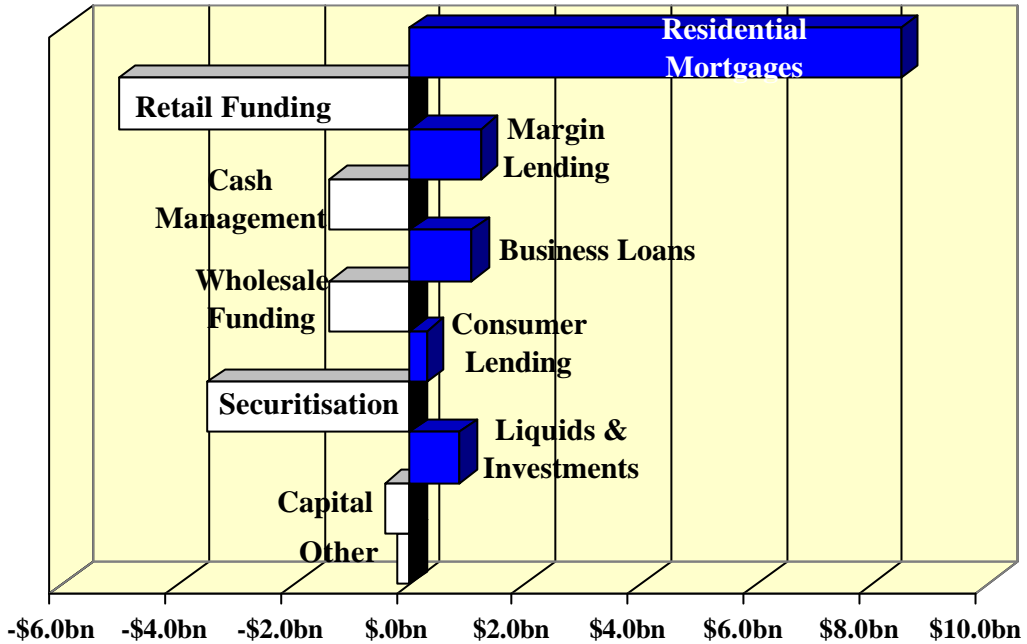


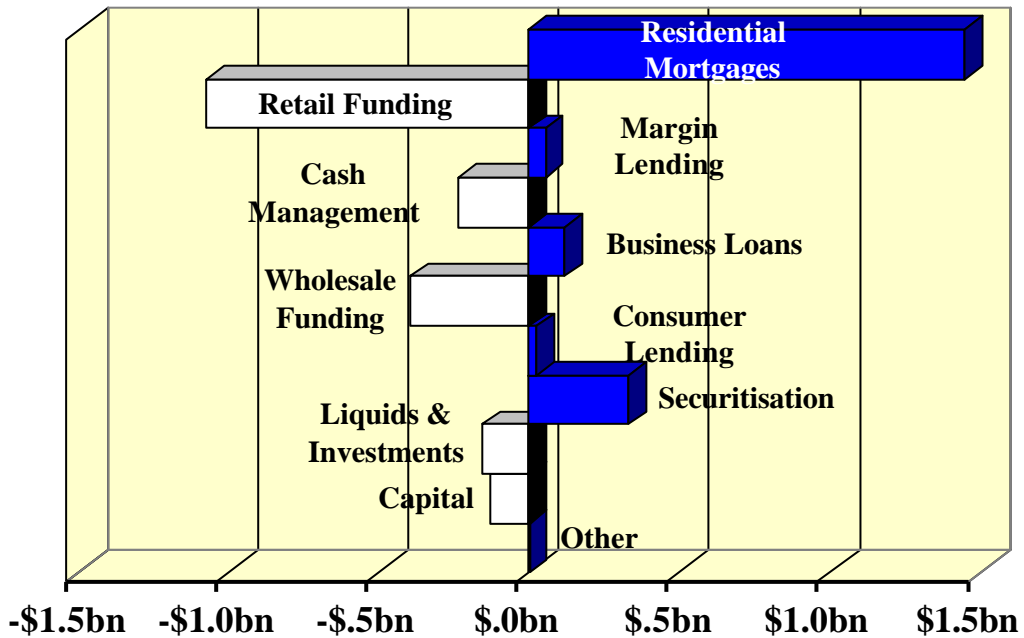
**ADELAIDE BANK
MANAGEMENT COMMENTARY ON RESULTS FOR THE
YEAR ENDED 30 JUNE 2003**

Assets & Liabilities Under Management



Total assets under management grew by 14.2% to close the year at \$12.3 billion.

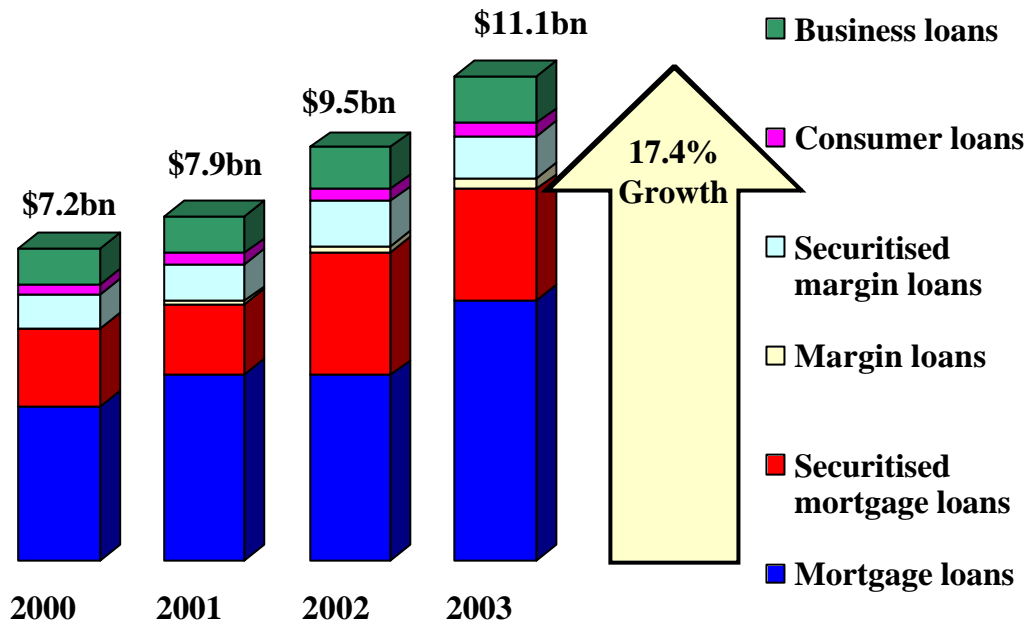
The following chart shows movement for the year in individual business lines. Retail funding and cash management largely funded the strong growth in residential lending.



Loans Under Management

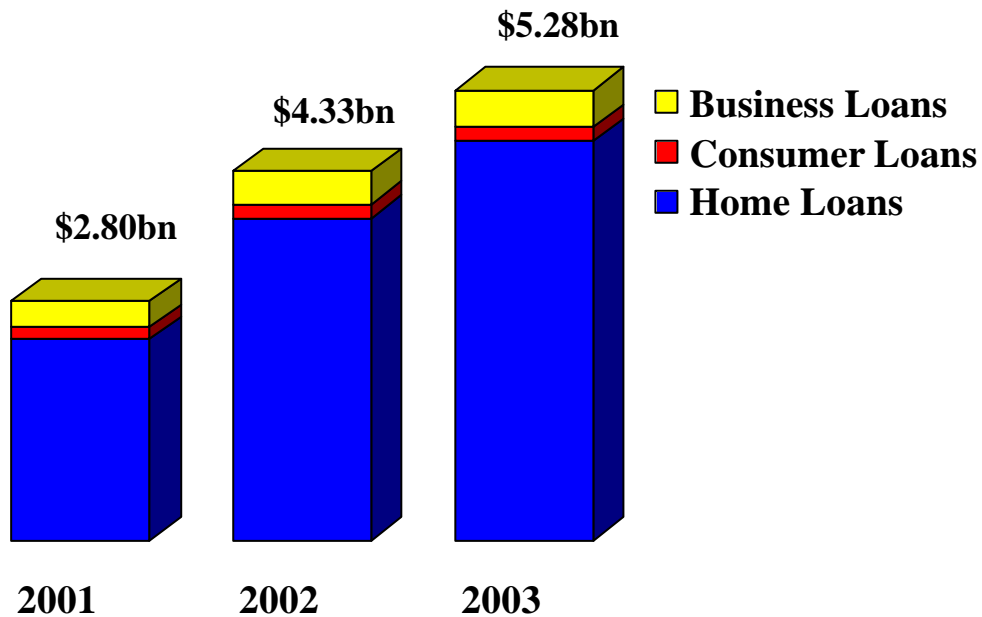
Loans under management grew by \$1.6 billion during the year. Growth of 17.4% comfortably exceeded Adelaide Bank's stated target of 15% and the 12.8% growth shown in data published by the Reserve Bank of Australia. As a result, the Bank's market share of total lending grew by 6 basis point to 1.26%, with market share of housing growing by 2 basis points to 2.10%.

LOANS UNDER MANAGEMENT



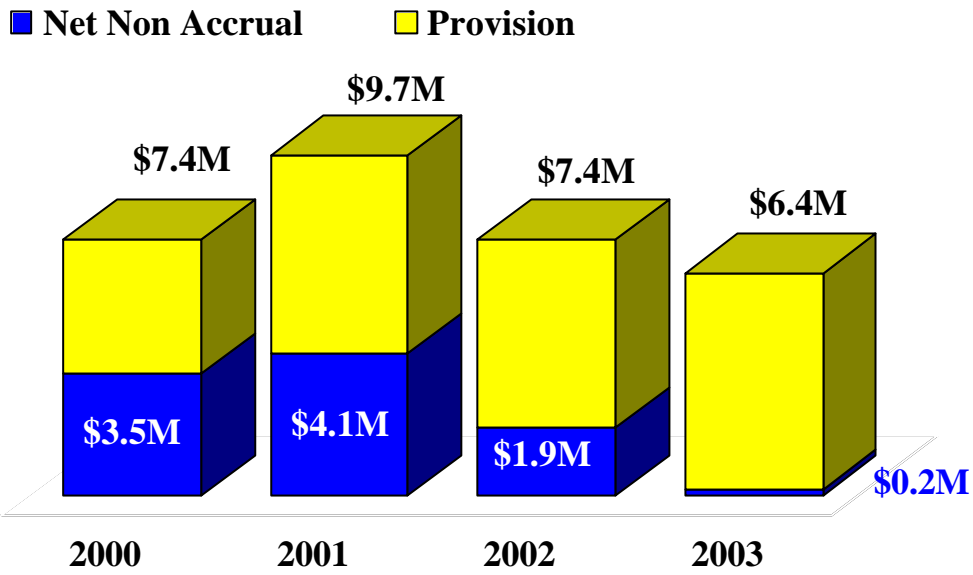
Loan approvals for the year were at record levels, buoyed by continuing success in home lending.

LOAN APPROVALS



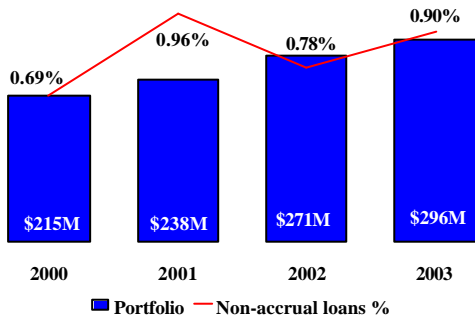
Loan quality remained sound with gross non-accrual loans falling to \$6.4 million. This represented 0.08% of gross loans, with net non-accrual loans representing 0.00% of gross loans and 0.05% of equity and general provisions. These figures see Adelaide Bank continue at the upper end of credit quality for Australian retail banks.

NON-ACCRUAL LOANS

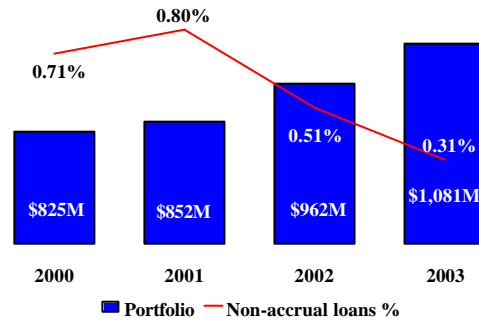


Non-accrual consumer loans increased to more normal levels over the year, while business loan non-accruals fell to a record low. Loans past due 90 days and over returned to more normal levels after a reaching a low in 2002.

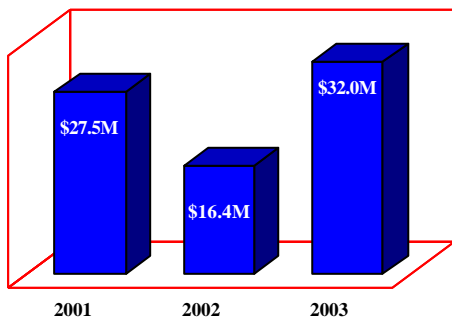
Consumer Loans



Business Loans



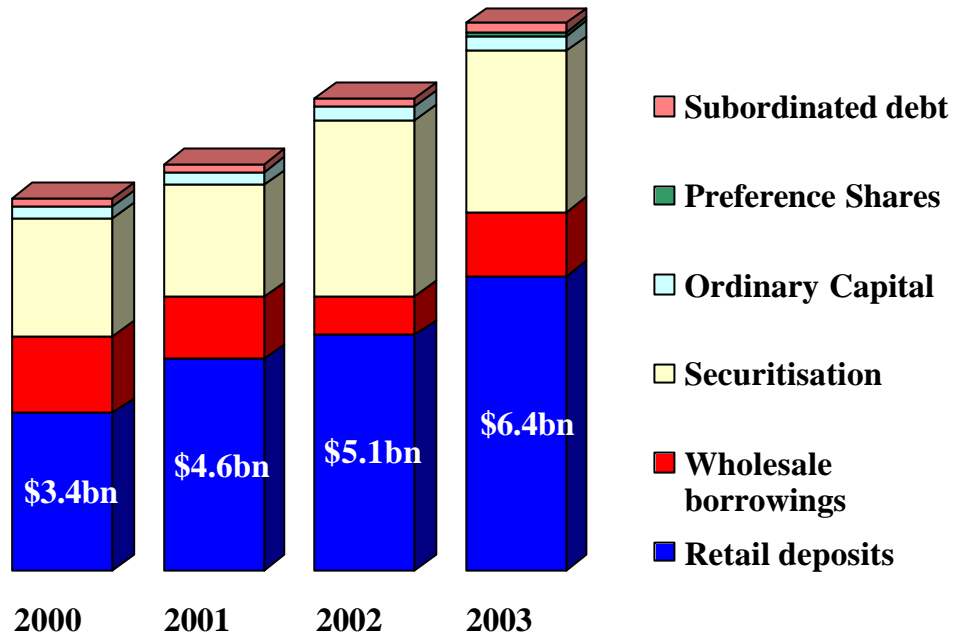
Past Due 90 Days & Over



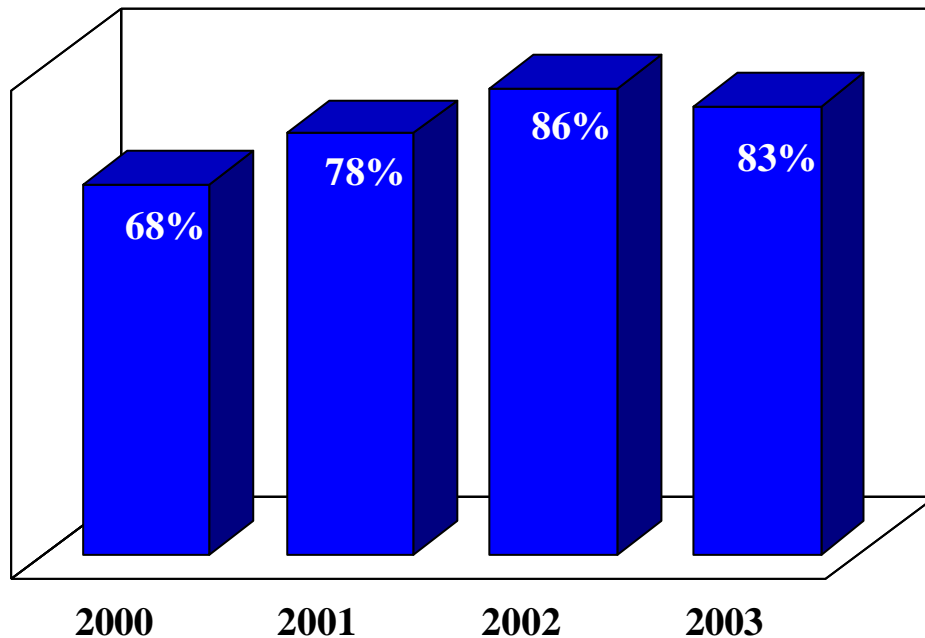
Funding

Adelaide Bank made further progress in increasing the level of funding from retail deposits, with an increase of \$1.3 billion (25.5%) in the financial year.

SOURCES OF FUNDING

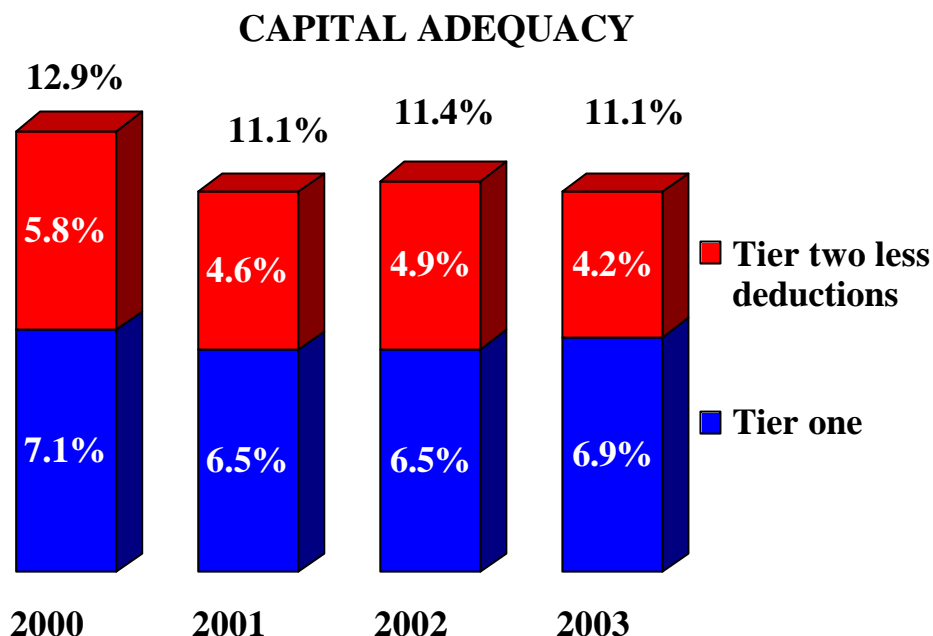


The ratio of retail funds to total funding fell slightly to 83%, primarily as a result of strong growth in lending and retention of a greater proportion of loans on the Bank's balance sheet.



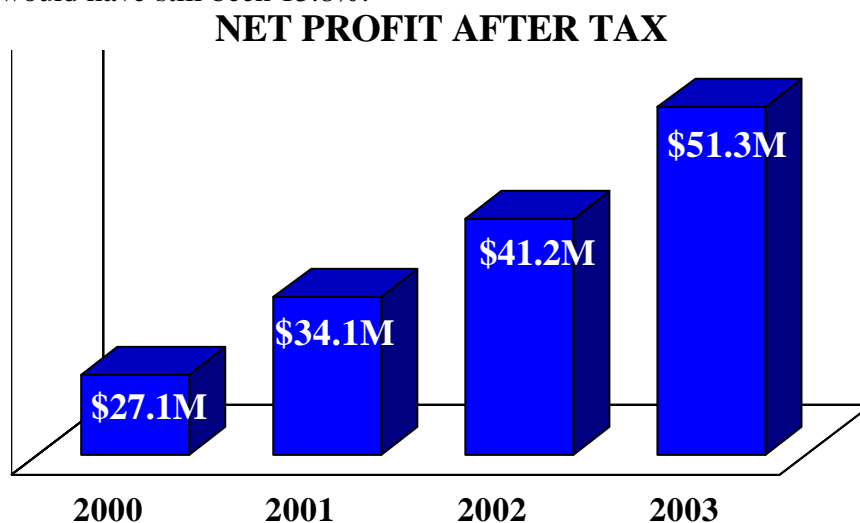
Capital

In November 2002, Adelaide Bank concluded a successful issue of Reset Preference shares. The \$100 million issue was heavily oversubscribed and boosted the Bank's capital adequacy ratio to 12.76% at the end of December 2002. Subsequent growth in assets under management has been largely funded on the Bank's balance sheet, with a consequential run-down in the capital adequacy ratio.



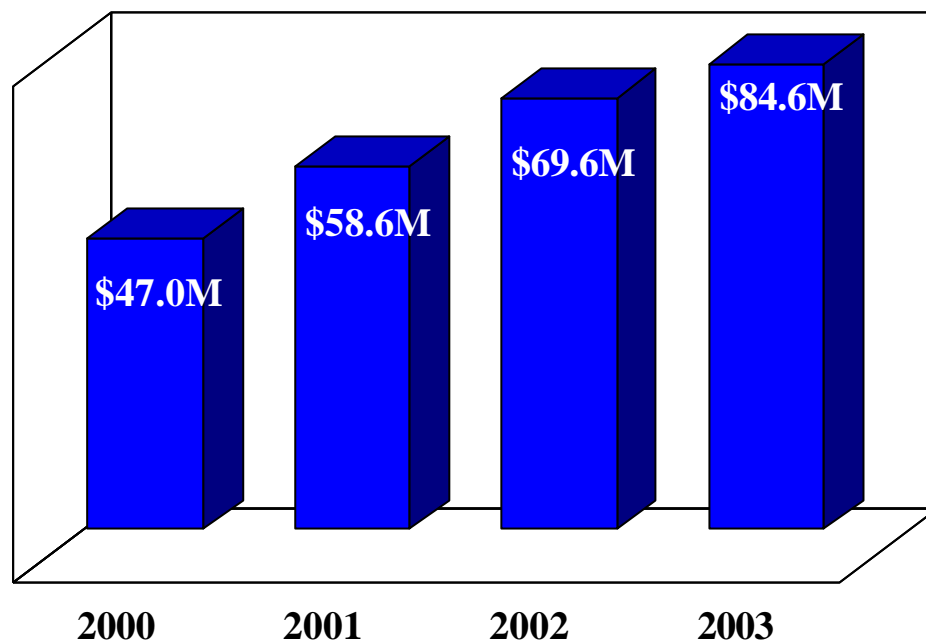
Profitability

Continued growth allowed the Bank to deliver net profit after tax of \$51.3 million, an increase of \$10.1 million (24.5%) on 2002. The result was boosted by the impact of reset preference shares, with dividends (paid and proposed) of \$3.6 million to be shown as a distribution. If the dividend had been included as an expense the growth in profit would have still been 15.8%.



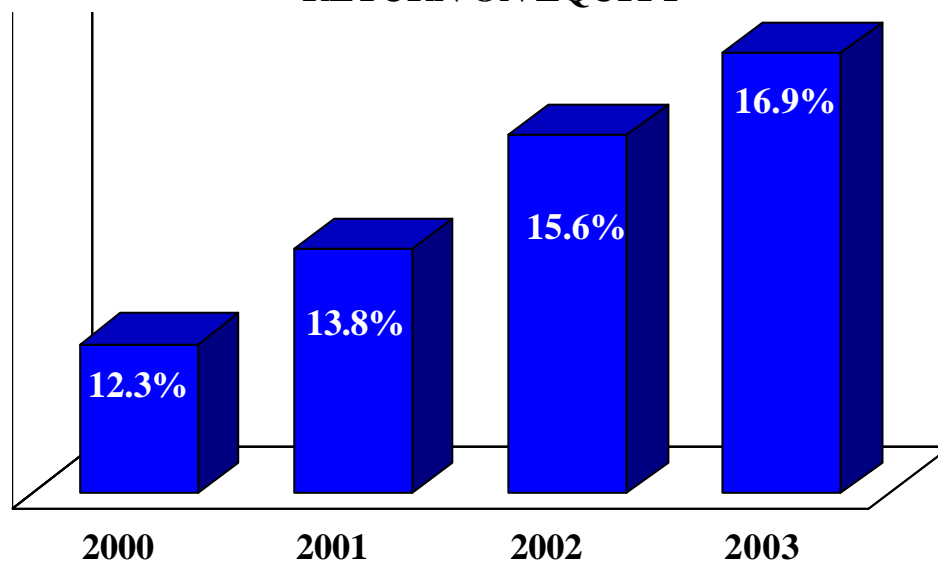
Underlying earnings lifted to \$84.6 million, a 22 percent increase on the result for the year ended 30 June 2002.

UNDERLYING EARNINGS



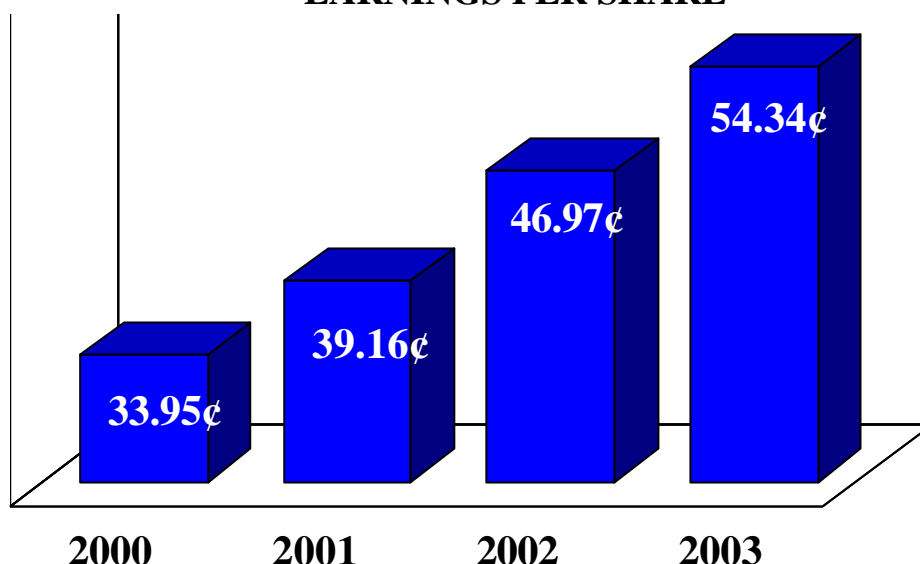
The Bank delivered a return on ordinary equity (prior to amortisation of Leveraged Equities) of 16.86%. This was above the level for the year ended 30 June 2002 and the Bank's target of 15%.

RETURN ON EQUITY



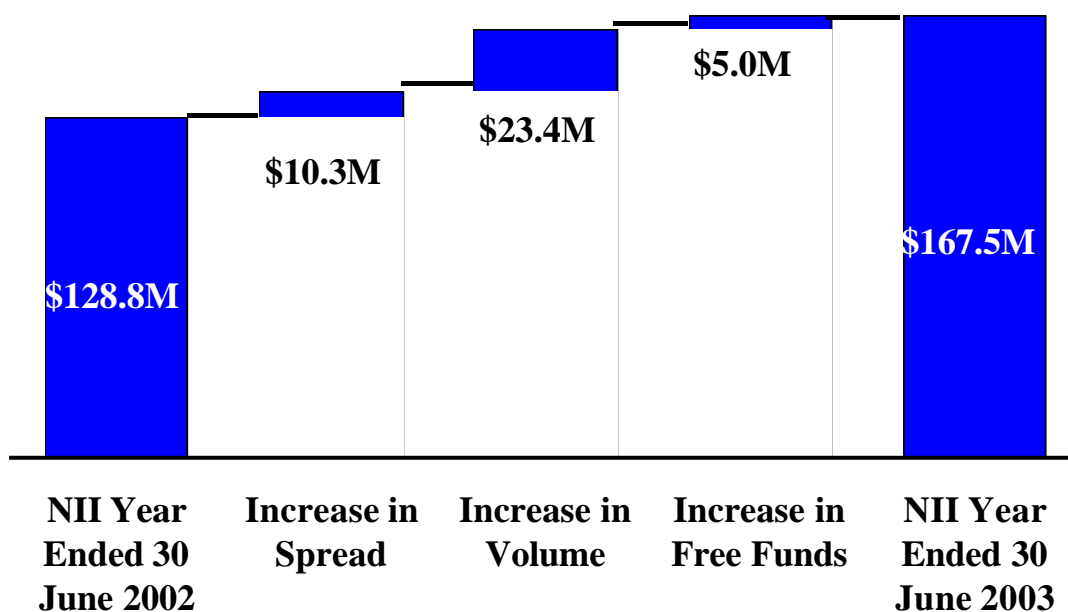
Increased profitability translated into earnings per share of 54.34 cents, up from 46.97 cents in 2002. As a consequence the Bank has lifted its final dividend by three cents to 21 cents. This represents a full year dividend of 37 cents and a dividend payout ratio of 68%, in line with the Bank's long term objectives.

EARNINGS PER SHARE



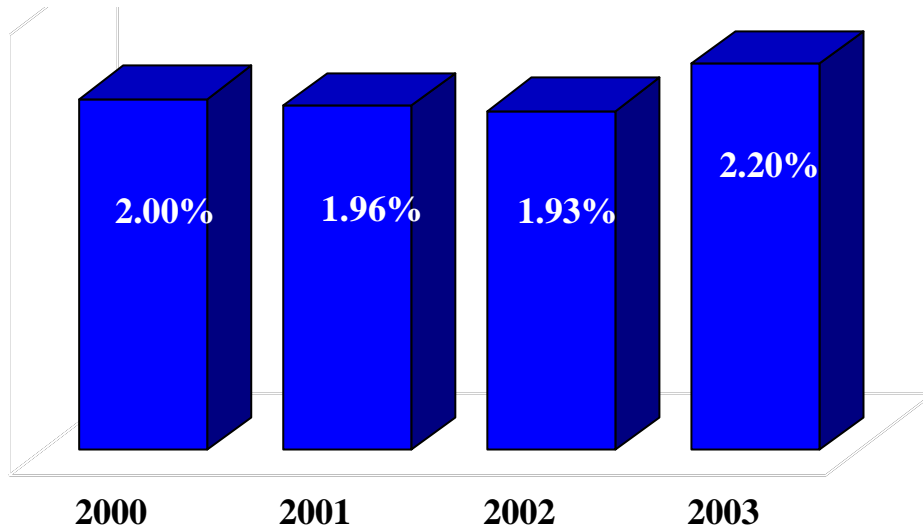
Net Interest Income

Net interest income rose by \$38.7 million from the year ended 30 June 2002. The following chart sets out the reasons for the increase between 30 June 2002 and 30 June 2003. Increased volumes accounted for the largest proportion of the increase.



The Bank's net interest margin lifted to 2.20% in the latest year, providing a significant boost to net interest income. The margin was assisted by a lift in the level of "free funds", primarily due to the issue of reset preference shares. The margin on loans also improved, with a greater proportion of loans in premium priced products. Continued growth in retail funds provided a sound funding platform.

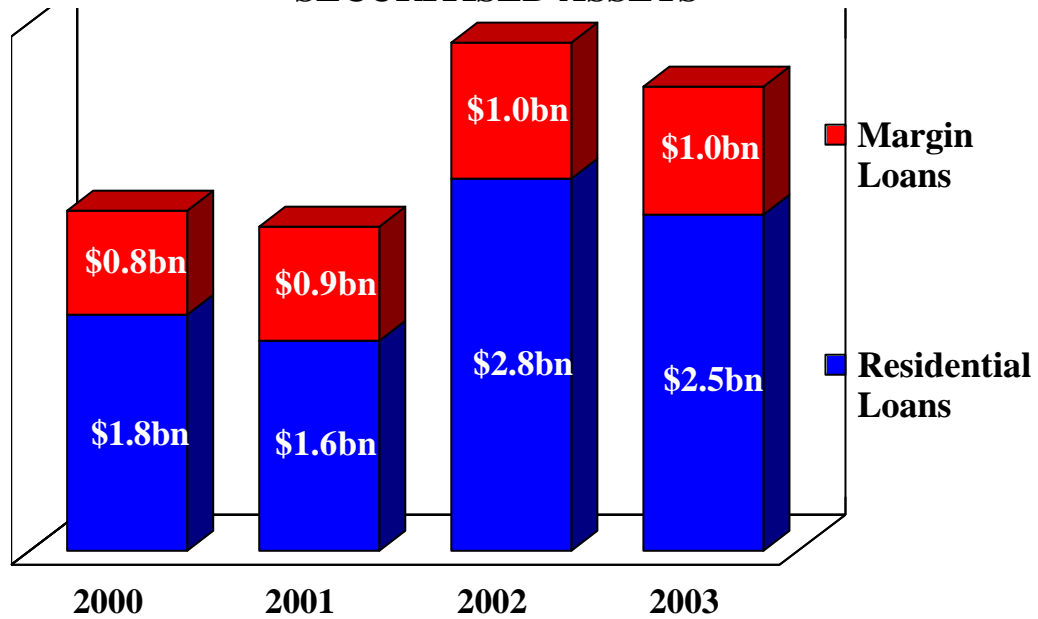
NET INTEREST MARGIN



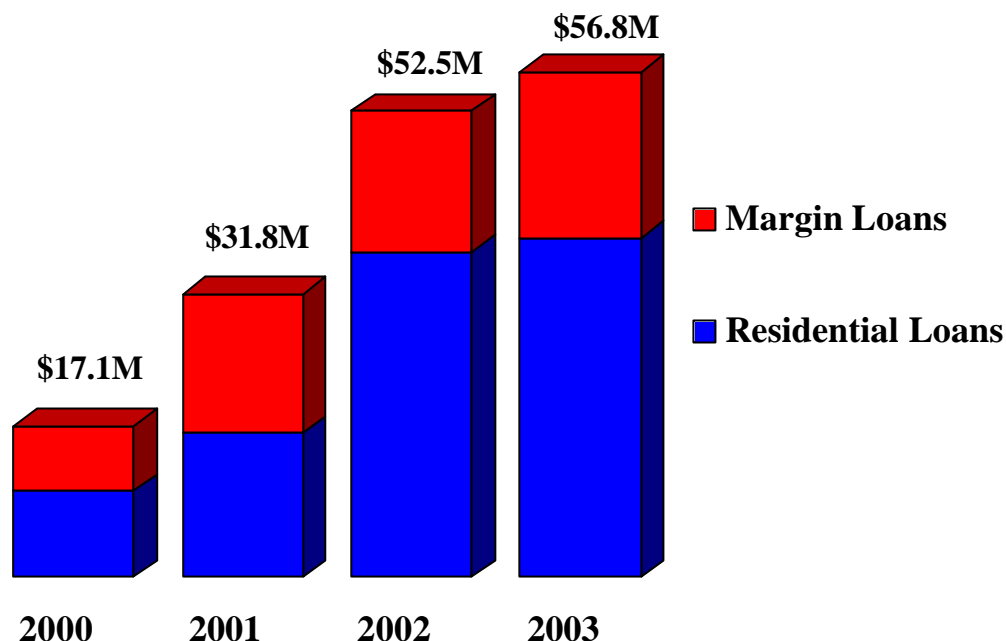
Securitisation Income

Securitisation income rose by \$4.3 million (8.3%) from the year ended 30 June 2002.

SECURITISED ASSETS

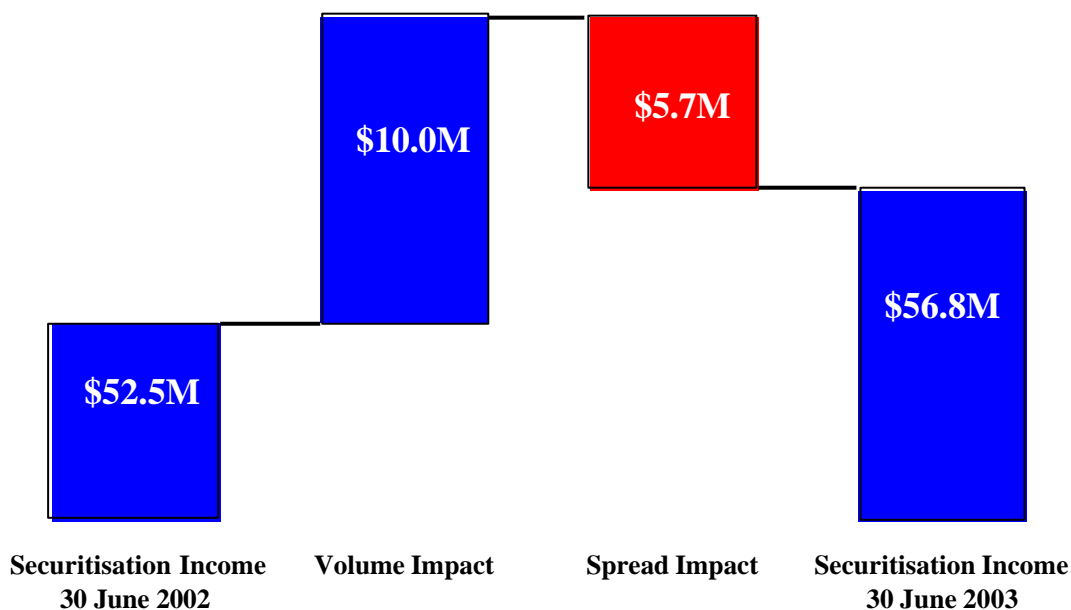


SECURITISATION INCOME



The increase in securitisation income was driven by an increase in average securitised assets over those for the year ended 30 June 2002. This increase was partly offset by a 16 basis point reduction in the excess spread.

MOVEMENT IN SECURITISATION INCOME

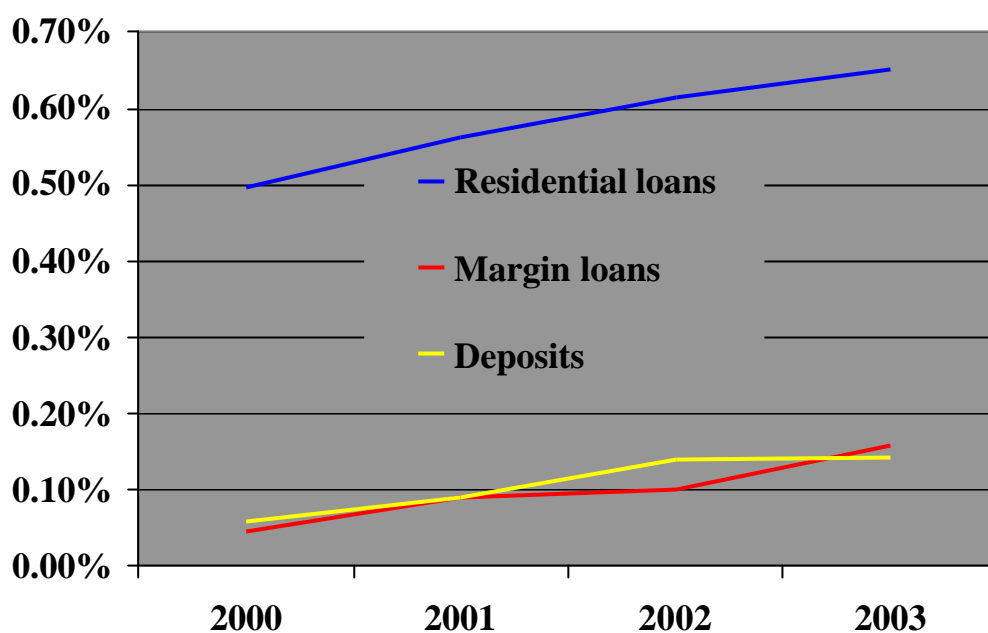


Fees to Intermediaries

Fees to intermediaries rose largely in line with the increasing volume of business written through this distribution channel. Total fees includes frequent flyer points on the Margin Flyer account.

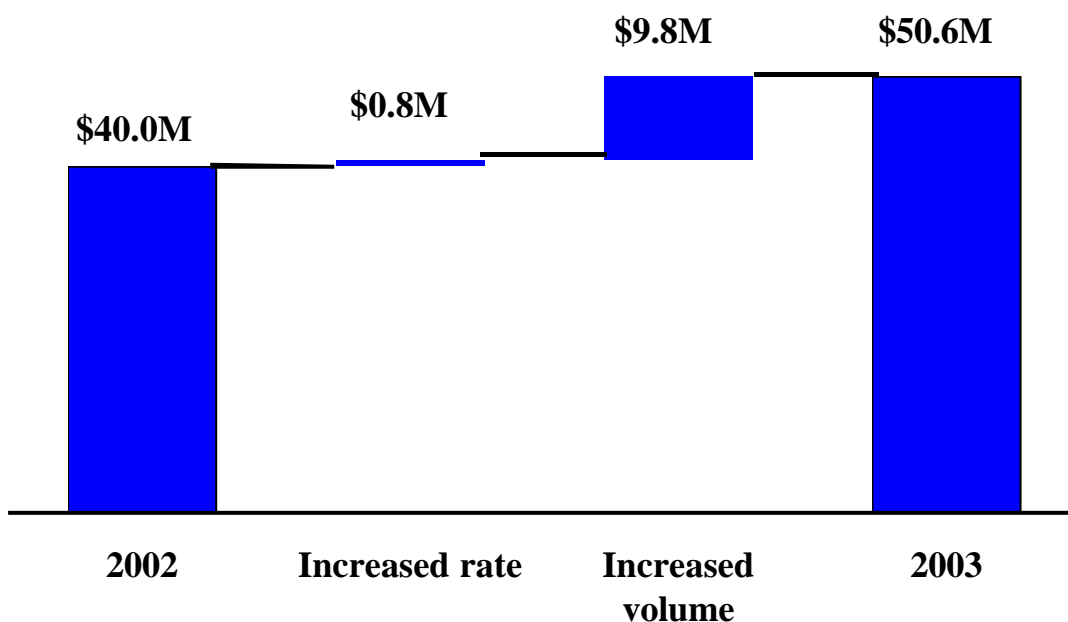
FEE TO INTERMEDIARIES

(as a % of average portfolio)



The rate of commission rose slightly for housing as a result of an increasing proportion of business being conducted through intermediaries. The following chart looks at just those loans that were originated through third parties, showing that most of the increase in cost came as a result of increased volume.

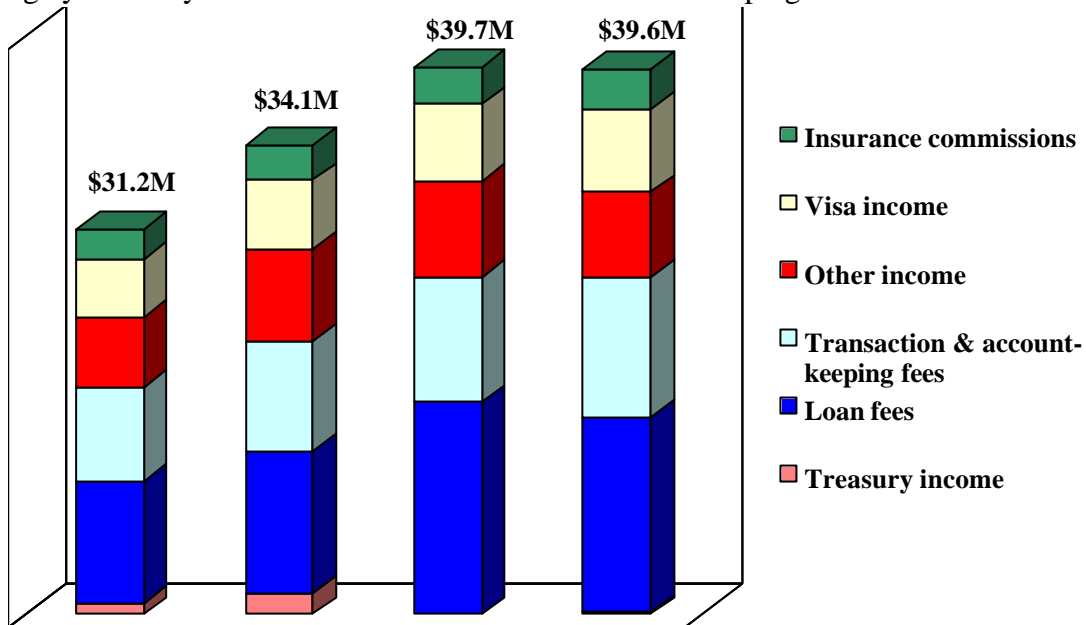
RESIDENTIAL FEES



The increase in the rate of commission on margin loans was primarily as a result of increases in commission rates due to competitive pressure.

Other Income

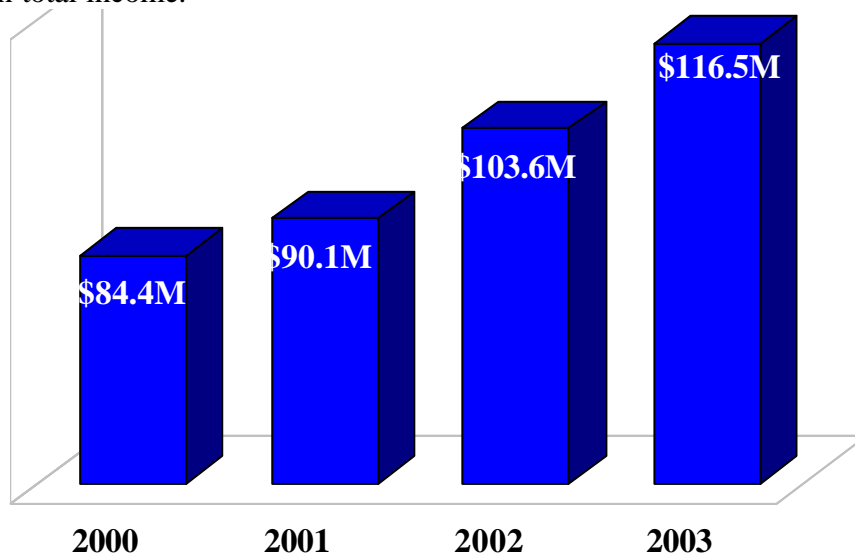
Other income remained fairly stable for the year, with a slight fall in loan fees being largely offset by an increase in transaction and account keeping fees.



	2002	2003	Growth	
	\$M	\$M	\$M	%
Treasury income	0.0	0.2	0.2	-930.0%
Loan fees	15.4	14.1	(1.3)	-8.7%
Transaction & account-keeping fees	8.4	9.3	0.9	10.1%
Other income	7.7	7.2	(0.5)	-6.8%
Visa income	5.6	6.0	0.4	7.6%
Insurance commissions	2.7	2.9	0.2	7.0%
Total	40	40	(0.2)	-0.5%

Operating Expenses

Operating expenses increased by 12.4% over those for 2002. Importantly, this level of increase was lower than the rate of growth of assets under management and the growth in total income.

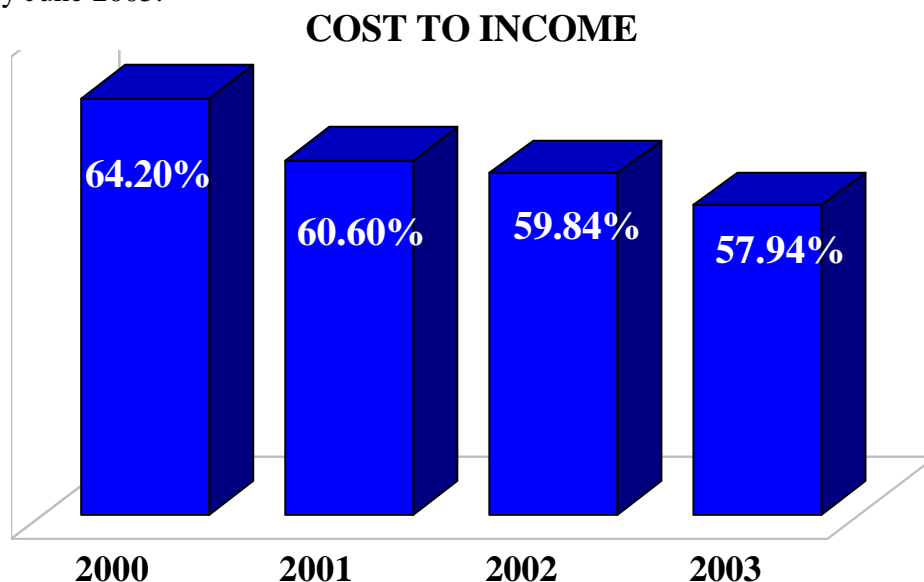


Comments on individual items are:

- **Staff**– Growth was primarily driven by increased lending activity. Residential loan approvals were up by 26% on those for the year ended June 2002. It is important to note that loan approval costs are being managed to ensure that they vary with volumes, thus allowing the Bank to reduce costs should volumes fall. Full time equivalent staff numbers increased from 883 in June 2002 to 979 in June 2003.
- **Computer & equipment** – the increase was largely due to increases in software licence fees and further investment in technology.
- **Depreciation & amortisation** – the increase was largely due to the write-off of capitalised software development costs and low-value fixed assets. The Bank now has only \$358,000 in capitalised software development costs.
- **Communication, printing & stationery** – the increase reflects the increase in business activity and consequent flow-on to printing and stationery costs.
- **Professional fees** – increases in legal, audit and consulting fees.
- **Other expenses** – costs have been well controlled.

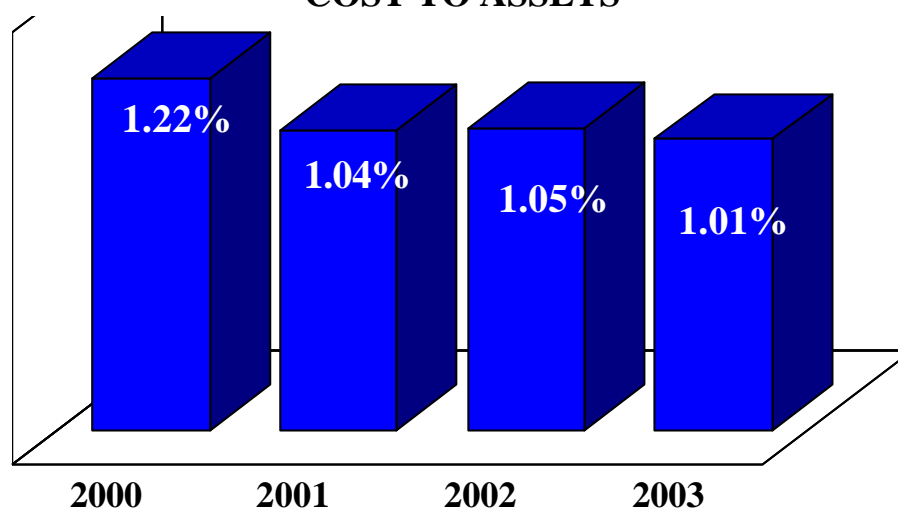
	2002	2003	Growth	
	\$M	\$M	\$M	%
Staff Expenses	58.4	67.2	8.8	15.1%
Occupancy Expenses	7.2	7.0	(0.1)	-2.0%
Computer & Equipment Expenses	6.2	7.5	1.3	20.6%
Depreciation & Amortisation	5.5	7.5	2.0	37.1%
Communications, printing & stationery	6.8	7.5	0.7	9.8%
Professional Fees	6.4	7.0	0.6	10.2%
Other	13.2	12.7	(0.4)	-3.2%
Total	103.6	116.5	12.9	12.4%

The cost to income ratio continued to fall, tracking towards the Bank's objective of 55% by June 2005.



The cost to asset ratio remained relatively stable, at the leading edge of performance for Australian retail banks.

COST TO ASSETS



SEGMENT RESULTS

	2002	2003	Growth	
	\$M	\$M	\$M	%
Residential Lending	37,823	52,206	14,383	38.0%
Business Banking	10,637	12,475	1,838	17.3%
Margin Lending	7,329	7,648	319	4.4%
Retail Deposits	16,117	18,248	2,131	13.2%
Other	4,377	6,553	2,176	49.7%
	76,283	97,130	20,847	27.3%
Unallocated Support	(15,009)	(22,847)	(7,838)	52.2%
	61,274	74,283	13,009	21.2%

Residential Lending

	2002	2003	Change	
	\$M	\$M	\$M	%
NII & Securitisation Income	94,540	124,188	29,648	31.4%
Fees to Intermediaries	39,952	50,601	10,649	26.7%
	54,588	73,587	18,999	34.8%
Other income	12,594	12,342	(252)	-2.0%
Total Income	67,182	85,929	18,747	27.9%
Total Costs	29,265	33,499	4,234	14.5%
Underlying Earnings	37,917	52,430	14,513	38.3%
Provision for Bad & Doubtful Debts	94	224	130	138.3%
Contribution Before Tax	37,823	52,206	14,383	38.0%
Average Total Assets	6,506,384	7,773,722	1,267,338	19.5%
NII & Securitisation Income / Average Assets	1.45%	1.60%		
Cost to income	43.6%	39.0%		
Cost to assets	0.45%	0.43%		

Strong volumes and an improved margin combined to boost revenue. Importantly revenue grew at a faster pace than assets under management and at almost double the rate of increase in costs.

Other income remained stable reflecting increased competition.

Costs were well controlled, growing by less than the growth in assets and as a result the cost to income ratio on this segment of the business fell dramatically.

Business Banking

	2002	2003	Growth	
	\$M	\$M	\$M	%
NII	16,667	18,412	1,745	10.5%
Fees to Intermediaries	34	47	13	38.2%
	16,633	18,365	1,732	10.4%
Other income	1,910	2,069	159	8.3%
Total Income	18,543	20,434	1,891	10.2%
Total Costs	6,736	7,455	719	10.7%
Underlying Earnings	11,807	12,979	1,172	9.9%
Provision for Bad & Doubtful Debts	1,170	504	(666)	-56.9%
Contribution Before Tax	10,637	12,475	1,838	17.3%
Average Total Assets	908,273	1,005,811	97,538	10.7%
NII & Securitisation Income / Average Assets	1.84%	1.83%		
Cost to income	36.3%	36.5%		
Cost to assets	0.74%	0.74%		

Revenue rose in line with growth in the portfolio, with margins being held in spite of increasing competition. Costs continue to be well controlled with the both cost ratios holding firm over the year.

Margin Lending

	2002	2003	Growth	
	\$M	\$M	\$M	%
NII & Securitisation Income	18,238	21,941	3,703	20.3%
Fees to Intermediaries	990	3,019	2,029	204.9%
	17,248	18,922	1,674	9.7%
Other income	386	260	(126)	-32.6%
Total Income	17,634	19,182	1,548	8.8%
Direct Costs	9,194	11,419	2,225	24.2%
Allocated Costs	1,111	-	(1,111)	-100.0%
Total Costs	10,305	11,419	1,114	10.8%
Underlying Earnings	7,329	7,763	434	5.9%
Provision for Bad & Doubtful Debts	-	115	115	Large
Contribution Before Tax	7,329	7,648	319	4.4%
Average Total Assets	984,777	1,126,324	141,547	14.4%
NII & Securitisation Income / Average Assets	1.85%	1.95%		
Cost to income	58.4%	59.5%		
Cost to assets	1.05%	1.01%		

In spite of volatile equity markets, average loans under management grew by over 14%.

Increased competition, and the introduction of a frequent flyer programme, resulted in a significant increase in the level of “intermediary payments”. In spite of this increase total income grew by 8.8%.

Costs were well controlled, growing at a slower pace than the rate of growth in the portfolio. Provisions of \$115,000 reflect write-offs relating to operational errors that occurred during the year.

Retail Funding

	2002	2003	Growth	
	\$M	\$M	\$M	%
NII	40,741	43,800	3,059	7.5%
Fees to Intermediaries	6,819	8,223	1,404	20.6%
	33,922	35,577	1,655	4.9%
Other income	9,292	9,057	(235)	-2.5%
Total Income	43,214	44,634	1,420	3.3%
Total Costs	26,952	26,324	(628)	-2.3%
Underlying Earnings	16,262	18,310	2,048	12.6%
Provision for Bad & Doubtful Debts	145	62	(83)	-57.2%
Contribution Before Tax	16,117	18,248	2,131	13.2%
Average Total Deposits	4,887,531	5,767,231	879,700	18.0%
NII / Average Deposits	0.83%	0.76%		
Cost to income	62.4%	59.0%		
Cost to deposits	0.55%	0.46%		

Average deposits grew at significant pace, although increased pressure on margins meant that growth in net interest income failed to match growth in deposits. Growth in average total deposits of 18% was slightly behind the 25% year-on-year growth in the portfolio.

A reduction in the cost base resulted in a fall in the cost to income ratio.