
From: Richard Kahn <[REDACTED]>
Sent: Tuesday, November 10, 2015 9:25 PM
To: jeffrey E.
Subject: Re: Royal Bank of Scotland 7.64% Fixed-to-Float Pfd

Trade executed at 105.00 vs 105.25 on RBS Fixed to Float =referred

Yield to =all now 4.8104% vs 4.6871%

Richard Kahn
HBRK Associates Inc.
575 Lexington =venue 4th Floor
New York, NY 10022

[REDACTED]

Begin =orwarded message:

From: "Atlas, Andrew S" <[REDACTED]>
Subject: Trade Confirm RE: Royal Bank of =cotland 7.64% Fixed-to-Float Pfd

Date: November 10, 2015 at 4:19:30 PM EST

To: Richard Kahn <[REDACTED]>

Rich,

Good News to =eport.

Southern =rust Company bought 5,000,000 Royal Bank of Scotland 7.64% =ixed-to-Float Pfd's for 105.
Yield to 9/29/2017 Call = 4.8104%
Current Yield = =.2761

Was a battle, but well =orth it.

Thanks again,
Andrew

Andrew S. Atlas
Financial Advisor
Equity Sales/Middle Markets =roup
Morgan Stanley Wealth Management

Midtown =anhattan Complex
1290 Avenue of the Americas, 12th Floor = New York, NY 10104

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On Nov 9, 2015, at 4:27 PM, jeffrey E. <jeevacation@gmail.com> wrote:

5 million

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

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

Richard Kahn
HBRK Associates Inc.
575 Lexington =venue 4th Floor
New York, NY 10022

Begin forwarded message:

From: =/b>"Atlas, Andrew S" <[REDACTED]>

Subject: =/b>Royal Bank of Scotland 7.64% Fixed-to-Float Pfd

Date: =/b>November 9, 2015 at 4:03:19 PM =ST

To: =/b>"Richard Kahn ([REDACTED])"

Rich,

Here's an attractive Yield to Call opportunity that I wanted to show Southern 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 =ligible Yes = Yes

Cumulative: =on-Cumulative

Rating: B1 / B+

Coupon =Details): =.64% to 9/30/2017; Then US 3M Libor +232bp, resets Quarterly

&nb=p; =nbsp; &n=sp;

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

Maturity: =nbsp; &n=sp; Perpetual

Net==rice: &n=sp; &nbs=; 105.25

Current =ield: &n=sp; 7.2589%

Yield to Next =all: =.6871%

Some of Morgan Stanley's highlights:

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

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

&nb=p; = &bsp; &nb=p; = i. RBS=has excess Tier 1 capital and RBS is issuing AT1 which is further =increasing this excess

&nb=p; = &bsp; &nb=p; = ii. The=7.64s are expensive. RBS does not get a tax benefit so the coupon =s 1.2x higher for the issuer than the headline coupon*.

&nb=p; = &bsp; &nb=p; = iii. The=7.64s are only callable every 10 years so missing the opportunity in =017 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 =t favorable terms, but are happy with the carry they offer even if they =re not.

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

&nb=p; = &bsp; &nb=p; =

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

Speak soon,

Andrew

Andrew S. Atlas

Financial Advisor

Equity Sales/Middle Markets Group
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1290 Avenue of the Americas, 12th Floor = New York, NY 10104

Tel/Direct: + [REDACTED]
[REDACTED]

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