

**ARTICLES OF INCORPORATION OF
NATIONAL GUARANTEE FUND – SINGLE SHAREHOLDER JOINT STOCK
COMPANY**

**CHAPTER ONE
GENERAL PROVISIONS**

Art. 1/1/ "National guarantee fund" EAD is a single shareholder joint stock company, established on the basis of Art. 15-18 of the Law on the Bulgarian Development Bank as subsidiary of the Bulgarian Development Bank AD, hereinafter referred to as "The Fund".

/2/ The trade name of the Fund shall be "Natsionalen Garantsionen Fond" EAD. The English translation of the trade name of the Fund shall be "NATIONAL GUARANTEE FUND" EAD. The trade names of the branches shall be formed by adding "Klon" ("Branch") to the trade name of the company.

/3/ The trade name, seat, registered address, unified identification act and the bank account shall mandatory be indicated in the business correspondence of the Fund as well as on its Web-site.

/4/ The Fund shall have its seat and the registered address at: Sofia, Sredets region, 1 Dyakon Ignatij str.

/5/ The Fund shall have a round stamp bearing the inscription of its trade name sidelong and the name of the city or town where its seat is settled. By decision of the Board of Directors (BoD), the company may also use a logo, where its trade name shall mandatory be indicated.

Art. 2 „National Guarantee Fund" EAD shall be established as joint stock company with a single shareholder of the capital Bulgarian Development Bank AD

Art. 3 The existence of the Fund shall not be limited to a period of time.

**CHAPTER TWO
SCOPE OF BUSINESS**

Art. 4 The activity of the Fund shall be:

a/ issuance of guarantees to complement the collateral under loans to small and medium sized enterprises

b/ offering of other products for SMEs, such as: tender guarantee; performance guarantee; advance payment guarantee; exporter loan payment guarantee; etc. ;

b/ issuance of guarantees to complement the collateral under loans to small and medium sized enterprises, performing research and development activities and for the implementation of these products and scientific researches in the industry.

r/ other activities not expressly prohibited by law.

Art.5 /1/ The rules and procedures for processing guarantee applications and issuing guarantees shall be regulated by the Internal rules, adopted by the BoD;

/2/ The guarantees issued under Art. 4 can amount to up to 50% of the outstanding amount.

./3/ The maximum total amount of guarantees, issued in favour of one commercial entity can not exceed 10% of the capital of the Fund.

CHAPTER THREE EQUITY

Art.6 /1/ The equity of the Fund shall amount to BGN 80,000,000 (eighty million leva) allocated in 800,000 (eight hundred thousand) ordinary registered shares, giving right to one vote and having par value of BGN 100 (one hundred) each.

/2/ At the time of establishment of the Fund, 25% of the equity under paragraph 1 shall be paid-in.

/3/ The single shareholder shall be obliged to pay in the total amount of the subscribed shares within two years from the date of filing of the Fund in the Commercial register to the Registration agency.

CHAPTER FOUR SHARES

Art. 7 /1/ The shares of the Fund shall be ordinary, materialized, and indivisible, each share giving right to one vote. The par value of one share shall be BGN 100.

/2/ The Fund shall be allowed to issue other types of securities as well, in case this is permissible under the active legislation in the Republic of Bulgaria at that time.

/3/ The Fund shall issue shares under the provisions of the Commercial act. The ownership of materialized shares (regardless of their type) shall be evidenced by interim certificate (s) until the printing of the shares themselves. The interim certificates shall be subject to the provisions of Art 183 of the Commercial act and information on the type and number of subscribed shares and the instalment paid-in shall be evidenced therein. The interim certificates/ shares shall be signed by the Chairman of the Board of directors and the Executive Director.

/4/ The Fund shall keep a Shareholder's register, according to the provisions of Art 179 of the Commercial act.

/5/ After the adoption of the respective changes in the present Articles of incorporation, local, foreign and international credit and financial institutions may also become shareholders in the Fund. The shareholding participation of the Bulgarian Development Bank may not however fall below 51% of the Fund's capital.

CHAPTER FIVE MANAGEMENT OF THE FUND

Art. 8 Bodies of the Fund shall be:

8.1. The Single Shareholder (SS).

8.2. The Board of Directors (BoD).

Art. 9 The SS shall exercise its rights and obligations towards the Fund through its legal representatives, appointed by the Managing board of the Bulgarian Development Bank AD with the approval of the Supervisory Board of the Bank.

Art 10 /1/ The single shareholder shall decide on matters within the competence of the general shareholders meeting, according to Art 221 of the Commercial act.

/2/ Within the competences of the SS shall be to:

- a) amend the articles of incorporation;
- b) decide on increase or decrease of the capital;
- c) decide on transformation and termination of the company;

- d) appoint and dismiss the members of the board of directors, and determine their remuneration;
- e) appoint and dismiss CPA auditors;
- f) approve the annual financial statement as certified by the appointed auditor; decides on the distribution of the profit and allocation to Reserves fund and distribution of dividends
- g) appoint liquidators upon termination of the company
- h) discharge of responsibility of the members of the Board of Directors
- i) decide on issuing of debentures;
- j) decide on the opening of branches and appoints their managers
- k) decide on the acquisition, expropriation and encumbrance of the real estate property of the Fund and on the establishment of real rights thereon as well on their letting for more than one year.
- l) decide on loan borrowings by the Fund
- m) approve the appointment of the Executive director and the empowerment of a procurator
- n) permit the entering into transactions under Art 236, para 2 of the Commercial act
- o) decide on other matters which by virtue of the law or the present articles of incorporation are entrusted to its competence.

Art .11 /1/ The decisions of the SS shall be minuted in writing. The minutes shall include:

1. Time and place of adoption of the decision;
2. Name, respectively trade name of the SS and names of its legal representatives, having drawn the minutes
3. Attendance of the BoD members, as well as of other persons present at the time of adoption of the decision;
4. Actual and legal grounds for adoption of the decision;
5. Content of the decision

/2/ The minutes shall be signed by two of the representatives of the Bulgarian Development Bank AD, appointed by its Managing board to represent the SS;

/3/ The documents, having regard to the adoption of the decision shall be attached to the minutes;

/4/ The minutes of the meetings and the attachments thereto shall be kept for a period of min 5 years.

/5/ The decisions of the SS for amending and supplementing the Articles of Incorporation, increase and decrease of the capital, transformation and termination of the Fund, appointment and dismissal of members of the BoD, as well as appointment of liquidators, shall enter into force upon their filing with the Commercial register to the Registration agency

Art. 12 /1/ The Fund shall be managed by a Board of Directors, comprising three to five members;

/2/ The members of the BoD shall be appointed for a period of five years

/3/ The members of the first BoD shall be appointed for a period of three years

/4/ The members of the BoD can be re-elected without limitations

Art .13 /1/ The BoD manages the Fund in compliance with the active legislation, the explicit provisions of the Law on the Bulgarian Development Bank and the present Articles of incorporation, as well as the decisions of the SS and is responsible for the operating management of the Fund by:

- Managing the property of the Fund;
- Adopting plans and programs for the activity of the Fund and its budget;
- Adopts the organizational and management structure, the order for appointment and dismissal of the personnel, the rules on salaries and the other internal rules and regulations of the Fund.

/2/ The Board of Directors decides on all matters that are not within the explicit competence of the Single shareholder.

/3/ The BoD shall promptly notify the SS of all circumstances that could materially affect the Fund.

/4/ The BoD shall report on its activity to the SS at least on a quarterly basis.

Art .14 /1/ The Board of Directors shall adopt rules on its operation and present them for approval to the Single shareholder.

/2/ The Board of Directors shall appoint a Chairman and Vice-Chairman among its members.

Art .15 /1/ The Board of Directors shall hold regular sessions at least on a monthly basis with the aim to discuss the standing and development of the Fund.

/2/ The convening of the meeting shall be made through written invitation. The invitation shall include the place, date, time of the meeting and the proposed agenda.

The SS shall be informed of the convened sessions of the Board of Directors, according to the rules for information of the Board members, and could send a representative to attend the meeting.

/3/ Each member of the Board of Directors can request the convening of a meeting before the Chairman for the purpose of discussion of given matters.

/4/ the Board of Directors can adopt decisions in case at least two of its members are present. A member can be represented, on the basis of a written power of attorney, by another Board Member. No present member shall be allowed to represent more than one absent member.

/5/ Decisions shall be taken with a majority of the BoD members cast, except for cases explicitly provided for in the law and the present Articles of incorporation.

/6/ The sessions of the Board of Directors and the adopted decisions shall be minuted, and the respective minutes shall be signed by all members present and shall be kept for a period not shorter than five years;

/7/ The Board of Directors can adopt decisions also "in absentia", with minutes signed by all members that approve the adoption of the decision.

/8/ The decisions of the Board of Directors requiring the approval of the SS shall enter into force after granting of the respective approval.

Art .16 /1/ The members of the Board of Directors shall have equal rights and obligations, regardless of:

1. the internal distribution of functions among them
2. the provisions, on the basis of which the Executive Director shall be granted managing rights

/2/ The members of the Board of Directors shall perform their obligations in compliance with the interests of the Fund and the SS and shall keep their commercial secrets after termination of their membership in the Board of Directors as well.

Art .17 /1/ The members of the Board of Directors shall be jointly liable for the damages, resulting from their wilful misconduct towards the Fund.

/2/ Any member of the Board of Directors may be held harmless if it is established that it has no fault for the damage suffered by the company

/3/ With their appointment as members of the Board of Directors the directors shall deposit a guarantee for their management at the amount of their three month gross remuneration.

/4/ The relationship between the Fund and the members of the Board of Directors shall be set in a contract, concluded between them and a representative of the SS.

Art.18 /1/ The Board of Directors, with the approval of the Single shareholder, shall appoint one of its members - Executive Director – to manage the Fund.

/2/ The Fund shall be represented by the Executive Director, together with the Chairman of the Board of Directors, the Executive Director, together with an empowered by the Board of Directors procurator, or by the Chairman of the Board of Directors, together with an empowered by the Board of Directors procurator;

/3/ The relationship between the Fund and the Executive member of the Board of Directors shall be set in a contract for assignment of management functions. The contract shall be concluded in writing by the Chairman of the Board of Directors on behalf of the Fund.

Art. 19 The Executive Director shall:

1. Organize the implementation of the decisions of the management bodies of the Fund;
2. Organize the activity of the Fund, carry out direct operating governance.

CHAPTER SIX RESERVE FUND

Art .20 /1/ The Bank shall be required to segregate a Reserve Fund where at least 1/5 (one fifth) of the profit shall be allocated, until the fund reaches the amount of 1/10 of the Fund's equity as per the present Articles of incorporation.

/2/ The respective provisions of the Commercial act shall apply to the formation and utilization of the Reserve Fund.

CHAPTER SEVEN
PREPARATION OF ANNUAL ACCOUNTS

Art. 21 /1/ The annual financial statements of the Fund shall be certified by the CPA auditor, appointed by the SS.

/2/ After presentation of the report of the CPA auditor, the Board of Directors shall present to the SS the annual financial statements, the report on its activity, the report of the CPA auditor and a proposal for distribution of the profit.

CHAPTER EIGHT
RECORD-KEEPING AND DISCLOSURE

Art. 22 The Fund shall create and maintain an up-to-date information system containing:

1. the Articles of Incorporation and other internal rules with all amendments and supplements thereto;
2. books with the Minutes of the SS and the Board of Directors sessions
3. accounting information that reflects in a clear and correct manner the type, amount and reasons for the conducted transactions and their effect on the financial situation of the Fund
4. information on the clients with data on transactions for issuance of guarantees entered therewith

Art. 23 The Bank shall establish and maintain files for each guarantee with information on the client, purpose, terms and amount of the guarantee and its collateral (if any), the decisions of the competent unit for the issuance of the guarantee and all other information, related to the conclusion and execution of the agreement.

CHAPTER EIGHT
TERMINATION AND LIQUIDATION

Art. 24 The activity of the Fund shall be terminated in the manner and in the cases provided for by the law.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. For matters which are not explicitly regulated in these Articles of Incorporation, the provisions of the Commercial Act, the Law on Bulgarian Development Bank, as well as the standing legislation of the country, shall apply.

§ 2. These Articles of Incorporation shall be adopted by a Deed of Incorporation of the “National Guarantee Fund” EAD, drawn on 12.08.2008 in the Republic of Bulgaria, Sofia city, by the Managing board of the Bulgarian Development Bank in its capacity of constitutor.