

Dear Shareholders:

During fiscal year 2007, the Bulgarian-American Credit Bank (BACB) earned approximately Euro 27.2 million while growing assets to Euro 357.8 million and net loans and advances to customers to Euro 301.7 million.

In EUR '000	2007	2006
Net interest income	35,220	24,379
Other income, net	3,881	2,559
Operating income	39,101	26,938
Operating expenses	(6,103)	(5,259)
Operating profit	32,998	21,679
Income before taxation	30,185	19,527
Net income	27,165	17,455
Total assets	357,756	248,520
Loans and advances to customers	301,733	193,263
Shareholders' equity	79,576	57,114
Return on Average Equity *	39.7%	36.0%
Cost-to-Income	15.5%	19.3%

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

Net income grew by 55.6% year-over-year due to growth in the loan portfolio, sustained net interest margin and low expense growth. Operating profit grew by 55.2% year-over-year. Loan quality remains high and an additional loan reserve expense of EUR 2.8 million was recorded as a precautionary measure.

Growth and profitability continued to be fueled by strong loan demand, reflecting favorable business conditions in Bulgaria and BACB's focus on the vibrant SME sector.

- In 2007 the loan portfolio grew by 56.1% to EUR 301.7. At the same time, growth prospects remain high as loans committed but not yet disbursed grew 28.5% year-over-year to EUR 59.9 million.

- Return on average equity was 39.74%, return on average assets 8.96% and profit after tax, the ratio of cost to income, and net interest margin all equaled or exceeded expectations.

- In August, 2007 the Bulgarian National Bank (BNB) increased its minimum reserve requirements from 8% to 12% of attracted funds. It is hoped that this measure will slow down the growth in bank loans to 20-30% p.a. Management believes that this will not have a significant impact on the Bank's competitiveness and profitability. Further restrictive measures are possible but the nature of such measures and their likelihood cannot be assessed.

- The international liquidity crisis experienced in August, and to some extent continuing to today, has not had a significant impact upon BACB's ability to finance its activity. Still, BACB relies upon wholesale funding and, depending upon further market developments, there is a chance that BACB's funding costs will increase; however, in such event management does not expect this to threaten the Bank's competitiveness. In January, 2008 Standard & Poor's affirmed the Bank's credit rating – BB/Stable/B.

Total capital adequacy ratio at December 31, 2007 on a consolidated basis was 15.48% -- well in excess of the Bulgarian National Bank requirement of 12%.

For a fifth year in a row BACB received Finance Central Europe's achievement awards for Best Bank in Bulgaria. This year performance was recognized in two categories - by ROE and ROA.

In summary, BACB had a record year in 2007 as the bank continues to broaden and strengthen its participation in the SME sector, which is benefiting from EU accession, continuing foreign direct investment and accelerated structural spending. All of this leads to Bulgaria having one of the best growth stories in the region. We believe that this will continue in 2008 and beyond and as a result that the Bank will maintain a high level of profitability and grow at rate commensurate with that of the banking system.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Frank L. Bauer', with a long horizontal line extending to the right.

Frank L. Bauer,
Chairman of the Management Board and Chief Executive Officer

January 11, 2007