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**ADELAIDE BANK ACHIEVES LENDING JUMP AND RECORD INTERIM PROFIT
RESULTING IN DIVIDEND INCREASE**

Adelaide Bank Limited today announced a record first half performance for 2004-05, built on record lending, increased home loan market share and good funding growth, resulting in a significant increase in the interim dividend to shareholders.

Profit before tax was a record \$51.99 million (excluding significant items from the sale of Cashcard of \$0.66 million), an increase of 23 per cent on the \$42.28 million recorded in the first half of 2003-04.

After tax profit increased by 22 per cent to \$35.51 million (excluding significant items of \$0.46 million), compared with \$29.06 million for the first half of last year.

Adelaide Bank posted underlying earnings of \$61.30 million, up 28 per cent on the \$47.73 million posted for the first half of the 2003-04 financial year.

The record performance has resulted in the Adelaide Bank's Board increasing the first half fully franked dividend by five cents to 24 cents, the biggest single dividend increase in the Bank's history.

The 26 per cent increase in the interim dividend reflected the Board's confidence in the future following a performance that saw virtually all major key indicators improve.

The record first half result was reported to the Australian Stock Exchange today by the Bank's Chairman, Mr Dick McKay, AM and Group Managing Director and Chief Executive Officer, Mr Barry Fitzpatrick.

In making the announcement, Mr McKay said: "Adelaide Bank has delivered a first half performance that has exceeded most expectations.

"The Bank has continued to deliver on its promises with a return on equity of more than 15 per cent, profit growth of more than 10 per cent and has delivered significantly improved returns to its shareholders.

"The Board is confident the outstanding performance of the first half will continue through the second half of 2004-05 and into next financial year.

"This very positive outlook enabled the Board to increase shareholder returns with the five cent increase in the fully franked interim dividend.

“Since Bank conversion, the second half of the each financial year has proven at least as strong as the first half and the Board is confident Adelaide Bank will again deliver profit growth in excess of 10 per cent for the full 2004-05 financial year.”

SHAREHOLDERS' RETURNS

The fully franked 24-cent interim dividend will be paid to shareholders on March 31, 2005.

This represents a dividend payout ratio on ordinary shares of 72 per cent, compared with 69 per cent for the first half of last year. This is in line with the Bank's long-stated desired ratio of around 70 per cent.

The first half Return On Equity ratio (ROE) was 16.06 per cent compared with 15.21 per cent last year, while the ROE pre amortisation was 16.99 per cent compared with 16.26 per cent last year.

Fully diluted Earnings Per Share (EPS) were 33.21 cents, compared with 28.44 cents for the first half of last year while annualised EPS were 65.87 cents, compared with 56.57 cents for the same period of 2003-04. This represents an increase of 16 per cent.

ASSET GROWTH AND QUALITY

The Bank's total assets under management grew to \$17.44 billion over the first six months of 2004-05, representing a 12 per cent increase on the \$15.62 billion at June 30, 2004.

This represents an annualised rate of growth of 23 per cent.

Non-accrual loans were reduced from \$8.5 million at June 30, 2004 to \$8.2 million at December 31, 2004.

This total represents 0.08 per cent of gross loans with net non-accrual loans representing 0.01 per cent of gross loans.

Commenting, Mr Fitzpatrick said: “These figures see Adelaide Bank continue to record credit quality at the upper end of Australian retail banks.

“Business non-accrual loans lifted to 0.36 per cent of the Business Banking portfolio. There were only three non-accrual loans recorded in this total.

“Non-accrual consumer loans remained at normal level of the six month period, dropping slightly from 0.93 per cent of the portfolio to 0.90 per cent while performing loans past due 90 days and over fell from 0.35 per cent at June 30, 2004 to 0.31 per cent.

“These continue to be at the low end of the normal range experienced by Australian retail banks.

“However, Adelaide Bank continues to be vigilant in the area of risk management and has continued with its long established prudent approach by increasing its general provision by \$5.4 million.

“The additional \$5.4 million in provisions takes general provisions to \$36.2 million from the \$30.8 million in place at June 30, 2004.

“This maintains the ratio of general provisions to risk weighted assets at 0.51 per cent.”

LENDING

Adelaide Bank set new loan approval records in the first six months of 2004-05, buoyed by continued success in home lending.

Loan approvals for the first six months of the financial year totalled \$4.37 billion, compared with \$3.91 billion for the same period of the 2003-04 financial year and \$4.19 billion for the first half of the 2004 calendar year.

Mr Fitzpatrick said: “Adelaide Bank’s market share of housing loan approvals continued to grow.

“Latest Australian Bureau of Statistics figures and Adelaide Bank’s own data show the Bank achieved a 3.5 per cent share of approvals for the first five months of the financial year.

“This compares with 2.8 per cent for the corresponding period of 2003-04.

DEPOSITS AND FUNDING

Retail deposits grew by \$600 million over the first six months of 2004-05 from \$7.8 billion at June 30, 2004 to \$8.4 billion at December 31, 2004 – an increase of just under eight per cent. This represents annualised growth of 15 per cent.

CAPITAL

The Bank’s Capital Adequacy Ratio stood at 11.2 per cent at December 31, 2004, with Tier I capital at 5.8 per cent.

The Tier 1 ratio was affected by the Australian Prudential Regulation Authority (APRA) requirement to deduct capitalised payments to loan originators from eligible Tier 1 capital.

OPERATING EFFICIENCIES

Adelaide Bank has continued its strong focus on operating efficiencies.

This is despite increased staff numbers (FTE rose from 1,048 in December 2003 to 1,097 in December 2004) necessitated by increased lending volumes which saw staff expenses increase by 13.2 per cent.

This increase was also impacted by wage increases flowing from the Bank’s enterprise agreement.

The Bank’s operating expenses to operating income ratio has been continually reduced. At December 31, 2003, it stood at 57.52 per cent and was reduced to 54.64 per cent at December 31, 2004.

The Bank's operating expense to average total assets ratio was also further reduced, dropping from 0.99 per cent at December 2003 to 0.89 per cent at December 2004.

“This key measure consolidates the Bank’s position at the leading edge of performance for Australian retail banks,” Mr Fitzpatrick said.

“However, as predicted Adelaide Bank’s net interest margin has slightly narrowed.

The Bank’s net interest margin reduced by 0.09 per cent on a year-on –year basis to 2.18 per cent. The fall from the prior six months was only 0.02 per cent.

“However, we stand by our prediction that we could experience a contraction in margin of between 10 and 15 basis points over the year.

LOOKING FORWARD

Mr Fitzpatrick said: “Within the next two months the Bank’s Executives will revisit the Bank’s strategic direction and map out our path for the next three years.

“It is not anticipated Adelaide Bank strategies will change dramatically – they will be further refined to meet our objectives.

“Today our strategies have been well articulated and are now better understood and they remain strategies that will provide sustainable growth and increased profitability.

“Adelaide Bank is very confident of meeting its key objectives of profit growth and earnings per share in excess of 10 per cent, a return on equity exceeding 15 per cent and greater returns to our shareholders.

“The results from the first half of 2004-05 indicate we are well down the path of achieving those key objectives.

“We plan to continue to improve operating efficiencies. As a result, we are confident we will better our target of an expenses to operating income ratio of 55 per cent at June 30, 2005, having achieved 54.38 per cent at December 2004.

Further comment is available from Mr Fitzpatrick on (08) 8300 6818.

Issued on behalf of Adelaide Bank by Greg Reid Marketing Communications Pty. Ltd.
Telephone (08) 83006449