
From: Vinit Sahni [REDACTED]
Sent: 3/13/2014 4:09:13 PM
To: Nav Gupta [REDACTED]
CC: Tazia Smith [REDACTED]; Paul Morris [REDACTED]
Subject: Re: European hybrid bonds (CoCos) [I]

Agree lets hold off and see how it trades

Vinit

On 13 Mar 2014, at 19:36, Nav Gupta <[REDACTED]> wrote:

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Given russian situation and impact on europe suggest waiting for higher yields on bank hybrids. What are your thoughts Vinit

<graycol.gif>Tazia Smith

----- Original Message -----

From: Tazia Smith
Sent: 03/13/2014 03:04 PM EDT
To: "jeffrey epstein" <jeevacation@gmail.com>
Cc: Nav Gupta; Vinit Sahni; Paula Morris; Vahe Stepanian; "Rich Kahn" <[REDACTED]>
Subject: European hybrid bonds (CoCos) [I]

Classification: For internal use only

Jeffrey - believe you discussed these BBVA and Santander coco bonds for investment yday at your meeting. Levels are indicative as of 3/12, so if of interest, we'll refresh.

Intended for Non-Advisory Clients

Buying opportunity in European hybrid bonds (CoCos) yielding 6.4-6.9%,having widened by 25-40bp last week | KCP Capital Markets [I]

BBVA 9% USD CoCo yield widened by 40bp in the last week (current yield to call: 6.9%)

The recently issued Santander 6.25% EUR CoCo yield is up by 25bp (current yield to call: 6.4%)

Both are good quality, high yielding, low trigger CoCos

These are hybrid bonds that absorb losses when the capital ratio of the issuer falls below a trigger level
BBVA and Santander capital ratios (CET1 ratio: 10.5%-11%) are far from the trigger on these CoCos (5.125% for both)

Coupons are discretionary and step up to a spread over 5y swap rates if these are not called (in 2019)

The likely step up in coupon if these are not called incentivises the issuer to call the bonds

We therefore look at 'yield to call' instead of 'yield to maturity'

BBVA (Baa2/BBB-) USD 9% CoCo Yield to Call

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