

2007 Financial statements

*banca***tercas**

INDIVIDUAL FINANCIAL STATEMENTS 2007 - CONTENTS

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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%
Private shareholders - 35%

SHAREHOLDINGS

Agena Srl - Alfa Spa - Autostrada dei Parchi Spa - Banca D'Italia - Banca Interregionale Spa - Centro Factoring Spa - Centro Iperbarico Polivalente e Ricerca Spa - Sviluppo Italia Abruzzo Spa - Consorzio per lo sviluppo industriale Teramo - CSE S.C. a rl - Eurocasse Sim Spa - FIRA Spa - Fira Servizi Spa - Gran Sasso Laga Srl - Intesa San Paolo Spa - Isveimer Spa - MPS Merchant Spa - Saga Spa - SIA-SSB Spa - Siteba Spa - Swift - Sogiter Srl - Terbroker Srl

MAIN OFFICES

Ascoli Piceno - Atri - Giulianova Lido - Nereto - Pescara, Via Conte di Ruvo - Roma, Piazza Don Luigi Sturzo - Roseto degli Abruzzi - S. Egidio alla Vibrata - Teramo

BRANCHES

Alba Adriatica - Alba Adriatica, viale Marconi - Ancarano - Aprati - Arsita - Atri, Fontanelle - Atri, Ospedale Civile - Atri, Santa Margherita - Avezzano - Avezzano/ag. 1 - Bellante - Bellante Stazione - Bologna - Bologna Ag. 1 - Campli - Campomarino - Canzano - Carsoli - Castelli - Colonnella - Castilenti - Cesena - Chieti Scalo - Controguerra - Corropoli Paese - Castellalto (Castelnuovo al Vomano) - Corropoli Bivio - Cermignano - Civitanova Marche - Corridonia - Cologna Spiaggia - Forlì - Garrufo di Sant'Omero - Giulianova Paese - Giulianova Ospedale Civile - Giulianova Annunziata - Grottammare - 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 - Pesaro - Pineto - Porto San Giorgio - Porto d'Ascoli - Pagliare di Spinetoli - Porto Sant'Elpidio - Jesi - Chiaravalle - Fano - Roma /Ag.1 - Roma /Ag.2 - Roma /Ag.3 - Roma /Ag.4 - Recanati - Rimini - Roseto degli Abruzzi, Campo a Mare - Penna Sant'Andrea (Val Vomano) - San Benedetto del Tronto - S. Maria Imbaro - S. Nicolò a Tordino - S. Omero - S. Onofrio - Scerne di Pineto - Silvi Marina - Silvi Marina Sud - Torricella - Tortoreto Lido - Pescara, via Nicola Fabrizi - Pietracamela - Poggio Morello - Pescara, Santa Filomena - Poggiofiorito - Tortoreto Paese - Tossicia - Termoli - Teramo Cona - Teramo Ospedale - Teramo, Stazione - Teramo, Madonna delle Grazie - Teramo, Piano della Lenta - Tivoli - Villa Lempa

STATUTORY BODIES

BOARD OF DIRECTORS

CHAIRMAN	LINO NISII
DEPUTY CHAIRMAN	CLAUDIO DI GENNARO
DIRECTORS	GIUSEPPE CINGOLI ANTONIO DE DOMINICIS ANTONIO FORLINI GUGLIELMO MARCONI LUIGI MARINI ALFREDO RABBI ENZO FORMISANI ROBERTO CARLEO FABRIZIO SORBI
SECRETARY	TITO D'EMIDIO

EXECUTIVE COMMITTEE

CHAIRMAN	LINO NISII
DEPUTY CHAIRMAN	CLAUDIO DI GENNARO
MEMBERS	ALFREDO RABBI GUGLIELMO MARCONI LUIGI MARINI

BOARD OF AUDITORS

CHAIRMAN	LUIGI MONTIRONI
STANDING AUDITORS	GIANFRANCO SCENNA MASSIMO DELL'ORLETTA
SUBSTITUTE AUDITORS	DOMIZIO GAVIGLIA GILDA RUGGIERI

GENERAL MANAGEMENT

DIRETTORE GENERALE	ANTONIO DI MATTEO
VICE DIRETTORE GENERALE	FRANCESCO CORNELI

DIRECTORS' REPORT ON MANAGEMENT TREND

THE ECONOMIC BACKGROUND

The international situation

There was a positive trend for the main world economies last year, although in the second half of the year, after the advent of the financial crisis linked to American sub-prime mortgages, the international situation became less favourable.

The negative events of the summer, when the crisis connected to the sub-prime mortgage defaults in the United States, led to lowered growth forecasts in the main economies, although this adjustment, albeit consistent, did not alter the medium-term outlook. The international situation continues to be strong, mainly thanks to the continuing positive dynamics of the emerging economies and to the overall resistance in Europe. The downsizing of expectations mainly regarded the United States, only later reaching Europe and the emerging economies in Asia which, albeit hardly involved directly, were negatively influenced by the general concern generated on financial markets and by a high increase in the prices of raw materials for energy and of foodstuffs.

Obvious risks of falling into the American cycle remain, but repeated intervention on the part of the American central bank in 2007 and the early months of 2008 should have contained the risk of recession and prevented a vicious spiral from being triggered off. According to some of the main economic operators, in fact, the risk of recession is fairly low. The weak dollar against the euro is driven by different cyclical positions in the two areas.

In 2007, the growth of the United States GDP was around 2.2%. In the last quarter, USA productivity increased by 1.8% on an annual basis, which was more than the experts had predicted. But the growth depended on a consistent reduction in the number of hours worked, with a record fall for the last five years (-1.5%). The unit cost for labour in the United States increase by 2.1%, which was less than forecast. Performance was not particularly in either 2006 or 2007 if compared with the average for the 2000-2004 period of 3.2%.

Neither have the first months of 2008 been encouraging for the American economy and we will have to wait until the summer of 2008 in order to understand whether the United States have really entered a recession, or if the deceleration in dynamics is only temporary.

In 2007, in fact, the greenback dropped against the euro and other currencies. The negative trend for the dollar has continued in the first months of 2008. However, development in the USA in 2007 did register a certain growth (+1.8%). But the 2008 forecasts for USA growth put it at a mere 0.5%.

The economic situation of the United States is, in fact, worsening because of a new crisis in the building sector and the exhaustion of the accumulated stocks which had allowed for improvement in the second half of 2007. Growth in the employment rate is slowing down, and the expansion of both family and corporate credit has started to contract. The confidence indicators for US economic operators have consequently worsened, forcing the new American president to openly declare, early in 2008, that the United States are not in recession, in order to encourage the markets and restore confidence.

The minor dynamism in America is at present causing relatively limited repercussions in the Euro-zone which, on one hand, suffers from the weakness of the American demand and from the weak dollar, while on the other hand it is benefiting from more solid home dynamics based

on domestic demand and the development of intra-area trade, and on the support from the emerging countries especially in Asia and East Europe. The European economy also receives a certain contribution from trade with the OPEC countries. The increase in the difficulties of the American economy have also led to partial separation of the real European economic situation from that on the other side of the Atlantic, caused mainly by the recent weakening of commercial relations between the two areas, and so much so that European deceleration subsequent to the change in the United States might worsen. The amount of the contagion, in any case, depends of the response timing of the ECB if the United States picture really does worsen.

Emerging Countries

The trend in 2007 for the emerging countries was somewhat different, and remained on the whole more sustained than the so-called “mature” countries. China, India, Russia and Brazil had strong growth rates, and made a higher contribution to the GDP at world level. Repercussions on the emerging areas of the sluggish United States economy and of the turbulence of the financial markets were generally contained. Although external funding conditions became more restrictive, the emerging countries benefited from the even more favourable conditions of the dynamics of international trade, direct investment flows and lower debt exposure than in the past.

Economic activity was particularly strong in Asia. In China industrial production grew at a high rate (+11.4%). And economic activity was strong in India, too: in spite of a slight deceleration in the economy, the overall GDP for the year increased by about 8.8%.

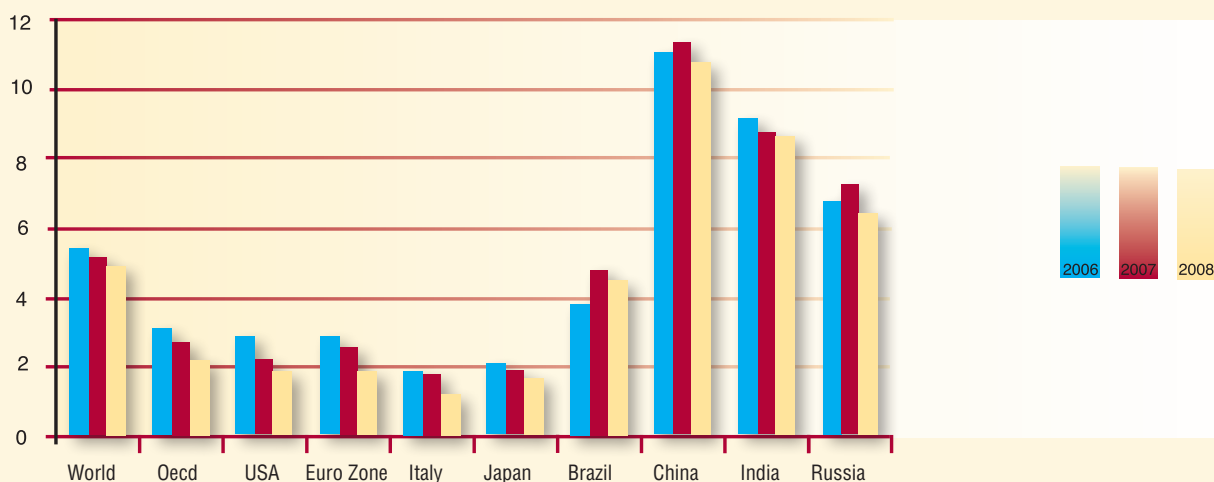
The Euro Zone

The Euro zone benefited from the German economy, which increased by 2.4% and the same growth rate is forecast for 2008. The Italian economy is included within this framework, albeit with far less brilliant results; in fact it has the lowest growth rate in Europe.

The German GDP increased by 2.6%, driven in particular by the 1.3% of the energy sector. Spanish economy was even more lively, with GDP growth of +3.7%, while the French growth rate was more contained at 1.9%. The British economy had good dynamics, with a 3.1% increase.

While the growth of the main economies of Central and Eastern Europe were more lively, with particularly high GDP expansion in the Czech Republic, Slovakia, Poland and Romania. The only exception was Hungary, where tax consolidation policies dampened the dynamics causing the GDP actually to decelerate, reaching a growth of only 1.2% in the second quarter of 2007, compared with 2.6% for the first quarter. Thanks to investment flows from abroad, and in spite of a still fragile political situation, the Balkans maintained good growth rates. Industrial production in Serbia accelerated to +5% growth, and Croatia, although slightly lower than previously, was nevertheless at +7%.

In Russia, thanks to domestic demand and the favourable cycle of energy resources, GDP growth confirmed the 2006 trend, registering approximately +7.3%. Economic activities, as shown by the good performance of industrial production (5.8% in July and August) remained on the whole strong. Furthermore, the positive trend of the prices of energy commodities and foreign trade flows, favoured the Middle Eastern and North African economies.



The Italian Economy

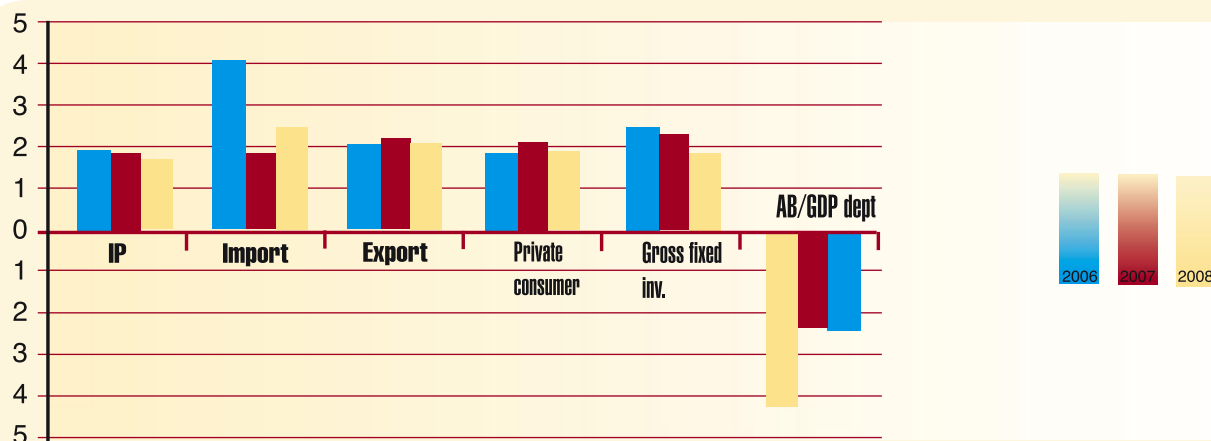
In the 2004-2006 period, the Italian economy did not show a growth performance in line with the European average; it registered practically no growth again in 2007, and encouraging signals appeared only in the first quarter of the year. The Italian GDP had the lowest growth rate in the Euro zone, with a modest +1.8%. The slowing down of industrial production was confirmed by the figures registered in December 2007, showing an overall fall of 0.5%. On an annual basis, the ISTAT registered a falling trend in the basic figure, equal to -4%, but the correct figure for working days was even lower, at -6.5%, the worse since the end of 2001.

However, with regard to the dynamics of the Italian economy, there were also positive elements. The contribution of domestic spending and the renewed export flows had a favourable influence on demand. The trade deficit had decreased considerably: the country is now in the red for only 9 billion 530 million euros, against the 21 billion 456 million of 2006. Exports have increased by 9.7%, while imports only by 5.7%. The dynamics of EU trade are also positive: exports to the 27 countries of the Union have increased by 9.1%, and imports by 5.9%, and the balance for the year is positive, at plus 5.664 billion, while in 2006 it was minus 738 million.

As regards offer, the more favourable trend, which began in 2005, of manufacturing productivity was confirmed, together with a positive trend continuing on from 2006 in the employment rate. The weaker production trends, however, are still apparent in the other sectors of the economy. On the labour market, however, the expansion trend which featured the last period of 2007 continues. The unemployment rate is expected to decrease to 6% in 2008, a level which has not been seen for the last forty years.

The average inflation rate has undergone valid deceleration, averaging out at 1.7% (2.1% in 2006), also favoured by the increase in the euro/dollar ratio which has at least in part helped to make up for the increase in oil prices. In 2008, for consumer price dynamics a slight rise of 1.9% is forecast.

With regard to inflation, the gap compared with the main partners in the Euro zone was 0.1% favourable to Italy, but is expected to just break even in 2008. Public accounts have also benefited from a positive recovery phase: the PA deficit, as a percentage of GDP, was 4.4% in 2006 (2.4% without the extraordinary items), and 2.2% in 2007, and in confirmation of the trend the same figure is forecast for 2008. The Debt/GDP ratio, which rose to 106.8% in 2006, decreased to 105.1% in 2007, and a relevant reduction to 103.7% is expected for 2008.

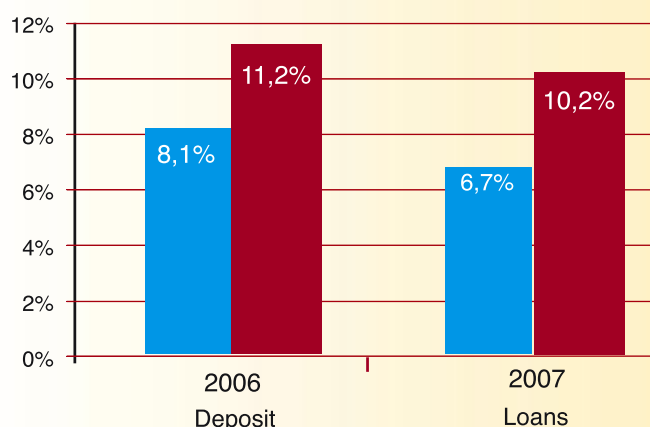


CREDIT INTERMEDIATION

PAs far as the credit market is concerned, bank investments had a dynamics of consolidation and at the end of 2007 the total amount of the Italian banking system credit was equal to 1,455 billion euros. This was a tendential annual increase of 10.2% compared with the 11.2% achieved in 2006.

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 followed the 2006 trend, increasing by 11.5%. The short term component was slightly lower (+7.9% in December on an annual basis), with a weaker performance than the previous year's figure of +10.5%, sustained by the demand for loans from companies, especially due to the dynamics of advances for trade credit. The consumer credit segment continues to be distinguished by high development rhythms, albeit slower than in 2006.

At the end of November 2007, non-performing loans, net of devaluation, amounted to 17,586 million euros (-1.7% from November 2006). The ratio of total net nonperforming loans/investments in the same period was equal to 1.20%, from the 1.35% of the corresponding period in the previous year. This showed an improvement in the credit quality.



At the end of 2007, bank deposits were equal to 1,271 billion euro, with a positive trend showing an increase of 6.7%. This was a slight decrease from the 8.1% of the previous year. Client deposits showed a slight decrease from +5.2% in 2006 to +2.9% in 2007, while the growth rate of bonds (including subordinate loans) was 12.3% (+11.4% in 2006).

In analysing the technical forms, the following trends emerge:

- 1) substantial maintenance of the dynamics of current accounts, which increased by 4.3% (+5.3% in 2006);
- 2) a marked deceleration in repurchase agreement operations (+4% compared to the +24% of 2006);
- 3) a decline in both short and medium-long term certificates of deposit (-12%).

During the course of the year the average spread between the lending and borrowing rates went from 394 to 411 base points at a system level. This was an increase of 17 base points (+4.3%).

Managed deposits and financial assets of customers

At the end of 2007 the consistency of securities in the bank's custody (both managed and held directly by the clientele) was equal to 1.72 billion euros. This was essentially stable at the level of the previous year. The bank assets management represents 8% of the indirect deposits at November 2006 (compared with 9.1% at the end of 2006), amounting to about 136 billion euros. This was a decrease (-12%) on the previous year. With reference to the various instruments of managed savings, at the end of 2007 the net equity of the investment funds established by Italian brokers showed a decrease of 4.2%, reaching 570 billion euro compared to the 609 billion of the previous year.

An analysis of the composition of the equity of Italian or foreign funds managed by Italian brokers shows that in 2007 Italian funds accounted for 56.6%, while 35.4% were round-trip funds, and 8% were foreign. The share funds went from 25.9% in December 2006 to 23.7% in December 2007, while flexible funds increased from 8.5% to 11.7%. With regard to low risk funds, the bond segment decreased from 40.4% to 35.8%, while ready cash and securities readily converted into cash went from 13.7% to 16.5%. During 2007 the net deposits of these brokers decreased by about on the 2006 figure, with 53 billion euros withdrawn from the compartment.

The European Central Bank at first warned of a new rise in the bank rate on main refunding operations, and increase the refunding rate on repurchase operations to 4%, but because of the continuing strained situation of European financial markets, already registered at the end of the year, it was decided not to increase the monetary restrictions already in force. Reinforcement of the Euro and the rise in interbank rates, which were not followed by a decisive cut in official rates, influenced the expectations of the economic operators who, in the Euro area, expect substantial stability of the 4% bank rate. The ECB has been called upon to manage a difficult situation, the consequences of which are still uncertain. An increase in rates to reduce inflation could have serious repercussions on consumption and on the loan market, while a decrease would augment the inflation problem. The swift risk revaluation process has hit, above all, the short-term loan section and, in particular, the market of structured products. In many cases, the complexity of the financial structures and the operations by which the risk transfer strategies are implemented have prolonged the re-pricing process allowing for greater propagation of the negative effects to other sectors. For that matter, the ECB has again in 2007 failed its objective announced in 2000, of keeping inflation below 2%, and the difficult situation threatens to compromise the possibility of reaching this target for the next year, too.

Volatility and the widening of the spread have been reinforced by concern on the excessive exposure of certain finance companies because of credit derivatives on the United States sub-prime market. In this context, the investment grade compartment has been subject to a considerable enlargement of spread, due particularly to the negative position of financial and bank securities. The increased aversion to risk is also particularly reflected in the compartment of speculative securities. The worst performance was that of the BB rated issues and those with the lower ratings (CCC and below).

The uncertainty of the financial markets was caused above all by the fear of losses linked to the sub-prime mortgages, insufficiently covered by the banks by adequate devaluation provisions, also because of the complexity of the structured products which are often difficult to evaluate.

On the currency exchange markets, there was again tension regarding the dollar, which dropped to the lowest levels of the last thirty years in terms of the effective exchange rate. The euro, weakened at the start of the crisis, later benefited from the growing expectations of a cut in the official American bank rates, which was then confirmed by the events and by the repeated decreases imposed by the FED. Forecasts for the dollar are favourable, however: Operators are

expecting a long period of weakness of the dollar against the euro.

In 2007, Italian bank rates continued their tendency to rise, in the wake of the decision to increase the interbank rates. With regard to the consequence of this event, the Italian banks interviewed in the ECB lending survey in October declared that they have given the go-ahead for a gradual restriction of credit access conditions for companies, mainly by an increase in the rates requested from the higher-risk customers. The conditions requested from families for loans, however, have not been subjected to particular increases. The higher bank rates generally concern both loans and deposits. The bank rate squeeze settled at 3.60% at the end of the year, more than 6 base points above the 2006 level.

During the year, the satisfying growth in domestic demand and the reinforcement of manufacturing exports has given a boost to the recovery of short-term lending. Bank loans, net of non-performing loans, have registered a sustained increase in the year as a whole. The growth is mainly spread over the whole range of terms, although long-term loans have shown a tendency to gradually slow down, because of the cooling off of the annual growth dynamics in family loans.

The last quarter featured a slow-down in the residential mortgage compartment, influenced by the increase in the interest rates and the stabilisation of property prices. The increase in rates has also had a negative effect on consumer loan demand, the growth of which, albeit positive, is considerably lower than the growth in 2006 and in the second half of 2007.

With regard to companies, credit dynamics have been sustained, with expansion rates in line with the averages of the Euro area. Growth was mainly sustained by the medium-long term segment, with a duration of more than 5 years, but short-term demand is also growing fast. The growth in lending was consistent in all manufacturing and service sectors. The demand for credit from manufacturing industries and from the building trade has particularly increased, although it decreased in the last quarter of the year for services. The good expansion of loans was also accompanied by contained risk levels. The ratio between bad loans and total loans has in fact remained stable, in spite of the slight increase in default registered, among families, in the second half of the year. Deposits have registered lower growth in the fourth quarter, confirming the persisting diffidence of savers towards higher risk financial investments. The combination of desired yield and short-term investments is also evidenced by the demand for Government securities, especially BOT (ordinary treasury bonds) and BTP (medium-term treasury bonds).

Consequently, after a marked increase in bond yields registered in the first six months, demand later decreased reaching, at the end of the year, a level only slightly above that at the end of the previous year. In spite of this, as in 2006, a dissatisfactory performance was registered for bondholders in 2007. The average share market performance, however, was positive, while Borsa Italiana was an exception to the trend, together with Kabutocho. For Borsa Italiana, 2007 was on the whole negative: the MIB index dropped by 7%, and only the Japanese stock exchange was worse with -11%. The listings were dragged down mainly by financial securities which represent almost 45% of the Italian listings, against 30% for industries and 25% for services. Since the end of 2002, the Borsa Italiana balance had always been positive, at +67%, but 2007 interrupted the trend of the previous four years' good performances.

The companies to suffer most were the medium-small capitalisation companies, even those with excellent bases: the Midex, the index for the medium-large companies, in fact, dropped by more than 14%, while the Star, where the medium-small companies with requisites of excellent, lost 16%. Also in the unit-linked sector, the good performers in 2007 were the specialist

funds on the emerging markets and on commodities. While negative performances were registered in the last quarter of the year by compartments linked to the real estate sector.

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

For Abruzzo, GDP growth was barely above 1.0%, and just slightly more, +1.4%, is forecast for 2008.

The modest recovery (+1%), however, did not touch the small companies which were affected by stagnation in 2007, in some cases causing real hardship. The suffering of crisis areas, especially inland, and slowing down in the traditional production sectors, such as textiles in the Teramo district, have particularly been felt. The weak and uncertain elements which are typical of the small and medium sized companies in Abruzzo persist, in an economic system with low capacities for investment in research and development and, more in general, in innovation which has led to exclusion from the market in many cases.

However, there have also been encouraging signs: the export growth rate is similar to that of Lombardy and above several well developed northern regions like Veneto.

Orders and production have increased in the manufacturing industry. In the first half of 2007, regional exports increased by +15.1% on the same period of the previous year, particularly sustained by the large multinationals, while the traditionally weaker textile-clothing-shoe compartments are still stagnant. Production recovery is reflected in the labour market: employment in the industrial sectors has grown considerably, while in services, especially for women, it has decreased.

The unemployment rate in Abruzzo stood at 10.74%, well above the national figure (6.1%). The 2007 data show that most of the increase in productivity in the region is concentrated mainly in three important sectors: transport, mechanical machines and equipment, and articles in rubber.

Abruzzo also has certain global niche markets of great interest, which came to the fore in the 2007 figures, resulting in uneven development of the territory: strong growth of +39% was registered in the province of Chieti, especially in transports, with the companies Sevel and Honda, while no such positive indices were registered in the other three provinces. The economic growth indices for 2007 are satisfactory for the province of Teramo, and acceptable for that of Pescara, but the province of L'Aquila is floundering and almost all the development indicators are negative.

This partly depends on the fact that the inland areas of Abruzzo depend on the telecommunications industry, which is in crisis and has dragged the province of the regional capital down with it, and also because of the scarce technological innovation of the products offered by the companies in the L'Aquila district. This depressing panorama includes the areas of Sulmona, Avezzano and the Valle Peligna, an industrially depressed area with a high unemployment rate. The figures for the province of Pescara are slightly better, although 2007 has been anything but brilliant.

The textile business in the Teramo area has been hit particularly hard by the crisis. The textile and clothing sectors have had great difficulty at the national level, and the province of Teramo, which has an industrial fabric made up of small and medium sized companies, which may well be more streamlined and dynamic but certainly have limited resources to invest in research and

innovation, training and advanced services, has suffered particular hardship. The decline has been particularly bad in the textile district of Val Vibrata, as well as in the food industry.

Encouraging signals have been registered in exports, which have grown by 11.1% compared to 2006, in line with the national figure (+11.5%), but lower than southern Italy (+13.2%). The provinces with the highest exports are Chieti, Pescara and Teramo, with respectively +23.4%, +14.7% and +8.8%, while there has been a net drop for L'Aquila of -28.8%.

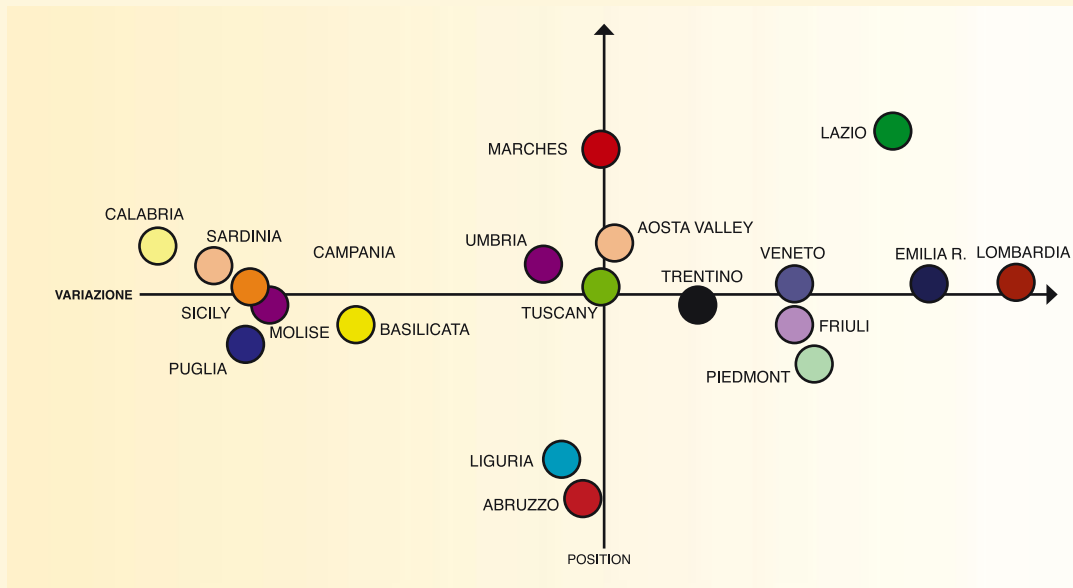
The economic situation of the Marche region has also been difficult, with discouraging data and GDP growth of 1.2%. The unemployment rate is better, however, and is near the physiological figure of 3.5%. Family consumer spending has grown by 1.9%, placing the Marche fifth of the Italian regions, after Veneto, Friuli, Emilia Romagna and Umbria, which registered more than 2%. Gross fixed investments, however, are stagnant, at +0.0%, compared to the national average of 1.1%. The forecasts for 2008 indicate an increase in regional exports of +0.3%, compared to expectations of growth which in July were 1.8%. The regional employment rate is at 42.8%. Workers have been hired above all in agriculture, +4.7%, with slight increases also in the building trade and in services.

The region with the best growth rates for 2007, of those where Banca Tercas operates, was Emilia Romagna, with sustained on-going growth, and a rise in GDP of 2.2%, against the national average of 1.8%. This indicator, albeit within a situation of slightly slower growth because of the difficult international economic situation, is particularly significant and confirms Emilia Romagna as one of the most dynamic regions of the country. This is also due to the very positive export level, with a growth of 12.6% in the first six months of 2007, making it the second exporting region in absolute values, and the first for the exports/population ratio. Lastly, there has also been a slight recovery of domestic consumption as regards families, estimated at +2.4% for 2007.

The results of the economic situation therefore confirm the picture of a solid and dynamic region, in spite of a national and international context which shows certain difficulties. This resistance is the result of the gradual affirmation of a new production system, with traditionally territorial roots but which opens its arms to innovation and competition, based on strategic, highly specialist production chains which can integrate with the regional system of skills and with the various competitive factors.

Manufacturing is concentrated in the centre of the region, with technologically advanced specialisation in the municipalities in the inner suburbs of the towns, while in some provincial capitals, like Bologna, Parma and Piacenza, there is also a strong tradition of services targeted towards the market. The same type of services also characterise the Adriatic Coast.

The graph below gives the synthetic index of the growth rate for the Italian regions in 2007.



The synthetic economic position indicator places Emilia-Romagna in the second place, preceded only by Lombardy and well ahead of the other regions. The growth rate for the last six years places Lazio and the Marche at the top, followed by Calabria; it seems clear that the synthetic growth indicator, constructed on the basis of many percentage variations, is strongly influenced by the starting figure, which is why the regions with low initial values have growth rates much higher than the rest of Italy. The economy of the province of Rome, where the bank has 6 branches, 2 of which were opened in 2007, has grown at a rhythm which is confirmed as higher than the national average. The most dynamic sector is tourism: In 2007 Rome was again confirmed as a world capital for tourism, with an increase of 10.8% on 2006, which was already a year of strong growth, with 26 million presences. The other main assets of the economic growth of Rome are obviously trade and agriculture, the latter featuring the electronics, audiovisual, aerospace and finance sectors. The economy of Rome continues to grow at a fast rate, with a significant increase of +2.3% in 2007, while the growth of companies reached +2.2%. The increase in the employment trend was also good, with unemployment at 7.2%.

THE BANK'S SITUATION

(the information shown is expressed in millions of euros)

Intermediated assets

Intermediated assets	Year	Year	Variations 07-06	
	2007	2006	absolute	%
Direct deposits	2,814	2,409	405	16.81%
Indirect deposits	1,968	1,812	156	8.61%
Total deposits	4,782	4,221	561	13.29%

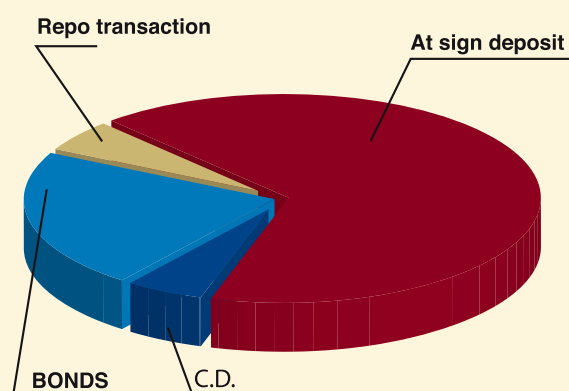
At the end of the year, overall deposits were 4,782 million euros with an increase of 13.29% compared to the previous year. This result is mainly ascribable to the increase of the direct deposits which rose by 16.61%, whereas the indirect component showed less progress (+8.61%).

Direct deposits

Description	Year	Year	Variations 07-06	
	2007	2006	absolute	%
Deposits, C/A, CDs and bonds	2,615	2,238	377	16.85%
<i>At sight deposits</i>	1,836	1,750	86	4.91%
<i>Certificates of deposit</i>	167	4,221	561	11.33%
<i>Bonds</i>	612	338	274	81.07%
Repurchase agreements	199	171	28	16.37%
Total direct deposits	2,814	2,409	405	16.81

Direct deposits increased by 12.8%. This increase is mainly due to the new Tercas bond issues (+81.07%). The growth of the at-sight component (+4.91%) is due above all to the positive effect of the securitisation operation carried out in the second half of the year. The arranger for the operation is the London Bank HSBC Holdings, one of the largest banking groups in the world. For the operation, the Banca Tercas has sold mortgage loans to a vehicle company which will issue bonds to be placed in the international market. The total value of the mortgage loans sold was 193 million euros. There has also been growth in the repurchase segment (+16.37%).

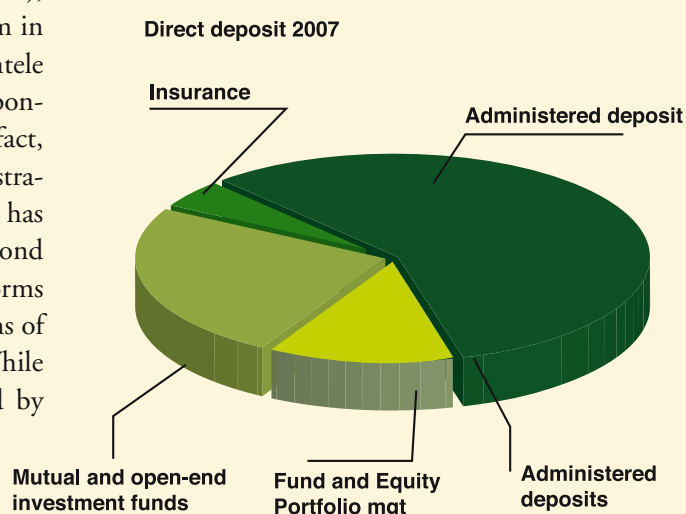
DIRECT DEPOSIT



Indirect deposits

Description	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Deposits managed	778	817	(39)	(4.77%)
<i>Fund and Equity portfolio mgts and Managed Accounts</i>	227	226	1	0.44%
<i>Mutual and open end investment funds</i>	388	332	56	16.87%
<i>Insurance</i>	163	259	(96)	(37.07%)
Administered deposits	1,190	995	195	19.60%
Total indirect deposits	1,968	1,812	156	8.61%

Indirect deposits have increased by 8.61%, against a decrease in managed component, which has decreased by 39 million euros (-4.77%), in line with the trend of the entire system in favour of a return on the part of the clientele to a preference for short-term treasury bonds: there has been a strong increase, in fact, of +19.60 in the deposits under administration. The crisis of the financial markets has pushed customers, especially in the second half of the year, towards more liquid forms of investment. The treasury bond auctions of the last quarter of 2007 were sold out. While the insurance component has decreased by 37.07%.



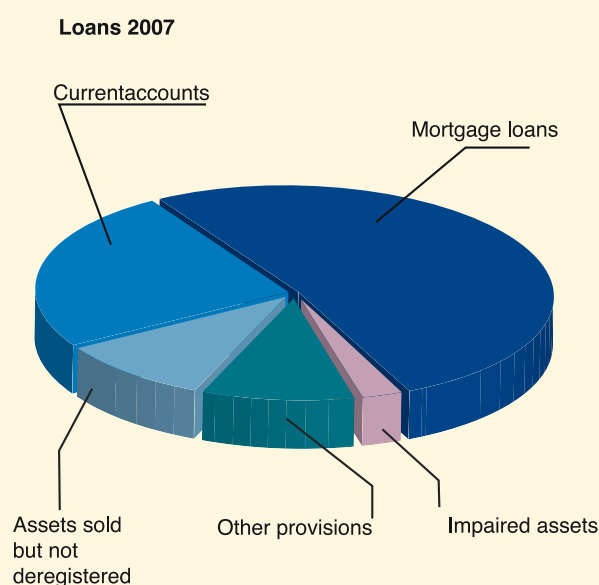
Customer loans

Type	Year	Year	Variations 07-06	
	2007	2006	Assoluta	%
Current accounts and financing	888	726	162	22.31%
Loans - personal loans	1,554	1,294	260	20.09%
Debt securities	0	0	0	0.00%
Impaired assets	33	43	(10)	(23.26%)
Other provisions	167	201	(34)	(16.92%)
Assets sold but not deregistered:	178	0	178	n.a.
Total Loans	2,820	2,264	556	24.56%

Customer loans have increased by 24.56% and have reached 2,820 million euros; a higher performance than the average of the system (+10.20%) obtained above thanks to the improved commercial policies which have been able to reach new customer targets. Loans and perso-

nal borrowing have increased in particular, by 20.09%, confirming the Bank's intention of sustaining customer investments. Assets sold but still posted on the balance sheet refer to the securitisation operation concluded in the second half of 2007. This operation regarded mortgage loans and the arranger was the HSBC investment bank.

With regard to the so-called "sub-prime" loans, i.e. loans granted to customers with low collateral, Banca Tercas has no type of direct or indirect sub prime loans (involving A.B.S. - Automated Bond System - securities with credit of the same kind used as collateral).



Impaired assets

Type	Year	Year	Variations 07-06	
	2007	2006	Assoluta	%
Bad loans	5.35	8.60	(3.25)	(37.79%)
Doubtful loans	15.93	17.90	(1.97)	(11.01%)
Outstanding credit	12.12	17.00	(4.88)	(28.71%)
Restructured loans	0.00	0.00	0.00	0.00%
Total impaired assets	33.40	43.50	(10.10)	(23.22%)

Impaired assets have deteriorated by 23.22%. In particular, cases of default have decreased by 37.79% thanks to a non-recourse sale of credit in the fourth quarter of 2007. The operation generated a negative entry on the income statement of 4,951 thousand euros mitigated, however, by lower write-downs in the values posted. In any case, also the other types of impaired assets have decreased, such as temporarily blocked and outstanding loan repayments, by respectively 11.01% and 28.71%.

The securitisation operation

In 2007, a securitisation operation was undertaken, involving performing loans, pursuant to Law 130/99, originated by Banca Tercas. For this operation, HSBC, one of the most important financial institutes in the world, collaborated with the Bank as arranger and financing bank.

More specifically, the structure of the operation is defined as "warehousing", since it allows for several sales of credit to take place during the first phase in a highly flexible manner. This allows for "warehousing" more credit to then proceed with a single issue of notes, allowing for considerable savings on costs.

The total nominal value of the credit which can be sold is 300 million euros, which have been bought by the specially founded vehicle company, Adriatico Finance SME Srl, which will also buy the future tranches, at a price equal to the amount of the remaining capital.

The detailed analysis of the type of credit sold shows that these are loans granted to subjects resident in Italy and are guaranteed by first mortgages or mortgages of an equivalent degree with a ratio of no more than 80% between original debt and the value according to expert assessment.

They are mortgage loans for the purpose of buying, building or restructuring buildings for commercial or residential use. At the valuation date, which is when the sale values are defined, no credit position involved capital of more than 2.5 million euros.

The purpose of the operation is to transform part of the credit portfolio into available liquidity with diversification as regards the source.

The supply of additional liquidity will considerably improve the correlation between the maturity of deposits and that of loans.

Until the date of reference for the balance sheet two sales of the type had been concluded: the first on 2nd August 2007 and the second on 10th October 2007.

The total amount of the two transactions is the capital still unpaid on the loans transferred to the vehicle company “Adriatico Finance SME Srl”, which at 31st December 2007 was 178 million euros.

The vehicle company will pay for the sale by issuing ABS securities, probably within 2nd May 2008. The type of security issued foresees several rated tranches and one junior tranche without a rating. Until that date, the sales are financed by a “bridge loan” issued by HSBC Bank Plc, for a total maximum amount of 300 million euros.

Banca Tercas, as the servicer, will continue to deal with collections of the credit portfolio sold and will directly maintain relations with the customers.

In this quality, the Bank will also provide for transferring the collections of capital and interests onto the accounts opened in the name of the vehicle company at the custodian bank and will periodically report all the information on the portfolio, necessary for monitoring, to the Rating Agencies and to all other subjects involved in the operation.

For the operation in question, the de-recognition rules laid down by IAS 39 do not apply and therefore the credit sold remains posted on the balance sheet assets.

Impaired assets sold but not cancelled

Type	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Bad loans	0.00	0.00	0.00	n.a.
Doubtful loans	0.82	0.00	0.82	n.a.
Outstanding credit	0.00	0.00	0.00	n.a.
Restructured loans	0.00	0.00	0.00	n.a.
Total impaired assets	0.82	0.00	0.82	n.a.

Of the assets not deregistered but sold, for securitisation, only three are impaired, amounting to a total value of 871 thousand euros, written down by 49 thousand euros. The net value on the balance sheet is 822 thousand euros.

Financial market assets

Type	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Financial assets h.f.t.	273.34	581.39	(308.05)	(52.99%)
Financial assets a.f.s.	132.83	13.64	119.19	873.83%
Total Financial Assets	406.17	595.03	(188.86)	(31.74%)

At the end of 2007, 69.27% of the portfolio owned by HFT was invested in government securities, 29.42% in investment grade corporate and financial bonds, 0.59% in UCITS and 0.72% in derivatives.

In the first months of 2007, an AFS portfolio was created, through the sale of classified securities in the trading portfolio and the successive repurchase of classified financial instruments in the new compartment. Of the AFS portfolio, 62.60% is in government securities, 20.70 % in corporate bonds, 0.86% in UCITS and 15.84% in stocks.

The consistency of the portfolio as a whole has, however, decreased by 31.74%, equal to about 188 million euros, as a direct consequence of specific investment policies which can generate income suitable to the company's structure (so-called asset and liability management).

RISK MANAGEMENT

Market risk control

The term “market risk” refers to the risk of change in the value of an instrument or a portfolio of financial instruments due to unexpected change in market conditions (share prices, interest rates, currency exchange rates or the volatility of such variables). These risks derive from the “risk rate” component (generated by inevitable mismatching existing between the assets and liabilities items) and the “liquidity risk” (possibly consequent to an incorrect management of Bank cash flows). The market risk is in fact essentially due to unexpected variations in the curve of the rates and its management cannot be separated from a wider knowledge of essential elements such as duration, remaining lifetime, maturity date and repricing methods for the balance sheet items (rate risk), nor can the repercussions that these changes have on payment commitments, both undertaken and potential (liquidity risk), be ignored.

The market risk is measured not only according to the rulings given in Title IV, Chapter III of the Supervisory Instructions, but also by the Value At Risk (VAR) calculated daily and taken as a reference for checking on respect for the operating limits of the manager in charge of the bank’s securities portfolio. The VAR of a portfolio represents a measurement based on probability, which can express the estimated risk of the whole portfolio in a number.

It succinctly indicates maximum expected losses, over a certain period of time and within the limits of certain interval of confidence.

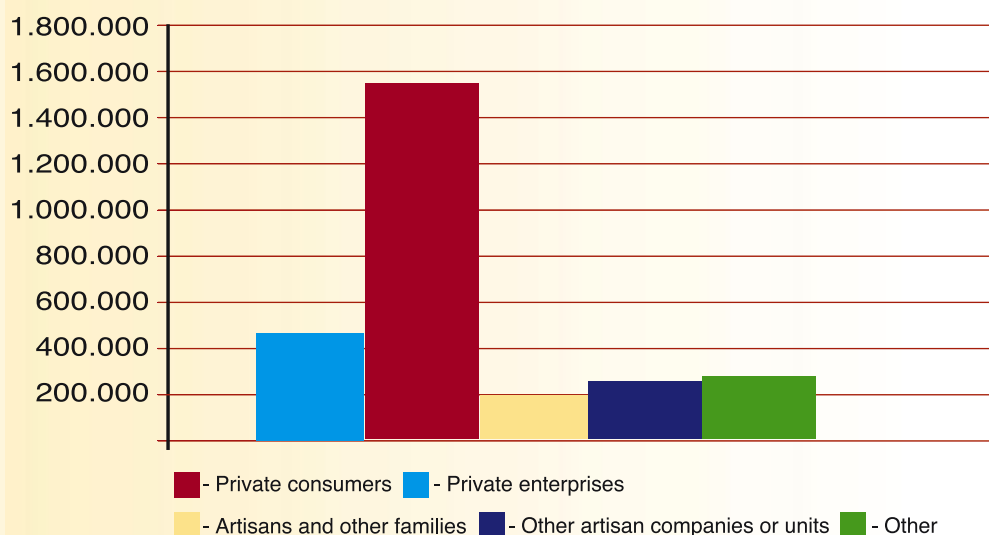
In 2007, the average daily VAR, for the whole of the Bank’s HFT securities portfolio was 232 thousand euros. This value, together with the average duration, equal to 0.558, and considering the prudential hypotheses of calculation (confidence interval 99% and time horizon of 10 days), indicates the risk profile of the assets held in securities. The processing is carried out by means of specific software supplied 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 2007 the bank’s risk profile was contained. On 31st December 2007, the overall assessment of the credit portfolio was equal to 13 (on a scale from -100 to +100, where zero represents the absence of behavioural abnormalities and +100 the maximum risk). This was slightly above that of the previous management. The main sectors maintained positive credit quality. More specifically, the figure for the Retail segment moved from 4 of last year to 5, while the Corporate segment worsened from 5 for 2006, to 10.



2007 Portfolio	Average assessment	Total avaiement	Number of clients
Private consumers	5	471,609	168,143
Private enterprises	10	1,560,254	6,243
Artisans and other families	15	189,588	12,507
Other artisan companies or units	12	243,003	4,784
Other	-	253,603	4,806
Total	13	2,718,057	196,483

After effective testing, a further instrument for the management and monitoring of overdue and impaired credit was introduced, allowing for daily verification of the positions on the basis of dynamic information deemed capable of causing possible deterioration of the position. The instrument allows for a single branch operator carry out an analysis in order to confirm, reject or momentarily suspend assessment of the criticality. In this way, the instruments for credit risk protection are available for both the head office and for the branches. Its functions have also been further increased so that it can represent the main aid support for the management of the positions at risk.

Operating risks and internal controls

The Internal Audit Service has the responsibility of overseeing the regular execution of operations, processes and risks for the bank, of evaluating the correct functioning of the internal control system, and 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.

In 2007, analysis techniques and the instruments used for carrying out audits on branches were further improved.

In order to identify in advance positions/operations to be examined in more depth on the spot, a preparatory document is prepared containing the analytical data of the transactions in question, taken from the procedural software. In support of auditing, there is a suitable method of data processing, developed internally by the Internal Auditing Service, which is therefore appropriate for the specific needs.

During inspections, all branch operating areas are assessed, and the results are then drafted in a report which is sent to the Bank directors and the board of statutory auditors, and are also discussed with the bank manager. The branch is also awarded a general mark and a mark for the specific area examined, indicating the quality level reached; at this point, the measures required to remedy anomalies found, the responsibilities and intervention times are established. The inspection is considered complete only when corrective action suggested has been implemented.

In the financial year 2007 on-site verifications were carried out; 30 at branch offices and no less than 24 (22.3% of all branches) concerned the whole operating of the branch, compared to 17 the previous year. Two inspections were carried out at Terleasing Spa, two at Binter Banca Interregionale Spa, and 3 at the company which provides for the transport and custody of valuables. In terms of human resources, inspections engaged 212 man/days.

The Risk Management Service is responsible for monitoring the trend of operating risks and of reporting internal losses (by information supplied periodically by the Internal Auditing Service, registered in a special database) and external losses (by participation in the DIPO – Database Italiano Perdite Operative [Italian Operating Losses Database] consortium managed by the Italian Banking Association, to which the Bank has adhered since 2002).

Although the methods most suitable for quantifying exposure to the aforesaid risks is still under discussion, the Institute decided some time ago to use Basic Model to determine the corresponding equity absorption. The choice is based on the high surplus of equity and the limited advantage offered by a more sophisticated model.

With regard to security, the main activities regarded the monitoring of criminal actions to the damage of the Bank and the consequent study of the most suitable countermeasures to contrast the phenomenon, also with the aid of innovative technological plant.

In January the Bank renewed its two-year adhesion, relative to the Abruzzo Region, to 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 to promote maximum collaboration between banks and the police force to contrast crime, with particular reference to robberies committed against credit institutes. The activities provided for regarding this subject were, however, also directed towards the branches in other regions.

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

Shareholders' equity

Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Share capital	26.00	26.00	0.00	0.00%
Issue premiums	45.87	44.55	1.32	2.96%
Reserves	210.20	192.19	18.01	9.37%
Evaluation reserves	9.78	10.24	(0.46)	(4.49%)
Own shares	(9.40)	0.00	(9.40)	n.a.
Operating profit	39.14	26.31	12.83	48.76%
Shareholders' equity	321.59	299.29	22.30	7.45%

The Shareholders' Equity of the Bank, including the profit of the year, increased by 7.45% due to the allocation to the reserve of the 2006 profit of 18 million euros which has increased the Institutes own means.

The net profit of 39.15 million euros shows strong growth (+48.76%) due to the increase of the assets mediated and improved efficiency in management.

The equity and the regulatory capital

Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Core capital (Tier 1)	294.92	280.55	16.48	5.87%
Supplementary capital (Tier 2)	53.03	22.71	30.32	133.51%
Items to be deducted	(2.11)	(2.58)	(1.64)	63.57%
Regulatory capital	345.84	300.68	45.16	15.02%
Credit risk	205.16	152.10	53.06	34.88%
Market risk	4.85	17.20	(12.35)	(71.80%)
Other requirements	0.00	0.80	(0.80)	(100.00%)
Total minimum requirements	210.01	170.10	39.91	23.46%
Risk weighted assets	3,000.21	2,430.40	569.81	23.45%
Tier 1 capital/Risk weighted assets	9.83%	11.54%	(0.0164)	(14.21%)
Regulatory capital/Risk weighted assets	11.53%	12.37%	(0.0084)	(6.81%)
Capital surplus in relationship to minimum requirements	135.83	130.50	5.33	4.08%

In order to sustain growth of the investments maintaining a high coefficient of solvency and increasing the profitability of the Bank's own capital, the issue of a junior bond was decided in 2006. Later, in 2007, the placing of a second junior bond was started. The amount underwritten at the date of the balance sheet, of 45.56 million euros, results in an increase in the supplementary equity.

According to the nature of the risks covered, the credit business generates greater absorption, equal to 105.16 million euros. The market risk, however, has decreased from 17.2 million in 2006 to 4.85 for the financial year 2007 by effect of the reduction in the HFT and AFS securities portfolio.

In spite of the increase in the equity absorption deriving basically from the increase in Bank loans, the supervisory coefficient is maintained at high values which confirm the solid equity position capable of dealing with ambitious growth policies.

Relations with the companies of the Group

The subsidiaries included in consolidation are Terleasing Spa, Sogiter Srl, Terbroker Srl and the vehicle company Adriatico Finance Sme Srl. The stake in the company Investimenti Immobiliari was sold off in the first half of 2007 and, regarding only the economic results, has not been included in the consolidation due to the negligible amount involved.

At 31st December 2007, a stake of 95.21% of Terleasing was still held, after having sold 4% to the company Vega Management Srl in October 2007. It is still the most important company and works almost exclusively through the Bank branches in the sector of leasing.

During the course of the year 2007, Terleasing Spa concluded 345 lease contracts, for a counter value of 62,937 million euros, with an increase of 4.11% on the previous year.

The amortisation operations, amounting to a total of 226,926 million euros, with a remaining amount of 137,079 million euros (+21.73%), can be broken down as follows:

- real estate: 64.86%
- instrumental goods: 25.52%
- motor vehicles: 9.52%
- boats: 0.10%

Compared to the previous financial year, the proportion of real estate has increased considerably, from 62.00% in 2006 to 64.86% of the 2007 total, while instrumental goods have decreased to 25.52%.

Terleasing Spa has posted a profit of 950 thousand euros, which is slightly less than in 2006 (-1.99%). Transactions with the Holding, however, which reflect the consolidated double intermediation of the leasing companies which finance themselves through the bank channel, are of a considerable entity. The credit which the Bank has granted amounted, at 31st December 2007, to 117.87 thousand euros, as well as 4.76 million euros for endorsement credit.

In 2007, the lease sector in Italy increased slightly (+1.00%) with a strong decrease in the real estate sector (-4.13%) in terms of value, offset by growth in instrumental goods. The automobile sector is in line with 2006, while a decisive increase was registered in the recreational nautical sector (+18.35%).

In 2007, Terleasing registered an increase in contracts stipulated in this extremely competitive sector. The chain of branches of the Holding Company Banca Tercas Spa contributed 42.24% of the total of the amount stipulated in terms of value, and 43.77% in numeric terms.

In the drafting of the balance sheet at 31st December 2007, the remaining shares held in Terleasing Spa were reclassified as “non-current assets and groups of assets being sold off”, pursuant to IFRS 5, and consolidation was carried out on that basis, in consideration of the contractual commitment of the parties to buy/sell the 76.1% stake in the said company.

Sogiter Srl, of which 100% is held, carries out real estate business, and in 2007 it significantly altered its own equity structure, buying three properties, one in Teramo and two in Pescara. Part of the properties were then rented to the Holding Company.

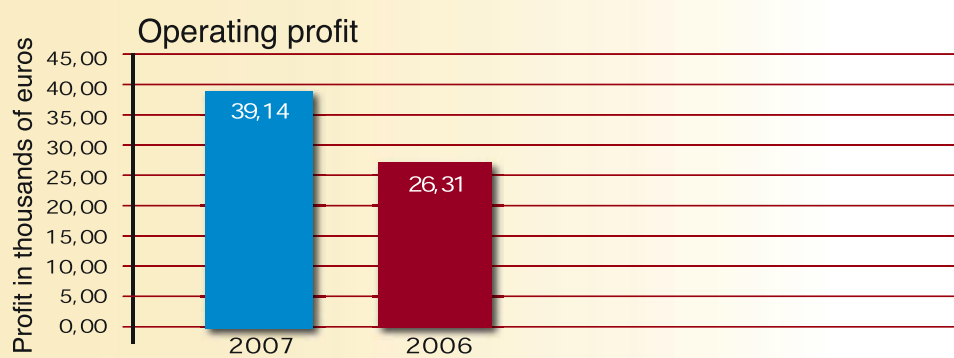
Thus, at 31st December 2007, all the real estate owned is rented to the Holding Company except for an apartment in Teramo and a office in Pescara. The credit granted by the Subsidiary amount to 3.45 million euros and were used to buy the aforesaid properties. There is also a current account overdrawn by 345 thousand euros.

A stake of 84.70% is also held in Terbroker Srl, which is an insurance broker. The Holding Company is not only the manager of liquidity for 378 thousand euros, but is also the company's main customer.

ANALYSIS OF THE RESULTS

The overall income trend

Item	Year	Year	Variations 07-06	
	2007	2006	Assoluta	%
Interest income	125.99	100.53	25.46	25.33%
Net commission	34.97	33.56	1.41	4.20%
Net income	159.48	136.31	23.17	17.00%
Operating results	70.74	49.37	21.37	43.29%
Operating profit	39.14	26.31	12.83	48.76%



On the 31st of December 2007, the balance sheet closes with a net profit of 39.14 million euros, which is an increase of 48.76%. The result exceeds the expectations of the strategic plan and reflects a combination of several factors, such as the increase in the intermediated assets, the increased quality of services offered and the improved efficiency achieved.

Net interest income

Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Interest income customers	170.40	112.53	57.87	51.43%
Interest expense customers	(38.26)	(24.40)	(13.86)	56.80%
Net interest customers	132.14	88.13	44.01	49.94%
Interest income on securities	17.22	20.70	(3.48)	(16.81%)
Interest expense on securities	(19.14)	(7.40)	(11.74)	158.65%
Net interest securities	(1.92)	13.30	(15.22)	(114.44%)
Interest income banks	4.42	2.20	2.22	100.91%
Interest expense banks	(8.65)	(3.10)	(5.55)	179.03%
Net interest banks	(4.23)	(0.90)	(3.33)	370.00%
Other interest income	0.00	0.00	0.00	n.a.
Gains on hedging transactions	0.00	0.00	0.00	n.a.
Net interest margin	125.99	100.53	25.46	25.33%

The greater number of assets managed resulted in an increase of 25.33% in the interest income.

In particular, there was a 49.94% increase in net interest customers. The item “interest expense on securities”, which is 19.14 million euros, refers to the cost of bond deposits.

Total revenue

Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Interest income	125.99	100.53	25.46	25.33%
Dividends on stocks and securities	1.53	0.80	0.73	91.25%
Commission earned	36.71	35.63	1.08	3.03%
Commission paid	(1.74)	(2.07)	0.33	(15.94%)
Net commission	34.97	33.56	1.41	4.20%
Net result of trading activities	(0.76)	0.92	(1.68)	(182.61%)
Gains/losses on disposal of:	(2.42)	0.50	(2.92)	(584.00%)
a) credit	(2.66)	(0.15)	(2.51)	1,673.33%
b) financial assets a.f.s	0.10	0.42	(0.32)	(76.19%)
c) financial assets held to maturity	0.00	0.00	0.00	0.00%
d) financial liabilities	0.14	0.23	(0.09)	(39.13%)
Balance of assets and liabilities at Fair Value	0.17	0.00	0.17	0.00%
Total revenue	159.48	136.31	23.17	17.00%

On the whole total revenue increased by 17.00%. The result is due, in particular, to the 25.33% increase in net interest income. With regard to the items making up the aggregates being examined, net commission increased by 4.2%. This was, above all, due to the increase of commission earned (+3.03%) and a marked decrease of commission paid (-15.94%). Dividends increased by 91.25% while there was a decrease of 182.61% in the net results for trading activities. This result was strongly influenced by the turbulence on the financial markets, especially in the fourth quarter of 2007.

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.

The item "profit/loss from the sale of credit" was influenced by two transactions for the non-recourse sale of impaired credit which led to a net loss of 3,951 thousand euros. The two sales of non-performing credit to leading Italian financial institutes in the month of December, respect the criteria of IAS 39 on derecognition of the assets.

The item also includes the effects of the sale of the junior bonds issued by Kreos Srl, relative to the first securitisation operation of non-performing credit carried out in 2000, by the constitution of the vehicle company. The sale of the class C bonds led to the posting of capital gains of 2,295 thousand euros.

Operating results

Item	Year	Year	Variations 07-06	
	2007	2006	Assoluta	%
Total revenue	159.48	136.31	23.17	17.00%
Administrative expenses	(89.52)	(81.45)	(8.07)	9.91%
Personnel expenses	(52.43)	(51.47)	(0.96)	1.87%
Other administrative expenses	(37.09)	(29.98)	(7.11)	23.72%
Value adjustments in tangible and intangible fixed assets	(2.84)	(1.85)	(0.99)	53.51%
Other operating expenses/income	12.65	10.39	2.26	21.75%
Net writedowns for impairment of:	(7.65)	(12.91)	5.26	(40.74%)
a) credit	(7.64)	(12.99)	5.35	(41.19%)
b) financial assets a.f.s.	0.00	0.00	0.00	n.a.
c) financial assets held to maturity	0.00	0.00	0.00	n.a.
d) financial assets	(0.01)	0.08	(0.09)	(112.50%)
Net provisions for risks and charges	(1.90)	(1.13)	(0.77)	68.14%
Profits (losses) on the sale of investments	0.52	0.01	0.51	5,100.00%
Operating results	70.74	49.37	21.37	43.29%

“Other administrative expenses” show a physiological increase (+23.72%) due to the growth policy for internal lines that the company is carrying out pursuant to the industrial plan. Personnel costs have also increased due to the renewal of the category contract and the new staff taken on for the opening of the new branches. Administrative expenses have risen overall by 9.91%.

The decrease in adjustments to credit is mainly due to the sale of the non-performing credit, in the second half of 2007. The management profit leapt up by 43.29%.

The introduction of the legislation on severance indemnity led to the posting, at 31st December 2006, of an actuarial profit of 657 thousand euros which, compared with the actuarial result calculated on the same date (hypothesising no change in the law) equal to 552 thousand euros, allows for quantifying the total effect as 1,209 thousand euros, expressed in terms of profit, deriving from the partial extinction of the plan at 31st December 2006. The effect determined during the year 2007 was 396 euros. The total effect on the Income Statement amounted to 1,605 thousand euros.

Net profit

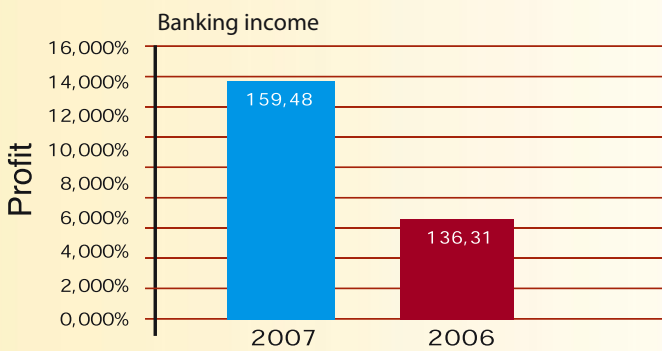
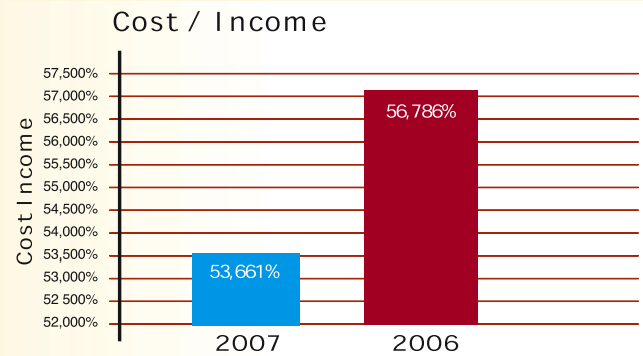
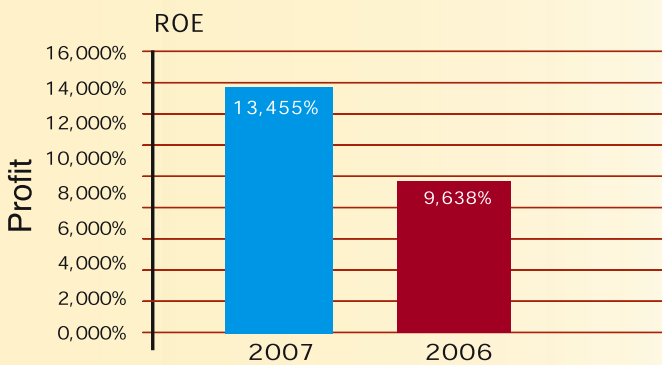
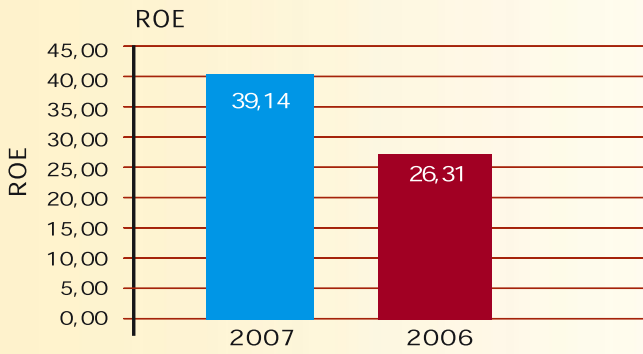
Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Operating profit	70.74	49.37	21.37	43.29%
Income taxes	(31.60)	(23.06)	(8.54)	37.03%
tax rate	44.67%	46.71%	(2.04%)	
Net profit	39.14	26.31	12.83	48.76%

The tax rate decreased, from 46.71% in 2006 to 44,67% for the year in question, due to the IRAP (Regional Business Tax) reform, introduced by art. 11 of Lgs. Decree 446/97, the so-called reduction of companies' tax wedge. The item also includes the effects of the reduction in tax rates which caused a total decrease in pre-paid and deferred taxes of 1.4 million euros.

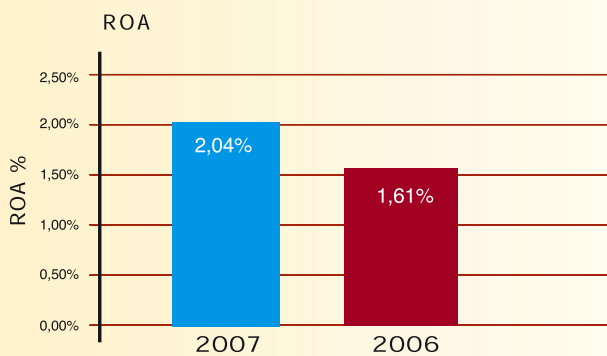
The final profit was 39.14 million euros, with growth of 48.76%.

The ROE and Ratios

The 48.76% increase in the year's profits boosted the Bank profitability to 13.45%. This led to an increase in the ROE of 3.817 percentage points in comparison to the previous year's operations. The index is calculated as balance sheet profit on average shareholder's equity (the average of the last two financial years) and it represents the expected yield for the shareholders who have invested in the company.



Total revenue increased by 17.00%. 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 53.66% 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 1.61% in 2006 to 2.04% in the period which has just ended.

THE DEVELOPMENT OF OPERATIVENESS

The Basel II Project

The New Agreement on Capital came into force on the 1st of January 2007. During this year, when deferment was granted for application of the new ruling, Banca Tercas has further developed the project for the adaptation of its management to the new rules. Activity has been carried out in order to create the internal rating models, to use risk mitigation techniques, to measure overall exposure to market and credits risks in terms of CAR (Capital at Risk), and to monitor operations by means of the correct performance indicators for risks, quantification of the exposure to interest and liquidity risks 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. In 2008, the release is expected of the calculation component of the qualitative variables for calculation of the rating based on the information collected by the branches by means of specific questionnaires.

In the second half of 2007, verification began on the new rating counterparts segmented into "Retail" and "Sme Retail", composed respectively of private individuals and families or small economic operators such as artisans and professionals for "Retail", while for Sme Retail, small and medium companies falling within certain exposure limits and invoiced pursuant to the provisions of the Basel II rulings.

The processing of the ratings for these two categories of counterparts is mainly based on trend parameters and, in the case of balance sheets of small and medium sized enterprises of the "SME Retail", the statistical component of the significant balance sheet indices is calculated.

The latest development refers to the Retail and SME Retail segments, regarding the pro forma technical rating of exposure: current account credit lines, mortgages, personal loans, etc.

At present the data on the rating of the segmented credit portfolio are being tested and reported, and the management software is expected to be released within the first half of 2008.

With regard to the calculation of the Minimum Capital Requirements, the evaluations carried out highlight a limited impact of 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 department 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.

During the year 2007, the Bank has reinforced the means for protection against the risk on non-conformity, with the institution of the Strategic Planning Area, Risk Management and Compliance, and the evolution of the structure appointed, within Compliance Service, which also includes the new Financial Intermediation Conformity Office.

With the new arrangement, the Bank has reinforced internal control measures, in order to adequately protect the recent legal innovations which concern above all the financial intermediation compartment.

ALM (Asset and Liability Management)

Asset & Liability Management (ALM) is the series of methods, techniques and processes aimed to “measure, control and manage in an integrated manner, the Bank’s financial flows.

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

- the interest rate risk: which is caused by the time lag in expiries and in repricing time for the interest rate on the Institute’s assets and liabilities. Subsequent to such time lags, rate fluctuations cause both a modification in the interest income and therefore in the expected short-term profit, and a variation in the market value of the assets and liabilities and therefore of the economic value of the shareholders’ equity.
- liquidity risk: the risk of the Bank’s incapacity to promptly and economically provide for cash disbursements.

The methods applied allow for monitoring:

- 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. 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.)

For adequate verification, allowing for improved efficiency of the Auditing Service, in 2007 the software for the distance control system has been further developed and structured.

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 “data-warehouse” 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 compliance with the supervisory ruling issued by the Bank of Italy on “Business Continuity”, in 2006 the Bank adopted a Business Continuity Plan.

The aim of the plan is to formalize the activities to be carried out in order to promptly restore the operating capacities of the Bank when there are critical situations, which strike the company or its important components, as a result of either accidents limited to a specific department 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 operations (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. During 2007

- an agreement with the Banca Popolare del Lazio was signed for the exchange of personnel, in a situation where there is a shortage of human resources;
- tests of various kinds were carried out at the Disaster Recovery Sites to check the functioning of the hardware, software and network infrastructure.

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 19th of March 2007.

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/2007 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

In 2007, the Private Customer Segmentation Project got fully underway. The two segments (Private and Family) were identified, the components of which have distinct and clearly determined features and needs. In every branch, in agreement with the Human Resources Department, the operators (Private and Family) were chosen to follow exclusively the customers assigned to the them.

The Private Customer Service Office directed, managed and monitored the activity of the people charged with operating in the territory, also accompanying them in their work and above all by a series of meetings held regularly at the offices of the territorial areas.

In the meetings, also thanks to the collaboration of other management services, especially the Customer Loan Service and the Corporate Finance Service, the technical and commercial contents were specified, in particular between the Customer Loan Service and the Corporate Financing Service, necessary to foster reaching the targets assigned to the branches.

The clerks dedicated to the Private segment operated mainly in pursuit of direct collection targets, through asset managements and Tercase Sicav Lux.

Those dedicated to Family customers focused their attention on current account, on linked products (credit cards, cash points and utilities) and on personal loans.

During the year, various software instruments were made available, to improve relations with customers and, therefore, the effectiveness of the commercial action.

The product unit

In 2007, constant efforts were directed towards improving and increasing efficiency of the range of products offered by the Bank; the Marketing Office continued its renovation and completion of the Institute’s product catalogue, in order to make it respond as closely as possible to the many interests and needs of the clientele, especial in the non-banking services compartment. In particular, the last steps were taken in the current accounts department, for the “Conto DaVvero” product line, with an extension of the on-line range: a completely free

“distance” account by which students can operate directly from home or the office using tele-matic technologies and virtual cash.

The Bank-Life Insurance compartment, with the exclusive agreement with Groupama Assicurazioni, led to the joint development of new products to satisfy customers’ investment needs: Groupama Adriatico and Groupama Gran Sasso.

The range of the financial offer was also widened with “Mutuo Long”, a variable rate product with a duration of 40 years, and with “Mutuo di sostituzione, a product that has implemented the directives of the “Bersani decree”.

Lastly, the Damages branch of Bancassicurazione has extended the offer of a credit protection policy which, combined with mortgages and unsecured loans, protects the clientele against certain risks: death, permanent invalidity, unemployment, total temporary invalidity and admittance to hospital.

The Rating of Banca Tercas

At the end of 2007, Standard and Poor’s reviewed the Bank’s rating, and confirmed the BBB+ rating for the long term and A2 for the short-term, with a stable outlook.

These ratings mainly reflect the visibility of the name on 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.

During the year, Moody’s rating agency gave a further opinion on the Bank’s operations. Moody’s noted the consolidated strong points, already noticed by Standard and Poor’s, and awarded a Baa1 rating for creditworthiness and A3 for the quality of deposits.

Banca Tercas is one of the very few Italian banks “covered” by two ratings and this, among other advantages, consolidates the pursuit of correctness and transparency offered to its customers.

Territorial organisation

In 2007, 6 new branches were opened in areas in which the Bank is now expanding: Rome, Bologna, Pesaro, Cesena/Forli, and a new branch in Rimini, in order to guarantee presence in a town with strong tourist development.

In 2007, 2 branches were closed in the province of Teramo: the one in the Colonnella shopping centre and the second branch in Civitella del Tronto, deemed as surplus considering those already operating in the said areas.

The graph below shows the provinces where the Bank has branches.

Number of branches per province

	2007	2006
Teramo	62	64
Chieti	4	4
Pescara	4	4
L'Aquila	4	4
Campobasso	3	3
Ascoli Piceno	8	8
Macerata	3	3
Ancona	4	4
Pesaro	2	1
Rome	6	4
Bologna	2	1
Cesena/Forlì	2	1
Rimini	1	0
Total	105	101
- of which new openings	6	9



Personnel

At the end of 2007, the Bank had 813 employees. During the year, 70 people were hired and 27 left the bank. The number of employees increased by 43.

Of the 813 employees 774 are full time workers and 39 are part time; 469 are men and 344 are women. 71% percent (580 units) work in the branch network and 29% (233 units) at the head office. 5%, equal to 35 employees, have short term contracts.

The average number of employees in 2007 was 796, 2 of which on transfer to the subsidiary Terbroker.

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 8% compared to 2005 and can be quantified in 2.532 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 2008. 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.

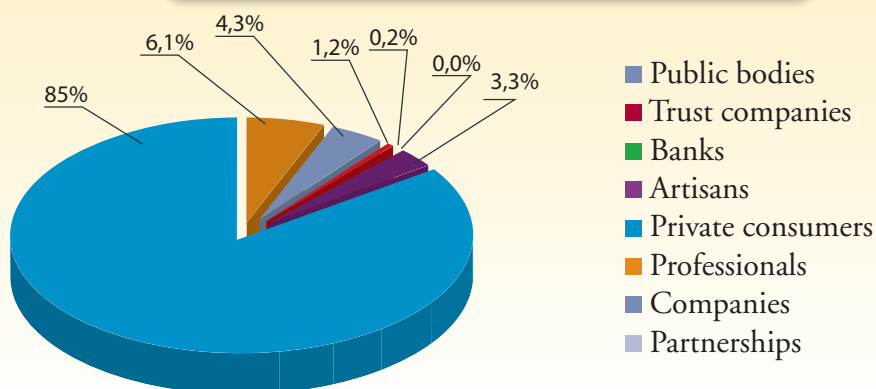
Shareholders

The ownership structure as at 31st December 2007 is shown below.

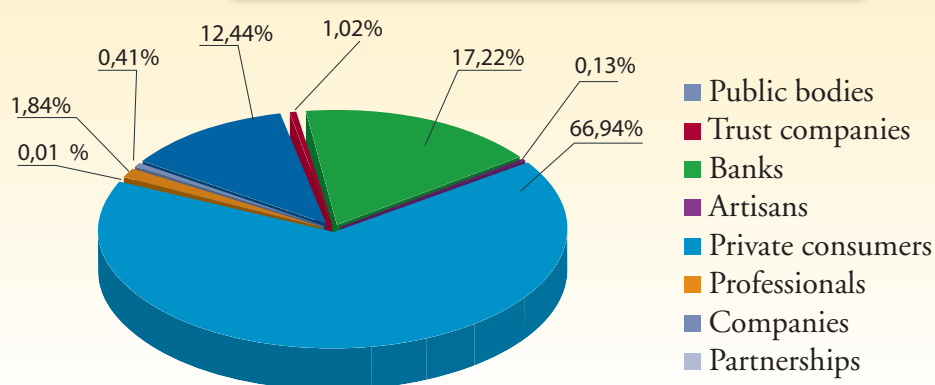
BREAKDOWN OF BANCA TERCAS EQUITY AT 31.12.2007

Type of shareholder	Number of subjects	%	Shares held	%
Public bodies	8	0.17%	33,472,332	66.94%
Trust companies	1	0.02%	3.250	0.01%
Banks	1	0.02%	918,655	1.84%
Artisans	159	3.28%	202,816	0.41%
Private consumers	4,120	85.00%	6,219,292	12.44%
Professionals	294	6.07%	508.838	1.02%
Companies	208	4.29%	8,611,215	17.22%
Partnerships	56	1.16%	63,602	0.13%
Overall total	4,847	100.00%	50,000,000	100.00%

Breakdown of the equity



Distribution of shares by type of subject



Company communications

In 2007 publicity and communication activity was greatly boosted in terms of quantity and quality. Strategy 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.

Advertising by means of articles in specialist magazines like *Abruzzo Imprese*, continued, in view of the excellent results of the previous year, as well as advertising on local TV stations of places where the bank has branches. Advertisements were produced, as in the past, with the help of an independent studio.

Advertising in the mass media was considerable, both in local and national newspapers. It exploited not only institutional events such as the annual shareholders' meeting, but also by other occasions such as the signing of commercial agreements and collaboration with leading financial groups (e.g. Froupama and HSBC) or the awarding of a rating by Moody's and the S&P agencies.

Two interviews were published in *ME*, one with the President and one with the Director General, and national specialist magazines and all the local press gave generous space to Banca Tercas events; the national specialist magazine *Guida Mutui* not only gave data, in all the issues, on the range of products offered customers in this sector, but also dedicated two articles to the banks with interviews with representatives of the management. Similar services were published in the national monthly *BancaFinanza* and in the weekly *Il Valore* of the *Avvenire* group.

There was also an increase in the local press and on local TV of services on the company and interviews with Bank directors and managers.

The presentation of the 2008 Calendar, dedicated to the city of Bologna was also widely publicised in the local and national press and by all television broadcasters including TV6, which dedicated no less than three services to the event.

With regard to internal communications, two new press releases were issued: a local release drafted internally thus saving 15,000 euros per year, and another for payment which was included in the consultancy agreement with the company Report Porter Novelli Srl.

The House Organ, apart from the internal versions of *Crescere* and of *Crescere On Line*, was also produced as a 16 page insert in the magazine *Vario*, which was sent free of charge to holders of the DaVvero Large Account.

The company statement

In 2007, Banca Tercas developed an internal project for the drafting of the first company statement as an information and communications document, summing up the efforts spent on the creation of value for the environment of reference.

The departments nowadays not only have to answer for their behaviour to their own shareholders and employees (the so-called interested internal parties), but also to the growing request for the assumption of responsibility, transparency and correctness by customers and the com-

pany (the so-called interested external parties).

It is therefore essential to maintain good relations with the “interested parties, i.e. employees, shareholders, customers and their associations, suppliers, public institutions, trade unions, environment groups and the social fabric of the area where the organisation operates.

The Company Statement is not just a document summarising the facts, but it is a starting point for defining the values that the company wishes to pursue for the future, since it is the instrument by which the strategies and targets are described and shown as directed towards sustainable development.

The strategic plan

At the end of 2007, a new three year plan was drafted. On one hand, this continues and develops the preceding growth strategies, and on the other establishes new targets. In the last two financial years, there was an acceleration of the Bank's growth, which reached the economic and financial targets of the 2006-2008 plan a year in advance. Attention was concentrated on recovering the efficiency of the Organisational Units by means of the reorganisation of the Services and Offices in order to increase the productivity of each employee, but above all in order to create a more streamlined and flexible structure. New positions were introduced, and new activities to meet the new managerial and legal requirements. Three new managers were appointed for the Strategic Departments.

Sales policies concerned both the consolidated clientele and obtaining new market shares in provinces where new branches were opened. The strategies included updating and expansion of the product/services offer, concentrating above all on personal loans, family mortgages and insurance policies; in expanding, reinforcing and optimisation of the present distribution network; reinforcement of the organisational structures and of the instruments for support and monitoring of the commercial policies (customer segmentation, budget).

With regard to the territorial development plan, 16 new branches are scheduled to be opened within 2009 (already authorised by the supervisory body) also in towns other than those where branches already exist.

In 2007, the branches of Pesaro in the Marche and Bologna, Forlì and Rimini in the Emilia Romagna region, considered as one of the main areas for the development of the Bank's operations.

The priorities of the strategies which will be followed in the next three years are increasing profitability and value for the shareholders, through the development of specific strategic activities; increasing the Bank's own means; and the pursuit of internal growth always maintaining assets of a high quality level.

Important events after the closure of the period

On 15th October a sale contract was stipulated between Tercas, owner at the time of 99.2%, for the equity of Terleasing Spa and Vega management Srl.

The contract included the following conditions:

- * the sale of 4% of the stake at the moment of signing the contract;
- * the sale of 76.1% of the stake within the execution date of the contract (between the date of the signing of the contact and 31st March 2008);

- * the sale of an irrevocable option for the purchase of 10% of the remaining Terleasing shares;

the option can be exercised also in several tranches, but in any case within 31st December 2011.

In February 2008, the Board of Directors of the bank authorised the undersigning of all contracts necessary for the securitisation of the existing lease credit portfolio of the subsidiary Terleasing S.p.A. and the successive repurchase of all the notes of the securitisation of the credit portfolio with the granting of a call option in favour of Terleasing (with expiry on 30th June 2010 for the junior notes with an exercise price equal to the price paid by the Bank for the purchase of the securities relative to the option increased by the cost of the funding calculated on the basis of the 3-month Euribor rate +0.7%).

At the same meeting, the Board of Directors of the Bank also authorised, in modification of what was originally indicated in the sale contract and in compliance with what was requested by Vega Management Srl itself:

- 1) the purchase on the part of Vega Management Srl, also fractioned, of 37% of the Terleasing Spa shares (apart from the 4% already purchased on 15/10/2007) within 10/3/2008;
- 2) the purchase, also fractioned, on the part of Vega Management Srl, of the remaining stake of 39.1% of the Terleasing Spa shares within five working days after the signing of the securitisation contracts, together with Vega Management Srl which has been appointed as Asset Manager and Report Agent, the originally established contractual term of 31/3/2008 always holding firm.

On 7 March the sale was concluded for 79,982 Terleasing Spa shares (equal to 37% of the share capital) to the company Vega Management Srl, thus reducing the interest of Banca Tercas in the Terleasing Spa capital to 58.208%.

On 20th March 2008, the securitisation contracts between Terleasing and all the subjects involved in the operation were signed.

Banca Tercas has also concluded another securitisation operation after 31st December 2007, for mortgage loans amounting to a total of 198,918 thousand euros.

This operation is similar to that carried out in August 2007, when commercial loans of 192,893 thousand euros were securitised.

On 4th March 2008, a Bank of Italy inspection began, which is still in progress at the moment of the drafting of this document.

The expected trend of operations

The prospects for economic growth have decreased and the risks of global deceleration are the consequences of the turbulence on the financial markets which have caused loan restrictions and increased uncertainty, but thanks to solid economic bases, the negative effects for the European Union should be limited.

European growth continues to be sustained by the sufficiently favourable prospects of world economy, especially those of the emerging countries which fully compensate for the USA sluggishness. As regards prices, a fundamental question for ECB decisions, inflation should remain moderate, although costs are increasing at present.

In this context, Banca Tercas will continue to carry out all strategies necessary to reach the objectives fixed in the three-year plan, placing greater attention on credit quality and investments on the financial markets.

Own shares

At 31st December 2007, the Bank holds 918,655 of its own shares, with a nominal value of 0.52 euro each, for a total nominal counter value of 478 thousand euros. The said shares, at the end of the period, had an exercise priced of 10.23707 euros per share, for a total book value of 9,404 thousand euros. These have been posted in the liabilities of the Statement of Assets and Liabilities for the same value.

In 2007, own shares were bought for a total of 28,114 thousand euros, and sold for a total value of 20,853 euros including profit from trading of 2,144 thousand euros. With regard to the number of own shares bought and sold, it is pointed out that during the year 2,776,879 shares were bought and 1,858,215 shares were sold.

The own shares were bought and sold to satisfy contingent needs of the treasury, due to customers/shareholders not completely reabsorbed by purchases on the part of new shareholders.

The trend Banca Tercas share prices

At 31st December 2007, the price of the Banca Tercas shares was 10.16 euros. Shareholders therefore had the pleasure of seeing a 13% increase in the value of the securities, reflecting all the improvement and growth strategies carried forward and which make the Bank a valid economic partner in the territory on which it operates.

TERCAS FOUNDATION

CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO

The main data of the last approved balance sheet of the Holding company, the Foundation of the Cassa di Risparmio della Provincia di Teramo, with head office in Teramo, Corso San Giorgio n. 36, tax code and Teramo Companies Register n. 92011020671, are given below. The data refer to the financial year which closed on 31st December 2006.

Figures in thousands of euros

TERCAS FOUNDATION - STATEMENT OF ASSETS AND LIABILITIES AT 31-12-06	
Assets	168,988
Liabilities	16,704
Shareholders' equity	152,284
Profit of the period	4,182
TERCAS FOUNDATION - INCOME STATEMENT AT 31-12-06	
Result of individual asset managements	14
Dividends and similar income	5,703
Interest and similar income	1,009
Profit for the period of directly controlled subsidiaries	(607)
Charges	(802)
Extraordinary income	6
Extraordinary charges	(1,031)
Income taxes for the period on current business	(110)
Profit of the year net of taxes	4,182

PROPOSAL FOR THE ALLOCATION OF PROFIT

Dear Shareholders,

The balance sheet for 2007 closes with a profit of 39,136,603.84 euros, which we propose to allocate, pursuant to art. 32 of the Articles of Association, as shown below:

Net profit of 2007	39,136,603.84
Legal Reserve (5% of net profit)	0.00
Statutory Reserve (20% of net profit)	7,827,320.77
Extraordinary reserve	17,009,283.07
Special Provisions for financing activities	300,000.00
Dividends to shareholders (0.28 per 50 mln shares 0.52 each)	14,000,000.00
Total Profit of 2007	39,136,603.84

Dividend: Euro 0.28 per share.

We also propose allocating the amount of dividends on the shares owned by the Bank as of the pay-out date to the reserve for dividends on own shares, which would be used for the payment of dividends in future years.

On the basis of the above proposal, the net equity would be structured as follows:

Shareholders' equity	Previous structure 31.12.06	Incr./decr. in the year	Destination of 2007 profit	Allocations/ reclass.	New structure at 31.12.07
Share Capital	26,000,000.00	0.00	0.00	0.00	26,000,000.00
Legal reserve	7,679,671.52	0.00	0.00	(2,479,671.52)	5,200,000.00
Statutory reserve	37,103,439.00	0.00	7,827,320.77	0.00	44,930,759.77
Extraordinary reserve	98,056,919.89	(9,404,335.71)	17,009,283.07	2,479,671.52	108,141,538.77
FTA reserve	67,361,205.20	0,00	0,00	0,00	67,361,205.20
Evaluation reserve	10,243,724.99	(456,754.16)	0,00	0,00	9,786,970.83
Own shares reserve	0,00	9,404,335.71	0,00	0,00	9,404,335.71
Own shares held	0,00	(9,404,335.71)	0,00	0,00	(9,404,335.71)
Issue premiums	44,550,967.71	1,318,919.57	0,00	0,00	45,869,887.28
Totals	290,995,928.31	(8,542,170.30)	24,836,603.84	0,00	307,290,361.85

THE BOARD OF AUDITORS' REPORT

on the balance sheet closed at 31st December 2007, pursuant to art. 2429, second clause, of
the Civil Code

Dear Shareholders,

The following report explains the auditing activity carried out for the period ending 31st December 2007. 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 2007 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 Shareholders' 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 articles of association;
- we carried out some verifications on the correct application by the delegated authority in terms of the employment of credit;
- with regard to the complaints from clients during the year, we acknowledge that these were regularly checked by the Bank;
- during 2007, 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 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 2007 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 2007 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.

In consideration of all the above, we find no reason to oppose the approval of the balance sheet for the year 2007, as drafted by the Board of Directors.

We therefore propose to that the Shareholders:

- approve the balance sheet closed at 31st December 2007;
- approve the proposal for the allocation of profits relating to 2007 as formulated by the Board of Directors.

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, 11th April 2008

The Board of Statutory Auditors
Luigi Montironi – President
Massimo Dell’Orletta – Standing Auditor
Gianfranco Scenna – Standing Auditor

THE AUDITING COMPANY'S 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, 2007 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 4th of April 2007.

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 2007, 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
Partner

Rome, 11th April 2008

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. 03649560166 - R.E.A. Milano n. 1736239

THE INDIVIDUAL BALANCE SHEET FOR 2007

Notes for reading the balance sheet data

In the following balance sheet layout, the Statement of Assets and Liabilities and Income Statement data at 31st of December 2007 are compared to the data at 31st of December 2006.

STATEMENT OF ASSETS AND LIABILITIES AT 31st DECEMBER 2007

	Asset Items	31-Dec-07	31-Dec-06	Absolute Change
10.	Cash and cash equivalents	27,317,440	22,282,515	5,034,925
20.	Financial assets held for trading	273,336,073	581,391,451	(308,055,378)
30.	Financial assets carried at fair value	0	0	0
40.	Financial assets available for sale	132,826,274	13,640,215	119,186,059
50.	Financial assets held until maturity	0	0	0
60.	Loans to banks	90,880,449	58,346,295	32,534,154
70.	Loans to customers	2,820,040,755	2,264,262,695	555,778,060
80.	Hedging derivatives	0	0	0
90.	Changes in fair value of hedged portfolios	0	0	0
	Shareholdings	1,175,891	13,075,757	(11,899,866)
	Tangible assets	29,932,499	30,432,985	(500,486)
	Intangible assets of which:	187,097	202,933	(15,836)
	- goodwill	0	0	0
	Tax assets	15,667,902	17,281,006	(1,613,104)
	a) current	4,803,483	6,159,672	(1,356,189)
	b) prepaid	10,864,419	11,121,334	(256,915)
	Non-current assets and groups of assets in the process of being sold	12,937,850	0	12,937,850
	Other assets	70,794,790	64,017,173	6,777,617
	Total assets	3,475,097,020	3,064,933,025	410,163,995

STATEMENT OF ASSETS AND LIABILITIES AT 31st DECEMBER 2007

Liabilities and shareholders' equity		31-Dec-07	31-Dec-06	Absolute Change
10.	Due to banks	201,473,778	212,150,313	(10,676,535)
20.	Due to customers	2,035,266,007	1,922,077,577	113,188,430
30.	Securities issued	748,996,927	487,228,557	261,768,370
40.	Financial liabilities held for trading	1,874,568	995,272	879,296
50.	Financial liabilities carried at fair value	30,006,110	0	30,006,110
60.	Hedging derivatives	0	0	0
70.	Changes in fair value of financial liabilities in hedged portfolios	0	0	0
80.	Tax liabilities	15,201,354	20,571,456	(5,370,102)
	a) current	12,655,906	17,726,257	(5,070,351)
	b) deferred	2,545,448	2,845,199	(299,751)
90.	Liabilities in disposal groups held for sale	0	0	0
100.	Other liabilities	73,193,909	75,830,758	(2,636,849)
110.	Provision for severance indemnities	15,653,897	17,679,560	(2,025,663)
120.	Provisions for risks and charges	31,840,108	29,103,604	2,736,504
	a) retirement benefits and other obligations	7,177,170	7,278,030	(100,860)
	b) other provisions	24,662,938	21,825,574	2,837,364
130.	Evaluation reserves	9,786,971	10,243,725	(456,754)
140.	Redeemable shares	0	0	0
150.	Capital instruments	0	0	0
160.	Reserves	210,201,236	192,190,817	18,010,419
170.	Share premiums	45,869,887	44,550,968	1,318,919
180.	Capital	26,000,000	26,000,000	0
190.	Own shares	(9,404,336)	0	(9,404,336)
200.	Profit (Loss) for the period	39,136,604	26,310,418	12,826,186
	Total liabilities	3,475,097,020	3,064,933,025	410,163,995

INCOME STATEMENT AT 31ST DECEMBER 2007
COMPARISON WITH 31ST DECEMBER 2006

Income statement items		31-Dec-07	31-Dec-06	Absolute change
10.	Interest income and similar revenue	192,040,186	135,471,762	56,568,424
20.	Interest expenses and similar charges	(66,047,203)	(34,940,560)	(31,106,643)
30.	Interest income	125,992,983	100,531,202	25,461,781
40.	Commission income	36,715,615	35,630,228	1,085,387
50.	Commission expense	(1,741,221)	(2,066,710)	325,489
60.	Net commission	34,974,394	33,563,518	1,410,876
70.	Dividends and similar revenues	1,530,419	797,236	733,183
80.	Net result of trading activities	(765,535)	924,116	(1,689,651)
90.	Net result of hedging activities	0	0	0
100.	Profits/losses on the sale of:	(2,417,751)	499,468	(2,917,219)
	a) loans	(2,655,710)	(148,749)	(2,506,961)
	b) financial assets available for sale	101,054	410,302	(309,248)
	c) financial assets held until maturity	0	0	0
	d) financial liabilities	136,905	237,915	(101,010)
110.	Net profit on financial assets and liabilities carried at fair value	168,817	0	168,817
120.	Net banking income	159,483,327	136,315,540	23,167,787
130.	Net writedowns for impairment of:	(7,648,495)	(12,913,783)	5,265,288
	a) loans	(7,637,299)	(12,994,171)	5,356,872
	b) financial assets available for sale	0	0	0
	c) financial assets held until maturity	0	0	0
	d) other financial operations	(11,196)	80,388	(91,584)
140.	Net result of financial management	151,834,832	123,401,757	28,433,075
150.	Administrative expenses:	(89,519,530)	(81,453,794)	(8,065,736)
	a) personnel expenses	(52,428,960)	(51,475,118)	(953,842)
	b) other administrative expenses	(37,090,570)	(29,978,676)	(7,111,894)
160.	Net provisions for risks and charges	(1,900,905)	(1,128,355)	(772,550)
170.	Net writedowns/writebacks on tangible assets	(2,742,784)	(1,742,500)	(1,000,284)
180.	Net writedowns/writebacks on intangible assets	(105,773)	(112,196)	6,423
190.	Other operating expenses/income	12,650,516	10,390,704	2,259,812
200.	Operating costs	(81,618,476)	(74,046,141)	(7,572,335)
210.	Profits (losses) on shareholdings	264,571	0	264,571
220.	Net result of fair value writedowns/writebacks of tangible and intangible assets	0	0	0
230.	Value adjustments on goodwill	0	0	0
240.	Profits (losses) on the disposal of investments	260,791	14,885	245,906
250.	Before tax profit (loss) on current business	70,741,718	49,370,501	21,371,217
260.	Income taxes for the period on current business	(31,605,114)	(23,060,083)	(8,545,031)
270.	Profit (loss) on current business after taxation	39,136,604	26,310,418	12,826,186
280.	After tax profit (loss) on groups of assets in the process of being sold	0	0	0
290.	Profit (Loss) for the period	39,136,604	26,310,418	12,826,186

INDIVIDUAL CASH FLOW STATEMENT OF BANCA TERCAS

Direct method

Items	Importo		
	31-dic-07	31-dic-06	Variazioni in %
A. OPERATIONS			
1. Operations (+/-)	23,218,960	37,917,746	(38.76%)
- interest collected	176,139,628	135,443,200	30.05%
- Interest expense (-)	(54,982,754)	(34,940,560)	57.36%
- dividends and similar revenues (+)	1,213,640	0	n.d.
- net commission (+/-)	34,085,034	33,563,518	1.55%
- personnel expenses (-)	(49,080,488)	(49,047,618)	0.07%
- net premiums collected		0	n.d.
- other income/charges	2,098,367	0	n.d.
- other costs (-)	(33,427,023)	(31,749,510)	5.28%
- other income (writebacks due to collections (+)	432,393	12,710,730	(96.60%)
- duties and taxes paid (-)	(53,259,837)	(28,062,014)	89.79%
- costs/income on groups of assets being sold, net of taxes	0	0	n.d.
2. Liquidity generated/absorbed by financial assets (+/-)	(389,245,187)	(384,465,319)	1.24%
- financial assets held for trading	306,153,040	60,447,654	406.48%
- financial assets carried at fair value		0	n.d.
- financial assets available for sale	(118,510,032)	(1,652,834)	7,070.11%
- due from customers	(544,659,806)	(506,809,980)	7.47%
- due from banks: payable on demand	(57,158,521)	138,600,745	(141.24%)
- due from banks: other loans	25,306,745	0	n.d.
- other financial assets / liabilities:	(376,613)	(75,050,904)	(99.50%)
3. Liquidity generated/absorbed by financial liabilities (+/-)	389,487,328	356,403,980	9.28%
- due to banks: payable on demand	(17,531,017)	90,073,499	(119.46%)
- due to banks: other debts	3,814,135	0	n.d.
- due to customers	119,219,848	81,647,499	46.02%
- securities issued	256,970,925	192,788,737	33.29%
- financial liabilities held for trading		(982,138)	(100.00%)
- financial liabilities carried at fair value	30,000,000	0	n.d.
- other liabilities (FTFR-FIP)	(2,986,563)	(7,123,617)	(58.08%)
Net liquidity generated/absorbed by operations (+/-)	23,461,101	9,856,407	138.03%
B. INVESTMENTS			
1. Liquidity generated by (+)	1,241,813	812,121	52.91%
- sale of equity investments	692,000	0	n.d.
- dividends received from equity investments	208,889	797,236	(73.80%)
- sale of financial assets held until maturity		0	n.d.
- sale of tangible assets	340,924	14,885	2,190.39%
- sale of intangible assets	0	0	n.a.
- sale of subsidiaries and branches	0	0	n.a.
2. Liquidity absorbed by (-)	(4,125,324)	(2,051,063)	101.13%
- purchase of equity investments	(1,688,412)	(34,000)	4,865.92%
- purchases of financial assets held to maturity		0	n.a.
- purchase of tangible assets	(2,322,432)	(1,917,922)	21.09%
- purchase of intangible assets	(114,480)	(99,141)	15.47%
- purchase of subsidiaries and branches	0	0	n.a.
Net liquidity generated/absorbed by investments (+/-)	(2,883,511)	(1,238,942)	132.74%
C. PROVISIONING ACTIVITIES			
- issues/purchases of own shares (positive result on sale of own shares)	(7,265,628)	6,560	n.a.
- distribution of dividends and other uses (fund for special financing activities)	(8,300,000)	(5,930,000)	39.97%
Net liquidity generated/absorbed by provisioning activities (+/-)	(15,565,628)	(5,923,440)	162.78%
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD (+/-)	5,011,962	2,694,025	86.04%

Key (+) generated (-) absorbed

RECONCILIATION

Items	31-Dec-07	31-Dec-06
Opening balance of cash and cash equivalents at the start of the period	22,282,515	19,588,490
Total net liquidity generated/absorbed in the period	5,011,962	2,694,025
Cash and cash equivalents: effect of variations in exchange rates	22,963	0
Closing balance of cash and cash equivalents	27,317,440	22,282,515

STATEMENT OF CHANGES IN NET EQUITY 01.01.2006 – 31.12.2006

	Situation at 01.01.2006	Allocation of previous year's results		Variazioni dell'esercizio						Profit (Loss) for the year at 31.12.2006	Shareholders' equity at 31.12.2006	
		Reserves	Dividends and other distributions	Reserve variations	New share issues	Purchase of own shares	Extraordinary dividend payments	Variation in capital instruments	Derivatives on own shares			Stock options
Share capital	26,000,000	0	0	0	0	0	0	0	0	0	0	26,000,000
a) ordinary shares	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
Share premiums	44,544,408	0	0	0	0	0	0	6,560	0	0	0	44,550,968
Reserves	181,432,329	10,758,489	0	0	0	0	0	0	0	0	0	192,190,818
a) retained earnings (inc. profit of prev. year)	114,071,124	10,758,489	0	0	0	0	0	0	0	0	0	124,829,612
b) FTA risks and changes provisions	592,669	0	0	0	0	0	0	0	0	0	0	592,669
c) FTA personnel funds	43,978	0	0	0	0	0	0	0	0	0	0	43,978
d) FTA credit evaluation	(2,801,585)	0	0	0	0	0	0	0	0	0	0	(2,801,585)
e) FTA reallocation of credit risk provisions	4,758,930	0	0	0	0	0	0	0	0	0	0	4,758,930
f) FTA reallocation of general bank risk provisions	64,227,732	0	0	0	0	0	0	0	0	0	0	64,227,732
g) FTA reallocation of depreciation provisions	2,957,935	0	0	0	0	0	0	0	0	0	0	2,957,935
h) FTA reallocation of securitisation quota	(2,879,955)	0	0	0	0	0	0	0	0	0	0	(2,879,955)
i) FTA evaluation of securities and derivatives	454,895	0	0	0	0	0	0	0	0	0	0	454,895
j) FTA financial instrument liabilities	6,606	0	0	0	0	0	0	0	0	0	0	6,606
Valuation reserves	8,966,774	0	0	1,276,951	0	0	0	0	0	0	0	10,243,725
a) available for sale	4,095,912	0	0	1,276,951	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
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0
d) foreign investment hedging	0	0	0	0	0	0	0	0	0	0	0	0
e) cash flow hedging	0	0	0	0	0	0	0	0	0	0	0	0
f) foreign exchange differences	0	0	0	0	0	0	0	0	0	0	0	0
g) non-current assets and groups of assets in the process of being sold	0	0	0	0	0	0	0	0	0	0	0	0
h) special revaluation laws	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
Own shares	0	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) for the period	16,688,489	(10,758,489)	(5,930,000)	0	0	0	0	0	0	0	0	26,310,418
Shareholders' equity	277,631,999	0	(5,930,000)	1,276,951	0	0	0	6,560	0	0	0	299,295,928

STATEMENT OF CHANGES IN NET EQUITY 01.01.2007 – 31.12.2007

	Allocation of previous year's results		Variation during the period							Shareholders' equity at 31.12.2007	
	Reserves	Dividends and other distributions	Reserve variations	Operations on shareholders' equity							
				New share issues	Purchase of own share	Extraordinary dividend payments	Variation in capital instruments	Derivatives on own shares	Stock options		Profit (Loss) for the year at 31.12.2007
Situation at 01.01.2007											
Capital	26,000,000	0	0	0	0	0	0	0	0	0	26,000,000
a) ordinary shares	26,000,000	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
Share premiums	44,550,968	0	0	0	0	1,318,920	0	0	0	0	45,869,887
Reserves:											
a) retained earnings (inc. profit of prev. year)	192,190,818	18,010,418	0	0	0	0	0	0	0	0	210,201,236
b) for purchase of own shares	124,829,612	18,010,418	0	(9,404,336)	0	0	0	0	0	0	133,435,695
c) FTA risks and charges provisions	592,669	0	0	9,404,336	0	0	0	0	0	0	9,404,336
d) FTA personnel funds	43,978	0	0	0	0	0	0	0	0	0	592,669
e) FTA credit evaluation	(2,801,585)	0	0	0	0	0	0	0	0	0	43,978
f) FTA reallocation of credit risk provisions	4,758,930	0	0	0	0	0	0	0	0	0	(2,801,585)
g) FTA reallocation of general bank risk provisions	64,227,732	0	0	0	0	0	0	0	0	0	4,758,930
h) FTA reallocation of depreciation provisions	2,957,935	0	0	0	0	0	0	0	0	0	64,227,732
i) FTA reallocation of securitisation quota	(2,879,955)	0	0	0	0	0	0	0	0	0	2,957,935
j) FTA evaluation of securities and derivatives	454,895	0	0	0	0	0	0	0	0	0	(2,879,955)
m) FTA financial instrument liabilities	6,606	0	0	0	0	0	0	0	0	0	454,895
Valuation reserves	10,243,725	0	0	(456,754)	0	0	0	0	0	0	6,606
a) available for sale	5,372,864	0	0	(456,754)	0	0	0	0	0	0	9,786,971
b) tangible assets	0	0	0	0	0	0	0	0	0	0	4,916,109
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0
d) foreign investment hedging	0	0	0	0	0	0	0	0	0	0	0
e) cash flow hedging	0	0	0	0	0	0	0	0	0	0	0
f) foreign exchange differences	0	0	0	0	0	0	0	0	0	0	0
g) non-current assets and groups of assets in the process of being sold	0	0	0	0	0	0	0	0	0	0	0
h) special revaluation laws	4,870,861	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
Own shares	0	0	0	0	0	0	0	0	0	0	0
Profit (Loss) for the period	26,310,418	(18,010,418)	(8,300,000)	0	0	0	0	0	0	0	39,136,604
Shareholders' equity	299,295,928	0	(8,300,000)	(456,754)	0	1,318,920	0	0	0	0	321,590,362

CONSOLIDATED BALANCE SHEET

BANCA TERCAS GROUP

Management Report

The Tercas Group – Cassa di Risparmio della Provincia di Teramo shows a positive income trend, with important results achieved. Profit exceeds 41 million euros, with an increase of 50.42% on the same period of the preceding year. This result is due to a large extent to the Parent Company Banca Tercas, together with a good contribution from Terleasing. The other companies included in consolidation have contributed to a lesser extent, due to the present limited operating level.

Summary of volume intermediated				
Direct deposits	Year 2007	Year 2006	Variations 07-06	
			Absolute	%
Deposits, C/A, CDs and bonds	2,491	2,238	253	11.30%
<i>At sight deposits</i>	1,712	1,750	(38)	(2.17%)
<i>Certificates of deposit</i>	167	150	17	11.33%
<i>Bonds</i>	612	338	274	81.07%
Repurchase agreements	199	171	28	16.37%
Total direct deposits	2,690	2,409	281	11.66%
Indirect deposits	Year 2007	Year 2006	Variations 07-06	
			Absolute	%
Deposits managed	778	817	(39)	(4.77%)
<i>Fund and Equity portfolio mgts and Managed Accounts</i>	227	226	1	0.44%
<i>Mutual and open end investment funds</i>	388	332	56	16.87%
<i>Insurance</i>	163	259	(96)	(37.07%)
Administered deposits	1,190	995	195	19.60%
Total indirect deposits	1,968	1,812	156	8.61%
Net loans to customers	2,698	2,282	416	18.23%
Total financial assets	406.17	595.6	(189)	(31.80%)

Examination of the main aggregates on the balance sheet shows, among other things, that with regard to the assets under administration, direct deposits reached 2,690 million euros, with an increase of 11.66% compared to 2006. The long-term compartment continues to show significant signs of greater appreciation on the part of the customers, while the short-term component shows slight fluctuation (-2.17%).

There has been an increase of 11.33% for certificates of deposits, indicating a preference on the part of customers for this investment instrument.

Repurchase agreements increased considerably (+16.37%) because of the turbulence on the financial markets, which pushed the clientele to abandon the real estate markets in favour of more liquid and safer investments.

Indirect deposits, regarding only the Parent Company, showed decided improvement, with an increase of 8.61% to 1,968 million euros, mainly due to +19.60% in the managed assets component, and to liveliness, with + 16.87%, in unit trusts. Customer loans and the total amount of credit support, net of value adjustments, amounted to 2,698 thousand euros at the end of the period, which indicates growth, compared to 31st December 2006, of 18.23%. The careful risk management policy allowed for keeping down the level for the Group, in line with previous periods although there was significant growth.

The assets of the leasing company have increased by an annual 4.11%, measured on the basis of the values of the contracts stipulated. The total value of new contracts is 62,937 million euros.

Compared to the previous year, the real estate leasing sector has grown (+2.87%) while that relative to instrumental goods has remained stable.

Financial assets have decreased to 406.17 million euros, with a significant contraction on the previous year of 31.80%, due to specific investment policies adopted by the Parent Company. The average rating of the portfolio as a whole is higher than a single A, and no obligations are without creditworthiness. The risk level is contained.

The overall income trend

Item	Year	Year	Variations 07-06	
	2007	2006	Absolute	%
Interest income	121.54	103.23	18.31	17.74%
Net commission	34.83	34.70	0.13	0.37%
Net banking income	154.67	139.90	14.77	10.56%
Operating results	66.54	51.60	14.94	28.95%
Profit of the period	41.56	27.63	13.93	50.42%

The increased and more incisive policies aimed at renewal and expansion of the Parent Company's product catalogue, as well as the active management of existing relationships, have allowed for the Group's success, which has also reflected on the services compartment with net commissions which have remained substantially unchanged (+0.37%) albeit with greater restrictions imposed by the supervisory authorities.

Commissions amount to around 34.83 million euros, while income from trading shows a significant increase of 10.56%.

Operating costs increased by 7.70% to 80.99 million euros, mainly because of the greater costs linked to the expansion of the Parent Company's operating network. The cost component for personnel (+0.40%) was only slightly affected by the new employees hired to support the expansion of the Banca Tercas' commercial network. Amortisation on fixed tangibles grew by 60.63% because of the opening of new branches, and the renewal of POS and cash point equipment.

The always careful assessment of the credit portfolio, of both the Parent Company and the subsidiary Terleasing Spa, allowed to limit value adjustments, which also benefited from the sale of non-performing credits on the part of Banca Tercas at the end of 2007. Adjustments to customer loans therefore show a decrease of 42.16%, partly compensated by the loss on the credit sale on the part of the Parent Company, posted under item 100 on the Income Statement.

After allocations of 31.66 million to the provision for taxes and dues, the consolidated net profit of the Group is 41.56 million euros, with an increase of 50.42% on the previous year.

Important events after the closure of the period

On 15th October 2007, a sale contract was stipulated between the Parent Company Tercas, owner at the time of 99.2%, for the equity of Terleasing Spa, and the company Vega Management Srl. The contract established the following conditions:

- * the sale of 4% of the stake at the moment of signing the contract;
- * the sale of 76.1% of the stake within the execution date of the contract (which can fall between the date of the signing of the contract and 31st March 2008);
- * the sale of an irrevocable option for the purchase of 10% of the remaining Terleasing shares; the option can be exercised also in several tranches, but in any case within 31st December 2011.

In February 2008, the Board of Directors of the Parent Company authorised the undersigning of all contracts necessary for the securitisation of the existing lease credit portfolio of the subsidiary Terleasing S.p.A. and the successive repurchase of all the notes resulting from the securitisation of the credit portfolio with the granting of a call option in favour of Terleasing (with expiry on 30th June 2010 for the junior notes with an exercise price equal to the price paid by the Bank for the purchase of the securities relative to the option increased by the cost of the funding calculated on the basis of the 3-month Euribor rate +0.7%).

At the same meeting, the Board of Directors of the Parent Company also authorised, in modification of what was originally indicated in the sale contract and in compliance with what was requested by Vega Management Srl itself:

1) the purchase on the part of Vega Management Srl, also fractioned, of 37% of the Terleasing Spa shares (apart from the 4% already purchased on 15/10/2007) within 10/3/2008;

2) the purchase, also fractioned, on the part of Vega Management Srl, of the remaining stake of 39.1% of the Terleasing Spa shares within five working days after the signing of the securitisation contracts, together with Vega Management Srl which has been appointed as Asset Manager and Report Agent, the originally established contractual term of 31/3/2008 always holding firm.

On 7 March 2008 the sale was concluded for 79,982 Terleasing Spa shares (equal to 37% of the share capital) to the company Vega Management Srl, thus reducing the interest of Banca Tercas in the Terleasing Spa capital to 58.208%.

On 20th March 2008, the securitisation contracts between Terleasing and all the subjects involved in the operation were signed.

Banca Tercas has also concluded another securitisation operation after 31st December 2007, for mortgage loans amounting to a total of 198,918 thousand euros.

This operation is similar to that carried out in August 2007, by which commercial loans of 192,893 thousand euros were securitised. On 4th March 2008, a Bank of Italy inspection began on Banca Tercas Spa, which is still in progress at the moment of the drafting of this document.

The expected trend of operations

Economic growth is becoming more moderate and the risks of a global deceleration are the consequence of the strong turbulence in the second half of 2007 on international financial markets. Lending conditions have therefore become more restrictive and there is increased uncertainty. However, the economic bases of the European Union are solid and the negative effects should be limited. European growth, in fact, continues to be sustained by the sufficiently favourable prospects of world economy, especially those of the emerging countries, which fully compensate for the USA sluggishness. As regards prices, a fundamental question for ECB decisions, inflation should remain moderate, in spite of rising costs especially of oil and raw materials.

In this context, the Parent Company will continue to implement all strategies necessary to reach the objectives fixed in the three-year plan, placing greater attention on credit quality and investments on the financial markets.

Equity of the Parent Company and of the subsidiaries

The schedule below shows the equity of the Parent Company Banca Tercas and of the single subsidiaries compared with that of the consolidated group.

Equity of the Parent Company and of the subsidiaries			
	Profit of the period	Capital and reserves	Shareholders' equity
Parent Company's balance	39,137	282,454	321,591
Balances of the completely consolidated companies	2,031	17,963	19,994
Consolidation adjustments			
- book value of consolidated shareholdings	0	(14,113)	(14,113)
- valuation of shareholdings carried at nominal price	0	0	0
- discounted dividends of completely consolidated companies	(209)	0	(209)
- discount of writedowns in net value of consolidated shareholdings	0	0	0
- others adjustments	652	(443)	209
Consolidated balance (gross third parties)	41,611	285,861	327,472
Equity pertaining to minority interests	(51)	(862)	(913)
Consolidated balance (pertaining to the Group)	41,560	284,999	326,559

THE AUDITING COMPANY'S REPORT

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, 2007 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 – Casa 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 4th of April 2007.

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 2007, 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
Partner

Rome, 11th April 2008

NOTES FOR READING THE 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 2007 is compared to the data for the 31st of December 2006.

The current balance sheet is drawn up in accordance with the IAS-IFRS International Accounting Principles. Values are expressed in thousands of euros in both the Assets and Liabilities Statements and Incomes Statements below.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	Asset items	31 December 2007		31 December 2006	
10.	Cash and cash equivalents		27,318		22,284
20.	Financial assets held for trading		273,336		581,391
30.	Financial assets carried at fair value		0		0
40.	Financial assets available for sale		132,826		14,240
50.	Financial assets held until maturity		0		0
60.	Loans to banks		99,557		58,346
70.	Loans to customers		2,698,465		2,282,025
80.	Hedging derivatives		0		0
90.	Changes in fair value of financial assets in hedged portfolios		0		0
100.	Shareholdings		0		8
110.	Insurance reserves attributable to re-insurers		0		0
120.	Tangible assets		34,596		31,906
130.	Intangible assets		196		344
	of which:				
	- goodwill	0			0
140.	Tax assets		15,752		19,909
	a) current	4,869		8,622	
	b) prepaid	10,883		11,287	
150.	Non-current assets and groups of assets in the process of being sold		159,212		0
160.	Other assets		70,729		64,345
	Total assets		3,511,987		3,074,798

Values are expressed in thousands of euros in both the Assets and Liabilities Statements and Incomes Statements below.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	Asset items	31 December 2007		31 December 2006	
10.	Due to banks		332,238		212,150
20.	Due to customers		1,911,347		1,922,172
30.	Securities issued		748,997		487,229
40.	Financial liabilities held for trading		1,875		995
50.	Financial liabilities carried at fair value		30,006		0
60.	Hedging derivatives		0		0
70.	Changes in fair value of financial liabilities in hedged portfolios		0		0
80.	Tax liabilities		15,226		20,945
	a) current	12,681		18,020	
	b) deferred	2,545		2,925	
90.	Liabilities linked to assets in the process of being sold		23,716		0
100.	Other liabilities		73,600		79,798
110.	Provision for severance indemnities		15,670		17,858
120.	Provisions for risks and charges:		31,840		29,117
	a) retirement benefits and other obligations	7,177		7,278	
	b) other provisions	24,663		21,839	
130.	Technical reserves		0		0
140.	Valuation reserves		9,787		10,244
150.	Redeemable shares		0		0
160.	Capital instruments		0		0
170.	Reserves		212,745		194,218
180.	Share premiums		45,870		44,551
190.	Capital		26,000		26,000
200.	Own shares (-)		(9,404)		0
210.	Equity pertaining to minority interests (+/-)		913		1,896
220.	Profit (Loss) for the period (+/-)		41,561		27,625
	Total liabilities and shareholders' equity		3,511,987		3,074,798

CONSOLIDATED INCOME STATEMENT

	Items	31 December 2007		31 December 2006	
10.	Interest income and similar revenue		186,260		138,165
20.	Interest expenses and similar charges		(64,721)		(34,938)
30.	Interest income		121,539		103,227
40.	Commission income		37,086		37,018
50.	Commission expense		(2,258)		(2,324)
60.	Net commission Net commission		34,828		34,694
70.	Dividends and similar revenues		1,322		604
80.	Net result of trading activities		(766)		924
90.	Net result of hedging activities		0		0
100.	Profit (loss) on the sale or repurchase of:		(2,418)		499
	a) loans	(2,656)		(149)	
	b) financial assets available for sale	101		410	
	c) financial assets held until maturity	0		0	
	d) financial liabilities	137		238	
110.	Net profit on financial assets carried at fair value		169		0
120.	Net banking income		154,674		139,948
130.	Net value of writedowns/writebacks for impairment of:				
	a) loans		(7,651)		(13,227)
	b) financial assets available for sale		0		0
	c) financial assets held until maturity		0		0
	d) other financial operations		(11)		80
140.	Net result of financial management		147,012		126,801
150.	Net insurance premiums		0		0
160.	Balance of other income/charges of insurance management		0		0
170.	Net operating result of finance and insurance management		0		0
180.	Administrative expenses:		(89,364)		(83,068)
	a) personnel expenses	(52,541)		(52,332)	
	b) other administrative expenses	(36,823)		(30,736)	
190.	Net allocations to provisions for risks and charges		(1,901)		(1,132)
200.	Value writedowns/writebacks of tangible assets		(2,872)		(1,788)
210.	Value writedowns/writebacks of intangible assets		(109)		(159)
220.	Other operating expenses/income		13,247		10,942
230.	Operating costs		(80,999)		(75,205)
240.	Profits (losses) on shareholdings		265		0
250.	Net result of fair value writedowns/writebacks of tangible and intangible assets		0		0
260.	Value adjustments in goodwill		0		0
270.	Profits (losses) on the disposal of investments		261		15
280.	Before tax profit (loss) on current business		66,539		51,611
290.	Income taxes for the period on current business		(31,662)		(23,888)
300.	Profit (loss) on current business after taxation		34,877		27,723
310.	After tax profit (loss) on groups of assets in the process of being sold		6,735		0
320.	Profit (Loss) for the period		41,612		27,723
330.	Profit (Loss) pertaining to minority interests		(51)		(98)
340.	Profit of the period pertaining to the Parent Company		41,561		27,625

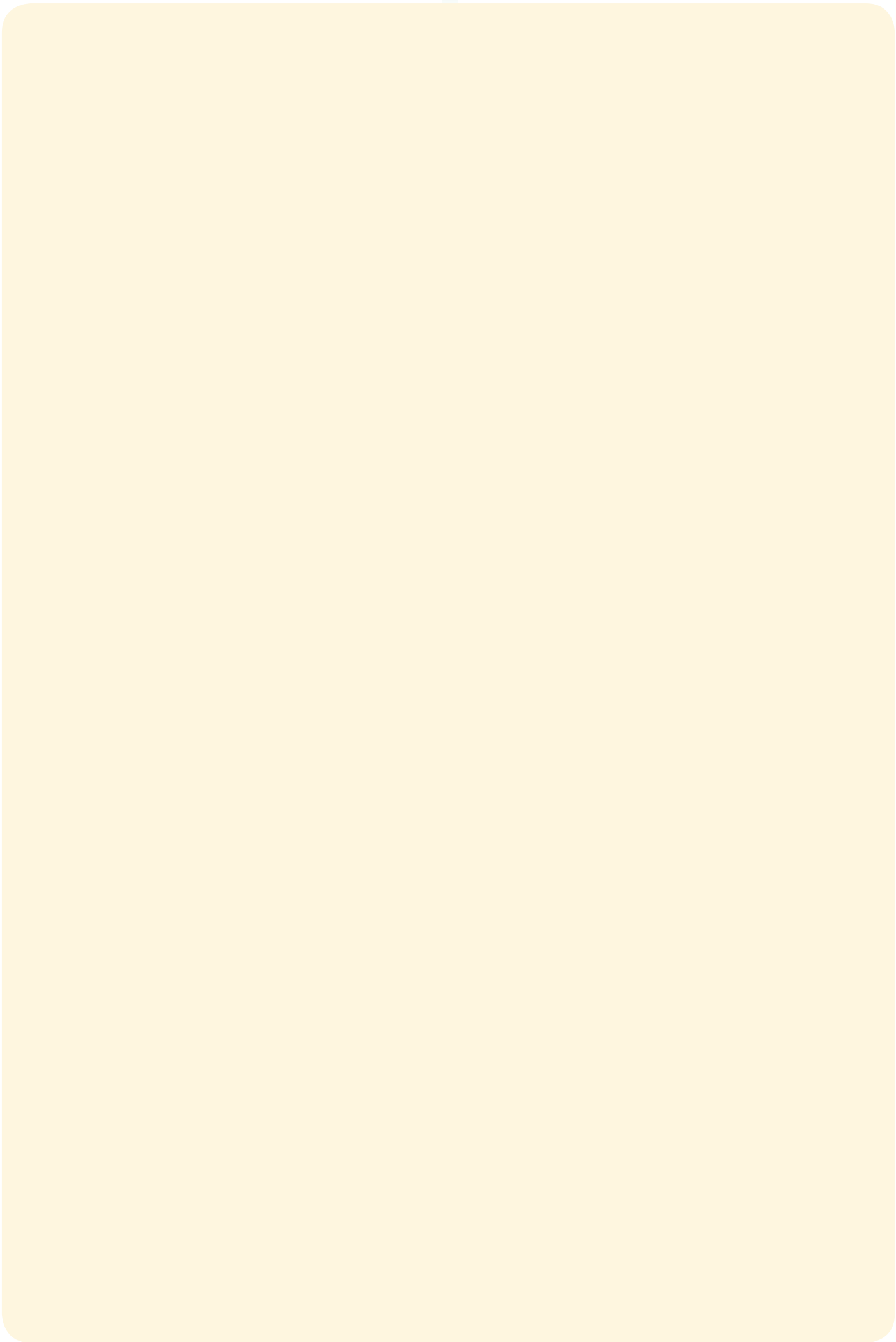
CONSOLIDATED CASH FLOW STATEMENT OF THE BANCA TERCAS GROUP

Direct method

Items	Amount	
	31-Dec-07	31-Dec-06
A. OPERATING ASSETS		
1. Operations (+/-)	23,346	37,752
- interest collected	176,140	138,165
- interest paid (-)	(54,983)	(34,938)
- dividends and similar revenues (+)	1,214	0
- net commission (+/-)	34,343	34,694
- personnel expenses (-)	(49,127)	(52,332)
- net premiums collected	0	0
- other insurance income/charges	2,126	0
- other costs (-)	(33,482)	(31,776)
- other income (writebacks due to collections +)	432	13,042
- duties and taxes paid (-)	(53,317)	(29,103)
- costs/income on groups of assets being sold, net of taxes	0	0
2. Liquidity generated/absorbed by financial assets (+/-)	(389,278)	62,613
- financial assets held for trading	306,153	60,448
- financial assets carried at fair value	0	0
- financial assets available for sale	(118,510)	(2,382)
- due from customers	(544,660)	(506,180)
- due from banks: payable on demand	(57,159)	138,601
- due from banks: other loans	25,275	0
- other financial assets / liabilities	(377)	(74,441)
3. Liquidity generated/absorbed by financial liabilities (+/-)	389,402	356,494
- due to banks: payable on demand	(17,531)	90,073
- due to banks: other debts	3,814	0
- due to customers	119,220	81,738
- securities issued	256,971	192,789
- financial liabilities held for trading	0	(982)
- financial liabilities carried at fair value	30,000	0
- other liabilities	(3,072)	(7,124)
Net liquidity generated/absorbed by operations (+/-)	23,470	456,859
B. INVESTMENTS		
1. Liquidity generated by (+)	1,242	619
- sale of equity investments	692	0
- dividends received from equity investments	209	604
- sale of financial assets held until maturity	0	0
- sale of tangible assets	341	15
- sale of intangible assets	0	0
- sale of subsidiaries and branches	0	0
2. Liquidity absorbed by (-)	(4,124)	(2,270)
- purchase of equity investments	(1,688)	(34)
- purchases of financial assets held to maturity	0	0
- purchase of tangible assets	(2,322)	(2,025)
- purchase of intangible assets	(114)	(211)
- purchase of subsidiaries and branches	0	0
Net liquidity generated/absorbed by investments (+/-)	(2,882)	(1,651)
C. PROVISIONING ACTIVITIES		
- issues/purchases of own shares	(7,266)	7
- issues/purchases of capital instruments	0	0
- distribution of dividends and other uses (fund for special financing activities)	(8,300)	(5,953)
Net liquidity generated/absorbed by provisioning activities (+/-)	(15,566)	(5,946)
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD (+/-)	5,022	449,262

RECONCILIATION

Items	31-Dec-07	31-Dec-06
Cash and liquid assets at the start of the period	22,284	19,589
Total net liquidity generated/absorbed in the period	5,022	2,695
Cash and cash equivalents: effect of variations in exchange rates	12	0
Cash and liquid assets at the close of the period	27,318	22,284



GRAPHICS
DANILO FURIA



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