



EMBARGO:

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Media Statement

Kuala Lumpur, 9 November 2005 -- Southern Bank Berhad ("SBB") wishes to make the following statement in response to media interest on its share buyback programme.

Background

Broadly, share buyback programmes serve to enhance returns to shareholders, in two main ways – firstly, as one of the tools of capital management to achieve a more optimal capital structure by returning excess capital to shareholders; and secondly, as a means of signaling the intrinsic value of the company to the market.

As provided in the Circular to SBB's shareholders dated 3 June 2005, the Share Buy-Back Programme is "an integral part of the Bank's active capital management strategy to improve capital efficiency and enhance shareholders' value." Also, as indicated in the Circular, the Bank will also optimize the use of its financial resources that are in excess of business requirements to purchase its own shares in order to enhance the return on equity as and when appropriate.

SBB's programme has been approved by regulators and shareholders, and is governed by strict guidelines, both internally within the Bank as well as externally through stock exchange regulations. The process of share purchases is managed within clear parameters that have been determined by the Board of Directors which are in compliance with all relevant rules and requirements. The parameters were also formulated taking into account the intrinsic value of the Bank as endorsed by the Board.

Valuation perspective

It is implicit in our share buyback programme that we believe that SBB's share price is fundamentally under-valued, that it does not fully reflect the value of a high performing niche bank. Whilst relatively smaller in terms of assets, SBB has strong market positions in attractive business areas relative to other Malaysian banks which enable us to outperform in terms of earnings and dividends:

- # 2 in equity assets under management (AUM)
- # 2 in credit cards issuance and merchant acquisitions
- # 1 in net interest margins
- # 2 amongst domestic banks in total returns to shareholders over a 10 year period (Edge 2005 survey)

The assessments of the Bank's valuation for purposes of establishing the parameters of the Share buy back programme incorporated relevant valuation metrics.

During this Buy-Back Programme, SBB has only purchased its shares at prices that are well within the parameters set by the Board. All the shares purchased have been retained as Treasury Shares and the Bank has not sold any of the Treasury Shares.

It may be argued that any potential merger interest in a company is an affirmation of the intrinsic strengths of that company, and will thus shed more light on that company's true valuation. In addition, there have been numerous initiatives announced by SBB that may be affecting performance expectations and may be reflected in its share price:

- On 27 October 2005, SBB completed the first international Innovative Hybrid Tier 1 capital issue in Malaysia. The issuance attracted strong demand order book at nearly 4x oversubscription and enabled the transaction to be priced better than initial price guidance
- On 28 October 2005, SBB signed an MOU with Takaful International Company, a leading and one of the longest established Middle East Takaful companies, to jointly apply for a Takaful licence in Malaysia, and if approval is granted, to operate a Malaysian Takaful business that will be the hub of anticipated Asia-wide operations

- On 28 September 2005, SBB signed an MOU with Franklin Templeton, a major global asset management company, for the launching of the first unit trust funds fully invested outside Malaysia
- Perhaps most importantly, SBB is taking steps to complete the proposed acquisition of Asia General Holdings Limited, which has the unanimous support of the SBB Board of Directors. The Board is confident that this strategic initiative will substantially enhance SBB's shareholder value.

SBB has been informed by a top ranked global investment bank that the recent share price of SBB, even at recent highs, is still far below the intrinsic value of the Bank.

Conduct of share purchases

The statistics indicate that SBB has exercised its buy back programme judiciously and within approved and acceptable limits. We would emphasise that the parameters guiding the share buy back are solely focused on market supply and demand, pricing and intrinsic value. It is, in short, fundamentally value driven and not based on a function of time.

It is worth noting that our volumes on average, as shown below, do not constitute the bulk of market volumes. As we do not dominate the market volume, it therefore follows that we are not the only party buying shares at any given price level. Buying activity by other parties evidence that we are not the only one who believe SBB is under-valued.

Additional facts related to this programme are provided below:

- Since the commencement of the programme on 29 June 2005 to 8 November 2005, the Bank has acquired 47.66 million shares which represent 22 % of the total volume traded on Bursa Malaysia at a total cost of RM169.46 million.
- For the period from 24 October 2005 to 8 November 2005, the Bank has expended a sum of RM32.48 million to acquire 8.26 million shares which represent 9 % of the total volume traded on Bursa Malaysia during the period.

- For the period since 24 October, the total shares acquired under the programme comprise 17% of the total Treasury shares acquired to date.
- The average price per share of the 47.66 million Treasury Shares accumulated since the commencement of the Share Buy-Back Programme is RM 3.56.
- Even before the share buy back programme had commenced, SBB's share price has continued its upward trend. During the first half of the year, the share price had registered an increase from RM 3.36 per share to a high of RM 3.70 per share. We believe this momentum is a process of price discovery as well as recognition of the relatively strong earnings and dividend payout of 23 per cent for financial year 2004 and an interim dividend of 10 per cent so far this year.

As mentioned, the increased attention SBB has received of late has served to highlight the strengths of our franchise relative to our sector. Whilst the present share price performance may also be a reflection of the potential merger interest in SBB, we are confident that this increased recognition of our fundamental value will endure regardless of the outcome of any such interest.

Conclusion

The Share Buy-Back Programme provides an opportunity for the Bank to purchase its own shares when the market prices of the shares are below their intrinsic value in order to enhance the overall return on equity and total returns to shareholders.

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