



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Interim report 2022

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Group key figures

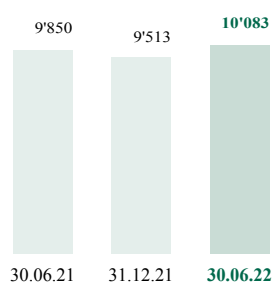
in CHF million

	30.06.21	31.12.21	30.06.22	Change in % to 31.12.21
Balance sheet				
Total assets	13'282	12'922	13'378	3.5%
Equity	1'266	1'239	1'208	-2.5%
Advances customers	3'888	4'058	4'295	5.8%
Customers deposits	9'850	9'513	10'083	6.0%
	First half 2021	Second half 2021	First half 2022	Changes in % to First half 2021
Income statement				
Total income ¹	193.3	189.3	180.4	-6.7%
Operating expenses	-108.0	-115.0	-120.0	11.1%
Operating result	69.0	66.5	46.8	-32.2%
Group profit	51.4	61.3	33.1	-35.6%
	30.06.21	31.12.21	30.06.22	Change in % to 31.12.21
Key figures and ratios				
Number of offices	483	494	528	6.9%
Number of employees	6'606	6'801	7'024	3.3%
Return on equity (ROE) ²	8.4%	9.3%	5.4%	
Equity ratio	9.5%	9.6%	9.0%	
Cost / income ratio	55.6%	58.3%	66.5%	
Capital ratio	16.2%	17.3%	15.6%	
Liquidity coverage ratio	136.7%	162.4%	120.9%	
Leverage ratio	7.9%	8.2%	7.9%	

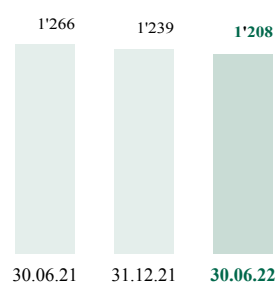
¹ Including "Gross result from interest operations", "Result from commission business and services", "Result from trading activities and the fair value option" and "Other result from ordinary activities"

² Annualised Group profit as percentage of equity of average at year end

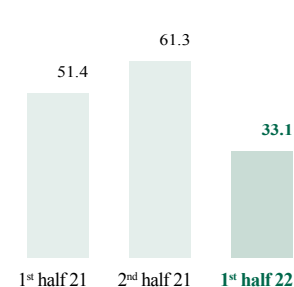
Customers deposits, in CHF million



Equity, in CHF million



Group profit, in CHF million



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

This consolidated financial reporting is published in English only.

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

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

It is with pleasure that we present the Interim report for June 2022 of Habib Bank AG Zurich.

The first half of 2022 was characterized by an increasingly uncertain environment. Commodity prices rose as a result of the Russian Ukraine conflict, pushing existing inflationary pressures higher. Despite the uncertain macroeconomic environment, the Group continues to implement strategic initiatives and to provide effective support to clients.

The Group continues to make progress in building and growing a strong Group Wealth Management business and is placing an even greater focus on diversifying global trade and country risks. In this environment, the Group experienced a positive economic momentum in the first half of 2022, with higher volumes in trade finance and stable revenue streams from core banking activities. In addition, the Group's solid credit history and strong market position allows it to adapt to the changing operating environment and to continue to support the Group's clients as they navigate the current uncertainties.

In this situation and by the grace of God, Habib Bank AG Zurich achieved a strong operating result, but suffered some revaluation losses on financial assets due to increase of interest rates on the bond portfolio. This development resulted in a 35.6% decline in Group profit to CHF 33.1 million, which will also affect the Group's full-year results.

We thank our clients for their loyalty and trust and are grateful to all our employees for their dedicated and tireless commitment and 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 Schneebeili	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 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, internal control framework and corporate governance. His advisory spectrum also includes new financial technologies (blockchain) and digital means of payment (cryptocurrencies). Prior to that, he worked for 10 years as lead auditor for various national and international banks, securities dealers and fund management companies in the audit department of KPMG in Zurich. He joined KPMG in 2007 as Director and became a partner of KPMG Switzerland in 2009. Before joining KPMG, he progressed through various senior audit and executive management roles at Switzerland-based financial institutions and another big six consulting firm. His experience in the financial and banking services industry provides the Board of Directors with valuable strategic, compliance, risk and digital banking business insights and comprehensive corporate governance and accounting expertise. Michael Schneebeli is a Swiss Certified Public Accountant and has been a member of EXPERTsuisse since 2001.



Ursula Suter

Swiss, born 1954

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

Professional history and education

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

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

Elections and terms of office

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

Organisational principles and structure

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

General Management

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

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

Members of General Management

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

members of General Management have residency in Switzerland.

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



Muhammad H. Habib
Swiss, born 1959

President

Professional history and education

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

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



Mohamedali R. Habib
Canadian, born 1964

Group CEO

Professional history and education

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

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



Rajat Garg

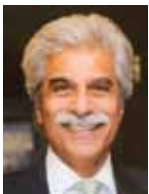
Singaporean, born 1963

Member of General Management and Head of Developed Markets

Professional history and education

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

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



Anjum Iqbal

British, born 1952

Member of General Management and Head of Emerging Markets

Professional history and education

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

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



Walter Mathis

Swiss, born 1961

Member of General Management and Head of Shared Services

Professional history and education

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

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

Management of the branch network

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

Management of the subsidiaries

Name	Born	Citizenship	Function	Country
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Zafar Khan	1952	South African	Chief Executive Officer	South Africa
Mohsin A. Nathani	1965	Pakistani	Chief Executive Officer	Pakistan
Sachil Dagur	1969	Indian	Chief Executive Officer	Hong Kong
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
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
Maurice Witschi*	1986	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

* ad interim

Group Internal Audit

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

Management report

Economic environment

In late February the Russian Ukraine conflict stopped the ongoing, albeit uneven recovery of the global economy from the pandemic in its tracks. Subsequently, surging commodity prices renewed upward pressure on prices forcing central banks in both the developed and emerging world to adopt much more aggressive measures to tackle inflation. Many economies in the Middle East and Africa as well as South Asia proved particularly vulnerable to these new shocks. Meanwhile China maintained very restrictive measures to contain new outbreaks of Covid-19 leading to a material slowdown in activity. Altogether global activity levels slowed creating recession risks in many economies.

Pakistan suffered particularly hard from sky-high commodity prices given the economy's heavy reliance of imported energy and food supplies. In response to surging inflation, the State Bank of Pakistan successively hiked the policy rates to 13.75%. Meanwhile, the political situation continued to deteriorate culminating in a change of government in April. The new government reengaged with the IMF although the review process remained pending and external accounts under serious stress. As a major oil producer the UAE benefitted from sharply higher crude prices and activity strengthened both in the oil and non-oil sectors of the economy. China's restrictive approach to managing the pandemic slowed the incipient recovery in Hong Kong which moreover, due to its currency arrangement, had to contend with tighter monetary conditions as the US Federal Reserve accelerated its policy normalization. Activity also moderated in the UK which was heavily impacted by surging energy prices in the wake of Russia's invasion of Ukraine. In response to persistent inflation pressures the Bank of England lifted the base rate four times during the first half of the year 2022. The Swiss National Bank also lifted its policy rate as its inflation forecast indicated risk to price stability, but still kept it in slightly negative territory. At the same time, the Swiss economy continued to expand at a decent clip thanks to strong domestic demand. Similarly, Canada enjoyed ongoing

strong economic momentum thanks to robust consumer demand and corporate investment. The Bank of Canada joined other central banks in normalizing policy rates and hiked three times during the first half of 2022. In South Africa, robust growth during first quarter was followed by weaker activity in second quarter largely due to large flooding in parts of the country in April. Tighter global financial conditions and rising inflation pressures forced the Reserve Bank of South Africa to lift its policy rate by a cumulative 100bps since the beginning of the year. Tougher global conditions including high commodity prices also forced the Central Bank of Kenya which embarked upon a new rate-hiking cycle in May. Overall activity remained robust despite increased instability ahead of this summer's elections.

Banking industry

Conditions for the banking industry changed substantially as central banks started to accelerate the unwinding of monetary stimulus in response to mounting inflationary pressures. While overall liquidity stayed ample, rising funding costs and reduced risk appetite impacted many business segments. At the same time, net interest margins stabilized and in some cases improved as rates rebounded from their historic lows and credit spreads widened. Hence industry profitability remained robust also thanks to continuing tight cost management. Digitization across product and business lines dominated strategy discussions. At the same time, the crash of crypto assets highlighted the risks of untested technologies for early adopters. The regulatory burden remained considerable but did not materially increase with the exception of the enlarged sanctions regime against individuals and entities in the context of the Russia's war against Ukraine.

Operational performance and outlook

Income statement

Although market conditions have changed significantly compared to last year, the Group reported a strong increase in client activities but did record in

the first semester 2022 a lower "Group Profit" of CHF 18.3 million (-35.6% compared to the first half of 2021), mainly driven by unrealized revaluation losses on marketable securities.

Due to the general increase in interest rates in the market, the Group was not only able to improve its interest margin but, thanks to increased client activities, was also able to improve its "Gross result from interest operations" by CHF 15.6 million (+10.9%) to CHF 159.6 million. Moreover "Changes in value adjustments for default risk and losses from the interest operations" decreased by CHF 4.7 million (-43.1%) to CHF 6.3 million. Due to the strong credit quality of the assets held by the Group, this charge was mainly related to value adjustments for latent credit risk, which is in line with the increase of respective assets.

The "Results from commission business and services" of CHF 43.7 million increased by 6.8% or CHF 2.8 million compared to the previous year mainly due to increased transaction related client business activities. In line with market developments and due to our client's reduced willingness to take risks, these results include a decrease of "Commission income from securities trading and investment activities" of 18.5% to CHF 2.7 million.

The increase in interest rate levels in the first semester 2022 substantially impacted the "Result from trading activities and the fair value option" of CHF 5.7 million, as this item includes revaluation losses on financial investments at fair value option of CHF 17.4 million (compared to last year's revaluation losses of CHF 6.8 million). Also, "Other ordinary expenses" included revaluation losses on financial investments (instruments at valuations lower of cost or market value principles) of CHF 29.0 million (compared to last year's of revaluation losses of CHF 0.4 million).

"Operating expenses" increased by 11.1% to CHF 120.0 million, representing additional costs for the increase in the number of employees since June 2021

and a 19.8% increase in "General and administrative expenses" due to higher-than-expected inflationary cost developments and revitalized travel and marketing activities.

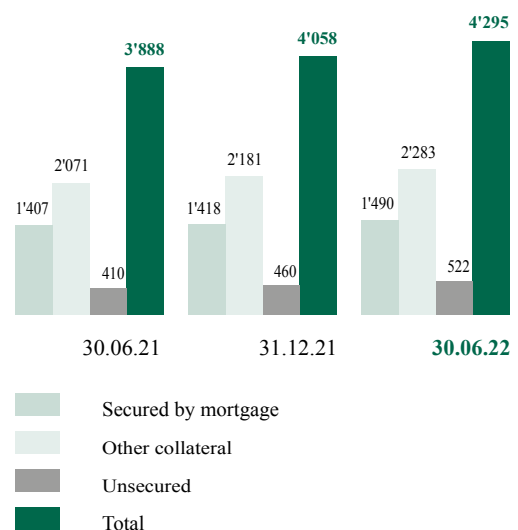
As a result of the above, the "Operating result" decreased by CHF 22.2 million (-32.2%) to CHF 46.8 million. If we exclude the revaluation losses mentioned above, the "Operating result" would have increased by CHF 17.1 million (+22.4%), representing a very solid operational performance.

For midyear 2022, the Group released CHF 10.9 million under "Changes in reserves for general banking risks" (compared to the release of CHF 6.0 million for the first half 2021) in order to partially compensate for the revaluation losses on financial investments at fair value.

Balance sheet

Despite strong currency effects the balance sheet total increased, by CHF 456.0 million or 3.5% compared to the end December 2021, driven by organic growth in the Group.

Advances customers, in CHF million



"Liquid assets" decreased by CHF 88.9 million (-8.9%), amounting to CHF 912.0 million as of 30 June 2022. The increase in interest rates led in general to a shift of liquid assets to interest bearing short term placements with banks within the Groups Treasury management activities.

"Total loans (after netting with value adjustments)" with clients increased by CHF 237.0 million compared to the end of December 2021. This was driven by organic growth in different countries such as the UAE, Pakistan, UK and Canada.

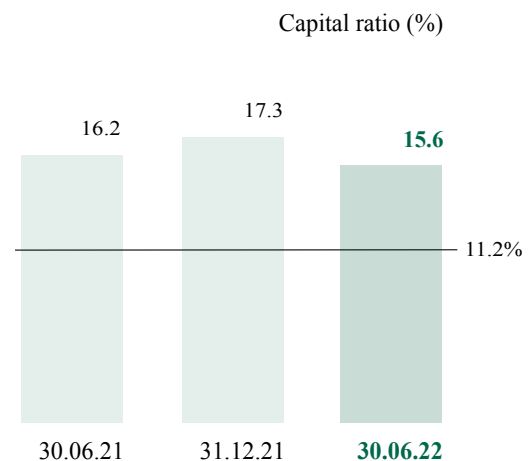
"Other financial instruments at fair value" and "Financial investments" decreased by CHF 246.3 million (-4.2%) to CHF 5'571.6 million. More than 70% of total investments are invested in local government bonds.

"Amounts due in respect of customer deposits" increased by CHF 569.9 million (+6.0%) year-on-year. The majority of the operating countries were able to increase their customer deposits.

Total equity decreased to CHF 1'207.6 million by the end of June 2022 compared with CHF 1'238.8 million at the end of the previous year. In addition to the distribution of dividends in the amount of CHF 28.6 million, the Group booked currency conversion differences of minus CHF 25.1 million driven by the devaluation of the PKR (-10.1%).

Capital and liquidity

The Group has a strong capital base and an adequate liquidity ratio. The "Capital ratio" of the Group is 15.6%. 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.



Outlook

For 2022, we expect full-year income from operations to be above 2021 levels due to higher net interest rate levels and volume driven increases. However, these increases in yields and volumes cannot compensate for the valuation losses on investments and lower income from investment-related fees compared to 2021.

Consolidated interim financial statements of the Group

Balance sheet	15
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Balance sheet (consolidated)
(unaudited)

in CHF 1'000	30.06.22	31.12.21	+/- %
Assets			
Liquid assets	912'043	1'000'918	-8.9%
Amounts due from banks	1'909'845	1'612'176	18.5%
Amounts due from securities financing transactions	205'781		
Amounts due from customers	3'922'205	3'745'900	4.7%
Mortgage loans	373'198	312'478	19.4%
Positive replacement values of derivative financial instruments	55'587	33'858	64.2%
Other financial instruments at fair value	2'757'395	3'328'736	-17.2%
Financial investments	2'814'217	2'489'208	13.1%
Accrued income and prepaid expenses	200'879	148'574	35.2%
Non-consolidated participations	77	77	0.0%
Tangible fixed assets	88'995	85'556	4.0%
Intangible assets		7	-100.0%
Other assets	137'575	164'272	-16.3%
Total assets	13'377'797	12'921'759	3.5%
Total subordinated claims	21'292	20'788	2.4%
- of which subject to conversion and / or debt waiver			
Liabilities			
Amounts due to banks	979'935	896'967	9.2%
Liabilities from securities financing transactions	823'796	1'065'029	-22.7%
Amounts due in respect of customer deposits	10'083'086	9'513'169	6.0%
Negative replacement values of derivative financial instruments	40'330	17'427	131.4%
Accrued expenses and deferred income	221'550	158'776	39.5%
Other liabilities	13'565	24'128	-43.8%
Provisions	7'909	7'458	6.0%
Reserves for general banking risks	466'797	472'091	-1.1%
Bank's capital	150'000	150'000	0.0%
Retained earnings reserves	370'039	326'191	13.3%
Minority interest in equity	187'700	177'832	5.5%
Group profit	33'090	112'691	-70.4%
- of which minority interests in group profit	17'994	41'401	-56.5%
Total liabilities	13'377'797	12'921'759	3.5%
Total subordinated liabilities			
- of which subject to conversion and / or debt waiver			

Income statement (consolidated)
(unaudited)

in CHF 1'000	First half 2022	First half 2021	+/- %
Result from interest operations			
Interest and discount income	150'213	110'626	35.8%
Interest and dividend income from trading portfolios	1'001	2'272	-56.0%
Interest and dividend income from financial investments	210'857	163'156	29.2%
Interest expense	-202'493	-132'110	53.3%
Gross result from interest operations	159'577	143'943	10.9%
Changes in value adjustments for default risks and losses from interest operations	-6'268	-11'011	-43.1%
Subtotal net result from interest operations	153'309	132'932	15.3%
Result from commission business and services			
Commission income from securities trading and investment activities	2'686	3'296	-18.5%
Commission income from lending activities	16'600	15'484	7.2%
Commission income from other services	28'832	26'212	10.0%
Commission expense	-4'375	-4'035	8.4%
Subtotal result from commission business and services	43'744	40'957	6.8%
Result from trading activities and the fair value option	5'728	8'341	-31.3%
Other result from ordinary activities			
Result from the disposal of financial investments	246	411	-40.1%
Result from real estate	126	34	264.5%
Other ordinary expenses	-29'028	-419	> -500%
Subtotal other result from ordinary activities	-28'656	27	
Operating income	174'124	182'256	-4.5%

in CHF 1'000	First half 2022	First half 2021	+/- %
Operating expenses			
Personnel expenses	-76'045	-71'322	6.6%
General and administrative expenses	-43'909	-36'646	19.8%
Subtotal operating expenses	-119'954	-107'967	11.1%
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets	-6'322	-6'299	0.4%
Changes to provisions and other value adjustments and losses	-1'055	1'002	
Operating result	46'793	68'992	-32.2%
Extraordinary income	448	1'173	-61.8%
Extraordinary expenses	-4		
Changes in reserves for general banking risks	10'861	6'026	80.3%
Taxes	-25'008	-24'818	0.8%
Group profit	33'090	51'373	-35.6%
- of which minority interests in group profit	17'994	20'291	-11.3%

Notes to the consolidated financial statements

Accounting and valuation principles

General

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

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

Scope of consolidation

The Group accounts include the interim financial statements of Habib Bank AG Zurich, Zurich and its subsidiaries in which the Bank has a participation of more than 50 percent of the voting capital or which it controls in another way. Refer to note 6 of the Annual Report 2021 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:

	30.06.22	31.12.21
1 USD	0.955	0.915
1 GBP	1.160	1.235
100 AED	25.980	24.900
100 PKR	0.467	0.520
100 ZAR	5.865	5.750

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

	30.06.22	30.06.21
1 USD	0.940	0.908
1 GBP	1.217	1.257
100 AED	25.591	24.701
100 PKR	0.507	0.580
100 ZAR	6.041	6.230

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 2021 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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