

September 6, 2005

The Managing Director

The Kangra Central Co-operative Bank Ltd.,

Head Office, Dharamshala

Dist.: Kangra (H.P.)

Dear Sir,

Show Cause Notice under Banking Regulation Act, 1949 (As Applicable to Co-operative Societies)-The Kangra Central Co-operative Bank Ltd., Kangra

Please refer to our letter RPCD.CO.RF.68/07.02.03/2004-05 dated May 3, 2005 wherein you were advised to show cause as to why action should not be initiated against your bank under Section 46 read with Section 47 A of the Banking Regulation Act, 1949 (AACS) for violation of instructions/guidelines issued by Reserve Bank.

2. In this connection, we have carefully examined the contents of your reply dated May 19, 2005 to our Show Cause Notice referred to above, and advise that the same has not been found satisfactory. It has therefore been decided to impose penalty on the bank under Section 46 (4) read with Section 47A (1) (b) of the Banking Regulation Act, 1949 (AACS). Accordingly, you are advised to deposit immediately a sum of Rs.5,00,000/-(Rupees five lakh only) with the Regional Director, Reserve Bank of India, Deposit Accounts Department, Central Vista, Sector 17, Chandigarh-160 017 under advice to us. This is without prejudice to the Reserve Bank of India's right to impose further penalty and/or steps, which the Reserve Bank of India may take under the law against the bank.

3. You are also directed to formulate a time-bound realistic action plan in consultation with our Chandigarh Regional Office to adhere to the extant guidelines issued by RBI on non-SLR investment failing which further penal action will be initiated against the bank.

4. The contents of this letter may be placed before the Board of your bank and the fact of imposition of penalty should also be mentioned in the bank's annual report.

Yours faithfully,

(K.Bhattacharya)

General Manager