

The Dirty Game of the State Under the Dictation of the Liquidators' Private Interests - The (Second to) Last Act

October 20th, 2014

Dear Ladies and Gentlemen,

In its statement from October 16th, 2014, the Bulgarian National Bank once again demonstrated its unwillingness to have a serious discussion about Corpbank AD's restructuring. The latter was brought to its current state by the action and inaction not without the help of the bank regulator.

The pitiful explanations given by the Central Bank, headed by Mr. Iskrov, telling us that EPIC does not represent the Omani Fund as a shareholder in the bank is yet another poor excuse by the Central Bank as to why real negotiations regarding the financial institution's recovery have not started (just a few years ago, the BNB did not publicly refute the claims about the non-transparent nature of Corpbank AD's capital when the Omani Fund bought shares of the bank through a company from Luxembourg). It has become obvious for the public that the BNB uses absurd excuses so it does not have to comply with its legal obligations. Instead, it continues to act like a servant to the "PPP" coalition which has been actively helped by certain NGOs. I do not think that there is any doubt that all of the available resources are being used in order to destroy the financial institution, including the investigative authorities, the Prosecution, the conservators of the bank, and the auditors.

Although there was a slight delay, it looks like this coalition, which is a part of the liquidators, is on its way to lead the production to its "natural" ending by preparing the liquidation of the bank and the highly desired robbing of its lucrative assets. Of course, the latter will be quickly distributed to the "right" investors at a very good price.

Some preliminary, though not very difficult, actions were necessary in order to achieve everything mentioned above. The goal – to divide the bank's credit portfolio into four categories with the "best" being placed in Group I, while the "worst" ones are in Group IV. The auditors and conservators did this in a complaisant manner. Naturally, the division of loans into different groups was a formality. This division does not take the specific structure of the bank's credit portfolio into consideration. The fact that the same portfolio, although with an asymmetrical profile, had reliable collateralization, including in the form of receiving additional control in some of the companies of the loan receivers, in every single moment (until the bank was put under special supervision) will be hidden and distorted in the final stage of this cheap farce. The fact that the same management model has been a major part of the successful and rapid growth of the institution for more than 14 years, something that the liquidators of the bank will never come to terms with, will also not matter.

A few short but indicative examples of the model that is being used for the looting of the financial institution, its clients, and depositors should be noted. The “correctness” and “adequacy” of the criteria used for the division of the credit portfolio in the groups mentioned below should not be commented on, as they speak for themselves.

1. The *Petrol* group, which was acquired by a few companies with an investment purpose under the control of the bank (not its majority shareholder), has a total exposure of EUR 200 million. According to the latest international audit, which was done using the *replacement cost* principle, the total value of the companies is more than EUR 400 million.

The division of the loans that the bank has provided to this group is quite interesting (the logical thing is to look at this group as a whole). Three of the four companies that are shareholders in *Petrol* are put in Group III, while the fourth one is placed in Group II. This comes to show that the goal is to sell *Petrol* for not more than EUR 130 million to the “right” buyers or to the ones who are willing to pay the liquidators and their almighty guardians the difference between that price and its market value.

Just for the record – there are people willing to offer more than EUR 300 million for the whole group. The loss for the bank, its creditors, and its clients will be more than EUR 200 million in case the scenario of the liquidators is applied.

1. The *Sana Spa* hotel group have loans amounting to EUR 6.5 million and they are placed in Group II. The minimum value of group’s five hotels is EUR 25 million, a price which some potential buyers are willing to pay.

Calculations show that the loss will amount to EUR 19 million in case the loan is sold at nominal value, which is highly unlikely.

1. The *Rubin Invest* loan is put in Group II. Its exposure is EUR 15 million. It should be noted that as of today, the production that is stored and the receivables from clients exceed that amount.

The glass factory in Pleven has a production of 100 thousand tons per year and is worth at least EUR 50 million. Nevertheless, the risk that it is sold at virtually no cost is quite high. It would not come as a surprise if the list of potential buyers includes the former owner of the factory who was given the task of testifying against a person following the instructions of the liquidators.

This is a brief explanation of the model that will be used by the authors of this cheap scenario. Of

course, it will be accompanied by threatening and forcing more people to testify against me so I can be publicly discredited. The robbing of the creditor and clients will be much easier and more effective when the people who are doing the looting are hiding behind.

In this sense, all the discussions about the “huge capital gap” circulated by the liquidators’ propaganda machine from the very beginning of the attack against the bank are based solely on the testimonies of a few false witnesses and the auditors’ preliminary “reports”, which leave the reader with the impression that everything is already decided. The fact that hundreds of credit files “went missing” so fast is no accident. Neither is the “impossibility” to find and value the collaterals.

I should point out to everyone, especially to the ones who accused me of all the capital vices that I have invested the following funds into the bank’s capital through Bromak EODO whose is solely owned by me:

- EUR 40 million in Corpbank AD’s capital increase in May 2013;
- EUR 30 million of subordinated term debt, whose total value today is more than EUR 35 million with interest included;
- Besides the abovementioned, I should also point out the bank’s capitalized profit after taxes between 2011 and 2014, the period for which I am accused of misappropriating funds, is more than BGN 200 million.

That is why I will find till the end and I will once again clarify my role in the bank’s restructuring process. As I have said on a number of occasions, the bank is the project of my life, although it has a separate life as an institution – with or without me. I have done and will continue to do everything I can to form a consortium of international companies and investment funds to work on Corpbank AD’s recovery despite all the hardship that my family and I face. The concept is developed by a team which includes prominent consulting companies, a few large investment funds, and my partners from the Stage General Fund of the Sultanate of Oman. I am certain that this model is the only viable and applicable one if the bank is to be opened as it takes its specific profile into consideration.

The capitalization of the financial institution should be done at a shareholder level. The most likely option is to use Bromak EOOD (without me as a shareholder). In order to achieve the goal, a certain volume of loans will be repaid (approximately BGN 2 billion), thus acquiring the ownership over some of the assets and projects financed by the bank. Doing this will return the bank’s capital to levels which meet the regulatory requirements and the liquidity will be sufficient as to ensure the clients that the bank can meet all of its obligations.

In conclusion, I would like to stress that the main fear of the people who organized the plot against me is that the truth about their naïve greed will be revealed. That is why they do not hesitate to use all the means they have. Unfortunately, none of them, including the management of the Central Bank, realize that the direction in which Corpbank AD is headed will have a negative effect on the whole

system as well as them.

I would like to address the people whose actions will determine Corpbank AD's faith and ask them to be act responsibly in this key moment as their decisions will affect the Bulgarian society but they will also have an impact on an international scale. The "Corpbank" case will one day be part of history textbooks and if the abovementioned people decide to work for the benefit of the ones who ordered this barbarian they will certainly be in the list of people who caused and economic and financial disaster. They have the historical chance to clear up the suspicions that they are dependent and to prove that they are true professionals who deserve the trust that was granted when they were assigned to their positions.

I hope that the Central Bank with Mr. Iskrov at the head, will manage to overcome its ego and to resist the pressure by the liquidators so it, together with the responsible institutions, can make the best decision for the bank and the whole banking and financial system

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