

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

SOFIA, JULY 22ND, 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 six 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 fast and flexible business model will allow it to continue to operate successfully. 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.

OVERVIEW OF THE ACTIVITY IN THE FIRST SIX MONTHS OF 2009

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

Loans and advances to customers comprise the Bank's principal asset (currently 86.5%) of its consolidated balance sheet. At June 30, 2009 the Bank had BGN 683.9 million of net loans and advances to customers, compared to BGN 676.3 million at December 31, 2008, a slight increase by 1.1% on consolidated basis. Overall, for the six month period the Bank achieved good results with return on equity of 23.8%.

Negative global economic developments continued to affect the Bulgarian economy during the second quarter of 2009, resulting in a visible impact upon the Bank and the Bank's clients. In mid-July, 2009 Standard and Poor's reduced BACB's credit rating to BB-/Negative/B citing the increased economic risks in the Republic of Bulgaria and the negative impact of the deteriorated domestic environment on the bank's financial profile.

If adversity persists, loan quality may continue to deteriorate, resulting in further increases in 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 continue to observe tightening in availability and, as a result, have experienced an increase in funding cost. In order to further diversify its sources of funding in the second quarter of 2009 the Bank launched its first deposit product advertizing campaign aiming at increasing its deposit base. Initial results are encouraging and BACB intends to continue to build upon this initial success. In addition, in light of the uncertainty of how global economic conditions will further affect the Bulgarian

economy, management continues to operate with moderated growth objectives and strengthened risk management.

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

On the positive side, the political risk associated with the general election has been removed. One of the centre-right political parties, GERB, won 116 of the 240 seats in parliament and chances are that Bulgaria will not experience political instability while dealing with the economic crisis. The political stability should strengthen the new government's willingness and ability to take the necessary steps to manage Bulgaria's fiscal position and to increase utilization of the EU accession funds.

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 six month period.

Results at June 30, 2009

According to unaudited data on consolidated basis operating profit decreased by 2.7% from BGN 37.8 million at June 30, 2008 to BGN 36.7 million at June 30, 2009. The decrease is due to a fall of BGN 2.0 million in net fee and commission income, which in turn is primarily due to the lower loan portfolio growth. Net profit decreased by 23.4% from BGN 31.0 million at June 30, 2008 to BGN 23.7 million at June 30, 2009. The decrease in net profit reflects primarily a higher provisions for impairment expense and a lower net fee and commission income, while net interest margin decreased only slightly.

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

Ratio	First six months of 2009	2008	First six months of 2008
Return on Average Equity *	23.8%	30.1%	38.3%
Cost-to-Income	14.9%	14.0%	13.8%

* 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 six months of 2009 net loan portfolio grew by 1.1% on consolidated basis. To reflect certain deterioration in the loan quality, during the period the Bank increased its provisions for impairment by BGN 10.4 million. At 30 June, 2009 provisions for impairment amounted to 7.5% of gross loan portfolio. During the six month period loans in arrears of over 90 days increased from 5.8% of gross loan portfolio at 31 December 2008 to 9.4% at 30 June 2009. Recorded write-offs were BGN 0.4 million.

The Bank continuously performs internal assessments and stress tests to measure the possible impact of a further deterioration of the business environment on its portfolio. Management believes that given BACB's conservative provisioning policies and strong capital base, the Bank is adequately positioned to face the economic hardships of the Bulgarian SMEs.

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 half of 2009 and up to the date of this report were as follows:

1. In April, 2009 the fourth issue of BACB mortgage bonds in the amount of EUR 10 million matured. The issue was fully repaid.
2. Since the beginning of the year BACB repaid at maturity EUR 13 million of maturing loans from international banks.
3. BACB repaid scheduled obligations to IFI's totaling EUR 4.6 million;
4. In the second quarter of 2009 a maturing line from BSTDB for EUR 12.5 million was rolled over for an additional 12 month period.

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 working on the broadening of its sources of funding. As part of that effort, in 2009 the Bank introduced its first ever deposit promotions addressed to the general public. Initial results are encouraging and BACB intends to continue to build upon this success. At 30 June 2009 the Bank had over BGN 92.7 million of liquid assets.

BACB is well positioned to meet all of its maturing liabilities over the next 12 months.

Capital resources

At June 30, 2009 the capital adequacy ratio of BACB on consolidated basis (under Basel II) was 22.2%.

The Bank has a strong capital base that continues growing due to the Bank's high profitability. The strong capital position was further enhanced by the full retention of the 2008 profits as decided by the AGM, held in April 2009.

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.

7. On April 28, 2009 BACB published its preliminary consolidated and individual financial reports as of March 31, 2009, 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=2009>

8. The Annual General Meeting of the Shareholders (AGM) of the Bank was held on April 29, 2009. The AGM approved all proposals made by the Bank's Supervisory Board. The materials for the AGM and the minutes are available on BACB's web site (<http://www.bacb.bg/en/annual-meeting.php>). Among others the agenda included proposals for profit retention; for creation of an Audit Committee pursuant to the requirements of the Independent Financial Audit Act; for determination of the remuneration and the guarantees of the members of the Supervisory Board and the Management Board; for amendments to the Bank's by-laws and for approval to get financing by Allied Irish Banks, p.l.c., a shareholder of 49.99% of BACB shares and an interested party within the meaning of art.114, (5) of POSA, under an interbank credit line with maximum size of EUR 50 million.

The AGM decided the 2008 profit of BACB after taxation to be allocated to the BACB Reserve Fund. The AGM accepted the resignation of Mr. Steven Fillo as member of the Supervisory Board. Information about the members of the Management Board and the Supervisory Board of the Bank is available on the Bank's web site (<http://www.bacb.bg/en/profile.php>). The Bank declared adherence to the National Code for Corporate Governance (<http://www.bacb.bg/en/corporate-governance.php>)

9. On 17 July 2009 Standard & Poor's Ratings Services announced that it is lowering BACB's long-term credit rating to BB- from BB+. The short-term rating is affirmed at "B" and the outlook remains negative.

ADDITIONAL INFORMATION FOR THE SECOND 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 June 30, 2009 and changes in their shareholding since March 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 June 30, 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 June 30, 2009	Per cent of the voting shares at June 30, 2009	Number of shares owned at March 31, 2009	Per cent of the voting shares at March 31, 2009
ALLIED IRISH BANKS, p.l.c.	Bankcentre, Ballsbridge, Dublin 4, Ireland	6,311,100	49.99%	6,311,100	49.990%
GRAMERCY EMERGING MARKETS FUND (GEMF) - directly or indirectly	W.S WALKER&CO. CALEDONIA HOUSE GEORGETOWN GRAND CAYMAN CAYMAN ISL	3,903,399	30.92%	3,903,399	30.92%
Of Which:					
GEMF (directly)	W.S WALKER&CO. CALEDONIA HOUSE GEORGETOWN GRAND CAYMAN CAYMAN ISL	3,790,899	30.03%	3,903,399	30.92%
GRAMERCY BACB PARTNERS LLC	CORPORATION TRUST CENTER, 1209 ORANGE STR.	112,500	0.89%	-	0.00%

6. Information on the shares held by members of the Management Board and the Supervisory Board of the Bank at June 30, 2009 and for changes occurred after March 31, 2009.

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 June 30, 2009	Per cent of the voting shares owned at June 30, 2009	Number of shares owned (directly and indirectly) at March 31, 2009	Per cent of the voting shares owned at March 31, 2009
Dimiter 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 to a single person or their subsidiary, including related parties.

BACB is a bank and its main business is 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 had significant effect on the financial condition or the results of operation of the Bank for the second quarter of 2009.

There were no changes in the transactions executed with related parties reported in the annual report for 2008 that have had a significant effect on the financial condition and the results of operation of the Group during the first half of 2009. For details on these transactions, please see the "Related Parties Transactions" section of the Notes to the Consolidated Financial Statements as of June 30, 2009. .