

Redefining the
future



9th Annual Report

2001–2002

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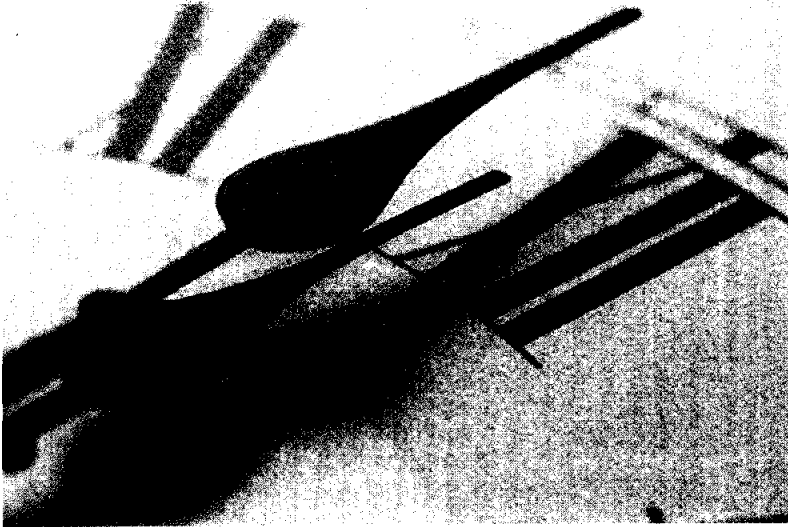


GLOBAL TRUST BANK

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Redefining the future



Problems are part and parcel of every business. The quicker we recognize our problems, and face up to them, the lesser is the pain, and faster is the recovery. And, so far as we use mistakes to correct the system, more permanent is the solution. Global Trust Bank decided to address its challenges squarely.

The Bank asked itself hard questions. Nothing was too small or was ignored. The reality check showed considerable strength in its internals. There was a reservoir of goodwill with the customers. The staff were resilient

and highly dedicated. Technology was equipped to meet volume pressure. Liquidity was managed well.

All these strengths helped regain ground. Delinquent borrowers were followed up, best efforts made to recover outstandings and persistence yielded encouraging results. Where there were doubts, adequate provision was made.

Errors of judgment and aberrations in systems and procedures were investigated with a view to strengthening systems. Gaps in controls, processes and procedures were corrected, and accountability levels validated.

Today, the Bank has strong financial controls, discipline and accountability, better quality assets, technology platform that is scalable for huge volumes, customer friendly service and an improved cost structure. And a smart, talented and committed work force that provides the customers what they need. More important, there is management bandwidth that is capable of leading from the front.

This is a bank that is as strong as expected of it. The past has been an investment, revitalizing the Bank. If our tomorrows depend on our yesterdays and today, GTB has verily gone about **redefining the future**.

*Conceived & researched by
CAPRICORN*

From the Managing Director's Desk



Dear friends,

The year 2001-2002 was a stressful period, and tested the reserves in more ways than one. It is a matter of satisfaction that the Bank could withstand the stress, satisfied its customers, improved its network and reach and close the financial year with a net profit of Rs. 40.26 Crore.

There was a convergence of pressures on the Bank in early 2001. Not only the asset quality, but also the image of GTB was under pressure. The Bank was quick to recognize the size, nature and quality of the problems that affected the asset portfolio.

Action plans undertaken include an exhaustive overview of the Bank's positioning, business practices, asset and liability portfolios, income models and quality in all its facets. The qualitative aspects were significantly scaled up. Today there are early warning systems, credible and transparent work practices, decentralized operations, accountability with the decision maker, and a financially sound banking system. Asset quality and prudential norms have been given priority. Derisking to a large extent has been done at GTB.

The Bank adopted a cautious approach and reduced exposures. Individual and aggregate risks

were reduced. For instance, capital market exposures were reduced from around Rs. 995 Crore as at end march 2001 to Rs. 447 Crore as at the balance sheet date. This is a reduction of nearly 55 per cent. Going forward, the Bank would work to further reduce the commitment.

The forward plans include improving the business model. The Bank plans to obtain high quality assets during the current fiscal. Focus is on non-fund exposure and the same is targeted at Rs. 2,000 Crore. Moreover, a concerted thrust is being made to improve the yield on the assets and lower overall cost of funds. Considered with the fact the Bank is leveraging its vast network (100 branches, 200 ATMs in 33 cities), 7 lakh customer account base, the best technology platform that is scalable to very high volumes and the finest service tradition, GTB is entering a period of exciting growth.

GTB is proposing to add retail assets to its portfolio in a big way. Initially, housing, car and personal loans would pave the way. The recently launched international debit cards in association with VISA International would improve the float and income streams. The product range to retail customers stands further expanded. Cash Management Services have added a new dimension and additional offers to the corporate clients.

The Bank has launched a new credit product, Unnati, that takes care of the credit needs of the small and medium enterprises. This is a segment with low risk and good returns.

On the anvil, are newer products in the corporate debt segment, which would add to new relationships.

We are crafting a highly effective organisation structure with emphasis on corporate governance. We will adopt the best international practices and review our decisions and actions transparently. We will continue to have conservative accounting. We will improve the quality of the book, systems and people. For a bank nothing is too much to pay for financial hygiene.

We will prove that we can handle volume, create operational excellence and become cost effective. The quality of profit would have also improved. We are moving towards a period of exponential growth.

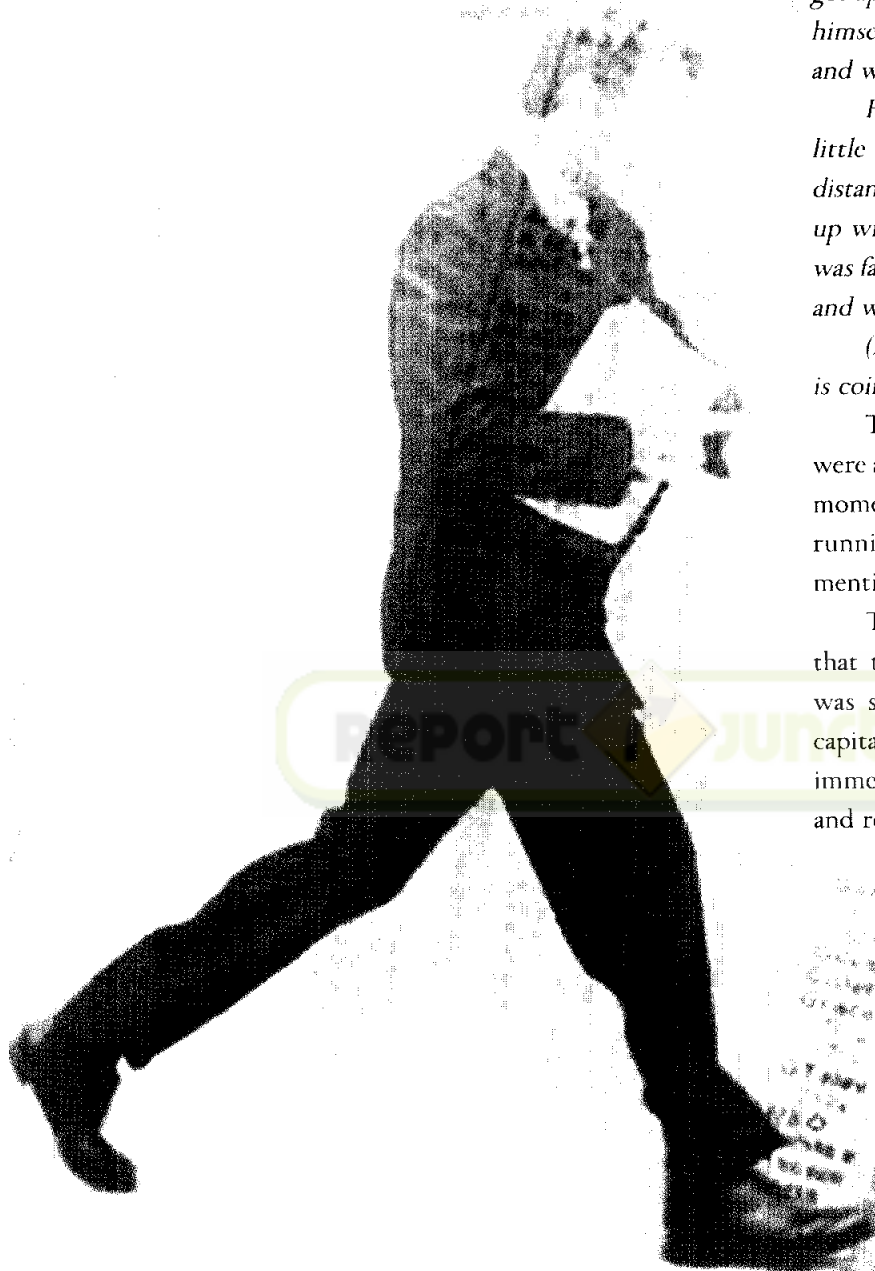
We will restore credibility. We shall fortify investor confidence. Our shareholders can look forward to an improved top and bottom line. They can count on us to work overtime to rebuild shareholder wealth.

With warm regards



Sudhakar Gande
Managing Director
June 30th 2002.

The year that was



The ground was slippery. The weather was inclement. A marathon run was on. One young runner hit a small road block, and hurt his toe. He had a close look. He was marginally hurt. On closer examination, there was even a small bleeding. It did pain a little.

The race was in the initial stages. He halted, took a deep breath, took stock of the size of the problem, got applied a tetanus shot, bandaged his leg, fortified himself with sturdier shoes, sipped a health drink, and was on his way.

He was back in the race, although he had lost a little time. Since the race was being run on a longer distance, the runner was confident that he could catch up with the bunch. Since he wore better guards, he was far more protected. He could go the full distance, and who knows might yet lead the pack.

(Any resemblance to the above apocryphal story is coincidental)

The challenges were manageable. The problems were acknowledged and quickly arrested. And after a momentary lapse, the Bank was confidently back into running. Some of the action points would need mention.

The Bank took a long hard look and realized that the assets need closer watch. Credit portfolio was suboptimal. Exposures in certain sectors like capital market, real estate, diamond trade, etc., need immediate attention. The Bank created a task force and recovery mechanism were put in place.

Indeed, in the process, the business was derisked. Safety is given the number one priority. While banking by definition involves an element of risk, the Bank decided to weigh the risk and stayed with those that were monitorable and manageable. This also meant, the book size was shrunk.

The Bank chose to keep only efficient assets that will add to the balance sheet. Advances at year end was Rs. 3032.62 Crore, about 26.03 per cent reduced on the previous year end figure of Rs. 4099.69 Crore.

Early in the year, GTB was also quick to realize that liquidity may be under pressure, in view of various developments. The situation was managed well, since the Bank had a large portfolio in government securities and other liquid assets. The overriding objective was, no customer shall be inconvenienced. All liabilities were met, and on demand. There was no default of any kind.

The Bank used the opportunity to unwind high cost and volatile deposits. These were reduced from Rs. 3891.00 Crore as at 31st March 2001 to Rs. 2413.89 Crore as at 31st March 2002. At the same time, the low cost savings accounts, current accounts and low cost fixed deposits increased from Rs. 3843.23 Crore as at 31st March 2001 to Rs. 4029.20 Crore as at 31st March 2002, recording an increase of 4.84%.

Cost cutting was part of the discipline during the year. In real terms, it was waste cutting

and as a result operating costs were brought down.

The Team GTB decided to work within comfort levels. Formal systems, documentation and validation is given due respect. Accountability rests with the person responsible for the decision and action. Managers found it prudent, in the interest of the Bank, to follow the rules.

The IT platform in GTB is as sturdy as it is customer friendly. The Bank added to its delivery capabilities and systems security was tightened.

During the year under review, the Bank opened 21 Branches and added 99 ATMs. This helped add 1.60 lakh new retail customer accounts, including one lakh new savings accounts. The customer account base stands increased to 7 lakhs, and the Bank has gone closer to the door of the customer.

In essence, during the year 2001-02, the internals have become sturdy, while the front end remains smooth as silk. Going forward, the combination of reach, efficient customer-friendly service and the state-of-the-art technology has made GTB a vibrant player, healthier than it ever was. The year was an investment into the future.

(The runner never looked back. He was soon part of the pack, and giving a thrill to his supporters and well-wishers. He has stepped up his pace...)

☛ *A goal is a dream with a plan and a deadline.* ☛

— Harvey Mackay

Core Businesses

Relationship Capital – GTB's major asset. Businesses run generally on equity capital and/or borrowed funds. In GTB it would appear, the business runs on relationship capital. Customers contribute to this precious asset.

The balance sheet may not apparently list their worth. GTB from inception has a reservoir of capital created with its customers. They have been provided with services that are unmatched at an attractive price. They have reciprocated equally. The Bank in turn has tremendous goodwill.

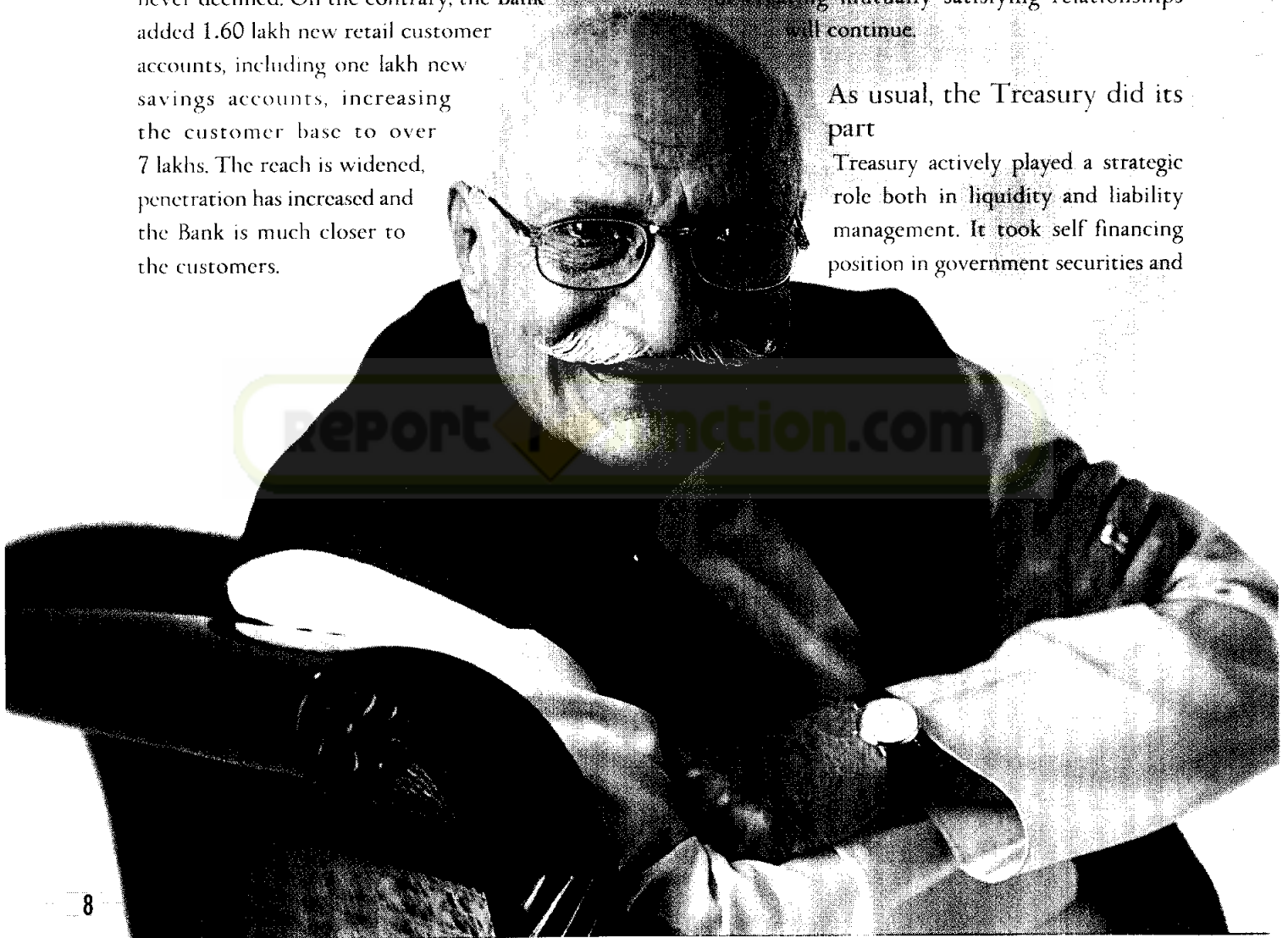
One testimony would illustrate. The year 2001 was a challenging one. Yet, the customer satisfaction never declined. On the contrary, the Bank added 1.60 lakh new retail customer accounts, including one lakh new savings accounts, increasing the customer base to over 7 lakhs. The reach is widened, penetration has increased and the Bank is much closer to the customers.

The Bank has a cafeteria of offers for retail clients. Popular ones include Smartsave, Pranaam and Feeeasy. Apart from the products, there is the convenience that comes with 200 ATMs and the advantage of doing banking from the customer's home through the internet. Of course, if he wants personalized service, GTB has its door open at 100 locations in 33 cities.

The retail banking (often referred to within the Bank as Relationship Business) is being stepped up with new retail products like home, car and personal loans. The Bank is confident of reaching one million customer accounts by end March 2003. The business of creating mutually satisfying relationships will continue.

As usual, the Treasury did its part

Treasury actively played a strategic role both in liquidity and liability management. It took self financing position in government securities and



earned with movements in interest rates in the market. On the forex table, Treasury provided their liquidity support throughout the year. There were constraints in trading, and considerable effort had to be made to earn trading profit.

Looking ahead, Treasury would like to play a significant role in the development of the markets and would like to be considered as a serious player. GTB will be an institution where the complete range of products would be available to the customers.

Credit – time for consolidation

The year saw consolidation of the book size. Funded exposure was brought down from Rs. 4100 Crore to Rs. 3033 Crore. Nonfunded exposure was also brought down from Rs. 1895 Crore to Rs. 1339 Crore.

More significant, effective steps were taken to improve the quality of the assets. Special Cells were created at Mumbai, Chennai, Delhi & Secunderabad for focused monitoring of critical and NPA accounts.

Going forward, growth will come by moving into high quality assets. The focus will be on non-fund exposure, which would reach Rs. 2000 Crore by the year end from Rs. 1339 Crore as at end March 2002. New products like Unnati – a small and medium enterprise initiative – will add to controlled risk asset portfolio.

GTB is working towards improving the overall yield on assets. Yield will increase with addition of retail to the portfolio, traditionally a high yield segment. Products like Unnati will add to better returns as well, while keeping the risk low. The endeavour in the Bank is to push for profit with quality.

Investment Banking – realigned

The transformation in regulatory framework along with change in tax laws called for a systematic and strategic realignment of IBD's traditional businesses and processes. For example, the Bank had to review its role in equity and mutual funds markets. The focus then shifted towards developing strategies for augmenting income streams from newer opportunities, preferably non-fund based.

The Bank meanwhile, and Treasury in particular, was implementing liquidity management initiatives in conditions extremely trying and challenging. Investment Banking contributed by focusing on need based exits and sales to augment resources and abridge its capital market portfolio.

A big emerging opportunity was recognised in dealing in corporate bonds and debentures. While a trading table provides opportunities aplenty, it is necessary to address upfront the systemic and operational risks. Stringent and effective internal norms and a strong and independent back office were the first steps taken for mitigating the risks involved.

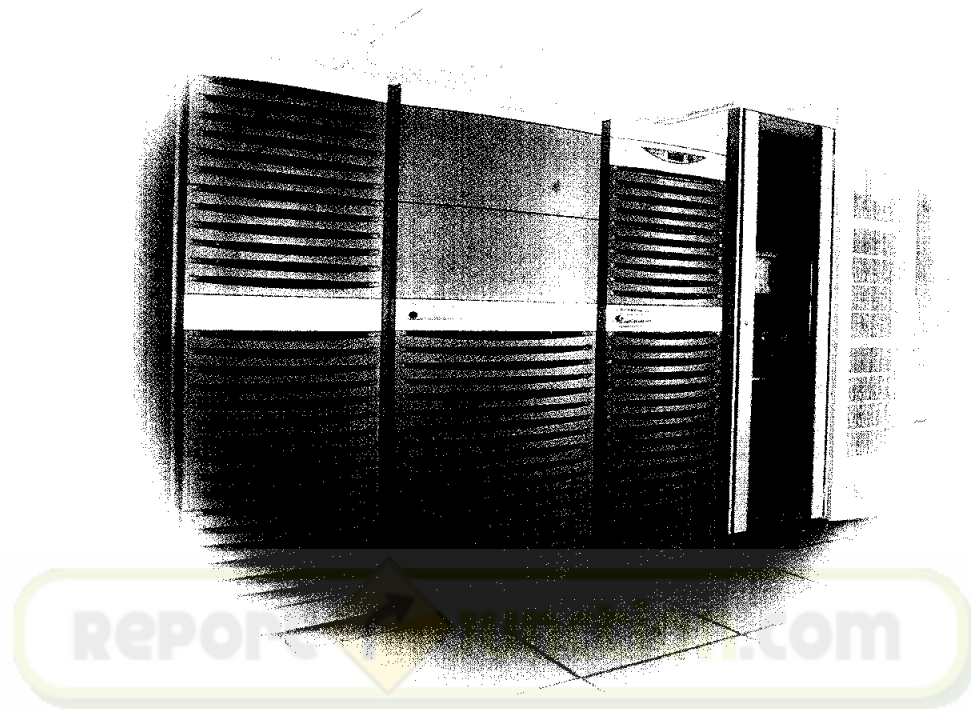
IBD has created a platform for enhanced operations in the fixed income markets in the years to come. The activities would constitute trading in, and distribution of, corporate bonds and debentures.

The endeavour is to make the customer relationship extend and integrate with the products on offer at Corporate Banking and Treasury. The Bank plans to create a single window approach for corporate clients.

There is no need to fear the wind if your haystacks are tied down 

– Irish saying

IT – the customer sees the difference



CTB has a technology that is available with very few other banks. But there is something that distinguishes the IT efforts of the Bank. Is it because it links the customers seamlessly with the Bank? Is it because it works consistently and with zero defect? Does it still provide individualized service? May be all of them.

What is also important for the customer is the fact that the systems are administered by staff who are trained well and who take pride in maintaining it customer friendly. Superior machines are fine, but delivering right every time at every unit in every transaction has a built-in challenge to the IT team. Efficiency here stems from the attention to detail.