



# Articles of association

**March 2019**

*This is a non-certified translation of the original Danish articles of association of Merkur Cooperative Bank. In case of any discrepancies, the wording of the Danish original applies.*

## Articles of association

### Name and domicile

**Article 1** The name of the cooperative bank is Merkur Andelskasse.

The cooperative bank is domiciled in the municipality of Copenhagen, Denmark. The cooperative bank also operates under the secondary names of Andelskassen Merkur (Merkur Andelskasse), Merkur, Den Almennyttige Andelskasse (Merkur Andelskasse), Andelskassen Trion, (Merkur Andelskasse), Trion Andelskasse, (Merkur Andelskasse), Den Almennyttige Andelskasse (Merkur Andelskasse).

### Object

**Article 2** The object of the cooperative bank is to run banking services. In the exercise of its services the cooperative bank must particularly work to provide and facilitate loans to free initiatives which are generally beneficial to society. The services of the cooperative bank are based on mutual help and not on economic gain. The cooperative bank acts on impulses from anthroposophy and will work to realize social threefolding.

### Deposits

**Article 3** The individual depositor may request that his/her deposit be loaned to specific initiatives which are generally beneficial to society. The bank's board of directors and the executive board make the final decision on such requests.

### Members' capital

**Article 4** 1) Members' capital amounts to DKK 168m and is fully paid up. The shares are issued in Danish kroner in multiples of DKK 1,000 and in euros in multiples of EUR 250.

2) New members' capital will be issued on a continuing basis. The board of directors has authority to amend 1), having regard to the size of the members' capital from time to time.

3) Any cooperative member has just one vote, regardless of the number of shares owned.

4) The limitation of voting rights in 3) has been adopted by the cooperative bank's general meeting and is not included in the legally mandated limitation of voting rights, which follows from the Danish Financial Business Act Section 85, subsection 2, Clause 2, cf. the same law's Section 85a.

**Article 5** 1) Any depositors and borrowers of the cooperative bank and anyone who sees the justification for the bank's work and object may subscribe for shares. Members are only liable for the capital subscribed.

2) As a condition for entering into a loan agreement with the cooperative bank, the cooperative bank may make demands that the borrower subscribes for shares in the cooperative bank for up to 5% of the loan's principal, albeit for a maximum of DKK 30,000 for personal customers and DKK 100,000 for business customers. The Board determines the detailed rules in this matter.

**Article 6** 1) The membership shares are registered. The membership shares may be transferred through inheritance, donation or sale. Any sale is to be effected at the price fixed by the bank. The transfer must be registered with the cooperative bank to be valid.

2) Membership shares may be redeemed with the cooperative bank, hereunder when offsetting overdue loan receivables, provided new shares are concurrently issued for at least the same market value. If this is not possible, redemption must await a sufficient new issue, cf. 4),

however.

3) Members are not entitled to have their shares redeemed, since the redemption occurs after a comprehensive assessment of the cooperative bank's capital situation and approval by the Danish Financial Supervisory Authority (DFSA), cf. the rules in CRR, articles 28 and 29.

4) For the purpose of making redemption, see 2), more flexible, the board of directors has authority to issue a line for the redemption of shares without a concurrent new issue. If such a line is issued, the cooperative bank's capital base must not be reduced by an amount that exceeds a limit preventing the capital base from meeting the statutory requirements.

5) Membership shares do not qualify for any dividend apart from what is stated in Article 7.

**Article 7** 1) Any new issue, transfers or redemption of shares will be effected at a price to be fixed as of 31 December and based on the share capital and the balance in the so-called intrinsic-value adjustment fund, see also 4), of Article 21:

$$\frac{(\text{Share capital} + \text{intrinsic-value adjustment fund}) \times 100}{\text{Share capital}}$$

To the thus calculated value of a share is added an amount that corresponds to one share's proportionate part of the transition scheme that has been introduced in European capital regulations (CRR article 473a) for the years 2018-2022 in relation to the introduction of the accounting standard IFRS 9.

The board of directors determines the rules governing the purchase, sale and redemption of shares and the guidelines for the settlement price throughout the year based on results and expectations.

**Article 7a** 1) The Board is authorized to enter into agreements regarding hybrid core capital (capital injection) that can rightfully be converted into member capital (cooperative share capital). The hybrid core capital may exceed the amount that can be included in core capital in accordance with the legislation at the time of subscription.

2) The Board is furthermore authorized to determine the capital increases necessary for completing the conversion.

3) The authorization expires 1 April 2022. The authorization may be extended following a decision of the AGM.

4) The details of the terms for raising hybrid core capital are determined by the board, including that the interest rate be wholly or partially dependent on the year's profits.

5) Investors contributing with hybrid core capital to the cooperative bank will not be granted any special legal status, including legal status as a cooperative shareholder, provided that the AGM makes decisions concerning one or more of the following conditions before the investor has converted the hybrid core capital to member capital: Capital increases, capital reduction, issuing of new convertible debt instruments (hereunder hybrid core capital), dissolution, merger or demerger.

### **Management of the cooperative bank**

**Article 8** The affairs of the cooperative bank are attended to by:

1. The members' general meeting

2. The committee of representatives
3. The board of directors
4. The executive board

### **The members' general meeting**

**Article 9** 1) An annual general meeting is to be held each year before 15 April. The general meeting is to be held at an address in Denmark at the discretion of the board of directors.

2) The general meeting is to be summoned by the board of directors giving at least three weeks' notice. The summons is to be given on the cooperative bank's website as well as in a letter or an e-mail to the members.

3) The agenda of the AGM must contain the following items:

1. Election of the chairman of the meeting and vote counters
2. Reading and adoption of the board of directors' report on the cooperative bank's operations in the past year
3. Reading and adoption of the audited annual report
4. Decision on the appropriation of profits or covering of losses as per the financial statements adopted, see Article 21
5. Election of members to the committee of representatives, see Article 13
6. Election of auditors
7. Motions received from the board of directors, the committee of representatives or the members for resolution
8. AOB

4) Any motions to be discussed at the AGM must be submitted to the board of directors in writing at the latest six weeks before the AGM. Such motions set out in the notice to the general meeting.

5) The names of candidates for the committee of representatives must be proposed in writing to the board of directors before 15 January, giving the candidate's name and address. The candidate must be a member at the time of filing his/her name, and the candidate must be proposed by the board of directors or by a supporter, who must also be a member. The names of the candidates and their supporters must appear from the notice to the general meeting.

6) At the election of members to the committee of representatives, each member present at the meeting or his/her proxy may vote for a maximum of 3 candidates.

**Article 10** Extraordinary general meetings will be held if the board of directors or the auditors find it expedient or if a minimum of half the members of the committee of representatives and/or one fourth of the members present a reasoned request to this effect. Such notice must be issued at least three weeks from having received the request. The agenda for the extraordinary general meeting must be given in the notice which is to be issued under the provisions of 2) of Article 9.

**Article 11** 1) At general meetings all resolutions are to be passed by a simple majority of votes.

2) At least two thirds of the votes present and represented at the general meeting must vote in favour to amend the articles of association. If Articles 2 and 11 are to be amended, this also calls for the unanimous recommendation of the board of directors and the committee of representatives.

3) To pass a resolution to voluntarily liquidate the cooperative bank, four fifths of all the members must vote in favour. If four fifths of the members present and represented at a general meeting have voted in favour of liquidating the cooperative bank and they do not constitute four fifths of all the members, the decision to liquidate may be made at an extraordinary general meeting provided four fifths of those present and represented vote for liquidation and irrespective of the number of members present/represented.

**Article 12** 1) A member may bring a written, dated instrument of proxy from another member and vote on his/her behalf. No one may appear with an instrument of proxy from more than one. However, the board of directors may receive proxies from an unlimited number of members. An instrument of proxy is only valid for one general meeting.

2) Minutes are to be kept of business transacted at the general meeting and they must be signed by the chairman of the meeting.

### **The committee of representatives**

**Article 13** 1) The committee of representatives comprises a minimum of 20 and a maximum of 25 members, to be elected at the general meeting among the members of the cooperative bank. Each year the five longest-serving committee members as from their latest election will retire. If more members have served for the same period of time, their retirement will be decided by a draw. If a committee member dies or retires without being up for election, that member's seat will count among the five seats up for election. Re-election is possible. It must appear from the notice to the general meeting which committee members are retiring and which members offer themselves for re-election, see 5) of Article 9.

2) The committee of representatives elects the board of directors, see Article 16.

3) The committee of representatives decides the principles for the board of directors' compensation.

**Article 14** (deleted)

**Article 15** 1) The committee of representatives lays down its own rules of procedure.

2) The committee of representatives forms a quorum if at least a third of the committee of representatives are personally present and more than half of the committee of representatives are either personally present or represented through the power of attorney. Each member of the committee of representatives can receive up to two written powers of attorney from other members of the committee of representatives.

Decisions are made by simple majority or by simple relative majority, when voting takes place with more than two voting options.

The committee of representatives determines the practical form of the votes in its own procedural rules.

### **The board of directors**

**Article 16** 1) The board of directors comprises a minimum of six, and a maximum of nine members. Of these, six are elected by the committee of representatives among shareholders, of whom at least five must be members of the committee of representatives. Each year two of these members shall retire. The two retiring members shall include directors retiring because they are retiring from the committee of representatives or because they are retiring of their own will. Moreover, the principle of longest service and a possible draw, see 1) of Article 13, applies

equally. However, directors must retire at the latest four years from their latest election. Re-election is possible. If a seat becomes vacant during a period of office and the number of directors elected by the committee of representatives is then down below six, the committee shall elect a new member. Any person retiring from the committee of representatives shall also retire from the board of directors, cf., however, subsection 1, item 2.

2) At least one of the elected members of the committee of representatives must be professionally qualified in the area of accountancy and auditing in order to ensure compliance with the requirements stipulated by the law governing audit committees.

3) If the employees of the cooperative bank decide to avail themselves of the opportunity to have employee directors, cf. the relevant provisions of the Danish Companies Act, three directors will be elected by and among the employees. Employees who have been employed with the cooperative bank for twelve months prior to the election are eligible. Similarly, three alternate members are elected. Employee directors are elected for a period of four years.

**Article 17** 1) The board of directors elects its own chairman and deputy chairman; the chairman and the deputy chairman must, however, be elected among the directors elected by the committee of representatives.

2) In its rules of procedure the board of directors lays down the rules that govern its conduct of business.

3) The board of directors forms a quorum when more than half of its members are present; however, half of the members elected by the committee of representatives must always be present in order for the board to form a quorum. Resolutions are passed by a simple majority of votes. In the event of equality of votes, the motion shall lapse. Minutes, which must be signed by all the members present, are to be kept of all business transacted by the board of directors.

The auditor's report is to be submitted to the board of directors for every meeting, and any additions to the minutes must be countersigned by all the board members.

4) The board of directors issues the general principles governing the management and operation of the cooperative bank and in a code of practice it lays down the scope of the executive board's power of disposal in all material areas of activity which do not call for the prior involvement of the board of directors.

### **The executive board**

**Article 18** 1) The executive board is employed by the board of directors and is responsible for the day-to-day management of the cooperative bank.

2) The executive board hires and dismisses the rest of the employees of the cooperative bank.

3) The executive board participates in the meetings of the board of directors unless matters involving personal affairs of the executive board are being discussed. The executive board has no voting rights.

### **Powers to bind the cooperative bank**

**Article 19** 1) The cooperative bank can be bound by the signatures of:  
Either two directors jointly

Or one director jointly with an executive officer  
Or by two executive officers jointly.

2) The board of directors may grant collective powers of procuration.

### **Audit**

**Article 20** The financial statements must be audited by a minimum of one auditing firm. The auditor/s elected must all be state-authorized and certified by the Danish Financial Supervisory Authority. The auditors must be elected by the members in general meeting.

### **Financial statements and appropriation of profit**

**Article 21** 1) The financial year is the calendar year. The income statement and balance sheet are to be published on the cooperative bank's website.

2) On the recommendation of the board of directors, the members in general meeting decide how to distribute the net profits for the year, having covered any losses from previous years. On the recommendation of the board of directors, the members in general meeting decide how to appropriate the amount available.

3) Profits and other reserves created up to 31 December 1998 are to be transferred to the free reserve fund. These funds must not be distributed to the members or transferred to the intrinsic-value adjustment fund.

4) Of profits created after 31 December 1998 an amount is to be transferred to an intrinsic-value adjustment fund. The amount is to be calculated as:

$$\frac{\text{Year's profits after tax} * (\text{year's average share capital} + \text{intrinsic-value adjustment fund at the beginning of the year})}{\text{year's total average equity excl. the results for the year}}$$

The average capital is to be made up as the average of the capital at the end of each quarter.

5) The remaining profit is to be transferred to the free reserve fund.

6) Losses, if any, are to be distributed according to the same guidelines as profits, see 4) and 5). As a result of the above, the balance in the intrinsic-value adjustment fund may become negative, meaning that the price of the shares will be under 100.

7) Alternatively, part of the remaining profits mentioned in 5) can be transferred to a special Merkur foundation, founded by the cooperative bank as an independent legal entity to cater for the common good.

### **Confidentiality**

**Article 22** Persons affiliated to the cooperative bank may not impart details to unauthorized persons about affairs brought to their knowledge as a result of their affiliation with the cooperative bank.

### **Liquidation**

**Article 23** If the cooperative bank is liquidated, its net worth (free reserve fund, see 3) and 5) of Article 21) must be appropriated for non-profit purposes at the discretion of the committee of representatives.

## **Transitional provisions**

**Article 24** 1) The board of directors has authority to amend and add to the articles of association as required by public authorities as a condition for its ratification.

2) Shares which, according to the articles of association in force until 14 April 2012, were designated A-shares will undergo the following procedure:

- 1) The A-shares will be converted into shares according to the present articles of association prior to 1 July 2012.
- 2) The conversion will occur at the price which, at the time of conversion, will be determined according to § 7
- 3) Share capital that does not merit at least one new share upon conversion, hereunder demergers, will be paid out in cash, unless the share holder wishes to pay the shortfall.

The above articles of association were adopted in Hjørring at the general meeting of Merkur, Den Almennyttige Andelskasse on 12 October, 1985, and following authorization amended by the board of directors on 26 October, 1986.

Subsequently amended at the AGM in Aalborg on 16 March, 1991, at the AGM in Aarhus on 26 March 1994, at the AGM in Lading on 5 April, 1997, at the AGM in Odense on 21 March, 1998, at the AGM in Copenhagen on 13 March, 1999, at the AGM in Copenhagen on 20 March, 2004, at the AGM in Aarhus on 12 March, 2005, at the AGM in Copenhagen on 18 March, 2006, and at the AGM in Copenhagen on 29 March, 2008.

The share capital in art. 4 has been updated to its actual value at the Boards meeting on 28 August, 2008.

The articles of association have subsequently been amended at the AGM in Odense on 28 March, 2009.

The articles of association have subsequently been amended at the AGM in Århus on 10 April, 2010.

The share capital in art. 4 has been updated to its actual value at the Boards meeting on 11 June, 2010.

The articles of association have subsequently been amended at the AGM in Copenhagen on 9 April, 2011, at the AGM in Aalborg on 14 April 2012, at the AGM in Odense on 13 April 2013 and at the AGM in Aarhus on 12 April 2014. The share capital in art. 4 has been updated to its actual value at the Boards meeting on 23 May, 2014.

The share capital in art. 4 has been updated to its actual value at the Boards meeting on 20 March, 2015.

The articles of association have subsequently been amended at the AGM in Copenhagen on 21 March, 2015.

The share capital in art. 4 has been updated to its actual value at the Boards meeting on 19 May, 2016.

The articles of association have subsequently been amended at the AGM in Copenhagen on 1 April, 2017.

The articles of association have subsequently been amended at the AGM in Copenhagen on 14 April, 2018.

The articles of association have subsequently been amended at the AGM in Copenhagen on 30 March, 2018.