



(Incorporated in Switzerland 1967)

# Habib Bank AG Zurich

Interim report 2020

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## Group key figures

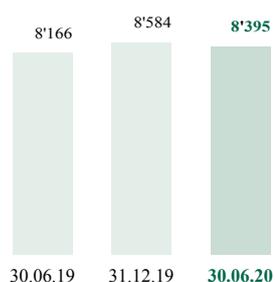
in CHF million

	30.06.19	31.12.19	30.06.20	Change in % to 31.12.19
<b>Balance sheet</b>				
Total assets	10'709	11'163	11'121	-0.4%
Equity	1'128	1'196	1'215	1.5%
Advances customers	3'449	3'545	3'360	-5.2%
Customers deposits	8'166	8'584	8'395	-2.2%
	First half 2019	Second half 2019	First half 2020	Changes in % to First half 2019
<b>Income statement</b>				
Total income <sup>1</sup>	193.2	214.5	296.3	53.4%
Operating expenses	-110.7	-116.3	-109.9	-0.7%
Operating result	73.8	92.5	169.0	129.2%
Group profit	51.3	40.2	36.5	-28.8%
	30.06.19	31.12.19	30.06.20	Change in % to 31.12.19
<b>Key figures and ratios</b>				
Number of offices	391	432	439	1.6%
Number of employees	5'607	5'698	5'945	4.3%
Return on equity (ROE) <sup>2</sup>	9.0%	7.8%	6.1%	
Equity ratio	10.5%	10.7%	10.9%	
Cost / income ratio	57.3%	55.7%	37.1%	
Capital ratio	19.3%	19.7%	18.5%	
Liquidity coverage ratio	123.0%	122.0%	124.5%	
Leverage ratio	9.1%	9.4%	10.3%	

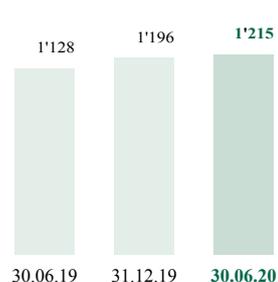
<sup>1</sup> Including "Gross result from interest operations", "Result from commission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

<sup>2</sup> Annualised Group profit as percentage of equity of average at year end

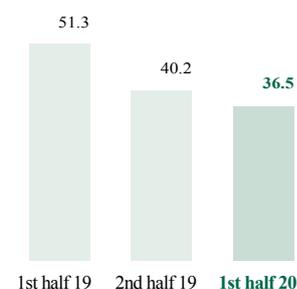
Customers deposits, in CHF million



Equity, in CHF million



Group profit, in CHF million



Purely for ease of reading, the masculine form used in this document is intended to refer to both genders.

This consolidated financial reporting is published in English only.

Due to rounding, the numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## *Letter to shareholders*

The economic impact of the Covid-19 pandemic on our customers has been the main reason for the change in our financial performance during the first half of 2020. The resultant decrease in trade finance activity and transaction volumes contributed to the notable reduction in Group profit compared with the same period last year.

Our bank has always been there for its customers in times of crisis, and we remain committed to supporting them during this unprecedented time. We do so from a position of strength, with robust levels of capital, funding and liquidity. To ensure uninterrupted service, while prioritising the safety of our colleagues and clients we have encouraged the use of our online/mobile banking applications and ensured that our service centres are equipped to address the changing needs of our customers. Governments and regulators across our network have initiated a variety of market-support measures, including interest rate cuts and financial relief packages to support their local economies.

We aim to press forward with our strategic initiatives in the Financial Institutions business, Wealth Management and Islamic Banking offering with the aim of delivering a stronger business that is better equipped to help our customers prosper in the recovery to come.

Dr. Andreas Länzlinger  
Chairman of the Board of Directors

Muhammad H. Habib  
President

Mohamedali R. Habib  
Group CEO

## Corporate Governance

### Corporate governance Principles

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

### Board of Directors

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

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

### Members of the Board of Directors

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



**Dr. Andreas Länzlinger**  
Swiss, born 1959

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

#### Professional history and education

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

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



## Urs W. Seiler

Swiss, born 1949

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

### Professional history and education

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

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



## Roland Müller-Ineichen

Swiss, born 1960

Member of the Board of Directors  
Chairman of the Audit Committee

### Professional history and education

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

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



## Ursula Suter

Swiss, born 1954

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

### Professional history and education

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

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



**Dr. Stephan Philipp Thaler**  
Swiss, born 1962

Member of the Board of Directors  
Member of the Audit Committee

#### Professional history and education

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

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

## Elections and terms of office

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

## Organisational principles and structure

According to the Articles of Association and the Organisational Regulations, the Board of Directors meets as often as business requires, but at least four times per year. At every Board of Directors meeting, the President and the Group CEO provide the Board of Directors with a business update, and each committee chairperson provides the Board of Directors with an update on current activities of his or her committee as well as important committee issues. At least once per year, the Board of Directors reviews its own performance as well as the performance of each of its committees. This review seeks to determine whether the Board of Directors and its committees are functioning effectively. The committees (listed on page 4) assist the Board of Directors in the performance of its duties.

## General Management

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

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

## Members of General Management

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

members of General Management have residency in Switzerland.

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



**Muhammad H. Habib**  
Swiss, born 1959

President

### Professional history and education

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

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



**Mohamedali R. Habib**  
Canadian, born 1964

Group CEO

### Professional history and education

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

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



## Rajat Garg

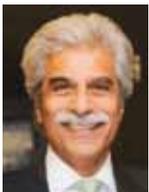
Singaporean, born 1963

Member of General Management and Head of Developed Markets

### Professional history and education

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

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



## Anjum Iqbal

British, born 1952

Member of General Management and Head of Emerging Markets

### Professional history and education

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

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



## Walter Mathis

Swiss, born 1961

Member of General Management and Head of Shared Services

### Professional history and education

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

Walter Mathis has worked in the financial industry for over 35 years and has held management positions in international financial institutions and consultancy firms. Before joining Habib Bank AG Zurich, he worked for 15 years for Synergis Consulting Ltd, a consultancy boutique for the financial industry, which he co-founded. Prior to that, he was a Member of Management and Head of Controlling at Banca del Gottardo in Lugano, where he was employed for six years. From 1988 to 1992 he worked for Peat, International Consultants Ltd (KPMG), where he built up and headed – as Partner – the financial service consultancy in Geneva. Walter Mathis started his professional career with Credit Suisse, working for five years in various positions and locations. He was a member of the Financial Market Regulation and Accounting Commission (from 1996 - 1998 and 2013 - 2015) for the Association of Foreign Banks in Switzerland. Walter Mathis holds a Bachelor of Arts (BA) in economics. In 1987 he graduated from the University of Applied Sciences of Zurich, and is a graduate of the Executive Program from the Swiss Finance Institute of Zurich.

### Management of the branch network

Name	Born	Citizenship	Function	Country
Christian Lerch	1959	Swiss	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
Arif Lakhani	1945	Pakistani	CEO Group Wealth Management
Adnan Fasih	1967	Pakistani	Head of Group Islamic Banking

### Group Service and Control Functions

Name	Born	Citizenship	Function
Rizwan Arain	1969	Pakistani	Head of Group Information & Technology Risk
Umair Chaudhary	1968	British	Group Chief Operating Officer
Felix Gasser	1959	Swiss	Head of Group Risk Control
Dr. Sitwat Husain	1964	Pakistani	Head of Group Human Resources
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	Head of Group Information Technology
Ralph Schneider	1964	Swiss	Head of Group Credit

### Group Internal Audit

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

## Management report

### Economic environment

The outbreak of the Covid-19 pandemic completely altered the trajectory of the global economy during the first half of 2020. Instead of an expected rebound in growth, the world suffered its worst economic shock since World War II. The outcome could have been bleaker still had it not been for the fast, comprehensive and, to some extent, concerted policy responses by major central banks and national governments. Rock-bottom policy interest rates – the US Federal Reserve for example slashed its key interest rate to the zero-bound – and large-scale liquidity measures and asset purchases stabilized financial markets, while a plethora of fiscal measures created the conditions for an economic recovery once lockdown and confinement measures started easing. But following the gradual reopening of the economy, new outbreaks of Covid-19 have already occurred in many countries and, in the absence of a vaccine, this will invariably slow the speed of any recovery.

Economic activity in all of the Group's core markets suffered substantially during the first semester but the economies of South Africa and the United Kingdom are forecast to contract the most in 2020. Both countries have been particularly hard hit by the pandemic. In the UK, the still unresolved Brexit issue further impacted businesses and investment. Among developed market countries, Canada and Switzerland also experienced sharp declines in growth and their recovery will depend on the performance of their main trading partners. In Pakistan, the headline contraction of GDP may turn out to be relatively small for the year as a whole but it will still translate into the first recession since the 1950s. Despite a staggering 625 basis points of interest rate cuts, the country's fiscal and external strictures limited to the government's ability to fight the economic consequences of the pandemic. For the UAE, the spectacular drop in oil prices added to pre-existing economic woes of the real estate sector. Moreover, tourism also suffered from a collapse in international travel and is unlikely to recover fully before 2022. The business climate deteriorated further in Hong Kong where,

in addition to the impact of the pandemic, a new security law challenged the democratic status of the region. Kenya is currently the only presence country expected to generate positive annual growth but at a much lower rate.

### Banking sector

Banking operations globally suffered from the collapse of activity and the dramatically lower interest rates. The ensuing lower volumes and eroded net interest margins impacted the sector's overall financial performance. Additionally, higher expected defaults have already led to higher levels of provisioning. However, higher capital requirements and generally stronger balance sheets suggest that the sector is currently less vulnerable and better prepared than during the 2009 global recession.

The pandemic also accelerated fundamental changes to the business and operational models of many banks. This includes the increased use of information technologies across the entire value chain of customer interaction. Together with the surprisingly fast adoption of remote working arrangements ("home office") the digitization of services is expected to impact the economics of some business activities and investment priorities going forward. While some regulators eased capital requirements in response to the pandemic, the overall trend towards tougher supervisory standards remained unchanged.

### Operational performance and outlook

#### Income statement

The Covid-19 pandemic expanded in the first semester of 2020 to a global crisis and has created high levels of volatility in the global financial and credit markets. This crisis has affected the Group interim financial statements as well.

The Group recognised in the first semester of 2020 a 5.4% lower "Gross result from interest operations" of CHF 135.7 million (previous year: CHF 143.4

million) and 14.6% lower "Result from commission business and services" of CHF 33.5 million (previous year: CHF 39.3 million) due to the dramatically lower interest rates in countries where the Group is active and collapse of business activity of customers in all countries. Moreover, the crisis led to an increase of value adjustments for default risks up to CHF 10.5 million (previous year: CHF 2.4 million) mainly in the second quarter of the year 2020. The impaired "Gross debt amount" for customer loans decreased by 4.3% to CHF 258.9 million at the end of the reporting period.

On the other hand the Group benefited from unrealised profits on investments in debt instruments measured at fair value of CHF 109.5 million (previous year: loss of CHF 11.2 million) included under "Result from trading activities and the fair value option". Against these unrealised profits, the Group provided additional provisions net of tax of CHF 71.0 million within the income statement item "Change in reserve for general banking risks". The Group has not needed to record any other impacts related to impairment of fixed or intangible assets or deferred tax assets. As a result, the Group profit decreased by 28.8% to CHF 36.5 million.

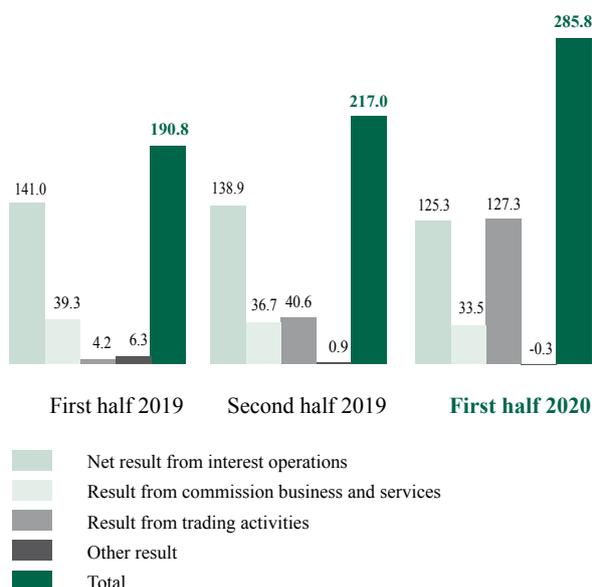
**Balance sheet**

The balance sheet total decreased by CHF 42.0 million or 0.4%, driven by foreign exchange rate devaluation of all currencies in countries where the Group is active against CHF. Without this devaluation of foreign exchange rates, the balance sheet total would have increased by 6.6% compared to year end 2019.

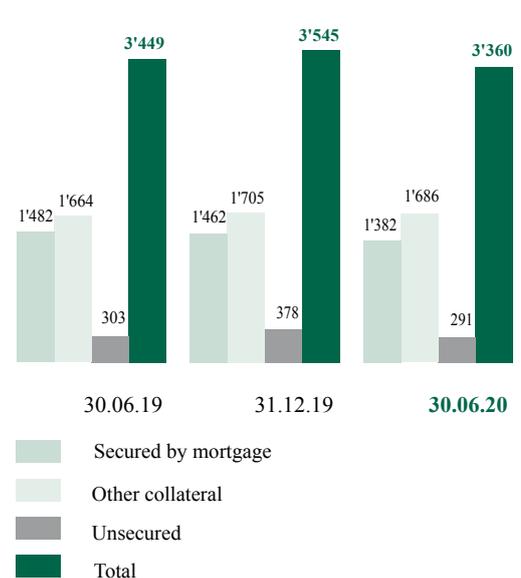
"Total loans (after netting with value adjustments)" with customers decreased by CHF 185.7 million compared with 31.12.2019, while "Other financial instruments at fair value" and "Financial investments" decreased by CHF 62.6 million or 1.6% to CHF 3'953.3 million. The decrease was driven also by the devaluation of foreign exchange rates.

"Amounts due in respect of customer deposits" decreased by CHF 189.0 million or 2.2% compared to year end 2019. Without the foreign exchange impact, the balance would have increased by 4.4%. The Group noted inflows of low cost deposits from customers from all countries during the Covid-19 crisis. A significant portion of the deposits is invested in debt instruments, mainly with sovereign counterparties in countries where the Group is active. During

Operating income, in CHF million



Advances customers, in CHF million



the first semester of 2020, additional "Reserves for general banking risks" of CHF 36.2 million or 7.9% were booked, driven by the above-mentioned creation of additional provisions.

Total equity stood at CHF 1'214.6 million at the end of 30 June 2020 compared with CHF 1'196.1 million at the end of 2019. This is an increase of 1.5%. The annualized return on equity at the end of 30 June 2020 was 6.1%.

### Capital and liquidity

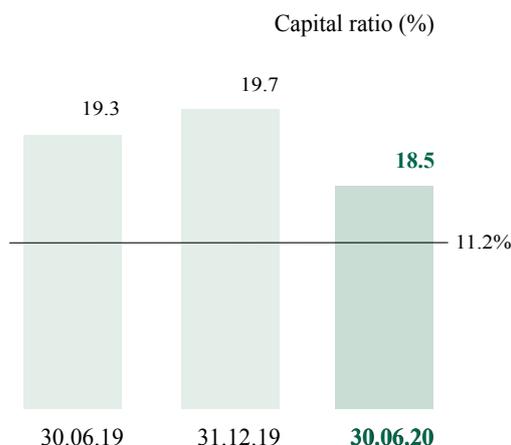
The Group has a strong capital base and an adequate liquidity ratio.

The "Capital ratio" of the Group is 18.5%. The Group is considered as a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of a minimum of 11.2%. The Group's "Capital ratio" is 7.3 basis points greater than the minimum capital requirement and clearly has a strong capital base. Accordingly, the Group was ranked in the top range of Swiss banks, well above the average of other European financial institutions.

The "Liquidity coverage ratio" increased to 124.5% at Group level, which was clearly above the minimum requirement of 100% for the Group.

### Outlook

The Group managed the crisis well and its business demonstrated operational resilience and financial stability. The Group maintained strong capital position with ample liquidity, reflecting the Group's conservative balance sheet policy. But it is too early to conclude on the longer-term consequences of the Covid-19 pandemic. The Group remains committed to press forward with its strategic initiatives whilst supporting customers, employees and stakeholders throughout the crisis.



# Consolidated interim financial statements of the Group

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**Balance sheet (consolidated)**  
(unaudited)

in CHF 1'000	30.06.20	31.12.19	+/- %
<b>Assets</b>			
Liquid assets	1'342'507	1'439'875	-6.8%
Amounts due from banks	2'063'040	1'816'013	13.6%
Amounts due from securities financing transactions			
Amounts due from customers	3'031'434	3'184'384	-4.8%
Mortgage loans	328'308	361'048	-9.1%
Trading portfolio assets	40'856		
Positive replacement values of derivative financial instruments	42'197	29'728	41.9%
Other financial instruments at fair value	2'527'603	2'545'727	-0.7%
Financial investments	1'425'713	1'470'218	-3.0%
Accrued income and prepaid expenses	147'847	147'604	0.2%
Non-consolidated participations	78	77	1.2%
Tangible fixed assets	79'051	83'705	-5.6%
Intangible assets	78	113	-30.4%
Other assets	92'355	84'609	9.2%
<b>Total assets</b>	<b>11'121'068</b>	<b>11'163'100</b>	<b>-0.4%</b>
Total subordinated claims	5'015	5'015	0.0%
- of which subject to conversion and / or debt waiver			
<b>Liabilities</b>			
Amounts due to banks	615'599	560'168	9.9%
Liabilities from securities financing transactions	627'283	578'646	8.4%
Amounts due in respect of customer deposits	8'394'738	8'583'781	-2.2%
Negative replacement values of derivative financial instruments	35'153	51'074	-31.2%
Accrued expenses and deferred income	207'736	153'894	35.0%
Other liabilities	20'887	33'658	-37.9%
Provisions	5'045	5'783	-12.8%
Reserves for general banking risks	494'990	456'556	7.9%
Bank's capital	150'000	150'000	0.0%
Retained earnings reserves	318'322	317'555	0.2%
Minority interest in equity	214'806	180'437	20.3%
Group profit	36'508	91'547	-60.1%
- of which minority interests in group profit	14'776	25'307	-41.6%
<b>Total liabilities</b>	<b>11'121'068</b>	<b>11'163'100</b>	<b>-0.4%</b>
Total subordinated liabilities			
- of which subject to conversion and / or debt waiver			

***Income statement (consolidated)***  
***(unaudited)***

in CHF 1'000	First half 2020	First half 2019	+/- %
<b>Result from interest operations</b>			
Interest and discount income	160'203	178'064	-10.0%
Interest and dividend income from trading portfolios	3'966		
Interest and dividend income from financial investments	171'640	139'261	23.3%
Interest expense	-200'087	-173'911	15.1%
<b>Gross result from interest operations</b>	<b>135'722</b>	<b>143'414</b>	<b>-5.4%</b>
Changes in value adjustments for default risks and losses from interest operations	-10'467	-2'381	339.6%
<b>Subtotal net result from interest operations</b>	<b>125'255</b>	<b>141'033</b>	<b>-11.2%</b>
<b>Result from commission business and services</b>			
Commission income from securities trading and investment activities	3'042	2'289	32.9%
Commission income from lending activities	11'355	13'135	-13.6%
Commission income from other services	22'624	27'216	-16.9%
Commission expense	-3'481	-3'375	3.1%
<b>Subtotal result from commission business and services</b>	<b>33'540</b>	<b>39'265</b>	<b>-14.6%</b>
<b>Result from trading activities and the fair value option</b>	<b>127'281</b>	<b>4'214</b>	
<b>Other result from ordinary activities</b>			
Result from the disposal of financial investments	-109	-1	
Result from real estate	182	300	-39.3%
Other ordinary income		5'994	-100.0%
Other ordinary expenses	-352		
<b>Subtotal other result from ordinary activities</b>	<b>-278</b>	<b>6'293</b>	<b>-104.4%</b>
<b>Operating income</b>	<b>285'798</b>	<b>190'805</b>	<b>49.8%</b>

in CHF 1'000	First half 2020	First half 2019	+/- %
<b>Operating expenses</b>			
Personnel expenses	-73'208	-73'538	-0.4%
General and administrative expenses	-36'661	-37'152	-1.3%
<b>Subtotal operating expenses</b>	<b>-109'869</b>	<b>-110'690</b>	<b>-0.7%</b>
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets	-6'632	-7'166	-7.4%
Changes to provisions and other value adjustments and losses	-259	806	-132.1%
<b>Operating result</b>	<b>169'038</b>	<b>73'755</b>	<b>129.2%</b>
Extraordinary income	281	814	-65.4%
Extraordinary expenses	-25	7	-461.1%
Changes in reserves for general banking risks	-70'989	98	
Taxes	-61'798	-23'420	163.9%
<b>Group profit</b>	<b>36'508</b>	<b>51'254</b>	<b>-28.8%</b>
- of which minority interests in group profit	14'776	11'264	31.2%

## Notes to the consolidated financial statements

### Accounting and valuation principles

#### General

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

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

#### Scope of consolidation

The Group accounts include the interim financial statements of Habib Bank AG Zurich, Zurich and its subsidiaries in which the Bank has a participation of more than 50 percent of the voting capital or which it controls in another way. Refer to note 6 of the Annual Report 2019 for a list of consolidated subsidiaries.

#### Method of consolidation

The Group's capital consolidation follows the purchase method.

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

#### Foreign currency translation

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

	30.06.20	31.12.19
1 USD	0.952	0.968
1 GBP	1.170	1.270
100 AED	25.923	26.349
100 PKR	0.565	0.625
100 ZAR	5.505	6.875

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

	30.06.20	30.06.19
1 USD	0.965	0.996
1 GBP	1.221	1.286
100 AED	26.275	0.271
100 PKR	0.604	0.690
100 ZAR	5.913	6.999

### Explanations of risk management

#### Risk management

Within the scope of its operative activity, the Group is subject to financial risks such as market, credit, liquidity and refinancing risks, as well as operational risks. For more detailed risk information, we refer to the risk management information in the 2019 Annual Report.

#### Events after the balance sheet date

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

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## Subsidiaries

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