
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 a= 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:

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

Subject: Royal Ba=k of Scotland 7.64% Fixed-to-Float Pfd

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

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

Rich,

=span style="font-family: "Cambria", "serif"">Here♦=80♦s an attractive Yield to Call opportunity that I wanted to show South=rn Trust Company. I've attached a still relevant Morgan Stan=ey note from earlier this year.

Details:</=>

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

RBS 7.64% Perpetual

Issuer:=C2♦ Royal Bk Scotland Grp Plc

Par Value: =C2♦ \$1,000

S=curity Type: Preferred Stock

QDI/DRD Eligible♦=A0 Yes / Yes<=>

Cumulative: Non-Cumulative

Rating: B1 / B+

Coupon (Details): =C2♦ 7.64% to 9/30/2017; =hen US 3M Libor +232bp, resets Quarterly

♦=A0 ♦=A0 =C2♦

Next Call Date: 9/30/2017, Quarterly thereafter=/u>

Maturity: =C2♦ ♦=A0 Perpetual

<=>Net Pri=e: =C2♦ ♦=A0 105.25

Current Yield: =C2♦ ♦=A0 7.2589%

Yield to Next Call: =C2♦ 4.6871%

Some of Morgan Stanley's highlights:<=>

1.<=pan style="font:7.0pt "Times New Roman""> ♦=A0 They fundamentally like the credit and this is one of the most =iquid and highest yielding legacy securities (old-style AT1s)

2. ♦=A0 They expect the bond to get called at first call because:

♦=A0 =C2♦ ♦=A0 =C2♦ ♦=A0 i. ♦=A0 RBS has excess Tier 1 capital and RBS is issuing AT1 which is further increasing this excess

♦=A0 =C2♦ ♦=A0 =C2♦ ♦=A0 ii. ♦=A0 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*.

♦=A0 =C2♦ ♦=A0 =C2♦ ♦=A0 iii. ♦=A0 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. ♦=A0 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.

♦=A0 =C2♦ ♦=A0 =C2♦ ♦=A0

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

♦=A0

Speak soon,

Andrew

♦=A0

Andre S. Atlas

Financial Advisor=/*i*>

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] <tel:[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=20 e-mail. Thank you.

The sender of this e-mail is an employee of=20 Morgan Stanley Smith Barney LLC ("Morgan Stanley"). If you =ave received this communication in error, please destroy all electronic and paper copies=and notify the sender immediately. Erroneous transmission is not intended to wa=ve confidentiality or privilege. Morgan Stanley reserves the right, to t=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.◆=A0> 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=20 foregoing.

--

please note=br>
The information contained in this communication is confidential= may be attorney-client privileged, may constitute inside information, =nd is intended only for the use of the addressee. It is the property of=br>JEE Unauthorized use, disclosure or copying of this communication=or any part thereof is strictly prohibited and may be unlawful. If you =ave received this communication in error, please notify us immediately =y return e-mail or by e-mail to jeevacation@gmail.com <<mailto:jeevacation@gmail.com>= target=> , and destroy this communic=tion and all copies thereof, including all attachments. copyright -all =ights reserved