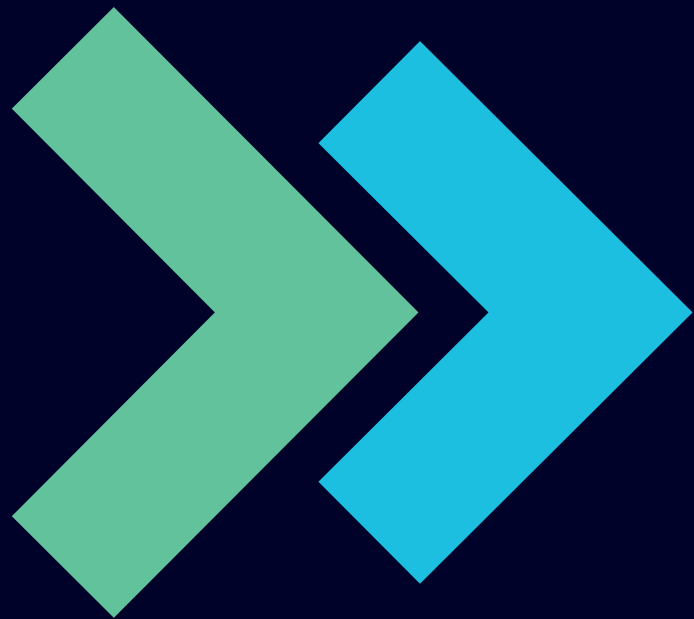


**SIEMENS**



**SIEMENS BANK GMBH**

**Annual Report**  
**2023**

# Editorial



**Siobhan Smyth**  
Chief Executive Officer PS Business  
Chairwoman  
Management Board



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**Dr. Ingeborg Hampl**  
Chief Risk Officer  
Member  
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**Dr. Christoph Baumgarten**  
Chief Financial Officer  
Member  
Management Board

Dear Readers,

On behalf of Siemens Bank, it is with great pleasure that we present our Annual Report for 2023.

In a world marked by geopolitical and macroeconomic uncertainties, Siemens Bank has remained resilient. One of our key accomplishments during this period has been the further development of our portfolio. We have leveraged our expertise and market presence to strengthen our position in existing and new asset classes and sectors, ensuring that we remain at the forefront of innovation and market trends. We have actively pursued opportunities in growth areas such as Solar PV, Batteries and Gigafactories, Data Centers, and combined renewables and energy storage solutions. This strategic expansion has allowed us to diversify our portfolio and create new avenues for sustainable growth.

A deep commitment to sustainability is ingrained in Siemens Bank's market approach. We have integrated Environmental, Social, and Governance (ESG) aspects into our risk analysis and reporting. Our dedication to sustainability, however, extends beyond mere compliance; it is a fundamental aspect of our business strategy and we are actively pursuing business and developing

our portfolio in the fields of the three core Siemens sustainability themes of decarbonization and energy efficiency, resource efficiency and circularity, as well as people-centricity and societal impact. By that, we strive to create a positive and lasting impact on the world around us.

As an integral part of the Siemens family, Siemens Bank has not only fulfilled its role in supporting Siemens and its customers, but has also further developed its relationships within the financial and banking market to build an ecosystem for further value creation.

We would like to thank our employees for their ongoing contribution as well as our customers and business partners for the fruitful collaboration and for continuing to place trust in Siemens Bank.

Siemens Bank GmbH  
Management Board

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This version of the annual financial statements and the management report of Siemens Bank GmbH, Munich, has been prepared for the convenience of English-speaking readers and is a translation of the German original. For purposes of interpretation, the German text shall be authoritative and final.



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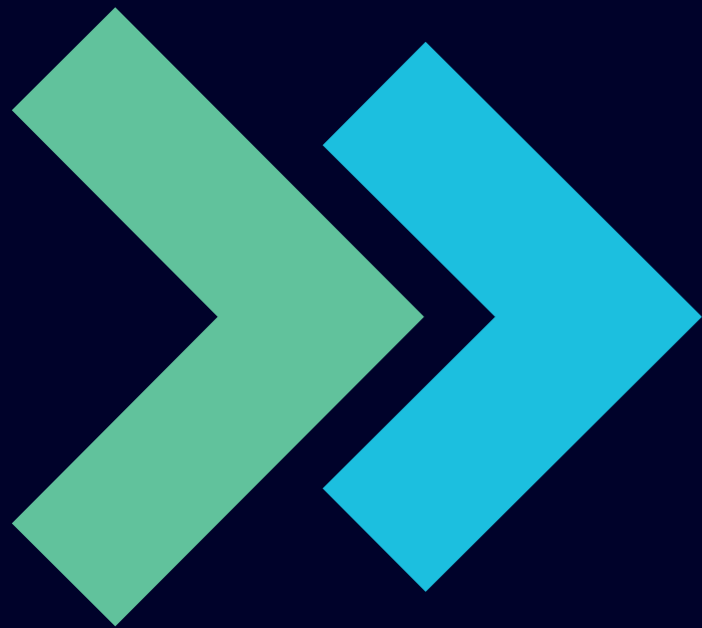
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# Management report

of Siemens Bank GmbH, Munich,  
for the period from October 1, 2022  
to September 30, 2023



## 1 Business performance overview

### 1.1 Business activities of Siemens Bank GmbH

Siemens Bank GmbH, Munich, (hereinafter: Siemens Bank) is part of the Financial Services unit of the Siemens Group. Through the business activities of Siemens Bank, Siemens AG, Berlin and Munich (hereinafter: Siemens AG), as the sole shareholder of Siemens Bank, broadened the range of its sales-financing products in its Financial Services unit, increasing flexibility in Group finance and optimizing its risk management.

The Siemens Bank business model consists of four business segments:

- » Lending and guarantee business: The core business “Project and Structured Finance” focuses on the provision of medium- to long-term financing for corporate clients, project companies and public-sector borrowers. The product portfolio currently comprises, in particular, corporate loans, project finance, and revolving loan facilities. Siemens Bank operates in both the primary market and the secondary market for loans. Guarantees are issued in particular in the context of syndicated project financing, but are currently not a significant element of the portfolio.
- » In fiscal 2022/2023, operations started in the new business segment “Extended Payment Terms” (EPT), which offers payment term extensions within the scope of receivables purchases for customers of Siemens units and of partners from the Siemens business ecosystem.
- » Deposit and treasury business: The deposit business focuses on the receipt and investment of overnight money and time deposits from companies within the Siemens Group and selected third-party institutions. The treasury business encompasses Group financing activities and asset liability management, including the management of a portfolio of highly liquid assets. Asset liability management ensures that the lending business is funded by equity and deposits.
- » Fee business: Key resources for managing financial risk and processing financial transactions in the Siemens Group are pooled within Siemens Bank. These resources not only support the Bank’s own banking operations, but are also offered to Siemens AG, its subsidiaries, and selected third parties.

Siemens Bank does not undertake retail banking or maintain a trading book.

### 1.2 Economic environment

In its lending business, Siemens Bank offers its products primarily to customers in Europe, the Middle East, Asia and Australia. Given this strategic focus, economic trends in these regions have a special significance for the business performance of Siemens Bank. As a large part of Siemens Bank’s lending portfolio is denominated in U.S. dollars, economic development in the U.S. is important for Siemens Bank.

The global economy grew moderately in fiscal 2022/2023. The restrictive monetary policies pursued by many economies, geopolitical risks and the economic contraction in China dampen the outlook. Whilst at the end of 2022 a recession had still been forecast for Europe and the U.S. for 2023, economic development in the advanced economies proved to be robust, in particular in the U.S. Global economic dynamics initially picked up at the beginning of 2023 in view of China’s abandonment of its zero-Covid strategy, diminishing supply-chain problems and lower energy prices. Against this background, global economic growth in 2023 is now expected to reach 2.6% (forecast in September 2022: 2%). In comparison to this, developing economies will experience above-average growth in 2023, with cumulative growth of 4% (September 2022: 3.7%), whilst growth in advanced economies will be below average and will stand at 1.5% (September 2022: -0.8%). A regional breakdown of the changes during the year in forecasts for 2023 gross domestic product shows clearly positive dynamics for the Americas region (Canada, Mexico, U.S.), a slightly positive development for the Asia/Pacific region and Europe, and a slightly negative development for the MEAC region (Middle East and Adjoining Countries). Among the major European economies, Spain leads with expected economic growth of 2.0% in 2023, compared to the stagnating economies in Italy, France and the United Kingdom and the contracting economy in Germany. Development in the Asia region this year is characterized by a significantly higher economic growth forecast for India at the end of the year. The growth forecast for other economies in the region, such as Australia, is lower than expected twelve months ago.

The rise in prices has eased globally, especially due to lower energy prices. The increase in consumer prices in the advanced economies declined year-on-year to 4.6% in 2023 after 7.4% in the previous year. On the other hand, core inflation (consumer prices excluding energy and food) has not changed much up to now. Among the advanced economies of the G20 states, only the U.S. were able to record a reduction in core inflation to 4.2% for 2023 after 5.0% in the previous year (source: OECD Economic Outlook September 2023).

The central banks' response to the sharp rise in inflation during the previous year was a continuous increase in main policy interest rates. In the spring, the interest-rate policy shock in the U.S. led to distortions in the banking sector, which were successfully confined through immediate political measures. The major central banks in the advanced economies are not expected to further raise interest rates after the end of the year. However, interest rates are expected to remain at a high level for some time to ensure that the easing of inflation is sustainable.

Despite the restrictive monetary policy, the U.S. economy is expected to grow by 2.3% in 2023, driven by an expansion of private consumption. Private household spending was supported by the reduction of excess savings which had been accumulated during the pandemic. Once this ceases, the effects of the changed monetary framework will probably become increasingly visible. In the United Kingdom and the eurozone, economic activity has already weakened; in Germany, in particular, a reduction in economic output by -0.4% is expected for this year. This year's increase in gross domestic product in the eurozone is forecast to amount to merely 0.6%, in the United Kingdom to 0.3%. The growth prospects in Turkey depend on the ability to overcome the high inflation rate, which is estimated to be above 50% in 2023. The country's new government has significantly increased interest rates since the summer, in an attempt to stabilize the exchange rate and to curb inflation. A strong recovery following the end of the infection protection measures in China has failed to materialize during the year. Dampened domestic demand and distortions in the real estate sector are impeding growth in the country, which is expected to reach 5.0% in 2023. However, the Indian economy rallied significantly, with a forecast growth of 6.6% this year.

The favorable overall environment for new business in the fourth quarter of the previous fiscal year continued to characterize the first quarter of this fiscal year, before both new business and premature repayments declined in the uncertain economic environment and in view of the events in the banking sector with the problems affecting some regional banks in the U.S. and the takeover of Credit Suisse by UBS in Switzerland. The fourth quarter of the fiscal year once again showed a clear increase in new business.

In the financing of projects and equipment investments, for which longer-term and therefore less cyclical planning cycles are usually relevant, as well as in project financing in the infrastructure sector, which has proven to be generally resilient to credit defaults in times of crisis, Siemens Bank continues to observe ongoing intense competition in the search for attractive risk-return profiles. On the other hand, a great deal of uncertainty can still be felt in the markets overall. Due to the difficult macroeconomic environment and the further increase in interest rates, higher interest margins than in previous years could once more be achieved in some asset classes. Due to its broad geographic positioning, Siemens Bank was able to compensate in other markets for weak developments in individual geographic markets or industries.

### 1.3 Regulatory developments

The CRR II (Capital Requirements Regulation) and CRD V (Capital Requirements Directive) package adopted by the EU Commission in 2019 introduced new regulatory requirements as of June 2021. The CRR II package includes the final implementation of the Basel Committee on Banking Supervision's requirements for the introduction of binding minimum values for the leverage ratio and the net stable funding ratio. In addition, the first contents of Basel IV were implemented, including new large exposures regulations and new disclosure obligations.

At the end of 2021, the European Commission's proposals on CRR III and CRD VI were published. This now heralds the final steps towards the adoption of the revised Basel framework in the European Union.

The current CRR III draft includes, in particular, far-reaching changes in the Credit Risk Standardized Approach (STA), the Internal Ratings-Based Approach (IRBA) as well as in the capital requirements for operational risk. In addition, the so-called output floor will be introduced in the EU – with a transitional period of several years – which will limit the benefit from the application of internal ratings or risk models in the future.

In addition to the changes in CRR III, CRD VI contains further new regulations. Particularly noteworthy are, among other things, the suitability and reliability of management body members ("fit & proper") as well as the regulations on SREP and the inclusion of ESG factors in risk management.

While the implementation date for CRR III is set for January 1, 2025, the entry into force of CRD VI is planned earlier, although it is yet to be transposed into national law.

The last requirements from the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz) and the Risk Reduction Act (Risikoreduzierungs-gesetz) were implemented in the past fiscal year.

Also, implementation of the seventh amendment to MaRisk began. Implementation is planned to be finalized in fiscal 2024, subject to the applicable transitional periods.

During the past fiscal year, Siemens Bank furthermore implemented the requirements of the Whistleblower Protection Act (Hinweisgeberschutzgesetz)

In April 2021, the European Commission adopted a comprehensive package of sustainability measures, through which the topic of sustainability has gained further importance for the banking sector. With the publication of the first two delegated regulations on EU Taxonomy regarding mitigation of climate change and adaptation to existing climate change, the technical criteria were defined as to which economic activities make a significant contribution to climate protection or climate change adaptation. With the expected entry into force of CRR III in calendar 2025, Siemens Bank intends to disclose the then applicable requirements for other, unlisted institutions in Pillar 3 as well.

The BaFin memorandum on sustainability risks published in 2020 resulted in requirements for the further development of risk management in Pillar 2. In June 2023, the Financial Supervisory Authority BaFin published the seventh amendment to the German Minimum Requirements for Risk Management at Banks (MaRisk). The MaRisk amendment provides for requirements regarding the integration of sustainability issues into various aspects of risk management. Most of the changes are clarifying provisions that must be implemented immediately.

Implementation of the European Parliament's Digital Operational Resilience Act (DORA) has already begun and is planned to be substantially finalized in fiscal 2023/2024. The Act contains requirements relating to information and communication (ICT) risk management, classification and reporting of ICT-related incidents, digital operational resilience testing, contractual arrangements between third-party ICT service providers and financial institutions, the regulatory framework for critical third-party ICT service providers, and rules for information sharing.

Further developments in European and national legislation are continuously monitored as part of Siemens Bank's Compliance Program.

The new Siemens Bank branch founded in Singapore in March 2017 is required to comply with local regulatory requirements and reporting obligations in the Monetary Authority of Singapore (MAS) reporting system. The local regulatory requirements are based on the Basel III Framework and are essentially comparable with the European requirements. The monitoring and development of changes and adjustments to local regulatory requirements are also part of Siemens Bank's Compliance Program.

### 1.4 Business performance

Fiscal 2022/2023 was still significantly marked by the effects of the Ukraine conflict and the associated effects and uncertainties relating to energy and interest-rate policies. Despite this, the portfolio in the core lending business grew during the year as forecast at the beginning of the fiscal year. However, the volume of purchased invoices for EPT was significantly lower than forecast, among other reasons because of longer delivery periods. Despite this and largely resulting from higher interest-rate levels, net interest income from the portfolio was significantly above expectations. On the other hand, the significant increase in additions to provisions for losses on loans and advances was caused by a few individual, uncorrelated transactions, primarily provisioning for an exposure in the project financing business which was restructured due to significant construction delays and cost overruns.

Due to the high level of provisioning, profit from operations is significantly below Siemens Bank's planning. However, the management is satisfied with the course of business in fiscal 2022/2023, noting the background of the difficult overall economic situation and in consideration of special effects.

#### Net assets

Siemens Bank's net assets in fiscal 2022/2023 are characterized by almost unchanged volumes in the lending business and declining volume in the treasury business.

The volume of business in the **core lending business** (including guarantees) in fiscal 2022/2023 remained on the level reached in the previous year, after a growth of 9% in the previous year. It should be noted in this context that part of the growth in the previous year was due to currency effects, especially the strong USD.

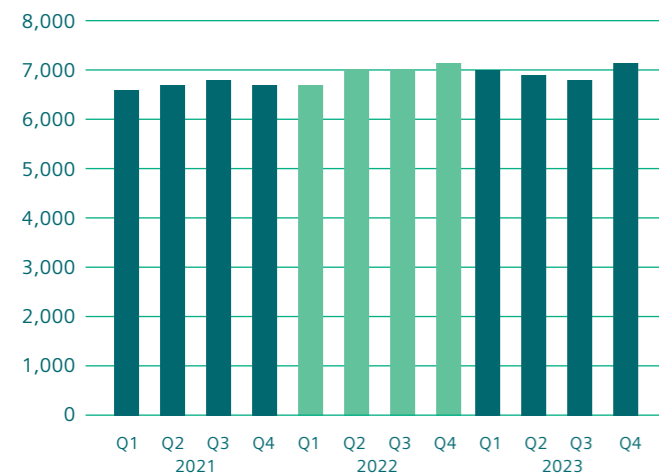


Figure 1: Development of loans and advances to customers in the lending business (€ million)

The uncertainty regarding the impact of the Ukraine conflict already observed in fiscal 2021/2022 continued in fiscal 2022/2023. After a strong development in new business in the areas of project financing and corporate loans during the first quarter, new business then slowed down due to macroeconomic and geopolitical uncertainties as well as uncertainties in the banking sector. A significant increase could only be recorded again in the fourth quarter. The increase in new business during the last quarter of the fiscal year is also reflected in a reduced portfolio of irrevocable loan commitments at the end of the fiscal year of €1,566 million (previous year: €1,745 million). Contingent liabilities from guarantees increased again, but continue to form a small part of the portfolio and stand at €100 million (previous year: €89 million) and are part of project financing granted.

The focus of the lending portfolio in fiscal 2022/2023, as in the previous year, was on activities in the areas energy (renewables, energy transmission, and storage), infrastructure (including traffic, social infrastructure, and water management) and health. In addition to project financing, Siemens Bank has a corporate lending portfolio that is broadly diversified both in terms of regions and industries.

Siemens Bank focuses on offering financing solutions to the customers of Siemens AG and its subsidiaries. A large proportion of financing agreements was signed with existing customers of Siemens AG and its subsidiaries, thereby supporting the activities of the Siemens Group. Siemens Bank also enters into financing agreements with Siemens' target customers, in emerging Siemens markets, and even in situations where there is no Siemens connection at all provided there are business opportunities with an attractive risk-return profile in the lending market concerned.

The financing solutions offered were expanded during the fiscal year and now include the "Extended Payment Terms" (EPT) segment, which offers extended payment terms to clients of Siemens units and partners from the Siemens business ecosystem in the context of the purchase of accounts receivable. This business segment is in the development stage, which is reflected at the end of the fiscal year in the still relatively low volumes.

In the **deposit and treasury business**, the Group financing portfolio, which forms an integral part of the loans and advances to customers, increased to €195 million (previous year €76 million). The provision of collateral in cash means that Siemens Bank does not bear any non-collateralized credit risk in connection with this business. Compared with the lending business discussed above, this lending portfolio is of minor significance within the business model of Siemens Bank as a whole.

Within the deposit and treasury business, the development of liquidity-related investments – which are reported under loans and advances to banks, credit balances with central banks, private bonds as well as under loans and advances to customers – is closely linked to the economic and regulatory requirements relating to liquidity control. In recent years, Siemens Bank has built up a highly liquid assets portfolio as a liquidity reserve and for liquidity control. A major part of this asset portfolio is in short-term promissory note loans from investment-grade issuers. With this asset portfolio, Siemens Bank intends to achieve positive income contributions and a high level of security in addition to compliance with commercial and legal requirements regarding liquidity control.

In fiscal 2022/2023, liquidity investments at Deutsche Bundesbank continued to be slightly higher than in previous years. These are due to short-term investments by the Siemens Group, as is the significant increase in the second quarter of fiscal 2020/2021, which only lasted for a few weeks. In a year-on-year comparison, the portfolio of highly liquid assets for purposes of liquidity reserve and liquidity control decreased by 15%, after remaining almost constant in the previous year. This means that liquidity-related investments were at the expected level.

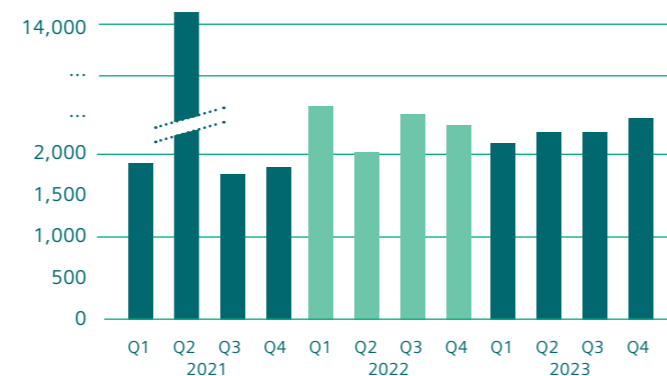


Figure 2: Development of liquidity-related investments in the ALM and treasury business (€ million)

## Financial position

The business activities of Siemens Bank are largely refinanced by deposits and equity. Here, 10% (previous year: 10%) of the recorded business volume of Siemens Bank is financed by equity. Siemens AG as the sole shareholder of Siemens Bank has paid in a share capital of €5,000 thousand (previous year: €5,000 thousand) and capital provisions in the form of other payments into equity amounting to €995,000 thousand (previous year: €995,000 thousand). In fiscal 2023, the Siemens Bank management also once more allocated €50,000 thousand (previous year: €25,000 thousand) to the fund for general banking risks pursuant to section 340g of the German Commercial Code (Handelsgesetzbuch, HGB) in order to further strengthen the Bank's capital base. Supplementing this, Siemens Bank took out a subordinate loan in the amount of €100,000 thousand from the sole shareholder for the first time during the fiscal year, in order to further strengthen the equity base. Although a predominant proportion of deposits is made by Siemens AG and its subsidiaries, Siemens Bank also holds deposits of customers from outside the Group which increased significantly during the fiscal year. However, Siemens Bank does not accept retail banking deposits. Where deposits are used directly for the purpose of funding the lending business, they are matched as far as possible with the lending currencies and in accordance with the expected repayment profiles so that the exposure of Siemens Bank to currency and maturity transformation risk is limited.

Siemens Bank's liquidity situation is characterized by a large portfolio of assets with short-term availability. Siemens Bank also has funding options available, in particular via Deutsche Bundesbank and Siemens AG. Liquidity is thus always ensured from the point of view of Siemens Bank.

Currently, Siemens Bank has not issued any bonds on capital markets, nor has it placed any promissory note loans or debt instruments.

Furthermore, Siemens Bank did not make any substantial capital investments or financial investments in fiscal 2022/2023.

## Results of operations

Fiscal 2022/2023 saw strong operational performance with a stable lending portfolio, higher interest margins and generally higher interest rates. After the significant increase in interest income observed last year, this is reflected in a once more significantly improved net interest income for the current year. Running counter to this positive development, additions to allowances for losses on loans and advances were again significantly higher than in the previous year, due primarily to provisioning for a few individual, uncorrelated transactions, primarily for an exposure in the project financing business which was restructured due to massive construction delays and cost overruns.

As a result, Siemens Bank was not yet able to return to the positive level of operating income seen in 2021, but achieved by far the highest operating income before allowances for losses on loans and advances since the Bank's formation, despite the still challenging economic environment.

(€ million)	2023	2022	2021
Net interest income	246.0	197.3	170.7
Net fee and commission income	34.8	33.2	29.5
General administration expenses	-101.4	-87.9	-78.5
Other income and expenses, net	-1.9	2.9	-1.1
<b>Operating income before allowances for losses on loans and advances</b>	<b>177.5</b>	<b>145.3</b>	<b>120.5</b>
Allowances for losses on loans and advances	-112.2	-87.3	-17.2
<b>Net operating income</b>	<b>65.3</b>	<b>58.0</b>	<b>103.3</b>

Figure 3: Components of Siemens Bank income

**Net interest income** at Siemens Bank is derived from the spread between interest income from loans and investments on one side and funding-related interest expense on the other. Interest terms also reflect the effect of inflation. The net interest margin contribution from the lending business generates most of the net interest income. Liquidity-related investments in the deposit and treasury business normally generate lower interest margins. As the portfolio in the core lending business had grown strongly in fiscal 2022, the increase in net interest income reflects the increased average portfolio volume, as well as the higher interest-rate level and the higher interest margin. Nominal net interest income is also heavily dependent on the volatility of exchange rates during the year, as a significant portion of the portfolio is denominated in USD, GBP and AUD. Overall, Siemens Bank was able to continue to generate attractive risk-return profiles in the lending business. Against the background of increasing risk factors in important core markets, it should be highlighted that new loan transactions were only entered into selectively, and the pursued business strategy is not volume-driven. Although growth in the lending business portfolio in fiscal 2023 was not as strong as in previous years, the increase in net interest income due to the higher interest-rate level and an increase in interest margins exceeds Siemens Bank's expectations.

**Net fee and commission income**, which had increased by 12% in the previous year, increased by 5% in fiscal 2022/2023, in line with expectations. However, net fee and commission income continues to be of secondary importance for the Siemens Bank earnings position. Siemens Bank earns fee and commission income primarily by providing risk-management and processing services for Siemens AG, its subsidiaries and associated companies. The costs incurred in providing the services are reported under general administration expenses.

**General administration expenses** of Siemens Bank increased again, with 57% (previous year: 54%) being attributable to personnel expenses. Siemens Bank employees are not only responsible for carrying out the banking operations as such, but also for providing risk-management and processing services for Siemens AG, its subsidiaries and selected third parties. Other administration expenses are largely accounted for by the purchase of services from Siemens AG and its subsidiaries as well as from third parties. This purchase of services also includes all IT services required by Siemens Bank. The increase in general administration expenses over the last three fiscal years reflects the growth of Siemens Bank as well as salary increases and higher costs for some service providers. Applying strict cost discipline, Siemens Bank was able to limit the effects of the additional structural costs caused by the business expansion of the last few years. The relative increase in general administration expenses in the past fiscal year again was below the relative increase in net interest income and thus in line with the Bank's expectations. As in the previous year, the increase is primarily due to higher personnel expenses, increased regulatory costs and upfront expenses for the development of EPT as a new business segment.

**Other net operating income** is for the most part characterized by income from foreign currency valuations. The impact of foreign currency effects on the Bank's profitability is limited, especially due to the funding of loans in foreign currencies in the same currency. In fiscal 2023, Siemens Bank reports a moderately negative foreign currency income in relation to the total portfolio; last year, Siemens Bank reported a slightly positive currency income in relation to the portfolio.

Expenses for additions to **allowances for losses on loans and advances** again increased significantly in fiscal 2023 compared to the previous year and were thus higher than expected by Siemens Bank at the beginning of the fiscal year. In addition, the volume of problem loans increased overall, as did provisions for defaulting loans. In general, the structure of the lending portfolio – a high proportion of project financing in the infrastructure sector and of corporate lending transactions with equity sponsors from the private equity sector – predominantly proved to be resilient to credit defaults, also against the background of increased macroeconomic uncertainties. The disproportionate increase in risk provisioning is due in particular to a few individual, uncorrelated transactions, primarily provisioning for an individual exposure in the project financing business which was restructured due to massive construction delays and cost overruns. This effect dominates the item allowances for losses on loans and advances, and is primarily responsible for the increase compared to previous years. Overall, the continued good credit quality of the receivables portfolio and the broad diversification by sector and region also contributed to the fact that the balance sheet allowances for losses on loans and advances for large parts of the lending portfolio continued to be very moderate overall in fiscal 2023.

**Net operating income** equates to the net income in accordance with the HGB that Siemens Bank transfers to Siemens AG under the existing profit-and-loss transfer agreement, after deduction of additions to the fund for general banking risks and of income taxes.

As in the previous fiscal year, the net operating income before tax reported here is Siemens Bank's key **financial performance indicator**. This performance indicator is below the level expected by Siemens Bank. This is mainly due to the negative development of risk provisions.

Siemens Bank also determines the return on risk-adjusted capital as an additional financial performance indicator. Here, the net operating income after standardized income taxes and before additions to and/or reversals of provisions and/or special items for general banking risks (in fiscal 2022/2023: €45.6 million; previous year: €41.7 million) is considered in relation to the average economic capital, which amounts to €636.6 million in fiscal 2022/2023 (previous year: €623.5 million). As of September 30, 2023, this indicator was 7.2% (previous year: 6.5%) and thus below the forecast target range of 12% to 17%, due in particular to the provisioning described above.

## 2. Risk report

### 2.1 Risk Strategy

Corporate management at Siemens Bank adheres to the targets and requirements of the Bank's business strategy. It is not possible to implement the Bank's business strategy and to achieve the specified target returns without consciously taking risk. Siemens Bank's risk strategy is based on the requirements of the business strategy and constitutes the framework for identifying, assessing, managing, and monitoring risk within Siemens Bank.

#### 2.1.1 Objective

The risk strategy defines details of the requirements under the business strategy in relation to the strategic alignment and the individual types of risks, while at the same time reflecting the overall objectives of the business strategy and the risk appetite of Siemens Bank. This forms the basis on which Siemens Bank determines its guidelines for risk management and the target system for risk strategy at the Bank. The most important risk principle is compliance at all times with both internal capital adequacy and liquidity requirements. Top priority is also given to avoiding concentration risk and ensuring compliance with statutory and regulatory requirements. An essential element of the risk strategy implementation is to specifically identify, measure, manage, monitor, and report risks within the portfolio, together with any future risks that may occur. This is also the basis of the integrated management of risk and return targets within the framework of the integrated risk-return management.

Siemens Bank follows a clearly defined process for developing its risk strategy. Based on the business strategy, which is supplemented by an IT strategy, a remuneration strategy, and a framework for dealing with sustainability risks (ESG Framework), the risk strategy is adjusted either as required or at regular intervals. The basis for the risk strategy is a detailed analysis of risk factors within Siemens Bank using a risk inventory. The risk inventory defines and analyzes the principal types of risk, and specifies how these risk types are to be modeled. The results of the risk inventory are used as a basis for the determination of the objectives and measures relating to the risk strategy that are monitored as part of the overall risk report.

#### 2.1.2 Regulatory requirements

The regulatory requirements for risk management, capital adequacy and liquidity together form the regulatory framework for the risk management system at Siemens Bank. In particular, Siemens Bank ensures that it complies at all times with the requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) as well as the related regulations and circulars. This includes continuous compliance with and monitoring of the equity, large exposure, liquidity, and compensation standards as well as the German Minimum Requirements for Risk Management at Banks (MaRisk\_BA). Also, the Bank aims at achieving continuous compliance with the regulatory requirements for the operations of its branch offices.

## 2.2 Risk management and organization

Siemens Bank has implemented a comprehensive risk-management system to ensure that the measures aimed at achieving the objectives in the business strategy and risk strategy are properly adhered to. Key components of the risk management system include the internal capital adequacy concept, liquidity risk management, and the implementation of an efficient internal control system. In addition to the IT strategy, these components are also accompanied by the remuneration strategy and the framework concept for managing sustainability risks.

### 2.2.1 Organizational structure

The processes, controls, and responsibilities with respect to risk management are governed by the written rules and regulations for Siemens Bank. These rules and regulations document, in particular, the processes for granting loans, further processing of loans, monitoring of loan processing, intensified and problem obligor management, risk classification, and review of credit ratings, together with the processes for asset liability management. Decision-making authority is governed by the Siemens Bank authority rules and regulations.

The general frameworks for internal capital management, management, and monitoring of individual types of risk and for the methods, processes, and limit structure within Siemens Bank are stipulated in the Bank's risk documentation and organizational documentation. The risk documentation and the organizational documentation are available to all employees of Siemens Bank via a centralized tool.

## Separation of functions

Within the organizational structure of Siemens Bank, there is a strictly defined segregation of front office and back office in terms of both functions and disciplinary arrangements, and this segregation applies up to the Management Board level. The areas covered by the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO) are organized entirely within the back office, whereas the areas covered by the Chief Executive Officer (CEO) for Project and Structured Finance (PS Business) on the one hand and Extended Payment Terms (EPT Business) on the other hand are assigned in full to the front office. This strict segregation also applies to the London and Singapore Branches. The authority rules and regulations specify that the back office may not be overruled.

Operational management of risk at Siemens Bank is carried out within the risk strategy framework and subject to the limits specified by the back office and approved by the Management Board. The risk strategy framework and risk management limits are defined by the back office, whereas the front office is responsible for the operational implementation of risk management. Operational risk management is controlled by a risk monitoring unit that is independent in terms of both functional and disciplinary arrangements and forms part of the back office in the organizational structure. The responsibilities of the risk monitoring unit include comprehensive analysis and monitoring of the risks accepted by Siemens Bank. Risk analysis includes identifying risks adopted by the Bank, developing suitable methods for measuring and quantifying risk, and analyzing the current risk situation. The analysis of the risk situation is based on the requirements of normative and economic capital management within the framework of internal capital adequacy as well as the defined KPIs in the recovery plan. Risk monitoring comprises activities to quantify and validate the risks adopted by the Bank, activities to monitor the authorized limits, internal capital adequacy and the liquidity risk situation, as well as activities associated with risk reporting.

## Committees

The Siemens Bank Risk Committee is the central committee responsible for implementing integrated risk-return management and risk management within the meaning of section 25a (1) of the German Banking Act (Gesetz über das Kreditwesen, KWG). In particular, the Risk Committee supports the Management Board in developing and adopting the risk strategy as well as determining the internal capital adequacy concept. The Risk Committee is responsible for the guidelines on lending portfolio management in that it specifies appropriate action and sets out the requirements for managing operational risk. In particular, the Risk Committee is responsible for managing and monitoring the credit portfolio. Voting members of the Risk Committee are the two CEOs, the CFO and the CRO of Siemens Bank.

Authority in relation to credit decisions on significant loan exposures is vested in the Credit Committee in accordance with the authority rules and regulations. The Committee is responsible for exercising this authority in accordance with these rules and regulations and with due consideration of the Siemens Bank risk strategy. Voting members of the Credit Committee are the two CEOs, the CFO and the CRO of Siemens Bank.

The Asset Liability Management Committee (ALM Committee) is responsible for managing and limiting market, liquidity and funding risk. Ultimate decision-making authority in all issues related to asset liability management, and therefore also related to the management of market, liquidity and funding risk, lies with the ALM Committee. The operational management of market, liquidity and funding risk is carried out by the Treasury department at Siemens Bank. This function forms part of the front office in the organizational structure. Voting members of the ALM Committee are the two CEOs, the CFO and the CRO of Siemens Bank and the management of the Singapore Branch for matters relating to the Singapore Branch.

## Risk monitoring

The Risk Controlling & Analytics unit, which reports to the CFO, has been assigned principal responsibility for risk monitoring. Within this unit, the Credit Risk Controlling department is responsible for monitoring credit risk, and the Pricing & Integrated Risk Controlling department is responsible for monitoring market, liquidity and operational risk as well as for matters relating to integrated risk-return management. The head of Risk Controlling & Analytics – who also holds the risk controlling function under the MaRisk – sits on the Risk Committee, the ALM Committee and the Credit Committee and also participates in the meetings of the Outsourcing Committee and of the Compliance Committee and is therefore comprehensively involved in all aspects of decision-making processes relevant to risk policy. Siemens Bank Risk Controlling supports and comprehensively advises the Management Board in the development and implementation of the risk strategy. This includes all phases of creating the risk strategy, including the risk inventory, as well as designing the internal capital adequacy concept. Based on the risk strategy and the internal capital adequacy concept, Risk Controlling supports the Management Board in implementing an effective and efficient limit structure and general limits for risks. The key responsibilities of the departments comprised in Risk Controlling include identifying risks that are relevant to Siemens Bank (operational risks are identified in consultation with the respective department managers, who identify and deliver the relevant information about their departments to Risk Controlling) and measuring and assessing risks on a daily or regular basis. Also, Risk Controlling monitors the utilization of defined limits, including escalating limit breaches, as well as reporting to the Management Board and preparing the overall risk profile. In addition, Risk Controlling is assigned the authority to decide on the models and methods used in these controlling tasks, including their ongoing refinement and validation. The Risk Committee is informed of material changes to these methods and approves all such changes.

A key instrument for ascertaining the appropriateness of the risk management system and the corresponding internal control system is the internal audit function, which reports directly to the Management Board. The framework of the internal audit function's tasks is described in a rolling three-year audit framework plan that is prepared using a risk-based approach and is updated yearly. For the operational execution of audits by the internal audit function, audit procedures are (partially) outsourced to the Siemens AG group-wide internal audit function. The findings of the audits are summarized in quarterly and annual reports prepared by the internal audit officer and then presented to the Management Board and the Supervisory Board.

A further essential element of the internal control system is the compliance function of Siemens Bank. Siemens Bank has pooled the functions of the compliance officer and of the anti-money-laundering officer in one central function. This central function, which includes anti-money laundering, fraud prevention and compliance, reports directly to the Management Board of Siemens Bank and has the authority to issue binding instructions – without restriction regarding the issues within its area of responsibility. The function assesses compliance with the internal regulations relating to anti-money laundering and other criminal offenses as well as further compliance-relevant, company-specific provisions. It also monitors compliance with these provisions, regulations and other requirements and supports and advises the Management Board and the business segments regarding this compliance. Regarding further compliance-relevant internal provisions, such as regulatory questions or implementation of MaRisk, the central function is assisted by Risk Controlling and Regulatory Reporting. Regardless of the superordinate role of the compliance function, the members of the Management Board and the business segments remain fully responsible for compliance with all legal requirements and other regulations. The central function reports to the Management Board on a quarterly basis as well as in a yearly comprehensive compliance report, listing its activities and, where relevant, any identified deficiencies and measures implemented for rectifying those deficiencies. The central unit also prepares the annual money laundering report.

## Risk reporting

Within Siemens Bank, risk reporting to the Management Board, Supervisory Board and the Risk Committee constitutes part of risk controlling; reports are submitted both on a regular basis and ad hoc as required.

The central risk reporting tool is the quarterly overall risk report, which includes a comprehensive internal capital adequacy assessment and detailed reports on individual risks as well as the risk capital planning. The report on internal capital adequacy is based on a comprehensive internal capital adequacy assessment, which includes an analysis of the current internal risk capital requirement in both normal and stress scenarios.

The overall risk report is complemented by regular, standardized reports on default risk, market risk, liquidity risk, funding risk and operational risk.

Default risk is largely reported within the context of the monthly credit risk report. Reports focus on the economic and regulatory capital requirement for the credit risks taken by the Bank and on a detailed portfolio analysis regarding concentration risk taken by the Bank. The analysis of concentration risk includes country risk, industry risk, concentrations in particular credit-rating categories and concentrations in individual groups of associated obligors, individual obligors, project financing risks according to project status as well as various specific combined industry-country-risks.

Market risk is reported monthly as well as daily. The focus of the monthly reports is on the economic capital requirement for the market risk taken on by the Bank. The daily reports focus on the monitoring of the operational value at risk limits.

The reporting of liquidity risk is performed monthly and through the daily liquidity gap profile. Funding risk is also reported daily. Risk reporting is focused on the economic capital requirement for the funding risk taken on by the Bank, on monitoring the operational liquidity and funding limits and on the regulatory key indicators relating to the liquidity coverage ratio and net stable funding ratio as well as the minimum liquid assets (for the Singapore Branch).

The reporting of operational risks is part of the quarterly overall risk report. Losses in excess of €50 thousand as well as losses from fraud or incidents with an impact on reputation are reported on an ad hoc basis to the Management Board. Additionally, a detailed report is prepared showing the results of the yearly self-assessment as well as the resulting action plans. Implementation of the measures is monitored on a quarterly basis.

## 2.2.2 Internal control system for accounting processes

### Objective

The objective of external financial reporting is both to determine the measurement of dividends and to provide information in the proper manner and by the specified deadline dates to the users of the annual financial statements and management report. Siemens Bank has established an internal control system for its accounting processes, the purpose of which is to ensure that external financial reporting is conducted in the proper manner and breaches of accounting standards are avoided.

### Responsibilities

Accounting & Controlling is responsible for external financial reporting and for the internal control system related to accounting processes. This department reports to the CFO of Siemens Bank.

Processes and controls are also included in the auditing activities of the internal audit function.

### Procedure

The procedures and the internal control system for accounting processes are fully documented in process descriptions and work instructions. Accounting and valuation methods are described in the Siemens Bank accounting policy.

Generally accepted accounting and valuation principles are applied when preparing the annual financial statements and management report. The appropriateness of these principles is regularly reviewed.

As far as possible, automated IT-based accounting procedures are used in order to reduce operational risk when preparing financial statements. Any modifications in IT systems relevant to accounting are subject to standardized authorization and verification procedures. Suitable reconciliation activities and controls ensure the quality of the data processing. Manual entries are subject to additional process checks. A contingency plan has also been put in place to cover accounting processes.

### Further development and quality assurance

The internal control system for accounting processes and the underlying guidelines and work instructions are reviewed for their appropriateness once per year and additionally if triggered by a particular event. A review is also carried out as part of the authorization process for new products to establish whether and to what extent the existing rules and regulations need to be modified.

Training plans have been defined for the employees in Accounting & Controlling. These plans are revised and updated periodically.

## 2.2.3 Integrated risk-return management and internal capital adequacy

### Integrated risk-return management

The management of internal and regulatory capital adequacy requirements, the management of liquidity risk, monthly performance controlling and the management of costs arising in connection with internal and regulatory capital requirements form an integral part of integrated risk-return management at Siemens Bank.

The monitoring and control of internal and regulatory capital adequacy enables the Bank to ensure on an ongoing basis that the risk taken on by the different fields of activity at Siemens Bank is always consistent with the available capital both at the bank-wide level and within individual types of risk. The Management Board of Siemens Bank specifies the capital resources necessary for the Bank based on the business and risk strategies and in accordance with the defined target returns and strategic risk requirements. As part of the Bank's internal capital adequacy activities, the Management Board ensures on a continuous basis that there is an appropriate ratio between the Bank's risk profile and its available risk-taking potential.

Within the overall context of integrated risk-return management, risk capital management is complemented by the monitoring and control of liquidity risk. Siemens Bank may only take on liquidity risk within the risk tolerance parameters specified by the Management Board. The critical factor when specifying the risk tolerance and the associated limits is to ensure the solvency of Siemens Bank, even if a serious crisis should occur.

The costs of internal capital adequacy requirements are factored into pricing and are integrated into performance measurement. Key performance indicators of pricing are the Economic Value Added (EVA) and the Return on Equity (RoE) based on the Return on Risk adjusted Capital (RoRaC).

### Internal capital adequacy

Siemens Bank has drawn up a concept for monitoring its internal capital adequacy to ensure that it has sufficient capital and liquidity at all times as required by section 25a KWG. The Bank's Management Board reviews the internal capital adequacy concept on an annual basis and in the intervening period if warranted by a change in circumstances and modifies the concept where required and in compliance with the business and risk strategy. The modified concept is then approved by the Bank's Supervisory Board.

The internal management and limitation of risk at Siemens Bank is based on both the economic perspective and the normative perspective.

The economic perspective is based on a comprehensive risk approach combined with a high confidence level, the primary objective of which is to provide effective protection for creditors. The confidence level is in this case based on Siemens Bank's current target rating of A/A-. This target rating means the target probability of surviving is 99.95% with a risk horizon of one year.

The normative perspective combines the requirements of regulatory capital adequacy and internal capital adequacy with the objective of ensuring adequate capital resources at all times.

For the risk-taking potential, both in the economic and in the normative perspective, Siemens Bank takes into account the entire Tier 1 and Tier 2 capital of Siemens Bank, in as far as its individual components have all loss-absorbing characteristics as provided for in the Guidelines on Capital Adequacy ("Leitfaden Risikotragfähigkeit"). For the economic perspective, the risk-adjusted present value of the portfolio is used as a basis for the entire available risk-taking potential, which in general is higher than the regulatory Tier 1 and Tier 2 capital. The surplus of the risk-adjusted present value of the portfolio exceeding the Tier 1 and Tier 2 capital constitutes the additional risk-taking potential in the economic perspective. This is only used to cover the stress scenario and the non-material risks. The calculation of the overall risk-taking potential is based on the loss-free valuation of the portfolio, with hidden charges, hidden reserves, expected losses from credit risk, the costs for the full elimination of liquidity gaps and the expenses for the management of the portfolio being taken into account. In addition to this, the value at risk for business risks (in terms of net present value margin risk) and a percentage safety buffer are deducted.

As of September 30, 2023, the risk-taking potential of Siemens Bank from the economic perspective consisted of the following:

(€ million)	2023	2022
Tier 1 capital	1,075.0	1,050.0
Tier 2 capital	159.0	59.0
Additional risk-taking potential	195.4	395.1
<b>Total risk-taking potential</b>	<b>1,429.4</b>	<b>1,504.1</b>

Figure 4: Composition of the risk-taking potential

Internal capital adequacy in the economic perspective is measured by comparing the internal capital requirement with the available and allocated risk-taking potential.

The Management Board allocates the available risk-taking potential to the individual types of risk, based on the Bank's business and risk strategies. This allocation process is supported by a regular risk inventory. The risk inventory includes a comprehensive analysis of the risk factors in the respective business segments as well as a review of the related methods and models that are used, as well as a review of the capital allocation to the individual risks for Siemens Bank. The individual risks are classified according to their materiality on the basis of these analyses as well as further appraisals. After carrying out the risk inventory, the risk-strategy measures and objectives are defined for the various types of risks. The objectives and measures for the individual types of risks are continuously monitored by the back office.

Siemens Bank currently classifies the following types of risk as material:

- » Default risk
- » Market risk
- » Liquidity risk (in the sense of risk of insolvency)
- » Funding risk
- » Operational risk

In order to quantify internal capital requirement for default risk, market risk and funding risk, Siemens Bank uses value at risk approaches with a confidence level of 99.95% and a risk horizon of one year. This also applies to business risk, which is classified as non-material and taken into account when determining the additional risk-taking potential. Operational risk is quantified according to the basic indicator approach pursuant to CRR II.

Liquidity risk (in the sense of risk of insolvency) is not covered by risk capital as part of the internal capital adequacy analysis because there is no meaningful way in which this can be achieved. Instead, liquidity risk (in the sense of risk of insolvency) is managed by using a liquidity gap profile including a system of limits specified by the ALM Committee. These limits are derived from Siemens Bank's liquidity risk tolerance. Here, the system of limits is monitored, analyzed and reported holistically together with the CRR II capital and liquidity requirements.

Allocation of the risk-taking potential and the risk capital requirements for the economic perspective in the normal scenario are as follows as per September 30, 2023:

(€ million)	2023		2022	
	Risk-taking potential	Required risk capital	Risk-taking potential	Required risk capital
Risk capital for operational risk	35.0	31.4	35.0	29.0
Risk capital for default risk	700.0	487.5	700.0	527.4
Risk capital for market risk	100.0	86.3	50.0	34.5
Risk capital for refinancing risk	30.0	8.2	40.0	16.8
<b>Normal case</b>	<b>865.0</b>	<b>613.5</b>	<b>825.0</b>	<b>607.7</b>

Figure 5: Allocation of the available risk-taking potential and risk capital requirement by risk type from the economic perspective

Siemens Bank measures internal capital adequacy in the normal scenario by comparing the allocated risk-taking potential for all material risks with the overall risk capital requirement. When determining economic capital requirements, Siemens Bank does not assume that there will be any diversification effect between the individual risk types. Internal capital adequacy in the normal scenario was ensured at all times during the fiscal year.

During the fiscal year, several adjustments were made regarding the value at risk approaches used. This relates to default risk with a further development of the methods regarding the integration of ESG risks and more differentiated correlation assumptions. For market risk and funding risk, the method was changed from the parametric approach to the historical simulation. The following table shows the comparative prior-year values on the basis of the new methods:

Risk capital requirement (€ million)	2023	2022 (new method)	2022 (actual)
Risk capital for operational risk	31.4	29.0	29.0
Risk capital for default risk	487.5	555.7	527.4
Risk capital for market risk	86.3	74.0	34.5
Risk capital for refinancing risk	8.2	2.4	16.8
<b>Normal case</b>	<b>613.5</b>	<b>661.1</b>	<b>607.7</b>

Figure 5a: Comparative calculation for risk capital requirement by type of risk from the economic perspective

For default risk, this comparative calculation produces required economic capital as of September 30, 2022 of €555.7 million, which is an increase by €28.3 million compared to the actual recognition on that date. Of this amount, €10.6 million results from the additional ESG risk factor, the rest of the change goes back to the further development of correlation assumptions.

Risk-taking potential and the risk capital requirements in the stress scenario are shown in the following table:

(€ million)	2023		2022	
	Risk-taking potential	Required risk capital	Risk-taking potential	Required risk capital
Risk-taking potential in stress scenario	1,385.0		1,449.3	
of which additional risk-taking potential in stress scenario	151.0		340.3	
of which core risk-taking potential	1,234.0		1,109.0	
Risk capital for operational risk		35.1		30.3
Risk capital for default risk		718.0		779.0
Risk capital for market risk		121.6		51.7
Risk capital for refinancing risk		15.1		41.3
Risk capital for business risk				275.2
Buffer for other non-material risks		25.0		40.0
<b>Stress case total</b>	<b>1,385.0</b>	<b>914.9</b>	<b>1,449.3</b>	<b>1,216.5</b>

Figure 5b: Risk-taking potential and risk capital requirement by type of risk from the economic perspective in the stress scenario

In the stress scenario, the risk-taking potential is reduced by the losses expected in the stress case of €44.4 million. The additional risk-taking potential in a stress scenario serves to cover non-material risks as well as risks in a stress scenario. Only the core risk-taking potential (Tier 1 and Tier 2 capital) is used to cover the material risks.

Utilization of the risk-taking potential in the stress scenario decreased from €1,216.5 million to €914.9 million during the fiscal year. The main reason for this is that starting with fiscal 2022/2023, business risk is no longer deducted when calculating the risk-taking potential, and is therefore no longer reported as a separate risk. It also contributes to the reduction of the risk-taking potential in the stress scenario by €64.3 million. Other risk types currently classified by the Bank as non-material – such as strategic risk and model risk – are together covered by an overall safety buffer which was reduced year-on-year, as improved models were introduced during the current fiscal year. The highest utilization of risk-taking potential in the stress scenario was at the end of the first quarter of the fiscal year. Internal capital adequacy under stress was ensured at all times during the fiscal year.

Internal capital adequacy in the normative perspective as per September 30, 2023 was as follows:

(€ million)	2023	2022
<b>Normative risk-taking potential</b>	<b>1,234.0</b>	<b>1,109.0</b>
Tier 1 capital	1,075.0	1,050.0
Tier 2 capital	159.0	59.0
Risk capital for operational risk	44.5	39.1
Risk capital for default risk	933.8	901.4
Risk capital for market risk	3.2	0.0
Risk capital for refinancing risk	8.2	16.8
<b>Total capital requirements in the normative perspective</b>	<b>989.7</b>	<b>957.3</b>

Figure 6: Risk-taking potential and capital requirements by risk type in the normative perspective (prior-year figures before approval of financial statements)

The risk-taking potential in the normative perspective corresponds to the regulatory capital without adjustment for prudential valuation, in line with the core risk-taking potential of the economic perspective.

When determining the normative capital requirement in the “base case”, Siemens Bank does not assume that there will be any diversification effect between the individual risk types. All major risk types are taken into account, with the exception of liquidity risk (in the sense of a risk of insolvency), as this, as in the economic perspective, is not possible in a meaningful way. The capital requirements for default risk, market risk and operational risk are determined using the regulatory approaches. Capital requirements for funding risk follow the economic perspective approach. Other risks are not taken into account. The utilization of the risk-taking potential in the normative “base case” increased from €957.3 million to €989.7 million in the course of the fiscal year. The highest utilization of risk-taking potential was at the end of the fiscal year. Internal capital adequacy was ensured at all times.

In the “adverse case”, corresponding adverse assumptions are made to reflect the development of the individual risk types and to reduce the available risk-taking potential. Even in the “adverse case”, internal capital adequacy was ensured at all times during the entire fiscal year.

Against the backdrop of market movements in the interest rate environment, the Management Board considers risk development to be challenging. Nevertheless, the Board is satisfied overall with the development of internal capital adequacy in the past fiscal year. Economic risk capital requirements for credit risk fell in the reporting year, and the other effects on risk-taking potential resulting from geopolitical changes, disruptions in supply chains and market price fluctuation continue to be controllable. For fiscal 2023/2024, Siemens Bank expects, based on the business and risk strategy, that internal capital adequacy, both in the normal scenario and in the stress scenario or “adverse case”, will continue to be ensured at all times.

## Stress testing

In the context of internal capital adequacy, Siemens Bank has defined appropriate stress test scenarios for each material risk. The stress tests are aligned with the objectives and action plans defined in the business and risk strategies as well as the regulatory requirements in MaRisk. The implementation of stress tests is based on the Stress Testing Policy agreed on by the Management Board. This Policy is reviewed and, if required, modified in response to circumstances, but, in any case, at least once a year. Internal methods for measuring material risks are used in implementing the stress tests. The input parameters for the various models are adjusted on the basis of both hypothetical and historical stress scenarios. The Bank analyzes both risk-specific scenarios and overarching scenarios that involve some or all risk types. Stress testing is integrated into the analysis of internal capital adequacy to enable the Bank to identify any need for action at an early stage and ensure internal capital adequacy even when tough market conditions prevail. For the economic perspective, this is done in the stress scenario, and for the normative perspective in the “adverse case”.

The most significant risk in the economic perspective as well as in the normative perspective is default risk, which is also the main driver behind the increased risk-taking potential utilization in the stress case and the “adverse case” respectively. This reflects Siemens Bank’s business and risk strategies.

## Regulatory capital adequacy

In addition to internal capital management within the context of internal capital adequacy and the management of liquidity risk, there is a second component of capital adequacy management within Siemens Bank, namely the monitoring and control of regulatory capital adequacy and of key liquidity ratios in accordance with CRR II.

As of September 30, 2023, the composition of regulatory capital at Siemens Bank was as follows:

(€ million)	2023	2022
<b>Tier 1 Capital</b>		
Paid-up capital instruments	5.0	5.0
Adjustments due to the requirements for prudent valuation	-47.0	-16.7
Capital reserves and other eligible reserves	1,070.0	1,070.0
	<b>1,028.0</b>	<b>1,058.3</b>
<b>Tier 2 capital</b>		
Total Tier 2 capital before capital adjustment items pursuant to section 10 (2b) KWG	159.0	59.0
Adjustment items for Tier 2 capital pursuant to section 10 (6) and (6a) KWG	0.0	0.0
	<b>159.0</b>	<b>59.0</b>
<b>Total modified available capital pursuant to section 10 (1d) KWG</b>	<b>1,187.0</b>	<b>1,117.3</b>

Figure 7: Composition of regulatory capital according to the final financial statements as of September 30, 2023 (prior-year figures according to adopted financial statements)

Siemens Bank uses the standardized credit risk approach for the purposes of measuring and covering the regulatory capital requirements with respect to default risk. It uses the standardized approach for measuring market risk and the basic indicator approach for measuring operational risk.

(€ million)	2023	2022
<b>1. Default risk</b>		
Standardized credit risk approach		
Central governments	0.0	0.0
Institutions	0.3	0.5
Corporates	621.5	642.5
Items with particularly high risk	18.4	8.8
Other	19.8	9.0
Overdues	0.3	0.3
<b>Sum of default risk</b>	<b>660.2</b>	<b>661.1</b>
<b>2. Market risk</b>		
Standardized approach		
	2.3	1.9
- of which: currency risks	2.3	1.9
<b>Sum of market risk</b>	<b>2.3</b>	<b>1.9</b>
<b>3. Operational risk</b>		
Basic indicator approach		
	31.4	31.4
<b>Sum of operational risk</b>	<b>31.4</b>	<b>31.4</b>
<b>Total capital requirements</b>	<b>694.0</b>	<b>694.5</b>

Figure 8: Regulatory capital requirements as of September 30, 2023 (prior-year figures according to adopted financial statements)

Siemens Bank must ensure a total capital ratio of 11.3% according to CRR II in conjunction with the relevant provisions of the KWG. The total capital ratio also includes the capital preservation buffer and the anti-cyclical buffer which must be furnished from Common Equity Tier 1 capital. The total capital ratio is the ratio of the total amount from risk-weighted assets to Siemens Bank’s regulatory capital. As of September 30, 2023, the total capital ratio (Pillar I) for Siemens Bank was 13.68% according to the final financial statements (previous year: 12.87% according to the adopted financial statements). The Tier 1 capital ratio (Pillar I) is 11.85% according to the final financial statements (previous year: 12.19% according to the adopted financial statements). Both ratios are therefore higher than the capital ratios specified by the regulatory requirements.

The difference between the required regulatory capital of €694.0 million (previous year: €694.5 million according to the approved financial statements) and the required economic risk capital in the normal scenario of €613.5 million (previous year: €607.7 million) is the result of Siemens Bank using its own risk models in the calculation of the required economic capital.

## 2.3 Default risk

Siemens Bank understands default risk to mean possible loss of value resulting from partial or complete default or from a deterioration in the credit rating of customers of Siemens Bank. Within default risk overall, Siemens Bank makes a distinction between credit risk, counterparty risk and issuer risk.

The framework of rules and regulations for identifying, managing and monitoring default risk comprises the Credit Policy and its associated guidelines for default risk management. The Credit Policy is a comprehensive description of procedures, tools, roles and responsibilities for all persons involved in the process. The Policy is reviewed at least once a year to ensure that it is up to date.

### Credit risk

Credit risk refers to the risk that a borrower will fail to meet its obligations to Siemens Bank under a loan agreement, either partially or in full. Credit risk also includes transaction risk under loan agreements, the risk of default in connection with deposits made by Siemens Bank and country risk. Country risk is the risk of constraints on monetary transfers or currency conversions as a result of official decisions or political restrictions in a particular country. Country risk also includes sovereign risk, i.e., the credit risk in relation to governments or central banks. Credit risk is the principal form of default risk to which Siemens Bank is exposed.

### Counterparty risk

Counterparty risk refers to the risk that a counterparty in a forward or derivative transaction will fail to meet its obligations to Siemens Bank, either partially or in full. In the last fiscal year, Siemens Bank was not exposed to any significant risk amounts in connection with counterparty risk because of the low number of derivative risk positions held by the Bank.

### Issuer risk

Issuer risk is the risk of deterioration in the credit rating of an issuer or the risk that an issuer will default, either partially or in full. On September 30, 2023, Siemens Bank was only exposed to issuer risk positions through short-term bonds (treasury bills) with maturities of less than one year.

### 2.3.1 Risk classification

The classification of risk and the associated credit rating for Siemens Bank customers play a key role in the process for granting loans, assessing new business and determining the internal risk capital requirement. Siemens Bank has a number of rating procedures at its disposal for determining customer credit ratings. The rating procedures are based on the attributes of the different customer groups and on specific product features; for example, there are separate criteria for determining ratings in connection with project finance entities. Rating procedures are based on statistically validated models and are optimized on an ongoing basis. Regular validation and regular backtesting form the core of this optimization process to ensure that the Bank achieves the best possible level of forecast quality and discriminatory power within its rating procedures.

Siemens Bank has defined ten rating classes to enable it to achieve a meaningful differentiation between credit ratings. There are up to three further subclasses within each rating class (e.g., 3+, 3, 3-). This system therefore consists of a total of 19 different credit rating categories overall. The rating categories can be reconciled with external credit ratings using a conversion table. If credit ratings are available from an external provider in any particular instance, these external ratings can be used as an input for a credit rating procedure. All external credit ratings used by the Bank in its risk classification procedures are obtained exclusively from S&P, Fitch or Moody's. Even if an external credit rating is used, Siemens Bank still carries out a credit rating analysis using its own knowledge and information. Credit rating classes 1 to 7 are used for unproblematic customers.

If a borrower is classified with a credit rating of 8+ or worse, the borrower concerned is usually made subject to intensive loan management. Intensive loan management also takes place without a downgrade to a rating of 8+ or worse if other criteria for intensive loan management are met – e.g., a request by the customer for forbearance measures. If a borrower is classified with a credit rating of 9 or worse, the borrower concerned is transferred to the problem loan management unit. Rating category 9 covers all borrowers who are subject to loan restructuring; category 10 comprises all borrowers already in default and in the process of winding up.

The risk classification process also always takes into account the country risk associated with a borrower. The credit rating for a borrower must always be considered in relation to the rating for the borrower's country and is generally subject to an upper limit based on the country risk.

A borrower's credit rating is reviewed at least once a year on the basis of the latest available information. Credit ratings are reviewed immediately if there are changes in specific borrower circumstances or significant changes in the economic environment.

### 2.3.2 Portfolio management and modeling

The lending portfolio is managed using an integrated approach comprising management of expected and unexpected losses, procedures for early detection of risk, stress-testing procedures and a comprehensive assessment approach for new business.

#### Expected loss

To determine the expected loss, the Bank forecasts the average loss it expects based on the current credit rating and the current expected recovery rate for each and every borrower. The expected loss is a key figure in portfolio analysis and a key input variable for pricing new business. When determining risk as part of the portfolio analysis, the expected loss is calculated for a period of one year; the maturity of the exposure is used for the purpose of pricing new business.

#### Unexpected loss

A credit-value at risk approach is used to analyze lending portfolio risk and to determine the economic capital requirement. The credit value at risk serves to quantify an unexpected loss and is a key risk variable in portfolio modeling. In this calculation, Siemens Bank uses a risk horizon of one year and a confidence level of 99.95%. The confidence level is derived from Siemens Bank's target rating of A/A-. Credit risk modeling at the portfolio level uses a simulation-based asset-value model. The asset-value model simulates the probability of default of the borrower using the borrower's return on company value. To determine the return on company value, Siemens Bank uses a multifactor model comprising both macroeconomic and borrower-specific factors. Customers with similar economic characteristics are aggregated into risk units in order to calculate the unexpected loss. The stronger the correlation between a risk unit and macroeconomic factors, the greater the fluctuation in this unit's probability of default in the event of changes in the macroeconomic factors. The fluctuation in the macroeconomic and the borrower-specific variables, and therefore the probability of default, is simulated using a Monte Carlo approach. For this purpose, the correlation assumptions were further specified in the past fiscal year, in particular in order to be able to better simulate regions with higher systematic risk. This resulted in an increase in unexpected loss, which is also reported in the analysis and comparative calculation as per September 30, 2022.

A loss distribution for the lending portfolio is generated from the resulting changes in the probability of default. In addition to the correlations of the risk units, another key input variable for the Monte Carlo simulation is the probability of a credit rating migration. To obtain this data, the Bank draws up a table based on historical credit rating migrations. At each stage in the Monte Carlo simulation, the table provides the probability of migration to a better or worse rating category for each risk unit. The simulated loss distribution takes into account not only losses due to a migration to a default class, but also economic losses by a risk unit caused as a result of the deterioration in credit rating. The exposure for a risk unit comprises the loan amount paid out and any weighted amount related to open external credit lines.

In addition to losses due to rating migration, the portfolio model also takes into consideration fluctuations of the recovery rate and asset recoveries. While negative recovery fluctuations lead to higher loss in the event of rating migration, asset recovery fluctuations lead to direct loss in market value.

In addition to this, a measurement of ESG risks was incorporated into the lending portfolio model in the past fiscal year, which increases the risk horizon for non-sustainable loans. This resulted in an increase of unexpected loss, which is also reported in the analysis and comparative calculation of the data as per September 30, 2023 versus September 30, 2022, as shown in chapter 2.3.5.

For customers with specific loan loss provisions, the exposure is reduced by the value of the specific loan loss provision. The credit value at risk and the risk contributions for the risk units are then derived from the loss distribution. In addition to the credit value at risk, the risk contributions from the largest portfolios and segments are also calculated in order to measure concentration risk.

#### Country risk

Country risk is measured by analyzing concentration risk for individual countries in terms of economic capital requirement and credit exposure. Country risk is limited both by preventive action in which exposure limits must be adhered to during the course of the credit process and by the ongoing analysis of concentration risk in individual countries.

### Backtesting and validation

Siemens Bank carries out monthly backtesting of the risk classification and probabilities of default as well as an analysis of rating migrations in order to ensure and refine the level of quality in its modeling of expected and unexpected loss (credit value at risk). In addition, other parameters used in determining risk are examined as part of an annual review of risk models and rating procedures. Backtesting of rating procedures in terms of discriminatory power and forecast quality takes place monthly. If there are any anomalies, the results are used as the basis for adjusting the structures and the methodology of the rating procedures.

In the past fiscal year, the validation of the level of probability of default allocated to the rating classes resulted in an urgent adjustment requirement to reduce the probability of default. In this context, it was decided for almost all rating classes to reduce the probabilities of default, which led to a reduction in general loan loss provisions as per September 30, 2023 by €7.07 million and a reduction in required economic capital.

### Pricing

As part of the credit process, new business is assessed using measurement methods and pricing tools. These methods and tools factor in funding costs, expected losses and tax effects as well as administration expenses and the costs in connection with economic risk capital. All the essential aspects of risk and return are therefore taken into account in the assessment of new business. The parameterization of the pricing tool is based on the parameterization defined within the portfolio management process and thereby ensures consistency with the Bank's integrated risk-return management. Key figures determined from the pricing process are the EVA and the RoE based on the RoRaC of such new business.

### Early detection of risk

Early detection of risk is based on established reporting and monitoring processes, which were again reviewed during the past fiscal year and re-adjusted by concretizing early warning indicators. Portfolio and transactions are regularly monitored against pre-defined qualitative and quantitative characteristics that may indicate emerging increased risk. Information is assessed and classified promptly, and included in any credit rating assessment. This ensures that ratings are up to date. Also, if necessary, exposures are monitored more closely and reviewed at shorter intervals, and suitable measures are initiated (e.g. intensive loan management).

## Stress testing

Lending-portfolio modeling and management using credit value at risk is complemented by targeted sensitivity analyses and stress tests. The stress tests and sensitivity analyses for credit risk are carried out regularly for the overall risk reporting as well as ad hoc. The purpose of sensitivity analyses is to consider individual risk factors in isolation. Stress tests, on the other hand, provide a holistic view for the purposes of assessing credit risk. By integrating stress testing into the analysis of internal capital adequacy, the Bank is able to identify any areas in which action is required. Inverse stress tests also play a specific role. Although these inverse tests do not form part of the analysis of internal capital adequacy, they nevertheless constitute important indicators in the early detection of risk and in the identification of possible risks to internal capital adequacy.

The model scenarios used for the stress tests take into account both historical scenarios and the strategic direction currently being pursued by Siemens Bank. At the core of the scenarios is a macroeconomic approach that simulates the impact of a recession on the lending portfolio and the internal capital adequacy. Within the scenarios, Siemens Bank makes a distinction between a shallow, a moderate and a severe recession.

## 2.3.3 Risk mitigation techniques

The risk classification and the accompanying credit rating of the borrower form the basis for the credit decision and for the analysis of the expected and unexpected loss. The borrower's credit rating itself is determined independently of any individual transactions and, as a result, also independently of available collateral. However, collateral still represents an important component in assessing risk and calculating economic capital requirements in a lending transaction.

## Types of collateral

In its management of credit risk, Siemens Bank makes a distinction between two fundamental categories of collateral:

- » The first category comprises assets in the form of financial or other collateral that the Bank can realize in the event of a default, thereby allowing the Bank to limit the incurred loss. This category includes, in particular, physical assets in the case of capital investment loans or project finance as well as cash collateral.
- » The second category comprises collateral in the form of guarantees furnished not by the borrower but by independent third parties, for example government export credit insurance.

## Collateral management

Both categories of collateral form an integral part of credit risk management at Siemens Bank, provided that such collateral meets internal requirements for collateral that can be accepted by the Bank. Specifically, collateral in the second category is only acceptable if the credit rating of the guarantor is better than the rating of the original borrower, the guarantee is directly legally enforceable, all documentary requirements are met and the guarantor is not an individual. In the case of syndicated loans, management of collateral may be transferred to another bank that is a member of the loan syndicate.

Collateral in the first category results in a reduction in the expected and in the unexpected loss because the recovery rate for the transaction has been increased or because an asset recovery is recognized. Collateral in the second category also leads to a reduction in the expected and unexpected loss in that the credit rating of the guarantor is also factored into the calculation.

## 2.3.4 Risk allowances

Siemens Bank recognizes individual allowances for loans classified as subject to problem loan management. These allowances are intended to cover the expected loss after taking into account any expected proceeds from the realized collateral. Siemens Bank also recognizes general loan loss provisions to cover the latent credit risk in the portfolio of loans and advances. In doing so, loan loss provision rates based on the rating, the expected term and the internal estimate of loss ratios in the event of loss are applied to the non-collateralized exposure. The rating also factors in an assessment of country risk, with the result that any general loan loss provision recognized by the Bank also covers the assumed latent country risk. The assumptions that underlie the valuations are continuously monitored and validated. In order to take account of the current uncertainties in the geopolitical and macroeconomic environment, Siemens Bank has established an overlay in the form of a post-model adjustment for general loan loss provisions.

As of September 30, 2023, Siemens Bank had total recognized specific and general loan loss provisions of €210.0 million (previous year: €161.0 million). This includes effects resulting from the post-model adjustment in the amount of €7.39 million. Specific loan loss provisions include transaction-specific assessments of future cash flows, probabilities of default and expected loss rates, taking into account collateral and, where applicable, restructuring effects. The increase in risk provisioning is due to provisioning for a few individual, non-correlated transactions, in particular an exposure in the project financing business which was restructured due to significant construction delays and cost overruns.

## 2.3.5 Analysis of the lending portfolio as of September 30, 2023

The required economic capital for default risk as of September 30, 2023, was €487.5 million (previous year: €555.7 million based on the new method). This capital requirement was contrasted by an allocated risk-taking potential of €700.0 million.

The required normative capital for default risk as of September 30, 2023, is €933.8 million (previous year: €901.4 million).

Overall, required economic capital as per September 2023 was lower. The amount of required capital is primarily determined by the lending portfolio volume, borrower credit ratings, collateralization and borrower industrial sectors and countries. The rating downgrades made within the lending portfolio exceeded rating upgrades in the fiscal year. Overall, the adjustments due to validation described in chapter 2.3.2 and the increased specific loan loss provisions (see chapter 1.4) had a reducing effect on required economic capital in the fiscal year.

The lending portfolio focuses on project financing and corporate loans and is in line with Siemens Bank's business strategy.

As of September 30, 2023, the lending portfolio from lending business and the Treasury's investments as part of liquidity risk management and asset liability management (excluding short-term money market investments and treasury bills) had a nominal value of €7,978.2 million (previous year: €8,075.3 million), of which €7,481.3 million (previous year: €7,549.7 million) was attributable to project financing and corporate, and €496.9 million (previous year: €629.6 million) to public-sector borrowers. The focus continues to be on the sectors renewable energy, transmission and distribution grids as well as industrial and social infrastructure. Market movements in the interest-rate environment during the fiscal year had an impact on borrower credit rating in isolated cases. In project financing in the construction stage, construction deadlines were exceeded in isolated cases.

A breakdown of the Siemens Bank lending portfolio by credit rating as of September 30, 2023, is shown in the following table.

(€ million)	2023	2022
Rating category	Exposure	Exposure
Investment grade	2,234.2	2,465.0
Non-investment grade	5,744.0	5,620.3
of which exposures with high probability of default	116.2	169.7
of which defaulted exposures	258.8	86.5
<b>Total</b>	<b>7,978.2</b>	<b>8,075.3</b>

Figure 9: Lending portfolio by rating category

As of September 30, 2023, the investment-grade exposure (rating 1 through rating 5+) totaled €2,234.2 million (previous year: €2,465.0 million) and the non-investment-grade exposure (rating 5- through rating 10) totaled €5,744.0 million (previous year: €5,610.3 million). There was a total of €116.2 million of credit exposure with a high probability of default (rating 9) as of September 30, 2023 (previous year: €169.7 million). Exposure to default in the lending portfolio (rating 10) was €258.8 million (previous year: €86.5 million). Non-collateralized loans are in general only granted to customers with an investment-grade rating. The increase in defaulted exposures is also due in particular to an exposure in the area of energy production from renewables in Asia. These exposures at risk of default and defaulted exposures are already covered to a significant extent by specific loan loss provisions.

The breakdown of the lending portfolio by geographical area (based on the country of risk) as of September 30, 2023 highlights the Bank's business strategy of focusing on customers in Europe, Asia and Australia.

(€ million)	2023	2022
	Exposure	Exposure
Eurozone	2,844.74	2,847.0
Europe excluding eurozone	2,439.13	2,473.5
Asia	1,760.24	1,865.0
Australia/Oceania	707.95	660.3
America	204.23	200.3
Africa	21.93	29.1
<b>Total</b>	<b>7,978.2</b>	<b>8,075.3</b>

Figure 10: Breakdown of lending portfolio by geographical area

The country group "Europe excluding eurozone" is mainly attributable to the United Kingdom.

## 2.4 Liquidity risk

Siemens Bank only takes on liquidity risk to the extent that this is necessary to implement its business strategy. The Bank is only permitted to take on funding risk within tightly defined limits.

The framework of rules and regulations for identifying, managing and monitoring liquidity and market risk comprises the Asset Liability Management Policy (ALM Policy) and its associated guidelines. The ALM Policy is a comprehensive description of procedures, tools, roles and responsibilities for all persons involved in the process. The Policy is reviewed at least once a year to ensure that it is up to date.

### 2.4.1 Risk management

#### Liquidity risk (in the sense of risk of insolvency)

Liquidity risk (in the sense of risk of insolvency) is the risk that Siemens Bank will not be able to meet its payment obligations (in euros or in a foreign currency) on time or in full. Siemens Bank uses a detailed, multicurrency liquidity gap profile to manage liquidity risk. In this profile, the balances of all deterministic, optional and modeled cash flows are reported on a daily basis. A subsequent gap analysis for the individual time brackets then ensures that any emerging liquidity shortfall is detected at an early stage and that Siemens Bank can meet its payment obligations at all times. In a procedure in line with the method used for the multicurrency liquidity gap profile in euros, individual liquidity gap profiles are generated and analyzed daily for each key currency.

In order to ensure that liquidity is maintained during the course of the day, the latest account balances are continuously monitored.

If a liquidity shortfall arises nevertheless, Siemens Bank has a liquidity contingency plan that defines communication channels and a comprehensive range of contingency measures.

Monitoring and measurement of the liquidity coverage ratio, net stable funding ratio and minimum liquid assets (for the Singapore Branch) are integrated into daily liquidity management.

#### Funding risk

Funding risk is the risk that Siemens Bank will only be able to close gaps in its liquidity gap profile by obtaining funds at increased market interest rates. The maximum present value loss arising from changes in funding terms and conditions is calculated daily in the form of liquidity value at risk (LVaR) based on the net cash flows determined in a spread-sensitive liquidity gap profile.

#### Limit structure

Siemens Bank defines its liquidity risk tolerance over a period of twelve months and thereby limits the gaps determined in the liquidity gap profile. Liquidity risk controlling continuously monitors compliance with these limits. For the time period of up to one month, the limit is represented by a short-term liquidity buffer, which is always determined as a result of the stress tests for the liquidity risk and adjusted on a monthly basis. Limits in place for other time periods of up to one year are adjusted yearly and are based on the total asset volume. If a limit is exceeded, the ALM Committee must be informed without delay and action must be initiated to restore compliance with the limit.

Funding risk is managed through operational value at risk limits at bank-wide level. Liquidity risk controlling continuously monitors compliance with these limits. If a limit is exceeded, the ALM Committee must be informed without delay and action must be initiated to restore compliance with the limit. The operational management is the responsibility of the Treasury department of Siemens Bank. Siemens Bank takes on funding positions that result in liquidity risk only within the framework of its asset-liability management. Derivatives are currently only allowed in order to reduce risk and not as a means of creating new funding risk positions.

The liquidity ratios LCR and NSFR are also monitored daily and compared to the triggers derived from the recovery plan.

### 2.4.2 Modeling

#### Modeling

In order to ensure that the liquidity gap profile is a full and complete presentation of the current liquidity position, Siemens Bank includes optional and modeled cash flows as well as deterministic cash flows in the profile. These optional and modeled cash flows include, for example, outstanding project finance drawings, committed but undrawn lines of credit, the notified lending and deposit business, possible drawings from the guarantee exposure as well as possible and imminent losses in the lending portfolio. The assumptions made allow Siemens Bank to draw up a complete, risk-adjusted, and comprehensive presentation of its liquidity position.

Siemens Bank uses an internal liquidity-value at risk model (LVaR) to measure funding risk. This model was converted at the beginning of the fiscal year from a parametric model to a historical simulation. Economic capital is determined by calculating the value at risk with a confidence level of 99.95% and a risk horizon of one year. Operational value at risk limits are then derived from this calculation. If the operational value at risk limits are determined and monitored using a different risk horizon, the Bank ensures that there is always reconciliation to internal capital adequacy.

#### Liquidity buffer

For unexpected liquidity shortfalls, Siemens Bank holds a buffer consisting of high-quality liquid assets eligible for use as central bank collateral as well as cash. A core component of this strategy is Siemens Bank's participation in Deutsche Bundesbank's loan submission program KEV (Krediteinreichungsverfahren). To ensure compliance with the liquidity coverage ratio and with the minimum liquid assets (for the Singapore Branch), Siemens Bank has a portfolio of highly liquid assets.

#### Stress testing

Siemens Bank has defined hypothetical stress test scenarios for liquidity risk. These scenarios include both market and institution-specific liquidity risks. In addition, the Bank also regularly analyzes a combined scenario. The results of the stress test scenarios always determine the minimum level of the required liquidity buffer. The results of the stress tests are reported in the overall risk report and to the ALM Committee in the monthly market and liquidity risk report.

The funding risk stress case is calculated with the assumption of increasing volatilities of the funding spreads as well as through a simulated reduction in available liquidity.

#### Backtesting

The modeling assumptions regarding future cash flows included in the liquidity gap profile and the assumptions used in the calculation of the LVaR are regularly validated by risk controlling.

Risk controlling also reviews the defined stress test scenarios.

The early warning indicators defined to highlight a liquidity shortfall are validated on a regular basis – but, in any case, at least once a year – to ensure that they are up to date and complete. On a similar cycle, liquidity risk controlling reviews the action specified in the event of a liquidity shortfall to assess whether this action is effective and can be implemented within the required period of time.

### 2.4.3 Liquidity analysis as of September 30, 2023

The liquidity gap profile comprising deterministic, optional and modeled cash flows shows negative cumulative cash flows in 9-month to 4-year time brackets as of September 30, 2023. All cumulative cash flows up to 6 months are positive. All operative liquidity limits, including funding limits, were being complied with at all times. In order to monitor the limits, optional and modeled cash flows are included in these figures and are already adjusted for risk. Siemens Bank maintains a liquidity buffer of assets eligible as collateral with central banks, deposits with central banks and other high-quality liquid assets. As of September 30, 2023, this buffer amounts to €2,661.2 million (previous year: €2,792.6 million), primarily caused by short-term investments of Siemens AG, which were deposited with the central bank. The expected survival horizon is infinite. The business contingency plan fully covered the potential liquidity gaps.

Within strict limits, deposits are also used for funding the lending business. Given the largely maturity-matched funding of the lending business, Siemens Bank had, as of September 30, 2023, a liquidity value at risk of €8.1 million (previous year: €2.4 million, applying the new method) with a confidence level of 99.95% and a risk horizon of one year because of the negative cumulative cash flows in the medium- to long-term liquidity structure. This capital requirement was contrasted by an allocated risk-taking potential of €30.0 million.

## 2.5 Market risk

Siemens Bank understands market risk as a possible loss of value resulting from fluctuations in market prices and from volatility in financial instruments.

Siemens Bank does not have a trading book. Currently, the Bank's business and risk strategy only allows it to enter into trading deals for the purpose of mitigating risk. To the greatest possible extent, Siemens Bank therefore avoids market risk positions and only enters into such transactions within tightly specified limits. Currently, market risk at Siemens Bank comprises interest-rate risk and currency risk.

Market liquidity risk is managed in an integrated approach in conjunction with the management of market risk because Siemens Bank is only exposed to market liquidity risk as a result of ordinary interest-rate and currency derivatives that it enters into to reduce the risk arising from open risk positions.

## 2.5.1 Risk management

The Asset Liability Management Committee (ALM Committee) at Siemens Bank is responsible for asset-liability management and therefore also for the management of market risk. In particular, the ALM Committee specifies the operational limits for the management of market risk based on the risk-taking potential allocated in the internal capital adequacy concept.

Responsibility for operational management within the system of limits specified by the ALM Committee lies with the Siemens Bank Treasury function. Siemens Bank takes on market risk positions solely in the context of its asset-liability management. Derivatives are currently only allowed in order to reduce risk and not as a means of creating new market risk positions.

Risk positions are monitored daily by market risk controlling. These activities include both the monitoring of compliance with operational limits and an analysis of the financial income statement on a daily basis. If a limit is exceeded, the ALM Committee must be informed without delay and action has to be initiated to restore compliance with the limit.

## 2.5.2 Modeling

### Risk model

Siemens Bank uses an internal value at risk model to measure market risk. This model was converted at the beginning of the fiscal year from a parametric model to a historical simulation. Economic capital is determined by calculating the value at risk with a confidence level of 99.95% and a risk horizon of one year. Operational value at risk limits are then derived from this calculation. If the operational value-at risk limits are determined and monitored using a different risk horizon, the Bank ensures that there is always reconciliation to internal capital adequacy.

In addition to measuring present value market risk, Siemens Bank also calculates a monthly value at risk to measure net interest income (NII) in accordance with the European Banking Authority (EBA) guidelines for managing interest rate risk in the banking book (IRRBB). This NII value at risk is integrated into Siemens Bank's quarterly internal capital adequacy assessment.

### Backtesting

The one-day value at risk is backtested in order to ensure the quality of the forecast produced by the value at risk model. The change in value in the underlying positions (hypothetical income statement) is compared with the calculated value at risk. If the hypothetical income statement exceeds the calculated value at risk more than five times within a year, Siemens Bank makes adjustments to the modeling. This may involve either a general modification of the model or the introduction of a markup (penalty factor).

## Stress testing

The measurement of market risk using value at risk is complemented by targeted sensitivity analyses and stress tests. These analyses and stress tests simulate extreme fluctuations in individual risk factors or special crisis situations that are not possible to encompass in the value at risk measurement approach. The scenarios used in these analyses and tests are based on both hypothetical portfolio-specific scenarios and historical data relating to actual extreme fluctuations in risk factors. The integrated stress tests in the economic risk adequacy assessment use, in particular, light, moderate and severe recessions as the basis for the tests.

## 2.5.3 Market risk analysis as of September 30, 2023

As of September 30, 2023, the required economic capital for market risk was €86.3 million (previous year: €74.0 million, applying the new method). As of September 30, 2023, the required normative capital for market risk was €3.2 million (previous year: €0.0 million). Economic capital requirement rose compared to the end of last year. The predominant part of this originates from the changes in the interest rate market and the increased interest rates in EUR, GBP and USD. The economic capital requirement was set against an allocated risk-taking potential of €100.0 million.

## 2.6 Operational risk

Operational risk (OpRisk) is defined as the risk of losses resulting from inappropriate or failed processes or technical systems or inappropriate behavior or failures on the part of individuals or resulting from external events. This definition includes legal and reputational risk.

The framework of rules and regulations for identifying, managing and monitoring operational risk is provided by the OpRisk Policy. This Policy is a comprehensive description of procedures, tools, roles and responsibilities for all persons involved in the process. The Policy is reviewed at least once a year to ensure that it is up to date.

The organizational structure of OpRisk management comprises both central and decentralized components. Basic responsibility for the management of operational risk lies at the decentral level with the relevant Siemens Bank departments and units. This management is coordinated by an OpRisk manager appointed by the Management Board. The OpRisk manager acts as a central point of contact and coordinates all matters concerning OpRisk management.

## 2.6.1 Risk classification and management

Siemens Bank conducts an annual self-assessment in which it systematically collects and analyzes data on operational risk. The various risks are then prioritized based on the risk potential determined in the analysis. Thereafter, the Bank initiates appropriate measures that are subject to continuous monitoring in order to mitigate any critical risks that have been identified.

Any losses actually incurred above a defined threshold value are recorded without delay in the Bank's own database of losses and analyzed to establish the cause of the losses. The Risk Committee decides on any action that needs to be initiated, and the OpRisk manager monitors the implementation of such action.

Siemens Bank also has a comprehensive contingency plan to ensure that the business can continue to operate in the event of process or system failures. This plan is regularly reviewed to verify that it is fit for this purpose.

An early warning system has been implemented on the basis of key risk indicators. These indicators are monitored monthly and are regularly screened by the Risk Committee.

Siemens Bank uses the basic indicator approach (BIA) as specified in CRR II in order to measure and cover the regulatory capital requirement for operational risk.

To measure the required economic capital, Siemens Bank compares the amount determined for regulatory purposes under the BIA with the risk-taking potential allocated to operational risk. The Bank also conducts regular stress tests on its economic capital adequacy requirements as part of the internal capital adequacy assessment in order to minimize the risk in this static approach caused by possible fluctuations in the results of operations.

## 2.6.2 Risk reporting

Operational risk forms an integral part of the overall risk report and is subject to regular quarterly and annual risk reporting. The key risk indicators (KRIs) are monitored and reported monthly.

Ad hoc reports are also used to report any material losses to the Management Board without delay. These reports include any reputational damage or losses due to fraud.

## 2.6.3 Operational risk analysis as of September 30, 2023

The total value of losses occurred in the past fiscal year was below €0.1 million.

The required economic capital for operational risks as of September 30, 2023 was €31.4 million (previous year: €29.0 million). The required capital is based on the regulatory

calculation specified in the CRR II and is adjusted yearly by the Management Board based on the final financial statements. This capital requirement was set against an allocated risk-taking potential of €35.0 million.

In the past fiscal year, employees continued to work primarily from home and remotely. As in the previous year, there was no substantial absence of personnel and no substantial failure of infrastructure or IT systems, so that business operations were not significantly restricted.

## 2.7 Business and strategic risk

Business and strategic risk is managed by the Management Board of Siemens Bank at an overarching level for the entire Bank rather than as part of the day-to-day business of individual departments or segments.

Business and strategic risk is assessed during the course of the process for determining the Bank's business and risk strategies. Business risk and strategic risk are managed by identifying potential business and specifying target markets as part of business strategy planning and by subsequently deriving business-strategy targets and action plans.

Business risk in the sense of a net present value margin risk represents the quantifiable portion of the business risk. This is taken into account separately in the internal capital adequacy assessment as a deduction item in the additional risk-taking potential.

Siemens Bank uses a value at risk model to measure business risk and applies the uniform confidence level of 99.95% and a risk horizon of one year. This was converted at the beginning of the fiscal year from a parametric model to the so-called historical simulation. During the past fiscal year, the capital requirement for this risk increased significantly from €76.5 million to €85.8 million. The value for the previous fiscal year, based on the old method, was €275.2 million. The change was mainly due to higher interest-rate and FX volatilities, in particular for the USD and GBP yield curves and the EUR/GBP exchange rate.

It is not expedient to limit business risk in the sense of net present value margin risk operationally by imposing a limit structure; therefore, the Management Board manages this risk on a bank-wide level. Changes in the overall risk situation, and therefore also in strategic risk, are analyzed quarterly by the Risk Committee. Particular emphasis is given to analysis of the lending portfolio in terms of strategic alignment and trends.

## 3 Further information

Siemens Bank maintains branches abroad in London, United Kingdom, and in Singapore. These branches operate in the lending business and, to a limited extent, also in the fee business. In addition to the headquarters in Munich, the office at the London banking center was established as a second essential pillar for the acquisition of new business in Europe and the Middle East, while the Singapore Branch serves to generate new business in Asia and Australia and to establish local lending risk management. There are no other branches abroad.

In fiscal 2022/2023, as in the previous year, Siemens Bank was involved in a large number of Siemens AG's group-wide programs and initiatives, and supplemented these with own projects due to their great relevance for the Bank:

- » Compliance programs to ensure compliance with legal requirements as an indispensable basis for demonstrating the integrity of the Group's business activities so that Siemens is perceived by stakeholders as a trustworthy partner;
- » ESG – ("Environmental", "Social", "Governance"): Key stakeholders (including shareholders, employees, business partners, the public, regulators) are increasingly expecting banks to handle Environmental, Social and Governance (ESG) Risks responsibly. In this context, the Siemens Bank Credit Policy defines Sustainability Risks as "environmental, social or governance events or conditions which, if they occur, have or may potentially have a significant negative impact on obligors or transactions, or on reputation of the Bank". Insofar, sustainability risks are taken into account as an integral component of the lending decision process.

During the reporting year, a new Sustainability unit was established which implements regulatory requirements, establishes an ESG data architecture and trains and supports sales and risk teams on issues relating to sustainability. The head of Sustainability reports to the Management Board, and keeps it informed of ESG-related risks and opportunities.

The Bank's ESG Framework (which has been in place since February 2020) governs the assessment of ESG aspects in further detail. Key elements are:

- » Identification of new business opportunities requiring an advanced sustainability assessment
- » Definition of business areas of no tolerance where no new business is allowed
- » Guiding considerations for measuring and assessing sustainability risk

» In June 2023, BaFin published the seventh amendment to the German Minimum Requirements for Risk Management at Banks (MaRisk). Among other aspects, the MaRisk provides for requirements regarding the integration of sustainability issues into various risk management areas, which are being implemented by Siemens Bank.

» Siemens Bank supports investments in sustainable projects (e.g., by maintaining a strong presence in renewable energy and rolling stock and by making inroads into further areas of sustainable technologies in the field of e-mobility and energy storage). Also, Siemens Bank funds projects in the health sector as well as other social infrastructures.

» Diversity, Equity and Inclusion: Siemens Bank believes that a diverse and inclusive corporate culture has a positive effect on its attractiveness as an employer and therefore, indirectly, on its competitiveness. Siemens Bank has therefore launched an initiative to improve diversity, equality and inclusion with the broad participation of employees, with the aim of integrating different ways of thinking, backgrounds, experiences and individual qualities, and supporting employees in different life and work situations in reconciling professional and private challenges. This initiative is driven by several sub-projects that specialize in different topics. For example, in a sub-project on data, KPIs and strategy, a dashboard is being created that quantifies the current situation with regard to the ratio of men and women at staff and management levels. Other projects deal with the introduction of an inclusive recruitment process and subsequent staff development. Further activities include the establishment of an internal mentoring network and the provision of training to promote a corporate culture that values diverse opinions, ideas and open communication. Initiatives to promote work-life balance, for example through tax-free childcare subsidies and childcare places linked to employment contracts.

As in the previous year, no non-financial performance indicators were used during fiscal 2023 to manage business.

An extremely important factor in Siemens Bank's business performance was the upgrading of the long-term rating to Aa3 and the re-confirmation of the short-term rating of P-1 in a credit opinion issued by the rating agency Moody's in June 2023.

## 4 Outlook

### Trends in the economic environment

Apart from Europe, Siemens Bank primarily offers its products in the lending business to customers in the Middle East, Asia, and Australia. Due to this strategic alignment, economic development in these regions is particularly important for business development at Siemens Bank. As a large part of the Siemens Bank lending portfolio is denominated in U.S. dollars, the economic development in the U.S.A. is also significant for Siemens Bank.

Global growth next year is expected to further weaken to 2.3%, and to remain below 3.0% in the long term. Economic dynamics in most advanced countries are dampened in the short term by restrictive monetary and fiscal policies, which are necessary to curb inflation and to bring public finances back to a sustainable path. Governments are confronted with increasing fiscal pressure due to rising debt loads and additional expenditure caused by an aging population, climate change, and defense costs. At the same time, there are major geopolitical tensions. The new escalation of the conflict between Israel and Gaza may result in a major regional conflict in which other parties, such as Iran and Lebanon, may be involved. Continuing risks arise from the war in Ukraine. Both the Israel-Gaza conflict and the war in Ukraine may have a detrimental impact on the supply of oil and gas, which would impede the fight against inflation. Negative influences on the market environment may be caused by other risks, such as supply chain disruptions.

According to estimates, inflation will further recede during the coming year, but will remain above the central banks' target rates in most economies. Inflation rates in the eurozone, the United Kingdom and the U.S.A. of around 2% will – according to forecasts – not be able to be reached before 2025. Up to now, total inflation in the advanced economies is forecast to be 4.6% next year, with core inflation in the G20 states at 2.8% (source: OECD). The latter reflects the easing cost pressure. Wage increases to compensate for falling real wages will be lower, despite persistently tight labor markets in the advanced economies. The increase in energy prices in 2021-22 has been reflected in increased prices of other goods and services. However, there is a risk that supply shocks and therefore price increases in the global commodities markets could occur again. OPEC+ members have implemented production cuts since the summer of 2023 which resulted in an immediate rise in oil prices. As reduced production quotas are intended to be maintained next year, the assumptions regarding future oil prices were adjusted upwards during the year. Currently, we expect a nominal oil price for Brent crude oil of USD82/bbl in 2024. Food prices will also remain volatile globally, due to the El Nino weather phenomenon in large parts of Asia and the termination of the grain deal between Ukraine and Russia. In view of persistent inflation in

the advanced economies, there is uncertainty regarding the adequate tightening of monetary policies and the speed of its transition to and impact on the real economy. An initial reduction of interest rates by the Federal Reserve is expected for the spring of 2024, the European Central Bank and the Bank of England will follow suit with a certain time lag.

Alongside the impact of restrictive monetary policies, the weak economy in China is increasingly becoming a risk factor for the global economy. Gross domestic product in China will grow by only 4.6% next year, and will remain on this level in the long term, with negative consequences for China's trade partners. The economy in India, however, is supported by strong domestic demand which will lead to an economic growth of 6.2% on average per year during the period between 2024 and 2026. The growth outlook for other developing economies in the Asia-Pacific region is characterized by a lack of demand from important export markets, expanding domestic demand and shifting international trade and investment flows. Australia will see a slight increase in its gross domestic product in the coming year, to 1.5% after 1.3% in the current year. The U.S. economy is expected to grow at the same rate in 2024 through 2026, whilst the outlook for the European Union with an aggregated increase in gross domestic product of 0.8% is more moderate for 2024. Economic growth in the member states France, Germany, Spain and Sweden, which are important for Siemens Bank, will in all cases be below the overall European growth rate. The economy in the United Kingdom is expected to contract by -0.1% next year.

## Opportunities and risks in fiscal 2023/2024

Siemens Bank shares the expectation that economic development in fiscal 2023/2024 will be strongly influenced by the impact of the Ukraine conflict and other uncertainties arising from the recent escalation of conflicts in the Middle East. Based on the cited forecasts, Siemens Bank expects a scenario in which the global economy will continue to face many risks and uncertainties in the coming fiscal year, with potentially significant industry-specific and regional differences.

In general, Siemens Bank expects that, based on its portfolio structure with a high proportion of project financing business and a broadly diversified corporate lending business, it will continue to perform well even in this difficult environment. Siemens Bank believes that the demand for project finance and investment loans will remain on a level that is similar to that of the previous years, as the planning cycles for infrastructure projects and project financing are usually longer. In the Asia and Australia region, Siemens Bank expects further growth in its business activities. Current political crises in the Middle East and their potential impacts are being monitored closely. Siemens Bank continues to build on the consistent focus of the lending business on attractive risk-return profiles and on the income from a well-diversified lending portfolio, which has predominantly proven resilient in the context of the current geopolitical and macroeconomic challenges. Siemens Bank continues to expect positive development impulses from the systematic further development of the Siemens AG business models and products, and the associated penetration of new products and markets, for example with the new business segment Extended Payment Terms. Here, as in the past, the Bank intends to avoid exposure to excessive credit risk through a diversification with regard to regions and industries, and through consistent risk management.

Nevertheless, many elements of uncertainty and risk remain, which Siemens Bank believes may lead to negative deviations from the current forecasts. In particular, a further intensification of geopolitical and macroeconomic risks as a result of the Ukraine and Israel conflicts, the energy crisis as well as sharply rising inflation and disrupted supply chains may continue to have a significant impact on the global economy. This, as well as rising interest rates and a generally high interest-rate level could result in a further weakening. Such a scenario would have a significant impact on the growth and profitability of companies and may lead to credit defaults in the overall market, from which Siemens Bank would not be able to disengage itself.

In addition to the special risks associated with the Ukraine and Israel crises, Siemens Bank is monitoring a number of other risks that may have adverse effects on the Bank's future development. In particular, supply shortages of key electronic or chemical primary products and delays in global trade may continue to negatively impact economic growth next year. In Europe, restrictions due to the disruption of supply chains and persistently high energy and electricity prices can be observed.

In addition, a potential escalation of tensions between China and Taiwan, as well as possible trade disputes and sanctions by Western countries against China, pose an economic risk, both for export-oriented economies in Europe and for Asian economies.

Political and economic development in Turkey and, in particular, the Middle East may have an adverse impact on the debt-servicing capacity of debtors. While Siemens Bank limits its political risks primarily through credit insurance, potential economic risks are managed through strict credit risk management.

In summary, the many geopolitical and macroeconomic risk factors described above naturally continue to pose a special challenge, also for Siemens Bank. Economic problems among borrowers may have a negative impact on allowances for losses on loans and advances and may lead to defaults in the lending portfolio. However, due to its broad diversification by sectors and regions and its consistent and comprehensive risk management system, Siemens Bank believes that it is well prepared for the ongoing challenges. Siemens Bank intends to at least partially compensate for declining or negative effects and uncertainties in individual markets and parts of the lending portfolio by positive effects in other markets and parts of the lending portfolio.

## Business performance of Siemens Bank in fiscal 2023/2024

After a 2023 fiscal year which, despite the challenging environment, was successful overall, Siemens Bank expects its lending portfolio to continue to grow moderately, and the EPT business to increase in fiscal 2023/2024, whereby business development will be impacted significantly by the further macroeconomic developments.

For fiscal 2023/2024, Siemens Bank expects the liquidity investments included in loans and advances to banks and customers to remain on a similar level, whilst investments with central banks and, associated with this, the short-term deposits of Siemens AG and its subsidiaries will tend to go back to a slightly lower level. However, Siemens Bank believes that the development in loans and advances to customers in the lending business will have a stronger impact on business volume and net interest income. Here, Siemens Bank expects continued moderate growth and attractive interest margins in fiscal 2023/2024. Combined with persistently high interest-rate levels, Siemens Bank expects the net interest margin to grow accordingly. The Bank plans to replace expiring business, which in part is still operating with lower margins, by consistently focusing on attractive risk-return profiles and active portfolio management, thus, as in fiscal 2022/2023, offsetting the uncertainties observed in the market. In addition, Siemens Bank will actively expand the

new business segment Extended Payment Terms and generate additional interest income through this, although the contribution to the balance sheet and interest income will still be of minor importance in fiscal 2023/2024. Siemens Bank expects that its funding in fiscal 2023/2024 will continue to be provided largely by Siemens AG and its subsidiaries. Overall, Siemens Bank expects net interest income to grow slightly in fiscal 2023/2024.

Siemens Bank is not planning any material changes to the risk management services for Siemens AG and its subsidiaries in fiscal 2023/2024. Therefore, the Bank expects the business pillar fee business, and thus net fee and commission income, to grow only slightly and remain at a comparable level to the previous year. However, the earnings contribution will continue to be of secondary importance for the earnings position of Siemens Bank.

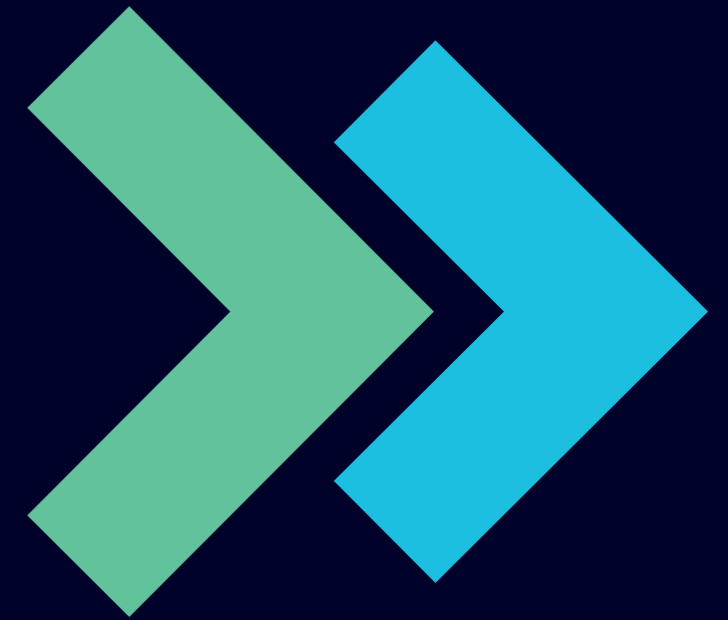
General administration expenses relate firstly to the core lending business and the deposit and treasury business and thus to banking business in the narrower sense of the term. Secondly, general administration expenses relate to the rendering of services, in particular for Siemens AG and its subsidiaries. For the banking business in the narrower sense, Siemens Bank intends to again limit the increase in general administration expenses for fiscal 2023/2024 through strict cost discipline. Thus, this part of general administration expenses is expected to essentially grow only as a result of general price developments – which are, however, higher than in previous years in view of higher inflation and increased salary expectations – and adjustments of the resource base to the increased business volume. After the establishment of the new business segment EPT, additional expenses for the roll-out in other countries in the course of its expansion will be reflected in the general administration expenses of the coming fiscal year. Siemens Bank does not expect any significant changes in the fee business. Siemens Bank therefore expects general administration expenses, in line with the trend in previous years, to continue to increase moderately overall, though more than the average of previous years.

Although Siemens Bank will continue to only selectively enter into credit risk and does not intend to compensate for the continuing margin pressure in parts of the markets by assuming excessive risks, the Bank expects that, due to the current geopolitical and macroeconomic challenges, allowances for losses on loans and advances in the coming fiscal year will be substantially below the level of the last two fiscal years (which had been impacted by significant provisioning for individual transactions that were not correlated systematically), but will be above the normalized level of previous years. However, although Siemens Bank has intensified its focus on preventing concentration risk, the development of provisions may, as in the past fiscal year, be impacted considerably by individual exposures as a result of the portfolio risk structure.

Overall, Siemens Bank expects a challenging fiscal 2023/2024, but with a significantly improved net operating income before additions to the fund for general banking risks and before tax, which, in 2023, was influenced by the special effects in provisioning mentioned above. Continued strong net interest income should compensate for the increase in general administration expenses and necessary allocations to allowances for losses on loans and advances to the extent that a significant improvement in income will be achieved, approaching the income level of the years prior to 2022.

Despite the challenges, Siemens Bank expects to once more achieve the set target range for the return on risk-adjusted capital in fiscal 2023/2024. With regard to both performance indicators – net operating income before tax and RORAC – the greatest uncertainty lies in the development of loan loss provisions and the further development of geopolitical and macroeconomic risk factors.

# Annual financial statements



# Income statement

of Siemens Bank GmbH, Munich,  
for the fiscal year from October 1, 2022  
to September 30, 2023 (€'000)

	Notes to the financial statements	2023	2022
<b>1 Interest income from</b>	<b>1</b>		
a) Lending and money market business		553,337	257,6861
of which: negative interest income € 0 thousand (previous year: €4,178 thousand)			
b) Fixed-income securities and registered debt		10,643	2,454
of which: negative interest income €0 thousand (previous year: €621 thousand)			
		<b>563,980</b>	<b>260,135</b>
<b>2 Interest expense</b>	<b>1</b>	<b>-317,979</b>	<b>-62,878</b>
of which: positive interest expenses €331 thousand (previous year: €9,253 thousand)			
<b>3 Fee and commission income</b>	<b>1, 2</b>	<b>34,987</b>	<b>33,379</b>
<b>4 Fee and commission expense</b>		<b>-207</b>	<b>-216</b>
<b>5 Other operating income</b>	<b>1, 3</b>	<b>1,122</b>	<b>3,312</b>
<b>6 General administration expenses</b>			
a) Personnel expenses			
aa) Wages and salaries		-49,970	-39,326
ab) Social security, post-employment and other employee benefit costs		-8,111	-8,673
of which: in respect of pensions €-5,110 thousand (previous year: €-4,950 thousand)		-58,081	-47,999
b) Other administration expenses		-43,293	-39,951
		<b>-101,374</b>	<b>-87,950</b>
<b>7 Depreciation and write-downs on intangible assets and property and equipment</b>		<b>-464</b>	<b>-269</b>
<b>8 Other operating expenses</b>	<b>3</b>	<b>-2,525</b>	<b>-188</b>
<b>9 Write-downs of receivables and certain securities and additions to provisions in the lending business</b>		<b>-112,239</b>	<b>-87,304</b>
<b>10 Expenses from additions to the fund for general banking risks</b>		<b>-50,000</b>	<b>-25,000</b>
<b>11 Income from ordinary operations</b>		<b>15,302</b>	<b>33,021</b>
<b>12 Taxes on income</b>	<b>4</b>	<b>-12,354</b>	<b>-11,748</b>
of which: deferred taxes €66 thousand (previous year: €40 thousand)			
<b>13 Other taxes, if not included under item 8</b>		<b>-127</b>	<b>-169</b>
<b>14 Profit transferred under a profit-and-loss transfer agreement</b>	<b>5</b>	<b>-2,821</b>	<b>-21,104</b>
<b>15 Annual net profit</b>		<b>0</b>	<b>0</b>
<b>16 Distributable profit</b>		<b>0</b>	<b>0</b>

# Balance sheet

as of September 30, 2023 (€'000)  
of Siemens Bank GmbH, Munich

Assets	Notes to the financial statements	2023	2022
<b>1 Cash</b>			
Credit balances with central banks	53,753		41,818
of which with Deutsche Bundesbank €53,408 thousand (previous year: €41,461 thousand)			
		<b>53,753</b>	<b>41,818</b>
<b>2 Debt instruments of public institutions and bills of exchange that are eligible as collateral with central banks</b>	<b>6</b>		
Treasury bills and non-interest-bearing treasury bonds as well as similar debt instruments of public institutions	74,838		81,067
of which refinanceable at Deutsche Bundesbank €0 thousand (previous year: €0 thousand)			
		<b>74,838</b>	<b>81,067</b>
<b>3 Loans and advances to banks</b>	<b>7</b>		
a) Sight deposits	20,085		31,953
b) Other receivables	1,759,391		2,019,042
		<b>1,779,476</b>	<b>2,050,995</b>
<b>4 Loans and advances to customers</b>	<b>8</b>	<b>7,964,166</b>	<b>7,944,245</b>
of which secured by liens €0 thousand (previous year: €0 thousand)			
of which municipal loans €499,554 thousand (previous year: €630,123 thousand)			
<b>5 Bonds and other fixed-income securities</b>	<b>9</b>		
Commercial paper and bonds from other issuers	37,407		41,314
of which eligible as collateral with Deutsche Bundesbank €0 thousand (previous year: €0 thousand)			
		<b>37,407</b>	<b>41,314</b>
<b>6 Intangible assets</b>	<b>10</b>		
a) Acquired concessions, industrial property rights and similar rights and assets and licences in such rights and assets	1,047		0
b) Goodwill	1,178		1,291
		<b>2,225</b>	<b>1,291</b>
<b>7 Property and equipment</b>	<b>11</b>	<b>100</b>	<b>70</b>
<b>8 Other assets</b>	<b>12</b>	<b>4,152</b>	<b>4,136</b>
<b>9 Prepaid expenses and deferred income</b>	<b>13</b>	<b>2,335</b>	<b>2,435</b>
<b>Total assets</b>	<b>21</b>	<b>9,918,452</b>	<b>10,167,371</b>

Liabilities	Notes to the financial statements	2023	2022
<b>1 Amounts due to banks</b>	<b>14</b>		
a) Sight deposits	348		0
b) With agreed maturities or notice period	31,125		26,932
		<b>31,473</b>	<b>26,932</b>
<b>2 Amounts due to customers</b>	<b>15</b>		
Other amounts due			
a) Sight deposits	7,436		6,089
b) With agreed maturities or notice period	8,526,582		8,943,226
		<b>8,534,018</b>	<b>8,949,315</b>
<b>3 Other liabilities</b>	<b>16</b>	<b>19,010</b>	<b>28,331</b>
<b>4 Prepaid expenses and deferred income</b>	<b>13</b>	<b>42,708</b>	<b>46,840</b>
<b>5 Deferred tax liabilities</b>		<b>0</b>	<b>66</b>
<b>6 Provisions</b>	<b>17, 18</b>		
a) Provisions for pensions and similar obligations	21,965		19,723
b) Provisions for taxes	1,265		4,854
c) Other provisions	40,587		16,310
		<b>63,817</b>	<b>40,887</b>
<b>7 Subordinated liabilities</b>	<b>19</b>	<b>102,426</b>	<b>0</b>
<b>8 Fund for general banking risks</b>		<b>125,000</b>	<b>75,000</b>
<b>9 Equity</b>	<b>20</b>		
a) Subscribed capital	5,000		5,000
b) Capital reserves	995,000		995,000
		<b>1,000,000</b>	<b>1,000,000</b>
<b>Total liabilities</b>	<b>21</b>	<b>9,918,452</b>	<b>10,167,371</b>
<b>1 Contingent liabilities</b>	<b>22</b>		
Liabilities under guarantees and warranty agreements		100,283	89,498
<b>2 Other obligations</b>	<b>22</b>		
Irrevocable loan commitments		1,566,352	1,745,103

Annual financial statements Balance sheet

# Notes to the financial statements

of Siemens Bank GmbH, Munich, for the fiscal year from October 1, 2022 to September 30, 2023

## Basis of accounting in the annual financial statements of Siemens Bank

Siemens Bank GmbH, Munich (hereinafter: Siemens Bank) is registered with the commercial register at the Local Court (Amtsgericht) of Munich, Germany, under HRB 185214.

The annual financial statements of Siemens Bank for the fiscal year ending on September 30, 2023, have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Accounting Regulation for Banks and Financial Services Institutions (RechKredV). The annual financial statements also comply with the provisions of the German Private Limited Companies Act (GmbHG).

The annual financial statements have been prepared in euros in accordance with section 244 HGB. To improve clarity, amounts are presented in thousands of euros (€'000).

Pursuant to section 265 (8) HGB, any line items on the standard RechKredV forms that have remained blank have been omitted and the numbering has been adjusted accordingly to improve readability.

Due to rounding, individual figures in the annual financial statements may not add up exactly to the sum indicated.

## Accounting policies

### Debt instruments of public institutions and bills of exchange that are eligible as collateral with central banks

This item comprises securities issued by foreign government bodies that serve to manage liquidity and are measured strictly at the lower amount of cost and fair value.

### Loans and advances to banks and customers

Loans and advances to banks and customers are carried at their principal amount or at cost, whereby any difference between the amount paid out and the principal amount is recognized as prepaid expenses or deferred income and reclassified to the income statement pro rata temporis, provided that such a difference has the nature of interest. Loans, advances and any other receivables are classified as current assets and are measured strictly at the lower amount of cost and market.

Pursuant to section 11 RechKredV, interest receivables in connection with loans and advances to banks and customers are reported under loans and advances to banks and customers, but are not included in the maturity structure tables of assets and liabilities.

The risk allowances for losses in the lending business include both specific loan loss provisions and general loan loss provisions related to latent credit risks. Specific loan loss provisions continue to reflect individual loan defaults expected in connection with a loan exposure at risk of default. General loan loss provisions are based on borrower credit ratings and the associated probability of default, residual maturities, and the default ratio in the event of a default. Rating-related default probabilities and default ratios in the event of default are regularly validated and reviewed. Also, when determining expected credit loss, a post-model adjustment is used for the first time in the Siemens Bank valuation model. With the post-model adjustment, various economic scenarios and uncertainties will be taken into account from a prospective view. The validation in fiscal 2022/2023 also takes into account the impact of the Ukraine conflict. Siemens Bank also reviews the ratings of borrowers on a regular basis and whenever necessary.

Irrevocable loan commitments are reported in the balance sheet as other obligations and valued at the maximum outstanding drawdown amount.

### Bonds and other fixed-income securities

The securities recognized under this line item are classified as current assets and are measured strictly at the lower amount of cost and fair value. Interest receivables from bonds and other fixed-income securities are recognized under bonds and other fixed-income securities, in accordance with section 11 RechKredV.

### Intangible assets

This item includes goodwill from the acquisition of a service business from Siemens Treasury GmbH, Munich, and a customer base acquired from Siemens Finance & Leasing GmbH, Munich.

The acquisition value of goodwill is calculated as the difference between the purchase price and the values of the assets and liabilities transferred. Amortization is scheduled for 15 years. The customer base is valued at acquisition costs, reduced by scheduled amortization according to the expected useful life of three years.

### Property and equipment

Property and equipment is measured at cost and reduced by depreciation on a straight-line basis over the estimated useful life of three to eight years. Movable fixed assets that can be used independently and whose individual cost is up to and including €250 are immediately expensed. In the case of additions with an individual cost of more than €250 but no more than €800, the items concerned are recognized on the balance sheet but depreciated in full in the year of acquisition.

### Cash and cash equivalents and other assets

Cash and cash equivalents, together with other assets, are carried at their nominal amounts.

## Liabilities

Liabilities are carried at their settlement amounts as of the balance sheet date. Pursuant to section 11 RechKredV, interest obligations in connection with amounts due to banks or customers are reported under amounts due to banks or customers, but are not included in the maturity structure tables of assets and liabilities.

## Deferred taxes

On any differences between the valuation of assets, liabilities, prepaid expenses and deferred income under trade law provisions and under tax law provisions respectively, taking into consideration deductible losses and interest carried forward, a surplus of deferred tax liabilities is recognized if it is to be assumed that there will be a tax burden overall in future fiscal years. While a surplus of deferred tax liabilities is shown separately in the balance sheet, a surplus of deferred tax assets is not presented, using the option pursuant to section 274 (1) 2 HGB.

## Provisions for pensions

Payment obligations from pension commitments are measured on the basis of biometric probabilities at the settlement amount determined using the actuarial projected unit credit method. Expected future increases in salaries and pensions are factored into the calculation of the present value of the defined benefit obligation. The discount rate used in the calculation is based on the relevant rate published by Deutsche Bundesbank for a maturity of 15 years. In order to determine the interest rate for the discounting of the provisions as of September 30, 2023, Siemens Bank, as in previous years, uses a ten-year average. Based on the existing profit-and-loss transfer agreement with Siemens AG, income from this adjustment is subject to the profit distribution restriction, but not to the profit transfer restriction.

Pursuant to the German Occupational Pensions Act (BetrAVG) and the UK Pensions Act 1995, Siemens Bank continues to be liable at a subsidiary level for pensions that are provided via an indirect route. Insofar as the relevant assets of the pension fund (or the Pensionskasse or Unterstützungskasse) fail to cover the settlement amount for the associated pension commitments, Siemens Bank presents the shortfall under provisions for pensions and similar obligations.

## Netting of assets and liabilities, income and expense

Assets whose sole purpose is to satisfy pension obligations or residual partial retirement obligations and that cannot be the subject of a claim by any other creditors are measured at fair value. Income and expenses associated with these assets are netted with the interest cost in connection with the unwinding of discounts on the corresponding obligations and are reported under general administration expenses, social security, post-employment and other employee benefit costs, and under other operating expenses. In addition, these assets are offset against the corresponding underlying obligation. If this results in a surplus of obligations, this obligation is reported under provisions. If the value of assets exceeds the obligations, the amount is reported as an excess of plan assets over pension liabilities.

## Provisions for taxes and other provisions

Provisions are recognized in accordance with tax law to cover current taxes.

Provisions are reported at the settlement amount that is appropriate according to diligent commercial judgement. Provisions include individual appropriate and adequate provisions for all identifiable risks arising in connection with contingent liabilities and for imminent losses arising from pending transactions, taking into account estimated future increases in prices and costs. Non-current provisions (i.e., provisions with a maturity of more than one year), if material, are discounted using the average market discount rate applicable to amounts of equivalent residual maturity. This market discount rate is determined and published by

Deutsche Bundesbank. Interest income and interest expense in connection with discounting and unwinding the discount on provisions are reported under other operating income and expense because they are unrelated to banking operations.

For all interest rate-related financial instruments in the banking book, Siemens Bank provides evidence – in accordance with the principle of loss-free valuation – that no losses will be incurred in the future from contracted interest rate positions. This is done by comparing the net present value of the banking book with its net carrying amount, taking into consideration expected losses and present value general administration expenses from the resolution of the existing portfolio. If the net carrying amount is greater than the net present value, there is a requirement for the recognition of a corresponding provision. As in the previous year, there was no requirement as of September 30, 2023 for the recognition of a provision for onerous contracts pursuant to section 340a HGB in conjunction with section 249 (1) sentence 1 HGB.

## Currency translation

Amounts denominated in foreign currency are translated at the mean spot foreign exchange mid-market rate on the balance sheet date, in accordance with section 256a HGB in conjunction with section 340h HGB. Current receivables and liabilities (i.e., due within one year) are translated with any differences being recognized in the income statement.

Siemens Bank also makes use of the concept of specific coverage for the measurement of amounts denominated in foreign currency. If assets and liabilities denominated in a foreign currency are subject to specific coverage, any associated income or expense arising from currency translation is recognized in the income statement. Assets that are not subject to specific coverage and liabilities with a maturity of more than one year are measured in accordance with the imparity principle.

Assets denominated in foreign currency are documented as specifically covered if they are matched by a countervailing liability or derivative in the currency concerned. Maturity mismatches are deemed to be permissible provided there is the possibility and intention of entering into subsequent hedging deals. Only items eligible for specific coverage that are to be settled in cash may be included in the specific coverage arrangements. Any surplus from this measurement process is recognized under other assets or other liabilities. Any currency translation gain or loss is reported under other operating income or expense.

## Derivative financial instruments

Siemens Bank only enters into derivative financial instruments to cover risks arising in connection with its banking business. Embedded floors result from minimum limits for interest agreed in loan agreements with variable interest rates. As far as possible, currency-related transactions are accounted for as part of the specific coverage arrangements. Short-term interest-rate-related transactions are measured and recognized using the imparity principle because no designation to valuation units (Bewertungseinheiten) as defined by the HGB can be demonstrated. For loan terms of one year or more, interest-related hedging deals are incorporated on a regular basis into HGB valuation units.

Fair values are determined for all derivative financial instruments. Siemens Bank only uses generally accepted valuation methods and measurement parameters observable in the market for this measurement.

# Income statement disclosures

## 1 Geographical breakdown and net interest income

The breakdown of the total amount of net interest income, fee and commission income and other operating income by customers based in Germany and by customers based elsewhere is as follows:

in %	2023	2022
Germany	20	12
Elsewhere	80	88
of which EMEA region (Europe, Middle East, Africa)	53	61
of which AA region (Asia and Australia)	27	27

Negative interest included in the interest income and positive interest included in the interest expenses are disclosed separately in the income statement in the form of a sub-item; prior-year figures are also presented. They result mainly from funding transactions with the shareholder and from liquidity investments. For the Siemens Bank lending book, negative interest is of minor significance due to the structure of the terms and the geographical diversification.

## 2 Fee and commission income

Fee and commission income is derived from the following services:

(€'000)	2023	2022
Risk management and processing services for affiliated companies	27,609	26,035
Risk management services and credit business services for third parties	7,379	7,344
<b>Total</b>	<b>34,987</b>	<b>33,379</b>

## 3 Other operating income and expenses

Other operating income mainly includes income from the reversal of provisions in the amount €1,122 thousand.

Other operating expense mainly includes losses from currency translation in the amount of €2,168 thousand (previous year: profit from currency translation of €3,121 thousand). Other operating expense also comprises expenses from unwinding the discount on provisions and in connection with additions to certain provisions. Expenses from unwinding the discount on provisions amounted to €344 thousand (previous year: €413 thousand).

## 4 Taxes on income

For both income tax and VAT purposes, the German activities of Siemens Bank form an integral part of the tax group of Siemens AG, Berlin and Munich (hereinafter: Siemens AG). Taxes on income for German activities therefore only include capital gains tax and foreign withholding taxes charged.

The London Branch of Siemens Bank forms part of the income tax group of Siemens plc, Frimley (United Kingdom). Due to the different design of the income tax structure in the United Kingdom, taxes on income include, apart from foreign withholding taxes, payments and additions to provisions for current income taxes in the amount of €1,265 thousand (€201 thousand of which for prior years).

The Singapore Branch does not form part of an income tax group. Taxes on income mainly include foreign withholding taxes. Deferred taxes for the London Branch result mainly from valuation differences between the annual financial statements according to the HGB and the tax balance sheet according to English tax law for receivables, pension assets, provisions and liabilities. As of September 30, 2023, this results in a surplus of deferred tax assets. The option to recognize deferred tax assets is not exercised by Siemens Bank.

As of September 30, 2023, deferred taxes for the Singapore Branch result from losses carried forward and from a small number of valuation differences between commercial law and tax law in Singapore for receivables, provisions and liabilities. This results in a surplus of deferred tax assets (previous year: surplus of deferred tax liabilities of €66 thousand). The option to recognize deferred tax assets is not exercised by Siemens Bank.

As of September 30, 2023, there is a surplus of deferred tax assets for the head office, which is transferred to the controlling company Siemens AG.

The valuation of deferred taxes is based on a tax rate of 31.33% in Germany, 25.0% in the United Kingdom and 17.0% in Singapore.

## 5 Profit transferred under a profit-and-loss transfer agreement

Siemens Bank has a profit-and-loss transfer agreement with Siemens AG, its sole shareholder. Under this profit-and-loss transfer agreement, the entire net income after tax determined in accordance with the HGB, amounting to €2,820,815.45, is transferred to Siemens AG.

## Balance sheet disclosures

### 6 Debt instruments of public institutions and bills of exchange that are eligible as collateral with central banks

This item in the amount of €74,838 thousand (previous year: €81,067 thousand) comprises unlisted, short-term treasury bills with a residual maturity of less than one year.

### 7 Loans and advances to banks

(€'000)	2023	2022
<b>Loans and advances to banks with maturities of</b>	<b>1,759,000</b>	<b>2,019,000</b>
(excluding loan loss allowances and interest accruals)		
up to and including 3 months	1,759,000	2,019,000
more than 3 months and up to 1 year	0	0
more than 1 year and up to 5 years	0	0
more than 5 years	0	0

Loans and advances to banks include, in particular, deposits with central banks in the amount of €1,759,000 thousand (previous year: €2,019,000 thousand).

### 8 Loans and advances to customers

(€'000)	2023	2022
<b>Loans and advances to customers with maturities of</b>	<b>8,137,365</b>	<b>8,123,823</b>
(excluding loan loss allowances and interest accruals)		
up to and including 3 months	109,888	112,483
more than 3 months and up to 1 year	483,909	409,390
more than 1 year and up to 5 years	3,493,578	3,107,087
more than 5 years	4,049,991	4,494,863

Loans and advances to customers include loans and advances to affiliated companies with a value of €206,337 thousand (previous year: €109,487 thousand). This item includes receivables from the shareholder in the amount of €1,145 thousand (previous year: none).

### 9 Bonds and other fixed-income securities

This item in the amount of €37,407 thousand (previous year: €41,314 thousand) consists of listed corporate bonds acquired by Siemens Bank as part of its lending business. The item has a residual maturity of more than one year and less than five years.

## 10 Intangible assets

The changes in intangible assets over fiscal 2022/2023 were as follows:

(€'000)	Cost				Sep. 30, 2023
	Oct. 1, 2022	Additions	Transfers	Disposals	
<b>Intangible assets</b>	<b>1,683</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>2,983</b>
Concessions acquired against payment	0	1,300	0	0	1,300
Goodwill	1,683	0	0	0	1,683

(€'000)	Depreciation and value adjustments				Carrying amount	
	Oct. 1, 2022	Sep. 30, 2023	Current year	of which disposals	2023	2022
<b>Intangible assets</b>	<b>-392</b>	<b>-758</b>	<b>-366</b>	<b>0</b>	<b>2,225</b>	<b>1,291</b>
Concessions acquired against payment	0	-253	-253		1,047	0
Goodwill	-392	-505	-113	0	1,178	1,291

The changes in intangible assets in the previous fiscal year had been as follows:

(€'000)	Cost				Sep. 30, 2022
	Oct. 1, 2021	Additions	Transfers	Disposals	
<b>Intangible assets</b>	<b>1,683</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,683</b>
Goodwill	1,683	0	0	0	1,683

(€'000)	Depreciation and value adjustments				Carrying amount	
	Oct. 1, 2021	Sep. 30, 2022	Current year	of which disposals	2022	2021
<b>Intangible assets</b>	<b>-280</b>	<b>-392</b>	<b>-112</b>	<b>0</b>	<b>1,291</b>	<b>1,403</b>
Goodwill	-280	-392	-112	0	1,291	1,403

## 11 Property and equipment

The changes in property and equipment over fiscal 2022/2023 were as follows:

(€'000)	Cost				Sept. 30, 2023
	Oct. 1, 2022	Additions	Transfers	Disposals	
<b>Property and equipment</b>	<b>291</b>	<b>132</b>	<b>-1</b>	<b>-94</b>	<b>328</b>
Office furniture and equipment	291	132	-1	-94	328

(€'000)	Depreciation and value adjustments				Carrying amount	
	Oct. 1, 2022	Sept. 30, 2023	Current year	of which disposals	2023	2022
<b>Property and equipment</b>	<b>-221</b>	<b>-228</b>	<b>-98</b>	<b>91</b>	<b>100</b>	<b>70</b>
Office furniture and equipment	-221	-228	-98	91	100	70

The changes in property and equipment in the previous year had been as follows:

(€'000)	Cost				Sept. 30, 2022
	Oct. 1, 2021	Additions	Transfers	Disposals	
<b>Property and equipment</b>	<b>321</b>	<b>146</b>	<b>2</b>	<b>-178</b>	<b>291</b>
Office furniture and equipment	321	146	2	-178	291

(€'000)	Depreciation and value adjustments				Carrying amount	
	Oct. 1, 2021	Sept. 30, 2022	Current year	of which disposals	2022	2021
<b>Property and equipment</b>	<b>-245</b>	<b>-221</b>	<b>-153</b>	<b>177</b>	<b>70</b>	<b>76</b>
Office furniture and equipment	-245	-221	-153	177	70	76

Property and equipment is used exclusively in connection with banking operations.

## 12 Other assets

Other assets mainly comprise receivables arising from pending incoming payments in the lending and fee business amounting to €2,850 thousand (previous year: €3,672 thousand) and, in the previous year, receivables arising from taxes on income amounting to €65 thousand.

## 13 Prepaid expenses or deferred income

(€'000)	2023	2022
<b>Prepaid expenses</b>	<b>2,335</b>	<b>2,435</b>
Premium on loans and advances	493	705
Other prepaid expenses	1,842	1,730
<b>Deferred income</b>	<b>42,708</b>	<b>46,840</b>
Discount on loans and advances	7,858	8,893
Other deferred income	34,850	37,946

Other deferred income largely relates to deferred fee income in the lending business.

## 14 Amounts due to banks

(€'000)	2023	2022
<b>Amounts due to banks with maturities of</b>	<b>31,101</b>	<b>26,931</b>
(excluding interest accruals)		
up to and including 3 months	410	410
more than 3 months and up to 1 year	1,459	1,230
more than 1 year and up to 5 years	7,499	7,748
more than 5 years	21,733	17,543

## 15 Amounts due to customers

(€'000)	2023	2022
<b>Amounts due to customers with maturities of</b>	<b>8,470,866</b>	<b>8,923,675</b>
(excluding interest accruals)		
up to and including 3 months	2,762,758	2,837,911
more than 3 months and up to 1 year	1,603,132	1,865,111
more than 1 year and up to 5 years	3,602,618	3,363,951
more than 5 years	502,358	856,702

Of the amounts due to customers, €8,073,791 thousand (previous year: €8,658,477 thousand) is accounted for by transactions with affiliated companies. Within this total of amounts due to customers, an amount of €7,968,339 thousand is due to the shareholder (previous year: €8,536,291 thousand).

Siemens Bank has not pledged or transferred any assets as collateral for amounts due to customers or banks, nor for other liabilities or contingent liabilities. Siemens Bank is a participating institution in the German banks' compensation fund (Entschädigungseinrichtung deutscher Banken GmbH), Berlin.

## 16 Other liabilities

The breakdown of other liabilities is as follows:

(€'000)	2023	2022
<b>Other liabilities</b>	<b>19,010</b>	<b>28,331</b>
Withholding tax and duties to be paid	10,510	2,693
Liabilities to the shareholder	2,852	21,104
VAT liabilities and other items	3,824	3,366
Personnel-related obligations	1,824	1,168

Liabilities to the shareholder mainly include the profit-and-loss transfer agreement. All other liabilities have terms of up to one year.

## 17 Provisions for pensions and similar obligations

Siemens Bank provides various forms of occupational pensions for the employees in Germany and in the United Kingdom whose employment contracts were transferred to Siemens Bank as part of the transfer of a business as well as for new employees. To fund these occupational pensions, Siemens Bank has covered its obligations partly by assets that are held externally in trust and subject to restricted access.

Most current employees at Siemens Bank in Germany participate in the Siemens defined contribution plan (BSAV – Beitragsorientierte Siemens Altersversorgung) launched in 2004. BSAV is a pension program covered by assets held in trust. For the most part, the benefits are based on the company's contributions made to the scheme and on the investment income from these contributions, whereby the company guarantees a minimum return. A lower proportion of current employees still have legacy pension entitlements (known as transitional payments) that are based on the salary of the employee concerned.

In addition, Siemens Bank offers employees the option of participating in a voluntary deferred compensation scheme. The salary components deferred under this scheme are invested in fund units. The fund units are only used to cover the resulting pension obligations and are protected against claims from other creditors. These assets, which had a fair value determined using recognized valuation methods (stock market prices) of €1,223 thousand as of September 30, 2023 (previous year: €1,059 thousand) and a cost value of €1,027 thousand (previous year: €943 thousand), are therefore fully offset against the pension obligations up to the amount of these obligations of €1,186 thousand (previous year: €1,041 thousand). Income and expenses each in the amount of €123 thousand (previous year: €54 thousand) were netted.

In addition, on behalf of the employees at the London Branch, Siemens Bank participates in the pension scheme operated by the Siemens Group for employees in the United Kingdom. Here, contributions are paid into a pension plan without any additional obligations for Siemens Bank. Where employees have been given further fixed pension entitlements in a few individual cases, these pension entitlements are covered directly by the Siemens Pensions Trust. Siemens Bank only has an indirect liability for these obligations if the resources of the Trust turn out to be inadequate to cover the pension obligations. The assets assigned to the Trust, which had a fair value determined using recognized valuation methods of €1,040 thousand (previous year: €1,182 thousand), are therefore offset against this pension obligation up to the amount of this obligation of €2,120 thousand (previous year: €2,113 thousand).

Siemens Bank has not assumed any pension obligations for the employees at the Singapore Branch.

For fiscal 2023, the total settlement amount for the pension provisions amounted to €24,190 thousand (previous year: €21,807 thousand), of which €2,226 thousand (previous year: €1,972 thousand) was accounted for by indirect obligations fully covered by assets. Pension provisions of €21,965 thousand (previous year: €19,723 thousand) are recognized. The actuarial assumptions for the measurement of the settlement amount as per September 30, 2023 are based on a number of variables, including discount rates of 1.81% (ten-year average) and 1.66% (seven-year average), respectively. Last year, the discount rates were 1.77% (ten-year average) and 1.40% (seven-year average), respectively. Other variables used in Germany as a basis were the consumer price index up until August 2023 of 2.50% (previous year: salary trend of 2.50%) and a pension growth rate of 2.00% per annum (previous year: 2.00%). For employees at the London Branch, a retail price index of 3.2%, a consumer price index of 2.5% (previous year: salary trend of 3.3%) and a pension growth rate of 3.0% per annum (previous year: 3.2%) were used as a basis. Mortality tables developed specifically for the Siemens Group and last adjusted in fiscal 2023 (Siemens Bio 2017 mod. 2023) were used as the biometric calculation basis. These are essentially based on data from the German Siemens population using a set of formulas that comply with the recognized rules of actuarial mathematics.

The adjustment of the discount rate from a seven-year average to a ten-year average results in a difference of €411 thousand (previous year: €1,037 thousand). Based on the existing profit-and-loss transfer agreement with Siemens AG, this income is subject to the profit distribution restriction, but not to the profit transfer restriction. In the context of determining the liabilities from the deferred compensation scheme, Siemens Bank exercised a lock-in option for accrued profits. The exercising of this option constitutes an adjustment of the plan. The resulting income of €56 thousand (previous year: €48 thousand) was offset against free capital reserves in order to determine the dividend payout restriction.

## 18 Other provisions

The changes in other provisions in fiscal 2022/2023 were as follows:

(€'000)	Oct. 1, 2022	Transferred	Utilized
<b>Other provisions</b>	<b>16,311</b>	<b>-453</b>	<b>-2,603</b>
of which with maturities up to 1 year	13,216	-413	-2,603

(€'000)	Reversed	New	Sept. 30, 2023
<b>Other provisions</b>	<b>-1,178</b>	<b>28,510</b>	<b>40,587</b>
of which with maturities up to 1 year	-1,177	10,933	19,956

The changes in other provisions in the previous fiscal year had been as follows:

(€'000)	Oct. 1, 2021	Transferred	Utilized
<b>Other provisions</b>	<b>16,010</b>	<b>-397</b>	<b>-2,344</b>
of which with maturities up to 1 year	11,521	-359	-2,344

(€'000)	Reversed	New	Sept. 30, 2022
<b>Other provisions</b>	<b>-2,940</b>	<b>5,982</b>	<b>16,311</b>
of which with maturities up to 1 year	-1,477	5,875	13,216

Transfers result from the assumption of personnel-related obligations taken over in the course of transfers of employees within the Group, or from changed maturities of long-term provisions.

Other provisions are recognized mainly for personnel-related obligations, such as variable income components, outstanding vacation pay and long-service bonuses.

(€'000)	2023	2022
<b>Other provisions</b>	<b>40,587</b>	<b>16,311</b>
Provisions relating to lending business	20,450	1,428
Personnel-related provisions	19,721	14,518
Provisions for year-end costs	417	365

Lending business-related provisions result from the recognition of allowances for losses on loans and advances for latent credit risks for irrevocable loan commitments; in the previous year, they resulted from obligations from guarantees.

## 19 Subordinate liabilities

As per the balance sheet date, subordinate liabilities in the amount of €100,000 thousand were in the portfolio for the first time, for which interest expenses of €2,426 thousand were incurred. The full amount of the subordinate liability was granted by the shareholder.

The subordinate liabilities are contractually designed to ensure that, in the event of an insolvency or liquidation of Siemens Bank, repayment will only be made after all non-subordinate creditors have been satisfied. There is no obligation to make premature repayments at the creditor's request.

The contract does not provide for a conversion into equity or a different form of debt.

in T€	2023	Interest rate	Maturity
<b>Loan</b>	<b>100,000</b>	<b>3.65%</b>	<b>Oct. 31, 2033</b>

## 20 Equity

As last year, there were no changes to the components of equity in fiscal 2022/2023.

Due to plan adjustments of the pension plans from deferred compensation, €56 thousand of the capital reserves is subject to a profit transfer restriction (previous year: €48 thousand).

## 21 Assets and liabilities denominated in foreign currency

Siemens Bank has assets and liabilities denominated in foreign currency in the following equivalent amounts:

(€'000)	2023	2022
Assets denominated in foreign currency	4,528,996	5,535,979
Liabilities denominated in foreign currency	4,620,601	5,509,091

## Other disclosures

### 22 Off-balance-sheet transactions

Siemens Bank has contingent liabilities arising from lines of credit it has granted to customers for the issue of guarantee credit facilities. Under these guarantee credit facilities, Siemens Bank must make payments to the beneficiary if the Siemens Bank customer fails to meet its obligations. It is unknown whether or when a payout might be required, or what the amount of any payout might be. The maximum potential amount of claims is therefore reported below the line on the balance sheet.

Siemens Bank grants irrevocable loan commitments as part of project finance or lines of credit in order to satisfy the financing needs of its customers. Commitments that have not yet been drawn down by customers and that cannot be revoked by Siemens Bank are reported below the line on the balance sheet.

The assessment of the risks arising from the utilization for off-balance-sheet transactions depends on the credit rating of the relevant client or borrower, and is taken into account in the context of risk allowances. Should the credit rating deteriorate to an extent that settlement of a utilization is no longer to be expected, entirely or in part, provisions will be recognized.

### 23 Other financial obligations

Other financial obligations for the following years amount to €19,630 thousand (previous year: €14,214 thousand). These mainly relate to obligations arising from purchase and outsourcing agreements as well as from rental agreements. This amount includes obligations to affiliated companies in the amount of €16,864 thousand (previous year: €12,824 thousand).

### 24 Employees

Siemens Bank employs staff at its offices in Munich, London and Singapore. Average employee numbers were as follows:

Employees	2023	2022
Siemens Bank GmbH	294.4	260.5
<b>Munich branch (including Düsseldorf and Stuttgart)</b>	<b>229.5</b>	<b>200.1</b>
Employment contracts total	238.6	208.2
of which part-time	35.0	31.4
<b>London branch</b>	<b>36.8</b>	<b>34.0</b>
Employment contracts total	36.8	34.0
of which part-time	0.2	0.0
<b>Singapore branch</b>	<b>28.1</b>	<b>26.4</b>
Employment contracts total	28.2	26.4
of which part-time	0.2	0.0

The figures represent staff capacities, unless marked as employment relationships.

### 25 Members of the Management Board and Supervisory Board

The following persons have been appointed as managing directors:

- » Siobhan Smyth, Chairwoman and Chief Executive Officer of Siemens Bank PS Business
- » Dr. Andreas Steininger, member of the Management Board (since April 1, 2023) and Chief Executive Officer of Siemens Bank EPT Business
- » Dr. Christoph Baumgarten, member of the Management Board and Chief Financial Officer of Siemens Bank
- » Dr. Ingeborg Hampl, member of the Management Board and Chief Risk Officer of Siemens Bank

A Supervisory Board in accordance with the statutes has been established with the following members:

- » Veronika Bienert, member of the Management Board of Siemens Financial Services GmbH, Munich, and Chief Executive Officer of the Siemens Financial Services unit of Siemens AG
- » Dr. Peter Rathgeb, Chief Executive Officer of Siemens Treasury GmbH, Munich, and Corporate Treasurer of Siemens AG

Veronika Bienert is the chairwoman and Dr. Peter Rathgeb is deputy chairman of the Supervisory Board. Neither acting nor retired members of the Supervisory Board received any remuneration or pension entitlements from Siemens Bank for their activities as Supervisory Board members in fiscal 2023.

The Supervisory Board also performs the function of an audit committee.

### 26 Membership in a corporate group

Siemens Bank is a wholly-owned subsidiary of Siemens AG, Berlin and Munich, and is incorporated into the parent company's consolidated financial statements (smallest and largest scope of consolidation). The consolidated financial statements of Siemens AG are submitted for publication in the company register. Pursuant to section 285 no. 21 of the HGB, Siemens Bank did not enter into any transactions in the year under review with related companies or individuals on terms that were other than on an arm's length basis.

### 27 Auditor's fee

The auditor's fee for fiscal 2022/2023 amounts to €392 thousand (previous year: €380 thousand). The fee also includes the audit of the Singapore Branch and relates entirely to audit services for the financial statements.

### 28 Events after the balance sheet date

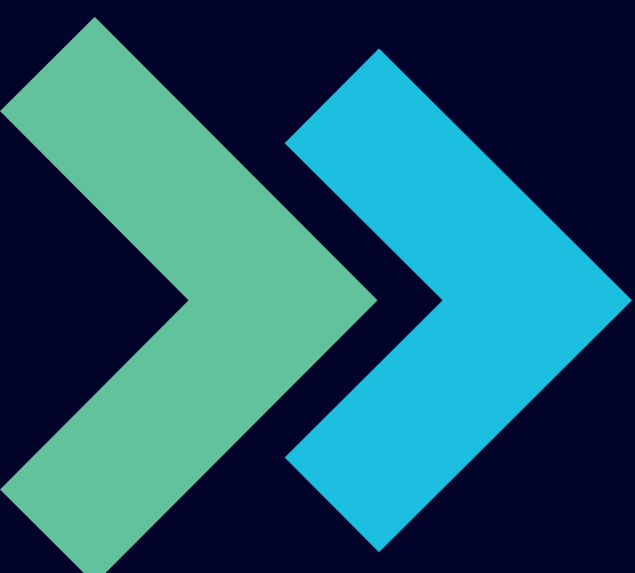
No material events subject to mandatory disclosure occurred after the balance sheet date.

Munich, December 8, 2023

The Management Board

Siobhan Smyth      Dr. Andreas Steininger      Dr. Christoph Baumgarten      Dr. Ingeborg Hampl

# Independent Auditor's Report



## Independent Auditor's Report

To Siemens Bank GmbH, Munich

### Opinions

#### Report on the audit of the annual financial statements and the management report

##### Opinions

We have audited the annual financial statements of Siemens Bank GmbH, Munich – which comprise the balance sheet as per September 30, 2023 and the income statement for the fiscal year from October 1, 2022 to September 30, 2023 as well as the notes to the financial statements, including the presentation of the accounting and valuation methods.

In our opinion, based on the findings of our audit,

- » the attached annual financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view in accordance with German generally accepted accounting principles and German commercial law of the net assets and financial position of the Company as of September 30, 2023 and of its results of operations for the fiscal year from October 1, 2022 to September 30, 2023; and
- » the attached management report as a whole provides a correct view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and correctly presents the opportunities and risks of future development.

In accordance with section 322 (3) 1 of the German Commercial Code (HGB), we confirm that our audit has not led to any objections regarding the legal compliance of the annual financial statements and the management report.

##### Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter: "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibility under these rules and principles is further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT" section of our audit opinion.

We are independent of the Company in accordance with the requirements of European law and German commercial and professional law and have performed our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

## Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from October 1, 2022 to September 30, 2023. These matters were taken into account in the context of our audit of the annual financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters.

We identified the following as a key audit matter requiring reporting in our audit opinion:

### Identification and measurement of impaired loans and advances to customers

#### Facts

At €7,964 million (previous year: €7,944 million) or 80% (previous year: 78%) of total assets, loans and advances to customers represent the largest asset item at Siemens Bank GmbH. The identification of impaired loans and advances to customers and the assessment based on this of any necessary specific loan loss provisions is a key area in which management makes discretionary decisions. The identification of impaired loans and the determination of the lower fair value are subject to uncertainties and involve various assumptions and influencing factors, in particular with respect to the assessment of the counterparty's financial position, expectations of future cash flows and observable market prices as well as the determination of fair values for collateral provided. Minor changes in the assumptions may lead to significant changes in measurement, which may lead to a change in the need for loan loss provisions, particularly in the case of loans and advances to customers who are exposed to sustained negative market conditions.

As part of the audit, we determined the "identification and measurement of impaired loans and advances to customers" as a key audit matter, because loans and advances to customers account for a very high proportion of total assets of Siemens Bank GmbH and the assessment of the recoverability of loans and advances to customers and the appropriate recognition of specific loan loss provisions are to a large extent based on assessments and assumptions of the legal representatives.

The Company's disclosures on the identification and measurement of impaired loans and advances to customers are presented in the notes under "Accounting policies" in the "loans and advances to banks and customers" section.

## Auditor's response

We have assessed the appropriateness and effectiveness of the internal control system with respect to the material lending processes with accounting relevance. The focus here was on the processes for calculating impairment losses (including the assessment of collateral), the rating processes and the process of analyzing information on the financial position of borrowers.

In addition, we performed audit procedures relating to specific declarations on the basis of a risk-oriented selection and of a supplementary sample check, and assessed the appropriateness of the calculation of the specific loan loss provisions. The risk-oriented selection included in particular the loans subject to intensive loan management and problem obligo management.

In detail, we retraced the key assumptions in the context of the process of determining loan loss provisions. This included reviewing individual estimates of expected future cash flows, including cash flows from the realization of loan collateral. The effects of extension agreements were also taken into account. The assessment of the legal viability of physical collateral and personal guarantees provided was carried out with special consideration of the specific features of syndicated and, if applicable, bilateral financing, taking into account, among other things, the underlying contractual data.

## Responsibilities of the legal representatives and of the supervisory board for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply in all material respects with the requirement of German commercial law applicable to business corporations, and for these annual financial statements giving a true and fair presentation in all material respects of the net assets, financial position and results of operations of the Company, in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatements due to fraud (i.e., manipulation of accounting and misappropriation of assets) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the Company's ability to continue as a going concern, if relevant. In addition, they are responsible for rendering accounts on the basis of the going concern approach, except to the extent that this is contrary to fact or law.

Furthermore, the legal representatives are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. The legal representatives are also responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

## Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements – whether due to fraud or error – and as to whether the management report as a whole provides a true and fair view of the Company's position and is consistent, in all material respects, with the annual financial statements and the findings of our audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and to issue an opinion that includes our audit report on the annual financial statements and the management report.

Reasonable assurance means a high level of assurance, but does not constitute a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal any material misstatement. Misstatements may result from fraud or error and are considered material if it can reasonably be expected that they will individually or collectively influence the economic decisions of recipients made on the basis of these annual financial statements and the management report.

During the audit, we exercise due discretion and maintain a critical basic approach. In addition, we also

- » identify and evaluate the risks of material misstatement – whether due to fraud or error – in the annual financial statements and management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements resulting from fraud will not be detected is greater than the risk that material misstatements resulting from errors will not be detected, as fraudulent acts may involve collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- » gain an understanding of the internal control system relevant to the audit of the annual financial statements and of the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the circumstances. However, this is not done for the purpose of expressing an opinion on the effectiveness of those systems.
- » evaluate the appropriateness of the accounting methods used by the legal representatives as well as the reasonableness of accounting estimates made by the legal representatives and of the related disclosures.

- » draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we are obligated to call attention in our audit opinion to the related information in the financial statements and management report or, if such information is inappropriate, to modify our relevant audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Company no longer being able to continue as a going concern.
- » express an opinion on the overall presentation, structure and content of the annual financial statements, including the disclosures, as well as on whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations, in accordance with German generally accepted accounting principles.
- » assess the consistency of the management report with the annual financial statements, its legal compliance and the overall view of the Company's position conveyed by it.
- » perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient and appropriate audit evidence, we particularly verify the significant assumptions used by the legal representatives as a basis for the prospective information, and assess the proper derivation of the prospective information from these assumptions. We do not issue an independent opinion on the prospective information or on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them regarding all relationships and other matters that may reasonably be assumed to affect our independence, as well as, if applicable, regarding the actions or safeguards taken in order to eliminate any threats to our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the relevant matter.

## Further information pursuant to article 10 of the EU Audit Regulation

We were elected as auditors by the Annual General Meeting on January 18, 2023. We were appointed by the Chairwomen of the Supervisory Board on June 26, 2023. We have been the auditors of the financial statements of Siemens Bank GmbH without interruption since fiscal year 2018/2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (audit report).

In addition to the financial statement audit, we have provided to the audited Company or to entities it controls the following services that are not disclosed in the annual financial statements or management report:

- » Confirmation services in connection with the audit pursuant to part V. no. 11 (1) of the General Terms and Conditions of the Bundesbank (confirmation relating to the credit claims submission procedure, KEV)

## Responsible German public auditor

The German public auditor responsible for the audit is Dr. Christian Stratmann.

Munich, December 8, 2023

BDO AG  
Wirtschaftsprüfungsgesellschaft

Otte  
Wirtschaftsprüfer  
(German public auditor)

Dr. Stratmann  
Wirtschaftsprüfer  
(German public auditor)

# Disclosures pursuant to section 26a (1) 2 and 4 of the German Banking Act (KWG)



## Disclosures pursuant to section 26a (1) 2 and 4 of the German Banking Act (KWG)

Notes to the annual financial statements of Siemens Bank GmbH, Munich, for the fiscal year from October 1, 2022 to September 30, 2023

Siemens Bank maintained the following branches in member states of the European Union as of September 30, 2023:

» Germany: Siemens Bank GmbH, Otto-Hahn-Ring 6, 81739 Munich (head office) with branch offices in Stuttgart and Düsseldorf

As of September 30, 2023, Siemens Bank had two branch offices in countries outside the European Union:

» United Kingdom: Siemens Bank GmbH, London Branch, 111 Old Broad Street, London, EC2N 1AP

» Singapore: Siemens Bank GmbH, Singapore Branch, 60 MacPherson Road, Singapore, 348615

The consolidated breakdown of operations at these branches is as follows:

(* €'000)	Germany		United Kingdom		Singapore	
	2023	2022	2023	2022	2023	2022
Business type	Lending and guarantee business Deposit business Fee business		Lending and guarantee business Fee business		Lending and guarantee business Fee business	
<b>Figures</b>						
Sales revenue *	169,155	124,352	52,024	56,226	59,602	49,840
Profit/loss before tax *	16,413	-339,642	87,937	87,080	-89,048	285,583
Taxes on profit *	-250	-320	-11,277	-6,660	-954	-4,938
Government assistance received *	0	0	0	0	0	0
Number of employees on payroll	241.5	206.6	39.9	35.0	30.7	28.0

Net interest income and net commission income are aggregated as sales revenues.

Bank-wide external refinancing activities are carried out mainly via the Munich head office, which means that the branch offices are essentially financed within the Bank itself. For the presentation on a consolidated basis, all intra-Bank transactions between the branch offices and the head office are not taken into consideration. This has the consequence that, at branch level, only the valuation effects from foreign currency positions in the lending business are taken into consideration which, as in the current fiscal year, results in high positive or negative valuation results at branch level in the event of strong exchange rate fluctuations. Taking into consideration the intra-Bank financing transactions, the effects from currency fluctuations are almost equalized.

Return on investment pursuant to section 26a (1) 4 KWG was 0.0% (previous year: 0.2%).

Disclosures pursuant to section 26a (1) 2 and 4 of the German Banking Act (KWG)

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