

January 23, 2006

The Chairman and Managing Director
Vijaya Bank,
Head Office,
41/2, M.G. Road,
Trinity Circle
Bangalore –560 001

Dear Sir,

Violations of RBI instructions etc. – Imposition of Penalty

Please refer to our letter No. DBS. Co. PP. No. 9301/11.01.021/2005-06 dated December 29, 2005, and your response letter dated January 9, 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 January 21, 2006, the Reserve Bank of India held, inter-alia, that the bank had violated following RBI guidelines /directives/instructions.

- a) Opening multiple accounts without adherence to KYC norms
- b) Failing to monitor large value transactions
- c) Failure of internal control to check the irregularities in KYC compliance and monitoring of transactions in the deposit accounts.

3. In view of the above, the Reserve Bank of India has imposed a penalty of Rs.10.00 lakh (Rupees ten lakh only) on the bank.

4. You may also 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 DBOD.BP. BC .49/21.04.018/2004-05 dated October 19, 2004.

Yours faithfully

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