

## REPORT ON THE IMPLEMENTATION OF POLICY ON ARMAMENTS AS AT 31.12.2008

### 1. Introduction

On 25<sup>th</sup> September 2007 the Management Board of UBI Banca approved a special policy on Group operations in the armaments sector. Instructions for implementation were then sent to all Group banks and companies in December of that year and were subsequently updated in August 2008, following a revision, amongst other things, of the list of blacklisted countries.

### 2. Transactions performed in 2008

#### Transactions subject to Law No. 185/1990

Existing authorisations at the end of 2008 totalled 200 million euro, while the amount for payment transactions performed during the year was 51 million euro.

Business continued to involve only those banks which had previously been already active in the sector (Banco di Brescia and Banco di San Giorgio), with the exception of Banca Popolare Commercio e Industria, which made an authorisation at the end of 2007 on the basis of the new policy.

#### *Existing authorisations as at 31.12.2008*

Bank	Number of transactions	Amount in euro	Percentage
BANCO DI BRESCIA	28	166.365.392	83,0%
BANCO DI SAN GIORGIO	5	17.738.388	8,9%
BANCA POPOLARE COMMERCIO E INDUSTRIA	2	16.245.108	8,1%
<b>Total</b>	<b>35</b>	<b>200.348.887</b>	<b>100,0%</b>

#### *Authorisations granted in 2008*

Bank	Number of transactions	Amount in euro	Percentage
BANCO DI BRESCIA	18	153.912.493	94,7%
BANCO DI SAN GIORGIO	2	8.612.302	5,3%
<b>Total</b>	<b>20</b>	<b>162.524.794</b>	<b>100,0%</b>

#### *Collection transactions performed in 2008*

Bank	Number of transactions	Amount in euro	Percentage
BANCO DI BRESCIA	97	43.955.723	86,6%
BANCO DI SAN GIORGIO	4	6.492.790	12,8%
BANCA POPOLARE COMMERCIO E INDUSTRIA	18	307.850	0,6%
<b>Total</b>	<b>119</b>	<b>50.756.364</b>	<b>100,0%</b>

As concerns the destination countries of the transactions, no new authorisations were granted during the year to blacklisted countries as exceptions to the policy. The only authorisation existing for a blacklisted country, Albania, was granted prior to the date on which the policy came into force.

Collection transactions relating to authorised exports involved some countries which were blacklisted at the time the transaction was performed – Bangladesh, Malaysia, India, Albania, Oman and China (for a total of 1,9 million euro) – because they related to authorisations coming to an end which had been granted before the policy came into force.

*Authorisations for export transactions existing as at 31.12.2008*

<b>COUNTRY</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
AUSTRALIA	5	128.170.303	64,0%
NEW ZEALAND	1	22.734.033	11,3%
UNITED ARAB EMIRATES	4	17.665.977	8,8%
BRAZIL	2	10.135.333	5,1%
ABU DHABI	1	8.995.015	4,5%
JAPAN	1	6.245.108	3,1%
NORWAY	1	2.850.000	1,4%
GERMANY	2	2.126.130	1,1%
FRANCE	4	770.589	0,4%
BELGIUM	9	294.803	0,1%
PERU	1	284.321	0,1%
ALBANIA (Group C blacklisted country)*	1	72.411	0,0%
GREECE	1	2.441	0,0%
GREAT BRITAIN	1	1.534	0,0%
MALTA	1	890	0,0%
<b>Total</b>	<b>35</b>	<b>200.348.887</b>	<b>100,0%</b>

*Authorisations for export transactions granted during 2008*

<b>COUNTRY</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
AUSTRALIA	4	118.449.814	72,9%
NEW ZEALAND	1	22.734.033	14,0%
ABU DHABI	1	8.995.015	5,5%
UNITED ARAB EMIRATES	2	8.612.302	5,3%
NORWAY	1	2.850.000	1,8%
GERMANY	1	326.130	0,2%
PERU	1	284.321	0,2%
BELGIUM	4	152.440	0,1%
FRANCE	2	115.875	0,1%
GREECE	1	2.441	0,0%
GREAT BRITAIN	1	1.534	0,0%
MALTA	1	890	0,0%
<b>Total</b>	<b>20</b>	<b>162.524.794</b>	<b>100,0%</b>

*Transactions for exports performed in 2008*

<b>Country</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
SPAIN	2	11.640.745	22,9%
BELGIUM	37	9.897.710	19,5%
AUSTRALIA	12	9.842.454	19,4%
UNITED ARAB EMIRATES	5	8.537.805	16,8%
FINLAND	1	2.693.768	5,3%
NEW ZEALAND	2	2.076.346	4,1%
MEXICO	9	1.417.370	2,8%
BANGLADESH (Group B blacklisted country)*	1	1.385.858	2,7%
ABU DHABI	4	981.787	1,9%
GERMANY	3	772.379	1,5%
BRAZIL	19	425.915	0,8%
GREECE	4	274.201	0,5%
MALAYSIA (Group B blacklisted country)*	1	246.778	0,5%
CHILE	1	195.349	0,4%
INDIA (Group B blacklisted country)*	7	112.458	0,2%
FRANCE	3	72.500	0,1%
ALBANIA (Group C blacklisted country)*	1	72.410	0,1%
OMAN (Group C blacklisted country)*	5	66.330	0,1%
CHINA (Group A blacklisted country)*	1	40.000	0,1%
CZECH REPUBLIC	1	4.200	0,0%
<b>Total</b>	<b>119</b>	<b>50.756.364</b>	<b>100,0%</b>

Almost all of the existing authorisations (97,7% of the total) regarded components, parts, equipment and work for aircraft and related to international trade transactions destined to government counterparties (99,5% of the total). The same applies for authorisations granted in 2008 (99,8%), which were destined to government counterparties.

Financial transactions also regarded significant amounts for unarmed aircraft (12,8% where 89,9% of the total transactions were for aircraft), electronic equipment (4,3%) and firearms with a calibre up to 12,7mm (2,8%).

#### Transactions not subject to Law No. 185/1990 (light arms)

Monitoring commenced in 2008 of financial transactions relating to international trade transactions in light arms, which was already performed at Banco di Brescia. Transactions amounting to 2,1 million euro were recorded, none of which destined to countries blacklisted under the policy.

#### *Transactions for exports performed in 2008*

Country	Number of transactions	Amount in euro	Percentage
U.S.A.	12	999.380	46,7%
TURKEY	5	686.372	32,0%
GERMANY	17	271.138	12,7%
ARGENTINA	1	125.800	5,9%
BELGIUM	2	30.317	1,4%
MALTA	1	7.999	0,4%
GREAT BRITAIN	1	7.700	0,4%
SWITZERLAND	1	3.600	0,2%
NEW ZEALAND	2	2.885	0,1%
GREECE	1	2.521	0,1%
FRANCE	2	2.301	0,1%
CZECH REPUBLIC	1	929	0,0%
SPAIN	1	760	0,0%
SWEDEN	1	488	0,0%
<b>Total</b>	<b>48</b>	<b>2.142.191</b>	<b>100,0%</b>

Transactions regarding the sale of parts for arms (components, equipment, reconditioning) accounted for 90,2%, generally destined to industrial counterparties (94,1%).

### **3. Transactions not performed in 2008 because not compliant with Group policy**

Requests for transactions involving countries blacklisted under the policy (e.g. Philippines, Israel, Singapore, Nigeria) were for a non significant amount. In fact after the first year since the policy commenced, customers now no longer make practically any requests which do not meet the requirements for acceptance.

### **4. Other information and objectives for 2009**

During the year a first training module on the policy was made available for foreign trade managers and also for some specific account managers. The objective was also to improve the training contents with a view to extending training to include other account managers and staff in branches and foreign centres potentially affected in 2009.

A periodic review of blacklisted countries was conducted at the end of the year. There are now 95 following the exclusion of ten countries (Congo, Djibouti, Ecuador, Grenada, Madagascar, Maldives, Oman, Singapore, South Africa) and the inclusion of three new countries (Tunisia, Ukraine and Uruguay).

Monitoring of transactions will be further increased during 2009 for control and reporting purposes and this will also regard transactions for operations not covered by Law No. 185/1990. Discussions with social organisations active on the matter, with operators in the sector and with Group operating units will also continue both to assess reporting with respect to expectations and to identify ways of refining and improving policy and implementation of it.