



Adelaide Bank

# Annual Results Briefing 2006

# Table of Contents

## **Results Highlights**

Earnings per share	1
Cost to income ratio	2
Credit quality	2
Residential loan arrears	3
Residential credit loss history	4
Diversified profit base	4
Dividends	5

## **Financial Overview**

Profitability	6
Net interest income	6
Net interest margin	7
Other income	7
Operating Expenses	8
Cost to income	8
Earnings per share	9
Cash return on equity	9
Capital adequacy	10
Capital management	10

## **Operations Overview**

Businesses	12
Mortgages	12
Margin Lending	13
Portfolio Funding	14
Business Banking	15
Funding	16
Retail	17
Adelaide Managed Funds	18
Strategy	18
Key Directions 2005-08	19
<b>The Future</b>	
Key Financial Objectives	20
<b>Appendices</b>	
Residential loans	21
Business Banking	22
Portfolio Funding	22
Margin Lending	23
Funding base	23

# Results Highlights

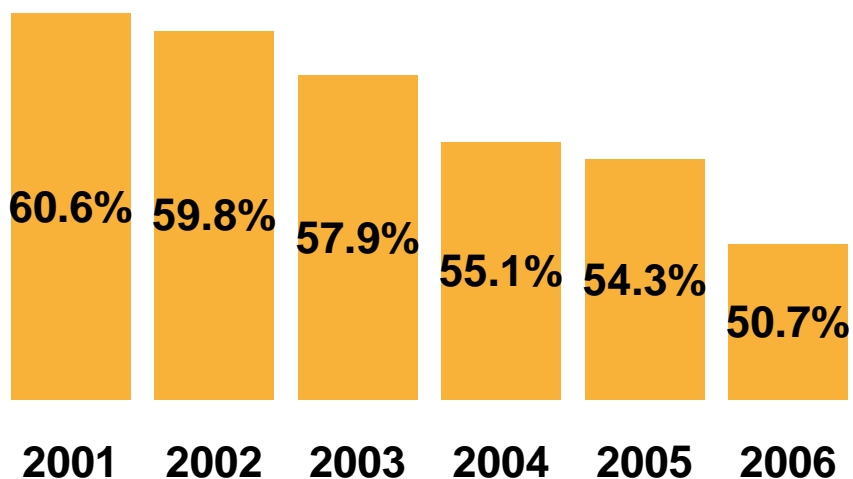


## Earnings Per Share

	Strategic Target	Achieved
Growth in EPS	>10%	13%



## Cost to Income Ratio

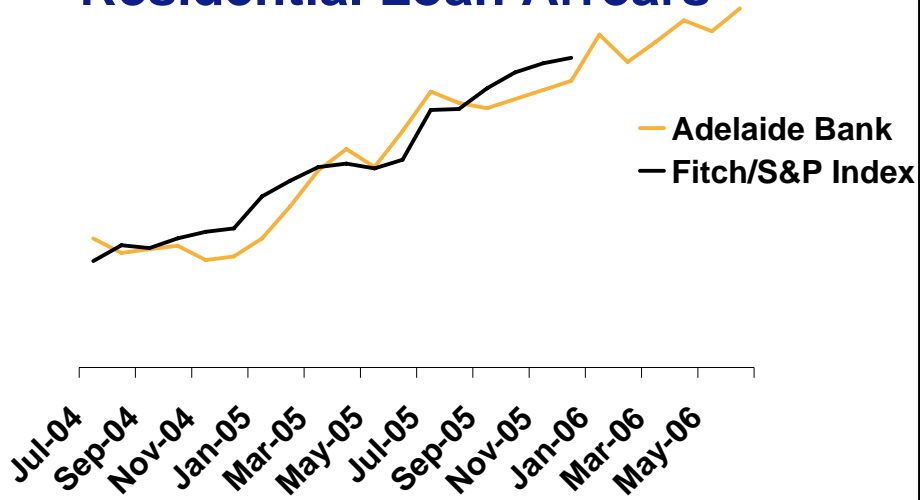


## Credit Quality

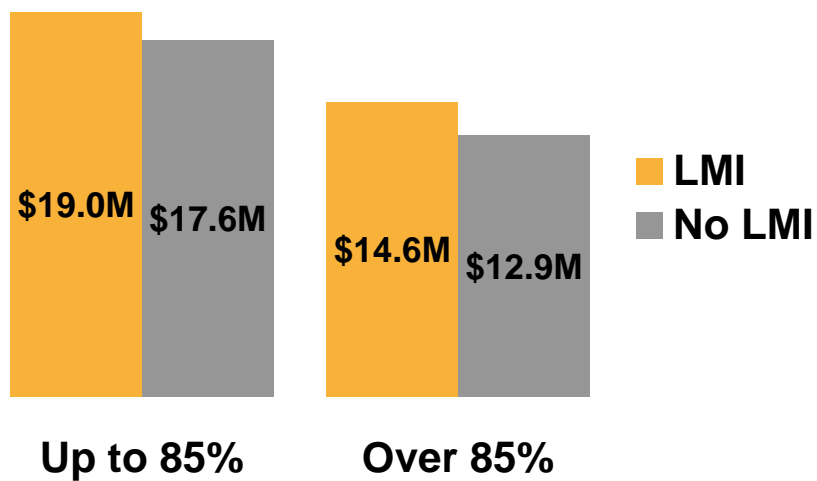
	Portfolio	Non-accruals	
	\$bn	\$M	%
Residential	8.3	19.7	0.24
Business Banking	1.4	1.3	0.10
Portfolio Funding	0.8	0.0	-
Consumer	0.2	2.6	1.04
Margin Lending	0.9	0.0	-
<b>TOTAL</b>	<b>11.6</b>	<b>23.6</b>	<b>0.20</b>



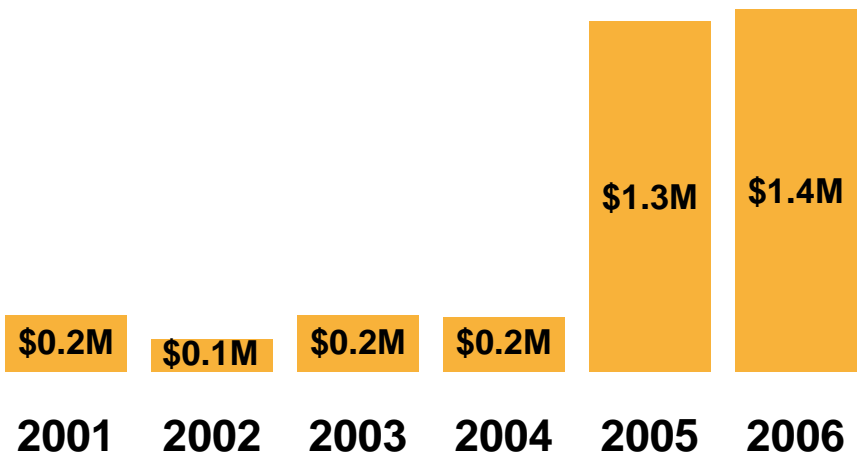
## Residential Loan Arrears



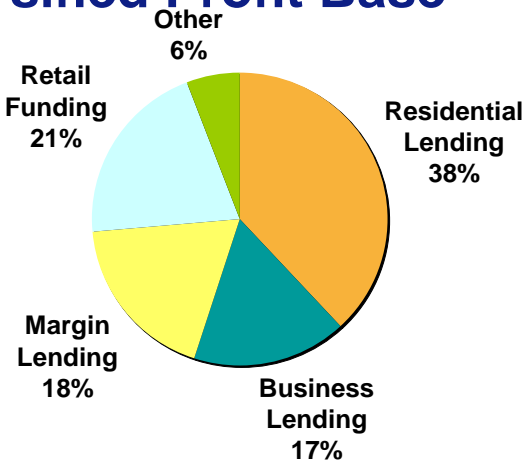
## Residential Loan Arrears



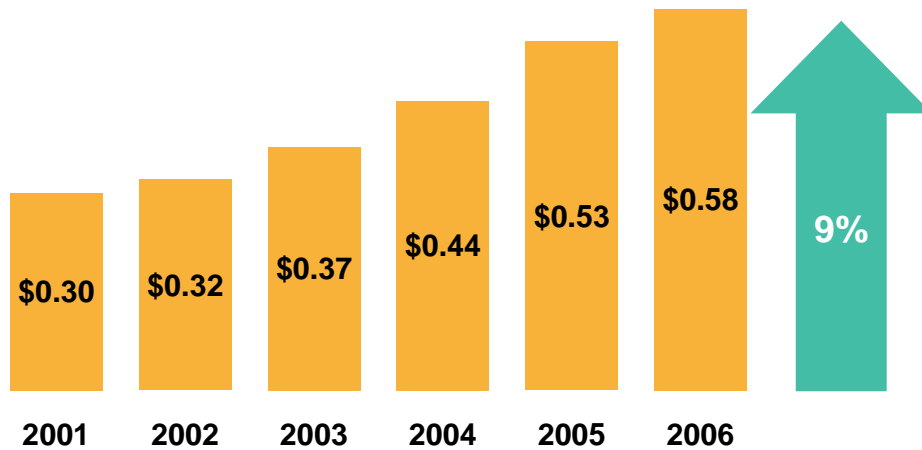
# Residential Credit Loss History



# Diversified Profit Base

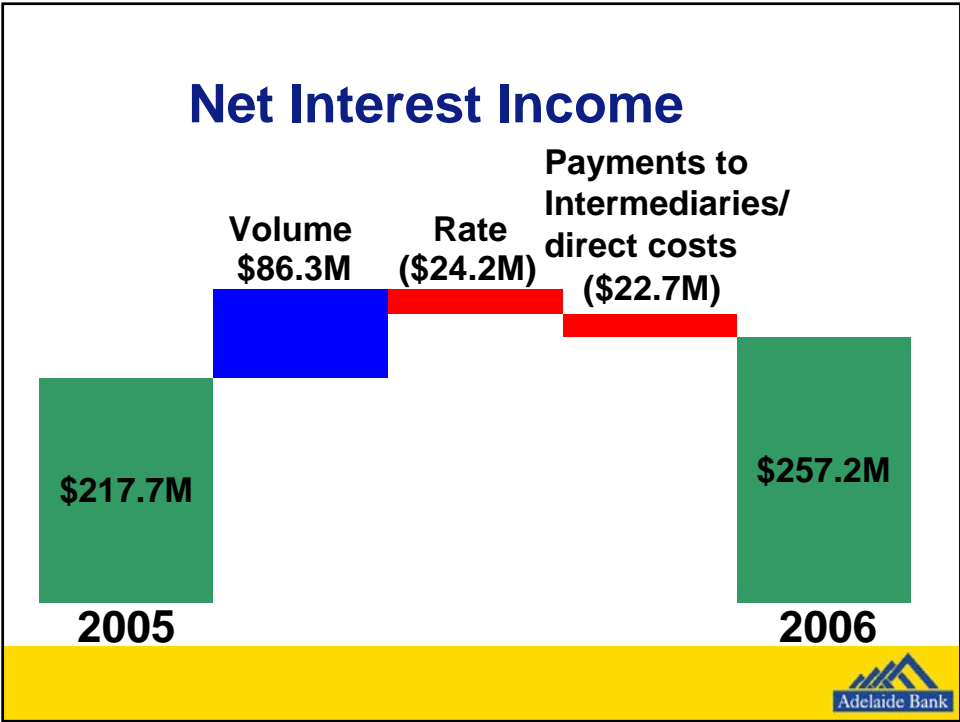
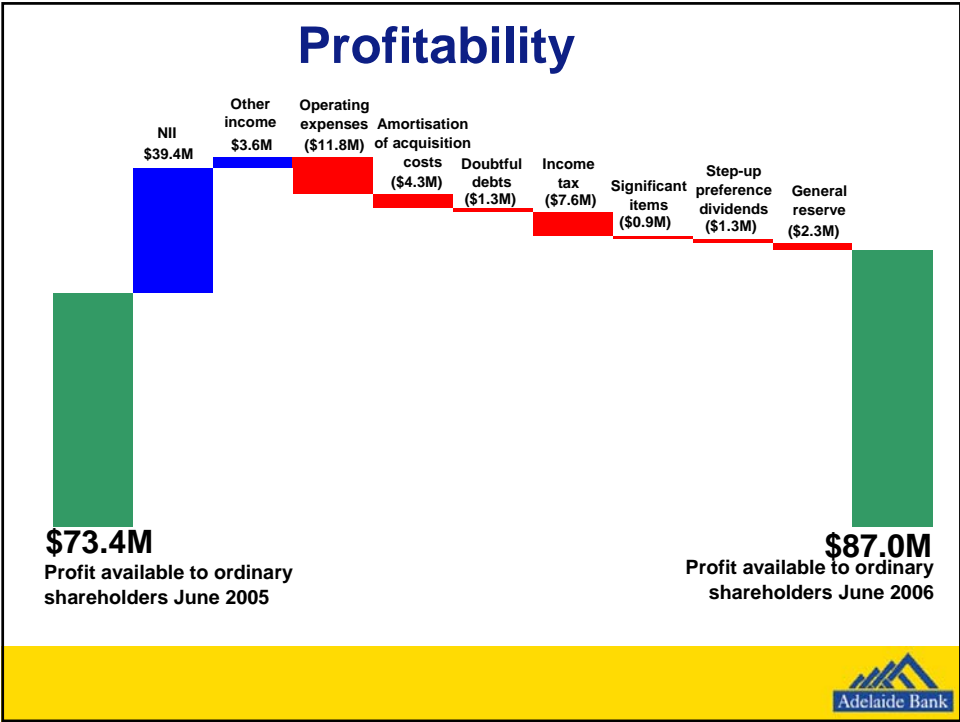


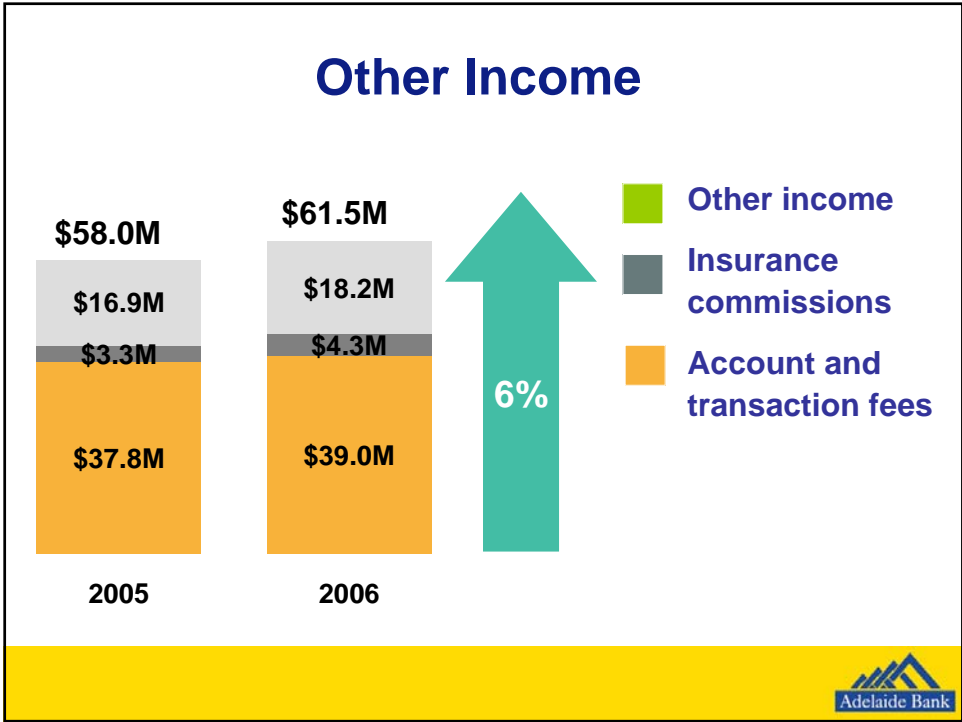
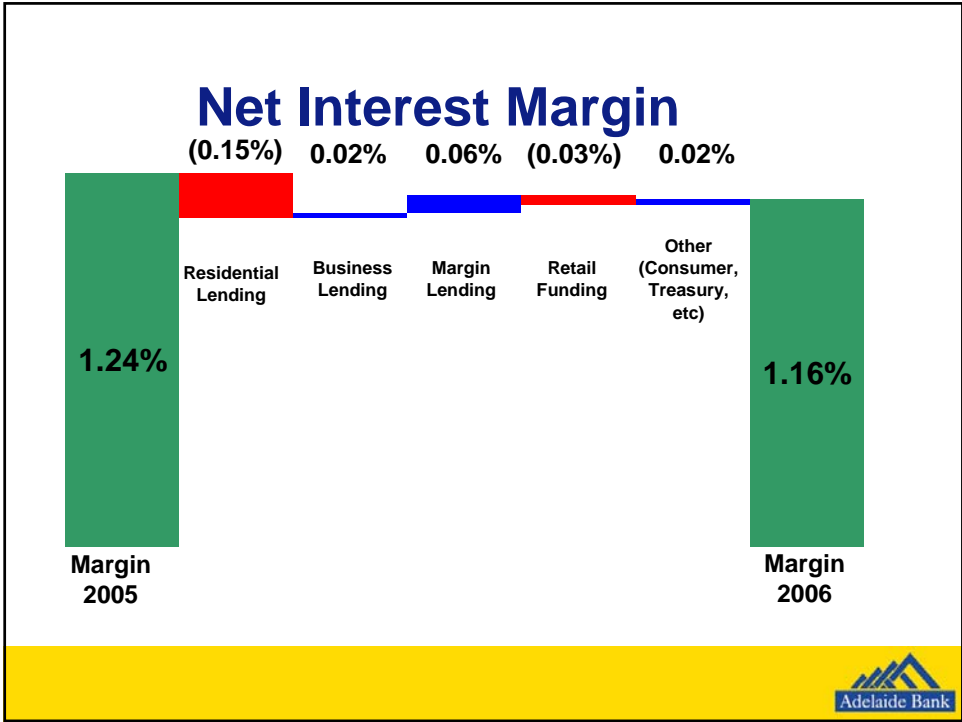
## Rewarding shareholders with increased dividends



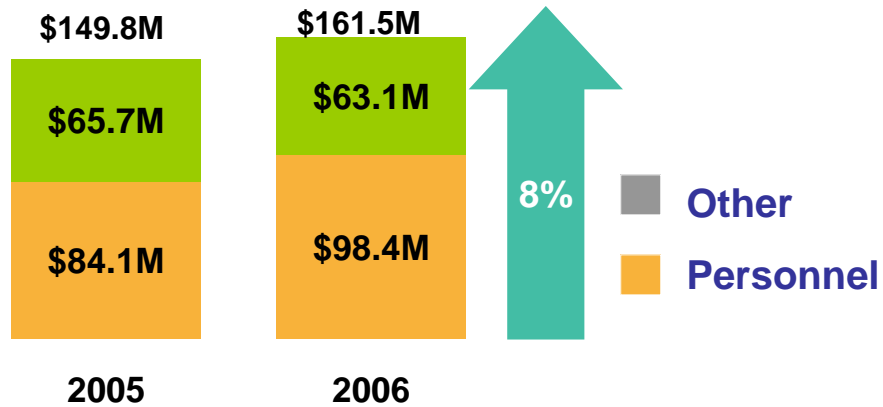
## Financial Overview



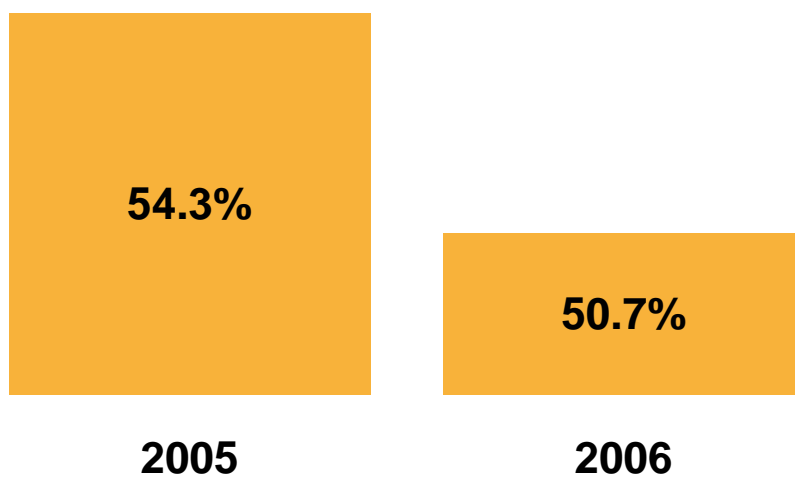




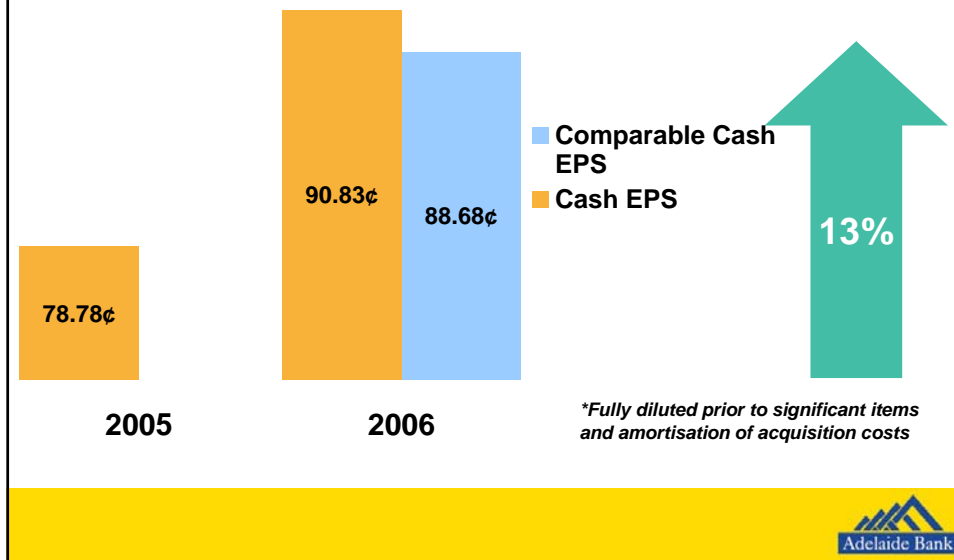
## Operating Expenses



## Cost to Income

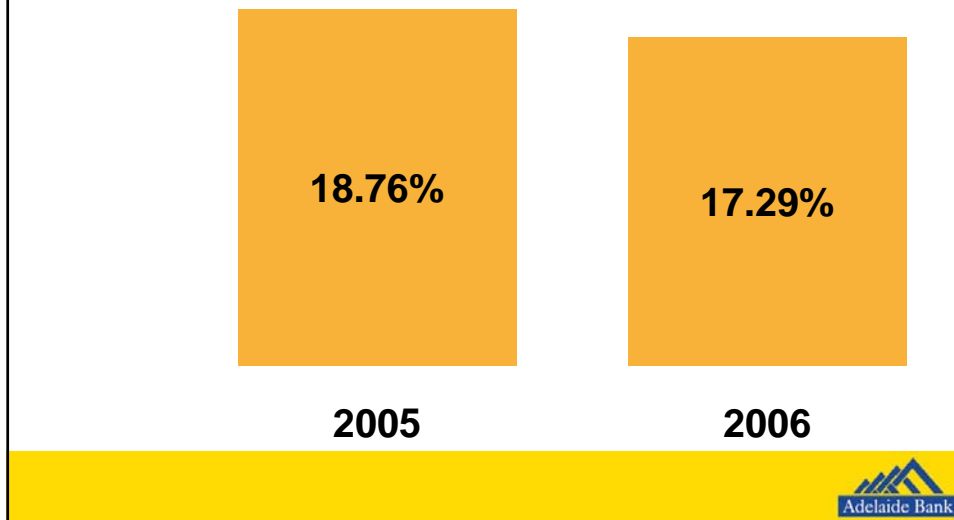


## Earnings Per Share\*

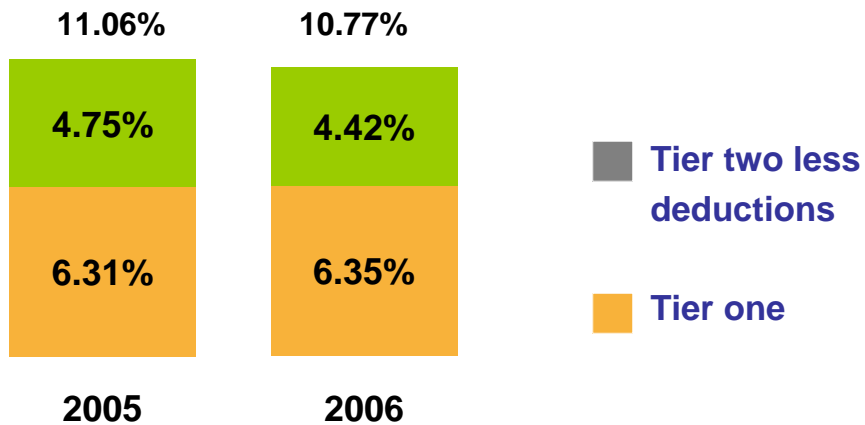


## Cash Return On Equity\*

\*Prior to significant items and amortisation of acquisition costs



## Capital Adequacy



## Capital Management

- **Next 12 months:**
  - dividend reinvestment plan
  - additional securitisation
  - securitisation of originator payments (NIM)
  - subordinated debt
  - AMF/ Asset Backed Yield Trust
  - payout ratio of around 70%



## Capital Management

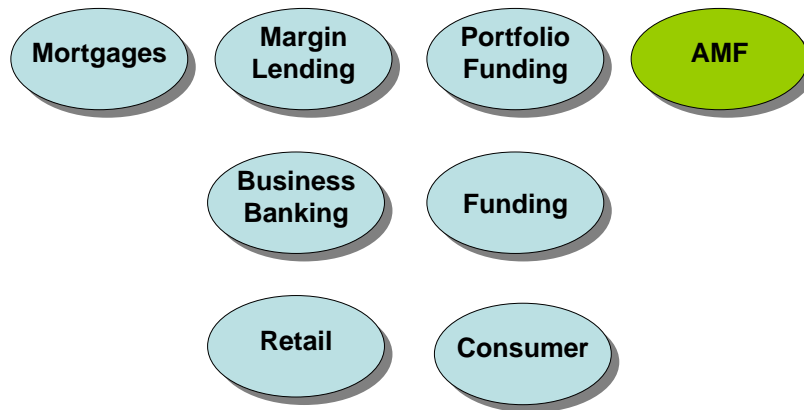
- **APRA/AIFRS transitional relief:**
  - Ends 1 January 2008
  - Balance of software, treasury shares & loan portfolio premium \$59m



## Operations Overview



## Adelaide Bank Businesses



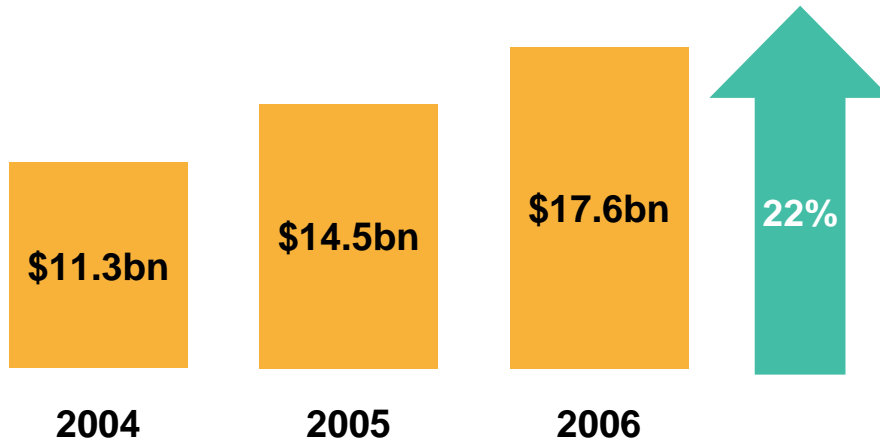
## Mortgages

### “5 Point Plan”

- Strategic partnership with key Mortgage Managers
- Simplified Offering to Mortgage Brokers
- Product Innovation
- Streamline Processes
- Retention



## Mortgage Lending

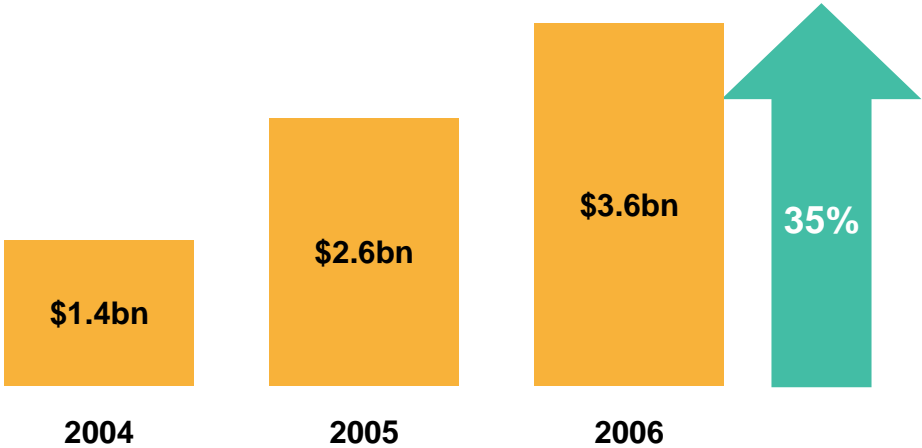


## Margin Lending

- **Stockbrokers – Defend and Grow**
- **Financial Planners – Grow**
- **Direct – Limited market access**



# Margin Lending

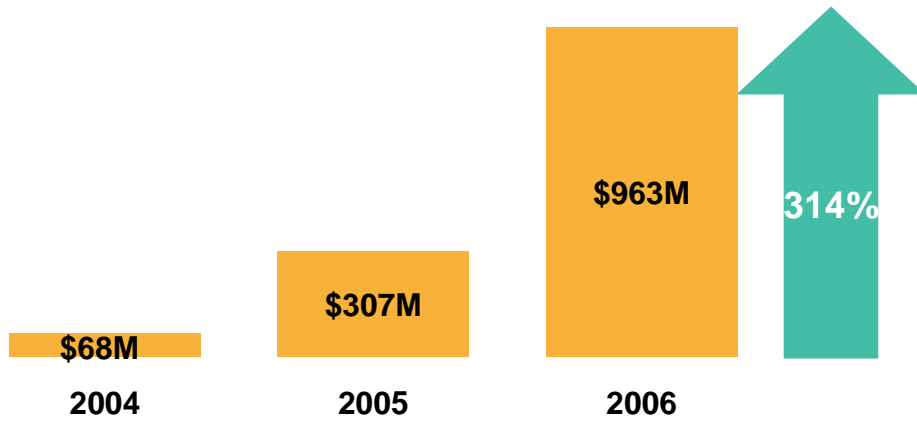


# Portfolio Funding

Optimise the opportunity



## Portfolio Funding

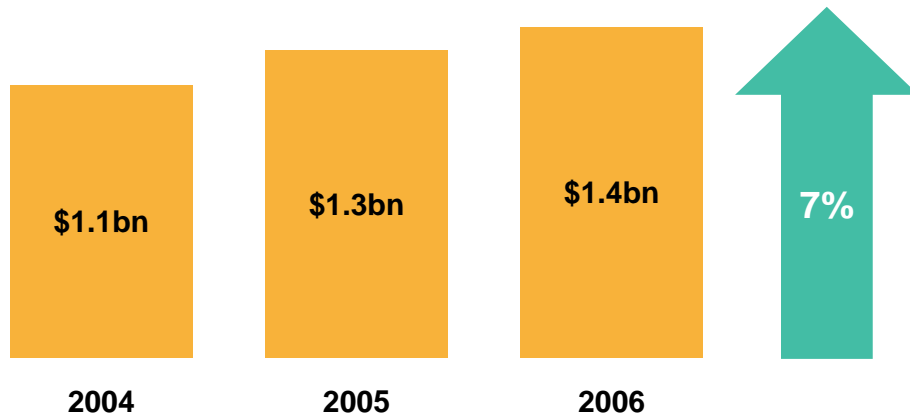


## Business Banking

**Focussed Opportunities**



## Business Banking



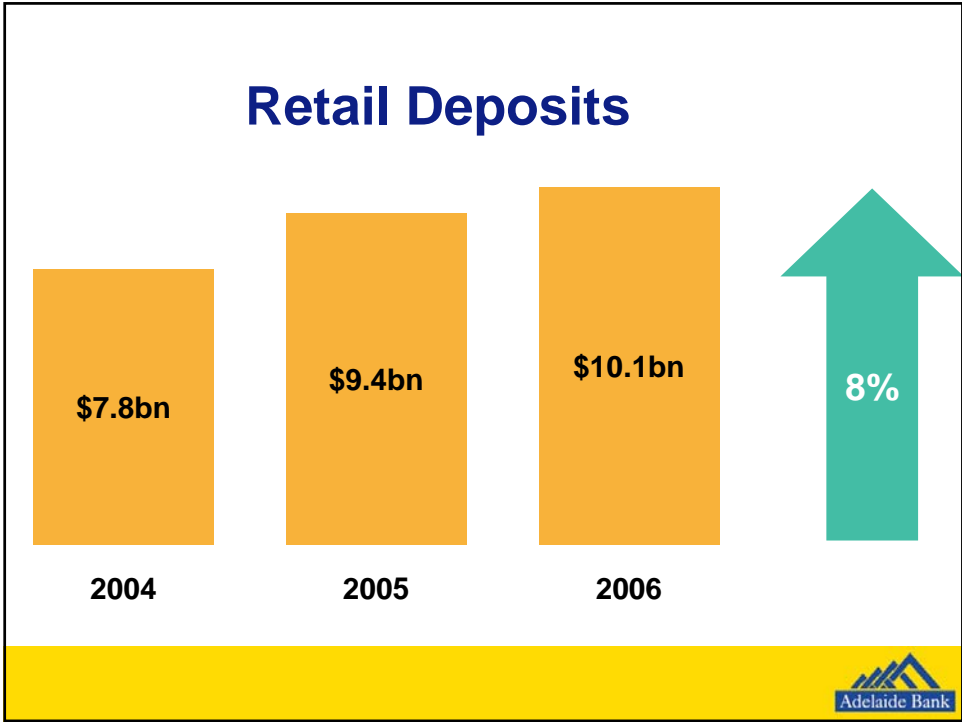
## Funding

### Retail Deposits

### Securitisation

- Wholesale - RMBS
- Retail - AAA Saver
- Wholesale Funding





## Retail

- Strong presence in South Australia

The Adelaide Bank logo is located in the bottom right corner of the slide.

## Adelaide Managed Funds

- CMT
- AAA Saver
- Asset Backed Yield Fund
- Multiple Opportunities



## Strategy

High  
Quality  
Asset  
Growth

Distributed directly  
& through partners

Diverse  
Funding

Generating Sustained  
Earnings Growth



## Key Strategic Directions 2005-08

- National distribution through alliances
- Best-in-class processing capability
- Leverage technology base
- Maintain strong market share in SA



## Large Markets

	Market Size 2006	Market Share 2006	Market Size 2008
Mortgages	\$760bn	2.1%*	\$950bn
Retail Deposits	\$550bn	1.8%	\$660bn
Business Lending	\$520bn	<1.0%	\$650bn
Margin Lending	\$22bn	15.2%	\$32bn

*\*Excluding purchased portfolios*



# The Future



## Key Financial Objectives 2005-08

- **Cash earnings per share growth in excess of 10% p.a.**
- **Cost to income ratio of 46% by 2008**

### Whilst

- **Maintaining asset quality in top quartile of Australian Banks**



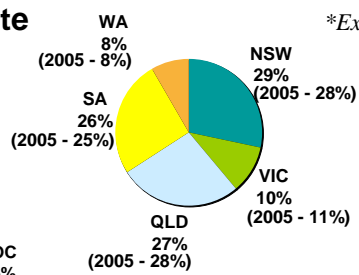
# Appendices



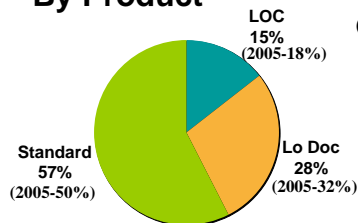
## Residential Lending\*

By State

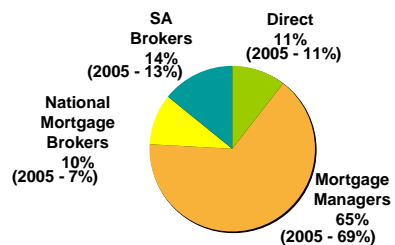
\*Excludes purchased portfolios



By Product

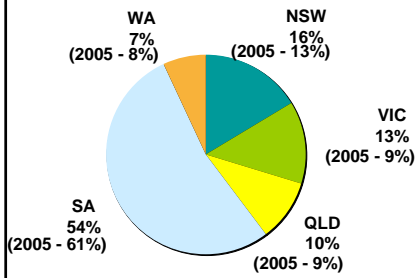


By Channel

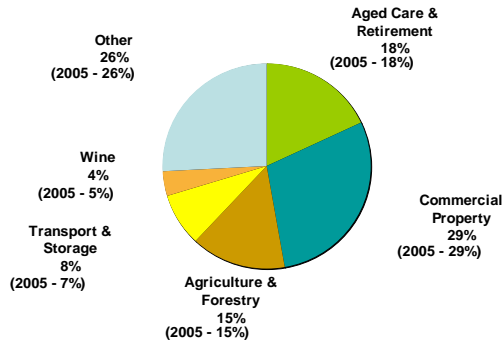


# Business Banking

By State

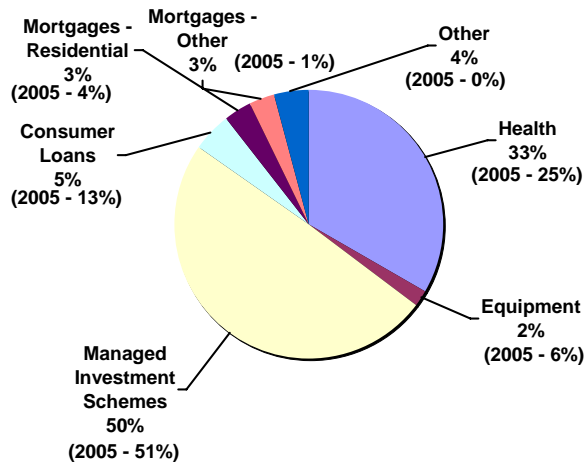


By Industry



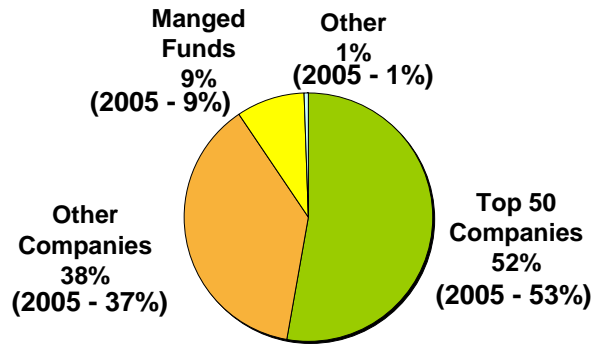
# Portfolio Funding

By Industry



# Margin Lending

## By Security Type



# Funding Base

