Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Annual Report 2020

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Group key figures

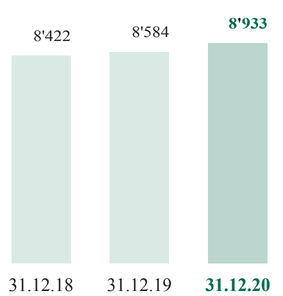
in CHF million

Balance sheet	31.12.18	31.12.19	31.12.20	Change in % to 31.12.19
Total assets	10'305	11'163	11'682	4.6%
Equity	1'148	1'196	1'193	-0.3%
Advances customers	3'546	3'545	3'363	-5.1%
Customers deposits	8'422	8'584	8'933	4.1%
Income statement	**2018**	**2019**	**2020**	Change in % to 2019
Total income[1]	305.3	407.7	415.2	1.8%
Operating expenses	-224.4	-227.0	-215.7	-5.0%
Operating result	-11.7	166.3	166.0	-0.2%
Group profit	79.7	91.5	51.3	-44.0%
Key figures and ratios	**31.12.18**	**31.12.19**	**31.12.20**	Change in % to 31.12.19
Number of offices	393	432	445	3.0%
Number of employees	5'426	5'698	6'061	6.4%
Return on equity (ROE) [2]	6.5%	7.8%	4.3%	
Equity ratio	11.1%	10.7%	10.2%	
Cost / income ratio	73.5%	55.7%	51.9%	
Capital ratio	19.5%	19.7%	18.8%	
Liquidity coverage ratio	115.5%	122.0%	132.4%	
Leverage ratio	9.7%	9.4%	9.6%	

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

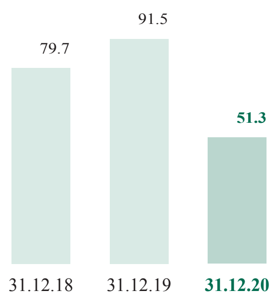
[2] Group profit as percentage of equity of average at year end

Customers deposits, in CHF million



Equity, in CHF million

Group profit, in CHF million



Purely for ease of reading, the masculine form used in this document is intended to refer to both genders.
This consolidated financial reporting is published in English only.
Due to rounding, the numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
Mathematical rules of "%-change" in the tables in this report: deviations greater than +/-500.0% will be shown as ">500%" or "-500%" .


Limmernsee Reservoir
Switzerland

Letter to shareholders

It is our pleasure to present you the 53rd Annual Report of Habib Bank AG Zurich, which has been prepared in accordance with the Ordinance on Accounting of the Swiss Financial Market Supervisory Authority (FINMA).

2020 was a year like no other and we are proud of how the Habib Bank AG Zurich has responded to the pandemic and to challenges to financial markets directly or indirectly resulting from it. Besides various activities to safeguard the health and safety of employees and efforts to offer financial assistance to customers experiencing financial hardship, the Group demonstrated its ability to adapt quickly to the crisis and has also made progress on strategic initiatives in order to position itself for growth in coming years. By the grace of God, Habib Bank AG Zurich delivered a solid operating result for 2020 and increased its reserves for general banking risks, while maintaining a strong capital base and high liquidity. This was in spite of unrealised revaluation losses caused by a strong CHF against other foreign currencies.

Considering FINMA's view on a prudent distribution policy in light of the coronavirus crisis, the Board of Directors has proposed making the following appropriations from the profit for the year ending 31 December 2020 and the profit carried forward from last year to produce an amount available for distribution of CHF 16'634'774:

- An allocation to the statutory retained earnings reserves of	CHF	1'300'000
- A distribution of a dividend from the distributable profit of	CHF	15'000'000
- Profit carried forward of	CHF	334'774

We would like to thank our clients for their loyalty and trust, especially during a time of significant change in 2020, and are grateful to all of our employees for their outstanding efforts and contribution to the overall success of Habib Bank AG Zurich.

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

About us

Habib Bank AG Zurich (the "Bank" or "Parent Bank") was incorporated in Switzerland in 1967 and is privately owned. The Habib family has been actively involved in banking for over 75 years. Two family members, Mr. Muhammad H. Habib, President, and Mr. Mohamedali R. Habib, Group CEO, are members of General Management. Other members of the family are currently working their way up through the management ranks.

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

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

Vision

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

Mission

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

With its Head Office in Zurich, the Bank has branch operations in Kenya and United Arab Emirates. The Bank has subsidiaries in Canada, Hong Kong, United Kingdom, United Arab Emirates, Pakistan, South Africa and Switzerland. The Group's operations are supported by its own service companies. As of 31 December 2020, headcount totalled 6'061 staff distributed among 445 offices providing personalised services to our valued clients. The Group is active in commercial banking, retail banking, trade finance, wealth management and Islamic banking.

Corporate governance

Corporate governance Principles

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

Board of Directors

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

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

Members of the Board of Directors

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

Dr. Andreas Länzlinger

Swiss, born 1959

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

Professional history and education

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

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

Urs W. Seiler
Swiss, born 1949

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

Professional history and education

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

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

Roland Müller-Ineichen
Swiss, born 1960

Member of the Board of Directors
Chairman of the Audit Committee

Professional history and education

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

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

Ursula Suter
Swiss, born 1954

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

Professional history and education

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

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

Dr. Stephan Philipp Thaler
Swiss, born 1962

Member of the Board of Directors
Member of the Audit Committee

Professional history and education

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

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

Elections and terms of office

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

Organisational principles and structure

According to the Articles of Association and the Organisational Regulations, the Board of Directors meets as often as business requires, but at least four times per year. At every Board of Directors meeting, the President and the Group CEO provide the Board of Directors with a business update, and each committee chairperson provides the Board of Directors with an update on current activities of his or her committee as well as important committee issues. At least once per year, the Board of Directors reviews its own performance as well as the performance of each of its committees. This review seeks to determine whether the Board of Directors and its committees are functioning effectively. The committees (listed on page 6) assist the Board of Directors in the performance of its duties.

General Management

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

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

Members of General Management

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

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

Muhammad H. Habib

Swiss, born 1959

President

Professional history and education

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

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

Mohamedali R. Habib

Canadian, born 1964

Group CEO

Professional history and education

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

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

Rajat Garg

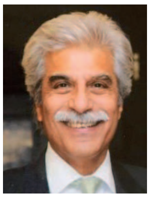
Singaporean, born 1963

Member of General Management and Head of Developed Markets

Professional history and education

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

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



Anjum Iqbal

British, born 1952

Member of General Management and Head of Emerging Markets

Professional history and education

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

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

Walter Mathis

Swiss, born 1961

Member of General Management and Head of Shared Services

Professional history and education

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

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

Management of the branch network

Name	Born	Citizenship	Function	Country
Rajat Garg*	1963	Singaporean	Country Manager	Switzerland
Jamal Alvi	1962	British	Country Manager	United Arab Emirates
Asim Basharullah	1971	Pakistani	Country Manager	Kenya

* ad interim

Management of the subsidiaries

Name	Born	Citizenship	Function	Country
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Zafar Khan	1952	South African	Chief Executive Officer	South Africa
Mohsin A. Nathani	1965	Pakistani	Chief Executive Officer	Pakistan
Sachil Dagur	1969	Indian	Chief Executive Officer	Hong Kong
Satyajeet Roy	1967	British	Chief Executive Officer	United Kingdom

Management of the representative offices

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

Group Business Functions

Name	Born	Citizenship	Function
Sirajuddin Aziz	1956	Pakistani	CEO Group Financial Institutions
Arif Lakhani	1945	Pakistani	CEO Group Wealth Management
Adnan Fasih	1967	Pakistani	Head of Group Islamic Banking

Group Service and Control Functions

Name	Born	Citizenship	Function
Rizwan Arain	1969	Pakistani	Head of Group Information & Technology Risk
Umair Chaudhary	1968	British	Group Chief Operating Officer
Felix Gasser	1959	Swiss	Head of Group Risk Control
Dr. Sitwat Husain	1964	Pakistani	Head of Group Human Resources
Faraz Kohari	1965	American	Co-Head of Group Information Technology
Dr. Pascal Mang	1964	Swiss	Head of Group Legal & Compliance
Alfred Merz	1962	Swiss	Head of Group Financial Control
Atif Mufti	1973	Pakistani	Head of Group Operations & Systems
Uzma Murshed	1970	Pakistani	Head of Group Operational Risk
Syam Pillai	1962	Indian	Co-Head of Group Information Technology
Ralph Schneider	1964	Swiss	Head of Group Credit

Group Internal Audit

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

Management report

Economic environment

In 2020, the world suffered the worst global pandemic since the Spanish flu more than a century ago. Once it became clear that the novel coronavirus (and Covid-19, the disease it causes) posed a serious threat to growth and social cohesion, economic activity went into a tailspin and global trade almost ground to a halt, resulting in the sharpest contraction in the post-World-War II era. However, timely and decisive actions by the world's major central banks and strong fiscal responses in most countries prevented a sustained downturn. For the most vulnerable economies in Africa and Asia, multilateral institutions, led by the IMF, provided emergency funding. Over the summer quarter, the world witnessed one of the strongest recoveries on record. Among the major economies, China was the only one to escape a full-blown recession. Massive US fiscal and monetary stimulus, including record-low interest rates, contributed to a weakening in the USD. In response, commodity prices rebounded sharply, with Brent crude oil moving above USD 50/bbl. As the year progressed, most governments struggled to contain renewed outbreaks. Rapid progress in the development of vaccines and a strong commitment to supporting companies and households laid the foundations for a more broad-based recovery in 2021.

Although the coronavirus triggered the first recession in Pakistan since the 1950s, the country managed the crisis surprisingly well. The State Bank of Pakistan slashed the policy rate by 625bps, completely reversing its previous tightening cycle. Despite strained public finances, the government released nearly 3% of GDP in additional spending in order to support the economy. Moreover, the government opted for targeted containment measures to fight the pandemic instead of a blanket lockdown in order to limit negative economic consequences. Although the standard IMF programme was suspended, loans were provided under an IMF emergency facility. During the summer months, as the economy started to recover, external accounts materially improved and the first current account surplus was reported in five years as a result of both a sharp decline in the trade deficit and sustained remittances. The collapse in oil prices provided some additional relief as well. The PKR, which had swooned during the first half of the year, staged a recovery as the economic outlook improved in mid to late 2020.

Several additional shocks buffeted the UAE economy in 2020 following the outbreak of the pandemic. Oil prices collapsed to levels last seen some 20 years ago. Then, as global travel froze, authorities were forced to postpone Expo 2020. Tourism temporarily collapsed. Under such conditions, the long-suffering real estate market failed to revive. The Emirati government was able to deploy its relatively ample fiscal resources to prop up the economy, which managed to survive through the worst recession in several decades. The outlook improved over the course of the year, aided by the stabilisation in oil prices and the surprise peace accord with Israel. Throughout the worst of the crisis, the Central Bank of the UAE successfully safeguarded overall monetary and exchange rate stability.

South Africa again suffered a recession and the economy contracted by as much as 8%. With public finances in an increasingly parlous state, the South African Reserve Bank was called upon to do most of the heavy lifting by cutting the repo rate four times in addition to providing some temporary regulatory capital relief. When economic activity started to stabilise, the Reserve Bank halted its quantitative easing and refocused attention on the strained fiscal situation. The country took another blow when it lost its last remaining investment-grade credit rating in March and suffered further credit downgrades later in the year. External accounts demonstrated surprising resilience – aided by lower oil and higher gold prices – and the ZAR reversed most of its losses incurred during peak of the crisis.

For the United Kingdom, 2020 was not only the year of the pandemic but also the end of its EU membership. The pandemic took a terrible toll on the country, which was one of the worst performing major economies with over 11% contraction in GDP. Although the government's response to the pandemic was at times haphazard, the Bank of England acted swiftly and comprehensively to support the financial system and credit markets in particular. A promising recovery in activity during the summer months petered out when a second wave of coronavirus erupted later in the year. Throughout 2020, the government was engaged in stop-and-go negotiations with the EU and managed to secure, at the eleventh hour, a minimal deal in order to avoid a hard Brexit. This outcome allowed the GBP to stabilise at the end of a volatile year.

The Swiss economy weathered the coronavirus pandemic fairly well, although GDP is expected to have declined by almost 4%. Although the health authorities struggled to formulate the right response to the coronavirus, measures to guarantee bank loans and to finance short-term work were adopted quickly and implemented efficiently. The partial lockdown of the economy allowed vital sectors such as manufacturing and the financial industry to continue operating. The Swiss National Bank provided relief with a special refinancing facility and exemptions from negative interest rates for commercial banks. It also continued to intervene in currency markets to prevent an abrupt appreciation in the CHF, which nevertheless strengthened against most major currencies.

Kenya's economic growth slowed materially in 2020, but thanks to its fairly diversified structure and timely responses by the government and Central Bank of Kenya, the economy withstood the coronavirus shock remarkably well. After a dip during the first half of the year, growth rebounded, led by agriculture and manufacturing. Tourism, an important source of foreign exchange, naturally lagged due to international travel restrictions. The country declined a debt relief offer from the G20 and instead approached the IMF for emergency support and reopened talks for a new multi-year programme. Altogether, Kenya's extended external accounts remained stable and currency depreciation eased towards year-end.

Hong Kong's economic slump which had started in 2019 under the impact of the civic protest movement morphed into one of the worst contractions on record as a result of the coronavirus pandemic. While growth rebounded strongly during the third quarter, weak domestic demand and new outbreaks of the coronavirus dampened overall economic activity. The introduction of a new security law further undermined the territory's special status. The planned elections to the Legislative Council were postponed due to the pandemic. Despite China's tense relations with the US, the currency peg against the USD remained in place, providing an important anchor of stability.

Despite forceful and timely actions taken by both the government and the Bank of Canada, the Canadian economy suffered a contraction unlike any seen in recent history. However, the fiscal response, corresponding to some 6% of GDP, did fuel a very strong recovery mid-year that only lost momentum when a new coronavirus outbreak occurred in autumn. In order to aid the recovery, authorities left their accommodative policies in place with, most notably, the policy rate at the lower bound. The CAD, which in March weakened to the lowest level since 2015 against the USD, came roaring back through the rest of the year.

Banking sector

The coronavirus pandemic severely impacted the banking industry across the globe. The immense drop in economic activity affected most banking services and, among other things, led to a sharp increase in credit-loss provisions as recent regulatory changes accelerated the recognition process. Despite significant government support for households and companies, the global banking industry provisioned well over USD 1.2 trillion for loan losses during the first three quarters of 2020. Central bank actions to shore up the economy cut interest rates for most currencies, thereby compressing margins and eroding industry profitability. Globally, return on equity declined and in, some developed regions, quite dramatically. To date, the pandemic has, however, not affected capital adequacy due to the regulatory pressure on banks over past years to shore up their capital base. Bank liquidity was also not at risk as central banks supplied ample funding. In fact, liquidity levels for most banks approached record levels.

The pandemic also created many organisational challenges as containment measures required swift adjustments to day-to-day operations and client contacts. Travel came to a standstill, remote working for staff and digital interaction with clients became the new norm and banks were required to adapt their IT infrastructure. More generally, business and operational models were subjected to unprecedented financial stress. Full remediation will take considerable time and require additional investment.

In many jurisdictions, regulators temporarily eased capital requirements to help the banking industry address the crisis, but this does not represent a reversal of the general trend towards more stringent regulatory regimes.

Operational performance and outlook

Income statement

In 2020, the Group performed well operationally and increased its reserves for general banking risks by about CHF 18.5 million.

The Group achieved a profit of CHF 51.3 million, which was CHF 40.3 million or 44.0% below the previous year (2019: CHF 91.5 million). The interest rate cuts by the major central banks and the economic slowdown across the globe during 2020 substantially affected the Group's financial performance compared with the previous year.

Total interest, discount and dividend income decreased by 11.6% or CHF 79.6 million to CHF 608.1 million. However, "Interest expense" decreased by 24.0% or CHF 97.9 million. The "Gross result from interest operations" improved by 6.6% or CHF 18.3 million, mainly driven by increased average balance sheet positions. At the end of 2020, a total amount of CHF 15.6 million had been provided for "Changes in value adjustments for default risk and losses from the interest operations", which was an increase of CHF 15.7 million.

"Results from commission business and services" of CHF 69.2 million decreased by 8.9% or CHF 6.7 million compared with the previous year (2019: CHF 76.0 million). This was mainly due to a lower "Commission income from other services" that was driven by reduced customer business activities during the lockdown in the second quarter of 2020.

The "Result from trading activities and the fair value option" increased by 6.3% or CHF 2.8 million to CHF 47.6 million. This was mainly driven by a significant revaluation gain of CHF 53.1 million on the "Other financial instruments at fair value" (2019: CHF 19.0 million), which was the result of interest rate cuts during 2020. This gain was partially offset by a revaluation loss of CHF 41.4 million that was booked on reserves held in foreign branches in foreign currencies and a devaluation against the reporting currency CHF. The Group was able to increase margins on foreign exchange transactions, which resulted in 9.6% higher results from "Foreign currencies".

in CHF 1'000	2020	2019	+/-%
Interest rate instruments	53'055	18'970	179.7%
Unrealised forex gains/ (losses) on reserves held in foreign currencies	-41'430	-7'070	486.0%
Foreign currencies	35'980	32'841	9.6%
Commodities/precious metals	3	29	-90.5 %
Total result from trading activities and the fair value option	**47'608**	**44'770**	**6.3%**

"Operating expenses" decreased by 5.0% to CHF 215.7 million (2019: CHF 227.0 million). After some reorganisational measures in several countries, "Personnel expenses" decreased by CHF 4.4 million. Various cost savings initiatives and reduced travelling and marketing activities led to a reduction in "General and administrative expenses" of 8.5% to CHF 74.0 million (2019: CHF 80.9 million).

The "Operating result" of CHF 166.0 million was about 0.2% lower than 2019 (CHF 166.3 million). If "Unrealized forex gains/(losses) on reserves held in foreign currencies" of minus CHF 41.4 million are excluded, the total figure amounts to CHF 207.4 million. Tax expenses increased to CHF 79.1 million compared with CHF 57.6 million in the previous year.

In 2020, CHF 36.4 million was charged to "Changes in reserves for general banking risks", which was 102.9% higher than in the previous year (2019: CHF 17.9 million).

The "Cost/income ratio" continued to decrease and was at 51.9%.

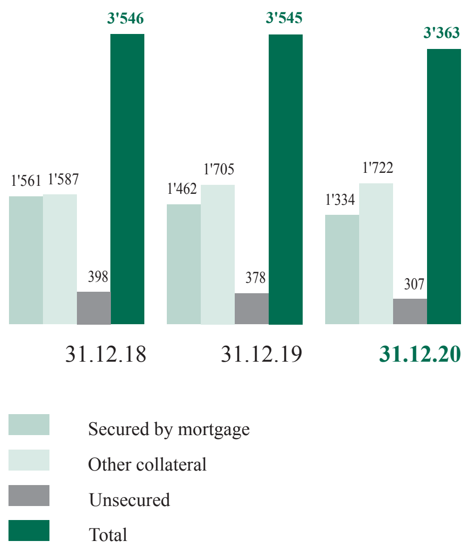
Balance sheet

Total assets increased by CHF 518.8 million or 4.6%, driven by the organic growth of our Pakistan subsidiary.

"Liquid assets" decreased by CHF 82.4 million or 5.7%, and totalled CHF 1'357.5 million on 31 December 2020. This decrease was related to lower central bank balances in the operating countries.

"Total loans (after netting with value adjustments)" with customers decreased by CHF 182.6 million compared with 2019 (see note 2 for further details). Total "Amounts due from customers" decreased by CHF 128.5 million and "Mortgage loans" decreased by CHF 54.0 million.

Advances customers, in CHF million



"Other financial instruments at fair value" and "Financial investments" increased by CHF 554.1 million or 13.8% to CHF 4'570.0 million. The increase was a result of the overall balance sheet growth across the Group.

"Amounts due in respect of customer deposits" increased by CHF 349.3 million or 4.1% year on year. The majority of the operating countries were able to increase their customer deposits during the crisis.

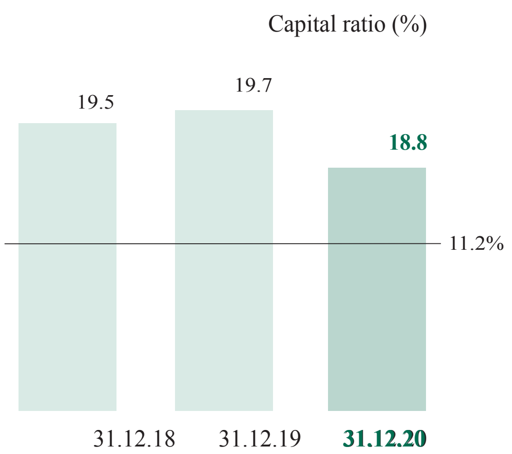
During 2020, additional "Reserves for general banking risks" of CHF 18.5 million were booked.

Total equity was relatively unchanged at CHF 1'192.8 million at the end of 2020 compared with CHF 1'196.1 million at the end of the previous year. For further information regarding changes in equity please refer to page 26. The return on equity for 2020 was 4.3% compared with 7.8% in 2019.

Capital and liquidity

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

The "Capital ratio" of the Group was 18.8%. The Group is considered a Category 4 Bank by the Swiss Financial Market Supervisory Authority (FINMA) and must maintain a regulatory target capital ratio of a minimum of 11.2%. The Group's "Capital ratio" was 770bps greater than the minimum capital requirement and its capital base is strong. Accordingly, the Group was ranked* in the top range of Swiss banks, well above the average for European financial institutions.



The "Liquidity coverage ratio" increased to 132.4% at Group level, which was well above the minimum requirement of 100% for the Group (for further details, see the capital adequacy and liquidity disclosure requirements as of 31 December 2020 on our homepage (www.habibbank.com/Group Financials)).

Risk assessment

The Board of Directors conducted its risk assessment of all major risks of the Bank and the Group in 2020.

Operations

2020 was an unprecedented year in many respects and the Group was guided by the following goals to: i) safeguard the health and safety of all of its staff members; ii) maintain operational resiliency in order to support businesses; iii) maintain sufficient liquidity; and iv) enhance monitoring of asset quality. Throughout the pandemic, the Group offered several forms of financial assistance to customers in financial hardship due to coronavirus. Overall, the Group demonstrated its ability to adapt quickly in response to the pandemic.

While dealing with the operational challenges posed by the pandemic, the Group made progress on strategic initiatives in order to position itself for growth in coming years. The representative office established in Shanghai, China was officially registered in January 2020 and is now fully functional. This is a new flag designated by the Group to serve its clients across the network and facilitate trade flows with China. In 2020, Group Financial Institutions continued to promote primary trade transactions and focused on building long-term productive relationships across the globe. New key markets for 2020 were the Gulf Cooperation Council, Egypt, Indonesia, Maldives and Sri Lanka. Significant efforts were made to capture both ends of transactions wherever possible, leading to greater Group synergies resulting in growth of trade finance of 24% in 2020.

The Group Islamic banking business under the SIRAT brand was consolidated during the year. The Group now delivers Shariah-compliant solutions in Pakistan, United Arab Emirates, South Africa and United Kingdom. SIRAT was awarded the "Best Islamic Banking Brand 2020" accolade by the 10th Global Islamic Awards that was held in Islamabad. SIRAT was also acknowledged as the best "Emerging Islamic Banking Offering in UK" by the Islamic Retail Banking Awards organised in London.

In 2020, the Group focused on enhancing the customer banking experience with additional digital offerings and seamless services through secure and robust channels. The Group was able to continue to fully service its clients while maintaining the highest standards of data security and data protection. The Group's data centre also obtained PCI DSS (Payment

* Financial Times, The Banker, July 2020

Card Industry Data Security Standard) recertification for the fourth consecutive year. In order to improve the Bank's security posture and ensure data protection, data leakage prevention (DLP) tools were rolled out at critical endpoints and local DLP committees were formed across the Group.

Outlook

The Group enters 2021 with a robust balance sheet, stronger customer relationships, a strong brand and a well-established franchise. The global economic outlook for 2021 remains uncertain and will depend on the timing and effectiveness of the roll-out of vaccines. Following the coronavirus-induced recession in 2020, a broad-based global recovery is widely expected for 2021 and, in this context, global trade is also expected to rebound strongly. The Shanghai representative office will further advance the growth of the Group by opening up the Chinese market. Group companies will also undertake transactions with other suitable countries.

The Group has additional roll-out plans for SIRAT products across footprint markets. At the same time, the Group wishes to consolidate and strengthen brand positioning for growth and scale. In 2021, the digital journey will continue and the Group will refresh its digital technology strategy to accelerate efforts to improve infrastructure and to provide new services to its customers. The Group plans also to expand its branch network by adding more than 50 new branches in Pakistan.

The Group expects 2021 to be a transition year towards a return to the strategy plan expectations, supported by a return to normal valuation results and credit loss levels.

Consolidated financial statements of the Group

Balance sheet (consolidated)

in CHF 1'000	Note	**31.12.20**	**31.12.19**	**+/- %**
Assets				
Liquid assets		1'357'483	1'439'875	-5.7%
Amounts due from banks		2'021'739	1'816'013	11.3%
Amounts due from customers	2	3'055'847	3'184'384	-4.0%
Mortgage loans	2	307'025	361'048	-15.0%
Positive replacement values of derivative financial instruments	4	29'966	29'728	0.8%
Other financial instruments at fair value	3	3'006'799	2'545'727	18.1%
Financial investments	5	1'563'205	1'470'218	6.3%
Accrued income and prepaid expenses		148'165	147'604	0.4%
Non-consolidated participations	7	77	77	0.0%
Tangible fixed assets	8	77'536	83'705	-7.4%
Intangible assets	9	53	113	-52.7%
Other assets	10	114'010	84'609	34.8%
Total assets		**11'681'905**	**11'163'100**	**4.6%**
Total subordinated claims		5'015	5'015	0.0%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		787'265	560'168	40.3%
Liabilities from securities financing transactions	1	525'609	578'646	-9.2%
Amounts due in respect of customer deposits		8'933'038	8'583'781	4.1%
Negative replacement values of derivative financial instruments	4	37'905	51'074	-25.8%
Accrued expenses and deferred income		179'482	153'894	16.6%
Other liabilities	10	18'514	33'658	-45.0%
Provisions	13	7'294	5'783	26.1%
Reserves for general banking risks	13	475'019	456'556	4.0%
Bank's capital		150'000	150'000	0.0%
Retained earnings reserves		337'130	317'555	6.2%
Minority interest in equity		179'399	180'437	-0.6%
Group profit		51'252	91'547	-44.0%
- of which minority interests in group profit		35'850	25'307	41.7%
Total liabilities		**11'681'905**	**11'163'100**	**4.6%**
Total subordinated liabilities				
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions (consolidated)

in CHF 1'000	Note	**31.12.20**	**31.12.19**	**+/- %**
Off-balance sheet transactions				
Contingent liabilities	2, 20	1'701'880	1'531'301	11.1%
Irrevocable commitments	2	854	1'060	-19.4%
Credit commitments	2, 21	256'204	173'299	47.8%

Income statement (consolidated)

in CHF 1'000	Note	2020	2019	+/- %
Result from interest operations				
Interest and discount income		259'702	369'859	-29.8%
Interest and dividend income from trading portfolios		5'343	5'034	6.1%
Interest and dividend income from financial investments		343'028	312'764	9.7%
Interest expense		-309'942	-407'863	-24.0%
Gross result from interest operations		**298'132**	**279'794**	**6.6%**
Changes in value adjustments for default risks and losses from interest operations		-15'570	102	
Subtotal net result from interest operations		**282'562**	**279'896**	**1.0%**
Result from commission business and services				
Commission income from securities trading and investment activities		5'781	4'901	18.0%
Commission income from lending activities		24'698	25'535	-3.3%
Commission income from other services		46'052	52'634	-12.5%
Commission expense		-7'283	-7'088	2.8%
Subtotal result from commission business and services		**69'248**	**75'982**	**-8.9%**
Result from trading activities and the fair value option	23	**47'608**	**44'770**	**6.3%**
Other result from ordinary activities				
Result from the disposal of financial investments		110	615	-82.1%
Result from real estate		194	524	-63.0%
Other ordinary income			6'024	-100.0%
Other ordinary expenses		-104		100.0%
Subtotal other result from ordinary activities		**200**	**7'163**	**-97.2%**
Operating income		**399'619**	**407'811**	**-2.0%**

in CHF 1'000	Note	2020	2019	+/- %
Operating expenses				
Personnel expenses	24	-141'673	-146'076	-3.0%
General and administrative expenses	25	-74'013	-80'903	-8.5%
Subtotal operating expenses		**-215'686**	**-226'980**	**-5.0%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-14'933	-14'005	6.6%
Changes to provisions and other value adjustments and losses		-3'013	-575	423.9%
Operating result		**165'987**	**166'251**	**-0.2%**
Extraordinary income	26	821	817	0.5%
Extraordinary expenses	26	-97	-3	> 500%
Changes in reserves for general banking risks		-36'408	-17'942	102.9%
Taxes	28	-79'051	-57'576	37.3%
Group profit		**51'252**	**91'547**	**-44.0%**
- of which minority interests in group profit		35'850	25'307	41.7%

Cash flow statement (consolidated)

	2020		2019	
in CHF 1'000	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operating activities				
Group profit	51'252		91'547	
Change in reserves for general banking risks	36'408		17'942	
Value adjustments on participation, depreciation and amortisation on tangible fixed assets and intangible assets	12'933		14'005	
Provisions and other value adjustments	3'331	1'820	1'063	1'733
Changes in value adjustments for default risks and losses	34'883	46'363	20'105	32'086
Currency translation reserves		61'659		37'908
Accrued income and prepaid expenses		561	2'933	
Accrued expenses and deferred income	25'588		7'758	
Previous year's dividend		29'297		23'167
Total	**164'394**	**139'700**	**155'353**	**94'894**
Cash flow from shareholders' equity transactions				
Bank's capital				
Recognised in reserves				
Total				
Cash flow from transactions in respect of non-consolidated participations, tangible fixed assets and intangible assets				
Non-consolidated participations				
Real estate	7'407	11'610	3'007	11'022
Other tangible fixed assets	1'374	3'690	293	3'521
Intangible assets	11		24	
Total	**8'792**	**15'300**	**3'324**	**14'544**

in CHF 1'000	2020 Cash inflow	2020 Cash outflow	2019 Cash inflow	2019 Cash outflow
Cash flow from banking operations				
Medium- to long-term business (> 1 year)				
Amounts due to banks	19'596			
Liabilities from securities financing transactions	6'013			
Amounts due in respect of customer deposits		32'154		26'795
Other liabilities		15'145	5'406	
Amounts due from banks	8'044		12'277	
Amounts due from customers	20'319		47'339	
Mortgage loans	1'290	43'108	35'050	
Other financial instruments at fair value				
Financial investments	273'492			56'450
Other assets		29'402		3'454
Short-term business				
Amounts due to banks	207'501		125'458	
Liabilities from securities financing transactions		59'050	484'465	
Amounts due in respect of customer deposits	381'411		189'044	
Negative replacement values for derivative financial instruments		13'170	24'564	
Amounts due from banks		215'242		117'874
Amounts due from securities financing transactions			29'482	
Amounts due from customers	118'830			153'407
Mortgages loans	97'131		86'612	
Trading portfolio assets				
Positive replacement values for derivative financial instruments		239	1'097	
Other financial instruments at fair value		461'072		397'024
Financial investments		365'426		28'227
Currency differences		198	907	
Liquidity	**82'392**			**307'713**
Liquid assets	82'392			307'713
Total	**1'389'205**	**1'389'205**	**1'200'380**	**1'200'380**

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 1.1.19	**150'000**	**289'439**	**447'463**	**181'079**	**79'700**	**1'147'681**
Transfer of profits to retained earnings		59'482		20'218	-79'700	
Currency translation differences		-16'366		-21'542		-37'908
Dividends and other distributions		-15'000		-8'167		-23'167
Other allocations to / (transfers from) reserves for general banking risks			9'093	8'849		17'942
Other allocations to / (transfers from) other reserves						
Group profit					91'547	91'547
At 31.12.19	**150'000**	**317'555**	**456'556**	**180'437**	**91'547**	**1'196'095**

Retained earnings reserve includes currency translation reserves of CHF -103.4 million, which increased during 2019 by CHF 16.4 million.

At 1.1.20	**150'000**	**317'555**	**456'556**	**180'437**	**91'547**	**1'196'095**
Transfer of profits to retained earnings		66'240		25'307	-91'547	
Currency translation differences		-31'665		-29'994		-61'659
Dividends and other distributions		-15'000		-14'297		-29'297
Other allocations to / (transfers from) reserves for general banking risks			18'463	17'945		36'408
Other allocations to / (transfers from) other reserves						
Group profit					51'252	51'252
At 31.12.20	**150'000**	**337'130**	**475'019**	**179'399**	**51'252**	**1'192'799**

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

Photovoltaic power station,
United Arab Emirates

Notes to the consolidated financial statements

Accounting and valuation principles

General

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

Consolidation principles

Scope of consolidation

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

Method of consolidation

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

Consolidation period

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

Foreign currency translation

The Group's functional and presentation currency is CHF.

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

	31.12.20	31.12.19
1 USD	0.883	0.968
1 GBP	1.203	1.270
100 AED	24.041	26.349
100 PKR	0.551	0.625
100 ZAR	6.034	6.875

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

	31.12.20	31.12.19
1 USD	0.937	0.992
1 GBP	1.209	1.267
100 AED	25.524	27.008
100 PKR	0.581	0.663
100 ZAR	5.790	6.859

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

The Group calculates expected credit losses (ECL), with the exception of Pakistan and Switzerland, and makes provision for them. Principles are applied in accordance with the local regulations of the operating countries. In Pakistan and Switzerland, latent credit risk provisions were made for industry and country risks only.

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, as well as the value of collateral provided and the estimated exposure at default. Probability of default and loss given default are average values measured through the cycle without point in time adjustments. Value adjustments and provisions for inherent risks are determined for all credit exposures arising from mortgage loans, due from customers, due from banks and held to maturity financial investments, except for derivatives and securities financing transactions. Off-balance sheet exposures comprise contingent liabilities and irrevocable commitments like unused credit facilities. Non-cash exposures are converted into cash exposures using regulatory credit conversion factors.

Non-performing credit exposure is taken into consideration when an obligor is unlikely to pay its credit obligations to the Group in full and without any possibility of recourse by the Group (such as 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 on a counterparty level (entailing all exposures of the respective entity), with the exception of Pakistan, where local regulations allow for provisions on a facility level.

For 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 are deducted, together with the value adjustment against the capital amount, from the respective asset. If the collection of interest in respect of "Amounts due from customers" and "Mortgage loans" is doubtful, interest is not calculated.

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 such as external expert appraisals depending on the property type and transaction. The models used are regularly reviewed.

Loan-to-value ratios for mortgage lending are based on the marketability of the property including additional parameters like location or type of property (residential, commercial, etc.) For loans secured by financial assets, loan-to-value ratios are based on the risks of the collateral (volatility, liquidity, etc.). Financial assets are valued at the current market price or at a price determined by a valuation model.

Value adjustments for latent credit risks in relation to country risks are assessed in accordance with the guidelines on the management of country risk from the Swiss Bankers Association. Furthermore, value adjustments for latent credit risks are maintained in Pakistan based on the differentiated risk profiles recognised for individual industry sectors of the loan portfolios. Value adjustments for latent credit risks in relation to country risks are deducted from "Amounts due from customers".

Trading portfolio assets and liabilities

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

Positive and negative replacement values of derivative financial instruments

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

Other financial instruments at fair value

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

Financial investments

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

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

Derivative financial instruments

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

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

Non-consolidated participations

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

Tangible fixed assets

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

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

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

Intangible assets

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

Provisions

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

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

Reserves for general banking risks

These taxed reserves are held in line with the Group's prudent policies as precautionary reserves to hedge against latent risks in the Group's operating activities. The reserves for general banking risks are subject to tax. They form part of the "Common equity Tier 1 capital" of the Group.

Off-balance sheet transactions

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

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

Taxes and deferred taxes

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

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

Pension fund commitments

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

Amounts due from/to related parties

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

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

Explanations of risk management

Risk & Control Framework

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

Risk organisation

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

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

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

Risk management principles

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

Furthermore, the Group pays attention to emerging risks. For instance, a Group-wide impact assessment on financial risks related to climate change was performed during 2020.

Internal controls

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

Credit risk

Credit risk arises from the possibility that a counterparty (i.e. private and corporate clients, financial institutions as well as issuers or sovereigns) will not fulfil contractual obligations or the credit quality will deteriorate. In order to manage potential default risk and other prevailing credit risks as effectively as possible, it is divided into the following risk types: client credit risk, issuer credit risk, counterparty credit risk, country risk (including cross-border/transfer risk), settlement risk and credit concentration risk.

The Group Credit Management Committee is responsible for credit risks and credit decisions, which may be delegated to the respective Country Credit Management Committees. The Group manages its credit risk within a conservative framework by evaluating the creditworthiness of the borrowing counterparties, setting appropriate credit limits and obtaining collateral as deemed necessary. For each collateral type a minimum haircut is defined in order to account for the volatility in market values according to the nature and liquidity of the collateral. More than 40% of the Group's credit exposure is secured by property and only 10% is unsecured.

The Group's credit risk appetite is defined and monitored through a comprehensive system of credit limits.

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

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

Bank counterparties, issuers and sovereigns are analysed according to their financial performance and their external rating. Over 74% of the credit exposure to financial institutions is of investment grade quality and the remaining 26% 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.

Regarding non-performing loans, the Group is in a comfortable position. After taking into account collateral at market value and the specific value adjustments for default risks, the net unsecured and unprovided position as at the end of December 2020 was only CHF 0.1 million.

The Group has adopted IFRS 9 in six out of eight country operations and the remaining two will also be integrated over time. Therefore, the concept of providing for latent credit risks is now established and will be perfected in 2021 and 2022. During 2020, CHF 6.3 million of latent credit risk provisions were added, reaching a total of CHF 72.7 million of ECL coverage. The Group has also undertaken an extensive external validation of all the existing models and will address all findings during 2021.

Country risks are monitored quarterly and are either protected by guarantees obtained from the World Bank (MIGA) or provided for in accordance with the guidelines of the Swiss Bankers Association using international ratings.

Liquidity risk

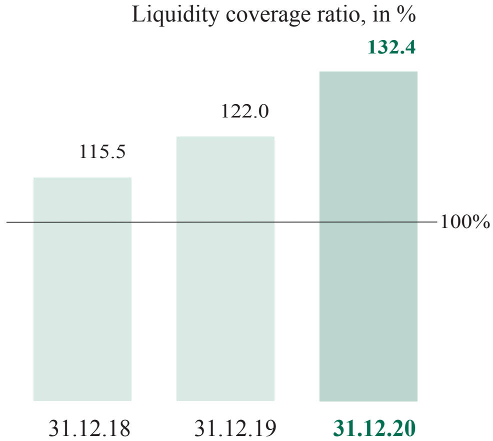
The Group applies a prudent approach to liquidity risk management. The Group Asset & Liability Management Committee regularly monitors liquidity and market risks.

The Group grants advances and loans to clients both on a short-term basis and with tenors generally of up to five years. Funding is primarily obtained through deposits, which are mainly at sight or short-term deposits. Wholesale funding is not significant and deposits are well diversified. No single depositor accounts for more than 5% of the Group's total deposits. Excess liquidity is held as bank placements or financial investments. The latter primarily consist of bond portfolios of sovereign issuers or other issuers that are high quality.

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

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

The Group has a strong liquidity position, which is further supported by established repo functionalities. In addition, liquidity coverage ratio and net stable funding ratio targets have been defined for all operating Group companies. Both funding and liquidity management is performed on a decentralised basis. The short-term liquidity disposition and liquidity situation of individual countries are monitored by the respective country treasury functions. In addition, liquidity reserves are held both at the Group and at the country level, and contingency funding plans are in place for the Group as well as all branches and subsidiaries.



Market risk

The Group is exposed to interest rate risk, foreign exchange risk and, to a very limited extent, to equity and commodity risk.

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

The Group is exposed to interest rate risk due to interest periods set for advances made to clients exceeding the interest periods for client deposits taken. To limit interest rate repricing risk, most client advances are agreed on a three or six-month base rate plus a credit spread.

In addition, branches and subsidiaries have placed excess liquidity in bank placements or in financial investments with tenors usually of up to three to five years. However, the interest-rate risk related to long-term fixed income instruments included in the financial investment portfolio largely offset by the stable portion of the customer deposits. Behavioural deposit analyses are performed for all branches and subsidiaries. These highlight that a significant portion of deposits will remain with the Group, even if interest rates move.

The Group pursues limited trading activities only. They relate to short-term purchases and sales of local governmental securities in the local currency of a Group entity for profit generation.

The Group introduced the Interest Rate Risk in the Banking Book (IRRBB) approach in 2019 and considers both the value and the earnings perspective. For both IRRBB and the combined trading book and banking book, Economic Value of Equity (EVE) sensitivity limits have been defined by the Board of Directors. EVE sensitivity limits are in place for all countries and limit adherence is monitored by the Group Asset & Liability Management Committee.

With regard to LIBOR replacement, the Group performed a Change Risk Assessment in 2018 and rolled out an implementation plan to all branches and subsidiaries in January 2019. In December 2020, the Group adopted the ISDA 2020 IBORs Fallbacks Protocol.

For foreign exchange transaction risks, the Group pursues a risk-averse approach and aims to keep the potential foreign exchange losses to a minimum. The Group does not pursue proprietary foreign exchange trading activities.

Profits earned in the Bank's branches are subject to exchange rate risk up to their remittance to Habib Bank AG Zurich, Zurich. These risks are monitored at Head Office, and projected profits are hedged as deemed appropriate. Capital and reserves held at the branches are also subject to foreign exchange risk when they are held in local currencies. Any foreign exchange translation gain or loss on these capital and reserves is taken to the income statement in the year in which it occurs.

The Group analyses and projects the foreign exchange translation exposure which arises from its investments in foreign subsidiaries. The exchange rate movements on the net asset exposure of the subsidiaries give rise to revaluation gains and losses, which are included in consolidated equity. In general, the Group does not hedge net asset translation exposures with derivative financial instruments.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The Group makes use of six operational risk management processes, which consist of key risk indicators, change risk assessment, risk self-assessment, scenario analysis, risk event management and issue management and action tracking.

Furthermore, several types of risk mitigation measures are used and comprise control enhancement, model risk management, business continuity management and other mitigation measures (risk avoidance, risk reduction and risk transfer).

To pro-actively address risks related to potential business disruptions, business impact analyses, crisis management teams and business continuity plans have been established for the Group as well as for all branches and subsidiaries.

In 2020, the coronavirus pandemic affected all the countries in which the Group operates. In the wake of this, the Group developed and implemented a strategy to limit the effects of the coronavirus to both health of the employees as well as to the business of its clients entrusted with the Group. Working from home and remote system access helped to avoid disruption to key business activities.

The Group has developed a risk-based cyber risk strategy. The Chief Information Security Officer and his dedicated team of cyber specialists monitor cyber risk, perform risk assessments, vulnerability and penetration tests as well as run information security campaigns to raise employee awareness.

Legal and compliance risk

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

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

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

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

Reputational risk

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

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

Systemic risk

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

The Group analyses on a regular basis factors which could have a destabilising impact on the financial system. These include among others, fragile economic development, continued financial market uncertainty, numerous political crises, increased exposure to cyber attacks, and the ever-increasing extent and complexity of regulations. Based on this analysis, the Group implements mitigating measures wherever possible.

Events after the balance sheet date

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

Information on the balance sheet *(consolidated)*

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*			
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	525'609	578'646	-9.2%
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	525'609	578'646	-9.2%
- 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

in CHF 1'000		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		1'084'209	1'802'654	353'467	3'240'330
Mortgage loans		344'354	656		345'010
- Residential and commercial property		290'048	656		290'704
- Commercial and industrial premises		54'306			54'306
Total loans (before netting with value adjustments)	**31.12.20**	**1'428'563**	**1'803'310**	**353'467**	**3'585'340**
	31.12.19	1'563'121	1'791'108	425'572	3'779'801
Total loans (after netting with value adjustments)	**31.12.20**	**1'334'442**	**1'721'545**	**306'885**	**3'362'872**
	31.12.19	1'462'138	1'705'361	377'933	3'545'432
Off-balance sheet					
Contingent liabilities		90'860	1'424'096	186'924	1'701'880
Irrevocable commitments				854	854
Credit commitments		25'171	186'386	44'647	256'204
Total off-balance sheet	**31.12.20**	**116'031**	**1'610'481**	**232'426**	**1'958'938**
	31.12.19	145'519	1'382'525	177'616	1'705'660

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	**31.12.20**	**253'139**	**84'146**	**168'994**	**156'368**
	31.12.19	270'651	101'554	169'097	165'719

3 Trading portfolios and other financial instruments at fair value

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
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	2'998'149	2'538'097	18.1%
Structured products			
Other	8'650	7'630	13.4%
Total other financial instruments at fair value	**3'006'799**	**2'545'727**	**18.1%**
Total assets	**3'006'799**	**2'545'727**	**18.1%**
- 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)

	Trading instruments		
in CHF 1'000	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	29'966	37'905	5'317'614
Equity securities / indices			
Credit derivatives			
Total before netting agreements			
Total at 31.12.20	**29'966**	**37'905**	**5'317'614**
- of which determined using a valuation model			
Total at 31.12.19	29'728	51'074	7'085'679
- of which determined using a valuation model			

in CHF 1'000		Positive replacement values (cumulative)	Negative replacement values (cumulative)
After netting agreements			
Total	**at 31.12.20**	**29'966**	**37'905**
	at 31.12.19	29'728	51'074

Breakdown by counterparty

in CHF 1'000		Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)				
Total	**at 31.12.20**		**28'217**	**1'749**
	at 31.12.19		25'115	4'612

The Group has no hedging instruments.

5 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Debt securities	**1'535'581**	**1'465'619**	**1'567'266**	**1'466'202**
- of which intended to be held until maturity	1'124'418	1'156'358	1'137'351	1'144'826
- of which not intended to be held until maturity (available for sale)	411'163	309'261	429'915	321'376
Equity securities	**11'453**	**490**	**11'468**	**507**
- of which qualified participations				
Precious metals	**1'409**	**1'335**	**1'656**	**1'481**
Real estate	**14'761**	**2'774**	**16'422**	**4'355**
Total	**1'563'205**	**1'470'218**	**1'596'813**	**1'472'545**
- of which securities eligible for repo transactions in accordance with liquidity requirements	107'336	100'822		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Unrated
Debt securities							
Book values	**at 31.12.20**	**98'977**	**89'058**	**334'964**	**693'348**	**330'990**	**15'868**
	at 31.12.19	105'064	92'303	429'321	641'458	194'417	7'655

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

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

Company name and domicile	Business activity	Company capital (in 000's)	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
Habib Canadian Bank, Toronto, Canada	Bank	CAD 30'000	100%	100%	x	
HBZ Bank Ltd., Durban, South Africa	Bank	ZAR 50'000	100%	100%	x	
Habib European Limited, Douglas, Isle of Man	Company in liquidation	GBP 1	100%	100%	x	
HBZ Services FZ-LLC, Dubai, United Arab Emirates	Service centre	AED 300	100%	100%		x
Habib Metropolitan Bank Ltd., Karachi, Pakistan	Bank	PKR 10'478'315	51%	51%	x	
Habib Bank Zurich (Hong Kong) Ltd., Hong Kong	Restricted licence Bank	HKD 300'000	51%	51%	x	
Habib Bank Zurich Plc, London, United Kingdom	Bank	GBP 60'000	100%	100%	x	
HBZ Services AG, Zug, Switzerland	Service centre	CHF 500	100%	100%	x	
Habib Metropolitan Financial Services Ltd., Karachi, Pakistan	Broker	PKR 300'000	51%	51%		x
Habib Metropolitan Modaraba Management Company (Private) Ltd., Karachi, Pakistan	Modaraba management	PKR 350'000	51%	51%		x
First Habib Modaraba, Karachi, Pakistan	Leasing, Musharaka and Murabaha financing	PKR 1'008'000	5%	100%		x
Habib Metro Modaraba, Karachi, Pakistan	Car financing and Ijarah / rental and Musharakah financing	PKR 300'000	36%	100%		x
HBZ Services (Private) Ltd., Pakistan	Service centre	PKR 100	100%	100%		x
HBZ Services (Asia) Limited, Hong Kong	Service centre	HKD 1	100%	100%		x

7 Presentation of non-consolidated participations

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

8 Presentation of tangible fixed assets

in CHF 1'000	Acquisition cost	Accumulated depreciation
Bank buildings and residential apartments	111'923	-49'017
Other real estate	23'105	-15'955
Proprietary or separately acquired software	4'394	-3'610
Other tangible fixed assets	48'616	-35'751
Tangible assets acquired under finance leases		
- of which bank buildings		
- of which other real estate		
- of which other tangible fixed assets		
Total	**188'038**	**-104'333**

* Including net of foreign currency adjustments

	Reporting year					
Book value at 31.12.19	Reclassifications	Additions	Disposals	Value adjustments	**Book value at 31.12.20**	**Market value at 31.12.20**
77					77	
77					**77**	

	Reporting year					
Book value at 31.12.19	Reclassifications	Additions	Disposals*	Depreciation	Reversals	**Book value at 31.12.20**
62'906	-52	5'605	-6'782	-2'674		59'002
7'150		6'005	-625	-5'631		6'900
784	52	387	-92	-546		585
12'865		3'259	-1'282	-3'836		11'006
		44				44
83'705		**15'300**	**-8'781**	**-12'686**		**77'536**

9 Intangible assets

in CHF 1'000	Cost value	Accumulated amortisations	**Book value at 31.12.19**	Reporting year Additions	Disposals*	Amortisation	**Book value at 31.12.20**
Goodwill							
Patents							
Licenses							
Other intangible assets	260	-147	113		-11	-48	53
Total	**260**	-147	**113**		**-11**	**-48**	**53**

* Including net of foreign currency adjustments

10 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Deferred income tax recognised as assets	29'411	28'691		
Others	84'598	55'918	18'514	33'658
Total	**114'010**	**84'609**	**18'514**	**33'658**

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

	Book value		Effective commitments	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Amounts due from banks	2'618	762	2'197	271
Financial investments	3'142	10'666		
Total pledged / assigned assets	**5'760**	**11'428**	**2'197**	**271**
Assets under reservation of ownership	67	70	67	70

* Excluding securities financing transactions

12 Liabilities relating to own pension schemes

in CHF 1'000	**31.12.20**	**31.12.19**
Payables to employee benefit plans	70	88

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 31.12.19**	Use in conformity with designated purpose	Reclassifications
Provisions for deferred taxes	477		
Provisions for pension benefit obligations			
Provisions for latent credit risks	1'584	-19	
Provisions for other business risks	2'280	-155	
Provisions for restructuring		-101	
Other provisions	1'442	10	
Total provisions	**5'783**	**-264**	
Reserves for general banking risks	**456'556**		
Value adjustments for default and latent credit risks	**243'286**	**-9'206**	
- of which value adjustments for default risks in respect of impaired loans / receivables	165'719	-9'203	
- of which value adjustments for default risks in respect of financial investments	4'279		
- of which value adjustments for latent credit risks	73'289	-2	

	Other allocations to (withdrawals from) the reserves for general banking for minority sharehold-ings in shareholders' equity	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.20**
		-33			-443	
		-261		1'266	42	2'612
		-317		1'834	-323	3'319
		-6		107		
		-177		123	-36	1'362
		-795		**3'331**	**-761**	**7'294**
	-17'945			**36'408**		**475'019**
		-25'427	**7'580**	**27'303**	**-11'731**	**231'807**
		-18'225	7'580	17'031	-6'534	156'369
		-304			-1'213	2'762
		-6'898		10'271	-3'984	72'676

14 Amounts due from and due to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Holders of qualified participations			107'237	108'500
Linked companies				
Transactions with members of governing bodies	1'955	1'632	13'033	12'624
Other related parties				
Total	**1'955**	**1'632**	**120'270**	**121'124**

15 Maturity structure of financial instruments

in CHF 1'000	At sight	Callable	Due: within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	Total
Asset / financial instruments								
Liquid assets	1'357'483							1'357'483
Amounts due from banks	308'282	33'209	1'220'567	446'815	7'043	5'823		2'021'739
Amounts due from customers	585'814	4	1'338'905	674'121	298'379	158'623		3'055'847
Mortgage loans	28	14'317	6'349	19'272	91'407	175'652		307'025
Positive replacement values of derivative financial instruments	29'966							29'966
Other financial instruments at fair value	3'006'799							3'006'799
Financial investments	185'306		81'419	561'589	578'622	156'268		1'563'205
Total at 31.12.20	**5'473'679**	**47'530**	**2'647'240**	**1'701'797**	**975'452**	**496'366**		**11'342'063**
at 31.12.19	5'069'614	18'877	2'761'280	1'276'849	1'302'581	417'792		10'846'993
Debt capital / financial instruments								
Amounts due to banks	313'714		359'706	94'248	19'596			787'265
Liabilities from securities financing transactions	504'596		15'000		6'013			525'609
Amounts due in respect of customer deposits	5'359'435	502'672	1'794'641	1'154'498	117'972	3'819		8'933'038
Negative replacement values of derivative financial instruments	37'905							37'905
Total at 31.12.20	**6'215'650**	**502'672**	**2'169'347**	**1'248'745**	**143'581**	**3'819**		**10'283'816**
at 31.12.19	5'752'124	505'275	2'135'781	1'226'543	152'126	1'820		9'773'669

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

	Domestic	Foreign	Domestic	Foreign
in CHF 1'000	**31.12.20**		**31.12.19**	
Assets				
Liquid assets	321	1'357'162	4'137	1'435'738
Amounts due from banks	352'229	1'669'510	124'400	1'691'614
Amounts due from customers	17'069	3'038'777	18'596	3'165'788
Mortgage loans	204	306'821	244	360'804
Positive replacement values of derivative financial instruments	151	29'815	33	29'695
Other financial instruments at fair value		3'006'799		2'545'727
Financial investments	343'815	1'219'390	171'541	1'298'677
Accrued income and prepaid expenses	13'642	134'523	5'563	142'041
Non-consolidated participations		77		77
Tangible fixed assets	9'118	68'418	9'424	74'281
Intangible assets		53		113
Other assets	711	113'299	767	83'842
Total assets	**737'260**	**10'944'644**	**334'704**	**10'828'396**
Liabilities				
Amounts due to banks	61	787'204	181	559'987
Liabilities from securities financing transactions	15'000	510'609	20'000	558'646
Amounts due in respect of customer deposits	214'248	8'718'790	155'899	8'427'881
Negative replacement values of derivative financial instruments	1'675	36'229	1'125	49'949
Accrued expenses and deferred income	12'840	166'641	3'018	150'875
Other liabilities	4'103	14'410	4'153	29'505
Provisions	104	7'190	114	5'670
Reserves for general banking risks	112'523	362'496	85'142	371'414
Bank's capital	150'000		150'000	
Retained earnings reserves	337'129		317'555	
Minority interest in equity		179'399		180'437
Group profit	-38'617	89'870	-6'863	98'410
Total liabilities	**809'066**	**10'872'838**	**730'326**	**10'432'774**

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

	31.12.20		31.12.19	
	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Assets				
Europe	**1'668'662**	**14.3%**	**1'547'588**	**13.9%**
- of which Switzerland	737'260	6.3%	334'704	3.0%
United Kingdom	846'521	7.2%	875'725	7.8%
Others	84'880	0.7%	337'159	3.0%
North America	**250'361**	**2.1%**	**407'376**	**3.6%**
Asia	**8'779'241**	**75.2%**	**8'282'712**	**74.2%**
- of which United Arab Emirates	2'660'360	22.8%	2'323'387	20.8%
Pakistan	5'470'786	46.8%	5'244'297	47.0%
Others	648'096	5.5%	715'028	6.4%
Other countries	**983'641**	**8.4%**	**925'424**	**8.3%**
- of which South Africa	407'975	3.5%	388'625	3.5%
Others	575'666	4.9%	536'799	4.8%
Total assets	**11'681'905**	**100.0%**	**11'163'100**	**100.0%**

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

	Net foreign exposures **31.12.20**		Net foreign exposures **31.12.19**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	353'429	3.2%	460'631	4.3%
Aa	4'054'006	36.6%	1'524'391	14.1%
A	50'755	0.5%	2'490'574	23.1%
Baa	65'408	0.6%	94'439	0.9%
Ba - B	6'363'645	57.4%	6'099'532	56.5%
Caa-C	1'959	0.0%		0.0%
Unrated	189'378	1.7%	120'399	1.1%
Total	**11'078'581**	**100.0%**	**10'789'965**	**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	64'930	89'907	96'533	881'921	209'714	14'479	1'357'483
Amounts due from banks	2'460	915'120	203'108	588'681	44'293	268'077	2'021'739
Amounts due from customers	20'915	356'030	553'942	399'460	1'525'783	199'718	3'055'847
Mortgage loans		591	1	175'815	17'409	113'210	307'025
Positive replacement values for derivative financial instruments	151		741	6	25'978	3'090	29'966
Other financial instruments at fair value					3'006'799		3'006'799
Financial investments	296'416	615'333	109'564		215'104	326'788	1'563'205
Accrued income and prepaid expenses	13'575	1'368	5'067	21'406	99'788	6'961	148'165
Non-consolidated participations	77						77
Tangible fixed assets	9'118	105	6'410	16'569	27'280	18'054	77'536
Intangible assets					53		53
Other assets	34	1'387	1'602	14'201	95'105	1'681	114'010
Total assets shown in balance sheet	**407'677**	**1'979'840**	**976'968**	**2'098'058**	**5'267'305**	**952'057**	**11'681'905**
Delivery entitlements from spot exchange, forward forex and forex options transactions	1'213	1'436'878	89'992	44'157	920'813	165'753	2'658'807
Total assets	**408'890**	**3'416'718**	**1'066'960**	**2'142'215**	**6'188'119**	**1'117'811**	**14'340'712**

in CHF 1'000	CHF	USD	GBP	AED	PKR	Other	Total
Liabilities							
Amounts due to banks	2'130	48'419	9'940	15'974	704'242	6'561	787'265
Liabilities from securities financing transactions	15'000		6'013		504'596		525'609
Amounts due in respect of customer deposits	77'355	2'183'263	916'994	1'712'010	3'238'977	804'439	8'933'038
Negative replacement values of derivative financial instruments	1'675		431		32'758	3'041	37'905
Accrued expenses and deferred income	11'959	637	7'774	17'318	133'988	7'806	179'482
Other liabilities	1'040	567	2'270	2'394	10'659	1'582	18'514
Provisions		104		1'706	5'344	140	7'294
Reserves for general banking risks	93'951	1	339	341'650	18'283	20'796	475'019
Bank's capital	150'000						150'000
Retained earnings reserves	337'130						337'130
Minority interest in equity					149'310	30'089	179'399
Group profit	-43'942		702	24'739	61'718	8'035	51'252
Total liabilities shown in balance sheet	**646'298**	**2'232'990**	**944'462**	**2'115'790**	**4'859'876**	**882'488**	**11'681'905**
Delivery obligations from spot exchange, forward forex and forex options transactions	91'699	1'168'197	37'486	1'080	1'204'190	156'156	2'658'807
Total liabilities	**737'997**	**3'401'187**	**981'948**	**2'116'870**	**6'064'065**	**1'038'644**	**14'340'712**
Net position per currency at 31.12.20	**-329'107**	**15'531**	**85'012**	**25'345**	**124'054**	**79'166**	**0**
at 31.12.19	-351'634	32'162	87'957	45'027	88'650	97'840	0

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

20 Breakdown of contingent liabilities and contingent assets

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
Guarantees to secure credits and similar	611'343	643'264	-5.0%
Irrevocable commitments arising from documentary letters of credit	1'090'537	888'038	22.8%
Total contingent liabilities	**1'701'880**	**1'531'301**	**11.1%**
Contingent assets arising from tax losses carried forward	4'559	4'177	9.1%
Total contingent assets	**4'559**	**4'177**	**9.1%**

21 Breakdown of credit commitments

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
Commitments arising from acceptances	211'157	156'812	34.7%
Other credit commitments	45'046	16'487	173.2%
Total credit commitments	**256'204**	**173'299**	**47.8%**

22 Breakdown of fiduciary transactions

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
Fiduciary investments with third-party companies	6'036	308'693	-98.0%
Fiduciary loans	723	2'498	-71.1%
Total fiduciary transactions	**6'758**	**311'192**	**-97.8%**

Information on the income statement *(consolidated)*

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

in CHF 1'000	2020	2019	+/- %
Result from trading activities from			
Interest rate instruments (incl. funds)	53'055	18'970	179.7%
Unrealised forex gains / (losses) on reserves held in foreign currencies	-41'430	-7'070	486.0%
Foreign currencies	35'980	32'841	9.6%
Commodities / precious metals	3	29	-90.5%
Total result from trading activities	**47'608**	**44'770**	**6.3%**
- of which from the fair value option on assets	53'055	18'970	179.7%

24 Breakdown of personnel expenses

in CHF 1'000	2020	2019	+/- %
Salaries (meeting attendances fees, fixed compensation, salaries and benefits)	-126'583	-129'653	-2.4%
- of which, expenses relating to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-9'988	-10'101	-1.1%
Other personnel expenses	-5'102	-6'323	-19.3%
Total personnel expenses	**-141'673**	**-146'076**	**-3.0%**

25 Breakdown of general and administrative expenses

in CHF 1'000	2020	2019	+/- %
Office space expenses	-20'179	-21'252	-5.0%
Expenses for information and communications technology	-13'827	-14'689	-5.9%
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	-5'387	-5'315	1.4%
Fees of audit firm(s)	-2'213	-2'188	1.1%
- of which for financial and regulatory audits	-2'159	-1'528	41.3%
- of which for other services	-54	-661	-91.9%
Other operating expenses	-32'408	-37'459	-13.5%
Total general and administrative expenses	**-74'013**	**-80'903**	**-8.5%**

26 Breakdown of extraordinary income and expenses

in CHF 1'000	2020	2019	+/- %
Extraordinary income			
Release of provisions no longer required	8		100.0%
Profit on sale of fixed assets	265	216	22.7%
Recoveries and others	549	600	-8.6%
Total extraordinary income	**821**	**817**	**0.5%**
Extraordinary expenses			
Other	-97	-3	>500%
Total extraordinary expenses	**-97**	**-3**	**>500%**

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	2020		2019	
Net result from interest operations	12'872	269'689	15'472	264'424
Result from commission business and services	6'624	62'624	6'175	69'807
Result from trading activities and the fair value option	-40'827	88'436	-6'626	51'396
Other result from other ordinary activities	30'034	-29'834	24'345	-17'182
Personnel expenses	-26'061	-115'612	-25'430	-120'647
General and administrative expenses	-16'579	-57'434	-17'364	-63'540
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets	-2'488	-12'445	-1'610	-12'395
Changes to provisions and other value adjustments, and losses	-61	-2'951	-20	-555
Operating result	**-36'486**	**202'473**	**-5'057**	**171'309**

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

in CHF 1'000	2020	2019	+/- %
Current tax expenses*	-84'027	-54'192	55.0%
Deferred tax expenses	4'976	-3'384	-247.0%
Total taxes	**-79'051**	**-57'576**	**37.3%**
Weighted average tax rate (on Group profit before taxes)	31.1%	28.7%	

* The impact of changes in losses carried forward on income taxes (e.g. occurrence, use, reassessment, expiry) resulted in 0.0% higher income taxes for the period.

Report of the statutory auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Habib Bank AG Zurich, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 20 to 59 of the annual report) for the year ended 31 December 2020.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.

Report on other legal requirements

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

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

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

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Mirko Liberto
Licensed Audit Expert

Zurich, 14 April 2021

Financial statements of the Parent Bank

Parent Bank financial statements

Balance sheet

in CHF 1'000	Note	31.12.20	31.12.19	+/- %
Assets				
Liquid assets		954'027	916'186	4.1%
Amounts due from banks		1'508'384	1'188'120	27.0%
Amounts due from customers	2	642'826	772'107	-16.7%
Mortgage loans	2	176'191	225'049	-21.7%
Positive replacement values of derivative financial instruments	3	157	33	383.4%
Financial investments	4	995'578	922'633	7.9%
Accrued income and prepaid expenses		37'088	34'668	7.0%
Participations		325'225	327'225	-0.6%
Tangible fixed assets		23'371	28'417	-17.8%
Other assets	5	16'045	18'179	-11.7%
Total assets		**4'678'893**	**4'432'616**	**5.6%**
Total subordinated claims		29'066	30'419	-4.4%
- of which subject to conversion and / or debt waiver				

Liabilities				
Amounts due to banks		51'382	93'144	-44.8%
Liabilities from securities financing transactions	1	15'000	20'000	-25.0%
Amounts due in respect of customer deposits		3'626'883	3'297'574	10.0%
Negative replacement values of derivative financial instruments	3	1'675	1'125	48.9%
Accrued expenses and deferred income		20'984	28'281	-25.8%
Other liabilities	5	9'813	14'410	-31.9%
Provisions	7	1'809	957	89.1%
Reserves for general banking risks	7	440'942	441'158	0.0%
Bank's capital	8	150'000	150'000	0.0%
Statutory retained earnings reserves		83'150	81'850	1.6%
Voluntary retained earnings reserves		260'620	246'449	5.8%
Profit carried forward		28'367	14'096	101.2%
Profit		-11'732	43'571	-126.9%
Total liabilities		**4'678'893**	**4'432'616**	**5.6%**
Total subordinated liabilities				
- of which subject to conversion and / or debt waiver				

Off-balance sheet transactions

in CHF 1'000	Note	31.12.20	31.12.19	+/- %
Off-balance sheet transactions				
Contingent liabilities	2, 13	238'555	216'407	10.2%
Irrevocable commitments	2	854	1'060	-19.4%
Credit commitments	2, 14	45'315	33'379	35.8%

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	31.12.20	31.12.19	+/- %
Profit (result for the period)	-11'732	43'571	-126.9%
Profit carried forward	28'367	14'096	101.2%
Distributable profit	**16'635**	**57'667**	**-71.2%**
Appropriation of profit			
- Allocation to statutory retained earnings reserves	-1'300	-1'300	0.0%
- Allocation to voluntary retained earnings reserves		-13'000	-100.0%
- Distribution of dividend from distributable profit	-15'000	-15'000	0.0%
Profit carried forward	**335**	**28'367**	**-98.8%**

Income statement

in CHF 1'000	Note	2020	2019	+/- %
Result from interest operations				
Interest and discount income		66'983	100'379	-33.3%
Interest and dividend income from financial investments		29'673	27'842	6.6%
Interest expense		-16'866	-21'124	-20.2%
Gross result from interest operations		**79'790**	**107'097**	**-25.5%**
Changes in value adjustments for default risks and losses from interest operations		3'025	2'352	28.6%
Subtotal net result from interest operations		**82'815**	**109'450**	**-24.3%**
Result from commission business and services				
Commission income from securities trading and investment activities		5'437	4'655	16.8%
Commission income from lending activities		11'607	12'283	-5.5%
Commission income from other services		16'628	18'118	-8.2%
Commission expense		-3'039	-2'823	7.7%
Subtotal result from commission business and services		**30'633**	**32'232**	**-5.0%**
Result from trading activities and the fair value option	16	**-31'768**	**2'091**	
Other result from ordinary activities				
Result from the disposal of financial investments		110	225	-50.9%
Income from participations		17'281	12'748	35.6%
Result from real estate		13		
Other ordinary income		8'669	12'442	-30.3%
Other ordinary expenses		-104		
Subtotal other result from ordinary activities		**25'969**	**25'414**	**2.2%**
Operating income		**107'649**	**169'187**	**-36.4%**

in CHF 1'000	Note	2020	2019	+/- %
Operating expenses				
Personnel expenses	17	-63'061	-65'167	-3.2%
General and administrative expenses	18	-39'923	-42'793	-6.7%
Subtotal operating expenses		**-102'984**	**-107'960**	**-4.6%**
Value adjustments on participations, depreciation and amortisation on tangible fixed assets and intangible assets		-5'174	-4'470	15.7%
Changes to provisions and other value adjustments and losses		-1'155	-838	37.8%
Operating result		**-1'664**	**55'919**	
Extraordinary income	19	173	475	-63.5%
Extraordinary expenses	19	-97	-4	>500%
Changes in reserves for general banking risks		216	116	86.4%
Taxes	20	-10'361	-12'935	-19.9%
Profit		**-11'732**	**43'571**	

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 1.1.19	**150'000**	**80'500**	**441'273**	**233'255**	**43'307**	**948'385**
Transfer of profits to retained earnings		1'300		13'000	-14'300	
Currency translation differences				282		282
Dividends and other distributions				14'007	-29'007	-15'000
Other allocations to / (transfers from) the reserves for general banking risks			-116			-116
Other allocations to / (transfers from) other reserves						
Profit					43'571	43'571
At 31.12.19	**150'000**	**81'850**	**441'158**	**260'544**	**43'571**	**977'123**

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

Notes to the parent bank financial statements

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

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

Information on the balance sheet

1 Breakdown of securities financing transactions

in CHF 1'000	**31.12.20**	**31.12.19**	**+/- %**
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*			
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	15'000	20'000	-25.0%
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase transactions	15'000	20'000	-25.0%
- of which with unrestricted right to resell or pledge			
Fair value of securities serving as collateral posted for securities lending or securities borrowed or securities received in connection with reverse repurchase transactions with an unrestricted right to resell or repledge them			
- of which repledged securities			
- of which resold securities			

* Before taking into consideration any netting agreements

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

in CHF 1'000		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		129'097	282'368	301'333	712'799
Mortgage loans		213'999			213'999
- Residential and commercial property		213'999			213'999
- Commercial premises					
Total loans (before netting with value adjustments)	**31.12.20**	**343'096**	**282'368**	**301'333**	**926'798**
	31.12.19	415'066	337'246	363'646	1'115'958
Total loans (after netting with value adjustments)	**31.12.20**	**301'163**	**258'697**	**259'157**	**819'017**
	31.12.19	371'271	303'901	321'983	997'156
Off-balance sheet					
Contingent liabilities		9'751	96'061	132'743	238'555
Irrevocable commitments				854	854
Credit commitments		2'651	9'773	32'890	45'315
Total off-balance sheet	**31.12.20**	**12'402**	**105'835**	**166'487**	**284'724**
	31.12.19	5'401	109'420	136'024	250'847

in CHF 1'000		Gross debt amount	Estimated liquidation value of the collateral	Net debt amount	Specific value adjustments
Impaired loans / receivables					
Total impaired loans / receivables	**31.12.20**	**94'769**	**31'499**	**63'270**	**62'850**
	31.12.19	106'417	42'864	63'553	64'545


Bio gas plant
in a maize field,
Kenya

3 Presentation of derivative financial instruments

in CHF 1'000	Trading instruments Positive replacement values	 Negative replacement values	 Contract volume
Interest rate instruments			
Foreign exchange / precious metals			
Forward contracts	157	1'675	281'353
Equity interests / indices			
Credit derivatives			
Other			
Total before taking into consideration netting agreements			
Total at 31.12.20	**157**	**1'675**	**281'353**
- of which determined by using a valuation model			
Total at 31.12.19	33	1'125	185'248
- of which determined by using a valuation model			

in CHF 1'000		Positive replacement value (accumulated)	Negative replacement value (accumulated)
After netting agreements			
Total	**at 31.12.20**	**157**	**1'675**
	at 31.12.19	33	1'125

Breakdown by counterparty

in CHF 1'000		Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)				
Total	**at 31.12.20**		**157**	
	at 31.12.19		33	

The Parent Bank has no hedging instruments.

4 Financial investments

	Book value		Fair value	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Debt instruments	**993'881**	**920'983**	**1'024'058**	**932'069**
- of which intended to be held until maturity	582'718	611'722	594'143	610'693
- of which not intended to be held until maturity (available for sale)	411'163	309'261	429'915	321'376
Equity interests	**288**	**315**	**288**	**315**
Precious metals	**1'409**	**1'335**	**1'656**	**1'481**
Real estate				
Total	**995'578**	**922'633**	**1'026'002**	**933'865**
- of which securities allowed for repo transactions in accordance with liquidity requirements	95'883	100'822		

Counterparties by rating

in CHF 1'000		Aaa	Aa	A	Baa	Ba to B	Unrated
Debt securities							
Book values	**at 31.12.20**	**51'310**	**80'030**	**252'446**	**437'172**	**173'691**	**928**
	at 31.12.19	55'610	77'395	215'328	397'959	168'714	7'627

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

5 Other assets and other liabilities

	Other assets		Other liabilities	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Compensation account				
Deferred income taxes recognised as assets	12'279	13'598		
Others	3'766	4'581	9'811	14'410
Total	**16'045**	**18'179**	**9'811**	**14'410**

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

	Book value		Effective commitments	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Amounts due from banks	2'197	271	2'197	271
Financial investments				
Total pledged / assigned assets	**2'197**	**271**	**2'197**	**271**
Assets under reservation of ownership	67	70	67	70

* 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 31.12.19**	Use in conformity with designated purpose
Provisions for deferred taxes		
Provisions for pension fund obligations		
Provisions for latent credit risks		-6
Provisions for other business risks	957	-150
Provisions for restructuring		
Other provisions		
Total provisions	**957**	**-156**
Reserves for general banking risks	**441'158**	
Value adjustments for default and latent credit risks	**126'489**	**-670**
- of which value adjustments for default risks in respect of impaired loans / receivables	64'545	-670
- of which value adjustments for default risks in respect of financial investments	4'278	
- of which value adjustments for latent credit risks	57'666	

Reclassifications	Currency differences	Past-due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.20**
	-64		1'098		1'028
	-84		380	-323	781
	-148		**1'478**	**-323**	**1'809**
				-216	**440'942**
	-11'281	**4'230**	**7'011**	**-10'036**	**115'742**
	-6'132	4'230	6'596	-5'719	62'850
	-304			-1'213	2'761
	-4'845		415	-3'104	50'132

8 Presentation of the Bank's capital

in CHF 1'000	31.12.20 Total par value	No. of shares	Capital eligible for dividend	31.12.19 Total par value	No. of shares	Capital eligible for dividend
Bank's capital	150'000	1'500'000	150'000	150'000	1'500'000	150'000
- of which paid up						
Total Bank's capital	**150'000**	**1'500'000**	**150'000**	**150'000**	**1'500'000**	**150'000**

9 Disclosure of holders of significant participations

in CHF 1'000	31.12.20 Nominal	% of equity	31.12.19 Nominal	% of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
with voting rights				
Gefan Finanz AG, Zug	150'000	100%	150'000	100%
without voting rights				

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

10 Disclosure of own shares and composition of equity capital

in CHF 1'000	31.12.20	31.12.19	+/- %
Reserves for general banking risks	440'942	441'158	0.0%
Bank's capital	150'000	150'000	0.0%
Statutory retained earnings reserve	83'150	81'850	1.6%
Voluntary retained earnings reserve	260'620	246'449	5.8%
Profit carried forward	28'367	14'096	101.2%
Profit	-11'732	43'571	-126.9%
Total equity	**951'347**	**977'123**	**-2.6%**

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

11 Amounts due from / to related parties

	Amounts due from		Amounts due to	
in CHF 1'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Holders of qualified participations			107'236	108'500
Group companies	61'008	40'073	5'738	11'599
Linked companies				
Transactions with members of governing bodies	1'955	1'632	8'838	7'938
Total	**62'963**	**41'705**	**121'812**	**128'036**

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

	Net foreign exposures **31.12.20**		Net foreign exposures **31.12.19**	
Moody's rating	in CHF 1'000	Shares as %	in CHF 1'000	Shares as %
Aaa	193'669	4.8%	252'343	6.2%
Aa	3'097'320	76.0%	636'957	15.7%
A	44'838	1.1%	2'461'202	60.5%
Baa	48'080	1.2%	73'842	1.8%
Ba - B	635'202	15.6%	607'512	14.9%
Caa-C	1'959	0.0%		
Unrated	53'707	1.3%	34'896	0.9%
Total	**4'074'775**	**100.0%**	**4'066'752**	**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	31.12.20	31.12.19	+/- %
Guarantees to secure credits and similar	90'297	106'753	-15.4%
Irrevocable commitments arising from documentary letters of credit	148'258	109'654	35.2%
Total contigent liabilities	**238'555**	**216'407**	**10.2%**

14 Breakdown of credit commitments

in CHF 1'000	31.12.20	31.12.19	+/- %
Commitments arising from acceptances	13'193	20'507	-35.7%
Other credit commitments	32'122	12'872	149.6%
Total credit commitments	**45'315**	**33'379**	**35.8%**

15 Breakdown of fiduciary transactions

in CHF 1'000	31.12.20	31.12.19	+/- %
Fiduciary investments with third-party companies	6'036	308'693	-98.0%
Fiduciary investments with Group companies and affiliated companies	48'335	8'548	465.5%
Fiduciary loans	723	2'498	-71.1%
Total fiduciary transactions	**55'094**	**319'740**	**-82.8%**

Information on the income statement

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

in CHF 1'000	2020	2019	+/- %
Result from trading activities from			
Interest rate instruments (incl. funds)	3	29	-90.5%
Unrealised forex gains / (losses) on reserves held in foreign currencies	-41'430	-7'070	486.0%
Foreign exchange	9'659	9'132	5.8%
Total result from trading activities	**-31'768**	**2'091**	
- of which from the fair value option on assets	3	29	-90.5%

17 Breakdown of personnel expenses

in CHF 1'000	2020	2019	+/- %
Salaries and additional allowances	-54'322	-56'046	-3.1%
- of which expenses related to share-based compensation and alternative forms of variable compensation			
Social insurance obligations	-6'134	-6'067	1.1%
Other personnel expenses	-2'604	-3'054	-14.7%
Total personnel expenses	**-63'061**	**-65'167**	**-3.2%**

18 Breakdown of general and administrative expenses

in CHF 1'000	2020	2019	+/- %
Office space expenses	-7'095	-7'388	-4.0%
Expenses for information technology and telecommunications	-7'299	-8'829	-17.3%
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	-359	-519	-30.9%
Fees of audit firm(s)	-1'336	-1'161	15.1%
- of which for financial and regulatory audits	-1'309	-833	
- of which for other services	-27	-328	
Other operating expenses	-23'834	-24'896	-4.3%
Total general and administrative expenses	**-39'923**	**-42'793**	**-6.7%**

19 Analysis of extraordinary income and expenses

in CHF 1'000	2020	2019	+/- %
Extraordinary income			
Profit on sale of fixed assets	44	8	479.2%
Recoveries and others	129	467	-72.2%
Total extraordinary income	**173**	**475**	**-63.5%**
Extraordinary expenses			
Other	-97	-4	>500%
Total extraordinary expenses	**-97**	**-4**	**>500%**

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

in CHF 1'000	2020	2019	+/- %
Current tax expenses *	-10'834	-13'812	-21.6%
Deferred tax expenses	473	877	-46.1%
Total taxes	**-10'361**	**-12'935**	**-19.9%**
Weighted average tax rate (on profit before taxes)	24.4%	21.3%	

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


Closeup of large, huge wind turbines on Gaspesie coast in Quebec, Canada

Report of the statutory auditor

To the General Meeting of
Habib Bank AG Zurich
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Habib Bank AG Zurich, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 62 to 80 of the annual report) for the year ended 31 December 2020.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2020 give a true and fair view of the financial position and the results of operations in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Mirko Liberto
Licensed Audit Expert

Zurich, 14. April 2021

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