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| <p>कापेरिशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) प्रधान कार्यालय, डा पे सं. 88 मंगलूर - 575 001</p> |  e-CIRCULAR | <p>Corporation Bank (A Premier Public Sector Bank) Head Office, PB No.88, Mangalore – 575 001</p> |
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| HO Circular No. 166/2013 | Index No. 11.00/13/2013 | 12-March-2013 |

TO ALL THE BRANCHES / OFFICES

Subject : OBSERVATIONS BY THE AUDIT COMMITTEE OF THE BOARD ON CREDIT APPRAISAL AND MONITORING OF BORROWAL ACCOUNTS

HIGHLIGHTS

Proper Credit appraisal and monitoring is essential to ensure the healthy credit portfolio. Branches need to strictly adhere to the norms / guidelines while sanctioning credit proposals as well as monitoring the borrowal accounts.

1. The Audit Committee of the Board while discussing the Long Form Audit Report of the Bank, interalia, observed serious lapses on the part of the branches in monitoring the borrowal accounts.

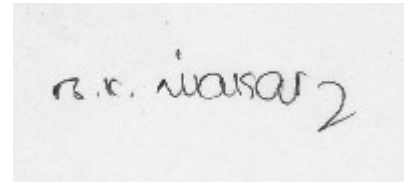
2. Illustratively, the observations of the Statutory Central Auditors are as under:

- Regular consortium meeting not held
- Disbursement of Credit limit made without obtention of pari passu charge letter from the Member banks.
- Not conducting the periodical inspection.
- Non verification of business stock located at various places of borrowal account.
- End use of funds not ensured in respect of loans to Non Banking Finance Corporations [NBFCs]
- Non Monitoring of Margin on Capital Market exposure on daily basis
- Non Monitoring of Escrow accounts wherever such accounts are stipulated as a part of sanction term.
- Routing the transactions through Current Account by the borrowers enjoying Working Capital limits.
- Wrong entry of Date of Receipt of Stock Statement in the system in order to avoid charging of penal interest.
- Sole dependence on the Credit appraisal made by the Leader of the Consortium without independent verification.
- Deficiencies in appraisal of Credit Proposal such as:
 - Quality / Composition of Networth of Guarantor not analysed
 - Risk profiling not compiled for large project
 - Change in promoters not critically analysed
 - In case of Corporate Guarantee, lenders approval for giving such guarantee not obtained and the same is not disclosed in the beneficiary Company Balance Sheet.

- Disclosure in the Balance Sheet are not taken into account for studying profitability / networth implications for facilitating prudent credit decisions.
- Risk capacity of the borrowers not analysed.

3. Proper Credit appraisal and monitoring is essential to ensure the healthy credit portfolio. Therefore, branches are advised to strictly adhere to all the norms / guidelines while sanctioning credit proposals as well as monitoring the borrowal accounts. Any lapses on the part of the branches shall be viewed seriously.

4. All our Branches and other Offices are advised to note the above for information.



[B K DIVAKARA]
GENERAL MANAGER

Note: Hindi version of the Circular follows.