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**THE KTB**  
STATE



## **THE KTB STATE**

*THE STORY OF THE LARGEST BANK FAILURE IN BULGARIA — OR THE WORKINGS OF A CAPTURED STATE THAT SOLD OUT THE PUBLIC INTEREST FOR PRIVATE EXPEDIENCY*

### Editor's Note

THE KTB STATE is the result of a two-year investigation by six journalists (not counting the baby of the driving force behind the project — Zornitsa Markova), some of whom have had an interest in the topic dating back to 2008 and 2009, when they first put ink to paper.

The investigation is structured as a chronological account of the history of the CORPORATE COMMERCIAL BANK (KTB) from its establishment until its collapse. It tells the story of the largest bank failure in Bulgaria.

The preparatory and investigative work carried out under the KTBfiles project involved more than 250 meetings with different sources, approximately 30,000 pages of documents (reports, contracts, correspondence, lists, registers, financial records, etc.) put under close scrutiny, more than 1,000 phone calls, and at least 50 applications for access to information.

In January 2016, the website [www.ktbfiles.com](http://www.ktbfiles.com) was launched with the original intent of presenting the work of the team and the goals of the investigation. It contains several important elements:

- a full chronology of the events from the establishment of KTB in 1984 until the bank's closure in 2016;
- Radar — a daily media scan software, which uploads all KTB-related materials onto the website;
- a rich selection of KTB-related documents.

Several months later, the website's content was expanded with the "KTB Top 100" sub-project — a comprehensive, document-based analysis of the bank's 100 biggest borrowers with an aggregate share of more than 80% of its loan portfolio, detailing the loans obtained by each company, the way in which the money was spent, the current financial standing of the borrowers and the assets acquired with the money borrowed. The "KTB Top 100" project largely answers the question: Where did the money go?

During the investigation we extended, either in person or through lawyers and press offices, dozens of interview requests to key players in the events described in the book. Many of them, including Delyan Peevski, Boyko Borisov, Ahmed Dogan and Plamen Oresharsky, declined our invitations to share their views on the events.

In late August 2016, after several attempts and two planning visits to Belgrade, the KTBfiles team finally interviewed Tsvetan Vassilev. A full transcript of the interview is available on the website. In terms of content, the first-ever interview with a genuine insider is intrinsically invaluable. It contains previously unspoken admissions and explosive allegations that we believe should at least have merited a prosecutorial enquiry.

Although by the end of 2016 work on the book had been completed, it took a further six months to address a host of technicalities before it could go to print. In addition to the core team of journalists who compiled the material in the book, reporters and back-office collaborators (lawyers, technical assistants, web designers, etc.) were also part of our nearly 30-member team. They all deserve acknowledgement for their contribution and courage, and for work done with the sole objective of eliciting a public reaction.

THE KTB STATE is an example of “spotlight journalism.” However, unlike in the Boston investigation, the victim of the assault here is the Bulgarian State.

The chain of all-pervasive corruption that links politicians, institutions, regulatory bodies and certain media is no longer merely an unsubstantiated allegation. As can be expected from a professional and independent journalistic investigation, ours answers the question #WHO, but also other important questions, such as how, how much and—most importantly—what must be done if we are to dismantle the toxic model.

#### SUMMARY

*A luxury hotel in Velingrad. A husky young man rents a room. He travels with a retinue of helpers. A van with dark-tinted windows is parked in front of the hotel. Over the next few days hotel guests see the same scene play out time and again: the man receives a long procession of visitors. After a brief verbal exchange, each visitor steps into the van and leaves it with a bag. The bags—some smaller, others bulkier—are full of money. Each man throws the bag over his shoulder and heads back whence he came.*

*An election would soon follow. The men with the bags are members of local grassroots organisations of the Movement for Rights and Freedoms (DPS). The origin of the money is open to speculation.*

*This is eyewitness testimony told independently by several of our sources. The scene paints a picture of political corruption in Bulgaria at the lowest level of daily life, with bags of money intended for unknown recipients changing hands without a trail. However, it has much deeper significance as a poignant symbol of a vicious model of oligarchic rule that has been a work in*

*progress for many years. To make sure that model is fully operational, all vital instruments and mechanisms of the democratic State must be captured and their core function of guarding against violations and abuses of established rules must be compromised.*

*Thus, slowly but surely, the bad guys would gain the upper hand, relying on tactics such as unscrupulous media control and a tight grip over the judiciary, security services, regulatory bodies and entire government institutions, putting these to use as an instrument for pressure, money-making and extortion.*

*The model is linked to a bank. Albeit small and insignificant at first, it burgeoned and grew rapidly, gaining political approval and attracting public sector clients and their money to fuel even faster growth. Over the years, it gave rise to an amorphous conglomerate of official and concealed interests covering an array of businesses, media and industries, hoarding assets worth billions that subsequently required even more money and stronger political backing to stay afloat.*

*The model was propelled by a tandem made up of a banker (Tsvetan Vassilev) and a hybrid figure — a cross between a politician, magistrate, business owner and media mogul (Delyan Peevski), both acting as conduits for a hidden political agenda. One partner was tasked with supplying funding and spiralling business growth, the other with garnering state support to prop up the endeavour. The KTB model had something for everyone.*

*It did not remain confined to the bank but spread out to multiple domains and levels. Bank financing enabled acquisitions of assets outside the statutory framework of existing rules and regulations. Public watchdogs turned a blind eye to some, while rushing to authorise others in a mission to serve. Party functionaries saw to the adoption of manifestly lobbyist laws by Parliament or traded in influence, effectively creating a political shield over the workings of the*

*duo. Government institutions poured even more public money into deposit accounts, buying influence and fuelling further acquisitions. The wheel kept turning.*

*Corruption took on many shapes and forms — financial incentives, using sensitive information for blackmail, and the security services and prosecution brandishing threats of criminal charges.*

*The model took shape soon after the bank went into business in the early 2000s, when the first political alliances were being forged. It peaked during the government of Plamen Oresharsky, which would go down in history with the label the “KTB Government.” Over the years, the model evolved and expanded its reach with support from several successive governments. With Delyan Peevski and Tsvetan Vassilev at the centre, it became a magnet pulling in key political figures and scores of officials from the government of the day. A change of power would trigger a change in partners, but the enabling mechanism would stay intact.*

*The year 2014 sent shockwaves through the model. The reason was the disentanglement of its two constituent parts — the banker and the politician-cum-investor-cum-business mogul. A deeper look would reveal the true reason, which is that a business enterprise not grounded in market rules and statutory compliance, but in abusive and controlling practices, opaque decisions and machinations, eventually falters, implodes or—at the very least—changes its modus operandi.*

*In KTB case, the latter happened. The duo imploded after one of its halves turned on the other, prevailed and forced it into isolation, laying a claim to (and ultimately acquiring) most of the jointly looted assets. The prevailing party toppled the bank under the nose of watchdogs, the government and the judiciary, each with their eyes wide shut, some playing an active role in the process. The underlying enablers of the model were not rooted out, but simply changed shape and changed hands. Tell-tale signs abound that the model continues to thrive, despite the*

*change in players. Delyan Peevski continues to sit in Parliament. Having had his dealings briefly exposed, he has repeatedly declared his intention to withdraw from business. In the meantime, Tsvetan Vassilev has fled to Belgrade where he awaits a court decision on his extradition to Bulgaria on charges of leading an organised criminal group.*

*Regardless of the identities of those involved in the model or how we choose to describe the structures or instruments that enable it to operate, KTB is a textbook example of the workings of a captured state. Its very existence would not have been possible had the state not been captured, nor would public interest have been pushed from the public agenda for the sake of private expediency.*

*In a captured state, rules are made to accommodate vested interest. Laws, when they stand in the way of that interest, are violated, eliciting neither responses nor sanctions. Simply put, the environment is distorted beyond recognition. The KTB case, among other things, demonstrates a flagrant disregard for banking regulations. The model turned the very perception of banking upside down, propelling the fourth- largest bank in Bulgaria into a vulture investment fund under the silent gaze of watchdogs that had either been staffed by enablers up to the highest level, or which were directly dependent on it.*

*The goal of the KTBfiles project is to shed light on the model and the process that enabled it to gain sufficient speed, traction and scale to push key government institutions up against the wall. We examine the events and conditions that enable its continued existence and the structured action needed in order to dismantle it. In other words, the KTBfiles is a multi-layered endeavour with a scope that goes beyond that of a mere chronological account of a bank failure, albeit the largest in Bulgarian history.*



*The model has a clearly visible political and institutional face. Its workings are enabled by the actions (and inaction) of known individuals who have knowingly placed themselves at its beck and call. They are not anonymous clerks, but heads of key government institutions and watchdogs who have been in office for many years, working tirelessly to further its interests. The investigation shines a light on their ties and dependencies, on decisions of vital importance for the bank, and on a host of select businesses bankrolled by KTB.*

*It suffices to mention the heads of the most important regulatory bodies, such as the Bulgarian National Bank (BNB), the Telecommunications Regulation Commission (KRS), and the Commission for the Protection of Competition (KZK). At different times, all three pushed forward agendas that were either directly or indirectly linked to KTB. The BNB chose to turn a blind eye to the mounting problem of the bank lending money to parties closely affiliated with it. The KRS pushed on with TV broadcasting digitalisation in a manner that catered to the interests of companies similarly affiliated with the bank. The KZK obligingly adopted decisions that also catered to companies in the financial institution's inner circle. Such conduct carries a steep price tag — political corruption. The chief executive officers of all three institutions were virtually irreplaceable and liaised with KTB strictly outside the remit of their official duties. They, along with a slew of helpers, spread the impenetrable political shield that enabled the functioning of the model.*

*Facts conclusively show that for many years KTB was the bank of choice for many a political party (especially the DPS) as well as senior officials from the innermost circle of government. These symbiotic ties in the public and private sphere further tightened the grip over the State.*

## KTB Milestones

### **Who Is Tsvetan Vassilev**

In mid-2000, the Corporate Commercial Bank (KTB), which until then had been a daughter bank to the state-owned Bulgarian Foreign Trade Bank (now Unicredit BulBank), was sold to private investors – a group of ten offshore firms, which together became the owners of 99.9% of the bank’s capital. A group of Bulgarian businessmen, one of whom was Tsvetan Vassilev, stood behind these offshore firms. He officially began his work with the bank as a member of the Board of Directors, while in later years he became the chairman of the Advisory Board and the majority owner.

Tsvetan Vassilev (born on 12 August 1959) commenced his university studies in Łódź, Poland, where he enrolled in an undergraduate programme in Economy and Foreign Trade Organisation. According to university records he studied there from October 1980 until October 1981 as a scholarship student. In the autumn of 1981, he returned to Bulgaria and obtained a letter from the Ministry of Science and Education enabling him to enrol as a sophomore at the Karl Marx Higher Institute of Economy (currently University of National and World Economy). In April 1985, he graduated in International Economic Relations.

The archives of the Ministry of Education do not contain any documents relating to the scholarship that enabled Tsvetan Vassilev to study in Poland.

In 1992, he founded the financial brokerage firms Bromak EOOD and Fina-S AD. In Bromak he was initially in partnership with Maxim Dimov, a DPS Member of Parliament throughout the 1990s who later took the reins of the financial affairs of the newly established National Movement Simeon II (NDSV); he also partnered with Krasimir Iliev, former CEO of the failed Elitbank. Both were allegedly on the list of “credit millionaires” compiled after the demise of

Slavyani Bank [Credit millionaires were persons who took significant amount of credits from the banks in the period 1991-1996 and never bothered to pay the money back].

The principal dealings of the two brokerage houses involved financial and foreign currency transactions. “We were a small team. Tsvetan Vassilev had always had an entrepreneurial mind-set. He had a quick mind and a healthy risk appetite. These have always pushed him forward,” one of his earliest employees from the 1990s explains.

“Between 1995 and 1999 Tsvetan Vassilev was the head of the Foreign Currency Transactions and Liquidity Department of the Central Cooperative Bank, and in 1997 he was appointed to its Board of Directors. In parallel, he continued to develop his private business in Bromak and Fina-S. He’d spend the day at the bank and attend to any company business in the evening,” his former employee said.

In the late 1990s, Vassilev was briefly head of the Markets and Liquidity Division of the Bulgaria Invest Commercial Bank (Allianz Bank Bulgaria). His association with KTB dates back to this period.

The interesting thing about this early period is that Tsvetan Vassilev built a team that would follow and support him in all his future business endeavours. Even then, he worked with Ilian Zafirov, who remained one of the executive directors of KTB until the end. He was a defendant in the Sirbank insolvency case for several years until the lawsuit fell through, along with Nikolay Pavunchev, another senior employee of KTB. Another member of KTB’s Supervisory Board, Zlatozar Surlekov, had also met Tsvetan Vassilev at the CCB and remained on his team until KTB was placed in receivership. “Tsvetan Vassilev never even changed the head of his security team,” the insider added. This is an important detail, keeping in mind the loyalty of the

executive directors and the other indicted defendants in the KTB case, who at the moment still stand by their former boss.

### **Who Is Delyan Peevski**

Although he does not officially have a direct tie to KTB, he played a key role in the events and processes that made the extensive expansion of the bank possible – as well as in its subsequent collapse. Peevski was one half of a unique tandem, along with the majority owner of KTB, Tsvetan Vassilev, in which one secured the financing, while the other arranged for political support of their private business interests.

Delyan Peevski (born on 27 July 1980) started his career early. During the term of the NDSV government, he was among the founders of the Youth Organisation of the political movement, together with Rosen Dichev, son of the spokesperson of then Prime Minister Simeon Saxe Coburg-Gotha. The 21-year-old Peevski became the youngest member of the political cabinet after Plamen Petrov appointed him parliamentary liaison officer of the Ministry of Transport. Soon after, he was appointed to the Board of Directors of Varna Port, but was later dismissed on account of not meeting the educational and qualification requirements for the job. At that time, Peevski was still a law student. According to a KTBfiles source, Delyan Peevski was able to broker deals between private companies and the Ministry of Transport even in those early days.

The first indications that Delyan Peevski and his family enjoyed high-level political protection were clearly visible even in those early days (see the hushed privatisation of the Universiada Hall in Sofia).

According to the author of Peevski's biography, in 2006 he was a PhD student in administrative law procedure at the Southwestern University in Blagoevgrad. However, no such information is available in the official records of the Ministry of Education and Science.

On 13 April 2005, the Supreme Judicial Council (VSS) appointed Delyan Peevski an investigating magistrate at the Metropolitan Investigation Service, although he did not satisfy the requirements for length of service as a legal practitioner to even apply for the position. He owes his appointment to the Investigation Service in Sofia to Angel Alexandrov, who put forth his nomination and brokered his appointment "by way of exception."

The young lawyer was appointed to the Economic Crime Department of the Metropolitan Investigation Service. There, he reported directly to Petyo Petrov (aka *Pepi Euro*) — the Deputy Head of the Service at the time, who would subsequently be promoted to the highest ranks of the organisation. Peevski's career as an investigating magistrate lasted seven months. In November 2005, the SJC suspended his magisterial appointment to enable his appointment as deputy minister of the Ministry for State Policy on Emergency Situations and Industrial Incidents with special responsibility for the State Reserve. According to an article published in the *Capital Weekly*, the State Reserve Bureau was under investigation by the State Agency for National Security at the time, though no charges were subsequently filed.

In the spring of 2007, Delyan Peevski was a central figure in a wide-reaching corruption scandal, along with the then Minister of Economy Rumen Ovcharov, his Deputy Minister Cornelia Ninova, the Executive Director of Bulgartabac, Hristo Lachev, and the Head of the Metropolitan Investigation Service, Angel Alexandrov. At the time, Lachev directly accused Peevski of forcing him to sign contracts with companies the young deputy minister had close ties to. Rumen Ovcharov resigned. Cornelia Ninova and Delyan Peevski were dismissed from

the government, while Angel Alexandrov also resigned his position after a long leave of absence.

Peevski then promptly applied to the SJC to be reinstated as magistrate, but the SJC rejected his application, arguing that he fell short of the integrity requirements for a magisterial appointment. Peevski appealed that decision before the Supreme Administrative court, which in October 2007 overturned the decision of the SJC. Shortly after that he was appointed as deputy minister responsible for State Policy on Emergency Situations and Industrial Incidents under Minister Emel Etem. After the Three-Party Coalition government stepped down, Delyan Peevski was elected Member of Parliament on a ticket of the Movement for Rights and Freedoms, but never showed up in Parliament.

In the period after 2007, Delyan Peevski and his family embarked on an asset accumulation campaign, taking over media and subsequently landmark companies with structural significance for the Bulgarian economy. The same stratagem was used without variation: Peevski's name would not appear in official records as direct company owner and acquisitions would be primarily bankrolled by KTB.

In 2013 Prime Minister Plamen Oresharsky nominated him as head of the State Agency for National Security (DANS). Parliament approved his candidacy, which unleashed a wave of protests, which escalated and provoked a political crisis in the following months. Four days after Peevski's appointment, parliament overturned its decision.

At the time when Delyan Peevski was appointed head of the State Agency for National Security (DANS), he controlled a wide network of media, Bulgartabac, construction companies and multiple properties. Peevski also has an established and robust network of dependent contacts within the executive and judicial branches.

## **The Early Years – The Origins of the Model**

During the government of the National Movement for Simeon II (NDSV) from 2001-2005, several important changes related to KTB occurred. The bank gradually started to clean up its ownership and the real shareholders behind the offshore companies began to become visible. Even in this early phase, the financial institution managed to attract as clients several state companies, which opened up long-term deposits and in this way guaranteed “long-term money” for the bank.

In this, Yanko Ivanov – one of the bank’s first shareholders and its executive director – played a key role. He also attracted the first clients from the energy sector, which came about thanks to his close relationship to Bogomil Manchev. According to a KTBfiles sources, servicing energy companies was not difficult for KTB because the bank took a more flexible approach towards them, unlike other the financial institutions where “solving problems” took a long time.

It was during this time that Tsvetan Vassilev met Delyan Peevski: a meeting that would expand into a multi-layered partnership which would serve as the foundation upon which the model – which has become popularly known as #WHO – would be built.

According to our source, in 2001-2002 in relation to the privatization of Incoms Telecom Holding, a Bulgarian holding Austrian citizenship, Petar Tankov, took Delyan Peevski (at that time a parliamentary liaison officer at the Ministry of Transport and Communications) to a meeting with Tsvetan Vassilev. The idea was for KTB to finance the privatization, but as a small and unstable bank, it would need political support. This first contact between Peevski and Vassilev would gradually progress to occasional meetings until both parties realised they needed each other. One could help the other with his contacts in political circles, while the

other would bankroll the financial and business endeavours of his associate. The burgeoning friendship between Vassilev and Peevski caused a rift between the banker and his former partners — Yanko Ivanov and Nikolay Velkov. They both sold their shares in the bank on the heels of multiple disagreements. These were cleverly engineered by Peevski, who never shied away from intrigue — a favoured pressure tactic he used to weave a web of dependencies around him. During the term of the Three-Party Coalition government (2005–2009) KTB gained both scale and traction, becoming a major player. The entire banking sector was growing rapidly and so did KTB's assets, reaching BGN 2 billion and propelling it into the Top 10 Banks in Bulgaria. The term of the Three-Party Coalition government would prove vital for establishing the KTB model. In the short space of four years, the bank would change unrecognisably from an insignificant market player into a force to be reckoned with in all sectors of the economy. It would develop symbiotic ties with political players and hoard assets, becoming a magnet for the money of state-owned companies. Most importantly, the Vassilev-Peevski tandem would emerge.

### **The Concentration of State Money**

An important resource for KTB's growth turned out to be money from state-owned companies, which were concentrated in the bank to a very unhealthy extent. KTB financial reports show that at the end of 2002, the bank had raised BGN 59 million in deposits from state-owned companies, out of a total of BGN 101 million in deposits raised from private individuals and institutions other than banks. That amount was equal to 38% of the bank's total assets and 51% of the total deposits raised. In 2003, it increased to BGN 122 million, the ratio remaining essentially the same. The amount continued to register annual increases, reaching BGN 172 million in deposits of state-owned companies out of a total of BGN 307 million in



deposits raised in 2004, and BGN 191 million out of a total of BGN 453 million in deposits raised in 2005.

The figures show that the bank had been reliant on public funds ever since it was privatised in 2000, when the governments formed by the NDSV and the DPS were in power. The peak years of this concentration were in 2007-2008, when direct deposits from the budget were added to those from state-owned companies.

The overconcentration of public money in KTB during the term of the Three-Party Coalition government was not a matter of policy pursued at the level of central government, but a decision left to the discretion of individual ministries and even individual companies.

This is what Simeon Dyankov, the minister of finance in the first government of Boyko Borisov, had to say: “When we received the open letter from the publishers in the spring of 2010, we checked the banks in which state-owned companies kept their money and found out that more than 50% had indeed been tied in KTB deposits. I then asked myself when these companies had first started banking with KTB. Our analysis showed that for energy sector companies, the trend went back to 2005 and 2006. State-owned companies from the military industrial complex had opened deposits at roughly the same time. Companies from the transport sector, such as the Air Traffic Control Administration, the Bulgarian Railway Company and the National Railway Infrastructure Company had become clients of the Bank much later, and to be more specific immediately before the 2009 general election.”

According to our sources who wish to remain anonymous, the deposits were moved to KTB in response to “incentives” offered by the bank. The decision as to which bank a State-owned company keeps its money in is in the hands of either the executive director or the board of

directors. As an incentive to choose KTB, the directors received cash bonuses from the bank on a regular basis. Witness statements in the court case around KTB's failure also testify to this.

The source of these „incentives“ can be connected with the “hole” found in the bank after its closure, which was caused by lending to related companies or cash deficits.

The ministries that directed the most funds towards KTB were the Ministries of Economy and Energy, Transport and Defence. The concentration of public money from energy sector companies could be attributed to a decision made at a higher level. For example, nearly 90% of checking accounts in national currency, 70% of USD accounts and 60% of EUR accounts of the Ministry of Energy were in KTB. The same applies to nearly half of the Ministry's BGN and more than 70% of its EUR deposit accounts.

In the first half of Borisov's term, the overconcentration of state funds became a topic of public discussion. The Ministry of Finance initiated two withdrawals of money from KTB. Regulations for the diversification of the management of public funds were drawn up; however, they did not come into force during that government's term.

Despite the “curtain being lifted,” during Borisov's term KTB continued to count on state money.

“Withdrawing money was met with resistance from line ministries, the state-owned companies and KTB. Vassilev and Ivan Iskrov (then Central Bank Governor) spent hours on the telephone. Iskrov would then complain to the Prime Minister that the Ministry of Finance's actions jeopardised the bank and could ultimately cause it to fail. The Financial Affairs Committee of Parliament also decried our decision and loudly proclaimed that we were sabotaging the banking system,” Dyankov continues.

During the later years of the first Borisov government, the Ministry of Economy and Energy's strong preference for KTB became even more pronounced. A snapshot as of September 2013 shows that, in percentage terms, sectoral money was split as follows: BEH—91%; NEC—39%; Bulgartransgas—96%, Electricity System Operator—98%, State Consolidation Company—99%. Naturally, the list does not include all SOEs under the jurisdiction of the Ministry of Energy, but does contain those handling the largest cash flows.

### **A Media Empire**

Media played an exceptionally crucial role for the KTB model and the group around it. This media empire sprang into existence when Delyan Peevski and his family began buying newspapers. His influence continued to increase exponentially with the simultaneous acquisition of TV stations, news websites, distribution agencies, digital broadcasting infrastructure, etc. The media arm of the business was controlled primarily by Peevski and his mother Irena Krasteva, whose projects were bankrolled by KTB. Over a period of seven to eight years, the group poured more than BGN 500 million into their media empire; unsurprisingly, after the failure of the bank, some media followed suit and disappeared from the market, while others changed hands. Some BGN 300 million were invested in TV7 alone; an additional BGN 120 million were channelled into the newspaper arm of the business; and a loan of BGN 80 million was provided for the development of the former Print House situated in Tsarigradsko Shose Boulevard (known as "Peevski's Print House"). On a broader scale, if the acquisition of the National Radio and Television Broadcasting Company (NURTS), plus financing provided to cover loan interest, were to be added to the bill, the total would probably reach BGN 800 million or approximately 10% of the Bank's assets. It should be emphasized that the bulk of the money was not invested in a productive, efficient business but as an instrument for

the manipulation of the public environment. The poisoning and fragmentation of the media environment, even as a standalone effect, reveals the vicious and ruinous nature of the KTB model.

These investments were not driven by desire to develop a successful and profitable printing business. Media were simply a tool to manipulate the public agenda, destroy the credibility of opponents or push forward a private agenda vying to control the information in the public domain.

This self-same instrument ultimately precipitated the failure of KTB in 2014, on the heels of an aggressive media campaign including front-page headlines, alleging that the bank was being robbed by its Executive Director Tsvetan Vassilev, and showing varying photographs of depositors queuing up outside its offices. A few days later, the bank had no choice but to admit that it was experiencing serious liquidity problems.

The first deal was for Petyo Blaskov's publications: the newspapers *Monitor*, *Telegraph*, and *Politika*, which were facing serious financial difficulties. The sale price was BGN 10.6 million and included the distribution companies Press Market and Press Traffic. This acquisition was the group's first step to gaining control not only of the media, but of the distribution market as well.

The acquisition was financed with a loan from KTB. "The press group could have been declared insolvent at any time, as it had huge debts to paper suppliers and the Rodina Print House," Tsvetan Vassilev said in 2007 in *Capital Weekly*. In his words, the deal was "a routine business transaction for which the necessary securities were in place."

An active period of purchasing and consolidating media ensued.

At the beginning of 2009, Tsvetan Vassilev confirmed in an interview for *Capital Weekly* that the newspaper acquisition project was indeed a crucial undertaking, saying: “The newspapers are indeed a serious endeavour—my project—which I am working on together with Irena. This is how I operate in other sectors, too: I have people taking care of daily business, and I provide the financing.”

The true financing scheme only became apparent after the closure of KTB in 2014, when the loans for media purchases were called in and an all-out fight to plunder what remained of KTB-controlled assets was in full swing, with many insolvency claims filed against the respective media inundating the courts. It became apparent that the media had simply not repaid any portion of the loans that they had indirectly received from KTB, which—after the closure of the bank—were included in the estate of the insolvent financial institution. Multiple companies from the group were involved in insolvency proceedings, including flagship newspapers, such as *Standard*, *Presa*, *Tema*, as well as *Trud* and *24 Chasa*, under the management of Slavka Bozukova, Toshko Toshev, Valeri Zapryanov and Venelina Gocheva, respectively.

After the decisive step to penetrate and gain control of much of the printed press segment in 2007 and 2008, the KTB Group went into television. The biggest coup involved TV7, which several years later would emerge as one of the channels with highest audience ratings on the market (at least according to the people-metrics firm GARB, which would also land under the control of Tsvetan Vassilev). The channel doubled as the TV platform for Vassilev’s political project, which later came to be known as *Bulgaria Without Censorship* and its landmark figure—the TV host and presenter Nikolay Barekov.

Unlike the acquisition of the newspapers, in which the roles of Irena Krasteva and Tsvetan Vassilev were clearly visible, the stratagem employed in the case of TV7 was much more sophisticated and guarded.

Several years later, Tsvetan Vassilev was ready to admit his ties to TV7 and the fact that the bank had indeed invested in it. For example, in one of his last interviews for Sasho Dikov and BiT, he claimed that TV7 had cost KTB a total of BGN 300 million. According to Vassilev, Nikolay Barekov, then executive director of TV7 who would later become the face of Vassilev's political ambitions, had convinced him to sign a loss-making rental agreement for the studios used by the channel, which had cost the bank USD 10,000 a month. The studios were owned by Alexander Staliyski, then considered the closest aide of Prime Minister Borisov, and his girlfriend Violeta Sechkova.

### **KTB and the GERB Government**

KTB imposed total control during the GERB mandate. In violation of the banking laws, it extended credit to connected individuals (i.e. to itself) and acquired company after company. Its assets increased several times over. The supervising institutions, whether by turning a blind eye (BNB) or by active support (the Commission for Protection of Competition or KZK), aided in the development of the model. Companies connected to Peevski and credited by KTB began to actively participate in public tenders, crushing any competition. In an interview for KTBfiles, Vassilev stated that there were enough commissions for everyone, including those in the highest ranks. The group managed to spread its influence over the judicial system – the courts and prosecution at a national and regional level. Thanks to this, the tandem had the instruments to apply pressure on the competition through various channels (the acquisition of *24 Chasa* and *Trud*; the shipbuilding company Rubin and others).

This is the big picture: Boyko Borisov's government allowed the state to be captured in the literal and figurative sense.

Some key events occurred during the first mandate of GERB. In a midst of a serious economic and financial crisis, one private structure utilized the financial and political support of the state and became the main buyer on the market, while all others were the sellers. The series of asset acquisitions that were made exceeded the country's GDP by 15% at one point. At that time the group owned Bulgartabac, BTC, Technomarket, the Ruse shipbuilding company Rubin, a glass factory in Serbia, Gips, Dunarit and many other companies, real estate and assets. All this was acquired with credit funds from KTB, in violation of the banking regulation that credit exposure towards one client or subjects connected with him not exceed 25% of the capital of the financing institution. As a result, during the GERB term, the bank's capital tripled and from BGN 2 billion its assets grew to BGN 6 billion.

The acquisition of companies and assets was achieved using "special-purpose vehicle" created by KTB to invest in attractive assets; however, there are no provisions for SPVs under Bulgarian law. In his explanation of such deals, Tsvetan Vassilev says that such acquisitions were an investment by the bank. In practice, however, the real owner was not the bank, but companies controlled by Vassilev. The movement of money was as follows: the bank's clients deposit their money with KTB. The bank then extends loans to companies tied to Tsvetan Vassilev.

From a legal point of view, this was a serious violation, because a given financial institution cannot have exposure to one party or connected parties amounting to more than 25% of its capital. In the case of KTB, this limitation was exceeded 20 times over at the time of its failure. This fact has become clear from information concerning the connectedness between the borrowing companies included in the report of the parliamentary enquiry committee investigating KTB case. For years, the regulator, namely BNB, did not react to this fact.

KTB finances its acquisition of assets by building a "patchwork pyramid." The documents contain data about transactions on a massive scale, mostly extended loans and cash transfers

to help maintain a chaotic corporate empire where the decisions on how to fund all kinds of purchases were made on the fly and case-by-case. Loans were made to Company X, yet the money went for covering the debts of Companies Y and Z, etc. In this way the bank was apparently attempting to conceal violations of the law when extending credit to one and the same entity or affiliated parties. They used already existing companies or quickly registered new ones – all at the same group and addresses and serviced by the same accountants and lawyers. As for the owners of the companies, the names of expert-level bank employees (credit inspectors, legal counsels, etc.) or personnel – security guards, drivers, secretaries and accountants – appear. Often in such companies the listed managers and/or owners are relatives brought in by some of the trustees ranking higher in the hierarchy, such as Biser Lazarov, who was once one of Vassilev's most-trusted associates. After the shutdown of KTB, Lazarov testified against Vassilev, while the latter accused him of working to further Delyan Peevski's interests even before that.

That speed was a major concern is also evident from the lack of documentation in many of the credit files, as cash flows seemingly went in the necessary direction while the documentation was elaborated after the fact.

According to information available to the KTB files, additional cash loans were made to borrowers with no annexes made to the agreements – something that a credit inspector in a normally functioning bank would hardly authorize vis-à-vis third-party customers of the bank. Moreover, large loans would normally have to be approved by the credit committee and be countersigned by two executive directors. This conclusively shows that the transactions were approved on orders from above, which were then creatively executed by subordinates.

During the years of the most rapid growth, Tsvetan Vassilev was not part of the operational management of KTB and acted as a chairman of the Supervisory Board. There is hardly anyone,



however, who would believe that his actual role corresponded to his formal one. According to our sources, KTB's large loans to affiliated parties were practically made with his endorsement alone. The orders from the top were usually schematic, of the type "X BGL million to be granted here." People inside the bank itself decided on how to carry this out. To a large extent this was the job of Tsvetan Vassilev's crony Biser Lazov.

According to data in the possession of the KTBfiles, along with the other gaps in the credit files, additionally drawn amounts have been found for at least eight companies which exceed the limits under the previously concluded loan agreements, without the addition of any annexes. In total, this amounts to approximately BGL 50 million in loans which KTB granted without any documentary evidence. The tracking of the money shows that in the majority of cases, the funds were used for servicing loans to Vassilev or related borrowers of KTB, as well as for cash withdrawals. Transfers were often made to some of the chronic corporate "black holes," such as TV7. Most likely various informal expenditures (such as financing the political project Bulgaria Without Censorship of Nikolay Barekov and the satisfaction of "requests," which Vassilev has admitted to) secured by money from the bank opened up "holes" in the bank's accounting which then had to be "cleaned up" with documentation. According to KTBfiles' data, in the final days of 2011 – at least according to documents – cash withdrawals amounting to over BGN 150 million were made through multiple companies.

Over the years, all of this happened under the gaze of the regulatory institution – the Bulgarian National Bank (BNB), without any reaction on its part or any attempts to out a stop to these illegal practices. Over the course of our research we obtained a copy of the BNB's audit report on KTB from the fall of 2010. It shows that long before KTB shut down (2014), regulators were well aware of the irregularities in KTB's lending practices, including the extension of loans to connected parties. In its exposition and argumentation for example, the report euphemistically states: "the views of the management are in favor of encouraging the bank to serve clients

who work with each other, and thus it aides them in managing their businesses." The report also identified a "significant risk of concentration around a limited number of clients." For some of the examined loan files "funds coming from several companies: *Fina*-ST EOOD, Tehnologichen Tsentar-Institut po Makroelektronika AD (TC-IME), and Yulita 2002 AD, etc., have played a major role in repaying interest and principals." Perhaps the most important thing was that the BNB auditors were fully aware both of the concentration risks concerning state assets, as well as the risks of lending money to economically connected parties.

In short, the Central Bank had indeed been "captured." Both audit reports and the testimony of bankers and former employees at BNB confirmed that the bank's failure had individual figures behind it. The ones to blame were not BNB or the Banking Supervision Department, but the respective heads of departments and deputy governors who had ignored all these red flags. Besides those who were deemed to be directly involved, we can only speculate whether the rest of BNB's Governing Council and Bank Governor Ivan Iskrov in particular were familiar with the situation at KTB. We can only guess what kind of pressure and/or corruption tactics were in place, paralyzing the Central Bank for years.

### **A Deal with Those in Power**

So much power concentrated in the hands of a single group would not have been possible without support on the political level. And in the case of KTB, this support came from the highest level.

When Boyko Borisov came to power in 2009, several events occurred, which, taken together, look suspiciously like a deal between the group around KTB and the new government. The Vassilev-Peevski tandem changed their attitude towards the new prime minister literally in a

day, and from “Boko the Pumpkin” – as he had been called over and over in Peevski’s media – he became a decent and strong politician.

Tsvetan Vassilev himself hinted at this deal in an interview with Sasho Dikov in November 2016. He claimed that Alexander Staliyski had been appointed as Borisov’s personal representative. Over the years, Staliyski had been one of Borisov's loyal friends in playing cards and soccer, as well as outside their sports activities. A source of ours from the first Borisov government said that at some time in the past Staliyski had been a regular guest at the prime minister's home every evening. „They acquired shares, both open and hidden, in companies for which they had not paid a penny," Vassilev said for KTBfiles.

Our investigation shows that during 2009-2010, stakes in various companies around the bank passed into the hands of figureheads who were directly connected to Staliyski. The companies with new shareholders in 2009-2010 included Dunarit, Avionams, TV7, Universiada Hall, IPK Rodina and others.

In 2013, these very same owners left the companies. This was also the year Borisov fell from power.

Here are two examples. A company called MDM Links acquired ownership over almost 50% of the firm Dunarit for BGN 7,000, and in 2013 sold its stake for EUR 12.9. In the meantime Dunarit had paid out dividends of BGN 6.5 million in total during 2012 and 2013. Of those, BGN 3.2 million went to MDM Links. Thus, for its taking part in the ownership of Dunarit, this company earned a cool BGN 28.4 million.

The deal with Avionams was similar; there the new owner was a firm called KTS Invest. From 2010 to 2013, the company received BGN 40 million, according to the reports by CONPI

[National Anti-Corruption and Forfeiture of Illegally Acquired Property Bureau] and AlixPartners [a forensic and asset recovery advisor]. Part of this money – BGN 23 million – first was deposited in an account at KTB from 2013 until 2014, but in the middle of June 2014, just days before KTB was shut down, it was transferred to KTS Invest's account at First Investment Bank.

There is an indirect link between the two firms, which leads to Alexander Staliyski. In total, it turns out that thanks to their involvement with Dunarit and Avionams, the two firms received a total of BGN 51 million from dividends and sales of shares from June 2010 until August 2013. In his interview with Dikov, Vassilev openly claimed that Staliyski was Boyko Borisov's right-hand man during his first term as prime minister. He collected the money and, acting as Borisov's messenger, had forced the banker to purchase the shares in Dunarit and Avionams (which had been bought for next to nothing) for BGN 43 million. In response, Borisov announced that he would sue Vassilev for slander, while Staliyski, in an interview for *Trud* newspaper, denied having blackmailed Vassilev and said that they had been very close, they had even given each other gifts, but that the banker had betrayed him.

At the beginning of December 2016, in an interview for Nova TV, Grisha Ganchev confirmed what Vassilev had said about a meeting between him and Borisov, which took place "about ten days before KTB fell and before they accused Tsvetan Vassilev of wanting to kill Delyan Peevski with the three thugs." The reason for the meeting was that Vassilev wanted help from Borisov because he had information "that they would bring the bank down," but Borisov explained to him that he could not do anything, allegedly saying: "in what role should I save it, being in opposition?"

Ganchev helped arrange the meeting, personally taking Vassilev there and attending upon Borisov's insistence. "The whole conversation was about some millions distributed here and

there," said Grisha Ganchev. According to his statement, it was about approximately BGN 240 million in total. Tsvetan Vassilev had said that he had given different amounts, sometimes to Alexander Staliyski and sometimes to Delyan Peevski, who had claimed to be taking the money to Borisov. The then former prime minister, in his turn, told him that all he had received over the four years of his term from Vassilev was an icon with a silver repoussé cover that is at the Council of Ministers building, that Vassilev and Peevski had deposed him, and that he had not seen Staliyski since he had left the government.

### **Political Turbulence after 2012 and the Collapse of KTB**

During the period of 2012-2014, processes in Bulgaria made 180-degree turns several times. Governments rose and fell, as did various lobbies and players. Yet the main participants remained the same – individuals directly connected to KTB. The dynamics between them led to what happened in 2014: the collapse of the bank.

At the end of 2012, GERB was still in power. The government enjoyed the political support of the DPS which was then trying to present itself as an opposition party, but which more or less supported the stability of the cabinet. Out of the public eye, however, the cooperation between Prime Minister Boyko Borisov and MP Delyan Peevski in the distribution of resources and public tenders had been in place for several years already.

"They were terribly close. They trusted each other so much that they were speaking on the phone three or four times a day. They were the two sides of the same coin," said a source close to Borisov.

There were two versions as to why the DPS decided to withdraw its support of the ruling party. According to a source from DPS's top leadership, this happened at the end of 2012. At that time, Ahmed Dogan and the leader of the Socialist Party Sergei Stanishev reached an agreement to oust Borisov's government and then, following an early election, to install a coalition made up of the BSP and the DPS. Delyan Peevski had been supposedly helped fund the campaign to topple the current cabinet and the election of a new one. According to two sources familiar with the events, he paid BGN 60 million, reportedly provided by KTB.

In 2013 protests broke out, which were egged on in the media by Nikolay Barekov and TV7. As a result, Borisov resigned, and in May 2013 Plamen Oresharsky's technocrat government was installed under the mandate of the Bulgarian Socialist Party.

Another version of events says that BSP and DPS had indeed struck a deal, but that happened much later – two or three months prior the elections. The leaders of the two parties, Stanishev and Dogan (even though officially he was an honorary chair of the party, Dogan took part in the key debates at the time), held talks and meetings and agreed to partner. Delyan Peevski also attended all the negotiations.

While Oresharsky was in power, during the third month of the new government, the BSP lost control and the entire government was for all practical purposes subordinated to Delyan Peevski's private interests. The ministers' work was focused in a single direction: tender-fixing in Peevski's favor and securing contracts and projects for companies that Peevski had personally chosen.

He achieved this thanks to his tool kit consisting of financial resources (KTB), the prosecutor's office, threats and pressure. Peevski literally bought the cabinet. "for the greater good of those

in power:” BGN 25 million. The correspondence dates back to 2014, precisely when the Oresharski government was in power.

The rift between the Vassilev-Peevski tandem began in this period and led to a serious conflict between them. They could no longer be seen as two halves of the same whole, as the interests of one directly clashed with the interests of the other. Despite this, it is difficult to draw the dividing line precisely, since the conflict itself developed and changed over a lengthy period of time.

Tsvetan Vassilev tried to emancipate himself and invest in the creation of his own political project, led by the former TV presenter Nikolay Barekov. Later Vassilev said that this was a mistake.

At the end of 2013 and the beginning of 2014, the conflict between them became irreparable. The South Stream project had been suspended, which further challenged their relationship, depriving them access to substantial cash flows. Vassilev asked Peevski to repay the money – a main source of funding for his businesses over the years – that he owed the bank. Peevski decided to destroy the bank, while on the political front new deals were being hatched – this time between DPS and GERB. The country was headed towards yet another early election.

### **An Attempt to Make a Deal**

In the spring of 2014, there was a brief period of negotiations between Vassilev and Peevski about dividing up the assets they had acquired over the years through their joint efforts. This can be seen from the correspondence between the two of them (the lawyer Alexander Angelov speaks in Peevski’s name), which we obtained in the process of our investigation.

The whole logic and history behind the model created by Tsvetan Vassilev and Delyan Peevski over all these years since 2001-2002 until the fall of the bank are gathered in those five or six pages. They show where KTB's money – or more precisely, that of its depositors, who to a great extent had been state companies and later private persons – was invested. The correspondence between the former partners reveals the dynamics of their relations – chaotic, playing for high stakes, without much accountability and “opportunity for control.” At the end, they tried to divvy up the KTB empire the same way, by slicing up the pie randomly, based on the principle “I'll take this, and you take that.”

The final calculation shows that KTB invested exactly BGN 184.8 million in the joint projects by Vassilev and Peevski. These are precisely the same assets that were financed by the bank, but which Delyan Peevski claimed. The logic behind the massive acquisition of media outlets also became clear – it was meant “for common use,” i.e. both of them took advantage of the influence given by media ownership.

In that correspondence one could see for the first time in writing evidence revealing political corruption. Since at least 2010, money for political purposes had been disbursed from the bank – to either finance individuals or parties (such as the DPS) or to support entire campaigns (such as “the events” of 2009 and 2013). We are talking about at least EUR 50 million that has been “invested” in politics over the past few years, amounts and facts which, for unknown reasons, have not drawn the attention of prosecutors.

The banker wanted his former partner to pay back a total of EUR 41.4 million. Based on this debt, Vassilev offered a deal. The DPS MP should either cover his debts or provide “opportunity for control” over part of the joint assets. Vassilev wanted to have control over *24 Chasa*, *Trud* and *Presa*, and suggested that the tabloid publications stay with Peevski. Vassilev



was ready to give up his shares in Yuri Gagarin and the printing house if Peevski refinanced the two assets. Vassilev proposed to acquire Technoexportstroy and relinquished Promishleno Stroitelstvo-Holding (PSH), and so on and so forth...

Peevski did not accept these suggestions. He disagreed with most of the debt that was attributed to him. In response, he sent a counter-list that became known as “Urgent Tasks,” in which he wanted to receive the shares in a greater part of their joint ventures. After Vassilev refused, Peevski went on to attack and bring about the collapse of the bank.

### **The Attack on the Bank**

On June 20, 2014, KTB was placed into conservatorship. Before reaching that moment, however, a tangle of consistent and premeditated events had been taking place over the last few weeks. These events would aim at closing down the financial institution. Key institutions were put to work to produce the desired outcome as soon as possible. Enough indirect evidence shows these included the prosecution, the executive branch, and the banking supervision authorities. The prosecution launched an investigation into KTB, and specialized units made demonstrative searches of KTB offices, seizing documents and computers. BNB’s reaction was hesitant and late in coming, and thus failed to thwart depositors’ concerns. The operation was spiced up by a massive media attack designed to panic depositors and clients of the bank. News spread that Vassilev had for a hit on Peevski, and also that the former had embezzled BGN 206 million from the bank, which he stuffed in suitcases and took when he fled the country. Depositors started quickly queuing in front of the bank’s offices, withdrawing their money and emptying it within days.

A number of key depositors, who may have been warned, withdrew their money immediately before the campaign against KTB.

Both publishers of *Weekend* (part of the Peevski-Vassilev media group), Martin Radoslavov and Nedyalko Nedyalkov, serve as an example. Two independent KTBfiles sources reported that shortly before the most massive attack on the bank, Peevski had personally warned the publishers to withdraw their money from it. Nedyalkov followed his advice and moved his money, while Radoslavov left his. The reason was the deposit maturity date coming shortly when he would get an additional interest payment.

Between January 13 and June 23, 2014, nearly BGN 1 billion was withdrawn from the bank. The data available to KTBfiles shows that between May 31 and July 31, Alexander Staliyski and his girlfriend Violeta Sechkova withdrew from their accounts BGN 6.4 million and BGN 6.7 million, respectively. Yet, the two of them left a total of BGN 30 million in deposits, which they could not withdraw, as their payment orders of July 20 remained frozen as the bank closed down. Later, they signed cession agreements with a newly registered company that used the receivables to take control over the glass manufacturer Rubin.

Tosho Toshev, the former editor-in-chief of *Trud* and current publisher of *Presa*, who was also financed with KTB money, managed to withdraw nearly BGN 2.6 million in the reported period, while BGN 447,000 remained in his accounts.

TV journalist Ivan Garelov saved over BGN 1 million.

Biser Lazov, Tsvetan Vassilev's former right-hand man, drew BGN 1.2 million out of KTB in those last few weeks.

Sociologist Kancho Stoychev withdrew BGN 565,000 and left a deposit of BGN 1,800 at KTB.

Former finance minister and current managing director of the Bulgarian subsidiary of VTB Capital Milen Velchev withdrew BGN 1.2 million just before the bank closed down.

### **KTB's Assets - The Redistribution**

After the bank collapsed what in fact took place was a second round of looting of its assets. A year before KTB was closed, the bank had declared assets of BGN 6.74 billion. At the moment its license was withdrawn, in November 2014, the valuation of its assets dropped to BGN 1.8 billion. At the end of August 2016, they were already at BGN 1.38 billion. If the drop in value between the closure and the declaration of bankruptcy (five months between the two events) had an explanation – a revaluation and write-offs due to the impossibility for control or due to bad loans – the continuing drop in 2016 had a completely different origin. During those more than two years of alleged efforts to return the money to KTB, in fact, a redistribution of assets was taking place behind the back of the state and of the competent people and authorities who were supposed to supervise the process and defend the public interest.

The most appealing assets of the former KTB were already far from the bank, and the chance to get them back had been squandered. They already have new owners, and the connection with the financial institution has been completely broken off. BTC (considered the crown jewel among the KTB assets), Technomarket, Dunarit and many other companies that are still generating revenue and profits are among such examples.

Over the past two years, we have been witnessing various schemes to redistribute assets acquired with money from the bank. The cases can most easily be categorized into two groups. The first type includes wars between various big sharks wanting to "chop" some piece off the

bankrupt bank by taking control over and ownership of key large assets. The best example is BTC, which is already owned by businessman Spas Roussev in partnership with the two brothers Georgi and Milen Velchev, with the financial backing of Russian VTB.

The second group of cases included attempts to clear assets from any burdens and to move them as far as possible from the original borrowers, so that the trustees in bankruptcy would not be able to claim them. This happened both to large companies such as glass manufacturer Rubin, which fell into the hands of Prime Minister Borisov's close associate Alexander Staliyski, as well as to many smaller assets (mostly real estate), which had been snatched from the bank due to weak collateral or through other leverage techniques to exclude the bank giving the loan. One of the active players in these scenarios was Biser Lazov.

A great deal of redistribution took place through cessions and entering into debt. An avalanche of applications for these were filed between June 20 and November 2014, when the bank's license was revoked.

Delyan Peevski, the DPS MP and former partner of banker Tsvetan Vassilev, was noticed playing an active role in most of these processes. He moved many companies bought with money from the bank under his direct or indirect control: the consumer electronic retail chain Technomarket, the Yuri Gagarin plant, Bulgartabac Holding and a number of others. Trails lead to him despite his attempts to hide behind companies abroad, attorneys or offshore registrations.

More than two years later, however, we seemed to have missed a chance to reveal, expose, and bring to justice those responsible for the events described in the book. Instead, we witnessed the state choosing to deliberately look away and trying to sweep all the traces under the carpet. Events in the past two years have invited a variety of interpretations. First, at the

institutional level, no one took responsibility for what had happened – not even so much for the actual bankruptcy, but to acknowledge the tangled knot of political dependencies, which are supported by a trove of evidence.

Following KTB's shutdown, the Bulgarian National Bank, which was directly responsible for banking supervision, through a series of chaotic and illogical maneuvers was trying to shift the blame to politicians. In turn, politicians tried to pass the buck by conducting a pseudo-report, which revealed some facts to the public but failed to dig deeper. It did not shed light on the big picture – for years KTB had been used as a platform facilitating corrupt ties between watchdogs, media, politicians, and institutions. In the meantime, changes in the management of the Deposit Insurance Fund, which should ensure the repayment of covered deposits and manage the insolvency proceedings, aimed to preserve the political status quo instead of improving the collection rate.

The prosecutors have been investigating the factual reasons for the bank's failure but have stayed away from the roots of the problem: allegations regarding the corrupt entanglement of regulators, media, politicians, and institutions. In fact, the prosecution actively aided the bank-run plot in the last weeks prior to its collapse.

Top politicians in the country have tried to neglect and underplay the importance of the case, even when key players in the opaque scheme spoke up about KTB's involvement in corrupt dealings. In an interview for KTBfiles from Belgrade, Tsvetan Vassilev accused Prime Minister Boyko Borisov of alleged corruption and ties with oligarchs. While Borisov did not comment on Vassilev's allegations, the prosecution did not see any grounds to investigate Vassilev's claims, even though he was believed to know the inner workings of the model.

## **The Model Lives On after KTB**

After the tandem split, which actually happened when the bank closed down in 2014, some specifics of their former cooperation became clear. It was visible who was actually stronger within the state and whose connections, contacts and mechanisms have proven to be resilient. In the dynamic weeks before and after KTB's shutdown, an obvious regrouping of interests and camps took place. Delyan Peevski won over those key players who would play an important role in further asset allocation. Biser Lazov, the former right-hand man of Vassilev and the one who had been operationally involved in building the pyramid of companies and projects, is one example.

At that point, Peevski used the entire "toolbox" of the model he had personally created, and took aim at his partner. The model involves the monstrous use of state institutions, regulators, media and political lobbies to impose one private interest on another: in this case, Peevski's interest over that of Vassilev. The fall of KTB did not break the pattern, it did not destroy it; it only brought it to light. Then, it took on new shapes, and the vacated positions were filled with new players. Political characters were replaced, one prime minister succeeded another. The financing institutions that provided capital to the model were also replaced, and instead of KTB now BDB and Fibank have Peevski's back. The names of the media serving the status quo also changed, but the principle of controlling and imposing topics and editorial content from above has been continued from the previous years.

At the time around the bank's shutdown and afterwards, it also became apparent that for years Vassilev had been standing on a tower of sand. Politicians, structures and businesses who had been funded by him for a long time suddenly turned against their former benefactor. Vassilev held top-level meetings in search of support for the shaken bank, but he did not get it.

The fact that the prosecution's investigation was directed entirely against him and his circle and the name of his former partner Peevski was not mentioned in any of the reports investigating KTB proves two things: first, that Vassilev's power over the years had been imaginary and unsustainable, and, second, that the model of the captured state is actually alive and has just changed shape. Last but not least, the government under which the model showed its greatest power is running the state again and for the moment shows no political will to investigate what happened in recent years. Obviously because they will have to investigate themselves. From this perspective, there is no hope on the horizon that the vicious oligarchic model, which became known as #WHO, will be eradicated.