Investors look elsewhere as Europe slumbers

With tumbleweed blowing through the European bond markets, investors were forced to look elsewhere for action. To the Middle East, in fact, where the **National Bank of Abu Dhabi (NBAD)** was knocked over in the rush for $2bn of 10-year floating-rate subordinated convertible bonds.

The notes, due in 2018, will pay a floating-rate coupon of 0.25% under the three-month Emirates interbank offered rate (Ebor). The conversion price of Dh30.55 (Emirates dirham) was at a 30% premium to the Dh23.50 reference price for NBAD shares.

Credit Suisse and Morgan Stanley acted as joint bookrunners on the issue of the stock for which application has been made to list on the professional securities market of the London Stock Exchange. Credit Suisse and NBAD worked together as joint structuring agents on the bonds.

"We were very pleased with the support from institutional investors for NBAD," said Michael Tomalin, NBAD's Chief Executive. "This further strengthens NBAD's position and provides capital for our growth strategy."

The **World Bank** meanwhile issued its first benchmark sterling-denominated bond in seven years. The World Bank, which provides finance to sovereign countries through its International Bank for Reconstruction and Development with a mandated mission of fighting poverty and investing in health and education, said it had issued the bond in response to particularly high levels of demand.

"For the past several months the sterling market has experienced increased levels of activity due mainly to wider swap spreads and larger allocations to the sterling currency by international portfolio managers," said a World Bank spokesman.

He added: "Among those institutional investors, the central bank community has been a prominent buyer of many of the high-quality issuance in the shorter maturities."

The World Bank's £350m two-year bond paying a coupon of 4.5% is 36 basis points over the equivalent UK gilt dated June 2010.

Orders, especially from European and Asian central banks, came in valued at £382m. The issue was lead-managed by Royal Bank of Scotland and UBS. Co-lead managers were ABN AMRO, Barclays Capital, Dresdner Kleinwort, HSBC, RBC and TD Securities.

The credit crunch will, say leading commentators, increasingly see the return of the rights issue this year as companies turn to their shareholders to shore up balance sheets and pay down maturing debt commitments.

Paragon, the British buy-to-let mortgage specialist and consumer finance lender, is one such company seen to be in the eye of the storm of the tightened lending climate and launched a 25 for 1 rights issue.

The rights issue, to raise £287m before expenses, was overseen by the company's financial adviser and corporate broker UBS, which acted as sponsor and underwriter to the heavily discounted issue, priced at around 90% lower than the previous day's closing share price.

The rights issue was raised to pay off a £280m secured revolving facility which has a maturity of the end of February and which Paragon's corporate facility banks had indicated would be called in.

Robert Dench, Paragon's Chairman, said the refinancing was needed to enable Paragon to seek additional "warehouse" financing (facilities which enable Paragon to parcel up its lending to customers via the asset-backed securities market).

"The rights issue will provide Paragon with a platform from which it can pursue further funding so the company can return to writing significant volumes of profitable business when credit markets reopen," said Dench.

Société Générale's own investment bankers were co-leading the bookrunning of the French bank's monster €25.5bn cash call on investors in a bid to prop up its finances after the €4.9bn losses apparently racked up by so-called rogue trader Jerome Kerviel.

Robert Lea is City Correspondent of *The London Evening Standard*.

BONDS

DEAL PRICING DATE	ISSUER	TRANCHE VALUE (PROCEEDS)	DEAL VALUE (PROCEEDS)	BOOKRUNNER	MATURITY DATE	COUPON %
17/01/2008	HeidelbergCement Finance BV	$1,464m	$1,464m	Deutsche Bank, RBS	25/01/2012	6.375
06/02/2008	British Sky Broadcasting Group plc	$749m	$749m	Deutsche Bank, Barclays Capital	15/02/2018	6.1

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