

The Chairman
IDBI Ltd.
IDBI Towers
World Trade Centre
Cuffe Parade
Mumbai – 400 005
Maharashtra

Dear Sir,

Violations of RBI instructions – Imposition of Penalty u/s 47A (1) (b) of BR Act, 1949

Please refer to our letter No. DBS. CO.IPC. No.10983/12.01.001/2005-06 dated February 2, 2006 and your response letter dated February 17, 2006 in connection with imposition of penalty under Section 47A (1) (b) of the Banking Regulation Act, 1949.

2. After examining the bank's reply and the oral submission made on February 20, 2006, the Reserve Bank of India held, inter-alia, that the bank has extended IPO finance in excess of the limit specified for individuals by allowing the pooling of funds by certain individuals, which was facilitated due to non-adherence to KYC norms

3. In view of the above, and considering the magnitude and enormity of the violations, the Reserve Bank of India has imposed a penalty of Rs.5.00 lakh (Rupees five lakh only) on the bank. This imposition of penalty is without prejudice to any other action as the RBI may consider necessary.

4. You may note to disclose the particulars of the above penalty in the "Notes on Accounts" to the Balance sheet in the Annual Report in terms of RBI Circular No. DBOD.BP. BC .49/21.04.018/2004-05 dated October 19, 2004.

Yours faithfully,

(G. Gopalakrishna)
Chief General Manager-In-Charge