

## REPORT ON THE IMPLEMENTATION OF POLICY ON ARMAMENTS TO 31.12.2010

### 1. Introduction

On 25<sup>th</sup> September 2007 UBI Banca launched a special policy on Group operations in the armaments sector, which was later amended in July 2009. The policy bans business of any type with companies that produce arms of mass destruction and other controversial weapons (e.g. landmines, cluster bombs) and it identifies a series of countries subject to restrictions (divided into “forbidden countries”<sup>1</sup> and “borderline countries”<sup>2</sup>) on the supply of financial services for international trade in armaments and materials for armaments, including those subject to the provisions of Law No. L.185/1990 (materials for armaments) and those not subject to it (small calibre light armaments).

In accordance with that policy, this report informs stakeholders in general of the business performed by Group banks in 2010, with details of the countries in receipt of armaments and the type of armaments traded.

As occurred in previous years, in 2010 all transactions were performed in full compliance with the criteria and constraints set by the policy, with no exceptions.

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

The total value of authorisations obtained reduced drastically from 1.226,3 million euro in 2009 to 170,1 million euro in 2010 (-86,1%) and it was also lower than the level in 2008.

The value of financial transactions relating to exports performed during the year, which also concerned settlements of transactions authorised in prior years, increased from 65,6 million euro to 182,6 million euro (+166,4%).

#### *Export authorisations granted in 2010*

<b>BANK</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
BANCO DI BRESCIA	16	168.216.293	98,4%
BANCO DI SAN GIORGIO	5	2.664.476	1,6%
<b>Total</b>	<b>21</b>	<b>170.880.769</b>	<b>100,0%</b>

#### *Collection transactions performed in 2010*

<b>BANK</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
BANCO DI BRESCIA	175	156.818.895	85,9%
BANCA POPOLARE COMMERCIO E INDUSTRIA	21	21.269.681	11,6%
BANCO DI SAN GIORGIO	40	4.528.864	2,5%
<b>Total</b>	<b>236</b>	<b>182.617.440</b>	<b>100,0%</b>

<sup>1</sup>Countries subject to international arms embargos.

<sup>2</sup>Countries involved in armed conflicts (SIPRI) and/or for which systematic violations of human rights have been reported (AI/HRW) and/or which have been criticised for the index of human development and the level of military and social spending (UNDP/SIPRI).

*Export authorisations granted in 2010 by country of destination*

<b>COUNTRY</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
FRANCE	2	65.000.000	38,0%
AUSTRALIA	3	53.513.671	31,3%
NETHERLANDS	1	30.000.000	17,6%
SPAIN	2	9.083.931	5,3%
NORWAY	2	6.036.030	3,5%
U.S.A.	3	4.088.471	2,4%
TURKEY	2	2.443.760	1,4%
GERMANY	1	550.000	0,3%
BELGIUM	2	57.513	0,0%
GREAT BRITAIN	2	57.393	0,0%
JAPAN	1	50.000	0,0%
<b>Total</b>	<b>21</b>	<b>170.880.769</b>	<b>100,0%</b>

As occurred in previous years, almost all new authorisations in 2010 (96,4%) were with government counterparties.

*Collection transactions performed in 2010 by country of destination*

<b>COUNTRY</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
AUSTRALIA	62	70.942.726	38,8%
FRANCE	24	26.776.522	14,7%
NETHERLANDS	21	22.984.282	12,6%
AUSTRIA	1	16.901.894	9,3%
SPAIN	9	15.938.088	8,7%
GERMANY	33	13.171.238	7,2%
ESTONIA	1	4.152.572	2,3%
NEW ZEALAND	5	3.823.651	2,1%
UNITED ARAB EMIRATES	10	3.576.647	2,0%
U.S.A.	36	1.994.996	1,1%
TURKEY	2	1.047.325	0,6%
GREAT BRITAIN	2	641.848	0,4%
GREECE	4	368.962	0,2%
BRAZIL	18	174.824	0,1%
BELGIUM	7	107.866	0,1%
JAPAN	1	14.000	0,0%
<b>Total</b>	<b>236</b>	<b>182.617.440</b>	<b>100,0%</b>

2010 authorisations by type of weapon

TYPE	Number of transactions	Amount in euro	Percentage
Aircraft (components, spare parts, equipment, repairs and work)	8	137.452.139	80,4%
Aircraft	3	24.031.659	14,1%
Specialist equipment for military training or to simulate scenarios (assistance and consultancy)	1	4.643.100	2,7%
Unarmed aircraft (components, spare parts, equipment, repairs and work)	4	2.614.476	1,5%
Specialist equipment for military training or to simulate scenarios	1	1.392.930	0,8%
Software	1	550.000	0,3%
Equipment and technology for production (components, spare parts, equipment, repairs and work)	1	97.331	0,1%
Technology for development, production, or use (assistance and consultancy)	1	50.000	0,0%
Weapons and automatic weapons with caliber equal to or less than 12,7 mm (components, spare parts, equipment, repairs and work)	1	49.134	0,0%
<b>Total</b>	<b>21</b>	<b>170.880.769</b>	<b>100,0%</b>

As in previous years, again in 2010 almost all new authorisations (96,0%) related to the supply of components, spare parts, equipment and work for aircraft and the supply of aircraft. The same applies to the financial transactions reported in the table below.

Collection transactions performed in 2010 by type of weapon

TYPE	Number of transactions	Amount in euro	Percentage
Aircraft (components, spare parts, equipment, repairs and work)	127	120.327.341	65,9%
Unarmed aircraft (components, spare parts, equipment, repairs and work)	39	21.082.957	11,5%
Aircraft	24	17.377.085	9,5%
Unarmed aircraft	2	12.838.000	7,0%
Miscellaneous equipment, materials and libraries	9	9.237.174	5,1%
Weapons and automatic weapons with calibre equal to or less than 12,7 mm (components, spare parts, equipment, repairs and work)	8	714.766	0,4%
Software	3	385.000	0,2%
Forged pieces, cast pieces and semi-finished products (components, spare parts, equipment, repairs and work)	4	368.962	0,2%
Aircraft (assistance and consultancy)	18	174.824	0,1%
Equipment and technology for production (components, spare parts, equipment, repairs and work)	1	97.331	0,1%
Technology for development, production, or use (assistance and consultancy)	1	14.000	0,0%
<b>Total</b>	<b>236</b>	<b>182.617.440</b>	<b>100,0%</b>

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

Yet again in 2010 the transactions related to Banco di Brescia only, which recognised transactions amounting to 5,8 million euro compared to 2,7 million euro in 2009 (+114,6%). No transactions involved exports to countries forbidden by our armaments policy.

*Transactions for export performed in 2010*

<b>COUNTRY</b>	<b>Number of transactions</b>	<b>Amount in euro</b>	<b>Percentage</b>
U.S.A.	42	4.494.636	77,0%
GERMANY	30	828.316	14,2%
AUSTRIA	5	214.290	3,7%
TURKEY	15	206.838	3,5%
SPAIN	6	24.207	0,4%
CZECH REPUBLIC	5	17.682	0,3%
FRANCE	3	16.920	0,3%
NEW ZEALAND	5	11.645	0,2%
SWITZERLAND	5	10.625	0,2%
GREECE	1	3.865	0,1%
FINLAND	2	2.351	0,0%
SLOVENIA	2	2.174	0,0%
CANADA	1	1.820	0,0%
SLOVAKIA	1	79	0,0%
<b>Total</b>	<b>123</b>	<b>5.835.447</b>	<b>100,0%</b>

72,4% of the transactions regarded not complete arms, but components, spare parts, equipment, repairs and work performed. All the transactions were with private sector industrial counterparties.

## **3. Transactions not performed in 2010 in compliance with Group Policy**

Requests received by Group banks regarding exports to countries blacklisted by the policy are generally turned down when the first telephone contact occurs and consequently no official record of the request is made. In fact it is quite rare for customers to make requests which do not meet the requirements for acceptance, because our policy is now well known.

Banco di Brescia rejected a transaction for four million euro for the export of assault rifles to Turkmenistan.

## **4. Other information**

An amendment to the armaments policy was made in 2009, which made a greater distinction between export and import transactions and between business within the meaning of Law No. 185/1990 and that regarding light arms.

The list of countries subject to restrictions (forbidden countries and Borderline countries) included 93 countries in 2010.

The list was updated in March 2011 with the inclusion of Libya among the forbidden countries, because it is subject to an international arms embargo, and Brazil, Comoros, Madagascar, Saint Kitts and Nevis, the Salomon Islands, Tunisia and Uzbekistan among the borderline countries. At the same time Bolivia, Paraguay, Puerto Rico and East Timor were removed from the list.