

The Managing Director and Chief Executive Officer
ING Vysya Bank Ltd.
ING Vysya House
22, MG Road
Bangalore 560 001

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.10980/12.01.001/2005-06 dated February 2, 2006 and your response letter dated February 10, 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 had committed the following irregularities

- (i) Non-adherence to KYC norms in opening joint savings bank accounts particularly in its failure to independently verify the address of the first account holders, solely relying on principal joint account holder identity and also non-application of due diligence in establishing relationship among the joint account holder and crediting account payee refund orders to the accounts other than the payees' thereby not following prudent banking practice.
- (ii) Violating RBI instructions on IPO finance particularly the limit on maximum permissible finance per borrower

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.10.00 lakh (Rupees ten 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