

Building it **right**

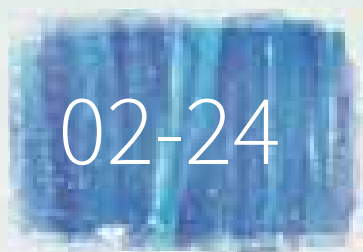
- Strategy
- Focus
- Governance
- People
- Value



Forward-looking statement

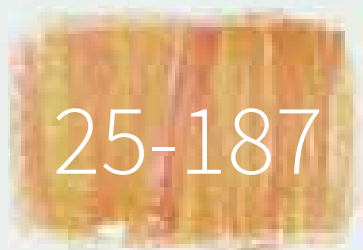
In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents



Corporate Overview

02 Building It Right **03** Our Mission **04** Building Momentum for Long-Term Growth
06 Financial and Operational Highlights **08** Message from Managing Director & CEO
10 10-Year Financial Highlights **11** Board of Directors **12** Senior Management Team
24 Products and Services



Statutory Reports

26 Management Discussion and Analysis **40** Directors' Report
48 Independent Auditor's Report **50** Balance Sheet **51** Statement of Profit and Loss
52 Cash Flow Statement **53** Schedules **88** BASEL II Disclosures **104** Notice
109 List of Branches **111** Financials in Marathi **187** Proxy and Attendance Slip

Registered Office

1st Lane, Shahupuri,
Kolhapur - 416 001,
Maharashtra, India.

Statutory Auditors

S. R. BATLIBOI & CO. LLP,
Chartered Accountants,
14th Floor, The Ruby, 29,
Senapati Bapat Marg,
Dadar (W), Mumbai - 400 028
Maharashtra, India.

Registrar & Transfer Agent

Link Intime Pvt. Ltd., C - 13,
Pannalal Silk Mill Compound,
L. B. S. Marg, Bhandup,
Mumbai - 400 078.
Maharashtra, India.
Phone: 022 25946970,
Email: rnt.helpdesk@linkintime.co.in

Company Secretary

Ms. Virta Jain

Building the 'Bank of Choice'

From the city of Kolhapur, Maharashtra the journey of our institution began seven decades ago. The objective then was to secure economic independence for a large cross-section of people in pre-independent India.

During 2010-11, Ratnakar Bank's Board and management decided to adopt a strategic path to create scale and the ability to meet the continuous and dynamic requirements of present and potential customers.

Its three strong pillars of transparent governance, able management and high quality capital have helped the institution expand operations. It is also emerging as a preferred financial partner and 'Bank of Choice' to customers across the economic and business spectrum.

Led by a team of highly experienced individuals with strong credentials, Ratnakar Bank is aspiring to become one of India's best-run private sector banks.

Building an institution has many approaches.

One can resort to an accelerated approach in terms of enhancing scale, capitalisation, management depth and expansion of footprint.

Another way to build it is to realign all the above constituents in a holistic manner to achieve balanced long-term growth.

And the entire paradigm needs to be prudently recalibrated in line with evolving circumstances.

At Ratnakar Bank, we have a simple way of defining the second approach that we have adopted.

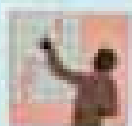
Building it right

We are building an institution of banking excellence by blending our traditional values with the modern acceleration and acumen of new-age banking.

As a part of our corporate evolution, we have crossed significant milestones, focusing on fundamentals: enriching customer-centric products and services; strengthening the balance sheet; raising capital; expanding pan-India presence; reinforcing technology infrastructure; strengthening our workforce and management depth; and evolving a risk-focused business model.

Our technology infrastructure is in line with the best of breed in India's banking sector and we are enhancing our scale of operations with a consistent focus on customer satisfaction and stakeholder value. At the same time, we are leveraging our traditional linkages to drive financial inclusion and reduce social inequalities.

We remain deeply anchored to our legacy, as we move ahead towards building the 'Bank of Choice' for the new era.



Bestowed with the honour of being India's Best Bank (Growth) in the mid-sized banks segment by Business Today and KPMG and also ranked 5th overall for the year 2012



Awarded as winner of the Best Core Banking Project, India for the year 2012 at the seventh Asian Banker Technology Implementation Awards

Our Mission

To develop a professionally governed and managed platform based on relationships, knowledge, sector expertise and technology to:

Build a customer-centric Retail Banking Business.

Identify and partner with SMEs and Emerging Local Corporates (ELC) with outstanding business models, providing them a full range of financial services so as to enable them to become world-class enterprises.

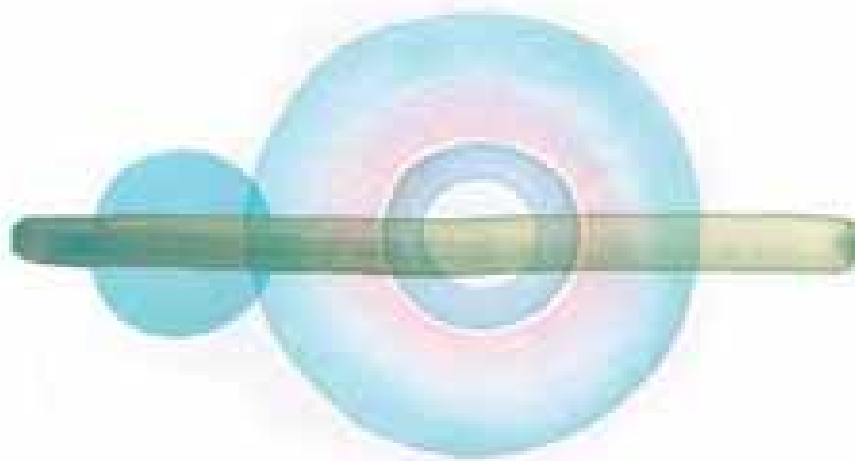
Deliver robust and cost-effective banking services that promote Financial Inclusion, catalyze growth and reduce social inequalities.

Our Vision

Our goal is to be the 'Bank of Choice' in our selected product, client and geographic segments.

Building Momentum for Long-Term Growth

We are pursuing our growth model with passion and prudence.



1985

Achieved a target of ₹ 25 crore in deposits

1987

Retained its position of achieving highest deposits among the private sector commercial banks at a national level for five consecutive years

1989

Commenced adopting the first stage of information technology at its branches

1991

Declared 16% dividend for the first time

1992

Celebrated its Golden Jubilee (50 years)

1994

Supported the region's development by investing an amount of ₹ 60 lakh in the Konkan Railways project

1995

Ranked 4th in terms of deposits (according to the Bhartiya Bank Sangh)

1996

Supported regional development by partnering with Maharashtra Krishna Valley Development Corporation through a significant investment

1998

- > Commenced depository services
- > Mr. Anil Patil, the then Chairman of the Bank, received the 'Arthasri' award for excellence in the field of finance

1999

- > Launched the Bank's first website
- > Achieved a target of ₹ 300 crore in deposits

2010

- > Inducted Mr. Vishwavir Ahuja as the Managing Director & CEO in July 2010 to transform the institution from an old private sector bank to a new-age bank

- > Revamped the Board and management by including accomplished professionals from the banking, finance, agriculture and other related fields
- > Defined a new organisational structure and created dedicated business verticals to meet diverse customer needs across retail, commercial, corporate and agri and financial inclusion segments

2011

- > Raised Tier-I capital of over ₹ 700 crore, taking the total capital base to around ₹ 1,100 crore, from HDFC, Gaja Capital, Norwest Venture Partners, Samara Capital, Beacon Capital, Faering Capital, TVS Shriram and Cartica Capital
- > ICRA granted Ratnakar Bank's Certificate of Deposit programme an A1+ rating - its highest rating for short-term instruments
- > Launched ATM cards, pre-paid cards and internet banking; obtained an authorised dealer license to commence Foreign Exchange and International Trade business; implemented a comprehensive treasury dealing and settlement system
- > Revamped risk management framework and credit administration processes with specialisation in SME, Retail and Agri Banking and Financial Inclusion; introduced an internal credit rating system
- > Commercial banking division launched Ratna Business, a schematic SME credit product, expanding into new industry and trade segments
- > Agri Banking and Financial Inclusion verticals introduced Ratna Group Loans, a focused credit product for small and marginal farmers, artisans and women borrowers
- > Implemented Core Banking System (CBS) across all rural and semi-urban branches, thus ensuring 100% of the branches are CBS enabled
- > Entered into a strategic partnership for rapid ATM deployment/management as well as migration to state-of-the-art switch to support multiple interfaces

2012

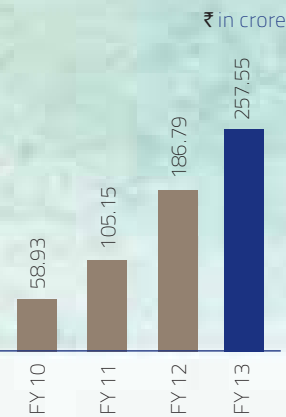
- > Upgraded core banking system to Finacle, a product from Infosys, which holds a leadership position in the market
- > Revamped the IT infrastructure with significant investments to ensure security and integrated operations
- > Established call centre services to enhance the customer service experience
- > Launched debit cards
- > Added Corporate Internet Banking to the internet banking suite

2013

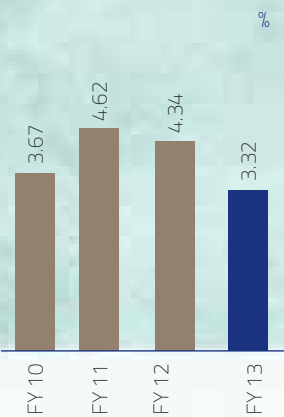
- > Implemented Phase I of the Core Banking System – Finacle
- > Raised Tier-I capital of over ₹ 376 crore taking the total capital base to around ₹ 1,600 crore, from International Finance Corporation, Ascent Capital, Aditya Birla Private Equity, Faering Capital, IDFC SPICE Fund, ICICI's Emerging India Fund
- > Opened the first branch in the state of Andhra Pradesh at Hyderabad
- > Opened the first branch in Chennai, Tamil Nadu
- > Opened a National Operating Centre (NOC) in Mumbai
- > Partnered the Asian Development Bank (ADB) to provide a Partial Guarantee Programme for Micro Financial Institutions (MFIs) - a first in India
- > Bestowed with the honour of being India's Best Bank (Growth) in the mid-sized banks segment by Business Today and KPMG and also ranked 5th overall for the year 2012
- > Awarded as winner of the Best Core Banking Project, India for the year 2012 at the seventh Asian Banker Technology Implementation Awards

Financial and Operational Highlights

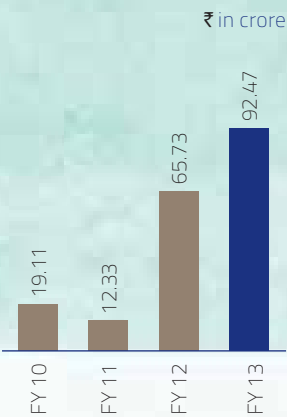
Net Interest Income



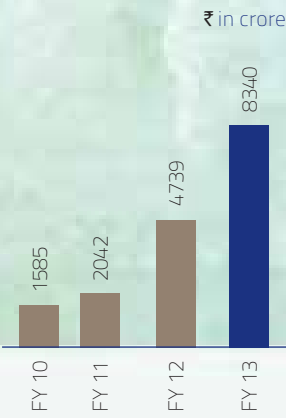
Net Interest Margin



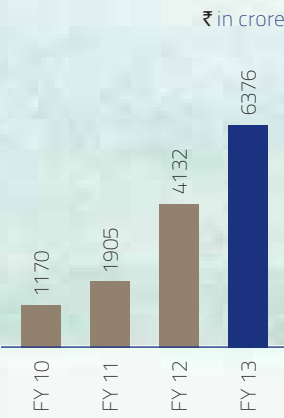
Net Profit



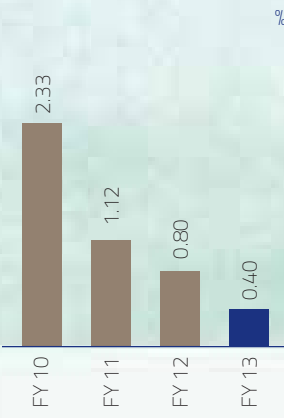
Deposits



Advances

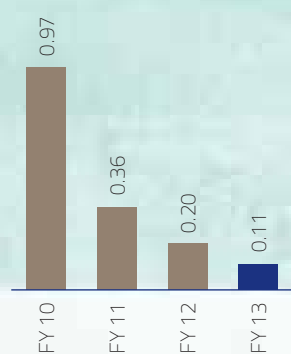


Gross NPA



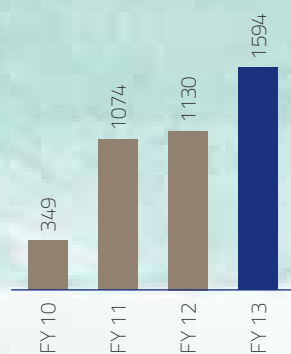
Net NPA

%



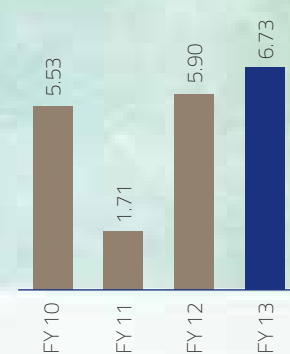
Network

₹ in crore



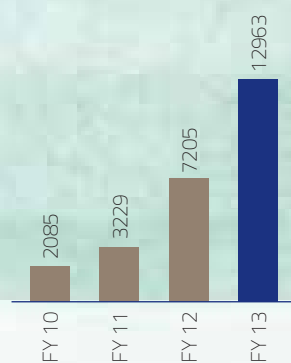
ROE

%



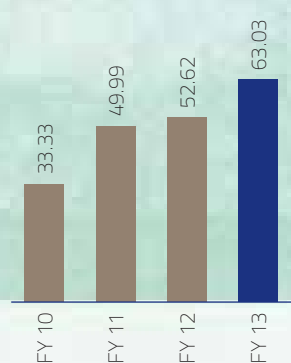
Total Assets

₹ in crore



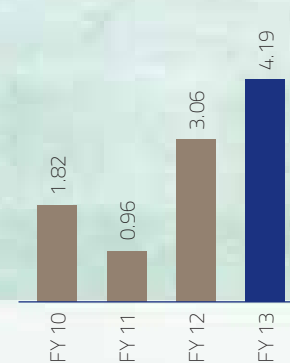
BV per share

₹



EPS

₹



Capital Adequacy Ratio – CAR

(%)

	FY10	FY11	FY12	FY13
CAR	34.07	56.41	23.20	17.11
Tier-I	33.53	55.93	22.83	16.82
Tier-II	0.54	0.48	0.37	0.29

Message from the Managing Director & CEO



Dear Stakeholders,

'Building it right' is not a decorative word play at Ratnakar Bank, it is a prudent business strategy. A strategy to drive long-term growth by realigning relevant capabilities and resources in a holistic manner. Our Vision 2015 lays down the modalities of such a strategy. As we enter the fourth year of our transformation journey, our 'right strategy' is driving our achievements.

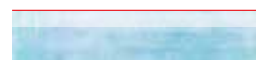
Our efforts during the last financial year have continued the build-out of a strong governance and business architecture on the foundation of capital strength, core infrastructure, risk management, compliance framework and human assets. We have also created a significant management bandwidth to address newer client and geographic opportunities, revamp our products and services and create a new brand positioning and visibility that truly reflect our customer value proposition and promise. Our roadmap for the future is based on our belief in the entrepreneurial potential of the vast majority of India's population, and our confidence in being able to support through right banking solutions.

The optimism, however, comes with a caveat: building scale and natural momentum for the long term is not an easy road. The external economic environment remains challenging with sluggish growth, firm

inflation, high fiscal and current account deficits, depreciating currency, declining foreign exchange reserves, weakening asset quality in the banking sector and a lack of urgency in government policy initiatives. The regulatory landscape is also constantly evolving. However, in such a scenario, larger organisations tend to have bigger challenges and actually create an opportunity for smaller, more focused and nimble players to come to the fore. 'Building it right' helps us create an organisation that is able to respond to these challenges and opportunities.

The world had entered 2013 with the promise of a stronger US economy, a positive jolt to the moribund Japanese economy, even though Eurozone continued to be a matter of concern to bankers and global leaders. However, events over the last few weeks have only highlighted the fragility of such promises with stresses appearing in the balance sheets of emerging markets against the background of tapering of the US monetary stimulus. The Indian policy response to this new risk has been swift, but comes with the threat of prolonging the bottoming of the Indian economy and it appears that we will have to undergo these challenges for some more time. On a slightly brighter note, the long-term fundamentals of India are still intact and, in spite of the current stresses, it remains one of the fastest growing economies of the world. India's growth story is fuelled by the aspirations of its billion-plus population, especially those at the middle and the lower end of the social pyramid, and the Indian banking sector has a critical role to play in this regard. With a significant section of the population still remaining outside the fold of mainstream banking, the opportunities for growth are enormous. And this is the opportunity for Ratnakar Bank – navigating the near-term problems and yet building an organisation that can play a role for the emerging India.

Despite economic roadblocks and an evolving regulatory landscape, we recorded a strong performance in FY13. The Bank's net interest income registered a growth of 37.88%, increasing to ₹ 257.55 crore in FY13 from ₹ 186.79 crore in FY12. In addition, our net worth increased by 40.95% to ₹ 1,594.20 crore from ₹ 1,130.99 crore. The Bank's deposits grew by more than 75.98%, touching ₹ 8,340.52 crore from ₹ 4,739.33 crore in FY12.



Our efforts during the last financial year have continued the build-out of a strong governance and business architecture on the foundation of capital strength, core infrastructure, risk management, compliance framework and human assets.