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Draft

REPUBLIC OF BULGARIA

FORTY THIRD NATIONAL ASSEMBLY

PROVISIONAL INVESTIGATION COMMITTEE FOR INQUIRY INTO THE FACTS AND CIRCUMSTANCES RELATED TO THE ACTIONS OF STATE BODIES AND INSTITUTIONS WHICH SHOULD HAVE EXERCISED CONTROL AND PREVENTED THE DRAINING OF CORPORATE COMMERCIAL BANK (KORPORATIVNA TARGOVSKA BANKA) IN THE PERIOD 2009-2014

1. Content
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CONTENT

of the report on the activities of the Provisional Investigation Commission for inquiry into the facts and circumstances related to the actions of state bodies and institutions which should have exercised control and counteract the draining of Corporate Commercial Bank (Korporativna Targovska Banka) in the period 2009-2014.

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REPORT

on the activity of the Provisionary Investigation Commission

for inquiry into the facts and circumstances related to the actions of state bodies and institutions

that had to exercise control and counteract the draining of Corporate Commercial Bank (CCB AD)

in the period between 2009 and 2014.

Task of the Provisionary Investigation Commission: To identify the actions of state bodies and institutions that were supposed to exercise control and counteract the draining of Corporate Commercial Bank (CCB AD) in the period between 2009 and 2014.

The Provisionary Investigation Commission for inquiry into the facts and circumstances related to the actions of state bodies and institutions, which had to control and counteract the draining of Corporate Commercial Bank (CCB AD) in the period between 2009 and 2014, was established by a decision of the National Assembly on 12th of March 2015 for a period of 3 (three) months and consists of 20 (twenty) Members of Parliament elected on a pro-rata basis from all parliamentary represented groups.

10 (ten) regular meetings were held during the Commission's term of office, including 4 (four) closed sessions.

The following individuals took part in the sessions of the Preliminary Investigation Commission: Ivan Iskrov as Governour of the Bulgarian National Bank (BNB), Kalin Hristov as Deputy Governour of the Bulgarian National Bank (BNB), Department for Issues of Securities, Dimitar Kostov as Deputy Governour of the Bulgarian National Bank (BNB), Banking and Fiscal Services Divisions, Nelly Kordovska acting under the authority of the Deputy Governour of the Bulgarian National Bank (BNB) in charge of the Banking Supervision Department, Nina Stoyanova as Chief Legal Officer of the Bulgarian National Bank (BNB), Elena Kostadincheva as Supervisor of CCB AD, Stanislav Lyutov as Supervisor of CCB AD, Boryana Pencheva as Member of BNB Governing Board (external member), Roumen Simeonov as Deputy Governour of the Bulgarian National Bank (BNB) and Head of the Banking Supervision Department for the period 2007-2013, Tsvetan Gounev as Deputy Governour of the Bulgarian National Bank (BNB) and Head of the Banking Supervision Department in the period from 12th June 2013 to 21st of January 2015, Tanya Georgieva as Director of the Supervision of Credit Institutions at Bulgarian National Bank (BNB), Stoyan Manolov as Director of Macro-prudential Supervision and Financial Stability at the Bulgarian National Bank (BNB), Tihomir Timnev as Director of Legal Service and Administrative Activities at the Bulgarian National Bank (BNB), representatives of Audit Companies – Reni Yordanova as Managing Partner AFA OOD, Nikolay Gurnev as Managing Partner at Ernst & Young Audit OOD, Gavin Hill as Corporate Finance Partner at Deloitte Bulgaria OOD and Todor Todorov as Director Corporate Finance at Deloitte Bulgaria OOD, Dimitar Georgiev as Chairman of the State Agency for National Security, Evgeni Evgeniev as Director of the Specialised Administrative Directorate for Financial Intelligence at the State Agency for National Security, Dancho Zhelev as Director of the Financial Security Directorate, Polina

Kavrakova as Director of the Specialised Administrative Directorate for Financial Intelligence at the State Agency for National Security in the period January 2012 – May 2014, Alexander Bilev as Director of the Financial Security Directorate at the State Agency for National Security in the period between 2009a adn 2014.

In connection with the activity of the Provisionary Investigation Commission, letters were sent to various institutions containing questions about the functioning of Corporate Commercial Bank (CCB AD) in the period between 2009 and 2014.

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SECTION VII. Conclusions

The Bank's assets as per 31st of December 2009 amounted to BGN 2,035,883 (Bulgarian lev) with net profit of BGN 60,350 (Bulgarian lev). The income from operational activities in 2009 amounted to BGN 105,888 (Bulgarian lev), or 35.6% more than in the previous financial year. In 2009, the Bank's loan portfolio increased by BGN 238,155 (Bulgarian lev) or by 20.5%. As per 31st of December 2009 its gross amount was BGN 1,398,431 (Bulgarian lev), and after provisioning for impairment losses in the amount of BGN 10,674 (Bulgarian lev), the net portfolio was BGN 1,387,757 (Bulgarian lev). The share of the loan portfolio in the total assets was 68.2% higher compared to the beginning of the financial year. Throughout 2009, the Bank maintained optimal liquidity, ensuring that its liabilities were seamlessly serviced. The liquid assets ratio under Regulation 11 of the Bulgarian National Bank (BNB) as per 31st of December 2009 was 21.74% and the forecasted cash flow exceeded the outflow.

In 2010, the Bank realised a net profit of BGN 74,537 (Bulgarian lev), compared to the year 2009 the profit increased by BGN 14,187 (Bulgarian lev). The absolute amount of the net interest income was BGN 76,816 (Bulgarian lev) or by 17% more than in the year 2009. Throughout the years 2010 and 2011, the Bank continued to maintain liquidity. The liquid assets ratio was respectively 28.34% in the year 2010 and 22.34% in the year 2011. The forecasted cash flow for the first two maturity periods exceeded the outflow.

In the year 2011, compared to the year 2010, the profit was lower by BGN 13,586 (Bulgarian lev). The income from the operational activities in the year 2011 amounted to BGN 118,194 (Bulgarian lev) or 4% less compared to the previous financial year. The net interest income continued to have a higher share in the income from operational activities or respectively 68.3%. The net loan portfolio amounted to BGN 2,628,376 (Bulgarian lev) and its share in the total amount of assets was 65.0% higher compared to the figures as per 31st of December 2010.

The income from Bank's operational activities in the year 2012 amounted to BGN 146,585,000 (Bulgarian Lev) and respectively by 24.0% more than in the previous financial year. The share of the loan portfolio in the total assets was 65.3% and there was no significant change compared to the previous financial year.

In 2013, the Bank continued to generate steady revenues from its core business activities. The share of the loan portfolio in the total assets was 68.4%, higher than in the previous financial year. Throughout the year 2013, the Bank's capital ratios were within the normative requirements, ensuring adequate coverage of its risk exposures. The total capital adequacy ratio as per 31st of December 2013 was 12.56% and the Tier 1 capital (core equity capital) adequacy ratio was 10.59%.

As per 31st of March 2014, Corporate Commercial Bank (CCB AD) reported assets amounting to BGN 7,302 million (Bulgarian lev). Compared to 31st of December 2013, the total amount of assets increased by BGN 562 million, or by 8.34%, mainly as a result of the increase in the securities (by BGN 319 million) and the corporate loan portfolio (by BGN 346 million). The other significant changes in balance were related to the BGN 503 million increase in the attracted funds from individuals and households and the reporting of subordinated term debt at the amount of the BGN equivalent of EUR 35 million. During the analysed period the Bank sold its full participation in the capital of Velder Consult OOD, which explains the decline (BGN 2,4 million Bulgarian lev) of investments in its subsidiaries.

In the first quarter no significant changes were reported that could lead to changes in the risk profile of the Bank. The high levels of credit risk and concentration risk continued to be determinative for the financial institution. According to the data reported by the Bank, the big loans granted within the meaning of Regulation No. 7 of the Bulgarian National Bank (BNB), abrogated in April 2014, were 20 (twenty) in total with a gross total amount of BGN 1488.9 million (Bulgarian lev) and represented 29% of the Bank's loan portfolio, or 193% of its own capital (BGN 758.6 million Bulgarian lev). 9 (nine) of these loans were exposures with a total balance amount of BGN 870 million (Bulgarian lev), granted to related groups by criteria "property", "control" or "management" (as required by paragraph 1, item 4 of the Supplementary provisions of the Law on Credit Institutions). 11 (eleven) of the loans were exposures reported as granted to individual clients of the Bank.

Pursuant to Regulation M575/2013 (in force as of 1st of January 2014), the Bank reported 20 large exposures amounting to a total of BGN 1608.6 million Bulgaria lev, after exposures have been applied and the credit risk mitigation effect had been reported, or 210% of the Bank's own capital (to the amount of BGN 765 million Bulgarian lev). 9 (nine) of these were related parties according to crieteria such as "control" and as "total risk holders", distributed in 21 individual exposures of a total carrying amount of BGN 828.9 million Bulgarian lev and 11 (eleven) loans are reported as granted to individual clients of the Bank.

The extent of impairment under the applicable accounting standards (IAS 39) for the classified exposures was 4.6%, significant below the average for the banking system (35%). Pre-agreed exposures amounted to BGN 374 million Bulgarian lev and represented 7% of total loans and advances. In the quarter 3 (three) exposures totaling BGN 5 million Bulgarian lev were written off. Fully impaired but not written off were 52 (fifty two) exposures amounting to nearly BGN 9 million Bulgarian lev.

According to the data reported by the Bank, the gross amount of the regular exposures as per 31st of March 2014 was BGN 5082.4 million Bulgarian lev, which accounted for 98.7% of the total gross loans, as for the analysed period their amount grew by BGN 361 million Bulgarian lev. The Bank's gross classified exposures kept the tendency to decline, with a decrease of BGN 19 million Bulgarian lev for the period reaching the amount of BGN 63 million Bulgarian lev. The most significant is the decrease in the group "Losses", which reached BNG 40 million Bulgarian lev. Non-performing exposures recorded a slight increase of BGN 0.8 million to BGN 8.3 million Bulgarian lev. The exposures in the group "Under supervision" decreased by BGN 8 million to BGN 14.7 million Bulgarian lev.

According to data reported by the Bank as per 31st of March 2014, net non-performing loans amounted to BGN 19,748 Bulgarian lev and accounted for 0.4% of the net lending portfolio compared to 0.6% as per 31st of December 2013 or BGN 29 million Bulgarian lev. During the analysed period the Banks capital position increased to BGN 758.6 million Bulgarian lev as a result of the inclusion of the annual audited profit and subordinated term debt at the amount of the BGN equivalent of EUR 35 million. The reported higher amount of equity (own capital) is the basis for a larger increase in loans over the analysed period or of the risk component respectively. According to the Bank's data reported under Regulation No. 8 of the Bulgarian National Bank (BNB) on capital adequacy during the period, the capital requirements for covering the risks assumed increased by BGN 47 million Bulgarian lev to the amount of BGN 664 million Bulgarian lev. The capital requirements for credit risk amounted to BGN 424 million Bulgarian lev, or 64% of the total, and the additional requirements represent 33% or BGN 221 million Bulgarian lev compared to the total capital requirements. In order to cover the market risk, the Bank has allocated BGN 1.4 million Bulgarian lev, representing 0.2% of the total, and BGN 17 million Bulgarian lev were provided for the operational risk, representing 2.6% of the total capital requirements.

According to data reported by the Bank under Regulation No. 8 of the Bulgarian national Bank (BNB), the main capital ratios for capital adequacy slightly increased by 1.15% to 13.71%. At the same time, according to Regulation 575/EU, the Bank's own capital amounted to BGN 764.7 million Bulgarian lev, the total capital adequacy ratio was 13.85%, and the Tier 1 capital ratio was 10.64%. The capital ratios as reported by the Bank were above the minimum required (both in compliance with Regulation No. 8 and the Regulation). The difference in favour of the capital ratios calculated under the new scheme is due to the changes in the requirements regarding the qualitative and quantitative characteristics of the criteria involved in the calculation of capital adequacy.

According to data reported by the Bank, the financial result for the first quarter was a profit of BGN 13.1 million Bulgarian lev and was formed by usual banking activities. The lower amount of the accrued impairment under IAS 39 on the loan portfolio and the received dividend of BGN 1.8 million Bulgarian had a positive effect on the financial results. The return on assets is commensurate with that recorded in the same period of the previous financial year, while the return on the capital was lower as a result of the increase in capital. The net interest margin decreased during the reporting period to 1.4% and was lower than the average values for the banking system. The Bank maintained a high cost of interest liabilities as a result of their structure, where the attracted funds from citizens significantly predominated.

According to data reported by the Bank, the liquid assets increased during the reporting period. In their structure with a leading share of 71% are cash and balances at the Bulgarian National Bank (BNB). Next are coming tradable securities. The liquidity ratios (liquid assets/net assets and liquid assets /borrowed funds) decreased by half a percentage point during the analysed period. The ratio of gross loans/deposits was 81% and is commensurate with the average of the banking system, while the attracted resources of citizens continued to increase and represented 67% of the total attracted funds. Next are coming the attracted funds from companies with a share of 28%. The liquid assets were maintained at the recommended minimum level of 20% coverage of the attracted resources by companies and citizens.

The Bank's financial results as per 30th of June 2014 represented a loss of BGN 65.3 million Bulgarian lev due entirely to the impairment charges of the loan portfolio during the related month. On the basis of the unaudited statements, the total capital adequacy of the Bank as per 30th of June 2014 was 10.54% and the Tier 1 capital adequacy ratio reached 7.86%.

As per 16th of September 2014, the Bank continued to suffer a severe liquidity shortage for meeting its obligations to depositors and other creditors, which amounted to a total of BGN 6,227,521 Bulgarian lev as per 24th of September 2014, and for TV Victoria EAD amounted to BGN 285,786 Bulgarian lev.

As per 30th of September 2014 the total amount of the Bank's assets amounted to BGN 6,662 million Bulgarian lev.

The main changes in the Bank's balance sheet reflect repayments received for the period, accrued but unpaid interest on the Bank's assets and liabilities, re-classification of exposures and consolidation of cash flows.

The high liquid assets of the Bank (cash in the Central bank accounts and also in cash) as per 30th of September 2014 amounted to BGN 331 million Bulgarian lev. The increase of BGN 187 million Bulgarian lev as compared to 30th of June 2014 resulted from the transfer to accounts in the Bulgarian National Bank (BNB) of funds held in correspondent accounts in commercial banks and from receipts from re-payments on principal and interests.

Impairment losses incurred as a result of disclosed losses and reclassification of exposures have been accrued for the period:

- The biggest losses are the result of the accounting operation, performed on 20th of June 2014, reflecting the cash withdrawal of BGN 206 million Bulgarian lev against Bromak EOOD's outstanding obligation for return of the money on 30th of June 2014, reported as an asset in the form of that claim. In fact, there are no clear reasons for its actual occurrence or its actual collection by the Bank, so its value is zero in accordance with the IFRS asset recognition standards of the International Financial Reporting Standards accounting (IFRS).

- As a result of borrowing of government securities amounting to EUR 80 million to TC-IME AD that was unable either to return (or to repay) or alternatively to pay the due remuneration, the amounts reported as part of an investment portfolio of government securities were reclassified into receivables from TC-IME AD. Since the mentioned company is in bankruptcy proceedings and the probability the claim to be collected is minimal, the latter is impaired to 100%.

- The book value of the loan portfolio as per 30th of September 2014 includes depreciation for BGN 148 million Bulgarian lev, determined on the basis of the policy for determining impairment losses in force until 20th of August 2014.

- When accounting for actual arrears as per 30th of September 2014, the loss resulted from impairment of the loan portfolio amounted to BGN 4,757 million Bulgarian lev.

After the analysis, carried out after examining all data, facts and circumstances, as well as from the surveyed and systematised data of the auditing companies, the Commission draws the following conclusions:

The assessment of the Bank's loan portfolio includes the exposures of 138 borrowing companies with a total amount of liabilities as per 30^{th} of September 2014, BGN 5335 million Bulgarian lev, or 96.6% of the total corporate loan portfolio.

1. For 14 (fourteen) borrowers with total exposures amounting to BGN 441 million Bulgarian lev, there are no signs of impairment or the impairment is minimal. Despite the fact that in five of the cases no significant collateral was identified, the financial situation of the companies leads to the conclusion that this group needs depreciation of BGN 46 million (Bulgarian lev).

2. For 29 (twenty nine) borrowers with a total amount of exposures of BGN 888 million Bulgarian lev operating activities are identified the results of which do not sufficiently support the servicing of their loans. With respect to these companies significant signs of deterioration in their financial situation were identified, such as steadily decreasing revenues and/or profits, loss as a result of their business activities, negative equity, etc., and/or business with scope and scale of business not comparable to the amount or purpose of the loan provided. For four of the above mentioned companies no valid collateral was identified. For this group of companies the conclusion is to be drawn that depreciations amounting to BGN 594 million (Bulgarian lev) are needed.

3. A group of 6 (six) borrowers with a total exposure of BGN 377 million (Bulgarian lev) can be defined as operating companies with a high degree of business dependence on a few related parties. As a whole, with respect to this group depreciation of BGN 216 million (Bulgarian lev) is necessary.

4. The largest group of 82 (eighty two) borrowers consists of borrowers which for the most part (67 of the cases) do not have any operational activity or it is very limited and their revenues are wholly or predominantly generated by third parties. The total exposure of all companies in this group is BGN 3,434 million Bulgarian lev, or 64% of the loan portfolio.

These are companies and holding companies whose main activity is mainly investments, in many cases without own staff and other operational activities. Many of them are recently set up, i.e. established up to 12 (twelve) months before the first credit was granted, or for the purpose of acquiring shares in other companies. In most of the loan files of the borrowers in this group, no detailed business plans or other information were found to support the economic expedience of credit granting, the expected cash flows of borrowers and the sources of repayment of the loans concerned.

For most of the credit files, there are no documents available to prove that the loan was used in accordance with the purpose stated in the credit agreement. Collaterals on these loans are securities on tangible assets, future receivables with receipts on bank accounts of the borrowers, shares of acquired enterprises or commercial enterprises. The predominant part of these collaterals are found to be inadequate at the time of charging the company's property or undertakings, or non-existent, making them unrealisable.

As per 30^{th} of September 2014, as a result of the analysis of the borrowers in this category, the coverage ratio of the debt with valid collateral, taking into account the related recoverable value, is only about 2%.

According to the balance sheets of the borrowers in this group, when such balance sheets are available, a large number of report major claims from third parties or investments in other entities. In the course of the analysis and evaluation work, the assessors repeatedly requested detailed information on these assets in order to assess the potential of borrowers to realise the assests and accordingly to provide the necessary cash flows to service the loans. Despite multiple requests by the supervisors for additional information on these assets, borrowers did not provided all the requested information or did not provided any information.

Loans amounting to BGN 1,394 million (Bulgarian lev) to borrowers from this group have been renegotiated on a number of occasions, and the terms for their repayment have been extended. The service of the majority of these loans, both in respect of the principal and the payment of interest, ceased after the Bank was placed under special supervision and by 30th of September 2014 many cases of significant overdue were identified. Given these major credit shortcomings in this group, the lack of important information in order to assess credit risk and the Bank's inability to obtain such information during the analysis and assessment period, it can be concluded that there is no reason to confirm that the Bank exercises or may acquire control of the assets of those companies. Therefore, the assessment of these loans is that they should be fully impaired after taking into account the valid collateral in case there are such. The conclusion from the assessment is that for this group of loans there are reasons and arguments for accrual of significant impairment amounting to BGN 3,021 million (Bulgarian lev).

With a similar level of ability to service their loans a group of 5 (five) companies has been identified that, although having an operational activity, do not achieve the necessary results allowing them to service the loans. In addition, the valid collaterals, as far as provided, are of a limited value. At an exposure of BGN 172 million (Bulgarian lev) this group would require a depreciation of BGN 166 million (Bulgarian lev).

There are 2 (two) companies as a separate group for which insolvency proceedings had already been opened and the expected loss is estimated at BGN 14 million (Bulgarian lev).

As per 30th of September 2014 the total amount of the gross carrying amount of the loans from the date provided amounts to BGN 5,335 million (Bulgarian lev), which is an estimate of the necessary depreciation amounting to BGN 4,057 million (Bulgarian lev).

The analysis and evaluation of the securities portfolio is also based on the applicable IFRS recognition and assessment standards as well as on the available and collected additional information regarding the markets and issuers of securities. 14 (fourteen) exposures in corporate securities were evaluated, for 5 (five) of which there is an active market available. 4 (four) of the exposures with no active market are evaluated at the fair value of the underlying model and 3 (three) are evaluated on a fair value basis less the impairment. In some individual cases when the issuers are also borrowers, the credit quality assessment of their credit exposure to the bank has also been taken into account.

The conclusion is that a securities depreciation is needed amounting to BGN 144 million (Bulgarian lev).

In respect to other assets, including real estate and bank guarantees, a need for impairment of BGN 30 million (Bulgarian lev) was identified.

As per 30th of June 2014, the data about the borrowing companies were analysed by the audit companies on the basis of the financial statements and/or collected additional information, assessing the need for impairment and categorisation of the borrowers in terms of indications for:

- significant financial difficulties
- overdue principal or interest
- the possibility of insolvency
- form of connection with the bank
- non – targeted use of the loan
- deferral or suspension of the debtor's business activities
- reduction of future cash flows
- inability to service principal payments or interest on the loan
- multiple times renegotiated loan terms
- lack of collateral or collateral insufficient in size and/or imprecisely collateral entry

The auditing companies have categorised the companies in the following groups (classes):

Class A - Companies - Borrowers with operational activities for which there is no evidence of deterioration in their financial situation or of connectivity (links).

Class B - Companies - Borrowers with operational activities for which there are evidences of deterioration regarding their financial situation or their business activities are not suitable for the loan provided.

Class C - Companies - Borrowers with operational activity and a high degree of connectivity (links)

Class D - Companies - Non-operating borrowers, recently set up companies, holding companies with revenues, if any, are generated by third parties rather than by their operational activities

Class E - Companies - Borrowers that have not provided any information.

Class F - Companies - Borrowers in bankruptcy.

Class G - Companies - Borrowers that are not eligible under the above criteria, negatively that affected the Bank's financial situation and damaged the bankruptcy mass

Appendix to the conclusions

On the basis of the Bank's balance sheet and the results of the analysis and evaluation of the main balance sheet items (including a sample of loans, investment portfolio, securities, other assets, real estate) and of bank guarantees issued by the Bank, the following conclusions can be drawn:

- The process of granting loans indicates no thorough research regarding the borrowers,
- Lack of complete analysis of the business plans as well as lack of project evaluations to justify the funding.
- Lack of control and ongoing monitoring of the collateral being negotiated.
- A significant part of the collateral indicate shortcomings or are non-existent, making them irrealisable.
- The coverage ratio of the Bank's loan portfolio with valid collateral is around 13%.
- There is no current monitoring and control over the activity of the credit recipients and the targeted utilisation of the funds from the granted credits.
- Many credit renegotiations are allowed without the necessary justifications.
- Documentation in credit records is not maintained in a state that allows the Bank to manage its receivables in order to obtain the economic benefits associated with.
- Specific way of crediting by "special purpose companies", holdings, etc. in order to finance asset acquisition, which does not meet the required standards and is not in compliance with the reliable banking practices.
- Bank management has not adhered to prudent and conservative banking practices.
- The activities of the Bank are characterised by unusual for the banking system vicious business practices, which are carried out through complex operations aimed at granting unsecured and enormous loans to companies legally and/or economically linked with Tsvetan Vasilev, which in fact do not carry out any commercial activity and do not have any revenues (so-called "shell companies"), with which legal and/or economically connected business structures and/or business practises are funded by CCB money (attracted funds from depositors in the Bank).

The reported vicious practice was possible mainly due to the circumstance that the CCB AD management allowed and admitted factually and legally to make investments and to cover any kind of expenses of Tsvetan Vasilev and related company structures with the money of the clients (depositors and depositors) of the Bank. In doing so, the CCB AD started to credit commercial companies (some of which were recently set up) without real business activity, without a business project and without a real owner (beneficiary) of the credit resource, as the registration of the companies formally employed Tsvetan Vasilev's employees in various structures not having connection with the credit objectives and, in most cases, were not even aware of the size of the credit obligations of the companies they pretended to manage. In other words, these were affiliated persons, and the companies owned and/or managed by them were in fact shell companies, i.e. non-trading firm formed as a vehicle or as a front for an illegal business. These shell companies were unable to service and/or return the received credits. In connection with lending, there are some striking cases where tens of millions are given only against one request and on the day of the request to newly registered companies or to companies without any real business activity.

In fact, loans received by similar companies were provided (in most of the cases) in the form of loans to third-party companies and used to finance Tsvetan Vasilev's business ventures or his public projects, i.e. namely Tsvetan Vasilev or affiliated persons are the real final beneficiary of the loans through the shell companies. As a final result of the vicious scheme, Vasilev or his affiliates were both the real orderer of the loans, through the control over the management of the Bank and the real final beneficiary of the loans through its controlled companies (borrowers).

Examples of the above presented scheme are the cases of arbitrary borrowers from the group of affiliates in any period of time considered by the Investigation Commission.

On November 18 and 19, 2013 the Credit Department of CCB AD requested from "Fina C" to provide a company for granting a new credit of EUR 32 million.

The designated company is "Pacific Invest" AD (with UIC: 202660570) and the request states that part of the amount of the new loan will be paid for the loans on the 20th and 25th day (the total principal and interest amount due to the Bank for the month November is BGN 30 million Bulgarian lev, as part of the new loan will partly offset the credit obligations of "Burgas Meat", "Bulit 2007", "Dival 59" and "Print Invest", which were in the Top 20 of priority major borrowers.

How was the new credit actually spent? On 19th of November 2013 an amount of EUR 12,500,000 was granted and utilized on the account of "Pacific Invest" AD in the CCB AD.

On the same date, the account of another company belonging to the group of affiliated companies, "Avionams"AD was credited with the amount of EUR 12,500,000 transferred by "Pacific Invest" AD with indicated reason for the bank transfer "contract" (loan), the same amount being converted into BGN 24,443,000 (Bulgarian lev).

With the amount received the company "Avionams" AD performed during the period 19-25 November 2013 the following money transfers to other companies in the group of connected companies with indicated reason for the bank transfer "contractual basis", namely:

- to "Hedge Investment Bulgaria" AD: the amount of BGN 15,564,349 Bulgarian lev;
- to "Eltower" EOODX: the amount of BGN 361,550 Bulgarian lev;
- to Integrirani Patni Sistemi (IPS) AD (*English*: Integrated Road Systems): the amount of BGN 7,227,643 Bulgarian lev;
- to "TC - IME VEST" AD: the amount of BGN 1,250,000 Bulgarian lev;

The Company also paid BGN 67,725 (Bulgarian lev) for repayment of interest on credit at CCB AD;

For its part, in the same period between 19th and 25th of November 2013 and with the above amount BGN 15,564,349 Bulgarian lev, "Hedge Investment Bulgaria" AD carried out the following cash transfers to other companies in the group of related companies with the bank transfer reason "contractual basis", namely:

- to "Sun City 03" AD: the amount of BGN 355,743 Bulgarian lev;
- to Kritie OOD: the amount of BGN 4,466 Bulgarian lev;
- to Burgas Meat" EOOD: the amount of BGN 602,351 Bulgarian lev;
- to "IPS Asphalt" EOOD: the amount of BGN 1,668,307 Bulgarian lev;
- to "Optima Intertrade" AD: the amount of BGN 12,090,000 Bulgarian lev;

The Company paid also EUR 97,780 as a credit management fee to CCB AD (after the remainder of the amount received has been rolled over) and EUR 296,722 for repayment of interest on credits;

During the same period between 19th and 25th of November 2013, the company "Eltower" EOOD carried out with the above amount of BGN 361,550 (Bulgarian lev), the money transfers to other companies in the group of related companies on the basis of "contractual reasons", namely :

- to "Hydropont M" OOD: the amount of BGN 340,000 Bulgarian lev;
- to "Saga Consult" EOOD: the amount of BGN 322,905 Bulgarian lev;
- to "Dunarit" AD: the amount of EUR 23,125;

During the same period, the company received on the basis of "contractual reasons" the following amounts from other related companies, from "Aquafinance" EOOD the sum of BGN 57,500 Bulgarian lev, from "Integrated Road Systems" AD (Interirani Patni Sistemi IPS) the amount of BGN 256,450 Bulgarian lev, and from "Nik Komers 01" EOOD the amount of BGN 340,000 Bulgarian lev. The listed companies are also borrowers from the CCB AD.

The Company paid to CCB (after the balance of the balance received) EUR 272,059 for repayment of the credit (principal) and EUR 21,462 for repayment of interests on the related credit.

With the above amount of BGN 1,250,000, the company "TC - IME Vest" AD repaid during the period 19th – 25th of November 2013 its following obligations on loans to CCB AD (after the transfer of the amount received), namely - EUR 416,667 for credit repayment (principal) and two repayments of interest on loans amounting to EUR 180,729 and EUR 88,500.

It is apparent from the above presented data that the companies "Avionams" AD, "Hedge Investment Bulgaria" AD, "Eltower" EOOD and "TC - IME Vest" AD repay part of their current credit obligations to CCB AD (interest and/or principal and interest) payable for November 2013 through a new bank loan from CCB AD granted to another company in the group of related companies, namely "Pacific Invest" AD.

On 19th of May 2014 the CCB AD Credit Department requested from "Fina C" to credit the companies "Prime Time" with EUR 12 million, "Bagiana" with EUR 10 million and "Pro Vision Trans" with EUR 13,5 million, indicating that EUR 2 million of the credit to "Prime Time credit should be used for repaying interest for the period of several months.

On 20th of May 2014 on the account of "Bagiana" EOOD, a bank loan from CCB AD was recieved up to the amount of EUR 10,000,000. The loan is converted into BGN (Bulgarian lev) and on the same date the borrower “Bagiana” EOOD disposed with the amount (on a “contractual reason” basis) in the following way:

- Payment to “Port Invest Rousse” EAD to the amount of BGN 1,730,000 Bulgarian lev;
- Payment to “TC - IME Vest” AD to the amount of BGN 2,775,000 Bulgarian lev;
- Payment to “Rubin Industry” OOD to the amount of BGN 9,002,000 Bulgarian lev;
- Payment to “VIP Properties” OOD to the amount of BGN 5,878,000 Bulgarian lev;

With part of the above mentioned amount of BGN 1,730,000 Bulgarian lev, “Port Invest Rousse” EAD repaid in the period between 20th and 26th of May 2014 the following obligations on loans to the CCB AD (after a new changeover in EUR), namely the amount of EUR 222,141 for repayment of interest on credit and the amount of EUR 54,250 for repayment of interest on credits.

On its part, with part of the above amount (BGN 2,775,000), “TC - IME Vest” AD repaid during the period between 20th and 26th of May 2014 its following obligations to CCB AD (after currency conversion in EUR), namely the amount of EUR 416,667 for repayment of principal on the credit and EUR 167,291 for repayment of interest on the credit.

“TC - IME Vest” AD transferred (on the basis of “contractual reasons”) to another company in the group of related companies, “Technotel Invest” AD, the amount of BGN 1,510,000 Bulgarian lev.

With the above amount, the company “Technotel Invest” OOD repaid (following the conversion of the amount in EUR) its obligations to CCB AD, namely the amount of EUR 550,000 for repayment of the principal and EUR 237,875 for repayment of interest on the credit.

From the above facts it is evident that the companies “Port Invest Rousse” EAD, “TC - IME Vest” AD and “Technotel Invest” AD repay part of their credit obligations to CCB (interest (and/or principal and interest) due in May 2014 through a credit granted by CCB AD to another company in the group of related companies, namely “Bagiana” EOOD.

In order to ensure the necessary financing for July 2013 of the payment of interest on current loans to almost 80 related companies (at that time), a newly established company was used, “Optima Intertrade” AD. The company was registered in the Commercial Register in July 2013.

The company “Optima Intertrade” AD, that has neither commercial activity nor staff, received from CCB AD on 19th of July 2013 a credit amounting to EUR 15,000,000.

С получените 15 млн. евро новоучредената фирма „Оптима Интертрейд” АД извършва, в периода 22- 25 Юли 2013г. множество трансфери към свързани фирми, които използват получените средства за погасяване на текущите лихви по своите кредити към КТБ. Общо необходимата сума за обслужване на дължимите главници и лихвите по кредитите на свързаните фирми „бушони“ за месец Юли 2013г. е 27 969 284 лева.

On 22nd of July 2013 “Optima Intertrade” AD transfered the amount of EUR 15,000,000 (on a contractual basis) to “Infrastrukturna Kompaniya” AD (*English*: Infrastructure Company AD), which in turn immediately orders the same amount of EUR 15,000,000 to “Integrirani Patni Sistemi” AD (IPS) (*English*:

Integrated Road Systems AD). IPS converted the amount in BGN (Bulgarian lev) and made the following payments to the following affiliated companies:

- Payment to “TC – IME Vest” AD to the amount of BGN 17,728,000 Bulgarian lev;
- Payment to “Aquafinance” EOOD to the amount of BGN 2,293,500 Bulgarian lev;
- Payment to “Sinektik” EOOD to the amount of BGN 787,390 Bulgarian lev;
- Payment to “Arescom” EOOD to the amount of BGN 1,040,000 Bulgarian lev;
- Payment to “Yulita 2002” EAD to the amount of BGN 1,065,200 Bulgarian lev;
- Payment to Razgrad Territorial Cadastre EOOD to the amount of EUR 75,000;
- Payment to Vratsa Territorial Cadastre EOOD to the amount of EUR 86,700;
- Payment to Sliven Territorial Cadastre EOOD to the amount of EUR 76,670;
- Payment to “Hydroenergiyni Proekti” EOOD to the amount of EUR 178 695;

On 25th of July 2013 “Arescom” EOOD paid off interest on loans to CCB AD with the received amount. On 25th of July 2013 “Yulita 2002” EAD paid off current interest rates on loans to CCB AD.

On 22nd of July 2013 “TC – IME” trasferred to “Ken Trade” AD the amount of BGN 6,713,905 and on the same date “Ken Trade” AD made the following payments to the following related companies:

- Payment to “Burgas Meat” EOOD: the amount of BGN 1,150,000 Bulgarian lev;
- Payment to “Transstrading” EOOD: the amount of BGN 97,950 Bulgarian lev;
- Payment to “Sun City” AD: the amount of BGN 286,000 Bulgarian lev;
- Payment to Nikkomers 01” EOOD: the amount of BGN 199,044;
- Payment to “IPS Afhalti” EOOD: the amount of BGN 1,140,000 Bulgarian lev;
- Payment to “Koop Investment” EAD: the amount of BGN 1,895,910 Bulgarian lev;
- Payment to “Hedge Investment Bulgaria” AD: the amount of 475,000 Bulgarian lev;
- Payment to “Aflik Bulgaria” AD: the amount of BGN 22,500 Bulgarian lev;
- Payment to “Aquafinance” EOOD: amount of BGN 1,447,500 Bulgarian lev;

On 25th of July 2013 the companies “Ken Trade” AD (using the balance after the payments above), “Burgas Meat” EOOD, “Transtrading” EOOD, “Sun City” AD, “Nikkomers 01” EOOD and “IPS Asfalti” EOOD paid off with the amounts received the interest on loans granted by CCB AD.

On 22nd of July 2013 “Aquafinance” EOOD transferred to “Dival 59” EOOD the amount of BGN 2,130,000 Bulgarian lev (the amount is derived from the above payments from Integrated Road Systems AD – Integrirani Patni Sistemi AD and “Ken Trade” AD), which “Dival 59” EOOD used on 25th of July 2013 for repayment of interest on loans to CCB AD.

On 22nd of July 2013 “Koop Investment” EAD transferred the amount received by “Ken Trade” AD to the following affiliated companies:

- Payment to “Aquanada” EOOD: the amount of BGN 941,000 Bulgarian lev;
- Payment to “Arescom” EOOD: the amount of BGN 377,000 Bulgarian lev;
- Payment to “Building Resort” EOOD: the amount BGN 220,905 Bulgarian lev;

On 25th of July 2013 "Aquanada" EOOD, "Arescom" EOOD, "Building Resort" EOOD and "Koop Investment" EAD (with the remainder of the money) paid off with the amounts received interest on their CCB AD credits.

This is only one part of the payments made in connection with the provision of financial facilities to the affiliated companies to repay (pay off) the interest due on their loans to CCB AD for the month of July 2013.

The total amount of EUR 15,000,000 is secured through the loan of the newly established company "Optima Intertrade" AD. The above amount was subsequently distributed in the form of loans, directly or indirectly through other shell companies, to the companies with obligations with respect to their loans for the related month.

Using the same scheme, CCB AD provided cash amounts for the loans granted to affiliated companies - shareholders in the Bank in favour of CCB (so-called "subordinated term debt"). The following scheme applied, i.e. granting loans to companies from the group of affiliated companies that provided the same funds to the minority shareholders connected with Tsvetan Vasilev through a series of transactions (transfers), which in turn provided CCB AD with the eligible loans under the regulatory (subordinated term debt), after permission from the Bulgarian National Bank (BNB). "Subordinated Term Debt" is a specific bank deposit, i.e. a liability of the bank to the lender (usually a shareholder) with a term over 5 (five) years, which deposit is not secured by collateral or collaterals, and which is kept as "off-balance" bank capital or a mean to increase capital adequacy. In this way, the companies related to Tsvetan Vasilev, namley "Eurobuild 2003" EOOD, "Bromak" EOOD and "TC – IME" AD provided to CCB a total of EUR 90 million of loans (in the form of subordinated term debt), whose origin is also the Bank (through loans granted to other shell companies, which transferred the necessary amounts to the lending companies of the Bank. In this regard, after checking the cash flow, the BNB canceled the subordinated term debt and the granted to CCB AD by "TC – IME" AD.

A good example of increasing the capital of CCB AD with money withdrawn from the bank in the form of loans is the capital increase made in the year 2013.

Three companies participated in the capital increase of CCB AD as per 30th of May 2013, namely "Bromak" EOOD, "Central Techno Properties" EAD and "CD Management" EOOD. "Bromak" EOOD delivered efficiently the amount of BGN 47,211,849, "Central Techno Properties" EAD provided the amount of BGN 23,470,500 and "CD Management" EOOD effectively provided the amount of BGN 15, 647,000.

"Bromak" EOOD disposed with money, but the funds of "Central Techno Properties" EAD and "CD Management" EOOD for the capital increase of the Bank, amounting to almost BGN 40 million (Bulgarian lev), were provided by credits granted by CCB AD to other affiliated companies. "Central Techno Properties" EAD received from its sole owner "TC – IME Vest" AD for the period from 1st of January 2013. until 18th of May 2013 the total amount of BGN 30,000,000 (Bulgarian lev), which on 23rd of May 2013. was declared in the Commercial Register as an addition of 50% of the statutory capital of the company for later use for the acquisition of the shares of the Bank's capital increase. The money of "TC- IME Vest"

AD (a company registered at 46, Damian Gruev street, Sofia) is not a commercial activity and the sales revenues of this company amount to "0" Bulgarian lev), but they originate again from CCB AD – provided through the credit scheme. "TC – IME Vest" AD has as of 2011 (and probably until 2013 the loans increased) liabilities to CCB AD at the amount of BGN 49 million (Bulgarian lev).

"Arescom" EOOD, the sole owner of the capital of CD Management" EOOD, a company registered again at 46, Damian Gruev street, in Sofia, also received significant amounts on credits from CCB AD, as only for the year 2012 they were approximately EUR 26 million, part of which the company provided to its subsidiary for the participation in the CCB AD capital increase.

The majority of the credits provided by CCB AD to the companies affiliated to Tsvetan Vasilev, are in fact unsecured, and most of the so called indirectly "acquired" assets of CCB AD with money from CCB AD, i.e. enterprises and/or real estate, were not under the control of the Bank since they were acquired by Tsvetan Vasilev's affiliated companies, which had no direct credit relations with the bank. These companies were financed through loans by shell companies that received unsecured loans from the CCB AD.

Another serious problem are the so called "assets" of CCB AD, these are the assets acquired against part of the loans granted to the companies affiliated to Tsvetan Vasilev. Most of the assets are owned by companies, including offshore companies, that do not have direct credit from CCB AD – only loans from other affiliated companies, and therefore it is difficult to make these companies subject to judicial and/ or judicial enforcement measures. Another part of the assets provided to CCB AD as collateral secured loans that significantly exceed the value of the collateral and therefore the bank would not be able to satisfy the forced sale of the assets. It should also be borne in mind that the majority of the loans granted by CCB AD to affiliated companies to Tsvetan Vasilev, including shell companies, are actually unsecured.

In order to provide the necessary funds for the financing of the affiliated with Tsvetan Vasilev shell companies, i.e. companies without any real activity and personnel, by granting to these companies huge amounts of unsecured loans, of which CCB AD did not make any profits, the Bank provided the means to repay the interest and the principal on the loans and had to accumulate a real monetary resource, which it made by attracting deposits from legal and natural persons under the conditions of extremely high interests, i.e. as twice as higher than the average for the banks interest on deposits, or at interest rates between 8% and 10% on average for the market between 4% and 5%). The issue also arises, as CCB AD did not actually have any profits or did not have enough profit from its credit activity, given the crediting of shell companies that can not serve their loans, how the bank would pay the high interest rates on the deposits? This situation shows quite clearly that CCB AD financial pyramid could not be able to cover these costs.

The above has extremely severe consequences for CCB AD because it creates the apparentness of having a capital base, i.e. for the possibility of crediting without such a possibility. This falls within the sphere of responsibility of Tsvetan Vasilev and the management of the Bank as well as of the BNB regulatory body. By allowing these practices in CCB AD, they have provided the Bank with the opportunity to function as a financial pyramid. The continuation of the operational activities of CCB AD with these practices and this management would allow the size of the damage to depositors and clients to be even greater, because the effects of financial pyramid structures increase geometrically over time.

Under the given circumstances and the management model of CCB AD that has been set up, it was possible for Tsvetan Vasilev as the Chairperson of the Supervisory Board and the Majority Owner of the Bank to guarantee uncontrolled, both in terms of size and in terms of efficiency and/or purposefulness, financing of his business ventures and any other expenses by the bank - through "Bromak" EOOD. In percentage terms, the crediting of shell companies accounts for approximately 70% of the entire CCB AD loan portfolio (which is about 5.3 billion Bulgarian lev. In the direction of Vasilev-related companies, including shell companies, about BGN 3.5 billion are drained from CCB AD in the form of loans according to the summarised information from audit companies' reports that carried out an audit of CCB AD after the Bank was placed under special supervision.

- Insufficient control by larger minority shareholders;
- Major powers of the Supervisory Board, at the expense of the Management Board, including operational activities;
- Putting all the management activity of CCB AD under the control and disposition of one person, Tsvetan Vasilev, and the lack of any mechanisms for counteraction by the Bank's management and/or internal control bodies of the established vicious practices;

The Chairman of the Supervisory Board and the majority owner through "Bromak" EOOD of CCB AD Tsvetan Vasilev almost completely seized the functions of a managing body, that decides about any actions related to the management and/or the lending activities of the Bank. This status has been achieved by Tsvetan Vasilev through the mechanisms of questioning and/or reporting by the Bank's management and operational staff sent to Vasilev and by means of orders and/or other resolutions on his part by Bank employees, although the position of Vasilev as Chairman of CCB AD Supervisory Board did not imply management functions, but only control ones. Any decision relevant to the Bank's activity, including almost any loan granted, was accepted and executed after his explicit disposition or approval.

In this way, despite the formal presence of management bodies at different operational levels and the existence of control and audit services at the Bank, it was virtually subordinate to a single person. Under the established way of management in CCB AD, on the one hand, there is a dangerous apparentness that the management and operating authorities and control bodies actually exist in the Bank and, on the other hand, creates the real opportunity for policy to be defined and decisions essential for the bank to be taken by only one person, without any mechanism of control over his decisions, which in turn led to the uncontrolled spending of the vast part of the Bank's financial resources.

- Auditors' misconduct

Regarding the quality of the audit on the financial statements of CCB AD (Corporate Commercial Bank AD) for the years 2009, 2010, 2011, 2012 and 2013, the Commission considers that:

- The commitments for independent financial reporting of the annual financial statements of CCB AD (Corporate Commercial Bank AD) are fulfilled with significant shortcomings and inconsistencies regarding the requirements of International Standards on Auditing in relation to the Bank's Credit Activity - regarding the origin, completeness and assessment of the loans granted;

- Contradicting or insufficient evidence, incl. missing documents, confirmations, odd discrepancies between enterprise documentation and the acknowledgment responses, electronic evidence that is not available or is lacking, which is inconsistent with the record keeping practice or policy of the company, are circumstances that indicate fraud in accordance with ISA 240 on the Auditor's Responsibility for Auditing Financial Reporting Fraud;

- The registered auditor should, on the basis of the audit procedures performed and the audit evidence obtained, have evaluated the audit evidence by assessing whether the estimates of the risks of material misstatement at the assertion level remain appropriate. Such an assessment may provide additional in-depth knowledge of the risks of material misstatement due to fraud and whether there is a need to perform additional or different audit procedures;

- For reasonable assurance, the auditor was required to take into account management's negligence of control and to take into account the fact that audit procedures effective for detecting an error may not be effective in disclosing cases of fraud;

- When performing the independent financial audit engagements of the annual financial statements and the agreed audit procedures with respect to the Bank's accounts for supervisory purposes, a number of facts and circumstances have been identified by the registered auditor that could be qualified as fraud indicators by the management of the Bank but in respect of which the registered auditor has not taken adequate action to change his audit strategy and to refer to the Bulgarian National Bank in accordance with the provisions of Article 77 of the Credit Institutions Act;

- In fulfilling the independent financial audit engagements regarding the Bank's annual financial statements for the year 2013, there were threats regarding compliance with the Fundamental Principles of Integrity and Objectivity and the Requirement for Independence under the Code of Ethics of Professional Accountants;

- Unenforceable supervision by the Banking Supervision at the Bulgarian National Bank (BNB).

The Investigation Commission considers that the Bulgarian National Bank (BNB) has not effectively exercised its supervisory and control functions with respect to CCB AD. Hundreds of millions of Bulgarian lev credits have been granted by CCB AD to companies with fictitious or zero-economic activities, missing real guarantees for the loans received, multiple borrowers registered at the same address, companies provided on the same day the received loans for millions of euros to other companies and individuals. The Commission did not receive a satisfactory explanation from BNB representatives why they did not respond to a number of other unusual facts about normal banking practice, such as: phenomenal growth in CCB AD assets, interest rates on deposits far above the market interest rates, extremely high number of renegotiated loans.

The value of unsecured loans found in the data collected by the assessors, audit firms and assignees shows conclusively that this is not a case of a lack of professionalism on the part of the BNB Supervisor but a total irresponsibility and lack of action that facilitates the draining of the Bank's financial ressources.

Until CCB AD was placed under special supervision, the Bulgarian National Bank (BNB) did not respond adequately to any of the many violations.

Hearings and reports of the Commission for the reviewed period of the State agency for National Security lead to conclusions similar to those of the BNB's activities. In fact, for the whole period under review, the States Agency for Nationa Security did not identify any of the numerous bankruptcy law breaches by CCB AD. The State Agency for National Security did not provide any of its own sources of information. In essence, its activity was limited to reviewing and re-using official reports of the Bulgarian National Bank (BNB), generally available on the Internet.

It is indicative taht there is no information on CCB AD in the Annual Report for the year 2013 of the State Agency for National Security, and even the abbreviation CCB AD is missing there. In fact, the State Agency for National Security for years has not done anyhing to prevent the draining of CCB AD, has not warned the state leadership about committing financial crimes amounting to billions of Bulgarian lev. No necessary checks have been made on suspicious bank loans to offshore companies, the ownership of these companies has not been verified, nor the relationship between the transactions and potential risks to national security. Acquisitions of key companies for national security from companies with a unidentified owner through a series of unsecured loans of enormous value between offshore companies were allowed. This created both direct national security risks and risks to the country's financial system. Until now, the state institution has not held any of its officers and directors responsible for non-performance of duties and for the lack of measures to be taken.

The Commission considers that the whole functioning mechanism of the State Agency for National Security in this area of national security needs a thorough analysis and clarification of a number of facts, actions or lack of actions in connection with the draining of the Bank. The question remains whether the cause of this failure is a lack of professionalism or irresponsibility with respect to the processes that led to the draining of CCB AD. The fact that for the entire period between 2009 and 2014 the State Agency for National Security did not send any signals to the Bulgarian National Bank (BNB), nor did it undertake a common inspection, either indicate an unacceptable negligence and incompetence or deliberately negligence of the functions of the State Agency regarding the control of suspicious financial operations. Separate signals were filed with the Prosecutor's Office without a consistent interest in their development. During the period under review, the State Agency for National Security did not propose any legislative changes concerning the banking and financial stability, i.e. the State Agency for National Security did not consider that there were legal and regulatory obstacles to the performance of its duties.

The activities of the Prosecutor's Office are not within the scope and subject of investigation of this Commission. However, during the Commission's period of activity, the necessary information and documentation has been provided.

From the data collected in the Sofia City Prosecutor's Office on 27th of March 2015, pre-trial proceedings were instituted against an unknown offender under Article 219, para. 4 in relation to para. 3 and item 1 of the Criminal Code of the Republic of Bulgaria. In the course of the investigation 15 (fifteen) persons were accused, amongst tehm also CCB AD officials, namely executives, officials from the Internal Audit Service and other employees of CCB AD; Bulgarian National Bank (BNB) officials; KPMG employees who have performed an external audit of the bank. The CCB Supervisory Board Chairman Tsvetan Vasilev was also accused.

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Translation from Bulgarian

Draft

REPUBLIC OF BULGARIA

FORTY THIRD NATIONAL ASSEMBLY

RESOLUTION

on the Report of the Provisionary Investigation Commission of inquiry into the facts and circumstances related to the actions of state bodies and institutions supposed to exercise control and counteract the draining of CCB AD (Corporate Commercial Bank) in the period between 2009 and 2014.

On the basis of the Report compiled as a result of the reviewed information, the analysis of the data and the held hearings and discussions, the Provisionary Commission proposes to the National Assembly to adopt the following resolution:

The National Assembly, on the grounds of Article 86, para. 1 of the Constitution of the Republic of Bulgaria and Article 35 of the Regulations of the Organisation and the Activities of the National Assembly

DECIDED:

1. To approve the Report of the Provisionary Investigation Commission for inquiry into the facts and circumstances related to the actions of state bodies and institutions which should have exercised control over and counteract the draining of CCB AD (Corporate Commercial Bank) in the period between 2009 and 2014.

2. To provide the report to the Council of Ministers, the General Prosecutor of the Republic of Bulgaria, the Managing Board of the Bulgarian National Bank (BNB), the Chairman of the State Agency for National Security, the Chairman of the Financial Supervision Commission, the Chairman of the Commission for Public Supervision of the Registered Auditors and to the European Commission.

Signees:

Desislava Atanasova

Anna Alexandrova

Snezhana Dukova

Yordan Tsonev

Tsvetomir Mihov

Peter Chobanov

Yanko Yankov

Krasimira Kovachka

Nikolay Aleksandrov

Dimitar Gorov

Vladislav Nikolov

Daniela Saveklieva

Philip Popov

Lachezar Nikiforov

Iskren Veselinov

Boris Yachev

Krassen Georgiev Krastev

Dimitar Tanev Takev

Rumen Vasilev Gechev

Radan Milenov Kanev

The members of the Provisionary Investigation Commission with 18 (eighteen) votes in favour, without objections and abstentions:

1. Accept the report on the verification of the facts and circumstances related to the actions of state bodies and institutions, which should have exercised control over and counteract the draining of CCB AD (Corporate Commercial Bank AD) in the period between 2009 and 2014.

2. Support the conclusions and recommendations and propose the report to be submitted for consideration and discussion by the National Assembly.

Signees:

Desislava Atanasova

Anna Alexandrova

Snezhana Dukova

Jordan Tsonev

Tsvetomir Mihov

Peter Chobanov

Yanko Yankov

Krasimira Kovachka

Nikolay Aleksandrov

Dimitar Gorov

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Philip Popov

Lachezar Nikiforov

Iskren Veselinov

Boris Yachev

Krassen Georgiev Krastev

Dimitar Tanev Takev

Rumen Vasilev Gechev

Radan Milenov Kanev

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Translation from Bulgarian

To

THE PRESIDENT OF THE NATIONAL ASSEMBLY

Stamp of the National Assembly

Reference number: 553-67-1

Date: 7th of July 2015, Time: 5:55 p.m.

(Signature illegible)

DEAR MRS. PRESIDENT,

Pursuant to Article 35 and Article 85, para. 1 from the Regukation of the Organisation and the Activities of the National Assembly we file a draft decision for the adoption of a Report and Appendixes for the activity of the Provisionary Investigation Commission for inquiry into the facts and circumstances related to the activity of state bodies and institutions which should have exercised control and counteract the draining of CCB AD (Corporate Commercial Bank) in the period between 2009 and 2014.

In this respect we kindly ask you to present the draft decision and the report for consideration and voting in accordance with the established procedure.

Signees:

Anna Alexandrova

Snezhana Georgieva Dukova