

# **Case: Southern Bank Berhad (SBB)**

## **Presented To:**

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## **EXECUTIVE SUMMARY LETTER**

Southern Bank Berhad (SBB), an anchor bank, commenced business in Penang in 1965. Since 1978, its corporate headquarters have been relocated to Kuala Lumpur. The SBB group is principally involved in banking, stockbroking, fund management and finance and financial related business locally and abroad that will soon extend to include merchant banking.

The recent economic turmoil that hit Malaysia (1997-1998), has affected the financial industry and SBB experienced the same. Efforts were made by the government to minimized the impact with drastic currency control measures via fixing RM3.80 against USD1. Now the economy is recovering but there are still certain issues that need to be attended.

Recent issues on globalization placed an impact in the business world. Competition among business is expected to grow due to unlimited transactions especially with the existence of advanced information technology. Bank Negara Malaysia (BNM) reduced the number of domestic banks to only 10 under its Bank Consolidation Programme. This move was initiated to make the bank strong enough to face the competitive globalized economy. SBB is the one of the 10 anchor banks.

After going through an in-depth study of SBB's external opportunities and threats, also internal strengths and weaknesses, we have come out with strategies that SBB should adopt to ensure further boost the group's performance. The strategies identified are namely Market Penetration that involved introducing present products and services into geographic areas and Product Development that seeks increased sales by improving or modifying present products or services. Therefore, SBB should exert its existing products into new market area to grab bigger market share. SBB should also improve efforts to modify existing products and create new innovative ones. These would also ensure SBB group remains strong and not shaken by the existence of its competitors. And other things, SBB should also to open more new branches in Malaysia and also new branches Banco Austral of Mozambique.

## **1.0 Case Summary / Background**

### **History<sup>1</sup>**

Listed on: KLSE (main board) on 1 September 1987. Incorporated in Malaysia on 21 December 1963. Southern Bank Berhad (SSB), an anchor bank, commenced business in Penang in 1965 since 1978. Its corporate headquarters have been relocated to Kuala Lumpur.

### **Corporate Profile**

Southern Bank Berhad is a diversified financial services group with activities in commercial banking, securities trading, asset management, venture capital, nominee and other new economy business. With its group total assets around RM 23.8 billion as at June 30, 2000. Southern Bank is one of Malaysia's ten anchor financial institutions. It has an enlarged network of 107 branches and 149 ATMs.

Committed to maintain its flexibility and dexterity to better manage customer relationships the bank has strengthened its remote banking channels and leverage information technology in the market place. The guiding principle is to bring convenience to the customer with the wider distribution of diversified financial products across multiplier channels.

With the completion of bank merger between Southern Bank Berhad and Ban Hin Lee Bank on July 1, 2000, both its financial strengths and business structure have further been enhanced. When SBB's ownership of 100% of Ban Hin Lee is attained shorting the merger of the two banks will be affected. The ongoing integration exercise with other merger partner is proceeding on schedule SBB also progressing with its acquisition of United Merchant Finance Berhad and controlling stakes in Perdana Finance Berhad and Perdana Merchant Bankers Berhad. By year end, taking into account such developments, the enlarged SBB group will emerge with a stake in a sizeable finance company and a merchant bank. Its aggregate assets would be in excess of RM 25 billion and growing.

On a stand-alone basis, SBB operate a distribution network of 72 branches that has expanded over the years to major cities and population centers of Malaysia. All branches are computerized and

online. The banks ATM network of 85 marketed under "autobank" is located throughout Malaysia. SBB is also a member of Electronic Payment System 1997 Sdn Bhd. MEPS enable member banks to pool ATM resources and which also provide cardholder greater access to the ATM network. SBB hope to meet its steep financial targets through the use of more information technology (IT<sup>1</sup>) in its business. Its CEO Dato' Tan Heong Hean said that SBB would be launching its Internet Banking Service soon which would ultimately reduce expenses too. The bank plans to incorporate more IT in business.

With an enlarged customer and branch network, SBB would be able to cross-sell its product to a wider range of customers. SBB is expecting more sophisticated and larger competition from the industry - wide merger program and the bank was gearing its staff to take on the challenge.

Overseas links are through Investimentos Associados Limitada which owns 60% of Banco Austral SARL, a leading Mozambique bank which own a network of 87 branches.

Branches (31.12.99): Wilayah Persekutuan (16) , Johor (6) , Kedah (2) , Kelantan (1) , Malacca (2) , Negeri Sembilan (4) , Pahang (3) , Perak (7) , Penang (7) , Sabah (2) , Sarawak (1) , Selangor (19) , Terengganu (1) , and Wilayah Persekutuan Labuan (1).

For the year ended 31 December 1999, SBB's total turnover amounted to RM 556,146,000. Its post tax profit also recorded growth over 170% from RM 37,186,000 in 1998 to RM 102,694,000 in 1999 with that, SBB holds 1.19% of the financial industry market share.

Southern Bank Berhad, as abroad - based financial services group is intent to remain competitive, relevant and profitable in the years ahead.

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<sup>1</sup> [www.klse.com](http://www.klse.com)