
From: jeffrey E. <jeevacation@gmail.com>
Sent: Monday, November 9, 2015 9:28 PM
To: Richard Kahn
Subject: Re: Royal Bank of Scotland 7.64% Fixed-to-Float Pfd

5 million

On Mon, Nov 9, 2015 at 10:25 PM, Richard Kahn <[REDACTED]> <mailto:[REDACTED]> > wrote:

thought this was interesting as it would yield foreign interest income
please advise
thank you

Richard Kahn
HBRK Associates Inc.

New York, NY 10022
tel 212-971-1306=/a>

fax [REDACTED] <tel:[REDACTED]>
cell [REDACTED] <tel:[REDACTED]>

Begin forwarded message:

<div style="margin-top:0px;margin-right:0px;margin-bottom:0px;margin-left:0px">From: "Atla=, Andrew S" <[REDACTED]> <mailto:[REDACTED]> >

Subject: Royal Bank of Scotland 7.64% Fixed-to-Float Pfd

Date: November 9, 2015 at 4:03:19 PM EST

To: "Richard Kahn [REDACTED] <mailto:[REDACTED]>)" <[REDACTED]> &=t;

Rich,

Here is an attractive Yield to Call opportunity that I wanted to show South Trust Company. I've attached a still relevant Morgan Stanley note from earlier this year.

Details:

Royal Bank of Scotland 7.64% Fixed-to-Float Preferred Shares

RBS 7.64% Perpetual

Issuer: Royal Bk Scotland Grp Plc

Par Value: \$1,000

Security Type: Preferred Stock

QDI/DRD Eligible: Yes / Yes

Cumulative: Non-Cumulative

Rating: B1 / B+

Coupon (Details): 7.64% to 9/30/2017; then US 3M Libor +232bp, resets Quarterly

Next Call Date: 9/30/2017, Quarterly thereafter

Maturity: Perpetual

Net Price: 105.25

Current Yield: 7.2589%

Yield to Next Call: 4.6871%

Some of Morgan Stanley's highlights:

1. They fundamentally like the credit and this is one of the most liquid and highest yielding legacy securities (old-style AT1s)

2. They expect the bond to get called at first call because:

i. RBS has excess Tier 1 capital and RBS is issuing AT1 which is further increasing this excess

ii. The 7.64s are expensive. RBS does not get a tax benefit so the coupon is 1.2x higher for the issuer than the headline coupon*.

iii. The 7.64s are only callable every 10 years so missing the opportunity in 2017 reduces all flexibility for the issuer when it loses all capital value from end-2021.

3. They think that the 7.64s could get tendered for or exchanged at favorable terms, but are happy with the carry they offer even if they are not.

* Note the back end of 3ml+232 grossed up for tax is closer to 3ml+300 for the issuer.

Please treat all price levels as subject to market availability. Let me know if you have any questions.

Speak soon,

Andrew

Andre S. Atlas

Financial Advisor

Equity Sales/Middle Markets Group
Morgan Stanley Wealth Management

Midtown Manhattan Complex

1290 Avenue of the Americas, 12th Floor | New York, NY 10104

Tel/Direct: [REDACTED] | Fax: [REDACTED]
[REDACTED] <mailto:[REDACTED]>

Important Notice to Recipients:

Please do not use e-mail to request, authorize or effect the purchase or sale of any security or commodity. Unfortunately, we cannot execute such instructions provided in e-mail. Thank you.

The sender of this e-mail is an employee of Morgan Stanley Smith Barney LLC ("Morgan Stanley"). If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Erroneous transmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: <http://www.morganstanley.com/disclaimers/mssbemail.html>. If you cannot access this link, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

--

please note

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of JEE. Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to jeevacation@gmail.com and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved