



# Corporate Governance Report

## HBL Maldives

For the year ended  
31 December 2023



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## 1. INTRODUCTION

Habib Bank Limited (“HBL”), incorporated in Pakistan, operates in the Republic of Maldives as a “Domestic Branch of a Foreign Bank”. Operations in Maldives consist of two branches (hereafter referred as the “Bank” collectively). The principal activities of the Bank are to provide retail and corporate banking services in Maldives under the banking license issued by Maldives Monetary Authority (“MMA”).

This report is prepared to meet the requirements set out in Section 19 (b) of the Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (Regulation No. 2020/R-59). Under this Regulation, Bank is required to submit a Corporate Governance Report detailing the status of compliance to the legislative and regulatory requirements, risk management and internal control systems governing the Bank.

## 2. COMPLIANCE TO LEGISLATIVE AND REGULATORY REQUIREMENTS

Bank has effective policies and processes in place to ensure compliance with all applicable laws and regulations pertaining to the banking industry in Maldives. This includes maintaining comprehensive policies and procedures to be followed by the entity in identifying, monitoring, and analyzing local rules, regulations, and laws under compliance risk. Such policies and procedures comprehensively cover all applicable laws, rules, standards, codes of conduct, regulatory guidance, and regulations issued by rule making bodies. The rule making bodies include regulators, government bodies, global organizations or equivalent agencies that have the power to impose legal or regulatory obligations on the Bank.

We confirm that the Bank is effectively operating within the regulatory and legislative framework, and we do not have any material non-compliance with legislative and regulatory requirements and internal policies and procedures.

We noted a delay in completion of Open banking APIs in previous report. However, we can confirm now that we have complied with the requirements of MMA regarding the development and implementation of Open Banking APIs. Further, we note that no observations have been highlighted in the latest examination of the Bank conducted by MMA.

## 3. RISK MANAGEMENT

HBL has a well-developed and robust risk management framework, appropriate for its size, regional and target market diversification, and the high complexity of its operations. HBL’s risk management framework includes a clearly documented risk appetite, well-articulated policies and procedures and a multi-tier management supervision, supported by strong Board oversight.

Risk Management Function at the Bank is responsible for the development and implementation of risk-related policies, and monitoring the risks associated with various activities of the Bank.

Bank's activities expose it to a variety of financial and operational risks. Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practices. Risk management is carried out by the Bank under policies and addendums approved by the Head Office. Head Office provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and liquidity risk. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

The Company has Risk Management, Control and compliance framework covering the three Lines of Defense. This achieves its commercial aims while meeting regulatory and legal requirements and its responsibilities to stakeholders.

All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defense model, which is an activity-based model to delineate management accountabilities and responsibilities for risk management and the control environment. The second line of defense sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defense (the risk owners) on effective risk management.

## 4. INTERNAL CONTROL SYSTEMS

A strong internal control system consists of a comprehensive framework along with robust processes, effective communication, and a resilient monitoring mechanism, all designed to work in tandem to identify and timely mitigate the risk of not meeting the objectives of the Bank. It is the responsibility of the Bank's management to establish an internal control system that facilitates effective and efficient operations in a well-controlled environment.

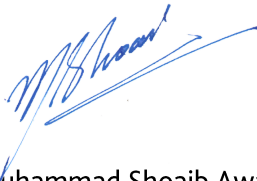
The Bank's internal control structure comprises of different levels of monitoring activities. The Bank follows the "three lines of defense" model, with the first line comprising of front office (i.e., customer-facing and enabling functions), the second line being Compliance, Risk, and other control functions, and the third line of defense being Internal Audit.

Various committees and functional departments have been established to ensure the effectiveness of the Bank's daily operations and ensure that the Bank's operations are in accordance with the corporate objectives and strategies which also includes approved annual operating plan, policies, and business directions. Most notably, Compliance Function and Internal Audit Function, being the second and third line of defense, play a vital role in ensuring the robustness of the Bank's internal control systems.

The role of Compliance Function is to strengthen the compliance environment and manage compliance risk across the institution by enabling the Bank to comply with applicable laws, regulations, guidelines and the Bank's internal policies and procedures. Compliance is responsible

for advising on, and overseeing, the implementation of regulatory requirements and related policies, including financial crime compliance management.

The primary role of the Global Internal Audit function as the third line of defense is to help the Board and management protect the assets, reputation, and sustainability of the Bank. Global Internal Audit performs this function by providing independent and objective assurance on the design and operating effectiveness of the Bank's governance, risk management and control framework and processes, prioritizing the critical areas of risk.



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