

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

ARTICLES OF ASSOCIATION

Name and registered office

Section 1

Subsection 1

The name of the association is KommuneKredit. The association operates under the authority of Act no. 383 of 3 May 2006 on the credit association for municipal and regional authorities in Denmark.

Subsection 2

The association is also referred to as "Kreditforeningen af kommuner og regioner i Danmark" [the credit association for municipal and regional authorities in Denmark], and also does business as "KommuneLeasing" or "Kommune Leasing".

Subsection 3

The registered office of the association is in the municipality of Copenhagen.

Objects and Activities

Section 2

Subsection 1

The object of the association is to grant loans and financial leasing for public-sector purposes within the framework of the regulations on borrowing by municipal and regional authorities, including the associated financial services, cf. subsection 2, laid down by the Minister of Economic Affairs and the Interior.

Subsection 2

The financial services include:

- 1) hedging of loans by financial instruments,
- 2) consultancy services in connection with loans, financial leasing or derivatives hedging loans, and
- 3) custodian services for the bonds issued by the association.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Subsection 3

The association may offer the services mentioned in subsection 1 and 2 to:

- 1) municipal and regional authorities and local authority partnerships,
- 2) other municipal or regional objects for which the conditions pursuant to subsection 4 are satisfied.

Subsection 4

It is a condition for granting loans and financial leasing to other municipal and regional purposes pursuant to subsection 3(2) that one or more municipal or regional authorities guarantee the loan amount, or that the loan is granted to companies etc. whose articles of association stipulate that the participants are jointly and severally liable for the loans raised, and in which one or a number of municipal or regional authorities are partners or participants.

Subsection 5

The services mentioned in subsection 3 shall be offered in accordance with the EU's regulations on government aid.

Members

Section 3

Any municipal or regional authority having obtained a loan or entered into a leasing contract with the institution or liable for a loan or a leasing contract as provided in section 2 shall be a member of the association.

Section 4

The members shall be directly, jointly and severally liable for all obligations of the association.

Section 5

Subsection 1

A member shall resign from the association when

- 1) it has no loans outstanding with the association,
- 2) it has no leasing contracts with the association, or
- 3) it has no loans or leasing contracts as provided in section 2.

Resigning members shall not be entitled to claim any share of the assets of the association.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Subsection 2

However, a member may not be released from its obligations pursuant to subsection 1 until the financial statement for the year in question has been completed, audited and approved, and the municipal or regional authority in question has satisfied any joint and several liability on the part of such municipal or regional authority pursuant to the financial statement, unless it provides satisfactory security at the time of resignation.

Capital

Section 6

Subsection 1

The equity capital of the association may not at any time be less than one per cent of the total obligations of the association (equity capital requirement).

Subsection 2

If the equity capital is reduced to less than one per cent of the total liabilities of the association, the amount needed to restore the equity capital to a level satisfying the equity capital requirement shall, within a month of the reduction being discovered and following an assessment by the management board, be charged to the members by giving one month's notice.

Subsection 3

The assessments pursuant to subsection 2 shall be made proportionately to each member's direct obligations towards the association and guarantees and liabilities for obligations attributable to such member, in such a manner that the obligations are calculated according to the book value of each individual contract in Danish kroner according to the latest approved financial statement of the association, where the equity capital exceeded the minimum requirement.

Subsection 4

The amounts charged, including an interest rate to be approved by the Minister of Economic Affairs and the Interior, shall be repaid to the contributing members as soon as possible without reducing the equity capital to a level below the equity capital requirement, cf. subsection 1.

Section 7

The total obligations of the association, cf. section 6, shall be made up as the book value of the liabilities of the association, excluding its equity capital.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Board of Directors and Board of Management

Section 8

The association shall be headed by a board of directors and a management board.

Board of Directors

Section 9

Subsection 1

The Board of Directors consists of 10 members, of which two board members and their alternates must each be members of a regional council in a region that is a member of the association, six board members and their alternates must each be members of a municipal council of a municipality that is a member of the association, and two board members must be independent of the association.

Subsection 2

Board members and their alternates shall be elected for a term of four years.

Subsection 3

The term of office is calculated from 1 June of the year following the last regional and municipal council elections until 31 May of the year following the subsequent regional and municipal council elections.

Subsection 4

The Board of Directors has the overall management of the association's affairs and must ensure a sound organization of the association's activities.

Subsection 5

The Board of Directors must draw up a policy for the division of responsibilities between the Board of Directors and the Management Board in the association's main areas of activity.

Board elections

Section 10

Subsection 1

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

The eight board seats elected by members, cf. Section 9(1), are allocated to political parties according to the proportional representation method (d'Hondt's method) on the basis of the total votes for the most recent regional council elections, for the board members elected by the regions, and the most recent municipal council elections, for the board members elected by the municipalities, in the regions or municipalities that are members of KommuneKredit.

Subsection 2

For the purposes of these articles, political parties shall mean parties which have been given a letter designation by the Minister for Economic Affairs and the Interior in recent regional and municipal council elections.

Subsection 3

Following the holding of regional and municipal council elections, the Chairman of KommuneKredit asks the Chairman of the Danish Regions and the Chairman of Local Government Denmark (LGDK) respectively to arrange for the election of the two and six board members and alternates in accordance with subsections 1 and 2. The Chairman of the Danish Regions and the Chairman of LGDK will announce the result to the Chairman of the Board of Directors of KommuneKredit no later than 1 May of the year following the regional and municipal council elections.

Subsection 4

If, on entry into the Board of Directors, an elected board member is not a member of a municipal or regional council of a municipality or region that is a member of the association, so that the board member no longer performs the duties which were the basis for joining the Board of Directors, the alternate shall replace him or her. The same applies if, upon taking office, an elected board member has resigned from the party which elected him or her to the Board of Directors. If the alternate cannot join the Board of Directors for one of the same reasons, a new board member and an alternate shall be elected in accordance with the rules laid down in subsections 1 to 3.

Subsection 5

The electoral procedure under this provision presupposes at all times that all members of KommuneKredit are members of the Danish Regions and LGDK respectively.

Section 11

Subsection 1

In addition to the members elected under section 10, the Board of Directors elects two members who are independent of the association. These two members shall possess qualifications in accounting, auditing, financial or risk management.

Subsection 2

The terms of office of the independent members are staggered so that an independent member is elected every two years. One independent member is elected by the Board of Directors before 1 June of the year following the last regional council and municipal elections. The term of office of this member thus follows

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

the term of office of the rest of the Board of Directors, pursuant to Section 9(3). The second independent member takes office two years after the start of the term of office of the rest of the Board of Directors, pursuant to Section 9(3), and must therefore be elected by the Board of Directors before 1 June of that year.

Subsection 3

The re-election of the independent directors may take place once.

Subsection 4

If one of the independent members resigns from the Board of Directors, the Board of Directors shall elect a new member for the remainder of the outgoing member's term of office. The choice shall be made in accordance with the guidelines laid down in subsection 1.

Section 12

Subsection 1

The Board of Directors lays down detailed rules for the process of board elections, cf. Sections 10 and 11.

Section 13

Subsection 1

During the term of office, the alternate shall join the Board if:

1. the board member is no longer a member of a municipal or regional council as specified in Section 10(4), subject, however, to subsection 3 of this provision;
2. the board member resigns from the party which elected him or her to the Board of Directors, as specified in Section 10(4);
3. the board member resigns from the Board of Directors;
4. the board member dies.

Subsection 2

Where, in the cases referred to in subsection 1, the alternate is prevented from joining or if the alternate has resigned from the party which elected him or her to the Board of Directors, a new board member and an alternate shall be elected for the remainder of the term of office. However, where this period does not exceed one year, the Board of Directors may decide that by-elections shall not take place.

Subsection 3

However, if, between 1 January and 31 May of the year following the last held regional and municipal council elections, a board member or his or her alternate is no longer a member of a regional or municipal council as specified in Section 10(4), the board member/alternate may hold his or her position on the board during that period.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Chairman of the Board of Directors

Section 14

In the first board meeting, held after new elections, the Board of Directors shall elect a chairman and a vice-chairman. Until then, the former Chairman or Vice-Chairman shall remain in place, provided that one of these have been re-elected; if not, the board member with the highest seniority or, if several board members have the same seniority, the oldest of these. In the case of a parity of votes the election shall be decided by lot.

Board Meetings

Section 15

Subsection 1

Ordinary board meetings shall be held no less than four times annually.

Subsection 2

Any proposals which the board members wish to submit for treatment by an ordinary board meeting shall be received by the chairman of the board of directors no later than eight days before such meeting.

Section 16

Subsection 1

The board of management shall present its report on the activities of the institution during the past financial year as well as the financial statement with the auditors' recommendation for approval by the board of directors at an ordinary board meeting before the expiry of the month of March.

Subsection 2

After the approval, the financial statements shall be forwarded to the Minister of Economic Affairs and the Interior and to the members of the association.

Section 17

Extraordinary board meetings shall be held at the request of the chairman of the board of directors, a member of the management board, at least three members of the board of directors or one of the elected auditors.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Section 18

Subsection 1

The board of directors shall constitute a quorum when at least half of the members are present and participate in the vote. Each board member shall have one vote.

Subsection 2

Resolutions shall be adopted by simple majority of votes.

Subsection 3

In case of parity of votes, the chairman, or in his/her absence the vice-chairman, shall have the casting vote.

Section 19

The board of directors shall keep a minute book of the business transacted, to be signed by the members of the board of directors.

Section 20

The members of the board of directors shall receive a remuneration to be approved by the Minister of Economic Affairs and the Interior.

The Management Board

Section 21

Subsection 1

The board of directors shall appoint a management board to be in charge of the daily management of the association, cf. section 9, subsection 2.

Subsection 2

The amounts of salaries and pensions paid to the members of the management board shall be determined by the board of directors.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

The Power to Bind the Association

Section 22

Subsection 1

The association shall be bound by the joint signatures of the chairman or the vice-chairman of the board of directors and a member of the management board, or by the joint signatures of two members of the management board.

Subsection 2

In addition, the association shall be bound by the joint signatures of a member of the management board and an employee duly authorised for that purpose by the chairman of the board of directors, or of two employees duly authorised for that purpose by the chairman of the board of directors.

Annual Report and Audit

Section 23

Subsection 1

The financial year of the association shall be the calendar year.

Subsection 2

The annual report of the association shall be audited pursuant to the legislation in force by no less than two auditors. The board of directors shall elect one or two auditors who shall be state-authorised public accountants, and the Minister of Economic Affairs and the Interior shall elect an additional auditor.

Subsection 3

The annual report shall include the following items:

- 1) a profit and loss account,
- 2) a balance sheet,
- 3) the endorsement of the board of directors and the management board,
- 4) notes, including an account of the accounting policies applied and an outline of the equity capital movements, and
- 5) the auditors' opinion.

Subsection 4

A copy of the annual report shall be submitted to the Ministry of Economic Affairs and the Interior.

Section 24

The amount whereby the revenues exceed the costs at the annual closing of the accounts after the necessary pension provisions have been made shall be allocated to the reserves of the association, as the board of directors may decide.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Supervision

Section 25

The Minister of Economic Affairs and the Interior shall be the supervisory authority of the association.

Cessation

Section 26

If the Minister of Economic Affairs and the Interior deems the creditors' security to be materially diminished, and the association has not, before the expiry of a deadline imposed by the Minister of Economic Affairs and the Interior, taken the necessary remedial measures, the Minister of Economic Affairs and the Interior shall be entitled to discontinue the activities of the association or to arrange for administration of its estate.

Section 27

In case the association ceases its business activities, any reserves not allocated to pension purposes shall, after all claims against the association have been settled, be applied as the board of directors may decide. The manner of application shall be approved by the Minister of Economic Affairs and the Interior.

Amendment of the Articles of Association

Section 28

Any decision to amend the articles of association shall be made by the board of directors. Such amendments shall not be valid until they are approved by the Minister of Economic Affairs and the Interior.

The Articles of Association were translated in full by a State Authorised Translator in 2007. Later changes have been translated by KommuneKredit, most recently on 3 February 2022. In the event of disagreement between the original and the translation the original text in Danish shall prevail.

Entry into force

Section 29

The present articles of association shall enter into force on 10 December 2019. At the same time, the former articles of association, which were last amended on 25 March 2015, shall be abrogated.

Approved by the Board of Directors at the board meeting on 2 December 2021.

Approved by the Minister of Industry, Business and Financial Affairs on 2 February 2022.

(Ministry supervision for KommuneKredit was transferred to the Ministry of Industry, Business and Financial Affairs by royal decree on 27 June 2019.)