
From: Nav Gupta [REDACTED]
Sent: 7/1/2014 10:39:04 AM
To: [REDACTED]
CC: Paul Morris [paul.morris@db.com]; Vinit Sahni [REDACTED]; Tazia Smith [REDACTED]
Subject: Re: Banco Espirito continued.....
Attachments: pic32604.gif; pic12335.gif; pic32338.gif; pic29126.gif; pic16071.gif; pic24284.gif

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Banco Espirito has 3 issues

1. it is in trouble with regulators after it funded its cash position by issuing bills and bonds to retail and institutional clients who has entrusted funds to the bank on a discretionary basis. market participants worry about the firms ability to raise capital.
2. it has a large exposure (3 to 5bn) with Angola
3. management is in flux after CEO stepped down

There is a lot of bad news priced into all levels of the capital structure of these bonds

Espirito will likely issue more equity and AT1 debt. as a result it is likely the senior unsecured and LT2 debt will be shielded from loss-absorption

Both the LT2 issue the BESPL 7.125 23 and the Senior unsecured BESPL 4.75 18 have been hit hard. they have richened already from the lows of the day (The 23's are around 95 mid (8.6%) although hit an intra-day low in the high 80's earlier today) they still look a decent buy to scale into and are 230bp higher yield than a week ago. The 4.75s 18 yield around 4.4% which is 160bp higher compared to a week ago

From: Tazia Smith/[REDACTED]
To: [REDACTED], Vinit Sathe/[REDACTED],
Cc: Nav Gupta/[REDACTED], Paul Morris
Date: 01/07/2014 15:25
Subject: Banco Espirito continued..... [C]

Classification: Confidential

Rich -

Vinit highlights the BEBP 7.125 2023s LT2 ([REDACTED]). This is subordinated Banco Espirito credit. Trading ~94.125x95.375 or 8.4% (bloomberg). DB trader is wide on these given volatility - his indicative market is 93.5x95.5, so we'd clearly work a level if interested.

Vinit - care to opine further?

Thanks,
Tazia

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