Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Annual Report 2021

Table of contents

Group key figures

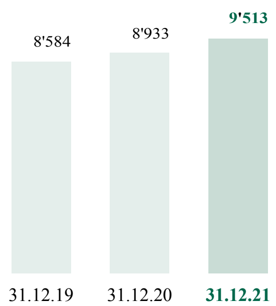
in CHF million

Balance sheet	31.12.19	31.12.20	31.12.21	Change in % to 31.12.20
Total assets	11'163	11'682	12'922	10.6%
Equity	1'196	1'193	1'239	3.9%
Advances customers	3'545	3'363	4'058	20.7%
Customers deposits	8'584	8'933	9'513	6.5%
Income statement	**2019**	**2020**	**2021**	Change in % to 2020
Total income[1]	407.7	415.2	382.6	-7.9%
Operating expenses	-227.0	-215.7	-223.0	3.4%
Operating result	166.3	166.0	135.5	-18.3%
Group profit	91.5	51.3	112.7	119.9%
Key figures and ratios	**31.12.19**	**31.12.20**	**31.12.21**	Change in % to 31.12.20
Number of offices	432	445	494	11.0%
Number of employees	5'698	6'061	6'801	12.2%
Return on equity (ROE) [2]	7.8%	4.3%	9.3%	
Equity ratio	10.7%	10.2%	9.6%	
Cost / income ratio	55.7%	51.9%	58.3%	
Capital ratio	19.7%	18.8%	17.3%	
Liquidity coverage ratio	122.0%	132.4%	162.4%	
Leverage ratio	9.4%	9.6%	8.2%	

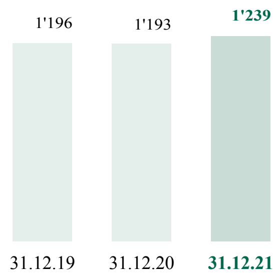
[1] Including "Gross result from interest operations", "Result from comission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

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

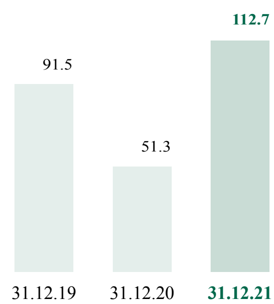
Customers deposits, in CHF million



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 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.
Mathematical rules of "%-change" in the tables in this report: deviations greater than +/-500.0% will be shown as ">500%" or "-500%" .

Roasted cocoa beans traded in Africa

Letter to shareholders

It is with pleasure that we present this 54th Annual Report of Habib Bank AG Zurich, based on the Ordinance on Accounting of the Swiss Financial Market Supervisory Authority (FINMA).

As we close this second year of unprecedented disruption, the Group has proved to be resilient in the face of uncertainty, heightened risks and new vulnerabilities. When many countries introduced lockdowns, the Group ensured clients had full access, at all times, to banking services by providing intuitive, user-friendly and uninterrupted customer support. The availability of capital buffers and ample liquidity were essential for mitigating the impact of the crisis. Moreover, based on our proven business model and the overall global economic recovery, the Group achieved extraordinary growth and invested in critical strategic initiatives in order to enhance product offerings and expertise for our clients.

After six years of service it is with heartfelt thanks that we mark the end of Dr. Stephan Philip Thaler's membership in the Board of Directors and Audit Committee. His asset management know-how, high ethical standards and passion for the IT reporting framework were highly valued by the Board of Directors and the Group. We thank him for this commitment and contribution over the years and wish him all the best for the future.

As the year ends on a positive note, by the grace of God, Habib Bank AG Zurich has delivered outstanding results for 2021 in addition to increasing its reserves for general banking risks. Reflecting on these outstanding results, the Board of Directors has proposed the following appropriations totalling CHF 36'845'695 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	13'395'695

We would like to thank our employees around the world for their tremendous efforts and our clients for their loyalty, trust and their continued 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 2021, headcount totalled 6'801 staff distributed over 494 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 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 Schneebeli	Member		
Ursula Suter	Member		Chairwoman
Dr. Stephan Philipp Thaler*	Member	Member	

* until 31 December 2021

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 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.

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 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

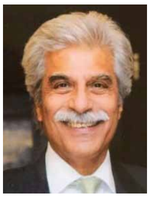
Singaporean, born 1963

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, Internationl 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
Salman Haider	1972	British	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
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

*until 31 December 2021

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

*until 31 December 2021

Group Internal Audit

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

Management report

Economic environment

In 2021, the world economy continued to emerge from the worst of the COVID-19 pandemic and delivered the highest rate of real annual growth in more than forty years. Despite this positive development, progress was uneven across regions and countries as economic activity remained hampered by persistent stresses in supply chains and tight labour markets. The resulting inflationary pressures turned out to be much more pronounced and lasting than expected. From the middle of the year onwards, higher inflation and the resulting expectation of higher interest rates contributed to a more volatile financial market environment. Later in the year, numerous central banks, including the US Federal Reserve, started to reverse their highly accommodative monetary policy. In this context the USD appreciated significantly against most currencies, while strong demand and fears about sustained inflation lifted the prices of most major commodities.

In this environment, economic performance in the Group's core markets varied. Initially Pakistan continued to weather the pandemic remarkably well thanks to a targeted restriction regime and considerable fiscal and monetary support. However, surging imports and prices created new risks, forcing the State Bank of Pakistan to embark on, and later to accelerate, its policy normalisation. External accounts remained under stress but talks with the IMF progressed sufficiently to allow for future disbursements from the IMF and other bi- and multi-lateral sources.

The UAE economy was among the first to roll out COVID-19 vaccines, which permitted an early recovery of the services-driven non-oil economy. With the sharp rise in oil prices from mid-year onwards and the positive effects stemming from the delayed opening of the Expo 2020, the pace of activity picked up substantially.

Hong Kong's recovery firmed up over the course of the year as retail sales surged thanks to the distribution of consumption vouchers to the local population. The restrictive approach to dealing with the pandemic and almost completely closed borders with the mainland capped an otherwise strong rate of expansion.

A highly successful early vaccination campaign allowed the UK to be among the first major economies to reopen. The consequences of Brexit impacted the trade sector and the labour market. The Bank of England responded to rapidly rising price levels with its first rate hike late in the year. After having suffered a precipitous collapse in activity the previous year, the UK's economy delivered real growth of 7.5% in 2021, the highest rate since the Second World War.

Switzerland had applied a far less severe regime to contain the pandemic than most other European countries and, in the summer quarter, surpassed pre-pandemic GDP once again. Despite inflationary pressures, the strong currency and the uncertain outlook for the eurozone prevented the Swiss National Bank from altering its policy stance.

The Bank of Canada became the first major central bank to roll back its pandemic-related asset purchases as the country's economy remained on an uneven but solid recovery path in 2021. In the snap election in September, the Liberal Party failed to win an overall majority but returned its leader for a third-term as prime minister.

South Africa's economy continued to struggle both under the weight of the impact of the pandemic and its many unaddressed structural issues. As inflation risk increased over the course of the year, the Reserve Bank of South Africa announced its first rate hike since late 2018 but signalled only a moderate pace of tightening in view of the fragile economy.

Kenya, the only one of our countries which generated positive economic growth in 2020, continued to deliver strong growth in 2021. The Central Bank of Kenya was able to hold the policy rate unchanged throughout the year due to a slow decline in the fiscal deficit and rising multilateral support.

Banking industry

The banking industry has weathered the pandemic crisis remarkably well in terms of profitability and capital. In particular, it benefited from the positive effects of the massive fiscal support provided by many governments across the globe. As a result, they experienced much lower loan losses than initially feared and were even able to deliver credit to the economy owing to strong sector balance sheets going into the pandemic. Banks were not however able to escape the squeezing of net interest margins as short-term interest rates fell to record lows, with the USD three-month Libor rate bottoming out at less than 0.12% in late 2021.

The changes in business and operational models adopted in response to the outbreak of the pandemic proved in many ways irreversible. Hybrid working arrangements and a more broad-based digitisation of services and client interaction became generally accepted. In turn, banks reduced branch networks and cash machines. At the same time, readily available capital has led to the emergence of new players in the industry challenging incumbents through the innovative use of technology. Decentralised finance-based distributed ledgers ("blockchains") in particular have emerged as a powerful new trend which threatens the traditional banking value chain.

Operational performance and outlook

Income statement

Based on our proven business model and the global economic recovery, the Group delivered a best-ever profit of CHF 112.7 million in 2021 and achieved additional strategic milestones.

The interest results for 2021 were marked by the low interest rate environment and low impairments. The total interest, discount and dividend income decreased by CHF 44.9 million (7.4%) to CHF 563.2 million compared with 2020. "Interest expense" decreased by CHF 40.1 million (12.9%). As a result, the "Gross result from interest operations" declined by CHF 4.7 million (1.6%). By the end of 2021, the total amount of CHF 11.6 million had been provided for "Changes in value adjustments for default risk and losses from the interest operations". The decrease of CHF 4.0 million compared with 2020 was also driven by recoveries in non-performing loans.

"Results from commissions business and services" of CHF 83.1 million increased by CHF 13.9 million (20.1%) compared with the previous year. This excellent performance was mainly related to a higher "Commission income from lending activities" due to increased trade finance volumes and improved "Commission income from other services" driven by accelerated client business activities post-crisis.

In contrast to the previous year, the "Result from trading activities and the fair value option" fell by CHF 39.1 million to CHF 8.5 million. This was mainly driven by significant revaluation losses of CHF 40.4 million on the "Other financial instruments at fair value" (2020: + CHF 53.1 million), which was a result of the interest rate increases during 2021. This loss was partially offset by a revaluation profit of CHF 12.8 million booked on reserves held in foreign branches in foreign currencies and the revaluation against the reporting currency in CHF. Due to the high level of volatility in financial markets, the Group was able maintain the volumes on foreign exchange transaction, which resulted in marginally better result from "Foreign currencies".

in CHF 1'000	2021	2020	+/-%
Interest rate instruments	-40'384	53'055	
Unrealised forex gains/ (losses) on reserves held in foreign currencies	12'839	-41'430	
Foreign currencies	36'008	35'980	0.1%
Commodities/precious metals	-4	3	
Total result from trading activities and the fair value option	**8'460**	**47'608**	**-82.2%**

After 2020, that saw significantly decreased business activity due to the pandemic situation, the "Operating expenses" increased in 2021 by 3.4% to CHF 223.0 million (2020: CHF 215.7 million). "Personnel expenses" increased by CHF 2.7 million (1.9%) driven by additional employees. "General and administrative expenses" increased by 6.3% to CHF 78.6 million (2020: CHF 74.0 million) due to the Group's expanded branch network.

In 2020, under "Changes in reserves for general banking risks", the Group made a provision of CHF 36.4 million related to revaluation gains on "Other financial instruments at fair value". The Group decided again to release CHF 17.6 million of the same under "Changes in reserves for general banking risks" in 2021.

As the "Operating result" (CHF 135.5 million minus the non-taxable "Unrealized forex gains/(losses) on reserves held in foreign currencies" of CHF 12.8 million) of CHF 122.7 million was about 40.8% lower than the 2020 results (CHF 207.4 million), tax expenses decreased by 42.9% to CHF 45.1 million compared with CHF 79.1 million in the previous year.

The "Cost / income ratio" rose in 2021 to 58.3% driven by the above-mentioned substantially lower "Result from trading activities".

Balance sheet

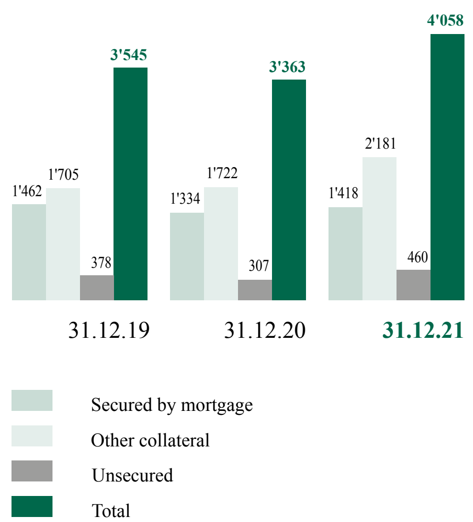
Total assets increased again by CHF 1'239.9 million or 10.6%, driven by organic growth in various subsidiaries.

"Liquid assets" fell by CHF 356.6 million (26.3%), amounting to CHF 1'000.9 million as at 31 December 2021. This decrease was related to shift of central bank balances into local treasury bills in the operating countries.

"Total loans (after netting with value adjustments)" with clients increased by CHF 695.5 million compared with 2020 (see note 2 for further details). More than 78% of this increase was secured or collateralized and related to developments in UAE and Pakistan.

"Other financial instruments at fair value" and "Financial investments" increased by CHF 1'247.9 million or 27.3% to CHF 5'817.9 million. The increase was a result of the overall balance sheet growth across the Group.

Advances customers, in CHF million



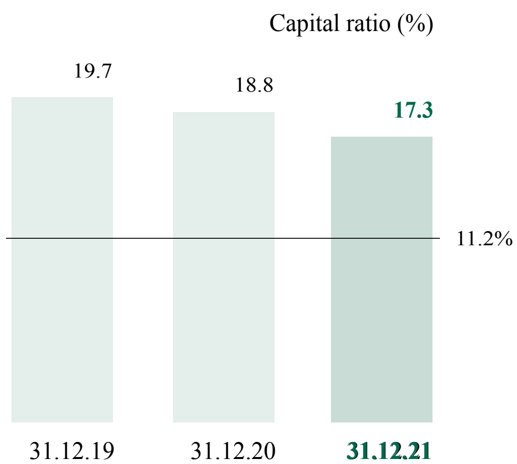
"Amounts due in respect of customer deposits" increased by CHF 580.1 million or 6.5% year on year. The majority of the operating countries increased their client deposits and, in line with the Group's objectives, mostly as "at sight" deposits.

Equity increased by CHF 46.0 million (3.9%) to CHF 1'238.8 million as at 31 December 2021. The return on equity for 2021 rose to 9.3% compared with 4.3% in 2020. The stake of minority interest in equity remained stable at 14.4%.

Capital and liquidity

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

The "Capital ratio" of the Group was 17.3%. 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 a minimum of 11.2%. Due to strong business growth during 2021, the Group's "Capital ratio" decreased from 18.8% to 17.3% but was still 610bps higher than the minimum capital requirement and its capital base is strong. Accordingly, the Group was ranked* in the top range of Swiss banks and well above the average for European financial institutions.



The "Liquidity coverage ratio" increased to 162.4% at Group level, which was well above the minimum requirement of 100% for the Group (for further details, see the capital adequacy and liquidity disclosure requirements as at 31 December 2021 on our homepage (www.habibbank.com/Group Financials)).

Risk assessment

The Board of Directors conducted its risk assessment of all major risks of the Bank and the Group in 2021.

Operations

In the aftermath of the pandemic, operational resilience has risen to the top of management's and the regulator's agendas. The Group focused more heavily on processes and end-to-end resilience in the cyber and information and communications technology security areas, enhancing its ability to manage disruption and improved controls of risks associated with third-party service providers. After a concerted effort over the last two years, the Group received the coveted ISO 27001 certificate for our Information & Technology Risk and Information Technology Group functions in 2021. The Group's data center also obtained PCI DSS (Payment Card Industry Data Security Standard) recertification for the fifth consecutive year, ensuring that our clients receive the highest standards of card data protection.

The Group focused on executing strategic initiatives in 2021.

The Group Wealth Management (GWM) business grew across key drivers, backed by resilient global markets and a risk appetite by HNW / UHNW clients, investing in the business in Zurich, adding key talent and expertise and enhancing the product offering. In addition, the Group embarked on key activities with a 2022 delivery focus, strategic tie-ups with third-party solution providers and launching our first-ever wealth structuring capabilities (estate planning, onshore and offshore trusts, liquidity planning and

* Financial Times, The Banker, July 2021

family governance) for clients booked out of the global booking center in Zurich.

Driven by the recovery in global trade and an enhanced acquisition program, the Group Financial Institutions team was able to acquire new bank customers and increase the total trade volume by 46.6% on a year-on-year basis. The diversification strategy resulted in the Group having increased transactions with other regions as GCC, ASEAN and Africa.

Also, the Group Islamic Banking business under SIRAT brand continued on its growth trajectory within our strategic initiatives. The Group offers Shariah-compliant solutions in Pakistan, United Arab Emirates, South Africa and the United Kingdom. These are key global centers for Islamic Banking with significant growth potential. These developments were acknowledged at the Global Islamic Finance Awards UK, which awarded our SIRAT the prestigious "Best Islamic Banking Window for Global Expansion 2021".

Environment, social and governance (ESG)

Based on an initial analysis of the impact of ESG on the Group and the Group entities, a uniform understanding of ESG was created at the level of General Management and the Board of Directors. General Management and the Board of Directors have also jointly decided to actively address the topic of ESG and, in particular, sustainability / climate change in 2022 and beyond.

Responsibilities for ESG are defined at General Management and Board of Directors level and the Group will introduce a uniform, Group-wide ESG governance going forward. ESG disclosures will be developed along the regulatory timeline.

Outlook

Despite the uncertainties from the global conditions, economic activities across the globe will gradually resume and support growth in 2022. It is premature to estimate the potential impact of the war in Ukraine on the global economy and markets and on our clients' risk appetite. Within the strategic plan, the Group is looking forward to new opportunities and to accelerating the implementation of various initiatives.

2022 will also be an important year to execute the Group Wealth Management strategic plan while keeping an eye on global markets and volatility across asset classes. The business will continue to build on capabilities for clients booked out of Zurich, with a strong focus on client acquisition and growth across key markets and increasing our total client footings, while continuing to invest in talent and technology. Group Financial Institutions will continue to focus on enhancing the Group's trade business by further exploring new markets while maintaining its presence in key territories. A key component of this strategic initiative will be the enhancement of the Habib Bank AG Zurich footprint by setting up new representative offices, as we have already done in Bangladesh and China (Shanghai).

Shariah Governance plays an important role for the SIRAT business and execution. In Pakistan and United Arab Emirates, the respective Shariah Boards were re-constituted in view of the new market dynamics and induction of well-respected Shariah board members of international standing. In Pakistan, the new Shariah Board Chairman is Tan Sri Dr. Mohd Daud Bakar, who is one of the most respected Shariah scholars from Malaysia. The Group plans to build a strong platform of Shariah Governance excellence and central utility product function for the benefit of all footprint markets. The Group has roll-out plans for new SIRAT products that will generate synergies across key business functions, strengthen brand positioning and scale across jurisdictions.

In conclusion, the Group's preferred growth strategy remains organic client and revenue growth while maintaining cost efficiencies. Cost structure and profitability will be improved through standardisation, automation, process optimisation and making continuous adaptations to our business model.

Richlea lentils sourced
from verdant South Asia

Consolidated financial statements of the Group

Balance sheet (consolidated)

in CHF 1'000	Note	**31.12.21**	**31.12.20**	**+/- %**
Assets				
Liquid assets		1'000'918	1'357'483	-26.3%
Amounts due from banks		1'612'176	2'021'739	-20.3%
Amounts due from customers	2	3'745'900	3'055'847	22.6%
Mortgage loans	2	312'478	307'025	1.8%
Positive replacement values of derivative financial instruments	4	33'858	29'966	13.0%
Other financial instruments at fair value	3	3'328'736	3'006'799	10.7%
Financial investments	5	2'489'208	1'563'205	59.2%
Accrued income and prepaid expenses		148'574	148'165	0.3%
Non-consolidated participations	7	77	77	0.5%
Tangible fixed assets	8	85'556	77'536	10.3%
Intangible assets	9	7	53	-86.4%
Other assets	10	164'272	114'010	44.1%
Total assets		**12'921'759**	**11'681'905**	**10.6%**
Total subordinated claims		20'788	5'015	314.5%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		896'967	787'265	13.9%
Liabilities from securities financing transactions	1	1'065'029	525'609	102.6%
Amounts due in respect of customer deposits		9'513'169	8'933'038	6.5%
Negative replacement values of derivative financial instruments	4	17'427	37'905	-54.0%
Accrued expenses and deferred income		158'776	179'482	-11.5%
Other liabilities	10	24'128	18'514	30.3%
Provisions	13	7'458	7'294	2.3%
Reserves for general banking risks	13	472'091	475'019	-0.6%
Bank's capital		150'000	150'000	0.0%
Retained earnings reserves		326'191	337'130	-3.2%
Minority interest in equity		177'832	179'399	-0.9%
Group profit		112'691	51'252	119.9%
- of which minority interests in group profit		41'401	35'850	15.5%
Total liabilities		**12'921'759**	**11'681'905**	**10.6%**
Total subordinated liabilities				
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions *(consolidated)*

in CHF 1'000	Note	**31.12.21**	**31.12.20**	**+/- %**
Off-balance sheet transactions				
Contingent liabilities	2, 20	1'948'537	1'701'880	14.5%
Irrevocable commitments	2	1'068	854	25.1%
Credit commitments	2, 21	203'019	256'204	-20.8%

Income statement (consolidated)

in CHF 1'000	Note	2021	2020	+/- %
Result from interest operations				
Interest and discount income		227'085	259'702	-12.6%
Interest and dividend income from trading portfolios		4'148	5'343	-22.4%
Interest and dividend income from financial investments		331'987	343'028	-3.2%
Interest expense		-269'815	-309'942	-12.9%
Gross result from interest operations		**293'404**	**298'132**	**-1.6%**
Changes in value adjustments for default risks and losses from interest operations		-11'565	-15'570	-25.7%
Subtotal net result from interest operations		**281'839**	**282'562**	**-0.3%**
Result from commission business and services				
Commission income from securities trading and investment activities		6'017	5'781	4.1%
Commission income from lending activities		31'558	24'698	27.8%
Commission income from other services		53'607	46'052	16.4%
Commission expense		-8'032	-7'283	10.3%
Subtotal result from commission business and services		**83'149**	**69'248**	**20.1%**
Result from trading activities and the fair value option	23	**8'460**	**47'608**	**-82.2%**
Other result from ordinary activities				
Result from the disposal of financial investments		1'142	110	>500%
Result from real estate		130	194	-33.1%
Other ordinary income				
Other ordinary expenses		-3'706	-104	>500%
Subtotal other result from ordinary activities		**-2'434**	**200**	
Operating income		**371'014**	**399'619**	**-7.2%**

in CHF 1'000	Note	2021	2020	+/- %
Operating expenses				
Personnel expenses	24	-144'356	-141'673	1.9%
General and administrative expenses	25	-78'646	-74'013	6.3%
Subtotal operating expenses		**-223'002**	**-215'686**	**3.4%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-12'101	-14'933	-19.0%
Changes to provisions and other value adjustments and losses		-377	-3'013	
Operating result		**135'534**	**165'987**	**-18.3%**
Extraordinary income	26	5'145	821	>500%
Extraordinary expenses	26	-415	-97	328.2%
Changes in reserves for general banking risks		17'556	-36'408	
Taxes	28	-45'128	-79'051	-42.9%
Group profit		**112'691**	**51'252**	**119.9%**
- of which minority interests in group profit		41'401	35'850	15.5%

Cash flow statement (consolidated)

	2021		2020	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities				
Group profit	112'691		51'252	
Change in reserves for general banking risks		17'556	36'408	
Value adjustments on participation, depreciation and amortisation on tangible fixed assets and intangible assets	15'101		12'933	
Provisions and other value adjustments	2'269	2'104	3'331	1'820
Changes in value adjustments for default risks and losses	40'484	54'548	34'883	46'363
Currency translation reserves		20'561		61'659
Accrued income and prepaid expenses		409		561
Accrued expenses and deferred income		20'706	25'588	
Previous year's dividend		28'568		29'297
Total	**170'545**	**144'452**	**164'394**	**139'700**
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	488	13'200	7'407	11'610
Other tangible fixed assets	318	7'662	1'374	3'690
Intangible assets			11	
Total	**806**	**20'862**	**8'792**	**15'300**

	2021		2020	
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		17'909	19'596	
Liabilities from securities financing transactions	80'437		6'013	
Amounts due in respect of customer deposits	8'372			32'154
Other liabilities	5'614			15'145
Amounts due from banks	16		8'044	
Amounts due from customers	27'813		20'319	
Mortgage loans		31'860	1'290	43'108
Other financial instruments at fair value				
Financial investments	2'838	642'767	273'492	
Other assets		50'262		29'402
Short-term business				
Amounts due to banks	127'612		207'501	
Liabilities from securities financing transactions	458'982			59'050
Amounts due in respect of customer deposits	571'759		381'411	
Negative replacement values for derivative financial instruments		20'477		13'170
Amounts due from banks	409'155			215'242
Amounts due from securities financing transactions				
Amounts due from customers		714'268	118'830	
Mortgages loans	30'078		97'131	
Trading portfolio assets				
Positive replacement values for derivative financial instruments		3'892		239
Other financial instruments at fair value		321'937		461'072
Financial investments		283'236		365'426
Currency differences	1'330			198
Liquidity	**356'565**		**82'392**	
Liquid assets	356'565		82'392	
Total	**2'251'922**	**2'251'922**	**1'389'205**	**1'389'205**

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 1.1.20	**150'000**	**317'555**	**456'556**	**180'437**	**91'547**	**1'196'095**
Transfer of profits to retained earnings		66'240		25'307	-91'547	
Currency translation differences		-31'665		-29'994		-61'659
Dividends and other distributions		-15'000		-14'297		-29'297
Other allocations to / (transfers from) reserves for general banking risks			18'463	17'945		36'408
Other allocations to / (transfers from) other reserves						
Group profit					51'252	51'252
At 31.12.20	**150'000**	**337'130**	**475'019**	**179'398**	**51'252**	**1'192'799**

Retained earnings reserve includes currency translation reserves of CHF -135.1 million, which decreased during 2020 by CHF 31.7 million.

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.

Berries from the deserts of 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:

	31.12.21	**31.12.20**
1 USD	0.915	0.883
1 GBP	1.235	1.203
100 AED	24.900	24.041
100 PKR	0.520	0.551
100 ZAR	5.750	6.034

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

	31.12.21	**31.12.20**
1 USD	0.912	0.937
1 GBP	1.254	1.209
100 AED	24.832	25.524
100 PKR	0.561	0.581
100 ZAR	6.129	5.790

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 made 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 are 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 are 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, together with the value adjustment against the capital amount, from the respective asset.

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 holding them 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 and 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 proable 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 the 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 to identify, assess and effectively manage 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 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 to:

- 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 35% of the Group's credit exposure is secured by property and only 12% 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 70% of the credit exposure to financial institutions is of investment grade quality and the remaining 30% 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 2021 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 2022 while already complying with the required value adjustments as of end of 2021. Therefore, the concept of providing for latent credit risks is now established and will be perfected during 2022. During 2021, CHF 2.4 million of latent credit risk provisions were added, reaching a total of CHF 58.1 million of ECL coverage, while CHF 25.5 million of specific provisions for actual non-performing loans were released. The Group has also undertaken an extensive external validation of all the existing models and is in the final stages of overhauling all models. Full implementation of these revised models will be undertaken during the first half of 2022.

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.

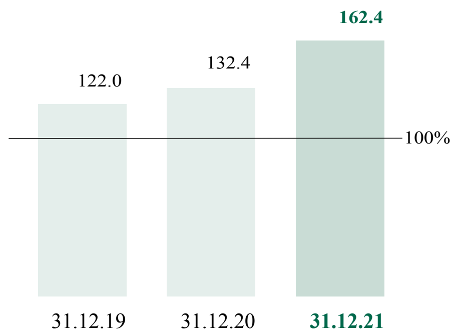
The Group grants advances and loans to clients both on a short-term basis and with tenors generally of up to five years. Funding is primarily obtained through deposits, which are mainly at sight or short-term deposits. Wholesale funding is not significant and deposits are well diversified. No single 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 governmental 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.

In 2021, the Group due to the continued impact of the pandemic, business continuity and operational resilience was well managed with the deployment of remote working capabilities across our network. This allowed the Group to ensure the health & well being of our employees was maintained in addition to providing uninterrupted services to our clients.

An after-effect of the pandemic was the increased focus on digitalizing our activities further. As a result our risk exposure to cyber risk was heightened.

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 to the 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 others, 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 that would adversely affect the financial statements included in this report occurred after the balance sheet date.

Information on the balance sheet *(consolidated)*

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
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*	1'065'029	525'609	102.6%
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	1'065'029	525'609	102.6%
- 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

in CHF 1'000		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		1'159'101	2'266'806	500'878	3'926'785
Mortgage loans		342'142	1'086		343'228
- Residential and commercial property		273'366	1'086		274'451
- Commercial and industrial premises		68'777			68'777
Total loans (before netting with value adjustments)	**31.12.21**	**1'501'243**	**2'267'892**	**500'878**	**4'270'013**
	31.12.20	1'428'563	1'803'310	353'467	3'585'340
Total loans (after netting with value adjustments)	**31.12.21**	**1'417'757**	**2'180'937**	**459'684**	**4'058'377**
	31.12.20	1'334'442	1'721'545	306'885	3'362'872
Off-balance sheet					
Contingent liabilities		93'973	1'653'320	201'244	1'948'537
Irrevocable commitments				1'068	1'068
Credit commitments		18'736	153'257	31'026	203'019
Total off-balance sheet	**31.12.21**	**112'708**	**1'806'576**	**233'339**	**2'152'624**
	31.12.20	116'031	1'610'481	232'426	1'958'938

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	**31.12.21**	**186'002**	**58'931**	**127'071**	**131'220**
	31.12.20	253'139	84'146	168'994	156'368

3 Trading portfolios and other financial instruments at fair value

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
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	3'316'109	2'998'149	10.6%
Structured products			
Other	12'628	8'650	46.0%
Total other financial instruments at fair value	**3'328'736**	**3'006'799**	**10.7%**
Total assets	**3'328'736**	**3'006'799**	**10.7%**
- 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	33'858	17'427	4'746'721
Equity securities / indices			
Credit derivatives			
Total before netting agreements			
Total at 31.12.21	**33'858**	**17'427**	**4'746'721**
- of which determined using a valuation model			
Total at 31.12.20	29'966	37'905	5'317'614
- of which determined using a valuation model			

in CHF 1'000		Positive replacement values (cumulative)	Negative replacement values (cumulative)
After netting agreements			
Total	**at 31.12.21**	**33'858**	**17'427**
	at 31.12.20	29'966	37'905

Breakdown by counterparty

in CHF 1'000		Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)				
Total	**at 31.12.21**		**15'806**	**18'052**
	at 31.12.20		28'217	1'749

The Group has no hedging instruments.

5 Financial investments

in CHF 1'000	Book value 31.12.21	Book value 31.12.20	Fair value 31.12.21	Fair value 31.12.20
Debt securities	**2'440'272**	**1'535'581**	**2'464'310**	**1'567'266**
- of which intended to be held until maturity	1'911'819	1'124'418	1'928'012	1'137'351
- of which not intended to be held until maturity (available for sale)	528'453	411'163	536'298	429'915
Equity securities	**35'051**	**11'453**	**38'115**	**11'468**
- of which qualified participations				
Precious metals	**1'364**	**1'409**	**1'609**	**1'656**
Real estate	**12'522**	**14'761**	**23'644**	**16'422**
Total	**2'489'208**	**1'563'205**	**2'527'677**	**1'596'813**
- of which securities eligible for repo transactions in accordance with liquidity requirements	96'364	107'336		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Unrated
Debt securities							
Book values	**at 31.12.21**	**141'279**	**622'409**	**537'283**	**713'430**	**419'919**	**54'889**
	at 31.12.20	98'977	89'058	334'964	693'348	330'990	15'868

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 1'008'000	5%	100%		x
Habib Metro Modaraba, Karachi, Pakistan	Car financing and Ijarah / rental and Musharakah financing	PKR 300'000	36%	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	107'133	-48'131
Other real estate	26'409	-19'509
Proprietary or separately acquired software	4'317	-3'732
Other tangible fixed assets	43'845	-32'839
Tangible assets acquired under finance leases	44	
- of which bank buildings		
- of which other real estate		
- of which other tangible fixed assets		
Total	**181'747**	**-104'211**

* Including net of foreign currency adjustments

		Reporting year					
	Book value at 31.12.20	Reclassifications	Additions	Disposals	Value adjustments	**Book value at 31.12.21**	**Market value at 31.12.21**
	77					77	
	77					**77**	

		Reporting year					
	Book value at 31.12.20	Reclassifications	Additions	Disposals*	Depreciation	Reversals	**Book value at 31.12.21**
	59'002		8'002	-311	-2'320		64'373
	6'900		5'198	-177	-2'285		9'636
	585		499	1	-491		594
	11'006		7'163	-319	-6'940		10'909
	44						44
	77'536		**20'862**	**-806**	**-12'035**		**85'556**

9 Intangible assets

in CHF 1'000	Cost value	Accumulated amortisations	**Book value at 31.12.20**	Reporting year Additions	Disposals*	Amortisation	**Book value at 31.12.21**
Goodwill							
Patents							
Licenses							
Other intangible assets	229	-176	53			-47	7
Total	**229**	-176	**53**			**-47**	**7**

* Including net of foreign currency adjustments

10 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Deferred income taxes recognised as assets	28'419	29'411		
Others	135'853	84'598	24'128	18'514
Total	**164'272**	**114'010**	**24'128**	**18'514**

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

	Book value		Effective commitments	
in CHF 1'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Amounts due from banks	1'840	2'618	1'693	2'197
Financial investments	9'783	3'142		
Total pledged / assigned assets	**11'624**	**5'760**	**1'693**	**2'197**
Assets under reservation of ownership	67	67	67	67

* Excluding securities financing transactions

12 Liabilities relating to own pension schemes

in CHF 1'000	**31.12.21**	**31.12.20**
Payables to employee benefit plans	70	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 31.12.20**	Use in conformity with designated purpose	Reclassifications
Provisions for deferred taxes			
Provisions for pension benefit obligations			
Provisions for latent credit risks	2'612	-5	-31
Provisions for other business risks	3'319	30	
Provisions for restructuring			
Other provisions	1'362	-4	
Total provisions	**7'293**	**21**	**-31**
Reserves for general banking risks	**475'019**		
Value adjustments for default and latent credit risks	**231'807**	**-28'293**	**31**
- of which value adjustments for default risks in respect of impaired loans / receivables	156'369	-28'248	
- of which value adjustments for default risks in respect of financial investments	2'762		
- of which value adjustments for latent credit risks	72'676	-45	31

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 31.12.21**
	-43		564	-479	2'620
	-78		1'583	-1'391	3'462
	-82		100		1'376
	-203		**2'248**	**-1'871**	**7'458**
14'628				**-17'556**	**472'091**
	-2'813	**5'447**	**35'007**	**-23'442**	**217'743**
	-2'942	5'447	17'787	-17'193	131'220
	90			-2'852	
	39		17'220	-3'397	86'524

14 Amounts due from and due to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Holders of qualified participations			112'284	107'237
Linked companies				
Transactions with members of governing bodies	1'653	1'955	14'960	13'033
Other related parties				
Total	**1'653**	**1'955**	**127'244**	**120'270**

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		1'000'918							1'000'918
Amounts due from banks		356'630	22'285	864'732	356'071	12'458			1'612'176
Amounts due from customers		690'840	105	1'852'153	770'015	293'782	139'005		3'745'900
Mortgage loans		277		4'198	5'413	88'268	214'321		312'478
Positive replacement values of derivative financial instruments		33'858							33'858
Other financial instruments at fair value		3'328'736							3'328'736
Financial investments		71'204		508'045	532'301	1'306'689	58'446	12'522	2'489'208
Total	**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**
	at 31.12.20	5'473'679	47'530	2'647'240	1'701'797	975'452	496'366		11'342'063
Debt capital / financial instruments									
Amounts due to banks		364'363		466'064	64'853	1'687			896'967
Liabilities from securities financing transactions		950'826		15'836	11'916	86'450			1'065'029
Amounts due in respect of customer deposits		5'976'594	533'996	1'851'135	1'021'280	125'179	4'985		9'513'169
Negative replacement values of derivative financial instruments		17'427							17'427
Total	**at 31.12.21**	**7'309'210**	**533'996**	**2'333'036**	**1'098'048**	**213'316**	**4'985**		**11'492'592**
	at 31.12.20	6'215'650	502'672	2'169'347	1'248'745	143'581	3'819		10'283'816

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

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	**31.12.21**		**31.12.20**	
Assets				
Liquid assets	549	1'000'369	321	1'357'162
Amounts due from banks	265'900	1'346'276	352'229	1'669'510
Amounts due from customers	25'438	3'720'462	17'069	3'038'777
Mortgage loans		312'478	204	306'821
Positive replacement values of derivative financial instruments	517	33'341	151	29'815
Other financial instruments at fair value		3'328'736		3'006'799
Financial investments	570'442	1'918'766	343'815	1'219'390
Accrued income and prepaid expenses	7'516	141'058	13'642	134'523
Non-consolidated participations		77		77
Tangible fixed assets	8'595	76'961	9'118	68'418
Intangible assets		7		53
Other assets	534	163'737	711	113'299
Total assets	**879'492**	**12'042'267**	**737'260**	**10'944'644**
Liabilities				
Amounts due to banks	90	896'878	61	787'204
Liabilities from securities financing transactions		1'065'029	15'000	510'609
Amounts due in respect of customer deposits	199'789	9'313'380	214'248	8'718'790
Negative replacement values of derivative financial instruments	893	16'534	1'675	36'229
Accrued expenses and deferred income	6'921	151'855	12'840	166'641
Other liabilities	693	23'435	4'103	14'410
Provisions	107	7'351	104	7'190
Reserves for general banking risks	86'597	385'494	112'523	362'496
Bank's capital	150'000		150'000	
Retained earnings reserves	326'191		337'129	
Minority interest in equity		177'832		179'399
Group profit	5'886	106'805	-38'617	89'870
Total liabilities	**777'166**	**12'144'592**	**809'066**	**10'872'838**

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

	31.12.21		31.12.20	
	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Assets				
Europe	**1'815'897**	**14.1%**	**1'668'662**	**14.3%**
- of which Switzerland	879'492	6.8%	737'260	6.3%
United Kingdom	742'687	5.7%	846'521	7.2%
Others	193'718	1.5%	84'880	0.7%
North America	**333'025**	**2.6%**	**250'361**	**2.1%**
Asia	**9'679'435**	**74.9%**	**8'779'241**	**75.2%**
- of which United Arab Emirates	2'751'995	21.3%	2'660'360	22.8%
Pakistan	6'266'348	48.5%	5'470'786	46.8%
Others	661'091	5.1%	648'096	5.5%
Other countries	**1'093'402**	**8.5%**	**983'641**	**8.4%**
- of which South Africa	461'639	3.6%	407'975	3.5%
Others	631'763	4.9%	575'666	4.9%
Total assets	**12'921'759**	**100.0%**	**11'681'905**	**100.0%**

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

	Net foreign exposures **31.12.21**		Net foreign exposures **31.12.20**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	497'096	4.1%	353'429	3.2%
Aa	4'018'240	33.4%	4'054'006	36.6%
A	37'586	0.3%	50'755	0.5%
Baa	63'887	0.5%	65'408	0.6%
Ba - B	7'235'860	60.2%	6'363'645	57.4%
Caa-C	90	0.0%	1'959	0.0%
Unrated	168'434	1.4%	189'378	1.7%
Total	**12'021'193**	**100.0%**	**11'078'581**	**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	72'015	89'431	111'224	369'992	342'532	15'725	1'000'918
Amounts due from banks	882	718'238	152'697	384'436	64'488	291'434	1'612'176
Amounts due from customers	11'882	486'563	648'365	627'832	1'765'115	206'143	3'745'900
Mortgage loans				168'461	29'289	114'727	312'478
Positive replacement values for derivative financial instruments	517		376		32'333	633	33'858
Other financial instruments at fair value					3'328'736		3'328'736
Financial investments	337'906	935'100	192'123	489'445	141'458	393'176	2'489'208
Accrued income and prepaid expenses	7'932	1'941	11'055	23'812	98'473	5'361	148'574
Non-consolidated participations	77						77
Tangible fixed assets	8'595	108	6'733	16'637	34'579	18'903	85'556
Intangible assets					7		7
Other assets	571	4'627	4'601	11'403	140'220	2'850	164'272
Total assets shown in balance sheet	**440'377**	**2'236'008**	**1'127'174**	**2'092'019**	**5'977'230**	**1'048'952**	**12'921'759**
Delivery entitlements from spot exchange, forward forex and forex options transactions	2'793	1'192'489	126'205	82'745	856'575	112'555	2'373'362
Total assets	**443'170**	**3'428'497**	**1'253'379**	**2'174'763**	**6'833'805**	**1'161'507**	**15'295'121**

in CHF 1'000	CHF	USD	GBP	AED	PKR	Other	Total
Liabilities							
Amounts due to banks	3'413	34'603	1'585	19'419	826'257	11'691	896'967
Liabilities from securities financing transactions		17'512	96'691		950'826		1'065'029
Amounts due in respect of customer deposits	80'086	2'289'737	998'995	1'771'199	3'479'761	893'392	9'513'169
Negative replacement values of derivative financial instruments	893		634	4	15'287	609	17'427
Accrued expenses and deferred income	6'394	1'682	12'750	15'273	115'023	7'654	158'776
Other liabilities	839		1'757	7'678	12'461	1'392	24'127
Provisions		107	1	2'583	4'682	85	7'458
Reserves for general banking risks	109'561	3	394	320'601	19'926	21'605	472'091
Bank's capital	150'000						150'000
Retained earnings reserves	326'191						326'191
Minority interest in equity					146'802	31'030	177'832
Group profit	571	203	5'567	26'601	67'994	11'756	112'691
Total liabilities shown in balance sheet	**677'948**	**2'343'847**	**1'118'374**	**2'163'357**	**5'639'020**	**979'213**	**12'921'759**
Delivery obligations from spot exchange, forward forex and forex options transactions	105'912	1'113'300	34'983	1'655	1'018'104	99'407	2'373'361
Total liabilities	**783'860**	**3'457'147**	**1'153'357**	**2'165'012**	**6'657'123**	**1'078'620**	**15'295'121**
Net position per currency at 31.12.21	**-340'690**	**-28'650**	**100'022**	**9'751**	**176'682**	**82'886**	
at 31.12.20	-329'107	15'531	85'012	25'345	124'054	79'166	

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

20 Breakdown of contingent liabilities and contingent assets

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
Guarantees to secure credits and similar	701'064	611'343	14.7%
Irrevocable commitments arising from documentary letters of credit	1'247'473	1'090'537	14.4%
Total contingent liabilities	**1'948'537**	**1'701'880**	**14.5%**
Contingent assets arising from tax losses carried forward	3'560	4'559	-21.9%
Total contingent assets	**3'560**	**4'559**	**-21.9%**

21 Breakdown of credit commitments

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
Commitments arising from acceptances	171'114	211'157	-19.0%
Other credit commitments	31'905	45'046	-29.2%
Total credit commitments	**203'019**	**256'204**	**-20.8%**

22 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
Fiduciary investments with third-party companies	4'334	6'036	-28.2%
Fiduciary loans	170	723	-76.4%
Total fiduciary transactions	**4'505**	**6'758**	**-33.3%**

Information on the income statement *(consolidated)*

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

in CHF 1'000	2021	2020	+/- %
Result from trading activities from			
Interest rate instruments (incl. funds)	-40'384	53'055	
Unrealised forex gains / (losses) on reserves held in foreign currencies	12'839	-41'430	
Foreign currencies	36'008	35'980	0.1%
Commodities / precious metals	-4	3	
Total result from trading activities	**8'460**	**47'608**	**-82.2%**
- of which from the fair value option on assets	-40'384	53'055	

24 Breakdown of personnel expenses

in CHF 1'000	2021	2020	+/- %
Salaries (meeting attendances fees, fixed compensation, salaries and benefits)	-128'642	-126'583	1.6%
- of which, expenses relating to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-9'509	-9'988	-4.8%
Other personnel expenses	-6'204	-5'102	21.6%
Total personnel expenses	**-144'356**	**-141'673**	**1.9%**

25 Breakdown of general and administrative expenses

in CHF 1'000	2021	2020	+/- %
Office space expenses	-22'173	-20'179	9.9%
Expenses for information and communications technology	-14'318	-13'827	3.6%
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	-6'747	-5'387	25.3%
Fees of audit firm(s)	-2'307	-2'213	4.3%
- of which for financial and regulatory audits	-1'973	-2'159	-8.6%
- of which for other services	-335	-54	>500%
Other operating expenses	-33'101	-32'408	2.1%
Total general and administrative expenses	**-78'646**	**-74'013**	**6.3%**

26 Breakdown of extraordinary income and expenses

in CHF 1'000	2021	2020	+/- %
Extraordinary income			
Release of provisions no longer required		8	-100.0%
Profit on sale of fixed assets	1'633	265	>500%
Recoveries and others	3'512	549	>500%
Total extraordinary income	**5'145**	**821**	**>500%**
Extraordinary expenses			
Other	-415	-97	328.2%
Total extraordinary expenses	**-415**	**-97**	**328.2%**

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	2021		2020	
Net result from interest operations	8'369	273'470	12'872	269'689
Result from commission business and services	7'602	75'547	6'624	62'624
Result from trading activities and the fair value option	13'348	-4'888	-40'827	88'436
Other result from other ordinary activities	30'286	-32'721	30'034	-29'834
Personnel expenses	-24'943	-119'413	-26'061	-115'612
General and administrative expenses	-17'128	-61'519	-16'579	-57'434
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets	-425	-11'676	-2'488	-12'445
Changes to provisions and other value adjustments, and losses	-30	-347	-61	-2'951
Operating result	**17'080**	**118'454**	**-36'486**	**202'473**

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

in CHF 1'000	2021	2020	+/- %
Current tax expenses*	-43'854	-84'027	-47.8%
Deferred tax expenses	-1'273	4'976	-125.6%
Total taxes	**-45'127**	**-79'051**	**-42.9%**
Weighted average tax rate (on Group profit before taxes)	30.3%	31.1%	

* 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 of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Habib Bank AG Zurich, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 20 to 59 of the annual report) for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for Banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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

Eric Küpfer
Licensed Audit Expert

Zurich, 27 April 2022

Financial statements of the Parent Bank

Balance sheet

in CHF 1'000	Note	31.12.21	31.12.20	+/- %
Assets				
Liquid assets		449'705	954'027	-52.9%
Amounts due from banks		1'099'655	1'508'384	-27.1%
Amounts due from customers	2	878'403	642'826	36.6%
Mortgage loans	2	168'827	176'191	-4.2%
Positive replacement values of derivative financial instruments	3	517	157	229.4%
Financial investments	4	1'840'617	995'578	84.9%
Accrued income and prepaid expenses		32'468	37'088	-12.5%
Participations		340'757	325'225	4.8%
Tangible fixed assets		23'683	23'371	1.3%
Other assets	5	16'094	16'045	0.3%
Total assets		**4'850'726**	**4'678'893**	**3.7%**
Total subordinated claims		45'488	29'066	56.5%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		53'191	51'382	3.5%
Liabilities from securities financing transactions	1		15'000	-100.0%
Amounts due in respect of customer deposits		3'781'665	3'626'883	4.3%
Negative replacement values of derivative financial instruments	3	897	1'675	-46.5%
Accrued expenses and deferred income		19'241	20'984	-8.3%
Other liabilities	5	7'870	9'813	-19.8%
Provisions	7	2'691	1'809	48.7%
Reserves for general banking risks	7	453'240	440'942	2.8%
Bank's capital	8	150'000	150'000	0.0%
Statutory retained earnings reserves		84'450	83'150	1.6%
Voluntary retained earnings reserves		260'635	260'620	0.0%
Profit carried forward		335	28'367	-98.8%
Profit		36'511	-11'732	
Total liabilities		**4'850'726**	**4'678'893**	**3.7%**
Total subordinated liabilities				100.0%
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions

in CHF 1'000	Note	31.12.21	31.12.20	+/- %
Off-balance sheet transactions				
Contingent liabilities	2, 13	253'589	238'555	6.3%
Irrevocable commitments	2	1'068	854	25.1%
Credit commitments	2, 14	29'750	45'315	-34.3%

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	31.12.21	31.12.20	+/- %
Profit (result for the period)	36'511	-11'732	
Profit carried forward	335	28'367	-98.8%
Distributable profit	**36'846**	**16'635**	**121.5%**
Appropriation of profit			
- Allocation to statutory retained earnings reserves	-1'450	-1'300	11.5%
- Allocation to voluntary retained earnings reserves			
- Distribution of dividend from distributable profit	-22'000	-15'000	46.7%
Profit carried forward	**13'396**	**335**	**3898.8%**

Income statement

in CHF 1'000	Note	2021	2020	+/- %
Result from interest operations				
Interest and discount income		51'287	66'983	-23.4%
Interest and dividend income from financial investments		33'033	29'673	11.3%
Interest expense		-11'274	-16'866	-33.2%
Gross result from interest operations		**73'045**	**79'790**	**-8.5%**
Changes in value adjustments for default risks and losses from interest operations		3'828	3'025	26.5%
Subtotal net result from interest operations		**76'873**	**82'815**	**-7.2%**
Result from commission business and services				
Commission income from securities trading and investment activities		5'698	5'437	4.8%
Commission income from lending activities		15'210	11'607	31.0%
Commission income from other services		18'630	16'628	12.0%
Commission expense		-3'264	-3'039	7.4%
Subtotal result from commission business and services		**36'273**	**30'633**	**18.4%**
Result from trading activities and the fair value option	16	**24'832**	**-31'768**	
Other result from ordinary activities				
Result from the disposal of financial investments		1'000	110	>500%
Income from participations		17'581	17'281	1.7%
Result from real estate		14	13	7.7%
Other ordinary income		8'989	8'669	3.7%
Other ordinary expenses		-3'706	-104	>500%
Subtotal other result from ordinary activities		**23'878**	**25'969**	**-8.1%**
Operating income		**161'856**	**107'649**	**50.4%**

in CHF 1'000	Note	**2021**	**2020**	**+/- %**
Operating expenses				
Personnel expenses	17	-61'569	-63'061	-2.4%
General and administrative expenses	18	-39'632	-39'923	-0.7%
Subtotal operating expenses		**-101'200**	**-102'984**	**-1.7%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-2'763	-5'174	-46.6%
Changes to provisions and other value adjustments and losses		-767	-1'155	-33.6%
Operating result		**57'126**	**-1'664**	
Extraordinary income	19	3'347	173	>500%
Extraordinary expenses	19		-97	-99.9%
Changes in reserves for general banking risks		-12'297	216	
Taxes	20	-11'665	-10'361	12.6%
Profit		**36'511**	**-11'732**	

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 1.1.20	**150'000**	**81'850**	**441'158**	**260'544**	**43'571**	**977'123**
Transfer of profits to retained earnings		1'300		13'000	-14'300	
Currency translation differences				1'172		1'172
Dividends and other distributions				14'271	-29'271	-15'000
Other allocations to / (transfers from) the reserves for general banking risks			-216			-216
Other allocations to / (transfers from) other reserves						
Profit					-11'732	-11'732
At 31.12.20	**150'000**	**83'150**	**440'942**	**288'987**	**-11'732**	**951'347**

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**

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	**31.12.21**	**31.12.20**	**+/- %**
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*		15'000	-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		15'000	-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		126'290	406'667	411'676	944'633
Mortgage loans		199'374			199'374
- Residential and commercial property		199'374			199'374
- Commercial premises					
Total loans (before netting with value adjustments)	**31.12.21**	**325'664**	**406'667**	**411'676**	**1'144'006**
	31.12.20	343'096	282'368	301'333	926'798
Total loans (after netting with value adjustments)	**31.12.21**	**288'666**	**385'881**	**372'683**	**1'047'230**
	31.12.20	301'163	258'697	259'157	819'017
Off-balance sheet					
Contingent liabilities		7'783	94'443	151'363	253'589
Irrevocable commitments				1'068	1'068
Credit commitments		1'779	8'638	19'334	29'750
Total off-balance sheet	**31.12.21**	**9'562**	**103'081**	**171'765**	**284'408**
	31.12.20	12'402	105'835	166'487	284'724

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	**31.12.21**	**61'974**	**18'412**	**43'562**	**46'617**
	31.12.20	94'769	31'499	63'270	62'850

Golden yellow Barhi dates
harvested from palm trees
in the Middle East

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	517	897	379'371
Equity interests / indices			
Credit derivatives			
Other			
Total before taking into consideration netting agreements			
Total at 31.12.21	**517**	**897**	**379'371**
- of which determined by using a valuation model			
Total at 31.12.20	157	1'675	281'353
- 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 31.12.21**	**517**	**897**
	at 31.12.20	157	1'675

Breakdown by counterparty

in CHF 1'000		Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)				
Total	**at 31.12.21**		**517**	
	at 31.12.20		157	

The Parent Bank has no hedging instruments.

4 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Debt instruments	**1'804'476**	**993'881**	**1'828'471**	**1'024'058**
- of which intended to be held until maturity	1'276'023	582'718	1'292'174	594'143
- of which not intended to be held until maturity (available for sale)	528'453	411'163	536'298	429'915
Equity interests	**34'777**	**288**	**37'841**	**288**
Precious metals	**1'364**	**1'409**	**1'609**	**1'656**
Real estate				
Total	**1'840'617**	**995'578**	**1'867'921**	**1'026'002**
- of which securities allowed for repo transactions in accordance with liquidity requirements	96'364	95'883		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Unrated
Debt securities							
Book values	**at 31.12.21**	**37'624**	**621'787**	**444'244**	**523'618**	**171'273**	**42'072**
	at 31.12.20	51'310	80'030	252'446	437'172	173'691	928

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	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Compensation account				
Deferred income taxes recognised as assets	9'964	12'279		
Others	6'130	3'766	7'870	9'811
Total	**16'094**	**16'045**	**7'870**	**9'811**

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

	Book value		Effective commitments	
in CHF 1'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Amounts due from banks	1'693	2'197	1'693	2'197
Financial investments				
Total pledged / assigned assets	**1'693**	**2'197**	1'693	**2'197**
Assets under reservation of ownership	67	67	67	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 31.12.20**	Use in conformity with designated purpose
Provisions for deferred taxes		
Provisions for pension fund obligations		
Provisions for latent credit risks	1'028	-6
Provisions for other business risks	781	52
Provisions for restructuring		
Other provisions		
Total provisions	**1'809**	**47**
Reserves for general banking risks	**440'942**	
Value adjustments for default and latent credit risks	**115'742**	**-17'482**
- of which value adjustments for default risks in respect of impaired loans / receivables	62'850	-17'482
- of which value adjustments for default risks in respect of financial investments	2'761	
- of which value adjustments for latent credit risks	50'132	

Reclassifications	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.21**
	39		140		1'201
	30		627		1'490
	69		**767**		**2'691**
			12'297		**453'240**
	3'934	**3'832**	**4'169**	**-7'997**	**102'199**
	2'107	3'832	455	-5'145	46'618
	92			-2'852	
	1'735		3'714		55'581

8 Presentation of the Bank's capital

	31.12.21			31.12.20		
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

	31.12.21		31.12.20	
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	31.12.21	31.12.20	+/- %
Reserves for general banking risks	453'240	440'942	2.8%
Bank's capital	150'000	150'000	0.0%
Statutory retained earnings reserve	84'450	83'150	1.6%
Voluntary retained earnings reserve	260'635	260'620	0.0%
Profit carried forward	335	28'367	-98.8%
Profit	36'511	-11'732	
Total equity	**985'171**	**951'347**	**3.6%**

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	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Holders of qualified participations			112'283	107'236
Group companies	64'894	61'008	16'865	5'738
Linked companies				
Transactions with members of governing bodies	1'653	1'955	8'533	8'838
Total	**66'547**	**62'963**	**137'681**	**121'812**

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

	Net foreign exposures **31.12.21**		Net foreign exposures **31.12.20**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	303'437	7.2%	193'669	4.8%
Aa	3'124'373	74.5%	3'097'320	76.0%
A	28'010	0.7%	44'838	1.1%
Baa	54'226	1.3%	48'080	1.2%
Ba - B	642'603	15.3%	635'202	15.6%
Caa-C	90	0.0%	1'959	0.0%
Unrated	38'485	0.9%	53'707	1.3%
Total	**4'191'223**	**100.0%**	**4'074'775**	**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	**31.12.21**	**31.12.20**	**+/- %**
Guarantees to secure credits and similar	92'411	90'297	2.3%
Irrevocable commitments arising from documentary letters of credit	161'178	148'258	8.7%
Total contigent liabilities	**253'589**	**238'555**	**6.3%**

14 Breakdown of credit commitments

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
Commitments arising from acceptances	13'791	13'193	4.5%
Other credit commitments	15'959	32'122	-50.3%
Total credit commitments	**29'750**	**45'315**	**-34.3%**

15 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.21**	**31.12.20**	**+/- %**
Fiduciary investments with third-party companies	4'334	6'036	-28.2%
Fiduciary investments with Group companies and affiliated companies	46'882	48'335	-3.0%
Fiduciary loans	170	723	-76.4%
Total fiduciary transactions	**51'387**	**55'094**	**-6.7%**

Information on the income statement

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

in CHF 1'000	2021	2020	+/- %
Result from trading activities from			
Interest rate instruments (incl. funds)	-4	3	
Unrealised forex gains / (losses) on reserves held in foreign currencies	12'839	-41'430	
Foreign exchange	11'997	9'659	24.2%
Total result from trading activities	**24'832**	**-31'768**	
- of which from the fair value option on assets	-4	3	

17 Breakdown of personnel expenses

in CHF 1'000	2021	2020	+/- %
Salaries and additional allowances	-52'967	-54'322	-2.5%
- of which expenses related to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-5'607	-6'134	-8.6%
Other personnel expenses	-2'995	-2'604	15.0%
Total personnel expenses	**-61'569**	**-63'061**	**-2.4%**

18 Breakdown of general and administrative expenses

in CHF 1'000	2021	2020	+/- %
Office space expenses	-7'278	-7'095	2.6%
Expenses for information technology and telecommunications	-6'685	-7'299	-8.4%
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	-341	-359	-5.0%
Fees of audit firm(s)	-1'360	-1'336	1.8%
- of which for financial and regulatory audits	-1'347	-1'309	2.9%
- of which for other services	-13	-27	-52.7%
Other operating expenses	-23'967	-23'834	0.6%
Total general and administrative expenses	**-39'632**	**-39'923**	**-0.7%**

19 Analysis of extraordinary income and expenses

in CHF 1'000	2021	2020	+/- %
Extraordinary income			
Profit on sale of fixed assets	31	44	-30.1%
Recoveries and others	3'316	129	>500%
Total extraordinary income	**3'347**	**173**	**>500%**
Extraordinary expenses			
Other		-97	-100.0%
Total extraordinary expenses		**-97**	**-100.0%**

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

in CHF 1'000	2021	2020	+/- %
Current tax expenses *	-8'139	-10'834	-24.9%
Deferred tax expenses	-3'525	473	
Total taxes	**-11'665**	**-10'361**	**12.6%**
Weighted average tax rate (on profit before taxes)	22.4%	24.4%	

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


Vibrant arabica beans
cultivated from sun-grown
plantations in Kenya

Report of the statutory auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Habib Bank AG Zurich, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 62 to 80 of the annual report) for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions governing the preparation of financial statements for Banks, the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 give a true and fair view of the financial position and the results of operations in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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

Eric Küpfer
Licensed Audit Expert

Zurich, 27. April 2022

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