

NMB BANK LIMITED

Disclosure under New Capital Adequacy Framework

For 1st Quarter ended 17th October 2025

1 Capital Structure and Capital Adequacy:

1.1. Tier-1 Capital and a breakdown of its Components:

S.N.	Details	Amount (NPR)
1	Paid up Equity Share Capital	18,366,705,959
2	Share Premium	-
3	Proposed Bonus Equity Shares	-
4	Statutory General Reserves	6,164,234,286
5	Retained Earnings	1,572,016,265
6	Unaudited Current Year Cumulative Profit	371,301,644
7	Debenture Redemption Reserve	2,431,728,013
8	Capital Adjustment Reserve	57,326,449
9	Less: Intangible Assets	(47,411,257)
10	Less: Investment in equity of institutions with financial interests	(610,000,000)
11	Less: Purchase of land & building in excess of limit & unutilized	(14,172,950)
	Total Core Capital	28,291,728,409

1.2. Tier-2 Capital and a breakdown of its Components:

S.N.	Details	Amount (NPR)
1	Subordinated Term Debt	4,510,703,000
2	General loan loss provision	3,597,380,819
3	Exchange Equalization Reserve	223,190,891
4	Investment Adjustment Reserve	20,000,000
5	Accrued Interest Receivable on pass loan included in Regulatory Reserve	571,354,216
6	Regulatory reserve for non-banking assets recorded within the last 24 months.	596,466,613
7	Interest Capitalized Reserve included in Regulatory Reserve	65,216,476
8	Other Reserves	10,000,000
	Total Supplementary Capital	9,594,312,015

1.3. Deductions from Capital:

The Bank has deducted following items in calculation of Tier 1 and Tier 2 Capital:

Tier 1

Particulars	Amount
Investment in NMB Capital Ltd.	400,000,000
Investment in CEDB Hydro Fund	10,000,000

Investment in NMB securities	200,000,000
Intangible Assets	47,411,257
Purchase of Land in excess of limit and unutilized	14,172,950

Tier 2

Particulars	Amount
NMB Debenture 2085 (20% Amortization)	673,802,000

The Bank issued “10% NMB Debenture 2085” of NPR. 1,684,505,000 on 29 Mid- April 2019. As at the quarter end, the outstanding amount of Debenture is 1,684 Million and the deduction required for Capital Fund (Tier 2) is 674 mio. To reflect the diminishing value of these instruments as a continuing source of strength, a cumulative discount (amortization) factor of 20% per annum will be applied for capital adequacy computations, during the last 5 years to maturity.

Note: The bank does not have any Additional Tier 1 instrument for quarter ended Ashwin 2082.

1.4. Total Qualifying Capital:

S.N.	Details	Amount (NPR)
1	Core Capital (Tier I)	28,291,728,409
2	Supplementary Capital (Tier II)	9,594,312,015
	Total Capital Fund (Tier I and Tier II)	37,886,040,424

1.5. Capital Adequacy Ratio:

S.N.	Details	Percentage
1	Tier I Capital to Total Risk Weighted Exposure	9.01%
2	Tier I and Tier II Capital to Total Risk Weighted Exposure	12.07%

1.6 Leverage ratio

SN	Particulars	Mid-October 25	Mid-July 25
1	Exposure Measure	484,133,420,521	473,607,905,953
1.1	On Balance Sheet Assets (Net of Specific Provision)	346,896,218,673	338,719,886,271
1.2	Off Balance Sheet Exposure	137,908,786,055	135,566,537,511
1.3	Less: Regulatory Deductions from CET1 Capital	671,584,207	678,517,829
2	Capital Measure	28,291,728,409	27,588,629,949
2.1	Common Equity Tier 1 Capital (After Regulatory Adjustment)	28,291,728,409	27,588,629,949
	Leverage Ratio	5.84%	5.83%

1.7 Summary of the terms, conditions and main features of all capital instrument, especially in case of subordinated term debts including hybrid capital instruments.

Title	10% NMB Debenture 2085	NMB Rinpatra 8.5% 2087/88	NMB Urja Rinpatra (Energy Bond) 4% 2092/93	NMB Urja Rinpatra (Energy Bond) 4% 2093/94	NMB Debenture 10.75% 2089/90
Face Value	1000	1000	1000	1000	1000
Maturity Period	10 years	10 years	15 years	15 years	10 years
Interest Rate	10% p.a.	8.5% p.a.	4% p.a.	4% p.a.	10.75% p.a.
No. of Units Issued	1.68 million	2 million	1.5 million	2.73 million	4 million
Issue Size	NPR 1.68 billion	NPR 2 billion	NPR 1.5 billion	NPR 2.73 billion	NPR 4 billion
Amount eligible to be Included in Tier 2	NPR 1.01 billion	NPR 2 billion	NPR 1.5 billion	-	-

2. Risk Exposures and Others

2.1. Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk:

S.N.	Risk Weighted Exposure	Amount (NPR)
a.	Risk Weighted Exposure for Credit Risk	287,790,465,502
b.	Risk Weighted Exposure for Operational Risk	14,399,810,091
c.	Risk Weighted Exposure for Market Risk	2,722,127,868
	Total Risk Weighted Exposures (a+b+c)	304,912,403,461
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,871,712,800
	Add: 2% of the total RWE due to Supervisory add up	6,098,248,069
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	313,882,364,331

2.2. Risk Weighted Exposures under each of categories of Credit Risk:

S.N.	Particulars	Amount (NPR)
1	Claims on government and Central Bank	-
2	Claims on other Official Entities	
3	Claims on Banks	6,740,618,602
4	Claims on Corporate and Securities Firms	128,432,870,101
5	Claims on Regulatory Retail Portfolio	39,384,815,987
6	Claims secured by Residential Properties	12,991,478,513

7	Claims secured by Commercial Real Estate	2,696,245,518
8	Past Due Claims	10,610,660,372
9	High Risk Claims	16,422,121,751
10	Other Assets	18,144,057,943
11	Off Balance sheet items	52,367,596,716
	TOTAL	287,790,465,502

2.3. Total Risk Weighted Exposure calculation table:

S.N.	Particulars	Amount (NPR)
a.	Risk Weighted Exposure for Credit Risk	287,790,465,502
b.	Risk Weighted Exposure for Operational Risk	14,399,810,091
c.	Risk Weighted Exposure for Market Risk	2,722,127,868
1	Total Risk Weighted Exposure	304,912,403,461
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,871,712,800
	Add: 2% of the total RWE due to Supervisory add up	6,098,248,069
2	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	313,882,364,331
3	Total Core Capital Fund (Tier 1)	28,291,728,409
4	Total Capital Fund (Tier 1 & Tier 2)	37,886,040,424
5	Total Core Capital to Total Risk Weighted Exposures	9.01%
6	Total Capital to Total Risk Weighted Exposures	12.07%

2.4. Amount of Non-Performing Assets (NPAs)

S.N.	Category	Gross	Provision	Net
1	Restructure/Reschedule	2,239,805,562	524,624,752	1,715,180,810
2	Substandard	3,145,567,462	936,054,848	2,209,512,613
3	Doubtful	1,297,419,262	654,284,696	643,134,566
4	Loss	4,742,572,298	4,665,512,055	77,060,243.27
	Total	11,425,364,584	6,780,476,351	4,644,888,233

2.5. NPA Ratio

Gross NPA to Gross Advances	4.58%
Net NPA to Gross Advances	1.86%

2.6. Movement of Non-Performing Assets

S.N.	Particulars	Mid-July 2025	Mid-October 2025	Movement
1	Restructure/Reschedule	2,336,908,310	2,239,805,562	(97,102,748)
2	Substandard	1,095,255,196	3,145,567,462	2,050,312,266
3	Doubtful	2,596,528,121	1,297,419,262	(1,299,108,859)
4	Loss	3,968,544,479	4,742,572,298	774,027,819
	Total Non-Performing Loan	9,997,236,106	11,425,364,584	1,428,128,478

Written off Loans	102,871,132
Written off Interest Suspense	87,967,631

2.7. Movement of Loan Loss Provision & Interest Suspense

S.N.	Category	Mid-July 2025	Mid-October 2025	Movement
1	Pass	2,180,862,650.79	2,175,378,685	(5,483,965)
2	Watch List	1,504,889,151.86	1,593,574,255	88,685,103
3	Restructured	540,985,936.67	524,624,752	(16,361,184)
4	Substandard	321,004,571.97	936,054,848	615,050,276
5	Doubtful	1,358,961,011.11	654,284,696	(704,676,315)
6	Loss	3,928,764,186.82	4,665,512,055	736,747,868
	Total Loan Provision	9,835,467,509	10,549,429,292	713,961,782
	Interest Suspense	4,595,194,963	5,190,034,076	594,839,113

2.8. Segregation of Investment Portfolio

S.N.	Particulars	Current Period
1	Held for Trading	-
2	Held for Maturity	62,432,728,531
3	Available for Sale	2,872,929,098
	Total Investment Portfolio	65,305,657,629

2.9. Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk Mitigants of NPR. **14,175,062,141** for On-Balance and Off-Balance Sheet exposures and availed benefit thereof.

3. Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities:

Risk management is essential for well-being of the overall banking business. The Bank has independent functions for the management of Credit, Market, Operational, Information Security and Environmental & Social (E&S) Risk. Counterparty risk Management Department reviews risk related to credit prior approval of credit limits and it is independent unit from Business functions. Also, the Bank has Credit Risk Management Committee which meets regular interval to review overall credit risk management aspects of the Bank. Market risk is closely monitored all time and managed through Assets Liability Committee (ALCO) and Market Risk Management Committee (MRMC). Likewise, Operational Risk Management Committee (ORMC) meets regularly to assess/monitor operational risk identified in various units/ branches. Effective implementation of process/controls is periodically reviewed by an Operational Risk Department. Also, Information Security Unit

and Corporate Information Security Committee (CISC) oversee information security risk management aspects. E&S Governance Committee and E&S unit are also in place for Environmental and Social Risk Management in the Bank.

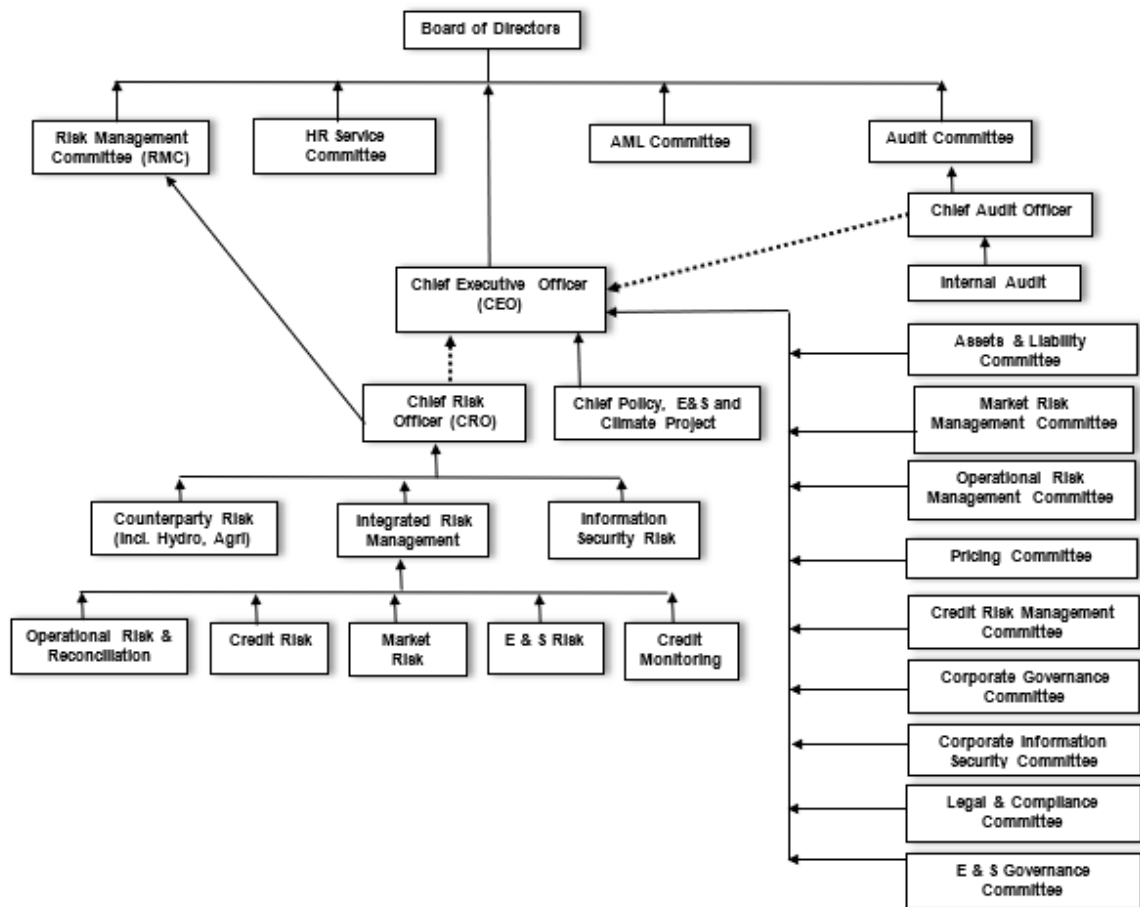
Audit Committee is formed as per the 'Terms of Reference' prescribed by NRB with 3 members. Coordinator of the committee is one of the Non-Executive Directors with Head-Internal Audit as its Member secretary. The committee reviews internal/external/NRB audit reports, recommends stringent control process and escalates the audit observations to the Board. The Committee also reviews quarterly unaudited financial reports of the Bank with recommendation to the Board. The committee selects and recommends External Auditor to the Board based on financial and technical evaluations. Audit Committee is committed towards maintaining robust control system hence monitors closure of risk issues raised by Internal/External/NRB auditors.

Risk Management Committee (RMC) is responsible for overseeing all types of risks and ensuring the control measures and standards are in place for better risk management in the Bank. In line with NRB's requirement, it is formed with two non-executive directors, Chief Officer–Support/Operations/Services, Chief Operating Officer, Head-Legal, Compliance & Governance as the members and Chief Risk Officer as Member Secretary of the Committee. RMC reviews quarterly Risk Management Report updating the material risk areas/issues of the Bank and supports for Board's notification with necessary recommendations. Further, the committee reviews high risk issues escalated by operational and credit risk committees (management level), deliberates on the risks and recommends to the Board if required. Stress Testing and Internal Capital Adequacy Assessment Process (ICAAP) is also reviewed at the committee with recommendation to the Board. Revised/new NRB directives, Monetary Policy and other changes in macro-economic sectors with material impact on the Bank are also reviewed for its implications. Additionally, the RMC is responsible for reviewing asset quality of the Bank, ALCO functions and presenting to the Board with appropriate recommendations.

Risk Management

Risk Management Structure

NMB Board is the ultimate authority to oversee overall risk management of the Bank by formulating risk management strategies, defining risk appetite, and ensuring that the risk management policies, procedures and standards are adequate and is effectively implemented in the Bank. Sound risk management system in the Bank is established. The Bank has robust risk management structure which includes Board level Risk Management Committee, Audit Committee, Human Resource Committee and Asset Laundering Prevention Committee; management level Asset & Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee, Market Risk Management Committee, E&S (Environmental & Social) Committee, Credit Recovery Committee, Legal & Compliance Committee, Corporate Information Security Committee, Pricing Committee, and Corporate Governance Committee. In this structure, new/revised policies & standards, reports on risk management, portfolio analysis, stress testing, investment, liquidity, capital adequacy, industry/market analysis, and critical risk issues identified are reviewed by management level committee and escalated to Risk Management Committee for further review and decision. Risk management structure as per the Bank's Organogram is as follows:



Risk Management system and structure of the Bank is driven by following principles:

- **Independent Role:** The Bank has Risk Management Function independent from risk taker. All risk management functions report to the Chief Risk Officer (CRO), who directly reports to the Board level Risk Management Committee.
- **Risk Measurement:** The Bank has prioritized to quantitatively measure various risk issues and arranged for their mitigation, control and monitoring wherever possible. The Bank has implemented various new tools and models for quantitatively measuring these risks.
- **Capital Management:** The Bank prepares its strategy in yearly and five- yearly basis along with forecast of the business and Capital required accordingly. Further Bank also prepares Internal Capital Adequacy Assessment Process (ICAAP) report to assess the use of capital along with future need as per the risk assessment, business growth, regulatory requirement, assessment of additional capital charge that may incur due to material risk etc. These processes helps the Bank to absorb any unfavourable scenarios in regards of capital.
- **Risk Management as Shared Responsibility:** The Bank has independent function for

management of various risks which has been driven by the shared responsibility of risk management functions and entire business as well as other functional units of the Bank. The risk governance framework has adopted “Three Lines of Defence” model that includes three distinct units comprised of:

- Main Business Function (Business functions like Corporate, Hydro, SME, MSME etc. and support functions like Trade Operations, Credit Administration, Digital Products, Central Operation etc.)
- Risk Management Department / Control units (Integrated Risk Management, Counterparty Risk Department, Information Security Department, Compliance, etc.)
- Internal Audit

The responsibilities of each line have been well defined and communicated across the various levels.

Primary responsibilities of the Three Lines of Defence are as follows:

RISK PHILOSOPHY		
First Line of Defense	Main Business Functions	The first line of defence, or front-line risk management, typically covers all the commercial and front-office functions along with its support functions. Related functional areas shall identify, assess and manage various risks pertaining to their business and / or areas of operation.
Second Line of Defense	Risk Management Department / Control Units	The second line of defence is the risk function, which develops the methods for managing risk. This comprises of risk management and compliance functions who are responsible for monitoring and reporting risk-related practices and information, and to overlook all the types of compliance issues. These functional areas also define the preventive and detective control requirements in order to ensure that such requirements are embedded in the policies and procedures of the first line of defence.
Third Line of Defense	Internal Audit	This comprises of Internal Audit Department, which plays vital role in periodic review of the first two lines of defences. It independently assesses the effectiveness of Bank's overall risk management processes, measurement systems along with ensuring the compliance toward Basel and NRB directives.

- **Risk Management Structure:** The Bank has appropriate risk management structure with clear demarcation of reporting line on its Organogram. It has been essential for establishing roles & responsibilities and accountability of various functions within the Bank on risk management. The role of Board of Directors in risk management has been more effective upon envisioning the risk governance structure of the Bank.
- **Continuous Improvement:** The Bank has always been oriented for strengthening existing risk management system. As a part of this, the Bank has recently implemented ISO 27001: 2013 standard. It has been expected to significantly improve information security management system as well as support risk management system through various aspects.

In addition, the Bank as an active member of the Global Alliance for Banking on Values (GABV)

strives for delivering sustainable economic, social and environmental development with a focus on helping individuals fulfil their needs and build stronger communities.

NMB ensures parity between risk and return and hence, management of risk by incorporating a set of systematic and professional methods especially those defined by the Basel III becomes an essential requirement for us.

In the course of operations, the Bank invariably faces different types of risks that may have a potentially negative impact on the business. NMB Bank's risk management approach includes risk identification, measurement and assessment, and minimizes impact on the financial result and capital of the Bank.

The Bank has implemented various tools to assess and monitor key activities of the Bank along with external factors as a proactive measure and upscaling the skills of the staffs:

- I. **Digitization and MIS:** The Bank has taken strategic focus on digitization and technological advancement to enhance banks services as well as risk management. In the path to digitization, the Bank has developed app, various platforms and MIS report for activities like Business Inspection, Collateral Monitoring, incident reporting, control standard checklist, etc. The Bank has also prepared various reports to monitor portfolio movement, Non-Performing Loan, sectoral loan analysis, early alert system, incident reports, liquidity ratios, etc.
- II. **Training:** Apart from introduction of policies, procedures, digital platforms, skill upgradation of the employees is also a crucial part. NMB Bank provides various certification courses, exposure visits, training as required by regulatory bodies, etc. These regular trainings help staffs to be updated on various aspects of banking operations and experienced enough to handle the stressed scenarios. Staff are also required to participate in various tests through e-learning platforms with quizzes, credit certification courses, app / web-portal based quizzes, etc.
- III. **Disclosures:** NMB Bank discloses various information as deemed necessary by the regulator and partners. Disclosures are like quarterly financials, Basel disclosures, Annual Report and data related to Annual report, prevailing Interest rate with past 3 years data, disclosures as per Security Board of Nepal (SEBON), etc.

Credit Risk Management in NMB Bank:

Credit Risk refers to the potential loss due to failure of counterparty to meet its obligations in accordance with the terms specified in the credit agreements. The Bank has various policies and procedures to streamline the activities. The Bank has delegated credit approval limits to competent officials to approve and sanction credit proposals based on their individual expertise and risk judgment capability. The key independent units responsible for ensuring effective Credit Risk Management in the Bank are Credit Risk Management Department, Counterparty Risk Management Department, Credit Administration Department, Special Assets Management Department, various Business Units and Internal Audit.

A thorough analysis of the borrower and the industry in which the borrower operates is ensured prior extending credit facilities. The Bank also has an internal credit risk rating procedure in place to categorize customers in different risk profiles and formulate appropriate account strategies. The Bank primarily focuses on ensuring prudent financing requirements of the client and the client's capacity to repay the debt obligation on time.

Credit Risk Management Committee (CRMC) and Risk Management Committee (RMC) play a pivotal role in the credit risk management of the Bank. The existing/probable credit risk issues are reviewed, necessary changes required in the credit system to mitigate such risk are identified and required decisions are made as appropriate.

The Bank has a product wise and industry/sector wise portfolio and NPL thresholds to monitor the quality of loan portfolio and manage the concentration risk. These thresholds are reviewed on periodic basis in CRMC and RMC in quarterly interval for required actions / strategic decisions.

Credit risk on the Bank is monitored, discussed based on the reports from Business Inspection, Collateral Monitoring, Credit Concentration analysis, Delinquency and Non-Performing Loan analysis, Portfolio movement analysis, Early alert system, renewal monitoring system, Insurance policy expiry monitoring system, etc. The results from the above upon thorough monitoring and discussion provides the Bank with valuable insights which helps to develop various control and preventive measures.

Operation Risk Management in NMB Bank

Operational risk is the risk of negative effects on the financial result and capital of the Bank caused by omissions in the work of employees, inadequate internal control procedures and processes, inadequate management of information and other systems, and unforeseeable external events.

NMB Bank has independent department to look after operational risk wherein Operational Risk Management Committee (ORMC) meets on regular basis to discuss and plan the way forward to mitigate potential operational risk identified.

Bank has developed and adhered to Minimum Control Standards and Incident Reporting Guidelines (including categories of Operational Risk and Mapping of Business Lines) along with Whistle Blowing Policy to identify potential operational risks. Further the Bank has approved procedures for self-risk assessment by the owning functions, qualitative risk grading tool like risk indicators and maintain risk register. Operational Risk Department independently assess each incident/event/cause to measure the risk grade which is ultimately discussed/analysed further in Operational Risk Management Committee to put appropriate controls in place. If required, the incident/event/cause along with the risk assessment, probability and impact is escalated further to Risk Management Committee or the Board of the Bank. Apart from that, Operational Risk Department conducts branch / department surprise visits to monitor / review the branches and departments and also to train / create awareness on operational risk.

Business Continuity Procedure: The Bank has **Business Continuity Procedure** document, where detailed process has been defined for Business Continuity in case of unfavourable scenarios. Steps to be followed for the known scenarios has also been defined along with requirement of regular BCP drill which helps employee to get familiarized with the potential hazard incidents. This shall help to eliminate panic in employee in case of real incident scenario.

CCTV monitoring: The Bank has a dedicated CCTV monitoring team which works 24*7 and in case of any suspicious activities local support authorities are informed. This has helped the Bank to cater the attempted intrusion situation.

Similarly, the findings from the surprise visit, incident report, self-assessment by the owning functions, CCTV monitoring, etc. guides the Bank to develop control measures, update procedures, policies, etc. in case of requirement.

Market Risk Management in NMB Bank:

In the times of volatility and fluctuations in the market, NMB Bank needs to prove its determination by withstanding the market variations and achieve sustainability in terms of growth as well as to have a stable share value. Hence, an essential component of enhanced risk management framework would be to mitigate all the risks and rewards of the products and services offered by the Bank.

Asset & Liability Committee (ALCO): The Bank has an asset liability committee that manages the overall liquidity position of the Bank. The ALCO consists of members from the senior management who have clear authority for executing liquidity related transactions and decisions. Amongst other functions, the ALCO ensures that the asset & liability position, investments and liquidity are maintained at a desired level in compliance to NRB Directives. Risk monitoring is done periodically at least on regular basis by Treasury, Market Risk and Finance Departments by conducting stress testing, GAP analysis and preparing various reports.

Market Risk Management Committee (MRMC): This is a management level committee whose major roles are to monitor, analyse, the investment portfolio, inherent risk associated with business lines, comply with regulatory requirement etc.

Market Risk Management analyses various reports on regular frequency and the finding are discussed on ALCO and MRMC committee meetings. Any corrective action if required are discussed on these meetings and decided accordingly.

Market risk includes interest rate and foreign exchange risk.

Interest rate risk is the risk of negative effects on the financial result and capital of the Bank as a result of changes in interest rates.

The Bank's products are mostly based on floating interest rate. Only fixed deposits have fixed interest rates. In Nepalese local market, short term movement in interest rate is negligible. Pricing Committee monitors the interest rate movement on a regular basis.

Foreign exchange risk is the risk of negative effects on the financial result and capital of the Bank caused by changes in exchange rates.

The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying remittances and trade transactions.

Liquidity Risk

Liquidity risk is the potential event where the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Bank has Liquidity policy, which governs liquidity risk management and is managed by ALCO and MRMC. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer.

The Bank has defined its triggering events for liquidity ratios and upon triggering, the process to be followed are well defined in the Bank's Liquidity Policy. In case of scenario of triggering event, the Bank analyses on why such scenarios was created so that such scenario can be catered effectively in future.

Other Risk

Management of other risk such as Reputational, Legal & Compliance, Contagion risk, strategic risk and risk related to Human Resource (HR) etc. is equally pertinent to the Bank. The Bank has separate department to oversee Legal & Compliance issues. HR Department and Board level HR Committee is responsible for all HR functions and related risk management. Regarding contagion and strategic risk, The Bank has staff in the Board or positioned in management level of the subsidiary and the Bank formulates its strategy on annual and five yearly basis and is monitored against the target versus achievement which is also reported to Board on regular interval.

Internal Control

The Board and the management are committed in managing risk and controlling the Bank's business and financial activities. Apart from managing risk the goal is also to maximize the profit, avoid or minimize risks which can cause potential loss or reputational damage to the Bank. The Bank's focus is also to ensure Compliance with applicable laws and regulation and enhance resilience to external events. To achieve this, the Bank has established set of policies and procedures for risk identification, risk evaluation, risk mitigation and control / monitoring.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, Risk Management Committee, Management and Internal Audit.

The Internal Audit monitors compliance with policies / standards and the effectiveness of internal control structures across the Company through its program of business / unit audits. The Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports are periodically forwarded to the Audit Committee. The findings of all audits are reported to the Chief Executive Officer, department heads and branch managers for initiating immediate corrective measures