

Board of Directors



R.J. McKay
FAIBF, FAICD
Chairman

Mr McKay joined the Board of Adelaide Bank Limited in 1993 after working for more than 40 years with National Australia Bank, many of those in senior management and executive positions. He was appointed Deputy Chairman of the Bank in April 1999 and Chairman in February 2001. Mr McKay is Chairman of the South Australian Motor Accident Commission, Martindale Holdings Pty. Ltd., the Construction Industry Training Board, Masonic Homes Inc, Lochert Bros. Pty. Ltd. and the Sir Thomas Playford Memorial Trust. He is a Director of Bridgestone Australia Ltd.



C.L. Harris
Bec, FCPA, FAICD
Deputy Chairman

Mr Harris was appointed to the Board of Adelaide Bank Limited in 1994. He was appointed Deputy Chairman in February 2001. He is a former Group Managing Director and Chief Executive Officer of F.H. Faulding and Co. Ltd. Mr Harris is Chairman of Argo Investments Limited. He is a Director of McGuigan Simeon Wines Limited, Adelaide Brighton Ltd., United Water International Pty. Ltd, J.M. Financial Group Ltd. and serves on the Board of the South Australian Motor Accident Commission. Mr Harris is Chairman of the Audit Committee.



B.F. Fitzpatrick
FCPA, FCIS, FAIBF,
FAIM, FAICD
Group Managing Director

Mr Fitzpatrick began his career with Adelaide Bank Limited in 1974 and, after working in various financial positions within the company, was appointed Chief Executive Officer in 1985 and Group Managing Director in 1987 when he joined the Adelaide Bank Board. Mr Fitzpatrick is a Board Member of Business SA.

“The decisions are made here in SA – I like that!”



R.A. Cook
FREI, AAICD

Mr Cook is an International commercial real estate authority who joined the Board of Adelaide Bank Limited in 1997. Mr Cook was a founder of Colliers International and became Chief Executive Officer of Colliers Jardine, based in Hong Kong, for the Asia - Pacific region. Mr Cook is Chairman of the SA Tourism Commission, the SA Motor Sport Board, Brock Partners Real Estate, Urban Construct Investments Pty. Ltd. He is also a Director of SA Water Corporation.



Dr. P.A. Crook AO
MAICD

Dr Crook is a South Australian businesswoman who joined the Board in March 2000. She is Managing Director of Adelaide-based therapeutic goods manufacturer, Dynek Pty. Ltd., a company she co-founded in 1974. The President and a Board Member of Business SA, Dr Crook is also a Board Member of the State Supply Board, Amrac Corporation, Repromed Pty. Ltd., the UniSA Council, Business Vision 2010, the Australian Health Industry Inc. and the Integrated Manufactured Products Sector Advisory Council of the CSIRO.



K. D. Abrahamson
BSc (Hons), MA, MBA,
FAIBF, FAIM

Mr Abrahamson is an Australian finance sector consultant and was appointed to the Adelaide Bank Board in May 2000. A specialist in the area of corporate strategy and information technology, Mr Abrahamson has worked as a consultant to the banking industry as head of KD Abrahamson Consultants Pty. Limited since 1997. From 1988 to 1997 he held the position of General Manager of Group Services with Advance Bank having previously worked as a consultant and strategic planning specialist in a range of finance sector organisations. Mr Abrahamson is a Director of Fiducian Portfolio Services Ltd. Mr Abrahamson is Chairman of the Credit and Risk Committee.



Dr. A. Lloyd
PhD, M.Ed.Admin,
BA (Hons), DipT

Dr Lloyd is a South Australian businesswoman who initially joined the Board of Adelaide Bank Limited in 1997. Business commitments in the United Kingdom forced her to resign from the Board in January 2000. On her return to Australia she rejoined the Board in July 2001. Dr Lloyd is Non Executive Director of the National Jet Systems Group, Aviation Partners Worldwide Pty. Ltd. (UK) and a Director of the South Australian Museum Board. Dr Lloyd holds a Masters and Doctorate in Administration and Management and was a senior lecturer at the University of South Australia for many years. Dr Lloyd is Chairman of the Asset and Liability Committee.

Corporate Governance Statement

Adelaide Bank Limited Corporate Governance Statement for the Year Ended June 30, 2002

This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is responsible for the overall corporate governance of the Company. Although responsibility for the operations of the Company's business is delegated by the Board to the Group Managing Director, the Board remains responsible for overseeing the strategic direction of the Company and monitoring achievement of objectives and financial performance. The Board is committed to observing the highest standards of governance.

To assist in the execution of its responsibilities the Board has established a number of Board Committees including an Audit Committee, a Credit and Risk Committee, an Asset and Liability Committee and a Remuneration Committee. In addition, the Board establishes a Due Diligence Committee from time to time as required.

The use of the Board Committee structure enables the business of monthly Board meetings to be focussed upon strategic issues of importance to the Company.

Composition of the Board

Details concerning the directors of the Company in office at the date of this statement are set out elsewhere in this Annual Report. With the exception of the Group Managing Director, all directors are non-executive directors.

Nomination of Directors

The composition of the Board is determined using the following principles:

- The number of directors will be adjusted from time to time to ensure the Board has sufficient expertise to govern the business of the Company.
- The Chairman of the Board should be a non-executive director.
- The Board should comprise directors with a broad range of expertise, the majority of whom should be non-executive directors.

The composition of the Board is reviewed from time to time by the Board as a whole to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will consider suitable candidates and appoint an appropriate person. Any director so appointed must retire at the annual general meeting next following his or her appointment and will at that time be eligible for re-election. In addition, at every annual general meeting one third of all directors (excluding the Managing Director) must retire from office and are eligible for re-election.

The Board's policy is that non-executive directors retire on their 70th birthday.

Independent Professional Advice

The Board elects to seek independent professional advice at the Company's expense in respect of issues that arise from time to time.

Audit Committee

The role of the Audit Committee is documented in a Charter adopted by the Board of Directors. In accordance with this Charter the majority of members of the Committee must be non-executive directors. The role of the Committee is to assist the Board fulfil its responsibilities relating to the operations, accounting and reporting practices of the Company.

Details of membership of the Audit Committee and its meetings during the year are set out elsewhere in this Annual Report. The Group Managing Director has resigned as a member of the Committee, as a consequence of which all members are non-executive directors.

Representatives of the firm which provides internal and external audit services and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee.

The duties and responsibilities of the Audit Committee include:

- Review the scope and extent of the Audit Plans of the Auditors.
- Evaluate the overall effectiveness of both the internal and external Audit.
- Review Management's progress in complying with agreed recommendations of the Auditors.
- Review reports of examinations made by regulatory authorities and the responses made by Management.
- Review and recommend adoption of all significant accounting policy changes.
- Review and recommend adoption of all published financial reports ensuring that all required disclosures have been complied with.
- Review any non-auditing services to be performed by the Auditors and determine the impact this may have on their independence.
- Monitor the standard of corporate conduct in transactions with related parties.
- Monitor corporate risk management and compliance.
- Review the fees of the Auditors.

During the course of the year, the Audit Committee received a presentation from the Auditors in relation to the issue of Auditor independence. The Committee has this issue under ongoing review to ensure the Company benefits from a rigorous audit process.

Details of the total fees paid to the Auditors are set out in Note 2 to the financial statements.

Corporate Governance Statement

Credit and Risk Committee

The role of the Credit and Risk Committee is documented in a Charter adopted by the Board of Directors. In accordance with that Charter, the role of the Committee is to:

- consider applications for loan facilities which fall outside delegated lending authority levels dictated by lending policy and to review any facilities so approved.
- monitor and review credit issues and performance, including but not limited to:
 - 1) new business
 - 2) portfolio management
 - 3) large credit exposures
 - 4) arrears reporting
 - 5) non performing and under performing loans
 - 6) Treasury Credit Risk
- monitor and review compliance with the Board's lending policy.
- monitor and review exposure to property development and all other credit related business risks.
- approve for information records of management's appointment of parties as linked suppliers where the Bank is a linked credit provider.
- carry out any other function that may be required of the committee from time to time by the Board or in accordance with Board policy.

Details of membership of the Credit and Risk Committee and its meetings during the year are set out elsewhere in this Annual Report.

Executives are invited to Committee meetings at the discretion of the Committee.

Asset and Liability Committee

The role of the Asset and Liability Committee is documented in a Charter adopted by the Board of Directors. In accordance with that Charter, the role of the Committee is to:

- monitor and review the Bank's interest rate risk management, with particular reference to:
 - * interest rate gap reports
 - * projected net interest income reports
 - * current hedging strategy
- monitor and review management of the Bank's liquidity risk.
- monitor and review the Bank's capital position.
- monitor and review the Bank's funding.
- monitor and review the Bank's compliance with statutory ratios and Board policy.
- carry out any other function that may be required of the Committee from time to time by the Board or in accordance with Board policy.

Details of membership of the Asset and Liability Committee and its meetings during the year are set out elsewhere in this Annual Report.

Executives are invited to Committee meetings at the discretion of the Committee.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer, senior executives and directors themselves. This role also includes responsibility for share and option schemes, incentive performance packages, superannuation entitlements and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice about the various topics it considers.

Details of membership of the Remuneration Committee are set out elsewhere in this Annual Report.

Details of directors' remuneration, superannuation and retirement payments are set out in Note 33 to the financial statements. Details of employee share schemes are set out in the Chairman's Report and Note 22 to the financial statements.

Conflict of Interest

The Board has a written procedure governing disclosure by Directors of potential conflicts of interest and voting on matters which may involve a material personal interest. The procedure is designed in accordance with the requirements of the Corporations Act.

BOARD PERFORMANCE REVIEW

The Board has established a mechanism whereby Directors individually evaluate the Board's performance and the results are considered by the Board as a whole. The review is conducted regularly.

INTERNAL CONTROL

The Company has an internal control system based upon written policies and procedures that provide for division of responsibilities and a program of audit. The following reporting system assists the Board discharge its responsibilities and monitor policies and procedures:

- Financial reporting - the Company has a comprehensive financial reporting system, including an annual budget approved by the Directors. Monthly results are reported against budget and revised forecasts for the year are prepared regularly. The Company reports to shareholders half-yearly. Procedures are also in place to ensure that relevant information is reported to the ASX in accordance with continuous disclosure requirements.
- Non-financial reporting - all divisions are subject to regular reporting to the Board, including Retail Banking, Business Development, Human Resources, Credit, Information Technology, Treasury, Leveraged Equities, Legal and Compliance.

Corporate Governance Statement

ETHICAL STANDARDS

The Company has a Code of Conduct which sets out the standards in accordance with which each executive, manager and employee of the Company is required to act. The requirement to comply with these ethical standards is communicated to all employees. The Code deals with standards of conduct in relation to the Company's relationship with its shareholders, its customers, the community at large and its staff. In addition, the Board supports the principles set out in the Code of Conduct adopted by the Australian Institute of Company Directors.

SECURITIES TRADING

Board policy states that subject to the overriding requirement that insider trading is not permitted, Directors and executives may subscribe for or trade in the Company's securities in the period of six weeks commencing on the business day after the public announcement of interim and final results. Subscription or trading at other times requires the prior authority of the Chairman or Group Managing Director.

The Board's policy also precludes other members of staff from trading where there would be insider trading or a breach of any relevant law.

SHAREHOLDERS

Continuous Disclosure

In order to ensure the market is kept informed of all major developments affecting the Company's state of affairs, the Company has a process to identify matters that may have a material effect on the price of the Companies' securities. The process includes disclosure of all such information to the Australian Stock Exchange to meet continuous disclosure obligations.

In addition, information is communicated to shareholders as follows:

- All announcements made to the Australian Stock Exchange are also posted on the Company's web site. In addition the "Shareholder Centre" section of the web site contains information in relation to financial results, details of presentations to analysts, a link to share price information, the Bank's latest Annual Report and a link to any announcements or briefings distributed by Corporate File.
- The Annual and half yearly reports are distributed to all shareholders (unless a shareholder has specifically requested not to receive those documents). The annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act;
- Shareholders are encouraged to attend and vote at annual and special general meetings.

Five Year History

	2002 \$000's	2001 \$000's	2000 \$000's	1999 \$000's	1998 \$000's
STATEMENT OF FINANCIAL PERFORMANCE					
Interest income	409,313	449,723	379,781	294,114	271,013
Interest expense	280,522	331,030	271,500	193,997	172,779
Net interest income	128,791	118,693	108,281	100,117	98,234
Add securitisation income	52,468	31,810	17,082	6,730	2,995
Less fees to intermediaries	47,796	35,894	25,121	13,577	8,637
Add other income	39,728	34,051	31,163	30,280	31,326
Total operating income	173,191	148,660	131,405	123,550	123,918
Bad and doubtful debts	4,678	4,384	826	2,605	9,890
Operating expenses	107,239	93,684	85,776	77,268	76,009
Operating profit before abnormals	61,274	50,592	44,803	43,677	38,019
Abnormal items of profit / (loss)	n/a	n/a	n/a	(141)	828
Operating profit before income tax	61,274	50,592	44,803	43,536	38,847
Income tax expense	20,033	16,451	17,749	12,825	9,316
Operating profit after income tax	41,241	34,141	27,054	30,711	29,531
STATEMENT OF FINANCIAL POSITION INFORMATION					
Total assets	6,753,535	6,592,134	5,711,251	4,864,421	3,980,326
Net loans and advances	5,600,256	5,417,859	4,563,009	4,126,398	3,376,057
Retail deposits	5,122,884	4,595,522	3,424,215	2,607,101	2,192,536
Total equity	295,339	280,494	266,849	213,307	200,441
Total assets under management	10,588,930	9,032,977	8,274,678	5,561,021	4,335,378
KEY RATIOS					
Return on equity (%)	14.33	12.49	11.72	14.86	15.37
Return on equity - pre amortisation (%) (1)	15.58	13.81	12.32	14.86	15.37
Return on average assets (%) (2)	0.42	0.39	0.39	0.62	0.74
Operating expenses to operating income (%) (1)	59.84	60.60	64.21	62.54	61.34
Operating expenses to average assets (%) (1) (2)	1.06	1.04	1.22	1.56	1.90
Net interest margin (on average interest earning assets) (%)	1.93	1.96	2.00	2.30	2.65
Earnings per share (cents)					
- basic	47.11	39.49	34.31	41.63	40.79
- fully diluted	46.97	39.16	33.95	41.02	39.86
- fully diluted pre amortisation (1)	51.07	43.27	35.70	41.02	39.86
Dividends per share (cents)	32.00	30.00	30.00	30.00	29.00
Payout ratio (%)	68	76	94	73	72
Net tangible assets per share (\$)	3.11	2.96	2.84	2.88	2.75
Capital adequacy (%)	11.83	11.13	12.91	12.67	11.26
(1) Excludes amortisation costs associated with the purchase of Leveraged Equities Limited.					
(2) Includes securitised assets.					
OTHER INFORMATION					
Number of branches	25	25	28	30	30
Staff (Full time equivalent)	883	840	775	786	829
Share Price as at June 30 (\$)	7.29	5.75	4.78	5.70	5.32
- year high (\$)	7.68	5.95	5.80	6.85	5.79
- year low (\$)	5.50	4.66	4.36	5.25	4.10