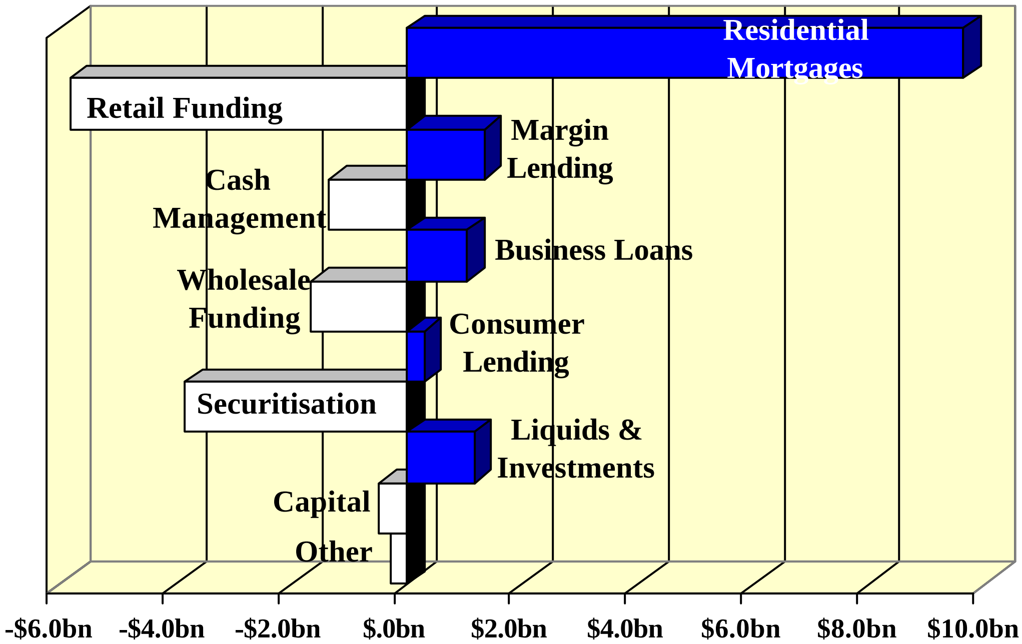
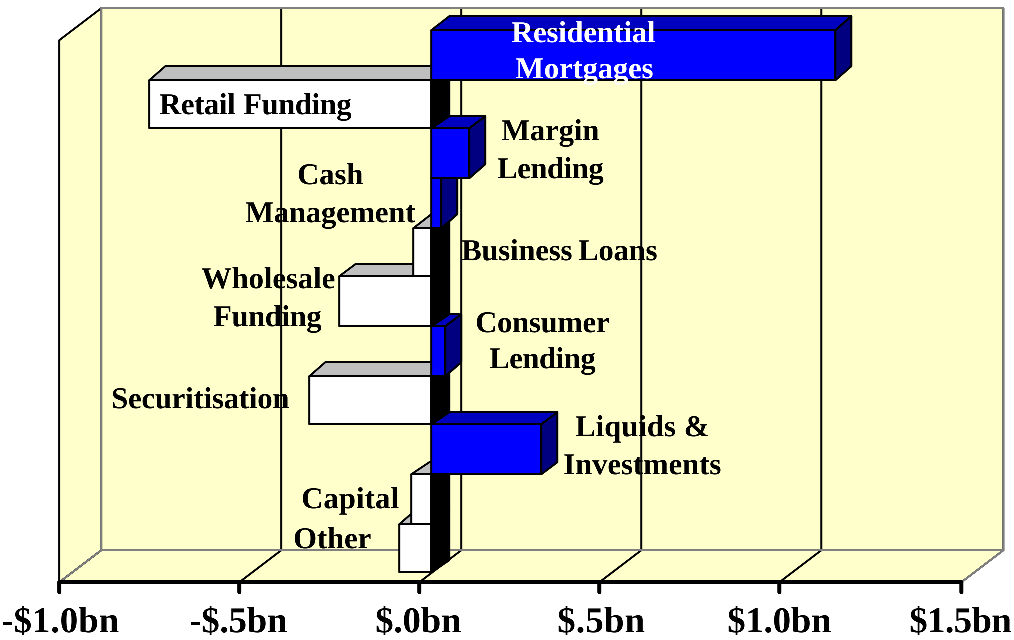
MANAGEMENT COMMENTARY ON RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Assets & Liabilities Under Management



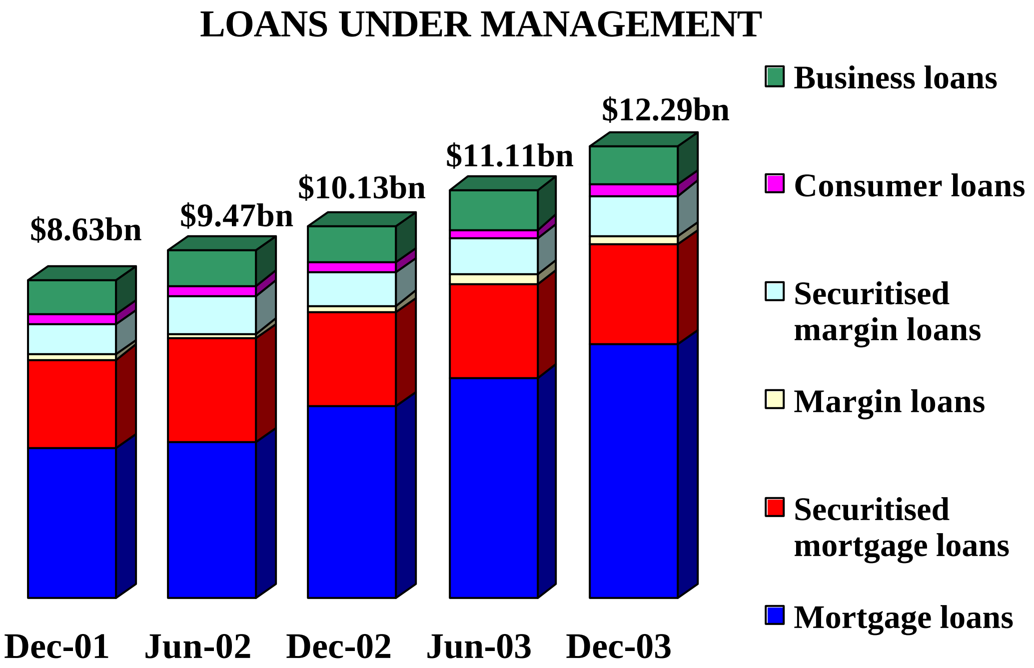
Total assets under management grew by 11.8% (23.4% annualised) to close at $13.7 billion.

The following chart shows movement for the six months in individual business lines. Strong growth in residential lending was funded from a mix of retail, wholesale and securitisation.

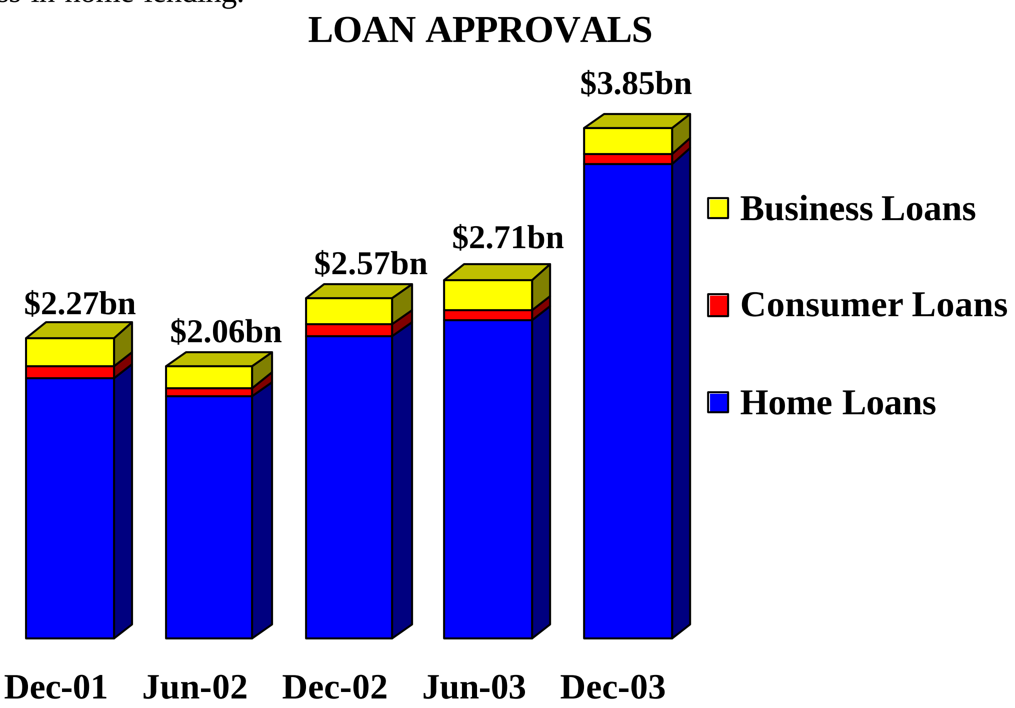


Loans Under Management

Loans under management grew by $1.2 billion during the six months. Annualised growth of 21.1% comfortably exceeded Adelaide Bank's stated target of 15%. The Bank's market share of total lending grew by 6 basis point to 1.34% to the end of November, with market share of housing growing by 5 basis points to 2.15%. (*Source: Reserve Bank of Australia: Table D02*)

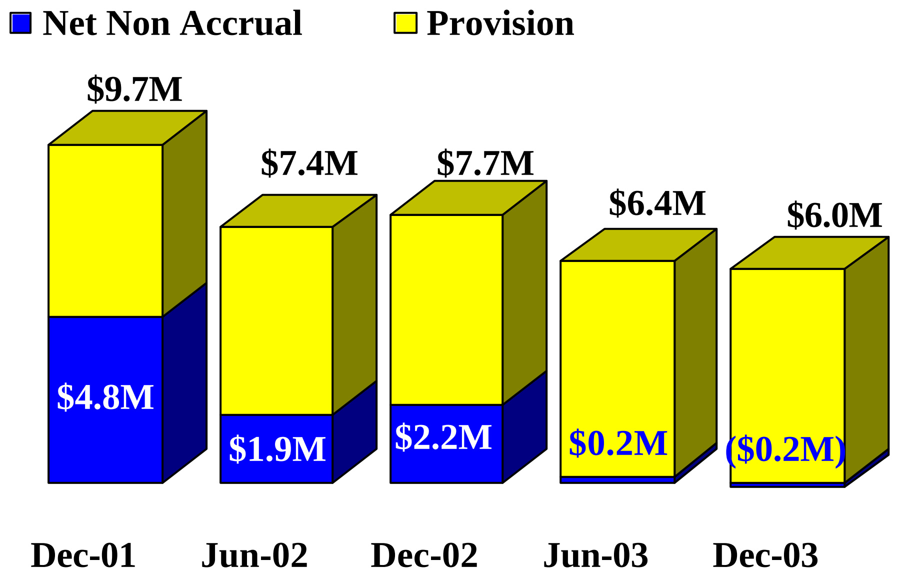


Loan approvals for the six months were at record levels, buoyed by continuing success in home lending.



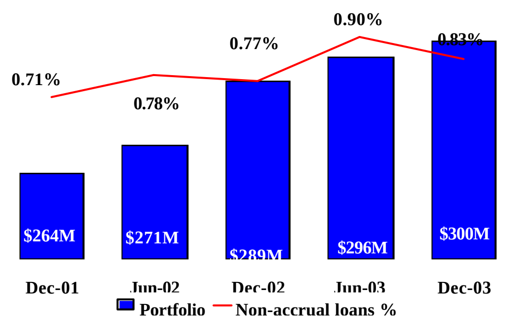
Loan quality remained sound with gross non-accrual loans falling to $6.0 million. This represented 0.07% of gross loans, with net non-accrual loans representing 0.00% of gross loans. These figures see Adelaide Bank continue at the upper end of credit quality for Australian retail banks.

NON-ACCRUAL LOANS

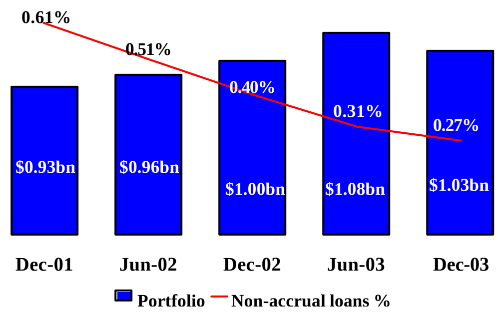


Non-accrual consumer remained at normal levels over the year, while business loan non-accruals fell to a record low. Performing loans past due 90 days and over fell to 0.33% from the level of 0.42% at 30 June and now stand at the low end of the normal range.

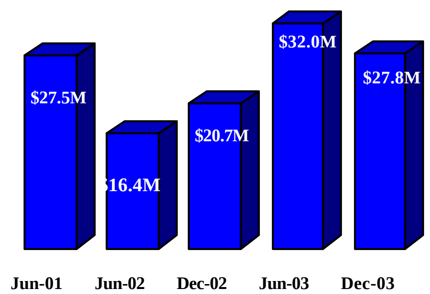
Consumer Loans



Business Loans

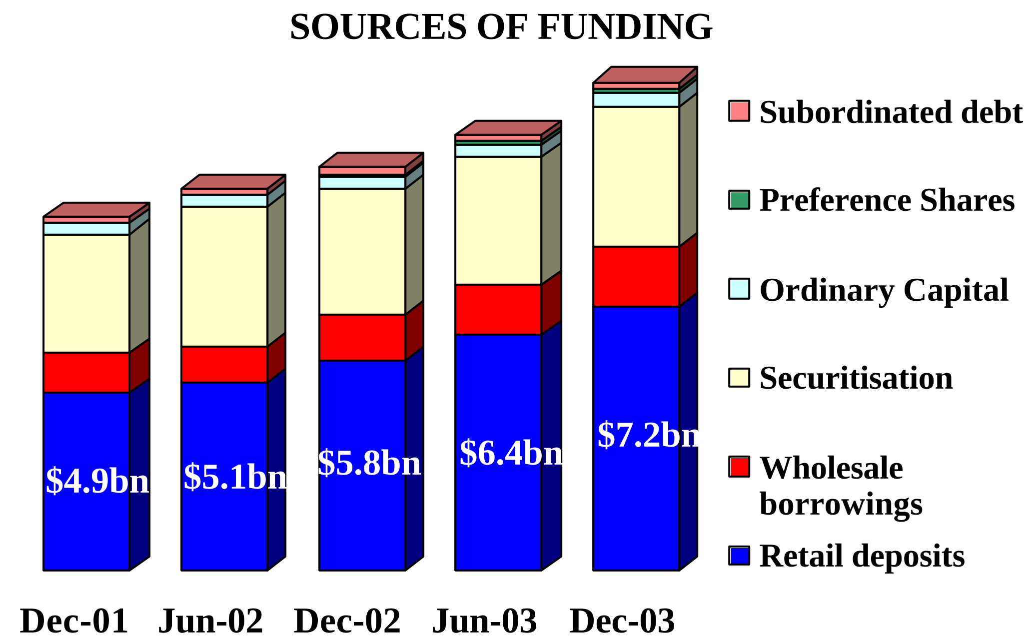


Past Due 90 Days & Over

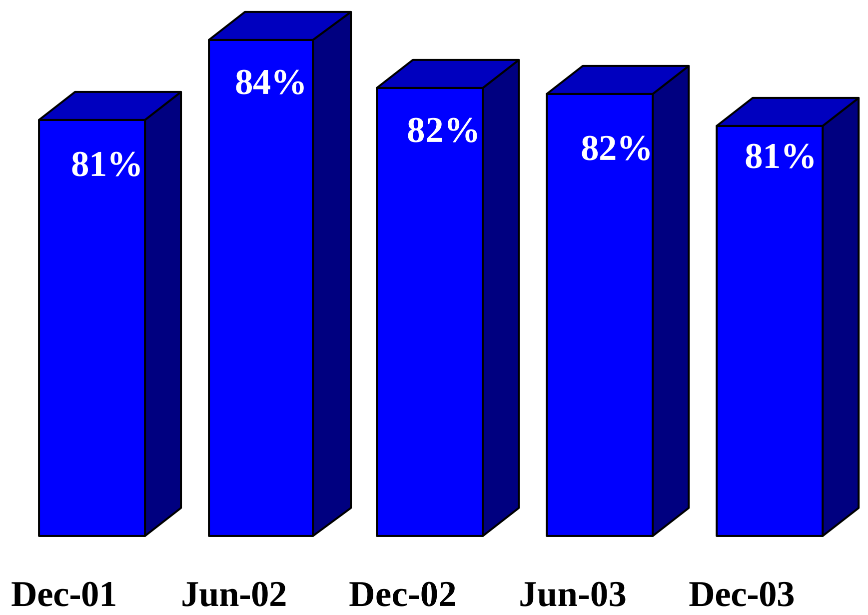


Funding

Adelaide Bank made further progress in increasing the level of funding from retail deposits, with an increase of $0.8 billion (annualised growth of 23.5%) in the six months.



The ratio of retail funds to total funding fell slightly to 81%, primarily as a result of strong growth in lending and retention of a greater proportion of loans on the Bank's balance sheet. (68.7% of the Bank's loans were on balance sheet at the end of December 2003 compared with 68.4% at the end of June 2003.)



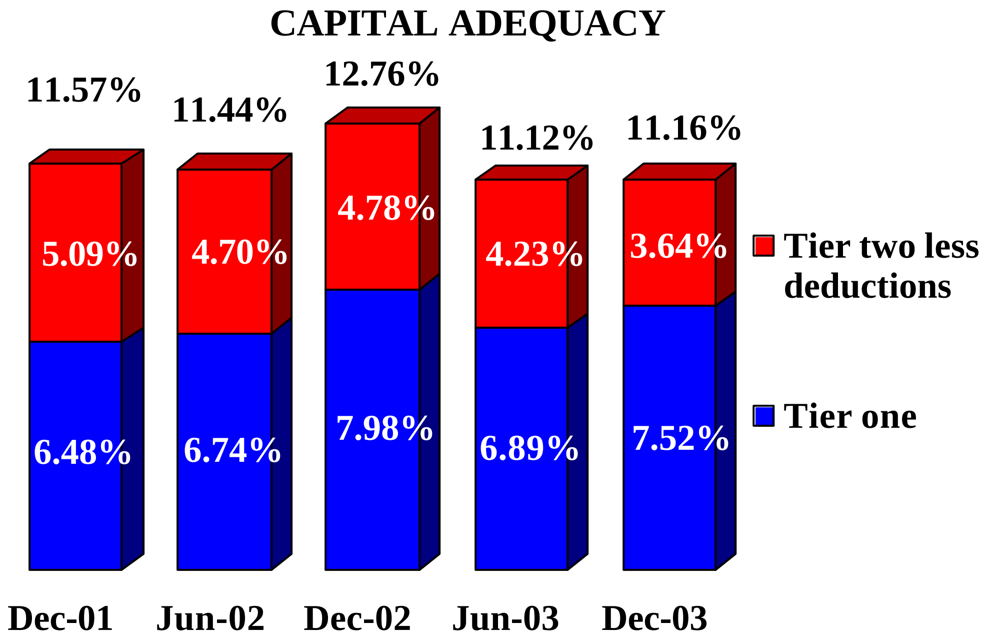
Capital

In September 2003 Adelaide Bank issued six million shares at $8.40 per share, thus boosting tier one capital. Strong growth in lending over the six months has seen overall capital adequacy remain stable. At this stage there are no plans to issue further equity in the current financial year. The Bank will use a combination of securitisation and subordinated debt to maintain capital at a sound level.

In December 2003, APRA announced that it would require certain capitalised expenses to be deducted from tier one capital in the calculation of capital adequacy from 1 July 2004. A phased introduction will result in a cap of the amount to be deducted from tier one capital of 5% of total qualifying capital until 1 July 2005. Post July 2005 the full amount of capitalised costs will be required to be deducted from tier one capital.

The impact upon capital is expected to be a deduction of approximately $33 million from 1 July 2004, with the full amount of $58 million to be deducted from 1 July 2005.

In December 2003, APRA also released a discussion paper on the risk weighting to apply to low documentation loans. If this proposal is implemented without change from the discussion paper there will be no material impact upon capital adequacy levels at Adelaide Bank.

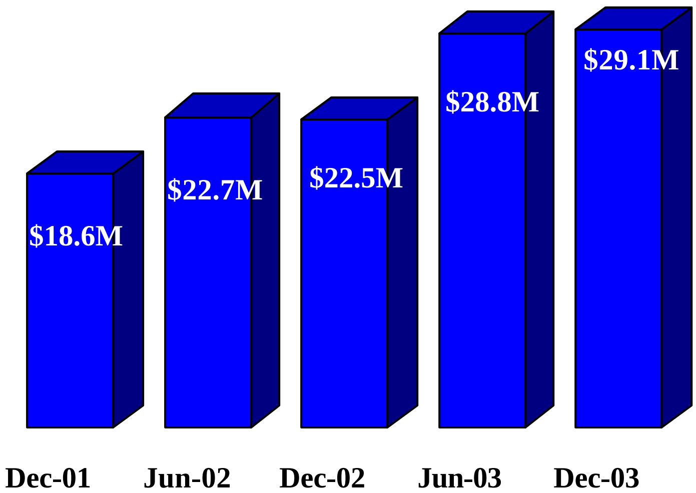


Profitability

	Dec-01	Jun-02	Dec-02	Jun-03	Dec-03
Net interest income	64,074	64,717	74,958	92,548	105,539
Securitisation income	22,346	30,122	31,345	25,488	24,082
	86,420	94,839	106,303	118,036	129,621
Fees to intermediaries	22,803	24,993	29,536	33,247	39,706
	63,617	69,846	76,767	84,789	89,915
Other income	19,849	19,879	20,740	18,812	22,441
Total operating income	**83,466**	**89,725**	**97,507**	**103,601**	**112,356**
Operating expenses	52,653	50,986	59,845	56,669	64,629
Underlying earnings	**30,813**	**38,739**	**37,662**	**46,932**	**47,727**
Bad & doubtful debts	1,708	2,970	2,760	3,951	3,644
Amortisation of goodwill/premium	1,800	1,800	1,800	1,800	1,800
Profit before tax	**27,305**	**33,969**	**33,102**	**41,181**	**42,283**
Income tax	8,750	11,283	10,571	12,387	13,225
Profit after tax	**18,555**	**22,686**	**22,531**	**28,794**	**29,058**
Distribution to preference shareholders	-	-	575	2,976	3,023
Profit available to ordinary shareholders	**18,555**	**22,686**	**21,956**	**25,818**	**26,035**

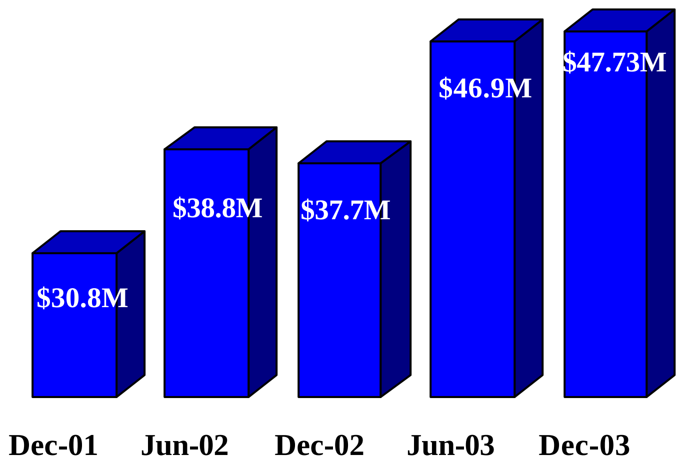
Continued growth allowed the Bank to deliver net profit after tax of $29.1 million, an increase of $6.5 million (29%) on 2002. Net profit available to ordinary shareholders increased by $4.1 million to $26.0 million, an increase of 19%.

NET PROFIT AFTER TAX



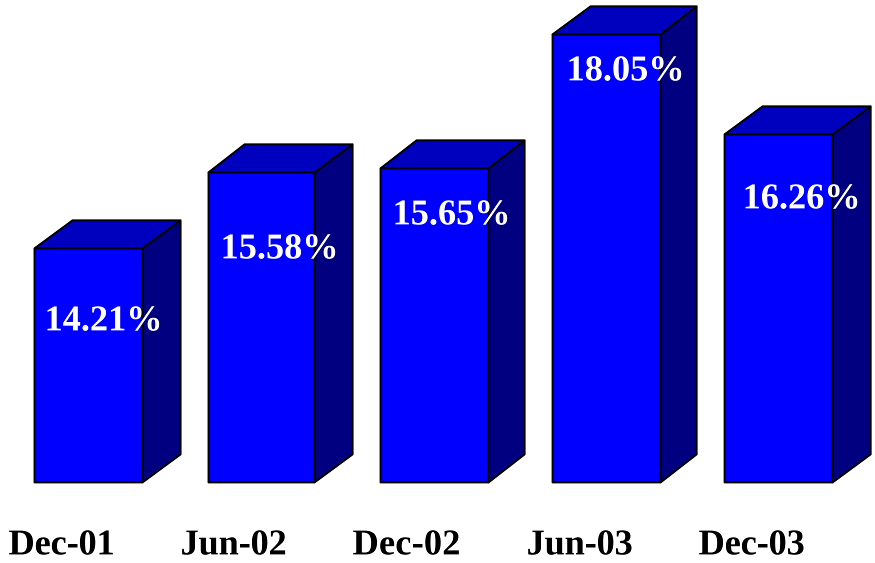
Underlying earnings lifted to $47.7 million, a 27 percent increase on the result for 2002.

UNDERLYING EARNINGS



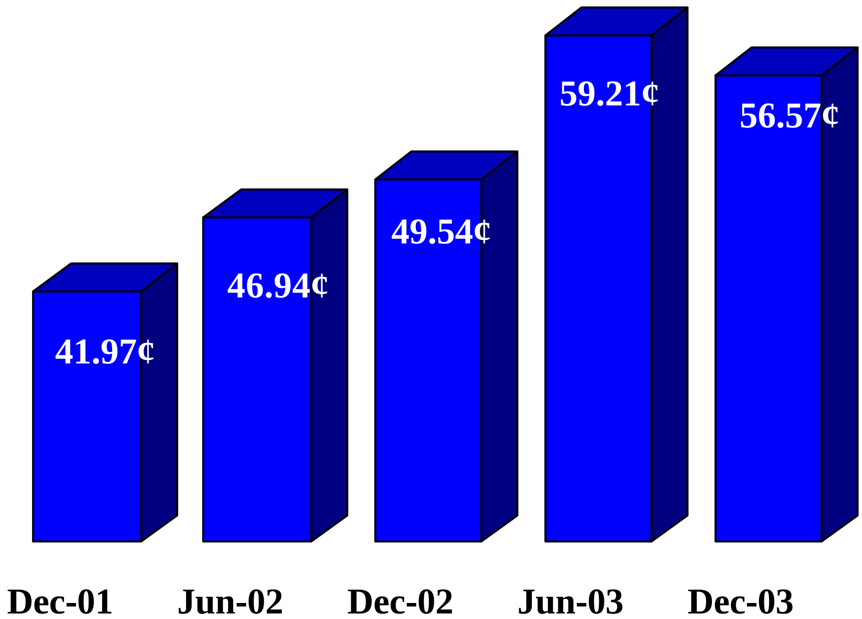
The Bank delivered a return on ordinary equity (prior to amortisation of Leveraged Equities) of 16.26%. This was above the Bank's target of 15% and an improvement on the 15.65% recorded in December 2002.

RETURN ON EQUITY



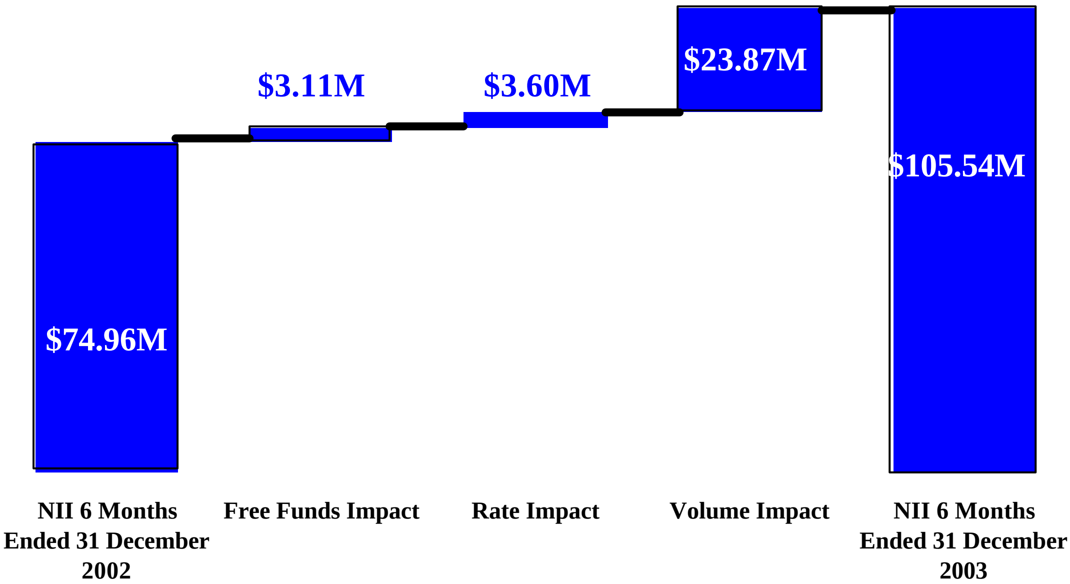
Increased profitability translated into annualised fully diluted earnings per share of 56.57 cents, up from an annualised 49.54 cents in 2002. As a consequence the Bank has lifted its interim dividend by three cents to 19 cents. This represents a dividend payout ratio of 69%, in line with the Bank's long term objectives.

EARNINGS PER SHARE

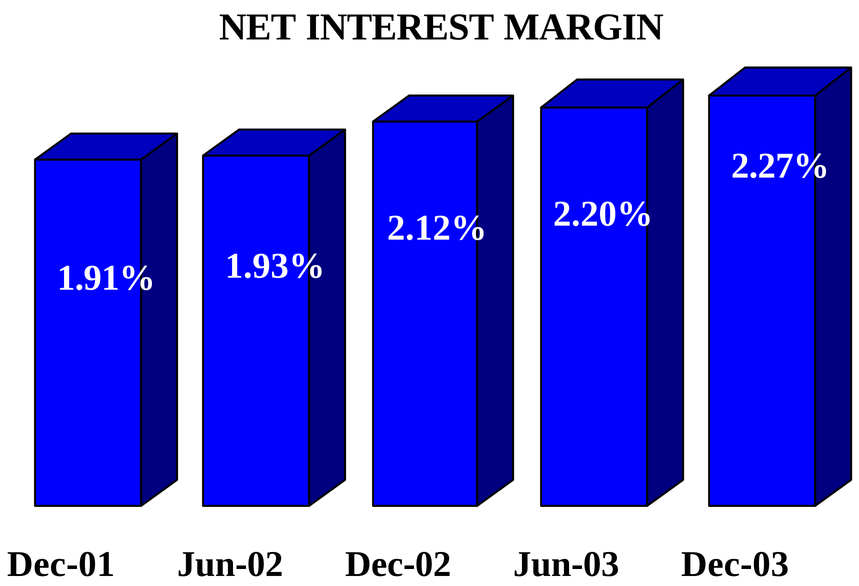


Net Interest Income

Net interest income rose by $30.6 million from the six months ended 31 December 2002. The following chart sets out the reasons for the increase, with increased volumes accounted for the largest proportion.

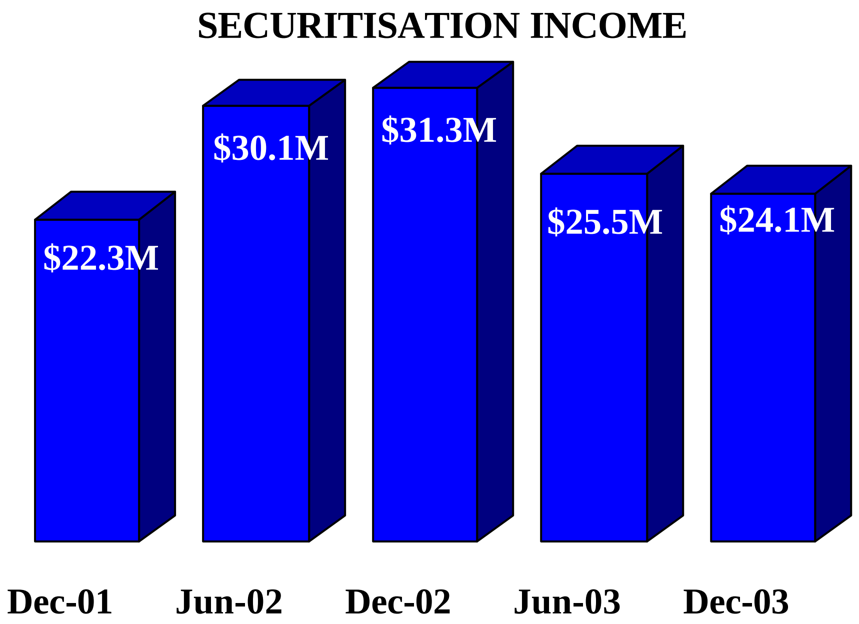


The Bank's net interest margin increased by seven basis points to 2.27% in the latest period. The margin was assisted by a lift in the level of "free funds", primarily due to the issue of shares. The margin on loans also improved, with a greater proportion of loans in premium priced products. Continued growth in retail funds provided a sound funding platform.

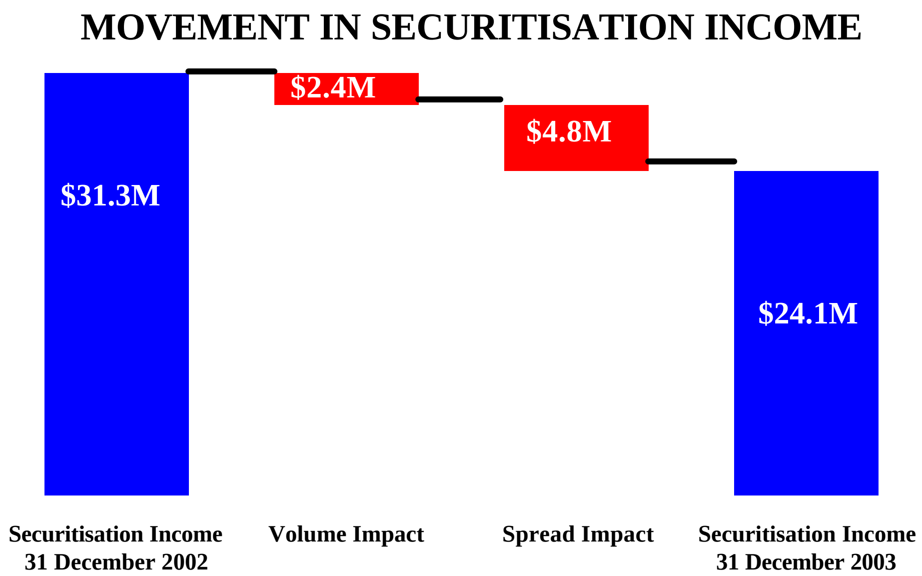


Securitisation Income

Securitisation income fell by $7.2 million (23.2%) from 2002.



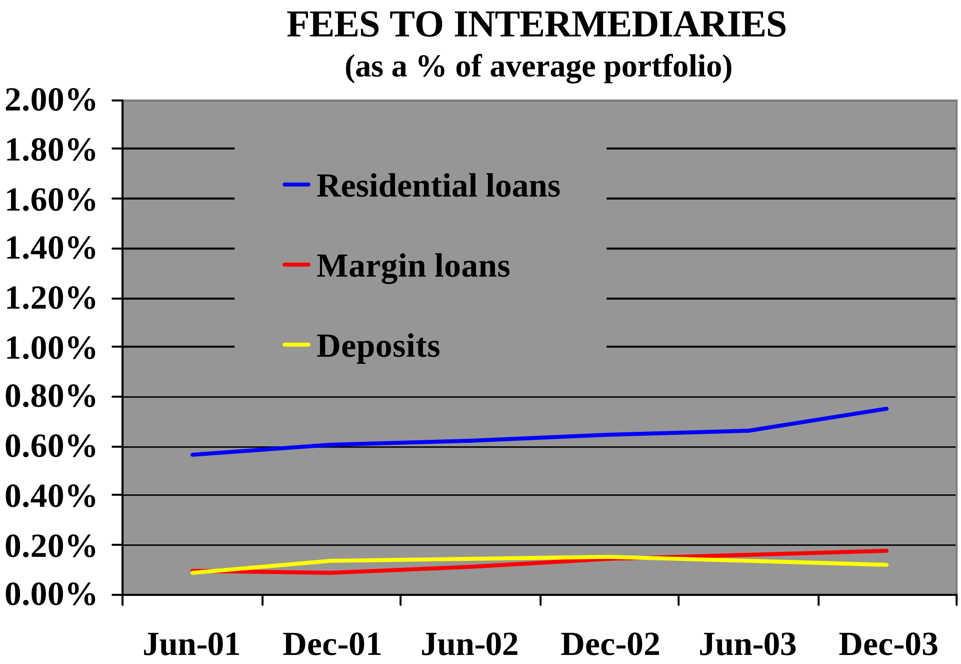
The reduction in securitisation income was driven by a reduction of 29 basis points in the excess spread. This decrease was accentuated by a reduction in average securitised assets over those for the six months ended 31 December 2002.



Fees to Intermediaries

Fees to intermediaries rose largely in line with the increasing volume of business written through this distribution channel. Growth in fees to intermediaries for residential loans included $3.5 million in additional amortisation of origination payments to provide to any change in the expected life of the loan.

Total fees include frequent flyer points on the Margin Flyer account.

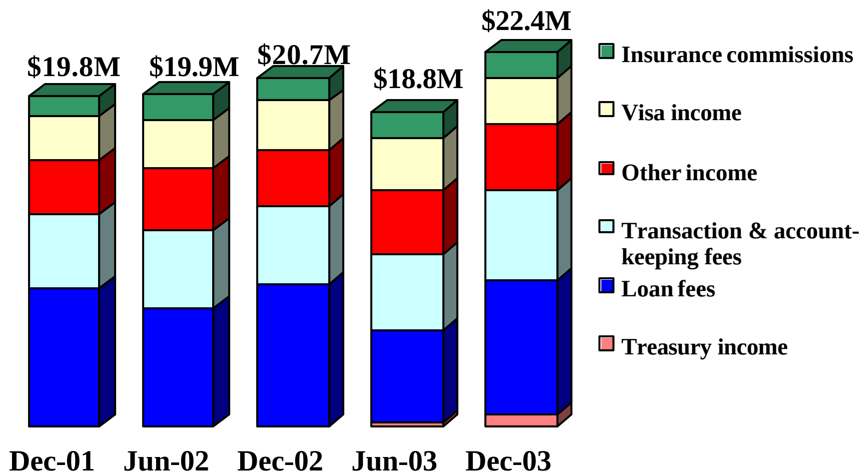


The rate of commission rose slightly for housing as a result of an increasing proportion of business being conducted through intermediaries. The strong growth in dollar terms reflects the strong growth in volumes over the past year.

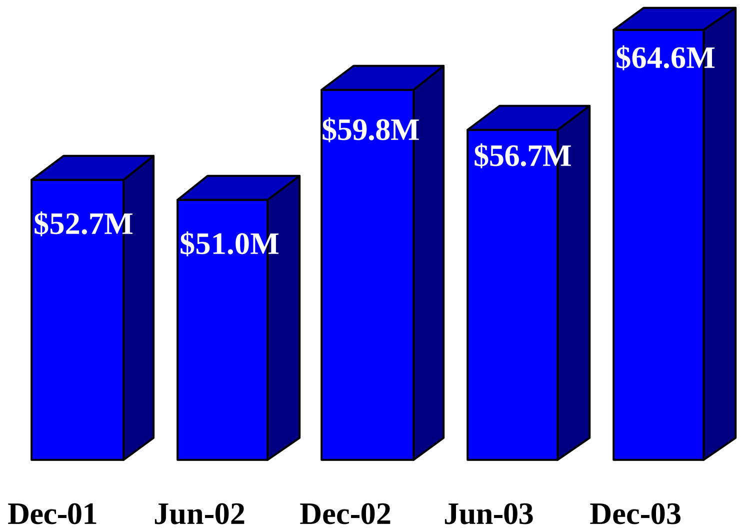
The increase in the rate of commission on margin loans was primarily as a result of increases in commission rates due to competitive pressure.

Other Income

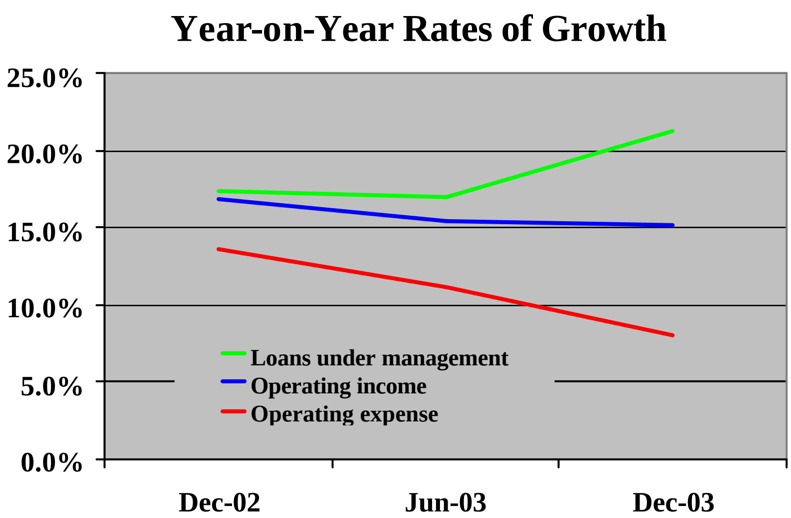
Other income grew significantly, with strong performance in both front-end loan fees (as a result of record loan approval volumes) and transaction and account-keeping fees.



Operating Expenses



Operating expenses increased by 8% over those for 2002. Importantly, this level of increase was lower than the rate of growth of assets under management and the growth in total income. The following chart shows year-on-year growth for income, expense and loans under management.



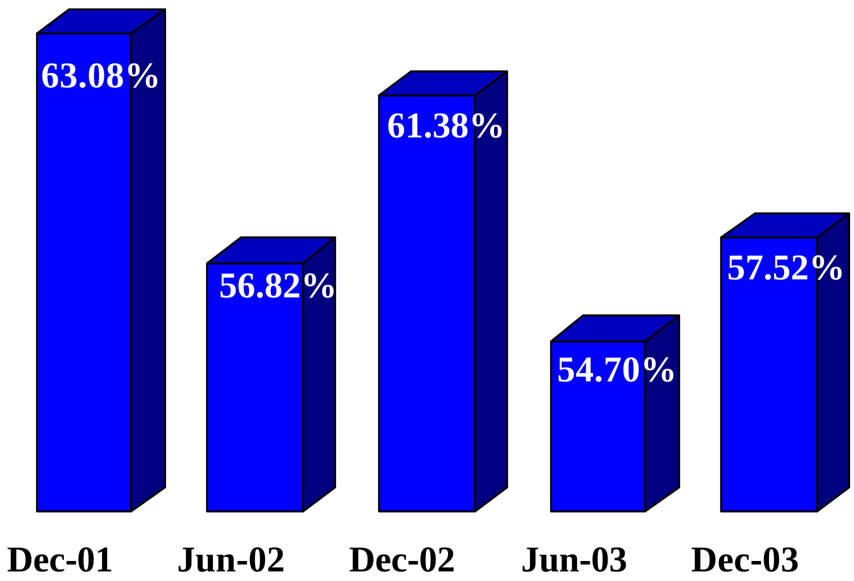
	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	$M	$M	$M	%	$M	%
Staff Expenses	35.5	31.7	39.2	3.7	10.4%	7.5	23.6%
Occupancy Expenses	3.7	3.4	3.5	(0.1)	-3.6%	0.1	4.0%
Computer & Equipment Expenses	3.8	3.8	4.1	0.3	8.8%	0.3	9.1%
Depreciation & Amortisation	2.7	4.8	3.0	0.3	10.1%	(1.8)	-37.8%
Communications, printing & stationery	4.1	3.4	4.0	(0.1)	-2.5%	0.6	16.5%
Professional Fees	3.5	3.5	3.9	0.4	11.9%	0.4	10.3%
Other	6.7	6.1	7.0	0.3	4.4%	0.9	14.9%
Total	**59.8**	**56.7**	**64.6**	**4.8**	**8.0%**	**8.0**	**14.0%**

Comments on individual items are:

- **Staff expenses** grew by 10.4% year on year. The increase came as a result of wage increases flowing from the Bank's Enterprise Agreement and from increased FTE numbers, which rose from 931 in the previous year to 1,048 at December due to increased loan volumes. It is important to note that the Bank retains a high level of flexibility to scale back costs in the event of a slow down in lending volumes.
- **Computer & equipment expenses** grew by 8.8% largely reflecting increased costs relating to software development and licence fees.

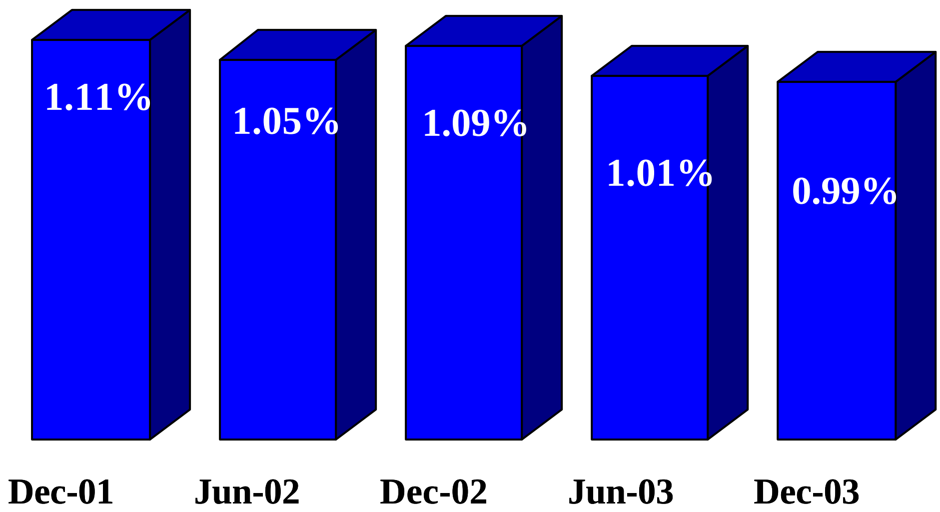
The cost to income ratio continued to fall, tracking towards the Bank's objective of 55% by June 2005.

COST TO INCOME



The cost to asset ratio remained relatively stable, at the leading edge of performance for Australian retail banks.

COST TO ASSETS



SEGMENT RESULTS

	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	$M	$M	$M	%	$M	%
Residential Lending	25.5	26.7	25.9	0.5	1.8%	(0.8)	-3.1%
Business Banking	6.3	6.1	6.0	(0.3)	-5.5%	(0.2)	-2.6%
Margin Lending	3.7	4.0	3.5	(0.2)	-4.7%	(0.4)	-11.3%
Retail Deposits	8.3	9.9	12.0	3.7	44.5%	2.1	21.5%
Other	0.1	6.4	6.0	5.8	4155.7%	(0.5)	-7.1%
	44.0	**53.2**	**53.4**	**9.5**	**21.5%**	**0.2**	**0.4%**
Unallocated Support	(10.9)	(11.9)	(11.0)	(0.1)	1.1%	0.9	-7.7%
	33.1	**41.2**	**42.4**	**9.3**	**28.2%**	**1.2**	**2.8%**

Residential Lending

	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	$M	$M	$M	%	$M	%
NII & Securitisation Income	58.9	65.2	73.3	14.4	24.4%	8.1	12.4%
Fees to Intermediaries	24.0	26.6	33.9	9.9	41.2%	7.4	27.8%
	34.9	**38.7**	**39.4**	**4.5**	**12.9%**	**0.7**	**1.8%**
Other income	7.6	4.7	7.8	0.2	2.2%	3.0	64.4%
Total Income	**42.5**	**43.4**	**47.2**	**4.7**	**11.0%**	**3.8**	**8.7%**
Total Costs	**17.0**	**16.5**	**21.1**	**4.1**	**24.3%**	4.6	27.7%
Underlying Earnings	**25.5**	**26.9**	**26.1**	**0.5**	**2.1%**	**(0.8)**	**-3.0%**
Provision for Bad & Doubtful Debts	0.1	0.1	0.2	0.1	114.3%	0.0	12.2%
Contribution Before Tax	**25.5**	**26.7**	**25.9**	**0.5**	**1.8%**	**(0.8)**	**-3.1%**
Average Total Assets	7,398.8	8,154.8	8,978.0	1,579.2	21.3%	823.2	10.1%
NII & Securitisation Income / Average Assets	1.58%	1.61%	1.62%				
Cost to income	39.94%	38.05%	44.72%				
Cost to assets	0.46%	0.41%	0.47%				

Strong volumes and a relatively stable margin combined to boost revenue. Importantly revenue grew at a slightly greater pace than assets under management.

Growth in fees to intermediaries included $3.5 million in additional amortisation of origination payments to provide for any change in the expected life of the loan.

Growth in other income reflected the increase in loan approvals.

Costs were well controlled given the dramatic increase in business volumes (loan approvals were 53% higher than in the same period in 2002).

Approval volumes continued at record levels over the period. It is expected that the impact of any slow down in the market will be offset by increased market share.

Business Banking

	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	$M	$M	$M	%	$M	%
NII	9.1	9.3	9.2	0.1	0.7%	(0.1)	-1.6%
Fees to Intermediaries	0.0	0.0	0.1	0.1	2525.0%	0.0	41.3%
	9.1	**9.3**	**9.1**	**0.0**	**0.0%**	**(0.2)**	**-1.8%**
Other income	1.1	0.9	1.2	0.1	6.0%	0.3	30.9%
Total Income	**10.2**	**10.2**	**10.3**	**0.1**	**0.7%**	**0.1**	**1.2%**
Total Costs	**3.9**	**3.6**	**4.3**	**0.4**	**11.4%**	**0.8**	**21.5%**
Underlying Earnings	**6.4**	**6.6**	**6.0**	**(0.4)**	**-5.9%**	**(0.6)**	**-9.8%**
Provision for Bad & Doubtful Debts	0.0	0.5	(0.0)	(0.0)	-278.6%	(0.5)	-101.0%
Contribution Before Tax	**6.3**	**6.1**	**6.0**	**(0.4)**	**-5.8%**	**(0.1)**	**-2.3%**
Average Total Assets	982.1	1,029.9	1,061.4	79.3	8.1%	31.4	3.1%
NII & Securitisation Income / Average Assets	1.84%	1.82%	1.71%				
Cost to income	37.98%	34.98%	42.03%				
Cost to assets	0.79%	0.70%	0.81%				

Revenue remained stable with a lift in the average portfolio offsetting a fall in the margin.

Margin Lending

	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	**$M**	**$M**	**$M**	**%**	**$M**	**%**
NII & Securitisation Income	11.2	10.7	12.8	1.6	14.2%	2.0	19.1%
Fees to Intermediaries	1.4	1.7	1.7	0.4	26.9%	0.1	5.1%
	9.8	**9.1**	**11.1**	**1.2**	**12.4%**	**2.0**	**21.6%**
Other income	0.1	0.1	0.1	(0.0)	-15.2%	(0.0)	-12.5%
Total Income	**10.0**	**9.2**	**11.2**	**1.2**	**12.0%**	**1.9**	**21.1%**
Total Costs	**6.3**	**5.1**	**7.5**	**1.2**	**19.9%**	**2.4**	**46.4%**
Underlying Earnings	**3.7**	**4.1**	**3.6**	**(0.1)**	**-1.4%**	**(0.4)**	**-10.8%**
Provision for Bad & Doubtful Debts	-	0.1	0.1	0.1	n/a	0.0	6.1%
Contribution Before Tax	**3.7**	**4.0**	**3.5**	**(0.2)**	**-4.7%**	**(0.4)**	**-11.3%**
Average Total Assets	1,110.2	1,101.2	1,252.2	142.1	12.8%	151.0	13.7%
NII & Securitisation Income / Average Assets	2.00%	1.97%	2.03%				
Cost to income	63.00%	55.78%	67.42%				
Cost to assets	1.12%	0.94%	1.19%				

Average loans under management grew by 12.8% year on year and 13.7% in the past six months, reflecting renewed investor interest in equities. Market share increased by 17 basis points between June and September (the latest figures available from the Reserve Bank).

Fees to intermediaries rose as a result of portfolio growth and competitive pressures.

Costs increased as a result of the upgrade of core processing systems to position the business for future growth.

Retail Funding

	Dec-02	Jun-03	Dec-03	Change (year-on-year)		Change (June to Dec)	
	$M	$M	$M	$M	%	$M	%
NII	21.7	22.1	24.6	2.9	13.5%	2.4	11.0%
Fees to Intermediaries	4.1	4.1	3.9	(0.2)	-4.6%	(0.2)	-5.0%
	17.6	**18.0**	**20.7**	**3.1**	**17.7%**	**2.6**	**14.6%**
Other income	4.6	4.4	4.9	0.3	5.7%	0.5	10.2%
Total Income	**22.2**	**22.5**	**25.5**	**3.4**	**15.2%**	**3.1**	**13.7%**
Total Costs	**13.8**	**12.6**	**13.6**	**(0.2)**	**-1.1%**	**1.1**	**8.5%**
Underlying Earnings	**8.4**	**9.9**	**11.9**	**3.5**	**42.0%**	**2.0**	**20.4%**
Provision for Bad & Doubtful Debts	0.1	(0.0)	(0.0)	(0.1)	-110.4%	(0.0)	40.0%
Contribution Before Tax	**8.3**	**9.9**	**11.9**	**3.6**	**43.2%**	**2.0**	**20.4%**
Average Total Deposits	5,444.5	6,095.3	6,683.3	1,238.8	22.8%	588.0	9.6%
NII / Average Deposits	0.79%	0.73%	0.73%				
Cost to income	62.1%	55.9%	53.3%				
Cost to deposits	0.50%	0.42%	0.40%				

Continuing strong growth in retail funding resulted in growth in net interest income, whilst fees to intermediaries remained fairly stable.

Other

Other includes Consumer Lending, Treasury (including MALCO), Insurance and Third Party Processing.

The major improvement in performance relates to MALCO activity in relation to overall funding costs, including increased levels of capital and a reduction in hedging costs due to the expiration of interest rate hedges and changes in the interest rate environment.