



(Incorporated in Switzerland 1967)

# Habib Bank AG Zurich

Interim report 2023

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## Group key figures

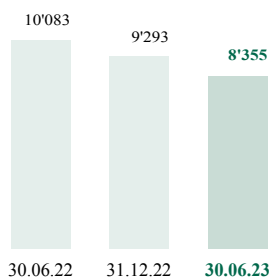
in CHF million

	30.06.22	31.12.22	30.06.23	Change in % to 31.12.22
<b>Balance sheet</b>				
Total assets	13'378	12'565	10'902	-13.2%
Equity	1'208	1'203	1'184	-1.5%
Advances customers	4'295	3'876	3'450	-11.0%
Customers deposits	10'083	9'293	8'355	-10.1%
	First half 2022	Second half 2022	First half 2023	Changes in % to First half 2022
<b>Income statement</b>				
Total income <sup>1</sup>	180.4	255.5	270.0	49.7%
Operating expenses	-120.0	-129.1	-123.7	3.1%
Operating result	46.8	114.9	134.6	187.7%
Group profit	33.1	76.6	85.0	156.9%
	30.06.22	31.12.22	30.06.23	Change in % to 31.12.22
<b>Key figures and ratios</b>				
Number of offices	528	536	557	3.9%
Number of employees	7'024	7'367	7'563	2.7%
Return on equity (ROE) <sup>2</sup>	5.4%	9.0%	14.2%	
Equity ratio	9.0%	9.6%	10.9%	
Cost / income ratio	66.5%	57.1%	45.8%	
Capital ratio	15.6%	17.2%	16.8%	
Liquidity coverage ratio	121%	171%	110%	
Leverage ratio	7.9%	8.4%	9.1%	

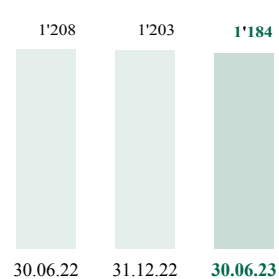
<sup>1</sup> Including "Gross result from interest operations", "Result from commission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

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

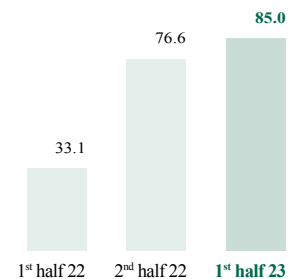
Customers deposits, in CHF million



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.

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

*Letter to shareholders*

Dear shareholders,

The first half of 2023 was characterized by persistent inflation, rapid interest rate rises and slower growth. These comprehensive increases in interest rates considerably impacted the global financial industry, as witnessed by recent industry developments. Even well-capitalized banks were forced to compete for deposits.

In the face of these adverse market conditions and with the grace of God, Habib Bank AG Zurich again delivered superior results. The combination of higher interest margins coupled with our client support were the key performance drivers. Compared to last year, our gross results from interest operations and Group profit increased by 47% and 157%, respectively. Moreover, our operating expenses were in line with 2022 and we held interest operation losses to a minimum.

We are pleased by our achievements in this semester and look forward to updating you in our next annual report on our progress on achieving the goals of our strategy.

We would like to thank all of our staff members and esteemed clients for their loyalty, commitment and significant contribution to the overall success of Habib Bank AG Zurich.

Dr. Andreas Länzlinger  
Chairman of the Board of Directors

Muhammad H. Habib  
President

Mohamedali R. Habib  
Group CEO

## Corporate Governance

### Corporate governance Principles

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

### Board of Directors

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

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

### Members of the Board of Directors

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



Dr. Andreas Länzlinger

Swiss, born 1959

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

#### Professional history and education

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

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



**Urs W. Seiler**

Swiss, born 1949

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

#### Professional history and education

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

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



**Roland Müller-Ineichen**

Swiss, born 1960

Member of the Board of Directors  
Chairman of the Audit Committee

#### Professional history and education

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

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



**Michael Schneebeli**

Swiss, born 1970

Member of the Board of Directors  
Member of the Audit Committee

#### Professional history and education

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

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



Ursula Suter

Swiss, born 1954

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

#### Professional history and education

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

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

## Elections and terms of office

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

## 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.

## 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.

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 UK, Hong Kong and Canada.

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



**Anjum Iqbal** British, born 1952

Member of General Management and Head of Emerging Markets

#### Professional history and education

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

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



**Walter Mathis** Swiss, born 1961

Member of General Management and Head of Shared Services

#### Professional history and education

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

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

### Management of the branch network

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

### Management of the subsidiaries

Name	Born	Citizenship	Function	Country
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Ashley Cameron	1961	South African	Chief Executive Officer	South Africa
Mohsin A. Nathani	1965	Pakistani	Chief Executive Officer	Pakistan
Sachil Dagur	1969	Indian	Chief Executive Officer	Hong Kong SAR
Satyajeet Roy	1967	British	Chief Executive Officer	United Kingdom

### Management of the representative offices

Name	Born	Citizenship	Function	Country
Nazrul Huda	1953	Bangladeshi	Representative Office Manager	Bangladesh
Masud Abid	1961	Chinese	Representative Office Manager	Hong Kong SAR
Syed Hassan Nasim Ahmed	1968	Pakistani	Representative Office Manager	Pakistan
Irene Wu Ying	1973	Chinese	Representative Office Manager	China
Eren Omacan	1978	Turkish	Representative Office Manager	Turkiye

### Group Business Functions

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

### Group Service and Control Functions

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

### Group Internal Audit

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

## Management report

### Economic environment

Global growth slowed during the first half of 2023 as tighter monetary and credit conditions started to impact major economies and eurozone countries suffered a mild recession. The unexpected ending of all pandemic-related restrictions in China in late 2022 triggered a rebound in economic activity during the first quarter but which subsequently lost steam. Many emerging market economies continued to feel the effects of last year's surge in interest rates and commodity prices. Inflation remained at levels inconsistent with the price stability mandate of many central banks and that resulted in further tightening of their policies. The USD weakened as markets started to price in an end to Federal Reserve rate increases.

The economic and political situation deteriorated in Pakistan and a last-minute agreement with the IMF avoided a near-term debt default. The current account deficit narrowed sharply as economic activity slowed and external funding remained weak. An acute dollar shortage continued to hamper many parts of the economy. Persistently high inflation forced the State Bank to lift the policy rate to 22% which stagnated growth. The UAE's diversified economy continued to enjoy robust economic momentum despite a materially lower oil price. Tourism and the real estate sector were particularly strong. The end of all pandemic-related restrictions in China delivered a welcome boost to Hong Kong's economy, allowing it to emerge from last year's recession. High inflation amid a structurally tight labor and housing supply weighed on economic activity in the UK and forced the Bank of England to lift the base rate to its highest level since 2008. Similarly, the Swiss National Bank continued to tighten its policy to anchor inflation over the long term. The Swiss National Bank played a major role in stabilizing the financial system when a bank run forced Swiss authorities to facilitate the takeover of Credit Suisse by local rival UBS. Economic momentum slowed considerably in Canada owing to headwinds from a volatile housing market and tighter monetary conditions. Persistent inflation led the Bank of Canada to

resume its tightening cycle late in the second quarter. South Africa managed to avoid another economic contraction during the first quarter but continues to struggle to revive economic activity, largely due to record load shedding across its deteriorating power infrastructure. The Reserve Bank of South Africa has maintained its restrictive policy despite the fact that inflation may have peaked. Favourable weather conditions supported Kenya's agricultural sector in the first quarter but high inflation compelled the Central Bank of Kenya to tighten its policy to anchor expectations.

### Banking industry

The comprehensive rise in interest rates, which had started in early 2022, significantly impacted the banking industry during the first quarter of 2023, leading to multiple bank runs in the US and the forced takeover of Credit Suisse in Switzerland. While swift and substantial central bank and government actions prevented major contagion, these episodes laid bare major risks in the financial system. Even well capitalized banks were forced to compete for deposits, as investors flocked into money-market investments. This increased funding costs for many banks and dented net interest margins. The financial industry's resilience vindicated some of the regulatory actions introduced over the past decade. The benign market environment supported credit activity, although non-performing loans increased due to higher refinancing costs. Investments continued to focus on digitization across market segments with the aim to enhance performance and profitability as well as improve client experience and retention.

### Operational performance and outlook

#### Income statement

The Group impressively raised its profit from CHF 33.1 million to CHF 85.0 million in the first semester of 2023. This was an increase in "Group Profit" of CHF 51.9 million (+157%) compared to the first half year of 2022.

Due to the continuing general increase in interest rates in the market, the Group could profit from higher interest margins and, together with its stable client base, report a remarkable "Gross result from interest operations" of CHF 235.1 million. This represents an increase of CHF 75.5 million (+47.3%) compared to the prior corresponding period. Due to the strong credit quality of the assets held by the Group, "Changes in value adjustments for default risk and losses from the interest operations" were kept at the same (low) level as the first six months of 2022, namely, around CHF 6.2 million. These charges were primarily related to value adjustments for latent credit risks.

The overall "Result from commission business and services" of CHF 38.0 million decreased by CHF 5.8 million (-13.4%) compared to the previous year. While the "Commission income from securities trading and investment activities" increased by 13%, the commission income from lending activities and other services remained under 2022 levels (i.e. by -12% and -14%, respectively).

The negative "Result from trading activities and the fair value option" of CHF 8.6 million includes revaluation losses on financial investments at fair value option of CHF 15.3 million (compared to last year's revaluation losses of CHF 17.4 million). By contrast, "Other ordinary income" consists of revaluation gains on financial investments (instruments at valuations lower than cost or market value principles) of CHF 6.2 million (compared to last year's revaluation losses of CHF 29.0 million).

Total "Operating expenses" increased only slightly by CHF 3.7 million (+3.1%) to CHF 123.7 due to higher "Personnel expenses" that was caused by an increase in headcount for the reporting period. Overall "General and administrative expenses" are unchanged compared to previous corresponding semester 2022.

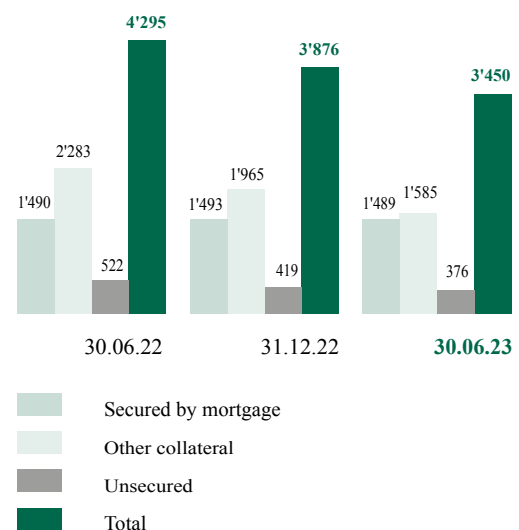
As a result of the above, the "Operating result" increased by CHF 87.8 million (+187.7%) to CHF 134.6 million.

In the first semester 2023, the Group created reserves for general banking risks in the amount of CHF 5.6 million under "Changes in reserves for general banking risks" compared to a release of CHF 10.9 million in the first half of 2022.

### Balance sheet

The total balance sheet decreased by CHF 1'662.3 million (-13.2%) compared to 31 December 2022 mainly from the effects of currency fluctuation. By excluding the impact of foreign currencies, the balance sheet total is in line with the year-end 2022, evidencing only a minor decrease of 1.8%.

Advances customers, in CHF million



Overall "Liquid assets" decreased by CHF 147.6 million (-11.9%), amounting to CHF 1'096.0 million as of 30 June 2023, that was primarily driven by currency fluctuation.

"Total loans (after netting with value adjustments)" decreased to CHF 425.8 million compared to the end of last business year 2022. This reduction was mainly the result of foreign exchange translation - when eliminating currency fluctuation, total loans are very much in line with closing 2022 (+0.4%).

Disregarding currency effects, the total of "Other financial instruments at fair value" and "Financial investments" increased slightly by 4.1%. The decrease of CHF 503.1 million (-9.9%) to CHF 4'565.4 million is due to currency impacts. More than 60% of total investments are invested in local government bonds.

"Amounts due in respect of customer deposits" decreased by CHF 938.5 million (-10.1%) year-on-year. Net of currency effects, there was a small increase of 1.2%.

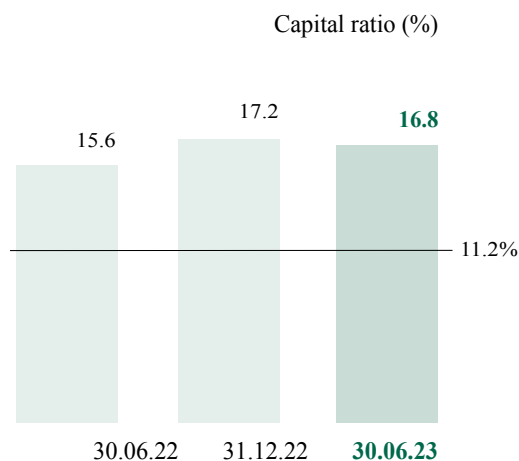
In total, equity decreased to CHF 1'184.0 million by end of June 2023 compared to CHF 1'202.6 million at the end of the previous year.

### Capital and liquidity

The Group has a strong capital base and an adequate liquidity ratio. The "Capital ratio" of the Group is 16.8%. The Group is considered as a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of a minimum of 11.2%. The Group's "Capital ratio" is well above the minimum capital requirement. The "Liquidity coverage ratio" registered at 110% at Group level (compared to December 2022: 135.3%), which was above the minimum requirement of 100% for the Group.

### Outlook

Growth and revenue performance reflecting margin expansion is expected to continue for the remainder of 2023 and the Group expects a full-year income from operations that will be above prior years, primarily driven by higher net interest margins and increasing volumes.



# Consolidated interim financial statements of the Group

Balance sheet	15
Income statement	16
Notes to the consolidated financial statements	18

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

in CHF 1'000	30.06.23	31.12.22	+/- %
<b>Assets</b>			
Liquid assets	1'096'031	1'243'646	-11.9%
Amounts due from banks	1'351'893	1'640'709	-17.6%
Amounts due from securities financing transactions	314	303'226	-99.9%
Amounts due from customers	3'033'928	3'490'031	-13.1%
Mortgage loans	416'526	386'265	7.8%
Positive replacement values of derivative financial instruments	5'691	12'025	-52.7%
Other financial instruments at fair value	1'565'038	2'030'664	-22.9%
Financial investments	3'000'333	3'037'780	-1.2%
Accrued income and prepaid expenses	210'898	186'865	12.9%
Non-consolidated participations	77	77	0.0%
Tangible fixed assets	85'809	89'722	-4.4%
Other assets	135'960	143'780	-5.4%
<b>Total assets</b>	<b>10'902'497</b>	<b>12'564'791</b>	<b>-13.2%</b>
Total subordinated claims	150'614	20'600	>500.0%

<b>Liabilities</b>			
Amounts due to banks	741'619	780'916	-5.0%
Liabilities from securities financing transactions	300'353	976'741	-69.2%
Amounts due in respect of customer deposits	8'354'942	9'293'435	-10.1%
Negative replacement values of derivative financial instruments	8'015	10'678	-24.9%
Accrued expenses and deferred income	238'867	208'395	14.6%
Other liabilities	69'373	85'562	-18.9%
Provisions	5'357	6'458	-17.0%
Reserves for general banking risks	470'794	464'761	1.3%
Bank's capital	150'000	150'000	0.0%
Retained earnings reserves	329'696	322'488	2.2%
Minority interest in equity	148'484	155'629	-4.6%
Group profit	84'997	109'727	-22.5%
- of which minority interests in group profit	19'787	38'818	-49.0%
<b>Total liabilities</b>	<b>10'902'497</b>	<b>12'564'791</b>	<b>-13.2%</b>
Total subordinated liabilities			



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

in CHF 1'000	First half 2023	First half 2022	+/- %
<b>Result from interest operations</b>			
Interest and discount income	229'655	150'213	52.9%
Interest and dividend income from trading portfolios	5'789	1'001	478.5%
Interest and dividend income from financial investments	258'343	210'857	22.5%
Interest expense	-258'706	-202'493	27.8%
<b>Gross result from interest operations</b>	<b>235'081</b>	<b>159'577</b>	<b>47.3%</b>
Changes in value adjustments for default risks and losses from interest operations	-6'227	-6'268	-0.7%
<b>Subtotal net result from interest operations</b>	<b>228'854</b>	<b>153'309</b>	<b>49.3%</b>
<b>Result from commission business and services</b>			
Commission income from securities trading and investment activities	3'036	2'686	13.0%
Commission income from lending activities	14'581	16'600	-12.2%
Commission income from other services	24'749	28'832	-14.2%
Commission expense	-4'462	-4'375	2.0%
<b>Subtotal result from commission business and services</b>	<b>37'903</b>	<b>43'744</b>	<b>-13.4%</b>
<b>Result from trading activities and the fair value option</b>	<b>-8'589</b>	<b>5'728</b>	<b>n/a</b>
<b>Other result from ordinary activities</b>			
Result from the disposal of financial investments	-739	246	n/a
Result from real estate	132	126	4.8%
Other ordinary income	6'224		>500.0%
Other ordinary expenses		-29'028	-100.0%
<b>Subtotal other result from ordinary activities</b>	<b>5'616</b>	<b>-28'656</b>	<b>n/a</b>
<b>Operating income</b>	<b>263'785</b>	<b>174'124</b>	<b>51.5%</b>

in CHF 1'000	First half 2023	First half 2022	+/- %
<b>Operating expenses</b>			
Personnel expenses	-79'338	-76'045	4.3%
General and administrative expenses	-44'352	-43'909	1.0%
<b>Subtotal operating expenses</b>	<b>-123'691</b>	<b>-119'954</b>	<b>3.1%</b>
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets	-5'605	-6'322	-11.3%
Changes to provisions and other value adjustments and losses	152	-1'055	n/a
<b>Operating result</b>	<b>134'641</b>	<b>46'793</b>	<b>187.7%</b>
Extraordinary income	355	448	-20.7%
Extraordinary expenses		-4	-100.0%
Changes in reserves for general banking risks	-5'604	10'861	n/a
Taxes	-44'396	-25'008	77.5%
<b>Group profit</b>	<b>84'997</b>	<b>33'090</b>	<b>156.9%</b>
- of which minority interests in group profit	19'787	17'994	10.0%

## 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 2022 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:

	30.06.23	31.12.22
1 USD	0.900	0.925
1 GBP	1.135	1.113
100 AED	24.478	25.150
100 PKR	0.314	0.410
100 ZAR	4.798	5.440

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

	30.06.23	30.06.22
1 USD	0.915	0.940
1 GBP	1.128	1.217
100 AED	24.900	25.591
100 PKR	0.341	0.507
100 ZAR	5.040	6.041

### 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 Annual Report 2022.

#### 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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