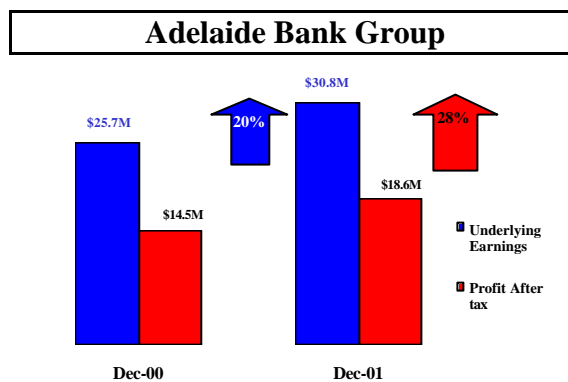


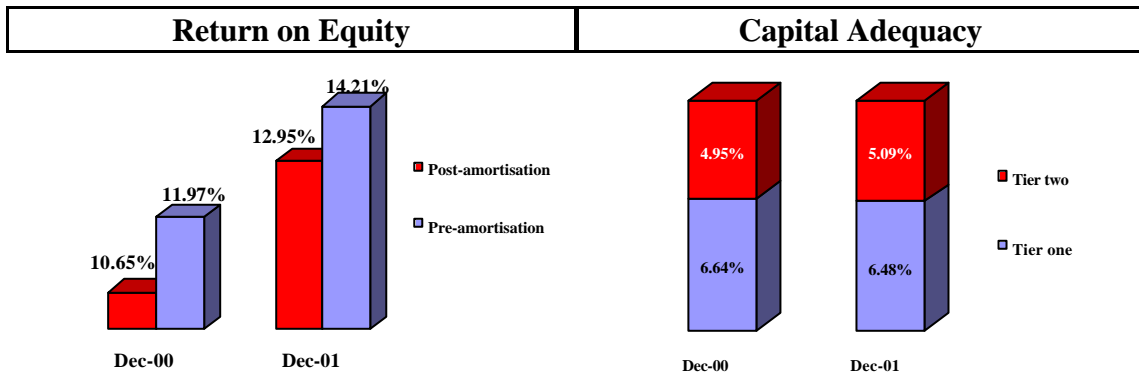
ADELAIDE BANK
MANAGEMENT ANALYSIS OF FINANCIAL RESULTS FOR THE SIX
MONTHS ENDED 31 DECEMBER 2001

Adelaide Bank posted a solid profit performance with underlying earnings for the Group increasing by 20% to \$30.8 million for the six months ended 31 December 2001 compared with \$25.7 million for the previous year. The substantial increase in underlying earnings was largely due to growth in the Bank's core businesses of mortgage lending and retail deposits.

Even after a prudent increase of \$1.7 million in provisions for doubtful debts, net profit before income tax increased by 19% to \$27.3 million and net profit after income tax rose by 28% to \$18.6 million. The profit performance lifted fully diluted earnings per share, before amortisation of the investment in Leveraged Equities, from an annualised figure of 37.21 cents to 46.04 cents, an increase of 24%.

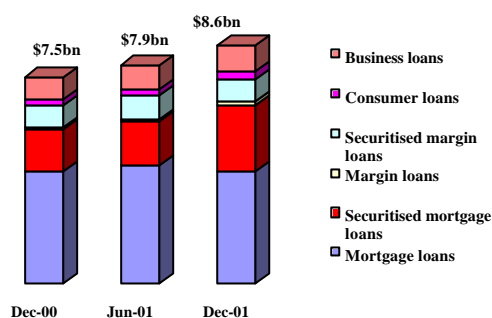


Return on equity (prior to amortisation of goodwill) lifted from 11.97% in 2000 to 14.21% this year, moving closer to Adelaide Bank's goal of 15%.

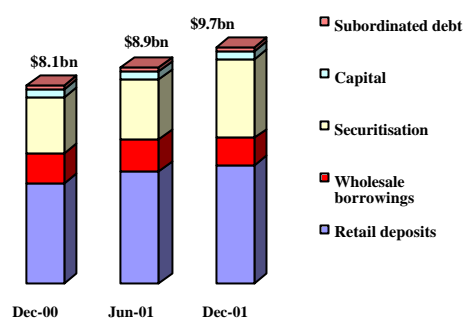


Capital adequacy remained strong at 11.57% with Tier One capital representing 6.48% of risk weighted assets.

Loans Under Management



Funding



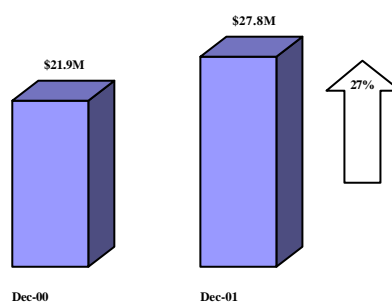
Loans under management grew by 9% to close the period at \$8.6 billion. The balance sheet remains skewed towards low risk lending with 76% of on-balance sheet loans secured by mortgage over residential property.

Loan approvals for the six months reached a record level of \$2.27 billion, 103% above the \$1.12 billion recorded for the same period in 2000.

Continued growth of the Bank's cash management operations resulted in an increase in the level of retail deposits. Retail deposits grew by \$0.3 billion, or 6%. Retail deposits now represent 75% of on-balance sheet funding, compared with 72% at 30 June 2001.

Bank Performance

Underlying earnings for the Bank excluding Leveraged Equities increased by 27% which was largely due to an increase in net operating income which grew by 18%, offset by an increase of 13% in overheads.



The key areas that impacted on the results are shown below with discussion on any material factors.

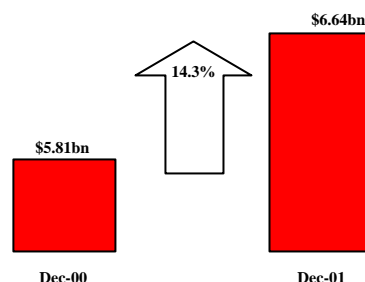
1. Net Interest Income

Net interest income for the six months ended December 2001 was \$63.0 million compared with \$58.5 million for 2000, an increase of \$4.5 million or 8%. Average interest earning assets were 14% higher than the same period in 2000.

Net Interest Income



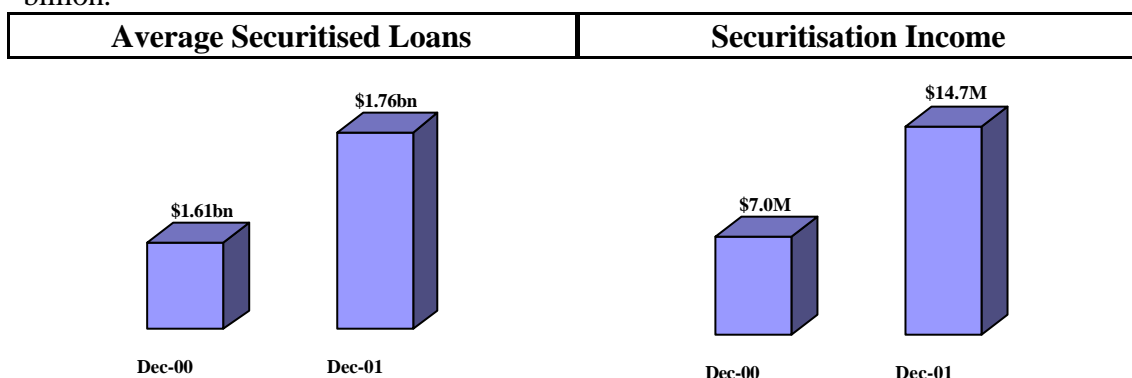
Interest Earning Assets



Net interest margin was 1.91% for the six months ended 31 December 2001 compared with 2.03% in 2000 and 1.96% for the year ended 30 June 2001. The reduction in margin was caused by rates on interest earning assets reducing at a greater pace than liabilities, due to competitive pressures in response to the aggressive easing in official interest rates by the Reserve Bank of Australia.

2. Securitised Loans

Excess spread income from securitised residential loans increased by 110% from \$7.0 million to \$14.7 million with the average securitised portfolio being 9% higher at \$1.76 billion.



3. Payments to Intermediaries

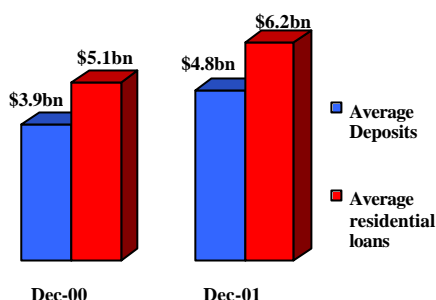
Payments to intermediaries can be broken down as follows:

	2000 \$M	2001 \$M	Increase %
Payments to intermediaries			
Residential loans	15.4	19.0	23%
Deposits	1.5	3.4	121%
Average residential loans under management	5,065.8	6,212.7	23%
Average deposits	3,858.8	4,832.4	26%
Payments as a percentage of average portfolio			
Residential loans	0.61%	0.61%	
Deposits	0.08%	0.14%	

Payments to intermediaries for residential loans continued to grow in line with the growth of loans under management. This largely arises as a result of the Bank's position as a wholesaler of loans. The Bank provides loans to intermediaries at a delivered cost of funds and the intermediary determines the retail margin, within pre-set boundaries.

The significant growth in the level of payments to intermediaries for deposits was due to the level of growth in retail deposits, in particular cash management funds.

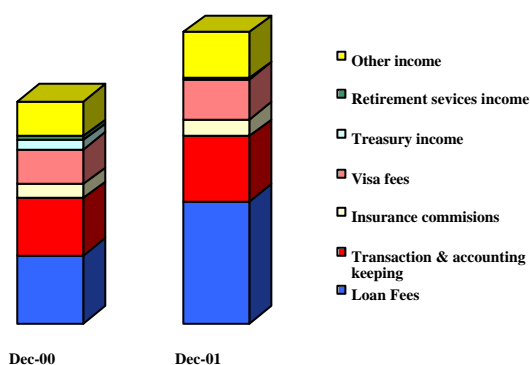
Payments to intermediaries will continue to increase as the majority of portfolio growth and new business is sourced from these channels.



4. Non Interest Income (excluding Leveraged Equities)

Non interest income can be broken down as follows:

	2000 \$M	2001 \$M	Increase %
Loan fees	4.7	8.3	77%
Transaction and account keeping fees	3.8	4.4	16%
Insurance income	1.0	1.2	22%
Visa fees	2.3	2.6	14%
Treasury income	0.6	0.1	(92%)
Retirement services income	0.3	0.0	-
Other	2.3	3.1	21%
Total	15.0	19.7	32%



Loan fees represent all fees collected in relation to loans and the increase over the period includes additional discharge fees arising from fixed rate loans. Transaction and account keeping and Visa fees increased due to additional accounts, increased transaction activity and changes to the fees charged. Other income includes rent, financial advisory services, etc.

5. Operating Expenses

Operating expenses can be broken down as follows:

	2000	2001	Increase
	\$M	\$M	%
Personnel	22.2	26.7	20
Accommodation	3.1	3.4	11
Technology	2.2	2.6	21
Professional	2.4	2.7	13
Communications, printing & stationery	3.0	3.2	10
Other	5.9	6.1	3
Depreciation & amortisation	2.9	2.7	(7)
Total	41.7	47.1	13

Overheads for the period increased by 13% from \$41.7 million in 2000 to \$47.1 million in 2001.

Loan approvals were at a record level with almost a 100% increase in the value of loans approved over the same period in 2000. This, coupled with the growth of deposits on a national basis, was a significant factor in the increase in operating expenses.

The 20% increase in personnel costs was due to an increase in FTE staff numbers from 727 in June 2000 to 785 in June 2001 and 808 in December 2001 to allow for growth in new areas of the business. Changes to remuneration rates and redundancy costs during the period also contributed to the increase.

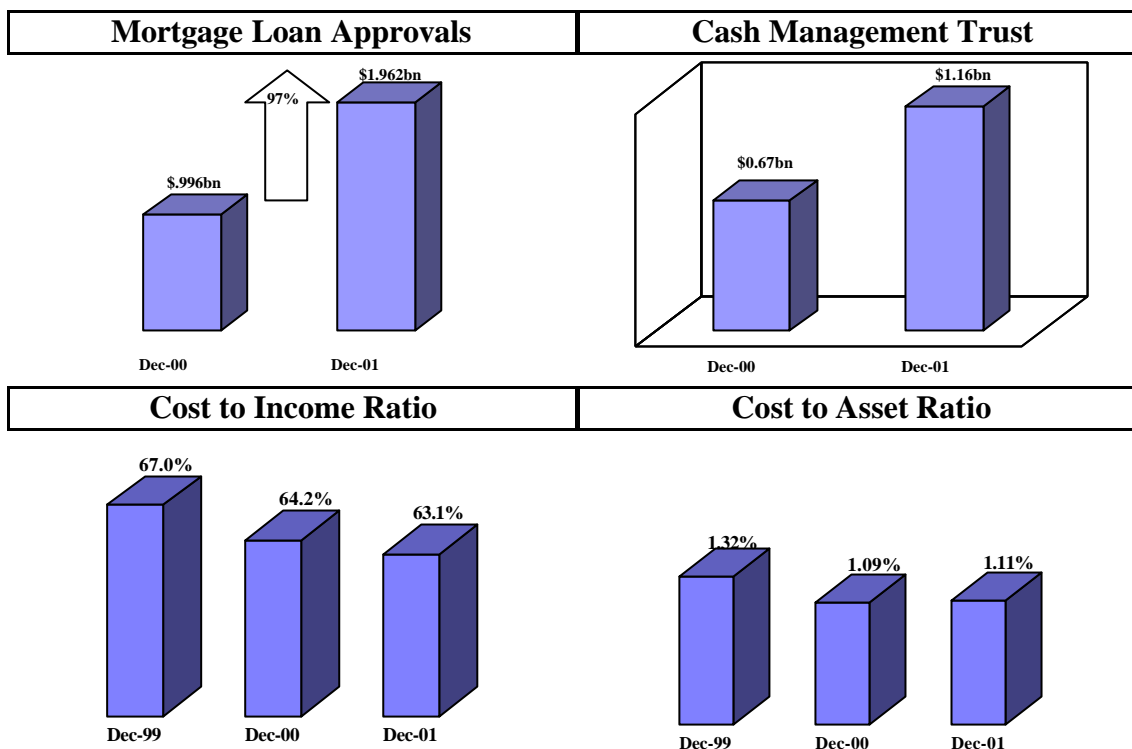
Accommodation costs increased primarily as a result of increased spending on branch security in order to provide greater deterrents to robberies.

Increases in technology costs were substantially due to increases in ATM and eftpos costs as a result of increased transactional activity on interstate portfolios. Increased software development costs and software license fees also contributed.

Communications, printing and stationery costs increased as a result of increased new business activity.

Professional fees increased as a result of legal, credit reference charges and valuation fees largely as a result of increased lending volumes.

The reduction in other costs is largely as a result of the abolition of Financial Institutions Duty.



6. Asset Quality & Provisions

The charge to the profit & loss as provisions for bad and doubtful debts was \$1.71 million for the six months ended 31 December 2001, compared with \$0.98 million for the previous year. An analysis of the charge by portfolio is set out below.

	2000	2001
	\$M	\$M
Residential	0.183	0.015
Consumer	0.804	0.077
Business Banking	0.021	0.616
Business Banking Portfolio Provision	(0.028)	1.000
Total	0.980	1.708

The charge for the six months, after allowing for the decision to continue building the Business Banking Portfolio Provision, was lower reflecting a good credit environment in South Australia. Low interest rates and the asset quality of Adelaide Bank assisted this. The Bank had no exposure to high-profile corporate collapses.

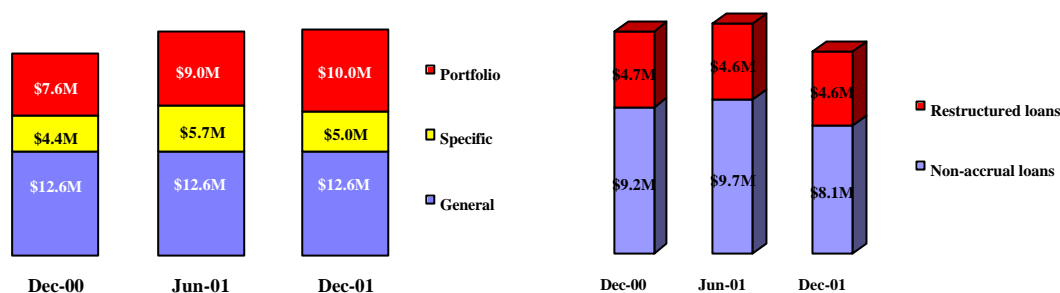
As can be seen from the above table the substantial increase in provisions was in part due to an increase of \$1.5 million in business banking provisions. This was due to a decision by the Bank to increase the business banking specific provision by \$0.5 million in relation to non-accrual loans and to increase the business banking portfolio provision by \$1.0 million, taking the provision from \$9.0 million in June 2001 to \$10.0 million in December 2001. This equates to 1.1% of the business banking portfolio as at 31 December 2001 and will continue to increase as the business banking portfolio increases.

The low level of provisions for the consumer loan portfolio reflects a reduction in loans past due 90 days during the period.

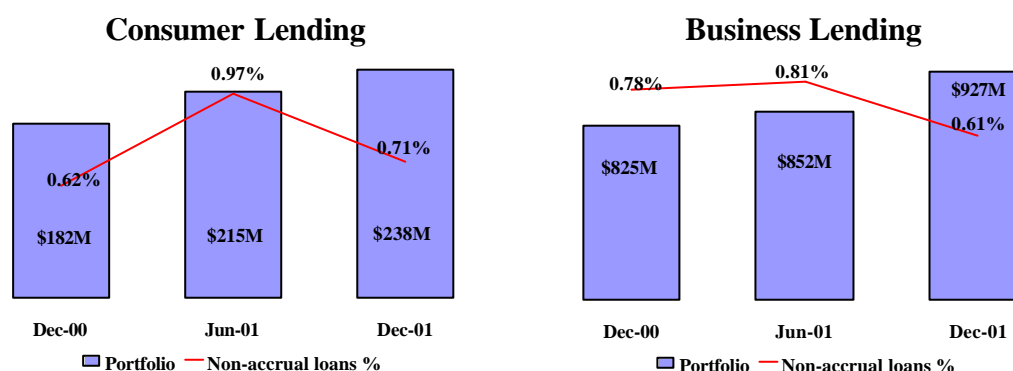
The closing provisions at the end of the period in the respective portfolios was as follows:

	2000	2001	Increase
	\$M	\$M	%
Residential	0.176	0.139	-21%
Consumer	4.780	4.751	-1%
Margin Lending	0.132	0.132	-
Business Banking	11.965	12.561	5%
Business Banking Portfolio Provision	7.554	10.000	32%
Total	24.607	27.583	12%

Provisions for Doubtful Debts		Impaired Assets	
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Asset quality remains exceptionally sound by industry standards with impaired assets continuing to reduce and net non-accrual loans as a percentage of total loans reducing from 0.09% in 2000 to 0.06% in 2001.



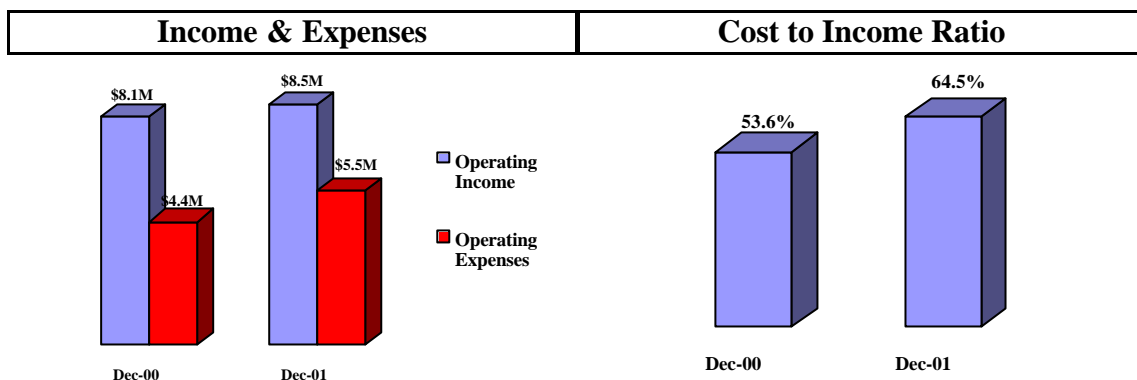
7. Taxation

	2000	2001	Increase
	\$M	\$M	%
Taxation	8.4	8.8	4%
Effective Tax Rate	36.7%	32.0%	

The effective tax rate was higher in 2000 due to the impact of the reduction in the corporate income tax rate from 34% in 2000 to 30% this period.

Leveraged Equities Performance

Margin loans under management grew from \$936 million in June 2001 to \$947 million in December 2001. This was a pleasing result given the reduction in the portfolio immediately following events of 11 September.



Operating income for the period was up by 4.7% to \$8.5 million in spite of a reduction in the portfolio in September and continued pressure on interest margins as a result of increasing competition.

Operating expenses grew by 26% to \$5.5 million. This was primarily as a result of the period including a full year's bonus payment compared with only a part year included in December 2000.

Profit before tax was \$3.0 million for the six months compared with \$3.8 million in the previous year. The reduction in profitability was largely due to the impact of bonus payments during the period.

The average loan to valuation ratio fell from 48.2% at June 2000 to 45.7% in June 2001.

No write-offs or provisions for bad or doubtful debts were required during the period.