

bancatercas
2008 BALANCE SHEET

banca**tercas**

ADHERENT

ACRI - Associazione fra le Casse di Risparmio Italiane (*Association of Italian Savings Banks*)

ABI - Associazione Bancaria Italiana (*Italian Banking Association*)

Fondo Interbancario di Tutela dei Depositi (*Interbank Deposit Protection Fund*)

SHAREHOLDERS

Fondazione Cassa di Risparmio della Provincia di Teramo - 65%

Private shareholders - 35%

SHAREHOLDINGS

Agena Srl - Alfa Spa - Assicuratrice Milanese Spa - Finanziaria di Partecipazioni ed Investimenti 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 - Terfinance Spa

MAIN OFFICES

Ascoli Piceno - Atri - Giulianova Lido - Nereto - Pescara, Via Conte di Ruvo - Roma - 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 - Campomarino Nuova Cliternia - Canzano - Carsoli - Castelli - Colonnella - Castilenti - Cesena - Chieti Scalo - Chiaravalle - Controguerra - Corropoli Paese - Castellalto (Castelnuovo Vomano) - Corropoli Bivio - Cermignano - Civitanova Marche - Corridonia - Cologna Spiaggia - Colonnella Rio Moro Ag. 1 - Fano - Forlì - Garrufo di Sant'Omero - Giulianova Paese - Giulianova Ospedale Civile - Giulianova Annunziata - Grottammare - Jesi - Lanciano - L'Aquila - Loreto - Martinsicuro - Modena - Monte Urano - Montepagano - Montesilvano - Montorio al Vomano - Morro D'Oro - Mosciano S. Angelo - Mosciano S. Angelo, Stazione - Notaresco - Notaresco, Guardia Vomano - Osimo - Ortona - Pagliare di Morro D'Oro - Pescara via Nicola Fabrizi - Pescara Santa Filomena - Pescara, via Teramo - Porto d'Ascoli - Pietracamela - Poggio Morello - Poggiofiorito - Pesaro - Pineto - Porto San Giorgio - Pagliare di Spinetoli - Porto Sant'Elpidio - 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 - Sulmona - Torricella - Tortoreto Lido - 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

DIRECTOR GENERAL	ANTONIO DI MATTEO
DEPUTY DIRECTOR GENERAL	FRANCESCO CORNELI

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DIRECTORS' REPORT ON MANAGEMENT TREND

THE ECONOMIC BACKGROUND

The international situation

The international economic situation in 2008 began with an economic contraction and a slight sluggishness in the main macro-economic data; however, in the fourth quarter of the year the real dimensions came to light, with a crisis serious enough to drag all the major economies of the industrialised countries towards global recession.

In the first six months, world economy entered a serious financial and real estate crisis, triggered by the so-called sub-prime mortgages in America; but the failure of one of the most important United States' merchant banks, Lehman Brothers, which occurred in the summer of 2008, caused a violent shock to the world financial market, leading to a widespread loss of confidence and, as a direct consequence, a sharp contraction in all investments with successive contagion spreading to the credit and monetary market.

The crisis then rapidly expanded to all economic sectors with repeated shock waves, often rebounding and amplifying between the two sides of the Atlantic. The negative impact first hit share trading, which then triggered heavy falls on the stock markets in all main raw materials prices (-44%): petrol fell from 154 dollars a barrel to 45 dollars in only a few months. The effect spread to the real economy in the last quarter of the year, when the industrial indices of industrial production in the developed and developing countries began to register the first significant fluctuations, which were immediately reflected in consumption.

In 2008, the world economy was shaken strongly by an unexpected financial storm, reminiscent to many of the great economic depression of the 1930s.

The fall in demand was sharper in the durable goods and capital assets compartments, which are particularly sensitive to confidence, while the only positive figure of the year was the generalised reduction in energy prices. The risk of recession continued to dominate the international scenario even in the first months of 2009, and, according to many analysts, the economy of the main industrialised countries now risks deflation, complicating the overall picture and rendering precise estimates on the effects and duration of the recession impossible.

The crisis of low profile credit, granted to clientele without fixed income and with low collateral guarantees, which first appeared in the spring of 2007, in fact transformed, during 2008, into an extended financial crisis which ended up affecting the real economy. The enormous quantity of real estate subjected to foreclosure and consequently put up for auction during the year, burst the United States real estate bubble and was immediately reflected in Europe, especially in Spain. Subsequent to the slowing down of the economic growth of the main world entities, the percentage increase in GDP decreased from +5% in 2007 to a more modest +3.3% in 2008, with strong contraction in the last quarter of the year.

The World Economic Outlook update shows that for the advanced economies in 2009 the world GDP will suffer a contraction of 0.6%, above all because of the 2.6% fall in the American GDP and 3.2% in the Euro zone, while a recovery with growth of 2.3% is forecast for 2010. A black 2009 is also announced for Japan, with the Monetary Fund forecasting a contraction of 5.0% in the GDP of the nation of the rising sun. Sharp falls are also expected for the emerging economies of China and India. In 2009, the Beijing's economy will in fact rise at a rate of +6.8%, against the November forecast of 8.5%, while in 2010 the growth rate should be around 8% instead of the previous forecast 9.5%.

The deterioration of credit conditions has hit an increasingly wider spectrum of markets, pushing the International Monetary Fund to raise its forecasts of "potential deterioration" of the assets originating in the United States, held by banks and other institutions, to no less than 2,200 billion dollars from the 1,400 foreseen in October.

However, the negative impact on the dollar-centric and Euro-centric monetary markets is due, above all, to the lack of confidence between banks. The salvage of the British Northern Rock bank, nationalised by the British Government in February 2008 (and which will be remembered by posterity not so much for its more or less glorious past but for being the first bank assaulted, not particularly metaphorically, by its deposit holders in the last 166 years), was followed by no less than 28 bankruptcies of United States banks, for which the American Administration under President Bush decided – aggravating the confidence crisis among savers and financial operators in general – not to intervene.

Lehman Brothers and Washington Mutual stand out among the many, but the list is long and particularly concentrated in the second half of 2008. The bankruptcies in 2007 of NetBank of Alpharetta (28 September 2007) and of Miami Valley Bank (4 October 2007) were followed in 2008 by those of Douglass National Bank (25 January 2008), Hume Bank (7 March 2008), ANB Financial (9 May 2008), First Integrity Bank (30 May 2008), IndyMac Bank (11 June 2008), First Heritage Bank, First National Bank of Nevada, First Priority Bank, The Columbian Bank and Trust, Integrity Bank (August 2008), Silver State Bank, Lehman Brothers (16 September 2008), Ameribank, Washington Mutual Bank (25 September 2008), Meridian Bank, Main Street Bank, Alpha Bank & Trust, Freedom Bank (October 2008), Security Pacific Bank, Franklin Bank, The Community Bank, Downey Savings and Loan, PFF Bank and Trust (November 2008), First Georgia Community Bank, Sanderson State Bank and Haven Trust Bank, which closed the long list of defaulting banks in 2008.

In the early months of 2009, there were two more defaults: that of the Bank of Clark County and that of the National Bank of Commerce, both on 16 January 2009, showing that the financial crisis is far from over.

The very great lack of confidence between banks triggered off extreme rigidity in the direct exchange of cash. Confidence in financial security thus suffered heavily, while investors began to point the finger at the main merchant banks engaged in fighting daily against the free fall of their own share prices.

A veiled thread of optimism comes from the forecasts for the United States economy published by the White House which, after a contraction of 0.2% in the GDP in the first quarter of 2009, foresees an average expansion of 0.6% in 2009 and of even 5% in 2010, without underestimating, however, the increase in the unemployment rate which has touched an alarming 8.1%: the highest level for 25 years. Inflation is expected to be stable until 2010 at 1.7%. The American economy should thus manage to reboot, according to government forecasts, in the second half of 2009. Always providing a new crisis in consumer credit is not triggered, which, after the sub-prime mortgage crisis, would make President Obama's mandate get off to a very bad start.

In January 2009, the American Senate unlocked the 350 billion dollars of the second tranche of the Paulson Plan. Of this cash, 50-100 billion will go towards the fight against foreclosures. For United States banks, the newly freed resources are certainly a great help in view of the deterioration of market conditions. With accounts well into the red and fears regarding the future evolution of the situation, banks in fact continue to be unwilling to grant loans, thus slowing down consumption even more. To re-launch loans, the possibility of creating a government "bad bank" is again being considered, where the toxic assets which are still bearing down on bank balances would be sent.

Meanwhile, the American Congress is working in order to grant the new President all the means necessary to defeat the crisis and to face the recession: the democrats in the House have revealed an 825 billion dollar stimulus plan, of which 550 billion would be for expenditure and 275 billion for tax cuts. The amount of the plan, however, is destined to increase during 2009. And this will mean, for the President, a figure of more than 1,200 billion dollars with which to combat the crisis. However, the financial markets, maintaining that such measures were inadequate, continued in February 2009 to register heavy falls: a clear sign that confidence will not recover in the short term and that 2009 could also present negative surprises for all economic operators.

It is increasingly clear that the United States of America entered a very serious crisis in 2008, which the Obama administration hopes to stem with huge public aid. Such public aid will considerably increase the country's level of debt and will radically change the relationship between public and private in a country that has always followed economic liberalism.

In the month of February, the United States federal deficit rose to 192.8 billion, which is, however, lower than the analysts' forecasts (205 billion).

In February 2008, the deficit rose to 175.6 billion. Since October 2008, the start of the financial year 2009, the USA total deficit has been around 750 billion dollars.

In the EEC, there is also discussion on the need for a European plan to stabilise the economies of the so-called "New Europe", greatly affected by the member countries' many large banks: from the Italian Unicredit and Intesa to the Austrian Raiffeisen and Erste Bank, from the Belgian Kbc to the French SoGen, and including the German Landesbank, the Swedish Swedbank and the Greek Efg Eurobank.

In the meantime, the difficulties of the East European regions are increasing: Zagreb is the first Balkan city to fall into recession, while in Latvia the Central Bank has admitted that the GDP this year will fall more than forecast: - 7% instead of the expected - 5%. The crisis is not endogenous, but it cannot be denied that it will weigh heavily against exports and investments.

The contraction of the United States GDP in the fourth quarter of 2008 was 6.2%, higher than the initially forecast 3.8%. This is the harshest downslide in the American economy since the first quarter of 1982. The figure announced in March 2009 has frozen the weak hopes of seeing a recovery starting in Autumn 2009. The analysts in fact expected a fall of 5.4%, not 6.2%. The worse estimates also depend, on second analysis, on the bad trend of stocked goods and exports. In 2008, the USA economy grew by only 1.1%: the lowest since 2001. Consumer spending, which accounts for two thirds of the GDP, fell by 4.3%, against an initial -3.5%. Exports collapsed to an annual rate of -23.6%, the worst level since 1971, against the previous figure of -19.7%. Investments decreased by 21.1%, against the previous -19.1%.

Emerging Countries

The financial crisis has also hit the so-called BRIC economies, i.e. Brazil, Russia, India and China, better known as emerging countries, whose growth rates represented a fundamental outlet for many United States and European companies. In spite of substantially resistant growth rates, it is clear that in 2008 the main indices fell also in these countries.

In a framework in which many components have deteriorated, there was brilliant performance in 2008 by the State that has always been considered a kind of "ugly duckling" of the above four, considering the two-figure growth rates of the other three: i.e. Brazil, in spite of the fact that its Stock Exchange has obviously also suffered from the extremely difficult situation of the financial markets. Although still containing all the contradictions that have always prevented long and lasting development, after two years of radical treatment on the part of its president in his second term, the ex-trade unionist Lula, this great South American country seems to be one of the countries with the capacity to react best in this extremely difficult crisis triggered by the American sub-prime mortgages, registering a decided increase in direct foreign investments.

According to UNCTAD (United Nations Congress for Trade and Development) figures, direct investments are even more than double those in India and have brought Brazil to second place in the world classification; even though its growth is still much slower than that of India and China, the annual Brazilian GDP has risen steadily at around 4.5% for the last three years. Energy self sufficiency and technological development have made this a country on which to bet with a certain confidence, in spite of the risk of a speculation bubble due to exaggerated enthusiasm for the economies of the emerging countries.

Many companies, including Italian companies, have for some time been looking at Brazil as a country with very interesting prospects, and it is not by chance that the balances of two giants, Telecom Italia and Fiat, depend to an increasingly relevant extent, on the performance obtained in this huge Latin American country. No less than four of the ten most popular cars sold in Brazil are in fact Fiat, while the Brazilian branch of TIM is the second operator in the country and is observed with envy by almost all the colossi of the sector, for its highly interesting cash flow. According to the MSCI (Morgan Stanley Country Index) the Brazilian stock exchange, Bovespa, with over 500 billion dollars of market capitalisation, recently exceeded even China.

The prestigious Financial Times, in a long article, recently mentioned Brazil as one of the most attractive countries for foreign capital, and the Bible of American Finance, the Wall Street Journal, defined it as "the financial centre of Latin America". According to Geoffrey Dennios, Citibank analyst, "Brazil is now the major emerging share market and tenth in the world". In 2008, the Brazilian market was the one that earned the most of the main 20 stock exchanges in the world. According to the competitiveness classification drawn up by the International Institute for Management Development (IMD) in Lausanne, Brazil is 43rd, three places ahead of Italy.

This South American country continues to attract investors, having become the most attractive emerging country especially in certain sectors, first and foremost that of real estate. For the real estate market, Brazil is going through a golden period and the forecasts for the next few years are very rosy, thanks also to the progressive improvement in the major South American economy which is attracting large flows of foreign capital. The north east in particular is experiencing the greatest real estate expansion in the country, due to its enormous tourism potential. However, not only are investments in residential real estate productive, but also land available for cultivation seems to be an excellent bargain, above all in light of prices of certain food commodities.

While Europe seeks common solutions to contract and overcome the economic crisis which is gripping the entire world, President Barack Obama in the United States is attempting to bring a breath of hope and renewed confidence first to the population and then to the markets.

Encouraging data are coming from China in the meantime. Growth in GDP on the other side of the Great Wall in the last quarter of 2008, of

no less than 6.8 percentage points, if compared with the performances of the Western nations, seems more than brilliant. The third economy in the world in fact seems to be the only one able to send signs of confidence in this terrible period for the financial markets and for the real economy.

Wen Jiabao, the premier of the People's Republic, has in fact announced that the Chinese government is considering further measures of 585 billion dollars to stimulate the economy while at the same time and on the other side of the world, General Motors, the largest automobile constructor in the world, has confessed to the SEC its doubts regarding its own continued survival."

The Russian economy, however, was decidedly less brilliant than the Brazilian and Chinese economies, and in fact Russia seems to be very close now to the main European countries, also as regards its subjectivity to financial influence. The Fitch rating agency in fact expressed a negative opinion on Russia in February 2009; analysing the 2008 data, it downgraded its rating on the Russian public debt from BBB+ to BBB, following the example set by Standard and Poor's which, at the beginning of December 2008, had done the same thing (downgraded from BBB+ to BBB).

The basis of Fitch's decision, which maintains further downgrading for Russia probable, is the outflow of capital in 2008 and the gap between exports and imports of capital, which amounted to 129.9 billion dollars. In addition to these negative figures, there was also a dramatic contraction in currency and gold reserves which, in the second half of 2008, decreased by 210 billion dollars, falling at the end of January 2009 to 386.5 billion dollars. These two factors placed the Russian balance of payments in a difficult situation. Loss of accounting reliability is a harsh blow for a country which went into default barely more than ten years ago.

In 2008, the Russian economy suffered a sharp fall in raw material prices, firstly oil and gas, while the closure of the capital markets to companies and banks caused enormous problems, above all for refunding its debt.

According to the estimates of Gherman Gref, president of the main Russian state bank Sberbank and former Minister of the Economy, the global crisis has caused one thousand billion dollars worth of damage to the Russian financial sector. After growing by 5.8% in 2008, the figure for Russian GDP in 2009 could even be negative.

A drastic reduction in the number of banks would give the authorities more control over the situation and thus allow greater supervision of the use of the financial aid issued by the State in the form of grants to companies. Meanwhile, the Kremlin has constituted a special financial intelligence service to oversee the distribution of public funds.

The Government, in fact, suspects that instead of distributing the billions of roubles obtained from the State, the banks, as well as the other institutes and companies of the real sector of the national economy, may have used the public funds for speculating purposes against the rouble on the financial and currency market or exported enormous amounts of cash to off-shore zones. Russia, therefore, unlike China and Brazil, finds it impossible to change course and to represent a valid market for the outlet of the western economies, in the grip of heavy domestic problems.

Euro Zone

Also in the Euro-centric area, 2008 showed strong signs of sluggishness, especially in the last quarter of 2008, while for 2009 an average contraction in GDP of 0.7% is forecast; this is lower, however, than that of the Anglo-Saxon countries. The GDP of the Euro zone has therefore registered an average growth of +1.60%, but with a strong decrease in the month of December. Inflation in 2008 was around +2%, but in the first months of 2009 it did not exceed +0.6%, with a decided contraction.

Investments registered +1.4%, but with strong contraction in the month of December and with a forecast of -2.6% for 2009. The fall in private consumption, substantially stagnating in 2008 at +0.3%, was less marked and the forecast is +0.2%. The inflation rate, which was 1.1% in 2008, is also falling.

All the economic indicators showed that the Euro zone was in recession in 2008: Industrial production registered -5.3%, while the consumption of durable goods was considerably worse at -8.4%, especially in the car industry. The countries hit hardest by the lower investment in durable goods were Spain (-12.8%), Ireland (-10.00%) and France (-7.5%).

Germany also registered a strong contraction in orders of so-called capital goods: orders for German industry registered a heavy -6.1% in the fourth quarter of 2008. Employment registered a slight fall of 0.1%, with a negative figure after five years of substantially continuous reduction: in 2008 the average European unemployment rate was around +7.7%.

In a decidedly worrying situation, where it is increasingly more difficult for analysts to make forecasts, Italy presents the best situation as regards the solidity of the banking system; however, the impossibility of carrying out public works, in view of the enormous public debt, is certainly a very worrying element since, in the case of strong contraction in consumption, the Italian Government will not be able to introduce measures to stimulate the economy like those announced and already being put into practice by the other European countries and by Obama's administration. Intervention has substantially regarded only certain sectors, in fact, such as the car industry and the building trade, carried out in such a way as to avoid excessively burdensome public expenditure.

In the last bulletin in the month of March 2009, the European Central Bank forecast a serious recession for the entire Euro area, with GDP of between -2.2% and 3.2%, with an announced recovery only in 2010 between -0.7% and +0.7%.

The Nippon-centric Area

During the year, the Nippon-centric area, already worn out by a long economic crisis, suffered the counter-blow of the United States crisis. The Japanese crisis of 1990 developed at the end of a credit boom which came in the wake of a preceding phase of financial deregulation introduced at the end of the '70s. In 1991, a heavy real estate crisis began, which dragged the country into a recession the following year. In 1994, a heavy bank crisis was then triggered with the collapse of the main real estate finance companies and of the Sanyo Bank, which occurred in 1997. In the decade 1997/2007 the Japanese economy was one of the most opaque, capable of showing timid positive signals only in the two-year period 2007/2008.

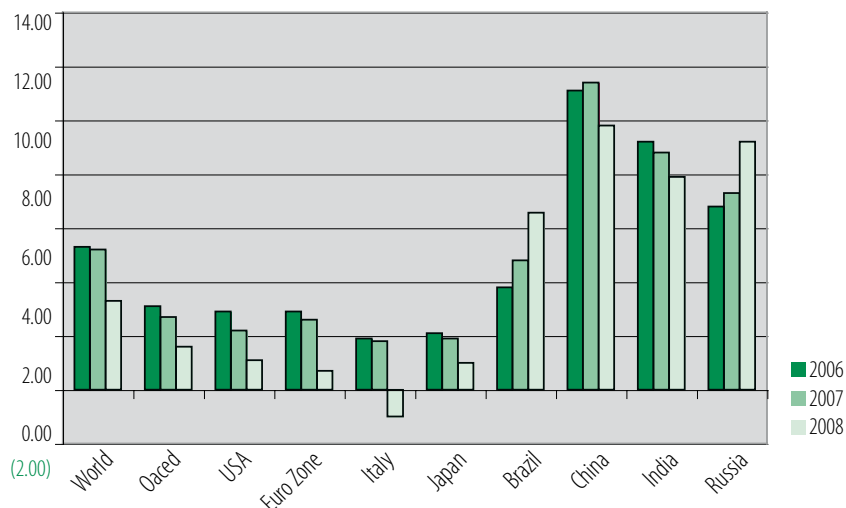
Consequently, in the first months of 2008, the Nippon-centric area was where the world crisis was less felt, with a stock market that had already presented a constantly decreasing trend since 1998. The 2008 figures give a very modest GDP of +1%, while the forecasts for 2009 are negative, at -2.6%. Inflation was +1% with a negative forecast for 2009 when the country is expected to return to deflation. In December, the Bank of Japan (BOJ) reduced the official bank rate to 0.1%, announcing a programme for the acquisition of securities of the private sector in order to provide credit for companies and to avoid the negative effects of a credit squeeze on the economy. The figures of the Japanese automobile industry are anything but encouraging, with all the main companies registering losses in 2008. The repercussions on the labour market have been immediate, with a significant fall in 2008.

The Nikkei index of the Tokyo stock exchange continued to lose ground in the first months of 2009, dragged down by the world stock markets, reaching 7,086.03 points in the first ten days of March: the lowest level since closure on 6 October 1982, whereas the general Topix index, at 710.53 points, touched its lowest level for 25 years. The international financial instability weighs on the "sentiment" of the investors, who have lightened their exposure to bank securities, while national statistics continue to give indications that are not comforting. In January, Japan in fact registered the first deficit in current items for 13 years (i.e. since January 1996), with a negative balance of 172.8 billion yen, which is the worst since comparable records were started in 1985. The fall in exports worsened the trade gap, while reinforcement of the yen cut returns on Japanese investments abroad.

Negative data were also registered for the Japanese real economy, with trade in goods and services showing a record gap of 1,100.2 billion yen, while that of goods alone was in the red for 844.4 billion (the worst since 1985). In December 2008, according to Telkoku Databank, company bankruptcies increased by 21% to 1,131 cases.

Growth of GDP in 2006-2008 – USA – Euro Area – Italy – World average – Emerging countries

World GDP, already adjusted in the summer of 2008 to + 4.1% from a preceding forecast of +5.5%, was in fact even lower at + 3.30%, because of the strong slowdown in all the main developed economies, first and foremost that of the United States, which occurred in December when the financial crisis had its first negative impact on the real economy and on family consumption.



The International Situation

Tables showing growth and inflation of the main countries of the Euro zone

COUNTRY	GDP 2008	INFLATION 2008
Germany	1.80%	3.00%
Spain	1.40%	4.50%
France	1.00%	3.50%
Italy	-0.60%	3.70%
Holland	2.20%	2.80%
EU - 15	1.30%	3.60%

Source: EU Commission

As already stated, the United States, albeit with a growth of 1.1% in GDP for 2008, is nevertheless in recession, with free fall in the last quarter of the year. On the basis of this figure and in view of the first data of 2009, it is now clear that the United States, like all the main European countries, is in recession. Italy even registered a negative GDP of -0.60% in 2008. The forecasts for 2009/2010 are even worse, with a growth in world GDP reduced to a miserable +0.5%, from 3.3% in 2008, and -0.5% for the Euro zone.

The Italian Economy

The economic recession caused by the crisis, which had an overall impact on the real estate, financial and oil compartments, worsened by numerous bank defaults, including that of the great American merchant bank Lehman Brothers on 15th September last, had obvious repercussions even on the Italian economy which was hit by the wind of recession after several years of growth albeit growth far lower than the average of the other European partners.

All this created the conditions for a growing lack of confidence in the future on the part of the productive fabric, represented by companies and consumers, with a consequential direct negative effect on all compartments of the real economy: reduction in consumption and investment, losses on company balance sheets for 2008, an increase in unemployment, reduced income and, therefore, further decrease in demand.

The decrease in GDP led Italy into a technical recession in 2008, having registered falls for two quarters of respectively 1.6% (second quarter) and 0.4% (third quarter). The average result of the year was thus an overall – 1.0%, with a strong decrease from the 1.5% of 2007. "According to the data published by ISTAT (the National Statistics Institute), the Italian GDP for 2008 decreased by 1%: the worst figure since 1975 (-2.1%) and barely better than the –0.9% registered in 1993. The GDT/deficit ratio rose in 2008 to 2.7%, higher than the 1.5% registered in 2007, while the primary surplus decreased to 2.5% of GDP, from the 3.5% of 2007. The mean tax burden was 42.8%, three tenths of a point below the 43.1% of 2007. ISTAT then also corrected the comparative figure relative to 2007, adjusted to +1.6% instead of +1.5%. ISTAT has emphasised that the quarterly decrease is the worst figure for at least 28 years, with what can be described as "the most opaque" result since 1975. The percentage announced has been de-seasonalised and corrected for working days. The last government estimates were certainly more optimistic, forecasting a decrease in GDP of only 0.6%. The final figure is therefore 40% worse, double that forecast by the Government.

The annual average is the worst result since 1993, and the economic fall in the last quarter is the worst since at least the start of recording in 1980. ISTAT states that "the economic result of the GDP represents a decrease in added value for industry and services and an increase in added value for agriculture", explaining that if there were no change in growth rates, 2009 could close with a much worse fall of 1.8 percent.

The first sector hit by the crisis was, as mentioned, industrial production which fell in the last quarter alone by 7.5% on the figure for the previous quarter, and employment, which had been growing for more than ten years, suffered a brusque halt.

The International Monetary Fund, in its forecasts, confirmed two years of recession for Italy, estimating a contraction in GDP of 2.1% in 2009 and of 0.1% in 2010.

Exports, however, registered growth of 4.2% (at current prices; +2.1% at constant prices), while in 2009 the crisis will certainly slow down exports which, according to ICE-Prometeia forecasts, will close at a modest +2.8%.

Recovery prospects for Italy are therefore not optimistic: economic recovery in our country will be weak and slow, even though, perhaps, less exposed to the financial crisis since Italian banks have better equity ratios than European and American banks and Italian families have lower debts than the European average.

The positive data for 2008 include a reduction in inflation, reduced energy and food prices, sharp cuts in interest rates and, more in general, a strong reduction in raw material prices for companies, which could have undoubted advantages for the recovery of the economic system. Italy's high public debt is certainly the most pressing concern of the Italian government which cannot resort to public spending or social shock absorbers to limit the negative impact on employment, while the relative solidity of the banks has until now allowed for avoiding direct erosion of their capital.

In February 2009, the Minister Tremonti signed a decree authorising the Treasury to sign special bonds issued by Italian banks in order to allow the Italian banking system to maintain its equity adequacy and above all to prevent the effects of the crisis rebounding on the real economy. The government provision in fact reveals great attention to small and medium companies since the risk of the credit squeeze suffocating the real economy is indeed very high.

This mechanism will avoid increased public spending, since the special bonds will have a yield varying between 7.5% and 8.5%, while it will allow the banks to maintain higher equity levels and thus enable them to grant credit. Furthermore, the banks which use the so-called "Tremonti Bonds" must also promise to adopt a code of ethics which, among other things, disciplines and limits managers' salaries, as foreseen by the anti-crisis decree passed at the end of 2008.

The Italian crisis can be understood and analysed also from the mean level of families' indebtedness, which increased considerably in 2008 (+41.1%), with peaks reaching +53.2% in some northern provinces. At the end of 2008, the average level of Italian families' debts reached the figure of Euro 19,630, with the highest average in the province of Rome where the mean debt per family was over Euro 24,250.

Since the beginning of the year, the average indebtedness of families grew by 41.1%, and the 2008 figure confirms the economic crisis of families with a growth in indebtedness in the last year which reached 53.2% in the province of Cremona, 51.4% in Bologna, 49.6% in Milan, 48.2% in Naples, 47.6% in Palermo, 46.2% in Pescara, 45.9% in Turin, 44.0% in Caserta, 43.1% in Bari and 42.7% in Florence.

However, the provinces where indebtedness grew less than the national average are those of Isernia with 27.3%, followed by Potenza with 28.2%, Campobasso with 29.7%, Enna with 30.8%, Brindisi with 31.3%, Udine with 32.4%, Pisa with 33.6%, Avellino with 34.7%, Aosta with 35.6% and Rieti with 36.2%.

In particular, for families living in the province of Rome indebtedness rose by 41.6% although, in absolute terms, the figures are those which lead the classification at Euro 24,250 followed by Milan at Euro 23,335 and Naples at Euro 22,229.

Also as regards exports, the fourth quarter of the year registered results that are better forgotten: "made in Italy" in fact collapsed in many regions, especially in the south, and lost on the whole 20.8% of sales. In the Central-North area decreases were more contained, however. The result of Italian exports suffered from the crisis, but nevertheless remained positive, due to events that occurred in the first nine months of 2008, but it is clear that 2009 will be a black year above all for the southern regions. In absolute figures, the worst falls in exports were in the Aosta Valley (-18.10%), the Marches (-14.5%) and Calabria (-11.0%)

The squeeze obviously hit the small companies in the industrial areas: the most in need, in this phase, of strong financial support from the banks. Which is also the reason for the recent provision of the Minister Tremonti, who restricted the Treasury's underwriting of bank bonds to sustain companies in difficulty.

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

With regard to Abruzzo, the territory where Banca Terca, describing itself as a "local bank", is most active, the trend in 2008 was satisfactory albeit with symptoms of market sluggishness. Together with the progressive fall in demand, there was also a fluctuation in business and employment levels in the manufacturing sector.

Growth in the exports of Abruzzi companies was lively, although lower than in 2007. This increase was largely due to the flows of goods towards the countries of the European Union, which increased by at least 6%, with a more consistent positive figure for France (+18%) and a negative figure for Spain with a contraction of about 12%.

There was a general decrease, however, in the components of the demand: there was a sharp fall in private consumption, but investments and public consumption also decreased. Because of the worsening of the financial situation, there was a decided fall in confidence, not only as regards demand, in both the private and public sectors, but also as regards supply including, among others, industrial production. The trend of industrial production in Abruzzo in 2008, like that of Italy as a whole, showed an improvement after the fall in the last half of 2007, and was responsible for almost 100% of investment in the sectors. The favourable trend was apparent in almost all compartments, especially in the metal working, chemical, transport and wood compartments, which were confirmed as the driving sectors of regional industry.

Exports were the main driving force of these sectors, obtaining good results on the foreign market and also allowing Abruzzo to reconfirm its position among the first of the Italian regions. All the provinces contributed to the positive result in 2008, except for Teramo, whose result was stationary. Analysing the contribution of the provinces in more detail, as regards weight and trend, the greatest contribution to the said improvement in 2008 was that of Chieti.

With regard to production, the best result was that of the province of Teatino: the final result was +8%, with considerable sales (+12.5%) to which the equally good results for the foreign market are linked. The net improvement in industry in this area is also due to the bad results obtained in the second half of 2007. Industry of the province of Aquila also went well, with results of +7.1% for production and +5.4% for orders. The results of the other indicators, however, were negative.

Exports for the industry of Aquila were hardly brilliant, and considering orders things do not seem destined to improve. Forecasts for the future indicate a relatively stationary situation, or even a decrease. The fishing industry also went well (+7.1 for production and +4.3% for sales, even after the good results of the previous year. The other indices were not so good, except orders for abroad which decreased only by 1.4%. The result must be considered in view of the very bad figures for 2007. A general stabilisation of almost all the indicators is expected for the future.

During the year that has just finished, industry in Teramo, however, showed very stationary results, confirming the less than brilliant trend of the previous year. Production increased by 0.5%, and sales by 3.0%, with an increase in stocks of finished products and with practically no change in all the other indicators.

For the future, the province of Teramo, in the general situation of stationary production, shows some signs of recovery, however, as implied by the indicators relative to production and sales. With regard to the regional figures of the overall favourable trend of industry in Abruzzo, registered in general for all sectors, good results were achieved in the chemical-pharmaceutical, building materials, metal working-electronics, clothing and paper production sectors.

Metal working, also including means of transport, electronics and mechanics, is the sector which most indicates a general positive trend; the only exceptions are the results of the orders portfolio and export sales, which also had positive results in 2007.

The retail sales trend in Abruzzo is weak, although there is a recovery of incoming tourist flows. Employment figures increased, with both more people in work but also more people seeking work.

The trend of bank loans, however, was stable, in spite of the strong volatility of interest rates which fell in the fourth quarter of the year.

The quality of credit remained unvaried on the whole: assets managed decreased, but there was a simultaneous acceleration in bank deposits.

With regard to the other areas where the Bank performs its business, the greatest difficulties were in the Marche Region, which registered a consistent and progressive weakening of economic activities.

At the beginning of the year, there were weak signs of recovery, but the rapid deterioration of demand in the third quarter of 2008 created considerable difficulties especially for the weaker companies. Farming and transport suffered most from the crisis, as well as commerce and the hotel sector. Manufacturing production also registered decisive stagnation, while in the last quarter the difficulties extended to mechanics, influenced by the sharp fall of business in the compartment of domestic appliances. The reduced demand for homes led to a reduction in the sales of building firms and real estate companies; however, on an annual basis there was a considerable increase in the number of companies operating in the sector.

The economic difficulties during the year extended to the services sector, and many service companies closed down. Families limited their spending on durable consumer goods, but the unfavourable cyclical phase did not result in a fall in employment levels, prevented by recourse to social security stratagems. There were positive signs in the Marche, however, from the sector of artisan enterprises and in that of information technology, where there was an increase in the number of business enterprises.

The economy of Emilia Romagna in 2008, however, grew, revealing a counter trend compared to the rest of the country. According to the Unioncamere data, this was the only region with a positive GDP, albeit only by 0.1%. Nevertheless, industrial production came to a halt and growth in the value of orders was weak, with levels of activity being maintained only in the mechanics sector. Industrial investments, however, fell, as also in the building sector, with decreased business volumes after years of intense growth. The employment rate fell, while pre-redundancy hours increased.

The Molise Region, where the Bank is present only to a marginal extent with merely three branches in the province of Campobasso, registered net deterioration in the economic picture, with further slowing down of production in 2008, particularly influenced by the weakness of domestic demand. Production has fallen in the industrial sector in spite of the good trend of foreign sales, and the building sector has also suffered heavy contraction. The services sector has suffered from reduced family consumptions; however employment has increased, especially for women, albeit to a minimum extent.

During 2008 the economic system of Lazio suffered general deterioration and confidence slipped. Production and employment remained basically stable in economic terms, but sales and new orders fell. While the situation of the other provinces was overall stationary, the province of Rome went into a stall, appearing less dynamic than the rest of the regional territory for the first time ever. The figures for the second

quarter of the year showed certain expectations of low growth. The data also reveal widespread difficulties, especially in agriculture and in certain manufacturing segments where small and, for the first time, large companies in Lazio have shown signs of collapse.

The Financial Market Trend

For world stock markets, 2008 will be remembered as the worst year since 1929: 11 thousand billion of equity has been lost. Except for Tunisia (+10%), Ghana (+22%) and Ecuador (+6%), negative indices have been a world constant.

The markets have mainly been hit by concern linked to the resistance of the financial groups, the American recession and, more in general, the American sub-prime mortgages. However, not even the willingness of the Federal Reserve to help banks in difficulties, announced in the last months of 2008, and the continuous cuts in interest rates have managed to restore the confidence of the operators. Signs of a change of mood were registered, above all in the last quarter, by several indices: Reuters/Jeffrey CRB, which monitors the trend of commodities, recorded strong pressure and a decrease of 8.3%.

Such a collapse had not been registered since 1956. Basically, the investors who in the past had invested in raw materials like gold, oil and corn to protect themselves from inflation and from the weak dollar, sold off large quantities of their assets in order to liquidise their capital. The chairman of the FED, Ben Bernanke, continued the expansive monetary policy which began in 2008, lowering interest rates to 2.25%. However, all the measures taken by the Federal Reserve have not succeeded in raising, or even stabilising, the markets, which have continued to register strong falls, also in the early months of 2009.

With regard to bonds, things have been no easier. The contagious fear rapidly spread from the banking system to the rest of the market, to the bonds of emerging countries and to those of companies. The confidence crisis also involved Banks, with a huge boost in the Euribor rate, to which real estate mortgages are linked. The aversion to risk and diffidence regarding the solidity of counterparts led to low trading on the bond markets and an exceptionally strong fall in prices, even compared to previous crises. For many emerging countries, the risk perceived at the end of 2008, which can be measured by the greater yield offered by USA government securities, even exceeded that of the 97-98 crisis.

Many bank bonds with high ratings (A or AA) and short term maturity, guaranteed explicitly by the government concerned, registered yields in November and December more than 3-4% higher than the securities with the same term issued by the state by which they were guaranteed, evidence of the irrationality and speculation with which the financial markets are now riddled. Nor has diversification protected investment funds, which closed 2008 with strong losses and heavy dis-investments.

The financial crisis which has heavily penalised the listed securities of the entire world, hit the Milan stock exchange even harder. In 2008 and the first months of 2009, the value of stocks exchanged on the Italian stock market have halved, falling from 35% to 17% of the GDP, going back twenty years to the levels of 1988, when stock brokers were still "shouting", mutual trusts were taking their first steps and 85 million Euro changed hands on the stock market every day. An abyss compared to the peaks touched in the boom of 2000, when the market in Piazza Affari, Milan, rose to 70% of Italian GDP.

The main indicator of the Milan exchange has widened the gap with Europe, especially in 2009: the S&P/Mib index has in fact lost 33.74%, almost double compared to the -18.98% of the Stoxx continental index.

On the currency front, there was substantial strengthening of the dollar in 2008, which in the second part of the year, with the generalised fluctuation in raw material prices and a significant downgrading of the forecasts for world economy, gained ground against all the other currencies. However, the experts, even after President Obama's announced measures of public aid, are very sceptical about the real possibilities of a rise in the value of the greenback which will probably be weak towards the Euro and stable towards the Yen for the two-year period 2009-2010.

2008 featured a first six months of strong volatility with a high "trading range" phase on the main currency exchange, Euro-USD, which even braked cross and derivative trading. The trend of the pound sterling was particularly significant, being influenced by the very bad trend of the British economy. In spite of the fact that recent data show some improvement, the publication of the report on inflation in the United Kingdom and above all the pessimism of the governor Mervyn King, immediately caused the pound to fall to around 0.8630 against the Euro.

King in fact stated that the special measures adopted by the British government are not producing the desired effects, and inflation will be 0.5% within two years, which could lead to further cuts in the interest rate in the near future.

CREDIT INTERMEDIATION

The central banks responded to the crisis by swiftly lowering official bank rates: in most developed countries, these reached a value of almost zero in the fourth quarter of the year, triggering off worries of being too near the lower limit and the limit of intervention on the part of the monetary authorities. According to many experts, the United States' experience in the thirties, and that of Japan in the nineties, has taught that the tendency of real interest rates to increase must be contrasted in the initial phases of a crisis. Rapid dis-inflation could in fact become deflation in 2009. The interest rate of the ECB has been reduced altogether by 225 base points since October 2008, and in the Euro area the real short-term rate has fallen to below 1%.

Most central banks have injected liquidity in unprecedented quantities, amplifying the range of their own instruments of intervention. In some cases they have taken direct action buying companies' liabilities, reactivating credit circuits that were blocked and contributing to the financing of the private sector.

In autumn 2008 certain actions were carried out aimed at improving the deficit of the banks, avoiding the collapse of the system and reactivating certain markets. Their function, however, has been progressively exhausted and in 2009 the banks, including Italian banks, will have to provide for new recapitalisation in order to sustain their loans.

The International Monetary Fund has estimated that total losses of banks and other financial institutions throughout the world amount to 2,200 billion dollars; in September 2008, the estimate was 1,400 billion. The losses that have so far appeared on bank financial statements exceed 800 billion dollars and measures taken to reconstitute the capital have been of about the same value: almost half of which comes from public funds. The provisions announced by the various countries in recent weeks, such as the delimitation of the more problematic securities on bank financial statements, or their transfer to separate entities (bad banks), must be met with favour since they will encourage the riskier securities to be revealed.

In the fourth quarter of 2008, world trade decreased by about 20% on an annual basis, compared to the third quarter. For 2009, the IMF forecasts a decrease of around 3%, the first fall in international trade since 1982. The decrease in trade, which represents one third of global product, has had heavy repercussions on growth, and the Obama administration has confirmed customs duties on foreign imports introduced by the preceding Bush administration. Some emerging countries, following the American example, also introduced customs duties in 2008, or anti-dumping measures, to protect their own economies.

One year and a half from the start of the crisis of the world financial system, Italian banks have shown that they are in a better state than the major international intermediaries, due to a limited financial lever, an entrepreneurial model rooted in relations with the clientele of both families and companies, and thanks to a severe regulatory framework and prudent vigilance.

In 2008, in the major international centres of finance, great institutions became suddenly insolvent and there were huge and repeated public salvage operations. The financial turbulence obviously weighed on the balances of the Italian banks, but to a relatively limited extent: from the start of the instability until the third quarter of 2008, the major Italian banking groups registered devaluation amounting to about 4.5 billion euro: a significant amount, but much lower than that of the main foreign banks, while overall profits, although lower than before, were positive.

Above all, after the collapse of the Lehman group, the major immediate risk for the stability of the international financial system was the lack of liquidity: interbank transactions without collateral were reduced to zero, and trading in securities with any maturity term was reduced, while trading in securities with maturity at more than one week practically stopped. Risk premiums increased continually, especially in the last quarter of the year. The spread between rates on interbank loans at three months with and without collateral reached the record level of 185 base points on 10th October, and then gradually fell again. The Bank of Italy intervened several times, providing the system with liquidity, to prevent the credit flow drying up. On 2nd February 2009, the Bank of Italy, in cooperation with the Italian Banking Association, created the e-MIC, the Collateralised Interbank Market, which allows intermediaries to trade interbank funds anonymously and guarantees against the risk of the counterparts' illiquidity and insolvency.

The rates applied on this market are lower than those of the non-anonymous segment of the e-MID and of the Euribor fixing, reflecting contained risk premiums. The MIC is not only open to Italian banks, but also to other European banks which fulfil the same requisites foreseen for Italian banks, providing the central banks of the respective countries agree.

Lending on the part of the Italian banking system slowed down in 2008, the deceleration becoming brusque in the last months. In the fourth quarter, credit growth to the private sector decreased to 4.2% on an annual basis: half of that of the previous three months. During the year, the consistency grew by 7.4%, over 3 points less than in 2007. According to provisional information, relative to the sample of banks which give statistics every ten days, in January 2009 the overall credit consistency was at stagnation level; if confirmed, this trend would lead to a fall, in only one month, of about half a point in the annual growth rate.

At the end of 2008, bank deposits had grown, however, by 11.70% (+166 billion euro in absolute value), amounting to an overall total of 1,432 billion euro.

The slow-down of loans (+4.5% on an annual basis compared to 2007, equal in absolute value to an increase of 64 billion euro, for a general total of 1,517 billion euro) was common to the other major European countries and concerned all areas and all categories of borrowers.

The growth rate was modest, above all for small companies and the manufacturing sector, while the building sector suffered a particularly marked deceleration.

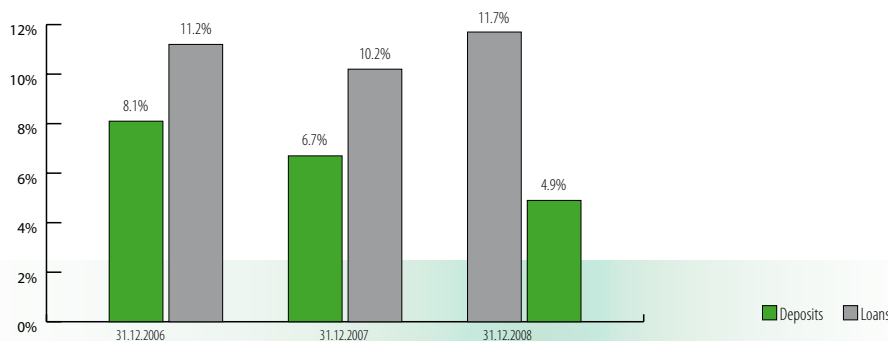
The fall in production and the uncertain economic outlook in fact depressed the demand for funds for fixed investments. The demand for loans to families reflected the fall in the real estate market and in the consumption of durable goods. In 2008 loans to the sector grew by 6 percent, against increases of more than 10 percent in previous years. The growth in personal loans remains lively. The credit trend was also influenced by policies of a more cautionary offer adopted by the banks, after the increase in the cost of provisioning, the partial closure of collection channels on international markets, the deterioration of customers' creditworthiness and subsequent to the need to reinforce the ratio between equity and assets to face market pressures in a period of great uncertainty.

In 2008, deposits in banks and monetary trust funds from residents abroad fell by about 10 percent. Growth had been 20 percent in 2007, and 34 percent in 2006, when they had represented about half of the increase in the provision. Banks remedied this minor flow from abroad by increasing deposits from Italian families, especially in the form of bonds. On average, in 2008 the cost of total deposits increased by 40 base points on the previous year, while in October it began to fall subsequent to the reduction in official interest rates and the partial release from the tensions on the interbank market.

Since the third quarter of 2008, there were strong increases in new bad debts: at the end of 2008, the ratio of new bad debts to total loans reached the highest level since 1999, except for the peak touched in the same period of 2003 subsequent to the Parmalat bankruptcy. Deterioration continued also in the first months of 2009, when the total value of customers' bad debts was 70% more than in January 2008.

These negative figures were, in any case, met by the Italian credit system which turned out to be more robust than that of all the other European countries and of the United States, private indebtedness being considerably lower than the European average. For companies, the ratio between financial debts and product was 75%; the European average is 12 points higher. For Italian families, in fact, financial debts, although higher than in the past, account for 49% of available income, against over 90% of the Euro area, and approximately 150% in the United Kingdom and in the United States. In the third quarter of 2008, allocations and value writedowns of the main Italian banking groups absorbed 30% of profits. The ratio, albeit far from United States levels, is nevertheless growing fast.

The graph below shows the increase in deposits and loans of the Italian financial system in 2008, compared with the figures of 2007 and 2006. There is a decrease in the average growth rate of loans, against deposits which increase to a greater percent than in the two previous years, which demonstrates both the selectivity exercised by Italian banks in loans to customers, and the generalised decrease in investments in durable goods on the part of families and companies.



THE BANK'S SITUATION

(Note: the information shown is expressed in millions of euros)

Intermediated assets

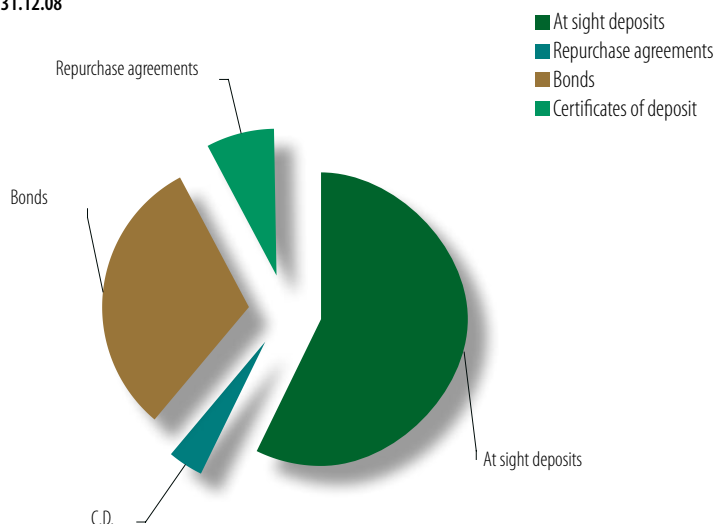
Intermediate totals	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Direct deposits	2,994	2,814	180	6.40%
Indirect deposits	1,611	1,968	(357)	(18.14%)
Total deposits	4,605	4,782	(177)	(3.70%)

At 31 December 2008 total deposits amounted to 4,605 million euros with a decrease of 3.70% compared to 31 December 2007. Direct deposits have increased by 6.40%, while indirect deposits have decreased by 18.14%.

Direct deposits

Direct deposits	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Deposits, C/A, CDs and bonds	2,765	2,615	150	5.74%
<i>At sight deposits</i>	1,710	1,836	(126)	(6.86%)
<i>Certificates of deposit</i>	118	167	(49)	(29.34%)
<i>Bonds</i>	937	612	325	53.10%
Repurchase agreements	229	199	30	15.08%
Total direct deposits	2,994	2,814	180	6.40%

Direct deposits at 31.12.08

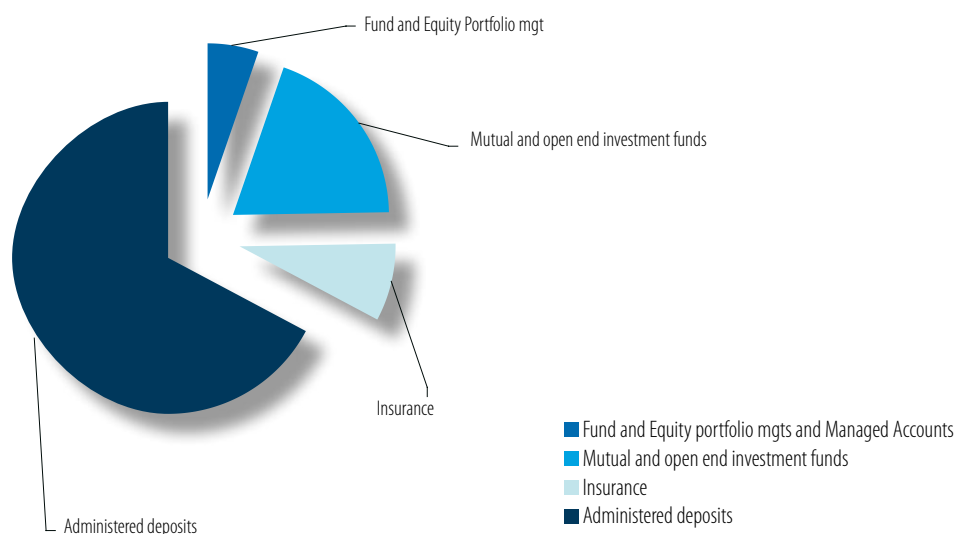


Direct deposits have increased by 6.40%. This increase is mainly due to the new Bank's own bond issues (+53.10%). For at sight deposits, there is a fall in saving deposits, which have decreased from 439 million euros, at the end of 2007, to 390 million euros at the end of 2008 (-11.15%), while the repurchase agreements show a decided increase (+15.08%).

Indirect deposits

Indirect deposits	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
<i>Deposits managed</i>	526	778	(252)	(32.39%)
<i>Fund and Equity portfolio mgts and Managed Accounts</i>	86	227	(141)	(62.11%)
<i>Mutual and open end investment funds</i>	314	388	(74)	(19.07%)
<i>Insurance</i>	126	163	(37)	(22.70%)
Administered deposits	1,085	1,190	(105)	(8.82%)
Total indirect deposits	1,611	1,968	(357)	(18.14%)

Indirect deposits at 31.12.08

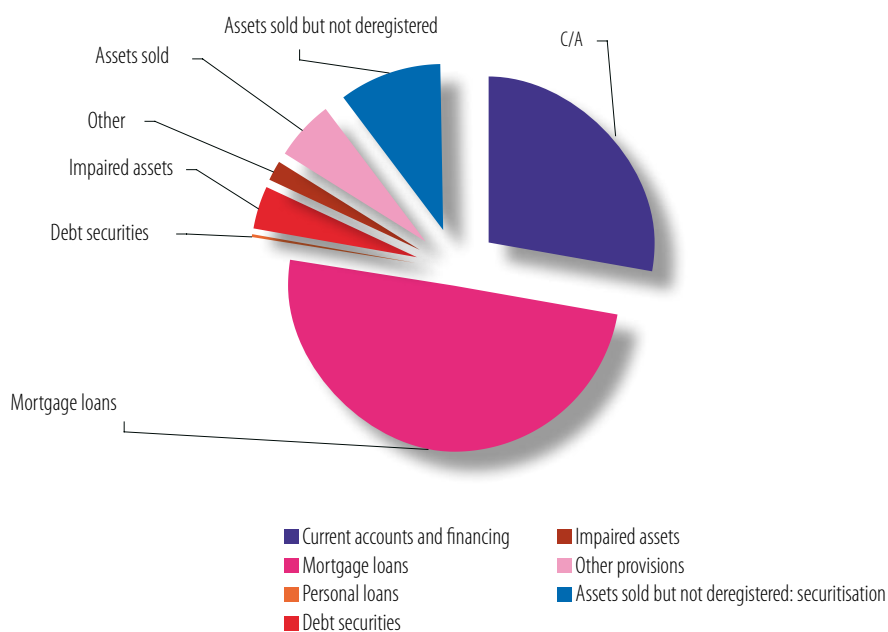


Indirect deposits have fallen by 18.14% with a decrease in both managed deposits, which show a change of 252 million euros (-32.39%), and the administered deposits, with a reduction of 8.82%. The trend of indirect deposits reflects the growing difficulty of Italian families to save in a situation of generalised increases in food costs and energy resources and of the transfer of the same to direct deposits because of the low yields that encourage customers to choose liquidity. While the insurance component has also decreased by 22.70%.

Customer loans

Type	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Current accounts and financing	829	888	(59)	(6.64%)
Mortgage loans	1,481	1,554	(73)	(4.70%)
Personal loans	9	14	(5)	(35.71%)
Debt securities	121	0	121	n.a.
Impaired assets	60	33	27	81.82%
Other provisions	171	153	18	11.76%
Assets sold but not deregistered: securitisation	309	178	131	73.60%
Total Loans	2,980	2,820	160	5.67%

Loans 31.12.08



Loans have increased by 5.67%, amounting to 2,980 million euros net of adjusted funds; this is a better performance than the Italian banking system in general which had a much more modest increase of 4.9%. The increase shows that Banca Tercas continues to sustain families and companies worthy of trust, yet again confirming that this is a “local bank”.

Mortgage loans, also taking into account securitised loans which to all effects continue to be posted on the Banca Tercas financial statement, show a total increase of 3.35%. The assets sold and not deregistered in fact refer to two securitisation operations concluded in 2007 and in the first half of 2008. These operations regard performing business mortgages and home mortgages. The arranger for both was the Milan branch of HSBC.

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	Change	
	31-12-08	31-12-07	Absolute	%
Bad loans	12.78	5.35	7.43	138.88%
Doubtful loans	36.11	15.93	20.18	126.68%
Outstanding credit	11.20	12.12	(0.92)	(7.59%)
Restructured loans	0.00	0.00	0.00	n.a.
Total impaired assets	60.09	33.40	26.69	79.91%

Impaired assets have increased by 79.91% mainly due to the increase in doubtful and bad loans of respectively +126.68% e +138.88%. Suitable protective measures are taken for these loans, with allocations equal to 23.39% on doubtful loans, 13.43% on outstanding credit and 60.68% on bad loans.

Securitisation operations

In April 2008, a second securitisation operation was started, following that of 2007, regarding performing credit deriving from real estate mortgage loans granted to individuals for the purchase, construction and restructuring of homes. The Vehicle Company used is the company, founded ad hoc pursuant to law 130/99, Adriatico Finance RMBS Srl with head office in Milan.

On 4 June 2008, the vehicle company issued the ABS securities for a total amount of 192.5 million euros, divided into two tranches: a senior with "AAA" rating awarded by Standard & Poor's, and a junior without rating. The securities issued were entirely bought by Banca Tercas.

The first securitisation operation, which started in 2007 and regarded the sale of performing credit deriving from business mortgage loans, was completed on 8 July 2008. The vehicle company Adriatico Finance SME Srl issued securities for a total amount of 162.9 million euros, divided into two tranches: a senior with "AAA" rating awarded by Standard & Poor's, and a junior without rating. The securities issued by the vehicle company Adriatico Finance SME Srl were also entirely bought by Banca Tercas.

For both operations, HSBC, one of the most important financial institutions in the world, collaborated with the Bank as arranger and lead manager. Banca Tercas, as the servicer, will continue to deal with collections of the credit portfolio sold and will therefore directly maintain relations with the customers. Since neither of the securities operations has the requisites foreseen by IAS 39 for derecognition, the sold credit will continue to be posted on the financial statement with the so-called net representation method. Therefore, the assets sold will continue to be included in the Balance Sheet assets under loans to customers, while the amount received from the vehicle company will remain in the Balance Sheet liabilities, consequently the bonds bought are not represented in the assets, but will reduce the relative payables.

Information is given below on the credit which, after the sale to the two vehicle companies, Adriatico Finance SME Srl and Adriatico Finance RMBS Srl, has become so-called problem credit.

In addition, on 20 March 2008, a securitisation operation was started relative to lease funding originated by Terfinance SpA (ex Terleasing SpA) using Adriatico Finance SME Srl as the vehicle company.

The operation was completed on 25 September 2008 with the issue of the securities, all bought by Banca Tercas SpA, for a total amount of 118.66 million euros, divided into three tranches without rating.

Also for this securitisation operation, HSBC, one of the most important financial institutions in the world, collaborated with the Bank as arranger and lead manager.

Impaired assets sold but not deregistered

Type	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Bad loans	0.00	0.00	0.00	n.a.
Doubtful loans	0.20	0.82	(0.62)	(75.61%)
Outstanding credit	0.13	0.00	0.13	n.a.
Restructured loans	0.00	0.00	0.00	n.a.
Total impaired assets	0.33	0.82	(0.49)	n.a.

Of the securitised assets sold but not deregistered, those impaired amount to a total of 387.55 thousand euros, written down by 52 thousand euros: the net value on the balance sheet is 335.79 thousand euros.

Financial market assets

Type	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Financial assets held for trading	206.51	273.34	(66.83)	(24.45%)
Financial assets available for sale	78.22	132.83	(54.61)	(41.11%)
Total Financial Assets	284.73	406.17	(121.44)	(29.90%)

At the end of 2008, 80.14% of the portfolio of financial assets held for trading (HFT) was invested in government securities, 17.89% in investment grade corporate and financial bonds, 0.61% in UCITS and 1.36% in derivatives. The consistency of the HFT portfolio as a whole has, however, decreased by 24.45%, equal to about 66.83 million euros, as a direct consequence of specific investment policies intended to increase the Bank's liquidity.

Furthermore, in the early months of 2008 the reduction in the portfolio of assets available for sale (AFS) continued subsequent to the sale of part of the government securities held therein.

Furthermore, in the early months of 2008 the reduction in the portfolio of assets available for sale (AFS) continued subsequent to the sale of part of the government securities held therein.

At 31 December 2008, the AFS portfolio had decreased by 41.11% on the 2007 figure. 6.48% of the portfolio is composed of government securities, 43.18% by corporate bonds, 1.38% by UCITS units and 48.96% by shares

The financial assets contained in the AFS and HFT portfolios show an aggregate decrease of 29.90% for 121.44 million euros.

Information on inspections on the part of the Supervisory Body

Between 3 March and 6 June 2008, the Bank of Italy carried out an inspection at Banca Tercas SpA. The findings of the inspection, summed up in the inspection report later delivered to the company, substantially confirmed the good positioning of the bank within the system, revealing an excellent equity ratio, good revenues and strong roots in the territory.

In acknowledging the significant progress and advance achieved in the last three years, the Supervisory Body mentioned many positive factors, including, in particular, a very good organisational system, qualified management of credit and appreciable efficiency in the implementation of the territorial expansion policies.

From the inspection, Banca Tercas SpA was found to be a healthy company with the capacity of easily pursuing its growth programmes, and

it emerged, from the observations contained in the inspection report, that there were no particular critical aspects, the comments regarding mainly operational aspects and computerised procedures which are included in the ordinary day-to-day activities.

To this regards, it is underlined that the Bank, already during the inspection, began to remedy certain situations following the indications suggested by the inspection team.

However, the observations on governance, which basically concern certain management and conformity aspects, directly involving all the company representatives and also the General Management, were thoroughly examined and discussed, just like the other issues, and led to agreement in favour of a more incisive and effective governance action which will be included in a wider review project, imposed by the Supervisory Body in a note of 4 March 2008 (Prot. N. 264010), in which all Italian banks will be involved during 2009.

Counter deductions and a precise reply were reported in the communication, transmitted to the Bank of Italy, which clearly expresses Banca Tercas' observations and position on the irregularities reported, with indications of the remedial initiatives already started up and those which are planned.

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). This risk derives from the “risk rate” component (generated by inevitable mismatching existing between the assets and liabilities items) and from the “liquidity risk” component (possibly consequent to an incorrect management of Bank cash flows). The rate risk can only be managed by wide knowledge of certain essential elements such as duration, remaining lifetime, maturity date and repricing methods of the balance sheet items (rate risk), without however neglecting the repercussions that these changes have on payment commitments, both undertaken and potential (liquidity risk).

The market risk is measured not only as foreseen in Title IV, Chapter III of the Supervisory Instructions, but also according to the Value at Risk (VAR). This index is calculated every day and is taken as the reference when checking that the operating limits are being respected that is within which the portfolio manager of securities owned by the bank may act. 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 a certain interval of confidence.

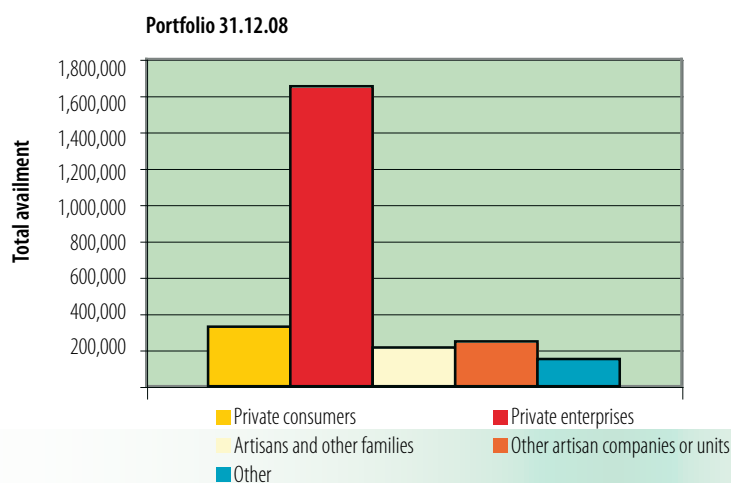
In 2008, the average daily VAR, for the Bank's HFT securities portfolio was 166,509 thousand euros. This value, together with the average duration, equal to 0.319, and considering the prudential hypotheses of calculation (confidence interval 99% and time horizon of 10 days), indicates the risk profile 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.

During the period, the bank's risk profile was contained. On 31st December 2008, the overall assessment of the credit portfolio was equal to 17 (on a scale from -100 to +100, where zero represents the absence of behavioural abnormalities and +100 the maximum risk). The slight increase compared to the previous period can be considered a physiological change due to the worsening of the economic situation.



Portfolio 31.12.08	Average assessment	Total avaiement	Number of clients
Private consumers	7	327,456	169,250
Private enterprises	20	1,649,856	6,739
Artisans and other families	16	212,873	13,105
Other artisan companies or units	17	246,606	4,782
Other		150,334	5,170
Total	17	2,587,125	199,046

In 2008, the internal offices continued their careful monitoring of the positions most at risk. In fact, 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.

Indicative information on exposure relative to risky financial products

As of August 2007, there has been great turbulence on the financial markets, triggered off by the United States mortgage market. This situation was caused by the lowering of standards for underwriting sub-prime mortgages and the weakening of the listings registered by the real estate market, which led to a gradual increase in cases of insolvency.

The effects of the crisis were multiplied by the practice of securitising these credits, transforming them into financial assets underwritten by banks and institutional customers. The reduction in the indices based on the assets linked to the sub-prime loans led to relevant losses and a downgrading by the rating agencies of the structured products guaranteed by sub-prime loans.

A domino effect ensued, with progressive loss of confidence on the part of the market, also towards a huge range of structured credit products, even if assisted by high ratings and without any underlying assets originating in the USA. This situation generated an absence of market liquidity and a generalised increase in credit spreads.

Market confidence was further compromised by a lack of information on the part of the financial brokers, which was not always full or transparent enough to clarify the type and scope of the risks associated with their own on and off balance sheet exposure.

In this situation, indications aimed at re-establishing reciprocal trust between financial market operators, in order to restore normal market conditions, were given by the Financial Stability Forum and adopted by the Bank of Italy.

In particular, the Supervisory Body, implementing the indications given by the aforesaid Forum, requested banks to give effective information on the quantity and quality of their exposure relative to those financial products at present perceived by the market as a high risk, including, for example, collateralised debt obligations (CDO), securities guaranteed by real estate mortgages (RMBS), securities guaranteed by business mortgages (CMBS), other special purpose vehicle entities (SPE) and leveraged finance.

For full information, we also mention that the exposure of Banca Tercas towards Special Purpose Entities (SPE), companies specially established for a specific purpose, almost all regard the securitisation of its own credit and of that relative to the former subsidiary Terleasing, now called Terfinance.

With two operations carried out in 2007 and in 2008, the Bank's credit was sold to vehicle companies founded pursuant to law n. 130 of 30 April 1999 which, to finance the purchase, issued financial instruments all of which were bought back by Banca Tercas SpA.

The commitments assumed by the vehicle companies towards the security underwriters are exclusively absolved by the cash flows generated by the sold credit.

The main aims of present operations are to recover medium-long term deposits at competitive costs and for significant amounts, and to free the equity which can then be used for new loans. For that matter, the assumption of such exposure does not substantially alter the original risk profile. The treatment of the risks and benefits linked to the sale involves, for balance sheet purposes, non cancellation of the credit, even though sold without recourse, which are therefore posted under assets sold and not deregistered. In 2008, financial instruments were issued for the securitisation operation of Adriatico Finance RMBS Srl, composed of senior securities for a nominal value of 172.30 million euros and junior securities for 20.25 million euros, and for the securitisation operation of Adriatico Finance SME Srl, composed of senior securities for a nominal value of 129.50 million euros and junior securities for 33.45 million euros. The value of the instruments posted in the assets has been netted with the corresponding debt towards the two SPVs entered in the liabilities.

ABS type bonds resulting from the securitisation of the former subsidiary Terleasing SpA, now Terfinance SpA, were also bought, for a total of 118.66 million euros.

The Bank has ABS, CDO, PPI and Default securities in the HFT portfolio, issued by Lehman Brothers TSY for a total counter book value of 5,338.07 thousand euros. The following tables shows the relevant data regarding the aforesaid instruments:

figures in euro

ISIN code	Description	Type	Underlying	Rating	Listing	Nominal value	Book value
IT0003444327	MUTINA 03/09 FRN ABS	ABS	Bad debts	S&P A+	Listed	416,745.62	395,082.64
XS0193891974	QUARTZ TV 04-09	CDO	Securities	S&P AAA	Not listed	2,500,000.00	2,176,351.00
XS0226765807	BROOKLANDS TV 05-75	CDO	Securities	FITCH B	Not listed	1,000,000.00	207,868.80
XS0226770559	BROOKLANDS TV 05-75	CDO	Securities	FITCH CCC	Not listed	1,000,000.00	191,913.80
XS0284268447	MEDIOBANCA TV 2011	INDEX LINKED	Securities	S&P AA-	Not listed	2,000,000.00	319,065.60
XS0214347360	LEHMAN BROTHERS TSY	Default	Interest rates	Default	Not listed	3,000,000.00	300,000.00
XS0260199236	SAPHIR FINANCE PLC 0	CDO	Securities	S&P AAA*	Not listed	2,000,000.00	1,747,790.40
					Total	11,916,745.62	5,338,072.24

The financial instruments in the table, most not listed, were valued taking into account the listings on the Bloomberg website, technical calculations that use observable market parameters as input data, or price indexes supplied by qualified counterparts.

Further details on the methods for the calculation of the fair value of the financial instruments are given in the paragraph "Methods for the determination of the fair value of financial instruments" in the Notes to the Accounts.

Main risks and uncertainties

The information on the risks and uncertainties to which Banca Tercas is exposed are illustrated in detail in this Report on Business Operations and in the Notes to the Accounts.

More specifically, the risks linked to the trend of world economy, the Italian economy and that of the territories of reference, as well as the financial markets and the choices that the supra-national bodies and governments may make to contrast the crisis, are illustrated in the introductory part of the Report on Business Operations: The assumptions on which the valuations and the forecasts are based are given in the chapter on the economic situation and in the successive chapter on the business outlook and the development of operations.

The risks linked to company management and equity stability are discussed in the chapter on risk management in this Report on Business Operations, while a wider illustration is given in Parts E and F of the Notes to the Accounts.

The Bank of Italy, CONSOB and ISVAP, with document n. 2 of 6 February 2009, have also requested the Directors to accurately assess the pre-supposed company continuity, as foreseen by IAS 1.

In fact, the present conditions of the financial markets and of the real economy, and the negative forecasts that are formulated for the short/medium term require, unlike the past, particularly accurate assessments on the company's possible continuity. Having examined the risks and uncertainties connected to the present macro economic context, and having assessed the concrete nature of the provisions of the strategic 2008-2010 plan and the results achieved in recent financial years, the expectation of Banca Tercas continuing to operate in the foreseeable future is deemed more than reasonable and the financial statement for 2008 has therefore been prepared considering the company as an ongoing business.

The uncertainties connected to the problems relative to credit and liquidity risks, inherent to the negative evolution of the economic and financial markets, are not deemed significant and certainly not such as to generate doubts on the company's continued existence, also in consideration of the constantly improving profitability of the Bank, the good quality of the loans, and the present possibilities of access to financial resources.

Shareholders' equity

Item	Year		Change	
	31-12-08	31-12-07	Absolute	%
Share capital	26.00	26.00	0.00	0.00%
Share premiums	46.09	45.87	0.22	0.48%
Reserves	235.15	210.20	24.95	11.87%
Valuation reserves	5.50	9.78	(4.28)	(43.76%)
Own shares	(9.88)	(9.40)	(0.48)	5.11%
Operating profit	40.01	39.14	0.87	2.22%
Shareholders' equity	342.87	321.59	21.28	6.62%

The Shareholders' Equity of the Bank, including the profit of the year, increased by 21.28 million euros (+6.62%), due to the allocation to the reserve of the 2007 profit of 24.95 million euros which has increased the Institutes own means. The valuation reserves, however, have fallen by 4.28 thousand euros, because of the generalised decrease in the prices of the securities held in the AFS portfolio.

Item	Year		Change	
	31-12-08	31-12-07	Absolute	%
Operating profit	40.01	39.14	0.87	2.22%

The operating profit, of 40.01 million euros, compared with that of the previous period, shows an increase of 2.22%.

Capital and supervisory requirements

Capital Adequacy	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Gross core capital -	321.54	297.03	24.51	8.25%
Net core capital (Tier 1)	318.32	294.92	23.40	7.93%
Gross suppl. core capital -	103.07	53.03	50.04	94.36%
Total Suppl. Capital (Tier 2)	99.85	50.92	48.93	96.09%
Regulatory capital	418.16	345.84	72.32	20.91%
Regulatory capital + Tier 3	418.16	345.84	72.32	20.91%
Risk assets				
Credit and counterpart risk	144.01	205.16	(61.15)	(29.81%)
Regulatory capital requisites	0.00	0.00	0.00	n.a.
Credit and counterpart risk	0.00	0.00	0.00	n.a.
Market risk	4.89	4.85	0.04	0.82%
Operating risk	16.76	0.00	0.00	n.a.
Other minimum requirements	0.00	0.00	0.00	n.a.
Total minimum requirements	165.66	210.01	(44.35)	(21.12%)
Risk assets and regulatory coeff.	2,761.08	3,000.21	(239.13)	(7.97%)
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	11.53%	9.83%	0.0170	17.28%
Regulatory capital/Risk weighted assets (Total capital ratio)	15.14%	11.53%	0.0362	31.38%
Capital surplus above minimum requirements	252.50	135.83	116.67	85.89%

In order to sustain growth of the investments maintaining a high coefficient of solvency and increasing the profitability of the Bank's own capital, junior bonds were issued in 2006, 2007 and 2008. The amount underwritten at the date of the balance sheet, of 98.20 million euros, results in a further increase in the tier 2 capital.

According to the nature of the risks covered, the credit business generates greater absorption, equal to 144.01 million euros. The absorption for the market risk has remained practically the same. The figure for the weighted risk assets, at 31 December 2008, was calculated according to the new Prudential Supervisory rules (Bank of Italy Circular n. 263/2006), leading to a considerable increase in the surplus of the minimum equity requisite (252.50 million euros) necessary for operating.

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.

The net Tier 1 capital shows an increase of 7.93% compared to 31 December 2007, due to the allocation of the profit of the financial year 2007. Consequently, the Regulatory Equity has also increased, by 20.91%, on the 2007 figure.

Relations with the companies of the Group

The subsidiaries included in consolidation are Sogiter Srl, Terbroker Srl and the two vehicle companies Adriatico Finance SME Srl and Adriatico Finance RMBS Srl. At 31st December 2008, a stake of 19.10% of Terfinance SpA (ex Terleasing SpA) was still held, after having sold 76.10% to the company Vega Management Srl in March 2008. Since the conditions required by the international accounting standards IAS-IFRS are

not fulfilled, this latter is not included in consolidation. Sogiter Srl (ex Altobelli House Srl) was bought by Banca Tercas in 1996. It is in the real estate business and is owned 100%. It modified its structure considerably in 2007, buying three properties, one in Teramo and two in Pescara. Part of the properties were then rented to the Parent Company. Thus, at 31st December 2008, all the real estate owned is rented to the Bank except for an apartment in Teramo and an office in Pescara. In March 2008, in order to provide the company with adequate means of its own, a capital increase was decided, for 1.963 million euros, completely underwritten by the Parent Company. The loans granted by the Parent Company amount to 3.39 million euros and were used to buy the aforesaid properties in 2007. Sogiter Srl has credit towards Banca Teramo, in the technical form of a current account, for 37.46 thousand euros.

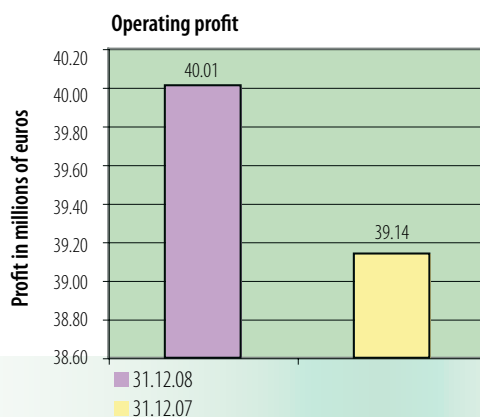
A stake of 84.70% is also held in Terbroker Srl, which is an insurance broker founded by Banca Tercas and certain private shareholders. The Parent Company is not only the manager of the company's liquidity, but is also its main customer. The two vehicle companies Adriatico Finance SME Srl and Adriatico Finance RMBS Srl are also included in consolidation for the items representing the companies' separate equities. They are both consolidated, even though Banca Tercas does not hold a stake in them, in application of IAS 27 and of SIC 12. In particular SIC (Standard Interpretations Committee) 12 expressly states that a vehicle company must be included in the consolidation when it has been founded exclusively in the interest of the Parent Company and when its assets are managed according to the Parent Company's corporate needs.

ANALYSIS OF THE RESULTS

The overall income trend

Item	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Interest income	128.01	125.99	2.02	1.60%
Net commission	36.41	34.97	1.44	4.12%
Net banking income	151.22	159.48	(8.26)	(5.18%)
Financial management income	134.92	151.83	(16.91)	(11.14%)
Before tax operating profit	51.51	70.74	(19.23)	(27.18%)
Profit of the period	40.01	39.14	0.87	2.22%

On the 31st of December 2008, the balance sheet closes with a net profit of 40.01 million euros, which is an increase of 2.22% on the previous period. The result is influenced by the capital gains achieved from the sale of Terleasing SpA shares for 8 million euros. The interest margin, equal to 128.01 million euros, shows growth of 1.60%. The net profit from trading (item 80 of the Income Statement) shows a decrease of 15.36 million euros compared to the 2007 result, causing a negative effect on banking revenues of 5.18%.



Net interest income

Item	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Interest income customers	192.89	170.40	22.49	13.20%
Interest expense customers	(42.96)	(38.26)	(4.70)	12.28%
Net interest customers	149.93	132.14	17.79	13.46%
Interest income on securities	15.89	17.22	(1.33)	(7.72%)
Interest expense on securities	(38.08)	(19.14)	(18.94)	98.96%
Net interest on securities	(22.19)	(1.92)	(20.27)	1,055.73%
Interest income banks	6.02	4.42	1.60	36.20%
Interest expense banks	(5.23)	(8.65)	3.42	(39.54%)
Net interest banks	0.79	(4.23)	5.02	(118.68%)
Other interest income	0.03	0.00	0.03	n.a.
Other interest expense	(0.55)	0.00	(0.55)	n.a.
Gains on hedging transactions	0.00	0.00	0.00	n.a.
Other net interest	(0.52)	0.00	(0.52)	n.a.
Interest income	128.01	125.99	2.02	1.60%

The interest income has increased by 1.60%, thanks to the increase in loans (+5.67%). The interest paid out to customers has also increased due to the lowering of interest rates on the part of the ECB. There is a very strong increase in interest expense on securities (+98.96%) due to the growth of direct deposits by means of the issue of bonds.

Total revenue

Item	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Interest income	128.01	125.99	2.02	1.60%
Dividends on stocks and securities	0.98	1.53	(0.55)	(35.95%)
a) Commission income	37.75	36.71	1.04	2.83%
b) Commission expense	(1.33)	(1.74)	0.41	(23.56%)
Net commission	36.42	34.97	1.45	4.15%
Net result of trading activities	(16.12)	(0.76)	(15.36)	2,021.05%
Profits/losses on the sale of:	1.41	(2.42)	3.83	(158.26%)
a) credit	0.00	(2.66)	2.66	(100.00%)
b) financial assets a.f.s.	0.97	0.10	0.87	870.00%
c) financial assets held to maturity	0.00	0.00	0.00	n.a.
d) financial liabilities	0.44	0.14	0.30	214.29%
Resulting income and expense at FV	0.52	0.17	0.35	205.88%
Net banking income	151.22	159.48	(8.26)	(5.18%)

On the whole total revenue decreased by 5.18%. The result is mainly due to the negative trend of item 80 "Net profit from trading" for which there was a loss of 16.12 million euros, caused by the crisis of the financial markets which suffered heavy decreases especially in the second half of the year. Banca Tercas SpA has also decided not to reclassify certain financial assets held in the portfolio pursuant to the amendment of accounting standard IAS 39, issued in October 2008. The other items show differences of irrelevant entities compared with the previous year.

Operating results

Item	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Net banking income	151.22	159.48	(8.26)	(5.18%)
Net writedowns for impairment of:	(16.29)	(7.65)	(8.64)	112.94%
a) credit	(16.49)	(7.64)	(8.85)	115.84%
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	0.20	(0.01)	0.21	(2,100.00%)
Administrative expenses	(92.15)	(89.52)	(2.63)	2.94%
a) personnel expenses	(56.03)	(52.43)	(3.60)	6.87%
b) other administrative expenses	(36.12)	(37.09)	0.97	(2.62%)
Net provisions for risks and charges	0.50	(1.90)	2.40	(126.32%)
Value adjustments in tangible and intangible fixed assets	(2.37)	(2.84)	0.47	(16.55%)
Other operating expenses/income	10.60	12.65	(2.05)	(16.21%)
Profits (losses) on shareholdings	0.00	0.26	(0.26)	(100.00%)
Profits (losses) on the sale of investments	0.00	0.26	(0.26)	(100.00%)
Before tax operating profit	51.51	70.74	(19.23)	(27.18%)

The item "Net value adjustments on credit" has increased by 112.94%, mainly due to an increase in impaired positions, bad debts and doubtful debts. These have been guarded against, after the allocations made, for respectively 60.68% and 23.39% of their amount.

Administrative expenses show a physiological increase (+2.94%) caused by the increase in personnel expenses (+6.87%), while the other administrative expenses, summed up in item 150 b) of the Income Statement, have decreased by 2.62% thanks to a careful cost containment policy. The increase in item 150 a) Personnel expenses, is mainly due to the allocation to the severance indemnity provision, which has increased by 1,963 thousand euros, and the sums paid out as resignation incentives which amount to 872 thousand euros more than in 2007. Banca Tercas has also pursued its growth policy for internal lines during the year, which has led to an increase in the number of employees and the relative cost. It must also be remembered that in December 2007, the Italian Banking Association and the Trade Unions signed the renewal of the collective labour agreement for the category, of which the full effects were felt during the 12 months of 2008.

Net profit

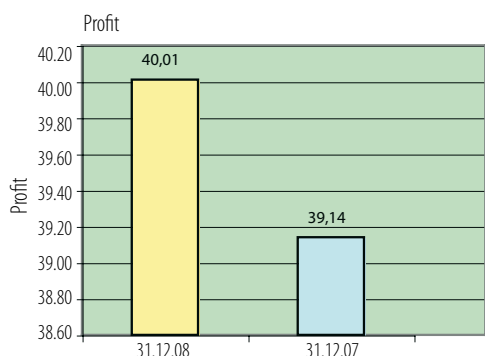
Item	Year	Year	Change	
	31-12-08	31-12-07	Absolute	%
Operating profit	51.51	70.74	(19.23)	(27.18%)
Income taxes	(19.55)	(31.60)	12.05	(38.13%)
tax rate	37.95%	44.67%	(6.72%)	(15.04%)
Profit on groups of assets being sold off	8.05	0.00	8.05	n.a.
Profit of the period	40.01	39.14	0.87	2.22%

The net profit for 2008 amounts to 40,014 thousand euros, with growth, in percentage terms, of 2.22% on the preceding period.

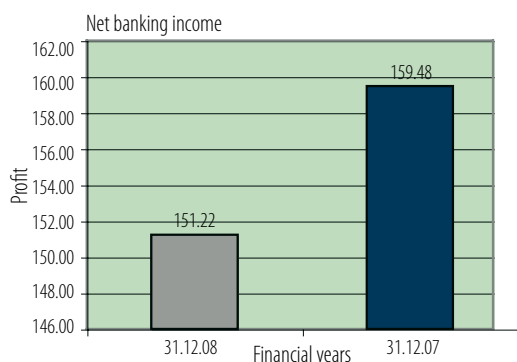
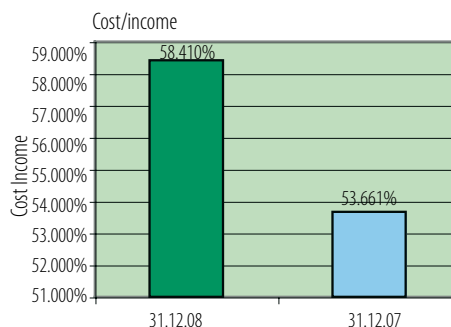
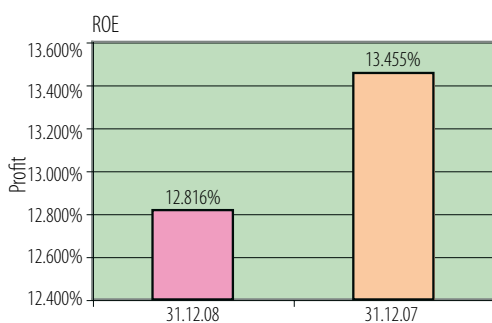
There was a significant reduction in the tax rate, from 44.67% to 37.95% in application of the tax reform introduced by the 2008 Financial Law and by effect of the return to the Income Statement of the surplus Corporate Income Tax for the 2007 tax declaration, equal to 501 thousand euros. Without taking this return into account, the 2008 tax rate would have been 38.93%. The item "Taxes" also includes the effects of the variation in prepaid and deferred taxes, which had a net positive effect of 448 thousand euros.

The profit of groups in the process of being sold off, net of taxes, shows a positive result deriving from the sale of 76.10 percent of the Terleasing SpA shares sold in March 2008 to the company Vega Management Srl, with head office in Turin. This positive result, of 8,050 thousand euros, is posted net of taxes (Corporate Income Tax in application of the favourable PEX system pursuant to art. 87 of the Consolidated Taxation Act) of 137 thousand euros.

The ROE and Ratios

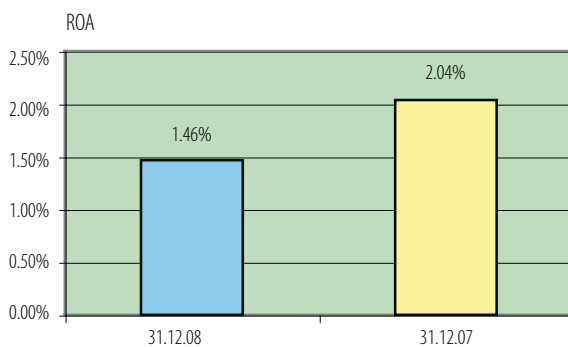


The increase of 2.22% in the profit for the period followed a higher increase in the Shareholders' Equity, which benefited allocations to the reserves of profit for 2007. There is a consequent slight fall in the ROE (-0.64%) ending up at 12.82%. The index is calculated as balance sheet profit on average shareholder's equity (the average of the last two financial years including the balance sheet profit of the previous year and not considering the 2008 profit in the equity of the current year) and it represents the expected yield for the shareholders who have invested in the company.



Cost/Income is an index of management efficiency constructed as the ratio between "administrative expenses + depreciation" and "banking income + other charges and income". It shows how much of the banking and other income from management is absorbed by administrative expenses. The index shows an increase of 4.749%, administrative expenses having increased by effect of the employee resignation incentive, the renewal of the collective labour agreement for bank employees, and the opening of new branches, while the banking income suffered negatively from the result of item 80 "Profit from trading in financial assets". The Cost/Income ratio at 31 December 2008 was 58.410%.

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. In 2008, this index fell from the 2.04% of 2007 to 1.46%.



A slight worsening of the Bank's management efficiency indices can be seen subsequent to the reduction in the banking margin and the increase in operating costs.

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, 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.

The internal rating project, carried out with the computer programme supplied by the IT outsourcer CSE, was further updated in 2008. The new segmentation of the rating of counterparts resulted in two categories: "Retail" and "SME Retail". The first is composed of individuals and families or small entrepreneurs such as artisans or professionals, while the second (SME Retail) includes the small and medium companies that fall within certain exposure and sale limits according to the indications of the Basel 2 rulings. The processing of the ratings for these two categories of counterparts, is mainly based on trend parameters and, if the financial statement of the small and medium companies of the "SME Retail" category is available, the statistical component of the significant balance indices is also calculated. For the Retail and SME Retail segments, the system calculates the rating according to the technical form of the exposure: current account credit lines, mortgages, personal loans, etc.

The preparation of the reports and the computer manuals of the system is being completed. The internal rating system will soon be released for management use. Input data will also be supplied for 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. Further updating is foreseen, with the expansion of the calculation system to balance sheet scoring and other legacy applications to be supplied as instruments for the analysis of new non-guaranteed customers.

With regard to the Equity Requisites calculated with the standard method, the Supervisory reports recommend minor absorption of the credit risk and greater equity to be held to face 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 reinforced the means for protection against the non-conformity risk, 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:

- 1) 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.
- 2) the liquidity risk: this is shown by the incapacity to satisfy payment commitments due to the difficulty of finding funds (funding liquidity risk) or of selling the assets held (market liquidity risk).

For the interest rate risk, 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;
- * variations in the Bank’s economic value, due to market shock rates. 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.

For the liquidity risk, the methods applied allow for monitoring the Net Financial Position, the Cash Capital Position and the Maturity Ladder with time buckets up to 180 days.

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 quarterly and presented to the administrative and bank supervisory bodies every three months.

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

Continuous monitoring by means of the distance control system has until now allowed for prompt checking on the anomalies emerging in the various areas and has allowed for measures to be taken in time to prevent phenomena that could generate risks and potential losses for the Bank. The distance controls are also a valid aid for consultancy and assistance to the peripheral network, always to avoid critical situations.

For adequate verification, allowing for improved efficiency of the Auditing Service, in 2008 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 the Operating Units. This is done by means of the information taken from the company informative system both by resorting to the innovative “datawarehouse” instrument and with the traditional instruments for telecommunications studies. The characteristics of the SCD are: continuity, which permits controlling without interruption; timeliness, which allows the highlighting, in real time, of eventual operative or behavioural abnormalities in the area being controlled; traceability, which guarantees the historical conservation of the data analysed. It was technically defined as a list of indicators for each operative segment, which are useful in discovering abnormal situations based on their shifting from the chosen risk threshold variance and on the importance of the phenomenon observed.

This system of obtaining information in this way means having an effective means of support at one’s disposal. This is true not only in

the preparatory phase of the on-the-spot verifications but also for the constant monitoring, on a defined time basis, of certain segments, which are subject to specific distance controls because of their operational characteristics. Distance control involves the analysis of the data from the branches on an aggregate basis, by totals and/or by single subject. Checks are generally daily for certain indicators, and otherwise carried out at programmed periodic intervals.

Business Continuity

In 2006 Banca Tercas adopted a Business Continuity Plan, in compliance with the supervisory ruling issued by the Bank of Italy on the management of operational continuity, drawn up on the basis of the indications given by the Basel Committee and the European Central Banks. The aim of the plan is to identify the activities to be performed to restore company operating to an acceptable level in critical situations consequent to both non-competitive events, such as natural disasters that hit the company, and accidents of a limited scope that hit a single company sector.

Starting from risk analysis within a predefined scope of company operations, the plan identifies the processes that involve critical factors, allowing the Bank to deal with the various crisis situations defining the necessary measures for reactivation of essential processes from any of the three Disaster Recovery sites established.

The Disaster Recovery sites have the legal requisites including, among others, geographic location (adequately far from the primary sites) and the possibility of replicating the features at the sites in which ordinary operations take place in terms of structures, network infrastructures and security. The plan also establishes, in the case of the unavailability of the computer systems, that operating continuity will be guaranteed by activation of the Business Continuity Plan of the outsourcer (CSE). The Bank has also provided for an organizational structure for the correct management of every single phase of an emergency, and it has endowed the General Manager with the authority to declare a state of crisis. It has designated a detailed chain of command composed of people who are able to guarantee operational continuity in exceptional circumstances which can compromise the regular functioning of the company.

During 2008

- the agreement, concluded in 2007 with Banca Popolare del Lazio, has been renewed; the plan foresees an exchange of personnel in order to remedy the internal shortage of human resources since both institutes use the same computer system;
- tests of various kinds were carried out, with the performance of bank operations and transactions, 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, also for the year 2008, Tercas Bank adopted, among the other security measures required by law and regulations, the updated version of the "Programmatic Document for the Security of data" (DPS/2008), as approved by the Board of Directors meeting on the 21 March 2008.

The said document can be defined as the manual which, starting from an analysis of the risks of its own IT system, contains personal, sensitive and legal data and which specifies the measures to be taken to prevent loss or alteration of information.

The Document, on the basis of an analysis of a series of risks, describes the data that Banca Tercas must process, the tasks and responsibilities of the company structure appointed to process personal data, the planning of training activities, the security measures activated, and guidelines to maintain and improve the security standards reached, also in view of the continuous technological evolution.

The document, in presenting the duties and security measures established within the company, explicitly refers to the programmatic document of the consortium centre (CSE Srl) with regard to the security structures adopted by the bank's own procedure. The document will be kept updated and brought to the attention of the Bank's decision-making bodies by 31 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 order to expand and reinforce the services offered, again in 2008 the Bank has decided to invest energy and resources in developing new products that answer the needs of the customers who have become more financially aware. The bank-customer relationship is the bank's main asset and must be maintained at an optimum level. In such a difficult situation for the real economy, it is in fact possible to create the conditions that place the customer at the centre of the company's interest and activity, considering him/her a privileged counterpart in a system of emerging and flexible needs that require particular attention and specific answers that are immediate and precise. For years Banca Tercas has adapted its own sales plan according to the analysis of the needs of its own customers who, through essential interviews with the personnel, find solutions in products that are increasingly aimed at protecting the person and his estate, activating partnerships of the highest quality in the economic panorama, in order to implement all measures to reach the efficiency and effectiveness of the said products. This *modus operandi* has helped to increase the number of customers, belonging to an increasing number of different sectors with growing needs and expectations.

The product unit

In 2008 Banca Tercas concluded an important collaboration agreement with Assicuratrice Milanese SpA, a company founded in 1988 belonging to the Modena Capital SpA Group and which includes in its shareholders prestigious partners like Swiss Re, the world reinsurance giant. Assicuratrice Milanese was created as a company oriented towards personal products for the protection of citizens' assets, health and professional and non-professional activities. With this partnership, Banca Tercas intends to pursue an important development project in the Bank-Insurance segment of accident insurance, to provide an all-round service for its customers. The standardised products at fixed premiums developed under the collaboration and on sale are as follows:

A) Home Protection: a multi-risk policy against the following risks:

- o Fire – indemnifying damages to the structure of the house and the content (furniture and fittings, clothes, personal property, etc.) caused by fire, explosion, blast, gas leaks and lightning. It includes damages caused by electrical phenomena, leakage of piped water, atmospheric events etc. The coverage, chosen by the customer, can be 75,000 euros, 110,000 euros or 150,000 euros;
- o Third Party Insurance – to protect the entire family from having to pay compensation for tangible damages to other people or their property caused by a fire that has occurred in the insured party's home. The coverage, chosen by the customer, can be 25,000 euros, 50,000 euros or 100,000 euros;
- o Theft – giving an indemnity in the case of theft or burglary, even outside the house. The coverage, chosen by the customer, can be 2,500 euros, 5,000 euros or 10,000 euros;
- o Tort Liability – to protect the entire family from having to pay compensation for physical or tangible damages caused to third persons for facts linked to the property or the running of the home, or relative to the family's private life, such as, for example, damages caused by pets, the homehelp, children playing, etc.. The coverage, chosen by the customer, can be 250,000 euros, 350,000 euros or 500,000 euros;
- o Legal protection – to reimburse costs sustained in legal controversies including the fees of the customer's own lawyer.

B) Health Care: this policy allows the insured party to face possible economic difficulties deriving from hospitalisation with greater peace of mind, guaranteeing a daily sum of either 50.00 euros, 75.00 euros or 100.00 euros according to the customer's choice, to cover economic damages due to the interruption of work and/or to amortise the costs of the health treatment. The Health Care policy guarantees the amount chosen when the policy is undersigned for every day spent in hospital due to illness, accident, giving birth or therapeutic abortion, in public or private hospitals or clinics, or for every day's convalescence after leaving a hospital or clinic, and also in the case of immobilisation caused by the application of plaster casts. 50% of the indemnity is also recognised in the case of Day Hospital treatment or Day Surgery. The Health Care policy also reimburses costs sustained before and after a stay in a hospital or clinic for medical tests, diagnoses, specialist examinations, physiotherapy, etc. up to a maximum coverage of 1,500.00 euros per insurance year.

C) Driver's Protection: this is a classic third party liability policy which not only guarantees against compensation to be paid to third parties but also allows the customer to protect him/herself against certain risks such as theft/fire, atmospheric events, vandalism, etc. Moreover, Banca Tercas is one of the first Banks to implement the recommendations of the Governor of the Bank of Italy, preparing a product, *Mutuo Europa*, with a rate linked to the reference rate of the European Central Bank. The strong points of this product are transparency and stability and its value as a proposal to customers. The idea of creating the new product has also been fostered by

Law 2/09, which obliges all Banks to promote loans at the ECB rate. However, what stands out is Banca Tercas' immediacy in responding to market changes, as well as its sensitivity to customers.

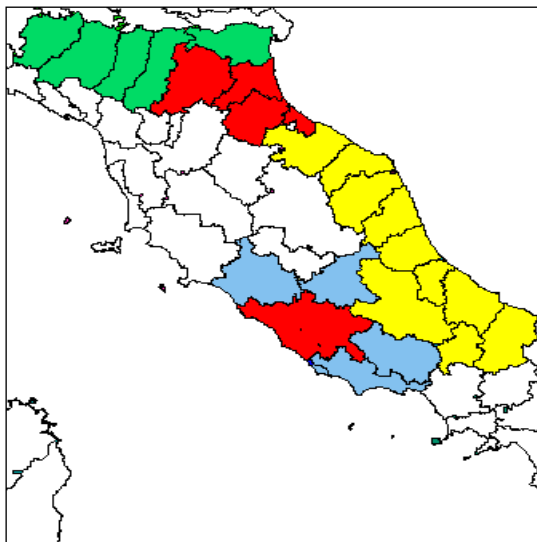
The Rating of Banca Tercas

At the end of 2008, Standard and Poor's reviewed the Bank's rating, and confirmed the BBB+ grade 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.

Territorial organisation

Five new branches were opened in 2008: one in the town of Ortona (CH), in February, followed in the second half of the year by the branches in Pescara, via Teramo, in September 2008, in Modena, which opened in November 2008, and towards the end of the year, the branches of Sulmona and Colonnella Rio Moro (TE) which were both inaugurated on 31 December 2008.

Number of branches per province		
	2008	2007
Teramo	63	62
Chieti	5	4
Ascoli Piceno	8	8
Roma	6	6
Pescara	5	4
L'Aquila	5	4
Ancona	4	4
Campobasso	3	3
Macerata	3	3
Pesaro	2	2
Bologna	2	2
Cesena/Forlì	2	2
Rimini	1	1
Modena	1	0
Total	110	105
<i>- of which new openings</i>	5	6



Personnel

At the end of December 2008, the Bank had 847 employees. During the year, 65 people were hired and 31 left the bank. The number of employees increased by 34. Of the 847 employees, 808 are full time clerks and 39 are part time clerks. At 31 December 2008, Banca Tercas had 478 male employees and 369 female employees. 71.31% percent (604 persons) work in the branch network and 28.69% (243 persons) at the head office. 5.31%, equal to 45 employees, have short term contracts.

The average number of employees in 2008 was 830, one of which on transfer to the subsidiary Terbroker Srl.

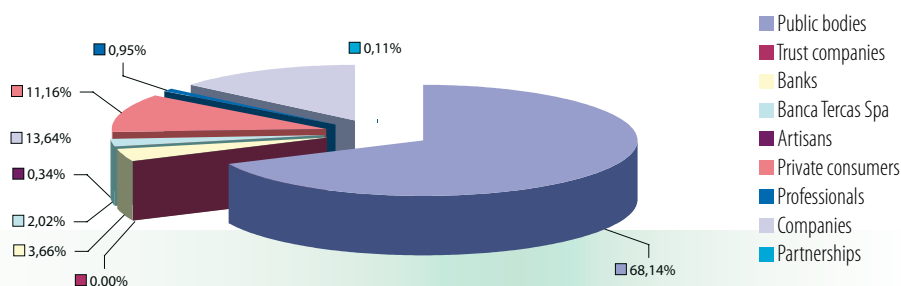
Human resources are the most important part of the organization and they are the most important capital in which the bank must invest. Management of the Bank's human resources is based on the continuous improvement of the employees' skills and motivation in order to direct attention towards the quality 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 56.91% compared to 2007 and can be quantified in 3,973 days/person. The courses mainly regarded technical and professional subjects, such as updating for the entry into force of the new provisions of the MiFID (Markets in Financial Instruments Directive), for the adoption of the new rules on money laundering, on security, foreign trade and ISVAP regulations. There were training courses for all the various departments and specific courses for certain employees, mainly branch managers, network clerks and internal services clerks.

Shareholders

The ownership structure as at 31 December 2008 is shown below.

BREAKDOWN OF BANCA TERCAS EQUITY AT 31.12.08				
Type of shareholder	Number of subjects		Shares held	
Public bodies	5	0.12%	34,069,832	68.14%
Trust companies	0	0.00%	0	0.00%
Banks	1	0.02%	1,828,000	3.66%
Banca Tercas Spa	1	0.02%	1,007,656	2.02%
Artisans	130	2.99%	168,022	0.34%
Private consumers	3,710	85.37%	5,577,919	11.16%
Professionals	272	6.26%	472,562	0.95%
Companies	176	4.05%	6,818,907	13.64%
Partnerships	51	1.17%	57,102	0.11%
Overall total	4,346	100.00%	50,000,000	100.00%



The strategic plan

In the last part of the year, the guidelines of the structure of the new 2009 operating plan were drawn up. In fact, the continual deterioration of the macro economic situation has opened a phase in which the monetary and credit policies have rapidly become uncertain. In this situation, it seemed necessary to review the development lines, although defined within the 2008–2010 strategic plan.

Considering the substantially prudent operating approach, which cannot depend on forecasts, a more contained growth of volumes compared to previous years has been hypothesised.

The priorities identified by the Bank are to increase its own means and the regulatory equity, maintaining an optimum liquidity profile, improving the equity ratios and pursuing moderate growth in assets through a rigorous credit policy.

With these considerations in mind, the commercial strategies have been identified, which involve the opening of 4 new branches substantially aimed at the completion of territorial areas, already reached with other units. Always following this approach, common strategies have been defined through industrial agreements with distribution networks of companies of the insurance and para-bank sector, also to enrich the offer of products and services for the clientele.

Important events after the 31 December 2008

After the closure of the financial year 2008, in compliance with the Supervisory Provisions issued by the Bank of Italy, the Board of Directors has started up an articulated project which, in implementation of the new discipline, aims to ensure the Bank an effective organisational structure and effective corporate governance. The project includes the relative amendments to the Articles of Association, which will be presented at a forthcoming Special General Shareholders' Meeting within the term assigned by the Supervisory Authority.

The expected trend of operations

The macro economic situation continues to present several factors of turbulence such as the present recession, the fear of decreased economic growth in Europe and a complex series of negative signs that suggest stagnation for the two-year period 2009–2010.

In this context, Banca Tercas will continue to implement all the strategies necessary to reach its established targets, giving major attention to credit quality and investments on the financial markets, always without failing to provide the financial support to companies and families worthy of credit in order to mitigate the crisis on the territory and to accelerate economic recovery.

Own shares

At 31 December 2008, the Bank held 1,007,656 of its own shares, with a nominal value of 0.52 euro each for a total counter value of 523,981.12 euros. The said shares have an average unit price, at the end of the year, of 9.80427 euros. For its own shares, for a total value of 9,879,331.49, reserves have been posted on the Balance Sheet for the same amount.

During the year, the Bank bought 1,289,001 of its own shares for 12,240,118.91 euros and sold 1,200,000 of its own shares for 11,987,000.00 euros, including a broking profit of 221,876.87 euros. The transactions were to satisfy momentary treasury needs expressed by customers and shareholders which could not be completely reabsorbed.

The Banca Tercas share price trend

At 31 December 2008, the Banca Tercas share price was 9.40 euros, showing a decrease compared to the price at 31 December 2007 of 7.48%. However, the shareholders appreciated the substantial stability of the price, compared to the heavy falls registered by the main Italian and foreign banks which suffered average reductions of over 50%.

TERCAS FOUNDATION - CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO

The main data of the last approved balance sheet of the Parent company, the Foundation of the Cassa di Risparmio della Provincia di Teramo (Teramo Province Savings Bank), 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 2007.

Figures in thousands of euros

Tercas Foundation - Balance Sheet	31-Dec-07
Assets	172,992
Liabilities	19,360
Shareholders' equity	153,632
Profit of the period	6,742
Tercas Foundation - Income Statement	31-Dec-07
Result of individual asset managements	535
Dividends and similar income	6,450
Interest and similar income	1,793
Profit for the period of directly controlled subsidiaries	(516)
Charges	(997)
Extraordinary income	4
Extraordinary charges	(398)
Income taxes for the period on current business	(129)
Profit of the year net of taxes	6,742

ALLOCATION OF PROFITS PURSUANT TO ART. 32 OF THE ARTICLES OF ASSOCIATION

Dear Shareholders,

The Financial Statement at 31 December 2008 closes with a profit of 40,013,932.78 euros, which we propose to allocate, pursuant to art. 32 of the Articles of Association, as shown below:

Net profit at 31 December 2008	40,013,932.78
Legal Reserve (5% of net profit)	0.00
Statutory Reserve (20% of net profit)	8,002,786.56
Extraordinary reserve	17,711,146.22
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 at 31 December 2008	40,013,932.78

Dividend: Euro 0.28 per share.

On the basis of the above proposal, the net equity at 31 December 2008 would be structured as follows:

Shareholders' equity	Previous structure 31.12.07	Incr./decr. of the period	Destination of profit 31.12.2008	Allocations/ reclass.	New structure at 31.12.08
Share Capital	26,000,000.00	0.00	0.00	0.00	26,000,000.00
Legal reserve	5,200,000.00	0.00	0.00	0.00	5,200,000.00
Statutory reserve	44,930,759.77	0.00	8,002,786.56	0.00	52,933,546.33
Extraordinary reserve	108,141,538.77	(474,995.78)	17,711,146.22	0.00	125,377,689.21
Reserve for dividends on own shares	0.00	110,828.76	0.00	0.00	110,828.76
FIA reserve	67,361,205.20	0.00	0.00	0.00	67,361,205.20
Evaluation reserve	9,786,970.83	(4,289,468.27)	0.00	0.00	5,497,502.56
Own shares reserve	9,404,335.71	474,995.78	0.00	0.00	9,879,331.49
Own shares held	(9,404,335.71)	(474,995.78)	0.00	0.00	(9,879,331.49)
Issue premiums	45,869,887.28	221,876.87	0.00	0.00	46,091,764.15
Total	307,290,361.85	(4,431,758.42)	25,713,932.78	0.00	328,572,536.21

THE BOARD OF AUDITORS' REPORT

THE BOARD OF AUDITORS' REPORT

TERCAS FOUNDATION - CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO SPA

Report of the Board of Auditors on the financial statement at 31 December 2008, pursuant to art. 2429, clause 2, of the Civil Code

Dear Shareholders,

Pursuant to your mandate, we report on our activities carried out during the financial year ending on 31 December 2008, which have been performed in compliance with the Board of Auditors' Code of Conduct recommended by the National Councils of Accountants and Bookkeepers, and on the indications given by the CONSOB. We point out that:

- in 2008 our supervision ensured that there was complete compliance with all provisions of law and of the articles of association and that all principles of correct administration were respected;
- we attended the Shareholders' Meeting and all the Board of Directors' meetings and those of the Executive Committee. The meetings were held in compliance with the statutory, legislative and regulatory provisions to which they are subject; we can state that resolutions passed complied with law and the articles of association, were not expressly imprudent or risky and did not involve potential conflicts of interest and did not risk compromising the integrity of assets;
- we kept in touch with Deloitte & Touche S.p.A., the auditing firm charged to certify the accounts. No important data or information worthy of inclusion in this report came to light;
- we gathered facts and monitored the adequacy of the company's organizational structure, with the help of the information provided by the department managers, and to this regard we have nothing to report;
- we verified that the regulations in force regarding usury, money laundering and transparency were applied;
- during the year, in compliance with article 136 of Legislative Decree n. 385/1993, we approved of 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 illustrating operations. We did this by obtaining information from the department managers and from the internal audit manager as well as by examining company documents. There is nothing to be reported on this subject. The internal audit system, which functions 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 departments responsible for risk control and containment were able to effectively alert the company management and enable the same to intervene in critical situations, by both sanctions and action aimed at removing the causes of the problems found;
- during the meetings we obtained information from the directors on the general trend of operations and on the company's expected evolution as well as on the most important operations carried out by the Bank and its subsidiaries. We can assure that the actions carried complied with the law and the articles of association;
- we verified the correct application by the delegated authority in terms of the use of credit;
- with regard to complaints from clients during the year, we acknowledge that these were regularly followed up by the Bank;
- in 2008, there were no complaints in terms of article 2408 of the civil code;
- no observations or reports were made by the board of auditors;
- during our supervision, no further significant facts, omissions or irregularities worthy of mention were found.

We examined the financial statement at 31 December 2008 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 financial statement, we monitored its overall preparation, its general compliance with the law in terms of how it was drawn up and its structure and we have no observations to make.
- The financial statement at 31 December 2008 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.
- In drawing up the financial statement, the directors made no derogations from the provisions of law, pursuant to art. 5, clause 1 of Lgs. Decree n. 38 of 28 February 2005.
- We verified that the financial statement corresponded to the facts and to the information, which we became acquainted with during our activity.

In consideration of the above, we find no reason to oppose the approval of the financial statement for the year 2008, as drafted by the Board of Directors. We therefore propose that the Shareholders:

- approve the balance sheet at 31 December 2008;
- approve the proposal for the allocation of profits relating to 2008 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, 10 April 2009

The Board of Statutory Auditors

signed: Luigi Montironi – Chairman
signed: Massimo Dell’Orletta – Standing Auditor
signed: Gianfranco Scenna – Standing Auditor

THE AUDITING COMPANY'S REPORT



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**RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 2409-TER
DEL CODICE CIVILE E DELL'ART. 116 DEL D. LGS. 24.2.1998, N. 58**

Agli Azionisti della

BANCA TERCAS – CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.p.A.

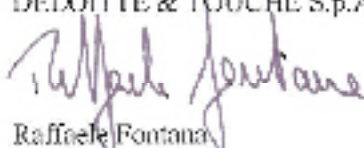
1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dallo stato patrimoniale, dal conto economico, dal prospetto dei movimenti del patrimonio netto, dal rendiconto finanziario e dalla relativa nota integrativa, della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. chiuso al 31 dicembre 2008. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. N. 38/2005 compete agli Amministratori della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi o i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio d'esercizio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 11 aprile 2008.

3. A nostro giudizio, il bilancio d'esercizio della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. al 31 dicembre 2008 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, le variazioni del patrimonio netto ed i flussi di cassa della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori della Banca Tercas - Cassa di Risparmio della Provincia di Teramo S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dall'art. 156, comma 4-bis, lettera d), del D.l.gs. 58/98. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio della Banca Tercas - Cassa di Risparmio della Provincia di Teramo S.p.A. al 31 dicembre 2008.

DELOITTE & TOUCHE S.p.A.


Raffaele Fontana
Socio

Roma, 10 aprile 2009

Notes for reading the balance sheet data

The following tables, in application of the International Accounting Standards, give a comparison between the Balance Sheet and the Income Statement for the financial year 2008 and the data relative to the previous year.

FINANCIAL STATEMENT OF BANCA TERCAS S.P.A. AT 31 DECEMBER 2008

BALANCE SHEET AT 31 DECEMBER 2008

	Asset Items	31-Dec-08	31-Dec-07	Absolute Change
10.	Cash and cash equivalents	39,359,160	27,317,440	12,041,720
20.	Financial assets held for trading	206,508,103	273,336,073	(66,827,970)
30.	Financial assets carried at fair value	0	0	0
40.	Financial assets available for sale	78,217,783	132,826,274	(54,608,491)
50.	Financial assets held until maturity	0	0	0
60.	Loans to banks	103,005,516	90,880,449	12,125,067
70.	Loans to customers	2,979,749,876	2,820,040,755	159,709,121
80.	Hedging derivatives	0	0	0
90.	Changes in fair value of hedged portfolios	0	0	0
100.	Shareholdings	3,139,491	1,175,891	1,963,600
110.	Tangible assets	29,778,826	29,932,499	(153,673)
120.	Intangible assets	224,666	187,097	37,569
	of which:			
	- goodwill	0	0	0
130.	Tax assets	23,608,913	15,667,902	7,941,011
	a) current	12,402,056	4,803,483	7,598,573
	b) prepaid	11,206,857	10,864,419	342,438
140.	Non-current assets and groups of assets in the process of being sold	0	12,937,850	(12,937,850)
150.	Other assets	54,043,736	70,794,790	(16,751,054)
	Total assets	3,517,636,070	3,475,097,020	42,539,050

BALANCE SHEET AT 31 DECEMBER 2008

Liabilities and shareholders' equity		31-Dec-08	31-Dec-07	Absolute change
10.	Due to banks	50,518,875	201,473,778	(150,954,903)
20.	Due to customers	1,939,129,962	2,035,266,007	(96,136,045)
30.	Securities issued	1,019,759,338	748,996,927	270,762,411
40.	Financial liabilities held for trading	2,458,624	1,874,568	584,056
50.	Financial liabilities carried at fair value	35,584,132	30,006,110	5,578,022
60.	Hedging derivatives	0	0	0
70.	Changes in fair value of hedged portfolios	0	0	0
80.	Tax liabilities	2,210,393	10,981,355	(8,770,962)
	a) current	140,938	8,435,907	(8,294,969)
	b) deferred	2,069,455	2,545,448	(475,993)
90.	Liabilities for groups of assets being sold off	0		0
100.	Other liabilities	87,603,450	77,413,908	10,189,542
110.	Provision for severance indemnities	14,875,839	15,653,897	(778,058)
120.	Provisions for risks and charges	22,622,920	31,840,108	(9,217,188)
	a) retirement benefits and other obligations	2,176,903	7,177,170	(5,000,267)
	b) other provisions	20,446,017	24,662,938	(4,216,921)
130.	Evaluation reserves	5,497,503	9,786,971	(4,289,468)
140.	Redeemable shares	0	0	0
150.	Capital instruments	0	0	0
160.	Reserves	235,148,668	210,201,236	24,947,432
170.	Share premiums	46,091,764	45,869,887	221,877
180.	Capital	26,000,000	26,000,000	0
190.	Own shares	(9,879,331)	(9,404,336)	(474,995)
200.	Profit (Loss) for the period	40,013,933	39,136,604	877,329
	Total liabilities	3,517,636,070	3,475,097,020	42,539,050

INCOME STATEMENT AT 31 DECEMBER 2008 - COMPARISON WITH 31 DECEMBER 2007

Income statement items		31-Dec-08	31-Dec-07	Absolute Change
10.	Interest income and similar revenue	214,831,726	192,040,186	22,791,540
20.	Interest expenses and similar charges	(86,818,385)	(66,047,203)	(20,771,182)
30.	Interest income	128,013,341	125,992,983	2,020,358
40.	Commission income	37,750,853	36,715,615	1,035,238
50.	Commission expense	(1,335,355)	(1,741,221)	405,866
60.	Net commission	36,415,498	34,974,394	1,441,104
70.	Dividends and similar revenues	982,326	1,530,419	(548,093)
80.	Net result of trading activities	(16,123,561)	(765,535)	(15,358,026)
90.	Net result of hedging activities	0	0	0
100.	Profit (loss) on the sale or repurchase of:	1,412,136	(2,417,751)	3,829,887
	a) loans	0	(2,655,710)	2,655,710
	b) financial assets available for sale	967,188	101,054	866,134
	c) financial assets held to maturity	0	0	0
	d) financial liabilities	444,948	136,905	308,043
110.	Net profit on financial assets and liabilities carried at fair value	522,578	168,817	353,761
120.	Net banking income	151,222,318	159,483,327	(8,261,009)
130.	Net writedowns for impairment of:	(16,297,687)	(7,648,495)	(8,649,192)
	a) loans	(16,492,789)	(7,637,299)	(8,855,490)
	b) financial assets available for sale	0	0	0
	c) financial assets held to maturity	0	0	0
	d) other financial operations	195,102	(11,196)	206,298
140.	Net result of financial management	134,924,631	151,834,832	(16,910,201)
150.	Administrative expenses:	(92,151,372)	(89,519,530)	(2,631,842)
	a) personnel expenses	(56,026,932)	(52,526,256)	(3,500,676)
	b) other administrative expenses	(36,124,440)	(36,993,274)	868,834
160.	Net provisions for risks and charges	502,145	(1,900,905)	2,403,050
170.	Net writedowns/writebacks on tangible assets	(2,261,031)	(2,742,784)	481,753
180.	Net writedowns/writebacks on intangible assets	(106,431)	(105,773)	(658)
190.	Other operating expenses/income	10,597,628	12,650,516	(2,052,888)
200.	Operating costs	(83,419,061)	(81,618,476)	(1,800,585)
210.	Profits (losses) on shareholdings	0	264,571	(264,571)
220.	Net result of fair value writedowns/writebacks of tangible and intangible assets	0	0	0
230.	Value adjustments in goodwill	0	0	0
240.	Profits (losses) on the disposal of investments	3,381	260,791	(257,410)
250.	Before tax profit (loss) on current business	51,508,951	70,741,718	(19,232,767)
260.	Income taxes for the period on current business	(19,544,759)	(31,605,114)	12,060,355
270.	Profit (loss) on current business after taxation	31,964,192	39,136,604	(7,172,412)
280.	After tax profit (loss) on groups of assets in the process of being sold	8,049,741	0	8,049,741
290.	Profit (Loss) for the period	40,013,933	39,136,604	877,329

INDIVIDUAL CASH FLOW STATEMENT OF BANCA TERCAS

Direct method

A. OPERATING ASSETS	Amount		
	31-Dec-08	31-Dec-07	% change
1. Operations (+/-)	36,726,230	23,218,960	58.17%
- interest collected	212,841,734	176,139,628	20.84%
- interest paid (-)	(94,267,288)	(54,982,754)	71.45%
- dividends and similar revenues (+)	982,326	1,213,640	n.a.
- net commission (+/-)	37,275,505	34,085,034	9.36%
- personnel expenses (-)	(58,550,145)	(49,080,488)	19.29%
- net premiums collected	0	0	n.a.
- other income/charges	(44,497)	2,098,367	n.a.
- other costs (-)	(36,124,440)	(33,427,023)	8.07%
- other income (writebacks due to collections +)	(74,580)	432,393	(117.25%)
- duties and taxes paid (-)	(25,312,385)	(53,259,837)	(52.47%)
- costs/income on groups of assets being sold, net of taxes	0	0	n.a.
2. Liquidity generated/absorbed by financial assets (+/-)	(44,868,853)	(389,245,187)	(88.47%)
- financial assets held for trading	66,827,970	306,153,040	(78.17%)
- financial assets carried at fair value	0	0	n.a.
- financial assets available for sale	54,608,491	(118,510,032)	(146.08%)
- due from customers	(154,947,521)	(544,659,806)	(71.55%)
- due from banks: payable on demand	(12,125,067)	(57,158,521)	(78.79%)
- due from banks: other loans	0	25,306,745	n.a.
- other financial assets / liabilities	767,274	(376,613)	(303.73%)
3. Liquidity generated/absorbed by financial assets (+/-)	20,616,353	389,487,328	(94.71%)
- due to banks: payable on demand	(150,954,903)	(17,531,017)	761.07%
- due to banks: other debts	0	3,814,135	n.a.
- due to customers	(96,136,045)	119,219,848	(180.64%)
- securities issued	270,762,410	256,970,925	5.37%
- financial liabilities held for trading	584,056	0	n.a.
- financial liabilities carried at fair value	5,578,022	30,000,000	n.a.
- other liabilities (FTFR-FIP)	(9,217,187)	(2,986,563)	208.62%
Net liquidity generated/absorbed by operations (+/-)	12,473,730	23,461,101	(46.83%)
B. INVESTMENTS			
1. Liquidity generated by (+)	18,531,241	1,241,813	1,392.27%
- sale of equity investments	18,527,860	692,000	n.a.
- dividends received from equity investments	0	208,889	n.a.
- sale of financial assets held until maturity	0	0	n.a.
- sale of tangible assets	3,381	340,924	(99.01%)
- sale of intangible assets	0	0	n.a.
- sale of subsidiaries and branches	0	0	n.a.
2. Liquidity absorbed by (-)	(4,243,575)	(4,125,324)	2.87%
- purchase of equity investments	(3,210,050)	(1,688,412)	90.12%
- purchases of financial assets held to maturity	0	0	n.a.
- purchase of tangible assets	(995,956)	(2,322,432)	(57.12%)
- purchase of intangible assets	(37,569)	(114,480)	(67.18%)
- purchase of subsidiaries and branches	0	0	n.a.
Net liquidity generated/absorbed by Investments (+/-)	14,287,666	(2,883,511)	(595.50%)
C. PROVISIONING ACTIVITIES			
- issues/purchases of own shares (positive result on sale of own shares)	(474,996)	(7,265,628)	n.a.
- distribution of dividends and other uses (fund for special financing activities)	(14,300,000)	(8,300,000)	72.29%
Net liquidity generated/absorbed by provisioning (+/-)	(14,774,996)	(15,565,628)	(5.08%)
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD (+/-)	11,986,400	5,011,962	139.16%

RECONCILIATION

Items	31-Dec-08	31-Dec-07	31-Dec-07
Opening balances of cash and cash equivalents	27,317,440	22,282,515	22,282,515
Total net liquidity generated/absorbed in the period	11,986,400	5,011,962	5,011,962
Cash and cash equivalents: effect of variations in exchange rates	55,320	22,963	12,899
Closing balances of cash and cash equivalents	39,359,160	27,317,440	27,307,376

STATEMENT OF CHANGES IN NET EQUITY 01.01.2007 - 31.12.2007

	Balances at 31.12.2006	Change in opening balances (+/-)	Balances at 01.01.2007	Allocation of profit year's results		Variation during the period						Profit (Loss) for the period at 31.12.2007	Shareholders' equity at 31.12.2007	
				Reserves	Dividends and other distributions	Reserve variations	New share issues	Purchase of own shares	Extraordinary dividend	Capital instrument variations	Derivatives on own shares			Stock options
Capital	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	26,000,000	
a) ordinary shares	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	26,000,000	
b) other shares	0	0	0	0	0	0	0	0	0	0	0	0	0	
Share premiums	44,550,968	0	44,550,968	0	0	0	0	0	0	0	0	0	45,869,888	
Reserves:														
a) retained earnings (inc. profit of prev. year)	192,190,818	0	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	0	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	592,669	0	0	0	0	0	0	0	0	0	592,669	
d) FTA personnel funds	43,978	0	43,978	0	0	0	0	0	0	0	0	0	43,978	
e) FTA credit evaluation	(2,801,585)	0	(2,801,585)	0	0	0	0	0	0	0	0	0	(2,801,585)	
f) FTA reallocation of credit risk provisions	4,758,930	0	4,758,930	0	0	0	0	0	0	0	0	0	4,758,930	
g) FTA reallocation of general bank risk provisions	64,227,732	0	64,227,732	0	0	0	0	0	0	0	0	0	64,227,732	
h) FTA reallocation of depreciation provisions	2,957,936	0	2,957,936	0	0	0	0	0	0	0	0	0	2,957,936	
i) FTA reallocation of securitisation quota	(2,879,955)	0	(2,879,955)	0	0	0	0	0	0	0	0	0	(2,879,955)	
l) FTA evaluation of securities and derivatives	454,895	0	454,895	0	0	0	0	0	0	0	0	0	454,895	
m) FTA financial instrument liabilities	6,606	0	6,606	0	0	0	0	0	0	0	0	0	6,606	
Valuation reserves	10,243,725	0	10,243,725	0	0	(456,754)	0	0	0	0	0	0	9,786,971	
a) available for sale	5,372,864	0	5,372,864	0	0	(456,754)	0	0	0	0	0	0	4,916,110	
b) tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	
d) foreign investment hedging	0	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	0	
f) foreign exchange differences	0	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	0	
h) special (revaluation) laws	4,870,861	0	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	0	0	
Own Shares	0	0	0	0	0	0	0	(9,404,336)	0	0	0	0	(9,404,336)	
Profit (Loss) for the period	26,310,418	0	26,310,418	(8,300,000)	(8,300,000)	0	0	0	0	0	0	39,136,604	39,136,604	
Shareholders' equity	299,295,928	0	299,295,928	(0)	(8,300,000)	(456,754)	0	(9,404,336)	0	0	0	39,136,604	321,590,362	

Note: Bank of Italy's circular n. 262 of 22.12.2005 states that "the column of new share issues" must include the sales of own shares and the unpaid interest on shares underwritten and not yet made available. The amount of own shares issued is indicated with a plus sign under the item "own shares" up to the book value of the said shares. The positive or negative difference between the sale price of own shares and the corresponding book value increases or decreases the item "Share premiums" net of taxes to be paid with an increase in the taxable income.

STATEMENT OF CHANGES IN NET EQUITY 01.01.2008 - 31.12.2008

	Balances at 31.12.2007	Change in opening balances (+/-)	Balances at 01.01.2008	Allocation of previous year's profit		Variation during the period						Profit (Loss) for the period at 31.12.2008	Shareholders' equity at 31.12.2008	
				Reserves	Dividends and other distributions	Reserve variations	New share issues	Purchase of own shares	Extraordinary dividend	Capital instrument variations	Derivatives on own shares			Stock options
Capital	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	26,000,000	
a) ordinary shares	26,000,000	0	26,000,000	0	0	0	0	0	0	0	0	0	26,000,000	
b) other shares	0	0	0	0	0	0	0	0	0	0	0	0	0	
Share premiums	45,869,888	0	45,869,888	0	0	0	0	0	0	221,877	0	0	46,091,765	
Reserves (item 160 Sp):	210,201,236	0	210,201,236	24,836,604	0	110,829	0	0	0	0	0	0	235,148,669	
a) retained earnings (inc. profit of prev. year)	133,435,695	0	133,435,695	24,836,604	0	110,829	0	0	0	0	0	0	157,908,133	
b) for purchase of own shares	9,404,336	0	9,404,336	0	0	(364,166)	0	0	0	0	0	0	9,879,331	
c) FTA risks and changes provisions	592,669	0	592,669	0	0	474,995	0	0	0	0	0	0	592,669	
d) FTA personnel funds	43,978	0	43,978	0	0	0	0	0	0	0	0	0	43,978	
e) FTA credit evaluation	(2,801,585)	0	(2,801,585)	0	0	0	0	0	0	0	0	0	(2,801,585)	
f) FTA reallocation of credit risk provisions	4,758,930	0	4,758,930	0	0	0	0	0	0	0	0	0	4,758,930	
g) FTA reallocation of general bank risk provisions	64,227,732	0	64,227,732	0	0	0	0	0	0	0	0	0	64,227,732	
h) FTA reallocation of depreciation provisions	2,957,936	0	2,957,936	0	0	0	0	0	0	0	0	0	2,957,936	
i) FTA reallocation of securitisation quota	(2,879,955)	0	(2,879,955)	0	0	0	0	0	0	0	0	0	(2,879,955)	
l) FTA evaluation of securities and derivatives	454,895	0	454,895	0	0	0	0	0	0	0	0	0	454,895	
m) FTA financial instrument liabilities	6,606	0	6,606	0	0	0	0	0	0	0	0	0	6,606	
Valuation reserves	9,786,971	0	9,786,971	0	0	(4,289,468)	0	0	0	0	0	0	5,497,503	
a) available for sale	4,916,110	0	4,916,110	0	0	(4,289,468)	0	0	0	0	0	0	626,642	
b) tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	
d) foreign investment hedging	0	0	0	0	0	0	0	0	0	0	0	0	0	
e) cashflow hedging	0	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	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	0	
h) special revaluation laws	4,870,861	0	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	0	0	
Own shares	(9,404,336)	0	(9,404,336)	0	0	0	0	(474,995)	0	0	0	0	(9,879,331)	
Profit (Loss) for the period	39,136,604	0	39,136,604	(24,836,604)	(14,300,000)	0	0	0	0	0	0	0	40,013,932	
Shareholders' equity	321,590,362	0	321,590,362	0	(14,300,000)	(4,178,639)	0	(474,995)	0	221,877	0	40,013,932	342,872,537	

Note: Bank of Italy circular n. 262 of 22.12.2005 states that "the column of new share issues" must include the sales of own shares and the unpaid interest on shares underwritten and not yet made available. The amount of own shares result is indicated with a plus sign under the item "own shares" up to the book value of the said shares. The positive or negative difference between the sale price of own shares and the corresponding book value increases or decreases the item "Share premiums", net of taxes to be paid with an increase in the taxable income.

CONSOLIDATED BALANCE SHEET

Annual consolidated balance sheet 2008

Banca Tercas Group

Management Report

The Tercas – Cassa di Risparmio della Provincia di Teramo SpA Group has closed the year 2008 with an increase in the Group's assets of 3.19%, while profit has decreased because the company Terleasing SpA is no longer included in the consolidation, while two vehicle companies have been included: Adriatico Finance SME Srl and Adriatico Finance RMBS Srl, through which the credit of the Parent Company and of the former subsidiary Terleasing SpA was securitised. The latter was sold to the company Vega Management Srl pursuant to an agreement stipulated in October 2007 and concluded in March 2008.

On 1 April, the buyer company, after taking over control, renamed it Terfinance SpA. In the months immediately following the sale, Terfinance carried out a securitisation operation of credit using the vehicle company Adriatico Finance SME Srl, already used for the securitisation of Banca Tercas' commercial credit. The SPV issued Senior and Junior ABS bonds in order to buy the company, all of which bonds were bought by Banca Tercas for a total amount of 118.66 million euros.

Adriatico Finance SME Srl was used for both the separate equities deriving from the securitisation of Banca Tercas' commercial mortgages and the lease credit of Terfinance SpA, while both the Special Vehicle Companies, pursuant to and by effect of SIC 12, were included in the consolidation of the Banca Tercas group.

Summary of volume intermediated

Direct deposits	Year	Year	Change 08-07	
	2008	2007	Absolute	%
Deposits, C/A, CDs and bonds	2,763	2,491	272	10.92%
At sight deposits	1,709	1,712	(3)	(0.18%)
Certificates of deposit	118	167	(49)	(29.34%)
Bonds	936	612	324	52.94%
Repurchase agreements	229	199	30	15.08%
Total direct deposits	2,992	2,690	302	11.23%

Indirect deposits	Year	Year	Change 08-07	
	2008	2007	Absolute	%
Deposits managed	526	778	(252)	(32.39%)
Fund and Equity portfolio mgts and Managed Accounts	86	227	(141)	(62.11%)
Mutual and open end investment funds	314	388	(74)	(19.07%)
Insurance	126	163	(37)	(22.70%)
Administered deposits	1,085	1,190	(105)	(8.82%)
Total indirect deposits	1,611	1,968	(357)	(18.14%)
Net loans to customers	2,901	2,698	203	7.52%
Total Financial Assets	284.83	406.17	(121.34)	(29.87%)

Examination of the main aggregates on the balance sheet shows, among other things, that with regard to the assets under administration, direct deposits reached 2,992 million euros, with an increase of 11.23% compared to 2007. 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 (-0.18%).

The compartment of certificates of deposit has decreased by 29.34%, showing customers' preference for more remunerative types of investment, such as bonds which grew by 52.94% (+324 million euros).

Repurchase agreements also increased considerably (+15.08%) 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, which regard only the Parent Company, have decreased by 18.14%, to the complete advantage of direct deposits. Investment funds and asset managements were particularly penalised by the clientele, falling by 19.07% and 62.11% respectively.

Customer loans and the total amount of credit support, net of value adjustments, amounted to 2,901 thousand euros at the end of the period, which indicates growth, compared to 2007, of 7.52%. The careful risk management policy allowed for keeping down the level for the Group, although there was significant growth.

Financial assets have decreased to 284.83 million euros, with a significant contraction on the previous year of 29.87%, 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	Change 08-07	
	2008	2007	Absolute	%
Interest income	127.44	121.54	5.90	4.85%
Net commission	34.38	34.83	(0.45)	(1.29%)
Net banking income	148.40	154.67	(6.27)	(4.05%)
Before tax profit (loss) on current business	45.65	66.54	(20.89)	(31.39%)
Profit of the period	31.18	41.56	(10.38)	(24.98%)

The interest income shows a decided increase of 4.85%, while net commissions have dropped by 1.29%. The banking income has fluctuated due to the negative result of item 80 of the Parent Company's Income Statement "Profit from trading" which suffered all the negative effects of the financial crisis.

The before tax profit on current operations has fallen by 31.39% caused by the negative result of the SPVs Adriatico Finance SME and Adriatico Finance RMBS, which are sustaining the costs of the operations which took place in 2008.

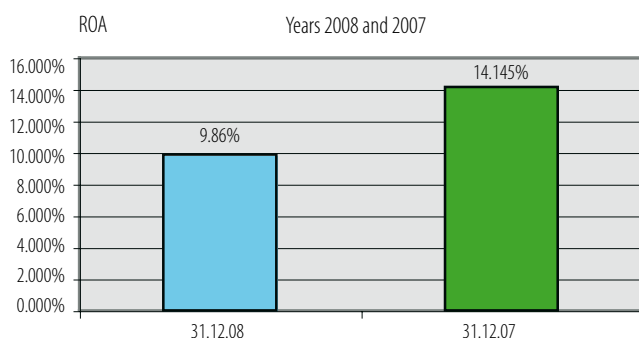
Operating costs increased by 6.74% to 86.45 million euros, mainly because of the greater costs linked to the expansion of the Parent Company's operating network. Personnel costs (+7.33%) is influenced by the resignation incentives offered by the Parent Company and by the allocation to severance indemnities, which has increased by 1,963 thousand euros. It must also be remembered that the Parent Company hired new personnel for the operational expansion of its own sales network. Amortisation on fixed tangibles grew by 16.71% because of the opening of new branches.

The aggravation of the crisis which mainly appeared in the second half of the year caused a considerable increase in credit adjust-

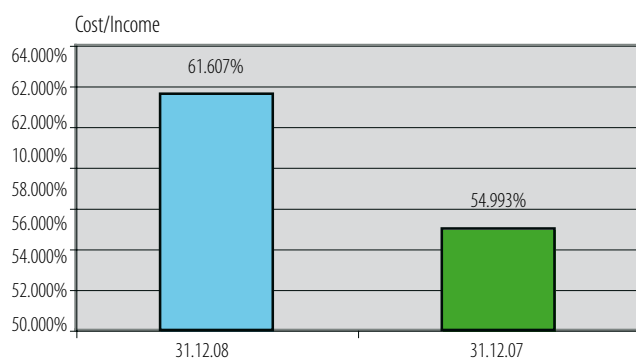
ments. Item 130 of the Income Statement has practically doubled since 2007, which also confirms the Parent Company's wish to more adequately control the credit impairment risk. Bad debts are hedged for 60.68%, showing the constant attention dedicated to problematic loans.

After allocations of 19.65 million euros to the provision for taxes, the consolidated net profit of the Group is 31.18 million euros, with an increase of 24.97% on the previous year

The ROE and the Ratios



The reduction of 24.98% in the consolidated profit of 2008 followed an increase in the Shareholders' Equity (+3.19%), which benefited from allocations to the reserves of profit for 2007. There is a consequent slight fall in the consolidated ROE (4.28%) ending up at 9.862%. The index is calculated as consolidated balance sheet profit on average shareholder's equity (the average of the last two financial years including the balance sheet profit of the previous year and not considering the 2008 profit in the equity of the current year) and it represents the expected yield for the shareholders who have invested in the group.



Cost/Income is an index of management efficiency constructed as the ratio between "administrative expenses + depreciation" and "banking income + other charges and income". It shows how much of the banking and other income from management is absorbed by administrative expenses. The index shows a decrease of 6.614%, administrative expenses having increased by effect of the employees resignation incentives policy, the renewal of the collective labour agreement for bank employees, and the opening of new branches, while the banking income suffered negatively from the result of item 80 "Profit from trading in financial assets". The Group's Cost/Income ratio at 31 December 2008 was 61.607%.

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. In 2008, this index fell from the 1.894% of 2007 to 1.30%.

A slight worsening of the Group's management efficiency indices can be seen subsequent to the reduction in the banking margin and the increase in operating costs.

Risk Management

The main risks and uncertainties for the Group

The Group's business exposes it to the following main risk categories: the credit risk, the market risk, the liquidity, the operating risk, the commercial risk, the strategic risk and the reputation risk.

Risk measuring and monitoring is carried out by the Parent Company, which is most exposed to the various risks in consideration of the volumes managed by the same as shown on the Group's consolidated financial statement.

The credit risk is the risk that a Group's borrower (which definition also includes counterparts of derivative operations) may not manage to fulfil its obligations or that its creditworthiness deteriorates.

The assessment of the amount of the possible losses which could be suffered in the case of a single credit position and for the whole loans portfolio is an intrinsically uncertain activity and depends on many factors, including the trend of the general economic conditions or those of specific production sectors, the variation of the ratings of the single counterparts, the structural and technological changes within the borrowing companies, the worsening of the counterparts' competitive position, the possible bad management of the borrowing companies or counterparts, the increased indebtedness of families, and other external factors such as legal and regulatory requirements.

The credit policy adopted by the Group pays particular attention to risk containment by careful analysis of credit in the initial stage of issue, the request for collateral, when necessary, to guarantee loans granted, and careful control of the evolution of the credit ratio. In general, the Group mainly lends to borrowers in areas with a diversified entrepreneurial structure, thus fractioning the credit risk, spreading it over many different economic sectors. The Group also constantly monitors its own credit portfolio, analysing the trend of the risk profile, of the credit lines and of utilisation according to economic sector, region, clientele segment and technical form.

The market risk is the possibility of the Group obtaining lower profit than forecast, value losses in the balance sheet items or economic capital losses on the financial positions held, because of considerable and adverse changes in market conditions and particularly in interest rates, share terms, trading rates and the relative volatility (generic risk), or because of events that compromise the issuer's reimbursement capacity (specific risk). The market risk applies to both the trading portfolio, including financial instruments held for trading and for the treasury, and derivative instruments connected to the same, and the bank portfolio which includes the financial assets and liabilities that are not contained in the trading book.

With regard to the trading portfolio, the market risks deriving from business activities are borne by the Parent Company, Banca Tercas. In particular, the major risk factor is the interest rate, relative to the bond portfolio, composed of securities mainly at variable rate, with an extremely short term on average. The management of the risk linked to the single share or bond issuers is also very prudent. The main market risks sustained by the Group depend on its exposure to the interest rate risk and the share risk assumed within the sphere of the operations carried out on the capital markets. The exchange rate risk is also limited.

The market risk is measured by the Parent Company not only as foreseen in Title IV, Chapter III of the Supervisory Instructions, but also according to the Value at Risk (VAR). This index is calculated every day and is taken as the reference when checking that the operating limits are being respected that is within which the portfolio manager of securities owned by the bank may act. 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 a certain interval of confidence.

In 2008, the average daily VAR, for the Parent Company's HFT securities portfolio was 166,509 thousand euros. This value, together with the average duration, equal to 0.319, 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 liquidity risk is the possibility of a condition of instability for the Group, deriving from the negative imbalance between entering and outgoing cash flows, which can occur in the short term, and which are not covered by liquidity reserves represented by securities that can be readily cashed in or for which the price can be advanced by the European Central Bank. The risk, which generally occurs only in the case of exceptional events such as the reduction of liquidity on the markets, can make it difficult, or even impossible, for the Group to promptly honour its payment commitments on the established maturity dates of the various technical forms of deposit. This risk is managed and mitigated through diversification of finance sources and the increase of reserves of securities that can be paid for in advance, in order to satisfy unexpected cash payments. The liquidity risk is periodically monitored by a system of limits aimed at ensuring that there is a financial surplus for a congruous period of time.

The operating risk is the possibility of sustaining losses deriving from the inadequacy or incorrect functioning of company procedures, from errors or insufficient personnel or from the internal systems or external events. It includes the legal risk, but not the strategic and reputation risks. The main sources of operating risk include: the instability of the operating processes, insufficient IT security, an increasing use of automated processes, the outsourcing of company departments, too few suppliers, strategic changes, fraud, errors, recruitment, training, personnel loyalty, and lastly social and environmental impact. A steadily prevalent source of operating risk cannot be identified within the Group, since this risk is inherent to all company processes and activities. Because of this fact, far-reaching actions for risk mitigation and risk governance must be used, especially by transferring the risks through insurance and/or outsourcing instruments, the continual improvement in the efficiency of the processes (re-engineering and ameliorative action relative to audits) and checks on the conformity of the same to rules and regulations.

The commercial risk is the possibility of sustaining losses in terms of decreases in profit on services, because of the changing macro economic or micro economic context which, reducing volumes and/or compressing margins, attenuate the Group's revenue capacity. In particular, the Group is exposed to the risk of the variability of commissions linked to the investment services.

This risk is managed and mitigated by business policies and actions aimed at creating customer loyalty, in order to stabilise the profitability of the services rendered and to maintain a commercial offer with high added value, and which is also innovative and in line with the clientele's present needs and expectations.

The strategic risk is defined as the present and future risk of fluctuations in profits or capital deriving from changes in the competitive context, from bad strategic decisions on the part of the company, from inadequate implementation of strategic decisions, or from insufficient reactivity to variations in the competitive context. This risk can derive, for example, from a possible evolution in the reference parameters used for the strategic plan (such as the GDP, inflation, family saving, investments forecast for companies in the various economic sectors and geographic areas, etc.) which differ from market expectations, with the forecast of a positive effect on the Group's results which, on conclusion, may not be fulfilled. By constant monitoring of the management trend, of the most important company parameters and of all the other relevant variables, both inside and outside the Group, the company organs responsible for strategy can reduce this risk to a minimum, allowing for immediate remedial and/or corrective action in the case of change in the competitive and market contexts.

The reputation risk is defined as the present or future risk of decreases in profits and in capital, deriving from a negative perception of the Bank's image on the part of customers, counterparts, shareholders, investors or supervisory authorities, because of specific critical events concerning, for example, certain operating areas, products or processes.

Risk assumption, management and hedging targets and policies

The Group approaches its business on the basis of criteria of prudence and reduced exposure to risk, with regard to:

- the need for stability linked to the practice of the banking business;
- the profile of its investors.

Consistently with its risk tendency, the Group and its subsidiaries pursue the following aims:

- stable growth, featuring a limited variability of results and of corporate value;
- the creation of value for the shareholders with financial investments involving balanced risks/yields;
- strong fractioning of the credit risk, consistent with the aim of lending mainly to small and medium companies and families;
- exposure to the structural interest risk at a level that is more or less equal to the best practice of the sector, to be pursued also by the progressive hedging of risks relative to at-sight positions;
- the assumption of market risks strictly linked to commercial needs;
- the exclusion of risks that are extraneous to the core activity, and careful assessment of the initiatives that involve new types of risk;
- the development of risk monitoring methods that are increasingly more complete and accurate, also in order to identify internal models for supervisory purposes;
- the active management of company risks, by using the most advanced techniques.

Important events after the closure of the period

After the closure of the financial year 2008, in compliance with the Supervisory Provisions issued by the Bank of Italy on 4 March 2008, the Board of Directors Parent Company Banca Tercas has started up an articulated project which, in implementation of the new discipline, aims to ensure the Bank an effective organisational structure and effective corporate governance. The project includes the relative amendments to the Articles of Association, which will be presented at a forthcoming Special General Shareholders' Meeting within the term assigned by the Supervisory Authority.

The expected trend of operations

Economic growth is becoming more moderate and the risks of a global deceleration are the consequences of the strong turbulence in the second half of 2008 on international financial markets. Lending conditions have therefore become more restrictive and there is increased uncertainty. As regards prices, a fundamental issue for the future decisions of the European Central Bank, inflation should remain low. 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	Operating profit	Capital and reserves	Shareholders' equity
Parent Company's balance	40,014	302,859	342,873
Balances of the completely consolidated companies	(6,850)	3,299	(3,551)
Consolidation adjustments:			
- book value of consolidated shareholdings	0	0	0
- valuation of shareholdings carried at nominal price	0	0	0
- discounted dividends of completely consolidated companies	0	0	0
- discount of writedowns in net value of consolidated shareholdings	0	0	0
- other adjustments	(1,960)	(295)	(2,255)
Consolidated balance (gross of the % of third parties)	31,204	305,863	337,067
Pertaining to third parties	(22)	(70)	(92)
Consolidated balance (pertaining to the Group)	31,182	305,793	336,975

THE AUDITING COMPANY'S REPORT



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**RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 2409-TER
DEL CODICE CIVILE E DELL'ART. 116 DEL D. LGS. 24.2.1998, N. 58**

Agli Azionisti della

BANCA TERCAS – CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dallo stato patrimoniale, dal conto economico, dal prospetto dei movimenti del patrimonio netto, dal rendiconto finanziario e dalla relativa nota integrativa, della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. e sue controllate (Gruppo Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A.) chiuso al 31 dicembre 2008. La responsabilità della redazione del bilancio consolidato in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. N. 38/2005 compete agli Amministratori della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. È nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenute nel bilancio consolidato, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 11 aprile 2008.

3. A nostro giudizio, il bilancio consolidato del Gruppo Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. al 31 dicembre 2008 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/2005: esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, le variazioni del patrimonio netto ed i flussi di cassa del Gruppo Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. per l'esercizio chiuso a tale data.

Banca Ban. Bergamo Banca Banca Cagliari Firenze Genova Milano Napoli Padova Parma Perugia
Roma Torino Trieste Verona

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Member of
Deloitte Touche Tomatsu

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori della Banca Tercas – Cassa di Risparmio della Provincia di Teramo S.p.A. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dall'art. 156, comma 4-bis, lettera d), del D.Lgs. 58/98. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo Tercas – Cassa di Risparmio della Provincia di Teramo al 31 dicembre 2008.

DELOITTE & TOUCHE S.p.A.



Raffaele Fontana
Socio

Roma, 10 aprile 2009

Notes for reading the data

The following tables, in application of the International Accounting Standards, give a comparison between the Balance Sheet and the Income Statement for the financial year 2008 and the data relative to the previous year.

The current financial statement 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 2008		31 December 2007	
10.	Cash and cash equivalents		39,359		27,318
20.	Financial assets held for trading		206,607		273,336
30.	Financial assets carried at fair value		0		0
40.	Financial assets available for sale		78,218		132,826
50.	Financial assets held until maturity		0		0
60.	Loans to banks		164,676		99,557
70.	Loans to customers		2,900,578		2,698,465
80.	Hedging derivatives		0		0
90.	Changes in fair value of financial assets in hedged portfolios		0		0
100.	Shareholdings		0		0
110.	Insurance reserves attributable to re-insurers		0		0
120.	Tangible assets		34,571		34,596
130.	Intangible assets		232		196
	of which:				
	- goodwill		0		
140.	Tax assets		23,637		15,752
	a) current	12,408		4,869	
	b) prepaid	11,229		10,883	
150.	Non-current assets and groups of assets in the process of being sold		0		159,212
160.	Other assets		54,188		70,729
Total assets			3,502,066		3,511,987

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

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Liabilities and shareholders' equity		31 December 2008		31 December 2007	
10.	Due to banks		50,519		332,238
20.	Due to customers		1,938,434		1,911,347
30.	Securities issued		1,018,364		748,997
40.	Financial liabilities held for trading		2,458		1,875
50.	Financial liabilities carried at fair value		35,584		30,006
60.	Hedging derivatives		0		0
70.	Changes in fair value of financial liabilities in hedged portfolios		0		0
80.	Tax liabilities		2,229		15,226
	a) current	160		12,681	
	b) deferred	2,069		2,545	
90.	Liabilities linked to assets in the process of being sold		0		23,716
100.	Other liabilities		79,888		73,600
110.	Provision for severance indemnities		14,899		15,670
120.	Provisions for risks and charges:		22,623		31,840
	a) retirement benefits and other obligations	2,177		7,177	
	b) other provisions	20,446		24,663	
130.	Technical reserves		0		0
140.	Valuation reserves		5,497		9,787
150.	Redeemable shares		0		0
160.	Capital instruments		0		0
170.	Reserves		238,083		212,745
180.	Share premiums		46,092		45,870
190.	Capital		26,000		26,000
200.	Own shares (-)		(9,879)		(9,404)
210.	Equity pertaining to minority interests (+/-)		93		913
220.	Profit (Loss) for the period (+/-)		31,182		41,561
Total liabilities and shareholders' equity			3,502,066		3,511,987

CONSOLIDATED INCOME STATEMENT

	Items	31 December 2008	31 December 2007
10.	Interest income and similar revenue	214,942	186,260
20.	Interest expenses and similar charges	(87,505)	(64,721)
30.	Interest income	127,437	121,539
40.	Commission income	37,855	37,086
50.	Commission expense	(3,473)	(2,258)
60.	Net commission	34,382	34,828
70.	Dividends and similar revenues	983	1,322
80.	Net result of trading activities	(16,332)	(766)
90.	Net result of hedging activities	0	0
100.	Profit (loss) on the sale or repurchase of:	1,412	(2,418)
	a) loans	0	(2,656)
	b) financial assets available for sale	967	101
	c) financial assets held to maturity	0	0
	d) financial liabilities	445	137
110.	Net profit on financial assets carried at fair value	523	169
120.	Net banking income	148,405	154,674
130.	Net value of writedowns/writebacks for impairment of:		
	a) loans	(16,493)	(7,651)
	b) financial assets available for sale	0	0
	c) financial assets held to maturity	0	0
	d) other financial operations	195	(11)
140.	Net result of financial management	132,107	147,012
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	132,107	147,012
180.	Administrative expenses:	(96,101)	(89,364)
	a) personnel expenses	(56,390)	(52,541)
	b) other administrative expenses	(39,711)	(36,823)
190.	Net allocations to provisions for risks and charges	502	(1,901)
200.	Value writedowns/writebacks of tangible assets	(2,392)	(2,872)
210.	Value writedowns/writebacks of intangible assets	(110)	(109)
220.	Other operating expenses/income	11,646	13,247
230.	Operating costs	(86,455)	(80,999)
240.	Profits (losses) on shareholdings	0	265
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	3	261
280.	Before tax profit (loss) on current business	45,655	66,539
290.	Income taxes for the period on current business	(19,649)	(31,662)
300.	Profit (loss) on current business after taxation	26,006	34,877
310.	After tax profit (loss) on groups of assets in the process of being sold	5,198	6,735
320.	Profit (Loss) for the period	31,204	41,612
330.	Profit (Loss) pertaining to minority interests	22	51
340.	Profit of the period pertaining to the Parent Company	31,182	41,561

CONSOLIDATED CASH FLOW STATEMENT OF THE BANCA TERCAS GROUP

Direct method

A. OPERATING ASSETS	Amount	
	31-Dec-2007	31-Dec-2008
1. Operations (+/-)	26,665	23,346
- interest collected	214,019	176,140
- interest paid (-)	(98,471)	(54,983)
- dividends and similar revenues (+)	982	1,214
- net commission (+/-)	34,294	34,343
- personnel expenses (-)	(58,756)	(49,127)
- net premiums collected	0	0
- other insurance income/charges	(61)	2,126
- other costs (-)	(40,190)	(33,482)
- other income (writebacks due to collections +)	265	432
- duties and taxes paid (-)	(25,417)	(53,317)
- costs/income on groups of assets being sold, net of taxes	0	0
2. Liquidity generated/absorbed by financial assets (+/-)	(205,888)	(389,278)
- financial assets held for trading	66,828	306,153
- financial assets carried at fair value	0	0
- financial assets available for sale	54,608	(118,510)
- due from customers	(263,296)	(544,660)
- due from banks: payable on demand	(64,795)	(57,159)
- due from banks: other loans	0	25,275
- other financial assets / liabilities	767	(377)
3. Liquidity generated/absorbed by financial assets (+/-)	191,739	389,402
- due to banks: payable on demand	(100,368)	(17,531)
- due to banks: other debts	0	3,814
- due to customers	(96,136)	119,220
- securities issued	391,298	256,971
- financial liabilities held for trading	584	0
- financial liabilities carried at fair value	5,578	30,000
- other liabilities	(9,217)	(3,072)
Net liquidity generated/absorbed by operations (+/-)	12,516	23,470
B. INVESTMENTS		
1. Liquidity generated by (+)	18,531	1,242
- sale of equity investments	18,528	692
- dividends received from equity investments	0	209
- sale of financial assets held until maturity	0	0
- sale of tangible assets	3	341
- sale of intangible assets	0	0
- sale of subsidiaries and branches	0	0
2. Liquidity absorbed by (-)	(4,243)	(4,124)
- purchase of equity investments	(3,210)	(1,688)
- purchases of financial assets held to maturity	0	0
- purchase of tangible assets	(996)	(2,322)
- purchase of intangible assets	(37)	(114)
- purchase of subsidiaries and branches	0	0
Net liquidity generated/absorbed by investments (+/-)	14,288	(2,882)
C. PROVISIONING ACTIVITIES		
- issues/purchases of own shares	(475)	(7,266)
- issues/purchases of capital instruments	(14,300)	0
- distribution of dividends and other uses (fund for special financing activities)		(8,300)
Net liquidity generated/absorbed by provisioning activities (+/-)	(14,775)	(15,566)
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD (+/-)	12,029	5,022

RECONCILIATION

Items	31-Dec-08	31-Dec-07
Opening balance of cash and cash equivalents	27,318	22,284
Total net liquidity generated/absorbed in the period	12,029	5,022
Cash and cash equivalents: effect of variations in exchange rates	12	12
Closing balance of cash and cash equivalents	39,359	27,318

STATEMENT OF CHANGES IN NET EQUITY 01.01.2007 - 31.12.2007

	Balances at 31.12.2006	Change in opening balances (+/-)	Balances at 01.01.2007	Allocation of profit		Variation during the period							Shareholders' equity at 31.12.2007
				Reserves	Dividends and other distributions	year's results	Operations on shareholders' equity					Profit (Loss) for the period at 31.12.2007	
							New share issues	Purchase of own shares	Extraordinary dividend	Capital instrument variations	Derivatives on own shares		
Capital	26,000	0	26,000	0	0	0	0	0	0	0	0	0	26,000
a) ordinary shares	26,000	0	26,000	0	0	0	0	0	0	0	0	0	26,000
b) other shares	0	0	0	0	0	0	0	0	0	0	0	0	0
Share premiums	44,550	0	44,550	0	0	0	0	0	0	0	0	0	45,869
Reserves:	194,218	0	194,218	19,117	0	(589)	0	0	0	0	0	0	212,746
a) of profits	124,268	0	124,268	19,117	0	(589)	0	(9,404)	0	0	0	0	133,392
b) for purchase of own shares	0	0	0	0	0	0	0	9,404	0	0	0	0	9,404
c) FTA risks and charges provisions	593	0	593	0	0	0	0	0	0	0	0	0	593
d) FTA personnel funds	44	0	44	0	0	0	0	0	0	0	0	0	44
e) FTA credit evaluation	(2,672)	0	(2,672)	0	0	0	0	0	0	0	0	0	(2,672)
f) FTA reallocation of credit risk provisions	4,918	0	4,918	0	0	0	0	0	0	0	0	0	4,918
g) FTA reallocation of general bank risk provisions	64,228	0	64,228	0	0	0	0	0	0	0	0	0	64,228
h) FTA reallocation of depreciation provisions	2,958	0	2,958	0	0	0	0	0	0	0	0	0	2,958
i) FTA reallocation of securitisation quota	(2,880)	0	(2,880)	0	0	0	0	0	0	0	0	0	(2,880)
l) FTA evaluation of securities and derivatives	455	0	455	0	0	0	0	0	0	0	0	0	455
m) FTA consolidation differences	2,299	0	2,299	0	0	0	0	0	0	0	0	0	2,299
n) FTA financial instrument liabilities	7	0	7	0	0	0	0	0	0	0	0	0	7
Valuation reserves	10,244	0	10,244	0	0	(457)	0	0	0	0	0	0	9,787
a) available for sale	5,373	0	5,373	0	0	(457)	0	0	0	0	0	0	4,916
b) tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0
d) foreign investment hedging	0	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	0
f) foreign exchange differences	0	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	0
h) special revaluation laws	4,871	0	4,871	0	0	0	0	0	0	0	0	0	4,871
Capital instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Own shares	0	0	0	0	0	0	0	(9,404)	0	0	0	0	(9,404)
Operating profit	27,626	0	27,626	(19,117)	(8,509)	0	0	0	0	0	0	0	41,561
Net equity pertaining to the Group	302,638	0	302,638	0	(8,509)	(1,046)	0	(9,404)	0	1,319	0	0	326,559

The table showing changes in the Consolidated Equity, contains neither the equity pertaining to third parties, of 862 thousand euros, nor the profit pertaining to third parties, of 51 thousand euros, for a sum total of 913 thousand euros.

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY 01.01.2008 - 31.12.2008

	Balances at 31.12.2007	Change in opening balances (+/-)	Balances at 01.01.2008	Allocation of previous year's profit		Variation during the period						Shareholders' equity at 31.12.2008	
				Reserves	Dividends and other distributions	Reserve variations	Operations on shareholders' equity						Profit (Loss) for the period at 31.12.2008
							New share issues	Purchase of own shares	Extraordinary dividend	Capital instrument variations	Derivatives on own shares		
Capital	26,000	0	26,000	0	0	0	0	0	0	0	0	0	26,000
a) ordinary shares	26,000	0	26,000	0	0	0	0	0	0	0	0	0	26,000
b) other shares	0	0	0	0	0	0	0	0	0	0	0	0	0
Share premiums	45,869	0	45,869	0	0	0	0	0	0	0	0	0	46,091
Reserves	212,746	0	212,746	27,261	0	(1,923)	0	0	0	0	0	0	238,084
a) of profits	133,392	0	133,392	27,261	0	(2,398)	0	0	0	0	0	0	158,255
b) for purchase of own shares	9,404	0	9,404	0	0	475	0	0	0	0	0	0	9,879
c) FTA risks and charges provisions	593	0	593	0	0	0	0	0	0	0	0	0	593
d) FTA personnel funds	44	0	44	0	0	0	0	0	0	0	0	0	44
e) FTA credit evaluation	(2,672)	0	(2,672)	0	0	0	0	0	0	0	0	0	(2,672)
f) FTA reallocation of credit risk provisions	4,918	0	4,918	0	0	0	0	0	0	0	0	0	4,918
g) FTA reallocation of general bank risk provisions	64,228	0	64,228	0	0	0	0	0	0	0	0	0	64,228
h) FTA reallocation of depreciation provisions	2,958	0	2,958	0	0	0	0	0	0	0	0	0	2,958
i) FTA reallocation of securitisation quota	(2,880)	0	(2,880)	0	0	0	0	0	0	0	0	0	(2,880)
j) FTA evaluation of securities and derivatives	455	0	455	0	0	0	0	0	0	0	0	0	455
m) FTA consolidation differences	2,299	0	2,299	0	0	0	0	0	0	0	0	0	2,299
n) FTA financial instrument liabilities	7	0	7	0	0	0	0	0	0	0	0	0	7
Valuation reserves	9,787	0	9,787	0	0	(4,290)	0	0	0	0	0	0	5,497
a) available for sale	4,916	0	4,916	0	0	(4,290)	0	0	0	0	0	0	626
b) tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0
c) intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0
d) foreign investment hedging	0	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	0
f) foreign exchange differences	0	0	0	0	0	0	0	0	0	0	0	0	0
g) non-current as and groups of assets in the process of being sold	0	0	0	0	0	0	0	0	0	0	0	0	0
h) special revaluation laws	4,871	0	4,871	0	0	0	0	0	0	0	0	0	4,871
Capital instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Own shares	(9,404)	0	(9,404)	0	0	0	0	(475)	0	0	0	0	(9,879)
Operating profit	41,561	0	41,561	(27,261)	(14,300)	0	0	0	0	0	0	0	31,182
Net equity pertaining to the Group	326,559	0	326,559	0	(14,300)	(6,213)	0	(475)	0	222	0	0	336,975

The table showing changes in the Consolidated Equity, contains neither the equity pertaining to third parties, of 71 thousand euros, of 71 thousand euros, nor the profit pertaining to third parties, of 22 thousand euros, for a sum total of 93 thousand euros.