Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Annual Report 2022

Table of contents

Group key figures

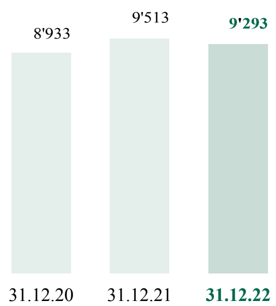
in CHF million

Balance sheet	31.12.20	31.12.21	31.12.22	Change in % to 31.12.21
Total assets	11'682	12'922	12'565	-2.8%
Equity	1'193	1'239	1'203	-2.9%
Advances customers	3'363	4'058	3'876	-4.5%
Customers deposits	8'933	9'513	9'293	-2.3%
Income statement	**2020**	**2021**	**2022**	Change in % to 2021
Total income[1]	415.2	382.6	435.9	13.9%
Operating expenses	-215.7	-223.0	-249.1	11.7%
Operating result	166.0	135.5	161.7	19.3%
Group profit	51.3	112.7	109.7	-2.6%
Key figures and ratios	**31.12.20**	**31.12.21**	**31.12.22**	Change in % to 31.12.21
Number of offices	445	494	536	8.5%
Number of employees	6'061	6'801	7'367	8.3%
Return on equity (ROE) [2]	4.3%	9.3%	9.0%	
Equity ratio	10.2%	9.6%	9.6%	
Cost / income ratio	51.9%	58.3%	57.1%	
Capital ratio	18.8%	17.3%	17.2%	
Liquidity coverage ratio	132.4%	162.4%	170.8%	
Leverage ratio	9.6%	8.2%	8.4%	

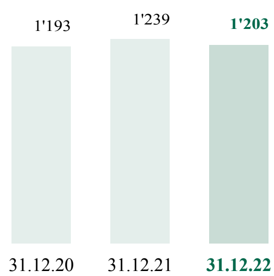
[1] Including "Gross result from interest operations", "Result from comission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

[2] Group profit as percentage of equity of average at year end

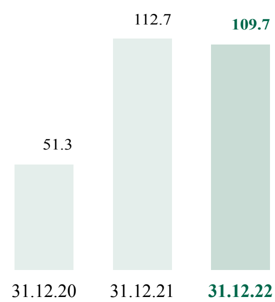
Customers deposits, in CHF million



Equity, in CHF million



Group profit, in CHF million



Purely for ease of reading, the masculine form used in this document is intended to refer to both genders.
This consolidated financial report is published in English only.
Due to rounding, the numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
Mathematical rules of "%-change" in the tables in this report: deviations greater than +/-500.0% will be shown as ">500.0%" or "-500.0%" .

Unesco world heritage
great Aletsch glacier
Switzerland

Letter to shareholders

Dear fellow shareholders,

2022 proved to be a tumultuous year in the countries where we operate. The Group was faced with considerable uncertainty arising from aggressive interest rate hikes in response to persistently high inflation, surges in energy and commodity prices, supply chain disruptions, severe floods, large currency depreciation against the Swiss franc and generally dismal financial market conditions. Despite these many challenges, the Group has, by the grace of God, once again demonstrated its resilience and reported a consistently solid result. It is therefore with considerable satisfaction that we present to you this 55th Annual Report of Habib Bank AG Zurich.

Throughout the year, we continued to make substantial investments in critical strategic initiatives for digital banking services and advanced cybersecurity protection. We intend to keep up this forward-looking momentum in 2023 with innovative and transformative project plans for our online presence and digital client experience as well as the hPLUS Gen II conversion.

In response to new global regulatory requirements as well as growing stakeholder demand for transparency and sustainability, we have established a Group-wide project plan to systematically collect and report our environmental, social and governance (ESG) data. We are proud to announce the forthcoming publication of our first consolidated ESG Annual Report for the reporting year 2023.

We value the wide diversity of talent in our global workforce because our people are a key competitive advantage and quintessential drivers of our success. Through ongoing talent development, we continue to strengthen our business and refine the quality of service that we offer to our clients. As part of this commitment, we are introducing a new performance management and succession planning platform.

Reflecting on the results of the past year, the Board of Directors has proposed the following appropriations totaling CHF 50'301'825 to be made available for distribution:

- Allocation to statutory retained earnings reserves	CHF	1'450'000
- Distribution of dividend from distributable profit	CHF	22'000'000
- Profit carried forward	CHF	26'851'825

We would like to thank all of our staff members for their loyalty and commitment and our esteemed clients for their enduring trust and support.

Dr. Andreas Länzlinger	Muhammad H. Habib	Mohamedali R. Habib
Chairman of the Board of Directors	President	Group CEO

About us

Habib Bank AG Zurich (the "Bank" or "Parent Bank") was incorporated in Switzerland in 1967 and is privately owned. The Habib family has been actively involved in banking for over 75 years. Two family members, Muhammad H. Habib, President, and Mohamedali R. Habib, Group CEO, are members of General Management. Other members of the family are currently working their way up through the management ranks.

The Bank and Group are subject to the consolidated supervision of the Swiss Financial Market Supervisory Authority (FINMA). The Group has a strong capital base and liquidity ratios that are above industry standards. The Group also cooperates closely with various regulatory bodies and central banks in the countries in which it operates.

The Group places a strong emphasis on personalised service. This is deeply rooted in its core values of trust, integrity, commitment, respect, responsibility and teamwork as well as in its vision and mission statements:

Vision
To be the most respected financial institution based on trust, service and commitment.

Mission
To be the 'Bank of Choice' for family enterprises across generations.

With its Head Office in Zurich, the Bank has branch operations in Kenya and the United Arab Emirates. The Bank has subsidiaries in Canada, Hong Kong, the United Kingdom, the United Arab Emirates, Pakistan, South Africa and Switzerland. The Group's operations are supported by its own service companies. As at 31 December 2022, headcount totalled 7'368 staff distributed over 535 offices, providing personalised services to our valued clients. The Group is active in commercial banking, retail banking, trade finance, wealth management and Islamic banking.

Corporate governance

Corporate governance Principles

Habib Bank AG Zurich is committed to responsible, value-oriented management and control. Habib Bank AG Zurich complies with all relevant Swiss legal and regulatory requirements in terms of corporate governance. The governance documents of Habib Bank AG Zurich constitute primary guidelines regarding corporate governance and are based on Article 716b of the Swiss Code of Obligations and the Articles of Association of Habib Bank AG Zurich.

Board of Directors

The Board of Directors has ultimate oversight over Habib Bank AG Zurich and its subsidiaries. Under the leadership of its Chairman, it decides on the strategy of the Group based on the recommendations of General Management. It is responsible for the overall direction, management, control and financial reporting of the Group as well as for supervising compliance with applicable laws, rules and regulations.

The Board of Directors consists of five or more members, who are individually elected at the Annual General Meeting and is made up of non-executive and independent directors, all of whom have extensive experience in their respective fields of competence.

Members of the Board of Directors

Name	Board of Directors	Audit Committee	Risk & Control Committee
Dr. Andreas Länzlinger	Chairman		Member
Urs W. Seiler	Vice-Chairman	Member	Member
Roland Müller-Ineichen	Member	Chairman	
Michael Schneebeli	Member	Member	
Ursula Suter	Member		Chairwoman

Dr. Andreas Länzlinger Swiss, born 1959

Chairman of the Board of Directors
Member of the Risk & Control Committee

Professional history and education
Andreas Länzlinger was elected to the Board of Directors of Habib Bank AG Zurich at the 2008 Annual General Meeting. He has been Chairman of the Board of Directors since 2013.

Prior to and since joining the Board of Directors of Habib Bank AG Zurich, Andreas Länzlinger has regularly represented and advised a number of Swiss banks in civil, criminal and regulatory matters, including in matters relating to FINMA supervision. He has conducted internal investigations, some under the indirect supervision of FINMA, at various Swiss financial institutions. His experience includes representing clients before foreign authorities (mainly in regulatory or criminal matters, with a focus on US authorities including the DOJ, SEC, Fed and FDIC). He has advised corporate clients in matters of compliance and corporate governance and holds various teaching engagements in this field. Andreas Länzlinger completed his studies in Law from the University of Zurich in 1983 and was admitted to the Zurich Bar in 1986. He received his Doctorate in Law (Dr. iur.) from the University of Zurich in 1992.

Urs W. Seiler

Swiss, born 1949

Vice-Chairman of the Board of Directors
Member of the Audit Committee
Member of the Risk & Control Committee

Professional history and education

Urs Seiler was elected to the Board of Directors of Habib Bank AG Zurich at the 2012 Annual General Meeting and was appointed Vice-Chairman of the Board in April 2015. He became a member of the Audit Committee and member of the Risk and Control Committee in 2013.

From 2002 to 2012 Urs Seiler was a founding partner of Bugmann, Stocker, Seiler Capital Partners AG (based in Zurich), a company providing advisory services in the areas of capital markets, finance, general management consulting, real estate and corporate restructuring, including the take-over of directorships. He was Chairman of the Board of Directors of PBS Private Bank Switzerland Ltd. (he stepped down from this function in 2002). He was a member of the Board at the Republic New York Corporate (New York) and a member of the Executive Committee of the Republic Bank of New York (Switzerland) from 1998 to 1999. Prior to that, he spent 15 years at UBS AG, holding various top executive and senior management positions, including: Executive Vice President International, Chairman Emerging Markets (Europe, Africa, Middle East), and a member of the Group Management Board (he stepped down from this function in 1998). From 1970 to 1984 he worked for Credit Suisse (Zurich), serving as Vice-President in the foreign exchange division. He began his career at Bank of Nova Scotia (Toronto). His banking career has also included teaching as a lecturer at the Swiss Finance Institute in Zurich from 1986 to 1991. Urs Seiler completed his studies as a Swiss Certified Banking Expert in 1968.

Roland Müller-Ineichen

Swiss, born 1960

Member of the Board of Directors
Chairman of the Audit Committee

Professional history and education

Roland Müller-Ineichen was elected to the Board of Directors of Habib Bank AG Zurich at the 2018 Annual General Meeting and was appointed as Chairman of the Audit Committee.

Since 2009 Roland Müller-Ineichen has served as an independent director on the board of directors of multiple Swiss and foreign companies and has developed and further enhanced his thorough understanding of corporate governance and the strategic and operating challenges of today's banking industry. Prior to that, he worked for 12 years as lead partner in charge of financial and regulatory audits of national and international banks, securities dealers and fund management companies in the audit department of KPMG in Zurich. He joined KPMG Fides Peat in 1995 as Senior Manager and became a partner of KPMG Switzerland in 1998 and of KPMG Europe in 2006. Before joining KPMG, he progressed through various senior audit and executive management roles at Switzerland-based financial institutions. His experience in the financial and banking services industry provides the Board of Directors with valuable strategic, financial and banking business insights and comprehensive corporate governance and accounting expertise. Roland Müller-Ineichen is recognised as an audit expert by the Swiss Audit Oversight Authority (FAOA) and is a qualified financial expert. Roland Müller-Ineichen is a Swiss Certified Public Accountant and has been a member of EXPERTsuisse since 1990.

Michael Schneebeli

Swiss, born 1970

Member of the Board of Directors
Member of the Audit Committee

Professional history and education

Michael Schneebeli was elected to the Board of Directors of Habib Bank AG Zurich at the 2021 Annual General Meeting. He became a member of the Audit Committee in 2022.

Since 2019 Michael Schneebeli is a partner of a renowned consulting firm in Switzerland, focusing on consulting in banking with particular strength and expertise on anti-money laundering, compliance, risk management, intern control framework and corporate governance. His advisory spectrum also includes new financial technologies (blockchain) and digital means of payment (cryptocurrencies). Prior to that, he worked for 10 years as lead auditor for various national and international banks, securities dealers and fund management companies in the audit department of KPMG in Zurich. He joined KPMG in 2007 as Director and became a partner of KPMG Switzerland in 2009. Before joining KPMG, he progressed through various senior audit and executive management roles at Switzerland-based financial institutions and another big six consulting firm. His experience in the financial and banking services industry provides the Board of Directors with valuable strategic, compliance, risk and digital banking business insights and comprehensive corporate governance and accounting expertise. Michael Schneebeli is a Swiss Certified Public Accountant and has been a member of EXPERTsuisse since 2001.

Ursula Suter Swiss, born 1954

Member of the Board of Directors
Chairwoman of the Risk & Control Committee

Professional history and education

Ursula Suter was elected to the Board of Directors of Habib Bank AG Zurich at the 2012 Annual General Meeting and has been Chairwoman of the Risk & Control Committee since its inception in 2013.

Ursula Suter spent most of her professional career with UBS. She was General Counsel of the Wealth Management & Business Banking Division from 2002 to 2009 with global responsibilities. Prior to that, she held various positions as a legal counsel. Since 1992, she has served as a judge at the Commercial Court of the Canton of Zurich. In 2011 she became a founding partner of LCR Services AG, a firm providing legal, compliance and regulatory services for financial institutions. Ursula Suter completed her studies in Law from the University of Bern in 1979 and was admitted to the bar in the same year.

Elections and terms of office

In accordance with the Articles of Association, all members of the Board of Directors are elected individually at the Annual General Meeting. The members of the Board of Directors are elected for a period of three years (the period from one ordinary Annual General Meeting to the next is considered to be one year). The members of the Board of Directors may be re-elected. The Board of Directors constitutes itself. It elects from among its members the Chairperson and one or several Vice-Chairpersons. The term of office for the Chairperson and Vice-Chairpersons coincides with the term of office as member of the Board of Directors. The Board of Directors appoints the members of the Board of Directors committees, their respective chairpersons and the Group Company Secretary. At least one third of the members of the Board of Directors must meet the independence criteria.

Organisational principles and structure

According to the Articles of Association and the Organisational Regulations, the Board of Directors meets as often as business requires, but at least four times per year. At every Board of Directors meeting, the President and the Group CEO provide the Board of Directors with a business update, and each committee chairperson provides the Board of Directors with an update on current activities of his or her committee as well as important committee issues. At least once per year, the Board of Directors reviews its own performance as well as the performance of each of its committees. This review seeks to determine whether the Board of Directors and its committees are functioning effectively. The committees (listed on page 6) assist the Board of Directors in the performance of its duties.

General Management

Habib Bank AG Zurich operates under a dual board structure, as mandated by Swiss banking law, which stipulates that no members of the Board of Directors may be members of General Management. The Board of Directors delegates the management of the business to General Management and General Management comprises at least three members appointed by the Board of Directors.

Under the leadership of the Group CEO, General Management is entrusted with management and planning of the activities of the Group with respect to organisation, business development and expansion. General Management is responsible for the direction of day-to-day operations of the Group and bears overall responsibility for decisions and instructions issued in this regard.

Members of General Management

General Management consists of two members of the Habib family and three non-family members. The majority of the members of General Management have residency in Switzerland.

Name	Function
Muhammad H. Habib	President
Mohamedali R. Habib	Group CEO
Rajat Garg	Member of General Management and Head of Developed Markets
Anjum Iqbal	Member of General Management and Head of Emerging Markets
Walter Mathis	Member of General Management and Head of Shared Services

Muhammad H. Habib Swiss, born 1959
President

Professional history and education
Muhammad H. Habib became a member of General Management at Habib Bank AG Zurich in 1992. He was appointed President & Chief Executive Officer in February 2011.

Muhammad H. Habib's career in banking comprises close to four decades of experience. He began his career in 1981 in Dubai, where he went through extensive training in order to gain the expertise, nuanced understanding, and enhanced knowledge of managing a bank and navigating the financial industry. This was an enriching journey spanning 11 years. In 1992, he joined the General Management team. His responsibilities encompassed UAE, Africa, UK, North America, and Switzerland. Under his leadership, the Bank has expanded into several new territories, including South Africa (1995) and Canada (2001). In 1996, he was promoted to the position of Joint President, and subsequently became the President of the Bank. Muhammad H. Habib completed his studies at the College de Leman in Geneva, Switzerland, and earned his degree in Business Administration from Babson College in Wellesley, Massachusetts (USA).

Mohamedali R. Habib Canadian, born 1964

Group CEO

Professional history and education
Mohamedali R. Habib became a member of General Management serving as Joint President of Habib Bank AG Zurich and Divisional Head responsible for the entire banking business in Asia in 2011 and was appointed Group Chief Executive Officer in 2016.

Mohamedali R. Habib has served at Metropolitan Bank since 1999 and in 2004, was appointed as the Executive Director and served till 2011. Thereafter he continued as non-executive director. Mohamedali R. Habib was appointed as a Director and Chairman of the Board of Habib Bank AG Hong Kong in November 2006. In 2016 he was elected as Chairman of the Board of Directors of Habib Metropolitan Bank Limited, a subsidiary of Habib Bank AG Zurich. Between 2012 and 2016 he has also served as a member of the Board of Directors of HBZ Bank Limited, another subsidiary of Habib Bank AG Zurich based in South Africa. Before joining Habib Bank AG Zurich, in 1996, he worked in the corporate sector for 10 years in various executive roles as well as certain BOD level positions. Mohamedali R. Habib graduated in Business Management – Finance from Clark University, Massachusetts (USA) in 1987. He holds a post-graduate diploma in General Management from Stanford – National University of Singapore and is qualified as a Certified Director from the Pakistan Institute of Corporate Governance, Pakistan.

Rajat Garg

Singaporean, born 1963

Member of General Management and
Head of Developed Markets

Professional history and education

Rajat Garg became a member of General Management of Habib Bank AG Zurich and Regional CEO for Developed Markets in April 2016. He is responsible for UK, Hong Kong and Canada.

Before joining Habib Bank AG Zurich, Rajat Garg worked for Citibank for 26 years in a number of different areas of commercial banking and wealth management across multiple geographies in Asia, Middle East and Europe. He was Head of Retail Banking & Wealth Management for the Europe, Middle East & Africa region from 2008 to 2015, with oversight for 16 countries (based in London). Prior to that, he served as Country Business Manager for Citibank Turkey (based in Istanbul) and as Cards Business Head for Saudi American Bank (based in Riyadh). Between 2001 and 2003 he served as Regional CFO for Citibank Asia Cards, covering 12 countries (based out of Singapore). Prior to that, from 1997 to 2001, he helped start up and establish the Citibank Non Resident Indian Wealth Management Business, which operated from 15 cities globally (based out of Singapore). From 1989 to 1997 he served in various positions with Citibank India, notably in Risk Management, Finance and Business Planning. He started his professional career in 1989 as a Management Associate with Citibank. Rajat Garg holds an MBA from the Indian Institute of Management Calcutta and a Bachelor of Technology in Civil Engineering from the Indian Institute of Technology Kanpur.

Anjum Iqbal

British, born 1952

Member of General Management and
Head of Emerging Markets

Professional history and education

Anjum Iqbal became a member of General Management of Habib Bank AG Zurich and Regional CEO for Emerging Markets in February 2016. He oversees the banks' operations in Africa, consisting of the branch in Kenya and subsidiary in the South Africa. He is also a member of the Group Credit Management Committee (GCMC). He joined Habib Bank AG Zurich in late 2008 as the President and Chief Executive Officer of Habib Metropolitan Bank Ltd. (Pakistan) before being transferred to London in January 2012 where he was appointed Chief Executive Officer to lead operations in the UK (until 2015).

Prior to joining Habib Bank AG Zurich, Anjum Iqbal worked with Citigroup for more than 30 years, holding various senior management positions across different geographical regions including Pakistan, Greece, Lebanon, Venezuela, Turkey, Belgium, South Africa, UAE and the UK. In his last role with Citigroup he was Managing Director responsible for the EMEA Commercial Banking Group in London. Anjum Iqbal holds a Bachelor's degree in commerce from the University of Karachi and holds a Master's degree in business administration (MBA) in Marketing and Finance from the Institute of Business Administration (IBA), University of Karachi, Pakistan.

Walter Mathis

Swiss, born 1961

Member of General Management and
Head of Shared Services

Professional history and education

Walter Mathis became a member of General Management and Head of Shared Services in August 2013 and was a member of the Board of Directors of Habib Bank AG Zurich from 2012 until 2013.

Walter Mathis has worked in the financial industry for over 40 years and has held management positions in international financial institutions and consultancy firms. Before joining Habib Bank AG Zurich, he worked for 15 years for Synergis Consulting Ltd., a consultancy boutique for the financial industry, which he co-founded. Prior to that, he was a Member of Management and Head of Controlling at Banca del Gottardo in Lugano, where he was employed for six years. From 1988 to 1992 he worked for Peat, International Consultants Ltd. (KPMG), where he built up and headed – as Partner – the financial service consultancy in Geneva. Walter Mathis started his professional career with Credit Suisse, working for five years in various positions and locations. He was a member of the Financial Market Regulation and Accounting Commission (from 1996 - 1998 and 2013 - 2015) for the Association of Foreign Banks in Switzerland. Walter Mathis holds a Bachelor of Arts (BA) in economics. In 1987 he graduated from the University of Applied Sciences of Zurich, and is a graduate of the Executive Program from the Swiss Finance Institute of Zurich.

Management of the branch network

Name	Born	Citizenship	Function	Country
Sheheryar Rasul	1969	Singaporean	Country Manager	Switzerland
Jamal Alvi	1962	British	Country Manager	United Arab Emirates
Asim Basharullah	1971	Pakistani	Country Manager	Kenya

Management of the subsidiaries

Name	Born	Citizenship	Function	Country
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Zafar Khan	1952	South African	Chief Executive Officer	South Africa
Mohsin A. Nathani	1965	Pakistani	Chief Executive Officer	Pakistan
Sachil Dagur	1969	Indian	Chief Executive Officer	Hong Kong SAR
Satyajeet Roy	1967	British	Chief Executive Officer	United Kingdom

Management of the representative offices

Name	Born	Citizenship	Function	Country
Nazrul Huda	1953	Bangladeshi	Representative Office Manager	Bangladesh
Masud Abid	1961	Chinese	Representative Office Manager	Hong Kong SAR
Syed Hassan Nasim Ahmed	1968	Pakistani	Representative Office Manager	Pakistan
Irene Wu Ying	1973	Chinese	Representative Office Manager	China

Group Business Functions

Name	Born	Citizenship	Function
Syed Ali Sultan	1966	Canadian	CEO Group Financial Institutions
Salman Haider	1972	British	CEO Group Wealth Management
Adnan Fasih	1967	Pakistani	Head of Group Islamic Banking

Group Service and Control Functions

Name	Born	Citizenship	Function
Rizwan Arain	1969	Pakistani	Head of Group Information & Technology Risk
Umair Chaudhary	1968	British	Group Chief Operating Officer
Dario Gigante	1979	Swiss	Head of Group Risk Control
Dr. Sitwat Husain	1964	Pakistani	Head of Group Human Resources
Faraz Kohari	1965	American	Co-Head of Group Information Technology
Dr. Pascal Mang	1964	Swiss	Head of Group Legal & Compliance
Alfred Merz	1962	Swiss	Head of Group Financial Control
Atif Mufti	1973	Pakistani	Head of Group Operations & Systems
Uzma Murshed	1970	Pakistani	Head of Group Operational Risk
Syam Pillai	1962	Indian	Co-Head of Group Information Technology
Ralph Schneider	1964	Swiss	Head of Group Credit
Arif Usmani	1957	Pakistani	Group Chief Risk Officer

Group Internal Audit

Name	Born	Citizenship	Function
Haroon Ahmad	1975	Pakistani	Head of Group Internal Audit

Management report

Economic environment

The global economy faced many challenges in 2022 and experienced a number of severe shocks. This put an abrupt end to the broad-based recovery that had started in the preceding year. First among these shocks was the accelerated pace of monetary policy normalization. Facing persistently high inflation, central banks were compelled to raise short-term interest rates to the highest levels since before the financial crisis of 2008. The conflict between Russia and Ukraine further exacerbated inflationary pressures, as restricted supplies and extensive sanctions led to a surge in prices for energy and various commodities. Higher interest rates and commodity prices combined with an even stronger USD strained the already vulnerable external accounts of many highly indebted emerging market economies, notably in Africa and South Asia. As a result, global growth momentum slowed continuously as the year progressed. The end of China's zero-covid policy and the drop in oil prices came too late in the year to reverse the impact of these events.

The Group's core markets weathered these challenging global conditions with varying degrees of success. Pakistan entered the year already under significant stress due to rising commodity prices and high inflation. Simmering political tensions that led to a change of government in April, followed two months later by the worst floods since 2010, which further depleted the country's already frail public funds and foreign trade balance. The new government was at least able to re-engage with the IMF and unlocked new crucial funding from multiple sources. The State Bank of Pakistan was forced to lift its key interest rate to 16% − the highest level in 23 years − and to introduce measures to counter the growing USD shortage. The initially robust momentum of activity slowed markedly over the course of the year and the currency depreciated by almost 30%. While the country managed to cover all its foreign liabilities, it ended the year in a significantly weakened position amid persistently double-digit inflation and slowing growth.

Meanwhile, the United Arab Emirates enjoyed the highest growth rate since 2015, boosted by the high oil price, continuing recovery of tourism and a revival of the real estate sector. Significant capital inflows supported the expansion, underpinning also the Emirates' status as a regional safe haven.

Hong Kong maintained a very stringent covid containment regime. The economy contracted for the third time in four years as both domestic (housing) and foreign (tourism) drivers of activity were exceedingly weak.

The UK economy continued to expand early in the year until the surge in energy prices and the tightest monetary conditions in years sapped the growth momentum. The year was also marked by an unusual succession of three Prime Ministers, of whom Liz Truss served for only 49 days. In September, UK gilts declined sharply in response to the government's tax cut-based growth strategy. The GBP temporarily plunged to multi-decade lows and is yet to recover to its former strength.

Switzerland once again proved resilient in a demanding international environment. The country's strong currency shielded the economy from a major inflationary surge and saved the Swiss National Bank in turn from the need to tighten its policy too aggressively. Nevertheless, the negative interest-rate regime came to an end and the first rate hikes in more than a decade together with weakening foreign demand slowed the economy materially over the second half of the year.

Canada was also among the markets that fared fairly well through the year under review, mostly owing to its role as a commodity producer and the country's robust domestic demand. However, cracks started to appear in the highly priced and heavily levered housing market following the significant monetary tightening introduced by the Bank of Canada.

The South African economy delivered once again only lackluster growth in 2022. It was primarily held back by longstanding structural deficiencies, notably in the power sector, as well as severe floods during the spring months toward the end of the year. Moreover, inflation proved stickier than expected, leading the Reserve Bank to tighten its policy more rigorously than it originally intended. The currency suffered a blow as President Ramaphosa won a second term as ANC leader despite corruption allegations.

Kenya's economy continued to grow at a healthy pace in 2022, albeit slower than before. The newly elected President Ruto announced a bold program to address some of the country's longstanding structural problems. High inflation forced the Central Bank of Kenya to raise interest rates three times over the year. While the on-going IMF program helped shore up the currency reserve, foreign balances remained stretched and the overvalued currency under pressure.

Banking industry

In 2022, the banking industry continued its recovery from the pandemic as monetary policy normalization took sweep across most of the major economies. By the end of the year, the USD 3-month LIBOR interest rate reached 4.77%, the highest level since 2007, lifting both revenues and net interest margins across most segments of industry. Revenue growth was particularly strong in wealth management and retail banking. Chinese banks were among the worst performers, held back by pandemic-related restrictions and the country's real estate crisis.

Bank balance sheets strengthened further as profitability reached a 14-year high. Within the banking system across the globe, the Tier 1 capital ratio rose to between 14% to 15%, the highest level on record. Meanwhile, banking liquidity remained ample although central banks started to unwind special funding programs introduced over the past years. In anticipation of lower economic growth, banks in the US and Europe tightened their lending conditions and built up their loan loss reserves. The banking industry continued to adapt its business models to the changing operating environment, focusing on technology to enhance efficiency and client engagement while maintaining strict cost control. Sustainable finance and ESG investing evolved into a strong industry trend.

Operational performance and outlook

Income statement

2022 was characterized by considerable uncertainty, generally gloomy financial markets with persistently high inflation and rising energy prices, as well as a strong CHF against most major currencies. Despite this variety of challenges, the Group reported very solid financial results for the year.

The interest income for 2022 was fueled by sharply rising interest rates with a strong balance sheet development in local currencies. Total interest, discount and dividend income increased by CHF 286.8 million (50.9%) to CHF 850.0 million compared to 2021, while "Interest expense" increased by CHF 204.1 million (75.6%). As a result, "Gross result from interest operations" increased by CHF 82.8 million (28.2%).

After a remarkable increase in the previous year, "Results from commissions business and services" remained stable at CHF 83.8 million, with a slight increase of CHF 0.6 million. Due to the difficult investment environment in 2022, "Commission income from securities trading and investment activities" decreased by CHF 0.5 million (8.0%), while "Commission income from other services" increased by CHF 1.5 million, driven by an increase in client transactions.

"Result from trading activities and the fair value option" increased by CHF 7.2 million to CHF 15.6 million. As in 2022, the Group recorded a revaluation loss of CHF 28.3 million on "Other financial instruments at fair value" (2021: - CHF 40.4 million) attributable to interest rate increases throughout 2022. Due to the high financial market volatility, the volume of the Group's foreign exchange transactions grew and the Group's "foreign currencies" income increased by CHF 5.9 million (16.3%) from the prior year.

With growing cost pressure due to the sharp rise in inflation, "Operating expenses" increased 11.7% to CHF 249.1 million in 2022 (2021: CHF 223.0 million). "Personnel expenses" increased 9.9% as a result of the increase in number of employees and higher wages. The increases were due to additional resources to support increased operational volumes, increased frontline and technology resources to help the Group's clients and the continued investment in the delivery on its strategic priorities. "General and administrative expenses" increased by 15.1% to CHF 90.5 million (2021: CHF 78.6 million), partly due to the Group's expanded branch network.

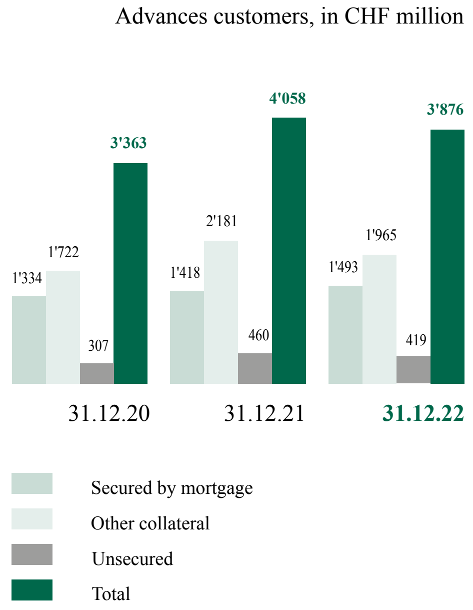
The Group reported an "Operating result" of CHF 161.7 million, which was about 19.3% higher than in 2021 (CHF 135.5 million), tax expenses increased 49.5% to CHF 67.4 million compared with CHF 45.1 million in the previous year, partly due to the increased tax rate in Pakistan.

The "Cost / income ratio" decreased to 57.1% in 2022, driven by the aforementioned substantially improved "Gross result from interest operations".

Balance sheet

Total assets decreased by CHF 357.0 million (2.8%) driven by the strong CHF. On a local currency basis, total assets would have increased 10%. "Liquid assets" increased by CHF 242.7 million (24.3%), totaling CHF 1'243.6 million as of 31 December 2022. This increase was related to a shift of funds into central bank balances in the operating countries. "Total loans (after netting with value adjustments)" with clients decreased by CHF 182.0 million compared to 2021 (more information is provided in note 2). More than 89% of the loan portfolio is secured or collateralized. "Amounts due in respect of customer deposits" decreased by CHF 219.7 million (2.3%) to CHF 9'293.4 million year on year and as of 31 December 2022, up to 97.6% were at sight, callable or due within one year.

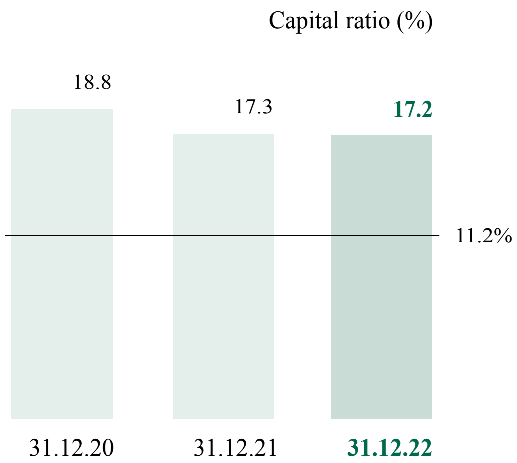
Total equity decreased by CHF 36.2 million (2.9%) to CHF 1'202.6 million at the end of the year after dividend distribution of CHF 34.3 million in 2022. The return on equity was 9.0% in 2022 (2021: 9.3%). The stake of minority interest in equity decreased to 12.9% (2021: 14.4%).



Capital and liquidity

In 2022, the Group maintained a strong capital base and an adequate liquidity ratio. The "Capital ratio" of the Group was 17.2%. The Group is considered a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of at least 11.2%. The Group's "Capital ratio" was 600 basis points higher than the minimum capital requirement. Accordingly, the Group was ranked* among the top range of Swiss banks and well above the average for European financial institutions. The "Liquidity coverage ratio" increased to 170.8% at Group level, which was still well above the minimum requirement of 100% for the Group. More detailed information is provided in the capital adequacy and liquidity disclosure requirements as at 31 December 2022 on the Group's homepage (www.habibbank.com/Group/home/Group Aboutus.html).

* Financial Times, The Banker, July 2022



Risk assessment

The Board of Directors conducted its risk assessment of all major risks of the Bank and the Group in 2022.

Operations

The Group is committed to incorporating the technical solutions that best suit the needs of its clients.

In 2022, the Group continued to improve its own digital services technology platform. It invested in both its application suite and infrastructure across all its locations, providing a stable, secure and comprehensive banking services solution.

On the client-facing side, the Group continued upgrading and expanding its range of solutions to provide its clients with secure and user-friendly access to its banking services at their convenience, across a variety of different channels and technologies. In this vein, a number of innovations were rolled out in 2022, including a new banking app and a new trading app. Moreover, the Group gave a general overhaul to its gamut of online banking services. For its corporate clients, the Group continued to improve its offering service, now providing companies with a secure option to connect directly onto the Group's banking platform.

In response to increasing regulatory requirements, the Group substantially enhanced its data storage and reporting capabilities throughout its global network in 2022. Moreover, work is underway that will evolve the Group's banking platform to the latest technology architecture. This will expand and additionally strengthen the Group's capacity to incorporate the new and upcoming technologies the business will be investing in over the coming years. As part of its strategy, the Group keeps a close eye on technological innovation with a view to selecting and implementing the solutions and capabilities that are best suited to its business.

With a vision to provide Service with Security to its clients, the Group is continually enhancing its operational excellence and efficiency, reducing costs across the Group, and incorporating best practices, and it will continue to do so going forward.

Habib Bank AG Zurich is committed to providing a diverse and inclusive work environment by focusing on transparency, accountability and mutual respect. The Group believes in valuing each person's unique identity, background and experience and fosters an inclusive culture in which all employees feel empowered to achieve their full potential because they feel accepted, respected and appreciated.

Over the last few years, diversity, equity, and inclusion have been brought into closer focus within the Group and this has helped strengthen employee engagement and improve productivity. Today, the Group employs talent from 36 nations across its network, while substantially increasing the gender diversity within its workforce in the last years. Going forward, the Group will further build on this initiative, notably with increased hiring of differently abled employees. With these efforts, the Group has sought to create immediate change and set the ground for a more equitable future.

The Group takes the view that developing talent in a targeted manner is critical to its business success. Therefore, its approach to talent management aims to strengthen individual and team performance and the employee training and development programs have been designed to support the Group's strategic goals. In 2022, a new Talent Management Program was launched with the specific purpose to identify key talent for future leadership across all business units and locations. Developed in partnership with the Group's leaders, succession planning was set up to cover all key critical positions in the Group. In 2023, the core processes of the Talent Management Program and succession planning initiatives will be integrated into the Group's digital training platform.

Significant Corporate Social Responsibility (CSR) initiatives were also promoted in 2022 throughout the Group. This involved donations to local charities and worthy causes, playing a positive role within the respective communities and mitigating the environmental and social impacts of the Group's business activities.

Environment, social and governance

The Group is committed to conducting its business responsibly and holds the view that effective disclosure will lead to positive change. Looking forward, the Group is committed to integrating into its business priorities key climate and social issues. In time, the Group intends to formally evidence more and more of its efforts in promoting diversity, equity and inclusion and protecting the environment at all levels of the organization.

The Group has accordingly put in place new processes to systematically collect and report environment, social and governance (ESG) data on a consolidated basis in connection with the public release of its first ESG Annual Report for the 2023 reporting year.

The ESG Annual Report will build on the Group's conviction that sustainable policies and strategies begin with a transparent and strong governance framework. Responsibilities for ESG have been defined by the Group's General Management and Board of Directors and the governance of the consolidated ESG reporting will consist of:

- Michael Schneebeli – responsible person for ESG at Board of Directors level
- Walter Mathis – responsible person for ESG at General Management level
- Group ESG Reporting Committee − oversight and approval for ESG matters
- Group Governance & Communication − responsible for content creation and production of the ESG Annual Report
- Group Financial Control − compile and report on ESG performance metrics and support ESG disclosure
- Group Chief Risk Officer − oversee risk related matters with respect to sustainability across all risk classes.

The Group is proud to provide this update on the steps it is taking and progress it makes as a business towards a more sustainable and inclusive future.

Outlook

Protection from cyber-attacks and data fraud is gaining in significance around the globe as digitalization progresses into every sphere of people's every-day lives. Accordingly, the Group attaches high priority to implementing appropriate security measures around its client' privacy and information systems. For this purpose, clearly defined activities are carried out regularly to identify and eliminate any vulnerabilities and gaps at an early stage, thus ensuring the effectiveness of security controls. The Group's data center has been PCI DSS certified for the sixth consecutive year and its Information Security as well as the Information Technology functions have successfully concluded a surveillance audit for continuing ISO27001 certification in 2022.


Unesco world heritage
Dinosaur provincial park
in Alberta
Canada

Consolidated financial statements of the Group

Balance sheet (consolidated)

in CHF 1'000	Note	31.12.22	31.12.21	+/- %
Assets				
Liquid assets		1'243'646	1'000'918	24.3%
Amounts due from banks		1'640'709	1'612'176	1.8%
Amounts due from securities financing transactions	1	303'226		100.0%
Amounts due from customers	2	3'490'031	3'745'900	-6.8%
Mortgage loans	2	386'265	312'478	23.6%
Positive replacement values of derivative financial instruments	4	12'025	33'858	-64.5%
Other financial instruments at fair value	3	2'030'664	3'328'736	-39.0%
Financial investments	5	3'037'780	2'489'208	22.0%
Accrued income and prepaid expenses		186'865	148'574	25.8%
Non-consolidated participations	7	77	77	0.5%
Tangible fixed assets	8	89'722	85'556	4.9%
Intangible assets	9		7	-100.0%
Other assets	10	143'780	164'272	-12.5%
Total assets		**12'564'791**	**12'921'759**	**-2.8%**
Total subordinated claims		20'600	20'788	-0.9%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		780'916	896'967	-12.9%
Liabilities from securities financing transactions	1	976'741	1'065'029	-8.3%
Amounts due in respect of customer deposits		9'293'435	9'513'169	-2.3%
Negative replacement values of derivative financial instruments	4	10'678	17'427	-38.7%
Accrued expenses and deferred income		208'395	158'776	31.3%
Other liabilities	10	85'562	24'128	254.6%
Provisions	13	6'458	7'458	-13.4%
Reserves for general banking risks	13	464'761	472'091	-1.6%
Bank's capital		150'000	150'000	0.0%
Retained earnings reserves		322'488	326'191	-1.1%
Minority interest in equity		155'629	177'832	-12.5%
Group profit		109'727	112'691	-2.6%
- of which minority interests in Group profit		38'818	41'401	-6.2%
Total liabilities		**12'564'791**	**12'921'759**	**-2.8%**
Total subordinated liabilities				
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions (consolidated)

in CHF 1'000	Note	31.12.22	31.12.21	+/- %
Off-balance sheet transactions				
Contingent liabilities	2, 20	1'535'320	1'948'537	-21.2%
Irrevocable commitments	2	1'076	1'068	0.7%
Credit commitments	2, 21	150'769	203'019	-25.7%

Income statement (consolidated)

in CHF 1'000	Note	2022	2021	+/- %
Result from interest operations				
Interest and discount income		361'391	227'085	59.1%
Interest and dividend income from trading portfolios		4'469	4'148	7.7%
Interest and dividend income from financial investments		484'168	331'987	45.8%
Interest expense		-473'868	-269'815	75.6%
Gross result from interest operations		**376'161**	**293'404**	**28.2%**
Changes in value adjustments for default risks and losses from interest operations		-12'036	-11'565	4.1%
Subtotal net result from interest operations		**364'125**	**281'839**	**29.2%**
Result from commission business and services				
Commission income from securities trading and investment activities		5'534	6'017	-8.0%
Commission income from lending activities		31'921	31'558	1.2%
Commission income from other services		55'105	53'607	2.8%
Commission expense		-8'767	-8'032	9.1%
Subtotal result from commission business and services		**83'794**	**83'149**	**0.8%**
Result from trading activities and the fair value option	23	**15'629**	**8'460**	**84.7%**
Other result from ordinary activities				
Result from the disposal of financial investments		-403	1'142	
Result from real estate		243	130	87.1%
Other ordinary income				
Other ordinary expenses		-39'538	-3'706	>-500.0%
Subtotal other result from ordinary activities		**-39'698**	**-2'434**	**>-500.0%**
Operating income		**423'850**	**371'014**	**14.2%**

in CHF 1'000	Note	2022	2021	+/- %
Operating expenses				
Personnel expenses	24	-158'615	-144'356	9.9%
General and administrative expenses	25	-90'483	-78'646	15.1%
Subtotal operating expenses		**-249'097**	**-223'002**	**11.7%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-12'794	-12'101	5.7%
Changes to provisions and other value adjustments and losses		-251	-377	-33.4%
Operating result		**161'708**	**135'534**	**19.3%**
Extraordinary income	26	720	5'145	-86.0%
Extraordinary expenses	26	-511	-415	23.0%
Changes in reserves for general banking risks		15'256	17'556	-13.1%
Taxes	28	-67'446	-45'128	49.5%
Group profit		**109'727**	**112'691**	**-2.6%**
- of which minority interests in Group profit		38'818	41'401	-6.2%

Cash flow statement (consolidated)

	2022		2021	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities				
Group profit	109'727		112'691	
Change in reserves for general banking risks		15'256		17'556
Value adjustments on participation, depreciation and amortisation on tangible fixed assets and intangible assets	12'794		15'101	
Provisions and other value adjustments	873	1'874	2'269	2'104
Changes in value adjustments for default risks and losses	34'035	57'084	40'484	54'548
Currency translation reserves		96'398		20'561
Accrued income and prepaid expenses		38'291		409
Accrued expenses and deferred income	49'619			20'706
Previous year's dividend		34'273		28'568
Total	**207'048**	**243'177**	**170'545**	**144'452**
Cash flow from shareholders' equity transactions				
Bank's capital				
Recognised in reserves				
Total				
Cash flow from transactions in respect of non-consolidated participations, tangible fixed assets and intangible assets				
Non-consolidated participations				
Real estate	7'314	19'361	488	13'200
Other tangible fixed assets	244	4'904	318	7'662
Intangible assets	1			
Total	**7'559**	**24'265**	**806**	**20'862**

	2022		2021	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from banking operations				
Medium- to long-term business (> 1 year)				
Amounts due to banks	60'127			17'909
Liabilities from securities financing transactions		8'575	80'437	
Amounts due in respect of customer deposits	89'884		8'372	
Other liabilities	61'436		5'614	
Amounts due from banks	4'788		16	
Amounts due from customers		11'794	27'813	
Mortgage loans		73'039		31'860
Other financial instruments at fair value				
Financial investments	90	176'678	2'838	642'767
Other assets	20'492			50'262
Short-term business				
Amounts due to banks		176'178	127'612	
Liabilities from securities financing transactions		79'712	458'982	
Amounts due in respect of customer deposits		309'617	571'759	
Negative replacement values for derivative financial instruments		6'749		20'477
Amounts due from banks		31'714	409'155	
Amounts due from securities financing transactions		303'226		
Amounts due from customers	287'286			714'268
Mortgages loans	980		30'078	
Trading portfolio assets	1			
Positive replacement values for derivative financial instruments	21'833			3'892
Other financial instruments at fair value	1'298'072			321'937
Financial investments		371'894		283'236
Currency differences		246	1'330	
Liquidity		**242'728**	**356'565**	
Liquid assets		242'728	356'565	
Total	**2'059'594**	**2'059'594**	**2'251'922**	**2'251'922**

Statement of changes in equity (consolidated)

in CHF 1'000	Bank's capital	Retained earnings reserves	Reserves for general banking risks	Minority interests in equity	Group profit	Total
At 1.1.21	**150'000**	**337'130**	**475'019**	**179'398**	**51'252**	**1'192'799**
Transfer of profits to retained earnings		12'402		38'850	-51'252	
Currency translation differences		-8'341		-12'220		-20'561
Dividends and other distributions		-15'000		-13'568		-28'568
Other allocations to / (transfers from) reserves for general banking risks			-2'928	-14'628		-17'556
Other allocations to / (transfers from) other reserves						
Group profit					112'691	112'691
At 31.12.21	**150'000**	**326'191**	**472'091**	**177'832**	**112'691**	**1'238'805**

Retained earnings reserve includes currency translation reserves of CHF -143.4 million, which decreased during 2021 by CHF 8.3 million.

At 1.1.22	**150'000**	**326'191**	**472'091**	**177'832**	**112'691**	**1'238'805**
Transfer of profits to retained earnings		71'290		41'401	-112'691	
Currency translation differences		-52'993		-43'405		-96'398
Dividends and other distributions		-22'000		-12'273		-34'273
Other allocations to / (transfers from) reserves for general banking risks			-7'330	-7'926		-15'256
Other allocations to / (transfers from) other reserves						
Group profit					109'727	109'727
At 31.12.22	**150'000**	**322'488**	**464'761**	**155'629**	**109'727**	**1'202'605**

Retained earnings reserve includes currency translation reserves of CHF -196.4 million, which decreased during 2022 by CHF 53.0 million.

Unesco world heritage
Makli hill necropolis site
picturesque view of a
mausoleum of isa khan
Pakistan

Notes to the consolidated financial statements

Accounting and valuation principles

General

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Act on Banks and Savings Banks, its Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting - Banks". The Group's consolidated financial statements have been prepared in accordance with the true and fair view principle. The Group's accounting policies follow the accounting and valuation principles defined in the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting - Banks".

Consolidation principles

Scope of consolidation

The Group accounts include the annual financial statements of Habib Bank AG Zurich, Zurich and its subsidiaries in which the Bank has a participation of more than 50% of the voting capital or which it controls in another way. Refer to note 6 for a list of consolidated subsidiaries.

Method of consolidation

The Group uses the purchase method to perform capital consolidation. The interests in equity and profit or loss attributable to minority shareholders are disclosed separately. Intra-group assets and liabilities and expenses and income from intra-group transactions are eliminated.

Consolidation period

The consolidation period for all Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December.

Foreign currency translation

The Group's functional and presentation currency is CHF.

In the financial statements of individual Group companies and branches, income and expenditure in foreign currencies are translated at the exchange rate prevailing on the transaction date. Amounts due from and due to third parties in foreign currencies are translated at the year-end rate. Gains and losses arising from currency translations into the local currencies are charged to the income statement as "Result from trading activities and the fair value option".

For consolidation purposes, the balance sheets of the financial statements of branches and subsidiaries based outside Switzerland are translated into CHF at exchange rates prevailing on the Group reporting date. The corresponding income statements are translated at the average rates of the respective year. Foreign exchange differences arising from the translation of the financial statements of subsidiaries are recorded within equity, whereas those from the translation of financial statements of branches are recorded in the income statement as "Result from trading activities and the fair value option".

The following exchange rates of the major currencies were used for the balance sheet:

	31.12.22	**31.12.21**
1 USD	0.925	0.915
1 GBP	1.113	1.235
100 AED	25.150	24.900
100 PKR	0.410	0.520
100 ZAR	5.440	5.750

The following exchange rates of the major currencies were used for the income statement:

	31.12.22	**31.12.21**
1 USD	0.951	0.912
1 GBP	1.178	1.254
100 AED	25.879	24.832
100 PKR	0.470	0.561
100 ZAR	5.831	6.129

Accounting and valuation principles

The Group and the Bank apply the same accounting and valuation principles.

The financial statements of all Group companies used for consolidation comply with the accounting and valuation principles outlined below.

Recording of transactions

Transactions are recorded and measured on the day they occur (transaction date). Prior to the value date, forward foreign exchange and precious metal transactions are carried as off-balance sheet business. Receivables and payables are disclosed according to the client's domicile or residential address.

Liquid assets

Liquid assets consist of cash in hand, postal cheque balances, giro and sight deposits at the Swiss National Bank and foreign central banks. These items, including interest due but not paid, are recognised at the nominal value.

Amounts due from and due to banks

Amounts due from and due to banks, including interest due but not paid, are recognised at the nominal value. Appropriate allowances are created for default risks on existing positions and directly deducted from assets.

Amounts due from and liabilities from securities financing transactions

The Group buys and sells securities under agreements to resell or repurchase substantially identical securities. Such agreements do not normally constitute economic sales and are therefore treated as financing transactions. Securities sold subject to such agreements continue to be recognised in the balance sheet. The proceeds from the sale of these securities are treated as liabilities. Securities purchased under agreements to re-sell are recognised as loans collateralised by securities, or as cash deposits against which the Group's securities are pledged.

Amounts due from customers, mortgage loans and amounts due in respect of customer deposits

These items, including interest due but not paid, are recognised at the nominal value. All client loans are assessed individually for default risks and, where necessary, value adjustments made in accordance with Group policy. These value adjustments take into account the value of any collateral (at liquidation values) and the financial standing of the borrower. They are offset against the corresponding assets.

Several Islamic banking branches across the Group maintain "Assets held under Ijarah" agreements. Acquired assets under this agreement are stated at cost less any accumulated depreciation and impairments.

Value adjustments for default and latent credit risks

Besides the specific value adjustments for non-performing credit exposures, the Group calculates expected credit losses (ECL), with the exception of Switzerland, and creates respective provisions. Principles are applied in accordance with the local regulations of the operating countries.

Value adjustments on non-impaired credit exposures are determined individually or on a portfolio basis according to Art. 25 para. 1 let. b FINMA Accounting Ordinance. Value adjustments for inherent risks of default correspond to the expected loss over a period of 12 months. The calculation method takes into consideration the probability of default of the counterparty based on internal and external default history, the loss given default based on expert judgement, the value of collateral provided and the estimated exposure at default. Furthermore, based on the macroeconomic outlook a forward looking element is built in to these models. Although these models are based on the same concept according to IFRS 9 guidance, they are tailored to each of the operating countries with the respective relevant parameters. Probability of default and loss-given default are average values measured through the cycle without point-in-time adjustments.

Value adjustments and provisions for inherent risks are determined for all credit exposures arising from mortgage loans, due from customers, due from banks and held to maturity financial investments. Off-balance sheet exposures comprise contingent liabilities and irrevocable commitments such as unused credit facilities. Such off-balance sheet exposures are converted into cash exposures using regulatory credit conversion factors.

Non-performing credit exposure is recognised when an obligor is unlikely to pay its credit obligations to the Group in full and without any possibility of recourse by the Group (e.g. when realising collateral) or if the obligor is 90 days or more past due on any material credit obligation. The assessment of whether a credit exposure is non-performing is made at counterparty level (entailing all exposures of the respective entity), with the exception of Pakistan, where local regulations allow for provisions at facility level. Non-performing credit exposure is treated as Stage 3 under IFRS 9 guidance, while Stage 1 credit exposure is fully performing and Stage 2 credit exposure has some signs of deterioration without any explicit default yet and is under watch status. Staging criteria are well defined in our directives and according to the exposure category.

Credit receivables, whose interest and commissions are more than 90 days overdue are considered to be at risk. Interest at risk and interest which is impaired are not recognised as income but deducted from the respective asset, together with the value adjustment against the capital amount.

The Group has set out the methods, procedures and responsibilities for the valuation of collateral for loans in specific directives and procedures. The valuation of mortgage collateral is based on recognised valuation methods performed by certified external valuers including discounting cash flows and local comparables.

In almost all countries the Group assesses the expected loss calculation based on its main asset classes, which are customer advances, exposure to financial institutions and bond investments. Bigger countries may have sub-classes such as retail and / or property lending exposure. A model for the probability of default, the loss given default and the respective forward-looking macro-economic element is designed for each of these asset classes, which together with the exposure assessment will lead to the respective expected credit loss calculation and value adjustment for latent credit risk. Furthermore, the Group has defined a credit exposure staging criteria whereby Stage 1 is considered normal, Stage 2 is heightened credit risk / watch accounts and Stage 3 is impaired credit exposure. The models define the calculations for expected credit loss for each stage. In the case of Stage 3, every borrower is also individually examined for any potential shortfalls in value adjustments beyond the model calculation.

Trading portfolio assets and liabilities

These items consist mainly of debt instruments. They are valued at fair value as of the balance sheet date. Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties. This corresponds to the price set on a price-efficient and liquid market or determined based on a valuation model. Where, as an exception, fair value is indeterminate, it is measured and recognised at the lower of cost or market value.

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are valued at fair value. In general, replacement values of derivative financial instruments from client transactions resulting from contracts traded over the counter (OTC) as well as exchange-traded contracts are accounted for. Replacement values from trading activities are accounted for under "Positive replacement values of derivative financial instruments" on the assets side or the "Negative replacement values of derivative financial instruments" item on the liabilities side. Valuation gains are recognised through income in the item "Results from trading activities and the fair value option".

Other financial instruments at fair value

"Other financial instruments at fair value", which are traded on an active market, which meet the conditions for an assessment at fair value according to Art. 15 FINMA Accounting Ordinance and which are not intended to be held until maturity are valued according to this principle.

Financial investments

"Financial investments" consist mainly of debt instruments. The majority of these are acquired with the intention of being held until maturity and are hence carried at cost adjusted for the amortisation of premiums and discounts using the accrual method.

The remaining investments in this position are valued at the lower of cost or market value principle. This position also includes some equity interests and real estate which has been acquired from the lending business for resale; these are valued at the lower of cost or market value.

Derivative financial instruments

Derivative financial instruments consist entirely of trading instruments which are reported at fair value. The realised and non-realised gains and losses from these transactions are reported under "Result from trading activities and the fair value option".

The Group had no significant open derivative transactions on its own account as of the balance sheet date. Positive and negative replacement values of open derivative financial instruments are shown in the balance sheet as a separate line item. The respective contract volumes are shown in note 4.

Non-consolidated participations

Long-term holdings in associated companies, none of which exceed 10%, are valued at cost less any economically necessary depreciation.

Tangible fixed assets

"Tangible fixed assets" used for more than one accounting period and which exceed the thresholds defined by the Group are capitalised. In this case, they are depreciated on a straight-line basis over the period of their estimated useful lifetime. Estimated life times have been set as follows:

Bank buildings and other real estate	25-50 years
Proprietary or separately acquired software	3-5 years
Other tangible fixed assets	3-10 years

No depreciation is charged on land except where value adjustments have been made to allow for a reduction in market value. The "Tangible fixed assets" are reassessed whenever circumstances suggest that their value may have fallen below their book value.

Intangible assets

Other intangible assets include management rights used for more than one accounting period and which exceed the thresholds defined by the Group are capitalised, and is written off over five years on a straight-line basis.

Provisions

The Group records "Provisions" to cover specific risks that are based on a past event that represent a probable obligation and for which the amount can be reliably estimated.

Default risks in connection with off-balance sheet transactions in the positions "Contingent liabilities" and "Irrevocable commitments" that are not considered impaired are accounted for through provisions for latent credit risks.

Reserves for general banking risks

These taxed reserves are held in line with the Group's prudent policies as precautionary reserves to hedge against latent risks in the Group's operating activities.

The reserves for general banking risks are subject to tax. They form part of the "Common equity Tier 1 capital" of the Group.

Off-balance sheet transactions

"Contingent liabilities" relate mainly to irrevocable commitments originating from letters of credit and guarantees. These are generally fully secured. Necessary provisions are recorded on balance sheet under "Provisions". Contingent liabilities, together with irrevocable commitments and credit commitments, are recorded at their nominal value.

Fiduciary transactions are converted into CHF at the rates prevailing on the balance sheet date and are shown at nominal value.

Taxes and deferred taxes

The income statement item "Taxes" comprises current and deferred income taxes as well as capital tax.

Income taxes are based on the tax laws of each tax authority and are expensed in the period in which the related profits are made. Deferred taxes arising from temporary differences between the stated values of assets and liabilities in the consolidated financial statements and their corresponding tax values are recognised as deferred tax assets or deferred tax liabilities. Deferred tax assets are capitalised if there is likely to be enough taxable profit to offset these differences in the future.

Pension fund commitments

In Switzerland, the occupational benefit plans are covered by Allianz Suisse Insurance Company. All employees are insured in accordance with the law, the foundation document and the regulations of the benefit plan. In the other countries, pension liabilities are covered by insurance companies or are posted directly to the balance sheet. The employer contribution is included under "Personnel expenses".

Amounts due from/to related parties

Receivables and payables from governing bodies include credit lines to members of the Board of Directors and members of General Management. These transactions have been executed in accordance with the current internal regulations on employee loans, advances and deposits.

Receivables and payables from related parties are included in note 14.

Explanations of risk management

Risk & Control Framework

The Group's Risk & Control Framework is the cornerstone of its risk management and controlling. It provides the basis for identifying, assessing and effectively managing risks within the Group. Furthermore, the Risk & Control Framework assigns the overall responsibility for a particular risk class, defines who manages risk and who performs independent risk control.

Risk organisation

The Board of Directors' responsibilities are:

- The Board of Directors is responsible for the strategic direction, supervision and controlling of the Group, and for defining its overall risk tolerance by means of a risk appetite statement and overall risk limits;
- The Risk & Control Committee supports the Board of Directors in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the Group's risk profile, including the regular review of major risk exposures and overall risk limits;
- The Audit Committee supports the Board of Directors in fulfilling its oversight responsibilities by monitoring General Management's approach with respect to financial reporting, and the design and effectiveness of internal controls regarding financial accounting and reporting. Additionally, the Audit

Committee is responsible for ensuring independence and monitoring the performance of Group Internal Audit and the external auditors.

On an operational level, the Group operates with a three lines of defence model, whereby business and revenue generation, risk management oversight and risk control are performed by functions that are independent of one another.

Furthermore, a clear distinction is made between "risk owners", "risk managers" and "risk controllers":
- risk owners keep oversight and bear the overall responsibility for the management of specific risk classes or risk types;
- risk managers focus on the monitoring and proactive management of risk. They initiate risk management measures and can change the risk profile;
- risk controllers independently monitor and assess risk as well as highlight deviations from target risk parameters and non-compliance with policies.

Risk management principles

The following general principles are applied to maintain an appropriate balance between risk and return:
- safeguard the financial strength of the Group by monitoring the risk exposures and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate Group-wide level across all risk types;
- protect the Group's reputation through a sound risk culture characterised by a holistic and integrated view of risk, performance and reward, and through full compliance with the Group's standards and principles;
- systematically identify, classify and measure risks applying best practice. A Group risk assessment is thereby performed, which encompasses all risk classes and subsequently allows Management to focus on significant risk exposures;
- ensure Management accountability, whereby Business Line Management owns all risks assumed and is responsible for the active management of all risk exposures to ensure that risk and return are balanced;
- set up independent risk control functions or units, which monitor the effectiveness of risk management and oversee risk-taking activities;
- disclose risks to the Board of Directors, regulators and other stakeholders in a comprehensive and transparent manner.

Internal controls

Internal controls are processes and instruments used to monitor and control operational and other business risks. In order to continuously enhance the Group's internal control system and the effectiveness of controls, the results of current control processes are reviewed and the outcome of the Group's operational risk management processes is taken into account. The organisational units responsible for internal controls work closely with other organisational units within the Group.

Credit risk

Credit risk arises from the possibility that a counterparty (i.e. private and corporate clients, financial institutions as well as issuers or sovereigns) will not fulfil contractual obligations or the credit quality will deteriorate. In order to manage potential default risk and other prevailing credit risks as effectively as possible, it is divided into the following risk types: client credit risk, issuer credit risk, counterparty credit risk, country risk (including cross-border / transfer risk), settlement risk and credit concentration risk.

The Group Credit Management Committee is responsible for credit risks and credit decisions, which may be delegated to the respective Country Credit Management Committees. The Group manages its credit risk within a conservative framework by evaluating the creditworthiness of the borrowing counterparties, setting appropriate credit limits and obtaining collateral as deemed necessary. For each collateral type a minimum haircut is defined in order to account for the volatility in market values according to the nature and liquidity of the collateral. Around 38% of the Group's credit exposure is secured by property and only 11% is unsecured.

The Group's credit risk appetite is defined and monitored through a comprehensive system of credit limits.

The Group has its own rating system for corporate clients. Each credit is assessed as to the borrower's creditworthiness, collateral coverage and collateral quality, as well as the underlying transaction rationale, business potential and any additional risk mitigations. Personal credits are usually only granted on a fully collateralised basis. Collateral coverage is monitored on a regular basis and according to the prevailing market conditions.

An adequate and clear segregation of duties is established among the various organisational units involved in the acquisition of credit business, the analysis and approval of a credit request, and the subsequent administration.

Bank counterparties, issuers and sovereigns are analysed according to their financial performance and their external rating. Roughly 75% of the credit exposure to financial institutions is of investment grade quality and the remaining 25% consists mainly of short-term trade finance exposure in emerging markets to which the Group has close links, and the portfolio is monitored with a set of country limits. Our risk exposure to Russia is insignificant.

Regarding non-performing loans, the Group is in a comfortable position. After taking into account collateral at market value and the specific value adjustments for default risks, the net unsecured and unprovided position as at the end of December 2022 was nil.

The Group has adopted an ECL concept in accordance with IFRS 9 guidelines in six out of eight country operations. HMB will adopt it fully during 2023 while already complying with the required value adjustments as of end of 2022. Therefore, the concept of providing for latent credit risks is well established and will be further perfected during 2023. During 2022, CHF 6.3 million of latent credit risk provisions were released, reaching a total of CHF 75.1 million of ECL coverage, while the Group also holds some CHF 119.6 million of specific provisions for actual non-performing loans. The Group has also undertaken an extensive external validation of all the existing models and is in the final stages of implementing all revised models. Full implementation of these revised models will be accomplished during the first half of 2023.

Cross-country risks are monitored quarterly and are either protected by guarantees obtained from the World Bank (MIGA) or are covered by the forward-looking element in the ECL models. Switzerland keeps separate country provisions if required.

Liquidity risk

The Group applies a prudent approach to liquidity risk management. The Group Asset & Liability Management Committee regularly monitors liquidity and market risks.

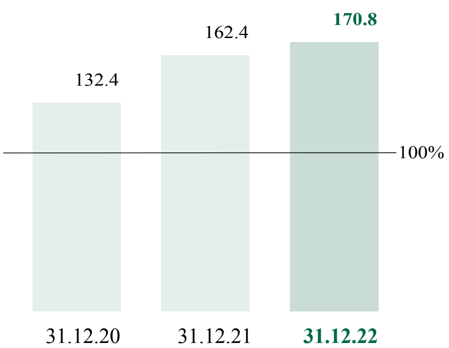
The Group grants advances and loans to clients both on a short-term basis and with tenors generally of up to five years. Funding is primarily obtained through deposits, which are mainly at sight or short-term deposits. Wholesale funding is not significant and deposits are well diversified. No single depositor accounts for more than 5% of the Group's total deposits. Excess liquidity is held as bank placements or financial investments. The latter primarily consist of bond portfolios of sovereign issuers or other issuers that are high quality.

The contractual maturities of the Group's financial assets exceed the contractual maturities of the financial liabilities. However, when determining maturity gaps, the stickiness of deposits or economic maturities are considered, which significantly reduces the contractual gaps. Furthermore, individual client groups in different countries will not act in the same way and at the same time.

In general, the Group is exposed to potentially larger deposit outflows and sudden adverse market developments. Therefore, related scenarios have been analysed as part of three liquidity stress tests performed throughout the Group. The stress test results showed that the liquid assets available could absorb projected outflows in all cases.

The Group has a strong liquidity position, which is further supported by established repo functionalities. In addition, liquidity coverage ratio and net stable funding ratio targets have been defined for all operating Group companies. Both funding and liquidity management is performed on a decentralised basis. The short-term liquidity disposition and liquidity situation of individual countries are monitored by the respective country treasury functions. In addition, liquidity reserves are held both at the Group and at the country level, and contingency funding plans are in place for the Group as well as all branches and subsidiaries.

Liquidity coverage ratio, in %



Market risk

The Group is exposed to interest rate risk, foreign exchange risk, equity risk and, to a very limited extent, commodity risk.

The Group's market risk appetite is defined and monitored through a comprehensive system of market risk limits by the Group Asset & Liability Management Committee. Furthermore, the Group regularly performs scenarios and stress tests for interest rate, foreign exchange and equity risks based on prevailing risk exposures.

The Group is exposed to interest rate risk due to interest periods set for advances made to clients exceeding the interest periods for client deposits taken. To limit interest rate repricing risk, most client advances are agreed on a three or six-month base rate plus a credit spread.

In addition, branches and subsidiaries have placed excess liquidity in bank placements or in financial investments with tenors usually of up to three to five years. However, the interest-rate risk related to long-term fixed income instruments included in the financial investment portfolio largely offset by the stable portion of the customer deposits. Behavioural deposit analyses are performed for all branches and subsidiaries. These highlight that a significant portion of deposits will remain with the Group, even if interest rates move.

The Group pursues limited trading activities only. They relate to short-term purchases and sales of local government securities in the local currency of a Group entity for profit generation.

The Group employs a sophisticated Interest Rate Risk in the Banking Book (IRRBB) approach and considers both the value and the earnings perspective. For both IRRBB and the combined trading book and banking book, Economic Value of Equity (EVE) sensitivity limits have been defined by the Board of Directors. EVE sensitivity limits are in place for all countries and limit adherence is monitored by the Group Asset & Liability Management Committee.

For foreign exchange transaction risks, the Group pursues a risk-averse approach and aims to keep the potential foreign exchange losses to a minimum. The Group does not pursue proprietary foreign exchange trading activities.

Profits earned in the Bank's branches are subject to exchange rate risk up to their remittance to Habib Bank AG Zurich, Zurich. These risks are monitored at Head Office, and projected profits are hedged as deemed appropriate. Capital and reserves held at the branches are also subject to foreign exchange risk when they are held in local currencies. Any foreign exchange translation gain or loss on these capital and reserves is taken to the income statement in the year in which it occurs.

The Group analyses and projects the foreign exchange translation exposure which arises from its investments in foreign subsidiaries. The exchange rate movements on the net asset exposure of the subsidiaries give rise to revaluation gains and losses, which are included in consolidated equity. In general, the Group does not hedge net asset translation exposures with derivative financial instruments.

The Group maintains an equity investment program with the aim to acquire and maintain highly liquid equities with stable business models in industry-leading positions and regular dividend flows. The Board of Directors approves the Group's risk limits for equities and adherence is monitored by the Group Asset & Liability Committee.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The Group makes use of six operational risk management processes. These consist of key risk indicators, change risk assessment, risk self-assessment, scenario analysis, risk event management and issue management and action tracking. Group Operational Risk establishes and manages these operational risk processes.

Operational risks can arise from all business lines and from all activities carried out by the Group. In addition to the operational risk management processes, risk mitigation measures are used and comprise of control enhancement, model risk management, business continuity management and other mitigation measures (risk avoidance, risk reduction and risk transfer) across the Group.

The Group has developed a risk-based cyber risk strategy. The Head Group Information & Technology Risk and his dedicated team of cyber specialists monitor cyber risk, perform risk assessments, vulnerability and penetration tests as well as run information security campaigns to raise employee awareness across the Group.

Legal and compliance risk

Legal risk is the risk that the Group may conduct activities or carry out transactions in which it is inadequately covered or is left exposed to potential litigation. Failure to meet legal requirements may result in unenforceable contracts, litigation, fines, penalties or claims for damages or other adverse consequences.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its banking activities.

Measures aimed at minimising legal and compliance risks include raising employee awareness of legal and regulatory issues through training and internal directives, and controls to ensure adherence to the legal and regulatory requirements within which the Group operates.

In line with the legal and regulatory environment of the industry, the Group has consistently invested in personnel and technical resources to ensure adequate compliance coverage. A comprehensive framework of policies and regular specialised training sessions ensure that employees receive appropriate ongoing education and training in this area.

Reputational risk

Reputational risk is the risk that illegal, unethical or inappropriate behaviour by representatives of the Group, members of staff or clients will damage Habib Bank AG Zurich's reputation, potentially leading to a loss of business, fines or penalties.

The Group has established a Code of Conduct and promotes transparency and ethical behaviour.

Systemic risk

Systemic risk can be defined as a risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy.

The Group analyses on a regular basis factors which could have a destabilising impact on the financial system. These include among other things, fragile economic development, continued financial market uncertainty, numerous political crises, increased exposure to cyber attacks, and the ever-increasing extent and complexity of regulations. Based on this analysis, the Group implements mitigating measures wherever possible.

Events after the balance sheet date

No events occurred after the balance sheet date that would adversely affect the financial statements included in this report.

Information on the balance sheet *(consolidated)*

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	303'226		100.0%
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	976'741	1'065'029	-8.3%
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	976'741	1'065'029	-8.3%
- of which with unrestricted right to resell or pledge			
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge			
- of which repledged securities			
- of which resold securities			

* Before taking into consideration any netting agreements

2 Overview of collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans / receivables

		Type of collateral			
in CHF 1'000		Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		1'139'129	2'052'552	459'611	3'651'293
Mortgage loans		411'114	4'173		415'287
- Residential and commercial property		325'642	3'615		329'258
- Commercial and industrial premises		85'471	558		86'029
Total loans (before netting with value adjustments)	**31.12.22**	**1'550'243**	**2'056'726**	**459'611**	**4'066'580**
	31.12.21	1'501'243	2'267'892	500'878	4'270'013
Total loans (after netting with value adjustments)	**31.12.22**	**1'492'531**	**1'964'984**	**418'781**	**3'876'296**
	31.12.21	1'417'757	2'180'937	459'684	4'058'377
Off-balance sheet					
Contingent liabilities		101'576	1'205'268	228'475	1'535'320
Irrevocable commitments				1'076	1'076
Credit commitments		5'476	117'321	27'972	150'769
Total off-balance sheet	**31.12.22**	**107'052**	**1'322'589**	**257'524**	**1'687'165**
	31.12.21	112'708	1'806'576	233'339	2'152'624

in CHF 1'000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Specific value adjustments
Impaired loans / receivables					
Total impaired loans / receivables	**31.12.22**	**175'201**	**62'321**	**112'880**	**119'573**
	31.12.21	186'002	58'931	127'071	131'220

3 Trading portfolios and other financial instruments at fair value

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Assets			
Trading portfolio assets			
Debt securities, money market securities / transactions			
- of which listed			
Equity securities			
Precious metals and commodities			
Other trading portfolio assets			
Total trading portfolio assets			
Other financial instruments at fair value			
Debt securities	2'020'707	3'316'109	-39.1%
Structured products			
Other	9'957	12'628	-21.1%
Total other financial instruments at fair value	**2'030'664**	**3'328'736**	**-39.0%**
Total assets	**2'030'664**	**3'328'736**	**-39.0%**
- of which determined using a valuation model			
- of which securities eligible for repo transactions in accordance with liquidity requirements			

The Group has no trading portfolio liabilities.

4 Presentation of derivative financial instruments (assets and liabilities)

in CHF 1'000	Trading instruments Positive replacement values	 Negative replacement values	 Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	12'025	10'678	2'438'905
Equity securities / indices			
Credit derivatives			
Total before netting agreements			
Total at 31.12.22	**12'025**	**10'678**	**2'438'905**
- of which determined using a valuation model			
Total at 31.12.21	33'858	17'427	4'746'721
- of which determined using a valuation model			

in CHF 1'000		Positive replacement values (cumulative)	Negative replacement values (cumulative)
After netting agreements			
Total	**at 31.12.22**	**12'025**	**10'678**
	at 31.12.21	33'858	17'427

Breakdown by counterparty

in CHF 1'000		Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)				
Total	**at 31.12.22**	**726**	**7'300**	**3'999**
	at 31.12.21		15'806	18'052

The Group has no hedging instruments.

5 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Debt securities	**2'992'727**	**2'440'272**	**2'922'136**	**2'464'310**
- of which intended to be held until maturity	2'406'332	1'911'819	2'335'740	1'928'012
- of which not intended to be held until maturity (available for sale)	586'394	528'453	586'397	536'298
Equity securities	**33'641**	**35'051**	**34'787**	**38'115**
- of which qualified participations				
Precious metals	**1'366**	**1'364**	**1'621**	**1'609**
Real estate	**10'047**	**12'522**	**17'518**	**23'644**
Total	**3'037'780**	**2'489'208**	**2'976'061**	**2'527'677**
- of which securities eligible for repo transactions in accordance with liquidity requirements	89'088	96'364		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Caa to C	Unrated
Debt securities								
Book values	**at 31.12.22**	**122'758**	**444'014**	**637'958**	**504'954**	**383'458**	**898'447**	**46'191**
	at 31.12.21	141'279	622'409	537'283	713'430	419'919		54'889

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

6 Disclosure of consolidated companies in which the Bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital (in 000's)	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
Habib Canadian Bank, Toronto, Canada	Bank	CAD 30'000	100%	100%	x	
HBZ Bank Ltd., Durban, South Africa	Bank	ZAR 50'000	100%	100%	x	
Habib European Limited, Douglas, Isle of Man	Company in liquidation	GBP 1	100%	100%	x	
HBZ Services FZ-LLC, Dubai, United Arab Emirates	Service centre	AED 300	100%	100%		x
Habib Metropolitan Bank Ltd., Karachi, Pakistan	Bank	PKR 10'478'315	51%	51%	x	
Habib Bank Zurich (Hong Kong) Ltd., Hong Kong	Restricted licence Bank	HKD 300'000	51%	51%	x	
Habib Bank Zurich Plc, London, United Kingdom	Bank	GBP 70'000	100%	100%	x	
HBZ Services AG, Zug, Switzerland	Service centre	CHF 500	100%	100%	x	
Habib Metropolitan Financial Services Ltd., Karachi, Pakistan	Broker	PKR 300'000	51%	51%		x
Habib Metropolitan Modaraba Management Company (Private) Ltd., Karachi, Pakistan	Modaraba management	PKR 350'000	51%	51%		x
First Habib Modaraba, Karachi, Pakistan	Leasing, Musharaka and Murabaha financing	PKR 1'108'305	8%	100%		x
HBZ Services (Private) Ltd., Pakistan	Service centre	PKR 100	100%	100%		x
HBZ Services (Asia) Limited, Hong Kong	Service centre	HKD 1	100%	100%		x

7 Presentation of non-consolidated participations

in CHF 1'000	Acquisition cost	Accumulated value adjustments and changes in book value (equity method)
Other non-consolidated participation without market value		
- S.W.I.F.T. SCRL, Belgium	77	
Total	**77**	

8 Presentation of tangible fixed assets

in CHF 1'000	Acquisition cost	Accumulated depreciation
Bank buildings and residential apartments	114'485	-50'112
Other real estate	30'342	-20'706
Proprietary or separately acquired software	4'675	-4'081
Other tangible fixed assets	49'757	-38'848
Tangible assets acquired under finance leases	44	
- of which bank buildings		
- of which other real estate		
- of which other tangible fixed assets		
Total	**199'304**	**-113'748**

* Including foreign currency adjustments

	Reporting year					
Book value at 31.12.21	Reclassifications	Additions	Disposals	Value adjustments	**Book value at 31.12.22**	**Market value at 31.12.22**
77					77	
77					**77**	

	Reporting year					
Book value at 31.12.21	Reclassifications	Additions	Disposals*	Depreciation	Reversals	**Book value at 31.12.22**
64'373		14'195	-5'832	-4'441		68'294
9'636		5'167	-1'482	-3'932		9'390
594		263	-85	-414		357
10'909	44	4'641	-159	-3'753	-2	11'681
44	-44					
85'556		**24'265**	**-7'558**	**-12'539**	-2	**89'722**

9 Intangible assets

in CHF 1'000	Cost value	Accumulated amortisations	**Book value at 31.12.21**	Reporting year Additions	Disposals*	Amortisation	**Book value at 31.12.22**
Goodwill							
Patents							
Licenses							
Other intangible assets	216	-209	7		-1	-7	
Total	**216**	**-209**	**7**		**-1**	**-7**	

* Including foreign currency adjustments

10 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Deferred income taxes recognised as assets	33'436	28'419		
Others	110'344	135'853	85'562	24'128
Total	**143'780**	**164'272**	**85'562**	**24'128**

11 Assets pledged or assigned to secure own commitments and assets under reservation of ownership*

	Book value		Effective commitments	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Amounts due from banks	2'533	1'840	2'458	1'693
Financial investments	1'622	9'783		
Total pledged / assigned assets	**4'155**	**11'624**	**2'458**	**1'693**
Assets under reservation of ownership	84	67	84	67

* Excluding securities financing transactions

12 Liabilities relating to own pension schemes

in CHF 1'000	**31.12.22**	**31.12.21**
Payables to employee benefit plans	78	70

Commitments to own pension and welfare plans

The Group does not maintain its own pension funds. The occupational benefit plans in the countries are covered by insurance companies. All employees are insured in accordance with the law, the foundation document and the regulations of the benefit plan.

In accordance with the contractual and legal conditions of the benefit plans in the countries, there can be neither economic liabilities that exceed the contributions set by the regulations of the benefit plan, nor economic benefits for the Group. In addition, during both the reporting year and during the previous year, there were no non-committed plans, nor was there an employer-paid contribution reserve, such that the expenses shown in the income statement equal the actual expenses for pension and welfare plans for the reporting period.

13 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF 1'000	**Balance at 31.12.21**	Use in conformity with designated purpose	Reclassifications
Provisions for deferred taxes			
Provisions for pension benefit obligations			
Provisions for latent credit risks	2'620		
Provisions for other business risks	3'462	-241	
Provisions for restructuring			
Other provisions	1'376	-13	
Total provisions	**7'458**	**-254**	
Reserves for general banking risks	**472'091**		
Value adjustments for default and latent credit risks	**217'743**	**-14'386**	
- of which value adjustments for default risks in respect of impaired loans / receivables	131'220	-14'366	
- of which value adjustments for default risks in respect of financial investments			
- of which value adjustments for latent credit risks	86'524	-20	

	Other allocations to (withdrawals from) the reserves for general banking for minority sharehold-ings in shareholders' equity	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.22**
		-286		726	-411	2'649
		-406		71	-212	2'674
		-305		75		1'134
		-997		**873**	**-623**	**6'458**
	7'926				**-15'256**	**464'761**
		-25'068	**4'369**	**29'666**	**-17'630**	**194'695**
		-19'993	4'369	27'830	-9'486	119'573
		-5'075		1'837	-8'144	75'122

14 Amounts due from and due to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Holders of qualified participations			84'852	112'284
Linked companies				
Members of governing bodies	1'230	1'653	5'614	14'960
Other related parties			3'040	
Total	**1'230**	**1'653**	**93'506**	**127'244**

15 Maturity structure of financial instruments

in CHF 1'000		At sight	Callable	Due: within 3 months	Due: within 3 to 12 months	Due: within 12 months to 5 years	Due: after 5 years	No maturity	Total
Asset / financial instruments									
Liquid assets		1'243'646							1'243'646
Amounts due from banks		364'773	31'892	985'760	249'006	9'277			1'640'709
Amounts due from securities financing transactions		303'226							303'226
Amounts due from customers		650'230	12'423	1'826'202	536'972	307'384	156'821		3'490'031
Mortgage loans				2'196	6'712	78'935	298'422		386'265
Positive replacement values of derivative financial instruments		12'025							12'025
Other financial instruments at fair value		2'030'664							2'030'664
Financial investments		38'820		357'140	1'087'484	1'495'570	48'719	10'047	3'037'780
Total	**at 31.12.22**	**4'643'384**	**44'315**	**3'171'297**	**1'880'175**	**1'891'167**	**503'962**	**10'047**	**12'144'346**
	at 31.12.21	5'482'464	22'390	3'229'128	1'663'799	1'701'197	411'773	12'522	12'523'273
Debt capital / financial instruments									
Amounts due to banks		315'241	10'592	343'077	50'192	1'974	59'840		780'916
Liabilities from securities financing transactions				895'172	3'694	77'875			976'741
Amounts due in respect of customer deposits		5'821'002	507'231	1'651'587	1'093'568	198'610	21'438		9'293'435
Negative replacement values of derivative financial instruments		10'678							10'678
Total	**at 31.12.22**	**6'146'922**	**517'823**	**2'889'836**	**1'147'453**	**278'459**	**81'278**		**11'061'772**
	at 31.12.21	7'309'210	533'996	2'333'036	1'098'048	213'316	4'985		11'492'592

16 Assets and liabilities by domestic and foreign origin in accordance with domicile principle

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	**31.12.22**		**31.12.21**	
Assets				
Liquid assets	393	1'243'253	549	1'000'369
Amounts due from banks	363'771	1'276'937	265'900	1'346'276
Amounts due from securities financing transactions		303'226		
Amounts due from customers	10'110	3'479'921	25'438	3'720'462
Mortgage loans		386'265		312'478
Positive replacement values of derivative financial instruments	256	11'769	517	33'341
Other financial instruments at fair value		2'030'664		3'328'736
Financial investments	608'866	2'428'914	570'442	1'918'766
Accrued income and prepaid expenses	9'141	177'724	7'516	141'058
Non-consolidated participations		77		77
Tangible fixed assets	8'485	81'237	8'595	76'961
Intangible assets				7
Other assets	1'006	142'774	534	163'737
Total assets	**1'002'028**	**11'562'763**	**879'492**	**12'042'267**
Liabilities				
Amounts due to banks	9'443	771'473	90	896'878
Liabilities from securities financing transactions	85'000	891'741		1'065'029
Amounts due in respect of customer deposits	189'903	9'103'533	199'789	9'313'380
Negative replacement values of derivative financial instruments	1'014	9'665	893	16'534
Accrued expenses and deferred income	5'468	202'926	6'921	151'855
Other liabilities	864	84'697	693	23'435
Provisions	108	6'350	107	7'351
Reserves for general banking risks	76'213	388'548	86'597	385'494
Bank's capital	150'000		150'000	
Retained earnings reserves	322'489		326'191	
Minority interest in equity		155'629		177'832
Group profit	41'903	67'825	5'886	106'805
Total liabilities	**882'405**	**11'682'385**	**777'166**	**12'144'592**

17 Breakdown of total assets by country or group of countries (domicile principle)

	31.12.22		31.12.21	
	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Assets				
Europe	**1'980'750**	**15.8%**	**1'815'897**	**14.1%**
- of which Switzerland	1'002'028	8.0%	879'492	6.8%
United Kingdom	810'540	6.5%	742'687	5.7%
Others	168'181	1.3%	193'718	1.5%
North America	**356'099**	**2.8%**	**333'025**	**2.6%**
Asia	**9'096'123**	**72.4%**	**9'679'435**	**74.9%**
- of which United Arab Emirates	2'826'063	22.5%	2'751'995	21.3%
Pakistan	5'533'385	44.0%	6'266'348	48.5%
Others	736'675	5.9%	661'091	5.1%
Other countries	**1'131'819**	**9.0%**	**1'093'402**	**8.5%**
- of which South Africa	466'319	3.7%	461'639	3.6%
Others	665'499	5.3%	631'763	4.9%
Total assets	**12'564'791**	**100.0%**	**12'921'759**	**100.0%**

18 Breakdown of total assets by credit rating of country groups (risk domicile view)

	Net foreign exposures **31.12.22**		Net foreign exposures **31.12.21**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	510'739	4.4%	497'096	4.1%
Aa	4'165'820	36.1%	4'018'240	33.4%
A	79'040	0.7%	37'586	0.3%
Baa	89'566	0.8%	63'887	0.5%
Ba - B	927'112	8.0%	7'235'860	60.2%
Caa-C	5'533'576	47.9%	90	0.0%
Unrated	237'270	2.1%	168'434	1.4%
Total	**11'543'123**	**100.0%**	**12'021'193**	**100.0%**

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

19 Balance sheet by currencies

in CHF 1'000	CHF	USD	GBP	AED	PKR	Other	Total
Assets							
Liquid assets	127'829	39'801	111'771	768'073	178'268	17'904	1'243'646
Amounts due from banks	2'511	739'929	214'566	275'832	60'954	346'916	1'640'709
Amounts due from securities financing transactions					303'226		303'226
Amounts due from customers	10'368	411'803	677'387	618'296	1'549'935	222'242	3'490'031
Mortgage loans				208'696	49'307	128'262	386'265
Positive replacement values for derivative financial instruments	256		213		11'009	547	12'025
Other financial instruments at fair value					2'030'664		2'030'664
Financial investments	364'084	959'990	152'097	277'955	909'824	373'830	3'037'780
Accrued income and prepaid expenses	9'356	1'546	20'932	25'732	122'742	6'558	186'865
Non-consolidated participations	77						77
Tangible fixed assets	8'485	100	13'225	14'710	33'618	19'583	89'722
Intangible assets							
Other assets	1'006	11'594	5'929	15'637	107'073	2'542	143'780
Total assets shown in balance sheet	**523'972**	**2'164'762**	**1'196'119**	**2'204'932**	**5'356'622**	**1'118'384**	**12'564'791**
Delivery entitlements from spot exchange, forward forex and forex options transactions	4'509	639'559	64'816	64'973	390'797	54'798	1'219'452
Total assets	**528'481**	**2'804'322**	**1'260'935**	**2'269'905**	**5'747'419**	**1'173'182**	**13'784'243**

in CHF 1'000		CHF	USD	GBP	AED	PKR	Other	Total
Liabilities								
Amounts due to banks		7'835	64'603	3'616	11'987	672'628	20'248	780'916
Liabilities from securities financing transactions		85'000	9'446	77'875		804'420		976'741
Amounts due in respect of customer deposits		71'011	2'218'203	1'030'719	1'871'401	3'193'113	908'988	9'293'435
Negative replacement values of derivative financial instruments		1'014		255	15	8'885	509	10'678
Accrued expenses and deferred income		4'681	1'578	26'686	18'033	145'630	11'786	208'395
Other liabilities		866	1'160	1'742	11'547	67'708	2'539	85'561
Provisions			108	1	2'618	3'671	59	6'458
Reserves for general banking risks		76'213			350'623	1'049	36'877	464'761
Bank's capital		150'000						150'000
Retained earnings reserves		322'489						322'489
Minority interest in equity						123'049	32'579	155'629
Group profit		428		6'727	27'080	61'252	14'240	109'727
Total liabilities shown in balance sheet		**719'536**	**2'295'098**	**1'147'621**	**2'293'304**	**5'081'406**	**1'027'826**	**12'564'791**
Delivery obligations from spot exchange, forward forex and forex options transactions		102'054	510'078	13'170	1'080	511'683	81'387	1'219'452
Total liabilities		**821'590**	**2'805'176**	**1'160'791**	**2'294'384**	**5'593'089**	**1'109'213**	**13'784'244**
Net position per currency	**at 31.12.22**	**-293'110**	**-855**	**100'144**	**-24'479**	**154'330**	**63'969**	
	at 31.12.21	-340'690	-28'650	100'022	9'751	176'682	82'886	

Information on the off-balance sheet transactions *(consolidated)*

20 Breakdown of contingent liabilities and contingent assets

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Guarantees to secure credits and similar	642'958	701'064	-8.3%
Irrevocable commitments arising from documentary letters of credit	892'362	1'247'473	-28.5%
Total contingent liabilities	**1'535'320**	**1'948'537**	**-21.2%**
Contingent assets arising from tax losses carried forward	3'304	3'560	-7.2%
Total contingent assets	**3'304**	**3'560**	**-7.2%**

21 Breakdown of credit commitments

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Commitments arising from acceptances	123'901	171'114	-27.6%
Other credit commitments	26'868	31'905	-15.8%
Total credit commitments	**150'769**	**203'019**	**-25.7%**

22 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Fiduciary investments with third-party companies	258'994	4'334	>500.0%
Fiduciary loans	21	170	-87.9%
Total fiduciary transactions	**259'015**	**4'505**	**>500.0%**

Information on the income statement *(consolidated)*

23 Breakdown of the result from trading activities and the fair value option

in CHF 1'000	**2022**	**2021**	**+/- %**
Result from trading activities from:			
- Interest rate instruments (incl. funds)	-28'275	-40'384	-30.0%
- Unrealised forex gains / (losses) on reserves held in foreign currencies	2'038	12'839	-84.1%
- Foreign currencies	41'868	36'008	16.3%
- Commodities / precious metals	-3	-4	-27.4%
Total result from trading activities	**15'629**	**8'460**	**84.8%**
- of which from the fair value option on assets	-28'275	-40'384	-30.0%

24 Breakdown of personnel expenses

in CHF 1'000	**2022**	**2021**	**+/- %**
Salaries (meeting attendances fees, fixed compensation, salaries and benefits)	-139'730	-128'642	8.6%
- of which, expenses relating to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-11'324	-9'509	19.1%
Other personnel expenses	-7'561	-6'204	21.9%
Total personnel expenses	**-158'615**	**-144'356**	**9.9%**

25 Breakdown of general and administrative expenses

in CHF 1'000	2022	2021	+/- %
Office space expenses	-23'211	-22'173	4.7%
Expenses for information and communications technology	-15'936	-14'318	11.3%
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	-7'443	-6'747	10.3%
Fees of audit firm(s)	-2'394	-2'307	3.8%
- of which for financial and regulatory audits	-2'174	-1'973	10.2%
- of which for other services	-220	-335	-34.5%
Other operating expenses	-41'500	-33'101	25.4%
Total general and administrative expenses	**-90'483**	**-78'646**	**15.1%**

26 Breakdown of extraordinary income and expenses

in CHF 1'000	2022	2021	+/- %
Extraordinary income			
Release of provisions no longer required			
Profit on sale of fixed assets	670	1'633	-59.0%
Recoveries and others	50	3'512	-98.6%
Total extraordinary income	**720**	**5'145**	**-86.0%**
Extraordinary expenses			
Other	-511	-415	23.1%
Total extraordinary expenses	**-511**	**-415**	**23.1%**

27 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	**2022**		**2021**	
Net result from interest operations	16'853	347'272	8'369	273'470
Result from commission business and services	8'396	75'398	7'602	75'547
Result from trading activities and the fair value option	2'039	13'590	13'348	-4'888
Other result from other ordinary activities	30'641	-70'339	30'286	-32'721
Personnel expenses	-27'963	-130'652	-24'943	-119'413
General and administrative expenses	-18'190	-72'293	-17'128	-61'519
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets	-546	-12'248	-425	-11'676
Changes to provisions and other value adjustments, and losses	-10	-241	-30	-347
Operating result	**11'220**	**150'488**	**17'080**	**118'454**

28 Presentation of current taxes, deferred taxes and disclosure of the tax rate

in CHF 1'000	**2022**	**2021**	**+/- %**
Current tax expenses*	-76'320	-43'854	74.0%
Deferred tax expenses	8'874	-1'273	
Total taxes	**-67'446**	**-45'127**	**49.5%**
Weighted average tax rate (on Group profit before taxes)	35.4%	30.3%	

* The impact of changes in losses carried forward on income taxes (e.g. occurrence, use, reassessment, expiry) resulted in 0.0% higher income taxes for the period.

Report of the Statutory Auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Habib Bank AG Zurich and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31. December 2022 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31. December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31. December 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended 31. December 2022 in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law
.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Marcel Bader
Licensed Audit Expert

Zurich, 27 April 2023


Unesco world heritage
door at Westminster abbey
United Kingdom

Financial statements of the Parent Bank

Parent Bank financial statements

Balance sheet

in CHF 1'000	Note	31.12.22	31.12.21	+/- %
Assets				
Liquid assets		905'029	449'705	101.2%
Amounts due from banks		1'039'160	1'099'655	-5.5%
Amounts due from customers	2	810'213	878'403	-7.8%
Mortgage loans	2	209'126	168'827	23.9%
Positive replacement values of derivative financial instruments	3	256	517	-50.5%
Financial investments	4	1'703'893	1'840'617	-7.4%
Accrued income and prepaid expenses		43'080	32'468	32.7%
Participations		340'605	340'757	0.0%
Tangible fixed assets		23'033	23'683	-2.7%
Other assets	5	21'172	16'094	31.6%
Total assets		**5'095'568**	**4'850'726**	**5.0%**
Total subordinated claims		42'850	45'488	-5.8%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		100'483	53'191	88.9%
Liabilities from securities financing transactions	1	85'000		100.0%
Amounts due in respect of customer deposits		3'865'872	3'781'665	2.2%
Negative replacement values of derivative financial instruments	3	1'029	897	14.7%
Accrued expenses and deferred income		25'738	19'241	33.8%
Other liabilities	5	13'921	7'870	76.9%
Provisions	7	2'727	2'691	1.3%
Reserves for general banking risks	7	454'540	453'240	0.3%
Bank's capital	8	150'000	150'000	0.0%
Statutory retained earnings reserves		85'900	84'450	1.7%
Voluntary retained earnings reserves		260'057	260'635	-0.2%
Profit carried forward		13'396	335	>500%
Profit		36'906	36'511	1.1%
Total liabilities		**5'095'568**	**4'850'726**	**5.0%**
Total subordinated liabilities				
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions

in CHF 1'000	Note	31.12.22	31.12.21	+/- %
Off-balance sheet transactions				
Contingent liabilities	2, 13	306'466	253'589	20.9%
Irrevocable commitments	2	1'076	1'068	0.7%
Credit commitments	2, 14	32'923	29'750	10.7%

Appropriation of profit / coverage of losses / other distributions

The Board of Directors will submit the following proposal to the General Meeting of Shareholders in respect of the distribution of profit.

in CHF 1'000	31.12.22	31.12.21	+/- %
Profit (result for the period)	36'906	36'511	1.1%
Profit carried forward	13'396	335	>500%
Distributable profit	**50'302**	**36'846**	**36.5%**
Appropriation of profit			
- Allocation to statutory retained earnings reserves	-1'450	-1'450	0.0%
- Allocation to voluntary retained earnings reserves			
- Distribution of dividend from distributable profit	-22'000	-22'000	0.0%
Profit carried forward	**26'852**	**13'396**	**100.4%**

Income statement

in CHF 1'000	Note	2022	2021	+/- %
Result from interest operations				
Interest and discount income		84'228	51'287	64.2%
Interest and dividend income from financial investments		45'169	33'033	36.7%
Interest expense		-14'604	-11'274	29.5%
Gross result from interest operations		**114'792**	**73'045**	**57.2%**
Changes in value adjustments for default risks and losses from interest operations		6'095	3'828	59.2%
Subtotal net result from interest operations		**120'888**	**76'873**	**57.3%**
Result from commission business and services				
Commission income from securities trading and investment activities		5'329	5'698	-6.5%
Commission income from lending activities		16'208	15'210	6.6%
Commission income from other services		21'027	18'630	12.9%
Commission expense		-3'174	-3'264	-2.8%
Subtotal result from commission business and services		**39'390**	**36'273**	**8.6%**
Result from trading activities and the fair value option	16	**16'146**	**24'832**	**-35.0%**
Other result from ordinary activities				
Result from the disposal of financial investments		-295	1'000	
Income from participations		18'979	17'581	8.0%
Result from real estate		30	14	117.0%
Other ordinary income		8'370	8'989	-6.9%
Other ordinary expenses		-39'538	-3'706	>-500.0%
Subtotal other result from ordinary activities		**-12'454**	**23'878**	**-152.2%**
Operating income		**163'970**	**161'856**	**1.3%**

in CHF 1'000	Note	2022	2021	+/- %
Operating expenses				
Personnel expenses	17	-71'593	-61'569	16.3%
General and administrative expenses	18	-41'475	-39'632	4.7%
Subtotal operating expenses		**-113'068**	**-101'200**	**11.7%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-3'167	-2'763	14.6%
Changes to provisions and other value adjustments and losses		-210	-767	-72.6%
Operating result		**47'525**	**57'126**	**-16.8%**
Extraordinary income	19	100	3'347	-97.0%
Extraordinary expenses	19	-511		100.0%
Changes in reserves for general banking risks		-920	-12'297	-92.5%
Taxes	20	-9'288	-11'665	-20.4%
Profit		**36'906**	**36'511**	**1.1%**

Statement of changes in equity

in CHF 1'000	Bank's capital	Statutory retained earnings reserves	Reserves for general banking risks	Voluntary retained earnings and profit carried forward	Profit	Total
At 1.1.21	**150'000**	**83'150**	**440'942**	**288'987**	**-11'732**	**951'348**
Transfer of profits to retained earnings		1'300			-1'300	
Currency translation differences				15		15
Dividends and other distributions				-28'032	13'032	-15'000
Other allocations to / (transfers from) the reserves for general banking risks			12'297			12'297
Other allocations to / (transfers from) other reserves						
Profit					36'511	36'511
At 31.12.21	**150'000**	**84'450**	**453'240**	**260'970**	**36'511**	**985'171**

in CHF 1'000	Bank's capital	Statutory retained earnings reserves	Reserves for general banking risks	Voluntary retained earnings and profit carried forward	Profit	Total
At 1.1.22	**150'000**	**84'450**	**453'240**	**260'970**	**36'511**	**985'171**
Transfer of profits to retained earnings		1'450			-1'450	
Currency translation differences			380	-579		-199
Dividends and other distributions				13'061	-35'061	-22'000
Other allocations to / (transfers from) the reserves for general banking risks			920			920
Other allocations to / (transfers from) other reserves						
Profit					36'906	36'906
At 31.12.22	**150'000**	**85'900**	**454'540**	**273'452**	**36'906**	**1'000'798**

Notes to the parent bank financial statements

Under Art. 36 of the Swiss Ordinance on Banks and Savings Banks, institutions that publish consolidated financial statements are exempt from disclosing certain information in the parent bank financial statements. The information relating to the portrait, the accounting and valuation principles, the explanations of risk management as well as the events after the balance sheet date disclosed in the consolidated financial statements apply to the financial statements of the parent bank.

The accounting and valuation principles of the parent bank are generally based on those from the Group.

Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*			
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	85'000		100.0%
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase transactions	85'000		100.0%
- of which with unrestricted right to resell or pledge			
Fair value of securities serving as collateral posted for securities lending or securities borrowed or securities received in connection with reverse repurchase transactions with an unrestricted right to resell or repledge them			
- of which repledged securities			
- of which resold securities			

* Before taking into consideration any netting agreements

2 Overview of collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans / receivables

in CHF 1'000		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		122'970	370'935	379'049	872'954
Mortgage loans		237'640			237'640
- Residential and commercial property		237'640			237'640
- Commercial premises					
Total loans (before netting with value adjustments)	**31.12.22**	**360'610**	**370'935**	**379'049**	**1'110'594**
	31.12.21	325'664	406'667	411'676	1'144'006
Total loans (after netting with value adjustments)	**31.12.22**	**327'897**	**350'678**	**340'765**	**1'019'340**
	31.12.21	288'666	385'881	372'683	1'047'230
Off-balance sheet					
Contingent liabilities		5'190	91'989	209'287	306'466
Irrevocable commitments				1'076	1'076
Credit commitments		912	10'245	21'767	32'923
Total off-balance sheet	**31.12.22**	**6'102**	**102'234**	**232'129**	**340'465**
	31.12.21	9'562	103'081	171'765	284'408

in CHF 1'000		Gross debt amount	Estimated liquidation value of the collateral	Net debt amount	Specific value adjustments
Impaired loans / receivables					
Total impaired loans / receivables	**31.12.22**	**44'635**	**6'211**	**38'424**	**42'655**
	31.12.21	61'974	18'412	43'562	46'617

Unesco world heritage
Victoria falls
zimbabwean shore
South Africa

3 Presentation of derivative financial instruments

in CHF 1'000	Trading instruments: Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	256	1'029	368'663
Equity interests / indices			
Credit derivatives			
Other			
Total before taking into consideration netting agreements			
Total at 31.12.22	**256**	**1'029**	**368'663**
- of which determined by using a valuation model			
Total at 31.12.21	517	897	379'371
- of which determined by using a valuation model			

in CHF 1'000		Positive replacement value (accumulated)	Negative replacement value (accumulated)
After netting agreements			
Total	**at 31.12.22**	**256**	**1'029**
	at 31.12.21	517	897

Breakdown by counterparty

in CHF 1'000		Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)				
Total	**at 31.12.22**		**256**	
	at 31.12.21		517	

The Parent Bank has no hedging instruments.

4 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Debt instruments	**1'669'101**	**1'804'476**	**1'631'389**	**1'828'471**
- of which intended to be held until maturity	1'082'707	1'276'023	1'044'992	1'292'174
- of which not intended to be held until maturity (available for sale)	586'394	528'453	586'397	536'298
Equity interests	**33'426**	**34'777**	**34'572**	**37'841**
Precious metals	**1'366**	**1'364**	**1'621**	**1'609**
Real estate				
Total	**1'703'893**	**1'840'617**	**1'667'581**	**1'867'921**
- of which securities allowed for repo transactions in accordance with liquidity requirements	89'088	96'364		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Unrated
Debt securities							
Book values	**at 31.12.22**	**38'492**	**433'197**	**587'648**	**444'475**	**165'287**	**34'793**
	at 31.12.21	37'624	621'787	444'244	523'618	171'273	42'072

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

5 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Compensation account				
Deferred income taxes recognised as assets	16'728	9'964		
Others	4'444	6'130	13'921	7'870
Total	**21'172**	**16'094**	**13'921**	**7'870**

6 Assets pledged or assigned to secure own commitments and assets under reservation of ownership*

	Book value		Effective commitments	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Amounts due from banks	2'458	1'693	2'458	1'693
Financial investments				
Total pledged / assigned assets	**2'458**	**1'693**	**2'458**	**1'693**
Assets under reservation of ownership	84	67	84	67

* Excluding securities financing transactions

7 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF 1'000	**Balance at 31.12.21**	Use in conformity with designated purpose
Provisions for deferred taxes		
Provisions for pension fund obligations		
Provisions for latent credit risks	1'201	-1
Provisions for other business risks	1'490	-187
Provisions for restructuring		
Other provisions		-8
Total provisions	**2'691**	**-196**
Reserves for general banking risks	**453'240**	
Value adjustments for default and latent credit risks	**102'199**	**-4'006**
- of which value adjustments for default risks in respect of impaired loans / receivables	46'618	-4'006
- of which value adjustments for default risks in respect of financial investments		
- of which value adjustments for latent credit risks	55'581	

	Reclassifications	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.22**
		3		401		1'604
		21		10	-210	1'124
		-1		8		
		23		**420**	-210	**2'728**
		380		**920**		**454'540**
		760	**2'544**	**1'308**	**-7'403**	**95'404**
		208	2'544	641	-3'350	42'656
		552		667	-4'053	52'747

8 Presentation of the Bank's capital

	31.12.22			31.12.21		
in CHF 1'000	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Bank's capital	150'000	1'500'000	150'000	150'000	1'500'000	150'000
- of which paid up						
Total Bank's capital	**150'000**	**1'500'000**	**150'000**	**150'000**	**1'500'000**	**150'000**

9 Disclosure of holders of significant participations

	31.12.22		31.12.21	
in CHF 1'000	Nominal	% of equity	Nominal	% of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
with voting rights				
Gefan Finanz AG, Zug	150'000	100%	150'000	100%
without voting rights				

Beneficial holdings:
Gefan Finanz AG is 100% owned by a trust structure, which represents in equal shares the four branches of the Mohamedali Habib Family. No individual has a beneficial interest of 10% or more in the shares of Habib Bank AG Zurich.

10 Disclosure of own shares and composition of equity capital

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Reserves for general banking risks	454'539	453'240	0.3%
Bank's capital	150'000	150'000	0.0%
Statutory retained earnings reserve	85'900	84'450	1.7%
Voluntary retained earnings reserve	260'057	260'635	-0.2%
Profit carried forward	13'396	335	>500.0%
Profit	36'906	36'511	1.1%
Total equity	**1'000'798**	**985'171**	**1.6%**

The Parent Bank does not hold any of its own shares.
The statutory retained earnings reserve cannot be distributed.

11 Amounts due from / to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
Holders of qualified participations			84'851	112'283
Group companies	37'062	64'894	32'643	16'865
Linked companies				
Members of governing bodies	1'230	1'653	2'192	
Other related parties			2'647	8'533
Total	**38'292**	**66'547**	**122'333**	**137'681**

12 Breakdown of total assets by credit rating of regions (risk domicile principle)

	Net foreign exposures **31.12.22**		Net foreign exposures **31.12.21**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	284'320	6.6%	303'437	7.2%
Aa	3'214'283	75.0%	3'124'373	74.5%
A	65'711	1.5%	28'010	0.7%
Baa	72'528	1.7%	54'226	1.3%
Ba - B	419'796	9.8%	642'603	15.3%
Caa-C	173'613	4.1%	90	0.0%
Unrated	55'693	1.3%	38'485	0.9%
Total	**4'285'945**	**100.0%**	**4'191'223**	**100.0%**

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

Information on the off-balance sheet transactions

13 Breakdown of contigent liabilities and contingent assets

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Guarantees to secure credits and similar	86'919	92'411	-5.9%
Irrevocable commitments arising from documentary letters of credit	219'547	161'178	36.2%
Total contigent liabilities	**306'466**	**253'589**	**20.9%**

14 Breakdown of credit commitments

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Commitments arising from acceptances	16'032	13'791	16.3%
Other credit commitments	16'891	15'959	5.8%
Total credit commitments	**32'923**	**29'750**	**10.7%**

15 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.22**	**31.12.21**	**+/- %**
Fiduciary investments with third-party companies	258'994	4'334	>500.0%
Fiduciary investments with Group companies and affiliated companies	78'782	46'882	68.0%
Fiduciary loans	21	170	-87.9%
Total fiduciary transactions	**337'796**	**51'387**	**>500.0%**

Information on the income statement

16 Breakdown of the result from trading activities and the fair value option

in CHF 1'000	2022	2021	+/- %
Result from trading activities from:			
- Interest rate instruments (incl. funds)	-3	-4	-29.2%
- Unrealised forex gains / (losses) on reserves held in foreign currencies	2'038	12'839	-84.1%
- Foreign exchange	14'111	11'997	17.6%
Total result from trading activities	**16'146**	**24'832**	**-35.0%**
- of which from the fair value option on assets	-3	-4	-29.2%

17 Breakdown of personnel expenses

in CHF 1'000	2022	2021	+/- %
Salaries and additional allowances	-60'694	-52'967	14.6%
- of which expenses related to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-6'979	-5'607	24.5%
Other personnel expenses	-3'920	-2'995	30.9%
Total personnel expenses	**-71'593**	**-61'569**	**16.3%**

18 Breakdown of general and administrative expenses

in CHF 1'000	2022	2021	+/- %
Office space expenses	-7'482	-7'278	2.8%
Expenses for information technology and telecommunications	-6'808	-6'685	1.8%
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	-388	-341	13.8%
Fees of audit firm(s)	-1'316	-1'360	-3.2%
- of which for financial and regulatory audits	-1'288	-1'347	-4.4%
- of which for other services	-28	-13	112.2%
Other operating expenses	-25'481	-23'967	6.3%
Total general and administrative expenses	**-41'475**	**-39'632**	**4.7%**

19 Analysis of extraordinary income and expenses

in CHF 1'000	2022	2021	+/- %
Extraordinary income			
Profit on sale of fixed assets	51	31	64.7%
Recoveries and others	49	3'316	-98.5%
Total extraordinary income	**100**	**3'347**	**-97.0%**
Extraordinary expenses			
Other	-511		100.0%
Total extraordinary expenses	**-511**		**100.0%**

20 Presentation of current taxes, deferred taxes and disclosure of the tax rate

in CHF 1'000	2022	2021	+/- %
Current tax expenses *	-15'858	-8'139	94.8%
Deferred tax expenses	6'570	-3'525	
Total taxes	**-9'288**	**-11'665**	**-20.4%**
Weighted average tax rate (on profit before taxes)	23.2%	22.4%	

* There is no impact of changes in losses carried forward on income taxes (e.g. occurrence, use, reassessment, expiry) for the period.

Unesco world heritage
Lavaux terraced vineyard
and view of lake Geneva
site canton of Vaud
Switzerland

Report of the Statutory Auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Habib Bank AG Zurich (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement and the statement of changes in equity for the year then ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its results of operations and its cash flows for the year then ended 31 December 2022 in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements
In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Dorst *Licensed Audit Expert* *Auditor in Charge*	Marcel Bader *Licensed Audit Expert*

Zurich, 27 April 2023

Addresses

Head Office and operation

		Habib Bank AG Zurich
		Weinbergstrasse 59, PO Box 225
		8042 Zurich / Switzerland
	Telephone:	+41 (44) 269 45 00
	Email:	infoch@habibbank.com

Branches

United Arab Emirates		Habib Bank AG Zurich
		Umm Al Sheif
		Sheikh Zayed Road
		P.O. Box 3306
		Dubai / UAE
	Telephone:	+971 (4) 419 5555
	Email:	csd@habibbank.com
		Habib Bank AG Zurich DIFC Branch
		Office 801, Burj Daman Building
		P. O. Box: 506677
		Dubai International Financial Centre
		Dubai / UAE
	Telephone:	Tel: +971 (4) 5492800
	Email:	hbz.difc@habibbank.com
Kenya		Habib Bank AG Zurich
		Habib House
		Koinange Street
		P.O. Box 30584, 00100 GPO
		Nairobi / Kenya
	Telephone:	+254 (20) 334 1172 / 76 / 77
	Email:	info.ke@habibbank.com

Banking subsidiaries

Habib Canadian Bank		Habib Canadian Bank
Canada		918 Dundas Street East
		Suite 400
		Mississauga, Ontario L4Y 4H9 / Canada
	Telephone:	+1 (905) 276 5300
	Email:	info@habibcanadian.com
HBZ Bank Ltd.		HBZ Bank Ltd.
South Africa		1 Ncondo Pl, Umhlanga Arch
		Umhlanga Ridge
		Durban, 4320 / South Africa
	Telephone:	+27 (31) 270 2600
	Email:	sazone@hbzbank.co.za
Habib Metropolitan Bank Ltd.		Habib Metropolitan Bank Ltd.
Pakistan		Spencer's Building
		I.I. Chundrigar Road
		Karachi-74200 / Pakistan
	Telephone:	+92 (21) 111 1 HABIB (42242)
	Email:	info@habibmetro.com
Habib Bank Zurich (Hong Kong) Ltd.		Habib Bank Zurich (Hong Kong) Ltd.
Hong Kong		1701-05, 17 / F, Wing On House
		71, Des Voeux Road Central
		Hong Kong
	Telephone:	+852 2906 1818
	Email:	mainoffice@hbzhongkong.com
Habib Bank Zurich Plc		Habib Bank Zurich Plc
United Kingdom		Habib House
		42 Moorgate
		London EC2R 6JJ / UK
	Telephone:	+44 (207) 452 0200
	Email:	contactuk@habibbank.com

Representative offices

Bangladesh		Habib Bank AG Zurich
		BDBL Bhaban
		12 Kawran Bazar C/A
		Dhaka 1215 / Bangladesh
	Telephone:	+880 (2) 550 13463
	Email:	bd.rep@habibbank.com
Hong Kong		Habib Bank AG Zurich
		1701-05, 17 / F, Wing On House
		71 Des Voeux Road Central
		Hong Kong
	Telephone:	+852 2906 1818
	Email:	mainoffice@hbzhongkong.com
Pakistan		Habib Bank AG Zurich
		HBZ Plaza, 4th Floor
		I.I. Chundrigar Road
		Karachi-74200 / Pakistan
	Telephone:	+92 (21) 322 74 879
	Email:	hbzrep.pk@habibbank.com
China		Habib Bank AG Zurich
		Unit 2303B, Jin Mao Tower
		88 Century Boulevard / Pudong New District
		Shanghai 200120, P.R.C. / China
	Telephone:	+86 (21) 6890 2193
	Email:	shro@habibbank.com

Layout and production
Theiler Werbefabrik GmbH

Mix
Papier aus verantwortungsvollen Quellen
FSC® C007061
www.fsc.org