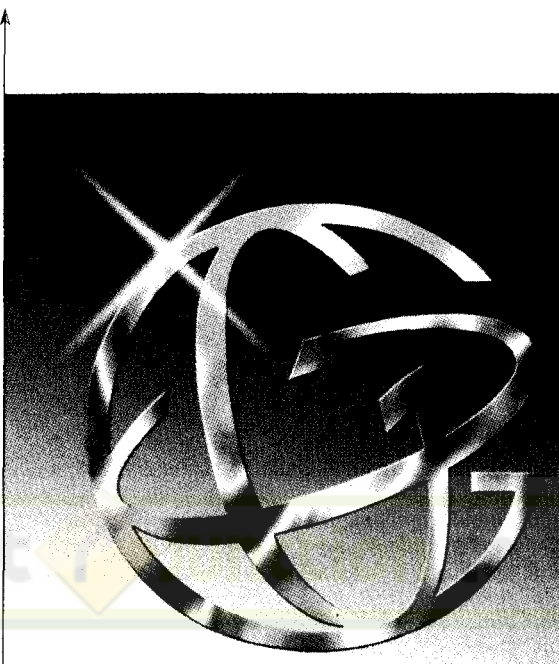


Minimising  
r i s k s



10th  
Annual  
Report,  
2002-03

Positioning for  
g r o w t h



GLOBAL TRUST BANK

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Mr. G V Suresh Kumar

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**10th Annual General Meeting**  
Day & Date : Wednesday, the 24th December, 2003  
Time : 11.00 a.m.  
Venue : Hari Hara Kala Bhavan,  
MCH Complex,  
Sardar Patel Road,  
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# Derisking the business

GTB crossed the Rubicon. Skillfully overcoming challenging and sensitive situations shows inherent strength. In the corporate world, it tests the measure of the men and women in the organisation, their values and self-beliefs. It is as much revalidation of the products, service quality, market presence, customer relationships and problem solving abilities.

Global Trust Bank made a match of it. The entire Company galvanized itself, assessed the situation and environment, and sailed through with gumption to face the future with renewed energy.

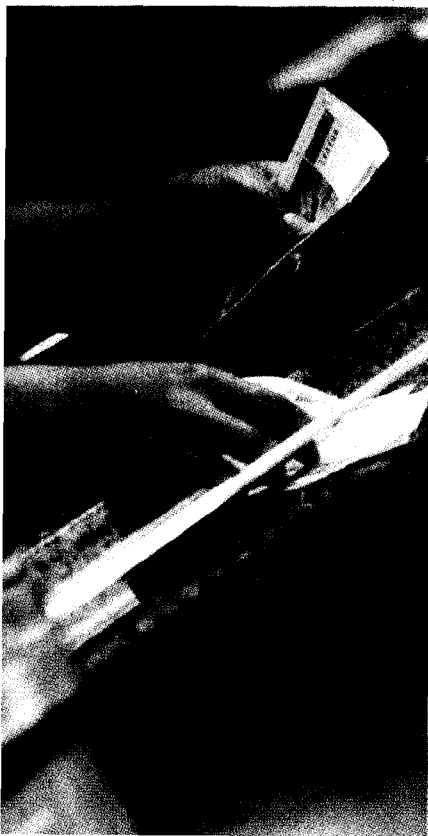
The team decided that the worst should be behind them, and on a here and now basis, commenced to derisk the organisation. Even if banking, like insurance, is a business built around risk taking abilities. The day the loan

is disbursed, the risk starts. But then so do earnings. Managing and controlling risk and yet generating reward, is the business.

Global Trust Bank is working towards controlled risk. Every decision, every action, every employee is going about ensuring there are no surprises. All exposures were dissected and accounted for. When in doubt, provision was made. At the same time, no effort is being spared in recovering the monies.

Uncertainty has been removed from the Company. Today, all stakeholders can draw comfort from the Bank's improving fundamentals, better asset quality and earning potentials. This is an on-going effort, and will ensure that unknown shocks do not shade earnings. Consequently, future earnings stand protected.

GTB is keen to iron-clad the Bank, **by derisking the business and repositioning the bank for future growth.** Today, every one who deals with the Bank can feel reassured, that it is turning stronger. Their trust is being reciprocated by creating a platform for growth.



*Conceived & researched by*  
CAPRICORN

# From the MD's Desk

*In a short period,  
the Bank has  
increased resiliency  
and security of  
systems, and re-  
engineered workflow.  
The Bank would be  
derisked as well as it  
should be, while  
moving ahead on  
qualitative business.*



Dear friends,

GTB has started coming out of a tunnel and can see the light. We have cleaned up the balance sheet. Every decision and every action of the past, that had impacted the asset quality and earning potential has been analysed, and repairs done wherever required.

Actually, we have used the financial year 2002-03 to gain ground. We addressed a lot of sensitivities. We not only resolved considerable problems, but also created a solid ground for the Bank to move ahead.

We ensured that all assets are accounted for and we believe that there are no shocks possible. We have been conservative and made necessary provisions or wrote-off if there was any doubt of recovery. We took care and complied with Reserve Bank of India guidelines. There was of course, no let up in recovery efforts.

Our efforts are producing results. During the last eighteen months, we have had significant success in recoveries. For instance, in the financial year 2002-03, we recovered Rs.293 crore from critical, NPA and written off accounts. Additional collaterals of Rs.200 crore were collected to improve the quality of assets.



We have also brought down the exposure to capital market and are within limits stipulated by regulatory authorities. The Bank during the year reduced the cost of deposits and contained the cost of operations. This track record continues in the present financial year, and gives confidence in our estimates and abilities.

We instituted systems that have improved credit appraisal standards, decentralised the decision-making, ensured accountability levels rest at field where they belong, and in general, derisked the business.

Today, within GTB, the risk appetite is low. Our disciplined approach to risk has helped us to meet customer needs consistent with our own enhanced standards. Our response time has improved.

The Bank today has assets that work and earn. The revenue stream has improved and so has the quality of earnings. Today, our challenge is to grow revenues and drive profitability through cost reduction.

We will get there with our earnings leveraged on a clean balance sheet and on the basis of our financial strength restored. We are determined to taking actions that will return GTB to levels that you - and we - demand. Derisking the business, improving earning potential, restoring credibility both within and outside the Bank are all driven towards adding value to shareholders.

There is now a feel good factor in the Bank. We changed gear and the results have been positive. During this renewal period, we in the Bank strengthened the financial and control mechanisms, minimised risk and created a platform for future growth.

We have repositioned the Bank for future growth. We have revitalized and strengthened our core businesses as well as employee morale, invested in retail product launches as well as enhanced technology capabilities and reinforced relationships with our strategic customers. We have re-laid the foundation for an increasingly productive operational infrastructure.

We are addressing multiple focus areas. It is qualitative growth, broad basing of risks and enhanced portfolio of products and services. Launch of Unnati catering to Small

and Medium Enterprise (SME) sector, and retail asset products like Griha (Home Loans) and Turanth (Personal Loans) have helped add to revenue streams while diversifying risk. With our emphasis of providing cost-effective technologies and operations solutions, we have improved service with lower costs. Recoveries from impaired assets are a thrust area. Cash flow increased commensurate with our efforts. Strengthening the organisation with infusion of capital and integrity of financial systems are key areas, and we are making considerable progress. In a short period, the Bank has increased resiliency and security of systems, and re-engineered workflow.

Our driver has always been the Bank's customer-centric approach, and this will remain our core strategy. We will build a large, well spread out retail portfolio, which will not only add to profitability but will also help minimise risk. Our corporate governance standards will be our reassurance for all our stakeholders.

Our emphasis is to recreate a stronger Bank that meets the expectations of all its stakeholders, and reverts to its days of exciting growth. Of course, with our improved corporate governance standards, it will be quality with growth. Numbers would follow over the medium term.

Whatever we have done, and are doing has only one motive. The Company will be on a stronger wicket, and that there is optimism for all its shareholders. We are investing in the future.

Now that we have derisked the business, improved our systems, rejuvenated the organisation, we have entered a new phase in our history, offering a promise of continuing success in the future. We will create wealth for the Bank, and thereby create value for all our shareholders. In the medium term, this revitalized Bank will reciprocate their trust in us.

With warm regards



**Sudhakar Gande**  
Managing Director

*“Believe you can and you’re half way there.”*

- THEODORE ROOSEVELT

*The marathon runner continued his run. But since he was becoming breathless, he did not want to take any untoward risk. He sought out-patient treatment and was given immediate medical care.*

*He came out with reassurance that he has all his fundamentals strong. But he accepted that he would rather gather his breath and his wits. He also decided to shed weight. He wanted to ensure that he will have a sustained run, and knew he cannot lose anymore time. He fortified himself with resolutions. He shall take the straight and narrow path to the destination.*

*He will run within his limits. He took to self-control. His strides, energy conservation and his consistent pacing will be as important as his reaching his destination. His confidence on himself and his abilities improved.*

*He started running better.....*

*(Any resemblance to the above apocryphal story is coincidental)*



**We did**  
what we set out to do

As predicted, 2002-03 was a difficult financial year. The Bank made an operating profit of Rs.36.44 crore for the financial year. The financial statements however, show an overall loss, on account of the provisions made as per prudential norms, for business losses incurred in earlier years.

There were significant improvements in the cost of funds. While aggregate deposits grew by 7.4 per cent to Rs.6920.9 crore, more important, low cost deposits of savings and current accounts grew by 15 per cent at Rs.1302.2 crore. Overall, there was a reduction in the cost of deposits by 118 basis points over the year.

The period under review saw the Bank working overtime to improve quality of assets, and recover as much as possible from critical, NPA and written off accounts, on the one hand. Equally, there was a concerted effort to validate that all systems and controls are in place.

Considerable care was taken to assess exposures, and remain within the enhanced standards that the Bank set for itself. This shrunk the book size. The impact was lowering of income streams and drop in operating profit.

A new area of activity was launch of Unnati, a credit product addressing the needs of the SME sector, which

met with encouraging response. For the Bank, Unnati creates presence in a growth segment while helping to diversify the risk portfolio.

Recovery efforts were redoubled. Task forces created for making the special efforts were

supplemented with substantial managerial focus. The Bank met with success and recovered over Rs.293 crore during the year from critical, NPA and written off accounts. Additional securities of about Rs.200 crore were obtained, which in turn improved the quality of assets.

The Bank ensured that liquidity was managed well. All branches coped with market pressures, and met the demands of the depositors. There was never an uncertainty.

Network was expanded, with the addition of three more branches and 65 new ATMs. The number of customer accounts increased by 1.29 lakhs. The improved reach and service levels were well supported by recruitment of 221 additional human resources.

Control over cost increases was achieved. In many administrative areas, optimising was pursued. Effective use of resources and eliminating waste helped to keep the operating costs under check.

Internal controls in key areas like credit administration and treasury were revalidated, improvements made and formalised. Checks and balances as well better risk management tools have reinforced the derisking efforts.

These steps were essential to improve the long-term health of the Bank. It was important that stability was re-established in the Bank, the business focus was improved, credibility and confidence was heightened in the system, and the brand equity stood protected.

*(The runner realised that his well-wishers are also running in some way with him. They need no more anxieties. He decided that he would not let anyone down. Of course, he is running well and looks forward with confidence.)*



*“Perseverance is not a long race; it is many short races one after another.”*

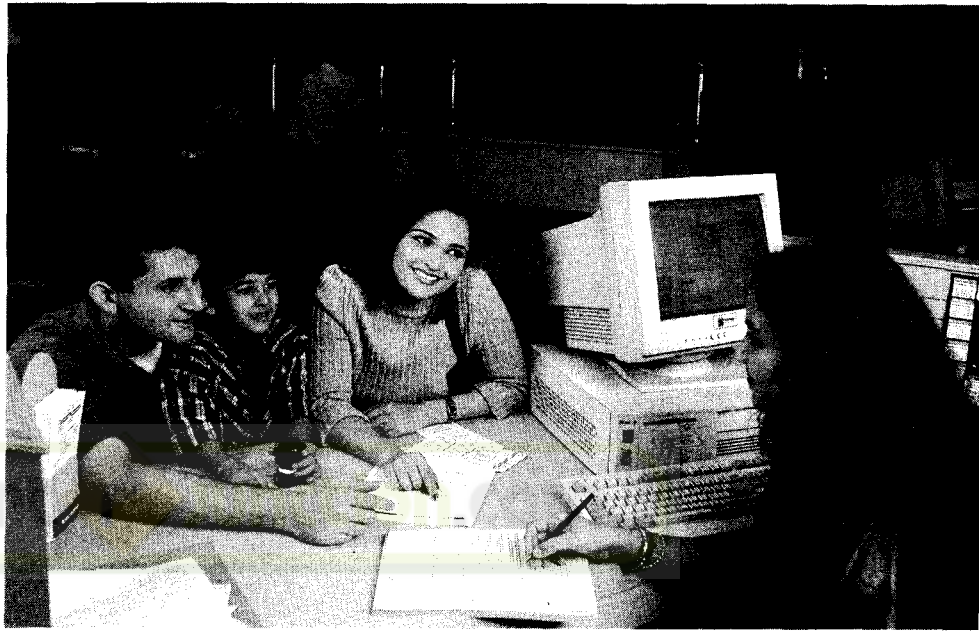
-WALTER ELLIOTT

Retail Banking -  
the focus area

*If you enter any branch  
of GTB, whether at  
10.30 AM or at  
6 PM, you would not  
know the difference.*

Treasury  
managed liquidity  
*Treasury followed a  
simple thumb rule.*

Credit  
improved asset quality  
*The Bank moved up  
the scale on its credit  
delivery processes.*



# Business

as usual

**Retail Banking - the focus area**

If you enter any branch of GTB, whether at 10.30 AM or at 6 PM, you would not know the difference. At 6 PM you might tend to reset your clock. The staff would be going through their work, as if they were equally fresh at the end of the day, as they were at the beginning. Stamina levels are the same. The clock stops for them.



As you walk in, the eye contact that follows and a staff member reaching out to meet the customer is not something that can be taught. This passion to meet the customers, and listen to their needs is a unique phenomenon. GTB has almost patented this approach.

Customers see the staff as facilitators, partners and problem solvers. In fact, some customers drop in to say Hello at branches, even if they can go to any of the well-located ATMs and transact their banking needs. The pride in the front office adds to the visibility of the Bank.

1.29 lakh new customers improved the score card in 2002-03, during a very stressful period. Aggregate deposits increased, but low cost deposits moved up at a faster clip. Over 84,000 ATM cards and 1.23 lakh Proton debit cards were issued during the year.

For the retail customer, there is a family relationship with the Bank. For GTB, retail depositors have been a source of strength. The large retail base is expected to beef up the retail asset portfolio. The relationship can get only stronger.

#### **Treasury managed liquidity**

Treasury followed a simple thumb rule. If there is certainty, there is strength. Primarily, liquidity was ensured, so that any untoward market situation could be managed with confidence.

At the same time, keeping idle cash hurts. Treasury chose to make careful moves and generate revenues through its view based trading in the money market. The fall in interest rates was much lower in the fiscal 2002-03 as compared to earlier years. For instance, the yield on benchmark 10-year gilts fell by around 125 basis points (bps) compared to a fall of around 300 bps in the previous year. The play was limited.

Treasury department's interest rate trading activity was still able to generate a profit of Rs.93 crore during the year. Trading was carried through a self-financing mechanism so as not to place any strain on the Bank's liquidity.

In the forex market, rupee-dollar moves needed careful watching, especially in the face of rupee turning strong. This was something new. The views expressed and the strategies suggested by the Treasury helped the Bank's customers in managing their forex risk. They found them sound and profitable.

The Bank invested in training, systems and people. The objective has been to remain in the forefront of structured products and financial engineering in the country. The Treasury is getting ready for the needs of tomorrow.

#### **Credit improved asset quality**

The Bank moved up the scale on its credit delivery processes. Systems got further enhanced and appraisal processes shifted nearer the customer. Accountability levels were redefined, and now rest at the field, where it belongs, with those that can monitor it.

Among the ground level changes, were introduction of audit before event, scaling down of exposure limits and reduction in higher risk portfolios. Decentralised functioning has added to the clarity and has improved audit trails.

The year saw considerable improvement in the quality of assets. Risks got diversified. Yet, care has been taken to ensure that there is no bureaucratic hurdle. Improved focus has reduced response time, without losing the customer perspective.

During the year, GTB preferred to shrink the book as regards funded advances. Capital market exposures were brought down from Rs.447 crore as at end March 2002 to Rs.156 crore. The year end figure corresponds to 4.4 per cent of the gross advances, and are well within the RBI ceiling of 5 per cent. Non-funded advances grew by 24.4 per cent from Rs.1339 crore to Rs.1666 crore.

*"Be not afraid of growing slowly, be afraid only of standing still."*

-CHINESE PROVERB

*221 new staff members joined the GTB family during the year. Looking to the future needs, 463 members underwent training in areas as wide as SMEs, derivatives, basic credit, role effectiveness, sales, cashline etc.*



# Built on strong foundations

## **The flag bearers**

The Bank has its foundations right. In a fast paced service industry, critical are the hardware and software that maintain the business interfaces. The Bank has taken considerable care to have its basics and backbone right.