



R. J. McKay
Group Chairman,
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Adelaide Bank Limited has entered the new millennium in excellent condition.

The difficult year of 1999-2000 is behind us, the Bank's strategic growth plans are bearing fruit and, as the Bank enters its second 100 years, it is well positioned to provide its shareholders with highly acceptable levels of return.

Execution of the strategies put in place two and a half years ago saw the Bank record a very strong performance in 2000-2001.

As strategic alliances continue to grow, the Bank will benefit from its diversified earnings base – a base that today sees more than 70% of the Bank's loans under management now located outside the Bank's home state of South Australia.

Significant contributions to bottom line profit came from all sectors of operations, including the Leveraged Equities operations acquired early in 2000.

Importantly, costs were kept well under control and Adelaide Bank today has only a handful of non-performing loans on its books.

The Bank's impressive profit performance also reflects the significant contribution made by the people behind the brand "Adelaide Bank."

Banks are not just about performance. They are about people and service to customers and the community.

Over the past year significant resources have been put in place to ensure that Adelaide Bank does not lose this very important focus.

Adelaide Bank is committed to improving customer service and satisfaction – providing a clear service alternative to other banks.

Currently the Bank is developing and implementing an integrated program to help staff and management to develop an even more customer focused sales culture.

As part of that program, Adelaide Bank is aiming to ensure we identify, and rectify, those barriers that prevent delivery of extraordinary customer service.

The Bank's aim is to ensure that we develop programs and products with the needs of our customers always in mind.

Through the provision of customer-focused products and higher levels of service, Adelaide Bank believes it can ensure that increased benefits flow to its customers, the community and ultimately to its shareholders and stakeholders.

With these clear objectives in mind, and with its carefully planned strategic path understood, Adelaide Bank is well positioned to meet the challenges of the future.

The Bank's Board and Executive are confident that the decisions taken between 1999 and 2001 will stand the Bank in very good stead for the immediate future.

SHAREHOLDERS

Adelaide Bank delivered underlying earnings for the year of \$58.6 million, compared with \$47.0 million for 1999-2000 – an increase of 25%.

Profit after tax was \$34.1 million, a 26% increase on the after tax profit of \$27.1 million posted in 1999-2000, coming in at the higher end of market expectations.

Profit before tax was \$50.6 million, up from \$44.8 million – an increase of 13%.

These results reflect the Bank's focus on delivering shareholder value through cost efficiencies and its strategy of concentrating on growth in chosen niche markets coupled with the development of working partnerships and alliances.

Directors consider this to be an extremely pleasing result in what has continued to be a very competitive environment.

As a result the Adelaide Bank Board determined the final dividend for 2000-2001 would be 17 cents per share, fully franked, payable on October 15, 2001. This is in line with the final dividend for the previous year.



Adelaide Bank is a major supporter of the South Australian community through its Foundation and sponsorship of critical community services like the State Rescue Helicopter Service

Together with the 13 cents interim dividend paid on March 30, 2001, the full year's dividend of 30 cents represents a dividend payout ratio of 76%, which is more in line with the Bank's stated objective of around 70%.

The return on equity (pre amortisation costs) of 13.81% compared with 12.32% in 1999-2000, while after amortisation costs it was 12.49%, compared with 11.72% for the previous year. This represents a 7% improvement.

Fully diluted earnings per share (pre amortisation) were 43.27 cents, compared with 35.70 cents for 1999-2000 – an increase of 21%.

Fully diluted earnings per share after amortisation costs were 39.16 cents, compared with 33.95 cents in 1999-2000 – a 15% increase.

Net tangible assets at June 30, 2001 were \$2.96 per share, an increase of 4% on the \$2.84 per share at the end of the 1999-2000 financial year.

EXECUTIVE REMUNERATION

In recent years the Adelaide Bank Board has used the services of outside consultants when determining remuneration for its executives.

Annually, the Board obtains independent external advice from well-regarded professional remuneration advisers on these matters and this policy will continue into the future.

Our aim is to retain the services of our senior executives and so we ensure the remuneration packages made available to them are comparable to those provided by similar organisations and private sector companies within Australia.

COMMUNITY SUPPORT

Adelaide Bank continues to be involved in sponsorships involving large sections of the South Australian community.

Towards the end of the financial year, negotiations began with the State Government, resulting in Adelaide Bank becoming the sponsor for the State Rescue Helicopter Service.

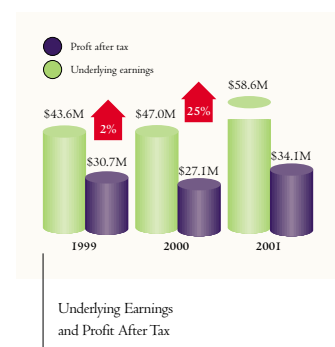
This vitally important service has a proud and distinguished record of life saving and ensuring the safety of the community.

It was only fitting that a Bank with its head office in SA should play a pivotal role in providing financial support to this service – a service that benefits the community as a whole.

For some years the Bank has provided sponsorship to the Oakbank Easter Race Carnival. This event is a major generator of tourism dollars in SA and the Bank's support assists in making this annual event one that can be enjoyed by a wide cross section of South Australians and visitors to the State.

A series of minor sponsorships were provided to the arts and sport in SA. In addition, Adelaide Bank has provided financial and office accommodation assistance to SA Great and Business Vision 2010 – two organisations working hard to promote the State and the businesses within SA.

Last Christmas Adelaide Bank was the major sponsor for the annual Christmas at the Bay celebrations and in March sponsored the Norwood Food, Wine and Music Festival.





Adelaide Bank is a strong financial supporter to the Australian retirement industry

As part of its commitment to the South Australian community, Adelaide Bank continued to provide the bulk of funding for the Adelaide Bank Charitable Foundation.

The Foundation was formed in 1981 to provide financial assistance to charitable organisations, community support groups and the needy.

Each year an allocation of profits from the Bank are provided to the independent Foundation, whose Board of Governors then decide on worthy recipients for assistance.

During 2000-2001 the Foundation provided 60 financial grants totalling more than \$296,000, including one major grant of in excess of \$50,000 to the very worthy Riding For The Disabled organisation.

Since 1981 the Foundation has provided a wide range of organisations and charity groups with \$3.8 million in assistance.

DIRECTORS AND STAFF

The year saw change to the Adelaide Bank Board, with the retirement of Mr Brian Sallis, AO, from the position of Chairman in February.

Brian Sallis had been a Director of Adelaide Bank since 1989 and Chairman since April 1999. He was a dedicated and diligent worker for the Bank, its shareholders and its Board.

He had reached the Board's mandatory retiring age of 70 years and I was elected to replace him as Chairman, with Mr Chris Harris as Deputy Chairman.

Despite his retirement from the Bank Board, Brian Sallis has maintained his interest in the Bank and its future. At the same time he has remained as Chairman of Advertiser Newspapers Limited, a position he has held since 1990, having been a Director since 1980 and Group Managing Director from 1983-89.

Mr Sallis is also a Director of Envestra Limited, a Board position he has held since 1997.

On behalf of all with Adelaide Bank I take this opportunity to pay tribute to Brian Sallis for his dedication and great contribution to our organisation.

We have also welcomed Dr Adele Lloyd back onto the Bank Board. Dr Lloyd was previously an Adelaide Bank Board member, having been appointed to the Board in July 1997.

Business commitments in the United Kingdom forced her to resign from the Board in January 2000 but on her return from the UK she has been reappointed.

Dr Lloyd has strong ties to the State. She is Non-Executive Director of the very successful National Jet Systems Group and is a Director of the South Australian Museum Board and we look forward to her future contribution to the Bank.

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.

I would also like to place on record the Board's gratitude to the Executive, Management and Staff of the Bank, all of whom have contributed magnificently over the past year.

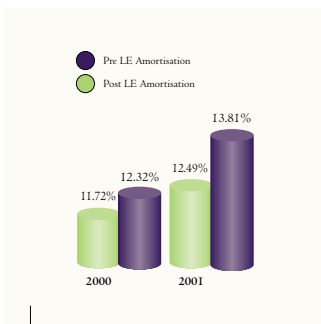
Together they have worked as a team, united in turning around the Bank's fortunes after a difficult year.

Their resolve, dedication and hard work sees Adelaide Bank well placed for the future.

The Bank has the alliances, structures, staffing and strategies in place to ensure future growth and the return of increased benefits to shareholders.

R. J. McKay

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Group Chairman



Return on Equity