Keppel REIT

(Constituted in the Republic of Singapore pursuant to
a trust deed dated 28 November 2005 (as amended))

SIAS-Keppel REIT Dialogue Session on the Acquisition of an Additional One-Third Interest in Marina Bay Financial Centre Tower 3 held on 30 December 2025, 4.30 p.m.

Transcript of the Question & Answer Session

HY: Chua Hsien Yang, Chief Executive Officer, Keppel REIT Management Limited (KRML)

SS: Sebastian Song, Chief Financial Officer, KRML

DG: David Gerald, Founder, President and Chief Executive Officer, Securities Investors Association (Singapore)

DG: What is the impact of this acquisition on retail investors, and will there be a short term DPU dilution?

HY: We have disclosed that this deal will not be immediately DPU accretive but as mentioned in our presentation, this is a strategic acquisition and we have good visibility on the performance of this particular asset.

Just to provide more context, the current average rent rate at the Marina Bay area is $13.49 psf. The current passing rent for this building is approximately $12+ psf so there is rental uplift potential.

As at 3Q 2025, the signing rent is already higher than the passing rent level required for the acquisition to be DPU neutral (assuming an asset level interest rate of 2.2% per annum) but below the average Marina Bay rent. Over time, as and when the leases come up for renewal, we will be able to renew them at a higher rate. We believe that this deal will be accretive over time.

As mentioned in our presentation, there is no new land released in the Central Business District (CBD) by the Singapore Government so far, and any construction will take at least five years to build. The Singapore economy is expected to continue to remain strong, and we believe that this asset will continue to perform very well.

Furthermore, the pro forma numbers have not included the contribution from the retail asset we bought in Sydney (Top Ryde City Shopping Centre[1]). The Manager is committed to continue working our assets hard to grow DPU for Unitholders in the long term.

[1] The acquisition of 75% interest in Top Ryde City Shopping Centre was completed on 19 December 2025.

DG: Could the Manager share the strategic and investment considerations behind exercising the pre-emptive offer on MBFC Tower 3, as opposed to MBFC Towers 1 and 2 and One Raffles Quay?

HY: The pre-emptive notices served by Hongkong Land on 21 November 2025 required us to complete the deal on 31 December 2025. In this instance, we are using an Equity Bridge Loan (EBL) to temporarily fund the acquisition before the proceeds of the preferential offering come in.

We could not have acquired any more than MBFC Tower 3. With just this acquisition, it will bring our pro forma aggregate leverage up to 49.9% with the EBL, which is just below MAS' limit of 50%. As much as we would have liked, as these are good assets, we could not acquire more. Hence, we had to let the offers for MBFC Tower 1, Tower 2 and One Raffles Quay lapse.

We could have chosen the other assets but we believe that Tower 3 is a very good asset, with DBS as a key tenant. DBS is a strong name in Singapore as well as a globally recognised financial institution with an investment-grade credit rating. The presence of DBS provides income security and portfolio resilience.

DG: Should the pro forma DPU of 4.42 cents be compared on a like-for-like basis with the FY2024 actual DPU of 5.60 cents, and if so, how should the resulting variance be interpreted?

SS: We have provided the guidance on how to interpret the DPU impact in our announcements and presentation slides. The pro forma DPU impact is compared against an adjusted FY2024 DPU of 4.72 cents.

We took the actual FY2024 DPU of 5.60 cents and adjusted it for the current management fee payment structure that has been in place since early this year, and excluded the Anniversary Distribution, which will end after the payment for the 1H 2027 distribution. This comparison is most reflective of the portfolio's operating performance.

To further elaborate on the interest rate assumptions, the weighted average cost of debt of the portfolio was about 3.45% per annum for the nine months ended on 30 September 2025, whereas the interest rate assumptions of 3.3% and 2.2% per annum apply only to this asset.

The blended interest cost of 3.3% per annum is based on the average of the two interest rates for the existing debt and the incremental debt. For the scenario where we assume the interest rate of 2.2% per annum, it assumes the existing debt is refinanced at 2.2% interest rate per annum, which is the prevailing market rate that we would have obtained for the new debt currently.

DG: How would the Manager address the perspectives of long-term Unitholders who have expressed concerns about the alignment of this acquisition with Unitholders' interests?

HY: Keppel holds about 37% stake in Keppel REIT. Assuming today's (30 December 2025) unit price of 97 cents, Keppel's stake amounts to about $1.45 billion. Therefore, they will want Keppel REIT to succeed, as a higher unit price is better for Keppel as well. There is alignment between Keppel, the long-term Unitholders and us, as the Manager.

Total shareholder returns and relative total shareholder returns are key components of management's long term incentive plans. If we did not think this was beneficial for the REIT in the long term, we would not have done it. We seek Unitholders' patience while we bring down the interest costs and for the leases to come up for renewal. Given that there is no new supply in the CBD over the next few years, it is unlikely that the rental rates will come down, and demand is expected to continue to be strong. Assuming the market continues to move along as we have seen in the past few years, the rental rates are expected to go up. This is something we firmly believe in. It is a matter of time before we catch up to the market rate.

DG: Could the Manager elaborate on the review and approval process undertaken by the independent directors for this transaction? In evaluating the acquisition, how did the independent directors consider the expected DPU impact and the balance between market-driven factors and manager-led initiatives in supporting future performance?

HY: Just to clarify, this is not an interested party transaction. This acquisition was presented to the entire Board for consideration, which is predominantly independent. The transaction was reviewed based on our usual acquisition process. It received support from the Board based on merits which cover the quality and performance of the asset, and the strength and potential of the market that the asset is located in.

This is a highly strategic opportunity for Keppel REIT to deepen its ownership in MBFC Tower 3. It is in a tightly held market with no upcoming new office supply in the next few years. Such opportunities are very rare and we have not seen transactions of such nature in Singapore for a long time.

Singapore is also an investment market of choice for many investors, further reinforcing the attractiveness of this transaction. This transaction will also raise our portfolio exposure in Singapore and aligns with our strategy to focus on key markets and premium locations.

While this is not immediately DPU accretive, we are acquiring an additional one-third interest in MBFC Tower 3 at about 1% below the independent valuation and there is strong potential for us to enjoy both income and capital appreciation over the next few years, especially given the favourable demand-supply dynamics.

Lastly, the current passing rent is about 10% below Marina Bay's average rent of S$13.49 psf. Given the continued strong performance in the market with rents growing, and coupled with a lower interest rate environment, the contribution to DPU should increase over time.

DG: Could the Manager clarify the rationale for charging acquisition fees for this transaction, and how this was evaluated relative to the scale and nature of the acquisition? Has the manager considered any fee adjustments to further align interest with Unitholders?

HY: We believe this asset will continue to create long term sustainable value for Unitholders. The acquisition fee that we are charging is in accordance with the provisions of the Trust Deed and aligned with past acquisitions.

This is an arm's length, third party transaction and we have put in a lot of resources to bring this to the table within a short period of time. As such, an acquisition fee would be appropriate if this transaction completes.

To recap, this is a quality asset with strong potential for further rental upside. We will continue to work to push up the rental rates in alignment with the market for this asset. We believe that increasing our stake in MBFC Tower 3 will deepen our exposure to the core MBFC area, and enhance the quality of the overall portfolio, benefitting Keppel REIT and its Unitholders over the longer term.

In terms of the management fees related to this acquisition, we will be receiving them entirely in units. In doing so, the Manager's interest is aligned with Unitholders as we work towards optimising the capital value and the operational performance of the asset.

DG: Could the Manager have recycled capital through divestments for this acquisition to reduce dilution from raising equity?

HY: If we had the benefit of time, that is something we could have done. However, we only had 20 calendar days to respond to the pre-emptive offer notices. There was no way we could have sold any asset within that limited time period. Therefore, considering the REIT's capital structure, we decided to fund the acquisition via 60% equity and 40% debt. Following this, the focus for 2026 will be on divestments to bring down aggregate leverage.

DG: You have mentioned that the current average rent for MBFC Tower 3 is 10% below the Marina Bay average, how does management plan to leverage on this and other areas to improve the returns from this acquisition?

HY: There are three key strategies that we will be adopting. Firstly, it is through rental rates. As MBFC Tower 3's passing rent is about 10% below the Marina Bay average rent, we expect positive rental reversions as the leases come up for renewal.

As mentioned, the 3Q 2025 signing rent is close to the breakeven passing rent. The key thing to highlight is that the breakeven passing rent is not unreachable for us as we have already achieved rentals above that. To provide further context, about 30% of the leases will be due for renewal in the next two years, creating potential for rental uplift.

Our second strategy is on achieving tax transparency. Following completion, one of our first tasks is to convert the entity to a limited liability partnership (LLP) whereby we can get tax transparency for MBFC Tower 3, allowing us to unlock savings of $8m to $10m per annum for our two-third stake.

We have commenced discussions with DBS, our co-owner, and are confident to proceed with the LLP conversion process as soon as possible after completion. The application is expected to take approximately 6 months.

Our last strategy is to look at lowering our leverage and interest costs. As mentioned earlier, we will be looking at divestments. Additionally, the pro forma aggregate leverage has not factored in the Top Ryde City Shopping Centre transaction, hence actual aggregate leverage would be lower than pro forma. As the interest rate environment is expected to improve, we will continue to actively manage our debt profile to achieve lower interest costs whilst maintaining a prudent approach.

DG: How sustainable are rental increases amid regional competition, changing office demand and geopolitical tensions, what is your take on this?

HY: Tenants do not usually compare Singapore to its neighbouring countries. If a company needs an office in Singapore, they will not go to another country just for cheaper rents as Singapore is the hub for Southeast Asia and it will continue to be.

The key thing which affects rental rates would be supply. As highlighted earlier, there is no new supply in the CBD over the next few years. The positive economic outlook currently would also potentially translate to higher rental reversions. Additionally, the lower interest rate environment helps by reducing funding costs for both investors and firms seeking office expansion here in Singapore.

Average vacancies for core CBD Grade A office properties have tightened from 6.6% (in 3Q 2024) to 5.1% (in 3Q 2025) and this property stands to benefit as it is in the best part of the Singapore core CBD.

In Singapore, land is controlled by the Government. If the Government does not release land, supply in the core CBD market will not increase.

DG: There has been a drop in share price after the acquisition and fund-raising announcements. Do investors need to worry?

HY: We cannot control the market, but the Management team is committed to continue delivering strong dividends for investors. There are a lot of retirees that depend on our distributions, and we are conscious of this. We will commit to ensuring that their interests are safeguarded.

DG: You have articulated the merits of this acquisition quite well. However, to make an informed decision, we need to know if the Manager has considered the risks adequately for this acquisition? What are the measures taken to mitigate the risks, if any?

HY: Key risks include macroeconomic uncertainties caused by geopolitical issues, which we are monitoring closely. However, coming back to Singapore, unless something catastrophic happens, the office market fundamentals remain robust as there is no new upcoming supply.

Interest rates are also something that affect REITs. Given that our loan for this asset was last locked in during the peak of the interest rate cycle, the downside risk is quite low. In fact, there are upside potentials from refinancing and the lease expiries coming up in the next few years.

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