

## ***Report of the Management Board to the Annual General Meeting regarding the proposed authorisation of the Management Board under agenda item 9 to issue profit-participation certificates and other hybrid debt securities with conversion rights, and with the possibility to exclude pre-emptive subscription rights in accordance with section 221 (4) sentence 2 in conjunction with section 186 (4) sentence 2 of the AktG***

The Management Board and Supervisory Board propose that the Annual General Meeting pass a resolution on an authorisation for the issue of profit-participation certificates and other hybrid debt securities, in each case with conversion rights or obligations, and on the creation of a Conditional Capital 2023. The authorisation passed by the Annual General Meeting held on 22 May 2019 (with reduction in Conditional Capital in 2019 and a corresponding amendment to the Articles of Association by the Annual General Meeting on August 31, 2022) on the issue of profit-participation rights with or without conversion rights and on the exclusion of pre-emptive subscription rights shall be replaced by a new authorisation relating to the issue of profit-participation certificates and other hybrid debt securities with conversion rights. In addition, the authorisation to issue such instruments without conversion rights/obligations is proposed in agenda item 10 of the General Meeting on 10 August 2023. Within this context, the existing Conditional Capital 2019 is to be cancelled and replaced by a Conditional Capital 2023 in the amount of 50 per cent (50%) of the share capital.

### ***Regarding the authorisation***

Adequate equity or capital is a key prerequisite for the successful development of the Company's business in future. In addition to the traditional options for raising capital, the issue of profit-participation certificates and other hybrid debt securities (with conversion rights) offers the possibility of utilising attractive financing alternatives on the capital market in the given market situation and of covering any future requirements the Company may have as regards regulatory capital. In order to be able to meet this objective set by the Company of strengthening the Company's regulatory capital base by issuing profit-participation certificates and other hybrid debt securities, the profit-participation certificates/other hybrid debt securities have to be structured in such a way that they are eligible as regulatory capital in accordance with the legal provisions that apply at the time they are issued.

Even though the Company's own funds are currently adequate, it is important that it has the necessary freedom to obtain further funds at any time in response to the market situation, also in order to meet any additional capital adequacy requirements imposed by regulators. The present authorisation will put the Management Board in a position to respond flexibly for the good of the Company. At the same time, the issue of profit-participation certificates and other hybrid debt securities will be appropriately limited from the start, with a maximum total nominal amount of € 1.000,000,000.00 and a maximum subscription of 29,928,610 no-par-value bearer shares (or no-par value registered shares) in the Company. The nominal amounts of convertible bonds, profit-participation certificates and other hybrid debt securities issued under other authorisations in accordance with section 221 of the AktG, during the validity of this authorisation, shall count towards the upper threshold of € 1.000,000,000.00.

The proposed authorisation to attach conversion rights to the profit-participation certificates and other hybrid debt securities, and also to establish conversion obligations, expands the scope available for structuring this financial instrument. These profit-participation certificates and other hybrid debt securities featuring the company's conversion rights or the company's

right to exchange for shares shall be referred to in the proposed authorisation and in this report as “**convertible debt securities**”. In particular, the authorisation allows the Company to select the various structuring options provided by the Capital Requirements Regulations (CRR) for Additional Tier 1 capital instruments depending on the market conditions prevailing at the time of issue. For instance, a complete or partly conversion obligation may be provided for in the event that the Bank falls short of certain capital ratios or other financial performance indicators defined in the terms of convertible debt securities, if conversion is required, in the opinion of the Company's Management Board and Supervisory Board, to safeguard the Company's continued existence; or if conversion is instructed by a supervisory authority within the scope of its powers (“**event-related conversion obligation**”). In this respect, the authorisation amount and the conditional capital designed to cover this amount must be set in such a way that sufficient funds are available for the Company's recapitalisation even in such cases.

In these cases of an ad-hoc conversion obligation, the lower limit for the applicable conversion price shall be 50 per cent of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding occurrence of the ad-hoc conversion obligation. In this way, the dilutive effect of an obligatory ad-hoc conversion – which may be implemented only if capital ratios or other financial performance indicators fall below certain levels, if required to safeguard the Company's continued existence or if ordered by a supervisory authority within the scope of its powers – is appropriately restricted. Thus, even in this case, there is no undue dilution of the shareholders' shares. Otherwise, the conversion price to be determined in each case must – even in the case of a variable conversion ratio or a variable conversion price – be equivalent to either at least 80 per cent of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding the Management Board's resolution to issue the convertible debt security or at least 80 per cent of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on those trading days of the Frankfurt Stock Exchange on which the subscription rights to the convertible bond are traded (with the exception of the last two days of subscription rights trading).

The authorisation also grants the Company the necessary flexibility to respond to the market situation and to place the profit-participation certificates and other hybrid debt securities either in Germany or internationally, and either in its own right or through companies in which it either directly or indirectly has a majority interest. The profit-participation certificates and other hybrid debt securities may be issued in euros or in any other legal currency of an OECD member state, and may have a limited or unlimited term.

The sum of the shares to be issued in order to service conversion or option rights or conversion obligations arising from profit participation certificates or hybrid bonds issued pursuant to this authorization may not exceed an amount of the share capital of € 89,785,830 (corresponding to approximately 50 per cent (50%) of the current registered share capital), taking into account the shares issued during the term of this authorization.

The proposed term of the authorisation until 9 August 2028 is in accordance with the limitations prescribed by applicable law.

## ***Re pre-emptive subscription rights, exclusion of pre-emptive subscription rights***

As a general rule, shareholders must be granted pre-emptive subscription rights to the profit-participation certificates and other hybrid debt securities. In compliance with customary placement practices, the profit-participation certificates and other hybrid debt securities may also be subscribed by one or more banks or other companies within the meaning of section 186 (5) sentence 1 of the AktG, subject to the obligation that they are offered to the shareholders for subscription, thus granting the latter a so-called indirect subscription right in such cases ("**indirect subscription right**").

In the case of indirect issues of profit-participation certificates and other hybrid debt securities by companies in which the Company either directly or indirectly has a majority interest (hereinafter "**subsidiaries**"), the Company must ensure that the profit-participation certificates and other hybrid debt securities issued by the subsidiaries are offered to the Company's shareholders for subscription. The only case in which this does not apply is when the shareholders' statutory pre-emptive subscription rights are excluded by means of this authorisation. This enables the Company to organise the indirect issue of profit-participation certificates and other hybrid debt securities in an efficient manner, preserving the interests both of the Company and its shareholders, without unduly restricting the pre-emptive subscription rights of the latter. In this context, the shareholders' (direct) subscription rights against the Company are either replaced by comparable rights or excluded in compliance with legal provisions by means of the exclusion options described below.

In addition, the Management Board may, subject to approval by the Supervisory Board, exclude the pre-emptive subscription rights of its shareholders in the following ways:

The exclusion of subscription rights for fractional shares enables the requested authorisation to be utilised for rounded amounts and simplifies management of the capital measure. The fractional shares excluded from the shareholders' subscription rights will either be sold in the market, traded on the stock exchange or otherwise disposed of in the best interests of the Company.

Further, the Management Board is to be given the option, subject to approval by the Supervisory Board, of excluding the pre-emptive subscription rights of shareholders in order to grant the holders of earlier-issue profit-participation certificates or debt securities carrying option or conversion rights or conversion obligations, subscription rights to the extent to which they would be entitled following exercise of their conversion or option rights or after fulfilment of their conversion obligations. The option and conversion conditions generally contain clauses serving to protect the holders or creditors of option or conversion rights against the effects of dilution, thus facilitating the placement of these instruments in the market. A pre-emptive subscription right for the holders of existing option or conversion rights makes it possible, in the event the authorisation is exercised, to prevent the option or conversion price for holders of existing conversion or option rights from being reduced in accordance with the terms and conditions of the option or conversion or the Company from having, where applicable, to grant some other form of protection against dilution. This permits a higher issue price for the no-par value bearer shares to be issued upon conversion or option exercise. Since the exclusion of shareholder's pre-emptive subscription rights facilitates placement of the issue, it serves the shareholders' interest in achieving an optimum corporate financial structure.

Furthermore, the Executive Board is to be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights if the profit participation rights or hybrid bonds are structured in a manner similar to obligations and their issue price essentially corresponds to the market conditions prevailing at the time of issuance for comparable issues. Profit participation rights or hybrid bonds are structured in a manner similar to obligations if (i) they do not give rise to subscription or conversion rights on shares, (ii) do not grant any participation in the liquidation proceeds, and (iii) the amount of their interest is not based on the amount of the company's net income, retained earnings or dividend. The exclusion of subscription rights grants the company the flexibility required to take advantage of favorable capital market situations in the short term. Otherwise, there would be a corresponding interest rate risk between the stipulation of the conditions required at the beginning of the subscription period and the expiry of the subscription period. If market interest rates rise within the subscription period, the subscription rights would not be exercised or would only be exercised to a small extent. A subsequent placement of the unsubscribed profit participation certificates or hybrid bonds would not be guaranteed due to the conditions that would then be far from the market. In the event of falling market interest rates, the conditions for raising funds at the time of issue would also no longer be in line with the market. An interest rate above the market level would have to be paid for the entire issue. In the case of such an exclusion of subscription rights, the yield on the profit participation certificates or hybrid bonds must also correspond to the current market conditions for comparable borrowings. Consequently, subscription rights have no value of their own. Therefore, the shareholder does not suffer any economic disadvantage as a result of the exclusion of subscription rights. In these cases, the exclusion of subscription rights does not lead to a relevant encroachment on the rights of shareholders.

Furthermore, the Management Board is to be authorised to exclude, subject to approval by the Supervisory Board, shareholders' pre-emptive subscription rights if convertible debt securities are issued if the issue price is not significantly lower than the theoretical market value of the convertible debt securities as determined in accordance with recognised financial calculation methods. In analogous application of section 186 (3) sentence 4 of the AktG, however, the exclusion of pre-emptive subscription rights is possible only insofar as the value of the shares issued upon exercise of the conversion rights or fulfilment of the conversion obligations does not exceed ten per cent of the Company's registered share capital. This threshold also includes any shares that were issued or sold during the term, and prior to the exercise, of this authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG, by virtue of other authorisations granted to the Management Board for the issue or sale of shares, or based on resolutions passed by an Annual General Meeting. Said ten-per cent threshold shall also include shares the issuance of which is required under the terms of debt securities with embedded conversion or option rights on shares that are issued, during the validity of this authorisation, pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' subscription rights), which were (or may be) issued. These inclusions ensure that no convertible debt securities are issued if this would result in the exclusion – without objective grounds – of shareholders' pre-emptive subscription rights in direct or analogous application of section 186 (3) sentence 4 of the AktG for an amount exceeding ten per cent of the registered share capital. This additional restriction is in the interest of shareholders, who wish to retain, to the greatest extent possible, their existing stakes when capital measures are implemented. On the other hand, the possibility of excluding shareholders' pre-emptive subscription rights grants the Company the flexibility to respond quickly to favourable situations

in the capital markets. If pre-emptive subscription rights are excluded in this way, the analogous application of section 186 (3) sentence 4 of the AktG results in the requirement that the issue price of the convertible debt securities should not be significantly below market value. To fulfil this requirement, the issue price must not be significantly lower than the theoretical market value of the convertible debt securities as determined in accordance with recognised financial calculation methods. In this way, it is ensured that the shareholders are protected against dilution of their shareholdings and suffer no economic disadvantage from the exclusion of their pre-emptive subscription rights. After all, the fact that the authorisation states that the issue price of the convertible debt securities must not be significantly lower than the theoretical market value means the value of the pre-emptive subscription rights is virtually zero. Shareholders wishing to maintain the level of their stake in the Company's registered share capital or to acquire convertible debt securities matching that stake can achieve their objectives through purchases in the open market. Furthermore, subject to approval by the Supervisory Board, the Management Board shall be authorised to exclude fractional amounts from the subscription right. Any such fractional amounts may result from the relevant issue volume and the need for a practicable subscription ratio. In these cases, the exclusion of pre-emptive subscription rights makes the capital measure easier to handle.

If these authorisations are exercised, the Management Board will report on this at the next Annual General Meeting.

## Conditional Capital

The purpose of the proposed Conditional Capital 2023 (in the amount of € 89,785,830 corresponding to ca. 50 per cent (50%) of the current registered share capital) is to service the conversion rights associated with the convertible debt securities – or to fulfil the conversion obligations – for shares in the Company, except insofar as treasury shares are utilised or cash compensation granted based on a separate authorisation by the Annual General Meeting. The Conditional Capital 2023 is also intended to finance the issue of shares to the extent that the Company makes use of alternative performance.

Upon request, the report will be sent to each shareholder immediately and free of charge.

Wiesbaden, June 2023

The Management Board