

This document is a translation in English of the Interim Management Report on the Activities of the Bulgarian-American Credit Bank AD on consolidated basis for the twelve months of 2012. This translation is not official and is prepared for investors' convenience only. In case of discrepancies between this translation in English and the original text of the report in Bulgarian, the Bulgarian version shall prevail.

INTERIM MANAGEMENT REPORT ON THE ACTIVITIES OF THE BULGARIAN-AMERICAN CREDIT BANK AD ON CONSOLIDATED BASIS FOR THE TWELVE MONTHS OF 2012

SOFIA, JANUARY 25TH, 2012

GENERAL INFORMATION

In the fourth quarter of 2012 Bulgarian-American Credit Bank continued to pursue its main targets for small and medium-sized enterprise (SME) financing and retail banking expanding by offering diverse retail loan products and transaction banking.

At the beginning of December BACB officially started issuing international debit cards to individuals – VPay, contactless MasterCard Standard and MasterCard Gold as well as VISA Business debit cards – to companies. The Bank is at the final stage of implementing its project of issuing credit cards and shall start their offering in the forthcoming months.

Simultaneously BACB continues to search for balance and diversification of its loan portfolio through exposures to corporate customers and other sectors with strong fundamentals such as renewable energy.

BACB continues to consider as its priority the financing of projects that are contracted under the EU operational programs. A special department in the Bank is responsible for the cooperation with the EU operational programs and financial institutions. The main purpose of the department is to offer the Bank's clients a variety of services throughout all stages of the development of the projects based on the EU operational programs.

Besides the relatively stable macro position of the Bulgarian economy and the high credibility in the country, which was further confirmed at the beginning of July by the successful issuance of 5-year euro bonds of EUR 950 million at 4.436% yield, the recovery of the Bulgarian economy remains dependent on external factors and especially the ongoing uncertainty in the Eurozone that fell into second recession since 2009 during the reporting period.

According to the latest BNB data for the condition of the Bulgarian banking system¹, the activities of the credit institutions remained under the influence of the inherent year-to-date factors – maintained stable liquidity position and good levels of profitability.

The liquid assets ratio of the banking system was 25.93% as at November 30, 2012.

The dynamics in the balance sheets of the commercial banks is determined by the growth of the attracted funds.

The loans and advances increased as at the end of November mainly due to increase in the debt instruments of foreign issuers. The period can be characterized by the increase in the amount of the securities held to maturity and available for sale, while the amount of the financial assets designated at fair value in the profit or loss decreased. At the same time the cash reported at the balance sheet of the banking system as at November 30 2012 decreased by 2.0% (BGN 162 million).

¹ BNB data as at November 30, 2012 (www.bnb.bg)

In November the gross loans and advances increased by 0.5% (BGN 311 million). The reported increase of 1.4% (BGN 582 million) in corporate loans is the most significant one as of year-to-date. The loan exposures to governments and non-credit institutions also increased. No significant changes in retail loans have been observed. The receivables from credit institutions decreased by 2.8% (BGN 232 million).

In November 2012 the amount of attracted funds increased with BGN 2.3 billion (3.4%) due to increase in all the major sources of funding. The resource from credit institutions registered growth of 19.9% (BGN 1.8 billion) predominantly determined by repo transactions with securities of foreign issuers. Deposits from individuals and households increased by 1.2% (BGN 409 million) or with a growth rate almost three times higher compared to the previous month. Increases in the attracted funds from non-credit institutions (up 0.3%) and in the hybrid debt-equity instruments (up 8.8% or BGN 42 million) are also reported.

The dependence of the Bulgarian banking system to external financing maintains its downward trend. This is evident from loans-to-deposits ratio of 99.7%² as at November 30, 2012 compared to the 119.4% in the end of 2008.

During the period September – November 2012 the net loans to corporate clients increased by 0.74% compared to the previous three months and the retail consumers and mortgage loans increased by 0.01% after provisions. The provisions for impairment for the period September – November 2012 increased by 2.31% compared to June – August.

For September – November 2012 the individuals and corporate deposits in the banking system increased by 0.55% compared to June – August, while their share in the total attracted funds in the banking system as at November 30, 2012 is 80.47%.

An indication for the expected economic development of Bulgaria in 2013 is the low growth rate of GDP. In its latest annual review for Bulgaria from the beginning of October the International Monetary Fund (IMF) projects real GDP growth of 1.5% in 2013, due to stronger domestic demand arising from the use of EU structural funds, and indications of export recovering. The economy remains exposed to external risks, particularly from the continuing crisis in the Eurozone.

In its latest report “Global Economic Prospects – January 2013” the World Bank decreased its global GDP growth forecasts from 3% to 2.4%. The World Bank’s analysts see as major obstacle to the global economy development the extremely slow recovery of the developing countries. The prospects for Bulgaria’s GDP growth in 2013 are also down to 1.5% from previously projected 2.5%. Thus the World Bank projections for Bulgaria’s GDP growth is similar to the levels projected by the Ministry of Finance in 2013 Budget - 1.9%. As a major argument for the downward revision of the World Bank is the sharp contraction of Bulgarian Industrial Production (down 13.1% annualized), the fastest decrease in Southeast Europe.

Management anticipates 2013 to be a year of challenges, but also one of new opportunities. Management believes that given the Bank’s conservative provisioning policy and high capital adequacy ratio BACB remains adequately positioned to face the economic difficulties of the Bulgarian SMEs and to present flexible solutions corresponding to the needs of its corporate, SMEs and retail, potential and existing customers. The strong growth in the deposit base combined with prudent risk management and the Bank’s fast and versatile business model will allow it to take advantage of the opportunities offered by the changing market environment.

OVERVIEW OF THE ACTIVITIES FOR THE TWELVE MONTHS OF 2012

During the reporting period, the loan portfolio of the Bank increased by BGN 49.7 million (11.7%) compared to the net loans as at the end of 2011. The relative share of net loans to clients to total amount of the assets is 57.05% as at December 31, 2012.

² Gross loans against deposits (corporate clients, physical persons and households)

The downward trend in interest rates paid on attracted funds continues. At the end of December 2012 the Bank's deposits amounted to BGN 623 million, which is an increase of 28.4% compared to the end of 2011. They represent 95.8% of all the attracted funds by the Bank.

On December 7th, 2012 the Bank repaid at maturity its last – seventh – mortgage bond in the amount of EUR 15 million.

The Bank reported net interest income of BGN 1.55 million as at December 31, 2012, which decreased compared to the reported at the end of 2011, but registered more than twofold increase QoQ.

In addition to the modest interest income from loans, a significant reason for the decline in the interest income is the low profitability on liquid assets, placed on the interbank money markets due to the low interest rates environment.

The reported interest income of the Bank decreased by 26.7% compared to the same period of 2011 while the impairment expense was reduced by 71.1%.

Despite the active position of the Bank in the deposit market, the decrease in interest rates paid by BACB on attracted funds enables the control over the cost of funding. In result, the Bank registered modest increase in the interest expense of 7.9% YoY. The rise in interest expense is mainly due to the increase in the absolute value of the attracted amounts, although the interest expense growth of 7.9% does not correspond to the 28.4% increase in the amount of attracted funds. The latter is an indication of decreasing cost of funding.

The net fees and commission income as at December 31, 2012 amounted at BGN 1.2 million. The result doubled the registered one at the end of 2011 and is a consequence of the purposeful efforts for diversification of the products and services offered by the Bank.

Other operating income equals BGN 5.13 million. The main contributors in that amount were income from refunded written-off receivables of BGN 5.11 million, interest income on non-performing loans, referred to previous reporting periods, in the amount of BGN 0.52 million, and investment properties exploitation cost of BGN 0.80 million.

The operating expense increased by BGN 2.8 million (up 19.9% YoY). The administrative expense increased by 18.3%, which is partly due to expanding of the business and marketing costs with regard to the marketing of BACB products and services. The personnel expense increased by BGN 0.173 million compared to the reported at the end of 2011, having 38.7% share in the administrative expense. The Bank's contribution to the Deposit Insurance Fund formed 15.9% of the administrative expense. Depreciation expense increased with 37.1% YoY mainly due to the depreciation of investment properties (up 85.6% YoY), which is a result from increase of BGN 19.5 million in the investment properties in the balance sheet of the Bank.

In October 2012 the Bank closed its investments in two REIT companies by receiving liquidation shares from ERG Capital-1 and ERG Capital-2. As per their By-Laws, the two public companies took decisions to terminate their business activity as the initially set goals for realization of their investment projects were achieved. In March 2012 BACB received from these investments Dividend Income in the amount of BGN 2.27 million, recognized in the Profit or loss for the first quarter of 2012. Upon receiving liquidation shares from the two entities BACB transferred negative revaluation reserve of BGN 1.18 million to Profit or loss for last quarter. The net gain on the equity investments for 2012 is BGN 1.09 million.

As at December 31, 2012 the costs-to-income ratio increased to 179%.

At the end of 2012, BACB registered negative operating financial result of BGN 7.6 million³.

³ The financial data presented hereto is as at 31.12.2012, unaudited and on consolidated basis

After the accrual of provisions for loan impairment at the amount of BGN 12.2 million, the Bank reported negative net financial result of BGN 19.54 million for the twelve months of 2012.

OVERVIEW OF THE FINANCIAL CONDITION AT DECEMBER 31, 2012

Loan portfolio and asset quality

Net loans and advances to customers increased to BGN 473.4 million at December 31, 2012 (up 11.7% YoY) and continued to represent Bank's principal asset class (57.1% of total assets). Loans and advances to banks (money market deposits) amount to BGN 120.5 million, which is 28.1% lower than those reported at the end of the previous year. Loans and advances to banks formed 14.5% of total assets while cash and balances with the Central Bank at the amount of 93.6 million rose by 29.3% and formed 11.3% of total assets at December 31, 2012. During the reporting period the Bank increased its investment in Bulgarian government securities for the purpose of increasing the yield over its liquid assets. As a result the financial assets held for sale marked a significant increase reaching BGN 42.7 million at the end of the fourth quarter or 5.2% of the total assets of BACB. The largest share in the amount of BGN 40.9 million is the portfolio of Bulgarian government bonds.

Loans in arrears of over 90 days (NPLs) accounted for 39.81% of gross loans at December 31, 2012. BACB continuously performs internal assessments and collateral stress tests to measure the impact of any possible further deterioration of the business environment on its portfolio. The ratio of total provisions (accounting and regulatory specific) to NPLs reached 90.23% at December 31, 2012, as result of the conservative policy followed in evaluation of loan impairment losses.

The ratio of accounting provisions to gross and classified loans amounted to 23.52% and 34.84% respectively, which significantly exceeded the average level of 8%⁴ for the banking system due to the hitherto prevailing focus of the Bank on financing of construction projects and investment in/development of real estate. During the reporting period upon Management resolution the Bank has written-off receivables in the amount of BGN 1.09 million on the account of the provisions for impairment.

Management anticipates that the pressure on the loan portfolio of the Bank will remain over the next several quarters due to its still prevailing correlation with the performance of sectors such as real estate and construction, which in turn are negatively impacted by the difficult internal and external economic environment.

In order to protect the asset quality of the Bank the Management continues to perform intense supervision of problem loans and implements work-out procedures.

Within the loan work-out and foreclosure procedures the Bank acquired properties including land, which are classified as investment properties and assets held for resale amounting to BGN 87.17 million (18.4 million acquired during the reported period) and BGN 6.65 million, respectively, at December 31, 2012 (a combined increase of 23.9% since December 31, 2011 and 4.7% since September 30, 2012). These assets are subject to future disposition that is facilitated by a specialized unit of the Bank. Assets in the amount of BGN 1.57 million have been sold during the reporting period (investment properties in the amount of BGN 0.196 million and assets held for sale of BGN 1.37 million)

In the beginning of 2013 BACB signed an agreement with the National Guarantee Fund under the Rural Development Programme. The main purpose of the agreement is to facilitate and support the process of EU granting under the Programme. BACB is among the seven partner banks selected in an open procedure under Public Procurement Law. Projects totaling BGN 1.2 billion are anticipated to be financed through the National Guarantee Fund under the Programme. The Guarantee Fund will cover up to 80% of the risk under a loan, approved under the Programme.

⁴ As per data by BNB for September – November 2012 (gross loans to corporate clients, physical persons and households)

Liquidity and funding

In executing its funding strategy the Bank adheres to the principles of diversification and optimization of the funding base in securing its liquidity needs.

During the fourth quarter of 2012 BACB maintained its focus on deposit products and achieved increase in customer deposits of 28.4% compared to the end of 2011. In addition, for the twelve-month period since December 31, 2011 the total number of Bank's customers continued its stable growth, which led to further decrease in the concentration risk on the funding side.

On December 7th, 2012 the Bank repaid at maturity its seventh mortgage bond, amounting to EUR 15 million. Subsequently the share of debt securities in the Bank's attracted funds decreased to 3.62% at December 31, 2012. The obligations of the Bank under bond issues including interest accrued are in the amount of BGN 23.5 million.

The active deposit gathering contributes to the decrease of the Bank's dependence on wholesale funding. The gross loans-to-deposit ratio amounted to 99.4% at December 31, 2012.

At the end of 2012 the liquidity position of the Bank remained strong with total liquid assets (cash and balances with the Central Bank, short-term loans and advances to banks and marketable securities) equal to BGN 196.4 million. Since the beginning of the year, the value of the debt securities portfolio of the Bank increased more than fourteen times, while the cash and cash equivalents are up 29.3%. The increase in the debt portfolio is a consequence of the purchase of Bulgarian government securities that BACB made, aiming to improve the return over the liquidity assets of the Bank. The value of the government securities portfolio at December 31, 2012 equals 40.9 million.

Capital resources

In spite of absorbing additional accounting and regulatory specific provisions for credit risk, the Bank's total capital adequacy ratio remained high and amounted to 17.20% at December 31, 2012, which exceeded the Bulgarian National Bank requirement of 12%.

The capital and liquidity positions of BACB have been additionally strengthened by the successful capital increase accomplished in 2011, as a result of which a total amount of BGN 48.3 million have been raised.

A detailed discussion on the major risks and uncertainties that the Bank faces is presented in the Annual Consolidated Report on the Activities for 2011, which has been disclosed to the Financial Supervision Commission (FSC) and the public and is available at the Bank's internet site https://www.bacb.bg/eng/financial_information

CORPORATE EVENTS

1. On January 3, 2012 changes in the Management Board of the Bank were registered in the Commercial Register, as follows:

➤ Relieving Mr. Dimiter Stoyanov Voutchev and Ms. Yanita Georgieva Zagorova-Petrova as members of the Management Board of BACB and from the position "Executive Directors" and withdrawal their authorization to represent the Bank and to perform the day-to-day management of the Bank;

➤ Appointment of Mr. Ilian Petrov Georgiev as a member of the Management Board of BACB; After the registration in the Commercial Register the Management Board of BACB consists of the following members:

- Mr. Vassil Stefanov Simov, Chairman of the Management Board and Executive Director;
- Ms. Tanya Ilieva Keremidchieva, member of the Management Board and Executive Director;
- Mr. Ilian Petrov Georgiev, member of the Management Board;

- Ms. Silvia Kirilova Kirilova, member of the Management Board.

As of January 3, 2012 the Bank is represented jointly by the Executive Directors Mr. Vassil Stefanov Simov and Ms. Tanya Ilieva Keremidchieva.

On January 4th 2012 the Bank disclosed the information about the registration of the above mentioned circumstances in the Commercial Register.

2. On January 17, 2012 the Bank disclosed information about notifications under art. 148b of POSA submitted to the Bank about disclosure of shareholding pursuant to art. 145 of POSA, as follows:

➤ Notification about direct shareholding: Notification y CSIF entry No. 1-1669-C/17.01.2012, stating that on January 11, 2012 the Central Depository registered the acquisition of 506,620 book-entry shares of the capital of BACB; as a result the shareholding of CSIF in BACB was raised from 59.37% to 61.43% or 12,166,642 shares;

➤ Notification for indirect shareholding: Notification by Ms. Tzvetelina Borislavova Karagyozyova being a person holding control over the direct shareholder CSIF (99.99% of the shares of CSIF), entry No. 1-6668-C/17.01.2012 stating that on January 11, 2012 the Central Depository registered the acquisition of 506,620 book-entry shares of the capital of BACB; as a result the shareholding of CSIF, controlled by Ms. Tzvetelina Borislavova Karagyozyova in BACB was raised from 59.37% to 61.43% or 12,166,642 shares;

3. On January 31st 2012 BACB published its preliminary consolidated and individual financial reports as of December 31, 2011, together with the respective interim activity reports and letter to the shareholders

4. On February 3, 2012 BACB published in the Commercial Register the Call Notice for the Extraordinary General Meeting of the Shareholders (AGM) to be held on March 7, 2012 from 11:00 at hotel “Crystal Palace” on 14, Shipka str., Sofia. The agenda and the materials for the AGM are available at the Bank’s internet site here: http://www.bacb.bg/bg/meeting_of_shareholders/.

5. The Extraordinary General Meeting of the Shareholders of BACB, held on March 7, 2012 at 11:00 in the building of the “Crystal Palace Hotel” at 14 Shipka Str. took the following decisions:

➤ Decision the subject of activity of BACB to be amended and supplemented to cover all and any activities included in art. 2, par. (2) of the Credit Institutions Act (CIA), namely: *(1) BACB to perform all and any payment services in the meaning of the Payment Services and Payment Systems Act (PSPSA) (art. 2, par. (2), item. 1 of the CIA and art. 4 of the PSPSA), including issuance of bank payment cards (debit and credit) and electronic money, as well as execution of payment transactions via bank payment cards or other similar instruments (art. 4, item 4, (b) of the PSPSA); (2) BACB to issue electronic money (art. 2, par.(2), item. 13 of the CIA and Section V of the PSPSA); (3) BACB to lend safe- deposit boxes (art. 2, par (2), item. 15 of the PSPSA)*

➤ Decision the registered address of BACB to be changed from “Sofia 1504, Sofia Municipality Sredetz, 16 Krakra Street” to “Sofia 1000, Sofia Municipality, Sredetz, 2 Slavyanska Street”;

➤ Decision for amendments to the BACB By-laws, reflecting the changes in the subject of activity and the new registered address;

➤ Decision for appointment of Mr. Svetoslav Georgiev Karaneshev to the position of Head of the Internal Audit Unit of BACB;

➤ Decision for changes in the members of the Supervisory Board of BACB as follows: RELIEVES Mr. Marshall Lee Miller as a member of the Supervisory Board.

Within the same day, March 7, 2012 the Bank disclosed the information regarding the decisions of the Extraordinary General Meeting of the Shareholders held on March 7, 2012;

On March 12, 2012 the Bank published the Minutes of the Extraordinary General Meeting of the Shareholders held on March 7, 2012.

6. On March 23, 2012 BACB published in the Commercial Register the Call Notice for the Annual General Meeting of the Shareholders (AGM) to be held on April 25, 2012 from 11:00 at the central office of the Bank on 2 Slavyanska Street.. The agenda and the materials for the AGM are available at the Bank's internet site here: [BACB / For Investors / Shareholders meetings](#)

7. On March 26, 2012 the following changes in the registered circumstances of BACB were registered in the Commercial Register, as follows:

- Changes in the subject of activity of the Bank as per resolution of the General Meeting of the Shareholders of BACB dated March 7, 2012;
- Change of the registered address of the Bank from "Sofia 1504, Sofia Municipality Sredetz, 16 Krakra Street" to "Sofia 1000, Sofia Municipality, Sredetz, 2 Slavyanska Street";
- Relieving Mr. Marshall Lee Miller as a member of the Supervisory Board of BACB;

In relation to the resolutions of the General Meeting of the Shareholders held on March 7, 2012, on March 26, 2012 the updated By-laws of BACB were registered in the Commercial Register;

On March 27, 2012 the Bank disclosed the information regarding the above mentioned registrations in the Commercial Register.

8. On March 29, 2012. BACB published its audited consolidated and individual financial statements for 2011. Comprehensive information on these financial statements was made available at the web site of the Bank here: [BACB / For Investors / Reports and financial information / Annual Reports](#)

9. On April 18th 2012 BACB published information pursuant to Art. 335 of BNB Ordinance No.8 on individual basis. The document (in Bulgarian) is also accessible through BACB web site at: <http://www.bacb.bg/bg/deals/3/146/>

10. On April 25th 2012, the Annual General Meeting of the Shareholders of the "Bulgarian-American Credit Bank" took place.

The General Meeting of the Shareholders approved: (1) the Audited BACB Annual Consolidated Financial Statements for 2011 and the Annual Consolidated Management Report of BACB for 2011 and (2) the Audited BACB Annual Financial Statements for 2011 and the Annual Management Report of BACB for 2011.

The General Meeting of the Shareholders appointed the specialized audit company - „Deloitte Audit" OOD, Sofia, recommended by the Audit Committee to audit the Financial Statements of BACB for 2012.

The General Meeting of the Shareholders adopted decisions under the rest of the items on the preannounced Agenda of the meeting; further information for the decisions taken is included in the Minutes of the meeting that shall be disclosed within the regulatory deadline;

11. On April 27 2012 BACB published its preliminary consolidated and individual financial reports as of March 31, 2012 together with the respective interim activity reports and letter to the shareholders

12. On May 18 2012 BACB disclosed the information as per art. 82b of the Public Offering of Securities Act;

13. On June 6th 2012 the Supervisory Board reelected the members of the Management Board of BACB for a new five-year term of office.

14. On June 25 2012 BACB published information pursuant to Art. 335 of BNB Ordinance No.8 on consolidated basis. The document (in Bulgarian) is also accessible through BACB web site at: <http://www.bacb.bg/bg/deals/3/146>

15. On July 30 2012 BACB published its preliminary consolidated and individual financial reports as of June 30 2012 together with the respective interim activity reports and letter to the shareholders.

16. On September 30, 2012 BACB published in the Commercial Register the Call Notice for an Extraordinary General Meeting of the Shareholders (EGM) to be held on October 24, 2012 from 11:00 at the central office of the Bank on 2 Slavyanska Street.. The agenda and the materials for the AGM are available at the Bank's internet site here: [BACB / For Investors / Shareholders meetings](#)

17. On October 23 2012 BACB published its preliminary consolidated and individual financial reports as of September 30, 2012 together with the respective interim activity reports and the letter to the shareholders.

18. On October 24th 2012 an extraordinary Meeting of the Shareholders of the Bulgarian-American Credit Bank took place.

Regarding the extraordinary General Meeting of the Shareholders of BACB held on October 24 2012, BACB disclosed information regarding the GMS, the mandatory injunction imposed by the Financial Supervision Commission as well as the motives of the regulator. Detailed information is available on the corporate website of BACB: http://www.bacb.bg/bg/meeting_of_shareholders

On October 29 2012 BACB published the Minutes of the extraordinary General Meeting of the Shareholders held on October 24 2012.

ADDITIONAL INFORMATION FOR THE FIRST NINE MONTHS OF 2012

1. The accounting policy of the Group was not changed;
2. No changes have occurred in the economic group controlled by the Bank;
3. No changes in the economic organization of the Bank were made such as restructurings, disposal of companies from its economic group, leasing of assets, in kind contributions by the Bank, long-term investments/mergers, winding up of activity.
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 December 31, 2012 and changes in their shareholding since September 30, 2012 is as follows:

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, 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 at December 31, 2012 are as follows:

Shareholder	Number of shares owned at December 31, 2012	Per cent of the voting shares at December 31, 2012	Number of shares owned at September 30, 2012	Per cent of the voting shares at September 30, 2012
CSIF	15,167,642	61,429%	15 167 642	61,429%
Tzvetelina Borislavova Karagyozeva – person holding control of the direct shareholder CSIF (holder of 99.99% of the capital of CSIF)	15,167,642	61,429%	15 167 642	61,429%
Gramercy Select Master Fund	8,594,926	34.810%	8,554,727	34.647%

6. Information on the shares held by members of the Management Board and the Supervisory Board of the Bank at December 31, 2012 and for changes occurred after September 31, 2012;

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.

Name	Member of a governing body	Number of shares owned (directly and indirectly) at December 31, 2012	Per cent of the voting shares owned at December 31, 2012	Number of shares owned (directly and indirectly) at September 30, 2012	Per cent of the voting shares owned at September 30, 2012
Silvia Kirilova	Management Board	1,600	0.006%	1,600	0.006%

7. The Bank and the members of its economic group are not parties to any pending court, administrative or arbitration proceedings concerning liabilities or obligations amounting to 10% or more than 10% of their own equity;

8. Within its ordinary course of business, in particular the intense management of classified loans the Bank is party to foreclosure and insolvency proceedings against borrowers for collection of delinquent loan amounts;

9. 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 and accepting deposits. The interim reports of BACB, the annual reports, and its prospectus, contain detailed information on the loan portfolio, large exposures and asset 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 arm's 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 first quarter of 2012;

For details on these transactions, if any, please see the "Related Parties Transactions" section of the Notes to the Consolidated Financial Statements as of September 30, 2012.