

A Case on “Brand Crisis”

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Abstract

The Paper examines an ambitious attempt by an 87 Years Old, Old Generation bank to re-brand and re-position itself into a New Generation Bank. The trials and tribulations it faced in the journey in a period of over five years and the resultant crisis on the organisation and its health, which unfolded in the Indian Banking scene recently is captured empirically and theoretically. It is a live case and the debilitating impact of the crisis can be seen in the organisation even today. The take away and the learning is more for anybody interested in the theme of studying 'Brand Crisis Management'.

Key Words: Brand Crisis, Brand Management, Brand Makeover, Brand Re-positioning. Image Makeover

Introduction

Management Cases are all about learning, un-learning and Re-learning. Like Alvin Toffler in his famous book says, the illiterate of this century aren't the ones who can't 'read or write' but who cannot 'Learn, Un-learn or Re-learn'. This paper examines the case of a Bank which is 87 years old. How it managed its Brand in a Business wherein the paramount factor is “Trust”? In its growth tribulations, how has it conducted itself, in the competitive sphere to re-position itself? What happened to the committed call it did to the share-holders in the year 2008-09 to Re-Brand, Re-position, Re-emerge itself under a New Management as a “New Generation Bank”?. An evaluation of its current status is worth examining and documenting. As a sequel we would also be unfolding how Brands can end up in a Crisis and lessons on “Brand Crisis Management”.

History of Dhanalakshmi bank

Dhanalakshmi Bank (as it was originally known) was started in the year 1927. It is head-quartered in Thrissur, Kerala, a place where various other banks originated. It was designated as a “Scheduled Commercial Bank” by the Reserve Bank of India in the year 1977. In the quest for growth there were smaller banks that got merged to the Dhanalakshmi Bank and it helped the Bank in expanding its branches and reach, atleast on a “Pan-Kerala” basis. Into the 90s', it opened various other branches in other states, predominantly `Southern States'. In the history of the Bank, it never suffered a loss till 2004-05 and had always reported profit in its more than 75 years of history. In the year 2004-05, it suffered a massive loss in its “Treasury Portfolio due to volatility in the Bond prices and had to report “Mark-to-Market (MTM) losses”, which almost wiped out its net worth (DLB Annual Report, 2004-05; Profile of Banks, IBA 2008-09).

With the leeway provided by RBI in booking losses that year (RBI Circular on Conversion of securities to Held Till Maturity (HTM) Category on a one-time basis) ie., to amortise the losses (to provide for losses over a few years instead of booking it in a single year) the Bank got a lifeline and resurrected itself quickly. It concentrated on many Fee-based income businesses during that period and reported a handsome profit of Rs. 28.46 Crores in the year 2007-08 and more than doubled it to Rs. 57.45 Crores in the year 2008-09. These were rated as stupendous achievement by a small old-generation bank with a weak capital base. During all these 75 + years, it pursued banking in a traditional way, based on trust and carried all the attributes of a 'Traditional Bank'. Its Branding reflected traditional mores and its bigger clientele base were majorly

people who believed in traditional way of banking. However, Post-economic reforms, the Banking industry was getting very competitive dominated by Public Sector Banks, New Generation Banks and Foreign Banks and the Old-generation Banks were being enticed by players who wanted a larger share of the cake (including talk of mergers).

Apart from the competitive landscape of banking, Global norms (Basel II) and best practices (incl. corporate governance Norms of RBI, which restricted individual holding and group holding in Banks) forced banks to adopt change. Minimum capital restrictions by RBI made it mandatory for banks to pump capital on a repetitive fashion in this capital-intensive business. Weakly capitalised, Old-Generation Banks were finding it difficult to carry on in the banking business. Adoption of 'Hub & Spoke model' or clusters instead of the traditional branch-centric model of the old way of banking and various other process centric interventions were addictive. Ingenuous use of technology has revolutionised banking and the Bank cannot remain akin to the market realities. Change was inevitable when size of the Balance sheet of the Bank, became a decisive factor and every other regulatory and such other pronouncements insisted on sizing up to remain relevant.

Table 1 given at the end captures the Banking parameters of Dhanalakshmi Bank during the period of 2004-05 till 2008-09 i.e., just prior to the 'Brand Make over' it was attempting.

Aspiring to be a 'New Generation Bank'

The dalliance to be a 'New Generation Bank' is articulated in the Annual Report of the Bank 2008-09. It clearly states "There comes a moment in the life of people, and organizations, when it is time to forget the past, improve the present and redesign the future"(Page 1, Annual Report 2008-09, Dhanalakshmi Bank). In the Report, the MD & CEO talks of the Bank being in the 'throes of rapid change'. He gives commitment to the shareholders "your bank will refocus its energies and attentions on enhancing customer ecstasy". The MD & CEO in the report further articulates into the strategy of repositioning the Brand when he states 'the proposed opening of 66 new branches and around 400 ATMs in the current year is merely the beginning of a process that promises to convert the Bank into a truly Pan-Indian entity and transform its brand architecture forever'.(Annual Report, Page 9, 2008-09).

Brand Re-positioning

With shared assumption and ample support of the Board of the Bank, what strategies was pursued to re-position the Bank to be a new generation Bank from 2008-09 is worth close examination. It is detailed as follows:

Name and Logo change

As Branding involves creating visual identities to enable the Corporate to have lasting impression, it changed the "Name of the Bank" from "The Dhanalakshmi Bank" to "Dhanlaxmi Bank" in the year 2008. It was said that in its quest to be a Pan-Indian brand the Bank's brand advisers felt that as "Lakshmi" (which is the goddess of wealth / money), is pronounced and spelt in the Hindi-speaking heartland as 'Laxmi' , it adopted that change to appeal to a 'Pan-Indian' market. There was a change in the word mark as well.

The Bank changed the logo, by changing the goddess lakshmi in it, to a 'figurine' (model) of lakshmi, as could be seen below. This was done to reflect modernity to the theme. The background of blue which was used in the old logo gave way to a more vibrant 'purple'. Further, banking being a 'trust-driven' business, a longer presence in the banking business only means that your brand has earned that much more 'trust' and acceptance from the customers / community. Hence, cleverly, the words 'Established 1927' was used in the new logo to harness the essential attribute to a Brand when targeting newer and unexplored markets (as many of the new branches being planned happened to be in Eastern, Northern and Western India).

Old Logo



New Logo



Major Brand Related Changes

Various other Brand related changes were initiated across the entire Bank to change the perception about the Bank from a traditional, regional, conservative, lethargic Bank to a one which is proactive, tech savvy, responsive with a national outlook. In short, it was attempting a Brand and 'image makeover' with a Pan-Indian feel.

1. The Bank first professionalised the 'Board of Directors' under the leadership of Shri. G.N. Bajpai, the former SEBI and LIC Chairman and also an expert in Corporate Governance. It brought in persons like Shailesh V. Haribhakti, a famous Chartered Accountant from the Accounting and consulting firm Haribhakti & Co and various others in the subsequent months. This was a radical departure from a Board which was dominated by promoter-run nominees in the Board (which invariably is the case in many Old- Generation Banks).
2. The Bank created a big brand building exercise by changing all the marketing collaterals, including customer touch points like Branches, ATMs, Bank's website, Corporate Office, Regional Offices etc.
3. The signage with "Purple" background was adopted throughout the Bank in all collaterals.
4. The Bank invested heavily in technology to further its reach and wanted to change the erstwhile lacklustre "old-generation bank" looks. Huge investments across Hardware, Software, Alternate channels (incl. mobile banking), were made during the period. Many new agreements were signed with Vendors / service providers and many of them for long term.
5. In many places, it hired new premises in prominent spots with 'Parking' bays and lavishly furnished the premises.
6. Banking partnerships underwent changes. In the sphere of bank assurance, the Bank's erstwhile partner 'Metlife' was replaced with 'Bajaj Allianz Insurance', rated as a more aggressive insurer. Similarly, various other tie-ups in the area of Mutual Fund, Capital market services / Broking etc., were signed for a retail push.
7. The Media spends were very high and apart from Print media the Bank started pursuing 'visual media', social media etc.
8. The Bank invested heavily in training / re-training staff in soft-skills and created 'centralised held desks' for standardised responses.
9. New Brochures, Advertisements, Stationery, ATM Cards, Kiosks, Furniture even tea cups etc., reflected the Brand change.
10. All the stake-holders were made to partake in this mega Brand makeover. As part of empowering workforce visiting cards were distributed to even "Sub-staffs".
11. It down-played the earlier tag-line of the Bank "Relationships forever".
12. Very high level of talent acquisition to the extent of doubling the number of employees was resorted to, during the period 2008-09 to 2011-12. From industry-driven IBA Pay-scales, the bank moved to Cost-to-company or CTC based pay structures. Many with IIT, IIM / MBA and such other professional background were signed up at higher than industry pay structures.
13. Experts (in full rolls of the Bank) were brought in all areas be it - Brand Heads, Relationship Heads, Security Head (Retd. Colonel), Premises Head (High Profile Architect), HR/ CSR Head etc.
14. Almost all the Functional Heads of Core Departments of the Bank like Credit, Treasury, Liabilities, HR, CFO, Finance & Accounts etc., were replaced with Executives from new generation / foreign banks.
15. Many consultants across diverse areas were also appointed for various interventions / advisory.
16. As part of employee motivation, many HR initiatives including 'Balanced Score Card', ESOP etc., were implemented within a year of the Brand makeover. Many of the HR measures were supposed to enhance employee productivity based on profit generated.
17. The Bank managed a section of the unionised bank staff by sometimes splitting the ranks or by giving piece-meal carrots or by keeping them at bay to the new initiatives by a method of blow-hot and blow-cold. Old timers across levels who had alternative opinions were forced out / pink-slipped.
18. Many front-line sales staff were taken in the roles with high qualifications but no experience or very less experience.

19. To manage media and to orchestrate news, top executives of the Bank came in the media airing opinions, often. In fact, instances of a top executive of a media house being taken in active roles of the Bank also happened. Adverse publicity in the media was cleverly responded and managed in the Brand repositioning period (of at least about three years).
20. Various business tie-ups, co-branding opportunities etc., were also pursued.
21. Active CSR initiatives targeting the larger community was unleashed including donating 'Ambulances' for Thrissur Corporation etc.
22. To echo the views of the establishments, many forums were created and used. It was always made to believe that 'we are eternally in need of talent for our growth story'.

In short, there isn't much the Bank hasn't done in enhancing the "Brand" in the three years or so whereby it vigorously pursued a makeover effort. Though many of these efforts had serious economic and financial fall outs of long running nature and possibly much less 'affordability quotient' by this small bank, the New Board of the Bank then, was solidly behind the effort. In fact, the Board of the Bank had eulogised the effort in many subsequent Balance sheets when it articulates the matter to the share-holders (Annual Report 2009-10, 2010-11, Dhanlaxmi Bank). Even, the Reserve Bank of India gave an extension to the MD & CEO for another tenure, when the first three year tenure of the CEO appointment got over. Much less rat was smelt or ignored and no body dare express that the exercise is turning out to be a fiasco. The aforesaid instances were proof enough of how the 'Brand Repositioning' was seen by the stake holders and regulators.

Brand Change not translating to numbers

The professionally planned Brand makeover, hasn't yielded commensurate results was loud and clear in the year 2012. All the pronouncement of the Brand Repositioning contributing to top-line and bottom-line growth, fell flat. The Performance parameters in a highly regulated Banking sector are always on watch quarter-over-quarter by the market forces. From a net lender in the inter-bank market, the bank became a huge borrower. News about liquidity pangs and massive window-dressing in Balance sheets etc., started floating. Though the Bank and the CEO stoutly denied the failings bad news kept flowing.

The failing financial status can be gauged from the Table 2 given at the end

The Bank was on a downward slide and came to crisis mode because of the telling impact of not being able to "Reposition" in terms of Performance. The effort wasn't successful to ramp up neither size nor performance and didn't contribute to the bottom-line and top-line growth of the Bank. Many of the Brand related interventions being of long-term in nature – be it operating expenses to be incurred repeatedly or the staff cost, it debilitated the fragile balance sheet and the reserves position as can be seen from Table 3.

The issue of operating expenses borne-out of the re-positioning effort, and the bleeding it inflicts to the Bank, quarter-over-quarter can be gauged from the Chart 1.

Brand Crisis

The Bank which initially warded-off its failing financial position, ultimately had to come clean on its failing repositioning effort. There was accusation of misstatement in Balance sheet and recognition of income and expenditure by the Bank's Union itself (in whatever remnant form it was there). Claims against the Bank for services rendered started mounting and there wasn't appreciable growth in income. Many adverse remarks landed in the press and with the regulator RBI. RBI had to send the team for a special audit. It became a full blown crisis when the CEO resigned citing difference of opinion with the Board. The Brand repositioning effort of a Bank to convert itself from an 'Old Generation Bank' to a 'New Generation Bank' in the psyche of the public was slowly and steadily falling apart and was to a level of collapsing the Bank. The Re-positioning didn't add "Value", became clear.

In the salvage effort that followed, many decisions resulted

1. Many Board Members were axed. The Reconstituted Board initially gave charge to an erstwhile top executive of the Bank who was from the old order. Later his candidature was approved by the RBI as MD & CEO;

2. RBI classified the Bank as a weak, inducted its two nominees in the Board of the Bank and placed it under monthly monitoring.
3. Ruthless cost cutting followed. Many contracts signed with Vendors, Service Providers, Premises owners (for the high cost real estates hired as part of Re-positioning), Partners for the Bank etc., were re-negotiated.
4. As part of staff cost cutting many high cost executives from the Ex- CEO's team / dispensation were fired and so was the contractual sales staff. In fact, the pace of 'firing' had to be quicker than when the officials / staff came on Board. CTC pay scales were a strict no-no. The Bank went back to industry-driven IBA pay scales.
5. Bank reverted back to the 'Branch-centric' Model from the 'Hub & Spoke' Model for of delivery of services.
6. A few old timers who had quit the Bank were called back and offered positions.
7. Effort to stay float was the main priority by cutting flab and to achieve this, many resources had to be jettisoned. Cost cutting was the mantra.
8. All this had to be done in an already stressed banking scenario in the country wherein the NPA levels were seen rising. This started reverberating in the Dhanlaxmi's books as well. The Bank had to write down huge amount quarter –over –quarter. On top of it, it had to provide for the woes from the earlier legacy. For instance, Rs.1224.49 lakhs was written down for the strategic stake in a finance company called 'Destimoney Securities Pvt. Ltd', which was a decision by the earlier dispensation. Likewise many big ticket Assets had to be provided for. The bleeding continues.
9. In fact even now, in the recent quarter ended Dec' 13, the Bank has reported a net loss of Rs.119.37 Crores which is way above what it can fathom. Re- infusion of capital also resulted as it has become untenable to continue with falling Capital Adequacy.
10. It is a very live case of a 'Brand Crisis'. It is undergoing the crisis period even now. And it is in the heavily governed and administered banking industry of the country. The dalliance to be a 'new generation bank' from being an 'old generation Bank' for so long, isn't a Brand change gamble many ape for. Being successful or not being another matter. All this makes this case a vibrant one for Brand Managers to Learn / Unlearn.

Learning from the Brand Crisis

1. There are very many a learning that is possible from this 'Brand Crisis'. Notable ones are as follows:
2. Brand' at the end of the day need to add value to all the stakeholders – be it customers, employees, shareholders, society at large. In the instant case discussed that proposition didn't come up. Even after re-positioning, it was giving all the services which any customer would have got from any other competitor bank – be it Mobile Banking services, ATM services etc. There was no 'Unique-selling Proposition' (USP) for the Bank which was not available with other market participants. Hence, when looked at from the 'Value Proposition' of an indenting customer, there was no motivation to sign up. As regards the existing clientele of the Bank before re-positioning, they had already profiled the Bank for the 'Value' it is giving and perhaps aren't a breed looking for 'customer ecstasy'. It is also true that the 'ecstasy seeking' customer didn't show up or heard the cry.
3. Brand is much beyond a 'Logo change' or a 'Word Mark' or 'Jingle in an Ad' or 'Colour combinations' or 'Tag lines'. The Equity from the Brand gets evaluated from the experience of 'added value' to a customer relationship. That didn't result in this Brand re-positioning and hence the exercise ended up in a crisis.
4. Just as a 'Brand' makeover could 'change the face of the Bank', a successful Brand should help the Corporate to 'Face the Change' as well in an environment which is germane to an industry or domain. In this case, the Banking industry is dictated by various other pulls and pressures and is in a very competitive sector which gets heavily impacted whenever economic indicators undergo change. The 'Trust' factor is paramount in Banking and players are being profiled by people repeatedly on this parameter. From this case, it could be seen that the Bank was seen wanting in that count.

5. It is also noticed that the re-positioning exercise ends up in a 'Double whammy' when objectives didn't materialise the intended results. For eg., all the media management and feeding only good news etc., though might aid in with the furtherance of the re-positioning effort, it would actually recoil as 'bad news' onto the Brand when 'Staff Firing' or 'Union Agitation / Representation to salvage the bank' etc. comes in the common domain.
6. There could be sector-wise credentials or characteristics also influencing or leading the Brands to a crisis. This is based on a premise as it was noticed that an earlier attempt by another 'Old generation Bank' namely 'Development Credit Bank (DCB)' which is headquartered in Mumbai to convert itself to a 'New Gen Bank' met with a similar ending.
7. Human talents have very high limitations has come out clearly. Personal credentials and qualifications of Board Members or CEOs or Staff are not part of 'Brand attributes' though seemingly it would appear so. Nobody should forget the fact that one of the biggest investment banks 'Lehman Brothers', when it was in crisis during the sub-prime days and ultimately collapsed, it had two Nobel-Laureates in the Board. The devil is in 'Discipline', that too in effecting a change or creating value. In the Dhanlaxmi's case, it was apparently clear that they were munching much beyond what could be chewed, that too in a shorter time-frame. This is not to suggest or advocate that calibration would have produced a better outcome. There is no evidence on that either. The Learning is, the down-side risk need to be factored when these kinds of exercise are embarked on.
8. In appealing to the young India and becoming unsuccessful at that the banks erstwhile clientele who appreciated the traditional way (including aged customers) of banking have also started losing 'Trust' and started deserting in droves as the dalliance has come at the cost of ignoring the match in hand.
9. The Phenomenon of Regulators sleeping at the wheels and springing to action in the eleventh hour could be noticed here also and to that extent is a huge 'regulatory failure'.

Conclusion

The live case which has unfolded in the banking scene, in a matter of five to six years in the heavily fortified Banking industry of the country has many lessons for the Marketers, Bankers, Governors of Institutions, Regulators, CEOs, Executives, Managers, Management Practitioners, Students and teachers. The events unfolded, covers the Product / Brand life cycle with particular learning towards re-positioning and managing Brand crisis. Arguably, it brings with it whole lot of issues of governance in financial institutions. The regulators who are in the fringe of deciding the next set of banking licences need to understand the happenings in the entities they would be regulating. The Brand Managers have a wealth of learning on what is adding 'Value', how difficult it would be, if one were to attempt it in a jiffy.

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**Table 1. Performance of Dhanalakshmi Bank Prior to 'Brand Makeover'
(2004-05 to 2008-09)**

Items	Dhanalakshmi Bank							
	(Amount in rupees crore)							
	2004-05	2005-06	2006-07	2007-08	2008-09	Group Ave 2008-09	All Banks' Average 2008-09	
No. of offices	182	186	189	181	181	411	825	
No. of employees	1313	1385	1385	1411	1402	8289	12039	
Business per employee (in Rs. lakh)	292.70	311.71	366.68	409.08	585.88	744.27	750.55	
Profit per employee (in Rs. lakh)	-1.65	0.72	1.18	2.02	4.10	6.16	5.60	
Capital and Reserves & surplus	114	134	147	172	424	4716	4708	
Deposits	2339	2533	3088	3608	4969	34610	51970	
Investments	708	710	865	1075	1567	14440	18542	
Advances	1410	1594	1837	2102	3196	27084	38389	
Interest income	192	210	249	312	408	4004	4972	
Other income	15	22	28	42	79	848	960	
Interest expended	119	127	150	214	287	2682	3366	
Operating expenses	69	82	88	97	113	1027	1142	
Cost of Funds (CoF)	5.07	4.97	5.10	6.17	6.53	6.25	6.05	
Return on advances adjusted to CoF	4.62	4.65	5.22	4.98	4.50	5.09	4.43	
Wages as % to total expenses	20.92	20.04	18.40	15.28	15.65	10.79	13.52	
Return on Assets	-0.83	0.33	0.47	0.76	1.21	1.12	1.13	
CRAR	10.16	9.75	9.77	9.21	15.38	15.23	13.98	
Net NPA ratio	3.92	2.82	1.75	0.88	0.88	1.30	1.05	

Source : Profile of Banks, 2008-09 Indian Banks' Association

Table 2. Profit and Loss Statement of Dhanlaxmi Bank 2011-12

(Rs. in Crores)	Q4 FY12	Q4 FY11	FY12	FY11	Y-o-Y growth
Interest income	347.7	296.2	1,393.7	906.4	-75.1%
<i>from Advances</i>	259.2	242.0	1,075.4	699.1	-75.9%
<i>from Investments</i>	85.7	53.3	313.6	201.7	-72.7%
<i>Others</i>	2.8	1.0	4.7	5.6	-41.3%
Interest expenses	295.4	205.7	1,146.1	641.3	-74.2%
<i>On Deposits</i>	263.4	186.5	1,015.6	584.2	-74.1%
<i>On Borrowings</i>	31.9	19.3	130.5	57.1	-75.5%
Net Interest Income	52.3	90.4	247.5	265.1	(75.1%)

(Rs. in Crores)	Q4FY12	Q4FY11	FY12	FY11	y-o-y growth
Interest income	347.7	296.2	1393.7	906.4	54%
Interest expenses	295.4	205.7	1146.1	641.3	79%
Net interest income	52.3	90.4	247.5	265.1	-7%
Non Interest income	17.7	46.1	143.6	146.8	-2%
Operating expenses	146.8	107.9	489.1	344.5	42%
<i>Staff cost</i>	73.0	58.2	274.0	201.5	36%
Provisions	11.9	9.5	16.6	27.7	-40%
Profit before tax	-88.6	19.1	-114.5	39.7	NM
Provisions for tax	-2.1	7.9	1.2	13.7	-92%
Profit after tax	-86.5	11.2	-115.6	26.1	NM

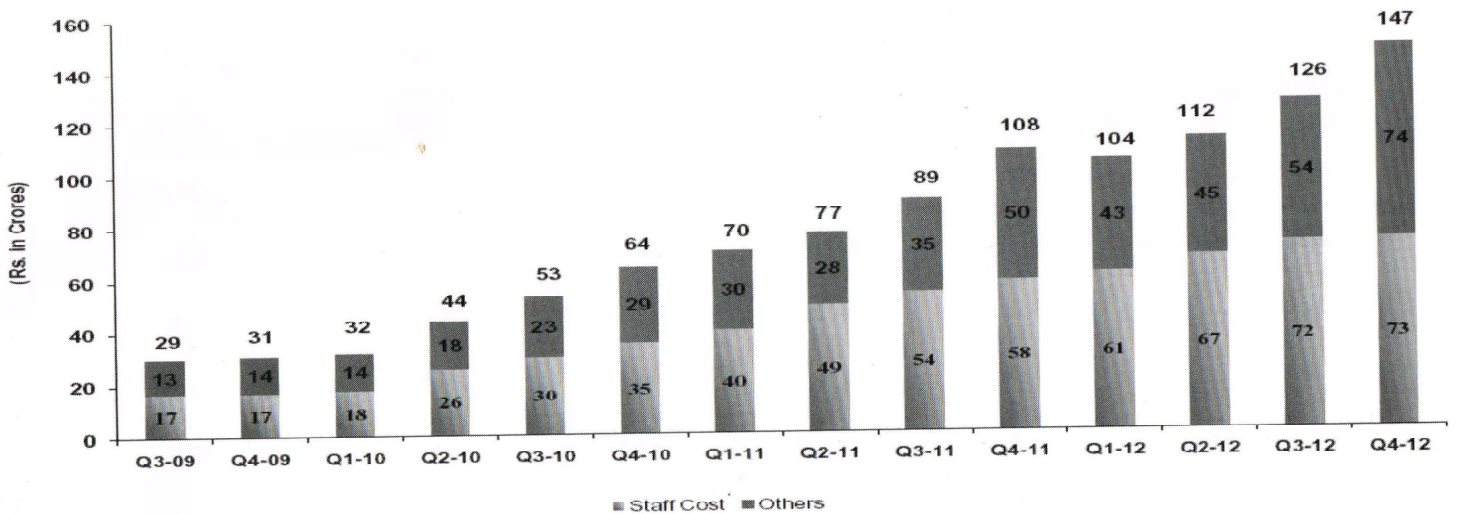
Source: Annual Report 2011-12, Dhanlaxmi Bank

Table 3. Financials of Dhanlaxmi Bank 2011-12

(Rs. in Crores)	31-Mar-12	31-Dec-11	Q-o-Q growth	31-Mar-11	Y-o-Y growth
Capital	85	85	0.0%	85	0.0%
Reserves	643	730	-11.9%	760	-15.4%
Deposits	11,804	13,406	-11.9%	12,530	-5.8%
Borrowings	1,722	1,209	42.4%	626	175.1%
Other Liabilities	422	517	-18.4%	268	57.5%
Total	14,676	15,946	-8.0%	14,268	2.9%
Cash / Bank balance	926	1,439	-35.6%	935	-1.0%
Investments	4,360	4,326	0.8%	3,640	19.8%
Advances	8,758	9,553	-8.3%	9,065	-3.4%
Fixed assets	149	144	3.5%	134	11.2%
Other Assets	484	484	0.0%	494	-2.0%
Total	14,676	15,946	-8.0%	14,268	2.9%

Source : Presentations, Dhanlaxmi bank website (www.dhanbank.com)

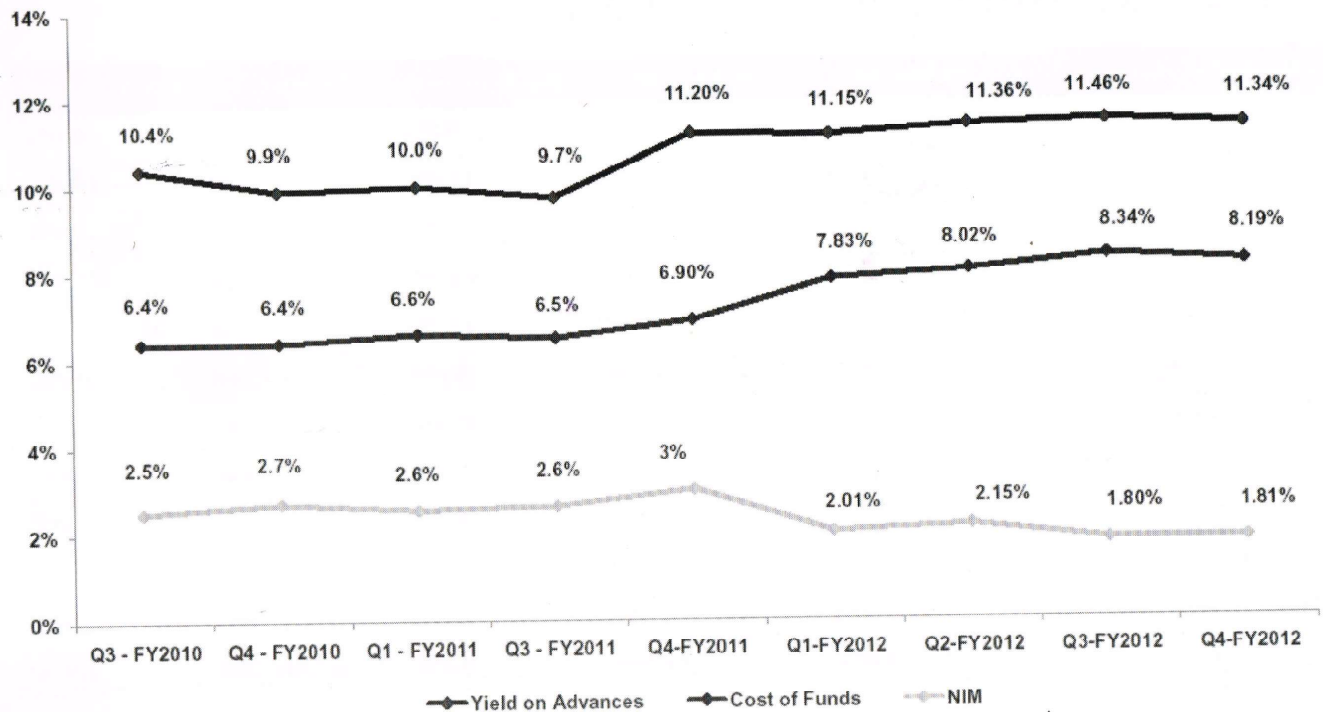
Chart 1: Trend in Operating Expenses



Source: Share holders info / Presentations, Dhanlaxmi bank website (www.dhanbank.com)

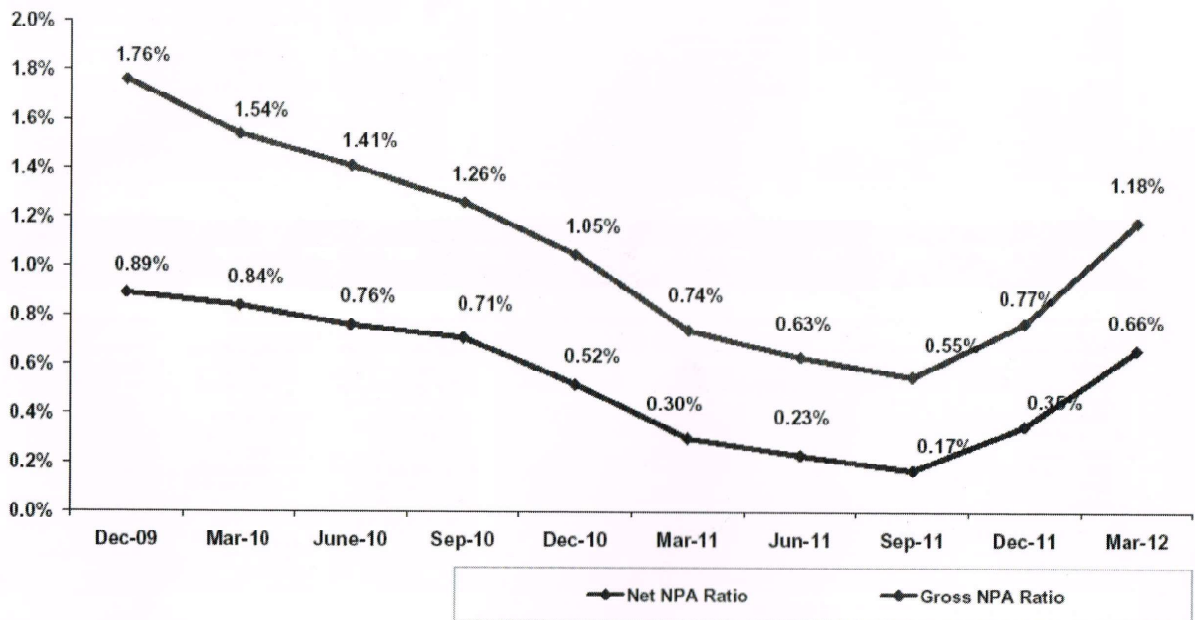
Appendix

Trend in Net Interest Margin (NIM) of the Bank



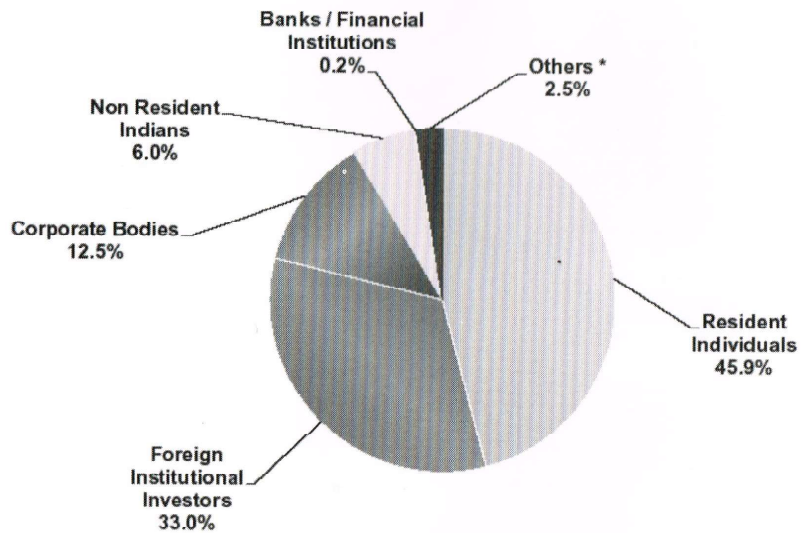
Source : Presentation on Financials 2012, Dhanlaxmi bank

Trend in Asset Quality of the Bank (when Re-positioning was on)



Source : Presentation on Financials 2012, Dhanlaxmi bank

Share Holding Pattern of the Bank

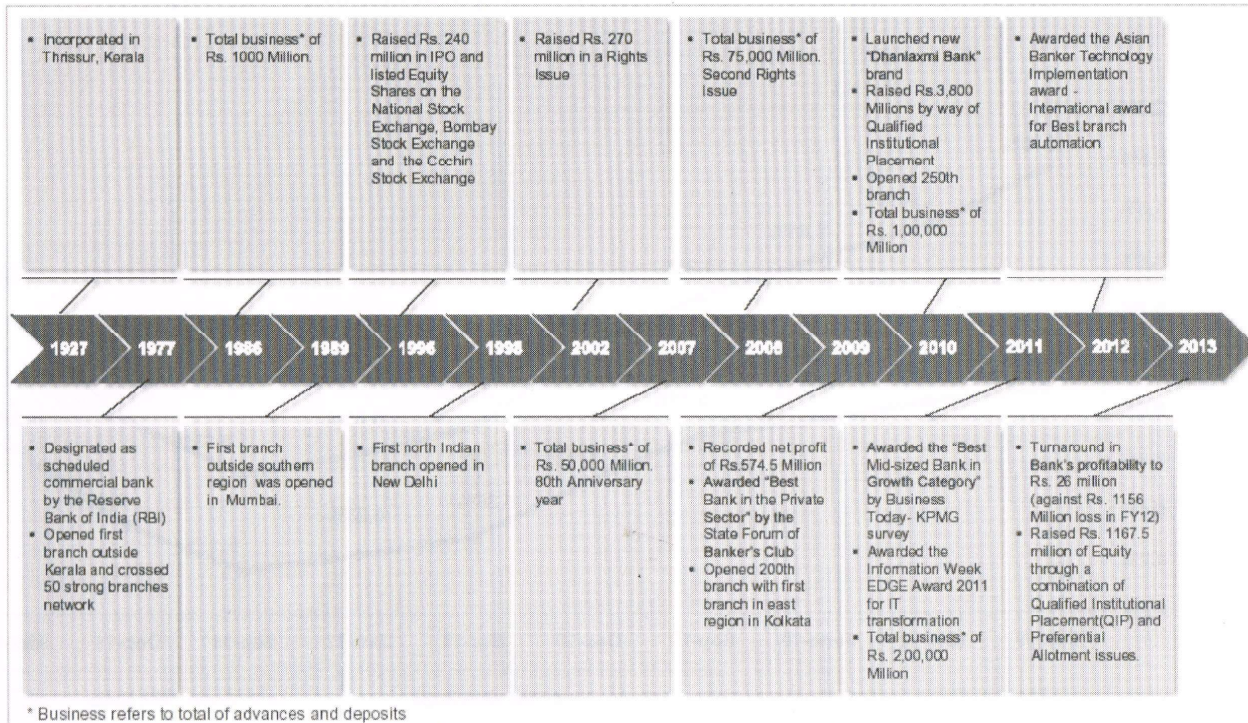


* Includes insurance companies, Mutual funds, Trusts and Clearing members

Investment limits for FIIs / NRIs at 49% and 24% respectively
 FIPB approval received – FDI limit at 74%

Source: Presentation of Financial Results 2011-12, Dhanlaxmi bank website (www.dhanbank.com)

Time-line of Bank's History (when presenting to Investors)



Source: Investor Presentation – Nov 2013, Dhanlaxmi bank website (www.dhanbank.com)