


cassa di risparmio della provincia di teramo spa

2006 balance sheet *banca* **tercas**

2006



2006 BALANCE SHEET

bancatercas

ADHERENT

ACRI - ASSOCIATION OF ITALIAN SAVINGS BANKS
 ABI - ITALIAN BANKING ASSOCIATION
 INTERBANK FUND FOR THE SAFEGUARDING OF DEPOSITS

SHAREHOLDERS

FOUNDATION OF THE CASSA DI RISPARMIO FOR THE PROVINCE OF TERAMO - 65%
 BANCA INTESA SPA (JOINT STOCK COMPANY) - 20%
 PRIVATE SHAREHOLDERS - 15%

SHAREHOLDINGS

AGENA SRL- ALFA - CONSORZIO ABRUZZESE PER LO SVILUPPO INDUSTRIALE SPA - AUTOSTRADA DEI PARCHI SPA - BANCA D'ITALIA - BANCA INTER-REGIONALE SPA - BANCA INTESA SPA - CSE -CONSORZIO SERVIZI BANCARI SCRL -CENTRO FACTORING SPA - CENTRO IPERBARICO POLIVALENTE E RICERCA SPA - CONSORZIO PER LO SVILUPPO INDUSTRIALE DELLA PROVINCIA DI TERAMO - EUROCASSE SIM SPA - FIRA SERVIZI SRL - FIRA SPA- GRAN SASSO LAGA SRL- ISVEIMER SPA- MPS MERCHANT SPA - SAN PAOLO IMI SPA - SSB SPA - SAGA SPA - SIA SPA - SITEBA SPA - SVILUPPO ITALIA ABRUZZO SPA - SWIFT-TERLEASING SPA - SOGITER SRL - TERBROKER SRL - INVESTIMENTI IMMOBILIARI SRL - KREOS SRL.

MAIN OFFICES

ASCOLI PI CENO - ATRI - GIULIANOVA LIDO - NERETO
 PESCARA, VIA CONTE DI RUVO - ROME- ROSETO DEGLI ABRUZZI
 S. EGIDIO ALLA VIBRATA - TERAMO

BRANCHES

ALBA ADRIATICA - ALBA ADRIATICA, VIALE MARCONI - ANCORANO - APRATI - ARSITA - ATRI, FONTANELLE - ATRI, OSPEDALE CIVILE - ATRI, SANTA MARGHERITA - AVEZZANO - AVEZZANO/AG.1 - BELLANTE - BELLANTE STAZIONE - BOLOGNA - CAMPLI - CAMPOMARINO - CANZANO - CARSOLI - CASTELLI - CASTELNUOVO VOMANO - CASTILENTI - CERMIGNANO - CESENA - CHIARAVALLE - CHIETI SCALO - CIVITANOVA MARCHE - CIVITELLA DEL TRONTO - COLOGNA SPIAGGIA - COLONNELLA - COLONNELLA, CENTRO COMMERCIALE "VAL VIBRATA" - CONTROGUERRA - CORRIDONIA - CORROPOLI - CORROPOLI, BIVIO - FANO - GARRUFO DI SANTO'OMERO - GIULIANOVA PAESE - GIULIANOVA, ANNUNZIATA - GIULIANOVA, OSPEDALE CIVILE - GROTTAMMARE - JESI - LANCIANO - L'AQUILA - LORETO - MARTINSICURO - MONTE URANO - MONTEPAGANO - MONTESILVANO - MONTORIO AL VOMANO - MORRO D'ORO - MOSCIANO S. ANGELO - MOSCIANO S. ANGELO, STAZIONE - NOTARESCO - NOTARESCO, GUARDIA VOMANO - NUOVA CLITERNIA - OSIMO - PAGLIARE DI MORRO D'ORO - PAGLIARE DI SPINETOLI - PESCARA, VIA N. FABRIZI - PESCARA, SANTA FILOMENA - PIETRACAMELA - PINETO - POGGIO FIORITO - POGGIO MORELLO -PORTO D'ASCOLI - PORTO S. ELPIDIO - PORTO S. GORGIO- ROME - ROME/AG. 1 - ROME/AG. 2 -RECANATI - ROSETO DEGLI ABRUZZI, CAMPO A MARE- S. BENEDETTO DEL TRONTO - S. MARIA IMBARO - S. NICOLÒ A TORDINO - S. OMEMO - S. ONOFRIO - SCERNE DI PINETO- SILVI MARINA- SILVI MARINA SUD - TERAMO, CONATERAMO, MADONNA DELLE GRAZIE - TERAMO, OSPEDALE CIVILE -TERAMO, PIANO DELLA LENTA - TERAMO, PIAZZA DEL CARMINE - TERAMO, STAZIONE - TERMOLI - TIVOLI - TORRICELLA SICURA - TORTORETO LIDO - TORTORETO PAESE - TOSSICIA - VAL VOMANO - VILLA LEMPA.

STATUTORY BODIES

BOARD OF DIRECTORS

PRESIDENT	LINO	NISII
VICE-PRESIDENT	CLAUDIO	DI GENNARO
COUNCILLORS	GIUSEPPE ANTONIO ANTONIO ANTONIO GUGLIELMO LUIGI CARLO LUCIANO DOMENICO	CINGOLI CRISANTE DE DOMINICIS FORLINI MARCONI MARINI RIMOLDI RUSSI SELVA
SECRETARY	TITO	D'EMIDIO

EXECUTIVE COMMITTEE

PRESIDENT	LINO	NISII
VICE-PRESIDENT	CLAUDIO	DI GENNARO
MEMBERS	ANTONIO GUGLIELMO LUIGI DOMENICO	CRISANTE MARCONI MARINI SELVA

BOARD OF AUDITORS

PRESIDENT	LUIGI	MONTIRONI
STANDING AUDITORS	SABATINO ANTONIO	BROCCOLINI FRATTARI
SUBSTITUTE AUDITORS	DOMIZIO GIANFRANCO	GAVIGLIA SCENNA

GENERAL MANAGEMENT

BANK DIRECTOR	ANTONIO	DI MATTEO
VICE- DIRECTOR	GIOVANNI	PARTENZA

2006 ANNUAL REPORT

REPORT ON THE MANAGEMENT TREND

THE ECONOMIC BACKGROUND

The International Picture

There was a positive trend for the main world economies last year. On the whole, growth is becoming more balanced in the different areas. In fact, the slackening of the US economy corresponds with a stronger recovery in the eurozone and with the continuation of growth in Japan and in the main emerging countries, in particular, China and India. Although influenced mainly by crude oil quotations, at a global level, the inflationary tendency remained moderate.

The International Monetary Fund estimated a global increase of 5% for 2006.

During the first part of the year, there was a slackening in the growth of the US economy mainly because of a slowdown in production, little consumption, family budgets impoverished by the cost of oil and the beginning of the crisis for residential building.

Although there was a climate of uncertainty, there was some increase in internal demand and the degree of the use of structures, sales and the companies' trust continued growing. Moreover, family consumption, directed both towards durable and non-durable goods, highlighted a certain resistance notwithstanding the slowdown of the real estate market.

During the second part of the year there was no longer fear of a dangerous decrease in growth due to the encouraging data. On the whole, the American economy continues to remain strong. The GDP accelerated in the fourth quarter and the year ended with an increase of 3.4%.

The productivity of companies resumed climbing. The labour market did not create a great number of employment opportunities but total wages increased substantially and set off private consumption with positive consequences for company investments. In fact, retail sales, which are an important indication of family expenses, increased by 6% on an annual basis. In the lead were electronic products, household appliances and fuel.

Nevertheless, the sharp drop of investments in residential building curbed growth. The US real estate market is going through a crisis. This is highlighted by a slowdown in the prices of houses, by the number of months needed to sell new houses, by the decrease in the number of building permissions and by the increase of the insolvency rate on loans.

Moreover, the budgets of American families seem to be unbalanced: the rate of savings is undoubtedly in negative territory. Financial innovations, with abundant credit offers, and the liveliness of the stock exchange are instilling a lot of trust in families in terms of decisions regarding expenses as their indebtedness continues to increase.

The year 2006 closes for the United States with the highest commercial deficit in history both in absolute terms and with reference to the GDP. The price of oil, followed by the increase of automobile and industrial supply imports undoubtedly influenced exchange. Exports also increased but they did not make up for the volume of goods which came, above all, from China.

During 2006 the Federal Reserve increased the rate on federal funds by a quarter of a point four times and brought it from 4.25% at the end of 2005 to 5.25% at the end of June 2006.

The economy is expected to have a "soft landing" in 2007 with an approximate increase in the GDP of 2.5% unless there is a great adjustment to real estate quotations and a significant reduction of consumption.

The recovery of the Japanese economy was greater than expected. In particular, in the last quarter, growth was greatly boosted by investments, consumption and exports. The annual GDP increased by 2.2%. The economic fundamentals continue to be solid. Company investments, which had an all-time high in 2006, were very solid. They were sustained, in particular, by high company profits, by low interest rates and by the continuous earnings in productivity of the manufacturing industry. Although recovering, private consumption seems to be weak. It feels the effects of the stationariness of retributions and does not seem to fully benefit from the price stability and the considerable increase in employment. Consumer inflation, which was fixed at 0.1% on an annual basis in December, remains very moderate. The BoJ (Japanese Central Bank) maintained a policy of liquidity expansion. It left rates at 0.25% in 2006 and brought them to 0.5% during the first part of 2007.

Emerging Countries

China and India have contributed considerably to world growth. The economy of these countries, which was sustained by exports and the constant expansion of internal demand, has continued growing at a rate of almost 10%. Investments in fixed capital and company profits have increased considerably in China while, in India, the growth of the economy was led by the manufacturing sector and the tertiary industry.

There was significant economic growth in other emerging countries. Included in these are Russia and Brazil, which are developing commercial and financial connections with other economies.

The Eurozone and Italy

The European economy resumed growing as it was sustained by the great expansion of global demand. The GDP increased by 2.7% thus reducing the gap between the economic growth rates of the main countries. The result is particularly positive and is due in great part to the recovery of Germany, the greatest European economic power.

Companies recovered margins of competitiveness. This favoured a recovery in export which, in turn, set off investments in machinery and equipment. The companies' solid climate of trust was confirmed by the rates of high development, which were continuously increasing in the manufacturing sector.

Internal demand was the decisive factor for this growth. Consumption increased mainly in Spain and in France and family expenses continued increasing gradually in time and in line with the evolution of funds available, which was also a result of the improvement in the employment rate.

Investments were dynamic and benefited from an extended period, which was characterized by very favourable financial conditions, budget reorganizations, elevated profits and efficiency gained by companies.

This permitted the EU economies to hold out against the sudden rise of record-high energy prices in summer, against more restrictive monetary conditions and against a slowing down of the economic trend in the United States.

Price containment action by the European Central Bank was incisive. This central institute continued its restrictive policy because of the emerging of pressure in terms of prices and brought the reference rates from 2.25% at the end of 2005 to 3.5%

On the whole, in the Eurozone there was an average increase of consumer inflation equal to 2.2% (like in 2005). This was, therefore, not far from the aims of the European Central Bank.

The German GDP had an increase of 2.7% on an annual basis. This growth is to be attributed to the increase of investments, of internal demand and, above all, of exports. Companies invested 7% more in production capacity and German productivity increased by about 2%

Trade balance constituted a positive balance of about 200 milliard dollars. This was sustained, in particular, by the automobile sector and by technologically advanced goods destined for emerging markets. Therefore, ahead of China and the US, Germany's supremacy as greatest world exporter is confirmed. The fiscal manoeuvres taking place in Germany induced many German consumers to anticipate purchasing durable goods in the last few months of 2006 thus favouring the production sector. Germany has, therefore, resumed being competitive after a period of internal organization, which has made it possible to reduce labour costs, relocate a part of the production and improve company efficiency. Data on employment is also positive. The labour market benefited from the economic recovery last year and the unemployment rate was 9.8% of the working population. This is the lowest level since August 2002.

Growth expectations for the Italian economy were exceeded thanks to a greatly accelerated fourth quarter. The GDP increased by 1.9%. This was a clear recovery in comparison with the stationariness in 2005. In regards to the forming of the GDP, the growth was sustained in real terms by the contribution from the industry sectors, in the strict sense, and the building and service sectors.

Growth was also greatly sustained by national demand and, in particular, by consumption. Family expenses increased by 1.5%. This was favoured both by the increase in the propensity for consumption and by the dynamics of gross pay, which increased the consumers' trust during 2006.

Gross fixed investments increased by 2.3%, led by intangible property (+7%), means of transport (+3.7%), construction (2.1%) and machinery and equipment (1.8%).

Production resumed growing. In particular, the strong point of Italian industry, which is the metal and mechanical industry, closed the year with 2 digit increases in terms of sales and exports and, above all, by confirming orders for next year. Good performances were also shown, in

particular, by the motor vehicle sector and the metallurgy and electrical instrument divisions.

A lot of Italian companies managed to reorganize themselves in order to face the new competitive challenges. They aimed at productive specialization so as to adapt to global market needs. One of the keystones was the different approach towards foreign markets sustained by adequate investments in innovation and accurately aimed marketing policies.

Inflation increased by 2.1% in 2006. Consumer prices rose, above all, because of the great price increases in crude oil, in particular, during the middle of last year.

Italian trade balance showed a negative balance of 21.1 milliard euros. This data was greatly influenced by energy expenses for the necessary supplying of gas and oil. In fact, net of the energy component, the result would be positive at 30.8 milliard euros.

During the last part of 2006, there was a turnaround and, in particular during the last month, exports increased by 10% compared with an 8% increase in imports. The volume towards Germany is recovering and trade balance with Spain remains positive. During the January – December 2006 period all branches of export increased. This was led by metals, mechanical instruments and refined petrol products.

In particular, Italian trade balance is weighed down by exchange with non EU countries. In fact, the volume of sales towards European partners has resumed increasing. However, exports to the USA are decreasing. In addition, even with an increase in the quantity of Italian goods directed toward Oriental countries, there is a higher number of Asian imports.

On the whole, made in Italy products (clothing-fashion, furniture, automation-mechanics, food) continue to have good results abroad while there has been an increase in electronic imports.

CREDIT INTERMEDIATION

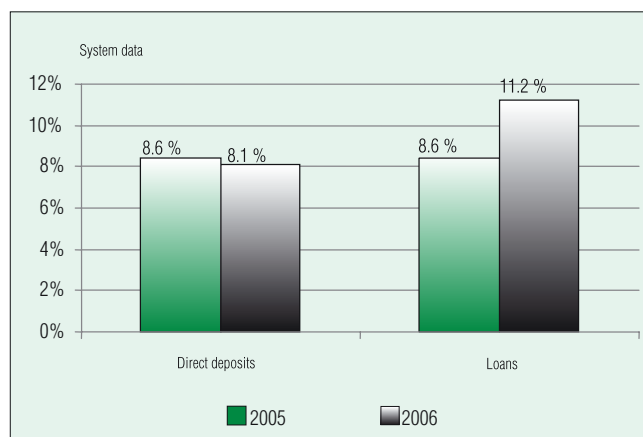
As far as the credit market is concerned, bank investments had a dynamics of consolidation and at the end of 2006 the total amount of the Italian banking system credit was equal to 1,322 milliard euros. This was a tendential annual increase of 11.2% compared with the 8.6% achieved in 2005.

Financing mainly involved companies. The amount given for production activity went back to being higher than the one for families. These values were much higher than the European average (62% in Italy, 45% in Europe). Longer-term investments continue sustaining the general trend, thus confirming a tendency, which has been in progress for a few years. The medium and long term segment increased by 1.6%. This was slightly less than the 13.0% of 2005. The reason for this was because of the current consistency of the securitization of mortgage loans and because of the lower price increase of residential real estate and the rise in interest rates. Because of the latter families were induced to increase their demand for fixed rate mortgages. The short-term component had a good recovery during the year (+10.5% in December on an annual basis). This performance was more marked compared to the +2% registered the previous year. It was sustained by the request for financing made by companies and, in particular, as a result of the dynamics of advances in terms of commercial loans.

The consumer credit segment continues to be marked by rhythms of great development. Its tendential growth rate at the end of 2006 was 12.2% (+15.9% in 2005).

At the end of November 2006, non-performing loans, net of devaluation, amounted to 17.889 million euros (-8.3% from November 2005) mainly because of securitization operations. The ratio of total net non-performing loans/investments in the same period was equal to 1.35% from the 1.63% of the corresponding period in the previous year. This showed an improvement in the credit quality.

At the end of 2006, bank deposits were equal to 1,197 milliard euros with a positive tendential variation of 8.1%. This was a slight decrease from the 8.6% of the previous year. Client deposits showed an increase of 6.1% (+7.5% from 2005), while the tendential growth rate of bonds (including subordinate loans) was 12.5%. This was superior to the



European average (+10%). In analysing the technical forms, the following tendencies emerge: 1.) a balancing of the dynamics of current accounts, which increased by 6.3% (+7.4% in 2005); 2.) a growth of over 20% in repurchase agreement operations (which follows the 12% of 2005); 3.) a decline in both short and medium-long term certificates of deposit (-10%); 4.) a consolidation in the growth of bank bonds, which is still increasing from the 11.4% at the end of 2006 (+10.3% in December 2005). During the course of the year the average spread between the lending rate and borrowing rate went from 370 to 394 base points at a system level. This was an increase of 24 base points (+6.5%).

At the end of 2006 the consistency of securities in the bank's custody (both managed and held directly by the clientele) was equal to 1.8 milliard euros. This was an increase of about 4.3% compared to the same period in the previous year. The bank assets management represents 9.2% of the indirect deposits in November 2006 (compared with 9.7% 12 months earlier), becoming fixed at about 158 milliard euros. This was substantially stable (-0.8%) in comparison with the previous year. With reference to the various instruments of managed savings, the net equity of the investment funds established by Italian brokers showed a tendential increase of 4.2% and reached 609 milliard euros as compared to the 595 milliard euros of the previous year.

An analysis of the composition of the patrimony of Italian or foreign funds managed by Italian brokers shows that last year the quota of equity funds went from 24.2% in December 2005 to 25% in December 2006. It also shows that the quota of flexible funds has gone from 3.6% to 8.5%. In terms of the tendency of funds with the least risk, the bond segment decreased from 45.8% to 40.4%, while equity funds went from 15.1% to

13.7%. During 2006 the net deposits of these brokers decreased by about 18.6 milliard euros. This confirmed the trend for decreasing which had been equal to 10.5 milliard euros the previous year.

The tendency of financial markets

In 2004 there was a confirmation of the positive trend of the world stock exchanges for the fourth consecutive year. In particular, the Standard & Poor's 500 Index from the New York Stock Exchange had an increase of 12.2% on an annual basis. The Nikkei 225 Index from the Tokyo Stock Exchange had a 7.2% increase. The Dow Jones Euro Stoxx Large from the Euro Area had a 14.6% increase. The Mibtel increased by over 18% and the S&P/Mibtel by 16.1%.

The basic reasons for this positive trend can be sought, with particular reference to the Euro Area, in the sharp increase in company profits and, more in general, in the news regarding the favourable prospects for the economy as well as in the probable increase in the propensity for investment risks in search of greater yields. Added to this there are the lively merger and acquisition activities and the decrease in energy prices. On the Milan market, share exchanges had a great increase of countervalue (1,141 milliard euros) and number of contracts. The year closed with 311 companies quoted on the Italian Stock Exchange. This is an all-time high, compared to the one at the end of 2005, with an additional 29 companies quoted. During the year, the MTA International segment, in which 21 companies were introduced for negotiation, was created. Thanks to the positive tendency of the indices and the quotations for new companies, capitalization increased by 779 milliard euros (+14.8% compared to 2005), equal to 52.8% of the GDP.

In 2006 share derivatives also showed an increased in negotiation activities for all types of instruments dealt with in the IDEM (Italian Derivatives Market).

The economic picture in the regions of Abruzzo, Marche, Molise and in the province of Rome

In 2006 the economy in Abruzzo showed signs of recovery in line with what happened in Italy. During the last part of the year industrial production again became lively. There was an increase in orders, sales and, in a less marked way, in production.

The metal mechanical-electronic sectors, for which competition from emerging countries is less important, the pharmaceutical and the wood sectors achieved the best results.

The most evident signals come from the easing of the uncertainties in the labour market (employment almost stable) and from the dynamics of the companies going back to developing, growing stronger and updating themselves. Exports also contributed to the economic growth of the territory. Exports from Abruzzo increased by 4.2% during the period from January to September 2006. At any rate, the distribution of exports is not homogeneous either at a sectorial or territorial level. Most of the products and services destined for abroad are still a prerogative of just a few large companies even if the role of a limited number of small and medium-sized ones is growing thanks to a renewed competitive capacity and to the adopting of policies aimed at innovation and marketing. The most dynamic provinces in export are Chieti and L'Aquila, which are favoured by the presence of companies belonging to external groups of international importance. On the other hand, smaller-sized endogenous companies, which led development in the past, are now having difficulty.

The recovery is, however, referred to large companies. Negative performance and difficult situations are, instead, noticed in the small enterprise system. This is the case, in particular, in the textile – clothing sector. The recent phenomena of market globalization and commercial aggression from the emerging countries continues to put the entire division to the test. There is a growing need to combine the productive dimension with technological and organizational innovations.

The high value-added service industry, which has had an increase in the number of employees, and tourism are recovering. On the other hand, the trade sector, which reflects the negative tendency of smaller businesses, remains stagnant.

Family consumption has increased slightly hand in hand with per capita income. The province of Pescara leads the entire region with 15,712

euros, even if it is far from the national average (17,818 euros).

In terms of bank intermediation, there was a steady increase of financing for non-financial enterprises. Consumer families turned, above all, to loans and consumer credit. The increase of loans was greater for the smaller institutions and was prevalently for medium-long term loans.

In 2006, economic indexes for the traditional divisions worsened somewhat in the province of Teramo but showed a slight recovery in the last part of the year. A limited number of companies made investments in innovations and research for development. One-man businesses and partnerships had the worst results. This was true, in particular, in the textile-clothing sector where export was decidedly reduced. The metal and mechanical industry, which is fundamental for the economy in Teramo, is being dealt a blow. This division is in deadlock and is having difficulty picking up apart from the companies open to new technology, which has made them competitive. In other productive sectors, important companies have had a reduction in production and personnel.

Fixed employment is tendentially decreasing. The number of anomalous workers in joint-stock companies is increasing, even if in a moderate way. Female enterprise is increasing in the province of Teramo and the contribution of foreign entrepreneurs is becoming consolidated, above all, in the building sector and trade.

The economy in the region of Marche has started moving again in line with the positive economic trend in the national territory. The importance of medium-large sized companies has gradually increased and the tendency towards industrial specialization has become more marked. The historical sectors in the region of Marche are picking up. The wood-furniture division, of which 70% are artisans who are able to survive only by means of co-operating, has increased production and sales. It was, however, sustained mainly by the largest and most established companies. There have been positive results for the shipbuilding division in sales and in the export of luxury products. The footwear industry is also slightly picking up. In the artisan sector, the main difficulties are connected to the fields of textile-clothing and the transport of goods as well as, in general, to the scarce capacity for investments of small and medium sized companies and to the general decrease of the demand for employment. Business associated with tourism is increasing. This is sustained, in particular, by arrivals from foreign countries.

The economy in the region of Molise remains weak. The investment activity of companies is scarce and only a few small companies have shown an increase in sales. The production level has decreased, above all, for larger-sized companies. The number of active companies has slightly decreased. The building sector shows a positive result, while the trade sector shows moderate increases only for large distribution. The unemployment rate and resorting to unemployment benefits are increasing. Only the tertiary industry is starting to show an increase in activity and in the number of people employed. In order to relaunch the economy of the territory, a development plan has recently been presented. It is aimed at favouring company aggregation, the diffusion of technology, easy credit access and the improvement of infrastructures.

The economy of the province of Rome is growing at a rate which is superior to the one in the national territory. The sector leading this increase is tourism. The number of visitors to the capital increases annually, which results in benefits for commerce as well. Industrial production revolves and develops around areas with innovative technology (audiovisual, aerospace) and companies specialized in sectors, considered strategic for a modern economy such as publishing, printing, production of electronic material, telecommunications, financial services and research. The impact of joint-stock companies on the number of active enterprises is increasing. This is a sign of the greater financial soundness of the same enterprises. There is a continuation in the growth tendency of the employment rate. This is the case also for the female component, which is, in particular, led by the tertiary sector.

THE BANK'S SITUATION

(the information shown is expressed in millions of euros)

Intermediated assets

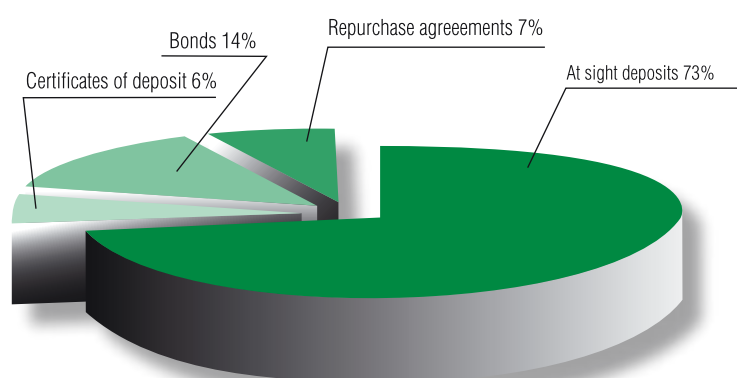
	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Direct deposits	2,409	2,135	274	12,8
Indirect deposits	1,812	1,738	74	4,3
Total deposits	4,221	3,873	348	9,0

At the end of the year overall deposits were 4.2 milliard euros with an increase of 9% as compared to the previous year. This result can mainly be attributed to the increase of direct deposits, which rose by 12.8%, whereas the indirect component showed less progress (+4.3%).

Direct deposits

Description	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Deposits, CDs and bonds	2,238	1,943	295	15.2
At sight deposits	1,750	1,648	102	6.2
Certificates of deposit	150	168	-18	-10.7
Bonds	338	127	211	166.1
Repurchase agreements	171	192	-21	-10.9
Direct deposits	2,409	2,135	274	12.8

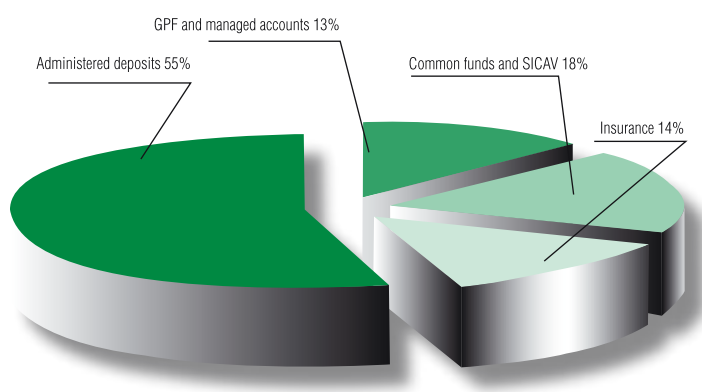
Direct deposits increased by 12.8%. This increase is mainly due to the new Tercas bond issues (+166.1%). The growth of the at sight component is due, in particular, to the increase in current accounts and deposits (+6.2%), which more than made up for the decrease in repurchase agreements (-10.9%) and certificates of deposit (-10.7%).



Indirect deposits

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Managed deposits	817	791	26	3.3
<i>GPF, GPM and Managed accounts</i>	226	108	118	109.3
<i>Common funds and SICAV</i>	332	425	-93	-21.9
<i>Insurance</i>	259	258	1	0.4
Administered deposits	995	947	48	5.1
Indirect deposits	1,812	1,738	74	4.3

In 2006 indirect deposits increased by 4.3%. The managed component increased by 26 million euros (+3.3%). The greatest contribution was made by the patrimonial management section which, based on the growing demand of customers, absorbs the volume of Common Funds and Sicav. The insurance component remains at 2005 levels.



Customer loans

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Current accounts and financing	726	575	151	26.3
Loans – personal loans	1,294	993	301	30.3
Debit items	0	1	-1	- 100
Deteriorated assets	43	40	3	7.7
Other loans	201	148	53	35.8
Total customer loans	2,264	1,757	507	28.9

Loans increased by 28.9% and are fixed at 2,264 million euros. This performance is superior to the System's (+11.2%). This was achieved, above all, thanks to the improved commercial policies, which managed to reach new customer targets. Mortgages and personal loans, in particular, increased by 30.3%. This confirms the Bank's desire to favour and support customer investments.

Among the other loans, there are capitalization policies for a total of 56 milliard euros, which is 23 more than the previous year.

Deteriorated Assets

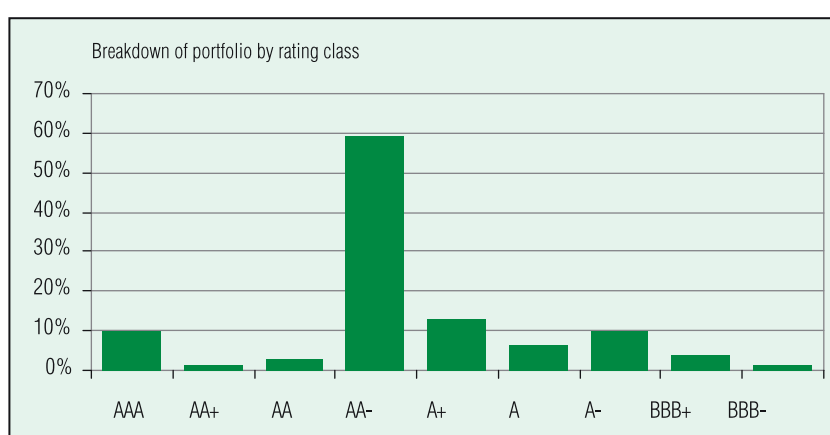
	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Non performing loans	8.6	8.7	-0,1	- 1.1
Problem loans	17.9	19.1	-1.2	- 6.3
Overdue credit	17.0	12.5	4.5	36.0
Restructured credit	0.0	0.1	-0.1	- 100.0
Total Deteriorated Assets	43.5	40.4	3.1	7.7

The amount of deteriorated assets increased by 7.7% mainly because of the greater overdue credit at the end of the year. However, this component decreased considerably during the first days of 2007.

In regards to non performing loans, during the first 6 month period in 2006, there was the perfecting of an operation for the assignment of a gross balance sheet value of 44.4 million euros and for a net value of 7. The operation generated a negative effect of 149 thousand euros for the profit and loss account.

Financial market assets

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Financial assets held for trading	581.4	640.3	-58.9	-9.2
Financial assets available for sale	13.6	11.6	2.0	17.2
Total financial assets	595.0	651.9	-56.9	-8.7



At the end of 2006, 61.9% of the portfolio was made up of government securities and supranational issuers, 34.4% was “investment grade” corporate and financial bonds, 3.1% was investment funds and sicav and the remaining 0.5% was stocks.

The consistency of the portfolio decreased by 9.25%, which is equal to about 60 million euros. This was a result of specific company policies aimed at freeing resources to be used as credit for clients.

HFT securities make up almost all of the portfolio

RISK MANAGEMENT

Market Risk Control

Market risks are connected to operativeness on the financial markets and are a result of the “rate risk” component (arising from the inevitable mismatching which exists between the credit and debit items) and the “liquidity risk” (as a result of incorrect management of bank flows). In fact, market risk is basically due to unexpected variations of rate curves. Management of this risk must go hand in hand with an ample knowledge of the essential elements such as duration, residual life, expiry and methodology for the repricing of balance-sheet items (rate risk) and the repercussions that their variations have on potential or assumed payment commitments (liquidity risk) must not be ignored.

In addition to being measured according to what is provided for in Title IV, Chapter III of Supervisory Instructions, market risk is also measured by mean of the Value at Risk (VAR). This is calculated on a daily basis and used as reference to verify that the operating limits are respected by the person in charge of the bank's securities portfolio.

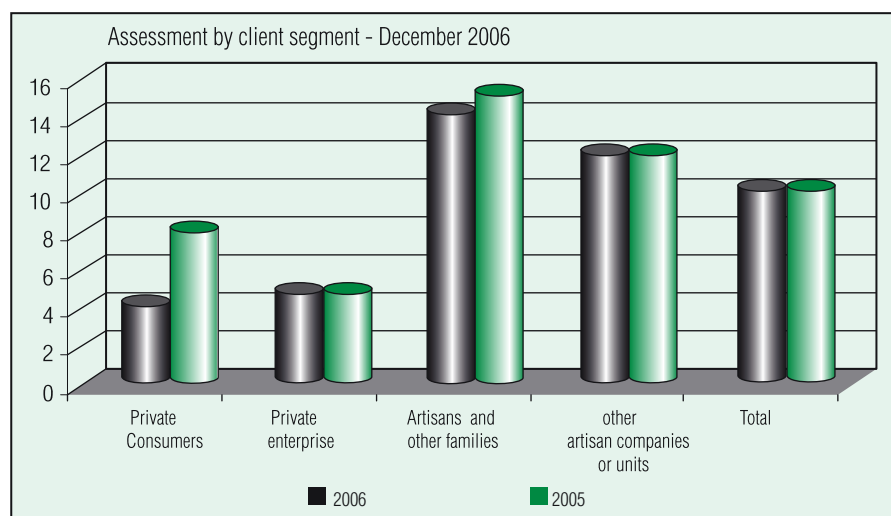
During 2006, the average daily Var, in terms of all of the bank's securities portfolio, was equal to 913 thousand euros. This together with the average duration, equal to 0.929, and the precautionary hypothesis of calculation (confidence interval 99% and temporal outlook 10 days) is proof of the contained risk of the securities assets. The calculations are worked out by using the specific application criteria furnished by Bloomberg.

Credit Risk Control

The continuous and careful monitoring of the bank's credit exposure is considered very important. The instrument used, which is called Credit Position Control, permits the evaluation of the tendency of relations with clients. This is done by verifying a great number of indicators and operating aspects. These differ according to the type of customer, technical form and gravity.

Credit Position Control is an early-warning signal. It permits the calculating of a synthetic risk index for each single position, branch, area and a general one for the entire institute. The CPC is also the tendency component for the Rating model that the bank is carrying out in cooperation with the information systems supplier.

In 2006 the bank's risk profile was contained. On December 31, 2006, the overall assessment of the credit portfolio was equal to 10 (on a scale which goes from -100 to +100, where zero represents the absence of behavioural abnormalities and +100 the maximum risk). This was a confirmation of the previous management. The main sectors maintained positive credit quality. This was true, in particular, for the Corporate segment. Although it only represents 3% of the number of clients, it constituted 53% of total availment with a positive assessment equal to 5. The Retail segment, which represents 87% of the number of clients but generates only 18% of the bank loans, improved its position by passing from 8 to 4.



2006 Portfolio	Average assessment	Total availment	Number of clients
Private consumers	4	423,256	169,691
Private enterprise	5	1,211,381	5,673
Artisans and other families	14	191,994	11,578
Other artisan companies or units	12	235,969	4,701
Other	-	228,667	4,314
Total	10	2,291,267	195,957

The testing phase on another instrument, for the management and monitoring of overdue and problem credit, is being concluded. This instrument will permit the daily verification of the positions based on a dynamic informative set, which should be able to predict a possible deterioration of relations. It allows the assigning of the analysis of the position to a single branch employee for the confirmation, refusal or temporary suspension of the assessment of the critical state. This means there will be an increase of the set of instruments available for the safeguarding of credit risk both at an institutional and branch level.

Operational Risks and Internal Controls

The Internal Control Area has the responsibility of overseeing the regular tendency of operations, processes and risks for the bank, of evaluating that the internal control system works as well as of guaranteeing the safeguarding of asset value and protecting from losses. It is also responsible for the reliability and integrity of information regarding accounting and management and ensuring that operations comply with the policies established by the company's governing body as well as with internal and external regulations.

During 2006, the analysis techniques and the instruments used for carrying out the necessary control in the branches were greatly renewed as compared to the previous operating procedure. A preventive document containing analytical data, which can be taken from the application procedures, is the basis for the verification of the subject. The aim is to identify, in advance, a series of positions/operations to be examined closely during the on-the-spot activities. The auditing is supported by an adequate method of data processing, which is developed internally in Auditing Services and is, therefore, adaptable to specific needs.

The phase when the visit is carried out provides for the analysis of all of the branch's areas of operativeness. The aim is to quantify the actual risk level. This is followed by the summing up and formalization of the results, which are then discussed with the Bank's Administrative Body and Board of Auditors as well as with the head of the same branch. Moreover, the operating unit is also evaluated. This is a summary of the global evaluation for the different areas examined and it sums up the level of quality reached. At this point, the type of intervention necessary to resolve the problem, who will be responsible and the time required for this intervention is decided. The inspection is considered completed only after the return phase is over, or rather, when it has been ascertained that the corrective intervention suggested has been carried out.

55 on the spot verifications were made during the year. 50 of these were made among the branches and 17 were made in relation to the entire operativeness of the bank. The subsidiary Terleasing SpA was also subjected to 2 inspections.

The Internal Control Area is also assigned the task of monitoring the operating risk tendency and pointing out the losses which are internal (by means of the regular feeding of a database) and external (by means of participation in the consortium initiative DIPO – Italian Database for Operating losses – managed by the Italian Banking Association, which the Bank has been a member of since 2002).

Even if the most suitable methods for quantifying the exposure to the above-mentioned risks are still being discussed, the Institute decided some time ago to use the Basic Model for determining the corresponding patrimonial absorption. The choice is justified by the elevated patrimonial excess and by the moderate advantage which could be had by opting for a more sophisticated model.

In regards to the subject of security, the main activities concerned the monitoring of criminal actions against the Bank and the consequent study of the most suitable countermeasures needed to contrast this phenomenon, even with the help of innovative technological systems.

The bank was a part of, with regards to the region of Abruzzo, the "Agreement Protocol for the prevention of crime". This was the result of a joint initiative by the ABI (Italian Banking Association) and the regional Prefectures. It was aimed at promoting maximum cooperation between banks and the police force so as to contrast crime, with particular reference to robberies committed against credit institutes. The activities provided for in regards to this subject were, however, also directed towards the branches in the other regions.

In 2006, the training course for the risk of robbery was completed, with a total number of 7 days dedicated to this course, which included the participation of 119 employees. In 2005, 410 employees participated in this course, for a total of 23 days.

In regards to the risks connected to judicial controversies, these have been analysed by the Holding and Holding companies. As there are legal obligations which will probably result in the disbursement of economic resources, an adequate allocation of funds was made for the risks and charges fund following a reliable estimate of the relative amount.

Shareholders' equity

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Company Capital	26.0	26.0	0.0	0.0
Issuance premium	44.6	44.5	0.0	0.0
Reserves	192.2	181.4	10.8	5.6
Evaluation reserves	10.2	9.0	1.2	13.3
Own shares	0.0	0.0	0.0	0.0
Operating profit	26.3	16.7	9.6	57.5
Shareholders' equity	299.3	277.6	21.7	7.8

Capital and supervisory requirements

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Core capital (Tier 1)	280.5	259.8	20.8	8.0
Supplementary capital (Tier 2)	22.7	4.9	17.8	363.3
Items to be deducted	-2.6	-2.6	0.0	0.0
Regulatory Capital	300.6	262.0	38.6	14.7
Credit risk	152.1	121.3	30.8	25.4
Market risk	17.2	19.0	-1.8	-9.5
Other requirements	0.8	1.8	-1.0	-55.6
Total prudential requirements	170.1	142.1	28.0	19.7
Risk weighted assets	2.430.4	2.031.1	399.3	19.7
Core capital / risk weighted assets	11.54%	12.79%	-1.25	-9.8
Regulatory capital / risk weighted assets	12.37%	12.90%	0.54	-4.2
Capital surplus in relation to minimum requirements	130.5	119.9	10.6	8,8

The bank's regulatory capital exceeded 300 million euros.

In order to sustain the growth of investments while maintaining a high solvency ratio and to increase the remuneration of its capital, the issuance of a subordinate loan for a total of 40 million euros was deliberated during 2006. The quota subscribed to on the date of the balance sheet, equal to 15.15 million euros, further increases the supplementary capital.

Based on the nature of covered risks, credit activity generates the greatest absorption at 152.9 million euros. Market risk has, instead, decreased from 19 million in 2005 to 17.2 in the year which has just concluded.

Notwithstanding the increase of capital absorption, fundamentally deriving from the greater number of Bank investments, the supervisory ratios are maintained at high levels. This confirms a solid financial standing which will enable the Bank to tranquilly face its ambitious growth policies.

Relations with the Group companies

The subsidiaries in the consolidation are Terleasing, Sogiter, Terbroker and Investimenti Immobiliari (Real Estate Investments).

Teleasing is the most important subsidiary and operates almost exclusively by means of the Bank counter in the leasing sector. The Bank detains 89.6% of its capital on the date of reference. During 2006 Terleasing concluded 465 financial leasing agreements for a value of 60.4 million euros. It had a positive variation of 33.6% compared to the previous year.

The amortization operations for a total of 112.6 million euros (+24.1% compared to 2005) can be broken up in this way:

- real estate: 62%
- instrumental goods: 27%
- with number plates: 11%

The weight of real estate increases greatly in comparison with last year. It went from 48 to 62% of the total, in comparison with a decrease in percentage of instrumental goods, which are now at 27%.

Terleasing had a positive economic result of 970 thousand euros. This was an increase of 19% as compared to 2005. Relations with the parent company are very important. They are, moreover, a sign of the consolidated double intermediation of the leasing companies, which finance themselves by means of the bank channels. The credit granted by the Bank increased by 28% during the year due to the greater commercial activity. It amounts to 112.3 million euros as well as 3.2 million euros for endorsement credit.

Sogiter, which carries out real estate activity, did not greatly modify its asset structure. It maintained only the premises in Lanciano, where the Bank carries out its activities, and an office in Teramo. The sum deposited as caution money for participation in the bidding for property which will be used in 2007 by the parent company was also classified among the fixed assets. The credit granted by the controlling company is equal to 513 thousand euros.

Terbroker, which performs insurance brokerage activity, continues its activity which is, moreover, limited. The parent company is the main client for this activity as well as the manager of the liquidity for 451 thousand euros.

Investimenti Immobiliari is a company jointly set up in 2004 by the parent company and a private company, where Banca Tercas nominates the majority of the representatives from within the Board of Directors. Its aim is project financing a real estate operation, which is located in Teramo, for tourism purposes. The parent company manages the limited liquidity of 10 thousand euros.

ANALYSIS OF THE RESULTS

Overall income trend

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Interest income	100.5	77.7	22.8	29.3
Net commission	33.6	28.5	5.1	17.9
Net income	136.3	111.2	25.1	22.6
Operating results	49.4	30.0	19.4	64.7
Operating profit	26.3	16.7	9.6	57.5

On the 31st of December 2006, the balance sheet closes with a net profit of 26.3 million euros, which is an increase of 57.5. The result exceeds the expectations of the strategic plan and shows the efforts made by the Bank to improve in organization and efficiency.

Net interest income

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Interest income customers	112.5	78.9	33.6	42.6
Interest expense customers	24.4	17.7	6.7	37.9
Net interest customers	88.1	61.1	27.0	44.2
Interest income on securities	20.7	17.1	3.6	21.1
Interest expense on securities	7.4	1.3	6.1	469.23
Net interest securities	13.3	15.8	- 2.5	-15.8
Interest income banks	2.2	1.9	0.3	15.8
Interest expense banks	3.1	0.8	2.3	287.5
Net interest banks	- 0.9	1.1	- 2.0	-181.8
Other interest income	0.0	0.1	- 0.1	-100.0
Gains on hedging transactions	0.0	- 0.5	+ 0.5	100.0
Net interest income	100.5	77.7	22.8	29.3

The greater number of assets managed resulted in an increase of 29.3% in the interest income. In particular, there was a 44.2% increase in net interest customers. The item “interest expense on securities”, which is 7.4 million euros, refers to the cost of bond deposits.

Total revenue

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Interest income	100.5	77.8	22.7	29.2
Dividends on stocks and securities	0.8	0.5	0.3	60.0
Net commission	33.6	28.5	5.1	17.9
Commission earned	35.6	30.7	4.9	16.0
Commission paid	2.0	2.2	- 0.2	- 9.0
Net result for trading activities	0.9	2.6	- 1.7	-65.4
Gains / losses on disposal of:	0.5	1.8	- 1.3	-72.2
a) credit	-0.1	0.0	- 0.1	n.a.
b) financial assets available for sale	0.4	1.8	- 1.4	-77.8
c) financial assets held to maturity	0.0	0.0	0.0	0.0
d) financial liabilities	0.2	0.0	0.2	n.a.
Total revenue	136.3	111.2	25.1	22.6

On the whole total revenue increased by 22.6%. The result is due, in particular, to the 29.2% increase in net interest income. In regards to the items making up the aggregates being examined, net commission increased by 17.9%. This was, above all, due to the increase of commission earned (+16%) and a slight decrease of commission paid (-9%). Dividends increased by 60% while there was a decrease of 65.4% in the net results for trading activities. However, in absolute terms, this did not have a great impact.

The coming into force of the first Bersani Legislative Decree did not have particular effects on the Bank's total revenue. This was due to the perfectly indexed structure of Assets and Liabilities, which permitted the sterilizing, for the most part, of the negative effects in terms of income.

Operating results

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Total revenue	136.3	111.2	25.1	22.6
Administrative expenses	81.4	80.1	1.5	1.9
<i>Personnel expenses</i>	<i>51.4</i>	<i>49.3</i>	<i>2.2</i>	<i>4.5</i>
<i>Other administrative expenses</i>	<i>30.0</i>	<i>30.8</i>	<i>-0.8</i>	<i>-2.6</i>
Write-downs on assets	1.9	1.9	0.0	0.0
Other operating expenses / income	10.4	10.3	0.1	1.0
Write-downs on:	-13.0	-4.1	8.9	217.1
<i>a) Credit</i>	<i>-13.0</i>	<i>-3.8</i>	<i>9.2</i>	<i>242.1</i>
<i>b) financial assets available-for-sale</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>c) financial assets held to maturity</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>d) financial assets</i>	<i>0.0</i>	<i>-0.3</i>	<i>0.3</i>	<i>-100.0</i>
Net provisions for risks and charges	-1.1	-5.4	-4.3	79.6
Profits (Losses) from disposal of investments	0.0	0.1	-0.1	-100.0
Operating results	49.3	30.0	19.3	64.3

Administrative expenses were at nearly the same levels as the previous year. There was a slight increase in personnel expenses due to, above all, new recruitments. The other administrative expenses decreased by 2.6% thanks to the thorough cost containment policy conducted by the bank.

The increase in credit adjustments is due to the adjustment of problem credit of a considerable sum as a result of new overdue entries in the first half of the year. Operating results rose by 64.3%.

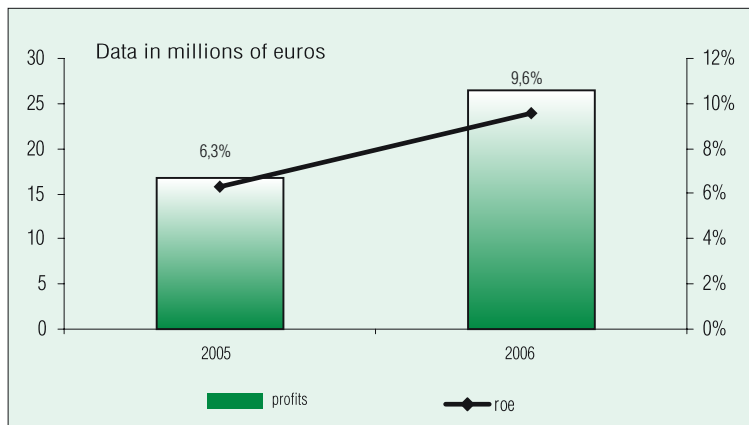
Net profit

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Operating profit	49.4	30.0	19.4	64.7
Taxes for the period	23.1	13.3	9.8	73.7
Tax rate	46.8 %	44.3 %	2.5	5.6
Net profit	26.3	16.7	9.6	57.5

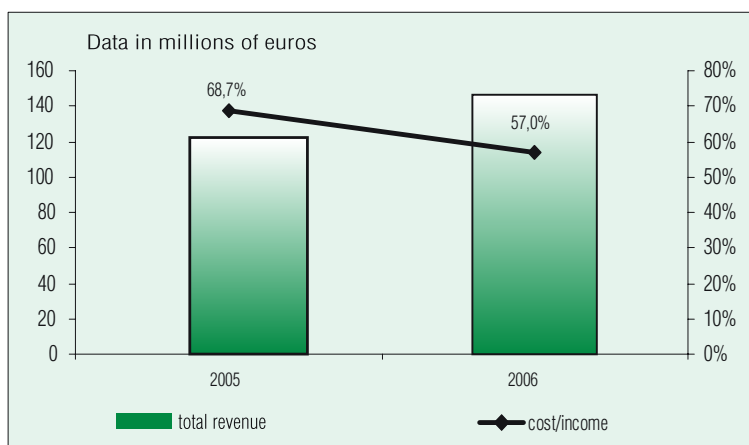
The tax rate increased from the 44.3% of 2005 to 46.8% for the period mentioned. This was due to some positive components of non-taxable income in the 2005 profit and loss statement, which were not possible in 2006, and because of the IRAP (Regional Business Tax) rate, which was increased from 4.25% to 5.25% by the regions of Abruzzo, Lazio and Molise.

Profits were 26.3 million euros with a significant increase of 57.5%

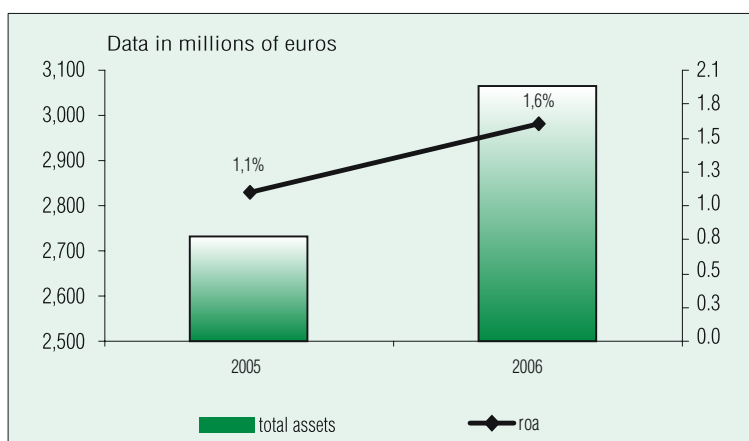
The Roe and Ratios



The 57.5% increase in the year's profits boosted the Bank profitability to 9.6%. This was an increase of 3.3 percentage points in comparison to the previous year's operations. The index is calculated as balance sheet profit on average shareholder's equity and it represents the expected yield for the shareholders who have invested in the company.



Total revenue increased by 22.6%. Notwithstanding the opening of new branches, the thorough cost containment policy permitted the controlling of company expenses, which are practically stable as compared to the previous year. The cost/income indicator, therefore, goes down to 57% from the 68.7% of 2005. This demonstrates the considerable increase in efficiency of the management of the bank.



The Roa (return on assets) is a measure of profitability relating to the capital invested and represents the efficiency of investments on the basis of existing assets. This index increased from 1.1% in 2005 to 1.6% in the period which has just ended.

* The average shareholder's equity is calculated as the semisum between the 2005 shareholder's equity inclusive of profits and the 2006 shareholder's equity net of balance sheet profit.

THE DEVELOPMENT OF OPERATIVENESS

The Basel II Project

The New Agreement on Capital came into force on the 1st of January 2007. The Bank has already been seeing to the implementation of an integrated project aimed at adapting its operations to the new Basel regulations. The work is being carried out both within the Bank and with the outsourcer (CSE) and its principle aims are:

- the realizing of internal rating models
- the use of risk mitigation techniques
- the measuring of overall exposure to market and credit risks in terms of CAR (Capital at risk)
- the monitoring of operations by means of the correct performance indicators for risks
- the quantification of the exposure to risk of interest and liquidity by means of the ALM (Asset and Liability Management) method

During 2006 an internal rating model, based on quantitative and qualitative variables, was developed. For the quantitative analysis, the data of company balance sheets, which are elaborated on the basis of specific indexes, is considered fundamental. In particular, the principle indicators for capitalization, for debt structure, for profitability and efficiency/productivity and liquidity are calculated. In addition, the dynamics of the company and the sustainability of financial charges are also studied. The qualitative aspects are evaluated, in particular, on the basis of tendency parameters and also take into consideration the data provided by Credit Position Control. The models obtained differ based on the type of company (industrial, commercial, service, long term production) and on the accounting structure (simplified or ordinary). This model, which is still being tested, for the moment focuses attention on the statistical-quantitative aspects and refers to the corporate segment relating to joint-stock companies with exposure, which is greater than zero, with the institute. A release is expected during the first quarter in 2007.

In regards to the calculation of the Minimum Capital Requirements, the evaluations carried out highlight a limited impact by the New Agreement on Capital. The greater absorption can be attributed to the dimensional growth of activities and to the quantification, for the first time, of the quota of capital to be detained for operating risks.

“Compliance”

The Compliance position has the task of ensuring that operations comply with the different regulations (laws, norms, rules, internal procedures) which have an effect on the Bank. More in general, it must contribute to preserve its image. The above-mentioned compliance must be considered as a distinctive company factor and as operating support oriented towards the correctness of behaviour and business ethics. This activity must not be limited to subsequent verifications but must prevent and mitigate both legal risks and risks to reputation thus safeguarding the rights of all stakeholders.

The Compliance Office was created within the Risk Management Service during the course of the year. This office has been assigned the fundamental aims, which this position must pursue. In particular, these aims are:

- to continuously control and minimize the risk of not complying with all of the norms of reference by means of proposing organizational and procedural modifications, verifying the effectiveness of existing controls and preparing flows of information to all the structures concerned;
- to safeguard all those who have a legitimate interest in the company from irregular behaviour and incorrect conduct even by means of the verifying of the coherence of incentives and the preventing of the conflict of interests;
- to assist the operating units in carrying out their company activity correctly;
- to contribute to the improvement in the quality of the products and services offered, proposed and distributed by the intermediary even by means of the ex-ante evaluation of the compliance of all of the innovative projects that the bank intends to undertake;
- to assure relations with external control authorities.

ALM (Asset and Liability Management)

During 2006 a process capable of quantifying and managing the bank's financial flows was activated.

The method applied permits the monitoring of the following types of risks:

- variation of the interest income, which is caused by the time lag in expiries and in repricing time for the interest rate on the Institute's assets and liabilities. This mismatching, in the presence of market rate shocks results in a modification in the expected interest income that can be quantified by means of particular maturity gap techniques having a short-term reference viewpoint.
- Variation of the Bank's economic value, due to market rate shock. Therefore, to evaluate this impact, with a long-term viewpoint, duration gap techniques are used. The Present Value analysis is integrated with what is required by the Basel committee in the document "Principles for the Management and Supervision of Interest Rate Risk": hypothesizing a standardized shock rate of 200 b.p. and verifying that the impact on the economic value is within 20% of the sum between the core capital and the supplementary capital.

Tercas Bank uses the ALMPro software developed by CSE, the data processing outsourcer, and Prometeia, a financial consulting association, to monitor these risks.

The exposure to interest rate risk is monitored monthly and presented to the administrative and bank supervisory bodies every three months.

The System of Controls from a Distance (S.C.D.)

In 2006, the application relating to the system of controls from a distance was further developed and structured in order to have an adequate verification system. This will enable Auditing Services to achieve greater efficiency.

The instrument, which acts as support for the traditional verification methods, permits the monitoring of activities carried out by the Operating Units. This is done by means of the information taken from the company informative system both by resorting to the innovative "datawarehouse" instrument and with the traditional instruments for telecommunications studies.

The characteristics of the SCD are: continuity, which permits controlling without interruption; timeliness, which allows the highlighting, in real time, of eventual operative or behavioural abnormalities in the area being controlled; traceability, which guarantees the historical conservation of the data analysed. It was technically defined as a list of indicators for each operative segment, which are useful in discovering abnormal situations based on their shifting from the chosen risk threshold variance and on the importance of the phenomenon observed.

This system of obtaining information in this way means having an effective means of support at one's disposal. This is true not only in the preparatory phase of the on-the-spot verifications but also for the constant monitoring, on a defined time basis, of certain segments, which are subject to specific distance controls because of their operational characteristics. The activity of controls from a distance involves the analysis of the data from the branches on an aggregate basis (total of branches and/or by name), which is on a defined time basis for certain indicators and daily for others.

At the end of 2006 the informative instruments, which are at the disposal of the branches for carrying out first level control activity, were improved.

"Business Continuity"

In July 2004, the Bank of Italy issued a specific supervisory norm on the "Management of Operational Continuity". This provides for, among other things, the preparing of an emergency plan by the 31st of December 2006. This plan must be able to assure, if necessary, the continuity of vital operations for the company and a return, within a reasonable time limit, to normal operativeness. The Board of Administrators approved the Operational Continuity Plan with a deliberation on the 11th of December 2006. The aim of the plan is to formalize the activities to be carried out in order to promptly restore the operativeness of the Bank when there are critical situations, which strike the company or its important

components, as a result of sectorial accidents or wide-ranging catastrophes.

The plan, as set up, enables the controlling of different scenarios of crisis characterised by the unavailability of “factors which are critical” for the functioning of the different company processes (human resource capacity, information and telecommunication technology, infrastructures, electrical energy). It provides for the relocation of human and technological resources involved in the fundamental processes, alternately, in the three Disaster Recovery sites located at some branches having certain normative requisites. Among these requisites there is the necessity to be geographically distant from the principle sites and the possibility of reproducing the technological characteristics of the systems of the offices where ordinary operativeness (structures, network infrastructures, security measures) takes place.

The Bank has also provided for an organizational structure for the correct management of the emergency. It has charged the General Manager with the authority to declare the state of crisis. In addition, it has designated a detailed number of people in command. They are charged with guaranteeing operational continuity in exceptional circumstances, which can compromise the regular functioning of the company.

An initial testing phase, aimed at experimenting the functioning of the operational and information procedures in the alternative Disaster Recovery sites, was carried out at the end of the year.

The safeguarding of privacy

In compliance with what is provided for by article 34 of Legislative Decree 196/2003, Tercas Bank has adopted, among the other security measures provided for by the norm, the updated version of the “Programmatic Document for the Security of data” (DPS/2006). This was approved in the Board of Directors meeting on the 29th of March 2006.

The above-mentioned document defines the security measures activated and the guidelines for a periodic updating of these measures even in relation to the continuous technological evolution. These measures are defined based on the analysis of risks, the distribution of tasks and the responsibilities in the company structures which handle personal data.

It should, therefore, be pointed out that the DPS/2006 describes the distribution of tasks and security measures planned within the company structure and explicitly refers back to the programmatic document of the consortium centre in regards to the security structures present in the procedure furnished. The document will be kept updated and brought to the attention of the Bank’s decision-making bodies by the 31st of March of each year. This is in compliance with point 19 in Attachment B – technical disciplinary action with regards to security measures – to Legislative Decree 196/2003 “Code for the protection of personal data”.

COMMERCIAL AND MARKETING STRATEGIES

2006 can be defined as the year of “quality” for the Bank’s activity of commercial development: in fact, strategic efforts were directed towards the optimization of Bank-Client relations from the standpoint of improving distributive effectiveness and allocative efficiency. The aim was to “be at complete disposal” for the reference market, families and small companies, so as to confirm the role of privileged financial interlocutor.

Segmentation

The year, which has just finished, was characterized by the extension of the segmentation model started in the private customer segment in 2005. In fact, the Private Customer Service Office, which is made up of the Private Customer Office and the Family Office, was set up within the Commercial Area with the aim of improving the service offered to the reference target.

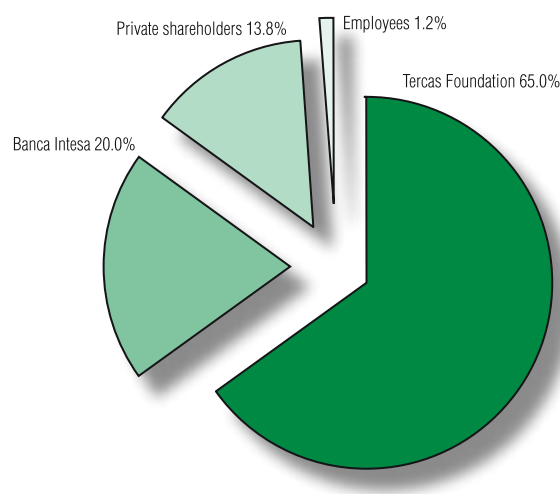
The Private Customer Service Office has the responsibility of directing, managing and monitoring the activity of the people charged with operating in the territory. As is the case with the Enterprise segment, in the private customer segment there is also a person “dedicated” to this in each branch. This person becomes the privileged interlocutor for meeting the clients’ investment and/or financial needs.

The product unit

During 2006, the Marketing Office continued, among other things, its renovation and completion of the Institute’s product catalogue. In particular, it saw to the broadening of the “Conto DaVero” line, with two lines dedicated respectively to the Young People segment and the Small Business Segment. This was done to enable the sales network to have an account package for each cluster of clients. Attention was also given to the managed savings division with its own brand of asset management: the service is dedicated to investors with assets amounting to more than 100,000 euros and it is composed of three management lines characterized by different risk / yield profiles and different investment horizons. The financing area has also launched a new product called “Mutuo DaVero”: a floating-rate loan, for durations of up to 30 years, which combines a contained spread with a complete insurance package protecting the client from anything negative which could happen to him and/or the property. Finally, the Bank has decided to take its first steps in the insurance field by promoting a “multi-risk policy” called “Casa Protetta” (“Protected House”): a marketed, “stand-alone” policy thought up to protect the house and family from any unexpected events which can take place in everyday life.

OPV (Public Offer for Sale)

During the third quarter of the year 7.5 million Tercas shares, equal to 15% of the capital, were placed on the market. The placement price was 9 per share with a discount of 3% for the Group employees (8.32 per share), for whom 10% of the shares being placed were reserved (750,000 shares). The countervalue of the offer was 67,297,500. The request exceeded the offer by 43%: there were requests for over 10.7 million shares. The allotment criteria used allowed assigning packets for a maximum of 6,444 pieces, equal to 26% of the maximum lot initially established (25,000 shares).



As a result of this operation, the Bank shareholders are made up of the Tercas Foundation with 65%, Banca Intesa with 20% and about 5,000 private investors for the remaining 15%.

The pricing of the shares for the OPV was supported by Prometeia (a financial consulting association). It took into account the current and expected economic-financial results, the distinctive characteristics of the company and other qualitative and quantitative circumstances, which influence management, so as to attain an estimate of the value of the Bank's economic capital.

Opening up to the market was one of the most important stages in the history of the Institute. One of the main aims was to further consolidate the position of the Bank in the territory and bring it as close as possible to the people. The slogan "your Tercas, your land" accompanied the share underwriting campaign. The continuous confirmation of the Institute's qualities as a Territory Bank were made even more explicit by this.

REGION	Shares requested
ABRUZZO	8.627.000
Teramo	7.730.250
Pescara	501.250
Chieti	247.250
L'Aquila	148.250
LAZIO	734.000
MARCHE	1.194.250
MOLISE	182.250
TOTAL	10.737.500

The great response from all of the provinces having bank branches further demonstrated that the clients agree with and, above all, appreciate the Institute's policies.

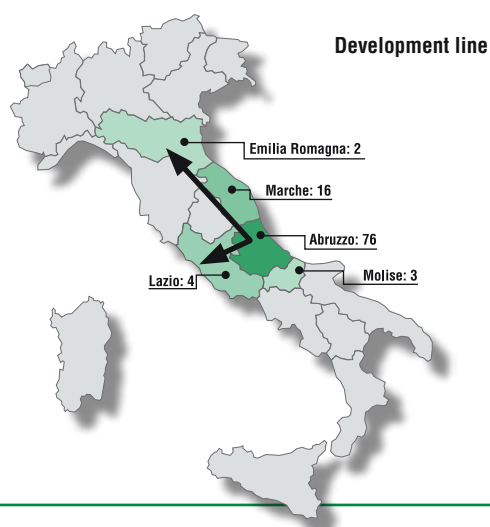
Standard and Poor's Rating

Standard and Poor's confirmed the BBB+ rating for long term and A2 for short term, with stable prospects. These parameters mainly reflect the visibility of the name in the local reference market, the high liquidity profile, the good and stable capacity of producing returns, the shared and renewed growth strategies as well as the right policy of risk management in the territory of Abruzzo which is, instead, connoted with greater weakness of economic structure as compared to the national average.

Territorial organization

In 2006, 9 offices were inaugurated. 5 of these were in existing territorial areas (Chieti, L'Aquila, Pescara, Ascoli Piceno). This confirmed the desire to favour and support the development of the territory of reference. In addition to another 2 branches in the province of Rome, where two branches had been opened in 2005, the centres of Bologna and Cesena were also brought nearer. The commercial network, therefore, reaches a new area, which is considered to have considerable potential for Bank development.

Number of branches per province		
	2006	2005
Teramo	64	64
Chieti	4	3
Pescara	4	3
L'Aquila	4	3
Campobasso	3	3
Ascoli Piceno	8	6
Macerata	3	3
Ancona	4	4
Pesaro	1	1
Rome	4	2
Bologna	1	0
Cesena	1	0
Totale	101	92
- of which new openings	9	7



Personnel

Due to the hiring of 47 employees and the retirement of 42 employees, the number of Bank employees increased by 5 in 2006. Therefore, on the 31st of December 2006, the Bank staff was made up of 770 employees. 732 of these are full-time and 38 are part-time. 457 employees are male and 313 are female. 71% of the personnel (546 people) are employed in the commercial network and 29% (224 people) are employed at the central offices. 2% of the staff, equal to 16 employees, is employed with a temporary contract.

Human resources are the most important part of the organization and they are the most important capital in which the bank must invest. Management of the Bank's human resources is based on the continuous improvement of the employees' skills and motivation in order to direct attention towards the quality of service for the client and synergy in internal relations. There is full awareness of the fact that the competitiveness of an organization is also based on the excellence of human capital. This is an indispensable element in helping the company to acquire additional value which remains stable with the passing of time.

Internal and external training increased by 25% compared to 2005 and can be quantified in 2,341 days/person. The courses were mainly technical and professional training courses aimed at guaranteeing the updating of the specialized competences of the personnel and there were also courses dealing with subjects related to the flexibility and motivational growth of the employees. In particular, stress was placed on the planning and management of commercial activity for the branch employees while the courses of the central office employees regarded internal communication and managerial effectiveness. Training courses for increasing the potentiality of the resources both for the network and for the central services are also planned for 2007. The two aims will be to increase productivity, in terms of quantity and quality, and to improve the atmosphere in the work environment.

The bank also worked on motivating Bank personnel to participate in the company targets. It was agreed that the organizational and operational changes, that the Bank is carrying out, requires putting the internal potentiality of the work force to good use.

In a market-oriented bank, the idea of rewarding people, based on the results reached and their performance, is indispensable. The incentive system was, therefore, worked out so as to allow those who have pursued the best quantitative and qualitative results, both in individual and "team" work, to stand out.

Company communication

In 2006 publicity and communication activity was greatly boosted in terms of quantity and quality. The new strategic lay out substantially favoured product publicity instead of the so-called institutional publicity. It was always in search of ways to effectively renew the promotion of all products, above all, the ones belonging to the new generation such as Conto DaVvero, Conto DaVvero for the young, Small Business, Mutuo DaVvero, Protected House Policy, GPF and GPM.

Traditional activities such as posters and billboards were greatly reduced. This was done so as to place more attention on new promotional forms such as the presence of stands, even for consultation purposes, at trade fairs, sponsorship for important conventions and sponsorship for sports events in a great part of the territory where the bank is present.

During the experimentation of new forms of publicity messages, the offices responsible, worked so as to propose initiatives which would have renewed effectiveness. In 2006, the greatest novelty consisted in producing place mats, advertising Tercas products, for the restaurant industry. These were distributed directly by the branches and were for the restaurants in the main areas where the branches are located.

Even mass-media publicity investment was greatly renewed. Institutional publicity in newspapers, periodicals, on the radio and television were greatly reduced to make room for product publicity. Above all, the bank produced commercial spots broadcast on local TV stations, which had a very good return in terms of approval. These were produced by the Bank with the help of an independent studio.

Great efforts were reserved for the promotion of the placing of Tercas Bank shares by means of public offer for sale. Among the various initiatives undertaken, the underwriting of shares in front of press and television representatives can be considered particularly effective. This was done privately by the Presidents of the Province and of the Chamber of Commerce of Teramo and by the mayors of Teramo, Atri, Nereto, Giulianova and Roseto Degli Abruzzi, as proof of the strong ties between the Bank and its historical territory.

It had a great presence not only in the local press but also in the national press. More and more national headlines are dedicating space to news regarding the Institute.

The daily, "Il Sole 24 ore", dedicated considerable space to the news of the attributing of the rating. The trade monthly Guida Mutui (Loan Guide) carries the data on the range of products promoted by Tercas Bank in all of its editions. It has also already dedicated two reports, including interviews with company managers, to the Bank. Similar reports have been produced by the monthly BancaFinanza and by the weekly Tempo & Denaro (Time and Money).

The traditional artistic calendar was also produced in 2006. This is the thirtieth edition and, this year, it is dedicated to ancient Rome and its presence in the Mediterranean. It was presented in the capital on the 26th of November in the suggestive setting of the Ara Pacis. It stirred interest not only in the mass media in Abruzzo but also in the capital.

In terms of internal communication, two important innovations were produced:

- a daily press review with a great number of articles by an external agency as a substitute for the purchasing of a daily for each branch/office, with the maintaining of only the subscription to the daily "Il Sole 24 ore";
- a House Organ produced in two versions; a bimonthly on company life in paper format and a monthly on professional culture in telematic format, which is on line on the Intranet portal.

In regards to web activity on the company web site, together with the traditional sections dedicated to the fundamental bank information, the area for the promotion of bank products was enriched and three new sections were added:

- one, in which there are reports and comments on economic events of territorial interest, reserved exclusively to journalists;
- a public one, where there is a review of what is published on Tercas Bank by the press;
- in the third section, which was temporary and lasted for the duration of the Public Offer for Sale, the progress of the stock placement was well displayed and constantly updated.

Strategic Plan

The guidelines for company management were formalized at the end of 2005 in the 2006-2008 Industrial Plan. During the year which has just concluded, the strategies necessary for improving the recovery of operational efficiency, for the strengthening of commercial activity and for the enhancement of human resources were put into effect. The main point of the three-year plan are based on the Tercas Bank mission, It can be summarized as the desire to assure value, which is stable and coherent with its risk profile, for its stakeholders and which enables the Bank to pursue an autonomous course of growth. Moreover, the Bank would like to be known as a reliable interlocutor, that is able to meet the territory's financial needs, for families and the local economy. This must all be done without forgetting that its employees, who are the basis of operational activities, must be assured an open and meritocratic work environment.

The 2006 results exceeded the growth expectations of the Bank. The deposit and loan targets were reached and even got close to the figures expected for 2008. Even the profit and loss account showed a tendency which was more than positive compared to its targets.

With regards to organization, the priority necessities concerned the streamlining and recovery of the efficiency of the operational units. Modifications were, therefore, made to the company's organization chart: some services and offices were reorganized and others were created so as to meet the new management needs.

In particular, the Compliance Office, with special conformity control functions, was created within Risk Management Service.

In order to improve the effectiveness of its activity, the Commercial Area also restructured its conceptual project. The priority of the three-year plan is to fill the gap in the area of income and efficiency as regards the reference benchmark: The development of the evolutionary strategies to be undertaken is focused on this objective. These strategies involve updating and enriching service/product offers aimed, above all, at personal loans, mortgages to families and insurance policies. They also include enriching, strengthening and optimizing the current distribution network and

strengthening the organizational structures and instruments, which support and monitor the commercial policies (client segmentation, budget). These manoeuvres will be carried out to give a greater boost to commercial activity and to gain market shares also in the new locations. The Human Resource Area was strengthened so as to better meet the need of all the personnel: one of the fundamental aims of the plan is, in fact, to make the most of the employees and create a climate of trust within the company.

In regards to the ambitious territorial development plan, 9 of the 22 expected new branches have already been opened. Some of these were even in places which did not already have branches. In fact, coherently with the desire for territorial expansion, in 2006 the branches in Cesena and Bologna, among others, began operating. They are in the region of Romagna, which is considered one of the development routes for Bank operativeness.

IMPORTANT EVENTS WHICH TOOK PLACE AFTER THE CLOSING OF THE PERIOD

During the council meeting on the 28th of February 2007, there was the formulization of the starting of a process aimed at the evaluation of eventual proposals for the assignment of the shareholdings in Terleasing SpA. Displays of interest arrived from leading financial institutions, whose evaluations are still in progress. At the end of the preliminary evaluation, there will be the initiation of due diligence with the parties concerned.

THE EXPECTED TREND OF OPERATIONS

The prospects for economic growth remain favourable at an international level with better expectations for the Eurozone as compared to a slackening for the United States. The conditions, for the growth of Europe to proceed at near potential rhythms, persist. For 2007 there is fear of a slowdown in demand for some important world markets, with the United States and Germany first and foremost. This will, instead go back to expanding in the second part of the year.

The risks for the world economic prospects continue to be tied to possible new increases in oil quotation prices, to the fear of an increase in protectionist boosts as well as to the worries regarding a disorderly reabsorption of international economic imbalance.

This scenario points to growth for the Bank, which is in line with what was reported in the strategic plan, and the first results of the last few months are proof of the legitimacy of the previsions made.

FOUNDATION

The essential data, from the last balance sheet approved on 12/31/2005 by the controlling body of the Cassa di Risparmio della Provincia di Teramo, whose head office is located in Teramo, Corso San Giorgio n.36, and which is a member of the Registry of Enterprises in Teramo with fiscal code number 92011020671, is shown hereafter

<i>Balance Sheet</i>		
• Assets	Euros	118,602,028
• Liabilities	Euros	109,760,755
• Capital and Reserves	Euros	4,802,484
• Operating Surplus	Euros	4,038,789
<i>Income Statement</i>		
• Dividends and interest	Euros	5,571,344
• Income tax related to continuing operations for the period	Euros	(91,044)
• Operating surplus after tax	Euros	4,038,789

PROPOSAL FOR THE ALLOCATION OF PROFITS

In accordance with article 32 of the Statute in force, the following plan for the allocation of profits is proposed:

* Legal reserves (5% net profit)	1,315,520.91
* Statutory reserves (20% net profit)	5,262,083.63
* Extraordinary reserves	11,432,813.57
* Special allotment Reserves	300,000.00
* Dividend	8,000,000.05
<i>Dividend ordinary shares at rate of 0.16 on 10 million shares at 0.52 nominal</i>	<i>1,600,000.00</i>
<i>Dividend ordinary div. right shares 07.01.06 Pub. Offer for Sale at rate of 0.08 on 7.5 million shares at 0.52 nominal</i>	<i>600,000.00</i>
<i>Dividend special div. right shares Pub. Offer for sale at rate of 01.17846154 on 32.5 millions shares at 0.52 nominal</i>	<i>5,800,000.05</i>
TOTAL	26,310,418.16

Based on the above proposal, the shareholder's equity of the company would be structured in the following way:

SHAREHOLDERS' EQUITY ON DECEMBER 31, 2006

Item	Previous structure	Incr./decr. for period	Allocation Profits 2006	Allocation Reclassification	New equity structure
Corporate Capital	26,000,000.00	0	0	0	26,000,000.00
Legal reserves	6,364,150.61	0	1,315,520.91	0	7,679,671.52
Statutory reserves	31,841,355.37	0	5,262,083.63	0	37,103,439.00
Extraordinary reserves	86,624,106.32	0	11,432,813.57	0	98,056,919.89
F.T.A reserves	67,361,205.20	0	0	0	67,361,205.20
Revaluation reserves	8,966,773.62	1,276,951.37	0	0	10,243,724.99
Share premium reserves	44,544,407.55	6,560.16	0	0	44,550,967.71
TOTALS	271,701,998.67	1,283,511.53	18,010,418.11	0	290,995,928.31

BOARD OF AUDITORS REPORT

CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.P.A. (STOCK COMPANY)

Board of Auditors Report for the balance sheet
for the period ending on the 31st December 2006 in accordance with
art 2429, second paragraph, cc.

Dear Shareholders,

The following report explains the auditing activity carried out for the period ending December 31,2006. Our work was carried out in accordance with the norms of law, taking into account the guidelines for the Board of Auditors recommended by the National Council of Accountants and Bookkeepers as well as the indications furnished by CONSOB (The Securities and Investments Board).

In particular:

- During 2006 we monitored to ensure that there was complete compliance with all laws and the corporate charter and that all principles of correct administration were respected;
- We took part in the Shareholder's Meeting as well as all the meetings of the Board of Directors and the Executive Committee. The meetings were held in compliance with the statutory, legislative and regulatory norms, which regulate operations; we can assure that the actions deliberated were in compliance with the law and the corporate charter, were not expressly imprudent or risky, were not potential conflicts of interest and did not risk compromising the integrity of assets;
- We were in contact with the people responsible for auditing, Deloitte & Touche S.p.A. There was no significant data or information which needs to be pointed out in the current report;
- We gathered facts and monitored the adequacy of the company's organizational structure, with the help of the information furnished by the people responsible for the services, and found nothing which needs to be pointed out;
- We verified that the regulations in force regarding anti-usury, anti-recycling and transparency were applied;
- During the year we approved of, in compliance with article 136 of Legislative Decree n. 385/1993, all the operations carried out directly or indirectly by the representatives of the Bank Group for the credit institution;
- We evaluated and monitored the adequacy of the administrative bookkeeping system as well as its reliability in correctly showing the operational facts. We did this by obtaining information from the people responsible for the services and from the person entrusted with auditing as well as by examining company documents. There is nothing to be reported on this subject. The internal control system, which is carried out in compliance with the supervisory regulations in force, is adequate for the dimensions and complexity of operations as well as for the aims indicated in the three-year strategic plan;
- We verified that the areas responsible for the control and containment of risks were able to effectively alert the company management and enable them to intervene in critical states both by using sanctions and interventions aimed at removing the causes of the problems found.
- During the meetings we obtained information from the administrators on the general tendency of operations and on its expected evolution as well as on the most important operations carried out by the company and its subsidiaries. We can assure that the actions carried out are in compliance with the law and the corporate charter;
- We carried out some verifications on the correct application by the delegated authority in terms of the employment of credit;
- In regards to the complaints from clients during the year, we acknowledge that these were regularly checked by the Bank;
- During 2006, there were no complaints in terms of ex- article 2408 c.c.;
- There were no comments or informative reports made by the board of auditors;
- During the year, in accordance with the law there were no opinions given;

- During the supervisory activity, as explained above, there were no further significant facts, omissions or irregularities worthy of being mentioned.

We examined the balance sheet for the period ending on the 31st of December 2006 about which we can report the following:

- Although the Board of Auditors is not assigned the task of analytical control on the contents of the balance sheet, we monitored its overall formulation, its general compliance with the law in terms of how it was drawn up and its structure and we would like to specify that there are no comments to be made.
- In compliance with the European Community instructions on the subject, the balance sheet as of the 31st of December 2006 was drawn up according to the IAS – IFRS International Accounting Principles.
- We monitored that the norms of law were observed with regards to the preparation of the management report and nothing significant, which needs to be referred, emerged.
- Based on the knowledge we acquired, the administrators did not fail to conform to the norms of law, in accordance with article 5, paragraph 1 of Law Decree n. 38 dated the 28th of February 2005, in the drawing up of the balance sheet.
- We verified that the balance sheet corresponded to the facts and to the information, which we became acquainted with during our activity.

Therefore, having stated all of this beforehand and for all that is within our jurisdiction, taking into account that all the information in the special report received from the accounting control body shows no remarks or reserves, we propose that the shareholders:

- approve the balance sheet for the period ending on the 31st of December 2006, as drawn up by the Administrative body;
- approve the proposal for the allocation of profits relating to 2006 as formulated by the Administrative Body.

We would also like to inform you that with the meeting convened for the approval of the current balance sheet, you are called on to renew the board of auditors. Having concluded our commitment with this act, we would like to again express our appreciation and thanks to the Board of Directors, to the General Management, with which we had good relations notwithstanding the distinctive roles, and to the whole structure.

We thank you for the trust shown and would like to wish the bank further significant success.

Teramo, April 5, 2007

The Board of Auditors

Luigi Montironi - President

Sabatino Broccolini - Standing Auditor

Antonio Frattari - Standing Auditor

AUDITING COMPANY REPORT

Deloitte.

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AUDITOR'S REPORT IN ACCORDANCE WITH
ARTICLE 2409 TER OF THE CIVIL CODE AND ARTICLE 116
OF LEGISLATIVE DECREE DATED FEBRUARY 24, 1998, N. 58

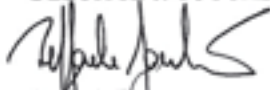
To the Shareholders of
BANCA TERCAS – CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.p.A

1. We have audited the balance sheet, which is made up of the statement of assets and liabilities, the income statement, the statement of changes in net equity, the financial statement and the relevant explanatory notes, for the period ending December 31, 2006 for Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A.. It is the responsibility of the Administrators of Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A., to draw up the balance sheet. It is our responsibility to express a professional opinion on the balance sheet based on the auditing of the accounts.
2. We conducted our audit in compliance with the auditing standards recommended by CONSOB, the Securities and Investments Board. In accordance with the above-mentioned standards, the auditing was planned and carried out in order to acquire all the elements necessary to verify if there any significant mistakes in the year's balance sheet and if it is, on the whole, reliable. The auditing process includes the examination, based on the verification of samples taken, of the probative elements supporting the balances and information contained in the balance sheet as well as the evaluating of the adequacy and correctness of the accounting standards used and the reasonableness of the estimates made by the Administrators. We believe that the work carried out provides a reasonable basis for the expression of our opinion.

For the opinion relating to last year's balance sheets, whose information is presented for comparative reasons, reference should be made to the report which we issued on the 12th of April 2006.

3. In our opinion, the balance sheet for Banca Terca – Cassa di Risparmio della Provincia di Teramo S.p.A., for the period ending on the 31st of December 2006, complies with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in accordance with article 9 of Legislative Decree n. 38/2005. It has, therefore, been drawn up with clarity and presents, for the year ending on this date, a true and correct financial picture of the financial situation, the economic results, the changes in the shareholders' equity and the cash flows of the Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A..

DELOITTE & TOUCHE S.p.A.



Raffaele Fontana
Socio

Rome, April 4, 2007

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia
Roma Torino Treviso Verona

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.r.
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

NOTES FOR THE READING OF BALANCE SHEET DATA

In the following balance sheet layout, the data for the Statement of Assets and Liabilities and the Income Statement for the 31st of December 2006 is compared to the data for the 31st of December 2005.

BANCA TERCAS S.P.A. BALANCE SHEET – 31ST DECEMBER 2006

STATEMENT OF ASSETS ON DECEMBER 31, 2006		
Assets	Dec. 31, 2006	Dec. 31, 2005
10. Cash and cash equivalents	22,282,515	19,588,490
20. Financial assets held for trading	581,391,451	640,316,401
30. Financial assets designated as fair value	0	0
40. Available for sale financial assets	13,640,215	11,577,079
50. Held to maturity financial assets	0	0
60. Loans to banks	58,346,295	196,947,040
70. Loans to customers	2,264,262,695	1,757,452,715
80. Hedging derivatives	0	0
90. Changes in fair value of financial assets in hedged portfolios	0	0
100. Shareholdings	13,075,757	13,041,757
110. Tangible assets	30,432,985	30,256,685
120. Intangible assets	202,933	215,989
of which:		
- goodwill	0	0
130. Tax assets	17,281,006	14,344,106
a) current	6,159,672	5,089,952
b) deferrent	11,121,334	9,254,154
140. Non-current assets and disposal groups held for sale	0	0
150. Other assets	64,017,173	46,602,400
Total assets	3,064,933,025	2,730,342,662

STATEMENT OF LIABILITIES ON DECEMBER 31, 2006

Liabilities and shareholders' equity		Dec. 31, 2006	Dec. 31, 2005
10.	Due to banks	212,150,313	122,076,814
20.	Due to customers	1,922,077,577	1,840,430,078
30.	Securities issued	487,228,557	294,439,820
40.	Financial liabilities held for trading	995,272	1,977,410
50.	Financial liabilities designated as fair value	0	0
60.	Hedging derivatives	0	0
70.	Changes in fair value of financial liabilities in hedged portfolios	0	0
	Tax liabilities	20,571,456	10,674,336
80.	a) current	17,726,257	8,096,055
	b) deferred	2,845,199	2,578,281
90.	Liabilities in disposal groups held for sale	0	0
100.	Other liabilities	75,830,758	133,556,055
110.	Employee severance pay	17,679,560	21,558,763
120.	Provisions for risks and charges	29,103,604	27,997,388
	a) retirement benefits and other obligations	7,278,030	7,335,282
	b) other funds	21,825,574	20,662,106
130.	Revaluation reserves	10,243,725	8,966,774
140.	Redeemable shares	0	0
150.	Capital instruments	0	0
160.	Reserves	192,190,817	181,432,329
170.	Share premium	44,550,968	44,544,408
180.	Capital	26,000,000	26,000,000
190.	Own shares	0	0
200.	Profit (loss) for the period	26,310,418	16,688,489
	Total liabilities	3,064,933,025	2,730,342,662

INCOME STATEMENT ON DECEMBER 31, 2006

	Income statement items	Dec. 31, 2006	Dec. 31, 2005
10.	Interest income and similar revenues	135,471,762	98,082,182
20.	Interest expenses and similar charges	(34,940,560)	(20,333,831)
30.	Interest income	100,531,202	77,748,351
40.	Commission income	35,630,228	30,737,766
50.	Commission expense	(2,066,710)	(2,259,408)
60.	Net commission	33,563,518	28,478,358
70.	Dividends and similar revenues	797,236	526,793
80.	Net results on trading activities	924,116	2,556,854
90.	Net results from hedge accounting	0	0
	Profits/losses from the disposal of		
100.	a) loans and receivables	(148,749)	0
	b) available for sale financial assets	410,302	1,841,006
	c) held-to-maturity financial assets	0	0
	d) financial liabilities	237,915	4,462
110.	Net results on financial assets and liabilities designated at fair value	0	0
120.	Net income	136,315,540	111,155,824
130.	Net value adjustments for impairment losses on:		
	a) loans	(12,994,171)	(3,782,900)
	b) available-for-sale financial assets	0	0
	c) held-to-maturity investments	0	0
	d) other financial assets	80,388	(270,528)
140.	Net financial income	123,401,757	107,102,396
	Administrative costs	(81,453,794)	(80,038,579)
150.	a) Personnel expenses	(51,475,118)	(49,287,222)
	b) Other administrative expenses	(29,978,676)	(30,751,357)
160.	Net provisions for risks and charges	(1,128,355)	(5,442,702)
170.	Net adjustments/recoveries on tangible assets	(1,742,500)	(1,898,315)
180.	Net adjustments/recoveries on intangible assets	(112,196)	(92,369)
190.	Other operating expenses/income	10,390,704	10,328,560
200.	Operating costs	(74,046,141)	(77,143,405)
210.	Profit (Loss) on shareholdings	0	0
220.	Net result of fair value adjustment to tangible and intangible assets	0	0
230.	Value adjustment on goodwill	0	0
240.	Profit (Loss) on disposal of investments	14,885	53,094
250.	Operating Profit (Loss) before tax from continuing operations	49,370,501	30,012,085
260.	Income tax related to continuing operations for the period	(23,060,083)	(13,323,596)
270.	Net Profit (Loss) from continuing operations	26,310,418	16,688,489
280.	Net Profit (Loss) from discontinued operations	0	0
290.	Profit (Loss) for the period	26,310,418	16,688,489

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF FINANCIAL POSITION		STATEMENT OF FINANCIAL POSITION		STATEMENT OF FINANCIAL POSITION	
	12-31-2006		12-31-2005		12-31-2006		12-31-2005	
	Shareholders' equity on 12-31-2006	Shareholders' equity on 12-31-2005	Shareholders' equity on 12-31-2006	Shareholders' equity on 12-31-2005	Shareholders' equity on 12-31-2006	Shareholders' equity on 12-31-2005	Shareholders' equity on 12-31-2006	Shareholders' equity on 12-31-2005
Share capital	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00
a) ordinary shares	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00	26,000,000.00
b) other shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share premium	44,544,407.55	44,544,407.55	44,544,407.55	44,544,407.55	44,544,407.55	44,544,407.55	44,544,407.55	44,544,407.55
Reserves:	181,432,328.78	181,432,328.78	181,432,328.78	181,432,328.78	181,432,328.78	181,432,328.78	181,432,328.78	181,432,328.78
a) retained earnings (including profits previous year)	114,071,123.58	114,071,123.58	10,758,488.72	10,758,488.72	0.00	0.00	0.00	0.00
b) FTA risks and charges funds	592,669.39	592,669.39	0.00	0.00	0.00	0.00	0.00	0.00
c) FTA personnel funds	43,977.62	43,977.62	0.00	0.00	0.00	0.00	0.00	0.00
d) FTA credit evaluation	(2,801,585.17)	(2,801,585.17)	0.00	0.00	0.00	0.00	0.00	0.00
e) FTA reallocation credit risk funds	4,758,930.12	4,758,930.12	0.00	0.00	0.00	0.00	0.00	0.00
f) FTA reallocation general bank risk funds	64,227,732.19	64,227,732.19	0.00	0.00	0.00	0.00	0.00	0.00
g) FTA reallocation depreciation funds	2,957,935.48	2,957,935.48	0.00	0.00	0.00	0.00	0.00	0.00
h) FTA reallocation securitization quota	(2,879,955.17)	(2,879,955.17)	0.00	0.00	0.00	0.00	0.00	0.00
i) FTA evaluation securities and derivatives	454,894.63	454,894.63	0.00	0.00	0.00	0.00	0.00	0.00
j) FTA passive financial instruments	6,606.11	6,606.11	0.00	0.00	0.00	0.00	0.00	0.00
Valuatio reserves	8,966,773.62	8,966,773.62	8,966,773.62	8,966,773.62	8,966,773.62	8,966,773.62	8,966,773.62	8,966,773.62
a) available for sale	4,095,912.25	4,095,912.25	0.00	0.00	0.00	0.00	0.00	0.00
b) tangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) foreign investment hedge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e) cashflow hedge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
f) currency translation differences	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
g) non-current assets and disposal groups	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
h) special revaluation laws	4,870,861.37	4,870,861.37	0.00	0.00	0.00	0.00	0.00	0.00
Capital instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Own shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit (Loss) for the year	16,688,488.72	16,688,488.72	(10,758,488.72)	(5,930,000.00)	0.00	26,310,418.16	26,310,418.16	26,310,418.16
Shareholders' equity	277,631,998.67	277,631,998.67	277,631,998.67	(5,930,000.00)	1,276,951.37	1,276,951.37	299,295,928.56	299,295,928.56

TERCAS BANK INDIVIDUAL CASH FLOW STATEMENT
Direct Method

A. OPERATIONS	Amount	
	2006	2005
1. Operations (+/-)	37.917.746	20.818.668
- interest received	135,443,200	98,045,153
- interest paid (-)	(34,940,560)	(20,333,831)
- dividends and similar revenues (+)	0	0
- net commissions (+/-)	33,563,518	28,478,359
- personnel costs (-)	(49,047,618)	(46,679,859)
- net premiums collected	0	0
- other income/charges	0	0
- other costs (-)	(31,749,510)	(30,751,357)
- other income (+)	12,710,730	4,751,327
- duties and taxes paid (-)	(28,062,014)	(12,691,124)
- costs/income on groups of assets being disposed net of taxes	0	0
2. Liquidity generated/absorbed by financial assets (+/-)	(384,465,319)	(363,571,572)
- financial assets held for trading	60,447,654	63,985,288
- financial assets designated as fair value	0	0
- available for sale financial assets	(1,652,834)	(4,339,493)
- due from customers	(506,809,980)	(386,885,386)
- due from banks: repayable on demand	138,600,745	(87,412,282)
- due from banks: other loans	0	0
- other financial assets / liabilities	(75,050,904)	51,080,301
3. Liquidity generated /absorbed by financial liabilities (+/-)	356,403,980	350,703,873
- due to banks: repayable on demand	90,073,499	106,918,608
- due to banks: other debts	0	0
- due to customers	81,647,499	180,074,489
- securities issued	192,788,737	65,999,866
- financial liabilities held for trading	(982,138)	(558,305)
- financial liabilities evaluated at fair value	0	0
- other liabilities	(7,123,617)	(1,730,785)
Net liquidity generated /absorbed by operations (+/-)	9,856,407	7,950,969
B. INVESTMENTS		
1. Liquidity generated by (+)	812,121	581,162
- sale of equity investments	0	0
- dividends received from equity investments	797,236	526,793
- sale of financial assets held to maturity	0	0
- sale of tangible assets	14,885	54,369
- sale of intangible assets	0	0
- sale of subsidiaries and divisions	0	0
2. Liquidity absorbed by (-)	(2,051,063)	(1,190,506)
- purchase of equity investments	(34,000)	(122,322)
- purchase of financial assets held to maturity	0	0
- purchase of tangible assets	(1,917,922)	(1,068,184)
- purchase of intangible assets	(99,141)	0
- purchase of subsidiaries and divisions	0	0
Net liquidity generated/absorbed by investments (+/-)	(1,238,942)	(609,344)
C. FINANCING ACTIVITIES		
- issue/purchase of own shares	6,560	0
- dividend distribution and other uses	(5,930,000)	(5,918,872)
Net liquidity generated/absorbed by financing activities (+/-)	(5,923,440)	(5,918,872)
NET LIQUIDITY GENERATED / ABSORBED DURING THE YEAR (+/-)	2,694,025	1,422,753

RECONCILIATION

Items	Dec. 31, 2006	Dec. 31, 2005
Opening balance of cash and cash equivalents	19,588,490	18,165,737
Net total liquidity generated/absorbed during the year	2,694,025	1,422,753
Cash and cash equivalents: exchange rate variation effects	0	0
Closing balance of cash and cash equivalents	22,282,515	19,588,490

***banca*tercas**
cassa di risparmio della provincia di teramo spa

CONSOLIDATED BALANCE SHEET

MANAGEMENT REPORT

The year 2006 ended for the Tercas Group – Cassa di Risparmio della Provincia di Teramo, with a consolidated profit of 27.62 million euros. This was an increase of 57.0% as compared to the previous year, based on the results achieved by the parent company. A good contribution was made also by the subsidiary Terleasing, which increases its contribution to the results with an 18.40% growth of net profit at 970 thousand euros.

Summary of volume intermediated

(data in millions of euros)	Year		Variations 05-06	
	2006	2005	Absolute	%
At sight deposits	1,750	1,648	102	6,2
Certificates of deposit	150	167	-17	-10,2
Bonds	338	128	210	164,1
Repurchase agreements	171	192	-21	-10,9
Direct deposits	2,409	2,135	272	12,8
Managed deposits	817	791	26	3,3
GPF and Managed accounts	226	108	118	109,3
Investment funds and SICAV	332	425	-93	-21,9
Insurance	259	258	1	0,4
Administered deposits	995	947	48	5,1
Indirect deposits	1,812	1,738	74	4,3
Customer loans	2,282	1,776	506	28,5
Securities	596	652	-56	-8,7

In regards to the assets managed, direct deposits reached 2,409 million euros with an increase of 12.8%. The bond component is connoted with the greatest increase as shown by the parent company. Although its progress was less, it was certainly interesting for the at sight division. This division was lively with a growth of 6.2% in terms of percentage.

Certificates of deposit decreased by 10.2%. This was also due to the group's commercial policies which, especially during the first 6 months of the year, encouraged the customers interested in savings with longer maturity dates to purchase Tercas bonds.

Repurchase agreements decreased (-10.9%). It should be pointed out that during the previous year the parent company's repurchase agreements included an amount of over 100 million euros due to relations with a non-banking financial institution which, in accordance with the supervisory norms, is considered ordinary clientele.

In line with what was highlighted by the parent company, indirect deposits increased by 4.3% to 1,812 million euros. There was a decisive contribution both from the "managed" component, which increased by 3.3%, and from the "administered" component (+5.1%). At the end of 2006, managed savings represented about 46% of the third party funds administered by the Group.

The technical forms, which showed the greatest vivacity, were the Tercas GPF and the SICAV. Insurance policies were substantially stable as compared to the good tendency in 2005.

The credit granted to customers, net of the value adjustment, was in the amount of 2,282 million euros at the end of 2006. This was an increase of 28.5% from the previous year. The strategies and the structures used for risk management permitted maintaining the group's risk in line with previous years even if in the presence of a significant growth percentage.

It must also be mentioned that at the beginning of the year the parent company carried out a transfer without recourse for a great part of the credit

portfolio, which was outstanding for a gross countervalue of 44.4 million euros equal to a net value of 7 million euros.

The analysis for technical form indicates the continuation of the greatest dynamism in the medium/long term, which represents a large part of the group's credit portfolio: it increased by 30% to 1,473 million with a weight of 65% on the total.

The forms of medium term loans with fewer guarantees, such as the personal loans, were not encouraged and, at the end of the year, they decreased by 36%. With this in mind, the parent company signed an agreement with the AGOS company, a leader in the consumer credit sector, for an offer of the special credit typology to the clients interested.

The short-term division, represented by the exposures in current accounts, shows an increase of 26% during 2006 for the group. This tendency is undoubtedly influenced both by the renewed enthusiasm in the economic context the parent company operates in and the Bank's capacity to acquire new intermediations.

The production of the subsidiary Terleasing increased considerably during the year both in the number of contracts stipulated (+53%) and in the number of requests processed (+33.6%). On the whole, this increase in activity can be quantified at 60.4 million euros in new contracts.

The component with the greatest dynamism is the one for property leasing, which increased by 87% for 15.6 million euros. It benefited from the acquisition of some clients of primary importance with an elevated average sum per unit. The component with number plates also registered an increase of 16.9% in the overall amount and 11.7% on the number of operations carried out.

The parent company's securities amount to 596 million euros with a negative variation of 8.7% compared to the previous year. Government securities make up 62% of the overall portfolio. The risk level remains contained.

THE ECONOMIC RESULTS

	Year	Year	Variations 05-06	
	2006	2005	Absolute	%
Interest income	103.2	80.0	23.2	29%
Net commission	34.7	29.2	5.5	19%
Total revenues	139.9	114.1	25.8	23%
Current operating results	51.6	31.6	20	63%
Period profits attributable to the group	27.6	17.7	9.9	56%

In the presence of a greatly competitive market, An analysis of the tendency of the consolidated profit and loss account shows a result of 103 million euros for the money managed. This was an increase of 29% compared to the previous year.

The changes made in the management of commercial policies, which were introduced by the parent company during 2005, permitted the reaching and exceeding of the rather ambitious aims both in interest income and in the service division where the group had a 19% increase. Net commission reached 34.7 million euros, while the financial market activity led to a positive result of 0.9 million euros.

These calculations increase the total revenues by 23% and are near 140 million euros.

The active management carried out by the parent company in the field of cost containment resulted in administrative expenses increasing only by 2.1% to 83 million due to the increase of personnel costs (+4.7%) while other administrative expenses decreased by 2.2%. The depreciation of tangible and intangible assets decreased by 7.9%.

The credit portfolio evaluation highlighted net adjustments for 13.2 million euros. Provisions for risks and charges amount to 1.1 million euros.

After allocating 23.8 million euros to the tax reserve, the consolidated net profit attributable to the group is brought to 27.6 million euros with an increase of 56% from the previous year.

After the year ended the parent company began the procedure for evaluating eventual proposals for the sale of the shareholding in Terleasing SpA. Interest was shown by primary financial institutions, which are still evaluating this possibility. After the preliminary evaluation the parties concerned will start up due diligence. The achievement of these brilliant results permits the confirming and consolidating of good relations with the local reality, which is one of the strong points of the group, and confidently facing the evolution of management.

It should be pointed out that during the course of the year, except for the parent company, none of the group companies detained their own or the parent company's shares not even through trust companies or third parties.

AUDITING COMPANY REPORT

Deloitte.

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AUDITOR'S REPORT IN ACCORDANCE WITH
ARTICLE 2409 TER OF THE CIVIL CODE AND ARTICLE 116
OF LEGISLATIVE DECREE DATED FEBRUARY 24, 1998, N. 58

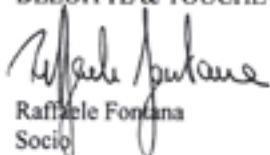
To the Shareholders of
BANCA TERCAS – CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.p.A

1. We have audited the balance sheet, which is made up of the statement of assets and liabilities, the income statement, the statement of changes in net equity, the financial statement and the relevant explanatory notes, for the period ending December 31, 2006 for Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A and its subsidiaries (Gruppo Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A.). It is the responsibility of the Administrators of Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A, to draw up of the balance sheet. It is our responsibility to express a professional opinion on the balance sheet based on the auditing of the accounts.
2. We conducted our audit in compliance with the auditing standards recommended by CONSOB, the Securities and Investments Board. In accordance with the above-mentioned standards, the auditing was planned and carried out in order to acquire all the elements necessary to verify if there any significant mistakes in the year's balance sheet and if it is, on the whole, reliable. The auditing process includes the examination, based on the verification of samples taken, of the probative elements supporting the balances and information contained in the balance sheet as well as the evaluating of the adequacy and correctness of the accounting standards used and the reasonableness of the estimates made by the Administrators. We believe that the work carried out provides a reasonable basis for the expression of our professional opinion..

For the opinion relating to last year's balance sheets, whose information is presented for comparative reasons, reference should be made to the report we issued on the 12th of April 2006.

3. In our opinion, the balance sheet for Banca Terca – Casa di Risparmio della Provincia di Teramo S.p.A. for the period ending on the 31st of December 2006, complies with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in accordance with article 9 of Legislative Decree n. 38/2005. It has, therefore, been drawn up with clarity and presents, for the year ending on this date, a true and correct financial picture of the financial situation, the economic results, the changes in the shareholders' equity and the cash flows of the Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A..

DELOITTE & TOUCHE S.p.A.


Raffaele Fontana
Socio

Rome, April 4, 2007.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia
Roma Torino Treviso Verona

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

NOTES FOR THE READING OF BALANCE SHEET DATA

In the following balance sheet layout, the data for the Statement of Assets and Liabilities and the Income Statement for the 31st of December 2006 is compared to the data for the 31st of December 2005.

The current balance sheet is drawn up in accordance with the IAS-IFRS International Accounting Principles.

CONSOLIDATED BALANCE SHEET

		Figures are expressed in thousands of euros			
Assets		Dec. 31, 2006		Dec. 31, 2005	
10.	Cash and cash equivalents		22,284		19,589
20.	Financial assets held for trading		581,391		640,316
30.	Financial assets designated as fair value		0		0
40.	Available for sale financial assets		14,240		11,877
50.	Held to maturity financial assets		0		0
60.	Loans to banks		58,346		196,947
70.	Loans to customers		2,282,025		1,775,845
80.	Hedging derivatives		0		0
90.	Changes in fair value of financial assets in hedged portfolios		0		0
100.	Shareholdings		8		8
110.	Insurance reserves attributable to reinsurers		0		0
120.	Tangible assets		31,906		31,103
130.	Intangible assets		344		291
	of which:				
	- goodwill		0		0
140.	Tax assets		19,909		15,707
	a) current	8,622		6,310	
	b) deferred	11,287		9,397	
150.	Non-current assets and disposal groups held for sale		0		0
160.	Other assets		64,345		47,144
	Total assets		3,074,798		2,738,827

STATEMENT OF LIABILITIES AND SHAREHOLDERS' EQUITY

		Dec. 31, 2006		Dec. 31, 2005	
10.	Due to banks		212,150		122,077
20.	Due to customers		1,922,172		1,840,434
30.	Securities issued		487,229		294,440
40.	Financial liabilities held for trading		995		1,977
50.	Financial liabilities designated as fair value		0		0
60.	Hedging derivatives		0		0
70.	Changes in fair value of financial liabilities in hedged portfolios		0		0
80.	Tax liabilities		20,945		10,856
	a) current	18,020		8,198	
	b) deferred	2,925		2,658	
90.	Liabilities in disposal groups held for sale		0		0
100.	Other liabilities		79,798		137,125
110.	Employee severance pay		17,858		21,770
120.	Provisions for risks and charges		29,117		27,997
	a) retirement benefits and other obligations	7,278		7,335	
	b) other funds	21,839		20,662	
130.	Technical reserves		0		0
140.	Revaluation reserves		10,244		8,967
150.	Redeemable shares		0		0
160.	Capital instruments		0		0
170.	Reserves		194,218		183,174
180.	Share premium		44,551		44,544
190.	Capital		26,000		26,000
200.	Own shares (-)		0		0
210.	Minority interests (+/-)		1,896		1,859
220.	Profit (loss) for the period (+/-)		27,625		17,607
Total liabilities and shareholders' equity			3,074,798		2,738,827

CONSOLIDATED INCOME STATEMENT

	Items	Dec. 31, 2006	Dec. 31, 2005
10.	Interest income and similar revenues	138,165	100,400
20.	Interest expenses and similar charges	(34,938)	(20,356)
30.	Interest income	103,227	80,044
40.	Commission income	37,018	31,644
50.	Commission expense	(2,324)	(2,396)
60.	Net commission	34,694	29,248
70.	Dividends and similar revenue	604	411
80.	Net results on trading activities	924	2,559
90.	Net results from hedge accounting	0	0
100.	Profit (Loss) from the disposal or repurchase of:	499	1,846
	a) loans and receivables	(149)	0
	b) available for sale financial assets	410	1,841
	c) held-to-maturity investments	0	0
	d) financial liabilities	238	5
110.	Net results on financial assets and liabilities designated at fair value	0	0
120.	Net income	139,948	114,108
130.	Net value adjustments/recoveries for impairment losses on:		
	a) loans	(13,227)	(3,920)
	b) available-for-sale financial assets	0	0
	c) held-to-maturity investments	0	0
	d) other financial operations	80	(270)
140.	Net financial income	126,801	109,918
150.	Net premiums	0	0
160.	Balance other income/expenses from insurance operations	0	0
170.	Net results financial and insurance operations	0	0
180.	Administrative costs	(83,068)	(81,397)
	a) Personnel expenses	(52,332)	(49,965)
	b) Other administrative expenses	(30,736)	(31,432)
190.	Net provisions for risks and charges	(1,132)	(5,445)
200.	Net adjustments/recoveries on tangible assets	(1,788)	(1,942)
210.	Net adjustments/recoveries on intangible assets	(159)	(123)
220.	Other operating expenses/income	10,942	10,527
230.	Operating costs	(75,205)	(78,380)
240.	Profit (Loss) on shareholdings	0	0
250.	Net result of fair value adjustment to tangible and intangible assets	0	0
260.	Value adjustment on goodwill	0	0
270.	Profit (Loss) on disposal of investments	15	53
280.	Pre-tax operating Profit (Loss) from continuing operations	51,611	31,591
290.	Income tax related to continuing operations for the period	(23,888)	(13,899)
300.	Net Profit (Loss) after tax from continuing operations	27,723	17,692
310.	Net Profit (Loss) from discontinued operations	0	0
320.	Profit (Loss) for the period	27,723	17,692
330.	Profit (Loss) for the period attributable to third parties	98	85
340.	Profit (Loss) for the period attributable to parent company	27,625	17,607

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY 01-01-2006 - 12-31-2006

	Situation on 12-31-2005	Changes opening balance (+/-)	Situation on 01-01-2006	Allocation of previous year's results		Years variations							Shareholder's equity on 12-31-2006	
				Reserves	Dividends and other distributions	Reserve variations	Operations on the shareholders' equity							Profit (Loss) for the year on 12-31-2006
							New share issue	Purchase own shares	Extraordinary dividend payment	Variation capital instruments	Derivatives on own shares	Stock options		
Share capital	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	0	26,000,000
a) ordinary shares	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	0	26,000,000
b) other shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Share premium	44,544,408	0	44,544,408	0	0	0	0	0	0	0	0	0	0	44,550,968
Reserves:	183,174,520	0	183,174,520	11,676,199	0	(633,105)	0	0	0	0	0	0	0	194,217,614
a) retained earnings (Negative consolidation reserve)	113,225,435	0	113,225,435	11,676,199	0	(633,105)	0	0	0	0	0	0	0	124,268,529
b) FTA risks and charges funds	592,669	0	592,669	0	0	0	0	0	0	0	0	0	0	592,669
c) FTA personnel funds	43,978	0	43,978	0	0	0	0	0	0	0	0	0	0	43,978
d) FTA credit evaluation	(2,672,549)	0	(2,672,549)	0	0	0	0	0	0	0	0	0	0	(2,672,549)
e) FTA reallocation credit risk funds	4,918,432	0	4,918,432	0	0	0	0	0	0	0	0	0	0	4,918,432
f) FTA reallocation general bank risk funds	64,227,732	0	64,227,732	0	0	0	0	0	0	0	0	0	0	64,227,732
g) FTA reallocation depreciation funds	2,957,936	0	2,957,936	0	0	0	0	0	0	0	0	0	0	2,957,936
h) FTA reallocation securitization quota	(2,879,955)	0	(2,879,955)	0	0	0	0	0	0	0	0	0	0	(2,879,955)
i) FTA evaluation securities and derivatives	454,895	0	454,895	0	0	0	0	0	0	0	0	0	0	454,895
j) FTA consolidation differences	2,299,342	0	2,299,342	0	0	0	0	0	0	0	0	0	0	2,299,342
k) FTA passive financial instruments	6,606	0	6,606	0	0	0	0	0	0	0	0	0	0	6,606
Valuation Reserves	8,966,774	0	8,966,774	0	0	1,276,952	0	0	0	0	0	0	0	10,243,726
a) available for sale	4,095,912	0	4,095,912	0	0	1,276,952	0	0	0	0	0	0	0	5,372,864
b) tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
d) foreign investment hedge	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e) cashflow hedge	0	0	0	0	0	0	0	0	0	0	0	0	0	0
f) currency translation differences	0	0	0	0	0	0	0	0	0	0	0	0	0	0
g) non-current assets and disposal groups	0	0	0	0	0	0	0	0	0	0	0	0	0	0
h) special revaluation laws	4,870,861	0	4,870,861	0	0	0	0	0	0	0	0	0	0	4,870,861
Capital instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Own shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit for the year (including quota attributable to third parties)	17,691,506	0	17,691,506	(11,676,199)	(6,015,307)	0	0	0	0	0	0	0	0	27,625,523
Shareholders' equity	280,377,208	0	280,377,208	0	(6,015,307)	643,847	0	0	0	0	0	0	0	302,637,831

The statement of changes in the Consolidated Net Equity does not show the data relating to the net equity and profits attributable to third parties, which are respectively equal to 1,896 thousand euros and to 98 thousand euros on 12-31-2006.

TERCAS BANK CONSOLIDATED CASH FLOW STATEMENT
Direct Method

A. Operations	Amount	
	Dec. 31, 2006	Dec. 31, 2005
1. Operations (+/-)	37,752	21,233
- interest received	138,165	102,592
- interest paid (-)	(34,938)	(22,584)
- dividends and similar revenues (+)	0	0
- net commissions (+/-)	34,694	29,248
- personnel costs (-)	(52,332)	(47,357)
- net premiums collected	0	0
- other insurance income/charges	0	0
- other costs (-)	(31,776)	(31,507)
- other income (+)	13,042	4,751
- duties and taxes paid (-)	(29,103)	(13,910)
- costs/income on groups of assets being disposed net of taxes	0	0
2. Liquidity generated/absorbed by financial assets (+/-)	(383,954)	(367,392)
- financial assets held for trading	60,448	63,985
- financial assets designated as fair value	0	0
- available for sale financial assets	(2,382)	(4,339)
- due from customers	(506,180)	(392,755)
- due from banks: repayable on demand	138,601	(85,301)
- due from banks: other loans	0	0
- other financial assets	(74,441)	51,018
3. Liquidity generated /absorbed by financial liabilities (+/-)	356,494	354,261
- due to banks: repayable on demand	90,073	110,343
- due to banks: other debts	0	0
- due to customers	81,738	180,207
- securities issued	192,789	66,000
- financial liabilities held for trading	(982)	(558)
- financial liabilities evaluated at fair value	0	0
- other liabilities	(7,124)	(1,731)
Net liquidity generated /absorbed by operations (+/-)	10,292	8,102
B. INVESTMENTS		
1. Liquidity generated by (+)	619	581
- sale of equity investments	0	0
- dividends received from equity investments	604	527
- sale of financial assets held to maturity	0	0
- sale of tangible assets	15	54
- sale of intangible assets	0	0
- sale of subsidiaries and divisions	0	0
2. Liquidity absorbed by (-)	(2,270)	(1,225)
- purchase of equity investments	(34)	(122)
- purchase of financial assets held to maturity	0	0
- purchase of tangible assets	(2,025)	(1,103)
- purchase of intangible assets	(211)	0
- purchase of subsidiaries and divisions	0	0
Net liquidity generated/absorbed by investments (+/-)	(1,651)	(644)
C. FINANCING ACTIVITES		
- issue/purchase of own shares	7	0
- issue/purchase of capital instruments	0	0
- dividend distribution and other uses	(5,953)	(6,035)
Net liquidity generated/absorbed by financing activities (+/-)	(5,946)	(6,035)
NET LIQUIDITY GENERATED / ABSORBED DURING THE YEAR (+/-)	2,695	1,423

RECONCILIATION

Items	Dec. 31, 2006	Dec. 31, 2005
Opening balance of cash and cash equivalents	19,589	18,166
Net total liquidity generated/absorbed during the year	2,695	1,423
Cash and cash equivalents: exchange rate variation effects	0	0
Closing balance of cash and cash equivalents	22,284	19,589