

Address by Tzvetan Vassilev

August 25th, 2014

Dear Ladies and Gentlemen,

On 22 August 2014, we witnessed yet another pitiful attempt on behalf of the Bulgarian National Bank, headed by Mr. Ivan Iskrov, to avoid responsibility for its actions and inactions, which significantly contributed to the crisis at Corpbank AD and which put the financial stability of Bulgaria at risk.

Chronologically, the central bank's approach towards Corpbank AD as well as its messages since Corpbank AD was put under special supervision have been quite contradictory. This eventually made society lose faith and trust in the central bank, once considered one of the few untarnished symbols of Bulgarian statehood. The Bulgarian National Bank's special supervision of Corpbank AD began with touching declarations that its goal shall be to "preserve the financial stability of the country," "perform a detailed analysis and valuation of the assets and liabilities of the Corpbank AD banking group" and "write off the shareholder's capital," and passed through resounding statements about "deliberate misuse" and "actions, which do not comply with the law and good banking practice." The Bulgarian National Bank did not miss to absurdly accuse me, as a majority shareholder, of withdrawing around BGN 206 million in one day and threatened to take away Corpbank AD's license and then liquidate the bank. As if all this was not enough, the central bank is now cynically accusing me of not having taken the initiative to support Corpbank, so that it can start operating again.

The "straightforward" and "adequate" policy of the Bulgarian National Bank regarding the case of Corpbank AD combined with the pressure applied by the whole state apparatus and the spreading of biased statements, circulated by certain media, is about to lead the country into a deep financial crisis. The threat of destabilization of the financial and banking sector has been underestimated by the respective state institutions in an unacceptable fashion. Furthermore, the Prosecution Service's highly mediatized actions, the arrests of the alleged killers with whom I was supposedly connected, the allegations against the Bulgarian National Bank's Deputy Governor responsible for banking supervision, the scandalous decisions of "independent" judges in Sofia, and the testimonies of a few "worthy" people have reached the goal of making the bank incapable of performing its functions.

I personally informed Mr. Iskrov about this predetermined outcome in the very beginning of the deliberate campaign against Corpbank AD, when it was still possible for the central bank to stop the attempts to create an artificial panic among the depositors through timely and firm actions. Corpbank AD requested additional liquidity from the Bulgarian National Bank shortly after the massive withdrawals began and before the bank was put under special supervision. However, Corpbank AD's

request was not taken into consideration. In this regard, BNB's argument that it denied short-term liquidity to Corpbank AD because the supervisory body has to verify the financial subject's "economic vitality and solvency in a certain and indisputable way" is not only unfounded in light of the moment in which Corpbank AD requested help, but also reveals the dual standard of treatment of two distinct financial institutions, which fell into a liquidity crisis almost at the same time.

The arguments used by the Bulgarian National Bank in its awkward attempt to avoid responsibility and to put the blame on external factors and events, which prevented the application of the "established and working European model used in saving Banco Espírito Santo in Portugal," are also unfounded. The loud call to use the recognized recipe for solving banking crises reveals the central bank's ignorance regarding the Portuguese bank case, which does not offer answers to key questions related to Corpbank AD's case - notably, the way in which the Bulgarian Deposit Insurance Fund will completely repay the clients' deposits since they exceed the amount that the Fund has.

When describing the deliberate policy for the predetermined liquidation of Corpbank AD, one should mention the actions of the bank's conservators appointed by the Bulgarian National Bank when Corpbank AD was put under special supervision as well. Although they claim the opposite, the conservators acted as an external department of the investigative authorities and the Prosecution Service, rather than representatives of an institution, which is legally bound to solely work on the bank's recovery. Third parties, who do not have anything to do with the bank's recovery, were granted access to the bank's premises and credit files with an unclear purpose; however, it was deliberately claimed that the credit files went missing before Corpbank AD was placed under special supervision. Clients of the bank were put in the absurd situation of not being able to make payments on their loans by using the money in their accounts at Corpbank AD while at the same time they were illegally charged with extra interest. Internal payments were also limited, although there was no need for it. These vicious practices were instituted with the sole purpose of unnecessarily increasing the provisions and lowering the bank's capital adequacy in an artificial way, so that the ungrounded accusations on behalf of the Prosecution Service that the bank was drained and improperly managed could be proven.

Nonetheless, it became apparent that the initial plan to destroy the financial institution did not work. One of the many pieces of evidence, which lead to this conclusion, is the fact that Mr. Iskrov's statement of 11 July 2014 as well as the consultations held with the President on 14 July 2014 clearly show that at that point the Bulgarian National Bank had enough information to eagerly propose concrete steps to handle the crisis by liquidating the bank through the enactment of a special law. However, a few weeks later that same information turned out to be "insufficient" and could not be used to decide on Corpbank AD's future. The central bank surprisingly concluded that more time was needed to determine the bank's credit portfolio and its overall financial condition.

The Bulgarian National Bank's neglectful behavior towards the State General Reserve Fund of the Sultanate of Oman, the second largest shareholder in Corpbank AD, should not be ignored either. The central bank declined to hold real talks with the Fund although the latter had repeatedly stated its willingness to provide support and to resolve the situation. What is more shocking, the representatives of Oman were not only treated in a humiliating manner during their visits to Bulgaria,

but also they were tendentiously and recurrently told that I had misled them in light of the accusations of drainage.

In that regard, it should also be underlined that none of the competent authorities have contacted me to invite me in capitalizing the bank or resolving the artificially created crisis. On the contrary, the central bank's governor passed my verdict in his memorable speech of 11 July 2014. It was clearly and unequivocally stated that Corpbank AD's license will be taken away given its situation. As it became apparent for the public, I was blamed for the bank's "draining," most likely to facilitate the enactment of a special law which would liquidate Corpbank AD and which would allow the theft of the lucrative assets financed by the bank. Given this statement, my participation in the bank's capitalization was excluded. This is why I find the Bulgarian National Bank's press release of 22 August 2014 cynical. According to it, the bank's majority shareholder "has not taken any initiative in supporting Corpbank AD and has not discussed the current financial condition of Corpbank AD and the resources needed for its recovery with the central bank".

Despite these events and despite the cynical approach of the Bulgarian National Bank and the other state institutions which contributed to the crisis at Corpbank, I have continued to work on the bank's restructuring model along with the partners from the State General Reserve Fund of Oman and other investors which have shown interest. I believe that we are not too far from presenting a solution for the bank's recovery which will meet all requirements for capital adequacy and liquidity. My role and attention are currently focused on the presentation of a complete conceptual plan and the coordination of actions for exiting the crisis through finding a balanced proportion between capital adequacy and liquidity, including the provision of liquid assets, which were financed by the bank and which could facilitate the future investors if they decide to participate in the restructuring.

It should be stressed that if the Bulgarian National Bank and the other state authorities continue to apply a dual standard policy towards various financial subjects by shifting the responsibility for resolving the crisis onto the new investors, this would inevitably lead to a financial catastrophe which will harm the state, the business, and the households. The result will not be the bankruptcy of a financial institution. Rather, it will be the bankruptcy of businesses, which have been generating hundreds of millions of leva and have been serviced by the bank until now. This "hole" will not be filled by anything and the country's image before international investors will be tarnished forever. There should be no doubt that if such a scenario develops, everyone affected by the actions and inactions of the state authorities and the central bank will seek the liability of the state and the wrongdoers.

I will continue to fight to reveal the truth about the events from the last few months and to clear the name of anyone who was wrongfully accused in this outlandish scandal.

Tzvetan Vassilev

