Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

Annual Report 2015

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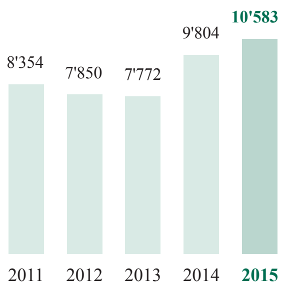
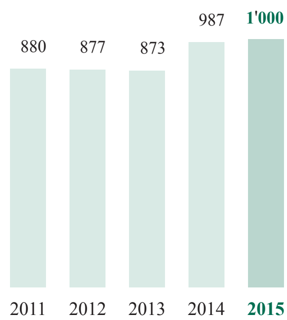
Group key figures*

in CHF million	31.12.11	31.12.12	31.12.13	31.12.14	31.12.15
Balance sheet					
Total assets	8'354	7'850	7'772	9'804	10'583
Shareholder's equity[1]	880	877	873	987	1'000
Advances	2'645	2'351	2'871	3'408	3'195
Deposits	6'439	6'289	6'398	8'018	8'696
Income statement					
Total income[2]	305.9	286.4	253.9	418.9	397.2
Operating expenses	151.6	159.9	175.1	178.3	194.0
Operating result	107.2	69.9	55.1	207.8	148.2
Group profit / loss	61.7	40.4	28.6	77.6	88.2

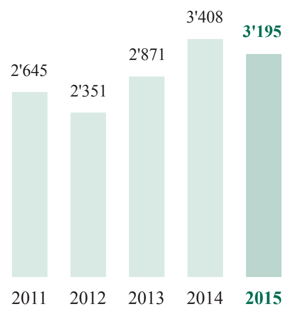
Total assets, in CHF million



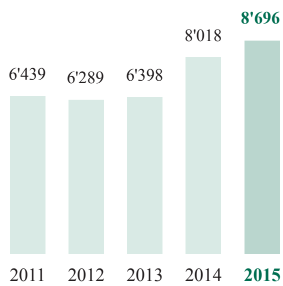
Shareholder's equity[1], in CHF million



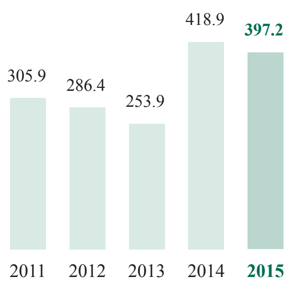
Advances, in CHF million



Deposits, in CHF million

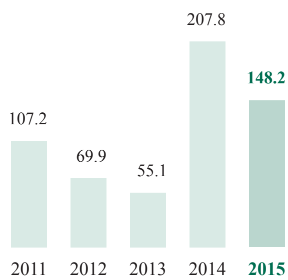


Total income[2], in CHF million

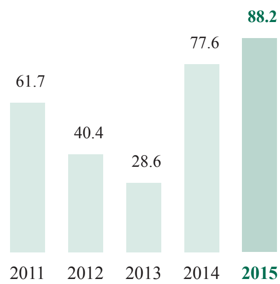


Operating expenses, in CHF million

Operating result, in CHF million



Group profit / loss, in CHF million



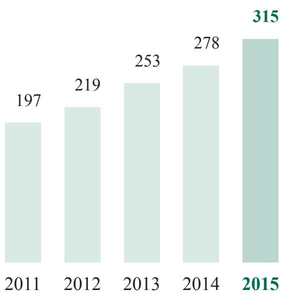
* Effective 1 January 2013, the Group adopted the new accounting principles in accordance of FINMA Circular 2015/1 "Accounting - Banks"

[1] Excl. minority interest in equity and in Group profit / loss

[2] 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"

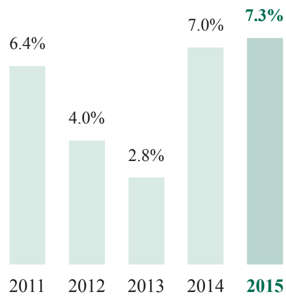
	31.12.11	31.12.12	31.12.13	31.12.14	31.12.15
Key figures and ratios					
Number of offices	197	219	253	278	315
Number of employees	3'308	3'823	4'140	4'456	4'779
Return on equity (ROE) (%)[1]	6.4%	4.0%	2.8%	7.0%	7.3%
Equity ratio (%)	12.0%	12.7%	13.1%	12.3%	11.6%
Cost / income ratio (%)	49.6%	55.8%	69.0%	42.6%	52.9%
Total capital ratio (%)[2]	19.4%	21.8%	21.0%	19.5%	19.9%

Number of offices

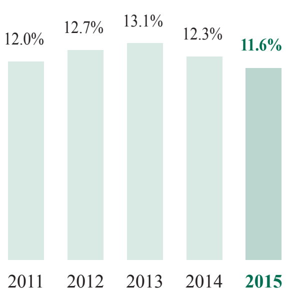


Number of employees

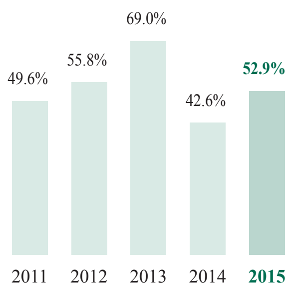
Return on equity (ROE) (%)[1]



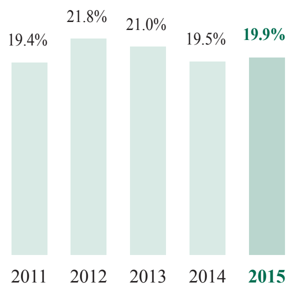
Equity ratio (%)



Cost / income ratio (%)



Total capital ratio (%)[2]



[1] Group profit / loss as percentage of equity of average at year end 2014 and 2015

[2] Since 1 January 2013, capital adequacy has been determined in accordance with the standards in the "Basel III Accord"

Letter from the Chairman and the President

It is our pleasure to present you with the 48th annual report of Habib Bank AG Zurich based on the new accounting principles issued by the Swiss Financial Market Supervisory Authority.

By the grace of God, Habib Bank AG Zurich delivered good results in 2015 while maintaining a strong capital base and high liquidity. The Habib Group maintained its conservative lending policy, with a high degree of discipline. This policy is characterized by a high percentage of fully secured and relatively short-term lending. As a result, advances to clients decreased to 37% of deposits received from clients. The remaining liquidity was placed in the interbank market or invested in investment grade bonds.

During 2015, members of the Board of Directors bid farewell to Dr. Ulrich Grete, who had served not only as its Vice Chairman but as member for over 7 years. We thank him for his professional and very competent contributions made over the years. As of 20 April 2015 Urs W. Seiler replaced Dr. Ulrich Grete as Vice Chairman, and Dr. Stephan Thaler joined our Board of Directors as a new member on the same day. We wish them all well for the future.

The Board of Directors has proposed that out of the profit for the year ended 31 December 2015 and a carry-over profit from last year adding up to a distributable amount of CHF 34'872'780.– the following appropriations should be made

- Allocation to statutory retained earnings reserves	CHF	1'800'000.–
- Allocation to voluntary retained earnings reserves	CHF	15'000'000.–
- Disribution of dividend from distributable profit	CHF	18'000'000.–
- Profit and loss carried forward	CHF	72'780.–

We would like to thank our clients for their loyalty to Habib Bank AG Zurich and for the trust they placed in us in 2015. We also wish to thank all our employees for their ongoing commitment and contribution to the success of Habib Bank AG Zurich.

Dr. Andreas Länzlinger
Chairman of the Board of Directors

Muhammad H. Habib
President

Habib Bank AG Zurich - the Group

Habib Bank AG Zurich (hereinafter "the Bank") was incorporated in Switzerland in 1967 and is privately owned.

The Habib family has been actively involved in banking for over 170 years. Two family members, Mr. Muhammad H. Habib, President, and Mr. Mohamedali R. Habib, Joint President, are members of the General Management. Other members of the family are currently working their way up through the management grades.

The traditional values of the Habib family are: trust, integrity, respect, service and commitment.

The Bank has its Head Office and operation in Zurich and branches in the United Kingdom (with effect from 1 April 2016 all assets and liabilities of the United Kingdom branch will be transferred to the subsidiary Habib Bank Zurich Plc, London), the United Arab Emirates and Kenya. The Bank holds five wholly owned subsidiaries: Habib Bank Zurich Plc, London, Habib Canadian Bank, Canada, HBZ Bank Limited, South Africa, Habib European Bank Ltd., Isle of Man and HBZ Services FZ-LLC, United Arab Emirates. The Bank holds a 51% ownership interest in Habib Metropolitan Bank Ltd., Pakistan and Habib Bank Zurich (Hong Kong) Ltd., Hong Kong (collectively "the Group").

The Bank and the 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 above industry standards and benefits from the political and economic stability of having its Head Office in Switzerland. Furthermore, the Group has close co-operation with the various regulatory bodies and central banks in the countries in which the Group operates.

The Group places a high emphasis on personal service in the countries in which it operates. The branches and subsidiaries cover nine countries spread over four continents. As of the end of 2015, 4'779 employees spread over 315 offices are strategically situated to provide maximum assistance to our local and international clientele. The Group is active in commercial banking, retail banking, trade finance business, wealth management and Islamic banking.

Group organisation structure

Board of Directors

The Board of Directors of the Bank is made up of non-executive and independent directors, all of whom have extensive experience in their respective field of competence.

Name	Born	Citizenship	Board of Directors	Audit Committee	Risk & Control Committee
Dr. Andreas Länzlinger	1959	Swiss	Chairman		
Dr. Ulrich Grete*	1942	Swiss	Vice Chairman	Member	
Urs W. Seiler**	1949	Swiss	Vice Chairman	Member	Member
Ray Barnes	1945	British	Member		Member
Dr. Marco Duss	1943	Swiss	Member	Chairman	
Ursula Suter	1954	Swiss	Member		Chairwoman
Dr. Stephan Thaler***	1962	Swiss	Member	Member	

* until 20 April 2015
** until 20 April 2015, Member, and from 20 April 2015 Vice Chairman of Board of Directors
*** from 20 April 2015

General Management

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

Name	Born	Citizenship	Function
Muhammad H. Habib	1959	Swiss	President and Head of Markets Overseas
Mohamedali R. Habib	1964	Canadian	Joint President and Head of Markets Asia & Special Services
Shaun Wallis*	1955	British	Member of General Management and Head of Global Operations
Walter Mathis	1961	Swiss	Member of General Management and Head of Shared Services

* until 30 Mai 2015

Management of the branch network

Name	Born	Citizenship	Function	Country
Christian Lerch	1959	Swiss	Country Manager	Switzerland
Prof. Moorad Choudhry	1966	British	Country Manager	United Kingdom
Arif Lakhani	1945	Pakistani	Country Manager	United Arab Emirates
Mohammad Ali Hussain	1954	Kenyan	Country Manager	Kenya

Management of the subsidiaries

Name	Born	Citizenship	Function	Country
Muslim Hassan	1955	Canadian	Chief Executive Officer	Canada
Zafar Khan	1952	South African	Chief Executive Officer	South Africa
Mohammed Jafri	1951	British	Chief Executive Officer	Isle of Man
Atif Mufti	1973	Pakistani	Chief Executive Officer	United Arab Emirates*
Sirajuddin Aziz	1956	Pakistani	Chief Executive Officer	Pakistan
Ikram Quraishi	1948	USA	Chief Executive Officer	Hong Kong

* HBZ Services FZ-LLC

Group Internal Audit

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

Group Support Functions

Name	Born	Citizenship	Function
Umair Chaudhary	1968	British	Group Chief Operating Officer
Adnan Fasih	1967	Pakistani	Head of Group Islamic Banking
Felix Gasser	1959	Swiss	Head of Group Risk Control
Dr. Sitwat Husain	1964	Pakistani	Head of Group Human Resources
Dr. Pascal Mang	1964	Swiss	Head of Group Legal & Compliance
Alfred Merz	1962	Swiss	Head of Group Financial Control
Atif Mufti	1973	Pakistani	Head of Group Operations
Syam Pillai / Haja Alavudeen	1962 1966	Indian Indian	Heads of Group Information Technology
Sibel Sanus	1954	Turkish	Head of Group Financial Institutions
Ralph Schneider	1964	Swiss	Head of Group Credit

Directors' report

Economic environment

The global economy experienced another year of moderate growth, and despite highly accommodative central bank policies, the rates of expansion in most advanced economies remained below their long-term average. New headwinds emerged in the course of the year, mainly in the form of the unrelenting decline of commodity prices and slowing structural growth in China. These developments particularly affected many commodity-exporting emerging economies and contributed to capital outflows and widespread currency weakness. Capital outflows were partially motivated by expectations for higher USD rates which materialized in December when the US Federal Reserve increased its target rate for the first time since 2006. Inflationary pressures remained subdued in most economies with the exception of those which suffered large FX depreciations. The European Central Bank (ECB) introduced its own quantitative easing program early in the year in order to combat lingering deflation risks.

Among the Bank's largest markets, Pakistan enjoyed by far the highest growth in 2015 with a rate of expansion well above 4% in real terms. Growth was supported by the government's efforts to implement the on-going IMF agreement. The launch of the China-Pakistan Economic Corridor was a major milestone for the development of the country with the potential of lifting the long-term growth by several percentage points thanks to better infrastructure and improved energy supply. The overall positive economic environment benefited further from the looser monetary policy of the State Bank of Pakistan (SBP) that lowered key rates to an all-time low as inflation declined with sharply lower oil prices. The lower oil bill helped to contain the current account deficit which remained well financed thanks to a number of multilateral loans and new international bond issues. A policy to maintain exchange rate stability allowed the SBP to accumulate a record amount of currency reserves and to further stabilize external accounts, albeit at the expense of sharply reduced international competitiveness of the country's export industries.

The United Arab Emirates were also able to maintain decent growth albeit at a decelerating pace, as lower oil prices affected general business activity. The government was forced to reduce public expenditures and to consider expanding its income sources with the possible introduction of a general corporate tax and a value-added tax. While efforts to diversify the economy helped to limit the short-term impact, the medium-term prospects became much more uncertain during the course of the year. Public sentiment deteriorated, affecting, among other things, the large and important real estate sector. Moreover, with the AED pegged against the USD, the country faced higher interest rates when it was least welcome.

A number of domestic and global headwinds buffeted the South African economy during 2015. The pressure on commodity prices and a general retreat from emerging markets hit the economy hard and the ZAR lost a quarter of its value. The government of South Africa meanwhile was unable to make significant progress in addressing the worsening bottleneck in the energy sector. The replacement of a well-respected minister of finance late in the year triggered a major confidence crisis which was only partly defused when the government amended its decision. Poor economic governance raised the spectre that the country may lose its investment-grade rating over the medium-term. Faced with rising inflation and a plummeting currency, the South African Reserve Bank tightened its policy several times despite low and disappointing growth.

Real GDP growth in the UK slowed in the course of 2015 to slightly above 2% annually but still left the economy as one of the top performers in the G7. Government spending cuts, a slowdown in construction investments and lower exports were the main causes for lower activity. Housing prices also moderated from the double-digit growth recorded in the previous year. Overall monetary conditions tightened due to the relative strength of the trade-weighted

GBP, even though the Bank of England refrained from raising its key policy rate for another year in the absence of significant inflationary pressures.

The Swiss National Bank made a surprise decision to end the CHF 1.20 floor rate against EUR in mid-January. The resulting sharp appreciation of the currency was, however, absorbed more quickly than initially expected. Many exporting companies, including banks, reacted promptly by cutting the cost base, thereby limiting the impact on their external competitiveness. Nevertheless, the Swiss economy as a whole continued to struggle in the face of an overvalued currency and meagre growth in the core European markets.

Among the smaller markets, the Kenyan economy fared best thanks to ambitious government investment projects which maintained real annual growth above 5%. However, global risk aversion and large deficits of both the budget and current account put significant downward pressure on the KES that forced the Central Bank of Kenya to substantially increased policy rates.

Hong Kong suffered from substantially weaker demand from mainland China, mainly reflected in lower retail sales and tourist arrivals. While private consumption continued to grow at a decent pace, the housing market showed first signs of a slowdown. Interest rates rose late in the year in response to higher US rates as the currency remained pegged to the USD.

Canada suffered a mild recession in early 2015 when the economy contracted under the impact of lower energy prices and lower business investment. Thereafter, activity recovered only sluggishly, still hampered by subdued demand for commodities, even as the Bank of Canada slashed its policy rate twice during the year. The currency declined sharply losing some 20% of its value against the USD.

Banking sector

The economic context for the global banking industry was marked by sustained extremely low levels of interest rates in the developed world. Only USD rates moved higher in anticipation of a higher Fed rate. This opened a yield gap that favored the USD against most other currencies throughout the year. From the late summer onwards, increasing financial market volatility in response to changes to the Chinese currency regime dominated events, leading to a spike of risk aversion and in particular pressure on emerging-market assets. The sharp decline of commodity prices impacted the activity of oil producers and exporters who were hit by lower cash flows and higher credit costs.

Trends in credit growth were generally positive in most advanced economies including in the eurozone where loan growth had previously been held back by deleveraging and shrinking balance sheets. Even in emerging economies, such as South Africa and UAE, which suffered from lower commodity prices, credit growth remained in the high single digits. Banking activity also remained robust in Pakistan but lower market interest rates compressed the banks' net-interest margins.

Private banking and wealth management remained a growth business. Here again, however, lower commodity prices and higher market volatility left their mark, affecting both net new money flows and client activity, particularly in the second half of the year. Despite the significant headwinds from slower economic growth in China, Asia remained the key growth market for private client business.

Meeting new regulatory requirements continued to be a main focus of the industry. Banks allocated once again significant capital and human resources to address new and tighter regulations across all business activities, in particular the OECD-sponsored automatic exchange of information on tax matters and the US FATCA legislation. At the same time, the emergence of cyber threats forced many banks to harden their IT infrastructure.

Operational performance and outlook

Income statement

The Group recorded in 2015 a profit of CHF 88.2 million, which represents an increase of CHF 10.6 million against 2014.

"Gross result from interest operations" amounted to CHF 262.7 million, which represents again an increase of CHF 38.6 million against the previous year. This development was mainly due to an increase of the balance sheet items "Amounts due in respect of customer deposits" and "Other financial instruments at fair value".

The "Subtotal result from commission business and services" amounted to CHF 76.6 million, which represents an increase of CHF 1 million against 2014.

"Result from trading activities and the fair value option" amounted CHF 56.8 million which represents a decrease of CHF 47.7 against the previous year. This difference mainly stems from two events. The profit on sale of "Other financial instruments at fair value" decreased compared to the previous year by CHF 19.1 million and the consolidation policy adopted resulted in an loss amounting to CHF 3.2 million (in 2014 an income of CHF 33 million was accounted for) deriving from the translation of financial statements of branches.

"Subtotal operating expenses" increased by CHF 15.7 million to CHF 194.0 million compared to 2014.

"Personnel expenses" increased by CHF 9.7 million compared to 2014 to CHF 131.0 million. The main reason for this increase was related to the increase in number of employees in various countries.

The average number of employees during 2015 of the Group was 4'618 compared to 4'298 during 2014. "General and administrative expenses" amounted to CHF 63.0 million, which represents an increase of CHF 6.0 million against 2014, mainly due to higher expenses for information technology, telecommunications and other operating expenses driven by the Group's branch expansion strategy.

"Changes in reserves for general banking risks" amounted to plus CHF 0.9 million against a minus of CHF 76.6 million for the previous year. Previous year bookings followed a prudent reserve policy, which considered the uncertainty due to strong CHF, which was not required in 2015.

The increase of "Taxes", from CHF 56.2 million in 2014 up to CHF 61.4 million in 2015, was driven by the improvement of Group profit.

The after-tax return on equity was at 7.3% in 2015 compared to 7.0% in 2014.

The Group's cost/income ratio increased from 42.6% to 52.9%.

Risk assessment

The Board of Directors conducted a risk assessment of major risk exposures of the Bank and the Group in 2015.

Balance sheet

The balance sheet reached CHF 10'582.6 million, i.e. an increase of CHF 779.1 million compared to 2014. This is mainly due to the increased focus on deposit mobilization.

"Liquid assets" amounted to CHF 1'042.7 million against CHF 941.0 million for 2014, which represents an increase of CHF 101.7 million.

"Advances" (i.e. "Amounts due from customers" and "Mortgage loans") reached CHF 3'195.4 million against CHF 3'408.2 million in 2014, i.e. a decrease of CHF 212.8 million.

"Other financial instruments at fair value" and "Financial investments" amounted to CHF 3'577.1

million. The increase against 2014 amounts to CHF 495.3 million. The Group invested a large part of deposited funds in local government paper. The general interest rate decrease provided substantial revaluation profits on these instruments.

"Amounts due in respect of customers deposits" reached CHF 8'695.8 million against CHF 8'017.8 million for the previous year. Nearly all countries contributed to the increase of CHF 678 million.

Capital and liquidity

The Group has a strong capital base as well as a high liquidity ratio.

The capital adequacy ratios stand at Bank level at 23.9% and at Group level at 19.9% and the level of liquidity coverage ratio amounts at Bank level to 183% and at Group level to 164%. The leverage ratio achieved at Bank level was 12% and at Group level 10% (for more details see annual Basel III disclosure).

These ratios significantly exceed the regulatory requirements.

Operations

During 2015, we were able to expand our network with 36 new branches in Pakistan, reaching a total of 276 branches in 77 cities across the country, including a branch in Gwaadar, the port city of the China-Pakistan Economic Corridor. In Kenya, 1 new branch was added in Nyali. In the United Kingdom, we obtained permission from the PRA and FCA to transform our branch into a subsidiary (expected to occur on 1 April 2016). In the first half of 2015, our Hong Kong subsidiary obtained a restricted bank license and its name was changed to Habib Bank Zurich (Hong Kong) Ltd. Lastly, our subsidiary in South Africa proudly celebrated its 20th anniversary in 2015.

In similar fashion to many other Swiss banks, our Swiss operation reached an agreement with the U.S. Department of Justice for the US Tax Program before year-end. Our Swiss operation continues to focus on strengthening its offerings to small and medium enterprises in Switzerland.

The major milestones of the first phase of our Group Strategic Plan 2013-2020 have been substantially achieved. The Group Governance Framework has been further enhanced and a project to implement a state-of-the-art Internal Control System («ICS») has been initiated and implementation by phases will begin in 2016. The Group Human Resources function has been strengthened and, with the nomination of our new Group Chief Operating Officer, the Group Information Technology and the Group Information & Technology Risk units have been reorganized to better address future challenges. From 2016 onwards, the Group will be entering the second phase of the Group Strategic Plan 2013-2020.

Outlook

The progress made during the first phase of our Group Strategic Plan 2013-20 will allow us, in the coming years to focus on our product offerings, client centricity and market expansion. In this context and in consideration of the evolving needs of our clients, we have decided to cease operations of our subsidiary in the Isle of Man in 2016. On the other hand, it is our goal to further expand our branch network in the countries where we are already present - namely - Pakistan, South Africa and Canada, and we are currently evaluating options to further expand our franchise. In Pakistan, the newly established «SIRAT» Sharia compliant product suite has progressed well and we intend to expand our offering of «SIRAT» to other suitable countries.

We will continue to address evolving client demands by investing in new technologies. However, not-withstanding this ever-changing technological landscape, we remain convinced that personal communication is the foundation to long-term client relationships.

We expect that 2016 will be a challenging year for the financial industry but we are well positioned to address these challenges with our clear focus, international presence, strong reputation and client loyalty.

Balance sheet
(before appropriation)

in CHF 000's	Note	31.12.15	31.12.14
Assets			
Liquid assets		1'042'715	941'017
Amounts due from banks		2'470'380	2'061'060
Amounts due from securities financing transactions	1		18'767
Amounts due from customers	2	2'774'605	2'972'811
Mortgage loans	2	420'757	435'420
Trading portfolio assets	3	98	707
Positive replacement values of derivative financial instruments	4	8'092	20'616
Other financial instruments at fair value	3	2'437'957	1'956'773
Financial investments	6/7	1'139'177	1'125'111
Accrued income and prepaid expenses		123'623	123'279
Non-consolidated participations	9	88	88
Tangible fixed assets	10	86'936	90'629
Intangible assets	11	3'428	5'140
Other assets	12	74'783	52'069
Total assets		**10'582'638**	**9'803'487**

in CHF 000's	Note	31.12.15	31.12.14
Liabilities			
Amounts due to banks		381'948	370'241
Liabilities from securities financing transactions	1	72'946	
Amounts due in respect of customer deposits		8'695'754	8'017'828
Negative replacement values of derivative financial instruments	4	10'918	21'638
Accrued expenses and deferred income		142'945	128'954
Other liabilities	12	35'333	35'115
Provisions	15	17'991	22'967
Reserves for general banking risks	15	556'136	555'832
Bank's capital		150'000	150'000
Retained earnings reserves		255'186	217'269
Currency translation reserves		-13'073	8'675
Minority interest in equity		188'327	197'352
Group profit / loss		88'228	77'615
- of which minority interests in group profit / loss		36'408	22'442
Total liabilities		**10'582'638**	**9'803'487**
Off balance sheet transactions			
Contingent liabilities	22	1'182'316	1'139'144
Irrevocable commitments		1'596	45'712
Credit commitments	23	212'407	221'271

Income statement

in CHF 000's	Note	**2015**	**2014**
Result from interest operations			
Interest and discount income		225'877	232'971
Interest and dividend income from financial investments		274'958	205'855
Interest expense		-238'121	-214'686
Gross result from interest operations		**262'714**	**224'140**
Changes in value adjustments for default risks and losses from interest operations		-30'828	-14'599
Subtotal net result from interest operations		**231'886**	**209'541**
Result from commission business and services			
Commission income from securities trading and investment activities		5'810	5'672
Commission income from lending activities		30'240	28'238
Commission income from other services		46'151	46'379
Commission expense		-5'565	-4'655
Subtotal result from commission business and services		**76'636**	**75'634**
Result from trading activities and the fair value option	25	**56'797**	**104'539**
Other result from ordinary activities			
Result from the disposal of financial investments		-1	16'975
Result from real estate		1'095	570
Other ordinary expenses			-2'809
Subtotal other result from ordinary activities		**1'094**	**14'736**

in CHF 000's	Note	**2015**	**2014**
Operating expenses			
Personnel expenses	26	-130'993	-121'336
General and administrative expenses	27	-63'012	-56'991
Subtotal operating expenses		**-194'005**	**-178'327**
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets		-12'336	-11'759
Changes to provisions and other value adjustments, and losses		-11'896	-6'567
Operating result		**148'176**	**207'797**
Extraordinary income	28	612	2'675
Extraordinary expenses	28	-82	-71
Changes in reserves for general banking risks		934	-76'620
Taxes	30	-61'412	-56'167
Group profit / loss		**88'228**	**77'615**
- of which minority interests in group profit / loss		36'408	22'442

Cashflow statement

	2015		2014	
in CHF 000's	Source of funds	Use of funds	Source of funds	Use of funds
Cash flow from operating activities	**157'279**	**87'339**	**271'453**	**64'095**
Group profit for the period	88'228		77'615	
Change in reserves for general banking risks		934	76'620	
Value adjustments on participation depreciations and amortisation on tangible fixed assets and intangible assets	12'336		11'759	
Provisions and other value adjustments	11'896	16'084	6'567	
Changes in value adjustments for default risks and losses	30'828		14'599	
Currency translation reserves		28'658	31'990	
Accrued income and prepaid expenses		344		40'673
Accrued expenses and deferred income	13'991		52'303	
Previous year's dividend		41'319		23'422
Cash flow from shareholders' equity transaction				
Bank's capital				
Recognised in reserves				
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets	**2'853**	**8'816**	**7'484**	**15'384**
Non-consolidated participations			39	
Real estate	1'824	2'735	6'934	9'546
Other tangible fixed assets	1'029	6'081	511	5'838
Intangible assets				

in CHF 000's	2015 Source of funds	2015 Use of funds	2014 Source of funds	2014 Use of funds
Cash flow from the banking operations				
Medium to long-term business (> 1 year)	**444'805**	**177'990**	**717'652**	**600'435**
Amounts due to banks		14'586	14'585	
Amounts due in respect of customer deposits	12'312		117'165	
Other liabilities	218		17'460	
Amounts due from banks				
Amounts due from customers	46'662	139'263	441'768	
Mortgage loans	21'816	1'427		247'803
Other financial instruments at fair value	336'212			346'196
Financial investments	27'584		126'674	
Other accounts receivable		22'714		6'436
Short-term business	**1'074'854**	**1'303'948**	**1'632'432**	**1'861'418**
Amounts due to banks	26'292		115'142	
Liabilities from securities financing transactions	72'946			
Amounts due in respect of customer deposits	665'614		1'503'056	
Negative replacement values for derivative financial instruments		10'720	9'891	
Amounts due from banks		409'320		203'279
Amounts due from securities financing transactions	18'767			18767
Amounts due from customers	278'103			730'842
Mortgages loans		7'153		
Trading portfolio assets	609			267
Positive replacement values for derivative financial instruments	12'524			8'454
Other financial instruments at fair value		817'396		532408
Financial investments		41'650		367401
Currency differences		17'709	4'343	
Liquidity		**101'698**		**87'689**
Liquid assets		101'698		87'689
Total	**1'679'791**	**1'679'791**	**2'629'021**	**2'629'021**

Statement of changes in equity

in CHF 000's	Bank's capital	Retained earnings reserves	Reserves for general banking risks	Currency translation reserves	Minority interest in equity	Group profit or loss	Total
Equity at 01.01.15	**150'000**	**217'269**	**555'832**	**8'675**	**197'352**	**77'615**	**1'206'743**
Transfer of profits to retained earnings		55'173			22'442	-77'615	
Capital increase / decrease							
Currency translation differences				-21'748	-6'910		-28'658
Dividends and other distributions		-18'000			-23'319		-41'319
Other allocations to (transfers from) the reserves for general banking risks			304		-1'238		-934
Other allocations to (transfers from) other reserves		744					744
Group profit / loss						88'228	88'228
Equity at 31.12.15	**150'000**	**255'186**	**556'136**	**-13'073**	**188'327**	**88'228**	**1'224'804**

Matterhorn (4'478 m), Switzerland

Notes to the consolidated financial statements

Accounting and valuation principles

The Habib Bank AG Zurich Group's annual financial statements have been drawn up in accordance with the accounting rules incorporated into the Swiss Banking Act and its accompanying ordinance, together with FINMA Circular 2015/1 "Accounting - Banks".

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

Consolidation principles

Scope of the consolidation

The Group accounts incorporate the annual financial statements of Habib Bank AG Zurich, Zurich and its subsidiaries. Refer to note 8 for a list of consolidated subsidiaries.

Method of consolidation

The Group's capital consolidation follows the purchase method.

The interest in equity and profit or loss attributable to minority shareholders are disclosed separately. Intragroup assets and liabilities as well as 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

In the financial statements of individual Group companies and branches, income and expenditure in foreign currencies are translated at the exchange rate ruling as at 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 profit and loss account as income from "Results 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 at 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 the 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:

	31.12.15	**31.12.14**
1 USD	0.99	0.99
1 GBP	1.47	1.54
100 AED	26.97	26.95
100 PKR	0.94	0.98
100 ZAR	6.45	8.51

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

	31.12.15	**31.12.14**
1 USD	0.97	0.92
1 GBP	1.48	1.51
100 AED	26.29	24.98
100 PKR	0.94	0.91
100 ZAR	7.58	8.48

Valuation and accounting principles

The valuation and accounting principles are consistent for the Bank and the Group.

The financial statements of all group companies used for consolidation comply with the below valuation and accounting principles.

Recording of transactions

Transactions are recorded at the 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 domicile or residency of clients.

Liquid assets and amounts due to and from banks and amounts due in respect of customer deposits

These amounts, including interest due but not paid, are shown at nominal value.

Amounts due from and liabilities in respect of securities financing transactions

The Group buys and sells securities under agreements to re-sell or re-purchase 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 and mortgage loans

These claims are reported at 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 lending values) and the financial standing of the borrower. They are set off against the corresponding assets.

Several Islamic Banking branches in Pakistan and South Africa maintain "Assets held under Ijarah" agreements. Acquired assets under this agreement are stated at cost less accumulated depreciation and impairment, if any.

Value adjustments for default risks

Receivables where it is considered unlikely that the debtor will fulfill his obligations are considered at risk. In particular, receivables where 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 value adjustment against the capital amount, from the respective asset. Should the collection of interest in respect of "Amounts due from customers" and "Mortgage loans" be uncertain, interest is not calculated.

For consumer loans, specific value adjustments according to time-based criteria are built where interest is overdue for more than 60 days.

Value adjustments for country risk are assessed in accordance with the guidelines on the management of country risk from the Swiss Bankers Association. Furthermore, country-specific general credit risk value adjustments are maintained based on the differentiated risk profiles recognised for individual sectors of the loan portfolios, or where uncertainty is reflected by additional value adjustments. Value adjustments for country risk, as well as country specific general credit risk value adjustments, are deducted from "Amounts due from customers".

Trading portfolio assets

"Trading portfolio assets" positions consist mainly of precious metals and bonds. They are valued at fair value as at the balance sheet date.

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 values according to FINMA Circular 2015/1 "Accounting – Banks" and which are not intended to be held until maturity are valued according to this principle.

Financial investments

"Financial investments" consist mainly of fixed interest securities. 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 positions are valued at the lower of cost or market value principle. This position also includes some shares as well as real estate which has been assumed from the lending business for resale, and which 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 at the balance sheet date. Positive and negative replacement values of open derivative financial instruments on behalf of clients are shown in the balance sheet as a separate line item. The respective contract volumes are shown in the notes.

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 re-assessed whenever circumstances suggest that their value may have fallen below their book value.

Intangible assets: Goodwill

Goodwill in the balance sheet results from the premium paid over net asset value from an acquired company. In such cases the recorded goodwill is reviewed for impairment every year, and written off over five years on a straight line basis.

Provisions

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

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. They form part of the "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, call liabilities and credit commitments, are recorded at nominal value.

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

Taxes and deferred taxes

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 temporal differences between the stated values of assets and liabilities in the consolidated sheet and their corresponding tax values are recongnised 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 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".

Receivables and payables from related parties and governing bodies

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

Receivables and payables from governing bodies are included in table 16.

Explanations of risk management

Risk & Control Framework

The Risk & Control Framework of the Group is the cornerstone for risk management and control. The Risk & Control Framework provides the basis to effectively identify, assess and manage risks within the Group. Furthermore, it defines which body has the overall responsibility for a particular risk class, who manages it and who performs independent risk control.

Risk organisation

At the level of the Board of Directors, the responsibilities are the following:

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

At the operational level, the Group operates with a three-line of defence model whereby business functions, risk management oversight and assurance roles are performed by functions independent of one another.

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

- Risk owners bear the overall supervision and 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 support the Group's effort to maintain an appropriate balance between risk and return:

- We protect the financial strength of the Group by controlling our 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;
- We protect our reputation through a sound risk culture characterised by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles;
- We systematically identify, classify and measure risks applying best practice;
- We ensure management accountability, whereby Business Line Management owns all risks assumed throughout the Group and is responsible for the continuous and active management of all risk exposures to ensure that risk and return are balanced;
- We set up independent risk control functions or units, which monitor effectiveness of risk management and oversee risk-taking activities;
- We disclose risks to the Board of Directors, regulators and other stakeholders in a comprehensive and transparent manner.

Internal controls

Internal controls are processes and instruments 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, results of actual 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 organizational 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 does not fulfil contractual obligations or the credit quality deteriorates. In order to manage potential default risk and other prevailing credit risks most effectively, 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. Around 40% of the Group's credit exposure is secured by property and only 16% 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 credit worthiness, collateral coverage and collateral quality requirements, as well as the underlying transaction rationale, business potential and any additional risk mitigations. Personal credits are usually only granted on a fully collateralized basis. Collateral coverage is monitored on a regular basis and according to the prevailing market conditions.

Adequate and clear segregation of duties are established among the various organizational 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 75% of the credit exposure to financial institutions is of investment grade quality and the remaining 25% consists mainly of trade finance exposure in emerging markets to which the Group is closely related and monitors the portfolio with a set of country limits.

Regarding non-performing loans, the Group is in a comfortable position: After taking the collateral at market value and the specific provisions into account, the net unsecured and un-provided position at the end of December 2015 was only CHF 7.5 million.

Country risks are monitored quarterly and are either guaranteed with 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 oversees liquidity and market risks regularly.

The Group grants advances and loans to clients both on a short-term basis and with tenors generally up to 5 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 of 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 needs to be 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 potential larger depositor outflows and sudden adverse market developments. Therefore, related scenarios have been analyzed 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 maintains a strong liquidity position, which is further supported by established repo functionalities. In addition, liquidity coverage ratio targets have been defined for all operating Group companies.

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 on Group and on country level and contingency funding plans are in place for the Group, all branches and subsidiaries.

Market risk

The Group is exposed to market interest rate risk, foreign exchange risk and, to a very limited extent, to equities and commodities 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 and foreign exchange 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 risk most client advances are agreed on a 3- or 6-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 up to 3-5 years. While the volume of financial investments is kept limited, the average duration of the fixed income portfolios creates interest rate risk exposure given the absence of long-term wholesale financing.

For foreign exchange risks the Group pursues a risk-adverse approach and aims at keeping potential foreign exchange losses low. 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 in the Head Office, and profits hedged as felt appropriate. Capital and reserves held in the branches are also subject to foreign exchange risk insofar as 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.

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 & action tracking.

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

Legal and compliance risk

Legal risk is the risk that the Group will conduct activities or carry out transactions in which it is inadequately covered or is left exposed to potential litigation. It is the possibility that a 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 organization standards, and codes of conduct applicable to its banking activities.

Measures aimed at minimizing 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 development of 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.

Reputation risk

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

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

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 destabilizing impact on the financial system, which include, amongst others, the fragile economic development, continued financial markets uncertainty, numerous political crises, increased exposure to cyber attacks, as well as the ever-increasing extent and complexity of regulation. 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 financial statements

1 Structure of securities financing transactions (assets and liabilities)

in CHF 000's	31.12.15	31.12.14
Book value of receivables from cash collateral related to securities borrowing and reverse-repurchase transactions*		18'767
Book value of payables from cash collateral posted for securities lending and repurchase transactions*	72'946	
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	72'946	18'767
- of which those with an 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 Collateral for loans and off balance sheet transactions, as well as impaired loans / receivables

in CHF 000's		Type of collateral: Mortgage coverage	Type of collateral: Secured by other collateral	Type of collateral: Unsecured	Total
Loans (before netting with value adjustments)					
Due from customers		996'514	1'474'711	544'997	3'016'222
Mortgage loans		420'790	178	1'216	422'184
- Residential and commercial property		391'810	91		391'901
- Commercial premises		28'980	87	1'216	30'283
Total loans (before netting with value adjustments)	**31.12.15**	**1'417'304**	**1'474'889**	**546'213**	**3'438'406**
	31.12.14	1'377'350	1'620'927	639'268	3'637'544
Total loans (after netting with value adjustments)	**31.12.15**	**1'240'663**	**1'457'549**	**497'150**	**3'195'361**
	31.12.14	1'201'558	1'583'367	623'304	3'408'229
Off balance sheet					
Contingent liabilities		20'450	1'106'165	55'701	1'182'316
Irrevocable commitments				1'596	1'596
Credit commitments		6'161	141'638	64'609	212'407
Total off balance sheet	**31.12.15**	**26'611**	**1'247'802**	**121'906**	**1'396'319**
	31.12.14	19'115	602'011	785'001	1'406'127

in CHF 000's		Gross debt amount	Estimated liquidation value of the collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables					
	31.12.15	**347'145**	**105'644**	**241'501**	**235'852**
	31.12.14	368'461	117'555	250'906	226'708

3 Breakdown of trading portfolios and other financial instruments at fair value

in CHF 000's	31.12.15	31.12.14
Assets		
Trading portfolios	**98**	**707**
Debt instruments, money-market instruments, money-market transactions	98	
- of which listed	98	
Equity interests		
Precious metals and commodities		707
Other trading assets		
Other financial instruments at fair value	**2'437'957**	**1'956'773**
Debt instruments	2'379'959	1'839'980
Structure products		
Others	57'998	116'793
Total assets	**2'438'055**	**1'957'480**
- of which determined by valuation model		17'223
- of which securities allowed for repo transactions in accordance with liquidity requirements		1'298

Hongkong (Downtown Street), People's Republic of China

4 Presentation of derivative financial instruments

in CHF 000's	Trading instruments Positive replacement values	Trading instruments Negative replacement values	Trading instruments Contract volume
Interest rate instruments			
Forward contracts, including FRAs			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Foreign exchange / precious metals			
Forward contracts	8'092	10'918	3'239'672
Combined interest rates / currency swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Equity interests / indices			
Forward contracts			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			2'277
Credit derivatives			
Credit default swaps			
Total return swaps			
First-to-default swaps			
Other credit derivatives			
Other			
Forward contracts			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Total before taking into consideration netting agreements			
Total at 31.12.15	**8'092**	**10'918**	**3'241'949**
- of which determined by using a valuation model			

in CHF 000's	Trading instruments: Positive replacement values	Negative replacement values	Contract volume
Total at 31.12.14	20'616	21'638	4'178'919
- of which determined by using a valuation model			

in CHF 000's		Positive replacement value (accumulated)	Negative replacement value (accumulated)
Total after taking into consideration netting agreements			
Total	**at 31.12.15**	**8'092**	**10'918**
	at 31.12.14	20'616	21'638

5 Breakdown by counterparties of derivative financial instruments

in CHF 000's	Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)	320	5'906	1'866

The Group has no hedging instruments.

6 Breakdown of financial investments

	Book value		Fair value	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Debt instruments	**1'126'308**	**1'115'015**	**1'129'570**	**1'116'937**
- of which held until maturity	1'126'308	1'115'015	1'129'570	1'116'937
- of which not held until maturity				
Equity interests	**972**	**1'120**	**972**	**1'044**
Real estate	**11'897**	**8'976**	**17'674**	**13'833**
Total	**1'139'177**	**1'125'111**	**1'148'216**	**1'131'813**
- of which securities allowed for repo transactions in accordance with liquidity requirements	206'630	177'029		

7 Breakdown of the counterparty according to rating

in CHF 000's	AAA	AA	A	BBB	BB to B	Unrated
Book values	198'454	123'957	181'671	417'359	176'906	40'831

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

8 List of consolidated companies in which the Bank permanently holds direct or indirect participation of significance

	Business activities	Share capital (in 1'000)	Capital share	Proportion of voting rights	Direct ownership	Indirect ownership
Company name and registered office						
Habib Canadian Bank Limited, Toronto, Canada	Bank	CAD 30'000	100%	100%	100%	0%
HBZ Bank Limited, Durban, South Africa	Bank	ZAR 50'000	100%	100%	100%	0%
Habib European Bank Limited, Douglas, Isle of Man	Bank	GBP 5'000	100%	100%	100%	0%
HBZ Services FZ-LLC, Dubai, UAE	Service centre	AED 300	100%	100%	100%	0%
Habib Metropolitan Bank Ltd., Karachi, Pakistan	Bank	PKR 10'478'315	51%	51%	51%	0%
Habib Bank Zurich (Hong Kong) Ltd., Hong Kong	Restricted Licence Bank	HKD 300'000	51%	51%	51%	0%
Habib AG Zurich UK Plc, London, UK	Bank	GBP 50	100%	100%	100%	0%

9 Presentation of participations

In CHF 000's	Acquisition cost	Accumulated amortisations or value adjustments (equity valuation)
Other participation with no market value		
- S.W.I.F.T. SCRL, Belgium	88	
Total	**88**	

10 Tangible fixed assets

in CHF 000's	Acquisition cost	Accumulated depreciation
Bank buildings and residential apartments	102'758	-31'528
Other real estate	19'698	-11'979
Proprietary or separately acquired software	3'315	-3'092
Other tangible fixed assets	46'800	-35'343
Tangible assets acquired under financial leases;		
- of which bank buildings		
- of which other real estate		
- of which other tangible fixed assets		
Total	**172'571**	**-81'942**

* including net of foreign currency adjustments

	Book value at **31.12.14**	Reporting year Reclassifications	Additions	Disposals	Value adjustments of participations interest	Book value at **31.12.15**	Market value
	88					88	
	88					**88**	

	Book value at **31.12.14**	Reporting year Reclassifications	Additions	Disposals*	Depreciation	Reversals	Book value at **31.12.15**
	71'230		426	-1'516	-3'229		66'911
	7'719		2'309	-308	-2'253		7'467
	223		42	-6	-66		193
	11'457		6'039	-451	-4'670	-10	12'365
	90'629		**8'816**	**-2'281**	**-10'218**	**-10**	**86'936**

11 Intangible assets

in CHF 000's	Acquisition cost	Accumulated amortisations	**Book value at 31.12.14**	Reporting year Investment	Divestment	Amortisations	**Book value at 31.12.15**
Goodwill	8'567	-3'427	5'140			-1'712	3'428
Patents							
Licenses							
Other intangible assets							
Total	**8'567**	**-3'427**	**5'140**			**-1'712**	**3'428**

12 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Compensation account		4'245		11'338
Deferred income tax recognised as assets	50'692	29'341		
Others	24'091	18'483	35'333	23'777
Total	**74'783**	**52'069**	**35'333**	**35'115**

13 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

in CHF 000's	Book value	Effective commitments
Assets pledged		
Amounts due from banks	1'862	599
Financial investments	7'647	
Assets put under ownership reservation		
Total	**9'509**	**599**

* Excluding securities financing transactions

14 Payable to own employee benefit plans

	31.12.15	**31.12.14**
Payables to employee benefit plans	116	141

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 plan 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.

15 Value adjustments and provisions and reserves for general banking risks

In CHF 000's	Balance at 31.12.14	Use in conformity with designated purpose
Provisions for deferred taxes	3'624	
Provisions for pension fund obligations		
Provisions for default risks	4'421	
Provisions for other business risks	14'741	-15'903
Provisions for restructuring		
Other provisions	181	-181
Total provisions	**22'967**	**-16'084**
Reserves for general banking risks	**555'832**	
Value adjustments for default risks and country risks	**229'308**	**-13'118**
- of which value adjustments for default risks in respect of impaired loans	226'708	-13'118
- of which value adjustments for default risks in respect of financial investments		
- of which value adjustments for latent risks	2'600	

Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.15**
	-146				3'478
	-253			-852	3'316
	-388		14'048	-1'451	11'047
			150		150
	-787		**14'198**	**-2'303**	**17'991**
1'238				**-934**	**556'136**
	-7'810	**4'580**	**36'425**	**-5'597**	**243'788**
	-7'810	4'580	31'089	-5'597	235'852
			743		743
			4'593		7'193

16 Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Qualified holdings			62'227	44'473
Associates				
Transactions with members of governing bodies	1'520	1'224	14'506	10'349
Other related parties				

17 Maturity structure of financial instruments

	Due							
in CHF 000's	At sight	Cancel-lable	Within 3 months	Between 3 and 12 months	Between 12 months and 5 years	After 5 years	No maturity	Total
Asset / financial instruments								
Liquid assets	1'042'715							1'042'715
Amounts due from banks	167'636	6'809	1'942'421	353'514				2'470'380
Amounts due from customers	409'247		1'117'056	810'826	358'517	78'959		2'774'605
Mortgage loans			12'374	37'767	318'464	52'153		420'757
Trading portfolio assets	98							98
Positive replacement values of derivative financial instruments	8'092							8'092
Other financial instruments at fair value	2'437'957							2'437'957
Financial investments	665'474		68'785	51'523	298'087	55'308		1'139'177
Total 31.12.15	**4'731'220**	**6'809**	**3'140'636**	**1'253'630**	**975'067**	**186'420**		**10'293'781**
31.12.14	1'887'504	23'810	3'546'561	1'938'280	1'456'132	553'592	126'404	9'532'283
Liabilities / financial instruments								
Amounts due to banks	116'523	1	74'994	190'430				381'949
Liabilities from securities financing transactions			72'946					72'946
Amounts due in respect of customer deposits	4'938'836	339'447	2'089'342	1'104'612	215'909	7'608		8'695'754
Negative replacement values of derivative financial instruments	10'918							10'918
Total 31.12.15	**5'066'278**	**339'448**	**2'237'282**	**1'295'042**	**215'909**	**7'608**		**9'161'566**
31.12.14	4'727'266	362'335	2'065'386	1'028'931	195'499	30'292		8'409'709

18 Assets and liabilities broken down by domestic and foreign origin in accordance with domicile principle

	31.12.15		31.12.14	
in CHF 000's	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	54'037	988'678	124'037	816'980
Amounts due from banks	290'140	2'180'240	295'693	1'765'367
Amounts due from securities financing transactions				18'767
Amounts due from customers	55'252	2'719'353	95'126	2'877'685
Mortgage loans		420'757		435'420
Trading portfolio assets		98	476	231
Positive replacement values of derivative financial instruments	12	8'079	24	20'592
Other financial instruments at fair value		2'437'957		1'956'773
Financial investments	150'944	988'233	120'985	1'004'127
Accrued income and prepaid expenses	8'576	115'047	14'225	109'054
Non-consolidated participations		88		88
Tangible fixed assets	9'933	77'002	10'909	79'721
Intangible assets	3'427	1	5'140	
Other assets	8'135	66'648	4'939	47'130
Total	**580'456**	**10'002'182**	**671'552**	**9'131'934**
Liabilities				
Amounts due to banks	14'776	367'172	1'083	369'159
Liabilities from securities financing transactions	20'000	52'946		
Amounts due in respect of customer deposits	144'253	8'551'501	122'289	7'895'538
Negative replacement values of derivative financial instruments	1'350	9'568	9	21'629
Accrued expenses and deferred income	3'547	139'398	5'933	123'021
Other liabilities	9'214	26'119	9'380	25'736
Provisions	8'623	9'368	10'636	12'331
Reserves for general banking risks	172'250	383'886	229'382	326'450
Bank's capital	150'000		150'000	
Retained earnings reserves	272'832	-17'646	217'269	
Currency translation reserves	-13'073		8'675	
Minority interest in equity	34'932	153'394		197'35
Group profit / loss	17'141	71'087	3'374	74'241
Total	**835'846**	**9'746'792**	**758'030**	**9'045'457**

19 Breakdown of total assets by countries or regions (domicile principle)

in CHF 000's	31.12.15		31.12.14	
Assets				
Europe	**1'898'004**	**17.9%**	**1'680'179**	**17.1%**
of which Switzerland	568'928	5.4%	503'674	5.1%
United Kingdom	813'077	7.7%	844'327	8.6%
Others	515'998	4.9%	332'178	3.4%
North America	**262'574**	**2.5%**	**239'324**	**2.4%**
Asia	**7'753'008**	**73.3%**	**7'178'093**	**73.3%**
of which UAE	2'619'492	24.8%	2'546'860	26.0%
Pakistan	4'545'168	42.9%	3'910'030	39.9%
Others	588'349	5.6%	721'203	7.4%
Other countries	**669'052**	**6.3%**	**705'891**	**7.2%**
of which South Africa	288'347	2.7%	328'608	3.4%
Others	380'705	3.6%	377'283	3.8%
Total	**10'582'638**	**100.0%**	**9'803'487**	**100.0%**

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

in CHF 000's	Net foreign exposures **at 31.12.15**		Net foreign exposures **at 31.12.14**	
AAA	1'661'151	16.6%	2'259'160	23.0%
AA+ to AA-	346'160	3.5%	134'415	1.4%
A+ to A-	2'682'276	26.8%	2'917'948	29.8%
BBB+ to BBB-	406'278	4.1%	181'289	1.8%
BB+ to B-	4'814'689	48.1%	4'129'248	42.1%
CCC		0.0%	5'079	0.1%
Unrated	91'628	0.9%	176'349	1.8%
Total	**10'002'182**	**100.0%**	**9'803'487**	**100.0%**

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

21 Assets and liabilities broken down by the most important currencies for the Group

in CHF 000's	CHF	USD	GBP	AED	PKR	Other	Total
Asset							
Liquid assets	53'287	182'774	4'493	615'028	175'644	11'488	1'042'715
Amounts due from banks	5'022	844'721	164'562	764'454	257'564	434'057	2'470'380
Amounts due from securities financing transactions							
Amounts due from customers	13'361	555'143	504'141	592'165	976'097	133'698	2'774'605
Mortgage loans		41		347'693	16'527	56'495	420'757
Trading portfolio assets		98					98
Positive replacement values for derivative financial instruments	12		481	2	5'896	1'700	8'092
Other financial instruments at fair value					2'437'957		2'437'957
Financial investments	299'474	393'164	90'309	7'707	228'267	120'255	1'139'177
Accrued income and prepaid expenses	8'354	7'873	1'620	12'026	90'769	2'981	123'623
Non-consolidated participations	88						88
Tangible fixed assets	9'933		10'467	19'321	29'532	17'683	86'936
Intangible assets	3'427				1		3'428
Other assets	1'688	1'354	654	15'652	51'600	3'835	74'783
Total assets shown in balance sheet	**394'648**	**1'985'170**	**776'726**	**2'374'048**	**4'269'855**	**782'191**	**10'582'638**
Delivery claims from spot exchange transactions, foreign exchange forwards and foreign exchange options	2'210	633'731	92'796		640'778	140'180	1'509'694
Total assets	**396'857**	**2'618'901**	**869'522**	**2'374'048**	**4'910'633**	**922'371**	**12'092'332**

in CHF 000's	CHF	USD	GBP	AED	PKR	Other	Total
Liabilities							
Amounts due to banks	1'850	52'274	15'629	23'268	279'722	9'204	381'948
Liabilities from securities financing transactions	20'000				52'946		72'946
Amounts due in respect of customer deposits	85'515	1'985'649	708'926	1'935'714	3'330'437	649'513	8'695'754
Negative replacement values of derivative financial instruments	1'350		398	1	7'499	1'670	10'918
Accrued expenses and deferred income	3'812	93	4'703	21'547	104'124	8'666	142'945
Other liabilities	3'116	1'332	3'676	16'898	7'859	2'451	35'333
Provisions	8'507	3'176	150	-852	6'793	217	17'991
Reserves for general banking risks	172'250		-11'742	316'308	43'838	35'482	556'136
Bank's capital	150'000						150'000
Retained earnings reserves	243'718		-3'711	-8	29'175	-13'986	255'186
Currency translation reserves	-13'073						-13'073
Minority interest in equity	33'828				153'667	832	188'327
Group profit / loss	17'581		4'785	3'781	51'897	10'184	88'228
Total liabilities shown in balance sheet	**728'455**	**2'042'524**	**722'812**	**2'316'657**	**4'067'957**	**704'234**	**10'582'637**
Delivery commitments from spot exchange transactions, foreign exchange forwards and foreign exchange options	62'491	590'705	62'008		708'721	85'769	1'509'694
Total liabilities	**790'946**	**2'633'229**	**784'820**	**2'316'657**	**4'776'678**	**790'003**	**12'092'331**
Net position for each currency	**-394'088**	**-14'328**	**84'702**	**57'391**	**133'955**	**132'368**	

22 Breakdown of contingent liabilities

in CHF 000's	31.12.15	31.12.14
Credit guarantees and similar	401'166	363'549
Irrevocable commitments due to documentary credits	781'150	775'595
Total	**1'182'316**	**1'139'144**

23 Breakdown of credit commitments

in CHF 000's	31.12.15	31.12.14
Commitments arising from acceptances	151'488	162'044
Other credit commitments	60'919	59'226
Total	**212'407**	**221'271**

24 Breakdown of fiduciary transactions

in CHF 000's	31.12.15	31.12.14
Fiduciary investments with third-party companies	71'680	89'745
Fiduciary transactions from securities lending and borrowing which are carried out by the Bank acting under its own name but on behalf of clients	18'267	16'171
Total	**89'947**	**105'917**

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

in CHF 000's	2015	2014
Result from trading activities		
Interest rate instruments (incl. funds)	34'982	54'114
Unrealised forex gains / losses on reserves held in foreign currencies	-3'238	33'007
Foreign exchange	25'311	17'373
Commodities / precious metals	-258	46
Total	**56'797**	**104'539**
- of which from the fair value option applied to assets	34'982	54'114

26 Breakdown of personnel expenses

in CHF 000's	2015	2014
Salaries and additional allowances	117'205	109'377
- of which expenses related to share-based compensation and alternative forms of variable compensation		
Social insurance obligations	9'199	7'669
Other personnel expenses	4'589	4'290
Total	**130'993**	**121'336**

27 Breakdown of general and administrative expenses

in CHF 000's	2015	2014
Office space expenses	17'701	18'793
Expenses for information technology and telecommunications	8'938	7'830
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	4'273	4'288
Audit fees	1'925	1'706
- of which for financial and regulatory audits	1'759	1'611
- of which for other services	166	95
Other operating expenses	30'176	24'374
Total	**63'012**	**56'991**

28 Analysis of extraordinary income and expenses

in CHF 000's	2015	2014
Extraordinary income		
Release of provisions no longer required		296
Profit on sale of fixed assets	572	203
Recoveries and others	41	2'175
Total	**612**	**2'675**
Extraordinary expenses		
Other	-82	-71
Total	**-82**	**-71**

29 Breakdown of operating result broken down according domestic and foreign origin according to the principle of permanent establishment

	2015		2014	
in CHF 000's	Switzerland	Abroad	Switzerland	Abroad
Net result from interest operations	10'539	221'347	10'525	199'016
Result from commission business and services	8'110	68'526	7'644	67'989
Result from trading activities and the fair value option	-313	57'110	30'102	74'438
Other result from other ordinary activities	36'399	-35'305	22'708	-7'972
Total net income	**54'735**	**311'679**	**70'979**	**333'471**
Personnel expenses	21'303	109'690	21'315	100'021
General and administrative expenses	12'488	50'524	11'815	45'176
Operating expenses	**33'791**	**160'214**	**33'130**	**145'197**
Value adjustments on participations, depreciation and amortisation on tangible fixed and intangible assets	-1'531	-10'805	-1'716	-10'043
Changes to provisions and other value adjustments, and losses	-8'642	-3'254	-1'334	-5'233
Operating result % Switzerland / Abroad	**10'771** 7.3%	**137'406** 92.7%	**34'799** 16.7%	**172'998** 83.3%
Taxes % Switzerland / Abroad	**-2'986** 4.9%	**-58'426** 95.1%	**-1'641** 2.9%	**-54'526** 97.1%
Group profit / loss % Switzerland / Abroad	**7'798** 8.8%	**80'430** 91.2%	**3'374** 4.3%	**74'241** 95.7%

Income and expenditure Switzerland: includes the Swiss operation and Head Office.

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

in CHF 000's	2015	2014
Income taxes*	62'928	63'771
Deferred tax expenses	-1'516	-7'605
Taxes	**61'412**	**56'166**
Average tax rate	41.4%	30.7%

* The utilisation of tax losses carried forward in the UK Branch has led to CHF 0,5 million lower 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, statement of changes in equity, cash flow statement and notes (pages 12 to 51 of the annual report) for the year ended 31 December 2015.

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 2015 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, 25 April 2016


Dubai (Burj Khalifa), United Arab Emirates

Balance sheet
(before appropriation)

in CHF 000's	Note	31.12.15	31.12.14
Assets			
Liquid assets		749'625	754'275
Amounts due from banks		1'806'721	1'580'953
Amounts due from customers	2	1'373'498	1'473'372
Mortgage loans	2	348'108	373'191
Trading portfolio assets	3	98	707
Positive replacement values of derivative financial instruments	4	495	634
Financial investments	6	826'425	817'340
Accrued income and prepaid expenses		24'746	33'787
Participations		237'187	237'569
Tangible fixed assets		35'133	37'529
Intangible assets		3'427	5'140
Other assets	8	18'339	19'418
Total assets		**5'423'802**	**5'333'916**

in CHF 000's	Note	**31.12.15**	**31.12.14**
Liabilities			
Amounts due to banks		89'538	69'271
Liabilities from securities financing transactions	1	20'000	
Amounts due in respect of customer deposits		4'301'864	4'259'132
Negative replacement values of derivative financial instruments	4	1'749	568
Accrued expenses and deferred income		31'205	36'037
Other liabilities	8	20'750	22'712
Provisions	10	10'830	13'122
Reserves for general banking risks	10	489'580	488'000
Bank's capital	11	150'000	150'000
Statutory retained earnings reserves		77'000	75'000
Voluntary retained earnings reserves		196'413	178'986
Profit carried forward / loss carried forward		89	526
Profit / loss (result of the period)		34'784	40'563
Total liabilities		**5'423'802**	**5'333'916**
Off balance sheet transactions			
Contingent liabilities		269'879	297'273
Irrevocable commitments		1'596	45'712
Credit commitments	15	70'561	70'934

Income statement

in CHF 000's	Note	2015	2014
Result from interest operations			
Interest and discount income		101'967	97'389
Interest and dividend income from financial investments		18'562	17'722
Interest expense		-15'936	-14'534
Gross result from interest operations		**104'593**	**100'577**
Changes in value adjustments for default risks and losses from interest operations		-15'812	-3'120
Subtotal net result from interest operations		**88'781**	**97'456**
Result from commission business and services			
Commission income from securities trading and investment activities		5'219	5'180
Commission income from lending activities		19'469	17'647
Commission income from other services		19'439	22'946
Commission expense		-2'846	-2'022
Subtotal result from commission business and services		**41'281**	**43'751**
Result from trading activities and the fair value option	17	**8'449**	**38'155**
Other result from ordinary activities			
Result from the disposal of financial investments		-1	
Income from participations		26'412	12'852
Result from real estate		244	222
Other ordinary income		4'561	4'986
Subtotal other result from ordinary activities		**31'217**	**18'060**

in CHF 000's	Note	2015	2014
Operating expenses			
Personnel expenses	18	-58'666	-59'909
General and administrative expenses	19	-44'231	-42'570
Subtotal operating expenses		**-102'896**	**-102'479**
Value adjustments on participations and depreciation and amortisation on tangible fixed and intangible assets		-5'626	-5'763
Changes to provisions and other value adjustments and losses		-12'574	-5'983
Operating result		**48'631**	**83'198**
Extraordinary income	20	22	2'420
Extraordinary expenses	20	-82	-71
Changes in reserves for general banking risks		-1'580	-30'000
Taxes	21	-12'206	-14'985
Profit / loss (result for the period)		**34'784**	**40'563**

Statement of changes in equity

in CHF 000's	Bank's Capital	Statutory retained earnings reserves	Reserves for general banking risks	Voluntary retained earnings and profit / loss carried forward	Bank profit or loss	Total
Equity at 01.01.15	**150'000**	**75'000**	**488'000**	**179'512**	**40'563**	**933'075**
Transfer of profits to retained earnings		2'000		21'000	-23'000	
Capital increase / decrease						
Currency translation differences				-3'573		-3'573
Dividends and other distributions				-437	-17'563	-18'000
Other allocations to (transfers from) the reserves for general banking risks			1'580			1'580
Other allocations to (transfers from) other reserves						
Profit / loss (result of the period)					34'784	34'784
Equity at 31.12.15	**150'000**	**77'000**	**489'580**	**196'502**	**34'784**	**947'866**

Information on the financial statements

1 Structure of securities financing transactions (assets and liabilities)

	31.12.15	31.12.14
Book value of receivables from cash collateral related to securities borrowing and reverse repurchase transactions*		
Book value of payables from cash collateral posted for securities lending and repurchase transactions*	20'000	
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	20'000	
- of which those with an 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 Collateral for loans and off balance sheet transactions, as well as impaired loans / receivables

in CHF 000's		Type of collateral: Mortgage coverage	Type of collateral: Secured by other collateral	Type of collateral: Unsecured	Total
Loans (before netting with value adjustments)					
Due from customers		539'937	402'927	494'926	1'437'789
Mortgage loans		349'429			349'429
- Residential and commercial property		349'429			349'429
- Commercial premises					
Total loans (before netting with value adjustments)	**31.12.15**	**889'366**	**402'927**	**494'926**	**1'787'219**
	31.12.14	843'368	481'889	575'972	1'901'229
Total loans (after netting with value adjustments)	**31.12.15**	**888'045**	**385'612**	**447'949**	**1'721'606**
	31.12.14	841'040	444'455	561'068	1'846'563
Off balance sheet					
Contingent liabilities		8'944	228'474	32'460	269'879
Irrevocable commitments				1'596	1'596
Credit commitments		2'881	22'508	45'172	70'561
Total off balance sheet	**31.12.15**	**11'825**	**250'982**	**79'228**	**342'036**
	31.12.14	8'130	246'679	159'111	413'919

in CHF 000's		Gross debt amount	Estimated liquidation value of the collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables					
	31.12.15	**110'799**	**47'548**	**63'251**	**58'420**
	31.12.14	116'330	48'794	67'537	52'067

3 Breakdown of Trading portfolios and other Financial instruments at fair value

in CHF 000's	31.12.15	31.12.14
Assets		
Trading portfolios	**98**	**707**
Debt instruments, money-market instruments, money-market transactions	98	
- of which listed	98	
Equity interests		
Precious metals and commodities		707
Other trading assets		
Other financial instruments at fair value		
Debt instruments		
Structure Products		
Others		
Total Assets	**98**	**707**
- of which determined by valuation model		
- of which securities allowed for repo transactions in accordance with liquidity requirements		

4 Presentation of derivative financial instruments

in CHF 000's	Trading instruments Positive replacement values	 Negative replacement values	 Contract volume
Interest rate instruments			
Forward contracts, including FRAs			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Foreign exchange / precious metals			
Forward contracts	495	1'749	245'663
Combined interest rates / currency swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Equity interests / indices			
Forward contracts			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			2'277
Credit derivatives			
Credit default swaps			
Total return swaps			
First-to default swaps			
Other credit derivatives			
Other			
Forward contracts			
Swaps			
Futures			
Options (OTC)			
Options (exchange-traded)			
Total before taking into consideration netting agreements			
Total at 31.12.15	**495**	**1'749**	**247'940**
- of which determined by using a valuation model			

in CHF 000's	Trading instruments: Positive replacement values	Negative replacement values	Contract volume
Total at 31.12.14	634	568	129'450
- of which determined by using a valuation model			

in CHF 000's		Positive replacement value (accumulated)	Negative replacement value (accumulated)
Total after taking into consideration netting agreements			
Total	**at 31.12.15**	**495**	**1'749**
	at 31.12.14	634	568

5 Breakdown by counterparties of derivative financial instruments

in CHF 000's	Central clearing parties	Banks and securities dealers	Other clients
Positive replacement values (after netting agreements)	12	477	6

The Bank has no hedging instruments.

6 Breakdown of financial investments

	Book value		Fair value	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Debt instruments	**826'079**	**816'855**	**829'779**	**819'307**
- of which held until maturity	826'079	816'855	829'779	819'307
- of which not held until maturity				
Equity interests	**346**	**485**	**346**	**409**
Real estate				
Total	**826'425**	**817'340**	**830'125**	**819'716**
- of which securities allowed for repo transactions in accordance with liquidity requirements	206'630	177'029		

7 Breakdown of the counterparty according to rating

in CHF 000's	AAA	AA	A	BBB	BB to B	Unrated
Book values	198'454	123'957	123'055	190'182	162'470	28'307

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

8 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Compensation account		3'257		6'980
Deferred income taxes recognised as assets	10'669	8'968		
Others	7'669	7'193	20'750	15'732
Total	**18'339**	**19'418**	**20'750**	**22'711**

9 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

in CHF 000's	Book value	Effective commitments
Assets pledged		
Amounts due from banks	1'543	599
Financial Investments		
Assets put under ownership reservation		
Total	**1'543**	**599**

* Excluding securities financing transactions

Durban (Skyline), South Africa

10 Value adjustments and provisions and reserves for general banking risks

In CHF 000's	Balance at 31.12.14	Use in conformity with designated purpose
Provisions for deferred taxes		
Provisions for pension fund obligations		
Provisions for default risks		
Provisions for other business risks	13'122	-14'754
Provisions for restructuring		
Other provisions		
Total provisions	**13'122**	**-14'754**
Reserves for general banking risks	**488'000**	
Value adjustments for default risks and country risks	**54'667**	**-5'847**
- of which value adjustments for default risks in respect of impaired loans	52'067	-5'847
- of which value adjustments for default risks in respect of financial investments		
- of which value adjustments for latent risks	2'600	

Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	**Balance at 31.12.15**
	-112		14'025	-1'451	10'830
	-112		**14'025**	**-1'451**	**10'830**
			1'580		**489'580**
	-900	**2'624**	**21'328**	**-5'516**	**66'356**
	-900	2'624	15'992	-5'516	58'420
			743		743
			4'593		7'193

11 Bank's capital

	31.12.15			31.12.14		
in CHF 000's	Total nominal value	Quantity	Capital eligible for dividends	Total nominal value	Quantity	Capital eligible for dividend
Bank's capital / cooperative 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**
Authorised capital						
- thereof executed capital increases						

12 Disclosure of holders of significant participations

	31.12.15		31.12.14	
in CHF 000's	At nominal value		At nominal value	
Significant shareholders and groups of shareholders with voting agreements				
voting shares				
Gefan Finanz AG, Zug	150'000	100%	150'000	100%
non-voting shares				

Benefical 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.

13 Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
in CHF 000's	**31.12.15**	**31.12.14**	**31.12.15**	**31.12.14**
Qualified holdings			62'227	44'473
Group companies	25'852	30'360	34'286	23'274
Transactions with members of governing bodies	1'520	1'224	10'773	7'428

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

in CHF 000's	Net foreign exposures **at 31.12.15**		Net foreign exposures **at 31.12.14**	
AAA	1'283'809	26.5%	1'882'418	35.3%
AA+ to AA-	263'894	5.4%	94'892	1.8%
A+ to A-	2'671'628	55.1%	2'612'559	49.0%
BBB+ to BBB-	120'412	2.5%	173'957	3.3%
BB+ to B-	430'859	8.9%	391'898	7.3%
CCC		0.0%	5'079	0.1%
Unrated	74'521	1.6%	173'114	3.2%
Total	**4'845'123**	**100.0%**	**5'333'917**	**100.0%**

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

15 Breakdown of credit commitments

in CHF 000's	**31.12.15**	**31.12.14**
Commitments arising from acceptances	19'457	24'176
Other credit commitments	51'104	46'758
Total	**70'561**	**70'934**

16 Breakdown of fiduciary transactions

in CHF 000's	31.12.15	31.12.14
Fiduciary investments with third-party companies	69'705	89'745
Fiduciary investments with group companies and affiliated companies	1'975	13'969
Fiduciary transactions from securities lending and borrowing which are carried out by the Bank acting under its own name but on behalf of clients	18'267	16'171
Total	**89'948**	**119'885**

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

in CHF 000's	2015	2014
Result from trading activities		
Unrealised forex gains / losses on reserves held in foreign currencies	-3'238	33'007
Foreign exchange	11'945	5'103
Commodities / precious metals	-258	46
Total	**8'449**	**38'155**
- of which from the fair value option applied to assets		

18 Breakdown of personnel expenses

in CHF 000's	2015	2014
Salaries and additional allowances	50'961	53'098
- of which expenses related to share-based compensation and alternative forms of variable compensation		
Social insurance obligations	5'399	5'587
Value adjustments for economic benefits or obligations arising from pension funds		
Other personnel expenses	2'306	1'224
Total	**58'666**	**59'909**

19 Breakdown of general and administrative expenses

in CHF 000's	2015	2014
Office space expenses	6'413	6'456
Expenses for information technology and telecommunications	4'848	4'160
Expenses for motor vehicles, machinery, furniture and other equipment and operating lease expenses	1'069	1'159
Audit fees	1'437	1'300
- of which for financial and regulatory audits	1'424	1'275
- of which for other services	13	25
Other operating expenses	30'465	29'495
Total	**44'231**	**42'570**

20 Analysis of extraordinary income and expenses

in CHF 000's	2015	2014
Extraordinary income		
Release of provisions no longer required		42
Profit on sale of fixed assets	9	203
Recoveries and others	13	2'175
Total	**22**	**2'420**
Extraordinary expenses		
Other	-82	-71
Total	**-82**	**-71**

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

in CHF 000's	2015	2014
Income taxes*	13'908	13'620
Deferred tax expenses	-1'702	1'364
Taxes	**12'206**	**14'985**
Average tax rate	25.1%	16.4%

* The utilisation of tax losses carried forward in the UK Branch has led to CHF 0,5 million lower income taxes for the period.

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 000's	**31.12.15**	**31.12.14**
Profit / loss (result for the period)	34'784	40'563
Profit carried forward / loss carried forward	89	526
Distributable profit	**34'873**	**41'089**
Appropriation of profit		
- Allocation to statutory retained earnings reserves	-1'800	-2'000
- Allocation to voluntary retained earnings reserves	-15'000	-21'000
- Distribution of dividend from distributable profit	-18'000	-18'000
Profit carried forward	**73**	**89**

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 54 to 72 of the annual report) for the year ended 31 December 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements 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 2015 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 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, 25 April 2016

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