

BANKS

Libya boosts UniCredit

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Libya sets sights on majority stake in UniCredit

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Deal to buy €250m of convertible bonds

Cariverona move seen as snub

By Vincent Boland in Milan

Libya's central bank agreed to buy an extra €250m (\$326m) of convertible bonds issued by UniCredit, potentially making it the biggest shareholder in the Italian bank.

The move makes the Libyan government agency a potentially crucial actor in a clash between management at UniCredit and its largest existing Italian shareholder.

UniCredit is looking to boost its balance sheet in the teeth of the global financial crisis. But it has lost the support of the Cariverona Foundation, which owns a 6 per cent stake and stunned investors last week by saying it would not subscribe to its €3bn bond issue.

Cariverona's move is seen in UniCredit as a snub to Alessandro Profumo, the

bank's chief executive. The foundation is unhappy with the collapse in the shares, which fell 75 per cent in 2008, and the fact that UniCredit scrapped its dividend for 2008. It is said to be manoeuvring to replace Dieter Rampl, UniCredit chairman – and possibly Mr Profumo – at the bank's annual meeting in the spring.

Libya's central bank, seen as its sovereign wealth fund, owns 4.6 per cent of UniCredit. It agreed last October to invest €500m in the convertible issue.

Libya's ambassador in Rome told Reuters yesterday it had agreed to invest an additional €250m after an approach from the bank. The bonds can be converted at about €4.50 a share, about 300 per cent higher than UniCredit's share price yesterday. If the stake was converted, it would give the Libyan central bank a 7 per cent stake in UniCredit.

Shareholders in UniCredit are also restricted to 5 per cent voting rights, which gives all big shareholders the same voting weight. But

analysts said Libya's move could increase its chances of a seat on UniCredit's board, an issue that could spur further tension between the existing shareholders and the management.

It could also create a headache for the Italian government, which has issued ambivalent messages about foreign government investment in Italian companies. Libya has suggested in recent months that it would consider greater investment in Italian companies.

The governance committee of UniCredit's board met yesterday and issued an endorsement of both Mr Profumo and Mr Rampl.

It is rare for Italian banking foundations to snub the banks they invest in, and they are regarded as the ultimate long-term shareholders. The move by Cariverona, founded in 1825 and based in Verona, puts that contention into question.

UniCredit has emerged as the biggest bank in central and eastern Europe. Its shares rose 5 per cent yesterday.

