SIEMENS

Siemens Bank GmbH

Annual Report

for the fiscal year ended
September 30, 2011

Financial Services

Editorial

Dear Reader,

Welcome to the 1st edition of the Siemens Bank Annual Report. We are glad to state that the initial months of our banking activities were everything we expected – eventful, exciting and challenging. They document that our decision to apply for the banking license in 2010 was well founded, and we can already see the valuable benefits of providing banking solutions as part of Siemens Financial Services' overall business mix.

In a difficult global economic environment, financial solutions have become increasingly important for Siemens and Siemens' customers. Our goal is to support the growth of Siemens' four operating sectors – Energy, Healthcare, Industry and Infrastructure & Cities – by providing a comprehensive range of financial solutions. With Siemens Bank being able to provide banking solutions such as project financings, corporate loans, guarantees and other forms of debt financing from Germany, we have clearly strengthened our capabilities in the entire spectrum of sales financing. In addition to corporate customers, public authorities and project companies have also become important. By establishing Siemens Bank, we were also able to provide deposit banking services to Siemens' Group Companies and select Institutional third parties, as well as services related to risk management and risk controlling for both internal and external customers.

Based on a high demand from customers, we were able to realize new business opportunities quickly. For example, Siemens Bank and Siemens Sector Energy played a leading role in the creation of the first project-financed, offshore wind park in Germany – „Meerwind," which recently received the European Offshore Wind Deal of the Year Award presented by Euromoney Project Finance Magazine. Our customer for this financing is the project developer WindMW GmbH.

In mid-October, the Energy Sector, helped by Siemens Bank financing, constructed and established the "Les Mees" solar farm in the south of France. The project included the installation of a total of six turnkey photovoltaic (PV) power plants including long-term operation and maintenance agreements. "Les Mees" will generate a combined peak output of 31 megawatts (MWp), and power approximately 12,000 French households with clean electricity. Our main customer for this financing is the project developer Eco Delta SA.

With an accelerated pace, we also put in place many new structures and processes to drive and govern our banking business for the long term. As an example, we recently completed the notification process with Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in Germany and Financial Services Authority (FSA) of the UK to set up a UK Branch. The UK branch, based in London, commenced operations in April 2012 and supports both credit and guarantee business, focusing mainly on large Siemens-related transactions, particularly those that require close interaction with the international banking community.

The developments over the past 12 months as well as current indications give us a good insight into the intermediate future. Corporate and project finance will remain our key activity, and Siemens Bank, with its industrial heritage, is well placed to realize current and future opportunities in support of Siemens' growth ambitions.

Siemens Bank GmbH

Managing Board

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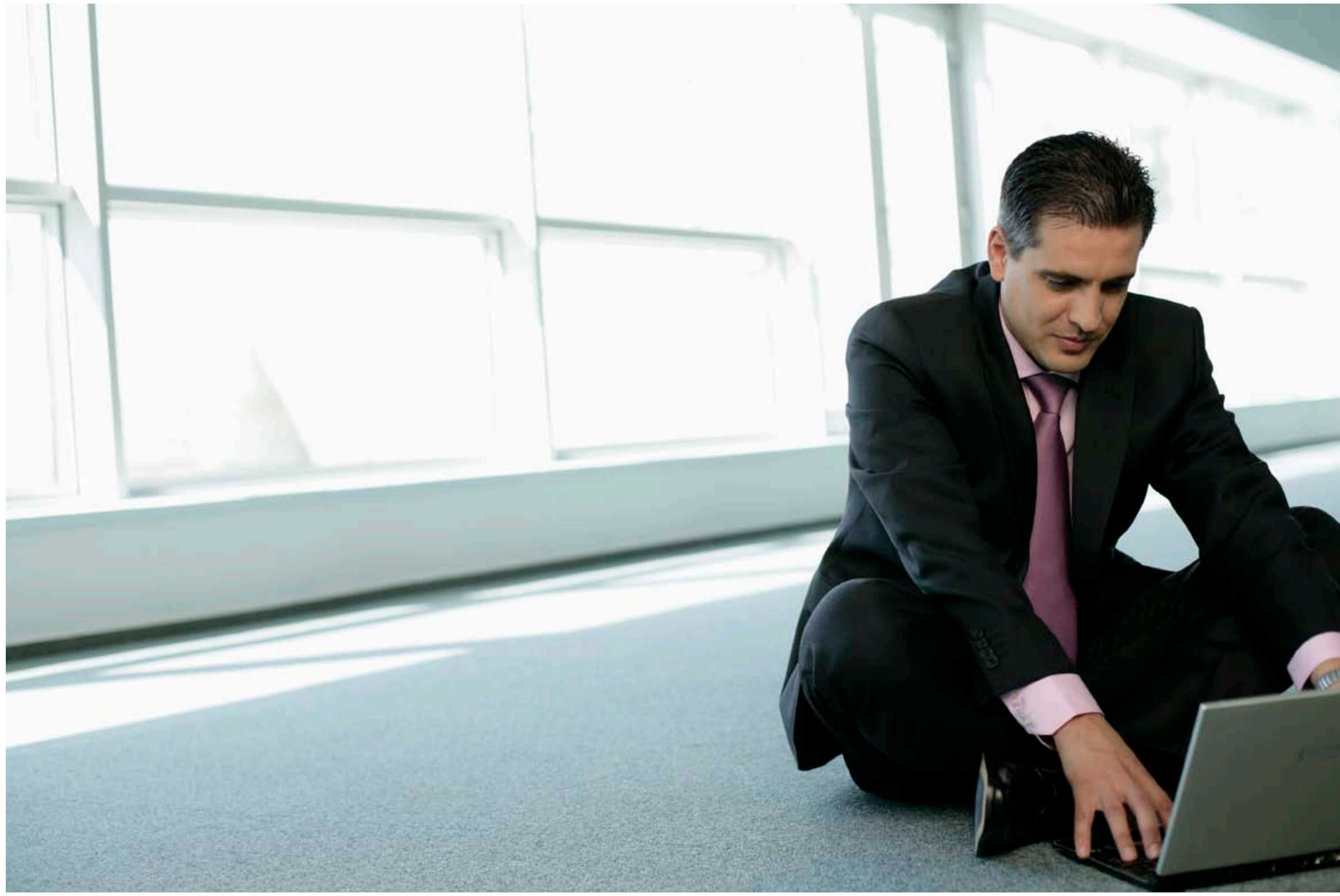
This version of the annual financial statements and the management report of Siemens Bank GmbH, Munich, has been prepared for the convenience of English-speaking readers and is a translation of the German original. For purposes of interpretation, the German text shall be authoritative and final.



Management report

of Siemens Bank GmbH, Munich,
for the period October 1, 2010, to September 30, 2011

Management report

of Siemens Bank GmbH, Munich, for the period October 1, 2010, to September 30, 2011

1 Business performance overview

1.1 Business activities of Siemens Bank GmbH

Siemens Bank GmbH, Munich, (hereinafter Siemens Bank) was established during the 2010 fiscal year and commenced banking operations on December 21, 2010. Siemens AG, Berlin and Munich, (hereinafter Siemens AG) established Siemens Bank with itself as the sole shareholder in order to broaden the range of sales financing products in its cross-sector Financial Services business, increase flexibility in group finance and optimize its risk management.

There are three pillars to the Siemens Bank business model:

- Lending and guarantee business: This is the core business of Siemens Bank, focusing on the provision of medium- to long-term financing for corporate clients, project companies and public-sector borrowers. Given Siemens AG's corporate market strategy, the industrial segments of particular importance for Siemens Bank are power generation and distribution, transport and infrastructure, healthcare, and manufacturing. The product portfolio currently comprises, in particular, capital investment loans, promissory note loans, project finance, and revolving loan facilities. Siemens Bank operates in both the primary market and the secondary market for loans.
- Deposit and treasury business: The deposit business focuses on the receipt and investment of overnight money and time deposits from companies in the Siemens Group and selected third-party institutions. The treasury business encompasses both finance within the Group and asset liability management. Asset liability management ensures that the credit business is funded by equity and other deposits that are mostly matched in terms of maturity and currency, sometimes, however, on a short-term basis, involving the Siemens Bank in limited market and liquidity risk.
- Fee business: Key resources for managing financial risk and processing financial transactions in the Siemens Group have been brought together within Siemens Bank. These resources not only support the company's own banking operations, they 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 and guarantee business, Siemens Bank offers its products primarily to customers in Europe and Asia. In view of this strategic geographical focus, the economic environment in these regions has a huge impact on the business performance of Siemens Bank.

In the 2011 fiscal year, economic trends in Europe were influenced by two key factors: On the one hand, economic growth was returning to major markets; however, on the other hand, high levels of sovereign debt in Europe were causing increasing uncertainty.

Although, according to data from the German Federal Ministry of Trade and Commerce, there was a rise of 0.4% in the seasonally adjusted and inflation-adjusted figure for euro zone gross domestic product during the first three quarters of the 2011 calendar year compared with the equivalent period in 2010, this key indicator nevertheless suggests that there has been a slowdown in economic growth, particularly in the last few months. The main factor behind this slowdown has been market uncertainty caused by the high levels of government debt in Europe, but compounded by the budget consolidation measures and cuts by euro zone governments, which have also dampened economic growth. As a result, industry in the euro zone has been seeing a drop in new orders over a number of months now. This trend has been more noticeable in the countries of southern Europe directly affected by the debt crisis.

Growth in the global economy also slackened during the course of the summer of 2011. In addition to causes that were purely cyclical – weaker growth following a period of strong economic growth and the impact from pent-up demand in the prior year – there were also other economic factors behind this trend: further moves toward consolidation in national budgets and uncertainty resulting from rising government debt in the euro zone and in the United States. However, performance in the emerging markets remains a linchpin of global growth.

These trends and fears caused by the substantial financial exposure of banks that have invested heavily in government bonds issued by critical debtor countries also led to a rise in uncertainty on the interbank market in the last few months of the fiscal year, reflected for example in wider credit spreads for banks and an increase in deposits at the European Central Bank.

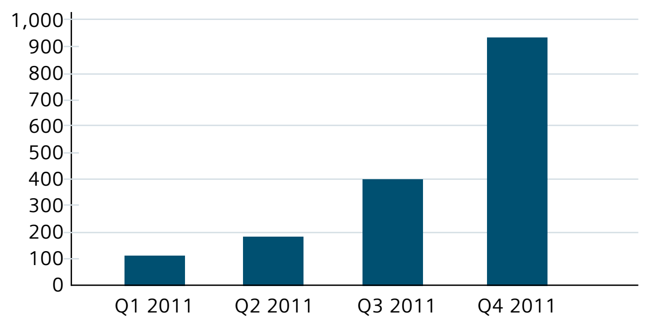
At the same time, legislators have been redrafting key elements of the regulatory framework for the banking industry, driven by the experience of the most recent financial crisis. Based on the adoption of the requirements under the Basel III Accord and the decisions made at the G20 summit held in Cannes in November 2011, European and national regulatory frameworks are being modified and tightened with the objective of ensuring that there are stricter capital requirements to cover risk, greater liquidity in the banking sector, and thereby greater resilience in the sector to withstand the effects of crises.

1.3 Business performance

Key features of the business performance of Siemens Bank in its very first fiscal year were the development of the Bank's portfolio and the investment in the commencement of banking operations.

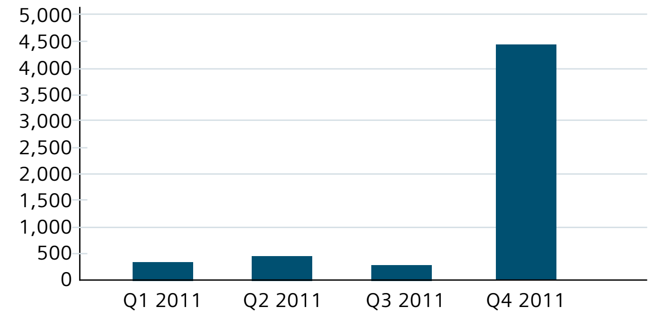
Growth in assets and liabilities on the balance sheet

Since the start of banking operations in December 2010, there has been a steady increase in Siemens Bank's loan-book volume. The fourth quarter saw a further acceleration in this growth as a range of deals acquired since the start of banking operations became balance-sheet effective. Siemens Bank has not invested in government bonds or credit derivatives.



Growth in loans and advances to customers
(face value, € million)

In the fourth quarter, there was a sharp rise in the volume of deposits by affiliated companies, particularly by the shareholder. Siemens Bank invested a very high proportion of these deposits with other banks – including Deutsche Bundesbank, the German central bank – with the particular objective of achieving both positive returns and the highest possible level of security.



Growth in loans and advances to banks (face value, € million)

The key features of the liquidity position at Siemens Bank are a high volume of short-term assets and an excess of short-term assets over short-term liabilities. Currently, Siemens Bank is funded exclusively by deposits from Siemens AG and its subsidiaries.

Earnings

The earnings situation to a large degree reflects the banking operations start-up at the beginning of the 2011 fiscal year and the significant growth in the lending portfolio during the last quarter of the fiscal year. Despite the fact that the growth in the lending portfolio only took place late in the fiscal year, and even though it was the first year of banking operations, Siemens Bank was able to generate a net operating income for the year.

In the 2010 fiscal year, only expenses incurred in connection with establishing the company and applying for the banking license had been reported, so any comparison of the earnings situation with the prior year is meaningless.

	2011
Net interest income	7.3
Net fee an commission income	13.7
General administration expenses	-19.7
Other income and expense, net	0.3
Net operation income before allowances for losses on loans and advances	1.6
Allowances for losses on loans an advances	-1.1
Net operation income	0.5

Components of Siemens Bank income (€ million)

Net interest income at Siemens Bank arises from the spread between interest income on loans and investments on one side and funding-related interest expense on the other. Siemens Bank's net interest income for the 2011 fiscal year was still relatively low compared to the Bank's lending portfolio because the bulk of the lending portfolio was only built up at the end of the fiscal year, and most of the liquidity derived from deposits was invested in money markets on a short-term basis.

A significant component of Siemens Bank income in 2011 was **net fee and commission income**. Siemens Bank earns fee and commission income primarily by providing risk management and processing services for Siemens AG and its subsidiaries. The services were provided over the course of the entire fiscal year. The costs incurred in providing the services are reported under general administration expenses.

Approximately 60% of **general administration expenses** at Siemens Bank are attributable to personnel expenses. Since the beginning of the fiscal year, Siemens Bank has had employees responsible for carrying out its own banking operations and also for providing risk management and processing services. The other administrative expenses are largely accounted for by the purchase of services from Siemens AG and its subsidiaries and from third parties. This purchase of services also includes the purchase of all IT systems required by Siemens Bank.

Given the excellent credit quality of the Siemens Bank lending portfolio, the Bank only reported a modest level of **allowances for losses on loans and advances** in 2011. In particular, Siemens Bank did not have to recognize an individual allowance for any loan.

The **net operating income** largely equates to the net income in accordance with the German Commercial Code (HGB) that Siemens Bank – after deduction of any loss carryforward in accordance with HGB – will transfer to Siemens AG under the existing profit-and-loss transfer agreement.

The net operating income before tax reported here represents Siemens Bank's key **financial performance indicator** for the 2011 fiscal year. Other indicators such as return on equity (ROE) and economic value added (EVA) were still of relatively minor importance in 2011 because of the special circumstances relating to the development of banking operations in the first year of such activity; however, these indicators were factored into the pricing of lending transactions.

In the 2011 fiscal year, growth at Siemens Bank exceeded the forecast by the management board, particularly with respect to the growth in assets and liabilities on the balance sheet.

2 Risk report

2.1 Risk strategy

Corporate management at Siemens Bank strictly adheres to the targets and requirements of the business strategy. It is not possible to implement the Bank's business strategy and achieve the specified target returns without consciously taking on 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 the Bank.

2.1.1 Objective

Siemens Bank is required to specifically identify, measure, manage, monitor, and report risks that it has already taken on, together with any future risks that may occur, as part of the implementation of the Bank's business strategy. This gives rise to a requirement for integrated management of target returns and risk strategy. In order to ensure that this requirement is satisfied, Siemens Bank has defined a risk strategy in which top priority is given to a responsible approach to risk and in which a core set of principles is set out as the basis for taking on risk.

The risk strategy specifies details for the implementation of the requirements under the business strategy in relation to issues subject to risk and in relation to strategic direction from a risk perspective, while at the same time taking into account the overall objectives of the business strategy and the risk appetite of Siemens Bank. This is the basis for Siemens Bank to derive 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 capital adequacy and liquidity requirements. Top priority is also given to avoiding concentration risk and ensuring continuous compliance with statutory and regulatory requirements.

Siemens Bank follows a clearly defined process for developing its risk strategy. The risk strategy is updated at regular intervals (or if triggered by a particular requirement) based on the business strategy. 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 risk inventory is then used to construct the risk strategy objectives and action plans, the overall implementation of which is monitored as part of the overall risk reporting system.

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 German Solvency Regulation (SolvV), the German Liquidity Regulation (LiqV), and the German Minimum Requirements for Risk Management at Banks (MaRisk). In December 2010, the German Federal Financial Supervisory Authority (BaFin) published the Third MaRisk Amendment, which must be implemented in full by December 31, 2011. The Third MaRisk Amendment imposes, in particular, stricter requirements for capital adequacy, the risk strategy process, liquidity management, and the procedure for stress testing.

Over the past fiscal year, Siemens Bank has already been applying the requirements of the Third MaRisk Amendment in full in the implementation of its risk strategy and resulting implementation of its risk management system.

2.2 Risk management and organization

Siemens Bank has put in place a comprehensive risk management system in order to ensure that the measures aimed at achieving the objectives in the business strategy and risk strategy are properly implemented. Key components of the risk management system include the requirements specified by the capital adequacy concept and liquidity risk management, and the implementation of an efficient internal control system.

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 govern, in particular, the processes for granting loans, further processing of loans, monitoring of loan processing, intensified loan management and workout, 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 control of individual types of risk, and for the methods, processes and limit structure within Siemens Bank are documented in the Bank's risk and organizational manuals. The risk and organizational manuals are available to all employees of Siemens Bank.

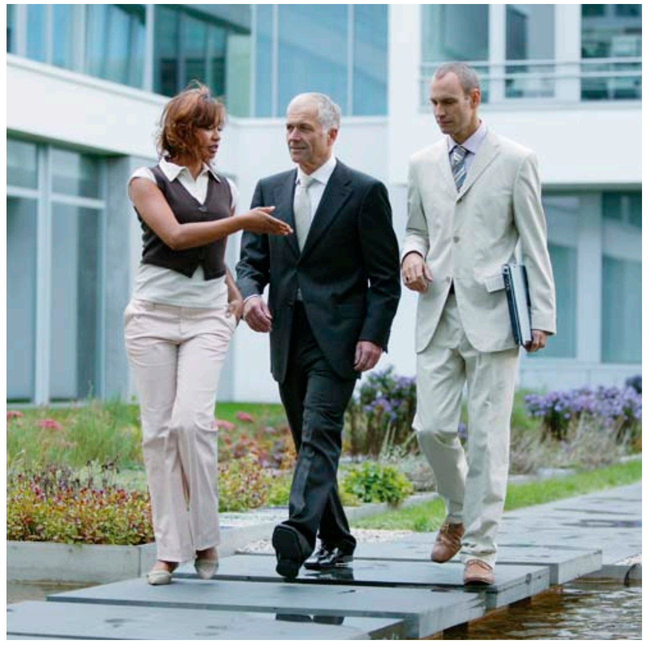
Segregation of functions

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 right 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) are assigned in full to the front office. All credit decisions are only valid if they receive consent from both front office and back office. 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. 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 monitored and 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 control of the risks accepted by Siemens Bank. Risk analysis includes identifying risks taken on 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 economic capital adequacy management. Risk control comprises activities to quantify and validate the risks taken on by the Bank, monitor the authorized limits and capital adequacy, 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 (1a) of the German Banking Act (KWG). In particular, the Risk Committee supports the management board to develop and adopt the risk strategy as well as determine the capital adequacy concept. The Risk Committee is responsible for the guidelines on credit 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.



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.

The Asset Liability Management Committee (ALM Committee) is responsible for managing and limiting market and liquidity risk. Ultimate decision-making authority in all issues related to asset liability management, and therefore also related to the management of market and liquidity risk, lies with the ALM Committee. Actual operational management of market and liquidity risk is carried out by the Treasury function at Siemens Bank. This function forms part of the front office in the organizational structure. The ALM Committee is also responsible for specifying action and requirements related to capital and liquidity management.

Internal audit is an important tool for verifying the appropriateness of the risk management system and the internal control system. Within the Bank, an audit officer – an officer who is appointed by the management board and reports directly to the management board – is responsible for ensuring that internal audits are properly conducted. The activities of the internal audit unit are determined by an audit schedule, which is drawn up on the basis of risk and covers a rolling period of three years. The operational implementation of audits determined by the internal audit unit is outsourced by the Bank to the Corporate Audit department of Siemens AG. The audit findings are summarized in an audit report prepared in consultation with the audit officer. The report is then made available to the Bank.

Risk reporting

Within Siemens Bank, risk reporting to the management board, supervisory board ("Beirat") and the Risk Committee forms 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 economic capital adequacy assessment and detailed reports on significant individual risks. The report on capital adequacy is based on a comprehensive economic capital adequacy assessment, which in turn 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 counterparty default risk, market risk, liquidity risk, and operational risk.

Counterparty default risk is largely reported in the context of the monthly credit risk report. Reports focus on the economic and regulatory capital requirement for the credit risks taken on by the Bank, and on a detailed portfolio analysis from the perspective of any concentration risk incurred by the Bank. The analysis of concentration risk includes country risk, industry risk, concentrations in particular credit rating categories and concentrations in individual counterparties.

Liquidity risk is reported in two ways: in the quarterly overall risk report and in the daily liquidity gap profile. Refinancing risk is reported weekly. These weekly reports also include a review of the materiality of the refinancing risk in the context of capital adequacy as a whole.

Market risk is also reported both within the quarterly overall risk report and in the daily market risk report. Reports focus on the economic capital requirement for the market risk taken on by the Bank, and on the monitoring of operational value-at-risk limits.

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

The Accounting, Controlling and Regulatory Reporting department is responsible for external financial reporting and for the internal control system related to accounting processes. This department reports to the Head of Finance, Risk Controlling and Operations and thereby to the CFO of Siemens Bank.

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

Procedures

Procedures and the internal control system for accounting processes are fully documented in process descriptions and work instructions. Accounting policies are described in the closing guidelines for Siemens Bank.

Generally accepted accounting policies are applied when preparing the annual financial statements and management report. The appropriateness of these policies 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 once a year to ensure that they remain appropriate. 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.

Individual training plans have been defined for the employees in the Accounting, Controlling and Regulatory Reporting department. These plans are revised and updated each year.

2.2.3 Integrated risk-return management and capital adequacy

Integrated risk-return management

The management of internal and regulatory capital, the management of liquidity risk, 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 management of internal capital is based on an economic capital adequacy approach, in which economic capital is the key risk variable.

The monitoring and control of economic and regulatory capital adequacy enables the Bank to ensure on an ongoing basis that the risk accepted within the different fields of activity at Siemens Bank is at all times consistent with the available capital, both at the overall bank 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 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.

The costs of economic capital adequacy requirements are factored into pricing and are integrated into performance measurement. Key figures in terms of pricing are economic value added (EVA) and return on equity (ROE) based on economic capital (return on risk-adjusted capital, or RORAC).

Within the overall context of integrated risk-return management, economic risk capital management is complemented by the monitoring and control of liquidity risk. Siemens Bank may only accept 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.

Capital adequacy

Siemens Bank has defined a concept for monitoring its capital adequacy in order to ensure that it has sufficient capital and liquidity at all times as required by section of 25a KWG. The Bank's management board reviews the 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 based on the business and risk strategy. The modified concept is then approved by the Bank's supervisory board ("Beirat") for the subsequent fiscal year.

Siemens Bank applies the "gone concern" method (protection for creditors) in its internal management and limitation of risk. The gone concern method is based on a comprehensive risk approach in combination with a high confidence level, the primary objective of which is to provide effective protection for creditors. The confidence level is based in this case 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.

Capital adequacy is measured by comparing the economic capital requirement derived from the main types of risk with the current risk-taking potential. Using the gone concern method, it is generally possible to use the net asset value of the Bank in addition to the regulatory risk capital because the gone concern method is based on a comprehensive risk approach. Currently, the Bank's risk-taking potential comprises entirely Tier 1 capital net of a loss carryforward.

The breakdown of risk-taking potential at Siemens Bank as at September 30, 2011, was as follows:

(€ million)	2011
Tier 1 capital	250.0
Loss carryforward	-0.1
Risk-taking potential	249.9

Breakdown of risk-taking potential

To quantify the internal capital requirement, Siemens Bank applies Value-at-Risk approaches with a confidence level of 99.95% and a risk horizon of one year. An exception is operational risk, which is quantified using the Basic Indicator Approach in accordance with SolvV.

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

· Counterparty default risk

· Market risk

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

· Operational risk

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 process of allocation is supported by an analysis of risk factors and a regular risk inventory. The allocation of risk-taking potential as at September 30, 2011, was as follows:

(€ million)	2011
Available risk-taking potential	249.9
Safety buffer for non-material risks	12.5
Safety buffer for stress tests	49.9
Free risk-taking potential	187.5
Risk capital for operational risk	5.0
Allocatable risk-taking potential	182.5
Risk capital for counterparty default risk	180.5
Risk capital for market risk	2.0

Allocation of available risk-taking potential

When determining the economic capital requirement, Siemens Bank does not assume that there will be any diversification effect among the individual risk types. Except in the case of liquidity risk, a specific risk amount is determined for each of the material risk types listed above. Liquidity risk (in the sense of risk of insolvency) is not covered via risk capital as part of the capital adequacy analysis because there is no meaningful way in which this can be achieved. In its place, 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.

Other risk types currently classified by the Bank as non-material – such as strategic risk, funding risk, model risk, and verity risk – are together covered by an overall safety buffer. Funding risk is factored in and managed as part of liquidity risk management.

Stress testing

In the context of capital adequacy, Siemens Bank has defined appropriate stress test scenarios for each material risk. The stress tests are aligned with the action plans and objectives 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 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 initial parameters for the various methods 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 of the risk types. Stress testing is integrated into the analysis of capital adequacy to enable the Bank to identify any need for action at an early stage and ensure capital adequacy even when tough market conditions prevail.

As at September 30, 2011, the breakdown of the risk capital requirement (including safety buffer) was as follows:

(€ million)	2011	
	Risk-taking potential	Risk capital requirement
Risk capital for operational risk	5.0	5.0
Risk capital for counterparty default risk	180.5	54.4
Risk capital for market risk	2.0	0.8
Total (normal scenario)	187.5	60.2
Safety buffer for non-material risks	12.5	12.5
Safety buffer for stress tests	49.9	24.3
Total (stress scenario)	249.9	97.0

Risk capital requirement as at September 30, 2011, by risk type

The risk capital requirement relating to the safety buffer for non-material risk is reported as utilizing the full amount of the corresponding available risk-taking potential. The same also applies to operational risk, the risk capital requirement in this case being determined in accordance with the Basic Indicator Approach as specified in SolvV.

The most significant risk is credit risk, which is also the main driver behind the utilization of the stress buffer. This reflects Siemens Bank's business and risk strategies.

In both normal and stress scenarios, the utilization of risk-taking potential over the whole of the fiscal year was the

same as, or below, the level shown for September 30, 2011. As far as the 2012 fiscal year is concerned, Siemens Bank is forecasting that the capital adequacy situation will remain at a comfortable level based on the risk profile in the business and risk strategy.

Regulatory capital adequacy

In addition to economic capital management in the context of 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 in accordance with the German Solvency Regulation (SolvV) and of key liquidity ratios in accordance with the German Liquidity Regulation (LiqV).

As at September 30, 2011, the breakdown of regulatory capital at Siemens Bank was as follows:

(€ million)	2011
Regulatory capital	249.9
Paid-in capital	5.0
Capital reserves and other eligible reserves	244.9
Total Tier 1 capital in accordance with section 10 (2a) KWG	249.9
Total Tier 2 capital before capital deduction in accordance with section 10 (2b) KWG	0.0
Deductions from Tier 2 capital in accordance with section 10 (6) and (6a) KWG	0.0
Total Tier 2 capital in accordance with section 10 (2b) KWG	0.0
Total available capital (adjusted) in accordance with section 10 (1d) KWG	249.9

Breakdown of regulatory capital as at September 30, 2011

For the purposes of determining capital adequacy, the regulatory capital is the same as the risk-taking potential.

Siemens Bank uses the Standardized Approach to credit risk for the purposes of measuring and covering the regulatory capital requirements in respect of credit risk. It uses the Standardized Approach for measuring market risk and the Basic Indicator Approach for measuring operational risk.

The following table shows the regulatory capital requirements for the individual risk types:

(€ million)	2011
1. Counterparty default risk	
Counterparty default risk, Standardized Approach	
Central governments	3.2
Institutions	5.8
Corporates	68.8
Other	0.5
Overdue positions	0.0
Total counterparty default risk	78.3
2. Market risk	
Standardized Approach	
Currency risk	0.2
Total market risk	0.2
3. Operational risk	
Basic Indicator Approach	5.0
Total operational risk	5.0
Total regulatory capital requirement	83.5

Regulatory capital requirement as at September 30, 2011

Under regulatory requirements, Siemens Bank must ensure a total capital ratio of 12% (as defined by SolvV) for the first three years of its business activities. From the 2013/2014 fiscal year onward, it will have to ensure at least the standard total capital ratio, which is currently 8%. The total capital ratio is the ratio of Siemens Bank's regulatory capital to the total amount from risk-weighted assets. As at September 30, 2011, the total capital ratio for Siemens Bank was 23.96%. As Siemens Bank's equity comprises solely Tier 1 capital components, the total capital ratio is the same as the Tier 1 capital ratio. This ratio is therefore significantly higher than the total capital ratio of 12% specified in regulatory requirements.

The difference between the regulatory capital requirement (€83.5 million) and the economic risk capital requirement in a normal scenario (€60.2 million) results from the Bank's use of its own risk models in its calculation of the economic capital requirement.

2.3 Counterparty default risk

Siemens Bank understands counterparty 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 counterparty 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 counterparty default risk comprises the credit policy and its associated guidelines for credit 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 his or her 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 risk that governments or central banks will fail to meet their obligations to Siemens Bank, either partially or in full. Credit risk is the principal form of counterparty default risk to which Siemens Bank is exposed.

Counterparty risk

Counterparty risk refers to the risk that a counterparty in a forward transaction or derivative 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.

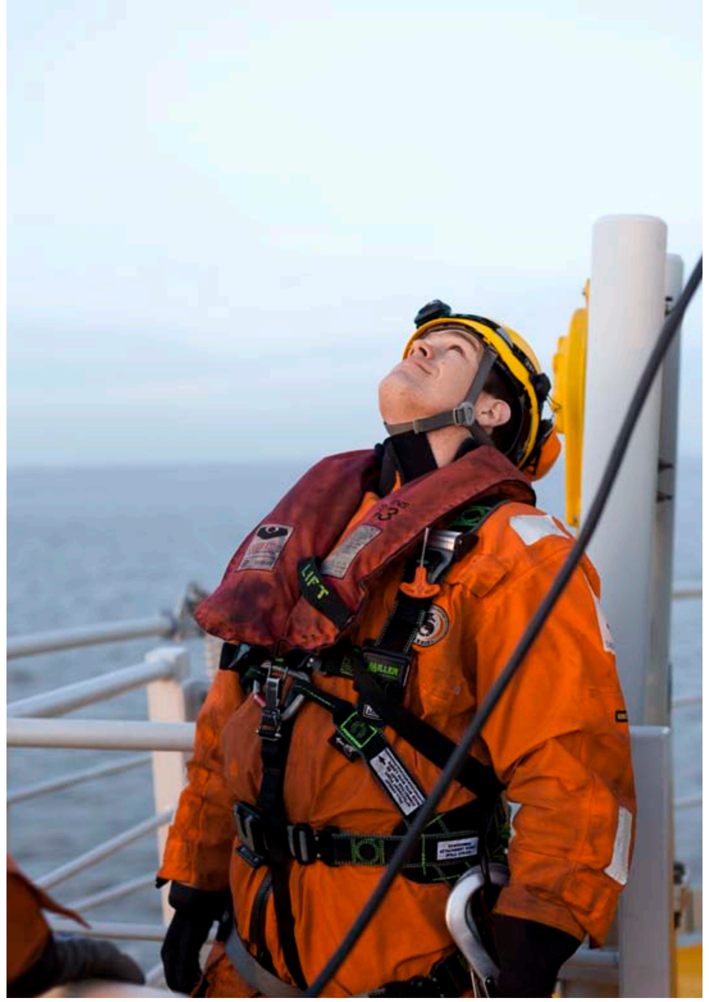
Issuer risk

Issuer risk is the risk of a deterioration in the credit rating of an issuer or the risk that an issuer will default, either partially or in full. Siemens Bank does not currently hold issuer risk positions of any kind.

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. Rating procedures are based on statistically validated models and are optimized on an ongoing basis. Regular backtesting forms the core of this optimization process in order to ensure that the Bank achieves the best possible level of forecast quality and discriminatory power within its rating procedures.

Siemens Bank has defined 10 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 consists of a total of 19 different credit ratings 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 could be used as the input for a credit rating procedure. All external credit ratings used by the Bank in its risk classification procedures are obtained exclusively from Standard & Poor's, 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 non-encumbered customers. If a borrower is classified with a credit rating of 8+ or worse, the borrower concerned is transferred to intensified loan management. A borrower may in any case be transferred to intensified loan management without a downgrade to a rating of 8+ or worse if other criteria for intensified loan management are met – e.g., a request by



the customer for loan restructuring. If a borrower is classified with the credit rating of 9 or worse, the borrower concerned is transferred to the workout unit. Rating category 9 covers all borrowers who have been subject to loan restructuring; category 10 comprises all borrowers already in default. If a borrower has payment obligations that are overdue by more than 90 days, the borrower concerned is generally classified in category 10.

The risk classification process also 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.

Rating procedures are optimized continuously and are regularly subject to backtesting. However, the Bank does not reassess credit ratings or revise its rating procedures as a result of general short-term economic factors (through-the-cycle credit ratings). This is particularly important given the portfolio strategy of focusing on loan agreements with long maturities because through-the-cycle credit ratings ensure that the Bank makes a long-term assessment of credit quality.

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 credit portfolio is managed using an integrated approach comprising management of expected and unexpected losses, procedures for early detection of risk, stress testing procedures, and comprehensive assessment of 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 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 portfolio analysis, the expected loss is calculated for a period of one year; for the purposes of pricing new business, the maturity of the exposure is used in order to calculate the expected loss, pricing takes into account both the loan amount to be paid out and any weighted amounts from open external credit lines, so that the Bank can estimate the business volume in the event of a default.

Unexpected loss

A credit-value-at-risk approach is used to analyze credit portfolio risk and determine the economic capital requirement. The credit value at risk serves to quantify the 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 multi-factor 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 if there are 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. A loss distribution for the credit 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 both losses from defaults and economic losses already incurred by a risk unit 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. 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

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 forecast quality and discriminatory power takes place monthly. If there are any anomalies, the results are used as the basis for adjusting structures and the methodology.

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 and expected losses as well as administrative 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 parametrization of the pricing tool is based on the parametrization 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 economic value added (EVA) and return on equity (ROE) or return on risk-adjusted capital (RORAC) for the new business.

Early detection of risk

The credit rating process at Siemens Bank is based on established monitoring and reporting processes, ensuring that credit ratings are up to date. Qualitative information is subject to regular monitoring and promptly included in any credit rating assessment. In addition to this early detection of risk in the credit rating process, Siemens Bank has established a quantitative early risk detection system based on credit spreads observed in the markets. In this system, the Bank carries out a risk analysis based on trends in CDSs or bond spreads so that it is able to respond quickly to any market fluctuations and initiate corrective measures if required.

Stress testing

Credit portfolio modeling and management using credit value at risk is complemented by targeted sensitivity analyses and stress tests. 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 capital adequacy, the Bank is able to identify any areas in which action is required. Inverse stress tests also play a particular role. Although these inverse tests do not form part of the analysis of capital adequacy, they are nevertheless important indicators in the early detection of risk and in the identification of possible risks to 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 model that simulates the impact of different economic indicators on the credit portfolio and the Bank's capital adequacy. Within the scenarios, Siemens Bank makes a distinction between a slight, less severe 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 therefore also independently of available collateral. However, collateral still represents an important component in the assessment of the risk 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 potential loss. This category includes, in particular, physical assets in the case of capital investment loans or project finance, and also cash collateral.
- The second category comprises collateral in the form of guarantees furnished by independent third parties.

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 legally and directly enforceable, and the guarantor is not an individual. In the case of syndicated loans, the management of collateral may be transferred to the agent for the loan syndicate.

Collateral in the first category results in a reduction in the expected loss and unexpected loss because the recovery rate for the transaction is increased. 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 Allowances for losses on loans and advances

Siemens Bank recognizes individual allowances for loans classified as subject to workout. These allowances are intended to cover the expected loss after taking into account any expected proceeds from the realization of collateral. Siemens Bank had not recognized any individual allowances as at September 30, 2011.

Siemens Bank also recognizes general provisions to cover the latent credit risk in the portfolio of loans and advances. In this case, rating-related allowance rates are applied to the unsecured exposure. These allowance rates include rating-related assumptions on the probability of default and assumptions on the proportion of loss in the event of a default. The rating also factors in an assessment of country risk, with the result that any general provision recognized by the Bank also covers the assumed latent country risk.

2.3.5 Analysis of the credit portfolio as at September 30, 2011

As at September 30, 2011, the economic capital requirement for counterparty default risk amounted to €54.4 million. The risk-taking potential allocated to cover this capital requirement was €180.5 million. Over the course of the fiscal year, the utilization of the risk-taking potential steadily increased in line with the growth in the portfolio. The amount of the capital requirement is largely determined by the credit portfolio volume, borrower credit ratings, and borrower industrial sectors.

The credit portfolio is focused on corporates, project companies and public-sector borrowers in line with the Bank's business strategy. As at September 30, 2011, the face value of loans in the credit portfolio was €924.3 million, of which €884.3 million was accounted for by corporates and project companies, and €40.0 million by public-sector borrowers.

In the corporate business, activities are focused on the energy, manufacturing and transport sectors.

The breakdown of the Siemens Bank credit portfolio by credit rating as at September 30, 2011, is shown in the following table.

(€ million) Rating	2011
1	0.0
2+	0.0
2	0.0
2-	50.0
3+	0.0
3	0.0
3-	121.0
4+	52.6
4-	160.3
5+	324.9
5-	93.6
6+	112.6
6-	0.0
7+	0.0
7-	0.0
8+	0.0
8-	9.3
9	0.0
10	0.0
Total	924.3

Credit portfolio by credit rating
(face value measured at closing exchange rates)

As at September 30, 2011, the investment-grade exposure (ratings of 1 to 5+) amounted to €708.8 million and the non-investment-grade exposure (ratings of 5- to 10) €215.5 million. Currently, there are no defaults in the credit portfolio (credit rating 10).

The breakdown of the credit portfolio by country group (based on the registered office of the borrower) highlights the Bank's business strategy of focusing on customers in Europe and Asia.

(€ million)	2011
Germany	139.3
Euro zone excluding Germany	404.3
EU (excluding euro zone)	134.9
Europe (non-EU)	153.9
Asia	68.2
Americas	23.7
Total	924.3

Breakdown of credit portfolio by country group
(face value measured at closing exchange rates)

Currently, Siemens Bank does not have any exposures involving borrowers in Australia/Oceania or Africa.

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 refinancing risk within tightly defined limits.

The framework of rules and regulations for identifying, managing and monitoring liquidity and market risk comprises the ALM (asset liability management) 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 on time or in full. Siemens Bank uses a detailed liquidity gap profile to manage liquidity risk. In this profile, the balances of contractually agreed and modeled cash flows are reported on a daily basis. A subsequent gap analysis for the individual time buckets 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.

During the course of the day, the latest account balances are continuously monitored in order to ensure liquidity is maintained.

If a liquidity shortfall should nevertheless arise, Siemens Bank has a liquidity contingency plan that sets out the communication channels and a comprehensive range of contingency measures.

Refinancing risk

Refinancing 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. Each week, the maximum present value loss arising from changes in funding terms and conditions is calculated in the form of liquidity value at risk (LVaR) based on the net cash flows determined in the liquidity gap profile.

Limit structure

Siemens Bank defines its liquidity risk tolerance over a period of 12 months and thereby limits the gaps determined in the liquidity gap profile. Liquidity risk controlling continuously monitors compliance with these limits. If a limit is exceeded, the ALM Committee has to be informed without delay and action has to be initiated to restore compliance with the limit.

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, committed but undrawn lines of credit, the notified credit business, and outstanding project finance drawings. The assumptions made allow Siemens Bank to draw up a comprehensive, risk-adjusted presentation of its liquidity position.

Liquidity buffer

For liquidity shortfalls, Siemens Bank holds a buffer of high-quality, liquid assets eligible for use as collateral in obtaining funding from central banks. A core component of this strategy is Siemens Bank's participation in Deutsche Bundesbank's KEV program ("Krediteinreichungsverfahren"), in which the Bank's loans to customers are eligible for submission to Deutsche Bundesbank as collateral. Credit balances with central banks or cash are currently not included in the liquidity buffer.

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.

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 liquidity risk controlling.

Liquidity 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 at September 30, 2011

The liquidity gap profile comprising deterministic, optional and modeled cash flows does not show significant accumulated negative cash flows at any point in the period covered. Short-term and medium-term cumulative cash flows for a period of up to one year are consistently positive. As at September 30, 2011, the net cash surplus for one day was €1,140.0 million, for one week €505.3 million, for one month € 82.3 million, and for three months €494.6 million. Within these figures, the optional and modeled cash flows that are factored into the liquidity gap profile have already been adjusted for risk. Since the start of business operations, Siemens Bank has continuously increased the size of the liquidity buffer in order to safeguard its liquidity on an ongoing basis. As at September 30, 2011, this buffer amounted to € 121.5 million of assets eligible as collateral with central banks.

Siemens Bank expanded its deposits business during the course of the fiscal year. As at September 30, 2011, it reported a liquidity value at risk of just €0.1 million, mainly because funding was largely achieved with matched maturities.

2.5 Market risk

Siemens Bank understands market risk as 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 purposes of mitigating risk. To the greatest possible extent, Siemens Bank therefore avoids market risk positions and only enters into such transactions within tightly specified parameters. 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 the plain vanilla interest-rate and currency derivatives that it enters into to reduce the risk arising from open positions.

2.5.1 Risk management

The Asset Liability Committee (ALM Committee) at Siemens Bank is responsible for the Bank's 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 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. Currently the Bank may only enter into derivatives in order to reduce risk and not to take on 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 profit-and-loss account on a daily basis. If a limit is exceeded, the ALM Committee has to be informed without delay and action initiated to restore compliance with the limit.

2.5.2 Modeling

Risk model

Siemens Bank uses an internal value-at-risk model, based on a variance/covariance approach, to measure market risk. 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 confidence level or risk horizon, the Bank ensures that there is always a reconciliation to capital adequacy.

Stress testing

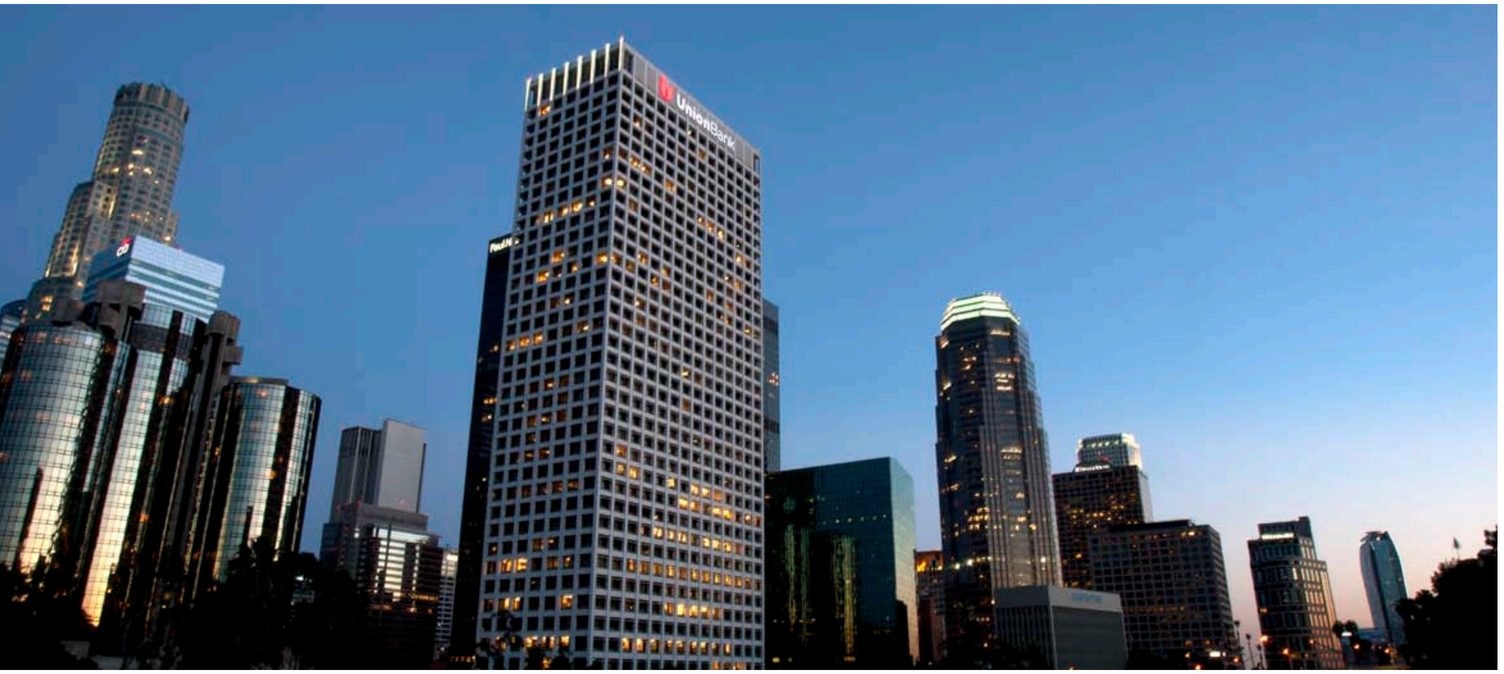
The measurement of market risk using value at risk is complemented by targeted sensitivity analyses and stress tests. These analyses and stress tests simulate extreme fluctuations in individual risk factors or particular crisis situations that are not possible to encompass in the value-at-risk measurement 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 capital adequacy assessment use, in particular, three degrees of macroeconomic downturn (slight, less severe, severe) as the basis for the tests.

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 P&L) is compared against the calculated value at risk. If the hypothetical P&L 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 penalty factor. Penalty factors are based on the requirements in the Internal Measurement Approach as specified in SolvV.

2.5.3 Market risk analysis as at September 30, 2011

As at September 30, 2011, the economic capital requirement for market risk amounted to €0.8 million. The risk-taking potential allocated to cover this capital requirement was €2.0 million. At no time in the fiscal year did the Treasury function come close to its loss limits. The utilization of the allocated risk-taking potential did not exceed the allocation at any point in the fiscal year.



2.6 Operational risk

Operational risk is defined as the risk of losses resulting from inappropriate or failed processes or technical systems, 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 operational risk 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 operational risk management comprises both central and local components. Basic responsibility for the management of operational risk lies at the local level with the relevant Siemens Bank departments and units. This management is coordinated by an operational risk manager appointed by the management board. The operational risk manager acts as a central point of contact for all matters concerning operational risk 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. The Bank then initiates appropriate countermeasures with 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 operational risk 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.

Siemens Bank uses the Basic Indicator Approach as specified in SolvV in order to measure and cover the regulatory capital requirement for operational risk.

To measure the economic capital adequacy requirement, Siemens Bank reduces the available risk-taking potential by the amount determined for regulatory purposes under the Basic Indicator Approach. The Bank also conducts regular stress tests on its economic capital adequacy as part of the economic capital adequacy assessment in order to minimize the risk in this static approach caused by possible fluctuations in earnings.

2.6.2 Analysis of operational risk as at September 30, 2011

Operational risk forms an integral part of the overall risk report and is subject to regular quarterly and annual risk reporting.

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.

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

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.

Business and strategic risk is assessed during the course of the process for determining the Bank's business and risk strategies. Business risk is 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. The business strategy then serves as the basis for analyzing risk factors and potential risk. The Bank subsequently draws up a risk inventory and prepares a risk strategy, specifying targets and action plans. These targets and action plans are broken down into the individual risk categories and are monitored on an ongoing basis by back-office units.

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 credit portfolio in terms of strategic alignment and trends.

3 Other information

Siemens Bank did not maintain any branches in the 2011 fiscal year.

Siemens Bank is involved in a large number of programs and initiatives under the auspices of Siemens AG, such as

- 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,

- sustainability management to promote responsible conduct at economic, environmental, and social levels for the benefit of future generations,
- diversity management to support employees in various private and professional situations and help them meet the challenges in both their working and private lives, and
- initiatives to support a work-life balance, for example tax-free childcare subsidies and childcare places linked to employment contracts.

With effect from December 1, 2011, Siemens AG added €250.0 million in cash to the capital reserves of Siemens Bank. There were no other significant events to report after the end of the fiscal year.

Outlook (translation of the German original)

4 Outlook

Trends in the economic environment

In its economic forecast published in the fall of 2011, the Federal Association of German Banks (BDB) forecast a slowdown in both the European and global economies, but did not expect this to turn into a recession.

Siemens Bank is also assuming that the present slowdown will continue as part of the economic cycle. It also expects to see further weakening in economic growth as governments continue to consolidate national budgets and cut public expenditure and as the uncertainty caused by the sovereign debt crisis in Europe and the United States continues.

Nevertheless, Siemens Bank believes that the demand for project finance and capital investment loans will continue to hold up, especially in Asia, and also in Europe, with the result that there will still be attractive growth opportunities for Siemens Bank.

Business performance of Siemens Bank in 2012 and 2013

Siemens Bank is expecting to be able to achieve a significant increase in its net operating income before tax over the next few fiscal years. Although the Bank is forecasting a decline in short-term deposits from Siemens AG and its subsidiaries, and an associated fall in loans and advances to banks, the Bank believes that the effect on business volume and net interest income will be more than offset by the impact from significant growth in loans and advances to customers. Given the quality of its credit portfolio, Siemens Bank only expects to see a modest increase in allowances for losses on loans and advances over the next fiscal years. The Bank predicts that there will also be a modest increase in general administration expenses as a consequence of the growth in business volume. In addition, given the forecast increase in net interest income, Siemens Bank believes that its risk management and processing services will become less important overall as a pillar of the business and a component of the Bank's earnings.

The internationalization of Siemens Bank will also be an important contributing factor in the further development of the Bank. Siemens Bank has notified the German Federal Financial Supervisory Authority (BaFin) of its intention to establish a branch in London in the United Kingdom in the second quarter of the 2012 fiscal year. The Bank plans to use this branch to continue to strengthen and expand its lending and guarantee business, another pillar of the Bank's overall business, by establishing a physical presence in London, a key financial center. One of the Bank's aims in establishing this branch is to exploit synergies and cost benefits by ensuring that the branch specializes in the credit business but at the same time makes use of the Bank's central infrastructure in Munich. The branch will actually be established by means of a business transfer mechanism, in which the employees of another subsidiary of Siemens AG that already conducts a credit business in London will be transferred to the Bank. The Bank is also planning to buy selected parts of the credit portfolio from this subsidiary. It is planned that the London branch will start to make a positive contribution to the earnings of Siemens Bank even in its first year of operation. During the 2012 fiscal year, Siemens Bank will also be evaluating the options for establishing activities in Asia.

Annual financial statements

of Siemens Bank GmbH, Munich,
for the fiscal year ended September 30, 2011 (in €)

Income statement (translation of the German original)

Income statement

of Siemens Bank GmbH, Munich, for the fiscal year ended September 30, 2011 (€)

		Note			2011	2010
1	**Interest income from**	1				**0.00**
	a) Lending and money market business			14,316,944.96		0.00
	b) Fixed-income securities and book-entry securities			0.00		0.00
					14,316,944.96	
2	**Interest expense**				**-7,039,684.86**	**0.00**
3	**Fee and commission income**	1, 2			**13,753,439.75**	**0.00**
4	**Fee and commission expense**				**-13,306.55**	**0.00**
5	**Other operating income**	1, 3			**343,450.39**	**0.00**
6	**General administration expenses**					
	a) Personnel expenses					
	aa) Wages and salaries		-10,202,352.50			0.00
	ab) Social security, post-employment and other employee benefit costs		-1,630,020.52	-11,832,373.02		0.00
	of which in respect of pensions -€432,717.33					0.00
	b) Other administrative expenses			-7,822,468.20		
					-19,654,841.22	**-54.864.09**
7	**Amortization and write-downs of intangible fixed assets, depreciation and write-downs of property and equipment**				**-6,824.09**	**0.00**
8	**Other operating expenses**	3			**-65,287.03**	**0.00**
9	**Write-downs of receivables and certain securities, and additions to provisions in the lending business**				**-1,123,600.28**	**0.00**
10	Result from ordinary activities				510,291.07	-54,864.09
11	**Taxes on income**	4			**-1,015.80**	**0.00**
	of which deferred taxes €0.00				0.00	0.00
12	**Other taxes not included under item 8**				**-506.21**	**0.00**
13	**Profit transferred under a profit-and-loss transfer agreement**	5			**-452,904.97**	**0.00**
14	Net income/loss for the year				55,864.09	-54,864.09
15	**Loss carried forward from prior year**	5			**-55,864.09**	**-1,000.00**
16	Distributable profit/net accumulated loss				0.00	-55.864.09

Balance sheet (translation of the German original)

Balance sheet

as at September 30, 2011 (€), of Siemens Bank GmbH, Munich

	Assets	Note	2011	2010
1	**Cash and cash equivalents**		**4,467,604.15**	**0.00**
	Credit balances with central banks		4,467,604.15	0.00
	of which credit balances with Deutsche Bundesbank		4,467,604.15	0.00
2	**Loans and advances to banks**	6	**4,477,935,510.80**	**10,099,150.61**
	a) Repayable on demand		12,479,045.52	10,099,150.61
	b) Other loans and advances		4,465,456,465.28	0.00
3	**Loans and advances to customers**	7	**924,157,741.52**	**0.00**
	of which secured by charge over real estate		0.00	0.00
	of which loans to public-sector entities		0.00	0.00
4	**Property and equipment**	9	**35,346.00**	**0.00**
5	**Other assets**	8	**83,887.16**	**880.76**
6	**Prepaid expenses**	10	**1,297,400.01**	**0.00**
	Total assets	16	5,407,977,489.64	10,100,031.37

	Equity and liabilities	Note	2011	2010
1	**Amounts due to customers**	11	**5,143,493,149.55**	**0.00**
	Other liabilities		5,143,493,149.55	0.00
	a) Repayable on demand		864,980.17	0.00
	b) With agreed maturity or notice period		5,142,628,169.38	0.00
2	**Other liabilities**	12	**962,350.86**	**6,895.46**
3	**Deferred income**	10	**7,940,593.52**	**0.00**
4	**Provisions**	13, 14	**5,581,395.71**	**49,000.00**
	a) Provisions for pensions and similar obligations		2,838,975.00	0.00
	b) Other provisions		2,742,420.71	49,000.00
5	**Equity**	15	**250,000,000.00**	**10,044,135.91**
	a) Subscribed capital		5,000,000.00	5,000,000.00
	b) Capital reserves		245,000,000.00	5,100,000.00
	c) Distributable profit/net accumulated loss		0.00	-55,864.09
	Total equity and liabilities	16	5,407,977,489.64	10,100,031.37
	Other obligations		**123,810,788.74**	**0.00**
	Under irrevocable lending commitments		123,810,788.74	0.00

Notes to the financial statements

of Siemens Bank GmbH, Munich,
for the fiscal year ended September 30, 2011

Establishment of Siemens Bank GmbH

Siemens Bank GmbH, Munich, (hereinafter Siemens Bank) was established as Kyros 40 GmbH, Munich, with articles of incorporation dated March 17, 2010, and entered in the commercial register of the Munich local court under reference number HRB 185214 on April 15, 2010. As a result of a resolution passed by the shareholder on September 30, 2010, the company was renamed Siemens Finance GmbH, Munich. The change of name was entered in the commercial register on October 5, 2010. Under the name Siemens Finance GmbH, Munich, the company prepared the prior-year financial statements for the short fiscal year from April 7 to September 30, 2010.

On October 1, 2010, Siemens Bank acquired a part of the business owned by Siemens Financial Services GmbH, Munich, (hereinafter Siemens Financial Services GmbH). The transfer of business largely comprised the transfer of existing contracts and employment contracts from Siemens Financial Services GmbH to Siemens Bank. The transfer agreement led to the transfer of 96 employment contracts and personnel-related obligations with a total value of €4,248,159.53, in return for which Siemens Bank received a cash settlement.

On November 30, 2010, Siemens Bank received a license from the German Federal Financial Supervisory Authority (BaFin) to conduct selected banking transactions. As a result of a resolution passed by the shareholder on December 10, 2010, the company was renamed Siemens Bank GmbH, Munich. The change of name was entered in the commercial register on December 17, 2010. Siemens Bank commenced banking operations on December 21, 2010, and immediately notified BaFin accordingly.

Basis of accounting in the annual financial statements of Siemens Bank

The annual financial statements of Siemens Bank for the fiscal year ended September 30, 2011, have been prepared in accordance with the provisions of the German Commercial Code (HGB), the German Accounting Law Modernization Act (BilMoG), 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).

All amounts are shown in euros (€) in accordance with section 244 of HGB.

The prior-year financial statements for Siemens Bank had been prepared in accordance with the provisions governing small limited companies taking into account the requirements of the German Accounting Law Modernization Act (BilMoG) because, at the time the financial statements were prepared, the company was not a bank within the meaning of section 1 (1) of German Banking Act (KWG). In accordance with section 265 (1) of HGB, the figures reported in the prior-year financial statements have been restated using the standard formats specified by RechKredV. No changes have been made to the measurement of these figures.

Pursuant to section 267 (7) of HGB, any line items on the standard RechKredV forms that are not relevant to Siemens Bank and have therefore remained blank have been omitted and the numbering has been adjusted accordingly to improve readability.

Accounting policies

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 accrued 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 of 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.

General provisions are recognized for latent credit risk. These provisions take into account borrower credit ratings, rating-related probability of default, and the proportion of loss in the event of a default. No individual allowances were recognized in the 2011 fiscal year.

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 the property and equipment concerned. Low-value assets with an individual net value of up to €150 are written off in full in the year of acquisition. In the case of items of property and equipment with an individual net value between €150 and €1,000, the aggregate items recognized for tax purposes are also included in the HGB annual financial statements to simplify matters.

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

Provisions for pensions

Pension benefit obligations are measured at the settlement amount determined in accordance with the actuarial projected unit credit method based on biometric probabilities. Estimated 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.

Pursuant to the German Occupational Pensions Act (BetrAVG), Siemens Bank continues to be liable at a subsidiary level for pensions that are provided via an indirect route. If the relevant assets of the pension fund fail to cover the settlement amount for the associated pension commitments, Siemens Bank covers the shortfall by recognizing a provision 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 cannot therefore 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. In addition, these assets are offset against the corresponding underlying obligation. If this results in a surplus obligation, 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. No amounts are recognized for deferred tax assets.

Provisions include individual appropriate and adequate provisions for all identifiable risks arising in connection with contingent liabilities 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 over the previous seven fiscal years 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.

Currency translation

Amounts denominated in foreign currency are translated at the middle rate on the balance sheet date in accordance with section 256a of 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 designates accounting groups ("Bewertungseinheiten") in accordance with section 254 HGB on a micro basis in connection with the hedging of currency risk associated with its banking business involving loans and advances to customers, amounts due to customers, and derivative hedging instruments. Based on the terms and conditions of the transactions included in the hedges, Siemens Bank assumes that any fluctuations in value arising in connection with the hedged risk will be evened out during the maturity of the transactions covered. The high degree of effectiveness in these accounting groups is regularly demonstrated retrospectively by comparing the changes in value caused by currency fluctuations in both the underlying transaction and the hedge. All the items included in accounting groups are measured using the net hedge presentation method. If the measurement of the items included in the hedge accounting results in an unrealized excess loss, this is recognized in the form of a provision for onerous contracts in accordance with the HGB imparity principle (whereby unrealized losses are recognized, but unrealized gains are not recognized).

Income statement disclosures

1 Geographical breakdown

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

(%)	2011	2010
Germany	62%	0%
Elsewhere	38%	0%

2 Fee and commission income

Fee and commission income is derived from the following services:

(€)	2011	2010
Risk management services for affiliated companies	13,663,839.75	0.00
Risk management services for third parties	89,600.00	0.00
Total	13,753,439.75	0.00

3 Other operating income and expense

Other operating income for the most part comprises income derived from the remeasurement (in accordance with HGB) of obligations transferred to the Bank as part of the transfer of business described above.

Other operating expense largely comprises net realized currency gains and losses and expenses arising from additions to certain provisions.

4 Taxes on income

Siemens Bank forms an integral part of the tax group of Siemens AG, Berlin and Munich (hereinafter Siemens AG), for both income tax and VAT purposes. Taxes on income therefore just include current withholding taxes.

Siemens Bank did not need to recognize any deferred tax liabilities as at September 30, 2011. Siemens Bank does not recognize any deferred tax assets.

5 Profit transfer under a profit-and-loss transfer agreement, loss carryforward from the prior year

On October 29 and November 5, 2010, Siemens Bank entered into a profit-and-loss transfer agreement with Siemens AG, the sole shareholder in Siemens Bank. The general meeting approved this agreement with a resolution passed on December 10, 2010. The agreement was entered in the commercial register on April 4, 2011.

Under this profit-and-loss transfer agreement, the entire net income for the year determined in accordance with HGB, less the loss carryforward from the prior year determined in accordance with HGB, will be transferred to Siemens AG.

Balance sheet disclosures

6 Loans and advances to banks

(€)	2011	2010
Loans and advances to banks with maturities of	**4,477,479,045.52**	**0.00**
up to and including 3 months	4,477,479,045.52	0.00
more than 3 months and up to 1 year	0.00	0.00
more than 1 year and up to 5 years	0.00	0.00
more than 5 years	0.00	0.00

7 Loans and advances to customers

(€)	2011	2010
Loans and advances to customers with maturities of	**919,022,063.00**	**0.00**
up to and including 3 months	76,596,481.98	0.00
more than 3 months and up to 1 year	136,786,265.56	0.00
more than 1 year and up to 5 years	476,575,389.62	0.00
more than 5 years	229,063,925.84	0.00

The loans and advances to customers include loans and advances to affiliated companies with a value of €83,367,303.43. As in the 2010 fiscal year, there were no loans and advances to the shareholder.

8 Other assets

Other assets largely comprise receivables arising from the provision of services to third parties and subsidiaries of Siemens AG.

9 Statement of changes in fixed assets

(€)	Cost				
	Oct. 1, 2010	Additions	Transfers	Disposals	Sept. 30, 2011
Property and equipment	**0.00**	**41,294.09**	**4,129.99**	**0.00**	**45,424.08**
Office furniture and equipment	0.00	41,294.09	4,129.99	0.00	45,424.08

(€)	Depreciation and write-downs			Carrying amount	
	Cumulative	of which curr. year	of which additions	2011	2010
Property and equipment	**-10,078.08**	**-6,824.09**	**-3,253.99**	**35,346.00**	**0.00**
Office furniture and equipment	-10,078.08	-6,824.09	-3,253.99	35,346.00	0.00

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

10 Prepaid expenses and deferred income

(€)	2011	2010
Prepaid expenses	**1,297,400.01**	**0.00**
Premium on loans and advances	1,246,920.01	0.00
Other prepaid expenses/accrued income	50,480.00	0.00
Deferred income	**7,940,593.52**	**0.00**
Discount on loans and advances	3,590,650.05	0.00
Other deferred income/accrued expenses	4,349,943.47	0.00

Other deferred income/accrued expenses largely relate to deferred fee income in the credit business.

11 Amounts due to customers

(€)	2011	2010
Amounts due to customers with maturities of	**5,140,314,676.72**	**0.00**
up to and including 3 months	4,142,324,223.75	0.00
more than 3 months and up to 1 year	613,585,817.74	0.00
more than 1 year and up to 5 years	281,386,371.97	0.00
more than 5 years	103,018,263.25	0.00

Amounts due to customers are accounted for in their entirety by transactions with affiliated companies. Of the total amount due to customers, €4,256,713,694.98 is due to the shareholder (September 30, 2010: €0.00).

Siemens Bank has not pledged any assets as collateral for amounts due to customers, nor has it transferred any assets as collateral.

12 Other liabilities

Other liabilities for the most part comprise personnel-related obligations and liabilities in connection with withholding tax deducted at source.

13 Provisions for pensions and similar obligations

Siemens Bank provides various forms of occupational pensions for the employees whose employment contracts were transferred to Siemens Bank as part of the transfer of 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.

The majority of current employees at Siemens Bank participate in the Siemens defined contribution plan (BSAV) launched in 2004. BSAV is a pension program covered by assets held in trust. For the most part, the benefits depend on the contributions made to the scheme and on the investment income from these contributions, although 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 of €283,575.00 as at September 30, 2011 (cost value: €301,912.46), are therefore offset against the pension obligations.

As part of the transfer of business from Siemens Financial Services GmbH, Siemens Bank assumed responsibility for pension obligations in connection with BSAV, legacy pension entitlements, voluntary deferred compensation including offsetting of plan assets and transitional payments in an amount of €2,407,631.00.

As at September 30, 2011, the settlement amount for pension obligations amounted to €3,122,550.00, of which €283,575.00 was accounted for by indirect obligations. The actuarial measurement of the settlement amount was based on a number of variables including a discount rate of 5.13 % and a pension growth rate of 1.75% per annum.

Given the structure of the main pension schemes, measurement assumptions relating to increases in wages and salaries including career trends are of no material significance in determining pension obligations at Siemens Bank. The Heubeck 2005G mortality tables are used to determine the probability of death.

No provisions for pensions and similar obligations had been recognized in the 2010 fiscal year.

14 Other provisions

(€)	Oct. 1, 2010	Transferred	Utilized
Other provisions	**49,000.00**	**1,583,267.41**	**-1,549,949.90**
of which with maturities up to 1 year	49,000.00	1,466,146.85	-1,510,505.85

(€)	Reversed	New	Sep. 30, 2011
Other provisions	**-1,835.00**	**2,661,938.20**	**2,742,420.71**
of which with maturities up to 1 year	-1,835.00	2,637,780.77	2,640,586.77

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

(€)	2011	2010
Other provisions	**2,742,420.71**	**49,000.00**
Personnel-related provisions	2,383,124.73	0.00
Provisions for projects	223,961.98	42,000.00
Provisions for year-end costs	135,334.00	7,000.00

In the 2010 fiscal year, provisions had been recognized for expenses expected to be incurred in connection with the application for a banking license.

15 Equity

The changes in equity over the 2011 fiscal year were as follows:

(€)	Oct. 1, 2010	Additions	Loss settlement	Sept. 30, 2011
Equity				
Subscribed capital	5,000,000.00	0.00	0.00	5,000,000.00
Capital reserves	5,100,000.00	239,900,000.00	0.00	245,000,000.00
Net accumulated loss	-55,864.09	0.00	55,864.09	0.00
	10,044,135.91	239,900,000.00	55,864.09	250,000,000.00

Following a resolution passed on December 1, 2010, by Siemens AG as the sole shareholder in Siemens Bank, Siemens AG added €239,900,000.00 in cash to the capital reserves of the Bank. The subscribed capital has been fully paid up in cash.

16 Assets and liabilities denominated in foreign currency

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

(€)	2011	2010
Assets denominated in foreign currency	294,737,311.86	0.00
Liabilities denominated in foreign currency	294,229,005.71	0.00

Other disclosures

17 Derivative financial instruments

	Nominal				
	Residual maturity			Total amount	
(€)	≤ 1 year	>1–5 years	> 5 years	2011	2010
OTC currency derivatives					
FX Swaps	0	6,406,196.99	0	6,406,196.99	0

	Fair values			
	Positive		Negative	
(€)	2011	2010	2011	2010
OTC currency derivatives				
FX Swaps	152,046.43	0	0	0

Siemens Bank only enters into derivative financial instruments to cover risks arising in connection with its banking business. These derivatives are therefore designated to accounting groups (“Bewertungseinheiten”) in accordance with HGB. No assets or liabilities for derivative financial instruments were recognized in the fiscal year.

18 Accounting groups (“Bewertungseinheiten”) in accordance with HGB

Currently, Siemens Bank only recognizes micro accounting groups in accordance with HGB in order to hedge currency risk. As at September 30, 2011, the carrying amounts of assets and liabilities subject to accounting groups were €287,690,158.29 and €293,620,068.79 respectively. Derivatives with a nominal volume of €6,406,196.99 are also included. The hedged currency risk matches the foreign currency equivalent of each item.

There were no accounting groups in accordance with HGB in the 2010 fiscal year.

19 Employees

In the 2011 fiscal year, Siemens Bank employed an average of 95.1 people in 98 employment contracts (of which nine were part-time employment contracts). The company had no employees in the 2010 fiscal year.

20 Other financial obligations

Siemens Bank purchases services from affiliated companies and third parties under the terms of outsourcing agreements. The following financial obligations are expected for the 2012 fiscal year as a result of these outsourcing agreements:

(€)	
To affiliated companies	7,203,778.96
To third parties	943,200.00
	8,146,978.96

Siemens Bank is a participating institution in Entschädigungseinrichtung deutscher Banken GmbH (German banks compensation fund).

21 Members of the management board and supervisory board ("Beirat")

The general meeting has appointed the following members of the management board:

- Roland Chalons-Browne, Chief Executive Officer of Siemens Bank and Siemens Financial Services GmbH, Munich
- Dr. Ingeborg Hampl, member of the management board and Chief Risk Officer of Siemens Bank
- Dr. Peter Rathgeb, member of the management board and Chief Financial Officer of Siemens Bank

Roland Chalons-Browne did not receive any remuneration for his activities in the 2011 fiscal year.

The general meeting has set up a supervisory board ("Beirat") with the following members:

- Dr. Peter Moritz, member of the management board of Siemens Financial Services GmbH, Munich, and Chief Financial Officer of the cross-Sector Financial Services business of Siemens AG
- Hans-Peter Rupprecht, Chief Executive Officer of Siemens Treasury GmbH, Munich, and Corporate Treasurer of Siemens AG

Dr. Peter Moritz was elected chairman and Hans-Peter Rupprecht deputy chairman of the supervisory board ("Beirat"). The members of the supervisory board ("Beirat") did not receive any remuneration for their activities in the 2011 fiscal year.

In addition to his activities as CEO of Siemens Bank and Siemens Financial Services GmbH, Roland Chalons-Browne is also a member of the following supervisory bodies pursuant to section 340a (4) No. 1 of the HGB:

- Member of the supervisory board of Risicom Rückversicherung AG, Grünwald
- Non-executive director of Siemens Financial Services Inc., Iselin, New Jersey, United States

In addition to her activities as a member of the management board of Siemens Bank, Dr. Ingeborg Hampl is a non-executive director of Siemens Financial Services AB, Stockholm, Sweden.

22 Membership of a corporate group

The annual financial statements of Siemens Bank are included in the consolidated financial statements of Siemens AG. The consolidated financial statements of Siemens AG are submitted for publication in the electronic German Federal Gazette. Pursuant to section 285 No. of 21 HGB, in the year under review, Siemens Bank did not enter into any transactions with related parties on terms that were other than on an arm's length basis.

The consolidated financial statements of Siemens AG include disclosures on the total fees paid to the independent auditors pursuant to section 285 No. 17 of HGB.

Munich, December 16, 2011

The Management Board

Roland Chalons-Browne   Dr. Ingeborg Hampl   Dr. Peter Rathgeb

Audit Opinion (translation of the German original)

Audit Opinion

We have issued the following opinion on the financial statements and management report:

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Siemens Bank GmbH, Munich, for the fiscal year from October 1, 2010, to September 30, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Munich, February 13, 2012

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Barth	Adam
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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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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