrued: \$1.22
Cash payment: \$2.66
Gross payment: \$3.11
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

MQG's FY16 NPAT of A\$2.06bn was ~1% above Bloomberg consensus of A\$2.04bn. While the result benefitted from a slightly favourable 2H16 tax rate of ~28.5% (1H16: 33.1%), it was solid across the board and hard to fault. Overall cash NPAT growth was strong, up 29% on pcp, driven by positive jaws with revenue growth of 9% outpacing 6% cost growth. MQG's capital position was a clear positive in the result with an APRA CET1 ratio of 10.7% up from 9.7% at 31 March 2015.

Company Financials

	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16
Net Interest Income (A\$m)	1,644.0	1,776.0	1,509.0	1,913.0	2,194.0
Reported NPAT (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash Earnings (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash EPS (A\$)	2.02	2.46	3.69	4.84	6.00
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	62.7%	79.6%	66.8%	67.6%	64.6%
Core Tier 1 Capital Ratio	10.7%	9.7%	9.6%	9.7%	10.7%
Tier 1 Ratio	N/A	N/A	N/A	N/A	N/A
Total Capital	N/A	N/A	N/A	N/A	N/A

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

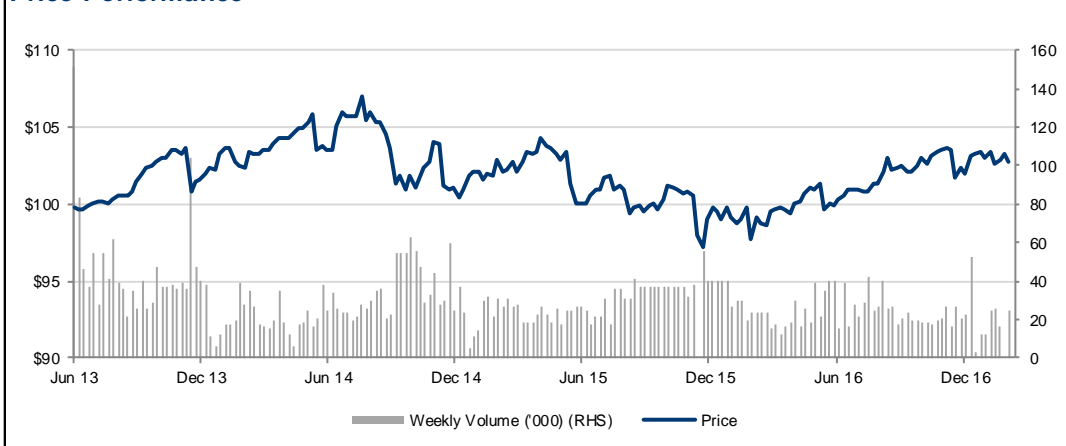
Security Features

CET: No
Viability Trigger: Yes

Security Details

MQGPA is a Capital Note and will convert into MQG Ordinary Shares assuming the MQG share price is above \$23.57 on the Mandatory Conversion Date (7 June 2021). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem MQGPA for \$100.00 per security on the Call Date of 7 June 2018. MQGPA contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Macquarie Capital Notes

MQGPB.ASX

Cap Note 6-Bbsw+5.15% Perp Non-Cum Red T-03-21

Security Issue Size
A\$530m

Avg. Daily Turnover
\$0.02m

Last price **A\$107.60**
Fair value **A\$106.14**
Fair margin **423 bp**

HOLD

Pricing

Clean price: \$104.88
Cash yield: 5.51%
Gross yield: 6.46%
Yield to call: 6.20%
Implied sw ap: 2.38%
Trading margin: 3.82%

Issuer Details

Macquarie Group Limited (MQG) is a global provider of banking, financial, advisory, investment and funds management services, headquartered in Sydney.

Issue Details

Issuer: MQG
Face Value: \$100.00
Issue Date: 18 Dec 15
Call Date: 17 Mar 21
Term to Call: 4.1 years
Maturity Date: Perpetual

Key Credit Positives

- A strong performance from the annuity style businesses.
- MQG offers strong leverage to financial markets, rebounding corporate activity and AUD weakness.

Key Credit Negatives

- Higher levels of earnings volatility.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 5.15% + 180d
Payable: Semi-annual
Franking: 40%
Current coupon: 7.50%
Next distribution: 17 Mar 17
Ex distribution: 8 Mar 17
Accrued: \$2.72
Cash payment: \$2.92
Gross payment: \$3.42
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

MQG's FY16 NPAT of A\$2.06bn was ~1% above Bloomberg consensus of A\$2.04bn. While the result benefitted from a slightly favourable 2H16 tax rate of ~28.5% (1H16: 33.1%), it was solid across the board and hard to fault. Overall cash NPAT growth was strong, up 29% on pcp, driven by positive jaws with revenue growth of 9% outpacing 6% cost growth. MQG's capital position was a clear positive in the result with an APRA CET1 ratio of 10.7% up from 9.7% at 31 March 2015.

Company Financials

	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16
Net Interest Income (A\$m)	1644.0	1776.0	1509.0	1933.0	2,194.0
Reported NPAT (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash Earnings (A\$m)	730.0	851.0	1,265.0	1,604.0	2,063.0
Cash EPS (A\$)	2.02	2.46	3.69	4.84	6.00
Cost to Income Ratio	N/A	N/A	N/A	N/A	N/A
Dividend Payout Ratio	62.7%	79.6%	66.8%	67.6%	64.6%
Core Tier 1 Capital Ratio	10.7%	9.7%	9.6%	9.7%	10.7%
Tier 1 Ratio	N/A	N/A	N/A	N/A	N/A
Total Capital	N/A	N/A	N/A	N/A	N/A

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

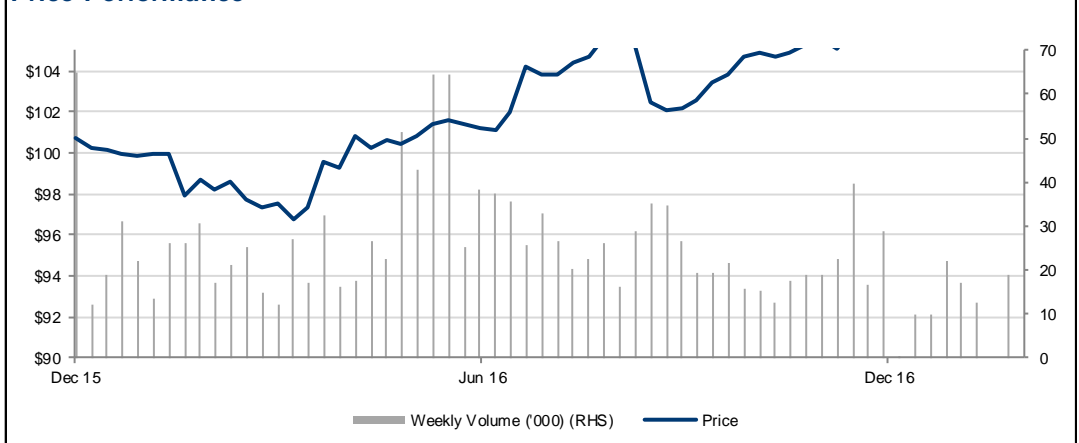
Security Features

CET: No
Viability Trigger: Yes

Security Details

MQGPB is a Capital Note and will convert into MQG Ordinary Shares assuming the MQG share price is above \$45.19 on the Mandatory Conversion Date (8 March 2024). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem MQGPB for \$100.00 per security on the Call Date of 7 March 2021. MQGPB contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank Income Securities

NABHA.ASX

Hybrid 3-Bbsw+1.25% Perp Sub Exch Non-Cum Stap

Security Issue Size
A\$2,000m

Avg. Daily Turnover
\$0.08m

Last price	A\$73.01
Fair value	A\$74.52
Fair margin	380 bp

HOLD

Pricing

Clean price: \$72.92
Cash yield: 4.17%
Gross yield: 4.17%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer: NAB
Face Value: \$100.00
Issue Date: 17 Dec 98
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 1.25% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 3.01%
Next distribution: 15 May 17
Ex distribution: 27 Apr 17
Accrued: \$0.09
Cash payment: \$0.74
Gross payment: \$0.74
Deferrable: No
Cumulative: No
Div. Stopper: Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

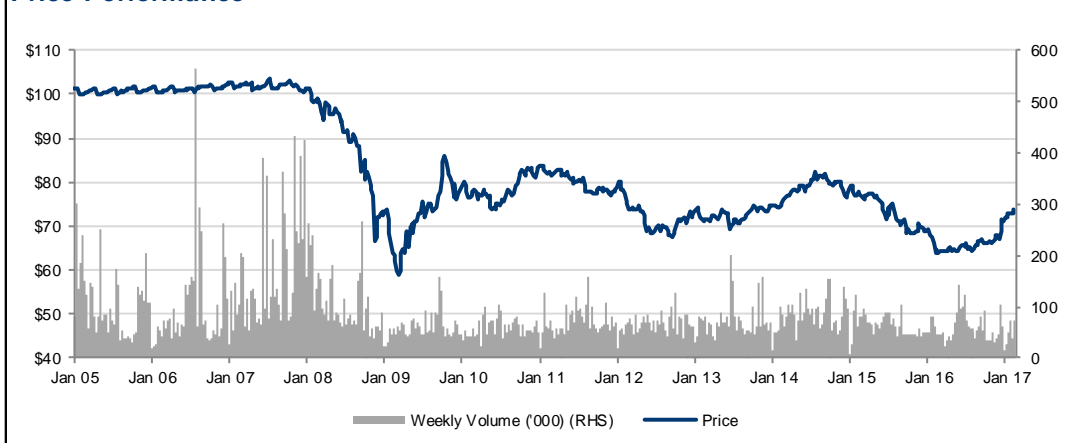
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	117.0%	118.0%	12.16%	14.15%	14.14%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABHA is a perpetual security with no set conversion or redemption dates and pays distributions based on a rate of 1.25% above the 90d BBSW. The security's capital benefit diminishes at a rate of 10% per annum under Basel III from 1 January 2013 which may mean that at some point in the future NAB may look to redeem or buyback securities on market. There is however no certainty of this occurring.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank Subordinated Notes

NABHB.ASX

Sub Bond 3-Bbsw+2.75%18-06-22 Red T-06-17

Security Issue Size
A\$1,170m

Avg. Daily Turnover
\$0.04m

Last price **A\$101.20**
Fair value **A\$101.31**
Fair margin **123 bp**

ADD

Pricing

Clean price:	\$100.26
Cash yield:	4.49%
Gross yield:	4.49%
Yield to call:	3.37%
Implied sw ap:	1.78%
Trading margin:	1.59%

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer:	NAB
Face Value:	\$100.00
Issue Date:	18 Jun 12
Call Date:	18 Jun 17
Term to Call:	0.3 years
Maturity Date:	18 Jun 22

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	2.75% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	4.54%
Next distribution:	20 Mar 17
Ex distribution:	9 Mar 17
Accrued:	\$0.95
Cash payment:	\$1.13
Gross payment:	\$1.13
Deferrable:	No
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

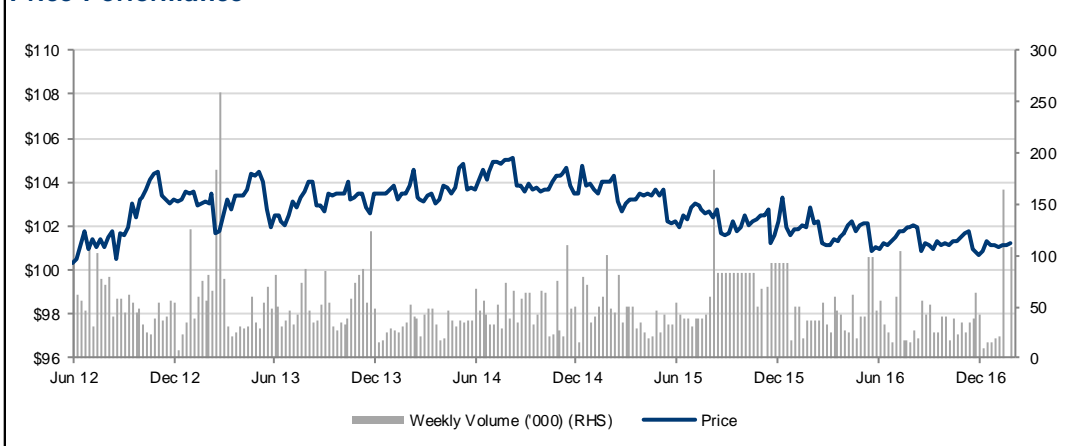
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	117.0%	118.0%	12.16%	14.15%	14.14%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABHB is a Subordinated Note with a Call Date of 18 June 2017 and a final Maturity Date of 18 June 2022. The security pays unfranked coupons based on a rate of 2.75% above the 90d BBSW. Coupons are Cumulative as well in the unlikely event of non-payment. The Security does not contain Common Equity Capital or Non-Viability Triggers.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank CPS

NABPA.ASX

Cnv Pref 3-Bbsw+3.20% Perp Non-Cum Red T-03-21

Security Issue Size
A\$1,510m

Avg. Daily Turnover
\$0.06m

Last price **A\$101.00**
Fair value **A\$100.03**
Fair margin **371 bp**

HOLD

Pricing

Clean price:	\$100.20
Cash yield:	3.46%
Gross yield:	4.95%
Yield to call:	5.21%
Implied sw ap:	2.01%
Trading margin:	3.20%

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer:	NAB
Face Value:	\$100.00
Issue Date:	20 Mar 13
Call Date:	20 Mar 19
Term to Call:	2.1 years
Maturity Date:	Perpetual

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	3.20% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	5.35%
Next distribution:	20 Mar 17
Ex distribution:	1 Mar 17
Accrued:	\$0.80
Cash payment:	\$0.86
Gross payment:	\$1.23
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

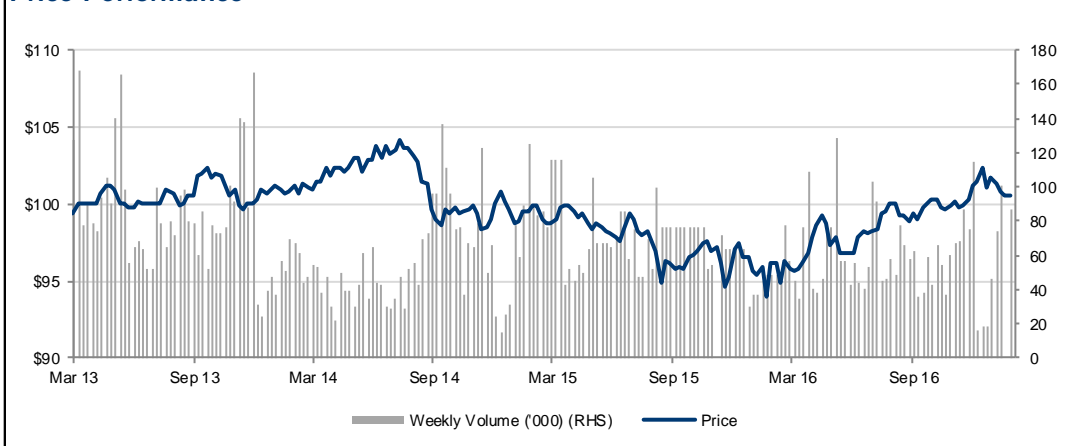
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	117.0%	118.0%	121.6%	141.5%	141.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABPA is a Mandatory Convertible Security and will convert into NAB Ordinary Shares assuming the NAB share price is above \$17.02 on the Mandatory Conversion Date (20 March 2021). If not Converted, the Security will remain outstanding until Tests are met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem NABPA for \$100.00 per security on the Call Date of 20 March 2019. NABPA contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank CPS II

NABPB.ASX

Cnv Pref 3-Bbsw+3.25% Perp Non-Cum Red T-12-22

Security Issue Size
A\$1,720m

Avg. Daily Turnover
\$0.07m

Last price	A\$99.90
Fair value	A\$99.19
Fair margin	384 bp

HOLD

Pricing

Clean price: \$99.10
Cash yield: 3.54%
Gross yield: 5.05%
Yield to call: 5.96%
Implied sw ap: 2.34%
Trading margin: 3.62%

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer: NAB
Face Value: \$100.00
Issue Date: 17 Dec 13
Call Date: 17 Dec 20
Term to Call: 3.8 years
Maturity Date: Perpetual

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 3.25% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 5.41%
Next distribution: 17 Mar 17
Ex distribution: 28 Feb 17
Accrued: \$0.80
Cash payment: \$0.85
Gross payment: \$1.21
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

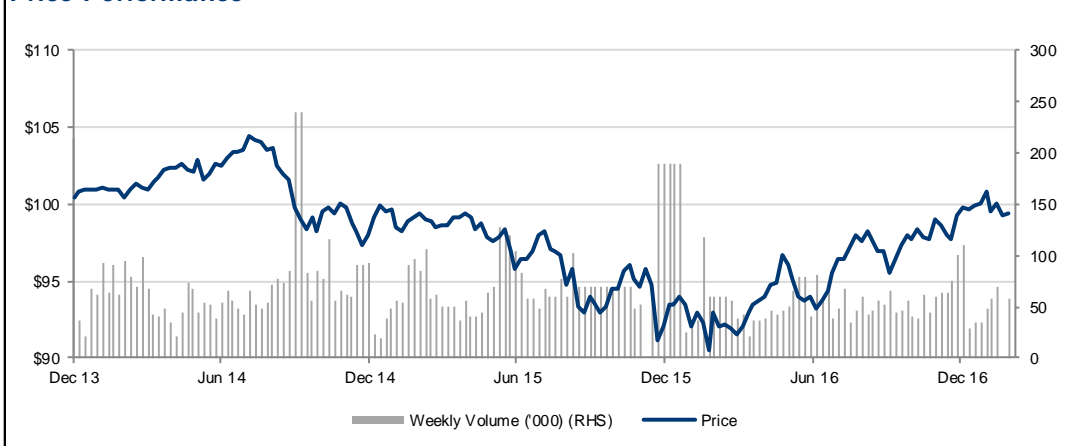
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	11.70%	11.80%	12.16%	14.15%	14.14%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABPB is a Mandatory Convertible Security and will convert into NAB Ordinary Shares assuming the NAB share price is above \$18.81 on the Mandatory Conversion Date (17 December 2022). If not Converted, the Security will remain outstanding until Tests are met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem NABPB for \$100.00 per security on the Call Date of 17 December 2020. NABPB contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank Capital Notes

NABPC.ASX

Cap Note 3-Bbsw+3.50% Perp Non-Cum Red T-07-23

Security Issue Size
A\$1,343m

Avg. Daily Turnover
\$0.05m

Last price **A\$100.56**
Fair value **A\$100.32**
Fair margin **378 bp**

HOLD

Pricing

Clean price: \$99.85
Cash yield: 3.69%
Gross yield: 5.27%
Yield to call: 5.90%
Implied sw ap: 2.21%
Trading margin: 3.69%

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer: NAB
Face Value: \$100.00
Issue Date: 23 Mar 15
Call Date: 23 Mar 20
Term to Call: 3.1 years
Maturity Date: Perpetual

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 3.50% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 5.65%
Next distribution: 23 Mar 17
Ex distribution: 14 Mar 17
Accrued: \$0.71
Cash payment: \$0.91
Gross payment: \$1.30
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

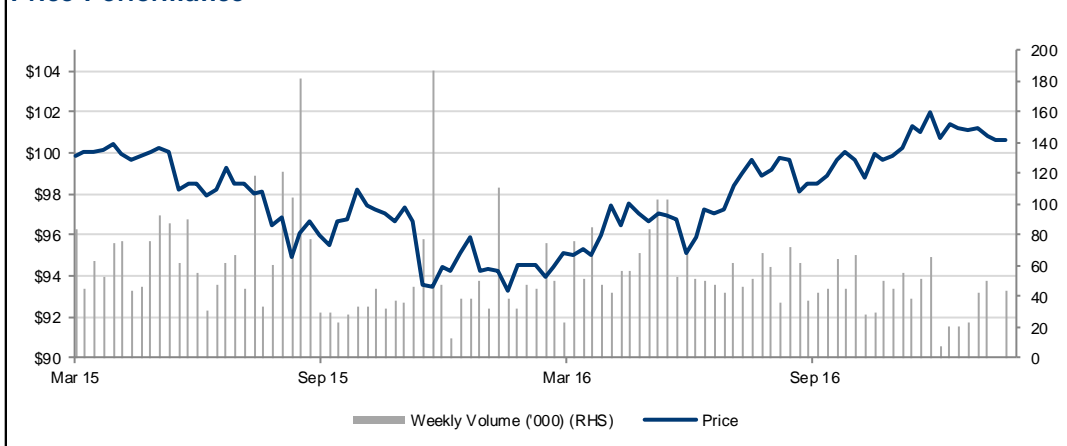
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	117.0%	118.0%	12.16%	14.15%	14.14%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABPC is a Capital Note and will convert into NAB Ordinary Shares assuming the NAB share price is above \$21.13 on the Mandatory Conversion Date (23 March 2022). If not Converted, the Security will remain outstanding until Tests are met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem NABPC for \$100.00 per security on the Call Date of 23 March 2020. NABPC contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

National Bank Capital Notes II

NABPD.ASX

Cap Note 3-Bbsw+4.95% Perp Non-Cum Red T-07-22

Security Issue Size
A\$1,499m

Avg. Daily Turnover
\$0.06m

Last price **A\$105.70**
Fair value **A\$105.35**
Fair margin **398 bp**

HOLD

Pricing

Clean price:	\$105.03
Cash yield:	4.47%
Gross yield:	6.38%
Yield to call:	6.50%
Implied sw ap:	2.59%
Trading margin:	3.90%

Issuer Details

National Australia Bank is an international financial services group that provides a comprehensive and integrated range of financial products and services. NAB provides business and private banking, retail banking and wealth management. Relative to its peers NAB is considered more of an institutional bank and has traditionally been recognised as being overweight agribusiness. Around 80% of NAB's earnings are derived from Australia with the balance coming from New Zealand, United Kingdom, United States and Asia.

Issue Details

Issuer:	NAB
Face Value:	\$100.00
Issue Date:	7 Jul 16
Call Date:	7 Jul 22
Term to Call:	5.4 years
Maturity Date:	Perpetual

Key Credit Positives

- Increased capital build under Basel III.
- NAB is refocussing the business on Australia and is exiting offshore operations.

Key Credit Negatives

- Increased competition in the Australian business and mortgage market.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	4.95% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	6.92%
Next distribution:	7 Apr 17
Ex distribution:	29 Mar 17
Accrued:	\$0.67
Cash payment:	\$1.14
Gross payment:	\$1.62
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

NAB has reported FY16 cash earnings of \$6,483m, 1.8% greater than our forecast. The beat was the result of tighter cost management and a lower credit impairment charge. CET1 capital position strong at 9.8%, benefiting from run off of low-returning institutional risk weighted assets.

Company Financials

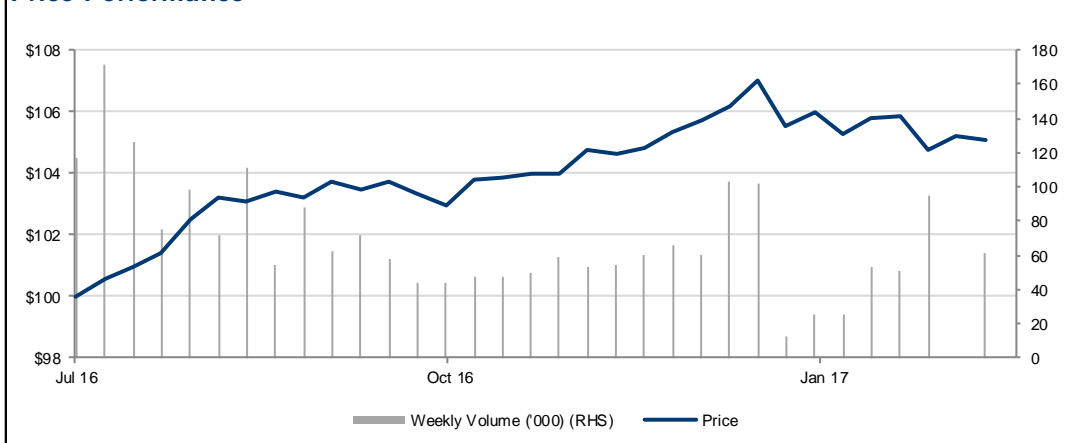
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	13,297.0	13,407.0	13,775.0	12,498.0	12,930.0
Reported NPAT (A\$m)	4,082.0	5,355.0	5,295.0	6,400.0	352.0
Cash Earnings (A\$m)	5,433.0	5,757.0	5,184.0	5,887.0	6,483.0
Cash EPS (A\$)	2.40	2.45	2.20	2.49	2.45
Cost to Income Ratio	42.8%	43.7%	53.0%	51.3%	41.2%
Dividend Payout Ratio	74.2%	77.6%	90.1%	83.5%	81.0%
Core Tier 1 Capital Ratio	8.30%	8.64%	8.63%	10.20%	9.80%
Tier 1 Ratio	10.30%	10.35%	10.81%	12.40%	12.20%
Total Capital	11.70%	11.80%	12.16%	14.15%	14.14%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

NABPD is a Capital Note and will convert into NAB Ordinary Shares assuming the NAB share price is above \$12.64 on the Mandatory Conversion Date (7 July 2024). If not Converted, the Security will remain outstanding until Tests are met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem NABPD for \$100.00 per security on the Call Date of 7 July 2022. NABPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Nufarm Step-up Pref. Shares

NFNG.ASX

Convert Bond 6-Bbsw+1.90% Perp Sub Non-Cum Exh Stp

Security Issue Size
A\$251m

Avg. Daily Turnover
\$0.01m

Last price **A\$87.95**
Fair value **A\$93.80**
Fair margin **511 bp**

HOLD

Pricing

Clean price: \$85.72
Cash yield: 6.48%
Gross yield: 6.48%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Nufarm Limited (NUF) is a global crop protection company. NUF develops, manufactures and sells a wide range of crop protection products, including herbicides, insecticides and fungicides. NUF sells its products in most of the world's major agricultural regions, and operates primarily in the off-patent segment of the crop protection market. NUF operates along two business lines, being crop protection and seed technologies.

Issue Details

Issuer: NUF
Face Value: \$100.00
Issue Date: 27 Nov 06
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- Management are focussed on turning the company around and stream-lining operations.
- NUF sells its product into numerous geographic markets.

Key Credit Negatives

- Seasonal weather conditions can significantly impact sales.
- The company is exposed to currency variations and a declining AUD/USD will increase interest expense and the net debt position.

Distribution Details

Dist. Rate: 3.90% + 180d
Payable: Semi-annual
Franking: 0%
Current coupon: 6.62%
Next distribution: 18 Apr 17
Ex distribution: 6 Apr 17
Accrued: \$2.23
Cash payment: \$2.94
Gross payment: \$2.94
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

Nufarm reported a solid F16 result with operating EBIT of A\$287m approximately 10% above consensus numbers. Net debt was A\$625m (net debt to equity of ~40%) while operating cashflow fell 40% to A\$137m due to higher working capital requirements and one-off restructuring costs.

Company Financials

	Jul 12	Jul 13	Jul 14	Jul 15	Jul 16
Revenue (A\$m)	2,083.6	2,181.6	2,622.7	2,737.2	2,791.2
EBITDA (A\$m)	240.8	261.0	268.3	304.3	357.5
NPAT (A\$m)	-49.9	72.6	37.7	43.2	27.5
Operating Cashflow (A\$m)	232.5	170.9	390.1	287.6	94.5
Gross Debt (A\$m)	722.9	659.1	755.0	938.1	906.9
Total Equity (A\$m)	1,316.4	1,229.3	1,356.5	1,385.1	1,298.7
Debt / EBITDA	3.00x	2.53x	2.81x	3.08x	2.54x
EBITDA / Int Exp	4.27x	4.94x	3.34x	3.70x	3.70x
Gearing (ND/E)	35.3%	38.1%	37.8%	39.5%	45.2%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

Following Nufarm announcing it would Step-up the distribution rate on NFNG, the security is now paying investors a gross distribution rate of 3.90% + 180 day BBSW. As a result of this decision by the Issuer, NFNG is now Perpetual and only redeemable by the Issuer on a future distribution date.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Qube Subordinated Notes

QUBHA.ASX

Hybrid 3-Bbsw+3.90%05-10-23 Sub Cum

Security Issue Size
A\$305m

Avg. Daily Turnover
\$0.00m

Last price	A\$105.50
Fair value	A\$104.57
Fair margin	331 bp

HOLD

Pricing

Clean price:	\$104.63
Cash yield:	5.40%
Gross yield:	5.40%
Yield to call:	5.90%
Implied sw ap:	2.77%
Trading margin:	3.14%

Issuer Details

Qube (QUB) is one of Australia's largest providers of integrated import and export logistics services. Qube has nationwide operations near ports and rail facilities from which it provides a broad range of logistics services. QUB operates four divisions covering port and bulk logistics, landside logistics, strategic development assets and container terminals.

Issue Details

Issuer:	QUB
Face Value:	\$100.00
Issue Date:	5 Oct 16
Call Date:	5 Oct 23
Term to Call:	6.6 years
Maturity Date:	5 Oct 23

Key Credit Positives

Key Credit Negatives

Financial Commentary

Distribution Details

Dist. Rate:	3.90% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	5.70%
Next distribution:	5 Apr 17
Ex distribution:	27 Mar 17
Accrued:	\$0.87
Cash payment:	\$1.40
Gross payment:	\$1.40
Deferrable:	No
Cumulative:	Yes
Div. Stopper:	Yes

Company Financials

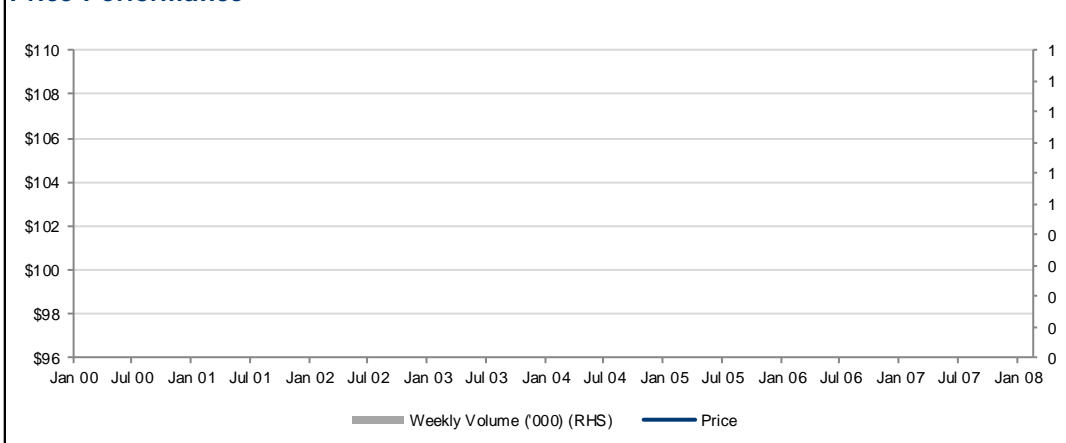
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	776.8	1,027.2	1,173.7	1,393.3	1,264.8
EBITDA (A\$m)	82.5	142.5	173.4	223.5	188.0
NPAT (A\$m)	-2.5	77.3	87.9	85.9	82.0
Operating Cashflow (A\$m)	30.5	158.1	190.0	134.5	174.0
Gross Debt (A\$m)	443.2	521.0	389.3	602.1	673.0
Total Equity (A\$m)	1,013.3	1,062.7	1,361.7	1,397.5	1,939.1
Debt / EBITDA	5.37x	3.66x	2.25x	2.69x	3.58x
EBITDA / Int Exp	3.39x	3.92x	5.98x	9.13x	5.61x
Gearing (ND/E)	31.9%	43.6%	20.4%	36.8%	2.7%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

Qube Subordinated Notes have a term of 7 years and a maturity date of 5 October 2023 when the Notes must be redeemed. The security pays cash, unfranked coupons based on a rate of 3.90% above the 90d BBSW. In the event that a coupon is missed it is deemed an event of default.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Ramsay CARES

RHCPA.ASX

Trans Pref 6-Bbsw+ 4.85% Perp Sub Red T-10-10

Security Issue Size
A\$260m

Avg. Daily Turnover
\$0.01m

Last price **A\$105.46**
Fair value **A\$107.29**
Fair margin **408 bp**

REDUCE

Pricing

Clean price: \$103.59
Cash yield: 4.41%
Gross yield: 6.30%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Ramsay Health Care Limited (RHC) is an Australian private hospital operator. The Company currently operates 151 hospitals and day surgery facilities (including the 40 Medipsy hospitals) across Australia, United Kingdom, France and Asia. Ramsay Health Care facilities cater for a broad range of health care needs from day surgery procedures to complex surgery, as well as psychiatric care and rehabilitation.

Issue Details

Issuer: RHC
Face Value: \$100.00
Issue Date: 24 May 05
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- Geographic diversification across five countries including operations in Europe, Asia and Australia.
- Positive industry dynamics.

Key Credit Negatives

- The company has expanded rapidly over the past few years through acquisitions.
- Regulatory risks.

Distribution Details

Dist. Rate: 4.85% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 6.84%
Next distribution: 20 Apr 17
Ex distribution: 31 Mar 17
Accrued: \$1.87
Cash payment: \$2.39
Gross payment: \$3.41
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

FY16 underlying profit was solid and in line with guidance and our expectations, underpinned by broad divisional performance and stable overall margins. We view FY17 profit growth guidance between 10-12% as solid and achievable, supported by a strong domestic business, brownfield uplift and unwavering sector fundamentals, with upside potential on the back of acquisitions.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	3,961.5	4,177.4	4,914.7	7,357.1	8,686.3
EBITDA (A\$m)	554.9	598.1	680.7	1,055.7	1,212.7
NPAT (A\$m)	244.1	266.4	303.8	385.5	450.3
Operating Cashflow (A\$m)	442.8	462.4	652.0	800.1	912.7
Gross Debt (A\$m)	1,069.1	1,260.8	1,367.9	3,149.3	3,414.7
Total Equity (A\$m)	1,161.8	1,291.7	1,450.4	1,607.7	1,770.7
Debt / EBITDA	1.93x	2.11x	2.01x	2.98x	2.82x
EBITDA / Int Exp	6.32x	7.71x	8.41x	8.11x	8.70x
Gearing (ND/E)	77.1%	76.5%	82.8%	176.2%	174.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

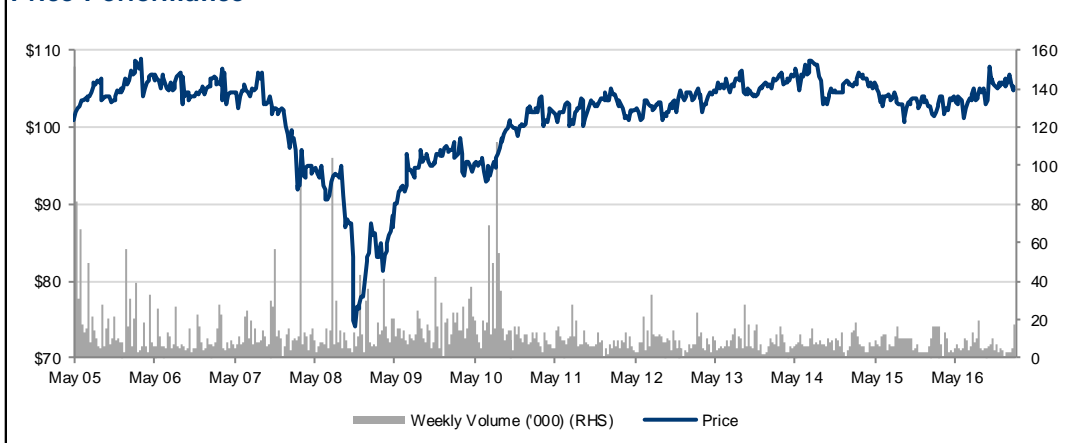
Financial Covenants

Interest Cover: N/A
Leverage ratio: N/A

Security Details

Following Ramsay announcing it would Step-up the distribution rate on RHCPA on 20 October 2010 RHCPA is now paying investors a gross distribution rate of 4.85% + 180 day BBSW. As a result of this decision by the Issuer, RHCPA is now Perpetual and only redeemable by the Issuer on a future distribution date.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Suncorp Income Securities

SBKHB.ASX

Cap Note 3-Bbsw+0.75% Perp Cum

Security Issue Size
A\$72m

Avg. Daily Turnover
\$0.00m

Last price **A\$74.00**
Fair value **A\$60.92**
Fair margin **385 bp**

REDUCE

Pricing

Clean price: \$74.05
Cash yield: 3.44%
Gross yield: 3.44%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Bendigo Bank (BEN) is a regional Australian bank, headquartered in country Victoria. BEN was founded as a building society in 1858, and converted to bank status on 1 July 1995. BEN's historical focus was on retail banking in regional Victoria, but the bank has grown rapidly in recent years through a number of acquisitions of small building societies and other lenders, including First Australian Building Society in Queensland.

Issue Details

Issuer: SUN
Face Value: \$100.00
Issue Date: 21 Aug 98
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- Well diversified business with solid branding.
- A strong capital position.

Key Credit Negatives

- General insurance and weather related risks.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 0.75% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 2.95%
Next distribution: 2 Mar 17
Ex distribution: Ex-dist
Accrued: **-\$0.05**
Cash payment: \$0.00
Gross payment: \$0.00
Deferrable: Yes
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

SUN's 1H16 NPAT of A\$530m was 2% above consensus, but below Morgan's estimates of A\$599m. Overall the result was broadly as expected without too many new issues. The GI reported margin was affected by working claims inflation and losses from widening spreads; however, the 10.1% underlying ITR was in-line with recent guidance.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	7,280.0	7,955.0	8,589.0	8,870.0	8,872.0
Reported NPAT (A\$m)	453.0	724.0	491.0	730.0	1,133.0
Cash Earnings (A\$m)	637.6	819.0	572.0	1,304.0	1,191.0
Cash EPS (A\$)	0.50	0.63	0.45	1.04	0.91
Cost to Income Ratio	11.3%	10.5%	11.2%	9.2%	830.0%
Dividend Payout Ratio	71.0%	64.0%	166.0%	101.0%	97.0%
Core Tier 1 Capital Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Tier 1 Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

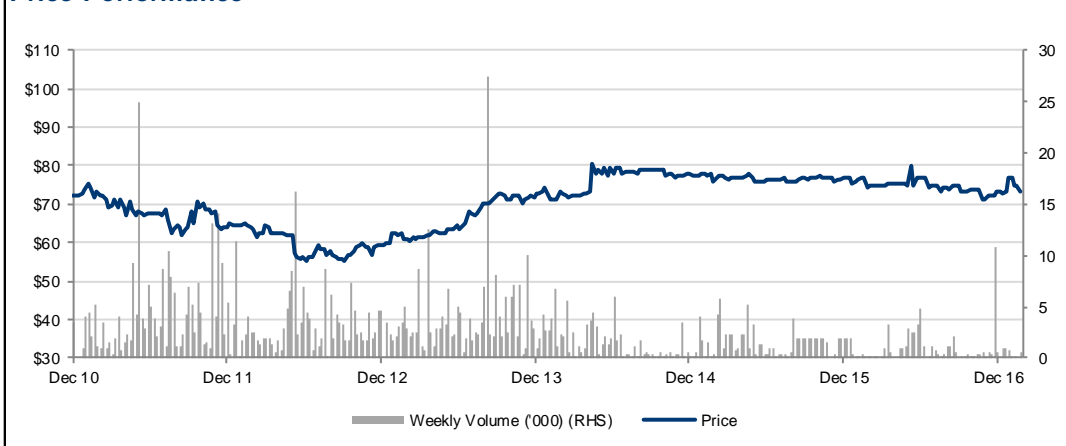
Security Features

CET: No
Viability Trigger: No

Security Details

SBKHB is a perpetual security with no set conversion or redemption dates and pays distributions based on a rate of 0.75% above the 90d BBSW. The security's capital benefit diminishes at a rate of 10% per annum under Basel III from 1 January 2013 which may mean that at some point in the future SUN may look to redeem or buyback securities on market. There is however no certainty of this occurring.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Suncorp Convertible Pref. Shares II

SUNPC.ASX

Cnv Pref 3-Bbsw+4.65% Perp Non-Cum Red T-12-17

Security Issue Size
A\$560m

Avg. Daily Turnover
\$0.02m

Last price	A\$103.53
Fair value	A\$102.10
Fair margin	352 bp

HOLD

Pricing

Clean price:	\$102.62
Cash yield:	4.36%
Gross yield:	6.23%
Yield to call:	3.44%
Implied sw ap:	1.74%
Trading margin:	1.70%

Issuer Details

Suncorp Group Limited (SUN) is a Queensland-based financial services conglomerate offering retail and business banking, general insurance, life insurance, superannuation and investment products in Australia and New Zealand. SUN has five core businesses including Personal Insurance, Commercial Insurance, Vero New Zealand, Suncorp Bank, and Suncorp Life.

Issue Details

Issuer:	SUN
Face Value:	\$100.00
Issue Date:	6 Nov 12
Call Date:	17 Dec 17
Term to Call:	0.8 years
Maturity Date:	Perpetual

Key Credit Positives

- Well diversified business with solid branding.
- A strong capital position.

Key Credit Negatives

- General insurance and weather related risks.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	4.65% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	6.81%
Next distribution:	17 Mar 17
Ex distribution:	9 Mar 17
Accrued:	\$0.91
Cash payment:	\$1.09
Gross payment:	\$1.55
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

SUN's 1H16 NPAT of A\$530m was 2% above consensus, but below Morgan's estimates of A\$599m. Overall the result was broadly as expected without too many new issues. The GI reported margin was affected by working claims inflation and losses from widening spreads; however, the 10.1% underlying ITR was in-line with recent guidance.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	7,280.0	7,955.0	8,589.0	8,870.0	8,872.0
Reported NPAT (A\$m)	453.0	724.0	491.0	730.0	1,133.0
Cash Earnings (A\$m)	637.6	819.0	572.0	1,304.0	1,191.0
Cash EPS (A\$)	0.50	0.63	0.45	1.04	0.91
Cost to Income Ratio	11.3%	10.5%	11.2%	9.2%	830.0%
Dividend Payout Ratio	71.0%	64.0%	166.0%	101.0%	97.0%
Book Value	10.96	11.11	10.93	10.77	10.54
MCR Ratio	167	161	196	192	186
Insurance Margin	6.6%	7.5%	13.1%	15.5%	11.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

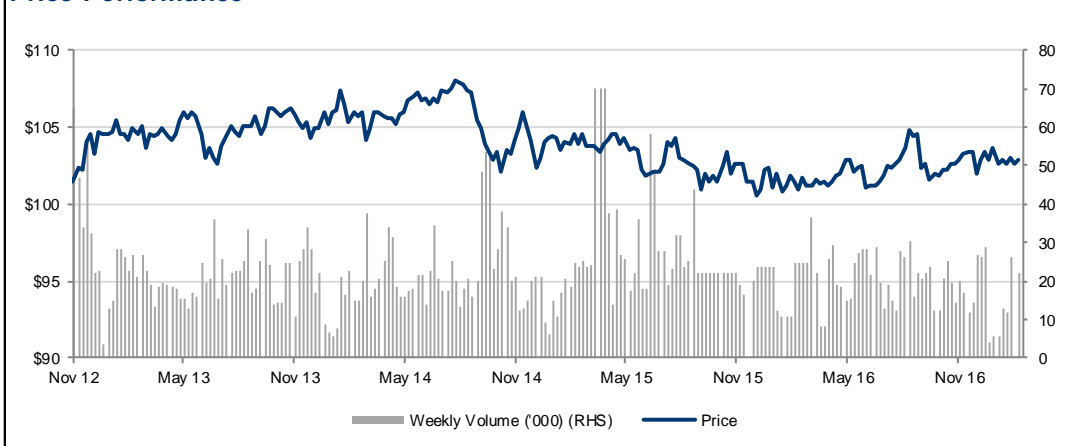
Security Features

CET:	No
Viability Trigger:	Yes

Security Details

SUNPC is a Mandatory Convertible Security and will convert into SUN Ordinary Shares assuming the SUN share price is above \$5.27 on the Mandatory Conversion Date (17 December 2019). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem SUNPC for \$100.00 per security on the Call Date of 17 December 2017. SUNPC contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Suncorp Subordinated Notes

SUNPD.ASX

Cap Note 3-Bbsw+2.85%22-11-23 Cum Red

Security Issue Size
A\$770m

Avg. Daily Turnover
\$0.03m

Last price **A\$102.24**
Fair value **A\$101.39**
Fair margin **212 bp**

ADD

Pricing

Clean price:	\$102.21
Cash yield:	4.54%
Gross yield:	4.54%
Yield to call:	3.55%
Implied sw ap:	1.94%
Trading margin:	1.60%

Issuer Details

Suncorp Group Limited (SUN) is a Queensland-based financial services conglomerate offering retail and business banking, general insurance, life insurance, superannuation and investment products in Australia and New Zealand. SUN has five core businesses including Personal Insurance, Commercial Insurance, Vero New Zealand, Suncorp Bank, and Suncorp Life.

Issue Details

Issuer:	SUN
Face Value:	\$100.00
Issue Date:	22 May 13
Call Date:	22 Nov 18
Term to Call:	1.7 years
Maturity Date:	22 Nov 23

Key Credit Positives

- Well diversified business with solid branding.
- A strong capital position.

Key Credit Negatives

- General insurance and weather related risks.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	2.85% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	4.98%
Next distribution:	22 May 17
Ex distribution:	10 May 17
Accrued:	\$0.03
Cash payment:	\$1.21
Gross payment:	\$1.21
Deferrable:	Yes
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

SUN's 1H16 NPAT of A\$530m was 2% above consensus, but below Morgan's estimates of A\$599m. Overall the result was broadly as expected without too many new issues. The GI reported margin was affected by working claims inflation and losses from widening spreads; however, the 10.1% underlying ITR was in-line with recent guidance.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	7,280.0	7,955.0	8,589.0	8,870.0	8,872.0
Reported NPAT (A\$m)	453.0	724.0	491.0	730.0	1,133.0
Cash Earnings (A\$m)	637.6	819.0	572.0	1,304.0	1,191.0
Cash EPS (A\$)	0.50	0.63	0.45	1.04	0.91
Cost to Income Ratio	11.3%	10.5%	11.2%	9.2%	830.0%
Dividend Payout Ratio	71.0%	64.0%	166.0%	101.0%	97.0%
Book Value	10.96	11.11	10.93	10.77	10.54
MCR Ratio	167	161	196	192	186
Insurance Margin	6.6%	7.5%	13.1%	15.5%	11.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

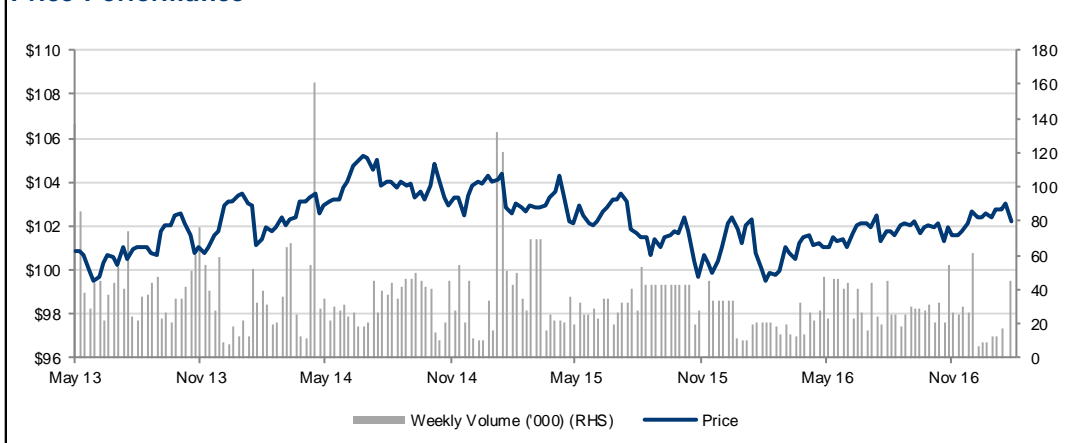
Security Features

CET:	No
Viability Trigger:	Yes

Security Details

SUNPD is a Subordinated Note with a Call Date of 22 November 2018 and a final Maturity Date of 22 November 2023. The security pays unfranked coupons based on a rate of 2.85% above the 90d BBSW. Coupons are Cumulative as well in the unlikely event that they are missed. SUNPD contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Suncorp Convertible Pref. Shares III

SUNPE.ASX

Cnv Pref 3-Bbsw+3.4% Perp Non-Cum Red T-6-22

Security Issue Size
A\$400m

Avg. Daily Turnover
\$0.02m

Last price **A\$101.70**
Fair value **A\$100.13**
Fair margin **375 bp**

HOLD

Pricing

Clean price:	\$100.89
Cash yield:	3.58%
Gross yield:	5.11%
Yield to call:	5.46%
Implied sw ap:	2.25%
Trading margin:	3.20%

Issuer Details

Suncorp Group Limited (SUN) is a Queensland-based financial services conglomerate offering retail and business banking, general insurance, life insurance, superannuation and investment products in Australia and New Zealand. SUN has five core businesses including Personal Insurance, Commercial Insurance, Vero New Zealand, Suncorp Bank, and Suncorp Life.

Issue Details

Issuer:	SUN
Face Value:	\$100.00
Issue Date:	8 May 14
Call Date:	17 Jun 20
Term to Call:	3.3 years
Maturity Date:	Perpetual

Key Credit Positives

- Well diversified business with solid branding.
- A strong capital position.

Key Credit Negatives

- General insurance and weather related risks.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	3.40% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	5.56%
Next distribution:	17 Mar 17
Ex distribution:	2 Mar 17
Accrued:	\$0.81
Cash payment:	\$0.88
Gross payment:	\$1.25
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

SUN's 1H16 NPAT of A\$530m was 2% above consensus, but below Morgan's estimates of A\$599m. Overall the result was broadly as expected without too many new issues. The GI reported margin was affected by working claims inflation and losses from widening spreads; however, the 10.1% underlying ITR was in-line with recent guidance.

Company Financials

	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Net Interest Income (A\$m)	7,280.0	7,955.0	8,589.0	8,870.0	8,872.0
Reported NPAT (A\$m)	453.0	724.0	491.0	730.0	1,133.0
Cash Earnings (A\$m)	637.6	819.0	572.0	1,304.0	1,191.0
Cash EPS (A\$)	0.50	0.63	0.45	1.04	0.91
Cost to Income Ratio	11.3%	10.5%	11.2%	9.2%	830.0%
Dividend Payout Ratio	71.0%	64.0%	166.0%	101.0%	97.0%
Book Value	10.96	11.11	10.93	10.77	10.54
MCR Ratio	167	161	196	192	186
Insurance Margin	6.6%	7.5%	13.1%	15.5%	11.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

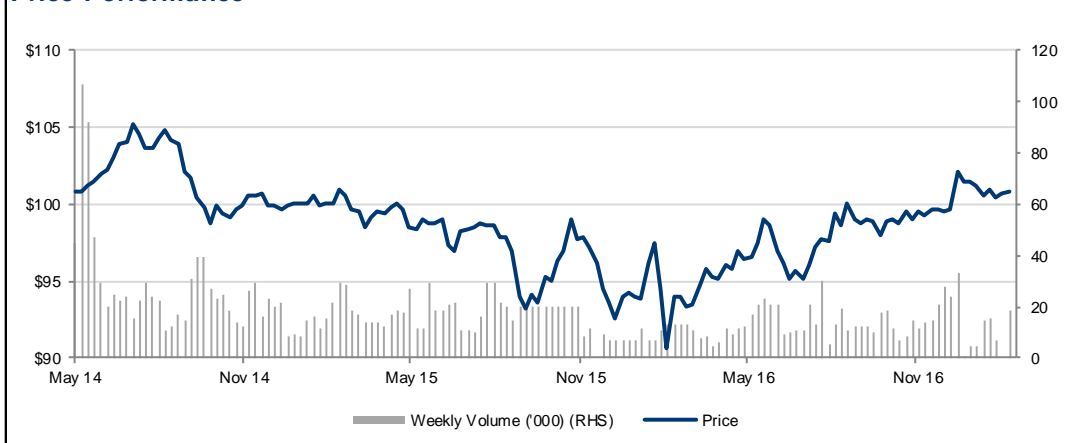
Security Features

CET:	No
Viability Trigger:	Yes

Security Details

SUNPE is a Mandatory Convertible Security and will convert into SUN Ordinary Shares assuming the SUN share price is above \$7.18 on the Mandatory Conversion Date (17 June 2022). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem SUNPE for \$100.00 per security on the Call Date of 17 June 2020. SUNPE contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Seven Group Holdings TELYS4

SVWPA.ASX

Trans Pref 3-Bbsw+4.75%Perp Sub Non-Cum Red

Security Issue Size
A\$500m

Avg. Daily Turnover
\$0.02m

Last price **A\$76.60**
Fair value **A\$85.72**
Fair margin **817 bp**

ADD

Pricing

Clean price: \$75.36
Cash yield: 5.98%
Gross yield: 8.55%
Yield to call: N/A
Implied sw ap: N/A
Trading margin: N/A

Issuer Details

Seven Group Holdings (SVW) is a diversified operating and investment group, with interests in industrial services, comprising heavy equipment sales and services and equipment hire; media and broadcasting; and investments. SVW is domiciled in Australia and operates predominantly in two countries, Australia and China.

Issue Details

Issuer: SVW
Face Value: \$100.00
Issue Date: 31 May 05
Call Date: N/A
Term to Call: N/A
Maturity Date: Perpetual

Key Credit Positives

- A diversified earnings base across numerous, uncorrelated sectors including mining and media.
- Good liquidity and significant undrawn debt facilities in place.

Key Credit Negatives

- Volatile earnings from the Westrac business.
- Low interest cover and fair level of leverage within the business.

Distribution Details

Dist. Rate: 4.75% + 180d
Payable: Semi-annual
Franking: 100%
Current coupon: 6.98%
Next distribution: 30 Jun 17
Ex distribution: 12 Jun 17
Accrued: \$1.24
Cash payment: \$2.82
Gross payment: \$4.03
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

SVW reported 1H16 revenue of \$1.37b which was down just 2% on the pcp. Underlying NPAT was \$111.6m, down 6% on the pcp while EBITDA cash conversion was strong at 114%. The company has substantial (\$950m) undrawn debt capacity and a diverse mix of revenue generating businesses.

Company Financials

	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	4,456.4	4,751.6	3,088.2	2,779.6	2,837.7
EBITDA (A\$m)	385.2	427.5	210.9	162.5	174.6
NPAT (A\$m)	165.9	486.4	261.1	-360.3	196.8
Operating Cashflow (A\$m)	-670.2	1,285.9	263.1	76.0	416.6
Gross Debt (A\$m)	1,846.4	1,255.5	1,197.7	1,635.3	1,734.3
Total Equity (A\$m)	2,141.3	2,595.8	2,703.7	2,369.4	2,228.2
Debt / EBITDA	4.79x	2.94x	5.68x	10.06x	9.93x
EBITDA / Int Exp	3.28x	3.52x	2.13x	1.62x	1.91x
Gearing (ND/E)	79.8%	27.3%	37.3%	56.6%	61.3%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

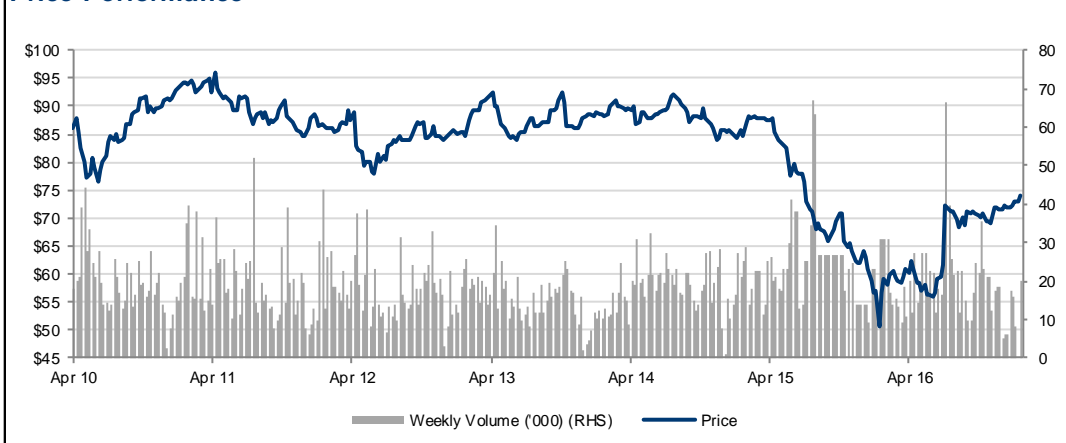
Financial Covenants

Interest Cover: N/A
Leverage ratio: N/A

Security Details

Following SVW announcing it would Step-up the distribution rate on SVWPA, the security is now paying investors a gross distribution rate of 4.75% + 180 day BBSW. As a result of this decision by the Issuer, SVWPA is now Perpetual and only redeemable by the Issuer on a future distribution date.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Tabcorp Subordinated Notes

TAHNB.ASX

Hybrid 3-Bbsw+4.00%22-03-37 Sub Red Step T-03-17

Security Issue Size
A\$250m

Avg. Daily Turnover
\$0.01m

Last price **A\$101.09**
Fair value **A\$101.11**
Fair margin **260 bp**

HOLD

Pricing

Clean price: \$99.96
Cash yield: 5.73%
Gross yield: 5.73%
Yield to call: 4.83%
Implied sw ap: 1.98%
Trading margin: 2.85%

Issuer Details

Tabcorp Holdings Limited (TAH) offers a range of gambling and entertainment products. TAH's major business units include Wagering, Gaming, Keno and media activities across Australia. Customer brands include TAB, Keno, Luxbet, Tabcorp Gaming Solutions, Trackside animated racing game, Sky Racing and Sky Sports Radio.

Issue Details

Issuer: TAH
Face Value: \$100.00
Issue Date: 22 Mar 12
Call Date: 22 Mar 17
Term to Call: 0.1 years
Maturity Date: 22 Mar 37

Key Credit Positives

- The business generates strong cash flow and has long-term licence agreements in place.
- A large market position in the Australian wagering market.

Key Credit Negatives

- Government regulation.
- Operates in the highly competitive wagering market with increased competition expected to impact margins.

Distribution Details

Dist. Rate: 4.00% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 5.80%
Next distribution: 22 Mar 17
Ex distribution: 13 Mar 17
Accrued: \$1.13
Cash payment: \$1.43
Gross payment: \$1.43
Deferrable: Yes
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

TAH reported a normalised FY16 NPAT of A\$185.9m, up 8.5%. The company noted improved wagering momentum in 2H16 with digital growing at 15%. TAH has also announced the proposed acquisition of INTECO, an Australian gaming systems company.

Company Financials

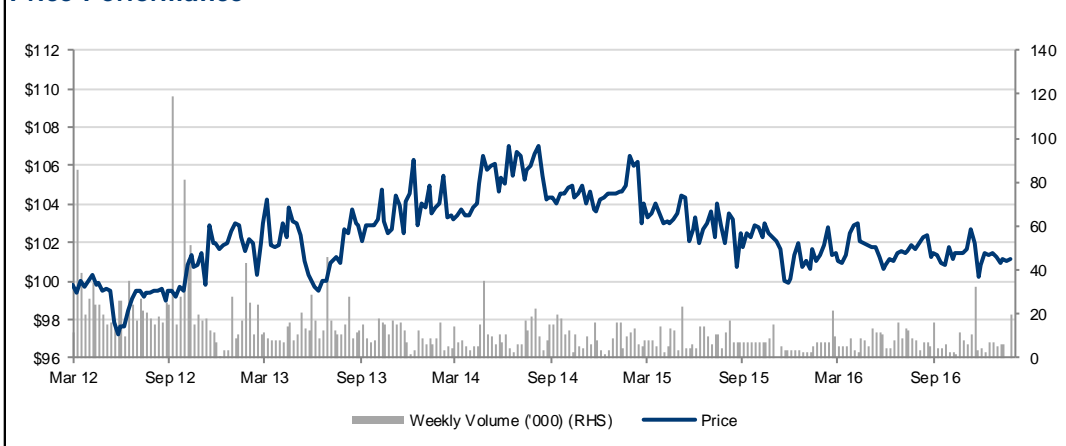
	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16
Revenue (A\$m)	3,033.8	1,998.5	2,036.8	2,154.1	2,188.7
EBITDA (A\$m)	705.5	448.2	482.4	513.2	511.4
NPAT (A\$m)	340.0	147.6	149.4	334.5	169.7
Operating Cashflow (A\$m)	559.4	177.8	469.8	293.1	447.9
Gross Debt (A\$m)	1,224.0	1,254.4	1,094.3	1,147.7	1,080.4
Total Equity (A\$m)	1,405.8	1,413.2	1,481.4	1,690.1	1,688.1
Debt / EBITDA	1.73x	2.80x	2.27x	2.24x	2.11x
EBITDA / Int Exp	6.96x	4.58x	4.80x	6.33x	7.02x
Gearing (ND/E)	76.3%	81.0%	65.3%	58.3%	56.4%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

TAHNB is a subordinated note issued by TAH to provide the company with additional funds for corporate purposes. Coupons are based on a margin of 4.00% above the 90d BBSW and are cumulative in the event that they are not paid. The security has a final maturity of 22 March 2037 and a call date of 22 March 2017. If not redeemed on the call date, the coupon rate will increase by 25bps per annum and the security becomes callable by the issuer on any future payment date.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Tatts Bonds

TTSHA.ASX

Bond 3-Bbsw+ 3.10%5-07-2019

Security Issue Size
A\$195m

Avg. Daily Turnover
\$0.01m

Last price **A\$103.50**
Fair value **A\$105.96**
Fair margin **79 bp**

ADD

Pricing

Clean price: \$102.76
Cash yield: 4.73%
Gross yield: 4.73%
Yield to call: 3.95%
Implied sw ap: 2.07%
Trading margin: 1.88%

Issuer Details

Tatts Group Limited (TTS) is a portfolio of networked gambling businesses providing leisure and entertainment products and services in the lotteries, wagering, gaming and technical services in Australia and has an investment in gaming venues in United Kingdom. TTS comprises six operating segments namely Tatts Lotteries, TattsBet, Tatts Pokies, Maxgaming, Bytecraft and Talarius.

Issue Details

Issuer: TTS
Face Value: \$100.00
Issue Date: 29 Jun 12
Call Date: 5 Jul 19
Term to Call: 2.4 years
Maturity Date: 5 Jul 19

Key Credit Positives

- Strong lotteries business which generates reliable earnings for the group.
- Strong interest cover and cashflow generation.

Key Credit Negatives

- Operates in the highly competitive wagering market with increased competition expected to impact margins.
- Losing the Vic Pokies compensation legal case.

Distribution Details

Dist. Rate: 3.10% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 4.88%
Next distribution: 5 Apr 17
Ex distribution: 27 Mar 17
Accrued: \$0.74
Cash payment: \$1.21
Gross payment: \$1.21
Deferrable: No
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

TTS reported revenue of A\$2,928.1m vs our forecast of A\$2,956.6m (up 4.4% on the pcp). Variable expenses (government share, venue share/commissions and product and program fees) grew on higher turnover volumes while other expenses were up just 0.4% on the pcp. EBITDA of A\$494.7m was lower than our expectations of A\$510.9m (up 0.8% on the pcp) with the lower gaming business earnings and higher unallocated expenses being the difference.

Company Financials

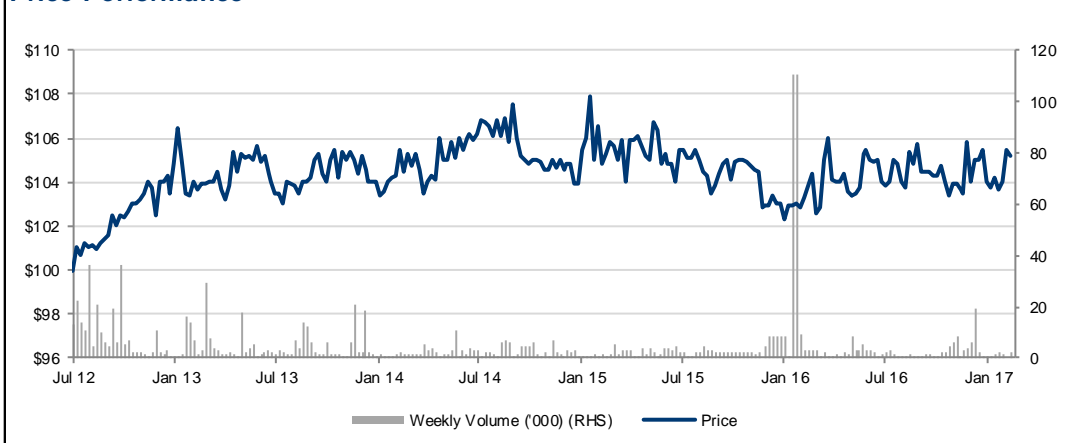
	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15
Revenue (A\$m)	3,657.0	3,879.4	2,929.5	2,855.9	2,911.8
EBITDA (A\$m)	609.0	646.7	484.4	487.4	501.1
NPAT (A\$m)	275.4	319.1	227.4	226.6	255.8
Operating Cashflow (A\$m)	402.1	362.9	383.0	281.5	529.4
Gross Debt (A\$m)	1,271.1	1,307.2	1,621.3	1,351.0	918.5
Total Equity (A\$m)	2,554.1	2,663.6	2,760.4	2,836.0	2,971.1
Debt / EBITDA	2.09x	2.02x	3.35x	2.77x	1.83x
EBITDA / Int Exp	5.94x	6.19x	4.54x	5.42x	8.45x
Gearing (ND/E)	39.5%	38.2%	45.9%	23.4%	15.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

TTSHA is a Senior Debt Security with a Maturity Date of 5 July 2019. On this date the Issuer must Redeem each security for \$100.00. There is no equity conversion, or extension risk associated with TTSHA and holders will receive unfranked coupons based on a rate of 3.10% above the 90d BBSW.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Subordinated Notes

WBCHA.ASX

Sub Bond 3-Bbsw+2.75%23-8-22 Red T-08-17

Security Issue Size
A\$1,680m

Avg. Daily Turnover
\$0.06m

Last price **A\$100.89**
Fair value **A\$100.76**
Fair margin **123 bp**

ADD

Pricing

Clean price: \$100.88
Cash yield: 4.51%
Gross yield: 4.51%
Yield to call: 2.75%
Implied sw ap: 1.78%
Trading margin: 0.97%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer: WBC
Face Value: \$100.00
Issue Date: 23 Aug 12
Call Date: 23 Aug 17
Term to Call: 0.5 years
Maturity Date: 23 Aug 22

Key Credit Positives

– A solid capital foundation with further increases forecast.
– Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

– Trading income continued to be weak due to low levels of volatility in global markets.
– Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 2.75% + 90d
Payable: Quarterly
Franking: 0%
Current coupon: 4.51%
Next distribution: 23 May 17
Ex distribution: 12 May 17
Accrued: \$0.01
Cash payment: \$1.10
Gross payment: \$1.10
Deferrable: No
Cumulative: Yes
Div. Stopper: Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	40.8%	41.2%	41.6%	42.0%	43.9%
Dividend Payout Ratio	76.9%	76.0%	74.2%	74.9%	80.0%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Features

CET: No
Viability Trigger: No

Security Details

WBCHA is a Subordinated Note with a Call Date of 23 August 2017 and a final Maturity Date of 23 August 2022. The security pays unfranked coupons based on a rate of 2.75% above the 90d BBSW. Coupons are Cumulative as well in the unlikely event of non-payment. The Security does not contain Common Equity Capital or Non-Viability Triggers.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Subordinated Notes II

WBCHB.ASX

Sub Tr Bnd 3-Bbsw+2.30%22-08-23 Sub Red Tr T-8-18

Security Issue Size
A\$925m

Avg. Daily Turnover
\$0.04m

Last price **A\$101.75**
Fair value **A\$100.81**
Fair margin **178 bp**

HOLD

Pricing

Clean price:	\$101.72
Cash yield:	4.03%
Gross yield:	4.03%
Yield to call:	3.01%
Implied sw ap:	1.89%
Trading margin:	1.12%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer:	WBC
Face Value:	\$100.00
Issue Date:	22 Aug 13
Call Date:	22 Aug 18
Term to Call:	1.5 years
Maturity Date:	22 Aug 23

Key Credit Positives

- A solid capital foundation with further increases forecast.
- Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

- Trading income continued to be weak due to low levels of volatility in global markets.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	2.30% + 90d
Payable:	Quarterly
Franking:	0%
Current coupon:	4.06%
Next distribution:	22 May 17
Ex distribution:	11 May 17
Accrued:	\$0.03
Cash payment:	\$0.99
Gross payment:	\$0.99
Deferrable:	No
Cumulative:	Yes
Div. Stopper:	Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	40.8%	41.2%	41.6%	42.0%	43.9%
Dividend Payout Ratio	76.9%	76.0%	74.2%	74.9%	80.0%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

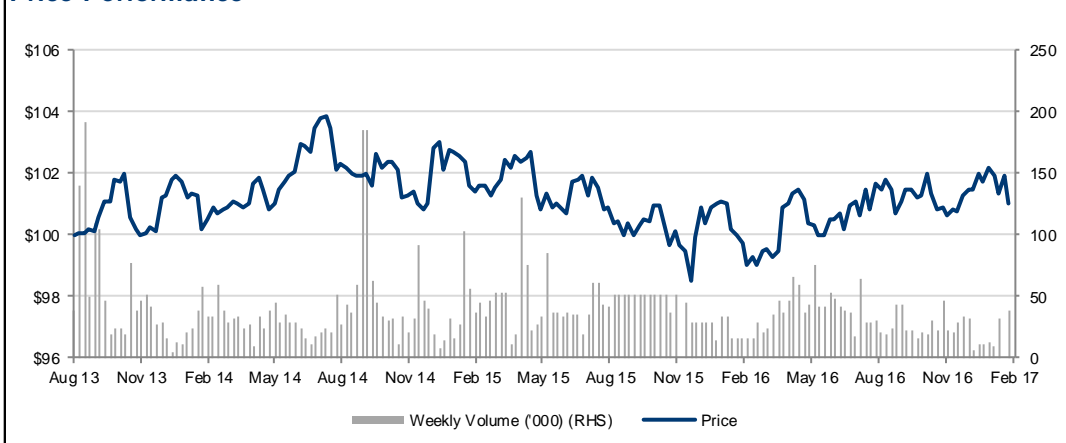
Security Features

CET:	No
Viability Trigger:	Yes

Security Details

WBCHB is a Subordinated Note with a Call Date of 22 August 2018 and a final Maturity Date of 22 August 2023. The security pays unfranked coupons based on a rate of 2.75% above the 90d BBSW. Coupons are Cumulative as well in the unlikely event of non-payment. The Security does not contain Common Equity Capital or Non-Viability Triggers. WBCHB contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Convertible Pref. Shares III

WBCPC.ASX

Cnv Pref 6-Bbsw+3.25% Perp Non-Cum Red T-03-18

Security Issue Size
A\$1,190m

Avg. Daily Turnover
\$0.05m

Last price **A\$103.70**
Fair value **A\$102.21**
Fair margin **316 bp**

HOLD

Pricing

Clean price:	\$102.15
Cash yield:	3.41%
Gross yield:	4.87%
Yield to call:	3.55%
Implied sw ap:	1.80%
Trading margin:	1.75%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer:	WBC
Face Value:	\$100.00
Issue Date:	23 Mar 12
Call Date:	31 Mar 18
Term to Call:	1.1 years
Maturity Date:	Perpetual

Key Credit Positives

- A solid capital foundation with further increases forecast.
- Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

- Trading income continued to be weak due to low levels of volatility in global markets.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	3.25% + 180d
Payable:	Semi-annual
Franking:	100%
Current coupon:	5.47%
Next distribution:	31 Mar 17
Ex distribution:	22 Mar 17
Accrued:	\$1.55
Cash payment:	\$1.82
Gross payment:	\$2.60
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

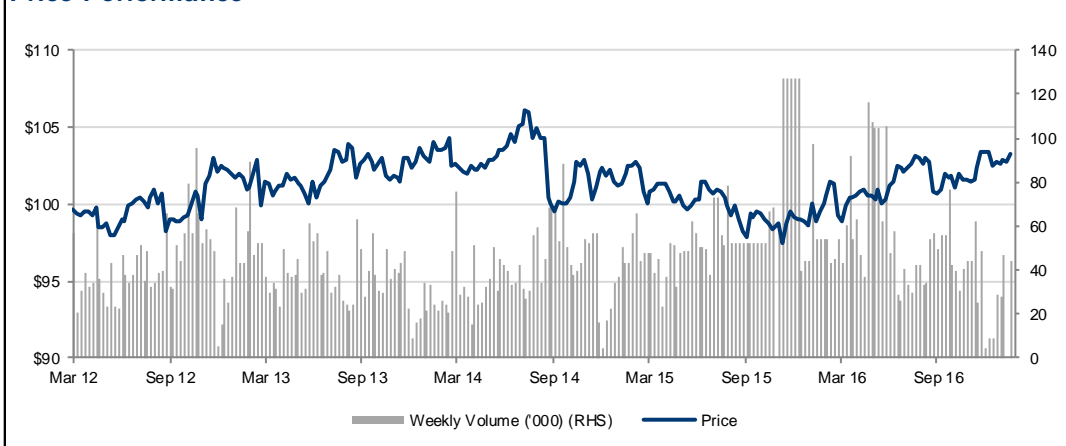
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	40.8%	41.2%	41.6%	42.0%	43.9%
Dividend Payout Ratio	76.9%	76.0%	74.2%	74.9%	80.0%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

WBCPC is a Mandatory Convertible Security and will convert into WBC Ordinary Shares assuming the WBC share price is above \$5.27 on the Mandatory Conversion Date (31 March 2020). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem WBCPC for \$100.00 per security on the Call Date of 31 March 2018. WBCPC contains a Non-Viability Trigger Event which could result in holders receiving less than \$100.00 worth of Ordinary Shares if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Capital Notes

WBCPD.ASX

Cap Note 3-Bbsw+3.20% Perp Non-Cum Red T-03-19

Security Issue Size
A\$1,380m

Avg. Daily Turnover
\$0.05m

Last price **A\$101.40**
Fair value **A\$100.20**
Fair margin **371 bp**

HOLD

Pricing

Clean price:	\$100.57
Cash yield:	3.45%
Gross yield:	4.93%
Yield to call:	5.07%
Implied sw ap:	2.00%
Trading margin:	3.07%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer:	WBC
Face Value:	\$100.00
Issue Date:	8 Mar 13
Call Date:	8 Mar 19
Term to Call:	2.0 years
Maturity Date:	Perpetual

Key Credit Positives

- A solid capital foundation with further increases forecast.
- Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

- Trading income continued to be weak due to low levels of volatility in global markets.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	3.20% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	5.34%
Next distribution:	8 Mar 17
Ex distribution:	27 Feb 17
Accrued:	\$0.83
Cash payment:	\$0.86
Gross payment:	\$1.22
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

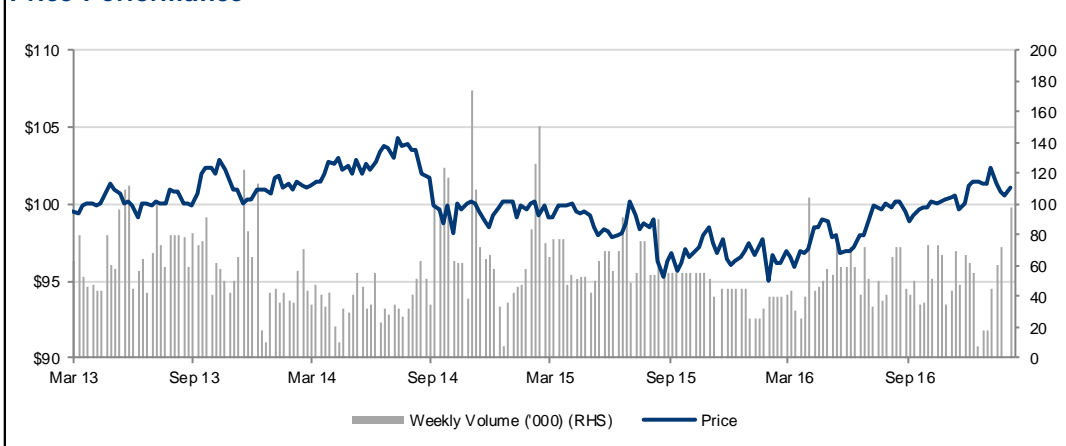
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	41%	41%	42%	42%	44%
Dividend Payout Ratio	77%	76%	74%	75%	80%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

WBCPD is a Capital Note and will convert into WBC Ordinary Shares assuming the WBC share price is above \$5.27 on the Mandatory Conversion Date (8 March 2021). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem WBCPD for \$100.00 per security on the Call Date of 8 March 2019. WBCPD contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Capital Notes II

WBCPE.ASX

Cap Note 3-Bbsw+3.05% Perp Non-Cum Red T-09-22

Security Issue Size
A\$1,310m

Avg. Daily Turnover
\$0.05m

Last price	A\$97.98
Fair value	A\$96.79
Fair margin	401 bp

HOLD

Pricing

Clean price:	\$97.33
Cash yield:	3.46%
Gross yield:	4.95%
Yield to call:	6.37%
Implied sw ap:	2.62%
Trading margin:	3.74%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer:	WBC
Face Value:	\$100.00
Issue Date:	23 Jun 14
Call Date:	23 Sep 22
Term to Call:	5.6 years
Maturity Date:	Perpetual

Key Credit Positives

- A solid capital foundation with further increases forecast.
- Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

- Trading income continued to be weak due to low levels of volatility in global markets.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	3.05% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	5.20%
Next distribution:	23 Mar 17
Ex distribution:	14 Mar 17
Accrued:	\$0.65
Cash payment:	\$0.84
Gross payment:	\$1.20
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

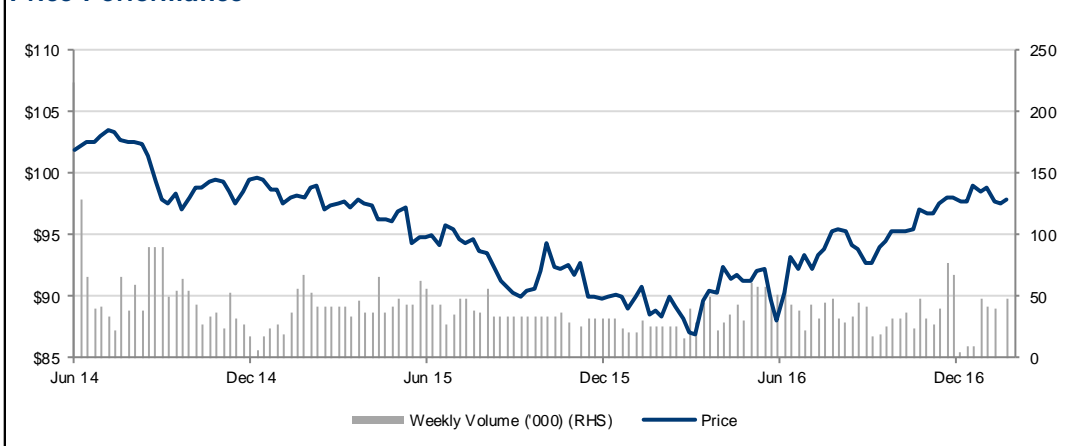
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	41%	41%	42%	42%	44%
Dividend Payout Ratio	77%	76%	74%	75%	80%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

WBCPE is a Capital Note and will convert into WBC Ordinary Shares assuming the WBC share price is above \$5.27 on the Mandatory Conversion Date (23 September 2024). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem WBCPE for \$100.00 per security on the Call Date of 23 September 2022. WBCPE contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Capital Notes III

WBCPF.ASX

Cap Note 3-Bbsw+4.00% Perp Non-Cum Red T-03-21

Security Issue Size
A\$1,320m

Avg. Daily Turnover
\$0.05m

Last price **A\$102.00**
Fair value **A\$101.77**
Fair margin **386 bp**

HOLD

Pricing

Clean price: \$101.21
Cash yield: 3.98%
Gross yield: 5.68%
Yield to call: 6.18%
Implied sw ap: 2.39%
Trading margin: 3.79%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer: WBC
Face Value: \$100.00
Issue Date: 8 Sep 15
Call Date: 22 Mar 21
Term to Call: 4.1 years
Maturity Date: Perpetual

Key Credit Positives

– A solid capital foundation with further increases forecast.
– Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

– Trading income continued to be weak due to low levels of volatility in global markets.
– Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate: 4.00% + 90d
Payable: Quarterly
Franking: 100%
Current coupon: 6.17%
Next distribution: 22 Mar 17
Ex distribution: 13 Mar 17
Accrued: \$0.79
Cash payment: \$1.00
Gross payment: \$1.43
Deferrable: Yes
Cumulative: No
Div. Stopper: Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

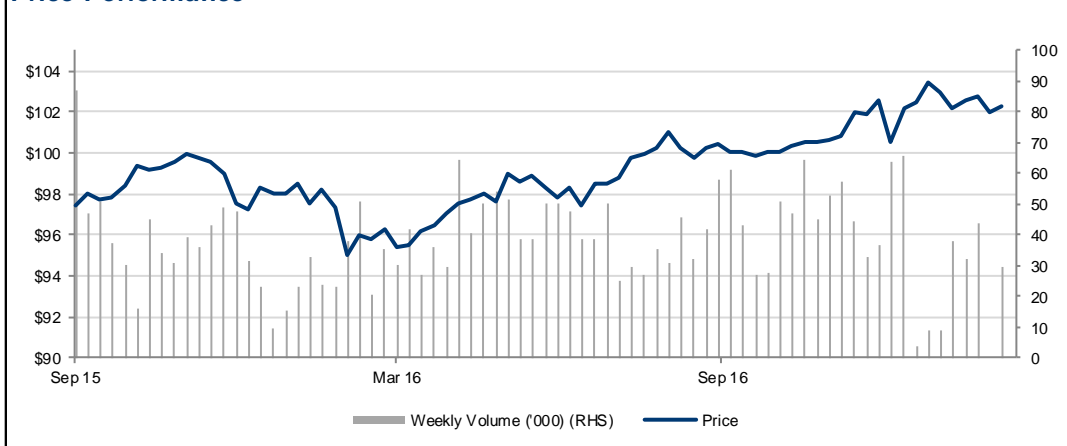
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	41%	41%	42%	42%	44%
Dividend Payout Ratio	77%	76%	74%	75%	80%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

WBCPF is a Capital Note and will convert into WBC Ordinary Shares assuming the WBC share price is above \$15.61 on the Mandatory Conversion Date (22 March 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem WBCPF for \$100.00 per security on the Call Date of 22 March 2021. WBCPF contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Westpac Capital Notes IV

WBCPG.ASX

Cap Note 3-Bbsw+4.90% Perp Non-Cum Red T-12-21

Security Issue Size
A\$1,700m

Avg. Daily Turnover
\$0.06m

Last price **A\$105.43**
Fair value **A\$105.17**
Fair margin **393 bp**

HOLD

Pricing

Clean price:	\$104.63
Cash yield:	4.45%
Gross yield:	6.35%
Yield to call:	6.37%
Implied sw ap:	2.51%
Trading margin:	3.86%

Issuer Details

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. Westpac has 3 key customer facing divisions comprising Australian Financial Services (Westpac RBB, St George Bank and BTFG), Westpac Institution Bank and Westpac New Zealand.

Issue Details

Issuer:	WBC
Face Value:	\$100.00
Issue Date:	30 Jun 16
Call Date:	20 Dec 21
Term to Call:	4.8 years
Maturity Date:	Perpetual

Key Credit Positives

- A solid capital foundation with further increases forecast.
- Lower watchlist and substandard loan exposures declined over the half.

Key Credit Negatives

- Trading income continued to be weak due to low levels of volatility in global markets.
- Ongoing regulatory concerns regarding the Financial System Inquiry.

Distribution Details

Dist. Rate:	4.90% + 90d
Payable:	Quarterly
Franking:	100%
Current coupon:	6.86%
Next distribution:	30 Mar 17
Ex distribution:	21 Mar 17
Accrued:	\$0.80
Cash payment:	\$1.16
Gross payment:	\$1.65
Deferrable:	Yes
Cumulative:	No
Div. Stopper:	Yes

Financial Commentary

WBC reported FY16 cash earnings of \$7,822m, 0.1% lower than our forecast and 0.2% above Factset consensus. New impaired assets totalled \$477m in 2H16, down significantly from \$1,078m in 1H16 and down from \$633m in 2H15. The credit impairment charge decreased from \$667m in 1H16 to \$457m in 2H16.

Company Financials

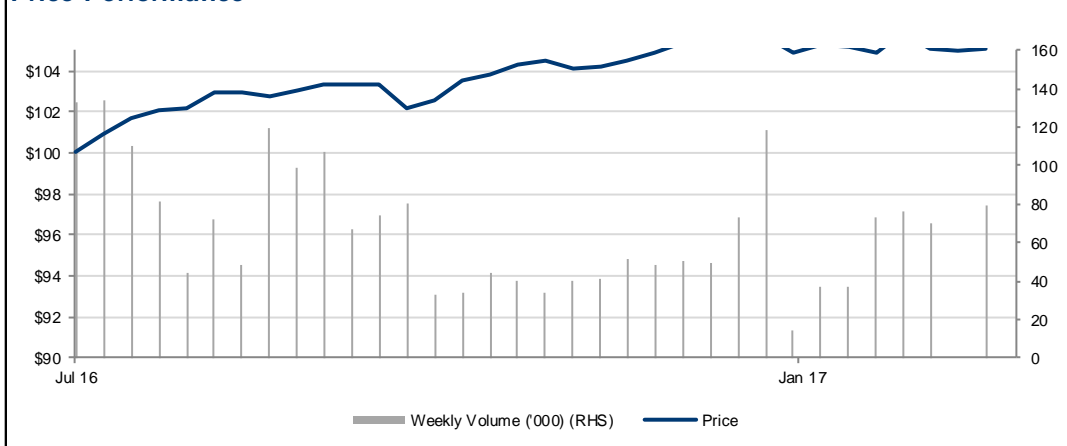
	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16
Net Interest Income (A\$m)	12,563.0	12,821.0	13,542.0	14,240.0	15,348.0
Reported NPAT (A\$m)	5,970.0	6,816.0	7,561.0	8,320.0	7,445.0
Cash Earnings (A\$m)	6,598.0	7,063.0	7,628.0	7,819.0	7,822.0
Cash EPS (A\$)	2.09	2.28	2.45	2.48	2.35
Cost to Income Ratio	41%	41%	42%	42%	44%
Dividend Payout Ratio	77%	76%	74%	75%	80%
Core Tier 1 Capital Ratio	8.4%	9.1%	9.0%	9.5%	9.5%
Tier 1 Ratio	10.3%	10.7%	10.6%	10.9%	11.2%
Total Capital	11.7%	12.3%	12.3%	13.3%	13.1%

SOURCES: MORGANS, IRESS, COMPANY DATA, FACTSET

Security Details

WBCPG is a Capital Note and will convert into WBC Ordinary Shares assuming the WBC share price is above \$14.74 on the Mandatory Conversion Date (20 December 2023). If not Converted, the Security will remain outstanding until Tests can be met. The Tests are undertaken at each Dividend Date after the Mandatory Conversion Date. Additionally, the Issuer may, with the prior approval of APRA redeem WBCPG for \$100.00 per security on the Call Date of 20 December 2021. WBCPG contains both Common Equity and Non-Viability Trigger Events which could result in holders receiving less than \$100.00 per Security if triggered.

Price Performance



SOURCES: MORGANS, IRESS, COMPANY DATA

Queensland

Brisbane	+61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management	
Brisbane: Edward St	+61 7 3121 5677
Brisbane: Tynan Partners	+61 7 3152 0600
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Caloundra	+61 7 5491 5422
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Ipswich/Springfield	+61 7 3202 3995
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Mt Gravatt	+61 7 3245 5466
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba	+61 7 4639 1277
Townsville	+61 7 4725 5787
Yeppoon	+61 7 4939 3021

New South Wales

Sydney	+61 2 9043 7900
Stockbroking, Corporate Advice, Wealth Management	
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5515
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Gosford	+61 2 4325 0884
Hurstville	+61 2 9570 5755
Merimbula	+61 2 6495 2869
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Newport	+61 2 9998 4200
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Sydney: Level 7 Currency House	+61 2 8216 5111
Sydney: Level 9	+61 2 8215 5000
Sydney: Hunter St	+61 2 9125 1788
	+61 2 9615 4500
Sydney: Reynolds Equities	+61 2 9373 4452
Wollongong	+61 2 4227 3022

Victoria

Melbourne	+61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management	
Brighton	+61 3 9519 3555
Camberwell	+61 3 9813 2945
Domain	+61 3 9066 3200
Farrer House	+61 3 8644 5488
Geelong	+61 3 5222 5128
Richmond	+61 3 9916 4000
South Yarra	+61 3 8762 1400
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warmambool	+61 3 5559 1500

Australian Capital Territory

Canberra	+61 2 6232 4999
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Northern Territory

Darwin	+61 8 8981 9555
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Tasmania

Hobart	+61 3 6236 9000
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Western Australia

West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management	
Perth	+61 8 6462 1999

South Australia

Adelaide	+61 8 8464 5000
Norwood	+61 8 8461 2800

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Regulatory disclosures

Morgans was a Joint Lead Manager to the issue of the NAB Capital Notes and received fees in this regard. Morgans was a Participating Broker to the issue of the CWN Subordinated Notes 2 and received fees in this regard. Morgans was a Joint Lead Manager to the issue of the WBC Capital Notes 3 and received fees in this regard. Morgans was a Joint Lead Manager to the issue of the AMP Capital Notes and received fees in this regard. Morgans was a Participating Broker to the issue of the Australian Unity Bonds Series 2 and received fees in this regard. Morgans was a Joint Lead Manager to the issue of the Macquarie Capital Notes 2 and received fees in this regard. Morgans was a Joint Lead Manager to the issue of the CommBank PERLS VIII and received fees in this regard. Morgans is a Joint Lead Manager to the issue of the WBC Capital Notes 4 and may receive fees in this regard.

Recommendation structure

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Research team

For analyst qualifications and experience, refer to our website at <http://www.morgans.com.au/research-and-markets/our-research-team>

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