



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Interim report 2021

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Group key figures

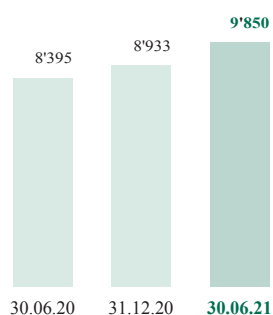
in CHF million

	30.06.20	31.12.20	30.06.21	Change in % to 31.12.20
Balance sheet				
Total assets	11'121	11'682	13'282	13.7%
Equity	1'215	1'193	1'266	6.1%
Advances customers	3'360	3'363	3'888	15.6%
Customers deposits	8'395	8'933	9'850	10.3%
	First half 2020	Second half 2020	First half 2021	Changes in % to First half 2020
Income statement				
Total income ¹	296.3	118.9	193.3	-34.8%
Operating expenses	-109.9	-105.8	-108.0	-1.7%
Operating result	169.0	-3.1	69.0	-59.2%
Group profit	36.5	14.7	51.4	40.7%
	30.06.20	31.12.20	30.06.21	Change in % to 31.12.20
Key figures and ratios				
Number of offices	439	445	483	8.5%
Number of employees	5'945	6'061	6'606	9.0%
Return on equity (ROE) ²	6.1%	4.3%	8.4%	
Equity ratio	10.9%	10.2%	9.5%	
Cost / income ratio	37.1%	51.9%	55.6%	
Capital ratio	19.8%	18.8%	16.2%	
Liquidity coverage ratio	124.5%	132.4%	136.7%	
Leverage ratio	9.4%	9.6%	7.9%	

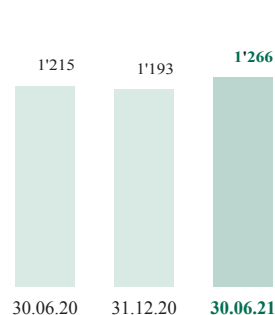
¹ Including "Gross result from interest operations", "Result from commission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

² Annualised 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 reporting 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.

Letter to shareholders

While we are encouraged by the progress being made on vaccinations, COVID-19 continues to be a factor in our lives and our focus remains on the safety of our people and on supporting the evolving needs of our customers.

Within this situation and by the grace of God, Habib Bank AG Zurich delivered a strong result for the first semester 2021 reflecting the improving economic conditions, the sustainable business model and the Groups prudent approach in managing risk. Despite ultra-low interest rate levels across the Groups network, the Group profit increased to CHF 51.4 million (+ 40.7%) due to continued strong growth in customers business volumes and disciplined cost management. The Group is well on track with its plan and management will remain focused on the development of its strategic initiatives.

Moreover, the Group is pleased to welcome Michael Schneebeli as new Member to the Board of Directors effective 14 April 2021. His proficiency in financial and banking services provides the Board of Directors with valuable strategic, operational, compliance, risk and digital banking business insights and comprehensive corporate governance and accounting expertise.

We also would like to thank our clients for their continuous loyalty and trust and are grateful to all of our employees for their continued hard work and dedication which contributes to the overall success of Habib Bank AG Zurich.

Dr. Andreas Länzlinger
Chairman of the Board of Directors

Muhammad H. Habib
President

Mohamedali R. Habib
Group CEO

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 our 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, which 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 Schneebeili	Member		
Ursula Suter	Member		Chairwoman
Dr. Stephan Philipp Thaler	Member	Member	



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 takeover 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

Professional history and education

Michael Schneebeli was elected to the Board of Directors of Habib Bank AG Zurich at the 2021 Annual General Meeting.

Since 2019 Michael Schneebeli he is 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.



Dr. Stephan Philipp Thaler

Swiss, born 1962

Member of the Board of Directors
Member of the Audit Committee

Professional history and education

Stephan Thaler was elected to the Board of Directors of Habib Bank AG Zurich at the Annual General Meeting in April 2015. He has been a member of the Audit Committee since 2015.

Stephan Thaler joined the Swiss Life Group in 1999 as Director Marketing & Client Relationship and a member of the Management Committee of Swiss Life Asset Management. Since 2009 he has been the Chief Executive Officer of Swiss Life Investment Foundation (Zurich). From 1995 to 1998 he worked for American Express Services Europe Ltd. (Zurich), where he served in various management positions including Country Manager Switzerland for the Card Business and Director Consumer Services Group. Before joining the banking and insurance industry, he worked in the corporate sector for more than five years in various senior management roles, holding core responsibilities for marketing and product management strategies with an international scope in the fashion retail business. Stephan Thaler studied Economics, majoring in Business Administration and Marketing. He graduated with an MBA in 1986 and received his PhD in 1989 from the University of Basel. He is a Certified Financial Planner (1999) and completed the Executive Program at Robert Kennedy College/University of Wales in 2006 and the Senior Management Program in Banking at the Swiss Finance Institute in 2009. He has attended various Board of Directors training programs.

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 4) 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 Lemane 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

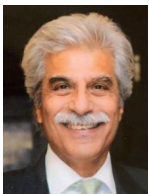
Singaporean, born 1963

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 Switzerland, 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 35 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
Rajat Garg*	1963	Singaporean	Country Manager	Switzerland
Jamal Alvi	1962	British	Country Manager	United Arab Emirates
Asim Basharullah	1971	Pakistani	Country Manager	Kenya

* ad interim

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
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
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
Sirajuddin Aziz	1956	Pakistani	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
Felix Gasser	1959	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

Group Internal Audit

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

Management report

Economic environment

During the first half of 2021, the world made great strides in battling the COVID-19 pandemic. The fast roll-out of vaccines enabled many governments to reduce restrictions and in turn economic activity rebounded sharply. As a result of the very uneven distribution of vaccines which saw many emerging economies struggle to obtain sufficient supplies, the recovery set in earlier in the developed world. Nevertheless, the foundations were put in place for strong global growth for the year as a whole not least thanks to highly accommodative global monetary conditions.

In the Group's core markets, economic development was mixed. Pakistan continued to weather the pandemic remarkably well, thanks to a targeted restriction regime and considerable fiscal and monetary support. Moreover, the external situation remained stable in a context of ongoing multilateral support and sustained remittance inflows. The United Arab Emirates was among the first to roll-out COVID-19 vaccines which triggered an early recovery of the services-driven non-oil economy. However, the oil sector lagged as output remained constrained under OPEC's production quota regime. While Hong Kong's recovery firmed up as well, border restrictions and reluctant domestic consumption limited the rate of expansion. A highly successful early vaccination campaign allowed the United Kingdom to be among one of the first economies to reopen. The consequences of Brexit did however negatively impact the trade sector as well as the labor market. Switzerland was able to maintain a less severe restriction regime during the second and third waves of COVID-19 and by late spring activity had accelerated noticeably across most sectors. Canada was less fortunate and had to impose new restrictions early in the second quarter. Prospects improved afterwards, leading the Bank of Canada to become the first among major central banks to roll back its pandemic-related asset purchases. Despite a surprisingly strong first quarter, South Africa continued to struggle both under the weight of the pandemic and its many un-addressed structural issues clouding the picture for

the year. Kenya, the only jurisdiction that generated positive economic growth in 2020, delivered decent economic numbers during the first half of 2021 as a result of a delayed fiscal consolidation.

Banking industry

Ample liquidity and ultra-low interest rates continued to dominate the operating environment for banks in most jurisdictions. Short USD interest rates actually dropped once more to new record-low levels, further compressing net interest margins in many business segments. Strict cost management remained at the top the banking industry's list of priorities. Nevertheless, improving activity levels across most business lines helped to shore up the industry's bottom line. Banks with strong wealth management franchises benefited moreover from a strong trading environment as clients looked for sources of higher returns in a world of depressed yields.

Cyclical as well as structural factors put pressure on banks to review their business models and practices with a focus on more technology-driven solutions. Issues of sustainability and the impact of climate change regained importance as the economic environment improved. Anticipated increases in regulatory scrutiny has increased the demand on banks management to address these issues with a degree of urgency.

Operational performance and outlook

Income statement

Lower income from our interest business had been expected due to the impact of falling interest rates. Fortunately, the "Gross result from interest operations" of the Group increased by 6.1% or CHF 8.2 million, to CHF 143.9 million, due to the Group's ability to decrease the cost for customer deposits and the fact that the pandemic did not cause large credit losses since the "Changes in value adjustments for default risk and losses from the interest operations" remained steady at the prior year's level of CHF 11.0 million.

The "Results from commission business and services" of CHF 41.0 million increased by 22.1% or CHF 7.4 million compared with the prior year mainly due to increased customer business activities in the area of trade finance following the lock-down situation in the second quarter of 2020.

After last year's decrease in interest rate levels, the Group recognized in the first semester of 2020 under "Result from trading activities and the fair value option", a profit of CHF 109.5 million due to revaluation results on financial investments at fair value option. During the first semester of 2021, the situation stabilized and the Group had to recognize a loss of CHF 6.8 million due revaluation results on financial investments at fair value option. These results were partially offset by the creation and release of provisions (reported under "Reserves for general banking risks") below the operating results.

Despite a volatile environment with significant demand from customers, the Group was able to reduce the cost of operating the Group by streamlining and implementing automation, while, at the same time, processing larger volumes. "Operating expenses" decreased by 1.7% to CHF 108.0 million which was driven by lower "Personnel expenses" of 2.6% or CHF 1.9 million.

As the "Operating result" of CHF 69.0 million was 59.2% lower than the results in first semester of 2020 (which was driven by the abovementioned revaluation results on financial investments at fair value option), tax expenses decreased by 59.8% to CHF 25.8 million compared to CHF 61.8 million in the prior year.

As a result of the prudent accounting policy to create and release unrealized revaluation results on financial investments at fair value option, the Group created, in the first semester of 2020 under "Changes in reserves for general banking risks", provisions of CHF 71.0 million, against which in the first semester of 2021 some releases of provisions under "Changes in reserves for general banking risks" of CHF 6.0 million were recognized.

Despite lower operational expenses, but due to the decrease of income levels mentioned above, the "Cost / income ratio" increased to 55.6%, which will remain a point of focus for the remainder of the year.

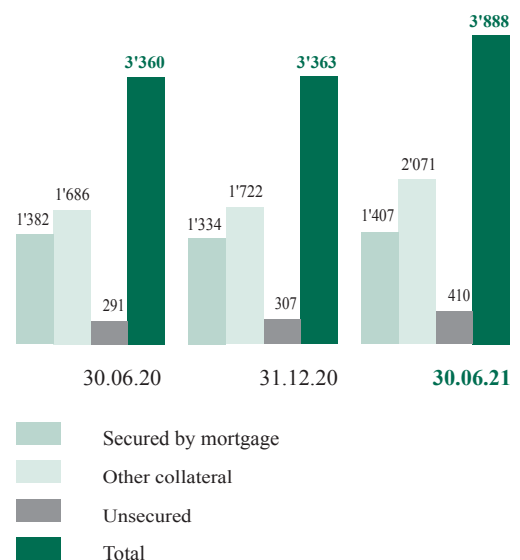
Balance sheet

The balance sheet total increased by CHF 1'600.5 million or 13.7%, which was driven by organic growth in various countries and favorable foreign exchange rate developments against the CHF.

"Liquid assets" decreased by CHF 74.3 million or 5.5%, amounting to CHF 1'283.1 million as of 30 June 2021, which includes a shift of non-interest earning central bank balances into to treasury bills and bond investments.

"Total advances (after netting with value adjustments)" with customers increased by CHF 525.4 million or 15.6% compared to year-end 2020. This also reflects the rebound of the economy and the positive reaction of the Group's customers, mainly in the area of trade finance, in various countries.

Advances customers, in CHF million



"Other financial instruments at fair value" and "Financial investments" increased by CHF 1'085.0 million or 23.7%, to CHF 5'654.9 million.

"Amounts due in respect of customer deposits" increased by CHF 916.0 million or 10.3% year-on-year. The majority of our operating countries were able to increase their customer deposits during the crisis.

Total equity increased to CHF 1'265.7 million, by CHF 72.9 million compared to the end of the prior year. The annualized return on equity for first semester 2021 was 8.4%.

Capital and liquidity

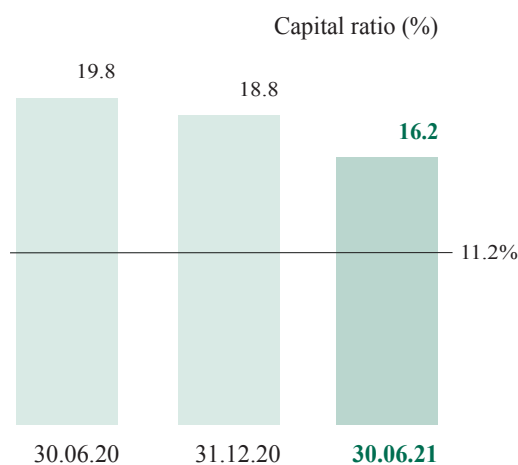
The Group has a strong capital base and an adequate liquidity ratio.

The "Capital ratio" of the Group is 16.2%. The Group is considered as a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of a minimum of 11.2%. The Group's "Capital ratio" is well above the minimum capital requirement.

The "Liquidity coverage ratio" increased to 136.7% at Group level, which was clearly above the regulatory minimum requirement of 100% for the Group.

Outlook

Although actual developments were in line with our expectations for 2021, the global economic sentiment remains sensitive to the pandemic situation and overall geopolitical developments. The Group continues to focus on its four strategic initiatives to: expand Group Wealth Management offerings to its customer base; roll out plans for SIRAT products across footprint markets; further enhance trade finance transactions in untapped countries; and further accelerate efforts to improve infrastructure and provide new services to its customers. The Group is progressing well towards consistent delivery of its financial targets for 2021.



Consolidated interim financial statements of the Group

Balance sheet	15
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Balance sheet (consolidated)
(unaudited)

in CHF 1'000	30.06.21	31.12.20	+/- %
Assets			
Liquid assets	1'283'136	1'357'483	-5.5%
Amounts due from banks	1'798'731	2'021'739	-11.0%
Amounts due from securities financing transactions			
Amounts due from customers	3'572'537	3'055'847	16.9%
Mortgage loans	315'740	307'025	2.8%
Trading portfolio assets	181'206		
Positive replacement values of derivative financial instruments	23'035	29'966	-23.1%
Other financial instruments at fair value	3'440'412	3'006'799	14.4%
Financial investments	2'214'546	1'563'205	41.7%
Accrued income and prepaid expenses	243'072	148'165	64.1%
Non-consolidated participations	77	77	0.2%
Tangible fixed assets	82'937	77'536	7.0%
Intangible assets	32	53	-39.2%
Other assets	126'977	114'010	11.4%
Total assets	13'282'439	11'681'905	13.7%
Total subordinated claims	18'335	5'015	265.6%
- of which subject to conversion and / or debt waiver			
Liabilities			
Amounts due to banks	1'012'168	787'265	28.6%
Liabilities from securities financing transactions	885'688	525'609	68.5%
Amounts due in respect of customer deposits	9'850'015	8'933'038	10.3%
Negative replacement values of derivative financial instruments	21'773	37'905	-42.6%
Accrued expenses and deferred income	204'743	179'482	14.1%
Other liabilities	35'603	18'514	92.3%
Provisions	6'745	7'294	-7.5%
Reserves for general banking risks	471'946	475'019	-0.6%
Bank's capital	150'000	150'000	0.0%
Retained earnings reserves	387'117	337'130	14.8%
Minority interest in equity	205'268	179'399	14.4%
Group profit	51'373	51'252	0.2%
- of which minority interests in group profit	20'291	35'850	-43.4%
Total liabilities	13'282'439	11'681'905	13.7%
Total subordinated liabilities			
- of which subject to conversion and / or debt waiver			

Income statement (consolidated)
(unaudited)

in CHF 1'000	First half 2021	First half 2020	+/- %
Result from interest operations			
Interest and discount income	110'626	160'203	-30.9%
Interest and dividend income from trading portfolios	2'272	3'966	-42.7%
Interest and dividend income from financial investments	163'156	171'640	-4.9%
Interest expense	-132'110	-200'087	-34.0%
Gross result from interest operations	143'943	135'722	6.1%
Changes in value adjustments for default risks and losses from interest operations	-11'011	-10'467	5.2%
Subtotal net result from interest operations	132'932	125'255	6.1%
Result from commission business and services			
Commission income from securities trading and investment activities	3'296	3'042	8.3%
Commission income from lending activities	15'484	11'355	36.4%
Commission income from other services	26'212	22'624	15.9%
Commission expense	-4'035	-3'481	15.9%
Subtotal result from commission business and services	40'957	33'540	22.1%
Result from trading activities and the fair value option	8'341	127'281	-93.4%
Other result from ordinary activities			
Result from the disposal of financial investments	411	-109	-478.8%
Result from real estate	34	182	-81.1%
Other ordinary income			
Other ordinary expenses	-419	-352	19.2%
Subtotal other result from ordinary activities	27	-278	-109.6%
Operating income	182'256	285'798	-36.2%

in CHF 1'000	First half 2021	First half 2020	+/- %
Operating expenses			
Personnel expenses	-71'322	-73'208	-2.6%
General and administrative expenses	-36'646	-36'661	0.0%
Subtotal operating expenses	-107'967	-109'869	-1.7%
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets	-6'299	-6'632	-5.0%
Changes to provisions and other value adjustments and losses	1'002	-259	-487.4%
Operating result	68'992	169'038	-59.2%
Extraordinary income	1'173	281	316.8%
Extraordinary expenses		-25	-100.0%
Changes in reserves for general banking risks	6'026	-70'989	-108.5%
Taxes	-24'818	-61'798	-59.8%
Group profit	51'373	36'508	40.7%
- of which minority interests in group profit	20'291	14'776	37.3%

Notes to the consolidated financial statements

Accounting and valuation principles

General

The Habib Bank AG Zurich Group's interim financial statements have been drawn up in accordance with the accounting rules incorporated into the Swiss Banking Act and its accompanying ordinance, together with FINMA Circular 2020/01 "Accounting - Banks".

These accounts, which are based on the following consolidation and accounting policies, give a true and fair view of the Group's assets, of its financial position and of the results of its operations.

Scope of consolidation

The Group accounts include the interim financial statements of Habib Bank AG Zurich, Zurich and its subsidiaries in which the Bank has a participation of more than 50 percent of the voting capital or which it controls in another way. Refer to note 6 of the Annual Report 2020 for a list of consolidated subsidiaries.

Method of consolidation

The Group's capital consolidation follows the purchase method.

The interest in equity and profit or loss attributable to minority shareholders are disclosed separately. Intra-group assets and liabilities as well as expenses and income from intra-group transactions are eliminated.

Foreign currency translation

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

	30.06.21	31.12.20
1 USD	0.922	0.883
1 GBP	1.276	1.203
100 AED	25.081	24.041
100 PKR	0.586	0.551
100 ZAR	6.450	6.034

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

	30.06.21	30.06.20
1 USD	0.908	0.965
1 GBP	1.257	1.221
100 AED	24.701	26.275
100 PKR	0.580	0.604
100 ZAR	6.230	5.913

Explanations of risk management

Risk management

Within the scope of its operative activity, the Group is subject to financial risks such as market, credit, liquidity and refinancing risks, as well as operational risks. For more detailed risk information, we refer to the risk management information in the 2020 Annual Report.

Events after the balance sheet date

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

Addresses

Head Office and operation

	Habib Bank AG Zurich
	Weinbergstrasse 59, PO Box 225
	8042 Zurich / Switzerland
Telephone:	(+4144) 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:	(+9714) 373 5200
Email:	csd@habibbank.com

Kenya	Habib Bank AG Zurich
	Habib House
	Koinange Street
	P.O. Box 30584, 00100 GPO
	Nairobi / Kenya
Telephone:	(+25420) 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	135 Jan Hofmeyr Road
	P.O. Box 1536, Westville
	Wandsbeck 3631 / South Africa
Telephone:	(+2731) 267 4400
Email:	sazone@hbzbank.co.za

Banking subsidiaries

Habib Metropolitan Bank Ltd.	Habib Metropolitan Bank Ltd.
Pakistan	HBZ Plaza, 4th Floor I.I. Chundrigar Road Karachi-74200 / Pakistan
Telephone:	(+9221) 322 74 879
Email:	hbzreoffice@gmail.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:	(+44207) 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:	(+9221) 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:	(+8621) 6890 2193
Email:	shro@habibbank.com

