Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Annual Report 2023

Table of contents

Group key figures

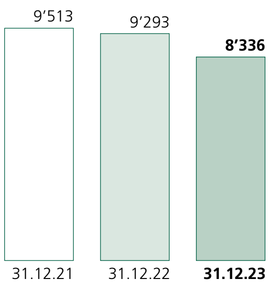
in CHF million	31.12.21	31.12.22	31.12.23	Changes in % to 31.12.22
Balance sheet				
Total assets	12’922	12’565	11’334	–9.8%
Equity	1’239	1’203	1’257	4.5%
Advances customers	4’058	3’876	3’299	–14.9%
Deposits customers	9’513	9’293	8’336	–10.3%

in CHF million	2021	2022	2023	Changes in % to 2022
Income statement				
Total income[1]	382.6	435.9	599.5	37.5%
Operation expenses	–223.0	–249.1	–255.2	2.5%
Operating result	135.5	161.7	330.4	104.3%
Group profit	112.7	109.7	157.3	43.4%

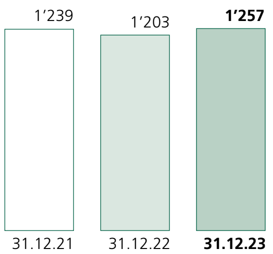
in CHF million	31.12.21	31.12.22	31.12.23	Changes in % to 31.12.22
Key figures and ratios				
Number of offices	494	536	561	4.7%
Number of employees	6’801	7’367	7’629	3.6%
Return on equity (ROE)[2]	9.3%	9.0%	12.8%	
Equity ratio	9.6%	9.6%	11.1%	
Cost / income ratio	58.3%	57.1%	42.6%	
Capital ratio	17.3%	17.2%	19.5%	
Liquidity coverage ratio (yearly weighted)	147.9%	136.8%	127.8%	
Leverage ratio	8.2%	8.4%	9.6%	

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 Group profit as percentage of equity of average at year end

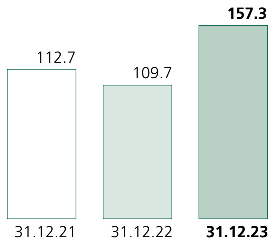
Deposits customers, in CHF million



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%" .

Colourful scarves, in the Grand Bazaar of Istanbul

Letter to shareholders

Dear fellow shareholders,

We operate in a dynamic global environment where conditions rarely stay the same for long.

The start of 2023 was a somewhat tumultuous time for our industry, characterized by rising inflation, high-paced interest rate hikes and slower growth. Numerous US regional banks collapsed when rapid interest rate increases exposed large asset and liability duration mismatches. Coupled with this, we witnessed the remarkable fall from grace of a 167-year-old Swiss institution and pillar of the banking industry. Market volatility, which was already high due to the war in Ukraine, was additionally fueled by the conflict in the Middle East that flared up later in the year.

Notwithstanding this challenging environment, in 2023, we opened a new representative office in Istanbul Türkiye, revised our Group Strategic Plan and delivered exceptional results. Higher interest margins and high-quality assets along with low value adjustments for default risk were our key performance drivers. The strong Swiss franc did, however, impact our operational earnings with relatively low growth and some adverse currency conversion effects. Nevertheless, operating result and Group profit increased by 104.3% and 43.4%, respectively.

We believe that effective disclosure leads to positive change and are therefore very proud to announce the publication of our first ESG Report 2023. Over the past year, significant effort went into creating new processes to systematically collect and report environmental, social and governance (ESG) data on a consolidated basis.

Although the economic and geopolitical challenges are expected to persist for a while longer, we remain optimistic that – with the grace of God – Habib Bank AG Zurich will navigate its business safely through the year ahead.

Based on the extraordinary results of the past year, the Board of Directors has proposed the following appropriations totaling CHF 84’926’667 to be made available for distribution:

– Allocation to statutory retained earnings reserves	CHF	2’850’000
– Distribution of dividend from distributable profit	CHF	36’000’000
– Profit carried forward	CHF	46’076’667

We would like to thank all of our employees for their loyalty and commitment and our esteemed clients for their continuing trust and support.

Dr. Andreas Länzlinger	Muhammad H. Habib	Mohamedali R. Habib
Chairman of the Board of Directors	President	Group CEO

About us

Habib Bank AG Zurich (the "Bank" or "Parent Bank") was incorporated in Switzerland in 1967 and is privately owned. The Habib family has been actively involved in banking for over 80 years. Two family members, Muhammad H. Habib, President, and Mohamedali R. Habib, Group CEO, are members of General Management. Other members of the family are currently working their way up through the management ranks.

The Bank and Group are subject to the consolidated supervision of the Swiss Financial Market Supervisory Authority (FINMA). The Group has a strong capital base and liquidity ratios that are above minimum regulatory standards. The Group also has good rapport with various regulatory bodies and central banks in the countries in which it operates.

The Group places a strong emphasis on personalised service. This is deeply rooted in its core values of trust, integrity, commitment, respect, responsibility and teamwork as well as in its vision and mission statement.

With a head office and an operation in Zurich, we have branch operations in Kenya and the United Arab Emirates, and subsidiaries in Canada, Hong Kong, Pakistan, South Africa, and the United Kingdom. Our operations are supported by our own service companies. Moreover, we have representative offices in Bangladesh, China, Hong Kong SAR, Pakistan, and Türkiye. As at 31 December 2023, headcount totalled 7'629 staff distributed over 561 offices, providing personalised services to our valued clients. The Group is active in commercial banking, retail banking, trade finance, wealth management and Islamic banking.

Vision

To be the most respected financial institution based on trust, service and commitment.

Mission

To be the 'Bank of Choice' for family enterprises across generations.

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 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 shall be composed of five or more members, who are individually elected at the Annual General Meeting. It 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 Commitee	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
Raymond De Barro	Secretary	Secretary	Secretary

Dr. Andreas Länzlinger Swiss, born 1959
Chairman of the Board of Directors
(since 2013)
Member of the Risk & Control Committee
(since 2018)

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. He became a member of the Risk & Control Committee in 2018.

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.

Mandates:
– Partner at Bär & Karrer AG
– Board of Administrators of The Posen Foundation, a Swiss charitable Institution supporting education, science and cultural endeavors on a global basis
– Board of Administrators of The Cartago Foundation, a Swiss charitable institution supporting education, science and cultural endeavors in South America

Urs W. Seiler Swiss, born 1949
Vice-Chairman of the Board of Directors (since 2015)
Member of the Audit Committee (since 2013)
Member of the Risk & Control Committee (since 2013)

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 (since 2018)
Chairman of the Audit Committee (since 2018)

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 Swiss-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.

Mandates:
– Member of the Board of Directors of Altisource, Luxembourg/USA
– Member of the Board of Directors of ONE Swiss Bank, Geneva
– Member of the Board of Directors of SWA Swiss Auditors AG, Pfäffikon SZ

Michael Schneebeli Swiss, born 1970
Member of the Board of Directors (since 2021)
Member of the Audit Committee (since 2022)

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 has been 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 frameworks 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 Swiss-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.

Mandates:
– Vice-Chairman of the Board of Directors and Chairman of the Audit and Risk Committee of Citibank (Switzerland) AG, Zurich
– Member of the Board of Directors and Partner of gw&p AG Financial Services Advisory
– Member of the Board of Directors of gw&p AG Compliance Services

Ursula Suter Swiss, born 1954
Member of the Board of Directors (since 2012)
Chairwoman of the Risk & Control Committee (since 2013)

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 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 at 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 7) 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 four 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
Arif Usmani	Member of General Management and Group Chief Risk Officer

Muhammad H. Habib Swiss, born 1959
President

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

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

Mohamedali R. Habib Canadian, born 1964
Group CEO

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

Mohamedali R. Habib has served at Metropolitan Bank since 1999 and in 2004, was appointed as the Executive Director and served till 2011. Thereafter he continued as non-executive director. Mohamedali R. Habib was appointed as a Director and Chairman of the Board of Habib Bank AG Hong Kong in November 2006. In 2016 he was elected as Chairman of the Board of Directors of Habib Metropolitan Bank Limited, a subsidiary of Habib Bank AG Zurich. Between 2012 and 2016 he has also served as a member of the Board of Directors of HBZ Bank Limited, another subsidiary of Habib Bank AG Zurich based in South Africa. Before joining Habib Bank AG Zurich, in 1996, he worked in the corporate sector for 10 years in various executive roles as well as certain Board of Directors 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 Türkiye (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 Expert Commission Financial Market Regulation and Accounting of the Swiss Bankers Association as a representative (from 1996 – 1998 and 2013 – 2015) of 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.

Arif Usmani Pakistani, born 1957
Member of General Management and
Group Chief Risk Officer

Professional history and education
Arif Usmani became a member of General Management of Habib Bank AG Zurich in August 2023 as Group Chief Risk Officer responsible for the risk management organisation and the risk management framework for all risk classes across the Group. He joined Habib Bank AG Zurich in November 2022.

Arif Usmani has over 40 years of working experiences across several geographies and markets inclusive of but not limited to Pakistan, Saudi Arabia, Singapore, Hong Kong, Slovakia, Middle East and Africa, in various banking disciplines. Before joining Habib Bank AG Zurich, Arif Usmani served as president and CEO of the National Bank of Pakistan (Pakistan's second largeest commercial bank) from 2019 to 2022. Prior to that and as from 2017, Arif held the position of Chief Risk officer at Mashreq Bank in Dubai, UAE and Group Head of Wholesale Banking at Abu Dhabi Islamic Bank in Abu Dhabi, UAE from 2012 to 2017. Between 1981 and 2012, he worked for Citi and Citi's affiliate, the Saudi American Bank, in Saudi Arabia (later Samba Financial Group) where his last position was Chief Risk Officer and member of the Executive Committee. At Citi, he held various corporate banking and credit risk management roles and was CEO of the group's businesses in Slovakia, Pakistan and Nigeria. From Nigeria, he was also responsible for Citi's franchises in the West African region. Arif Usmani holds a BSc (Hons) degree in Theoretical Physics from Imperial College London and is Associate of the Royal College of Science.

Management of Asian Markets

Name	Born	Citizenship	Function
Mohsin A. Nathani	1965	Pakistani	Regional Chief Executive Officer

Management of the Branch Network

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

Management of the Subsidiaries

Name	Born	Citizenship	Function	Country
Ashley Cameron	1961	South African	Chief Executive Officer	South Africa
Sachil Dagur	1969	Indian	Chief Executive Officer	Hong Kong SAR
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Satyajeet Roy	1967	British	Chief Executive Officer	United Kingdom
Khurram Shahzad Khan	1962	Pakistani	Chief Executive Officer	Pakistan

Management of the Representative Offices

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

Group Business Functions

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

Group Service and Control Functions

Name	Born	Citizenship	Function
Sheeza Ahmed	1988	Pakistani	Head of Group Marketing & Communication
Rizwan Arain	1969	Pakistani	Head of Group Information & Technology Risk
Umair Chaudhary	1968	British	Group Chief Operating Officer
Laurens de Nooyer	1982	Dutch	Head of Group Credit
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
Jonathan Seal	1972	British	Head of Group Governance & Communication

Group Internal Audit

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

Management report

Economic environment

Global growth slowed in the course of 2023, as the post-pandemic reopening effects faded out and higher interest rates started to show their effect. The US economy demonstrated remarkable resilience for most of the year, due to strong consumer demand, whereas Europe struggled to recover from the shocks it had suffered in the previous year. Economic growth in China picked up again after corona restrictions were lifted. However, the rebound fell short of expectations, largely due to the persistent property market crisis and its negative effect on consumer confidence. Many emerging market economies faced similar difficulties, due to higher interest rates, weaker global trade and ongoing severe geopolitical tensions. Meanwhile, inflation pressures eased up further in many economies, allowing most major central banks, including the US Federal Reserve, to end their tightening cycles in the second half of the year. In turn, the USD weakened further from its multi-decade high in 2022. Amid slowing growth and well-supplied markets, commodity prices trended lower.

The impact of these global economic developments on the Group's core markets varied greatly. Pakistan, where we have our largest franchise, faced a number of challenges – and has overcome many of them. Most importantly, it averted the risk of a near-term sovereign default by reaching an agreement with the IMF to extend the existing facility. Moreover, the country's government established a government-to-government framework to attract additional investments from member states of the Gulf Cooperation Council. Lower economic activity as well as restrictions on some imports greatly improved the current account easing external funding concerns. Nevertheless, the acute USD shortage obstructed many parts of the economy and contributed to the drop in value of the Pakistani rupee by almost 25%. Against the global trend, the headline inflation rate approached 30% at the end of the year forcing the State Bank to lift the policy rate to 22% – a multi-year high, which further dampened growth.

The United Arab Emirates economy performed remarkably well in the challenging macro-economic environment, despite the expected slowdown from the stellar performance a year earlier. While oil sector growth was largely flat, the non-oil sector boosted activity, mainly thanks to robust private consumption growth and tourism with international arrivals returning to pre-pandemic levels. The government's strategy to diversify the economy away from fossil fuels continued to bear fruit as were efforts to meet the net-zero carbon emission target highlighted during the COP 28 climate summit hosted by the United Arab Emirates.

Hong Kong returned to economic growth in 2023 after the contraction in the previous year. However, tepid growth in Mainland China and a subdued local property market limited the pace of expansion quite noticeably.

Growth was anemic in the United Kingdom as the economy fell into a recession late in the year. With the continued decline in inflation, the Bank of England was able to end its tightening campaign having raised the base rate to the highest level since 2008.

The Swiss National Bank also called an end to its tightening policy, as not only inflation eased but the high rates also started to curb growth. 2023 will go down in Swiss economic history as the year when one of the country's venerable financial institutions and pillar of the banking industry fell from grace. A major fallout was prevented with a state-backed emergency takeover by a local competitor.

In Canada, growth slowed materially as tighter monetary conditions cooled consumption and demand in the housing market. In fact, the Bank of Canada had to lift the policy twice more to rein in persistent inflationary pressures which acted as another break on activity.

Economic growth in South Africa came to a grinding halt and even slipped into negative territory during the third quarter. A decrease in load shedding by the state power utility company helped stabilise output late in the year. As inflation peaked and the South African rand stopped depreciating, the Reserve Bank kept interest rates stable in the second half of the year, maintaining, however, an overall restrictive stance.

Kenya's economy delivered solid economic growth once more in 2023 on the back of a rebound in agricultural output and a resilient services sector. Nonetheless, inflation remained uncomfortably high amid continued currency depreciation forcing the central bank to raise interest rates to the highest level since 2016.

Banking industry

In 2023, money market rates for almost all major currencies reached the highest level in decades, supporting net interest margins and revenues across the industry. In fact, over the past two years, banks globally posted the best profits and return on equities in a decade. At the same time, the sharp rise in interest rates also caused major disruptions within the industry. Several banks in the US went out of business due to asset-liability management issues. However, swift central bank and government actions helped contain the overall impact of these events on the wider economy. The industry's resilience during this period of acute stress justified the regulatory changes introduced following the global financial crisis of 2008 and highlighted the tighter risk management across the sector overall. Consequently, banks were also able to absorb a deterioration in the property sector where commercial real estate came under pressure due to higher refinancing costs and structurally lower demand. Banks continued to face increasingly stringent regulations – including the prospects for further increased capital requirements under Basel III which might restrict capital deployment and risk appetite. Technological disruption was another major ongoing challenge, including the growing use of artificial intelligence-enabled processes and solutions. While such innovation has the potential for substantial cost savings and productivity gains, it also helps new players enter the market, competing with a capital-light business model against the industry's more traditional incumbents.

Operational performance and outlook

Income statement

2023 was marked by continued global uncertainties, rising inflation, high-paced interest rate hikes and slower growth. The Swiss franc again proved very strong against most major currencies. despite these adverse conditions, the Group reported exceptional financial results for the year.

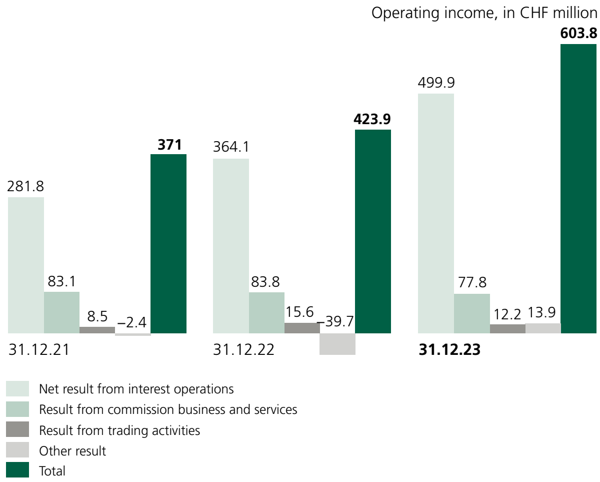
The interest income for 2023 was fueled by sharply rising interest rates with a strong balance sheet development in local currencies. Total interest, discount and dividend income increased by CHF 169.8 million (20.0%) to CHF 1'019.8 million compared to 2022, while "Interest expense" increased by CHF 50.4 million (10.6%). As a result, "Gross result from interest operations" increased by CHF 119.4 million (31.7%).

Overall, in 2023 the "Results from commissions business and services" decreased by CHF 6.0 million to CHF 77.8 million. While the "Commission income from securities trading and investment activities" increased by CHF 0.8 million (15.1%), the "Commission from lending activities" and "Commission income from other services" decreased by CHF 1.5 million and CHF 5.4 million, respectively.

"Result from trading activities and the fair value option" decreased by CHF 3.4 million to CHF 12.2 million. In 2023, the Group recorded a revaluation gain of CHF 17.3 million on "Other financial instruments at fair value" (2022: –CHF 28.3 million). Due to the high financial market volatility, the volume of the Group's foreign exchange transactions grew and the Group's "foreign currencies" result amounted to CHF 31.8 million (2022: CHF 41.9 million).

In 2023, total "Operating expenses" increased only slightly by CHF 6.1 million (2.5%) to CHF 255.2 million (2022: CHF 249.1 million), whereof CHF 3.7 million resulted from an increase in resources to support higher operational volumes, increased frontline and technology resources to help the Group's clients, and the continued investment in the delivery on the Group's strategic priorities. "General and administrative expenses" increased by CHF 2.4 million, partly due to the Group's expanded network with a new representative office in Türkiye.

The Group reports an "Operating result" of CHF 330.4 million (2022: CHF 161.7 million), which is a year-on-year increase of 104.3% or more than double the prior year's result. Accordingly, tax expenses increased by 94.2% to CHF 131.0 million compared to CHF 67.4 million in the previous year.

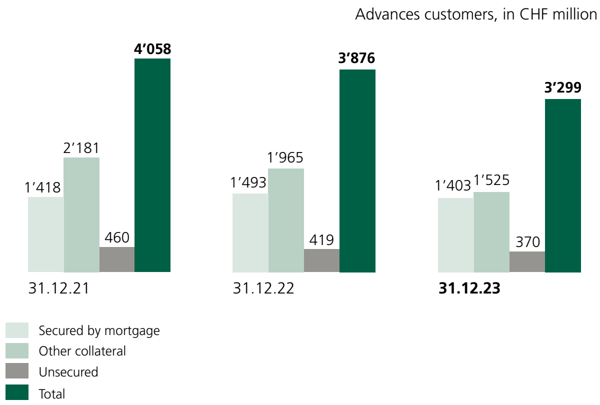


The "Cost / income ratio" decreased to 42.6% in 2023, primarily driven by the aforementioned substantially improved "Gross result from interest operations" and practically stable "Operating expenses".

Balance sheet

Total assets decreased by CHF 1,230.8 million (9.8%) driven by the strong CHF. On a local currency basis, total assets would have increased 8.8%. The balance of "Liquid assets" is virtually unchanged from the previous year's closing date, with a slight decrease of CHF 2.4 million (0.2%) to CHF 1,241.3 million as of 31 December 2023. "Total loans (after netting with value adjustments)" with clients decreased by CHF 577.4 million compared to 2022 (more information is provided in note 2). More than 88% of the loan portfolio is secured or collateralized. "Amounts due in respect of customer deposits" decreased by CHF 957.9 million (10.3%) to CHF 8,335.5 million (in local currencies the customer deposits show an increase of 6.7%). As of 31 December 2023, up to 98.8% were at sight, callable or due within one year.

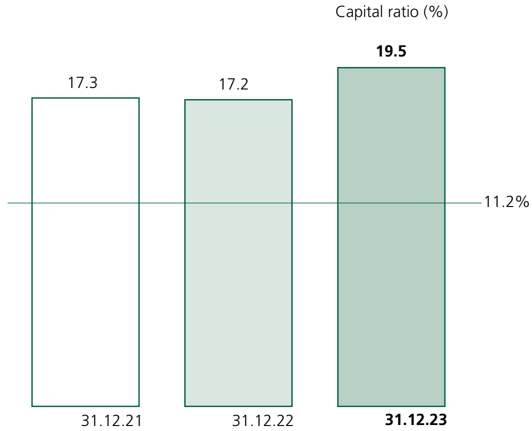
Total equity increased by CHF 54.5 million (4.5%) to CHF 1,257.1 million as of 31 December 2023 after a dividend distribution of CHF 36.9 million in 2023. The return on equity was 12.8% in 2023 (2022: 9.0%). The stake of minority interests in equity decreased to 11.3% (2022: 12.9%).



Capital and liquidity

In 2023, the Group maintained a strong capital base and an adequate liquidity ratio. The Group's "Capital ratio" was 19.5%. The Group is considered a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of at least 11.2%. The Group's "Capital ratio" was 74.1% higher than the minimum capital requirement. Accordingly, and similarly to the previous year, the Group was ranked* among the upper range of Swiss banks and well above the average for European financial institutions. The "Liquidity coverage ratio" amounted to 126.0% at Group level, which was still well above the minimum requirement of 100% for the Group. More detailed information is provided in the capital adequacy and liquidity disclosure requirements as at 31 December 2023 on the Group's homepage (www.habibbank.com/Group/home/GroupAboutus.html).

** Financial Times, The Banker, July 2023*



Risk assessment

The Board of Directors conducted its risk assessment of all major risks of the Bank and the Group in 2023.

Operations

In 2023, we reached several milestones towards updating our technological infrastructure and platforms, streamlining our operational processes, and strengthening our cybersecurity. The evolution of our core banking platform was one of these milestones. We deployed several advanced networking solutions globally, which led to substantial efficiency gains and cost savings while enhancing network speed, stability, and resilience. We also launched several initiatives aimed at expanding our digital capabilities, supporting regulatory compliance, and improving the overall client experience in several Group locations worldwide. This included participation in strategic initiatives, successful implementations of standardized processes, and integration of advanced tools to optimize operations and risk management.

We again successfully obtained the PCI DSS and ISO certifications for technology and security for our data centers in Switzerland, HBZ Services (covering information technology, information security, card operations, and call center) in the United Arab Emirates, South Africa, the United Kingdom, and Kenya. Additionally, we maintained our ISO 27001 certification for HBZ IT and InfoSec, affirming the high standards of our client information security.

In 2023, we obtained the ISO 9001:2015 certification for our trading, payments, call center, and card center areas based in the United Arab Emirates. This certification confirms our alignment with industry standards, as it helps us provide our clients with a consistently high quality of service, and mitigate operational risks. Positive impacts include stronger client satisfaction and overall operational excellence.

We also refined our talent management and succession planning processes. Employees identified as having leadership potential were given the opportunity to participate in development programs, such as personality testing, coaching and leadership training.

Learning and development remains a key point of interest on our digital platform. In addition to our mandatory e-learning modules on compliance and information security, our employees also have access to a growing library of now more than 3,000 online training topics covering a wide variety of subjects for professional and personal development.

Environmental, social and governance (ESG)

Concurrent with the publication of this Annual Report 2023, we have also published our first ESG Report. The ESG Report 2023 is a consolidated report on non-financial matters in accordance with the Swiss Code of Obligations and in accordance with the Global Reporting Initiative (GRI) Standards. Over the past year, significant effort went into creating new processes to systematically collect and report Group-wide ESG data on a consolidated basis. We also placed a particular focus on identifying and assessing potential ESG topics that are relevant to our business activities, stakeholders and long-term success. After a rigorous evaluation, the outcome of the materiality analysis was presented to General Management and the Board of Directors for consideration in the ESG Report 2023. Ultimately, 10 topics were chosen and clustered thematically into the following groups:

– **Governance and business practices:** this includes six material topics, namely: governance, compliance and ethics; anti-corruption; client privacy; digitization and innovation; operational resilience and continuity; and procurement practices and supplier environment

– **Products, services and financial investments:** this is one material topic covering ESG investment advice, Islamic banking, community impact of credit activities, and Group financial investments

– **People and planet:** this includes three material topics, namely: talent management, compensation and performance management; diversity, equal opportunity and inclusion; and climate change and decarbonization.

We proudly encourage our readers to peruse our ESG Report 2023.

In 2023, we also issued our new internal 'ESG Framework' policy and established the Group ESG Committee to oversee ESG governance matters.

For the upcoming ESG Report 2024, we will integrate key climate and social issues into our business priorities and will report on climate matters in accordance with the recommendations issued by the Taskforce on Climate-Related Financial Disclosures (TCFD).

Outlook

Several initiatives were finalized in 2023 and made ready to be implemented in 2024. They include the automatization of our employee performance appraisal process for all our employees Group-wide, introducing a new platform with a user-friendly interface for the full cycle of objective setting, mid-year review and year-end assessment. We also intend to launch our substantially redesigned website as well as our new intranet platform, both with a new look and many new content features.

Moreover, in 2024 we intend to further strengthen our organization's resilience, efficiency, and technological progress, while prioritizing our clients' needs and expectations. We will continue leveraging new technologies such as machine learning to optimize our operations and stringent data loss protection measures. Additionally, the inception of advanced cybersecurity initiatives – such as the Managed Detection Response (MDR) project – and the Endpoint Detection Project further underscores our commitment to anticipating and preventing the risk of evolving cyber threats and ensuring the utmost security of our systems and data.

The global political and economic situation will remain challenging in 2024 and will also have an impact on the banking industry. This will include pressure on the interest spread. The Group is very optimistic that it can build on the reporting year's results also supported by the initiatives and projects described and its prudent risk management strategy.

Traditional Ramadan Light Lamp,
Spice Souk in Dubai-UAE

Consolidated financial statements of the Group

Group financial statements

Balance sheet (consolidated)

in CHF 1'000	Note	31.12.23	31.12.22	+/– %
Assets				
Liquid assets		1'241'274	1'243'646	–0.2%
Amounts due from banks		1'215'940	1'640'709	–25.9%
Amounts due from securities financing transactions	1	219	303'226	–99.9%
Amounts due from customers	2	2'877'802	3'490'031	–17.5%
Mortgage loans	2	421'125	386'265	9.0%
Positive replacement values of derivative financial instruments	4	9'550	12'025	–20.6%
Other financial instruments at fair value	3	2'464'306	2'030'664	21.4%
Financial investments	5	2'663'041	3'037'780	–12.3%
Accrued income and prepaid expenses		240'043	186'865	28.5%
Non-consolidated participations	7	77	77	0.5%
Tangible fixed assets	8	82'871	89'722	–7.6%
Intangible assets	9			
Other assets	10	117'721	143'780	–18.1%
Total assets		**11'333'968**	**12'564'791**	**–9.8%**
Total subordinated claims		135'007	20'600	>500.0%
– of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		622'878	780'916	–20.2%
Liabilities from securities financing transactions	1	739'992	976'741	–24.2%
Amounts due in respect of customer deposits		8'335'532	9'293'435	–10.3%
Negative replacement values of derivative financial instruments	4	13'370	10'678	25.2%
Accrued expenses and deferred income		272'692	208'395	30.9%
Other liabilities	10	85'901	85'562	0.4%
Provisions	13	6'519	6'458	0.9%
Reserves for general banking risks	13	495'431	464'761	6.6%
Bank's capital		150'000	150'000	0.0%
Retained earnings reserves		311'892	322'488	–3.3%
Minority interest in equity		142'451	155'629	–8.5%
Group profit		157'312	109'727	43.4%
– of which minority interests in Group profit		44'698	38'818	15.1%
Total liabilities		**11'333'968**	**12'564'791**	**–9.8%**
Total subordinated liabilities				
– of which subject to conversion and / or debt waiver				

Off-balance sheet transactions (consolidated)

in CHF 1’000	Note	**31.12.23**	**31.12.22**	**+/– %**
Off-balance sheet transactions				
Contingent liabilities	2, 20	1’200’075	1'535'320	–21.8%
Irrevocable commitments	2	1’409	1'076	31.0%
Credit commitments	2, 21	96’564	150'769	–36.0%

Income statement (consolidated)

in CHF 1'000	Note	2023	2022	+/– %
Result from interest operations				
Interest and discount income		477'458	361'391	32.1%
Interest and dividend income from trading portfolios		10'796	4'469	141.6%
Interest and dividend income from financial investments		531'504	484'168	9.8%
Interest expense		–524'233	–473'868	10.6%
Gross result from interest operations		**495'526**	**376'161**	**31.7%**
Changes in value adjustments for default risks and losses from interest operations		4'338	–12'036	
Subtotal net result from interest operations		**499'864**	**364'125**	**37.3%**
Result from commission business and services				
Commission income from securities trading and investment activities		6'368	5'534	15.1%
Commission income from lending activities		30'444	31'921	–4.6%
Commission income from other services		49'745	55'105	–9.7%
Commission expense		–8'755	–8'767	–0.1%
Subtotal result from commission business and services		**77'802**	**83'794**	**–7.2%**
Result from trading activities and the fair value option	23	**12'213**	**15'629**	**–21.9%**
Other result from ordinary activities				
Result from the disposal of financial investments		–2'743	–403	>–500%
Result from real estate		238	243	–1.9%
Other ordinary income		17'275		100.0%
Other ordinary expenses		–855	–39'538	>500.0%
Subtotal other result from ordinary activities		**13'916**	**–39'698**	
Operating income		**603'794**	**423'850**	**42.5%**

in CHF 1’000	Note	2023	2022	+/– %
Operating expenses				
Personnel expenses	24	–162’317	–158'615	2.3%
General and administrative expenses	25	–92’910	–90'483	2.7%
Subtotal operating expenses		**–255’227**	**–249'097**	**2.5%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		–16’683	–12'794	30.4%
Changes to provisions and other value adjustments and losses		–1’499	–251	497.1%
Operating result		**330’385**	**161'708**	**104.3%**
Extraordinary income	26	790	720	9.7%
Extraordinary expenses	26	–313	–511	–38.8%
Changes in reserves for general banking risks		–42’578	15'256	
Taxes	28	–130’972	–67'446	94.2%
Group profit		**157’312**	**109'727**	43.4%
– of which minority interests in Group profit		44’698	38'818	15.1%

Cash flow statement (consolidated)

	2023		2022	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities				
Group profit	157'312		109'727	
Change in reserves for general banking risks	42'578			15'256
Value adjustments on participation, depreciation and amortisation on tangible fixed assets and intangible assets	11'793		12'794	
Provisions and other value adjustments	2'248	2'187	873	1'874
Changes in value adjustments for default risks and losses	52'581	91'378	34'035	57'084
Currency translation reserves		108'544		96'398
Accrued income and prepaid expenses		53'177		38'291
Accrued expenses and deferred income	64'297		49'619	
Previous year's dividend		36'865		34'273
Total	**330'809**	**292'151**	**207'048**	**243'177**
Cash flow from shareholders' equity transactions				
Bank's capital				
Recognised in reserves				
Total				
Cash flow from transactions in respect of non-consolidated, tangible fixed assets and intangible assets				
Non-consolidated participations				
Real estate	12'417	5'601	7'314	19'361
Other tangible fixed assets	1'398	12'785	244	4'904
Intangible assets	0	0	1	
Total	**13'815**	**18'385**	**7'559**	**24'265**

	2023		2022	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from banking operations				
Medium- to long-term business (> 1 year)				
Amounts due to banks		19'510	60'127	
Liabilities from securities financing transactions		8'195		8'575
Amounts due in respect of customer deposits		117'556	89'884	
Other liabilities	339		61'436	
Amounts due from banks	7'930		4'788	
Amounts due from customers		167'375		11'794
Mortgage loans		35'789		73'039
Other financial instruments at fair value				
Financial investments	281'852		90	176'678
Other assets	26'059		20'492	
Short-term business				
Amounts due to banks		138'528		176'178
Liabilities from securities financing transactions		228'554		79'712
Amounts due in respect of customer deposits		840'348		309'617
Negative replacement values for derivative financial instruments	2'691			6'749
Amounts due from banks	419'159			31'714
Amounts due from securities financing transactions	303'007			303'226
Amounts due from customers	819'793		287'286	
Mortgages loans		3'273	980	
Positive replacement values for derivative financial instruments	2'475		21'833	
Other financial instruments at fair value		433'642	1'298'072	
Financial investments	93'378			371'894
Currency differences		369		246
Liquidity	**2'372**			**242'728**
Liquid assets	2'372			242'728
Total	**2'303'677**	**2'303'677**	**2'059'594**	**2'059'594**

Statement of changes in equity (consolidated)

in CHF 1’000	Bank's capital	Retained earnings reserves	Reserves for general banking risks	Minority interests in equity	Group profit	Total
At 1.1.22	**150’000**	**326’191**	**472’091**	**177’832**	**112’691**	**1’238’805**
Transfer of profits to retained earnings		71’290		41’401	–112’691	
Currency translation differences		–52’993		–43’405		–96’398
Dividends and other distributions		–22’000		–12’273		–34’273
Other allocations to / (transfers from) reserves for general banking risks			–7’330	–7’926		–15’256
Other allocations to / (transfers from) other reserves						
Group profit					109’727	109’727
At 31.12.22	**150’000**	**322’488**	**464’761**	**155’629**	**109’727**	**1’202’605**

Retained earnings reserve includes currency translation reserves of CHF –196.4 million, which decreased during 2022 by CHF 53.0 million.

in CHF 1’000	Bank's capital	Retained earnings reserves	Reserves for general banking risks	Minority interests in equity	Group profit	Total
At 1.1.23	**150’000**	**322’488**	**464’761**	**155’629**	**109’727**	**1’202’605**
Transfer of profits to retained earnings		70’909		38’818	–109’727	
Currency translation differences		–59’505		–49’039		–108’544
Dividends and other distributions		–22’000		–14’865		–36’865
Other allocations to / (transfers from) reserves for general banking risks			30’670	11’908		42’578
Other allocations to / (transfers from) other reserves						
Group profit					157’312	157’312
At 31.12.23	**150’000**	**311’892**	**495’431**	**142’451**	**157’312**	**1’257’086**

Retained earnings reserve includes currency translation reserves of CHF –255.9 million, which decreased during 2023 by CHF 59.5 million.

Decorated pottery on Panjiayuan Market, in Beijing, China

Notes to the consolidated financial statements

Accounting and valuation principles

General

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Act on Banks and Savings Banks, its Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – Banks“. The Group’s consolidated financial statements have been prepared in accordance with the true and fair view principle. The Group’s accounting policies follow the accounting and valuation principles defined in the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – Banks“.

Consolidation principles

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

Method of consolidation
The Group uses the purchase method to perform capital consolidation. The interests in equity and profit or loss attributable to minority shareholders are disclosed separately. Intra-group assets and liabilities and expenses and income from intra-group transactions are eliminated.

Consolidation period
The consolidation period for all Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December.

Foreign currency translation

The Group’s functional and presentation currency is CHF.

In the financial statements of individual Group companies and branches, income and expenditure in foreign currencies are translated at the exchange rate prevailing on the transaction date. Amounts due from and due to third parties in foreign currencies are translated at the year-end rate. Gains and losses arising from currency translations into the local currencies are charged to the income statement as “Result from trading activities and the fair value option“.

For consolidation purposes, the balance sheets of the financial statements of branches and subsidiaries based outside Switzerland are translated into CHF at exchange rates prevailing on the Group reporting date. The corresponding income statements are translated at the average rates of the respective year. Foreign exchange differences arising from the translation of the financial statements of subsidiaries are recorded within equity, whereas those from the translation of financial statements of branches are recorded in the income statement as “Result from trading activities and the fair value option“.

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

	31.12.23	**31.12.22**
1 USD	0.843	0.925
1 GBP	1.072	1.113
100 AED	22.970	25.150
100 PKR	0.300	0.410
100 ZAR	4.550	5.440

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

	31.12.23	**31.12.22**
1 USD	0.900	0.951
1 GBP	1.118	1.178
100 AED	24.476	25.879
100 PKR	0.325	0.470
100 ZAR	4.904	5.831

Accounting and valuation principles

The Group and the Bank apply the same accounting and valuation principles. The financial statements of all Group companies used for consolidation comply with the accounting and valuation principles outlined below.

Recording of transactions

Transactions are recorded and measured on the day they occur (transaction date). Prior to the value date, forward foreign exchange and precious metal transactions are carried as off-balance sheet business. Receivables and payables are disclosed according to the client’s domicile or residential address.

Liquid assets

Liquid assets consist of cash in hand, postal cheque balances, giro and sight deposits at the Swiss National Bank and foreign central banks. These items, including interest due but not paid, are recognised at the nominal value.

Amounts due from and due to banks

Amounts due from and due to banks, including interest due but not paid, are recognised at the nominal value. Appropriate allowances are created for default risks on existing positions and directly deducted from assets.

Amounts due from and liabilities from securities financing transactions

The Group buys and sells securities under agreements to resell or repurchase substantially identical securities. Such agreements do not normally constitute economic sales and are therefore treated as financing transactions. Securities sold subject to such agreements continue to be recognised in the balance sheet. The proceeds from the sale of these securities are treated as liabilities. Securities purchased under agreements to re-sell are recognised as loans collateralised by securities, or as cash deposits against which the Group's securities are pledged.

Amounts due from customers, mortgage loans and amounts due in respect of customer deposits

These items, including interest due but not paid, are recognised at the nominal value. All client loans are assessed individually for default risks and, where necessary, value adjustments made in accordance with Group policy. These value adjustments take into account the value of any collateral (at liquidation values) and the financial standing of the borrower. They are offset against the corresponding assets.

Several Islamic banking branches across the Group maintain "Assets held under Ijarah" agreements. Acquired assets under this agreement are stated at cost less any accumulated depreciation and impairments.

Value adjustments for default and latent credit risks

Besides the specific value adjustments for non-performing credit exposures, the Group calculates expected credit losses (ECL), with the exception of Switzerland, and creates respective provisions. Principles are applied in accordance with the local regulations of the operating countries.

Value adjustments on non-impaired credit exposures are determined individually or on a portfolio basis according to Art. 25 para. 1 let. b FINMA Accounting Ordinance. Value adjustments for inherent risks of default correspond to the expected loss over a period of 12 months. The calculation method takes into consideration the probability of default of the counterparty based on internal and external default history, the loss given default based on expert judgement, the value of collateral provided and the estimated exposure at default. Furthermore, based on the macroeconomic outlook a forward-looking element is built in to these models. Although these models are based on the same concept according to IFRS 9 guidance, they are tailored to each of the operating countries with the respective relevant parameters. Probability of default and loss-given default are average values measured through the cycle without point-in-time adjustments.

Value adjustments and provisions for inherent risks are determined for all credit exposures arising from mortgage loans, due from costumers, due from banks and held to maturity financial investments. Off-balance sheet exposures comprise contingent liabilities and irrevocable commitments such as unused credit facilities. Such off-balance sheet exposures are converted into cash exposures using regulatory credit conversion factors.

Non-performing credit exposure is recognised when an obligor is unlikely to pay its credit obligations to the Group in full and without any possibility of recourse by the Group (e.g. when realising collateral) or if the obligor is 90 days or more past due on any material credit obligation. The assessment of whether a credit exposure is non-performing is made at counterparty level (entailing all exposures of the respective entity), with the exception of Pakistan, where local regulations allow for provisions at facility level. Staging criteria are defined in the Group's directives and according to the exposure category.

Credit receivables, whose interest and commissions are more than 90 days overdue are considered to be at risk. Interest at risk and interest which is impaired are not recognised as income but deducted from the respective asset, together with the value adjustment against the capital amount.

The Group has set out the methods, procedures and responsibilities for the valuation of collateral for loans in specific directives and procedures. The valuation of mortgage collateral is based on recognised valuation methods performed by certified external valuers including discounting cash flows and local comparables.

In almost all countries the Group assesses the expected loss calculation based on its main asset classes, which are client advances, exposure to financial institutions and bond investments. Bigger countries may have sub-classes such as retail and / or property lending exposure. A model for the probability of default, the loss given default and the respective forward-looking macro-economic element is designed for each of these asset classes, which together with the exposure assessment will lead to the respective expected credit loss calculation and value adjustment for latent credit risk. Furthermore, the Group has defined credit exposure staging criteria whereby Stage 1 is considered normal, Stage 2 is heightened credit risk / watch accounts and Stage 3 is impaired credit exposure. The models define the calculations for expected credit loss for each stage. In the case of Stage 3, every borrower is also individually examined for any potential shortfalls in value adjustments beyond the model calculation.

Trading portfolio assets and liabilities

These items consist mainly of debt instruments. They are valued at fair value as of the balance sheet date. Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties. This corresponds to the price set on a price-efficient and liquid market or determined based on a valuation model. Where, as an exception, fair value is indeterminate, it is measured and recognised at the lower of cost or market value.

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are valued at fair value. In general, replacement values of derivative financial instruments from client transactions resulting from contracts traded over the counter (OTC) as well as exchange-traded contracts are accounted for. Replacement values from trading activities are accounted for under "Positive replacement values of derivative financial instruments" on the assets side or the "Negative replacement values of derivative financial instruments" item on the liabilities side. Valuation gains are recognised through income in the item "Results from trading activities and the fair value option".

Other financial instruments at fair value

"Other financial instruments at fair value", which are traded on an active market, which meet the conditions for an assessment at fair value according to Art. 15 FINMA Accounting Ordinance and which are not intended to be held until maturity are valued according to this principle.

Financial investments

"Financial investments" consist mainly of debt instruments. The majority of these are acquired with the intention of being held until maturity and are hence carried at cost adjusted for the amortisation of premiums and discounts using the accrual method.

The remaining investments in this position are valued at the lower of cost or market value principle. This position also includes some equity interests and real estate which has been acquired from the lending business for resale; these are valued at the lower of cost or market value.

Derivative financial instruments

Derivative financial instruments consist entirely of trading instruments which are reported at fair value. The realised and non-realised gains and losses from these transactions are reported under "Result from trading activities and the fair value option".

The Group had no significant open derivative transactions on its own account as of the balance sheet date. Positive and negative replacement values of open derivative financial instruments are shown in the balance sheet as a separate line item. The respective contract volumes are shown in note 4.

Non-consolidated participations

Long-term holdings in associated companies, none of which exceed 10%, are valued at cost less any economically necessary depreciation.

Tangible fixed assets

"Tangible fixed assets" used for more than one accounting period and which exceed the thresholds defined by the Group are capitalised. In this case, they are depreciated on a straight-line basis over the period of their estimated useful lifetime. Estimated life times have been set as follows:

Bank buildings and other real estate	25–50 years
Proprietary or separately acquired software	3–5 years
Other tangible fixed assets	3–10 years

No depreciation is charged on land except where value adjustments have been made to allow for a reduction in market value. The "Tangible fixed assets" are reassessed whenever circumstances suggest that their value may have fallen below their book value.

Intangible assets

Other intangible assets include management rights used for more than one accounting period and which exceed the thresholds defined by the Group are capitalised, and is written off over five years on a straight-line basis.

Provisions

The Group records "Provisions" to cover specific risks that are based on a past event that represent a probable obligation and for which the amount can be reliably estimated.

Default risks in connection with off-balance sheet transactions in the positions "Contingent liabilities" and "Irrevocable commitments" that are not considered impaired are accounted for through provisions for latent credit risks.

Reserves for general banking risks

These taxed reserves are held in line with the Group's prudent policies as precautionary reserves to hedge against latent risks in the Group's operating activities.

The reserves for general banking risks are subject to tax. They form part of the "Common equity Tier 1 capital" of the Group.

Off-balance sheet transactions

"Contingent liabilities" relate mainly to irrevocable commitments originating from letters of credit and guarantees. These are generally fully secured. Necessary provisions are recorded on balance sheet under "Provisions". Contingent liabilities, together with irrevocable commitments and credit commitments, are recorded at their nominal value.

Fiduciary transactions are converted into CHF at the rates prevailing on the balance sheet date and are shown at nominal value.

Taxes and deferred taxes

The income statement item "Taxes" comprises current and deferred income taxes as well as capital tax.

Income taxes are based on the tax laws of each tax authority and are expensed in the period in which the related profits are made. Deferred taxes arising from temporary differences between the stated values of assets and liabilities in the consolidated financial statements and their corresponding tax values are recognised as deferred tax assets or deferred tax liabilities. Deferred tax assets are capitalised if there is likely to be enough taxable profit to offset these differences in the future.

Pension fund commitments

In Switzerland, the occupational benefit plans are covered by Allianz Suisse Insurance Company. All employees are insured in accordance with the law, the foundation document and the regulations of the benefit plan. In the other countries, pension liabilities are covered by insurance companies or are posted directly to the balance sheet. The employer contribution is included under "Personnel expenses".

Amounts due from/to related parties

Receivables and payables from governing bodies include credit lines to members of the Board of Directors and members of General Management. These transactions have been executed in accordance with the current internal regulations on employee loans, advances and deposits.

Receivables and payables from related parties are included in note 14.

Explanations of risk management

Risk & Control Framework

The Group is exposed to a wide array of risks in pursuing its strategy and business objectives. These can impact its financial, business, regulatory and reputational status. Hence, the risk management function is an integral part of the Group business model and is intended to protect its franchise, reputation and capital.

The Group's Risk & Control Framework is the cornerstone of its risk management and control policies. It provides the basis for identifying, assessing and effectively managing risks within the Group. Furthermore, the Risk & Control Framework assigns the overall responsibility for a particular risk class, defines who manages risk and who performs independent risk control.

Risk governance

The Board of Directors' responsibilities are:

– The Board of Directors is responsible for the strategic direction, supervision, and control of the Group, and

for defining its overall risk tolerance by means of a risk appetite statement and overall risk limits;
– The Risk & Control Committee supports the Board of Directors in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the Group's risk profile, including the regular review of major risk exposures and overall risk limits;
– The Audit Committee supports the Board of Directors in fulfilling its oversight responsibilities by monitoring General Management's approach with respect to financial reporting, and the design and effectiveness of internal controls regarding financial accounting and reporting. Additionally, the Audit Committee is responsible for ensuring independence and monitoring the performance of Group Internal Audit and the external auditors.

On an operational level, the Group operates with the three lines of defence model, whereby business and revenue generation, risk management oversight and risk control are performed by functions that are independent of one another.

Furthermore, a clear distinction is made between "risk owners", "risk managers" and "risk controllers":

– risk owners keep oversight and bear the overall responsibility for the management of specific risk classes or risk types;
– Risk managers focus on the monitoring and proactive management of risk. They initiate risk management measures and can change the risk profile;
– Risk controllers independently monitor and assess risk as well as highlight deviations from target risk parameters and non-compliance with policies.

The Group Chief Risk Officer (GCRO) function develops and monitors the Group-wide framework for risk identification and assessment, management, monitoring and reporting within the risk tolerance for the Group's various business activities. It accomplishes this mission as an independent function ensuring that the entities engaging in business activities are aware of the prevailing and potential risks. In addition, the GCRO oversees credit, market, liquidity, and operational risks.

Risk management principles

The following general principles are applied to maintain an appropriate balance between risk and return:

– Safeguard the financial strength of the Group by monitoring the risk exposures and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate Group-wide level across all risk types;
– Protect the Group's reputation through a sound risk culture characterised by a holistic and integrated view of risk, performance, and reward, and through full compliance with the Group's standards and principles;
– Systematically identify, classify, and measure risks applying best practice. A Group risk assessment is thereby performed, which encompasses all risk classes and subsequently allows Management to focus on significant risk exposures;
– Ensure Management accountability, whereby Business Line Management owns all risks assumed and is responsible for the active management of all risk exposures to ensure that risk and return are balanced;
– Set up independent risk control functions or units, which monitor the effectiveness of risk management and oversee risk-taking activities;
– Disclose risks to the Board of Directors, regulators, and other stakeholders in a comprehensive and transparent manner.

Internal controls

Internal controls are processes and instruments employed to monitor and control operational and other business risks. In order to continuously enhance the Group's internal control system and the effectiveness of controls, the results of current control processes are reviewed and the outcome of the Group's operational risk management processes is considered. The organisational units responsible for internal controls work closely with other organisational units within the Group.

Credit risk

Credit risk is the probability of a financial loss resulting from an obligor's failure to repay a loan in line with contractual agreements. Essentially, credit risk is the risk that as a lender, the Group may not receive the principal and interest, as a result of which cash flows may be interrupted and the Group may incur increased costs for debt collection.

Within credit risk, the Group distinguishes the following risk types: client credit risk, issuer credit risk, counterparty credit risk, country risk (including cross-border / transfer risk), settlement risk and credit concentration risk.

The Group Credit Management Committee (GCMC) is responsible for credit risks in general and for individual credit decisions that exceed the approval authority of the respective Country Credit Management Committee. In general, the Group manages its credit risk in a conservative manner. Upon a rigorous process of evaluating the creditworthiness, appropriate credit limits are assigned to each obligor and where possible, risk is mitigated via collateral and third-party guarantees, as deemed necessary. For each collateral type, a minimum haircut is defined in order to account for the volatility in market value according to the nature and liquidity of the collateral.

The Group's credit risk appetite is defined and monitored through a comprehensive system of credit limits which are approved within policies, guidelines, and programs.

The Group has its own rating system for corporate clients. Each credit is assessed as to the borrower's creditworthiness, collateral coverage and collateral quality, as well as the underlying transaction rationale, business potential and any additional risk mitigations. Personal credits are usually only granted on a fully collateralised basis. Collateral coverage is monitored on a regular basis and according to the prevailing market conditions.

An adequate and clear segregation of duties is established among the various organisational units involved in the acquisition of credit business, the analysis and approval of a credit request, and the subsequent administration.

Bank counterparties, issuers and sovereigns are analysed according to their financial performance and their external rating. Roughly 75% of the credit exposure to financial institutions is of investment grade quality and the remaining 25% consists mainly of short-term trade finance exposure in emerging markets to which the Group has close links, and the portfolio is monitored with a set of country limits. the Group's risk exposure to Israel and Ukraine is insignificant.

Regarding non-performing loans, the Group is in a comfortable position. After considering collateral at market value and specific value adjustments for default risks, the net unsecured and unprovided position as at the end of December 2023 was nil.

The Group has adopted an ECL concept in accordance with IFRS 9 guidelines in six out of eight country operations. HMB (Pakistan) will adopt it fully during 2024 while already complying with the required value adjustments as of the end of 2023. Therefore, the concept of providing for latent credit risks is well established and will be further perfected during 2024. During 2023, CHF 3.5 million of latent credit risk provisions were built, reaching a total of CHF 68.3 million of ECL coverage, while the Group also holds some CHF 87.6 million of specific provisions for actual non-performing loans. The Group also undertook an extensive external validation of all existing credit models and has implemented revised models for the full-year 2023 ECL reporting (except for HBZ Canada). For the full year 2024, Canada and HMB will also report ECL on revised models. Thus, seven out of the Group's eight countries will have adopted IFRS 9.

Cross border country risks are monitored regularly and are either covered by guarantees obtained from multinational development banks or by the forward-looking element in the ECL models. Switzerland keeps separate country provisions if required.

Liquidity risk

Liquidity risk is the risk of not being able to cover short-term financing needs at all times (e.g. due to the impossibility of replacing or renewing deposits, outflows of funds due to loan commitments). Liquidity risk management ensures that the Group always has sufficient liquidity to meet its payment obligations, even under stress conditions. In addition, liquidity risk tolerance defines strategies and requirements for managing liquidity risk under stress conditions. This essentially includes measures to reduce risk, maintaining a liquidity buffer by using highly liquid assets, and an emergency plan to deal with any liquidity shortfalls. The Group Asset & Liability Management Committee regularly monitors liquidity and market risks.

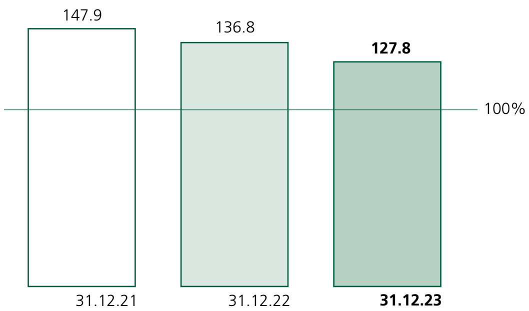
The Group applies a prudent approach to liquidity risk management. The Group grants advances and loans to clients largely on a short-term basis. Funding is primarily obtained through deposits, which are mainly at sight or short-term deposits. Wholesale funding is not significant and deposits are well diversified. No single client deposit accounts for more than 5% of the Group's total client deposits. Excess liquidity is held as bank placements or financial investments. The latter primarily consist of bond portfolios of sovereign issuers or other high-quality issuers.

The contractual maturities of the Group's financial assets exceed the contractual maturities of the financial liabilities. However, when determining maturity gaps, the stickiness of deposits or economic maturities are considered, which significantly reduces the contractual gaps. Furthermore, individual client groups in different countries will not act in the same way and at the same time.

In general, the Group is exposed to potentially larger deposit outflows and sudden adverse market developments. Therefore, related scenarios have been analysed as part of the liquidity stress tests performed throughout the Group. The stress test results showed that the liquid assets available could absorb projected outflows.

The diversification of refinancing sources and repo market access ensure that cash and cash equivalents are secured and readily available when required. In addition, liquidity coverage ratio and net stable funding ratio targets have been defined for all operating Group companies. Funding and liquidity management are also performed on a decentralised basis. The short-term liquidity disposition and liquidity situation of individual countries are monitored by the respective country treasury functions. In addition, liquidity reserves are held both at the Group and at the country level, and contingency funding plans are in place for the Group as well as all branches and subsidiaries.

Liquidity Coverage Ratio (yearly weighted; in %)



Market risk

Market risk is the risk of potential losses that may result from changes in the valuation of the Group's assets due to changes in market prices, volatilities, correlations, and other valuation-relevant factors. The Group is mainly exposed to interest rate risk, foreign exchange risk, equity risk and – to a very limited extent – commodity risk.

The Group's market risk appetite is defined and monitored through a comprehensive system of market risk limits by the Group Asset & Liability Management Committee. Furthermore, the Group regularly performs scenarios and stress tests for interest rate, foreign exchange and equity risks based on prevailing risk exposures.

The Group is exposed to interest rate risk due to interest periods set for advances made to clients which exceed the interest periods for client deposits taken. To limit interest rate repricing risk, most client advances are granted on a three- or six-month base rate plus a credit spread. In addition, branches and subsidiaries hold excess liquidity in bank placements or financial investments with tenors of usually up to five years. However, the interest-rate risk related to long-term fixed-income instruments held in the financial investment portfolio is largely offset by the stable portion of client deposits. Behavioural deposit analyses are performed for all branches and subsidiaries, showing that a significant portion of deposits remain with the Group, even when interest rates move. The Group's interest rate risk in the banking book is the current and prospective risk to the Group's capital and earnings that may arise from adverse movements in interest rates with an impact on balance sheet positions. The Interest Rate Risk in the Banking Book (IRRBB) approach considers both the value and the earnings perspective. For IRRBB the Economic Value of Equity (EVE) sensitivity limits have been defined by the Board of Directors. EVE sensitivity limits are in place for all countries and limit adherence is monitored by the Group Asset & Liability Management Committee.

Foreign exchange risk may arise from exposure to foreign exchange rate fluctuations against the reference currency. For foreign exchange transaction risks, the Group pursues a risk-averse approach and aims to keep the potential foreign exchange losses to a minimum. The Group does not engage in proprietary foreign exchange trading. For foreign exchange translation risks, such as profits earned in the Group's foreign branches, capital and reserves held at the branches are subject to exchange rate risk. These risks are monitored at the Head Office, and projected profits are hedged as deemed appropriate. The Group analyses and projects the foreign exchange translation exposure which arises from its investments in foreign subsidiaries. The exchange rate movements on the net asset exposure of the subsidiaries give rise to revaluation gains and losses, which are included in consolidated equity.

The Group maintains a relatively limited equity investment program with the aim to acquire and maintain highly liquid equities with stable business models in industry-leading positions and regular dividend flows. The Board of Directors approves the Group's risk limits for equities and adherence is monitored by the Group Asset & Liability Committee.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. To manage these risks effectively, the Group employs a comprehensive operational risk management framework, consisting of six key processes. These include the use of key risk indicators, executing change risk assessments, conducting risk self-assessments, detailed scenario analyses, risk event management, and issue management with action tracking.

Operational risks are inherent in all of the Group's business activities and may arise in any business line. The Group's risk management process robustly identifies and assesses these risks, drawing insights from its internal risk events database and external events scanning. To mitigate these risks, diverse strategies are employed, adapting the business to evolving challenges and regulatory requirements.

The introduction of operational resilience requirements by regulators is integrated into the Group's risk management strategy. This is designed to identify critical services and ensure the Group's ability to withstand and rapidly recover from disruptive events, safeguarding client' interests, and maintaining market confidence. Central to the Group's operational resilience framework is the stringent management of third-party risks. The Group conducts extensive due diligence and continuously monitors its third parties, assessing their risk profiles and ensuring they adhere to the Group's high standards of operational security and reliability. The Group has also robust business continuity plans in place which are regularly tested for effectiveness and relevance, including technological recovery capabilities.

In response to the dynamic landscape of cyber threats, the Group has developed a proactive, risk-based cyber risk strategy. A team of cybersecurity experts define the Group's cyber strategy, which involves continuous monitoring and assessment of potential cyber threats. They conduct comprehensive risk assessments for all security and technology-related applications, perform vulnerability and penetration testing, and initiate information security campaigns to enhance the awareness of both employees and clients. ICT risks are proactively managed through state-of-the-art security measures and ongoing employee training, ensuring the safety of the Group's digital assets and client information. The Group monitors its ICT infrastructure to ensure availability and reliability.

The Group continually strengthens its Model Risk Management framework to ensure the integrity and reliability of its models. By validating and reviewing these models, the Group safeguards against inaccuracies and biases, thereby enhancing its decision-making and risk assessment processes.

Furthermore, the Group actively reviews and reinforces controls to mitigate potential risks, enhancing them as necessary. Other measures include risk avoidance, risk reduction, and risk transfer strategies. Through these comprehensive measures, the Group remains committed to maintaining the highest standards of operational risk management, ensuring Group-wide resilience and reliability.

Legal and compliance risk

Legal risk is the risk that the Group may conduct activities or carry out transactions in which it is inadequately covered or is left exposed to potential litigation. Failure to meet legal requirements may result in unenforceable contracts, litigation, fines, penalties or claims for damages or other adverse consequences.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation the Group may incur as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisational standards and codes of conduct applicable to its banking activities.

Compliance risks relate to corporate governance matters and can arise in particular from risks related to money laundering, sanctions and financing terrorism. Other key compliance themes are bribery and corruption, client due diligence, client classification with regard to suitability and appropriateness of products, insider dealing and market abuse, conflicts of interest as well as regulatory reporting and notifications.

Measures aimed at minimising legal and compliance risks include raising employee awareness of legal and regulatory issues through training and internal directives, and controls to ensure adherence to the legal and regulatory requirements within which the Group operates.

In line with the legal and regulatory environment of the industry, the Group has consistently invested in personnel and technical resources to ensure adequate compliance coverage. A comprehensive framework of policies and regular specialised training sessions ensure that employees receive appropriate ongoing education and training in this area.

Reputational risk

Reputational risk is the risk that illegal, unethical or inappropriate behaviour by representatives of the Group, employees or clients will damage Habib Bank AG Zurich's reputation, potentially leading to a loss of business, or incurring fines or penalties.

The Group has established a Code of Conduct and promotes transparency and ethical behaviour.

Systemic risk

Systemic risk can be defined as a risk of disruption in financial services that is caused by an impairment of all or parts of the financial system and may have serious negative consequences for the real economy.

The Group regularly analyses factors that could have a destabilising impact on the financial system. These include adverse macro- economic developments, continued financial market uncertainty, political uncertainty, increased exposure to cyber-attacks, and the growing scope and complexity of regulations. Specific event-related rapid portfolio analyses are also performed to ascertain impact on the obligor's and the Group's loan portfolios. Based on such analyses, the Group implements mitigating measures wherever possible.

Events after the balance sheet date

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

Information on the balance sheet *(consolidated)*

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.23**	**31.12.22**	**+/– %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	219	303'226	–100.0%
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	739'992	976'741	–24.2%
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	739'992	976'741	–24.2%
– of which with unrestricted right to resell or pledge			
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge			
– of which repledged securities			
– of which resold securities			

* Before taking into consideration any netting agreements

2 Overview of collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans / receivables

		Type of collateral			
in CHF 1'000		Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		1'005'262	1'596'299	397'315	2'998'875
Mortgage loans		453'151	1'132	66	454'349
– Residential and commercial property		364'378	674	66	365'118
– Commercial and industrial premises		88'773	458		89'231
Total loans (before netting with value adjustments)	**31.12.23**	**1'458'413**	**1'597'431**	**397'381**	**3'453'224**
	31.12.22	1'550'243	2'056'726	459'611	4'066'580
Total loans (after netting with value adjustments)	**31.12.23**	**1'403'044**	**1'525'494**	**370'388**	**3'298'927**
	31.12.22	1'492'531	1'964'984	418'781	3'876'296
Off-balance sheet					
Contingent liabilities		84'828	874'098	241'149	1'200'075
Irrevocable commitments				1'409	1'409
Credit commitments		11'847	69'026	15'691	96'564
Total off-balance sheet	**31.12.23**	**96'675**	**943'123**	**258'251**	**1'298'048**
	31.12.22	107'052	1'322'589	257'524	1'687'165

in CHF 1'000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Specific value adjust-ments
Impaired loans / receivables					
Total impaired loans / receivables	**31.12.23**	**134'308**	**53'427**	**80'881**	**87'609**
	31.12.22	175'201	62'321	112'880	119'573

3 Trading portfolios and other financial instruments at fair value

in CHF 1'000	31.12.23	31.12.22	+/– %
Assets			
Trading portfolio assets			
Debt securities, money market securities / transactions			
– of which listed			
Equity securities			
Precious metals and commodities			
Other trading portfolio assets			
Total trading portfolio assets			
Other financial instruments at fair value			
Debt securities	2'464'306	2'020'707	22.0%
Structured products			
Other		9'957	–100.0%
Total other financial instruments at fair value	**2'464'306**	**2'030'664**	**21.4%**
Total assets	**2'464'306**	**2'030'664**	**21.4%**
– of which determined using a valuation model			
– of which securities eligible for repo transactions in accordance with liquidity requirements			

The Group has no trading portfolio liabilities.

4 Presentation of derivative financial instruments (assets and liabilities)

in CHF 1'000	Trading instruments Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	9'550	13'370	2'566'017
Equity securities / indices			
Credit derivatives			
Total before netting agreements			
Total at 31.12.23	**9'550**	**13'370**	**2'566'017**
– of which determined using a valuation model			
Total at 31.12.22	12'025	10'678	2'438'905
– of which determined using a valuation model			

in CHF 1'000		Positive replacement values (cumulative)	Negative replacement values (cumulative)
After netting agreements			
Total	**at 31.12.23**	**9'550**	**13'370**
	at 31.12.22	12'025	10'678

Breakdown by counterparty

in CHF 1'000		Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)				
Total	**at 31.12.23**	**502**	**7'250**	**1'798**
	at 31.12.22	726	7'300	3'999

The Group has no hedging instruments.

5 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
Debt securities	**2'621'540**	**2'992'727**	**2'582'468**	**2'922'136**
– of which intended to be held until maturity	2'054'339	2'406'332	2'014'101	2'335'740
– of which not intended to be held until maturity (available for sale)	567'201	586'394	568'366	586'397
Equity securities	**32'728**	**33'641**	**36'072**	**34'787**
– of which qualified participations				
Precious metals	**1'374**	**1'366**	**1'660**	**1'621**
Real estate	**7'398**	**10'047**	**12'900**	**17'518**
Total	**2'663'041**	**3'037'780**	**2'633'099**	**2'976'061**
– of which securities eligible for repo transactions in accordance with liquidity requirements	194'934	89'088		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Caa to C	Unrated
Debt securities								
Book values	**at 31.12.23**	**182'770**	**857'301**	**573'388**	**355'818**	**328'684**	**297'440**	**67'640**
	at 31.12.22	122'758	444'014	637'958	504'954	383'458	898'447	46'191

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

6 Disclosure of consolidated companies in which the Bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital (in 000's)	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
Habib Canadian Bank, Toronto, Canada	Bank	CAD 30'000	100%	100%	x	
HBZ Bank Ltd., Durban, South Africa	Bank	ZAR 50'000	100%	100%	x	
Habib European Limited, Douglas, Isle of Man	Company in liquidation	GBP 1	100%	100%	x	
HBZ Services FZ-LLC, Dubai, United Arab Emirates	Service centre	AED 300	100%	100%		x
Habib Metropolitan Bank Ltd., Karachi, Pakistan	Bank	PKR 10'478'315	51%	51%	x	
Habib Bank Zurich (Hong Kong) Ltd., Hong Kong	Restricted Banking Licence	HKD 300'000	51%	51%	x	
Habib Bank Zurich Plc., London, United Kingdom	Bank	GBP 70'000	100%	100%	x	
HBZ Services AG, Zug, Switzerland	Service centre	CHF 500	100%	100%	x	
Habib Metropolitan Financial Services Ltd., Karachi, Pakistan	Broker	PKR 300'000	51%	51%		x
Habib Metropolitan Modaraba Management Company (Private) Ltd. Karachi, Pakistan	Modaraba Management	PKR 350'000	51%	51%		x
Habib Metro Exchange Services Ltd., Karachi, Pakistan	Exchange Company	PKR 1'000'000	51%	51%		x
First Habib Modaraba, Karachi, Pakistan[1]	Leasing, Musharaka and Murabaha financing	PKR 1'108'305	8%	8%		x
HBZ Services (Private) Ltd., Pakistan	Service centre	PKR 100	100%	100%		x
HBZ Services (Asia) Limited, Hong Kong	Service centre	HKD 1	100%	100%		x

1 Controlled via Habib Metropolitan Modaraba Management Company (Private) Ltd.

7 Presentation of non-consolidated participations

in CHF 1'000	Acquisition cost	Accumulated value adjustments and changes in book value (equity method)
Other non-consolidated participation without market value		
– S.W.I.F.T. SCRL, Belgium	77	
Total	**77**	

8 Presentation of tangible fixed assets

in CHF 1'000	Acquisition cost	Accumulated depreciation
Bank buildings	118'538	–50'243
Other real estate	29'447	–20'058
Proprietary or separately acquired software	4'216	–3'859
Other tangible fixed assets	49'964	–38'282
Tangible assets acquired under finance leases		
– of which bank buildings		
– of which other real estate		
– of which other tangible fixed assets		
Total	**202'165**	**–112'443**

* Including foreign currency adjustments

	Reporting year					
Book value at 31.12.22	Reclassifications	Additions	Disposals	Value adjustments	**Book value at 31.12.23**	**Market value at 31.12.23**
77					77	
77					**77**	

	Reporting year					
Book value at 31.12.22	Reclassifications	Additions	Disposals*	Depreciation	Reversals	**Book value at 31.12.23**
68’294	–14’233	4’924	–9’858	–3’175		45’952
9’390	3’914	677	–2’560	–48	118	11’491
357		1’516	–79	–452		1’342
11’681	10’318	11’269	–1’319	–7’973	109	24’085
89’722		**18’385**	**–13’815**	**–11’647**	**226**	**82’871**

9 Intangible assets

				Reporting year			
in CHF 1'000	Cost value	Accumu-lated amorti-sations	**Book value at 31.12.22**	Additions	Disposals*	Amorti-sation	**Book value at 31.12.23**
Goodwill							
Patents							
Licenses							
Other intangible assets	169	–169					
Total	**169**	**–169**					

* net of foreign currency adjustments

10 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
Deferred income taxes recognised as assets	34'047	33'436		
Others	83'674	110'344	85'901	85'562
Total	**117'721**	**143'780**	**85'901**	**85'562**

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

	Book value		Effective commitment	
in CHF 1'000	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
Amounts due from banks	1'074	2'533	777	2'458
Financial investments	86'661	1'622	79'905	
Total pledged / assigned assets	**87'735**	**4'155**	**80'682**	**2'458**
Assets under reservation of ownership	90	84	90	84

* Excluding securities financing transactions

12 Liabilities relating to own pension schemes

in CHF 1'000	**31.12.23**	**31.12.22**
Payables to employee benefit plans	123	78

Commitments to own pension and welfare plans

The Group does not maintain its own pension funds. The occupational benefit plans in the countries are covered by insurance companies. All employees are insured in accordance with the law, the foundation document and the regulations of the benefit plan.

In accordance with the contractual and legal conditions of the benefit plans in the countries there can be neither economic liabilities that exceed the contributions set by the regulations of the benefit plan, nor economic benefits for the Group. In addition, during both the reporting year and during the previous year, there were no non-committed plans, nor was there an employer-paid contribution reserve, such that the expenses shown in the income statement equal the actual expenses for pension and welfare plans for the reporting period.

13 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF 1'000	**Balance at 31.12.22**	Use in conformity with designated purpose	Reclassifications
Provisions for deferred taxes			
Provisions for pension benefit obligations			
Provisions for latent credit risks	2'649	–7	
Provisions for other business risks	2'674	–112	
Provisions for restructuring			
Other provisions	1'134	–14	
Total provisions	**6'458**	**–134**	
Reserves for general banking risks	**464'761**		
Value adjustments for default and latent credit risks	**194'695**	**–8'286**	
– of which value adjustments for default risks in respect of impaired loans / receivables	119'573	–8'351	
– of which value adjustments for default risks in respect of financial investments			
– of which value adjustments for latent credit risks	75'122	65	

Other allocations to (withdrawals from) the reserves for general banking for minority shareholdings in shareholders’ equity	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.23**
	–377		91	-717	1’638
	–619		1’961		3’904
	–308		196	-32	977
	–1’304		**2’248**	**-749**	**6’519**
–11’908			42’578		**495’431**
	–33’224	**7’050**	**45’531**	**–49’868**	**155’897**
	–22’811	7’050	35’484	–43’336	87’609
	–10’413		10’047	–6’533	68’288

14 Amounts due from and due to related parties

	Amounts due from		Amounts due to	
in CHF 1’000	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
Holders of qualified participations			76’999	84’852
Linked companies				
Members of governing bodies	458	1’230	4’784	5’614
Other related parties			3’877	3’040
Total	**458**	**1’230**	**85’660**	**93’506**

15 Maturity structure of financial instruments

in CHF 1'000		At sight	Callable	Due: within 3 months	Due: within 3 to 12 months	Due: within 12 months to 5 years	Due: after 5 years	No maturity	Total
Asset / financial instruments									
Liquid assets		1'045'723		87'461	108'090				1'241'274
Amounts due from banks		326'330	17'975	741'627	126'341	3'667			1'215'940
Amounts due from securities financing transactions		219							219
Amounts due from customers		554'942	45	1'277'097	373'949	531'595	140'174		2'877'802
Mortgage loans				7'985	4'195	42'267	366'677		421'125
Positive replacement values of derivative financial instruments		9'550							9'550
Other financial instruments at fair value		2'464'306							2'464'306
Financial investments		5'627		539'964	844'476	1'258'372	7'204	7'398	2'663'041
Total	**at 31.12.23**	**4'406'696**	**18'020**	**2'654'134**	**1'457'051**	**1'835'901**	**514'055**	**7'398**	**10'893'256**
	at 31.12.22	4'643'384	44'315	3'171'297	1'880'175	1'891'167	503'962	10'047	12'144'346
Debt capital / financial instruments									
Amounts due to banks		325'817		207'841	46'917	4'581	37'722		622'878
Liabilities from securities financing transactions				643'549	26'763	69'680			739'992
Amounts due in respect of customer deposits		5'253'001	390'014	1'563'678	1'026'347	98'481	4'011		8'335'532
Negative replacement values of derivative financial instruments		13'370							13'370
Total	**at 31.12.23**	**5'592'187**	**390'014**	**2'415'068**	**1'100'026**	**172'743**	**41'733**		**9'711'771**
	at 31.12.22	6'146'922	517'823	2'889'836	1'147'453	278'459	81'278		11'061'772

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

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	31.12.23		31.12.22	
Assets				
Liquid assets	184	1'241'090	393	1'243'253
Amounts due from banks	305'553	910'387	363'771	1'276'937
Amounts due from securities financing transactions		219		303'226
Amounts due from customers	16'308	2'861'494	10'110	3'479'921
Mortgage loans		421'125		386'265
Positive replacement values of derivative financial instruments	409	9'141	256	11'769
Other financial instruments at fair value		2'464'306		2'030'664
Financial investments	487'137	2'175'903	608'866	2'428'914
Accrued income and prepaid expenses	9'975	230'068	9'141	177'724
Non-consolidated participations		77		77
Tangible fixed assets	9'198	73'673	8'485	81'237
Intangible assets				
Other assets	2'211	115'510	1'006	142'774
Total assets	**830'974**	**10'502'994**	**1'002'028**	**11'562'763**
Liabilities				
Amounts due to banks	652	622'226	9'443	771'473
Liabilities from securities financing transactions	100'000	639'992	85'000	891'741
Amounts due in respect of customer deposits	107'989	8'227'543	189'903	9'103'533
Negative replacement values of derivative financial instruments	373	12'996	1'014	9'665
Accrued expenses and deferred income	8'445	264'246	5'468	202'926
Other liabilities	1'596	84'305	864	84'697
Provisions	99	6'420	108	6'350
Reserves for general banking risks	227'697	267'735	76'213	388'548
Bank's capital	150'000		150'000	
Retained earnings reserves	311'891		322'489	
Minority interest in equity		142'451		155'629
Group profit	63'008	94'304	41'903	67'825
Total liabilities	**971'751**	**10'362'218**	**882'405**	**11'682'385**

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

	31.12.23		31.12.22	
	in CHF 1’000	Share as %	in CHF 1’000	Share as %
Assets				
Europe	**1’977’830**	**17.5%**	**1'980'750**	**15.8%**
– of which Switzerland	830’974	7.3%	1'002'028	8.0%
United Kingdom	901’237	8.0%	810'540	6.5%
Others	245’619	2.2%	168'181	1.3%
North America	**389’627**	**3.4%**	**356'099**	**2.8%**
Asia	**7’982’559**	**70.4%**	**9'096'123**	**72.4%**
– of which United Arab Emirates	2’852’863	25.2%	2'826'063	22.5%
Pakistan	4’548’401	40.1%	5'533'385	44.0%
Others	581’296	5.1%	736'675	5.9%
Other countries	**983’952**	**8.7%**	**1'131'819**	**9.0%**
– of which South Africa	398’562	3.5%	466'319	3.7%
Others	585’389	5.2%	665'499	5.3%
Total assets	**11’333’968**	**100.0%**	**12'564'791**	**100.0%**

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

	Net foreign exposures **31.12.23**		Net foreign exposures **31.12.22**	
Moody’s rating	in CHF 1’000	Share as %	in CHF 1’000	Share as %
Aaa	496’716	4.8%	510'739	4.4%
Aa	4’252’982	40.8%	4’165’820	36.1%
A	41’230	0.4%	79’040	0.7%
Baa	89’958	0.9%	89’566	0.8%
Ba–B	729’043	7.0%	927’112	8.0%
Caa–C	4’548’414	43.7%	5’533’576	47.9%
Unrated	259’167	2.5%	237’270	2.1%
Total	**10’417’510**	**100.0%**	**11’543’123**	**100.0%**

Rating category is based on the sovereign foreign currency long-term rating system from Moody’s.

19 Balance sheet by currencies

in CHF 1'000	CHF	USD	GBP	AED	PKR	Other	Total
Assets							
Liquid assets	80'762	66'163	182'060	691'628	202'552	18'110	1'241'274
Amounts due from banks	40'340	716'427	161'990	103'297	12'417	181'469	1'215'940
Amounts due from securities financing transactions		219					219
Amounts due from customers	13'462	328'339	693'548	475'492	1'098'784	268'177	2'877'802
Mortgage loans				254'627	43'433	123'065	421'125
Positive replacement values for derivative financial instruments	409		108	16	8'666	351	9'550
Other financial instruments at fair value					2'464'306		2'464'306
Financial investments	271'530	937'421	157'041	637'888	317'845	341'316	2'663'041
Accrued income and prepaid expenses	10'240	910	23'859	27'862	169'135	8'037	240'043
Non-consolidated participations	77						77
Tangible fixed assets	9'198	84	13'449	11'654	28'829	19'657	82'871
Intangible assets							
Other assets	2'211	40'169	5'969	12'348	55'335	1'690	117'721
Total assets shown in balance sheet	**428'230**	**2'089'730**	**1'238'023**	**2'214'811**	**4'401'302**	**961'872**	**11'333'968**
Delivery entitlements from spot exchange, forward forex and forex options transactions	1'396	614'055	50'071	85'184	466'266	66'036	1'283'008
Total assets	**429'626**	**2'703'785**	**1'288'094**	**2'299'995**	**4'867'568**	**1'027'908**	**12'616'976**

in CHF 1'000	CHF	USD	GBP	AED	PKR	Other	Total
Liabilities							
Amounts due to banks	2'011	113'690	6'593	26'244	461'562	12'778	622'878
Liabilities from securities financing transactions	100'000	1'805	80'400		554'842	2'945	739'992
Amounts due in respect of customer deposits	54'901	1'933'347	1'032'899	1'837'710	2'717'942	758'733	8'335'532
Negative replacement values of derivative financial instruments	373		45	37	12'611	303	13'370
Accrued expenses and deferred income	7'031	888	36'643	26'622	188'636	12'871	272'692
Other liabilities	1'598	1'242	2'506	21'235	57'973	1'348	85'901
Provisions		99	1	3'456	2'928	35	6'519
Reserves for general banking risks	169'387			302'479	10'449	13'116	495'431
Bank's capital	150'000						150'000
Retained earnings reserves	311'891						311'892
Minority interest in equity					111'960	30'491	142'451
Group profit	-45'645		14'053	94'605	75'232	19'067	157'312
Total liabilities shown in balance sheet	**751'548**	**2'051'072**	**1'173'139**	**2'312'389**	**4'194'133**	**851'688**	**11'333'968**
Delivery obligations from spot exchange, forward forex and forex options transactions	2'863	622'582	20'330	2'762	540'536	93'935	1'283'008
Total liabilities	**754'411**	**2'673'654**	**1'193'470**	**2'315'151**	**4'734'669**	**945'622**	**12'616'976**
Net position per currency at 31.12.23	**324'785**	**30'131**	**94'625**	**–15'157**	**132'899**	**82'286**	
at 31.12.22	–293'110	–855	100'144	–24'479	154'330	63'969	

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

20 Breakdown of contingent liabilities and contingent assets

in CHF 1'000	31.12.23	31.12.22	+/- %
Guarantees to secure credits and similar	516'521	642'958	–19.7%
Irrevocable commitments arising from documentary letters of credit	683'554	892'362	–23.4%
Total contingent liabilities	**1'200'075**	**1'535'320**	**–21.8%**
Contingent assets arising from tax losses carried forward	3'184	3'304	–3.6%
Total contingent assets	**3'184**	**3'304**	**–3.6%**

21 Breakdown of credit commitments

in CHF 1'000	31.12.23	31.12.22	+/- %
Commitments arising from acceptances	96'564	123'901	–22.1%
Other credit commitments		26'868	–100.0%
Total credit commitments	**96'564**	**150'769**	**–36.0%**

22 Breakdown of fiduciary transactions

in CHF 1'000	31.12.23	31.12.22	+/- %
Fiduciary investments with third-party companies	413'203	258'994	59.5%
Fiduciary loans		21	–100.0%
Total fiduciary transactions	**413'203**	**259'015**	**59.5%**

Information on the income statement *(consolidated)*

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

in CHF 1’000	2023	2022	+/- %
Result from trading activities from:			
– Interest rate instruments (incl. funds)	17’264	–28’275	–161.1%
– Unrealised forex gains / (losses) on reserves held in foreign currencies	–37’253	2’038	>–500%
– Foreign currencies	31’829	41’868	–24%
– Commodities / precious metals	373	-3	>–500%
Total result from trading activities	**12’213**	**15’629**	**–21.9%**
– of which from the fair value option on assets	17’264	-28’275	–161.1%

24 Breakdown of personnel expenses

in CHF 1’000	2023	2022	+/- %
Salaries (meeting attendances fees, fixed compensation, salaries and benefits)	–141’741	–139’730	1.4%
– of which, expenses relating to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	–12’922	–11’324	14.1%
Other personnel expenses	–7’654	–7’561	1.2%
Total personnel expenses	**–162’317**	**–158’615**	**2.3%**

25 Breakdown of general and administrative expenses

in CHF 1'000	2023	2022	+/- %
Office space expenses	–20'927	–23'211	–9.8%
Expenses for information and communications technology	–17'126	–15'936	7.5%
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	–7'822	–7'443	5.1%
Fees of audit firm(s)	–2'695	–2'394	12.6%
– of which for financial and regulatory audits	–2'343	–2'174	7.8%
– of which for other services	–352	–220	60.3%
Other operating expenses	–44'340	–41'500	6.8%
Total general and administrative expenses	**–92'910**	**–90'483**	**2.7%**

26 Breakdown of extraordinary income and expenses

in CHF 1'000	2023	2022	+/- %
Extraordinary income			
Profit on sale of fixed assets	551	670	–17.7%
Recoveries and others	239	50	377.1%
Total extraordinary income	**790**	**720**	**9.7%**
Extraordinary expenses			
Other	–313	–511	–38.8%
Total extraordinary expenses	**–313**	**–511**	**–38.8%**

27 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	2023		2022	
Net result from interest operations	19'681	480'183	16'853	347'272
Result from commission business and services	10'151	67'650	8'396	75'398
Result from trading activities and the fair-value option	–39'260	51'473	2'039	13'590
Other result from other ordinary activities	133'357	–119'441	30'641	–70'339
Personnel expenses	–32'918	–129'398	–27'963	–130'652
General and administrative expenses	–19'760	–73'150	–18'190	–72'293
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets	–5'270	–11'413	–546	–12'248
Changes to provisions and other value adjustments, and losses	–74	–1'424	–10	–241
Operating result	**65'906**	**264'479**	**11'220**	**150'488**

Income & Expenditure Switzerland: includes Zurich Branch & Zurich Head Office.

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

in CHF 1'000	2023	2022	+/- %
Current tax expenses*	–138'168	–76'320	81.0%
Deferred tax expenses	7'196	8'874	
Total taxes	–130'972	**–67'446**	**94.2%**
Weighted average tax rate (on Group profit before taxes)	31.8%	35.4%	

* The impact of changes in losses carried forward on income taxes (e.g. occurrence, use, reassessment, expiry) resulted in 0.6% lower income taxes for the period.

Report of the statutory auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Habib Bank AG Zurich and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31. December 2023 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31. December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31. December 2023, and its consolidated results of operations and its consolidated cash flows for the year then ended 31. December 2023 in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
– Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Dorst *Licensed Audit Expert* *Auditor in Charge*	Dario Blau *Licensed Audit Expert*

Zurich, 30 April 2024

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Financial statements of the Parent Bank

Parent Bank financial statements

Balance sheet

in CHF 1'000	Note	31.12.23	31.12.22	+/– %
Assets				
Liquid assets		779'605	905'029	–13.9%
Amounts due from banks		779'591	1'039'160	–25.0%
Amounts due from customers	2	655'928	810'213	–19.0%
Mortgage loans	2	255'068	209'126	22.0%
Positive replacement values of derivative financial instruments	3	425	256	65.9%
Financial investments	4	1'861'870	1'703'893	9.3%
Accrued income and prepaid expenses		43'059	43'080	0.0%
Participations		335'715	340'605	–1.4%
Tangible fixed assets		19'461	23'033	–15.5%
Other assets	5	47'474	21'172	124.2%
Total assets		**4'778'196**	**5'095'568**	**–6.2%**
Total subordinated claims		156'447	42'850	265.1%
– of which subject to conversion and / or debt waiver				
Liabilities				
Amounts due to banks		110'869	100'483	10.3%
Liabilities from securities financing transactions	1	100'000	85'000	17.6%
Amounts due in respect of customer deposits		3'456'521	3'865'872	–10.6%
Negative replacement values of derivative financial instruments	3	411	1'029	–60.1%
Accrued expenses and deferred income		33'448	25'738	30.0%
Other liabilities	5	22'437	13'921	61.2%
Provisions	7	3'555	2'727	30.4%
Reserves for general banking risks	7	474'491	454'540	4.4%
Bank's capital	8	150'000	150'000	0.0%
Statutory retained earnings reserves		87'350	85'900	1.7%
Voluntary retained earnings reserves		254'188	260'057	–2.3%
Profit carried forward		26'852	13'396	100.5%
Profit		58'075	36'906	57.4%
Total liabilities		**4'778'196**	**5'095'568**	**–6.2%**
Total subordinated liabilities				
– of which subject to conversion and / or debt waiver				

Off-balance sheet transactions

in CHF 1'000	Note	31.12.23	31.12.22	+/– %
Off-balance sheet transactions				
Contingent liabilities	2, 13	321'578	306'466	4.9%
Irrevocable commitments	2	1'409	1'076	31.0%
Credit commitments	2, 14	15'682	32'923	–52.4%

Appropriation of profit / coverage of losses / other distributions

The Board of Directors will submit the following proposal to the General Meeting of Shareholders in respect of the distribution of profit.

in CHF 1'000	31.12.23	31.12.22	+/- %
Profit (result for the period)	58'075	36'906	57.4%
Profit carried forward	26'852	13'396	100.4%
Distributable profit	**84'927**	**50'302**	**68.8%**
Appropriation of profit			
– Allocation to statutory retained earnings reserves	–2'850	–1'450	96.6%
– Allocation to voluntary retained earnings reserves			
– Distribution of dividend from distributable profit	–36'000	–22'000	63.6%
Profit carried forward	**46'077**	**26'852**	**71.6%**

Income statement

in CHF 1'000	Note	2023	2022	+/– %
Result from interest operations				
Interest and discount income		136'329	84'228	61.9%
Interest and dividend income from financial investments		69'564	45'169	54.0%
Interest expense		–32'734	–14'604	124.1%
Gross result from interest operations		**173'159**	**114'792**	**50.8%**
Changes in value adjustments for default risks and losses from interest operations		6'429	6'095	5.5%
Subtotal net result from interest operations		**179'588**	**120'888**	**48.6%**
Result from commission business and services				
Commission income from securities trading and investment activities		6'211	5'329	16.5%
Commission income from lending activities		16'849	16'208	4.0%
Commission income from other services		21'020	21'027	0.0%
Commission expense		–3'543	–3'174	11.6%
Subtotal result from commission business and services		**40'536**	**39'390**	**2.9%**
Result from trading activities and the fair value option	16	**–23'882**	**16'146**	
Other result from ordinary activities				
Result from the disposal of financial investments		–2'743	–295	>–500%
Income from participations		17'452	18'979	–8.0%
Result from real estate		33	30	10.7%
Other ordinary income		27'406	8'370	227.4%
Other ordinary expenses		–855	–39'538	–97.8%
Subtotal other result from ordinary activities		**41'293**	**–12'454**	
Operating income		**237'534**	**163'970**	**44.9%**

in CHF 1'000	Note	**2023**	**2022**	**+/– %**
Operating expenses				
Personnel expenses	17	–81'123	–71'593	13.3%
General and administrative expenses	18	–45'590	–41'475	9.9%
Subtotal operating expenses		**–126'713**	**–113'068**	**12.1%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		–7'569	–3'167	139.0%
Changes to provisions and other value adjustments and losses		–1'254	–210	496.9%
Operating result		**101'999**	**47'525**	**114.6%**
Extraordinary income	19	280	100	180.4%
Extraordinary expenses	19		–511	100.0%
Changes in reserves for general banking risks		–18'275	–920	>–500%
Taxes	20	–25'929	–9'288	179.2%
Profit		**58'075**	**36'906**	**57.4%**

Statement of changes in equity

in CHF 1'000	Bank's capital	Statutory retained earnings reserves	Reserves for general banking risks	Voluntary retained earnings and profit carried forward	Profit	Total
At 1.1.22	**150'000**	**84'450**	**453'240**	**260'970**	**36'511**	**985'171**
Transfer of profits to retained earnings		1'450			–1'450	
Currency translation differences			380	–579		–199
Dividends and other distributions				13'061	–35'061	–22'000
Other allocations to / (transfers from) the reserves for general banking risks			920			920
Other allocations to / (transfers from) other reserves						
Profit					36'906	36'906
At 31.12.22	**150'000**	**85'900**	**454'540**	**273'452**	**36'906**	**1'000'798**

At 1.1.23	**150'000**	**85'900**	**454'540**	**273'452**	**36'906**	**1'000'798**
Transfer of profits to retained earnings		1'450			–1'450	
Currency translation differences			1'676	–5'869		–4'193
Dividends and other distributions				13'456	–35'456	–22'000
Other allocations to / (transfers from) the reserves for general banking risks			18'275			18'275
Other allocations to / (transfers from) other reserves						
Profit					58'075	58'075
At 31.12.23	**150'000**	**87'350**	**474'491**	**281'039**	**58'075**	**1'050'955**

Notes to the Parent Bank financial statements

Under Art. 36 of the Swiss Ordinance on Banks and Savings Banks, institutions that publish consolidated financial statements are exempt form disclosing certain information in the parent bank financial statements. The information relating to the portrait, the accounting and valuation principles, the explanations of risk management as well as the events after the balance sheet date disclosed in the consolidated financial statement apply to the financial statements of the parent bank

The accounting and valuation principles of the parent bank are generally based on those from the Group.

Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF 1’000	**31.12.23**	**31.12.22**	**+/– %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*			
Book value of payables from cash collateral posted for securities lending and repurchase transactions*	100’000	85’000	17.6%
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase transactions	100’000	85’000	17.6%
– of which with unrestricted right to resell or pledge			
Fair value of securities serving as collateral posted for securities lending or securities borrowed or securities received in connection with reverse repurchase transactions with an unrestricted right to resell or repledge them			
– of which repledged securities			
– of which resold securities			

* Before taking into consideration any netting agreements

2 Overview of collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans / receivables

in CHF 1'000		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		64'004	331'390	303'869	699'263
Mortgage loans		287'772			287'772
– Residential and commercial property		287'772			287'772
– Commercial premises					
Total loans (before netting with value adjustments)	**31.12.23**	**351'776**	**331'390**	**303'869**	**987'036**
	31.12.22	360'610	370'935	379'049	1'110'594
Total loans (after netting with value adjustments)	**31.12.23**	**313'331**	**317'399**	**280'266**	**910'996**
	31.12.22	327'897	350'678	340'765	1'019'340
Off-balance sheet					
Contingent liabilities		14'035	97'709	209'834	321'578
Irrevocable commitments				1'409	1'409
Credit commitments		418	1'653	13'612	15'682
Total off-balance sheet	**31.12.23**	**14'452**	**99'362**	**224'855**	**338'669**
	31.12.22	6'102	102'234	232'129	340'465

in CHF 1'000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Specific value adjustments
Impaired loans / receivables					
Total impaired loans / receivables	**31.12.23**	**36'595**	**7'814**	**28'780**	**34'090**
	31.12.22	44'635	6'211	38'424	42'655

Onion market of Berne, Switzerland

3 Presentation of derivative financial instruments

	Trading instruments		
in CHF 1'000	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	425	411	243'236
Equity securities / indices			
Credit derivatives			
Other			
Total before taking into consideration netting agreements			
Total at 31.12.23	**425**	**411**	**243'236**
– of which determined using a valuation model			
Total at 31.12.22	256	1'029	368'663
– of which determined using a valuation model			

in CHF 1'000		Positive replacement values (accumulated)	Negative replacement values (accumulated)
After netting agreements			
Total	**at 31.12.23**	**425**	**411**
	at 31.12.22	256	1'029

Breakdown by counterparty

in CHF 1'000		Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)				
Total	**at 31.12.23**		**425**	
	at 31.12.22		256	

The Parent Bank has no hedging instruments.

4 Financial investments

in CHF 1'000	Book value 31.12.23	Book value 31.12.22	Fair value 31.12.23	Fair value 31.12.22
Debt instruments	**1'827'926**	**1'669'101**	**1'811'209**	**1'631'389**
– of which intended to be held until maturity	1'260'724	1'082'707	1'242'843	1'044'992
– of which not intended to be held until maturity (available for sale)	567'201	586'394	568'366	586'397
Equity interests	**32'570**	**33'426**	**35'914**	**34'572**
Precious metals	**1'374**	**1'366**	**1'660**	**1'621**
Real estate				
Total	**1'861'870**	**1'703'893**	**1'848'783**	**1'667'581**
– of which securities allowed for repo transactions in accordance with liquidity requirements	194'934	89'088		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Bbb	Bb to B	Unrated
Debt securities							
Book values	**at 31.12.23**	**89'333**	**796'720**	**498'865**	**322'675**	**98'363**	**55'916**
	at 31.12.22	38'492	433'197	587'648	444'475	165'287	34'793

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

5 Other assets and other liabilities

in CHF 1'000	Other assets 31.12.23	Other assets 31.12.22	Other liabilities 31.12.23	Other liabilities 31.12.22
Compensation account				
Deferred income taxes recognised as assets	12'273	16'728		
Others	35'202	4'444	22'437	13'921
Total	**47'474**	**21'172**	**22'437**	**13'921**

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

in CHF 1'000	Book value 31.12.23	Book value 31.12.22	Effective commitments 31.12.23	Effective commitments 31.12.22
Amounts due from banks	777	2'458	777	2'458
Financial investments				
Total pledged / assigned assets	**777**	**2'458**	**777**	**2'458**
Assets under reservation of ownership	90	84	90	84

* Excluding securities financing transactions

7 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF 1'000	**Balance at 31.12.22**	Use in conformity with designated purpose
Provisions for deferred taxes		
Provisions for pension fund obligations		
Provisions for latent credit risks	1'604	–8
Provisions for other business risks	1'124	–107
Provisions for restructuring		
Other provisions		
Total provisions	**2'728**	**–116**
Reserves for general banking risks	**454'540**	
Value adjustments for default and latent credit risks	**95'404**	**–5'286**
– of which value adjustments for default risks in respect of impaired loans / receivables	42'656	–5'351
– of which value adjustments for default risks in respect of financial investments		
– of which value adjustments for latent credit risks	52'747	65

Reclassifications	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.23**
	–97		9	–711	797
	–213		1'956		2'759
	–310		**1'965**	**–711**	**3'555**
	1'676		18'275		**474'491**
	–8'966	**2'176**	**577**	**–7'005**	**76'899**
	–4'492	2'176	577	–1'477	34'090
	–4'474			–5'528	42'810

8 Presentation of the Bank's capital

	31.12.23			31.12.22		
in CHF 1'000	Total par value	No. of share	Capital eligible for dividend	Total par value	No. of share	Capital eligible for dividend
Bank's capital	150'000	1'500'000	150'000	150'000	1'500'000	150'000
– of which paid up						
Total Bank's capital	**150'000**	**1'500'000**	**150'000**	**150'000**	**1'500'000**	**150'000**

9 Disclosure of holders of significant participations

	31.12.23		31.12.22	
in CHF 1'000	Nominal	% of equity	Nominal	% of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
with voting rights				
Gefan Finanz AG, Zug	150'000	100.0%	150'000	100%
without voting rights				

Beneficial holdings:
Gefan Finanz AG is 100% owned by a trust structure, which represents in equal shares the four branches of the Mohamedali Habib Family. No individual has a beneficial interest of 10% or more in the shares of Habib Bank AG Zurich.

10 Disclosure of own shares and composition of equity capital

in CHF 1'000	31.12.23	31.12.22	+/– %
Reserves for general banking risks	474'491	454'539	4.4%
Bank's capital	150'000	150'000	0.0%
Statutory retained earnings reserve	87'350	85'900	1.7%
Voluntary retained earnings reserve	254'188	260'057	–2.3%
Profit carried forward	26'852	13'396	100.4%
Profit	58'075	36'906	57.4%
Total equity	**1'050'955**	**1'000'798**	**5.0%**

The Parent Bank does not hold any of its own shares.
The statutory retained earnings reserve cannot be distributed.

11 Amounts due from / to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
Holders of qualified participations			76'999	84'851
Group companies	43'974	37'062	33'199	32'643
Linked companies				
Members of governing bodies	458	1'230	1'905	2'192
Other related parties			3'681	2'647
Total	**44'432**	**38'292**	**115'784**	**122'333**

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

	Net foreign exposures **31.12.23**		Net foreign exposures **31.12.22**	
Standard & Poor's Rating	in CHF 1'000	Share as %	in CHF 1'000	Share as %
AAA	229'272	5.6%	284'320	6.6%
AA+ – AA-	3'236'061	79.4%	3'214'283	75.0%
A+ – A-	34'079	0.8%	65'711	1.5%
BBB+ – BBB-	50'577	1.2%	72'528	1.7%
BB+ – B-	302'924	7.4%	419'796	9.8%
Caa–C	166'287	4.1%	173'613	4.1%
Unrated	58'741	1.4%	55'693	1.3%
Total	**4'077'941**	**100.0%**	**4'285'945**	**100.0%**

Rating category is based on the sovereign foreign currency long-term rating system from Moody's.

Information on the off-balance sheet transactions

13 Breakdown of contigent liabilities and contingent assets

in CHF 1'000	**31.12.23**	**31.12.22**	**+/- %**
Guarantees to secure credits and similar	85'334	86'919	–1.8%
Irrevocable commitments arising from documentary letters of credit	236'244	219'547	7.6%
Total contingent liabilities	**321'578**	**306'466**	**4.9%**

14 Breakdown of credit commitments

in CHF 1'000	**31.12.23**	**31.12.22**	**+/- %**
Commitments arising from acceptances	15'682	16'032	–2.2%
Other credit commitments		16'891	–100.0%
Total credit commitments	**15'682**	**32'923**	**–52.4%**

15 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.23**	**31.12.22**	**+/- %**
Fiduciary investments with third-party companies	413'203	258'994	59.5%
Fiduciary investments with Group companies and affiliated companies	71'524	78'782	–9.2%
Fiduciary loans		21	–100.0%
Total fiduciary transactions	**484'728**	**337'796**	**43.5%**

Information on the income statement

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

in CHF 1’000	2023	2022	+/- %
Result from trading activities from:			
– Interest rate instruments (incl. funds)	373	–3	
– Unrealised forex gains / (losses) on reserves held in foreign currencies	–37’253	2’038	
– Foreign currencies	12’998	14’111	–7.9%
Total result from trading activities	**–23’882**	**16’146**	
– of which from the fair value option on assets	373	–3	

17 Breakdown of personnel expenses

in CHF 1’000	2023	2022	+/- %
Salaries and additional allowances	–68’105	–60’694	12.2%
– of which, expenses relating to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	–8’896	–6’979	27.5%
Other personnel expenses	–4’122	–3’920	5.2%
Total personnel expenses	**–81’123**	**–71’593**	**13.3%**

18 Breakdown of general and administrative expenses

in CHF 1’000	2023	2022	+/- %
Office space expenses	–7’124	–7’482	–4.8%
Expenses for information technology and telecommunications	–7’092	–6’808	4.2%
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	–430	–388	10.9%
Fees of audit firm(s)	–1’475	–1’316	12.1%
– of which for financial and regulatory audits	–1’451	–1’288	12.7%
– of which for other services	–24	–28	–15.9%
Other operating expenses	–29’468	–25’481	15.6%
Total general and administrative expenses	**–45’590**	**–41’475**	**9.9%**

19 Analysis of extraordinary income and expenses

in CHF 1'000	2023	2022	+/- %
Extraordinary income			
Profit on sale of fixed assets	75	51	47.6%
Recoveries and others	205	49	318.7%
Total extraordinary income	**280**	**100**	**180.4%**
Extraordinary expenses			
Other		–511	100.0%
Total extraordinary expenses		**–511**	**100.0%**

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

in CHF 1'000	2023	2022	+/- %
Current tax expenses *	–23'341	–15'858	47.2%
Deferred tax expenses	–2'589	6'570	
Total taxes	**–25'929**	**–9'288**	**179.2%**
Weighted average tax rate (on profit before taxes)	21.9%	23.2%	

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

Traditional dress from a local market in Pakistan.

Report of the statutory auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Habib Bank AG Zurich (the Company), which comprise the balance sheet as at 31. December 2023, and the income statement, the statement of changes in equity for the year then ended 31. December 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31. December 2023, and its results of operations and its cash flows for the year then ended 31. December 2023 in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
– Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Dorst *Licensed Audit Expert* *Auditor in Charge*	Dario Blau *Licensed Audit Expert*

Zurich, 30 April 2024

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