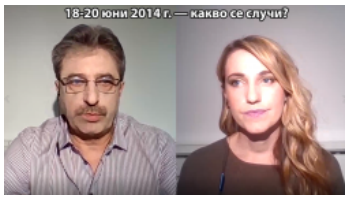

Tzvetan Vassilev: In 2014, Bulgaria granted state aid to FiBank in violation of EU law, most likely their capital was negative, and the aid was neither secured by government bonds nor by highly liquid assets



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In the first part of "Wrong math, crooked mirrors, bags and holes: Radosveta Vassileva asks Tzvetan Vassilev about Corpbank", posted on Tzvetan Vassilev's YouTube channel, the banker discussed the dramatic events which followed the run on Corpbank in June 2014 — why Corporate Commercial Bank (Corpbank) was forced to ask Bulgaria's central bank for special supervision, the double standards which stand out when one compares what happened to Corpbank to what happened to First Investment Bank (FiBank/FIB), the very "special" supervision which damaged Corpbank as well as the mysterious report by Deloitte, Ernst & Young and Afa based on which Corpbank's licence was withdrawn on 6 November 2014. This report has been kept in secret to this day.

What happened between 18-20 June 2014?

In the previous interview, entitled "Myths and Legends about Corpbank", it became clear that the visible part of the attack against Corpbank had two peaks. The panic amongs depositors and the mass withdrawals began on 13 June 2014, when the insinuations about "Peevski's murderers" were circulated. Mass withdrawals subsided on 17 June 2014 — the organizers of the attack knew this because on 16 June 2014, Bulgaria's central bank (BNB) sent a special representative to monitor the bank run. Then, on 18 June 2014, the second part of the scenario was activated — an anonymous letter allegedly written by an employee of the central bank, which insinuated that something was wrong at Coprbank, was circulated by the Bulgarian National Radio. A new, fatal wave of withdrawals began. Between 13-19 June 2014, nearly 20% of Corpbank's assets were withdrawn.

"During this difficult week, I was in constant contact with Corpbank's executive directors. We saw that we were able to reassure people — I am talking about Tuesday (17 June 2014) — because some of the ordered transactions were cancelled. Obviously, this was considered by those who organized the attack against Corpbank, so that they could launch the second part of their scenario — the anonymous letter", Vassilev recalls. "On Tuesday, I had a conversation from Vienna with Ivan Iskrov, the governor of Bulgaria's central bank, and asked him to do everything possible to reassure people. His words were — look, don't worry, you have enough liquidity, just pay, pay, pay and people will calm down", the the banker said. Vassilev suspects that Ivan Iskrov was not free in his decisions and therefore the BNB did not take serious measures to reassure the public.

Vassilev stressed that during the bank run around 30-40 million Leva were withdrawn in cash every day, but ordered transfers amounted to 300-400 million Leva per day. In his view, this pace of withdrawals meant that in addition to liquidity, the bank also needed institutions to reassure depositors.

Special supervision request

Vassilev recalled that on Wednesday evening (18 June 2014), he received a call by Orlin Rusev, the Head of Corpbank's Executive Board and Executive Director of Corpbank, who demanded an urgent meeting with him because he himself had a meeting at Bulgaria's central bank earlier that day. Rusev traveled to Vienna with another employee of Corpbank about whom Tzvetan Vassilev subsequently found out that he had a warm relationship with Nelly Kordovska. *Editor's note: Kordovska replaced Tsvetan Gunev as Head of Banking Supervision at the BNB in June 2014. Subsequently, she became famous with the fact that she saved her deposit at Corpbank after working hours and after Corpbank had already asked to be placed under special supervision.*

"They both seemed very worried, but I felt they were not sincere — something that I would have convinced myself of later", Vassilev explained. Orlin Rusev revealed that he talked to Dimitar Kostov (BNB Deputy Governor) who told him that "if Tzvetan wanted to save the bank, he had to put 1.5 billion Leva on the table". "This was unconditionally ridiculous as an offer. Moreover, I had never had such funds", stressed Vassilev. *Editor's note: State aid was granted to FiBank in similar circumstances in June 2014 without such questions.*

Moreover, Orlin Rusev, probably under the influence of Nelly Kordovksa and Dimitar Kostov, offered Tzvetan Vassilev to agree with the other shareholders that its management ask Bulgaria's central bank (BNB) for special supervision.

"Subsequently, it became clear what intent underlay this proposal because BNB's leadership fully obeyed the organizers of the attack. In their view, once the bank agreed for special supervision, nobody had the right to appeal the decisions of the BNB or challenge the actions of the special supervisors", Vassilev analyzed. *Editor's Note: Corpbank's shareholders, management and depositors were not allowed to appeal the decision to withdraw Corpbank's license of 6 November 2014 in violation of case law of the European Court of Human Rights against Bulgaria. In addition, the special supervisors appointed by the BNB did not meet the criteria under the Credit Institutions Act. They took actions, which further damaged Corpbank.*

"Then, I thought for a long time what we could do, if there was another solution. The alternative was to refuse to apply for special supervision and to continue to make payments, but at this pace of withdrawals, the liquidity would have ended within two days. This meant that after a "blockage", the bank could be declared bankrupt up to 7 days after payments were suspended. I then spoke to the second major shareholder (the State General Reserve Fund Oman) and we agreed that the only

solution in this situation was to request special supervision. In the meantime, the shareholders started urgent consultations on the possibilities for recapitalization and reestablishment of the bank's activity", Vassilev emphasized.

Corpbank and FIB — double standards and violations of EU law

From a legal point of view, a bank with a liquidity crisis can be supported by liquidity whereas a bank with a capital shortage cannot. This was used by the organizers of the attack against Corpbank and their puppets at the BNB. According to Tzvetan Vassilev, the assessments were entirely subjective because it is known that Bulgaria asked the European Commission to approve state aid for the Bulgarian banking system, specifically referring to Corpbank and FIB. *Editor's note: In the video, Radosveta Vassileva shows the press release by the European Commission dated 30 June 2014 which states that the European Commission has approved a state aid of 3.3 billion Bulgarian for Bulgarian banks. Corpbank and FIB are explicitly mentioned. It is said that they had been targeted by individuals.* In "Myths and Legends about Corpbank", Tzvetan Vassilev already said that during the mass panic in June 2014, 14 Bulgarian banks stopped payments — a fact which the central bank continues to hide.

"Then it turned out that from this state aid intended for the banking system of Bulgaria, without any analysis of the assets and the capital of Fibank, state aid was only granted to FiBank in the amount of 1.2 billion Leva", Vassilev stressed. *Editor's note: Experts claim that Corpbank needed 500 million Leva in state aid, much less than FIB.* "Not only that, but the entire government [of Oresharski] and the BNB leadership publicly addressed depositors and said that FIB was stable, that the state stood behind it. We see clear dual standards here. Corpbank did not have this luck and how could it have this luck when the organizers of the attack did not organzie the attack to save the bank afterwards? They organized the attack to liquidate the bank", Vassilev summarized.

Vassilev claims that when they made a decision to grant state aid to FiBank, neither the BNB nor the government had any idea of the real state of FiBank, despite claiming how bad Corpbank was and how good FIB was. The only document on FiBank´s real state of affairs was the report from BNB´s latest check of 2012, which is many times worse than the conclusions of the last such BNB report on Corpbank, which was even more recent — from the summer of 2013.

"These are the double standards that have helped FiBank function to this day. We have taken the time to look at its official reports with all the contingencies for the period 2014-2019, and it turned out that FiBank has written off loans for 1.5 billion Leva for this period, which means that these loans were probably bad in 2014. In sum, FIB was given a chance to correct its situation — a chance which was not given to Corpbank", Vassilev explained.

"According to these reports, FiBank had a negative capital of over 600 million Leva in 2014, which means that it was not entitled to state aid. In addition, according to the applicable European directive, state aid must be secured by government bonds or highly liquid assets (precious metals, etc.). In

violation of this part of the directive, FIB secured the state aid with credit claims", Vassilev explained.

"However, I continue to argue that the difference between the quality of FiBank´s assets and Corpbank is like the difference between Zaporozhets and Mercedes", Vassilev emphasized. *Editor's Note: Zaporozhets was a basic car popular during communism.*

Very "special" supervision

Special supervision is not a winding-up procedure — its role is to rescue the supervised bank. Instead of implementing rescuing measures, the BNB-appointed supervisors (quaestors) implemented policies that damaged Corpbank (for example, they did not allow borrowers to repay loans with deposits at Corpbank for a long time) and focused on their personal interests — appointing relatives and friends with excessive salaries which did not exist in the bank prior to this, they stole the alcohol meant for receptions, they even took away private belongings of Tzvetan Vassilev.

"They were puppets, mere executors of BNB's policy. BNB, in turn, became the puppet of the organizers of the attack against Corpbank", the banker emphasized.

Vassilev pointed out that unlike the BNB and the special supervisors who did not take measures to bring Corpbank back on track, he had done everything possible to create conditions for restoring the bank's activity while ignoring his personal interest. The second largest shareholder after him, the State General Reserve Fund Oman, hired the consulting company EPIC to structure a proposal for recapitalization of the bank and to seek funding.

Vassilev made scandalous revelations: "This case is known, and the BNB´s attitude towards EPIC's representatives is known, too. One of EPIC´s representatives told me that he had to see Delyan Peevski at the Berlin Hotel. Obviously, Delyan Peevski led the process of "rebuilding" or rather winding up of Corpbank. In addition, the executive director of one of the funds, which had joined the consortium for the recapitalization of Corpbank, also said that he had to meet with Delyan Peevski to clarify some points".

"The recapitalization proposal which was handed to the government and the central bank included a basket of shares of the largest assets acquired by the SPVs funded by Corpbank , which were to be the collateral for Corpbank's recovery. We are talking about Vivacom, Dunarit, Petrol and others. This project was submitted to the then Minister of Finance Rumen Porozhanov. On this occasion, he met with the Chief Executive Officer of the State General Reserve Fund Oman during the annual session of the International Monetary Fund", Vassilev explained. *Editor's Note: Porozhanov was a minister in the caretaker government of Georgi Bliznashki, appointed by then President Rosen Plevneliev.*

In the end, the rescue plan did not materialize because the organizers of the attack against Corpbank planned its liquidation — they could not take anything if the bank recovered.

It is not an audit, it is not an asset quality review — on the basis of what report was Corpbank's license revoked on 6 November 2014?

Corpbank's license was revoked on 6 November 2014 on the basis of a report signed by Deloitte, Ernst & Young and Afa, which the BNB and the government have been stubbornly hiding to this day. It was no accident that nobody was allowed to appeal the withdrawal of Corpbank's license, so that the content of the report could not be challenged.

In principle, a bank's license may be revoked if there is evidence of a capital shortfall in accordance with International Accounting Standards and the International Standards on Auditing. However, Corpbank neither has a yearly audit report for 2014 nor an audit report for the first half of 2014. Bulgaria's central bank and the government misinformed the general public that Deloitte, Ernst & Young and Afa audited Corpbank. Meanwhile, they misinformed the European Commission that the same document constituted an Asset Quality Review. These claims are mutually exclusive. In addition, the auditors themselves included this disclamer when they finally submitted their assignment (according to information leaked by the BNB to the media), thus emphasizing that the report was neither an audit nor an Asset Quality Review:

"In essence, we have provided consulting services. These services will not constitute an audit or a review or other engagement performed in accordance with the International Standards on Auditing or International Standards on Review Engagements. Accordingly, we will not express an opinion or any other form of assurance on accounting matters, financial statements or other financial information or internal controls as part of the services."

Moreover, to perform an asset quality review, a company should have a license for an independent evaluator. None of these companies had such a license. Meanwhile, the media of Delyan Peevski and Ivo Prokopiev spread ridiculous claims about "holes" in Corpbank and insinuated that the money was stolen. What kind of document did Deloitte, Afa and Ernst & Young submit to the central bank?

"The three companies were charged with a single task — to write off as much debt as possible, so that the bank could appear with a huge capital shortage. On the one hand, this served to justify the liquidation of the bank by the organizers of the attack. On the other hand, it served to present me in an extremely unfavorable light, as a person who was irresponsible, as well as to suggest to the public that this money was somewhere with me", the banker said.

“These companies, as far as I know, noted that the report could not be used for accounting purposes. Hence, this could not be an official audit of the bank. There is no way that these companies did not know that agreeing this was an audit could lead to serious lawsuits and consequences for them”, Vassilev explained.

The banker pointed out that these companies formally applied the IFRS 9 standard, which in 2014 was not applied anywhere in the EU. Only now, in recent stress tests, has this application been made. But it is also essential in what context this standard is applied — Corpbank was surrounded by a malicious environment at the time and the "auditors" were obviously executing a political order. Tzvetan Vassilev is puzzled by the complete lack of communication between these auditors and the management and the credit inspectors at Corpbank who are familiar with the loan portfolio. He is also shocked that the auditors themselves hired a team from United Bulgarian Bank as a subcontractor.

Vassilev is also scandalized that in practice the “auditors” did not look at the assets of Corpbank. “When you go into a bank and know that it owns at least 43%, if not 77% of Vivacom (the other 34 % are subject to a more complex contract), and you don’t ask where Vivacom is?. How come do you not evaluate Vivacom? You know that the bank is officially a majority shareholder in Petrol, but you don’t care what the value of Petrol is? At that time, at the price they were trading at, the shares were making a market capitalization of 600 Leva. Obviously, no one intended to make an objective report”, the banker contended.

Conflicts of interest of the “auditors” themselves

Tzvetan Vassilev also presented new, frightening facts about the conflicts of interest of the auditors themselves. Most striking is the case of Sylvia Peneva, Deloitte´s managing partner. She became famous with her cessions at Corpbank — on the one hand, she was hired by the special supervisors to write this report, but on the other hand, the same supervisors authorized her cession. *Editor’s Notes: The temporary supervisors allowed select people to save their deposits which were not subjected to the deposit guarantee* scheme *after Corpbank was closed through the so-called cessions — exchanging deposit for debt and thus acquiring assets of Corpbank at discounted prices.*

Deloitte was an auditor of Bulgartabac where Corpbank was a minority shareholder. In 2013/14, Corpbank’s management had doubts that something was going wrong there as profits declined while exports increased. They asked Silviya Peneva for a meeting. She blushed. Tzvetan Vassilev suspects that Peneva concealed the syphoning off of Bulgartabac by Delyan Peevski through offshore accounts in Dubai. Her relationship with Peevski is further confirmed by the fact that after Corpbank’s share at Vivacom was finally stolen, Deloitte became its auditor.

Afa also have a conflict of interest, as they are linked to Ivo Prokopiev, whose editions have been spreading absurdities and false information about Corpbank since 2009. *Editor’s Note: Prokopiev’s Economedia persistently spread the lie that the State General Reserve Fund Oman was*

not a shareholder at Corpbank. Then, they created the "state money" intrigue, which was also refuted. The most scandalous thing, according to Vassilev, is that Afa subsequently became a subcontractor of "another filthy order" through Baker Tilly. They made some assumptions based on the "back to the past" methodology, which is not recognized by any central bank in the civilized world. This methodology allegedly shows the possible behavior of the bank's loan portfolio, considering non-serviced loans of September 2014. "Baker Tilly has developed such a report which was inserted in the indictment by the Prosecutor's Office", Vassilev revealed.

"We should not forget that Deloitte, Afa and Ernst & Young were also promised to take over the business of KPMG, which, at the time, audited 16 banks, including FIB", the banker suspects. "I don't think that people buy the story that KPMG applied low criteria only at Corpbank, but were extremely strict in other banks, as the organizers of the attack want them to believe. One of the traditional auditors of FIB Krasimir Hadzhidinev was an auditor at Corpbank in 2013. It turned out that he came specifically and only to Corpbank to close his eyes", Vassilev commented ironically.

"With enormous pressure, on the one hand, and with sweeteners such as additional business, on the other, the organizers of the attack were able to assemble a reliable-looking structure in their eyes to hide the appalling theft of assets that began when the temporary supervisors took over the bank", Vassilev stressed.

According to Vassilev, the biggest fault of the temporary supervisors is their refusal to appeal the decision of the BNB to revoke the license of Corpbank. Equally important is their authorization of cessions, through which Corpbank's assets were taken away at excessively low prices. Thus, Petrol´s gas stations were appropriated for EUR 20 million while, in fact, their value was EUR 160-180 million. Technomarket, the paper mill in Kostenets, Gips-Koshava and others were also stolen though this scheme.

You can watch the full video on YouTube here.

In the second part of "Wrong Math, Curved Mirrors, Bags and Holes: Radosveta Vassileva Asks Tzvetan Vassilev about Corpbank" Tzvetan Vassilev discusses:

- Ivan Iskrov´s dumps, holes and bags

- The curved mirrors of Economedia

- The international fraud of Alix Partners

- The lies about the missing credit files

- How often does Boyko Borisov change his mind?