

**INTERIM MANAGEMENT REPORT ON THE ACTIVITIES OF THE  
BULGARIAN AMERICAN CREDIT BANK AD ON CONSOLIDATED BASIS FOR  
THE FIRST THREE MONTHS OF 2009**

**SOFIA, APRIL 28<sup>TH</sup>, 2009**

**GENERAL INFORMATION**

The Bank continues to be a specialist provider of secured finance to small- and medium-sized businesses in Bulgaria, with specific lending programs for financing SME companies in a variety of industries, and companies in the tourism and construction sectors.

In the first three months of 2009 the Bulgarian banking system operated in more difficult economic conditions as a result of the deepening economic crisis. In recognition of the adverse developments, which started in late 2008, BNB continued to implement a counter-cyclical policy, including through regulatory changes designed to loosen reserve requirements and provisioning requirements. The competitive landscape continues to change rapidly with banks shifting their attention from growing their loan books to deposit gathering and risk management.

Management believes that the Bank is well positioned to meet the challenges of this new environment, and that the Bank's efficiency and prompt decision-making will allow it to continue to operate successfully in this constantly changing landscape. In particular, management believes that the Bank's focused strategy and specialization in serving its selected target market and services, combined with its cost efficiency, prudent risk management and solid capitalization will continue to support BACB's business prospects.

In summary, while operating in an uncertain economic environment, in 2009 BACB continues its managed growth policy with a focus on risk management and broadening sources of funding.

**OVERVIEW OF THE ACTIVITY IN THE FIRST THREE MONTHS OF 2009**

During the quarter BACB continued to pursue its strategy of managed growth focusing on achieving profitability, excellent efficiency and protecting asset quality by improving risk management and performing successful workouts and foreclosures.

Since inception in 1996, the Bank has pursued a policy of managed growth. Loans and advances to customers comprise the Bank's principal asset (currently 84.9%) of its consolidated balance sheet. At March 31, 2009 the Bank had BGN 687.2 million of net loans and advances to customers, compared to BGN 676.3 million at December 31, 2008, a slight increase by 1.6% on consolidated basis. Overall, for the quarter the Bank achieved good results with return on equity of 27.8%.

Negative global economic developments are being felt more acutely since the end of 2008 and during the first quarter of 2009. This, combined with the gas crisis, has resulted in a more visible impact upon the Bank's clients. If adversity persists, loan quality may deteriorate further, 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 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 further affect the Bulgarian economy, for 2009 management has further moderated its growth objectives and strengthened risk management.

During the quarter the risk of negative economic developments in Bulgaria deepened as indicators such as unemployment rate and industrial production have worsened. Any such changes could affect the financial condition of the Group and its results.

A more general discussion on the major risks and uncertainties that the Bank faces is presented in the Annual Consolidated Management Report for 2008, which has been made available to the Financial Supervision Commission (FSC) and the public.

The Annual Report is also available on the web page of the Bank:  
<http://www.bacb.bg/en/reports.php?id=3>

Also available on the web site is a presentation summarizing the performance of the Bank during the quarter.

### Results at March 31, 2009

According to unaudited data on consolidated basis operating profit increased by 13.6% from BGN 17.6 million at March 31, 2008 to BGN 20.0 million at March 31, 2009. Net profit decreased by 9.9% from BGN 16.6 million at March 31, 2008 to BGN 15.0 million at March 31, 2009. The decrease in net profit reflects primarily a higher provisions for impairment expense, while net interest margin increased slightly.

The following table presents information on the two most important financial ratios measuring the development of the bank in recent years.

<b>Ratio</b>	<b>First three months of 2009</b>	<b>2008</b>	<b>First three months of 2008</b>
Return on Average Equity *	27.8%	30.1%	36.2%
Cost-to-Income	12.9%	14.0%	14.5%

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

### Loan portfolio and asset quality

For the first quarter of 2009 net loan portfolio grew by 1.6% on consolidated basis. To reflect certain deterioration in the loan quality, in the first quarter of 2009 the Bank increased its provisions for impairment by BGN 5.0. At 31 March, 2009 provisions for impairment amounted to 6.9% of gross loan portfolio. During the quarter loans in arrears of over 90 days increased from 5.8% of gross loan portfolio at 31 December, 2008 to 8.3% at 31 March, 2009. No write-offs were recorded during the quarter.

### Liquidity and funding

In executing its funding strategy the Bank adheres to the principles of diversification and optimization of the interest expense in providing for the liquidity needs of the Bank.

The most significant repaid obligations during the first quarter of 2009 and up to the date of this report were as follows:

1. On April 6, 2009 the fourth issue of BACB mortgage bonds in the amount of EUR 10 million matured. The issue was fully repaid.

During the quarter BACB continued to work on the further diversification of its sources of funding. The Bank is taking deposits since year 2000 but in the first quarter of 2009 it launched its first ever deposit raising campaign addressed to the general public. At 31 March 2009 the Bank had over BGN 105 million of liquid assets.

The liquidity crisis on the international markets and the unfavorable economic developments have led to an increase in funding cost over the last several quarters. Depending upon future market developments, the availability of wholesale funds and their cost could become an issue which would have a negative impact on results of operation.

BACB is well positioned to face all of its remaining maturing liabilities during 2009.

### Capital resources

At March 31, 2009 the capital adequacy ratio of BACB on consolidated basis (under Basel II) was 16.1%.

The Bank has a strong capital base that continues growing due to the Bank's high profitability.

### Corporate events

1. On January 16, 2009 BACB published its preliminary consolidated and individual financial reports as of December 31, 2008, together with the respective interim activity reports and letter to the shareholders.

More details are available in the "Reports/Financial Data" Section of BACB's web site:  
<http://www.bacb.bg/en/reports.php?year=2008>

2. On February 19, 2009 BACB announced its audited financial results for 2008 on consolidated and individual basis. The Supervisory Board of BACB proposed the Annual General Meeting of the Shareholders to approve a resolution the 2008 profit of BACB after taxation to be allocated to the BACB Reserve Fund.

More details are available on BACB's web site here:  
<http://www.bacb.bg/en/investors-news.php?page=2>

3. On February 19, 2009 according to decisions made by the Supervisory Board of BACB the following changes are made in the Management Board of the Bank:

Mrs. Silvia Kirilova Kirilova is elected to serve as non-executive member of the Management Board and Mr. Frank Bauer is relieved as member of the Management Board of BACB.

4. On February 20, 2009 BACB published its audited consolidated and individual financial statements for 2008.

More details are available in the "Reports/Financial Data" Section of BACB's web site:  
<http://www.bacb.bg/en/reports.php?id=3>

5. On March 19, 2009 BACB published the invitation and the agenda for the Annual General Meeting of the Shareholders (AGM) for 2008 on 29 April 2009 at 11:00 at Crystal Palace Hotel, 14 Shipka Str., Sofia 1504. The agenda and the materials are made available to the shareholders, and at the web site of the Bank here: <http://www.bacb.bg/en/annual-meeting.php?year=2009> .

6. On March 25, 2009 the following changes in the Management Board of BACB were recorded in the Commercial Registry: Mr. Frank Bauer is relieved as member of the Management Board of BACB and Mrs. Silvia Kirilova is appointed to serve as non-executive member of the Management Board of BACB.

## ADDITIONAL INFORMATION FOR THE FIRST QUARTER OF 2009

1. The accounting policy of the Group was not changed or amended.
2. No changes to the economic group controlled by the Bank were made.
3. No organizational changes, such as mergers, acquisitions or disposals of assets, were made.
4. The Bank does not publish earnings estimates or forecasts.
5. Information on the persons having direct or indirect interest of at least 5% of the votes in the general meeting of the shareholders at March 31, 2009 and changes in their shareholding since December 31, 2008

According to: (1) the shareholders' book kept by the Central Depository AD; (2) data from the shareholders' notifications as per art. 145 and 146 of POSA; and (3) the power of attorneys and the accompanying constitutive documents of shareholders, presented at the General Meeting of the Shareholders, at March 31, 2009 the persons having direct or indirect shareholding (as per art. 146 of POSA) of 5 or more than 5% of the voting shares of the Bank are as follows:

Shareholder	Address	Number of shares owned at March 31, 2009	Per cent of the voting shares at March 31, 2009	Number of shares owned at December 31, 2008	Per cent of the voting shares at December 31, 2008
ALLIED IRISH BANKS, p.l.c.	Bankcentre, Ballsbridge, Dublin 4, Ireland	6,311,100	49.99%	6,311,100	49.990%
TOTAL GRAMERCY EMERGING MARKETS FUND (GEMF) (directly and indirectly)	W.S WALKER&CO. CALEDONIA HOUSE GEORGETOWN GRAND CAYMAN CAYMAN ISL	3,903,399	30.92%	3,903,399	30.92%
<b>Of Which:</b>					
GEMF (directly)	W.S WALKER&CO. CALEDONIA HOUSE GEORGETOWN GRAND CAYMAN CAYMAN ISL	3,903,399	30.92%	2,150,355	17.03%
BALKAN VENTURES LLC (indirectly: managed by GRAMERCY ADVISERS LLC, 100% owned by GEMF)	20 DAYTON AVENUE GREENWICH,CT 06830 USA	-	0.00%	1,262,042	10.00%
RILA VENTURES LLC (indirectly: managed by GRAMERCY ADVISERS LLC, 100% owned by GEMF)	1209 ORANGE STREET,WILMINGTON, USA	-	0.00%	491,002	3.89%

6. Information on the shares held by members of the Management Board and the Supervisory Board of the Bank at March 31, 2009 and for changes occurred after December 31, 2008.

The following table contains information about the members of the Management Board and the Supervisory Board of the Bank who own shares of the Bank. No other current members of the Management Board and the Supervisory Board of the Bank have possessed or have traded with BACB shares and therefore currently they do not own any shares.

Name	Member of a governing body	Number of shares owned (directly and indirectly) at March 31, 2009	Per cent of the voting shares owned at March 31, 2009	Number of shares owned (directly and indirectly) at December 31, 2008	Per cent of the voting shares owned at December 31, 2008
Dimitar Voutchev	Management Board	14,291	0.113%	14,291	0.113%
Maria Sheytanova	Management Board	4,159	0.033%	4,159	0.033%
Silvia Kirilova	Management Board	1,242	0.010%	1,242	0.010%

7. The Bank and Kapital Direct EAD are not parties to any pending court, administrative or arbitrary proceedings concerning liabilities or obligation amounting to 10% or more than 10% of their own equity.
8. Information on loans, guarantees or any engagements extended by the Bank or Kapital Direct EAD to a single person or their subsidiary, including related parties.

BACB is a bank and the main business of its subsidiary Kapital Direct EAD is also extending loans. The interim reports of BACB, the annual reports and its prospectus contain detailed information on the loan portfolio, large exposures and assets quality of the Group.

## **TRANSACTIONS WITH RELATED PARTIES**

Pursuant to the applicable accounting standards related parties are parties where one of the parties can control or exercise significant influence on the other when making financial decisions and decisions on the activity of the company.

1. Transactions between related parties concluded during the reporting period that had significant effect on the financial condition or the results of operation during the period.

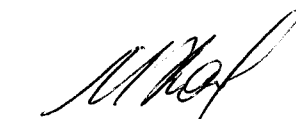
The Bank executes transactions with related parties only in the regular course of its business. These transactions are executed at an arms length basis and include extension of loans, accepting of deposits and transactions with securities.

2. Changes in the transactions executed with related parties disclosed in the annual report that have significant effect on the financial condition or the results of operation of the Bank for the first quarter of 2009.

There were no significant changes in the transactions executed with related parties reported in the annual report for 2008 that have a significant effect on the financial condition and the results of operation of the Group during the first quarter of 2009. Since March 26, 2009 BAEF and its economic group are no longer related parties to the Bank.



Dimiter Voutchev  
Executive Director



Maria Sheytanova  
Executive Director