

UBS Shareholder Wants Capital Increase Opened to Investors
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By Warren Giles

Jan. 17 (Bloomberg) -- Profond, a Swiss pension fund that holds 1 million shares in UBS AG, called on Europe's biggest bank by assets to give existing shareholders the chance to participate in a planned capital increase.

UBS, which aims to sell 13 billion Swiss francs (\$11.8 billion) in convertible bonds to Government of Singapore Investment Corp. and an unidentified Middle Eastern investor, has rejected the possibility of raising the capital through a rights offer to existing shareholders because of "cost, complication and time."

"Time and cost arguments are not relevant," Herbert Braendli, Profond's president, wrote today in an e-mailed response to Bloomberg. "We have nothing against foreign state funds; what disturbs us is the unfair treatment and the stock-dilution of longstanding shareholders."

Profond wants to avoid diluting the current holdings of UBS shareholders. Existing investors should be given first preference in any capital increase, said the Thalwil, Switzerland-based pension fund, which manages 2.5 billion francs in assets including the UBS stock. Any unsold shares could then be sold to others, it said today in the e-mailed statement.

The UBS plan, which will be put to investors for approval at an extraordinary meeting on Feb. 27 in Basel, follows \$14.7 billion in writedowns that the Zurich-based bank took last year related to the U.S. subprime crisis.

Profond's announcement comes after a complaint by the Swiss group Ethos Foundation that UBS should better explain how it had such high writedowns and had excluded shareholders from the current deal.

UBS, the largest Swiss largest bank, reports fourth-quarter earnings on Feb. 14.

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