



Dear Shareholders:

Based on the preliminary results for year 2008, the Bulgarian-American Credit Bank (BACB) earned approximately Euro 27.6 million while growing assets to Euro 419.8 million and net loans and advances to customers to Euro 347.0 million.

In EUR '000	2008 (unaudited)	2007	2006
Net interest income	40,740	35,220	24,379
Other income, net	2,320	3,882	2,559
Operating income	43,060	39,102	26,938
Operating expenses	(6,044)	(6,111)	(5,259)
Operating profit	37,016	32,991	21,679
Income before taxation	30,665	30,186	19,527
Net income	27,614	27,157	17,455
Total assets	419,771	357,756	248,520
Loans and advances to customers, net	347,002	301,733	193,263
Shareholders' equity	97,250	79,576	57,114
Return on Average Equity *	31.2%	39.7%	36.0%
Cost-to-Income	14.0%	15.5%	19.3%

\* Annualized return on average equity is calculated by dividing net income by the simple average of shareholders' equity for the beginning and the ending of the period.

Growth and profitability continued to be fueled by loan demand in the SME sector, which is the focus of BACB's strategy. During the year net loan portfolio grew by 15.0% to EUR 347.0 million.

Net income grew by 1.7% year-over-year, which among other things reflects a higher provision for impairment expense and slightly lower net interest margin owing to higher funding cost. Operating profit grew 12.2% year-over-year. The Bank continues to operate efficiently and the cost-to-income ratio decreased to an industry best 14.0%. While loan quality remains good, in the fourth quarter of 2008 the Bank increased its provisions for impairment by EUR 3.3 million to provide additional cushion. During the quarter loans classified as non-performing (NPL) increased by EUR 2.3 million from 5.6% of gross loan portfolio at 30 September, 2008 to 6.1% at 31 December, 2008.

Total capital adequacy ratio (Basel II) at December 31, 2008 on a consolidated basis was 16.86% -- well in excess of the Bulgarian National Bank requirement of 12%.

BACB continues to be very profitable with return on equity of 31.2% for 2008. Profit after tax, return on assets, the ratio of cost to income, and net interest margin were about as planned.

Negative global economic developments are being felt more acutely since September 2008. For the time being these developments have not yet had a significant impact upon the Bank or its clients. However, if adversity persists, NPLs may increase, resulting in higher provisions for impairment expense. In addition, BACB relies upon wholesale funding and, depending upon market developments, the availability of wholesale funds and their cost could become an issue. To date, we have seen some tightening in availability and, as a result, have experienced an increase in funding cost. Therefore, in light of the uncertainty of how global economic conditions will affect the Bulgarian economy, management has moderated its growth objectives and strengthened risk management.

The Bank has performed internal assessments and stress tests to measure the possible impact of a deterioration of the business environment on its portfolio. Based on the results, management believes that given BACB's high provision levels, strong capital base and low write-off levels (five year average of EUR 207 thousand), the Bank is adequately positioned to face the economic hardships that might befall on Bulgarian SMEs.

In the fourth quarter of 2008 certain changes have occurred to the composition of the Bank's Supervisory Board and Management Board following the decisions of the Extraordinary General Meeting (EGM) of the Shareholders, held on 20 October 2008. The EGM elected three new members to the Supervisory Board: Mr. Gerald Byrne, Mr. John Power and Mr. Evgeni Ivanov. Mrs. Maria Sheytanova, formerly COO of the Bank, was promoted to a member of the Management Board and Executive Director. Messrs. Frank Bauer and Stoyan Dinchiiski resigned as Executive Directors of the Bank, however Mr. Bauer remains as a Non-Executive member of the Management Board.

On 18 November 2008, Standard & Poor's Ratings Services affirmed BACB's credit rating at BB+ /B and revised the outlook to negative from stable citing concerns that the rising economic risks in Bulgaria may have adverse impact on the Bulgarian financial sector.

In summary, while operating in an uncertain economic environment, overall 2008 was a good year for BACB. We remain optimistic about our prospects. While the Bank will need to continue to closely manage the existing portfolio, it will also be aiming at taking advantage of the opportunities that the current instability creates. In 2009 BACB plans to continue its managed growth policy with a focus on diversifying the loan portfolio and broadening sources of funding.



Dimiter Voutchev  
Executive Director



Maria Sheytanova  
Executive Director

January 16, 2009