



The 1999-2000 financial year saw a recovery in the second half after a first half performance which was impacted by rising interest rates and squeezed margins.

The successful integration of the Leveraged Equities Limited business into Adelaide Bank, new alliances and working partnerships and record loan approvals marked the improved second half.

With the Bank poised to improve profitability during 2000-2001, the final 1999-2000 result saw consistent return to shareholders.

Building partnerships – Assisting South Australian businesses to expand Internationally

PROFITS

Underlying earnings for the 1999-2000 year increased by 2%, from \$46.3 million in 1998-99 to \$47.0 million, with profit before tax increasing by 3% from \$43.5 million to \$44.80 million.

Profit after tax, but before abnormal tax and amortisation costs, was \$30.3 million, compared with \$30.7 million in 1998-99. This is in line with the Bank's stated objective of a \$30 million-plus profit after tax for the year.

LENDING

Record loan approvals of \$3.21 billion were achieved for the year, representing a 35% increase on the \$2.37 billion approved for 1998-99. Lending outside of the Bank's traditional base of South Australia increased by 51%, with loan approvals outside South Australia representing more than 75% of all new business.

RETAIL DEPOSITS

Retail deposits grew from \$2.6 billion at the end of 1998-99 to \$3.4 billion at the end of 1999-2000, an increase of 32%. The successful operation of Cash Management Trusts and other deposit offerings raised over \$800 million during the year.

GLOBAL SECURITISATION ISSUE

In June 2000, Adelaide Bank successfully undertook its first global securitisation issue with a \$1.25 billion issue that accessed markets in both Europe and the United States.

Securitisation is the raising of funds through the issue of securities linked to a pool of mortgages. The global securitisation issue provided Adelaide Bank an increasingly wide range of options to fund its growing home lending business.

LEVERAGED EQUITIES ACQUISITION

In February 2000, Adelaide Bank acquired one of Australia's largest margin lending businesses, Leveraged Equities Limited. In the first five months of operation, Leveraged Equities has been integrated into the Adelaide Bank structure and returned a pre-tax profit of \$3.6 million.

ALLIANCES

Alliances with Credit Suisse Asset Management (Australia) and AWB (formerly the Australian Wheat Board) Limited, TD Waterhouse, Summit Master Trust, GE Mortgage Solutions Ltd. plus a strong relationship with Australia's largest accounting-based advisory group, Count Wealth Accountants, blossomed, providing diversified income streams for the Bank.

TOTAL ASSETS

Total assets under management at June 30, 2000, were \$8.27 billion, a 49% increase on the \$5.56 billion at the end of the 1998-99 financial year. Excluding Leveraged Equities, total assets under management increased by 35% on a year-to-year basis.



CAPITAL ADEQUACY

The risk adjusted capital adequacy ratio was 12.9% at June 30, 2000, compared with 12.7% at the end of the 1998-99 financial year. Tier One Capital was 7.1% compared with 6.9% per cent.

CREDIT RATING

Adelaide Bank maintained its "BBB" long-term and "A2" short-term debt ratings by Standard & Poor's with the Bank's outlook changed from negative to stable while Moody's provided a "Baa3" rating with a stable outlook for deposits, while senior non deposit debt was rated at "Ba1."

OPERATING COSTS

Operating costs for the year, excluding Leveraged Equities, increased by 3%, but were slightly below budget at \$80 million, the key operating expense to average assets ratio further reduced, standing at 1.20% at the end of 1999-2000, compared with 1.56% at the end of 1998-99.

CRS SALE

The marketing and management arm of Co-operative Retirement Services was sold late in 1999-2000 to Victorian-based Prime Life Corporation Limited for a base price of \$1.2 million, less costs, with further payments to be received subject to future profitability.

SHAREHOLDER RETURNS

The final dividend for 1999-2000 will be 17 cents per share, fully franked and payable on October 16, 2000. Together with the 13 cents first half dividend paid on March 31, 2000, the full year's dividend of 30 cents per share represents a dividend payout ratio of 94%.

FINANCIAL HIGHLIGHTS AT A GLANCE

	2000	1999	% Change
Underlying earnings (\$000's)	47,009	46,282	+2
Profit before tax (\$000's)	44,803	43,536	+3
Profit After Tax (\$000's)	27,054	30,711	-12
Profit after tax, but before abnormal tax and amortisation costs (\$000's)	30,254	30,711	-1
Total Assets under management (\$B)	8.275	5.561	+49
Earnings per share – fully diluted (c)	34	41	-17
Net Tangible Assets per Share (\$)	2.84	2.88	-1
Risk adjusted Capital Adequacy (%)	12.9	12.7	+2
Operating expenses to assets ratio	1.20	1.56	- 23
Operating expenses to income ratio	63.92	62.54	+2

Building partnerships – Funding construction of leisure facilities

Times have certainly changed since Mrs Burford purchased a share for her daughter, but the principle still remains the same – we provide opportunities for our customers to invest in the future, be it savings plans or bricks and mortar!