Kroll.

02 April 2015

Project Tenor – Scoping Phase

Final Report

Prepared for

The National Bank of Moldova

Nexus Place, 25 Farringdon Street
London EC4A 4AB
T +44 (0)20 7029.5000

kroll.com

Private and Confidential

Copy 33 of 33 – Mr. Andrian Candu, the Speaker of the Parliament of the Republic of Moldova

Kroll.

Private & Confidential

Restricted Use Warning

This report was prepared by Kroll at the request of the client to whom it is furnished. The client agrees that reports and information received from Kroll, including this report, are strictly confidential, may only be disclosed to regulatory bodies and agencies with prior approval from Kroll and are intended solely for the private and exclusive use of the client only in connection with a business, investment or other commercial purpose. Any other use (including for employment purposes, credit evaluation or insurance underwriting purposes) is strictly prohibited and client has agreed that no such use will occur. Any communication, publication, disclosure, dissemination or reproduction of this report or any portion of its contents to third parties without the advance written consent of Kroll is not authorized. Kroll assumes no direct, indirect or consequential liability to any third party or any other person who is not the intended addressee of this report for the information contained herein, its interpretation or applications, or for omissions, or for reliance by any such third party or other person thereon. To the extent information provided in this report is based on a review of publicly-available records, such information, as presented, relies upon the accuracy and completeness of those records, which have not been corroborated by Kroll. Statements herein concerning financial, regulatory or legal matters should be understood to be general observations based solely on Kroll's experience as risk consultants and may not be relied upon as financial, regulatory or legal advice, which Kroll is not authorized to provide. All such matters should be reviewed with appropriately qualified advisors in these areas. THIS REPORT DOES NOT CONSTITUTE A RECOMMENDATION, ENDORSEMENT, OPINION OR APPROVAL OF ANY KIND WITH RESPECT TO ANY TRANSACTION, DECISION OR EVALUATION, AND SHOULD NOT BE RELIED UPON AS SUCH UNDER ANY CIRCUMSTANCES.

Kroll.

Contents

1. Introduction 6

1.1 Background and scope of work 6

1.1.1 Scope of work 6

1.2 Caveat 7

2. Executive summary 8

2.1 Overview 8

2.2 2012 and the acquisition of UB 9

2.3 2013: The acquisition of BS and BEM 10

2.4 2014: Events Leading to Collapse of UB, BS and BEM 11

3. The Shor Group overview 14

3.1 Defining the Shor Group 14

3.2 Shor Group exposure overview 14

4. 2012 and the acquisition of UB 16

4.1 Shareholding restructure 16

4.1.1 Shareholders 18

4.1.2 Source of funds used to purchase UB shares 19

4.2 2012 Financial overview 21

4.3 Shor Group exposure 22

4.4 Control of UB 23

5. Shor Group Exposure 2013 24

6. 2013: The acquisition of BS 25

6.1 Shareholding restructure 25

6.1.1 Shareholders 26

6.1.2 Funding of share acquisition in BS 28

6.2 Financial overview 29

6.3 Control of BS 30

7. 2013: The Acquisition of BEM 31

7.1 February 2013 – Roseau transaction 31

7.2 August 2013 Change in shareholding of BEM following share issue 32

7.2.1 Shareholders 34

7.2.2 Funding of Share Acquisitions 35

7.3 September 2013 – 2nd Roseau Cession Agreement 36

7.4 Financial overview 38

7.5 Control of BEM 39

8. Unibank 2013 40

8.1 Financial overview 40

Kroll.

9. January-November 2014 42

9.1 Increasing Shor Group exposure 42

9.2 Funding the loans: Balance sheet analysis 42

9.2.1 BEM 43

9.2.2 BS 44

9.2.3 UB 45

10. November 2014 46

10.1 Financial Overview 46

10.1.1 Balance sheet summary 46

10.1.1.1 UB 47

10.1.1.2 BEM 47

10.1.1.3 BS 48

10.2 1 - 24 November: Transferring loan exposure to BEM 49

10.2.1 Introduction 49

10.2.2 Increasing customer loan exposure in BEM by issuing new loans 50

10.2.3 Funding the loans at BEM 51

10.2.3.1 Reducing existing Shor Group loan portfolios in UB, BEM and BS 51

10.2.3.2 Repaying the loans: transfers from BEM loan customers 53

10.2.3.3 Similarities between BS loan transaction companies and those used by UB and BEM. 55

10.2.3.4 UB and BS increased their net deposits with BEM 56

10.2.4 BEM Russian Bank Deposits 56

10.2.5 Placements in BEM from Moldovan banks 58

10.3 25 to 26 November 2014: Moving Shor Group loan exposure from BEM to BS, issuing new and higher value loans to Shor Group in BS and selling the loan portfolio 59

10.3.1 The existing Shor Group loan exposure at BEM was paid back early 59

10.3.2 Russian bank deposits disappear 60

Interbank deposits held at Moldovan banks remained outstanding in the period. 61

10.3.3 BEM placed funds on deposit with BS 61

10.3.4 BS issued new loans to five Shor Group companies 62

10.3.5 Transfer Currencies – US Dollars and Euros 63

10.3.6 Selling the BS loan portfolio to Fortuna 64

10.4 Attempt to reverse Roseau contracts 66

10.5 Suspicious loss of loan documentation at BEM, BS, and UB 66

11. Loan customer connections 68

11.1.1 Overview 68

11.1.2 Connections 68

11.1.2.1 Loans at BEM, UB and BS 68

11.1.2.2 Offshore company payments 69

11.1.2.3 Requests for Internet Banking 69

11.1.2.4 Shared Telephone Numbers 69

11.1.2.5 Shared Addresses 70

Kroll.

11.1.2.6 "Shor Holding" as described by BS staff *70*

12. Where did the money go? 71

13. Appendix I 73

14. Appendix II 77

15. Appendix III: Forensic imaging report 79

15.1 Interviews, investigations, findings and recommendations 79

15.1.1 *Data provided to Kroll* *79*

15.1.2 *Priority next steps: Stage 1* *79*

15.1.3 *Priority next steps: Stage 2* *80*

15.2 Phase II work 82

Kroll.

1. Introduction

1.1 Background and scope of work

On 28 January 2015 Kroll was engaged by the National Bank of Moldova ("NBM") to conduct a scoping phase of investigation into certain transactions involving Banca de Economii S.A. ("BEM"), Banca Sociala S.A. ("BS") and BC Unibank SA ("UB").

The scoping phase of investigation aimed to:

- Identify the population of irregular transactions since January 2013, prioritizing those of the largest value;
- Identify and analyse linkages between the transactions and related parties and insiders of the banks;
- Analyse the basis of the transactions, noting the irregular nature of the transactions and the extent to which they are in non-compliance with international banking norms and/or regulatory requirements; and
- Provide an initial evaluation of the likelihood of recovery and the factors affecting recovery, including the potential need to involve foreign jurisdictions.

1.1.1 Scope of work

The scope of work undertaken for this initial phase of investigation was broadly as follows:

1. Initial briefing: Conduct briefing discussions and interviews with NBM experts and the Special Administrators, as well as other relevant stakeholders, in order to better understand:
    a. The origin of the identification of financial irregularities;
    b. The main suspect parties to the transactions and beneficiaries;
    c. The nature of review and investigation conducted and in progress;
    d. The scope of data recovered and secured to date;
    e. The roles and responsibilities of stakeholders;
    f. The range of relevant third parties, such as auditors, which may be relevant; and
    g. Any issues associated with conducting onsite review at the banks.
2. An initial assessment of the findings to date
3. Onsite planning: to devise an appropriate plan to conduct data collection and review at the three banks;

Kroll.

4. An assessment of the relevant sources of data, securing available relevant sources of data, review of additional potentially relevant transaction related material and preliminary fact finding interviews with key non-hostile witnesses to transactions.
5. Investigative research: commence research into relevant parties to transactions aimed at better understanding the beneficiaries of funds and related party transactions

This report aims to provide a chronology of the main transactions of concern within the three banks. The report also attempts to quantify the value of the transactions and to highlight the parties who were involved in and potentially benefitted from the transactions.

1.2 Caveat

In conducting this preliminary scoping phase of investigation, Kroll has relied upon information and analysis conducted by NBM, in order to conduct an assessment of the basis of their findings to date, and concerns raised. Our assessment has been supplemented by analysis of source data provide by the NBM, in order to 1) test the basis and evidence on which certain findings brought to our attention are made and 2) identify the extent to which further investigations may be warranted. Further external, investigative research has been conducted into relevant individuals and entities as the investigation has progressed, in order to identify the extent to which transactions might be associated, individuals linked, as well as the likely legitimacy of beneficiaries of transactions.

It has not been possible within this scoping phase to conduct sufficient analysis and investigations to independently verify information presented to us by the NBM. For this reason, this report should be deemed a summary of information provided to us of events which led to the collapse of UB, BS and BEM, which based on information available to date appears valid. Not all potentially relevant information available has been analysed, which may lead to an amendment of statements made, and the identification of further relevant parties and transactions.

Kroll.

2. Executive summary

2.1 Overview

Kroll has conducted an initial scoping investigation into the circumstances which resulted in the collapse of B.C. UNIBANK S.A. ("UB"), BC "BANCA SOCIALA" S.A. ("BS") and Banca de Economii S.A. ("BEM") on 26 November 2014, with each of the three banks being placed under Special Administration by the National Bank of Moldova.

Based on the evidence reviewed to date, during the period 17 August 2012 to 30 November 2014 UB, BS and BEM were consecutively subject to significant shareholder change, which had the effect of transferring ownership to a series of apparently unconnected individuals and entities. Thereafter and without exception, each of the banks entered into a series of transactions, which on the whole had no sound economic rationale, and ultimately resulted in such a significant deterioration in each of their balance sheets that they were no longer viable as going concerns.

Within a short time period of a change in their ownership structure, the banks appear to have co-ordinated to maximise available liquidity, in order to facilitate a massive increase in lending to Moldovan entities. Whilst these entities appear unrelated, preliminary analysis shows that they effectively form a group of related parties, whose loan receipts from the banks were passed, through a complex web of transactions using predominantly UK Limited Partnerships with Latvian bank accounts, to pay down existing loan exposure at one or more of the banks,

The above suggests a co-ordinated effort within the banks to deliberately disguise the true nature of the transactions and their beneficiaries. This is further supported by the fact that subsequent to each of the banks' change in ownership their control, in terms of persons in positions of fiduciary responsibility, passed between a series of individuals which gives the impression of an orchestrated attempt to coordinate their activities.

It has not been possible within this scoping phase to conduct sufficient analysis to reconstruct the transactions in order to trace forensically the ultimate beneficiaries. It is however clear that there appears to have been a deliberate plan to gain control of each of the banks, and subsequently manipulate transactions to gain access to credit, whilst giving the appearance to the contrary. By way of example:

- The profile of a number of shareholders, in UB and BS in particular, suggests that they may have been acting as nominees, in an attempt to deliberately disguise the true beneficial ownership of shares;

Kroll.

- A number of shareholders financed their acquisition with funds borrowed from UK Limited Partnerships, whose ownership is not transparent and who have accounts at Latvian banks;
- The banks shared a significant number of common customers which took the form of recently incorporated Moldovan entities, undertaking significant borrowing activity, for common purposes on common terms; and
- The majority of lending activity subsequent to the banks' change in ownership was to these Moldovan entities, whose loan receipts were passed to Latvian bank accounts in the name of UK Limited Partnerships. These funds were subsequently used to repay existing loans in the name of other Moldovan entities at each of the banks, which thus enabled further lending to take place.

Based on information available to date, a number of factors suggest that Ilan Shor and individuals associated with him played an integral role in coordinating this activity, suggesting that he was one of, if not the only beneficiary. A preliminary review of the transactions undertaken in each bank suggest a deliberate intention to extract as much benefit as possible for entities connected to Mr. Shor and to the detriment of the bank. Some of these entities are directly associated with Mr Shor, whilst others have been deemed connected as a result of significant research undertaken by NBM and reviewed by Kroll. It is clear that these entities form a common group ('collectively referred to as Shor Group companies'), and that Ilan Shor is a common connection amongst them. What is unclear at present is whether he was acting alone, or in concert with other as yet unidentified parties.

The transactions to which these Shor Group entities were party ultimately contributed to the banks' collapse at the end of 2014, with a combined loan exposure of nearly MDL18 billion, of which MDL4.7 billion relates to future interest payments.

2.2 2012 and the acquisition of UB

Commencing August 2012, ownership of UB was transferred from Vienna Capital Partners, to twenty-one new shareholders, comprising eight UK entities, one Russian and the remainder Moldovan citizens, for a total value of approximately MDL200 million. The ultimate beneficiaries included nominees, as well as political figures and individuals which appear closely connected to Ilan Shor, as well as individuals with which he was affiliated. Each of the shareholders acquired their respective holding with funds borrowed from foreign entities, and in some cases the same entity.

Kroll.

2.3 2013: The acquisition of BS and BEM

Shor Group exposure to the Moldovan banking system increased dramatically in the first half of 2013, from MDL1.38 billion, to MDL2.45 billion. 38% of this exposure was within Unibank, which in six months increased by 150%. The balance at the time was primarily split equally between BS and Moldindconbank, which had each seen significant increases in their exposure to the group within the period.

Between May and June 2013, over 50% of the shares in BS were sold for over USD 15m and the bank's largest shareholder, BS Leasing, disposed of its entire stake of just under 25%. This resulted in the bank's share structure closely mirroring that of UB; numerous minority holdings, with not one above 5%. A number of shareholders held just below the 5% threshold, and comprised Moldova-based companies, as well as Moldovan, Russian, and Ukrainian individuals. As with UB, the majority of these shareholders financed their acquisition of shares with loans from offshore companies, each with Latvian banks accounts.

It is highly improbable that so many apparently unrelated shareholders of both UB and BS all received funding in such a similar manner. Instead, the structure of the share acquisitions appears to be a deliberate attempt within both banks to conceal the true identity of the beneficiaries, and possibly avoid NBM requirements to disclose controlling stakes.

Subsequently, in August 2013, an opportunity arose for the minority shareholders in BEM to acquired additional share capital via a share issue, in which the bank's majority shareholder, the Moldovan Agency for Public Property would not take partake, thereby diluting its stake of 56.13% to a blocking stake of 33.3(3)%. These shares were almost entirely taken up by ICS "Sisteme Informationale Integrate" SRL, which increased its stake from 9.8% to 33.8%. The remaining existing shareholders maintained their stakes in the bank.

Under the terms of the share agreement, BEM's shareholders were to provide new liquidity to the bank in the form of a subordinated loan of MDL600 million, and the purchase of non-performing loans at BEM totalling no less than MDL300 million. The latter was facilitated through a cession agreement with UK registered Roseau Alliance LLP , which had signed a similar agreement in February of the same year, to acquire non-performing loans to the value of MDL1 billion from BEM, at nominal value. Little is known about Roseau Alliance or its beneficiaries to explain why the company would be willing to acquire such a significant number of NPLs at no discount. The above transactions did however have the effect of significantly increasing BEM's liquidity, and therefore ability to lend to customers.

Kroll.

Analysis of the shareholders of BEM which took part in the share issue further indicates a number of affiliations amongst each party, particularly in relation to Ilan Shor. SSI has disclosed that its increase in share capital was financed via a share capital increase from its parent, Russian registered OOO Konstanta. Analysis conducted by NBM shows Konstanta to have received funding from foreign entities (Daniell Invest Ltd and SKIF LLP). SKIF LLP and another Moscow based entity also provided loan agreements with other BEM shareholders: Tintel Project Ltd, Wall Trend Ltd, Carmondean Development Ltd, Calteco Prim SRL, and Vladox Grup SRL.

Subsequent to the change in share structures of both BS and BEM, both banks financial profiles changed significantly and comprised a significant increase in interbank deposit activity designed to enable liquidity to enable increased lending. Meanwhile Shor Group loan exposure continued to increase dramatically by the end of 2013, to MDL4.8 billion. This was concentrated most predominantly within UB, whose exposure increased three fold subsequent to its acquisition, from MDL0.9 billion to MDL3 billion.

2.4 2014: Events Leading to Collapse of UB, BS and BEM

Between January and November 2014, exposure of companies deemed directly and indirectly linked to Ilan Shor increased by MDL3 billion, to almost MDL8 billion. The fact that almost 100% of this exposure was by this point solely concentrated within UB, BS and BEM cannot be a coincidence. Funding of such increased loan exposure was largely through interbank deposits between the two banks, enabled by deposits from external financial institutions, including Gazprombank, Interprombank and Alef Bank.

Transactions within each of the three banks were characterised by lending to related parties to each of them, the funds from which would frequently be utilised to clear down existing exposure with one of the banks. The fact that exposure within BEM rose from an immaterial MDL 100m, to MDL 2.3 billion in ten months, shows the benefit of the increased liquidity provided to the bank as a result of the share restructure.

Such a significant level of interrelated lending within three, apparently independent banks would have required a significant level of co-ordination within and control of each of them. Control is implied by the significant connectivity identified between the shareholders of each of the banks, whilst co-ordination is reflected by the number of common management changes between UB, BS and BEM.

Such extended and interrelated funding and loan activity within the three banks culminated in a series of events in November 2014 which indicate that this was no longer sustainable. Between 1 and 24 November, the majority of lending within UB and BS was cleared down, facilitated by

Kroll.

interbank deposits from Moldovan and Russian banks. Analysis of loan transactions shows a clear pattern of lending within one bank, being repaid by loans issued to entities in another, via the passing of funds through UK Limited Partnerships with Latvian banks accounts. A concerted effort appears to have been made to concentrate Shor Group loan exposure at BEM within four companies, Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL, with a combined exposure of MDL 13 billion.

A serious of highly unusual and events took place on 26 November, at the same time as the new loans were issued in BS, which are further indicative of efforts to extract the maximum value of funds possible from the banks, and destroy evidence relating to the actions taken to their detriment:

- For unexplained reasons, loan exposure was reversed out of BEM and the existing balances held on deposit between BEM and Russian banks cleared down. A complex series of transactions eventually resulted in new loans to the value of MDL 13.7 billion being issued by BS to five Moldovan entities, who transferred the funds on to UK registered Limited Partnerships with accounts at Privatbank in Latvia.
- The above loans were sold to a UK registered shell company, for nominal value plus accrued interest of MDL 4.7 billion, to be paid in annual instalments by November 2019. As a result, the receivable remains outstanding in BS's balance sheet.
- Orders were given by management of the banks to archive loan documentation relating to the suspicious transactions with entities deemed part of the Shor Group. These were collected by a vehicle provided by Klassica Force SRL, which was subsequently stolen and found burned out, whilst containing all relevant loan documentation.
- Management of BEM attempted unsuccessfully to reverse the original Roseau cession agreements, restoring the un-performing loans to BEM and returning the cash originally paid by Roseau.

A preliminary review of the transactions undertaken in each bank suggest a deliberate intention to extract as much benefit as possible for entities connected to Mr. Shor and to the detriment of the banks. These transactions ultimately contributed to the collapse of the banks at the end of 2014.

The events of the latter half of 2014, and in particular November 2014, show a coordinated effort involving all three banks working together to extract as much loan finance as possible from the banks without any obvious business rationale for the increased exposure.

Kroll.

On 27 and 30 November 2014, BEM and BS were placed into administration, and on 30 December 2014, UB was also placed into administration. At the date of administration the banks were owed nearly MDL18 billion.

3. The Shor Group overview

3.1 Defining the Shor Group

The Shor Group is defined as a list of companies identified by the NBM as being owned or controlled by Ilan Shor, either directly, or as a result of information identified through investigation indicating a likely affiliation. When the loan exposure of the Shor Group began to be tracked by NBM in September 2010, just ten companies were considered to be part of the Shor Group.

The Group has grown over time, as further Shor-related companies were identified, through on-site inspections, duplicate addresses, duplicate IP addresses, and links between the owners and directors with Ilan Shor. One example of this analysis centred around the installation of Client Banca services for 19 clients at BS, which allows online access to banking facilities. The installations for all 19 clients were carried out at the same address, Chișinău, str. Tighina 12, known to be associated with Dufremol[1]and thus could be said to be connected.[2]

The number of active Shor Group companies identified increased between 2010 and 2014, and stood at 39 by the end of October 2014. We have not conducted a review on the identification of companies belonging to the Shor Group, thus all analysis on the Group is reliant on the work conducted by NBM.

Table 1: Number of active Shor Group companies over time[3]

Date	31/12/2011	31/12/2011	31/12/2012	31/12/2013	31/10/2014
Total Companies	10	18	16	46	39

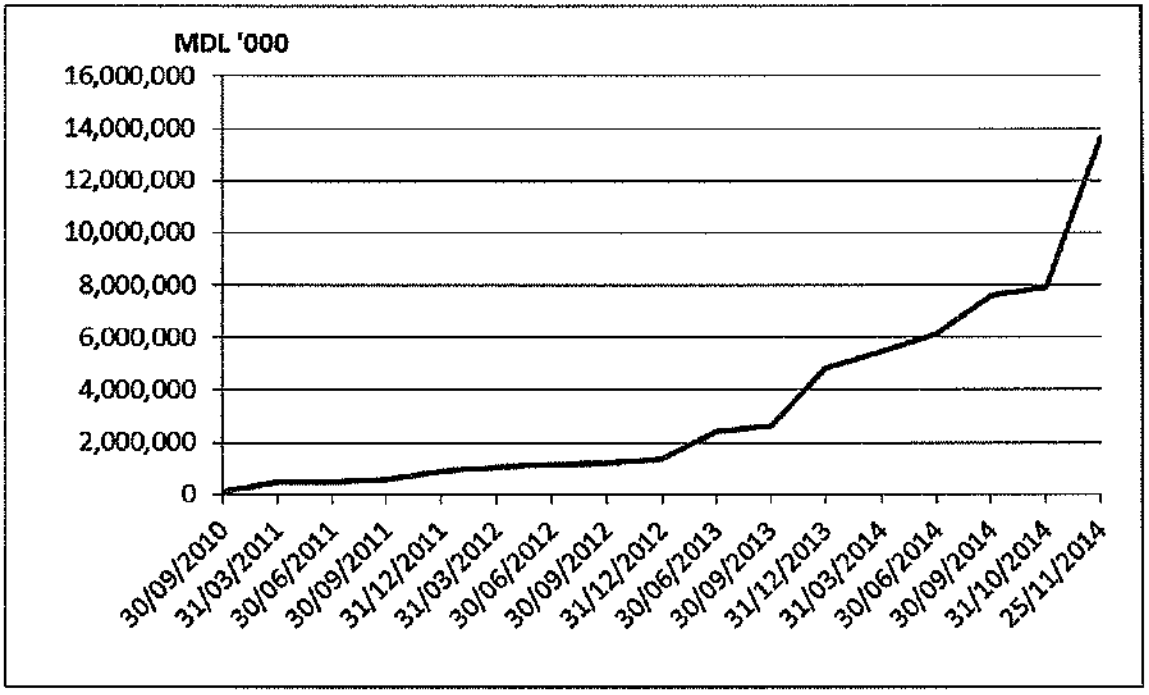
3.2 Shor Group exposure overview

Shor Group loan exposure to all Moldovan banks increased from approximately MDL130 million at 30 September 2010 to MDL13.4 billion at 25 November 2014.

A summary of the total Shor Group loan exposure to all Moldovan Banks for the period September 2010 to November 2014 is set out in the chart below:

[1] http://www.dufremol.md/
[2] Shor Group Address Research
[3] Kroll analysis of Shor Group exposure

Chart 1: Total Shor Group Loan Exposure to all Moldovan banks[4]



Shor Group loans as at 31 October 2014 were issued almost exclusively by UB, BS and BEM, with the largest loan exposure being with BS.

Evidence shows that all but four of the Shor Group loans that were outstanding as at 31 October 2014 were almost entirely paid down by 24 November 2014.

In their place, during the period 1 to 24 November 2014, new and higher value loans were issued by BEM to four companies deemed part of the Shor Group, namely Provolirom SRL, Dracard SRL, Caritas SRL and Voximar SRL, so that the balance owed by these companies to BEM on 24 November 2014 was MDL13.2 billion.

Finally, between 24 and 26 November 2014 the loans issued by BEM to Provolirom SRL, Dracard SRL, Caritas SRL and Voximar SRL were repaid. BEM placed a significant proportion of the loan funds received on deposit at BS, which were used to issue new loans to five Shor Group companies, totalling MDL13.7 billion.

On the 26 November 2014, following a meeting requested by seven shareholders from Russia and Ukraine, BS sold the loans outstanding to the Shor Group companies to a company called Fortuna United LP, as outlined in section 11.3.5.

[4] Kroll analysis of Shor Group exposure

4. 2012 and the acquisition of UB

4.1 Shareholding restructure

From 2007 until August 2012, UB operated under the ownership of Austria-based Vienna Capital Partners Unternehmensberatungs AG. On 17 August 2012, all of the banks shares were sold and as a result transferred to 21 new shareholders, each with a stake of between 4.5% and 4.99%.[5] This is significant, as according to Moldovan legislation at the time, a shareholder who held a stake in a bank of 5% or above was classified as a significant shareholder, with their acquisition requiring formal approval from the NBM.

As set out in the table below, the new shareholders comprised 8 UK-registered companies as well as 12 Moldovan and 1 Russian citizen, with the disclosed[6] beneficial owners of the shareholder entities including a number of foreign nationals.[7] Initial public record research indicates that some of the Moldovan shareholders were previously connected to Moldovan political parties or government institutions, while some of the beneficial owners of the UK-registered companies are reported as fiduciary agents or nominee directors.

Table 2: BS shareholders

Shareholder	Jurisdiction or Nationality	Date First Registered as Shareholder	Stake Held between 17/8/2012 and 30/11/2014 (%)	Beneficial Owner	Place of Residence of Beneficial Owner
Jet-Tech Industries Ltd	UK	17/08/12	4.99	Peter Joseph Grant Burslem	AUS
Lerson Ltd	UK	17/08/12	4.98	Alise Ilsley	UK
Manitoba Management Ltd	UK	17/08/12	4.98	Marios Papantoniou	UK
Trimms Green Limited	UK	17/08/12	4.98	Andrew	ZAF

[5] NBM data shows no changes in the stakes held until 30 November 2014, irrespective of additional share issues by the bank.

[6] The beneficial owners listed are the same as those disclosed by UB on 22 October 2014 and published on the banks website http://unibank.md/files/files/act_rus.pdf

[7] UB ownership history provided by NBM4.65

Shareholder	Jurisdiction or Nationality	Date First Registered as Shareholder	Stake Held between 17/8/2012 and 30/11/2014 (%)	Beneficial Owner	Place of Residence of Beneficial Owner
				Moray Stuart	
Dixon Corporation Ltd	UK	17/08/12	4.97	Maurice Walters	UK
Novland Ltd	UK	17/08/12	4.96	Mikalauskas Remigijus	UK
Reynosa Management Ltd	UK	17/08/12	4.95	Panagiotis Georgiou	CYP
Pace Global Energy Limited	UK	17/08/12	4.68	Nicholas Henry Thom	ZAF
Petru Lucinschi	MD	17/08/12	4.80	Petru Lucinschi	MD
Reghina Apostolova	MD	17/08/12	4.75	Reghina Apostolova	MD
Aurel Marinescu	MD	17/08/12	4.70	Aurel Marinescu	MD
Rita Tvic	MD	17/08/12	4.66	Rita Tvic	MD
Tudor Negru	MD	17/08/12	4.65	Tudor Negru	MD
Vladimir Novosadiuc	MD	17/08/12	4.64	Vladimir Novosadiuc	MD
Roman Grinco	MD	17/08/12	4.62	Roman Grinco	MD
Viorel Melnic	MD	17/08/12	4.61	Viorel Melnic	MD
Marina Tauber	MD	17/08/12	4.60	Marina Tauber	MD
Nani Abashidze	MD	17/08/12	4.60	Nani Abashidze	MD
Veaceslav Lupov	MD	17/08/12	4.60	Veaceslav Lupov	MD
Olga Bondarciuc	MD	17/08/12	4.58	Olga Bondarciuc	MD
Liliya Pleskachevskaya	RU	17/08/12	4.70	Liliya Pleskachevskaya	RU

Shareholder	Jurisdiction or Nationality	Date First Registered as Shareholder	Stake Held between 17/8/2012 and 30/11/2014 (%)	Beneficial Owner	Place of Residence of Beneficial Owner
TOTAL:			**100%**		

4.1.1 Shareholders

Although within this scoping phase Kroll has not conducted in depth investigations into each of the shareholders and beneficiaries, information provided by NBM, supplemented by investigative research, indicates that a number were likely to have been holding shares as nominees, to mask true beneficial interest, whilst others are closely affiliated to Ilan Shor. Examples of information which leads to this conclusion, are highlighted below:

1. UK Shareholder Entities

The eight UK-registered shareholder entities were incorporated between 9 September 2011 and 18 July 2012. All eight companies are registered at different addresses in the UK, with three being registered in Edinburgh, Scotland. Some of the shareholders initially had directors who were based in the Seychelles. The companies' direct shareholders are the same as those disclosed as beneficial owners by UB.

The background of a number of disclosed beneficiaries of the UK shareholder entities does not reflect an obvious reason for their interest in acquiring a stake in a Moldovan bank. Furthermore, the majority are readily identifiable as professional nominees, some of which have been as a result implicated in allegations of money laundering. By way of example:

- Alise Ilsley, a Latvian national, is employed at Arran Consult, a company which advertises itself in Russian as being able to register offshore companies and open bank accounts.[8] She holds over 50 directorships in the UK.
- Marios Papantoniou, a Cypriot national, operates an accountancy practice in the UK named Axiano Ltd.[9] According to one media report Axiano is one of a number of UK

[8] http://arranconsult.ru//
[9] http://www.axiano.com/

companies being investigated in relation to money laundering involving UK "offshore" companies, Moldovan and Russian businesses, and Latvian banks.[10]

- Andrew Moray Stuart is named in one media report as a British aristocrat, alleged to have been involved in laundering Russian money linked to the Magnitskiy case. Stuart is alleged to have transferred approximately $1.4m through a British Virgin Islands' shell operation on behalf of Vladlen Stepanov, the husband of a senior tax official at the centre of the alleged fraud in Russia.[11] Stuart reportedly lives in Mauritius and Dubai and is named as a director of more than 500 UK companies.
- Nicholas Henry Thom was identified in an investigation by the Guardian newspaper in Nov 2012 as a "nominee director".

2. Shareholders individuals

The majority of the Moldovan national shareholders are political figures of varying degrees of seniority. Aurel Marinescu, by way of example, was the former head of close protection operation around Gabriel Stati, the son of Anatol Stati, and head of the Stati family companies Stati Holding, Tristan Oil and ASCOM. Ilan Shor has stated in an interview that Gabriel Stati is his close friend and business partner in Moldova. Viorel Melnic has often been referred to in Moldovan media as a director or representative of Dufremol SRL[12], one of two duty free shop operators owned by Shor whilst the Russian shareholder Liliya Pleskachevskaya appears connected to Shor's wife Jasmin; a Liliya Pleskachevskaya was previously reported as the Russian singer's chief administrator.[13]

4.1.2 Source of funds used to purchase UB shares

NBM conducted an analysis of the source of funding used by the individuals and entities which acquired the shares in UB from Vienna Capital Partners in August 2012. Kroll's review of this analysis, in the context of additional information reviewed during the course of this scoping investigation, has provided further indication that a number of the individuals and entities that acquired the UB shares were related, and were potentially acting in concert.

[10] http://www.belfasttelegraph.co.uk/business/news/uk-firms-under-investigation-for-alleged-conspiracy-to-make-20bn-of-dirty-money-seem-legitimate-in-one-of-europes-biggest-moneylaundering-operations-30666083.html

[11] http://www.telegraph.co.uk/finance/financial-crime/9250813/British-aristocrat-linked-to-Sergei-Magnitsky-case.html; http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10024015/UK-companies-accused-of-money-laundering-in-Magnitsky-probe.html

[12] http://unimedia.info/stiri/compania-dufremol--suparata-ca-statul-nu-i-permite-sa-deschida-benzinarii-duty-free-46477.html

[13] http://www.jasmin.ru/netcat_files/Image/JASMIN_PRESENTATION.pdf

Based on information available from NBM, the shareholder individuals, which appear to primarily comprise Moldovan nationals, all appear to have financed the initial purchase of UB shares in August 2012 and/or the subsequent acquisition of additional shares, with loans from corporate entities, largely UK Limited Partnerships, with the funds being transferred from Latvian banks.

For a number of share acquisitions, the same corporate entity loaned funds to a number of different shareholders, suggesting they were in fact related parties. For example:

- Reghina Apostolova and Nani Abashidze were both financed by Harwood United LLP;
- Tudor Negru and Liliya Pleskachevskaya were both financed by Fairmac LLP; and
- Rita Tvic, Vladimir Novosadiuc, and Olga Bondarciuc received funds from Harrogate Consulting LLP.

In seven instances, the subsequent share acquisition was funded by a loan from an entity that has subsequently been linked to the Shor Group, for example:

- Petru Lucinschi funded his share purchase in 2012 with a loan from Rosslyn Trade LLP, and in 2013 with a loan for MDL4,800,000 directly from Ilan Shor;
- Reghina Apostolova funded her share purchase in November 2013 with a loan from Voximar Com of MDL4,750,000; and
- Veaceslav Lupov was financed by Moldova-based Megasoft International SRL, which was previously registered at the same address as some Shor Group companies.

There is less visibility over how the shareholder entities funded their respective share purchases, however given that they appear to be shell companies, with declared beneficiaries being largely nominees, it is clear the ultimate ownership of the shares was being deliberately obscured.

An overview of the shareholder individuals and entities that acquired shares in UB, showing the source of funds, is set out at Appendix I.

4.2 2012 Financial overview

Prior to its acquisition in August 2012, UB had a relatively equal split in assets, between deposits at other banks and customer loans, amounting to a total of MDL1.2 billion[14].

During 2012 UB increased the value of deposits placed with Moldovan and overseas banks by a total of MDL482 million and the value of customer loans by MDL136 million[15]. At year-end 2012, UB had deposits of MDL241 million at Alef Bank in Russia, and MDL211 million at Moldindconbank in Moldova, as well as overnight placements at non-OECD banks of MDL491 million. By comparison, at year-end 2011, there were no overnight placements, and just MDL23 million in deposits at other banks.[16]
At year-end 2012, almost sixty percent of UB's customer loan portfolio was with Shor Group companies, standing at MDL370 million, up from MDL151 million at year-end 2011.[17]

During 2012, deposits from banks had increased by MDL216 million to MDL247 million, with BS making up MDL176 million of the increase. There was also an increase in borrowings of MDL325 million, with all loans dated after the shareholding restructure of the bank, and Gazprombank Russia making up MDL241 million of the new borrowings.[18]

Table 3: UB balance sheets prior to acquisition, and at year end 2012[19]

UB	31/07/2012	31/12/2012
	MDL '000	MDL '000
Demand deposits and cash equiv.	663,438	1,145,295
Loans and Receivables	503,431	639,976
Other Assets	155,031	213,921
Total Assets	**1,321,900**	**1,999,192**
Deposits	879,678	1,288,008
Other Liabilities	173,311	376,378
Total Liabilities	**1,052,989**	**1,664,386**
Equity	**268,911**	**334,806**

The purpose of the increasing overnight deposits at other banks, and deposits from other banks, may have been to increase UB's ability to loan out funds, as the overall liquidity of the bank would

[14] UB monthly balance sheets June 2012-December 2014
[15] UB monthly balance sheets June 2012-December 2014
[16] UB Financial Statements 31 December 2012
[17] Kroll analysis of Shor Group exposure
[18] Kroll analysis of Shor Group exposure
[19] UB monthly balance sheets June 2012-December 2014

increase, as noted in the on-site inspection report, issued in November 2014.[20] This additional liquidity was being used, in part, to issue further loans to Shor Group companies, as evidenced by the increase in exposure throughout 2012.

4.3 Shor Group exposure

The largest Shor Group loan exposure was in BS, UB, and Moldindconbank at the end of 2012, with very little exposure in BEM.[21] Between December 2011 and June 2012, the value of loans issued by Moldovan banks to Shor Group companies increased from MDL0.9 billion to MDL1.1 billion. In the second half of 2012, and following the shareholding restructure at UB, the total Shor Group exposure to Moldovan banks increased from MDL1.1 billion to MDL1.4 billion.[22]

In the second half of 2012, lending from UB to Shor Group companies increased by MDL164 million, while lending from BS to Shor Group companies decreased by MDL188 million.[23] The drop in Shor Group loan exposure at BS may be accounted for by the MDL176 million in BS deposits at UB at the end of 2012, representing a shifting of Shor loan exposure from BS to UB.

Shor Group loan exposure to Moldindconbank increased by MDL286 million in 2012. UB's deposits of MDL211 million at Moldindconbank[24] may account for some of this increase in lending, represented as bank deposits being passed through to Shor Group companies as loans.

Table 4: Shor Group loan exposure 31 December 2011 to 31 December 2012[25]

Loan exposure	31/12/2011	31/03/2012	30/06/2012	30/09/2012	31/12/2012
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
Comertbank	15,074	31,843	98,858	97,939	85,829
Energbank	-	4,693	22,227	2,496	-
UB	150,755	167,549	205,771	298,516	369,918
Victoriabank	139,054	146,620	142,748	144,645	150,085
BEM	-	72,684	46,575	51,733	44,979
BS	410,937	424,490	425,626	428,628	237,554
Moldindconbank	202,714	202,714	202,707	202,707	489,023
Total	**918,534**	**1,050,593**	**1,144,512**	**1,226,664**	**1,377,388**

[20] Translation of UB 2014 on-site inspection report
[21] Kroll analysis of Shor Group exposure
[22] Id.
[23] Kroll analysis of Shor Group exposure
[24] UB Financial Statements 31 December 2012
[25] Kroll analysis of Shor Group exposure

4.4 Control of UB

Following the shareholding restructure at UB, a number of the bank's senior management team maintained their positions. Dumitru Tugulschi and Elena Kotik, who had worked at the bank since the mid-2000s, remained president and head of accounts respectively.

A new appointment that represented Shor's interest appears to have been Viorel Melnic, who was appointed head of the bank's council on 1 December 2012. Melnic, a former head of the Moldovan customs service between 2008 and 2009 has often been referred to in Moldovan media as a director or representative of Dufremol SRL[1], one of two duty free shop operators owned by Shor. Another individual who was subsequently affiliated with Shor, Sergiu Albot, was appointed as a vice-president of the bank on 12 December 2012. Albot had previously worked at NBM from 2008.

[1] http://unimedia.info/stiri/compania-dufremol--suparata-ca-statul-nu-i-permite-sa-deschida-benzinarii-duty-free-46477.html

5. Shor Group Exposure 2013

By 31 December 2013, Shor Group loan exposure had grown to over three times the amount it had been at the end of 2012. During the course of the year there was a significant rise in exposure at UB of MDL2.6 billion, and lending also increased significantly at BS and Moldindconbank.[26]

Table 5: Shor Group loan exposure 31 December 2012 to 31 December 2013[27]

Loan exposure MDL	31/12/2012	30/06/2013	30/09/2013	31/12/2013
	MDL'000	MDL'000	MDL'000	MDL'000
Comertbank	85,829	71,481	74,136	-
Energbank	-	-	71	-
UB	369,918	930,155	1,130,115	2,937,846
Victoriabank	150,085	124,820	98,310	70,094
BEM	44,979	96,501	94,916	101,177
BS	237,554	618,700	609,404	870,291
Moldindconbank	489,023	604,528	622,189	843,850
Grand Total	**1,377,388**	**2,446,185**	**2,629,140**	**4,823,258**

This increase in lending required a large increase in liquidity. As discussed in sections 6, 7 and 8, during 2013 UB, BS and BEM all increased their ability to lend through a combination of interbank placements, overnight deposits and Nostro accounts between themselves and with overseas banks. At the same time, the ownership structure of both BEM and BS changed significantly.

[26] Kroll analysis of Shor Group exposure
[27] Id.

6. 2013: The acquisition of BS

6.1 Shareholding restructure

BS's share structure until May 2013 principally comprised numerous minority shareholders. According to data provided by NBM, until May 2013 the bank was primarily controlled by three groups: members of the Crivceanschi family, along with their related corporate entities, BS Leasing SA and Beali SRL, held a combined 43.45% stake; Vladimir Suetnov and related family members held a further combined 6.35% stake and the third group, comprising Vladimir Jardan and his related corporate entities, held a combined 5.28% stake.

As a result of the sale of over 50% of the bank's share capital between May and June 2013, the shareholding structure changed significantly, with no single shareholder holding above 5%. The new shareholders comprised Moldova-based companies, as well as Moldovan, Russian, and Ukrainian individuals.

Table 6: Changes in BS's shareholder structure between May 2013 and November 2014 as stated in data provided by NBM:

Shareholder	Jurisdiction or Nationality	Beneficiary	Date First Registered as Shareholder	Stake Held at 31/05/13 (%)	Stake Held at 30/11/13 (%)	Stake Held at 30/11/14 (%)
"Diafan" SRL	MD	Arina Corsicova (MD)	30/05/2013	4.96	4.96	4.96
"Tonimar" SRL	MD	Alla Cazac (MD)	30/05/2013	4.88	4.88	4.88
"Ancor Lux" SRL	MD	Veaceslav Jardan (MD)	01/11/2013	0	4.75	4.75
"Trivetpro" SRL	MD	Elena Marinova (MD)	30/05/2013	4.46	4.46	4.46
"Samit Plus" SRL	MD	Natalia Gojina (MD)	01/11/2013	0	4.00	4.00
"Rominserv" SRL	MD	Veronica Gorgos (MD)	30/05/2013	3.40	3.40	3.40
"Velcris-Plus" SRL	MD	Anton Hariton (MD)	30/05/2013	3.11	3.11	3.11

Shareholder	Jurisdiction or Nationality	Beneficiary	Date First Registered as Shareholder	Stake Held at 31/05/13 (%)	Stake Held at 30/11/13 (%)	Stake Held at 30/11/14 (%)
Calea Ferata Din Moldova[28]	MD	Republic Of Moldova (MD)	11/11/2010	2.48	2.48	2.48
"Jardi" SRL	MD	Vladimir Jardan (MD)	11/11/2010	2.02	2.02	2.02
"Jlc" S.A.	MD	Vladimir Jardan (MD)	Not disclosed	<1%	<1%	1.04
"Logos-Grup" SRL	MD	Vladimir Jardan (MD)	29/08/2013	<1%	1.01	1.01
Maria Gutuleac	MD		15/05/2013	4.98	4.98	4.98
Oleh Stepanets	UA		08/05/2013	4.20	4.20	4.20
Svetlana Petrenko	UA		08/05/2013	4.19	4.19	4.19
Alexandr Zavarzin	RU		08/05/2013	4.18	4.18	4.18
Ivan Kostianko	UA		08/05/2013	4.18	4.18	4.18
Sergii Andriichuk	UA		08/05/2013	4.16	4.16	4.16
Olga Nikitaeva	RU		08/05/2013	4.14	4.14	4.14
Tetiana Boiko	UA		08/05/2013	4.13	4.13	4.13
Sergey Merkulov	RU		08/05/2013	4.12	4.12	4.12
Valentin Cunev	MD		11/11/2010	2.11	0	0
Valentina Calcii	MD		11/11/2010	1.99	1.99	1.99
Legal Entities Holding <1% each			N/A	14.35 (166 Entities)	13.11 (161 Entities)	11.10 (158 Entities)
Private Individuals Holding <1% each			N/A	17.96 (190 Individuals)	11.55 (169 Individuals)	12.52 (177 Individuals)
TOTAL:				100%	100%	100%

6.1.1 Shareholders

BS has only disclosed to NBM two groups of related parties amongst its shareholders. The first is a group of shareholders beneficially owned by Vladimir Jardan, as well as Jardan himself, a Moldovan entrepreneur. The other group includes members of the Calcii family. Igor Calcii is the owner of a Moldovan company named Titluri Mobilaire SRL, his father Gheorghe Calcii is

[28] Moldovan State Railway Company

reported to have previously worked at the Modlovan financial markets regulator, CNPF. Both groups appear to have held stakes in BS since at least 2010, when some of them were first registered as shareholders according to data provided by NBM.

Although Kroll has not conducted in depth research into each of the shareholders and beneficiaries, information provided by NBM, supplemented by investigative research, indicates that a number of them were likely to have been acting in concert and holding shares as nominees, to mask true beneficial interest. Certain have links to Ilan Shor, whilst others do not have profiles which are not reflective of their acquisition of relatively significant stakes in the bank. Examples of information which lead to this conclusion are highlighted below:

1. Maria Gutuleac - Gutuleac acquired a 4.98% stake in BS on 15 May 2013. She has been reported in Moldovan media sources as the "head of administration" for Ilan Shor,[29] and as a "representative of the Miron Shor" foundation.[30] Miron Shor is Ilan Shor's father. Further information has been gained from the NBM, showing that Gutuleac is actually Ilan Shor's cousin, and is married to Sergiu Albot, who was appointed vice-president of UB in December 2012, and subsequently became president of BS in December 2013.

2. Moldovan Corporate Entities - The five Moldovan companies which obtained stakes in BS on 30 May 2013 (Diafan SRL, Tonimar SRL, Trivetpro SRL, Rominserv SRL, Velcris Plus SRL) were all incorporated three weeks before the purchase on 8 May 2013. Initial research of the beneficial owners of these companies found them to have low public profiles.

3. Samit Plus SRL – this company obtained a stake in BS on 1 November 2013. The disclosed beneficial owner, Natalia Gojina, is listed in official Moldovan databases as being the head of the operational division at Chisinau airport from November 2007. Natalia Gojina's position at Chisinau airport is notable due to Ilan Shor's commercial links to the airport. Chisinau airport is currently managed by Avia Invest SRL following the signing of a concessionary agreement with the Moldovan State Asset Agency on 30 August 2013. On 11 September 2014 Ilan Shor was elected to the board of Avia Invest SRL, at which point Dufremol reportedly already rented 60% of the commercial space at the airport.[31] Shor was subsequently elected chairman of Avia Invest's board on 1

[29] http://www.mold-street.com/?go=news&n=3328
[30] http://moldova.sports.md/football/news/05-11-2013/39497/antrenorul_national_andreev_andrei_participant_la_conferinta_internationala_pentru_antrenori/
[31] http://www.timpul.md/articol/ilan-shor-ales-in-consiliul-de-administrare-a-aeroportului-chisinau-63331.html

November 2014. The current CEO of Avia Invest is Petru Jardan. It is unclear from initial research if this individual is related to Vladimir Jardan or Veaceslav Jardan.

4. Ukrainian and Russian individuals - A number of Ukrainian and Russian individuals acquired stakes in BS in May 2013 each of which have extremely low public profiles in their respective jurisdictions. According to disclosure documentation provided to NBM, the five Ukrainian individuals are registered in Nova Kakhovka, Kherson Oblast, Ukraine. Nova Kakhovka is a small city in southern Ukraine with a population of less than 100,000. Two of the shareholders, Tetiana Boiko and Sergii Andriichuk, are registered at different flats within the same building in the city. These profiles are not reflective of a typical investor, acquiring relatively significant stakes in a Moldovan bank, all financed through loans from offshore entities and appearing to have opened accounts at Latvijas Pasta Banka at the same time.

6.1.2 Funding of share acquisition in BS

As outlined above, with the exception of those shareholders disclosed by BS as related parties, the majority appear on initial examination to be unrelated. However, analysis of the source of funding used by the individuals and entities to acquire the shares in BS provides further indication that a number were in fact related and potentially acting in concert. By way of example:

- The five Moldovan companies which acquired stakes in BS on 30 May 2013 appear to have each financed their share purchase with loans from offshore entities between 17 May 2013 and 22 May 2013. All five loans carried a 3.5% interest rate and the five offshore companies each held accounts at ABLV Bank AS in Latvia.

- Ancor Lux SRL and Samit Plus SRL, which acquired stakes in BS on 1 November 2013, similarly financed their share purchases with loans from offshore entities registered at the same address in Belize, each with Latvian bank accounts.

- The Ukrainian and Russian individuals, which acquired stakes on 8 May 2013, were likewise financed by offshore companies. Both the individuals and the offshore companies held accounts at Latvijas Pasta Banka, Latvia. Furthermore, the loan agreements disclosed to NBM show that the individuals have almost identical account numbers at the Latvian bank, which indicates that they most probably opened their accounts at the same time.

If the remaining shareholders were truly independent, it is highly unlikely that they would have all receiving funding in such a similar manner, via what appear to be offshore shell companies, each with Latvian bank accounts. Instead, this appears a deliberate attempt to conceal the true source of funding of the share acquisitions. An overview of the shareholder individuals and entities that acquired shares in BS, showing the source of funds, is set out at Appendix II.

6.2 Financial overview

Prior to the shareholder restructure in May and June 2013, the asset profile at BS was dominated by customer loans, which were balanced by deposits placed at the bank.[32] Of the MDL2.0 billion in customer loans at the end of 2012, MDL238 million comprised loans to Shor Group companies, representing a small proportion of the total.[33]

By the end of 2013, customer loans had increased by MDL0.6 billion, and deposits at other banks had increased by MDL0.5 billion.[34] The increase in deposits at other banks can be accounted for by a rise in Nostro accounts and short term deposits, with these items making up MDL1.1 billion of the total deposits of MDL1.3 billion at the end of 2013 (note that MDL460 million of the total deposits were placed by BS at UB) . The MDL0.6 billion increase in customer loans during 2013 can be accounted for by an increase in loans to Shor Group companies.[35] During 2013, deposits placed at BS increased by MDL1.0 billion, which, in part, can be accounted for by MDL376 million in deposits placed at BS by other banks.[36]

Table 7: BS balance sheet prior to and following shareholder restructure during 2013[37]

BS	31/12/2012	30/04/2013	31/12/2013
	MDL '000	MDL '000	MDL '000
Demand deposits and cash equiv.	691,634	761,067	1,303,076
Loans and Receivables	2,025,402	2,182,213	2,731,766
Other Assets	501,799	511,219	408,890
Total assets	**3,218,835**	**3,454,499**	**4,443,732**
Deposits	2,111,789	2,358,728	3,309,888
Other Liabilities	441,539	412,756	414,739
Total Liabilities	**2,553,328**	**2,771,484**	**3,724,627**
Equity	**665,507**	**683,015**	**719,105**

[32] BS monthly balance sheets June 2012-December 2014
[33] Kroll analysis of Shor Group exposure
[34] BS Financial Statements 31 December 2013
[35] Table 5: Shor Group loan exposure 31 December 2012 to 31 December 2013
[36] BS Financial Statements 31 December 2013
[37] BS monthly balance sheets June 2012-December 2014

6.3 Control of BS

Following the acquisition of BS in May 2013, Ivan Crivceanschi took the role of president of BEM and subsequently resigned as a vice-president of BS. Crivceanschi had been a long-standing member of the BS board since 2007, and the bank was partly owned by his family. It is possible that the acquisition of BS and movement of Crivceanschi to BEM was part of a coordinated plan to take control of both banks. This is supported by investigations conducted by NBM which found email evidence of Ivan Crivceanschi being consulted on management decisions at BS in November 2014, over a year after he left the bank and while he was president of BEM.

Further, Sergiu Albot, formerly a vice-president of UB, was appointed president of BS on 24 December 2013. Albot is married to Maria Gutuleac, a cousin of Ilan Shor and a minority shareholder of BS.

7. 2013: The Acquisition of BEM

Subsequent to the change in share ownership structure at UB and BS, BEM, at the time majority state owned, was also subject to a share restructure. Shortly prior to the share restructure, the former BS board member Ivan Crivceanschi, was appointed president of BEM on 8 May 2013. By this point in time BEM already had a number of new shareholders which acquired stakes earlier that year. This was preceded by a significant transaction entered into in early 2013, the origin of which is unclear, which resulted in over MDL 1 billion in non-performing loans being removed from BEM's balance sheet, in exchange for cash, and therefore significantly increasing liquidity.

7.1 February 2013 – Roseau transaction

On 18 March 2013, BEM signed[38] a cession agreement, which resulted in the transfer of all claims relating to a series of non-performing loans to a UK based entity, Roseau Alliance LLP ("Roseau"). Roseau acquired the loans at nominal value, amounting to almost MDL 1bn.

The origin of the transaction is unclear from information available at present, as is the reason why Roseau would be willing to acquire a series of non-performing assets, with no discount applied, effectively enabling BEM to exchange a series of distressed assets, for cash. The loans had been on BEM's books for a number of years, and according to information provided by NBM, derived from a series of historical commercial lending activity:

Table 8: Loans sold under original Roseau cession agreement

Loan Customer	Loan Amount in MDL[39]	Date Transferred
AVG Sistem SRL	94,283,979.84	28/03/2013
Braconi SA	92,014,777.63	28/03/2013
Danmilax SRL	21,523,700.62	28/03/2013
Fuel SRL	96,496,634.64	28/03/2013
Meropa 2000 SRL	46,053,898.03	28/03/2013
Valiexchimp SRL	91,451,111.76	28/03/2013
Vlasco SRL	92,776,175.31	28/03/2013
ICS Alsvit-Vin SRL	46,165,062.30	28/03/2013
Armamil-Com SRL	59,773,465.53	28/03/2013
Moldresurse IS	69,579,128.00	28/03/2013
Interbictrans SRL	7,777,570.00	28/03/2013
I.C.S. BN-Proalim SRL	84,000,000.00	28/03/2013
ICS Lidiana-Lux SRL	84,000,000.00	28/03/2013

[38] The agreement was signed by Corina Burlaku as acting president of BEM
[39] NBM data indicates all loans were issued in MDL

Acorex Winde Holding SA	54,010,418.26	28/03/2013
TOTAL:	**939,905,921.92**	

Roseau was incorporated only a year prior to the transaction, and appears no more than a shell company, with general partners based in the Marshall Islands. Roseau is registered in Birmingham, UK, at the same address as a fiduciary company, B2B Company Secretary Limited, which is also a director of UB shareholder Reynosa Management Ltd. Ilya Gribkov, who signed the agreement as a representative of Roseau, has a relatively common Russian name. However, he is potentially related to Elena Gribkova, who has been reported in Moldovan press as a spokesperson for Ilan Shor.[40]

7.2 August 2013 Change in shareholding of BEM following share issue

By mid-2013, BEM was facing financial difficulty due to a growing non-performing loan portfolio. NBM staff informed Kroll that BEM's exposure at the time was primarily to Moldovan companies, which were unaffiliated with the Shor Group. This is evidenced by the relatively low proportion of Shor Group loans at BEM, which stood at MDL97 million at the end of June 2013, just over five percent of the total loans outstanding at BEM at the time.

The situation at BEM, which was at the time majority owned by the state of Moldova with a 56% stake, was the subject of political debate and parliamentary enquiries. A solution was proposed whereby BEM raised capital through an additional share issue. However, due to a lack of funds the state of Moldova did not acquire any additional shares and thereby reduced its shareholding in the bank.[41]

A session on the BEM issue was held by the Commission for the Development of Commercial Competition and Investment in the Privatization of Public Property on 11 July 2013. Subsequently, the Moldovan Agency for Public Property informed the Ministry of Finance and NBM that it agreed with a proposal to forego its pre-emptive rights to new shares issued by BEM, and thereby reduce its stake in the bank from 56.13% to a blocking stake of 33.3(3)% + 1 share.

Following this decision, on 1 August 2013 the government of Moldova, represented by the Ministry of Finance and the Agency for Public Property, signed an agreement on the development of BEM with the bank's minority shareholders (SRL Sisteme Informationale Integrate; Carmodean

[40] http://skandaly.ru/2013/10/03/shoryi-ilana-shora/

[41] http://adevarul.ro/moldova/economie/de-banca-economii-moldovei-banca-guvernului-rusiei-1_5316ce5e0d133766a89e6856/index.html

Development Ltd; Tintel Project Ltd; OOO Garant-Grupp; Wall Trend Limited; SRL Calteco Prim; SRL Vladox Grup; CA Klassika Asigurari).

According to the agreement, a shareholder's meeting was organised for 2 August 2013, where government representatives would facilitate a closed supplementary issue of 16,049,940 shares in BEM, with a nominal price of MDL5 and a total value of MDL80,249,700. The contract stipulated that the Moldovan government would not acquire the additional shares, which would be obtained by the minority shareholders.

In turn, before the Moldovan government registered the ownership of the new shares, the agreement stipulated that the minority shareholders would themselves, or through a third party, organise a subordinated loan to BEM worth MDL600 million, within 2 days of the new shares being registered. In addition, the minority shareholders were required to purchase non-performing loans at BEM totalling no less than MDL300 million.

The shares which were not taken up by the Moldovan state following the share issue, were ultimately wholly acquired by an existing shareholder, ICS "Sisteme Informationale Integrate" SRL, raising its stake from 10%, to 34%. As a result, at 30 September 2013, BEM's shareholding structure was as follows:

Table 9: BEM share structure post share issue

Shareholder	Jurisdiction or Nationality	Beneficial Owner[42]	Date First Registered as Shareholder	Stake Held at 31/08/2013 (%)	Stake Held at 30/09/2013 (%)
Agency for Public Property	MD	Republic of Moldova	09/12/2010	56.13	33.33
ICS "Sisteme Informationale Integrate" SRL	MD	Iana Gaydachuk (RU)	09/12/2010	9.78	33.73
"CARMONDEAN DEVELOPMNET" LTD	UK	Ervand Indikov (RU)	06/03/2013	4.87	4.87
"Vladox Grup" SRL	MD	Oksana Kumirova (RU)	18/06/2013	4.79	4.79
"GARANT-GROUP" LLC	RU	Aleksey Kucherenko (RU)	03/12/2012	4.62	4.62
"CALTECO PRIM"	MD	Andrey	18/06/2013	4.61	4.61

[42] Based on BEM disclosure from 18/10/2014

Shareholder	Jurisdiction or Nationality	Beneficial Owner[42]	Date First Registered as Shareholder	Stake Held at 31/08/2013 (%)	Stake Held at 30/09/2013 (%)
S.R.L		Zagadaylov (RU)			
"WALL TREND LIMITED"	UK	Marina Voevoda (RU)	06/03/2013	4.41	4.41
"Tintel Project" LTD	UK	Ksenia Gvozdeva (RU)	13/03/2013	3.72	3.72
CA "Klassika Asigurari" S.A	MD	Ilona Shor (MD)	22/05/2013	2.78	2.78

Initial research indicates that the Russian beneficial owners of the bank have fairly common names and do not appear to be high profile individuals, with the exception of Aleksey Kucherenko, who has the same name as a Ukrainian politician. Ervand Indikov has been reported by Moldovan press as Russian make-up artist and most likely a front for the bank's real shareholders.[43]

7.2.1 Shareholders

With the exception of the state-owned stake, the remaining minority shareholders disclose themselves to be beneficially owned by various Russian individuals via offshore entities. With the exception of SSI, each of these shareholders first acquired stakes only months prior to the share issue.

Disclosures made to BEM and NBM by the shareholders indicate that they beneficially owned by separate individuals. However, initial analysis of the company's sources of funding and loan operations suggests that they are related and have been working in concert. Further, two of the shareholders, with a combined stake of over 36% are related to Ilan Shor:

1. CA "Klassika Asigurari" S.A reports itself to be beneficially owned by Ilona Shor, who is widely reported as business partner of Ilan Shor. Shor himself has disclosed to NBM that Ilona is a family relation, and it has been confirmed by NBM that she is the stepmother of Ilan Shor.

2. ICS "Sisteme Informationale Integrate" SRL, which became the single largest shareholder in BEM following the share issue, discloses itself to be beneficially owned by a Russian-

[43] http://enews.md/news/view/31368/

citizen, Iana Gaydachuk ('Gaydachuk')[44], via the Russian registered OOO Konstanta. Gaydachuk was the former general director of Moscow-registered OOO Victoria Treyd, a company associated with Ilan Shor's duty-free business through its majority shareholder by Moldklassika International.

Despite the shareholders giving the appearance of being largely unrelated, analysis conducted by NBM and reviewed by Kroll shows a number of similarities between these shareholders and SSI in particular, specifically in relation to the manner in which their shareholdings were financed and the fact that they subsequently used their shares in BEM to guarantee loans issued by BS to various Moldovan companies.

7.2.2 Funding of Share Acquisitions

As with BS and UB, a number of BEM's new minority shareholders received loans from offshore sources in order to finance their acquisition, with funds being wired from Latvia's ABLV bank. At this point in time Kroll has not conducted a detailed review of the source of funds used to acquire shares in BEM.

Analysis of the funding of the subordinate loan requirement of the share transaction does however provide further indication of the fact that the minority shareholders may be related. With the exception of OOO Garant Grup, they all received financing on 4 September 2013 from one of two Russian companies, OOO SKIF or OOO Transtur. According to data provided by NBM, both Russian companies have the same shareholder, Russia-registered ElitStroyInvest, which wired the funds from Gazprombank. Soon after the transaction, on 10 September 2013, each of these shareholders issued subordinated loans totalling USD50 million to BEM.

Russian corporate records confirm that OOO Elitstroyinvest[45] is the 100% shareholder of OOO SKIF, OOO Transtur, as well as OOO Germes. However, corporate databases indicate a circular ownership structure, with Elitstroyinvest in turn being 99%-owned by OOO Transtur, with the remaining 1% owned by OOO SKIF.

By way of example, on 10 September 2013, BEM signed a subordinated loan contract with its minority shareholder, Tintel Project Ltd, according to which the latter was due to lend the bank USD11,699,900 within 10 days. The 6-year loan carried a 3% interest rate, paid in monthly instalments, and was due to be settled on 10 September 2019.[46] The Tintel Project Ltd contract

[44] Notably Gaydachuk's mother, Lilia Pleskachevskaya, was disclosed as 4.7% shareholder in UB

[45] INN Registration Number 7722512152

[46] Tinel Project Ltd and BEM Subordinated Loan Contract from 10 September 2013

is the only such subordinated loan contract reviewed by Kroll. However, data provided by NBM states that other BEM shareholders also signed similar contracts with BEM on the same day, leading to a total USD50 million loaned to BEM.

Table 10: BEM shareholder financing of subordinated loan contract for USD 50 million

BEM Shareholder	Amount Received on 04/09/2013 (USD)	Funds Received From	Subordinated Loan Agreement with BEM (USD)	Date Signed	Subordinated Loan Counterparty
SSI[47]	6,600,000	SKIF Ltd (Russia)	6,000,500	10/09/2013	OOO Konstanta – (Shareholder of SSI)
Calteco Prim SRL	9,200,000	SKIF Ltd (Russia)	9,199,900	10/09/2013	Ayden Management Ltd (UK) – (Shareholder of Calteco)
Vladox Grup SRL	7,800,000	SKIF Ltd (Russia)	7,799,900	20/09/2013	Owen Trading Ltd – (Shareholder of Vladox)
Carmondean Development Ltd	8,200,000	Transtur Ltd (Russia)	8,199,900	10/09/2013	Carmondean Development Ltd
Wall Trend Ltd	7,100,000	Transtur Ltd (Russia)	7,099,900	10/09/2013	Wall Trend Ltd
Tintel Project Ltd	11,700,000	Transtur Ltd (Russia)	11,699,900	10/09/2013	Tintel Project Ltd
TOTAL:	**50,600,000**		**50,000,000**		

7.3 September 2013 – 2nd Roseau Cession Agreement

As per the terms of the terms of the agreement with the Moldovan government, the shareholders were required to purchase non-performing loans at BEM totalling no less than MDL300 million. This took the form of a second cession agreement, which was again facilitated through Roseau. The agreement was signed on 10 September 2013, by Ivan Krivchanskiy as president of BEM and Ilya Gribkov as the representative of Roseau.

The agreement was similar to the first cession agreement. The agreement had a minimum value of MDL300 million which could be increased according to the list of claims transferred. Roseau

[47] On 04/09/2013, OOO Konstanta (Sole Shareholder of SSI) also signed a loan agreement with Daniell Invest Ltd (UK) (co-shareholder of Konstanta at the time) under which the latter was due to provide USD6,600,000

was due to transfer 10% of the value by 30 September 2013, with the remaining 90% due to be paid by 31 December 2013.

According to information provided by NBM, the second cession agreement included foreign currency loans, with a total equivalent value of MDL304,480,890.45, and comprised the following loan customers:

Table 11: Loans sold under second Roseau cession agreement

Loan Customer	Original Loan Value	Loan Value in MDL	Date Transferred
Amtrax-AV SRL	46,334,548.46 (MDL)	46,334,548.46	24/09/13
IM Verde Mondial SA	561,521.80 (EUR)	9,786,426.54	24/09/13
IM Verde Mondial SA	14,945,826.69 (MDL)	14,945,826.69	24/09/13
IPPS Irmidis SRL	734,234.64 (MDL)	734,234.64	24/09/13
Melolgri SRL	28,101,333.27 (MDL)	28,101,333.27	24/09/13
SC Alexus-Plus SRL	1,048,391.77 (EUR)	18,271,791.12	24/09/13
Tivali-Com SRL	88,505,583.14 (MDL)	88,505,583.14	24/09/13
Trimedial SRL	407,948.71 (USD)	5,261,314.51	24/09/13
Vesi SRL	12,192,025.90 (MDL)	12,192,025.90	24/09/13
Vesi SRL	5,694,373.41 (USD)	73,440,333.87	24/09/13
Vesi SRL	294,360.00 (EUR)	5,130,223.82	24/09/13
Gac Simion Mihail	1,777,248.48 (MDL)	1,777,248.48	24/09/13
TOTAL:		**304,480,890.45**	

The agreement with Roseau was amended on 5 December 2013, to include a further MDL116,017,053.55 of claims relating to two BEM loan customers: IM Sanin Plus SRL and IM Sanin SRL. Roseau was due to pay 10% of the value of these claims by 31 December 2013, with the remaining 90% due by 31 March 2014.

Table 12: Loans sold under amended second Roseau cession agreement

Loan Customer	Original Loan Value	Loan Value in MDL	Date Transferred
IM Sanin Plus SRL	26,923,468.69 (MDL)	26,923,468.69	14/12/2013
IM Sanin Plus SRL	237,147.15 (EUR)	4,231,606.32	14/12/2013
IM Sanin SRL	203,883.16 (EUR)	3,638,050.33	14/12/2013
IM Sanin SRL	128,254.90 (USD)	1,667,736.94	14/12/2013
IM Sanin SRL	721,966.00 (USD)	9,387,940.49	14/12/2013
IM Sanin SRL	2,131,755.29 (USD)	27,719,853.56	14/12/2013
IM Sanin SRL	42,448,397.22 (MDL)	42,448,397.22	14/12/2013
TOTAL:		**116,017,053.55**	

Both Sanin companies appear to be potentially related to the Shor Group. Sanin SRL is currently registered at the same address as Megasoft International SRL, Uzilenor 21, Chisnau. Megasoft International SRL was previously registered at an address associated with Shor Group companies, Tighina 12, Chisinau. The company's website states that it was founded in 1996 as an Israeli-Moldovan joint venture and produces plastics products.[48] Sanin Plus SRL is a subsidiary of Sanin SRL and is reportedly based in a duty free zone of Chisinau.

7.4 Financial overview

In the period prior to the shareholder restructure in August, the largest movements on BEM's balance sheet were a restructuring of assets, with customer loans decreasing by MDL1.4 billion (largely due to the loan cession agreement with Roseau), while deposits at other banks increased by MDL1.1 billion.[49]

Following the shareholder restructure in August 2013, the movements on BEM's balance sheet show deposits placed by BEM at other banks increased by MDL2.6 billion (MDL1.8 billion of which was placed at UB[50]). This increase appears to have been largely funded by a combination of increased deposits at BEM of MDL1.5billion, an increase in subordinated debt of MDL650 million and a further reduction in the customer loan portfolio of MDL200 million.[51]

Both of the above periods are characterised by BEM significantly increasing the amount of money it had placed on deposit at other banks, which in turn may have allowed those banks to increase the value of their customer loans. Further analysis will be required to better understand the movements of funds between BEM and other banks during this period.

Table 13: BEM balance sheet at year-end 2012, prior to the shareholding restructure in August 2013, and at year-end 2013[52]

BEM	**31/12/2012**	**31/07/2013**	**31/12/2013**
	MDL '000	MDL '000	MDL '000
Demand deposits and cash equiv.	1,980,405	3,033,435	5,651,370
Loans and Receivables	2,207,073	1,402,868	1,221,578
Other Assets	2,445,044	1,862,153	1,659,817
Total assets	**6,632,522**	**6,298,446**	**8,532,765**

[48] http://www.sanin.md/ru/company-history.html
[49] BEM monthly balance sheets June 2012-December 2014
[50] UB Financial Statements 31 December 2013
[51] BEM Financial Statements 31 December 2013
[52] BEM monthly balance sheets June 2012-December 2014

BEM	31/12/2012	31/07/2013	31/12/2013
Deposits	5,301,657	4,972,539	6,426,337
Other Liabilities	477,117	454,742	1,136,935
Total Liabilities	**5,778,774**	**5,427,281**	**7,563,272**
Equity	**853,748**	**871,165**	**969,493**

7.5 Control of BEM

Aside from the appointment of former vice-president of BS Ivan Crivceanschi as president of BEM on 8 May 2013, a, control of BEM appears to have also been established through the appointments of Stanislav Budza and Constantin Paladi to the BEM board on 28 October 2013. According to information provided by NBM, both new board members were formerly employed by BS. Additionally, Stanislav Budza's father Oleg Budza is the head of the National Confederation of Trade Unions of Moldova, which previously had dealings with Shor's Dufremol company. The trade union organisation placed bank deposits as guarantees for credits issued to Dufremol.

Further, Ilan Shor himself was appointed head of BEM's supervisory council on 29 April 2014.

8. Unibank 2013

8.1 Financial overview

During 2013, customer loans issued by UB increased by MDL2.7 billion, almost solely due to the increase of MDL2.6 billion in loans to Shor Group companies. By the end of 2013, Shor Group loans comprised almost ninety percent of the bank's loan portfolio at year-end.[53]

The large increase in loans was funded by a surge in deposits placed at UB of MDL5.0 billion. This increase was primarily due to a MDL4.5 billion increase in deposits from other banks. BEM and Interprombank had the largest deposits at UB, with MDL1.8 billion and MDL1.5 billion respectively, and BS, Metrobank, and Moldindconbank also held large deposits. Borrowings by UB also increased in 2013 to MDL444 million, with Gazprombank and Alef Bank making up MDL438 of total borrowings.[54]

UB also increased its deposits placed at other banks in 2013 to MDL3.6 billion from MDL1.1 billion. The deposits were primarily overnight placements at non-OECD banks of MDL3.0 billion, and a deposit at Moldindconbank of MDL0.5 billion.[55] The purpose of the increase in overnight deposits may have been to pass funds to Russian and Moldovan banks, who would simultaneously have deposited the funds back with UB. This would have increased UB's liquidity and thus allowed it to increase the value of customer loans. At the end of 2013, the value of overnight deposits at other banks more than covered the total loans outstanding from Shor Group companies.

Table 14: UB balance sheets at year end 2012 and 2013[56]

UB	31/12/2012	30/06/2013	31/12/2013
	MDL '000	MDL '000	MDL '000
Demand deposits and cash equiv.	1,145,295	1,778,707	3,604,404
Loans and Receivables	639,976	1,283,982	3,297,682
Other Assets	213,921	270,411	342,594
Total Assets	**1,999,192**	**3,333,080**	**7,244,680**
Deposits	1,288,008	2,276,989	6,292,048
Other Liabilities	376,378	702,814	493,937
Total Liabilities	**1,664,386**	**2,979,803**	**6,785,985**

[53] Kroll analysis of Shor Group exposure
[54] UB Financial Statements 31 December 2013
[55] Id.
[56] UB monthly balance sheets June 2012-December 2014

UB	31/12/2012	30/06/2013	31/12/2013
Equity	334,806	353,277	458,695

9. January-November 2014

During 2014, the value of loans issued by Moldovan banks to Shor Group companies increased by approximately 65% to MDL7.9 billion. The movements on BEM's balance sheet during 2014 suggest that the increase in lending was funded through the mechanism of Moldovan banks placing deposits at a number of Russian banks, who would then deposit the same amount back at the Moldovan bank, increasing its lending ability. There is a significant risk, however, that the deposits reported as received from the Russian banks did not in fact occur. The deposits were recorded on the daily balance sheet declarations sent to NBM, but no contracts, Swift messages or other evidence of payments were discovered by the NBM.

9.1 Increasing Shor Group exposure

Table 15: Shor Group exposure by bank from 31 December 2013 to 31 October 2014[57]

Loan Exposure MDL	31/12/2013	31/03/2014	30/06/2014	30/09/2014	31/10/2014
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
UB	2,937,846	3,346,234	3,472,718	3,928,424	3,894,964
Victoriabank	70,094	51,492	51,492	51,342	51,192
BEM	101,177	254,898	1,132,149	2,133,724	2,340,561
BS	870,291	998,237	1,180,509	1,373,096	1,661,239
Moldindconbank	843,850	785,872	328,167	107,699	
Grand Total	**4,823,258**	**5,436,734**	**6,165,035**	**7,594,286**	**7,947,956**

Analysis of Shor Group loan exposure between 31 December 2013 and 31 October 2014 shows that loans issued by BEM, BS and UB increased significantly from MDL4.8 billion to MDL7.9 billion. The most significant increase was in the loan exposure at BEM, which increased by MDL2.2 billion, while the loan exposure at UB and BS increased by MDL0.9 billion and MDL0.8 billion respectively.[58]

9.2 Funding the loans: Balance sheet analysis

A review of the balance sheets for each of the three banks in 2014 shows significant increases in customer loans and deposits. The total increase in Shor Group exposure during the period of MDL3.1 billion accounts for 80% of the increase in customer loans at the banks in the period.

[57] Kroll analysis of Shor Group exposure
[58] Id.

9.2.1 BEM

In April 2014, SSI reduced its stake in the bank from 34% to 9%, around the size of its original holding prior to the share issue. The shares were sold to the Russian Bank VEB, which as a result became a 25% shareholder. Subsequently, at an AGM of BEM held on 29 April 2014, Ilan Shor was elected to the Board of BEM, representing VEB. Shor's affiliation to VEB and the reason for his shareholder representation are not known at present.[59]

During 2014, BEM increased its customer loan portfolio by MDL2.2 billion, all of which related to new customer loans issued to Shor Group companies.[60]

Deposits placed by BEM with other banks increased by MDL1.1 billion during 2014. These increases were countered by an increase in deposits placed at BEM of MDL3.1 billion, of which MDL1.0 billion were deposits from other banks, whilst the balance was from customer deposits. A breakdown of these deposits shows that as at 3 November 2014, they originated from Gazprombank, Alef Bank, Interpombank, Metrobank, and Moldindconbank.

The increase in Shor Group loans issued by BEM during 2014 were funded by both deposits from other banks, and new customer and corporate deposits coming into the bank, which grew by MDL2.0 billion in the period. On 3 November 2014, MDL1.8 billion of BEM's Nostro deposits at Alef Bank, Metrobank, Gazprombank, and Interprombank were effectively netted off by deposits from those banks at BEM.[61] The purpose of this may have been to increase the lending capabilities of BEM, allowing it to issue more loans to Shor Group companies.

Table 16: BEM balance sheet position at year-end 2013 and 31 October 2014[62]

BEM	31/12/2013	31/10/2014
	MDL '000	MDL '000
Demand deposits and cash equiv.	5,651,370	6,712,758
Loans and Advances	1,221,578	3,451,748
Other Assets	1,659,817	1,544,067
Total assets	**8,532,765**	**11,708,573**
Deposits	6,426,337	9,500,948

[59] At the same meeting, the shareholders Calteco Prim SRL, along with Wall Trend Limited, Vladox Group SRL and Tintel Project LTD voted to elect Ivan Ion Ursa and Budza Stanislav to the board. Ursu is a former political figure, who had previously acted as an advisor to the President of Unibank from October 2012 to May 2013 and subsequently BEM. Stanislav was a former President of the State Asset Deposit Company (DNVM), and legal advisor at the Chisanau Stock Exchange.

[60] BEM monthly balance sheets June 2012-December 2014

[61] BEM plasari atrageri

[62] BEM monthly balance sheets June 2012-December 2014

Other Liabilities	1,136,935	1,170,757
Total Liabilities	**7,563,272**	**10,671,705**
Equity	**969,493**	**1,036,868**

9.2.2 BS

Between January 2014 and the end of October 2014, BS increased the value of customer loans by MDL0.8 billion, all of which were loans to Shor Group companies. Deposits at other banks also increased during the period by 1.0 billion.[63]

The increase in loans and deposits was mirrored by a MDL1.9 billion increase in deposits placed at BS. At 31 October 2014 MDL1.0 billion of the increase in deposits placed at BS was due to deposits from other banks.[64]

A comparison of the deposits placed by BS at other banks with deposits placed at BS shows that at 3 November 2014, MDL1.3 billion of BS Nostro deposits at Alef Bank and Interprombank were effectively netted off by deposits from those banks at BS.[65] The purpose of this may have been to increase the lending capabilities of BS, allowing it to issue more loans to Shor Group companies.

Table 17: BS balance sheet position at year-end 2013 and 31 October 2014[66]

BS	**31/12/2013**	**31/10/2014**
	MDL '000	MDL '000
Demand deposits and cash equiv.	1,303,076	2,291,251
Loans and Advances	2,731,766	3,496,193
Other Assets	408,890	636,045
Total assets	**4,443,732**	**6,423,489**
Deposits	3,309,888	5,222,913
Other Liabilities	414,739	470,629
Total Liabilities	**3,724,627**	**5,693,542**
Equity	**719,105**	**729,947**

[63] BS monthly balance sheets June 2012-December 2014
[64] BS principalii indicatori
[65] BS plasari atrageri
[66] BS monthly balance sheets June 2012-December 2014

9.2.3 UB

Other than customer loans, UB's asset profile did not change significantly between January and the end of October 2014. Customer loans increased by MDL0.9 billion and an increase of Shor Group loan exposure of MDL1.0 billion demonstrates that this increase was driven by loans to these companies.[67]

Deposits placed at UB increased by MDL1.0 billion during 2014. A review of the breakdown of deposits at the bank on 3 November 2014 shows that the deposits at UB at that time were primarily from other banks, with MDL5.5 billion of the MDL7.3 billion total deposits coming from other banks. Of the total deposits placed at UB, MDL5.2 billion were from Metrobank, Interprombank and BEM.[68]

A comparison of the deposits placed by BS at other banks with deposits placed at BS shows that on 3 November 2014, MDL3.5 billion of BS Nostro deposits at Alef Bank, Metrobank, and Interprombank were effectively netted off by deposits of the same value from those banks at UB.[69] The purpose of this may have been to increase the lending capabilities of UB, allowing it to issue more loans to Shor Group companies, and would account for almost all of UB's loans to Shor Group companies at this time.

Table 18: UB balance sheet position at year-end 2013 and 31 October 2014

UB	**31/12/2013**	**31/10/2014**
	MDL '000	MDL '000
Demand deposits and cash equiv.	3,604,404	3,624,392
Loans and Advances	3,297,682	4,213,631
Other Assets	342,594	344,035
Total Assets	**7,244,680**	**8,182,058**
Deposits	6,292,048	7,274,898
Other Liabilities	493,937	408,328
Total Liabilities	**6,785,985**	**7,683,226**
Equity	**458,695**	**498,832**

[67] UB monthly balance sheets June 2012-December 2014, Kroll Shor Group exposure analysis
[68] UB plasari atrageri
[69] Id.

10. November 2014

10.1 Financial Overview

The month of November 2014 can be split into two distinct periods. The first period ran from 1 November to 24 November and the second period ran from 25 November to 27 November, which was then followed by the banks going into administration.

The period 1 November 2014 to 24 November 2014 resulted in a significant reduction in existing loan balances at UB, BEM and BS of Shor Group companies, other than customer loans issued by BEM to four Shor Group companies: Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL. During the period, the overall BEM loan portfolio increased by approximately MDL10.7 billion, with a significant portion of funds loaned being used to pay down existing Shor Group exposure within the three banks.

UB and BS received a significant amount of funds to pay down customer loans previously issued. This provided increased liquidity, which enabled them to place place interbank deposits, most notably with BEM. The increase in the overall loan exposure at BEM was partly funded by these interbank deposits, together with deposits from other Moldovan and Russian banks. Based on discussions with NBM, we understand that as a result BEM was also able to increase liquidity by replacing old customer loans with new customer loans, which allowed the release of provisioning reserves.

In the period 25 to 27 November the entire customer loan exposure at BEM was repaid early. A large proportion of the funds received by BEM were placed on deposit with BS, which in turn were used by BS to issue loans totalling MDL13.7 billion to five Shor Group companies. The loans were then purchased at book value by a company called Fortuna United LP on 26 November 2014.

In total, the loan exposure across all three banks increased from approximately MDL11 billion on 31 October 2014 to MDL21.6 billion on 26 November 2014. It has yet to be confirmed that Fortuna United LP is connected to the Shor Group, but if it is connected then the Shor Group exposure in the same period increased from MDL8 billion on 31 October 2014 to MDL18 billion (MDL13.4 billion plus interest) on 26 November 2014.

10.1.1 Balance sheet summary

The balance sheets for UB, BEM and BS moved significantly during November 2014. An analysis of the major balance sheet movements at each bank is summarised below.

10.1.1.1 UB

On the asset side of UB's balance sheet, between 31 October and 24 November 2014 there was a large decrease of MLD3.4 billion in customer loans ("Loans and Advances (net)"), and a decrease of MDL1.9 billion in deposits at other banks. Of the remaining balance of MDL1.6 billion of deposits at other banks at 24 November 2014, MDL1.57 billion were deposited at BEM. On the liability side of the balance sheet deposits from other banks decreased by MDL3.4 billion, and other loans decreased by MDL1.9 billion.

A more detailed analysis reveals that at 3 November 2014 the bulk of UB's assets were deposits at Russian banks and loans to Shor Group companies. On the liability side of the balance sheet, at 3 November 2014 UB had large deposits from Russian banks.

Table 19: Balance Sheets summaries for UB 31 October 2014 to 28 November 2014[70]

UB	31/10/2014	24/11/2014	28/11/2014
	MDL '000	MDL '000	MDL '000
Cash owed by other banks (net)	3,518,593	1,580,755	1,910,195
Overnight Deposits (net)	9,300	82,033	186,935
Loans and Advances (net)	4,213,631	842,737	876,045
Others	440,534	374,376	433,879
Total assets	**8,182,058**	**2,879,901**	**3,407,054**
Deposits of Individuals	787,338	791,875	817,138
Deposits of Entities	884,515	915,255	1,622,547
Money owed to other Banks	3,864,392	433,693	241,610
Total Deposits	*5,536,245*	*2,140,823*	*2,681,296*
Other loans, debt and interest	2,146,981	229,975	222,365
Total Liabilities	**7,683,226**	**2,370,798**	**2,903,661**
Equity	**498,832**	**509,103**	**503,394**

10.1.1.2 BEM

In the period, assets increased by MDL18.4 billion, made up of large increases in deposits from other banks, and customer loans. In liabilities, an increase of MDL18.1 billion in deposits from other banks accounted for almost all of the increase in liabilities of MDL18.5 billion.

Analysing the movements in more detail, during the period 3 November 2014 to 24 November 2014 BEM increased the value of deposits placed in Russian banks by MDL10.6 billion to a

[70] UB principalii indicatori

balance of MDL14.0 billion at 24 November 2014. This balance was matched by deposits placed by Russian banks at BEM of MDL14.0 billion. The remainder of the "Money owed to other banks" balance of MDL20.1 billion at 24 November 2014 comprised deposits from Moldovan banks of MDL2.1 billion, deposits from BS of 2.5 billion and deposits from UB of 1.6 billion. A further MDL0.2 billion was also on deposit from Moldovan banks as overnight deposits or interbank loans, not listed in "Money owed to other banks".

Between 24 and 28 November, BEM's customer loan portfolio decreased by MDL13.1 billion, deposits with other banks decreased by MDL3.1 billion. On the liability side of the balance sheet, deposits from other banks decreased by MDL18.7 billion and other loans increased by MDL2.8 billion.

Table 20: Balance Sheets summaries for BEM 31 October 2014 to 28 November 2014[71]

BEM	**31/10/2014**	**24/11/2014**	**28/11/2014**
	MDL '000	MDL '000	MDL '000
Cash owed by other banks (net)	3,620,527	14,178,044	11,086,828
Overnight Deposits (net)	2,321,085	9,130	42,695
Loans and Advances (net)	3,466,749	14,194,742	1,089,894
Others	2,328,262	1,788,896	1,913,122
Total assets	**11,736,623**	**30,170,812**	**14,132,539**
Deposits of Individuals	4,055,240	4,156,501	4,052,255
Deposits of Entities	3,383,620	3,384,805	3,206,578
Money owed to other Banks	1,980,544	20,120,287	1,375,299
Total Deposits	*9,419,404*	*27,661,593*	*8,634,132*
Other loans, debt and interest	1,178,531	1,435,697	4,391,741
Total Liabilities	**10,597,935**	**29,097,290**	**13,025,873**
Equity	**1,138,688**	**1,073,522**	**1,106,666**

10.1.1.3 BS

Between 31 October and 24 November 2014, BS's loans and advances decreased by MDL1.7 billion, and deposits at other banks increased by MDL554 million. In the same period, the deposits from other banks at BS also decreased by MDL1.0 billion.

Between 24 and 28 November, BS's deposits at other banks decreased to just MDL115 million, and its other assets increased to more than MDL20 billion due to a MDL17.8 billion contract to

[71] BEM principalli indicatori

Fortuna United LP. In the same period, BS's deposits from other banks increased by MDL11.4 billion, and other debt increased by MDL4.7 billion.

Table 21: Balance Sheets summaries for BS 31 October 2014 to 28 November 2014[72]

BS	31/10/2014	24/11/2014	28/11/2014
	MDL '000	MDL '000	MDL '000
Cash owed by other banks (net)	367,569	2,625,716	111,186
Overnight Deposits (net)	1,712,880	-	4,131
Loans and Advances (net)	3,496,193	1,830,409	1,790,638
Others	846,847	808,832	702,539
Fortuna	-	-	17,831,732
Total assets	**6,423,489**	**5,264,957**	**20,440,226**
Deposits of Individuals	2,008,921	2,010,559	1,945,799
Deposits of Entities	1,671,051	1,655,485	947,757
Money owed to other Banks	1,362,540	292,572	11,647,418
Total Deposits	*5,042,512*	*3,958,617*	*14,540,975*
Other loans, debt and interest	651,030	572,061	5,169,465
Total Liabilities	**5,693,542**	**4,530,678**	**19,710,439**
Equity	**729,947**	**734,280**	**729,787**

10.2 1 - 24 November: Transferring loan exposure to BEM

10.2.1 Introduction

The period 1 November 2014 to 24 November 2014 was characterised by the following key events in UB, BEM and BS:

- A series of loans were issued to four Shor Group companies at BEM, which were then transferred to offshore companies, with bank accounts in Latvia.
- The customer loan portfolios at BEM, UB, and BS were significantly reduced, with the Shor Group companies making up almost all of the loan repayments. There is some correlation between the repayment of these loans and the loans issues by BEM in this period.
- Large deposits were put on placement by UB and BS with BEM.

[72] BS principalii indicatori

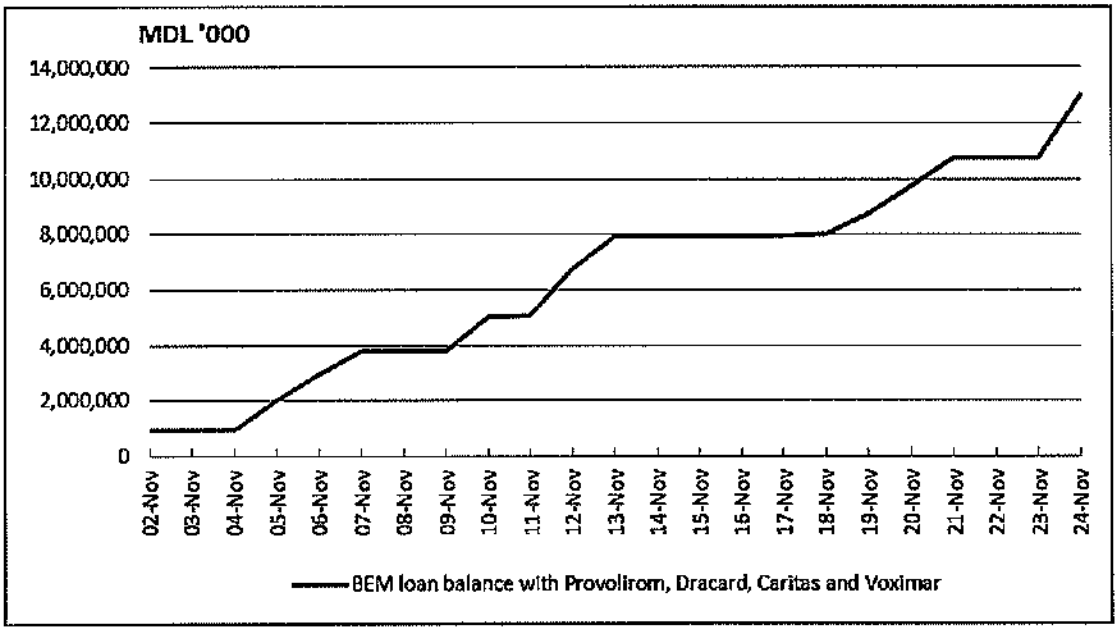
- Large Nostro accounts were built at three Russian banks, and alternative amounts received back from them as deposits.
- Four Moldovan banks placed deposits at BEM, most notably MDL1.8 billion from Victoriabank.

The fund flows listed above suggest a coordinated effort that required the knowing participation of the three banks. It appears that loan funds issued to customers of BEM were used to clear down loan accounts at UB and BS. This in turn allowed UB and BS to place the funds as deposits with BEM or with Russian Banks, which allowed BEM to loan additional funds, as discussed in section 11.2.3.2.

10.2.2 Increasing customer loan exposure in BEM by issuing new loans

During the period 1 November 2014 to 24 November 2014, BEM issued new loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL totalling MDL12 billion. At 24 November 2014 the balance due to BEM in relation to the loans was MDL13.1 billion.

Chart 2: Daily Loan Portfolio Balances for Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL[73]



Subsequent to the loans being made to these companies, the full amount of the loans issued in November were transferred to five UK registered companies, with offshore accounts at Privatbank, based in Riga, Latvia, and a Panama-registered company with a Moldovan bank account.

[73] Kroll analysis of BEM loan portfolio November 2014

There are a number of similarities between the five UK-registered entities which suggest they are shell companies, specifically created for the purpose of increasing loan exposure at BEM. All five companies were incorporated in 2014, between 10 February and 28 October, and have only filed incorporation documents to date. Nord L.P. and Hansa Investment L.P. are both registered at 45 Rosehaugh Road, a residential building in Inverness, Scotland. This is also the registered address of some UK-registered entities that conducted loan transactions with clients of BEM and BS. Spectra Ventures LLP, Hostas Level LLP, and Expovision Logistics LP are registered at three separate addresses which are also the registered addresses of other offshore companies connected to suspicious loan transactions involving BEM, BS, and UB. All five companies have corporate entities as their partners, some of which are identical to the partners of other offshore companies which are connected to transactions at the three banks in November 2014.

VEB Solutions Corporations is registered in Panama, at Torre Advanced Building, First Floor, Ricardo Arias Street, Panama.

Table 22: Fund flows to offshore companies[74]

Date Range	Company From	Company To	Amount
			MDL '000
07-24/11/2014	Provolirom SRL	Nord LP	2,879,485
10/11/2014	Provolirom SRL	VEB Solutions Corp	374,500
19-25/11/2014	Caritas Group SRL	Spectra Ventures LLP	3,344,865
5-24/11/2014	Dracard SRL	Hansa Investment LP	2,597,634
12-13/11/2014	Voximar Com SRL	Expovision Logistics LP	2,716,830
5-11/11/2014	Voximar Com SRL	Hostas Level LLP	188,469
Total			**12,101,783**

10.2.3 Funding the loans at BEM

10.2.3.1 Reducing existing Shor Group loan portfolios in UB, BEM and BS

With the exception of the loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL, the outstanding customer loan balances at UB, BS, and BEM at 31 October 2014 decreased significantly during the period 1 to 24 November 2014, by a total of MDL 6.5 billion.

UB's customer loan portfolio decreased by MDL3.5 billion, the largest amount of the three banks in the period. The loan portfolio at BS reduced by MDL1.7 billion in the period, and in particular, by MDL1.67 billion on 12 November, which is traced in section 11.2.3.2.

[74] Kroll analysis of November 2014 Swift data

The customer loan portfolio of BEM, excluding loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL decreased during the period by MDL1.34 billion.

Shor Group companies accounted for a decrease in customer loans of MDL1.33 billion at BEM, MDL1.69 billion at BS, and MDL3.44 billion at UB for the period 1 to 24 November. This accounted for almost the entire reduction in customer loan exposure in November across the three banks.

The majority of the loan reduction of MDL 6.5 billion is believed to have been funded by the newly issued loans totalling MDL13.1 billion, issued to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL. How the balance has been utilised has not been forensically traced.

Table 23: Daily Loan Portfolio Balances at UB, BEM and BS, compared with increased loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL[75]

Date	BEM loan balance (excl. Caritas Dracard, Provolirom, and Voximar)	BS loan balance	UB loan balance	BEM loan balance with Caritas, Dracard, Provolirom, and Voximar
	MDL '000	MDL '000	MDL '000	MDL '000
03/11/2014	2,348,950	3,495,650	4,150,621	967,824
04/11/2014	2,348,799	3,492,348	4,071,452	967,824
05/11/2014	2,348,809	3,492,203	3,186,548	1,986,456
06/11/2014	2,348,847	3,491,560	2,226,864	2,968,666
07/11/2014	1,950,611	3,504,881	2,249,277	3,797,061
10/11/2014	1,950,511	3,558,843	1,510,308	5,028,598
11/11/2014	1,950,521	3,510,632	1,510,084	5,079,408
12/11/2014	1,759,297	1,866,552	1,467,443	6,760,835
13/11/2014	1,260,757	1,845,143	946,921	7,904,757
14/11/2014	1,255,674	1,848,851	944,548	7,904,757
17/11/2014	1,004,748	1,950,009	944,548	7,980,557
18/11/2014	1,004,741	2,005,476	959,485	8,010,957
19/11/2014	1,004,721	1,955,442	1,102,635	8,722,556
20/11/2014	1,004,663	1,820,031	1,013,663	9,735,047
21/11/2014	1,004,451	1,819,986	818,053	10,758,262
24/11/2014	1,004,451	1,811,721	707,035	12,997,601

[75] Kroll analysis of BS, UB, and BEM loan portfolio November 2014

10.2.3.2 Repaying the loans: transfers from BEM loan customers

Kroll reviewed the movement of funds relating to a loan between BEM and Voximar Com SRL on 12 November, to demonstrate the movements of Shor Group loan funds from BS and UB to BEM via the placement of new BEM loans with Shor Group customers.

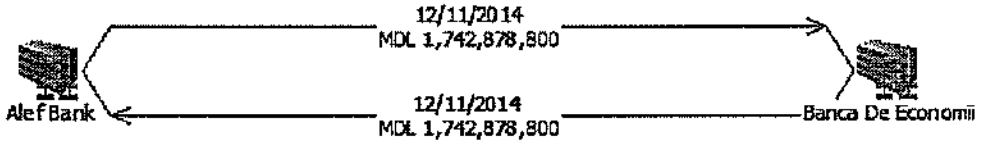
The review demonstrated that a loan payment of MDL1.68 billion to Voximar Com SRL on 12 November was transferred to an offshore entity, Expovision Logistics LP, on the same day. Later that day, a number of offshore entities transferred, in total, an identical amount to Shor Group companies, who subsequently paid off their loans with BS.

The fund flows provide a strong indication of a trace of funds from BEM to BS, via Shor Group loan customer accounts and offshore bank accounts.

Stage one: Placement of funds with Alef Bank, and return as a deposit

On 12 November 2014, BEM placed MDL1.74 billion in its Nostro account at Alef Bank, and on the same day Alef Bank place an identical deposit of MDL1.74 billion in BEM as a term deposit. The intention of these actions was to use the Alef Bank deposits as collateral for lending at BEM, allowing BEM to increase its customer lending. BEM's balance sheet breakdown for 12 November states that this placement was secured in favour of Voximar-Com SRL, demonstrating that it was used as a guarantee on a loan to this company.[76]

Exhibit 1: BEM placing a Nostro deposit with Alef Bank, and Alef Bank also placing a deposit with BEM[77]



Stage two: Loan to Voximar Com SRL, and transfer of funds offshore

On 12 November, BEM loaned Voximar Com SRL, a Shor Group company, a total of MDL1.68 billion in MDL, Euros and US Dollars. At 14:06 on the same day, Voximar Com SRL transferred MDL1.68 billion in Euros and US Dollars to Expovision Logistics LP, a UK based company with an account at the Latvian Bank, Privatbank.

[76] BEM plasari atrageri
[77] BEM Nostro Alef Bank, Alef Bank Deposit at BEM

Exhibit 2: BEM loan to Voximar Com SRL, and transfer of funds offshore to Expovision Logistics[76]

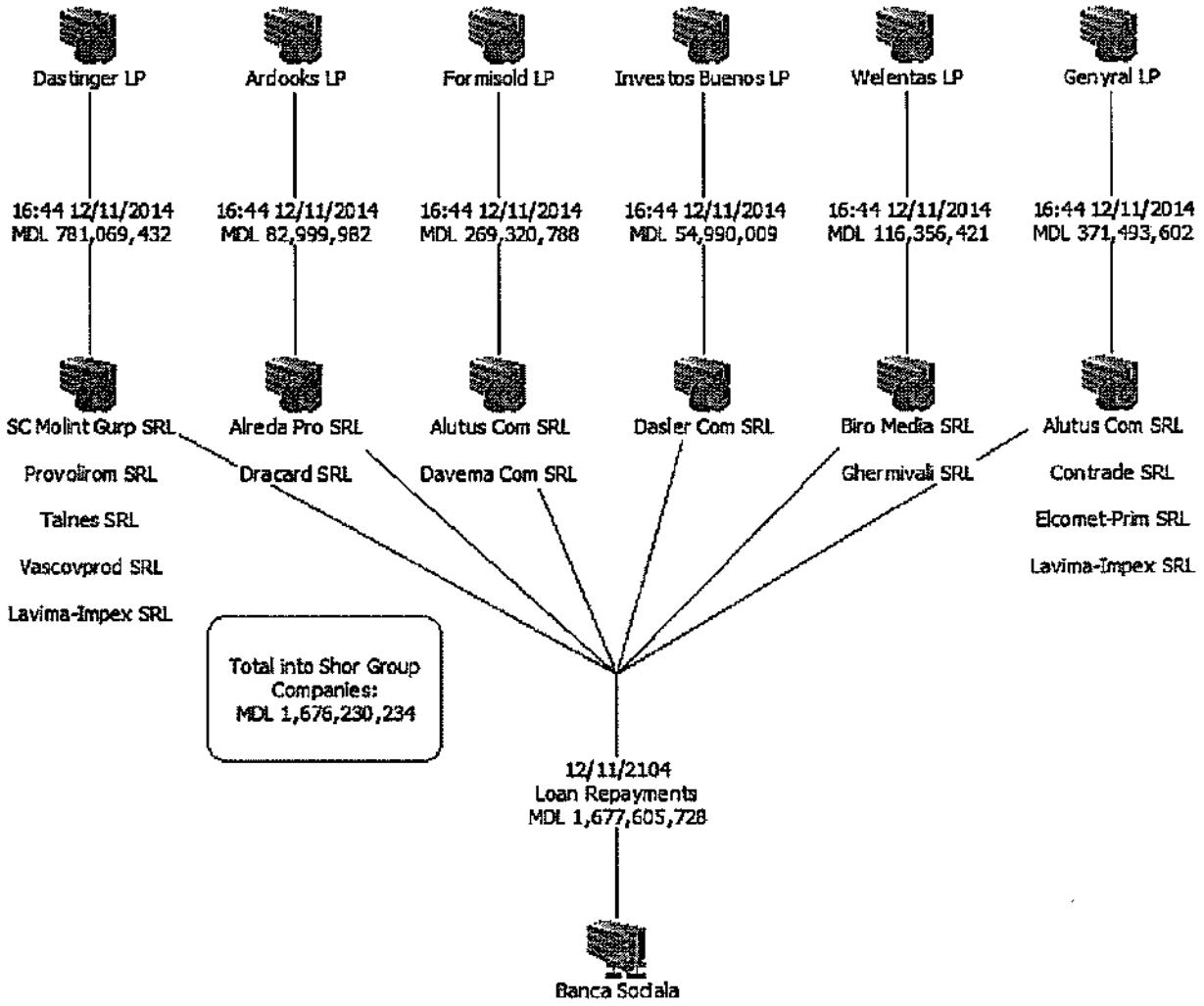
Stage three: Offshore payments to Shor Group companies, and loan repayments

At 16:44 on 12 November, a series of payments were made to Shor Group company accounts from offshore companies totalling MDL1.68 billion. All of the offshore companies had accounts with Privatbank in Latvia, and are registered in the UK.

On the same day, the Shor Group companies which had received the funds from offshore companies paid off a total of MDL1.68 billion in loans at BS.

[76] BEM Voximar loans, Voximar to Expovision Logistics

Exhibit 3: Transfer of funds from offshore companies to Shor Group loan customers, and re-imbursement of loans to BS[79]



10.2.3.3 Similarities between BS loan transaction companies and those used by UB and BEM.

A review of a sample of the UK-registered companies connected to loan transactions at BEM, UB and BS, show striking similarities. At least nine companies were incorporated on either the 13th or 14th of February 2014, have the same UK-registered corporate members, Delait Secretaries Limited and Tucpain Limited, and share one of two addresses, which are in turn both linked to the same mailbox provider, Mail Boxes Etc. Three more companies were registered on different dates

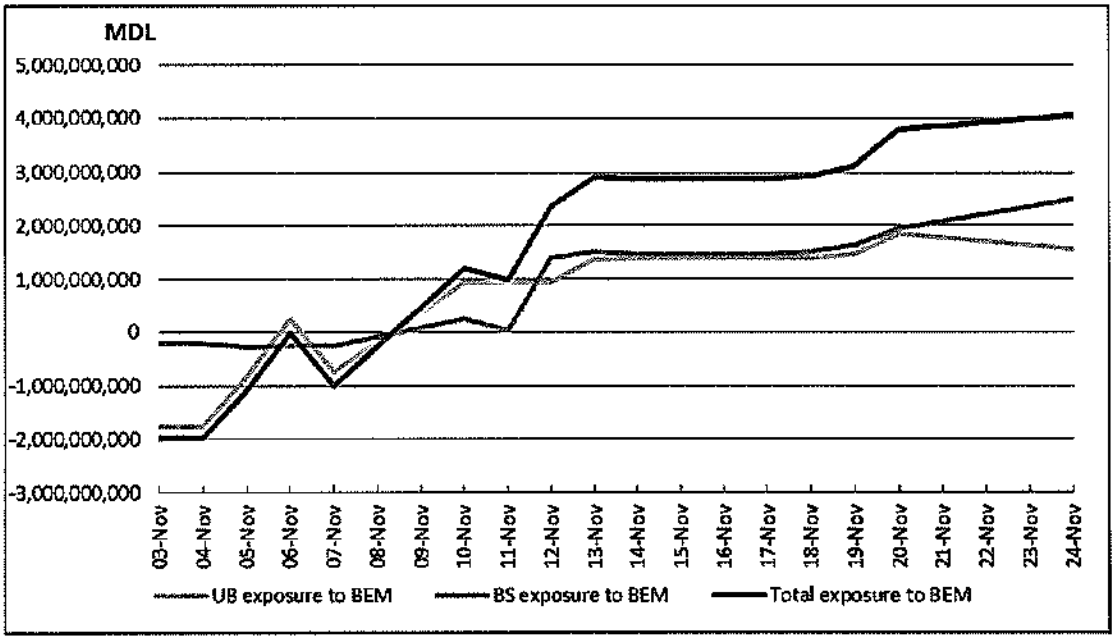
[79] Offshore payments to Shor Group, Shor Group loan repayments

at a third address operated by Mail Boxes Etc. At least a further three companies are all registered at 45 Rosehaugh Road, a residential address in Inverness, Scotland.

10.2.3.4 UB and BS increased their net deposits with BEM

As noted above, existing customer loan balances at UB and BS decreased by MDL3.5 billion and MDL1.7 billion respectively between 1 and 24 November 2014 (representing a total reduction across the two banks of MDL5.2 billion). In the same period the net deposits of UB and BS at BEM increased by MDL3.3 billion and MDL2.7 billion respectively, representing a total increase of MDL6.0 billion. There was, therefore, a direct correlation between the reduction in customer loans at UB and BS and value of deposits by these banks placed at BEM.

Graph 1: Comparison between BEM deposits at BS and UB with deposits from BS and UB[80]



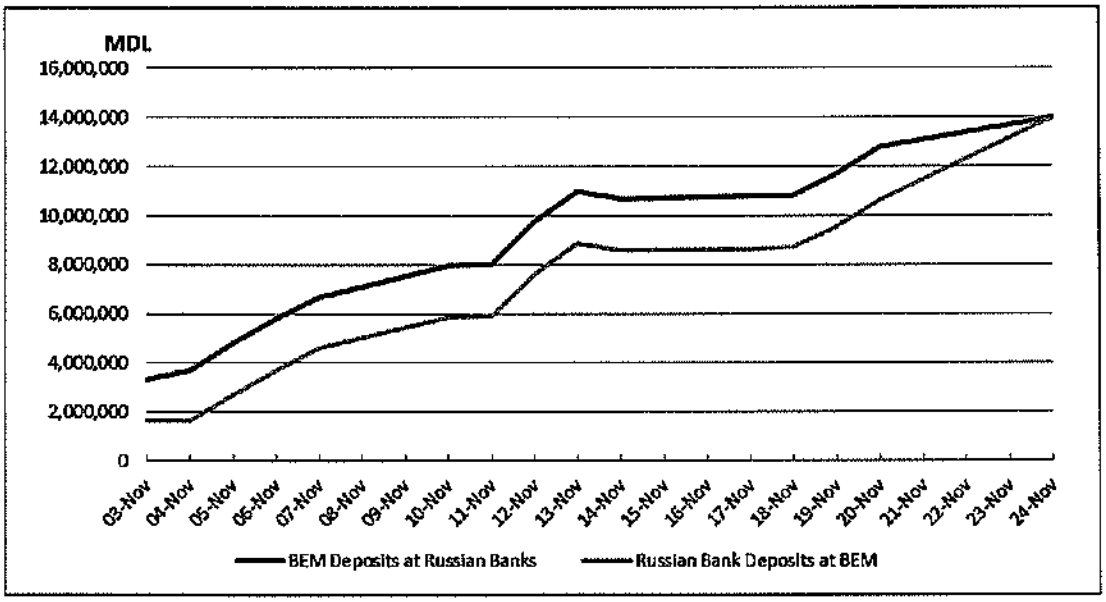
10.2.4 BEM Russian Bank Deposits

The value of BEM deposits at Russian banks increased significantly from MDL3.35 billion on 3 November 2014[81] to MDL13.96 billion on 24 November 2014. The increase was matched by deposits from Russian banks totalling MDL13.95 billion on 24 November 2014. Balance sheet breakdowns for BEM during this period show that the placements from Alef Bank, Gazprombank and Interprombank, were used to secure the loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL.[82]

[80] Kroll analysis of BEM deposits breakdown
[81] BEM principalii indicatori
[82] BEM plasari atrageri

A comparison between the interbank deposits and loans from Alef Bank, Gazprombank, and Interprombank at BEM throughout November and balances on BEM Nostro accounts at these banks, is set out in below.

Graph 2: Comparison between BEM deposits at Russian Banks with deposits from the Russian Banks[83]



A review of BEM balance sheet information demonstrates that in the period 1 to 24 November, the large deposits in BEM's Nostro account at Interprombank were in line with the deposits made at BEM by Interprombank on the same day. This shows that the Nostro deposits at Interprombank, were effectively being passed back by Interprombank as a deposit at BEM. Similarly, the deposits made by BEM into its Nostro accounts Alef Bank and Gazprombank were passed through as deposits into BEM.

Table 24: Nostro account deposits by BEM at Interprombank vs. deposits by Interprombank at BEM[84]

Date	Company from	Company to	Comment	Amount
				MDL '000
7/11/2014	BEM	Interprombank	Nostro deposit	875,373
7/11/2014	Interprombank	BEM	Term deposit	875,373
10/11/2014	BEM	Interprombank	Nostro deposit	1,267,989
10/11/2014	Interprombank	BEM	Term deposit	1,267,989
19/11/2014	BEM	Interprombank	Nostro deposit	375,154
19/11/2014	Interprombank	BEM	Term deposit	375,154
24/11/2014	BEM	Interprombank	Nostro deposit	759,509

[83] Kroll analysis of BEM deposits breakdown
[84] Kroll analysis of BEM deposits breakdown

Date	Company from	Company to	Comment	Amount
24/11/2014	Interprombank	BEM	Term deposit	759,509

10.2.5 Placements in BEM from Moldovan banks

Between 1 and 24 November 2014, Victoria Bank, Eurocreditbank, Moldindconbank and Agroindbank placed a total of MDL2.3 billion on deposit at BEM.

Table 25: Balance of placements into BEM by Moldovan banks in November 2014[85]

Balance at Date	Victoria Bank	Eurocreditbank	Moldindconbank	Agroindbank	Total
	MDL '000	MDL '000	MDL '000	MDL '000	MDL '000
03/11/2014	90,000	8,000	132,961	-	230,961
04/11/2014	90,000	10,000	132,581	-	232,581
05/11/2014	90,000	-	132,758	-	222,758
06/11/2014	90,000	10,000	281,285	-	381,285
07/11/2014	190,000	-	132,824	-	322,824
10/11/2014	90,000	-	132,169	-	222,169
11/11/2014	90,000	-	132,788	-	222,788
12/11/2014	90,000	10,000	132,392	-	232,392
13/11/2014	90,000	-	132,830	-	222,830
14/11/2014	90,000	-	102,990	-	192,990
17/11/2014	90,000	15,000	252,833	149,166	506,999
18/11/2014	90,000	15,000	253,882	150,219	509,102
19/11/2014	903,218	15,000	255,255	151,331	1,324,805
20/11/2014	1,449,705	20,000	255,075	151,373	1,876,153
21/01/2014	1,253,530	20,000	254,753	151,150	1,679,433
24/11/2014	1,839,865	20,000	254,018	149,798	2,263,681

[85] Kroll analysis of BEM deposits breakdown

10.3 25 to 26 November 2014: Moving Shor Group loan exposure from BEM to BS, issuing new and higher value loans to Shor Group in BS and selling the loan portfolio

During the two day period of 25 to 26 November 2014 a series of transactions took place, which had the effect of transferring BEM's outstanding Shor Group customer loan portfolio to BS:

- The existing Shor Group loan exposure at BEM of MDL13.05 billion was paid back early;
- The existing balances between Russian banks and BEM were cleared down;
- BEM placed large deposits with BS;
- BS issued new loans to five Shor Group companies; and
  BS sold the entire Shor Group loan portfolio at book value plus interest.

10.3.1 The existing Shor Group loan exposure at BEM was paid back early

On 24 November 2014 the total Shor Group loan exposure at BEM of MDL13.05 billion was concentrated in loans provided by BEM to four Shor Group companies.

For reasons currently unknown, on 25 and 26 November, the entire portfolio of BEM's loans with Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL, were repaid, amounting to a total repayment of MDL13.05 billion.

Table 26: Repayment of BEM loans to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL[65]

Date	Company	Total Amount
		MDL '000
25/11/2014	Dracard SRL	2,940,723
25/11/2014	Provolirom SRL	186,700
25/11/2014	Voximar Com SRL	3,126,297
26/11/2014	Caritas Group SRL	3,674,877
26/11/2014	Provolirom SRL	3,064,931
	Total	**13,053,272**

The source of the funds to repay these loans was the offshore companies to which loan funds had originally been transferred throughout November. In total, these companies transferred MDL13.08 billion to the loan customers between 24 and 26 November 2014.

[65] Kroll analysis of BEM loan portfolio November 2014

Table 27: Transfers from offshore companies to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL[87]

Date Range	Company From	Company To	Total
			MDL '000
24/11/2014	Hostas Level LLP	Voximar-Com SRL	15,289
25-26/11/2014	Nord LP	Provolirom SRL	3,316,281
25/11/2014	Expovision Logistics LP	Voximar-Com SRL	3,129,576
25/11/2014	Hansa Investment LP	Dracard SRL	2,941,910
26/11/2014	Spectra Ventures	Caritas Group SRL	3,679,977
Total			**13,083,034**

Analysis of Swift message data supplied by the NBM showed that a number of payments by separate offshore entities were made to the loan customers at the same time, indicating that the payments were being instructed concurrently.

Table 28: Timing of concurrent payments from offshore companies to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL[88]

Date	Time	Companies From	Companies To
25/11/2014	20:38	Nord LP, Expovision Logistics LP, Hansa Investment LP	Provolirom SRL, Voximar-Com SRL, Dracard SRL
26/11/2014	15:22	Nord LP, Spectra Ventures LLP	Provolirom SRL, Caritas Group SRL
26/11/2014	16:19	Nord LP, Spectra Ventures LLP	Provolirom SRL, Caritas Group SRL

10.3.2 Russian bank deposits disappear

On 25 and 26 November, deposits from Alef, Gazprombank and Interprombank at BEM reduced to zero. Similarly, the Nostro account deposits from BEM at these banks reduced on 25 and 26 November and stood at zero on 28 November.[89]

A review of the BEM Nostro account activity at Gazprombank demonstrates that the loan repayments from Dracard SRL on 25 November were broadly in line with the size of Nostro account withdrawals made on the same day. Gazprombank reduced its term deposits at BEM by the same amount as the Nostro withdrawals of MDL3.05 billion. This demonstrates that the repayment of Dracard SRL's loans was funding the refund of deposits to Gazprombank, and withdrawal of funds from BEM's Nostro account.

[87] Kroll analysis of November 2014 Swift data
[88] Kroll analysis of November 2014 Swift data
[89] Kroll analysis of BEM deposits breakdown

Table 29: Dracard SRL loan repayments vs. BEM Nostro account withdrawals from Gazprombank[90]

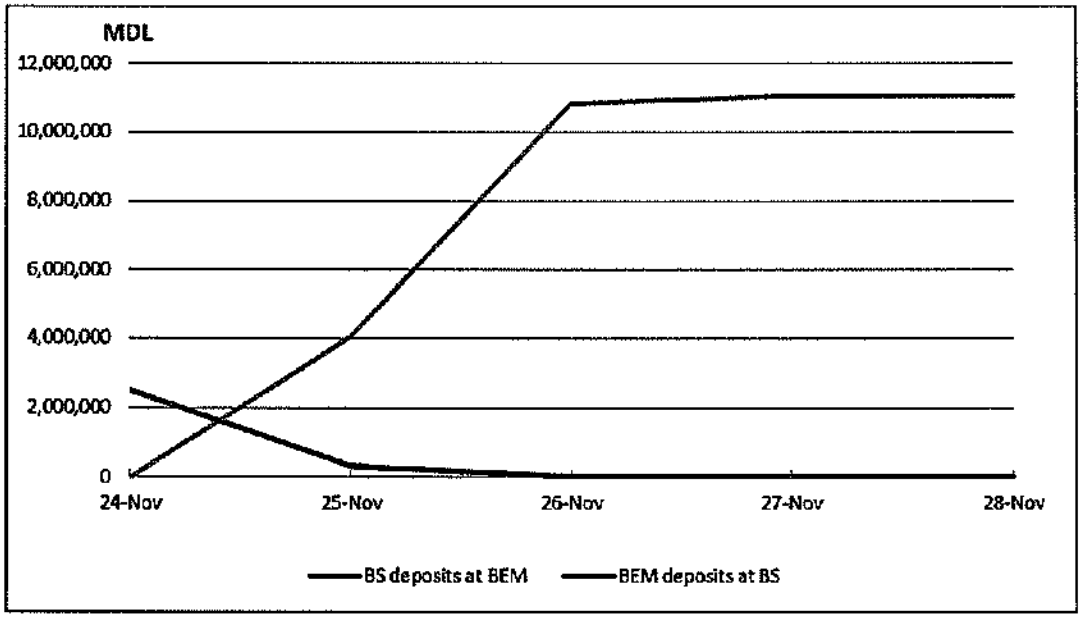
Date	Company from	Company to	Commentary	Amount
				MDL '000
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/56	931,573
25/11/2014	Gazprombank	BEM	Nostro account withdrawal	976,694
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/55	930,249
25/11/2014	Gazprombank	BEM	Nostro account withdrawal	972,020
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/35	102,685
25/11/2014	Gazprombank	BEM	Nostro account withdrawal	107,483
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/33	168,030
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/62	102,460
25/11/2014	Gazprombank	BEM	Nostro account withdrawal	274,783
25/11/2014	Dracard SRL	BEM	Contract Number 06-06/1/75	634,780
25/11/2014	Gazprombank	BEM	Nostro account withdrawal	654,618

Interbank deposits held at Moldovan banks remained outstanding in the period.

10.3.3 BEM placed funds on deposit with BS

On 24 November 2014 BS had net deposits of MDL2.5 billion at BEM. Four days later, on 28 November the net deposit position had swung by MDL13.6 billion so that BEM had net deposits with BS of MDL11 billion. This increased liquidity at BS increased its ability to issue customer loans.

Graph 3: Deposits by BS at BEM vs. deposits at BS by BEM from 24 to 28 November[91]



[90] Kroll analysis of BEM loan portfolio November 2014, BEM Nostro account at Gazprombank
[91] Kroll analysis of BEM deposits breakdown

10.3.4 BS issued new loans to five Shor Group companies

On 25 and 26 November, BS issued a total of MDL13.7 billion of loans to the Shor Group companies Danmira SRL, Davema Com SRL, Caritas Group SRL, Contrade SRL, and Voximar Com. Two of these companies, Caritas Group SRL, and Voximar Com, were the recipients of large loans from BEM between 1 and 24 November, which were then paid off on 25 and 26 November. The loan references were numbered sequentially by day, demonstrating that they were issued as a batch.

Table 30: Loans issued by BS to Shor Group companies[92]

Date	Loan Customer	Loan Number	Amount
			MDL '000
25/11/2014	Danmira SRL	Loan 284/2014	446,543
25/11/2014	Danmira SRL	Loan 285/2014	1,893,255
25/11/2014	Danmira SRL	Loan 286/2014	720,856
25/11/2014	Davema Com SRL	Loan 287/2014	3,196,452
26/11/2014	Voximar Com SRL	Loan 289/2014	2,463,280
26/11/2014	Contrade SRL	Loan 290/2014	374,681
26/11/2014	Contrade SRL	Loan 291/2014	1,961,400
26/11/2014	Caritas Group	Loan 292/2014	204,272
26/11/2014	Caritas Group	Loan 293/2014	1,861,392
26/11/2014	Caritas Group	Loan 294/2014	541,172
Total			**13,663,303**

Subsequently, the loan payments were passed to offshore entities registered in the UK and Hong Kong, in both Euros and US dollars.

Table 31: Payments from loan customers to offshore entities[93]

Date	Company from	Company to	Commentary	Amount
				MDL '000
25/11/2014	Danmira SRL	United Technologies LP	Prepayment for building materials	2,615,399
25/11/2014	Danmira SRL	United Technologies LP	Prepayment for building materials	446,563
25/11/2014	Davema Com SRL	Royalport Ltd	Prepayment for computers	3,196,452
26/11/2014	Caritas Group	Vercell Solutions LP	Prepayment for clothing	2,402,613
26/11/2014	Caritas Group	Vercell Solutions LP	Prepayment for electronic equipment	204,311
26/11/2014	Contrade SRL	Danley Impex LP	Prepayment for furniture	1,961,579
26/11/2014	Contrade SRL	Danley Impex LP	Prepayment for furniture	374,754

[92] Kroll analysis of BS loan portfolio
[93] Kroll analysis of November 2014 Swift data

Date	Company from	Company to	Commentary	Amount
26/11/2014	Voximar Com SRL	Expovision Logistics LP	Prepayment for computers	2,463,756
Total				13,665,427

All of the offshore companies used bank accounts at Privatbank in Latvia to receive the funds.

There are a number of similarities between these entities, which appear to be shell companies created for the purpose of further channelling loans from BS. All five companies were created in the months leading up to the transaction, between 28 May 2014 and 6 November 2014, and to date have only filed incorporation documents.

Three of the companies were incorporated less than one month before the loan transaction: Royalport Limited (Hong Kong), Expovision Logistics LP (UK), and Danley Impex L.P (UK). Three of the companies were incorporated in Scotland with two being incorporated at different addresses in Edinburgh, Danley Impex L.P and Expovision Logistics LP. The third, United Technologies L.P. (UK), is registered at a residential building at 45 Rosehaugh Road, Inverness, Scotland, which is also the registered address of other companies that conducted loan transactions with BS in November 2014 such as Westland Alliance L.P and Zenit Management L.P.

All five companies have further offshore entities as owners or partners. Notably, Vercel Solutions LLP and Royalport Limited are controlled by entities registered in the Marshall Islands at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960. The Trust Company Complex is also the registered address of entities disclosed in UK corporate records as partners of Roseau Alliance LLP. The corporate partners of Danley Impex L.P. are registered in Dominica. The registered address of the corporate partners of United Technologies L.P and Expovision Logistics LP are not disclosed in available records. United Technologies L.P however, has the same corporate partners as the above mentioned Westland Alliance L.P.

10.3.5 Transfer Currencies – US Dollars and Euros

A total of US$232.2 million, and EUR544.5 million was transferred from the Shor Group loan customers to offshore entities on 25 and 26 November.

Table 32: Transfers in US Dollars and Euros to each of the offshore companies to which loan funds were transferred[94]

Date	From	To	Amount	Currency
25/11/14	Danmira SRL	United Technologies LP	29,650,900	USD
26/11/14	Caritas Group	Vercell Solutions LP	13,600,000	USD

[94] Kroll analysis of November Swift data

Date	From	To	Amount	Currency
26/11/14	Contrade SRL	Danley Impex LP	24,945,500	USD
26/11/14	Voximar Com SRL	Expovision Logistics LP	164,000,000	USD
25/11/14	Danmira SRL	United Technologies LP	139,915,506	EUR
25/11/14	Davema Com SRL	Royalport Ltd	171,000,000	EUR
26/11/14	Caritas Group	Vercell Solutions LP	128,607,814	EUR
26/11/14	Contrade SRL	Danley Impex LP	105,000,000	EUR

All five offshore companies received the loan funds from Shor Group companies into accounts at the Latvian bank, Privatbank. The swift code for the beneficiary accounts, PRTTLV2XXX is that of Privatbank's headquarters in Riga, Latvia.

Table 33: Privatbank Account Numbers for each of the offshore companies to which loan funds were transferred[95]

Company	Account Number
United Technologies LP	LV09PRTT0265022020300
Royalport Ltd	LV02PRTT0265022121500
Vercell Solutions LP	LV82PRTT0265022122000
Danley Impex LP	LV83PRTT0265022121400
Expovision Logistics LP	LV10PRTT0265022087600

10.3.6 Selling the BS loan portfolio to Fortuna

On 26 November 2014, an extraordinary shareholders' meeting of BS shareholders is said to have taken place in Cahovca, Ukraine. During this meeting the sale to UK-based Fortuna United LP of BS loans issued to Danmira SRL, Davema Com SRL, Caritas Group SRL, Contrade SRL, and Voximar Com was reportedly approved. Natalia Rahuba, BS interim president, had previously authorised the loans on 26 November 2014.

According the Moldovan Law on Financial Institutions, NBM should be informed of and approve the attendees of any extraordinary general meeting at least seven days prior to the meeting. No such approval was sought by BS from NBM, so the meeting can be said to be void. It appears that a number of articles under the Law on Joint Stock Companies may also have been contravened, surrounding how extraordinary general meetings should be organized, approved, and voted on by proxy.

According to the contract, the purchase price of the loan contracts was MDL18.36 billion, consisting of the loan amounts, interest, and a 3% down payment. . The additional MDL4.7 billion

[95] Kroll analysis of November Swift data

above the MDL13.7 billion of loans represented the value of future interest payments on the loans. Subsequently, the loans from the five Shor Group companies were repaid to BS.

Fortuna United LP appears to be typical shell company. According to UK corporate records, the company was incorporated on 8 August 2014 and is currently registered at 18/2 Royston Mains Street, Edinburgh, EH5 1LB, Scotland, UK. This is also the current registered address of Novland Ltd, a shareholder of UB. To date, Fortuna United LP has only filed incorporation documents, which report its general partner as Brixton Ventures Limited, and Trafford United Limited as a limited partner, with both partners being registered in the Seychelles. The incorporation documents were presented by a Remigijus Mikalauskas of Royston Business Consultancy Ltd, which is also registered at 18/2 Royston Mains Street. Remigijus Mikalauskas is also the signatory for Brixton Ventures Limited.

As part of this deal, a down payment of MDL551 million was made by Fortuna United LP to BS on 26 November 2014. The source of these funds can be traced back through Fortuna United LP to a UK registered company, Tennant Shipping LP. It has been suggested that the original source of funds from Tennant Shipping LP are the loans made by BS to one of Danmira SRL, Davema Com SRL, Caritas Group SRL, Contrade SRL, or Voximar Com. Currently, we have reviewed no account information to support this trace.

Table 34: Source of funds for down payment on Fortuna contract[96]

Date	Company from	Company to	Commentary	Amount
				MDL '000
26/11/2014	Tennant Shipping LP	Jasterport LP	Payment for building materials	551,110
26/11/2014	Jasterport LP	Fortuna United LP	Contract dated 26.11.2014	551,110
26/11/2014	Fortuna United LP	Banca Sociala	Contract dated 26.11.2014	66,133
26/11/2014	Fortuna United LP	Banca Sociala	Contract dated 26.11.2014	236,977
26/11/2014	Fortuna United LP	Banca Sociala	Contract dated 26.11.2014	248,000

Tennant Shipping LP was incorporated on 18 August 2014 and has to date only filed incorporation documents. The company is registered at 12 South Bridge, Suite 1, Edinburgh, EH1 1DD, Scotland, UK, which is also the registered address of Expovision Logistics LP, a company which received funds loaned to Moldovan companies by BS. Corporate records disclose the partners of Tennant Shipping LP as Headway Invest Ltd and Loyalty Services Ltd, but do not report the companies' registered addresses or jurisdiction of incorporation.

[96] Kroll analysis of November Swift data, and Fortuna United LP account statements

10.4 Attempt to reverse Roseau contracts

A few days prior to the bank's placement under special administration BEM's management attempted to reverse the two cession agreements signed with Roseau Alliance LLP on 18 March 2013 and 10 September 2013. According to an internal investigation conducted by the bank in December 2014, the bank's Council issued Decision 161 on 26 November 2014, which allowed BEM's acting president, Viorel Birca, to sign cancellation agreements with Roseau.

According to BEM's investigation, the only basis for the Council decision was a note issued by BEM's legal department. However, Vladimir Cirjeu, deputy head of the legal department, informed BEM's internal investigators that he received a request to prepare the note from Viorel Birca on 25 November 2014. Subsequently, on 27 November 2014 he received a draft of the note by email from Viorel Birca and Angela Osoianu, secretary of the bank's Council. By 28 November Vladimir Cirjeu received two cancellation agreements from Viorel Birca for review.

Viorel Birca was interviewed by BEM investigators and stated that he signed the two cancellation agreements, but other tasks such as re-establishing the bank's rights over the credits was assigned to the legal department.

The BEM investigation concluded that the legal department was not in fact sent the necessary appendices and individual cessation contracts. These documents were not provided to BEM at the point the cancellation contracts were signed. As this return of documentation was part of the cancellation contracts, the cancellation contracts therefore appear to have not been fulfilled. The BEM investigation described these contracts as suspicious and recommended the matter to be passed on to the Moldovan national Centre for Anti-Corruption.

10.5 Suspicious loss of loan documentation at BEM, BS, and UB

A large amount of documents held by BEM, BS and UB disappeared under suspicious circumstances only a few days prior to BEM being placed under special administration on 27 November 2014. A van used to transport BEM files for archiving and operated by a company associated with Ilan Shor was allegedly stolen and later found burned out.

An internal investigation conducted by BEM in December 2014 established that on 26 November 2014 the acting president of BEM, Viorel Birca ("Birca"), issued an internal order[97] requiring certain documents to be archived. Files marked for archiving included original documents held within credit dossiers of certain loan customers such as files discussed by bank's board and swift confirmations. Documents relating to placements and receipts of financial instruments with banks in Russia were also due to be archived.

The order was communicated to relevant department heads and 12 sacks of files were transferred to Birca's office. Iurie Buruiana, head of BEM's department for management, collection, and technical protection, was tasked with procuring a vehicle to transport the files to the archive. A vehicle was provided at 7pm on 26 November by Klassica Force SRL, a security company which BEM staff have stated is controlled by Ilan Shor. The sacks were loaded into the vehicle by the driver under the supervision of Iurie Buriana. As it was late, the driver stated that the documents would be transported to the archive the following day, on the 27th, and the vehicle would be held in a secure garage overnight.

The following day, Klassica Force SRL informed BEM that the vehicle had been stolen and found burned out, a fact confirmed by a Moldovan police report issued on 1 December 2014. Subsequently, on 22 December 2014 Klassica Force SRL clarified to BEM that the vehicle was stolen while it was also transporting documents to UB's archive, which was located in the town of Hincesti.

A BEM report on the incident noted that it was suspicious as numerous documents are stored at BEM's headquarters and that "no process transporting them to the archive has ever been initiated". The report also highlighted that a third party was used to transport the files despite Iurie Buriana's department having sufficient resources to transport the documents in-house. The investigation commission also noted that during his interview Viorel Birca did not inform investigators that he had received notice from Klassica Force on 27 November 2014 that the vehicle was stolen.

[97] Order 205

11. Loan customer connections

11.1.1 Overview

A review of documentation provided by the NBM demonstrates that the recipients of large loans from BEM and BS in November 2014, Caritas Group SRL, Provolirom SRL, Dracard SRL, Voximar-Com SRL, Davema Com SRL, Danmira SRL, and Contrade SRL are related to Shor Group, and thus the loans were not at arm's length.

The Corporate Records of the companies shows that all are registered in Chisinau, and they were all registered in the last three years.

Table 35: Corporate information for loan companies[98]

Company Name	Date Registered	Address	Owner
Caritas Group SRL	18/10/2012	Ismail 52, Chisinau, MD-2100	Andrei Nirauta
Contrade SRL	19/11/2013	Muncesti pos. 271. Chisinau. MD-2--2	Alexei Iuhimet
Danmira SRL	19/11/2012	Mesterul Manole 12, Chisinau Ciocana, MD-2044	Natalia Railean
Davema Com SRL	18/06/2013	Dacia Bd 2, Botanica Chisinau, MD-2043	Andrei Nichita
Dracard SRL	14/06/2013	Madan Gh. 87, Riscani Chisinau, MD-2020	Tatiana Dolghina
Provolirom SRL	14/06/2013	Negruzzi C. Piata 2, Centru Chisinau, MD-2001	Ala Lala
Voximar-Com SRL	29/04/2013	Apartment 1, Hincseti pos. 142, Centru Chisinau, MD -2028	Sergiu Istrati

11.1.2 Connections

11.1.2.1 Loans at BEM, UB and BS

All of the seven large loan recipients had received loans from other banks between 2010 and 2014. Of the seven entities, the four large loan recipients from BEM, Caritas Group SRL, Dracard SRL, Provolirom SRL and Voximar-Com SRL, had received loans from each of the three banks.

Table 36: Coverage of loans across BEM, UB, and BS[99]

Company	BEM	UB	BS
Caritas Group SRL	X	X	X
Contrade SRL		X	X
Danmira SRL	X		X
Davema Com SRL		X	X

[98] Corporate Records for Caritas Group SRL, Contrade SRL, Danmira SRL, Davema Com SRL, Dracard SRL, Provolirom SRL, Voximar-Com SRL

[99] Kroll analysis of Shor Group exposure

Company	BEM	UB	BS
Dracard SRL	X	X	X
Provolirom SRL	X	X	X
Voximar-Com SRL	X	X	X

11.1.2.2 Offshore company payments

Swift messages provided by NBM demonstrate that six of the seven large loan customers at BEM and BS received funds from common offshore companies, with accounts at Privatbank in Riga, Latvia, indicating links between the loan companies themselves.

Table 37: Companies which received payments from the same offshore entities in November 2014[100]

Company	Formisold LLP	Genyral Trade LP
Caritas Group SRL	X	
Contrade SRL		X
Danmira SRL		X
Davema Com SRL	X	
Dracard SRL		X
Provolirom SRL		
Voximar-Com SRL	X	

11.1.2.3 Requests for Internet Banking

A review of the addresses designated for Internet banking at BS links a number of the loan customers with one another and other Shor Group companies. On 4 December 2013, Voximar-Com SRL, Dracard SRL, and Davema Com SRL, along with six other Shor Group companies, were connected to Internet banking by BS at Str. Tighina 12, Chisinau. Under a month later, on 1 January 2014, Provolirom SRL was also connected to Internet banking at BS at the same address.[101] A number of BEM customers were also connected to Internet banking at this address, including Dufremol SRL and Moldclassica International SRL.[102]

11.1.2.4 Shared Telephone Numbers

An advertisement on the Moldovan recruitment site topjobs.md for a secretary by Shor Holding gives the telephone number 228-027 and the email address irina@shorholding.com.[103] This telephone number was similarly used on the account opening documents at BS by Contrade SRL,

[100] Kroll analysis of November Swift data
[101] BS Internet banking requests
[102] BEM Internet banking requests
[103] Shor Holding Telephone no.

Davema SRL, Dracard SRL, Provolirom SRL, and Voximar-Com SRL on a request to BS for Internet banking.[104]

11.1.2.5 Shared Addresses

On request for Internet banking with BS in June 2012, Caritas Group SRL lists its address as Mesterul Manole 12, Chisinau, the same address at which Danmira SRL is currently registered.[105]

11.1.2.6 "Shor Holding" as described by BS staff

The belief that companies involved in suspicious loan transactions may have acted in concert with Shor is further supported by a schedule of "Shor Holding" companies discovered at BS. Emailed by BS staff before the bank was placed under special administration and identified by an NBM investigation, the file describes the companies indicated below as part of the "Shor Holding", Companies such as Davema Com SRL, Provolirom SRL, and Dracard SRL are known to have been loan customers of the three banks and are mentioned earlier in this report.

Companies identified as "Shor Holding" within this schedule include:

- Ghermivali
- Elcomet Prim
- Vascovprod
- Molint Grup SC SRL
- Alutus COM
- Aireda Pro
- Davema COM
- Contrade
- Nobil Air
- Moldclassica Internațional
- Dasler CON
- Provolirom
- Lavima Impex
- Dracard
- Biro Media
- Taines
- Storad Grup

[104] Contrade SRL, Davema SRL, Dracard SRL, Provolirom SRL onboarding documents, Provolirom Internet banking request

[105] Contrade Internet banking request

12. Where did the money go?

Between 2012 and 31 October 2014, exposure of companies deemed part of the Shor Group increased dramatically from MDL1.1 billion to MDL8 billion. This comprised what appears to have been initial, genuine lending activity which, as time progressed was characterised by a complex series of transactions, whereby loan funds were passed amongst the banks, between entities, via foreign entities using Latvian bank accounts. The structure of the transactions and overall scheme was designed in an attempt to deliberately disguise the true nature of lending activity, and maximise available credit. The general profile of these loan customers was not typical of normal, commercial transactions and the level of connectivity between the entities, demonstrates a deliberate effort to disguise true exposure of the banks.

A full forensic trace is required, in order to establish the ultimate beneficiaries of the MDL 8 billion in exposure of Shor Group companies as at 31 October 2014 and how this developed over time. It is however clear that Ilan Shor, and individuals with which he is associated are strongly implicated in the scheme.

Between 1 November and 24 November, Shor Group exposure increased by a further MDL 5 billion, as a result of a massive increase in lending within BEM to four companies: Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL. The precise reasoning for the actions taken within this period are unclear, however it is evident that at this point, there was a concerted effort to extract capital from the three banks, concentrate lending within BEM and reduce exposure elsewhere. This was only feasible, as a result of the injection of capital received, by four Moldovan banks in the form of interbank deposits totalling MDL2.3 billion and further interbank deposits from UB and BS.

As summarised in section 11.2, it is believed that of the MDL13.1 billion in loans issued by BEM to Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL, MDL6.5 billion was utilised, to clear down existing Shor Group loan exposure in the name of other Shor Group companies at the three banks. How the balance of MDL6.6 billion was utilised remains unclear.

For unknown reasons, there appears to have been a conscious decision at the end of November, to transfer exposure from BEM to BS. This culminated in the issuance of new loans between 25 and 26 November totalling MDL13.7 billion to Shor Group companies, Danmira SRL, Davema Com SRL, Caritas Group SRL, Contrade SRL, and Voximar Com by BS. These funds were transferred to Latvian bank accounts, in the names of foreign entities incorporated in the UK and

Hong Kong. During that period, the BEM loans in the name of Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL were repaid.

The concurrent events surrounding the apparent deliberate destruction of loan documentation relating to companies involved in the scheme, along with the attempt to reverse the cession agreements with Roseau provides further indication that the loans were fraudulent, and part of a deliberate attempt to siphon funds from the banks.

The actual quantification of loss and tracing of funds is part of a broader exercise to be conducted in the future phase of investigation. It is however clear that at present, BS is owed MDL18.3 billion by Fortuna (MDL13.7 billion before accrued interest is applied). Even if these funds were used in part to clear down MDL13.1 billion loan exposure at BEM in the name of Provolirom SRL, Dracard SRL, Caritas Group SRL and Voximar Com SRL, those entities have only been identified as utilising MDL 6.5 billion of funds loaned to them to clear down existing Shor Group loan exposure, leaving MDL7.2 billion not accounted for.

Further losses have been incurred in relation to outstanding interbank deposits held by Moldovan Banks at BEM at the time of collapse.

A full forensic trace of the beneficiaries of funds is required, in order to identify the true extent of beneficiaries to transactions, and apply an appropriate legal strategy to recover funds fraudulently dissipated.

13. Appendix I

Table 38: BS shareholders' source of funds

Shareholder	Date of Acquisition	Price paid MDL	Source of Funds	Bank Used
Petru Lucinschi	17/08/2012	11,093,313	Loan agreement signed with Rosslyn Trade LLP (UK) on 19/07/12 for EUR728,600 over 6 years	ABLV Bank, Riga, Latvia
	24/11/2012	2,880,000	Rosslyn Trade: Amendment to loan agreement on 15/11/12 which added USD450,000 to amount borrowed	-
	18/11/2013	4,800,000	Ilan Shor: loan contract of 05/11/13 for MDL4,800,000 over 3 years	-
Reghina Apostolova	17/08/2012	10,977,758	Harwood United LLP: loan contract for EUR728,000 signed on 16/07/12 over 6 years.	ABLV Bank, Riga, Latvia
	24/11/2012	2,850,000	Harwood United LLP: amendment to loan contract for additional USD490,000 signed on 12/11/12.	-
	18/11/2013	4,750,000	Voximar Com SRL (Chisinau): contract for loan of MDL 4 750 000 signed on 07/11/13 over 5 years	-
Aurel Marinescu	17/08/2012	10,862,202	Egovert Consulting Ltd (Cyprus): loan contract of 10/07/12 for USD975,000 over 6 years	Eurobank EFG Cyprus
	24/11/2012	2,820,000	La Costa Trade LLP (UK): loan contract of 16/11/12 for USD480,000	Aiskrakles Banka
	18/11/2013	4,700,000	Univest-Invest SRL: loan of 01/11/13 for MDL 4,700,000	-
Rita Tvic	17/08/2012	10,769,758	Trademarket Networks LLP (UK): loan contract of 23/07/12 for USD962,000 over 6 years	Privatbank, Riga, Latvia
	24/11/2012	2,796,000	Harrogate Consulting SRL (UK): Loan contract of 21/11/12 for USD460,000	-
	18/11/2013	4,660,000	Trademarket Networks LLP (UK): loan contract of 04/11/13 for EUR1,062,000	-
Tudor Negru	17/08/2012	10,746,647	Fairmac LLP (UK): loan contract of 21/07/12 for EUR705,900 over 6 years	ABLV Bank, Riga, Latvia
	24/11/2012	2,790,000	Fairmac LLP (UK): amendment to loan contract of 26/11/12 for additional USD440,000	-

Shareholder	Date of Acquisition	Price paid MDL	Source of Funds	Bank Used
	18/11/2013	4,650,000	Altus-Com SRL: loan agreement of 4/11/13 for MDL4,650,000 over 5 years	-
Vladimir Novosadiuc	17/08/2012	10,723,536	Intratex Sales LLP (UK): loan contract of 7/08/12 for USD966,000 over 6 years	Privatbank, Riga, Latvia
	24/11/2012	2,784,000	Harrogate Consulting SRL (UK): Loan contract of 18/11/12 for USD455,000	-
	18/11/2013	4,640,000	Intratex Sales LLP (UK): amendment to loan contract of 5/11/13 for additional EUR1,095,200	-
Veaceslav Lupov	17/08/2012	10,631,092	Turncrest Ltd (Seychelles): loan contract of 24/07/12 for USD900,000 over 6 years	Privatbank, Riga, Latvia
	24/11/2012	2,760,000	La Costa Trade LLP (UK): loan contract of 16/11/12 for USD475,000 over 6 years	-
	18/11/2013	4,600,000	Megasoft International SRL[106] : loan contract of 3/11/13 for MDL 4,600,000. Lupov is also the sole owner of Megasoft.	-
Nani Abashidze	17/08/2012	10,631,092	Sunrise Cotton LLP: loan contract of 23/07/12 for USD954,000 over 6 years	Privatbank, Riga, Latvia
	24/11/2012	2,760,000	Harwood United LLP: loan contract of 10/11/12 for USD445,000 over 6 years	Aiskrakles Banka
	18/11/2013	4,600,000	Sunrise Cotton LLP: amendment to loan contract of 04/11/13 for additional EUR1,046,300	-
Marina Tauber	17/08/2012	10,631,092	Pondmarsh LLP: loan contract of 24/07/12 for EUR698,300 over 6 years	ABLV Bank, Riga, Latvia
	24/11/2012	2,760,000	Pondmarsh LLP: amendment to loan contract of 24/11/12 for additional USD465,000	-
	18/11/2013	4,600,000	Metal-Trade SRL: loan contract of 12/11/13 for MDL4,600,000	-
Olga Bondarciuc	17/08/2012	10,584,870	Harrogate Consulting LLP (UK): loan contract of 13/07/12 for USD924,000 over 6 years	Aizkraukles Banka, Riga
	24/11/2012	2,780,000	Harrogate Consulting LLP (UK): amendment to loan contract of 13/07/12 for USD480,000	-
	18/11/2013	4,580,000	Nicolae Cutroglo (Chisinau): loan	-

[106] This company was previously registered same address as Shor Group companies - Tighina 12, Chisinau

Shareholder	Date of Acquisition	Price paid MDL	Source of Funds	Bank Used
			contract of 15/11/13 for MDL4,629,400 over 4 years	
Liliya Pleskachevskaya	17/08/2012	10,862,202	Drensler LLP (UK): loan contract of 19/07/12 for EUR713,400 over one year	Privatbank, Riga, Latvia
	24/11/2012	2,844,288	Fairmac LLP (UK): loan contract of 16/11/12 for USD492,000	-
	18/11/2013	4,700,000	Swedtron Alliance LLP: loan contract of 4/11/13 for EUR272,500 over 6 years	-
Viorel Melnic	18/08/2012	10,654,203	La Costa Trade LLP: loan contract of 18/07/12 for EUR700,000 over 6 years	ABLV Bank, Riga, Latvia
	24/11/2012	2,766,000	La Costa Trade LLP: amendment to loan contract of 28/11/12 for additional EUR USD470,000	-
	18/11/2013	4,610,000	Alvaro Grup SRL (Chisinau): loan contract of 5/11/13 for MDL4,610,000 over 4 years	-
Pace Global Energy Limited	18/08/2012	10,815,980	Winefarm Alliance LLP: loan contract of 25/11/12 for USD488,000 over 6 years)	ABLV Bank, Riga, Latvia
	24/11/2012	2,808,000	Winefarm Alliance LLP	-
	18/11/2013	4,680,000	Manos Alliance LLP (UK): loan contract for EUR271,000 on 05/11/13 over 8 years	-
Jet-Tech Industries Ltd	18/08/2012	11,532,423	Jet-Tech Industries Ltd to Latvijas Bank holding account in MD	Latvijas Pasta Banka, Riga
	24/11/2012	2,994,000	Jet-Tech Industries Ltd to Latvijas Bank holding account in MD	-
	18/11/2013	4,990,000	Jet-Tech Industries Ltd to Latvijas Bank holding account in MD	Latvijas Pasta Banka, Riga
Reynosa Management Ltd	17/08/2012	11,439,979	Kelway Trading SA (Panama): loan contract of 17/07/12 fpr USD 998000 over 12 months	Privatbank, Riga, Latvia
	24/11/2012	2,970,000	Winefarm Alliance LLP: loan contract of 27/11/12 for USD454,000	-
	18/11/2013	4,950,000	Winefarm Alliance LLP: amendment to loan contract of 27/11/13 for additional EUR287,000	-
Manitoba Management	17/08/2012	11,509,312	To Latvijus Pasta Banka account in MD	-

Shareholder	Date of Acquisition	Price paid MDL	Source of Funds	Bank Used
Ltd				
	24/11/2012	2,988,000	To Latvijus Pasta Banka account in MD	-
	18/11/2013	4,980,000	To Latvijus Pasta Banka account in MD	-
Lerson Ltd	17/08/2012	11,647,020	To ABVL Bank AS account in MD	-
	24/11/2012		To ABVL Bank AS account in MD	-
	18/11/2013		Effect Group LLP: loan contract of 06/11/13	-
Trimms Green Limited	17/08/2012	11,508,312	To ABVL Bank AS account in MD	-
	24/11/2012	2,988,000	From a foreign bank account	-
	18/11/2013	4,980,000	Metalforum LLP (UK): loan contract of 11/11/13 for EUR289,000	-
Dixon Corporation Ltd	17/08/2012		Via Latvijas Banka to own account in MD	-
	24/11/2012		Via Latvijas Banka to own account in MD	-
	18/11/2013		Via Latvijas Banka to own account in MD	-

14. Appendix II

Table 39: BS share acquisitions and source of funds

Shareholder	Bank of Shareholder	Company Issuing Loan	Date of Loan Agreement	Value of Loan	Interest	Bank of Loan Provider
Diafan SRL – Arina Corsicova	Banca Sociala	Primrose Alliance S.A. (Seychelles)	17/05/2013, amended on 20/05/2013	USD2,300,000	3.5%	ABLV Bank AS, Riga, Latvia
Trivetrpo SRL – Elena Marinova	Banca Sociala	Olinsio Industries Ltd (Belize)	20/05/2013, amended on 21/05/2013	USD2,100,000	3.5%	ABLV Bank AS, Riga, Latvia
Velcris-Plus SRL – Anton Hariton	Banca Sociala	Kamelott Inter Corp (BVI)	22/05/2013	USD2,500,000	3.5%	ABLV Bank AS, Riga, Latvia
Rominserv SRL – Gorgos Veronica	Banca Sociala	Avenilla Commercial LP (UK)	20/05/2013, amended on 21/05/2013	USD2,400,000	3.5%	ABLV Bank AS, Riga, Latvia
Tonimar SRL – Alla Cazac	Banca Sociala	Starwood Trade Ltd (Saint Vincent and Grenadines)	21/05/2013, amended on 22/05/2013	USD2,200,000	3.5%	ABLV Bank AS, Riga, Latvia
Ancor Lux SRL – Veaceslav Jardan	Banca Sociala	Octagon Enterprises Ltd (Belize)	5/11/2013	EUR1,500,000	4%	ABLV Bank AS, Riga, Latvia
		Comrade Limited (Belize)	21/11/2013	EUR1,500,000	3%	Privat Bank, Riga, Latvia
Samit Plus SRL – Natalia Gojina	Banca Sociala	Indigo Group Ltd (Belize)	4/11/2013	EUR1,300,000	3.5%	ABLV Bank AS, Riga, Latvia
OLGA NIKITAEVA	Latvijas Pasta Banka, Riga, Latvia	Cloud Trade Ltd (Seychelles)	22/04/2013	EUR650,500	8%	Latvijas Pasta Banka, Riga, Latvia
SVETLANA PETRENKO	Latvijas Pasta Banka, Riga, Latvia	Aqualine Management Ltd (Marshall Islands)	25/04/2013	EUR658,500	10%	Latvijas Pasta Banka, Riga, Latvia

Shareholder	Bank of Shareholder	Company Issuing Loan	Date of Loan Agreement	Value of Loan	Interest	Bank of Loan Provider
ALEXANDR ZAVARZIN	Latvijas Pasta Banka, Riga, Latvia	Waves Media Ltd (BVI)	20/04/2013	EUR657,500	8%	Latvijas Pasta Banka, Riga, Latvia
OLEH STEPANETS	Latvijas Pasta Banka, Riga, Latvia	Developer Ventures Ltd (Dominica)	05/04/2013	EUR660,500	9%	Latvijas Pasta Banka, Riga, Latvia
SERGII ANDRIICHUK	Latvijas Pasta Banka, Riga, Latvia	Tamlyn Group Corp (Panama)	17/04/2013	EUR655,000	8%	Latvijas Pasta Banka, Riga, Latvia
SERGEY MERKULOV	Latvijas Pasta Banka, Riga, Latvia	Modern Industry Ltd (Belize)	10/04/2013	EUR648,000	11%	Latvijas Pasta Banka, Riga, Latvia
IVAN KOSTIANKO	Latvijas Pasta Banka, Riga, Latvia	Beymore A.G. (Belize)	19/04/2013	EUR657,000	11%	Latvijas Pasta Banka, Riga, Latvia
TETIANA BOIKO	Latvijas Pasta Banka, Riga, Latvia	Viacom Trading Corp (Panama)	01/04/2013	EUR650,000	7%	Latvijas Pasta Banka, Riga, Latvia

15. Appendix III: Forensic imaging report

15.1 Interviews, investigations, findings and recommendations

On February 24th and 25th a meeting was held with Victor Ciubutaro and Radu Gagea from the National Bank of Moldova's forensic/security IT team. Both had been part of the NBM team which secured data from the three affected banks in the weeks before, and both have a good knowledge of the computer systems that are in place at these banks.

This note and its attachments set out the areas discussed, the actions taken to date and recommendations for next steps.

The findings in this note are based on meetings with NBM and have not as yet been verified.

15.1.1 Data provided to Kroll

Kroll received copies of the following hard drives, which had been imaged by NBM:

- Arnaut
- Bezbabcenco
- Mailserver Banka Sociala
- Frunze
- Jalova
- Mocanu
- Turcanu
- Veselovschi

15.1.2 Priority next steps: Stage 1

NBM informed us that attempts have been made to delete both electronic and hard copy documentation. Despite the deletion attempts, it may be possible to salvage at least part of the deleted or lost electronic data. In order to undertake this exercise it will be necessary to acquire images of the relevant computers and servers. This should take place as soon as possible to avoid the deleted space/unallocated clusters being overwritten by new data. Due to impeding danger of losing relevant data we urgently recommend the following 'immediate' actions to take place:

Full forensic image of the email server systems of BEM and UB

Analysis of the email system of the three banks is of significant importance, even though the communication might have bypassed the official systems. As we have not yet ascertained the communication paths, it is of utmost importance to secure all sources of emails, including email servers, personal workstations and backups of both. Since the email server systems are still in use handling the daily mail traffic, the unallocated space, i.e. the deleted data, is constantly overwritten. The longer we wait with imaging these systems the less likely it will be that useful information can be restored. Therefore it is absolutely necessary to image these email server systems immediately.

A full forensic image is required in order to analyze deletions.This task should be carried out by the NBM's forensic/security IT team.

Full forensic image of all desktops and laptops of potential suspects/custodians, if possible until the end of the first week of March.

As data has already been deleted (hardcopy and electronic) there is a risk of further data being deleted or overwritten. In order to recover Office documents, scans or other relevant data every effort should be made to image at least the machines of the current suspects that are still in use.

A full forensic image is required in order to analyze deletions.

The list of people/positions and their computers is yet to be defined by Kroll and NBM.

This task should be carried out by the NBM's forensic/security IT team.

Full forensic image of the file servers, if possible until the end of the first week of March 2015.

The file server systems hold the network storage of the banks where single people or groups can save business relevant data for shared use with other co-workers and for centralized backup. These 'personal shares', 'group shares' and 'management shares' should be made available for further analysis. Since these servers are still in use and the deleted data is therefore constantly overwritten, it is important to secure full forensic images of these machines as soon as possible.

A full forensic image is required in order to analyze deletions.

This task should be carried out by the NBM's forensic/security IT team.

15.1.3 Priority next steps: Stage 2

Secure log files of proxy servers as soon as possible. Include backups if available

Log files of proxy servers like 'squid' (used in at least one of the banks) can provide information regarding incoming or outgoing mails by dates and subject lines and regarding connections to mail or chat systems outside the banks' systems (i.e. mail.ru, gmail.com, Skype etc). This information can provide an understanding of possible communication bypassing the banks' official systems. Log files should be collected and analysed for relevant information. The log files can be provided by the three banks' local IT departments.

This task should be carried out by the NBM's forensic/security IT team.

Search for and secure every available backup of file servers, email servers, databases and workstations as soon as possible

Since every backup done at some point in time before the deletion of relevant data may retrieve previously lost data, it is essential to search thoroughly for backups. Media used for work or backups can sometimes become defective, and sometimes these are not immediately disposed of but stored in a cupboard or drawer or storage room of the IT department for later action.

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

Check for the existence of virtual machines like VMware or Virtual box or the like, especially for productive VMs of servers. If present make a copy of relevant virtual disks

Virtual machines are a common technique to reduce hardware and maintenance. They can hold any kind of information and can be backed up easily by making a snapshot at any point in time or by copying the virtual disk which is simply a big file. Relevant systems would be email servers, file servers, backup servers, database servers of banking systems, CRM servers, archiving systems or document management systems.

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

Check if there had been devices brought into the bank after the acquisition by Mr. Shor and if yes, if these devices had been removed again later on

Having outside equipment in the banks' systems (PCs, servers, infrastructure devices) would give indications about the information that may be extracted, and how other information may have been brought into the banks. With this knowledge it would be possible to search for particular information regarding these machines or devices in more detail.

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

Check for old out-of-service PCs or HDDs and if present secure these devices

Old out-of-service PCs or HDDs, potentially defective but not disposed of can be a valuable source of information. If there are any from the relevant time-frame and from suspect users please transfer these to Kroll for data recovery or clean room restoration.

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

Check for the type of the Disaster Recovery sites and report back

The existence of a secondary operations site is of relevance, but further information on the type of data synchronization used to keep these secondary sites up-to-date is required. Is it synchronized (mirroring deletions to the secondary site) or is it in backup mode (mirroring files only, no deletions)? Also check for backups of these secondary sites, be it by bank IT or third party.

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

Secure a backup/dump of the core bank systems databases in the three banks, including the credit module and pass a copy to Kroll for further analysis

The core bank systems have already been secured by NBM. The team has to confirm yet whether the credit module is part of the core bank systems. If not, the database of the credit module systems must also be secured.

This task should be carried out by the NBM's forensic/security IT team.

Full forensic image of the secondary servers and get hold of any backup media found.

The data from the secondary sites servers can be de-duplicated against the data from the primary sites servers and the remaining data will show the deleted or changed files which can in turn be analysed in detail .

This task should be carried out by the NBM's forensic/security IT team in cooperation with the local banks' IT departments.

15.2 Phase II work

Securing and collecting data is an important first step. Analysis of the available information will allow us, in conjunction with Kroll, to identify the information required for further work. The following list is based upon our current knowledge and may be expanded or reduced by the client and/or according to the necessity of the on-going investigation. It is therefore a first but reasonable recommendation of the analysis work that should follow the tasks completed by NBM.

1. A keyword list for a comprehensive keyword search regarding lost documents or other topics has to be created by the teams of Kroll and the NBM. This should contain the English, Romanian and Russian (Cyrillic) keywords in every spelling variant.

2. The email systems data (mail server images and mails from workstation images as well as log files regarding emails) should then be analysed against these keywords. The email clients on workstations should be Outlook or Outlook Express in POP3 mode. This should also include a special analysis for communication between the bank managements of the involved banks.

3. Workstation images (without mails) should also be analysed against these these keywords. We will be using X-Ways to look for deleted data (Signature search), USB activity (sbag and link files), printer spooler files, Internet based communication and office communication (chat, web based email, etc.), communication between bank managements of the involved banks outside the official mail system and erasing. We should also look for password protected or encrypted files and crack passwords if necessary. These types of files are of special interest.

4. The file server images and the backups of the file servers available (i.e. DVD backups for Banka Economii) should be analysed against the keywords Following the recovery of deleted data with X-Ways. This should include an analysis for usage of erasing and of encryption software like Truecrypt. We should also look for password protected or encrypted files and crack passwords if necessary. These types of files are of special interest.

5. Data from printer servers, printers and fax machines with HDDs should be analysed, and may allow the recovery of some lost documents. This includes keyword searches, manual analysis and OCR. We may have to use the vendor support in case of encryption or other problems. This should include log files to get a correlation between the names of documents and IP addresses which can in turn be correlated to a user by analyzing the DHCP/AD log files.

6. Images and backups of secondary sites, should be analysed, and then de-duplicated with the primary sites to get the deleted or changed data only. This data can then be analysed in the same way as the primary system (i.e. file server).

7. The journals of printers, fax machines and printer servers for communication channels (faxes), file names and IP addresses (printers and printer servers) and telephone/fax numbers (faxes) should also be analysed. This data can then be correlated to other sources to find out relevant custodians and documents. This step consists mainly of manual analysis and keyword searches.

All relevant data should then be uploaded to the Electronic Discovery Hosting Centre to ensure easy collaboration between Kroll analysts and the NBM analysts.