

Adelaide Bank Limited ABN 54 061 461 550

Step Up Preference Shares

An offer of \$100 million of Step Up Preference Shares

Joint Lead Managers and Underwriters



Deutsche Bank



Co-Managers

ABN AMRO Morgans Limited
Deutsche Securities Australia Limited
Ord Minnett Limited
Westpac Banking Corporation



Adelaide Bank

Important Information

This Prospectus is dated 26 August 2004 and a copy of this Prospectus was lodged with ASIC on that date. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. ASIC and ASX take no responsibility for the contents of this Prospectus.

This Prospectus will be made generally available during the exposure period and the Offer Period on Adelaide Bank's website at www.adelaidebank.com.au. Application forms will not be included in the Prospectus during the exposure period. The exposure period is generally for seven days after lodgment of the Prospectus with ASIC. However, ASIC may extend it by up to a further seven days. Printed copies of this Prospectus are available free of charge by calling the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday).

An Application for SPS can only be submitted on an original Application Form attached to, or accompanying, this Prospectus, which will be available from the Opening Date.

A Prospectus and Application Form may be obtained either electronically from Adelaide Bank's website at www.adelaidebank.com.au (during the Offer Period) or by calling the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday). You must not pass on an Application Form to another person unless it is attached to a paper copy of this Prospectus or accompanies the complete and unaltered version of this Prospectus. Ordinary Shareholders, RPS Holders and Noteholders may be entitled to a preferential allocation. See Section 2.4 for details.

Applicants should read this Prospectus in its entirety before deciding to participate in the Offer. If after reading this Prospectus you are unclear or have any questions about the Offer you should contact your stockbroker, accountant or other professional adviser. No cooling off rights apply to the issue of the SPS.

No action has been taken to register the SPS or otherwise permit a public offering of the SPS in any jurisdiction outside of Australia. In particular, the SPS have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold within the United States of America.

The pro forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

No person is authorised to give any information or to make any representation in connection with the Offer of SPS described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Adelaide Bank in connection with the Offer. Except as required by law, and only to the extent so required, neither Adelaide Bank nor any other person warrants the future performance of Adelaide Bank or any return on any investment made pursuant to this Prospectus. In preparing this Prospectus, Adelaide Bank has not taken into account the investment objectives, financial position or particular needs of any person.

The SPS do not represent a deposit liability of Adelaide Bank. The SPS are subordinated to all depositors and creditors of Adelaide Bank without any rights of set-off.

Some words used in this Prospectus have defined meanings which are set out in the Glossary in Appendix B or otherwise in clause 25 of the Terms of Issue in Appendix A. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. A reference to time in this Prospectus is a reference to Adelaide time unless otherwise indicated.

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Key Dates

Event	Adelaide Time	Date
Prospectus lodged with ASIC		Thursday, 26 August 2004
Offer opens (Opening Date)	9:00am	Friday, 3 September 2004
Offer closes (Closing Date)	5:00pm	Tuesday, 21 September 2004
Allotment Date		Wednesday, 29 September 2004
SPS commence trading on ASX on a deferred settlement basis	10:00am	Thursday, 30 September 2004
Holding statements despatched		Tuesday, 5 October 2004
SPS commence trading on a normal settlement basis	10:00am	Friday, 8 October 2004
First Dividend Payment Date		10 January 2005
Step Up Date		10 October 2014

**These dates are indicative only and are subject to change. Adelaide Bank has the right, subject to agreement with the Joint Lead Managers and Underwriters, to extend the Closing Date for the Offer or to close the Offer early without notice. Accordingly, investors are encouraged to submit their Application Forms as soon as possible after the Offer opens. If the Closing Date for the Offer is extended the subsequent dates may also be extended. Application will be made to ASX for admission of the SPS to quotation on ASX within 7 days after the date of this Prospectus. The dates in this table are indicative only and depend on ASX approving this application.*

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Chairman's Letter



ADELAIDE BANK LIMITED
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169 Pirie Street Adelaide SA 5000
GPO Box 1048 Adelaide SA 5001
Telephone 08 8300 6000
Facsimile 08 8300 6968
AUSDOC DX 169 Adelaide
adelaidebank.com.au

26 August 2004

Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to invest in Adelaide Bank through an investment in Step Up Preference Shares (SPS).

Adelaide Bank is issuing the SPS as part of its ongoing capital management strategy. The proceeds raised from the issue of the SPS will be used to support the future growth of Adelaide Bank.

Adelaide Bank intends to issue 1 million SPS at an Issue Price of \$100 each, to raise \$100 million. The minimum investment size is 50 SPS, or \$5,000. The SPS are non-cumulative preference shares intended to be quoted on ASX. Ordinary Shareholders, RPS Holders and Noteholders who are Eligible Shareholders are entitled to receive a priority allocation of SPS over general retail public Applicants.

The SPS offer investors a floating rate, preferred, non-cumulative Dividend, with the first Dividend payable on 10 January 2005, and subsequent Dividends payable quarterly in arrears.

The SPS have no maturity date. Adelaide Bank may require Exchange of the SPS on or after the Step Up Date, which is 10 October 2014, or earlier in certain limited circumstances. If Adelaide Bank does not Exchange the SPS on or before the Step Up Date the Margin, which forms part of the Dividend calculation, will be increased by a one-time step up of 1.00% per annum for all Dividend Periods after the Step Up Date.

This Prospectus contains full details of the Offer, the terms of the SPS and a description of some of the key risks associated with an investment in SPS. I urge you to read this Prospectus carefully.

To subscribe for SPS you will need to complete and return the Application Form attached to or accompanying this Prospectus, during the Offer Period. Applications can only be made by Australian residents. If you have any questions regarding the Offer, please contact your stockbroker, accountant or other professional adviser, or call the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday).

The Offer is scheduled to open on 3 September 2004 and close on 21 September 2004. However, these dates may change, so I encourage you to lodge your Application early.

On behalf of the Directors, I invite you to consider this investment opportunity.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "R. McKay".

Richard McKay
Chairman, Adelaide Bank Limited

1. Summary of the Offer

1.1 The Offer structure

This Prospectus contains details of the Offer.

Adelaide Bank intends to issue 1 million SPS at an Issue Price of \$100 each, to raise \$100 million. The Offer is fully underwritten by the Joint Lead Managers, ABN AMRO Rothschild and Deutsche Bank.

1.2 Key terms of SPS

Set out below is a summary of the key terms of the SPS. This information should be read in conjunction with other information contained in this Prospectus and, in particular, the Terms of Issue which are set out in full in Appendix A.

TERM	DETAILS
Issuer	Adelaide Bank Limited (ABN 54 061 461 550).
Security	Step Up Preference Shares in Adelaide Bank ("SPS").
Offer Size	1 million SPS to raise \$100 million.
Issue Price	\$100 per SPS.
Dividend	A preferred, non-cumulative, floating rate Dividend.
Calculation of the Dividend Rate	<p>For the first Dividend Period, the Dividend Rate per annum will be the greater of:</p> <ul style="list-style-type: none">(i) 5.03%; and(ii) the rate calculated as $(\text{Market Rate} + \text{Margin}) \times (1 - T)$, <p>where:</p> <p>Market Rate is a floating rate to be set by reference to the Bank Bill Rate on the Allotment Date. See Section 3.2.3;</p> <p>Margin is 1.75%; and</p> <p>T is the Australian corporate tax rate applicable to the franking account of Adelaide Bank from which the Dividend will be franked, expressed as a decimal (currently 0.30).</p> <p>For each subsequent Dividend Period, the Dividend Rate will be calculated in accordance with (ii) above, except that the Market Rate will be set by reference to the Bank Bill Rate on each Dividend Payment Date (or if that day is not a Business Day, on the next Business Day) for the following Dividend Period.</p>
Payment of Dividend	<p>Dividends are payable quarterly in arrears on 10 January, 10 April, 10 July and 10 October in each year that the SPS are on issue.</p> <p>The first Dividend Payment Date is 10 January 2005.</p> <p>The Dividend is payable only if the Directors of Adelaide Bank, in their discretion, determine that a Dividend is payable and subject to certain other conditions. See Section 3.2.6.</p>
Non-cumulative	<p>Dividends are non-cumulative. If all or part of a Dividend is not paid, Adelaide Bank is not obliged to pay, and no Holder has a right to be paid, the unpaid part of the Dividend at any time in the future.</p> <p>However, if this occurs Adelaide Bank cannot pay a dividend on Ordinary Shares unless Adelaide Bank takes certain actions. See Section 3.2.7.</p>
Franking	Adelaide Bank expects Dividends to be fully franked. If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate Holders for the unfranked portion.
Step Up Date	The Step Up Date is 10 October 2014. On the Step Up Date, the Margin will be increased by a one time step up of 1.00% per annum for Dividend Periods after the Step Up Date.

TERM	DETAILS
Exchange by Adelaide Bank	<p>Adelaide Bank may Exchange some or all of the SPS on the Step Up Date or any subsequent Dividend Payment Date, or Exchange all of the SPS on any Dividend Payment Date following the occurrence of a Tax Event or Regulatory Event (which may occur prior to the Step Up Date).</p> <p>On Exchange, at its sole discretion, Adelaide Bank may:</p> <ul style="list-style-type: none"> • Exchange each SPS for the Issue Price, subject to the prior approval of APRA; • convert the SPS into Ordinary Shares; or • undertake a combination of the above. <p>See clauses 17 and 19 of the Terms of Issue.</p>
Conversion into Ordinary Shares	<p>If Adelaide Bank elects to convert the SPS, the number of Ordinary Shares into which the SPS will convert is calculated by dividing the Issue Price by 97.5% of the average daily volume-weighted average price of Ordinary Shares during the 20 Trading Days immediately preceding the date for Exchange.</p> <p>See clause 21 of the Terms of Issue.</p>
Ranking	<p>For the payment of Dividends, the SPS will rank equally with the RPS and in priority to Ordinary Shares. In a winding up or liquidation, the SPS will rank behind all depositors and creditors of Adelaide Bank, equally with the RPS, and ahead of Ordinary Shares for the return of the Issue Price and any Dividend due but unpaid.</p> <p>Adelaide Bank reserves the right in the future to issue additional SPS (or other preference shares ranking equally with or behind the SPS) without the approval of the Holders.</p>
Participation	<p>The SPS do not carry a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares.</p>
Voting Rights	<p>The SPS do not carry a right to vote at general meetings of Adelaide Bank, except in limited circumstances.</p> <p>See clause 16 of the Terms of Issue.</p>
Quotation	<p>The SPS will be quoted on ASX subject to Adelaide Bank's successful application. Quotation is not guaranteed or automatic and if quotation is not granted, no SPS will be issued.</p>

1.3 Risks

There are particular risks associated with investing in SPS, as well as general risks associated with investing in Adelaide Bank. See Section 7 for a summary of investment risks.

Investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or is uncertain whether SPS are a suitable investment for them, they should consult their stockbroker, accountant or other professional adviser.

2. How to Invest

2.1 Who may apply?

Only Australian residents may apply for SPS. The Offer of SPS is available to persons receiving the Prospectus (including the copy of this Prospectus available electronically) within Australia. No action will be taken to register the Prospectus or otherwise permit a public offering of SPS in any jurisdiction where the laws of that jurisdiction would require the Prospectus to be registered or other action to be taken by Adelaide Bank.

2.2 When do applications close?

Your Application must be received by the Adelaide Bank Share Registry with your payment by no later than 5.00pm (Adelaide time) on the Closing Date, which is scheduled to be Tuesday, 21 September 2004. The Offer is expected to open at 9.00am (Adelaide time) on Friday, 3 September 2004.

As Adelaide Bank may extend the Closing Date or close this Offer early without notice, potential investors are encouraged to submit their Application Forms as soon as possible after the Offer opens. If the Closing Date is varied, subsequent dates may also be varied accordingly.

Adelaide Bank may withdraw the Offer at any time before the allotment of the SPS.

2.3 How to apply?

To apply for SPS, Applicants must complete an Application Form attached to, or accompanying, this Prospectus or attached to the online version of this Prospectus, which can be downloaded from the Adelaide Bank website at www.adelaidebank.com.au. Application Forms will be available from the Opening Date (scheduled to be 3 September 2004). If you return an Application Form, you acknowledge that you have received and read this Prospectus in full.

Applicants who receive the electronic version of this Prospectus should ensure that they download and read the Prospectus in its entirety. Applications cannot be made online, although an Application Form will be accessible online at www.adelaidebank.com.au once the Offer opens.

The Application Form includes instructions on how to complete the form. If you did not receive this Prospectus directly from a Joint Lead Manager or a Participating Broker, your Application is part of the "Public Offer" and you should follow the instructions in Sections 2.6 and 2.7 below and on the Application Form. If you received this Prospectus directly from a Joint Lead Manager or Participating Broker, then that person should instruct you on how to apply.

2.4 What do existing Adelaide Bank Shareholders and Noteholders also need to do?

Eligible Shareholders are entitled to receive a preference in allocation over general retail public Applicants.

To receive the preference, you must provide your Issuer Sponsored SRN or CHESS HIN on the Application Form.

Eligible Shareholder is defined in Appendix B and means a person who has an Australian registered address and is an Ordinary Shareholder, RPS Holder or Noteholder as at 5:00pm on 10 September 2004 or a person who was a holder of Adelaide Bank fixed rate capital notes (which traded under the code ADBHA) on 15 July 2004.

See Section 4.3 for details of the priority allocation policy.

2.5 What is the minimum Application amount?

The Issue Price for each SPS is \$100. Applications must be for a minimum of 50 SPS, ie \$5,000 (and after that in multiples of 10, ie \$1,000).

Adelaide Bank reserves the right to reject any Applications, or to allocate fewer SPS than you applied for, including fewer than the minimum Application of 50 SPS. See Section 4.3 for the allocation policy.

2.6 How to pay?

Your Application Form must be accompanied by a cheque or money order payable in Australian dollars and must be drawn on an Australian branch of a financial institution. Cheques should be crossed "Not Negotiable" and made payable to:

- **for the General Public Offer** – the "Adelaide Bank SPS Account"; and
- **for the Broker Firm Offer** – as instructed by the Joint Lead Manager or Participating Broker from whom you received your firm allocation of SPS.

You may **not** pay in cash. If you send cash, your Application will not be processed and the cash will be returned, with no responsibility taken by Adelaide Bank for the return of cash.

2.7 Where to send your completed Application Form?

Send your completed Application Form with payment:

- **for the General Public Offer** – to the Adelaide Bank Share Registry at one of the following addresses:

Postal Address Adelaide Bank SPS Offer
C/- Computershare Investor Services
Pty. Limited
GPO Box 1903,
Adelaide, SA, 5000

or

Hand Delivery Adelaide Bank SPS Offer
C/- Computershare Investor Services
Pty. Limited
Level 5, 115 Grenfell Street,
Adelaide, SA, 5000

- **for the Broker Firm Offer** – as instructed by the Joint Lead Manager or Participating Broker from whom you received your firm allocation of SPS.

Application forms **will not be accepted** at any Adelaide Bank branch or its registered office.

2.8 What brokerage and stamp duty do you have to pay?

You will not have to pay any brokerage or stamp duty on the issue of SPS. You may have to pay brokerage on subsequent transfers of your SPS on ASX.

2.9 Will Application Money be refunded?

If your Application is not accepted or is accepted in part only, then the relevant part of the Application Money will be refunded to you as soon as practicable after the Closing Date. You will not be paid interest on any Application Money returned to you. Any interest earned on Application Money prior to the issue or return will be, and will remain, the property of Adelaide Bank.

2.10 Any questions?

If you require additional copies of this Prospectus and the Application Form, you should contact the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday) or go to www.adelaidebank.com.au.

If you are unclear on any matter or you are uncertain whether SPS are a suitable investment for you, you should contact your stockbroker, accountant or other professional adviser.

2.11 Privacy

The Application Form requires you to provide personal information to Adelaide Bank and the Adelaide Bank Share Registry. Adelaide Bank and the Adelaide Bank Share Registry will collect, hold and use personal information in order to assess the Application, service the Holder's needs as an investor, provide facilities and services that a Holder requests and carry out appropriate administration.

To do this, Adelaide Bank and the Adelaide Bank Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Joint Lead Managers in order to assess the Application;
- the Adelaide Bank Share Registry for ongoing administration of the register; and
- the printers and the mailing house for the purpose of preparation and distribution of statements and for handling of mail.

If you do not provide the information requested of you in the Application Form your Application may not be processed efficiently, or at all.

If you become a Holder, your personal information may also be used or disclosed from time to time to inform you about Adelaide Bank's products or services that Adelaide Bank thinks may be of interest to you. If you do not want personal information to be used for this purpose, you should contact Adelaide Bank by telephoning the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday).

If you become a Holder, the Corporations Act requires information about you (including your name, address and details of SPS you hold) to be included in Adelaide Bank's public share register. This information must continue to be included in this register if you cease to hold SPS.

The information may also be disclosed to companies within the Adelaide Bank group and to their agents and service providers on the basis that they deal with such information in accordance with Adelaide Bank's privacy policy.

Under the Privacy Act 1988 (Cth), you may request access to personal information held by (or on behalf of) Adelaide Bank or the Adelaide Bank Share Registry. You can request access to personal information by writing to, or telephoning, the Adelaide Bank Share Registry, whose address details are set out in the Corporate Directory on the inside back cover of this Prospectus.

Adelaide Bank's privacy policy is available at www.adelaidebank.com.au.

3. Answers to Key Questions

The purpose of this section is to answer some of the questions which potential investors may have about the SPS. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which you should read in its entirety. The Terms of Issue of the SPS are set out in Appendix A.

3.1 What are SPS?

The SPS are a class of preference share in Adelaide Bank that:

- entitle Holders to receive a floating rate, preferred, non-cumulative Dividend, which Adelaide Bank expects to be fully franked;
- are perpetual and have no maturity but may be Exchanged by Adelaide Bank in certain circumstances;
- rank in priority to Ordinary Shares and equal with RPS for the payment of Dividends; and
- in the event of a winding up or liquidation of Adelaide Bank, will rank behind all depositors and creditors of Adelaide Bank, equally with RPS Holders and ahead of Ordinary Shareholders for return of the Issue Price and the amount of any Dividend due but unpaid.

3.2 What Dividends will be paid on the SPS?

3.2.1 How will the Dividend be calculated?

Dividends for each Dividend Period will be calculated in accordance with the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Issue Price} \times \text{Number of Days in the Dividend Period}}{365}$$

3.2.2 What is the Dividend Rate?

The Dividend Rate will be a floating rate and will be set on each Dividend Payment Date (or next Business Day if that day is not a Business Day) for the following Dividend Period in accordance with the following formula:

$$\text{Dividend Rate} = (\text{Market Rate} + \text{Margin}) \times (1 - T)$$

The Market Rate is a floating rate to be set by reference to the Bank Bill Rate on each Dividend Payment Date (or next Business Day if that day is not a Business Day) for the following Dividend Period.

Until the Step Up Date, the Margin is 1.75% per annum.

T is the Australian corporate tax rate applicable to the franking account of Adelaide Bank from which the Dividend will be franked, expressed as a decimal. As at the date of this Prospectus, T equals 0.30.

Until the first Dividend Payment Date (10 January 2005), the Dividend Rate will be the higher of 5.03% and the Dividend Rate calculated as described above on the Allotment Date.

As an example, where the Market Rate on a Dividend Payment Date is 5.50%, the applicable Dividend Rate for the following Dividend Period would be:

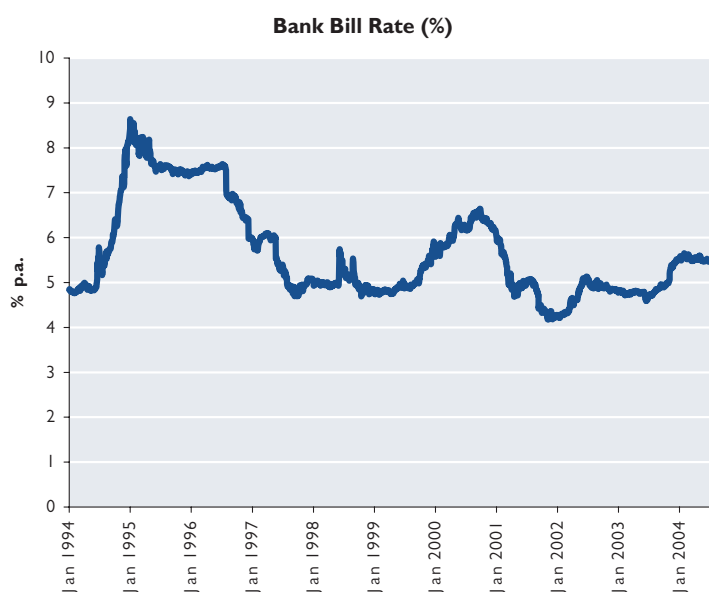
Market Rate (ie Bank Bill Rate)	5.50% pa
Plus Margin	1.75% pa
	7.25% pa
Multiplied by (1 – tax rate)	0.70
Dividend Rate	5.08% pa

The actual Dividend on each SPS for that Dividend Period is calculated as follows:

Issue price	\$100
Multiplied by the Dividend Rate	5.08%
Multiplied by the number of days in the Dividend Period	90
Divided by the number of days in a year	365
Dividend per SPS	\$1.25

3.2.3 What is the Bank Bill Rate?

The Bank Bill Rate is a benchmark interest rate in the Australian money market commonly used by major Australian banks to lend cash to each other over a 90 day period. On Tuesday, 24 August 2004 the Bank Bill Rate was 5.43% per annum. The following chart illustrates the fluctuations in this rate since 1994:



On the first Business Day of each Dividend Period, Adelaide Bank will announce the Dividend Rate for that Dividend Period to ASX.

3.2.4 Will the Dividend be franked?

Adelaide Bank expects that Dividends on the SPS will be fully franked. However, if Adelaide Bank is unable to pay a fully franked Dividend, then the Dividend will be increased to compensate for the unfranked portion in accordance with the formula set out in clause 6.2 in the Terms of Issue.

3.2.5 When will Dividends be paid?

Subject to the conditions described in Section 3.2.6, Dividends will be payable quarterly in arrears.

Dividend Payment Dates are 10 January, 10 April, 10 July and 10 October each year, with the first Dividend being payable on 10 January 2005.

3.2.6 Will Dividends always be paid?

Dividends may not always be paid.

The SPS are not debt instruments, and Dividends are not the same as interest payments. The payment of Dividends is subject to the following conditions:

- the Directors, at their discretion, determining that the Dividend is payable;
- unless otherwise approved by APRA, the amount of the Dividend not exceeding the Distributable Profits;
- Adelaide Bank complying with APRA's then prevailing prudential standards and guidelines relating to the payment of Dividends; and
- APRA not objecting to the payment of the Dividend.

If one or more of these conditions is not satisfied, a Dividend may not be paid. See Section 3.2.7 for the consequences of Adelaide Bank not paying a Dividend.

3.2.7 What happens if a Dividend is not paid in full?

Dividends on SPS are non-cumulative, and therefore if a Dividend or part of a Dividend is not paid for any period, Adelaide Bank is not required to make it up in subsequent periods. Non payment of Dividends does not entitle a Holder to request an Exchange of SPS.

However, if Adelaide Bank does not pay a Dividend in full within 20 Business Days after the relevant Dividend Payment Date Adelaide Bank may not, without approval of a special resolution of Holders, make any payments or return of capital on any Tier 1 Securities subordinated or equal to SPS (excluding proportionate payments on the SPS and equally ranking share capital) until:

- four consecutive Dividends payable on the SPS have been paid in full (or an equivalent amount of Dividends if the frequency of payments is other than quarterly); or
- an Optional Dividend Payment has been paid to the Holders equal to the unpaid amount of the four immediately preceding

Dividends prior to the date of payment of the Optional Dividend Payment (or equivalent Dividends if the frequency of payment is other than quarterly). An Optional Dividend Payment may only be made with APRA's prior approval.

3.2.8 What happens if the Australian corporate tax rate changes?

If there is a change in the Australian corporate tax rate applicable to the franking account of Adelaide Bank from which a Dividend is to be franked (ie a change from the current 30% Australian corporate tax rate), the Dividend will be adjusted in accordance with the formula set out in clause 6.2 of the Terms of Issue.

3.2.9 What is the ranking of Dividends on the SPS?

The SPS rank ahead of Ordinary Shares and equally with the RPS for payment of Dividends.

3.3 What are Step Up and Exchange?

3.3.1 What is the Step Up Date?

The Step Up Date is 10 October 2014. If the SPS are not Exchanged on or before the Step Up Date the Margin will increase by a one time step up of 1.00% per annum for all Dividend Periods after the Step Up Date.

3.3.2 What is an Exchange and when can an Exchange occur?

Adelaide Bank can elect to Exchange some or all of the SPS on the Step Up Date or any subsequent Dividend Payment Date by delivering to the Holder an Exchange Notice at least 20 Business Days (but no more than three months) prior to the Step Up Date or the relevant Dividend Payment Date.

Adelaide Bank may also Exchange all (but not some) of the SPS on any Dividend Payment Date following the occurrence of a Tax Event or a Regulatory Event (which could occur prior to the Step Up Date). Any Exchange following a Tax Event or Regulatory Event will occur on the Dividend Payment Date following delivery of an Exchange Notice to the Holder at least 20 Business Days (but no more than three months) prior to the relevant Dividend Payment Date.

The Exchange Notice will specify which of the following actions Adelaide Bank intends to undertake in the Exchange:

- Exchange each SPS for the Issue Price, subject to the prior approval of APRA;
- convert each SPS into the Exchange Number of Ordinary Shares; or
- undertake a combination of the above.

See Clauses 17 and 19 of the Terms of Issue for further information about Exchange.

3.3.3 Can a Holder require or request Exchange?

Holders cannot require or request Exchange of the SPS.

3.3.4 What happens on conversion?

On conversion, a Holder will receive the Exchange Number of Ordinary Shares. In such event, each SPS will convert into one Ordinary Share and an additional number of Ordinary Shares will be issued to make up the Exchange Number of Ordinary Shares. All of those Ordinary Shares will rank equally in all respects with Ordinary Shares then on issue.

The Exchange Number of Ordinary Shares is calculated by dividing the Issue Price by 97.5% of the average daily volume-weighted average price of Ordinary Shares during the 20 Trading Days immediately preceding the date for Exchange.

3.3.5 What happens in the event of redemption?

If Adelaide Bank redeems, buys back or cancels SPS, each SPS will be redeemed, bought back or cancelled for the Exchange Consideration.

Adelaide Bank may only redeem, buy back or cancel the SPS if APRA gives its prior approval.

3.4 Other key questions

3.4.1 Will Holders be able to request repayment of their investment?

Holders cannot require Adelaide Bank to repay any of the money paid for SPS.

3.4.2 In a winding-up or liquidation of Adelaide Bank, what will Holders receive?

In a winding-up or liquidation of Adelaide Bank, the SPS will rank behind all depositors and creditors of Adelaide Bank, equally with the RPS and ahead of Ordinary Shares for return of the Issue Price and the amount of any Dividend due but unpaid, and otherwise do not participate in a winding-up or liquidation. Holders do not have the right to participate in any distribution of surplus assets or profits of Adelaide Bank on a winding-up or liquidation.

If there is a shortfall of funds on a winding up or liquidation, Holders may not receive a full return of capital or payment of any unpaid Dividend. In that case, Holders will receive a pro rata return with other preference shareholders ranking equally with the SPS, including holders of preference shares issued after the SPS.

3.4.3 Do the SPS have voting rights?

The SPS do not have voting rights except in the limited circumstances set out in clause 16 of the Terms of Issue. In such circumstances, each Holder will be entitled to one vote per SPS. Those circumstances include where a proposal is made that affects rights attached to the SPS and when a Dividend or part of a Dividend is in arrears.

3.4.4 Can SPS be purchased or sold on ASX?

Adelaide Bank will apply within seven days of lodgment of this Prospectus for the SPS to be quoted on ASX. If quotation is not granted, the SPS will not be issued and Application Money will be refunded to Applicants without interest. Once quoted on ASX, SPS may be purchased or sold through any stockbroker, subject to demand and supply on ASX.

3.4.5 What are the taxation implications of holding or disposing of SPS?

As the taxation implications of investing in SPS will depend on a Holder's individual circumstances, investors should obtain their own taxation advice. See Section 8 for a general outline of the taxation implications for certain investors who are Australian residents for taxation purposes.

3.4.6 What are the implications of International Financial Reporting Standards (IFRS) for the SPS?

The Financial Reporting Council recently reinforced its strategic decision in relation to the transition to IFRS in Australia by deciding not to amend the date at which Australian reporting entities are required to adopt IASB equivalent standards, being reporting periods beginning on or after 1 January 2005. Adelaide Bank has received advice from Ernst & Young that the SPS will be classified as equity under both existing Australian Generally Accepted Accounting Principles and the future Australian versions of IFRS as currently issued.

However, should the circumstances change and the introduction of IFRS impact the tax or regulatory classification of the SPS, this may constitute a Tax Event or Regulatory Event and entitle Adelaide Bank to require Exchange of the SPS. See clause 19 of the Terms of Issue. See Sections 6.6 and 7.1.11 for further information on the implications of IFRS for Adelaide Bank.

3.4.7 How will the proceeds of the Offer be used by Adelaide Bank?

The SPS Offer forms part of Adelaide Bank's ongoing capital management program. Adelaide Bank will use the proceeds from the Offer to support future growth of Adelaide Bank.

3.4.8 What is the relevance of the 10% shareholding limit in Adelaide Bank's constitution?

The constitution of Adelaide Bank restricts a person from holding more than 10% of the "voting shares" of Adelaide Bank.

The SPS are not "voting shares" for the purposes of this restriction. However, the Ordinary Shares into which the SPS may convert are "voting shares". Holders will need to take account of this in the event of a conversion of SPS into Ordinary Shares. The Directors will have

discretion as to the Exchange of SPS where they consider that the restriction will be breached as a result of conversion of SPS into Ordinary Shares.

3.4.9 What are the risks of investing in SPS?

An investment in Adelaide Bank, through SPS, involves risk. See Section 7 for further information on some of these risks.

Investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or is uncertain whether SPS are a suitable investment for them, they should consult their stockbroker, accountant or other professional adviser.

4. Offer Details

4.1 The SPS Offer structure

Adelaide Bank intends to issue 1 million SPS at an Issue Price of \$100 each to raise \$100 million. Up to 300,000 SPS have been set aside for Eligible Shareholders and general retail public Applicants (“General Public Offer”). The Offer is jointly underwritten by ABN AMRO Rothschild and Deutsche Bank. See Section 9.6 for a summary of the Underwriting Agreement.

4.2 Allotment

Adelaide Bank intends to allot the SPS on 29 September 2004, although Adelaide Bank has the right to change this date subject to agreement with the Joint Lead Managers. Adelaide Bank will not allot any SPS until it has been granted approval by ASX for the SPS to be quoted.

4.3 Allocation policy

Adelaide Bank has the right, after consultation with the Joint Lead Managers, to nominate the persons to whom the SPS will be allocated, including allocations to institutional investors and firm allocations to Participating Brokers. The distribution of each firm allocation to clients by a broker will be at the discretion of the broker and is subject to the terms and conditions of the Broker Firm Offer made by the Joint Lead Managers to the relevant broker.

Adelaide Bank and the Joint Lead Managers reserve the right to reject any Applications or to allocate to any Applicant a lesser number of SPS than that applied for, including less than the minimum Application of 50 SPS.

In respect of any Application where the number of SPS allotted is less than the number applied for, or where no allotment is made, surplus Application Money will be refunded as soon as practicable after the Allotment Date. No interest will be payable on Application Money.

Priority Allocation to Eligible Shareholders

Eligible Shareholders who have indicated on their Application Form that they are an Eligible Shareholder and have provided their SRN or HIN will receive a priority allocation. This means that those Applicants will receive preference over other Applicants in the General Public Offer (ie those Applicants who do not have a firm allocation from one of the Joint Lead Managers or one of the Participating Brokers).

Notwithstanding this preference in allocation, Eligible Shareholders may receive fewer SPS than the number they have applied for, including less than the minimum Application of 50 SPS.

Firm Allocations to the Joint Lead Managers and Participating Brokers

Firm Allocations to the Joint Lead Managers and Participating Brokers for their private clients will not be scaled back by Adelaide Bank. The distribution of Broker Firm Allocations to individual clients by the Joint Lead Managers and Participating Brokers will be at the sole discretion of the relevant Joint Lead Manager or Participating Broker.

4.4 ASX quotation

Application will be made within seven days after the date of this Prospectus to ASX for official quotation of the SPS. If quotation is not granted, the SPS will not be issued and Application Money will be refunded to Applicants. No interest will be paid on Application Money. Any interest earned on Application Money prior to the return will be, and will remain, the property of Adelaide Bank.

4.5 Deferred settlement trading

It is expected that trading of SPS will commence on a deferred settlement basis on Thursday, 30 September 2004 following announcement of allocations, and will continue on that basis until Friday, 8 October 2004 when it is expected that trading of SPS will be on a normal settlement basis. This is because trading will take place before entries are made on the SPS register and before holding statements are sent out to Holders.

It is the responsibility of Applicants to determine their holding before they trade in SPS. Applicants who sell SPS before they receive their holding statements do so at their own risk. Applicants may call their broker or the Adelaide Bank Share Registry to enquire about their holding.

4.6 Provision of holding statements

Adelaide Bank will apply for the SPS to participate in the Clearing House Electronic Subregister System (CHESS) and, in accordance with ASX Listing Rules and ASTC Settlement Rules, will maintain an electronic issuer sponsored subregister and an electronic CHESS subregister. Under CHESS, Adelaide Bank will not issue certificates to investors. After the allotment of SPS, successful Applicants will receive a CHESS or issuer sponsored holding statement. Adelaide Bank expects advices and holding statements to be despatched to Successful Applicants on 5 October 2004.

Holders will receive subsequent statements showing changes to their holding of SPS.

5. About Adelaide Bank Limited

5.1 Adelaide Bank

Adelaide Bank is a South Australia based regional bank that has been operating for over 100 years. Adelaide Bank's financial products and services include residential lending, business lending, margin lending and savings and investment products. Adelaide Bank is listed on ASX and is amongst Australia's top 150 companies. Adelaide Bank, as a company subject to the Corporations Act, is required to prepare annual and half-yearly financial statements. In addition, as a company listed on ASX, Adelaide Bank is subject to periodic and continuous disclosure requirements.

5.2 Overview

Adelaide Bank's traditional base is South Australia. However, Adelaide Bank's distribution reach extends nationally via its network of intermediaries and alliance partners. Adelaide Bank has successfully expanded through growth and acquisition. Since it adopted bank status in January 1994, Adelaide Bank's assets under management have grown from \$2.1 billion to over \$15.6 billion today, an average increase of around 21% each year.

Since 1993 Adelaide Bank has been using a range of intermediaries to distribute its mortgage loans and, more recently, cash management and deposit products.

In the year ended 30 June 2004, 79% of all of Adelaide Bank's mortgage approvals were sourced outside South Australia. As at 30 June 2004, 70% of its loans under management and 38% of retail deposits were from outside South Australia.

Net profit for the year ended 30 June 2004 totalled \$68.23 million with underlying earnings of \$105.54 million.

5.2.1 Retail financial services

Adelaide Bank's retail financial services are provided through its branch network in South Australia and through a national network of alliance partners outside South Australia.

Mortgage Lending

Adelaide Bank has focused on growing partnerships and alliances with mortgage originators and other alliance partners in order to achieve a spread of mortgage and deposit taking customers throughout Australia. This national distribution focus has diversified risk for Adelaide Bank and has broadened the range of funding sources available. As at 30 June 2004, loans under management stood at over \$14.2 billion, an increase of 28% on the previous year. Much of the asset growth was driven by Adelaide Bank's national mortgage lending business with mortgage loan approvals in the 2004 financial year increasing by 58% on the previous year. Importantly, Adelaide Bank experienced strong growth in home loan approvals across all states in which it operates.

Retail Deposits

Adelaide Bank has used a combination of direct sales and a range of business alliances to boost its level of retail deposits across the whole of Australia. Retail deposits with Adelaide Bank at the end of the 2004 financial year stood at \$7.8 billion, an increase of 21% on the previous year.

5.2.2 Margin lending

In February 2000, Adelaide Bank acquired Leveraged Equities Limited - a significant margin lending business in Australia. In 2003, Adelaide Bank acquired the margin lending book of Hartleys Limited. The margin lending business returned a pre-tax profit of \$8.6 million for the 2004 financial year, compared with \$7.6 million in the previous corresponding period. During the year ended 30 June 2004, the portfolio increased by 17% to \$1.4 billion.

5.2.3 Business lending

Adelaide Bank's business lending activities have been focused upon South Australia businesses. Adelaide Bank also pursues selected niche markets where it has a distinctive competence on a national basis. The two business lines currently being pursued outside South Australia are aged care and rural. The Bank has experience in both of these areas of lending.

The business lending portfolio at 30 June 2004 totalled \$1.2 billion.

Adelaide Bank maintains a clear focus on credit quality in its business lending activities and at 30 June 2004 only two business loans were classified as non-accrual loans.

5.3 Adelaide Bank's strategy

Adelaide Bank's core strategic direction includes:

- to continue to increase penetration of key markets of mortgage lending, business lending, margin lending and retail deposits. In mortgage lending, business lending and retail deposits, Adelaide Bank has a small share in a substantial market. This presents Adelaide Bank with considerable growth opportunities. In addition, Adelaide Bank is well placed to benefit from ongoing growth in the margin lending market;
- to remain committed to its partners in all areas of the business; and
- to maintain credit quality in the top quartile of Australian retail banks.

There are several ways in which Adelaide Bank intends to achieve these objectives.

5.3.1 Technology

Technology has been an important element of Adelaide Bank's growth. Adelaide Bank intends to continue to provide cost effective technology platforms for expansion through processing and making financial services accessible to its strategic partners.

Adelaide Bank continues to invest in technology and in the past year has upgraded its margin lending system to provide better service to its partners.

5.3.2 Customer relationship management

Adelaide Bank devotes considerable resources to managing the relationship with all customers including its business partners.

Customer needs are central to the ongoing development of products and improvements in technology and service levels.

5.4 Outlook

Adelaide Bank has a small but growing market share in the large markets of mortgage lending, business lending and retail deposits. This position gives Adelaide Bank room to grow by gaining market share. Adelaide Bank has gained market share in mortgage lending and retail deposits over the past decade.

The rate of growth of mortgage loans is expected to slow in the coming year, but Adelaide Bank is confident of achieving a rate of growth above system growth.

Adelaide Bank expects that interest margins will come under pressure as a result of increased competition and as a result of rising interest rates. However, Adelaide Bank is committed to achieving growth in earnings per ordinary share in excess of 10% in 2004-05, whilst maintaining its position in the top quartile of Australian retail banks for credit quality.

5.5 Credit rating

As at the date of this Prospectus, the SPS have not been given a rating by any rating agency.

Standard & Poor's currently affords Adelaide Bank a counterparty credit rating of A2 short-term and BBB long-term with a positive outlook. A long-term or short-term counterparty credit rating is a current opinion by Standard & Poor's of an obligor's overall financial capacity to pay its financial obligations (its creditworthiness). According to Standard & Poor's a long-term counterparty credit rating of "BBB" describes an obligor that has an adequate capacity to meet its financial commitments and a short-term counterparty credit rating of "A2" describes an obligor that has a satisfactory capacity to meet its financial commitments.

Moody's Investors Service currently affords Adelaide Bank a short-term bank deposit rating of P-2 and a long-term bank deposit rating of Baa2. On 20 August 2004, Moody's Investors Service placed Adelaide Bank's long-term bank deposit rating of Baa2 on review for possible upgrade. A long-term or short-term bank deposit credit rating is a current opinion by Moody's of an obligor's overall financial capacity to pay its financial obligations (its creditworthiness). According to Moody's, a long-term bank deposit credit rating of "Baa2" describes an obligor that is subject to moderate credit risk and a short-term bank deposit credit rating of "P-2" describes an obligor that has a strong ability to repay short-term debt obligations.

Ratings are subject to revision or withdrawal at any time.

Any adverse changes in Adelaide Bank's operating performance or capital structure in the future may give rise to a risk that the credit ratings of Adelaide Bank could be downgraded. This could affect the market price and liquidity of SPS.

6. Adelaide Bank Financial Information

6.1 Financial Profile and Performance

A summary of the most recent financial results for the year ended 30 June 2004 for Adelaide Bank is set out below. The financial information in this section has been compiled from the audited financial reports as at 30 June 2003 and 30 June 2004. A full description of the accounting policies adopted by Adelaide Bank is contained in the 2004 audited financial statements lodged with ASX.

6.2 Consolidated Statement of Financial Performance

	2004	2003
	\$000's	\$000's
Interest income	666,340	494,868
Less Interest expense	<u>449,882</u>	<u>327,362</u>
Net Interest income	216,458	167,506
Add Securitisation income	<u>55,615</u>	<u>56,833</u>
	272,073	224,339
Less Fees to intermediaries	80,775	62,783
Add Other revenue from ordinary activities	<u>43,651</u>	<u>39,552</u>
Net operating income from ordinary activities	234,949	201,108
Less Bad and doubtful debt expense	7,906	6,711
Other expenses from ordinary activities	<u>133,014</u>	<u>120,114</u>
Profit from ordinary activities before income tax expense	94,029	74,283
Income tax expense	<u>28,897</u>	<u>22,958</u>
Profit from ordinary activities after income tax expense	<u>65,132</u>	<u>51,325</u>
Profit from significant items after income tax expense	<u>3,096</u>	<u>—</u>
Net Profit	<u>68,228</u>	<u>51,325</u>

The Group recorded a record result for the year ended 30 June 2004 with profit after tax up 33% to \$68.2 million.

The above statement of financial performance includes \$1.2 million in profit from significant items before income tax expense, and \$3.1 million after tax. During 2004, a \$9.6 million gain was recorded from the sale of shares in Cashcard Australia Limited. This was partly offset by a write off of capitalised fees to intermediaries and upfront securitisation costs, which amounted to \$5.9 million and \$2.5 million respectively.

The record result was assisted by the strong growth in total loans under management, which increased from \$11.1 billion at 30 June 2003 to \$14.2 billion at 30 June 2004. In addition, the Group saw a 3 basis point increase in its net interest margin from 2.20% for the year ended 30 June 2003 to 2.23% for the year ended 30 June 2004. As a result, net operating income before significant items increased 17% to \$234.9 million at 30 June 2004. Operating expenses increased by only 11% to \$133.0 million. The improved efficiency in the Group's operations is evidenced by the reduction of the Operating Expenses to Operating Income ratio from 57.94% for the 2003 financial year to 55.08% for the 2004 financial year.

Achieving these record results has enabled Adelaide Bank to improve on all key operating ratios, with return on ordinary equity before significant items increasing from 15.67% in the 2003 financial year to 16.57% in the 2004 financial year, a 6% increase.

Asset quality remains very sound, with net non-accrual loans to total loans of 0.01%, compared with 0.00% in 2003.

Based on the Group's record results, the Board increased the final dividend for 2004 to 25 cents, bringing the total 2004 dividend to 44 cents, a 19% increase on the 37 cents paid for the 2003 year. This equated to a 3% increase in the payout ratio to 70%. The dividend was fully franked and it is expected that future dividends will be fully franked.

6.3 Capital Management Strategy

Adelaide Bank seeks to enhance returns to shareholders by optimising the mix and overall level of capital required. Securitisation has been an important part of Adelaide Bank's capital management strategy over the past five years. The securitisation of mortgages and margin loans has enabled the Group to grow with minimal additional capital raising. Recent capital raisings included \$100 million from the issue of 1,000,000 reset preference shares at \$100 per share in November 2002, and \$50.4 million from the issue of 6 million ordinary shares at \$8.40 in a share placement in September 2003.

At 30 June 2004, Adelaide Bank's capital adequacy ratios were strong with total capital as a percentage of risk weighted assets amounting to 11.42%, with Tier I Capital at 7.20%.

As part of Adelaide Bank's capital management strategy, the issue of the SPS will facilitate portfolio growth without the raising of additional equity by the issue of ordinary shares or having to rely on securitisation of loans. The SPS issue will increase the diversity of Adelaide Bank's capital base and will be a less expensive form of Tier I regulatory capital than ordinary shares, given Adelaide Bank's targeted return on ordinary shares.

6.4 Pro forma Financial Information

The pro forma financial information set out below assumes \$100 million is raised through the issue of SPS and invested temporarily in cash for the immediate term. It sets out the summarised consolidated statement of financial position of the Group, both before and after the issue, assuming the transaction had occurred on 30 June 2004.

6.5 Consolidated Statement of Financial Position

	30 June 2004	Effect of Issue of SPS	Combined Effect Pro Forma
	\$000's	\$000's	\$000's
Assets			
Cash	32,421		32,421
Money at call	51,606	97,500	149,106
Balances due from other banks	131,405		131,405
Investment securities and other investments	977,266		977,266
Liquid Assets, Deposits and Investments	1,192,698	97,500	1,290,198
Net loans and advances	8,962,137		8,962,137
Property, plant and equipment	33,413		33,413
Intangibles	19,460		19,460
Deferred tax assets	29,218		29,218
Other assets	202,900		202,900
Total Assets	10,439,826	97,500	10,537,326
Liabilities			
Deposits	9,226,073		9,226,073
Balances due to other banks	96,418		96,418
Provisions	11,242		11,242
Deferred tax liabilities	16,444		16,444
Other liabilities	342,800		342,800
Subordinated debt	245,000		245,000
Total Liabilities	9,937,977		9,937,977
Net Assets	501,849	97,500	599,349
Equity			
Ordinary share capital	243,872		243,872
Reset preference share capital	97,678		97,678
Reserves	27,889		27,889
Retained profits	132,410		132,410
Step-up preference share capital		97,500	97,500
Total Equity	501,849	97,500	599,349

Notes

As at 30 June 2004, Adelaide Bank Limited (the parent entity) had retained profits of \$127.9 million.

The assumption for the pro forma financial information is as follows:

- The transaction costs of completing the SPS issue have been incorporated into the pro forma financial information and are estimated at \$2.5 million. The proceeds from the SPS issue of \$97.5 million are net of transaction costs.

6.6 International Financial Reporting Standards (IFRS)

Adelaide Bank has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Adelaide Bank has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS.

An IFRS steering committee has been established to make necessary decisions. As the Group has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Adelaide Bank prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

IFRS requires the restatement of comparative financial statements using all standards except AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. This will require the consolidated entity to restate its opening balance sheet at 1 July 2004. Except for the abovementioned standards, the transition to IFRS will be made retrospectively against opening retained profits at 1 July 2004. Transitional adjustments for those standards not requiring comparatives will be made at 1 July 2005.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Group. At this stage Adelaide Bank has not been able to reliably quantify the impacts on the financial report.

The following areas have been identified as significant for the Group, upon adoption of IFRS:

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories, which will in turn determine the accounting treatment of the item. The classifications are:

- loans and receivables - measured at amortised cost,
- held to maturity financial assets - measured at amortised cost,
- held for trading financial assets - measured at fair value with fair value changes charged to net profit or loss,
- available for sale financial assets - measured at fair value with fair value changes taken to equity, and
- non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments into the above categories. Current measurement of financial instruments is at amortised cost and market value, with certain derivative financial instruments not recognised on balance sheet. Under IFRS all derivative contracts will be recorded at fair value in the balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, the Group is required to meet the following criteria:

- identify the type of hedge - fair value or cash flow;
- identify the hedged item or transaction;
- identify the nature of the risk being hedged;
- identify the hedging instrument;
- demonstrate that the hedge has and will continue to be highly effective; and
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the Group's current accounting policy, which applies hedge accounting to manage its interest rate risk. Derivative contracts will be carried at fair value in the balance sheet. Under IFRS, fair value and cash flow hedge accounting can only be used where effectiveness tests have been satisfied. Inability to satisfy these tests precludes the use of hedge accounting and may result in volatility in the Statement of Financial Performance. Adelaide Bank expects certain contracts will constitute portfolio hedges and therefore will be required to satisfy the conditions set out in AASB 139 in order to qualify for portfolio hedging. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Goodwill

Intangibles of \$19,460,000 are included in the Consolidated Statement of Financial Position - see Section 6.5. This comprises goodwill resulting from the acquisition of Leveraged Equities in February 2000.

Under AASB 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to impairment testing at least annually. This will result in a change in the Group's current accounting policy, which amortises goodwill over its useful life, but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, thereby reducing operating expenses in the Statement of Financial Performance. Goodwill will be written down to the extent it is impaired and hence could introduce volatility in the Statement of Financial Performance. Reliable estimation of the future financial effects

of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Group's current accounting policy, which determines the recoverable amount of an asset on the basis of discounted cash flows. The most significant asset impacted under this change in accounting policy will be the Group's loan portfolio premium, which is currently amortised over a period not exceeding 10 years. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Employee Benefits

Under AASB 119 Employee Benefits, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability, respectively. This will result in a change in the Group's current accounting policy, which does not currently recognise the net assets/liabilities of the defined benefit fund. Under the new policy, Adelaide Bank will be required to recognise an asset of the defined benefit fund for the net surplus based on an actuarial calculation of the position of the fund. The initial adjustment on transition will be through retained earnings and subsequent adjustments will be to the Statement of Financial Performance for the period. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the actuarial calculations have not yet been completed as at 30 June 2004.

Taxation

Under AASB 112 Income Taxes, the Group will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

Share Based Payments

AASB 2 Share Based Payments applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The Group currently recognises immediately an expense equal to the full value of all shares issued as part of the short term incentive plan. The overall cost of the long term incentive is recognised as an expense in the Statement of Financial Performance over the three year period to which the bonuses relate. The Group also recognises

immediately an expense for shares issued to employees under the employee share plan. It is not expected that there will be any change to the Group's current accounting policy upon the adoption of IFRS. Adelaide Bank has no options that are currently on issue.

Securitisation and Special Purpose Vehicles (SPVs)

AASB 139 Financial Instruments: Recognition and Measurement, details the de-recognition requirements of financial assets under IFRS, including those transferred to special purpose vehicles for securitisation. Existing securitisation transactions that have been entered into prior to 1 January 2004 will be assessed to determine if they are grandfathered. Going forward under the new standard, securitisation transactions will be assessed to consider whether the SPV is controlled and should be consolidated, and then whether the receivables should be de-recognised in the Group's balance sheet, based on the transfer of risks and rewards.

Hybrid Capital Instruments

Under AASB 132 Financial Instruments: Disclosure and Presentation, substance over the legal form governs the classification by the issuer of a financial instrument. An instrument will be classified as a liability when the issuer is or can be required to deliver either cash or another financial asset to the holder. This critical feature distinguishes a liability from equity. An instrument is classified as equity when it represents a residual interest in the net assets of the issuer. Adelaide Bank has reset preference shares on issue that are currently classified as equity, where distributions are treated as dividends. Under IFRS, Adelaide Bank expects to recognise these financial instruments as a liability, in which case the distributions will be treated as an interest payment.

See Section 7.1.11 for details of the treatment of the SPS.

Loan Provisioning

Under AASB 137 Provisions, Contingent Liabilities - Contingent Assets, provisions are raised for losses that have already been incurred for loans that are known to be impaired. Estimated losses on these impaired loans are to be discounted to their present value. Loans that are not impaired are grouped together according to their risk characteristics and are then assessed for impairment. Based on the historical loss data and current available information for assets with similar risk characteristics, the appropriate provision is raised.

It is expected that the change in accounting policy under IFRS will result in an overall reduction in the level of provisioning against credit exposures for the Group.

Operating Revenue

Under AASB 118 Revenue, yield related loan fee income must be deferred and recognised as a yield adjustment or over the period of service. On transition to IFRS, certain fees that have previously been recognised as income in the Statement of Financial Performance will be recognised in the balance sheet, with a corresponding adjustment to retained earnings. The impact on net profit from this change is not expected to be material.

7. Investment Risks

Before applying for SPS, you should consider whether SPS are a suitable investment for you. You should be aware that there are risks associated with an investment in SPS, many of which are outside the control of Adelaide Bank, including the risk factors set out below and other matters referred to in the Prospectus. The significant risks to which SPS are subject can be categorised as:

- risks associated with investing in SPS; and
- risks associated with investing in Adelaide Bank.

The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your stockbroker, accountant or other professional adviser before deciding whether to apply for SPS.

7.1 Risks associated with investing in SPS

Set out below are some of the specific risks associated with an investment in SPS.

7.1.1 Financial market conditions

The market price of SPS will fluctuate due to various factors, including movements in interest rates, general movements in the Australian and international equity markets, investor sentiment, worldwide or regional economic conditions, movements in the market price of Ordinary Shares and factors which may affect Adelaide Bank's financial position and earnings.

The market price of SPS may be more sensitive than Ordinary Shares to changes in interest rates. SPS could trade on ASX at a price below the Issue Price. The price at which the SPS trades may also be affected by the market price of Ordinary Shares.

7.1.2 Liquidity of market for SPS

Adelaide Bank will apply for quotation of the SPS on ASX, but Adelaide Bank is not able to forecast the market price or liquidity of the market for SPS.

The market for SPS on ASX may be less liquid than the market for Ordinary Shares. Holders who wish to sell their SPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for SPS.

7.1.3 Ability to pay Dividends

An SPS is not a debt instrument and Dividends are not the same as interest payments. The payment of Dividends is subject to the conditions listed in Section 3.2.6. There is a risk that one or more of these conditions may not be satisfied and a Dividend may not be paid. Dividends are non-cumulative and therefore Adelaide Bank is not required to make up any unpaid Dividend in subsequent periods. See Section 3.2.7 for further details.

7.1.4 Exchange

Adelaide Bank may Exchange all or some of the SPS on the Step Up Date or any subsequent Dividend Payment Date, or prior to the Step Up Date on the occurrence of a Tax Event or Regulatory Event.

Exchange may occur before a Holder wishes to dispose of their SPS and this may have negative consequences for a Holder depending on their individual circumstances.

On such Exchange, Adelaide Bank may Exchange the SPS for their Issue Price or convert the SPS into the Exchange Number of Ordinary Shares. The number of Ordinary Shares into which the SPS will convert if Adelaide Bank elects to convert some or all of the SPS is calculated by dividing the Issue Price by 97.5% of the average daily volume-

weighted average price of Ordinary Shares during the 20 Trading Days immediately preceding the date for Exchange. This may differ from the market price for Ordinary Shares or the SPS on the date of Exchange. Where Adelaide Bank elects to Exchange the SPS for their Issue Price, depending on when a Holder bought SPS, this could be higher or lower than the price paid for SPS by the Holder.

7.1.5 Holders have no right to require Adelaide Bank to Exchange the SPS

A Holder has no right of conversion.

Holders cannot require Adelaide Bank to Exchange any of their SPS. Adelaide Bank may choose to Exchange some or all of the SPS when that does not coincide with the Holder's individual preferences, and that might disadvantage the Holder in light of the market conditions or individual circumstances.

7.1.6 Ranking of SPS

An SPS is not a debt instrument. In the unlikely event of a winding up or liquidation of Adelaide Bank, Holders will rank behind all depositors and creditors of Adelaide Bank, equally with the RPS and ahead of Ordinary Shares for return of the Issue Price and the amount of any Dividend due but unpaid, and otherwise do not participate in a winding up.

If there is a shortfall of funds on a winding up, there is a risk that Holders will not receive a full return of capital or payment of any Dividends due but unpaid at the time.

7.1.7 New securities

Adelaide Bank may issue further SPS or other preference shares, which rank equally with the existing SPS, without the approval of Holders. In addition, Adelaide Bank may also issue other securities that rank equally with or behind the SPS for dividends or repayment of capital in a winding up of Adelaide Bank. Such further issue of securities by Adelaide Bank may affect the market price of the SPS and the liquidity of the SPS and may also impact the ability of Adelaide Bank to pay Dividends or the sufficiency of funds on a winding up.

7.1.8 Taxation treatment

A summary of the potential taxation implications for Holders is set out in Section 8. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Holder. Accordingly, you should seek independent advice in relation to your own individual taxation position.

If there is a change to the taxation system that may result in an increase in the costs to Adelaide Bank of having the SPS on issue, Adelaide Bank may decide that a Tax Event has occurred. This would allow Adelaide Bank to Exchange all (but not some) of the SPS on the next or any subsequent Dividend Payment Date for cash consideration or into Ordinary Shares.

7.1.9 Credit ratings

As a result of changes in Adelaide Bank's operating performance or capital structure, there is a risk that the credit ratings of Adelaide Bank could be downgraded in the future. This could affect the market price and liquidity of the SPS.

7.1.10 Regulatory classification

APRA has approved the classification of the SPS as Tier I Capital in accordance with AGN111.1 – Tier I Capital under the existing

Australian accounting standards. However, APRA is currently unable to approve classification of SPS as equity under the proposed IFRS. If APRA subsequently determines that SPS do not qualify as Tier 1 capital then this would likely constitute a Regulatory Event, which would entitle Adelaide Bank to require Exchange of all (but not some) of the SPS. See clause 19 of the Terms of Issue.

7.1.11 Accounting treatment

Changes to the accounting standards that apply to Adelaide Bank may impact upon the accounting treatment of the SPS and consequently may impact the classification by APRA of the SPS as Tier 1 Capital. Section 3.4.6 refers to the implications of the introduction of IFRS. The SPS will be classified as equity for accounting purposes under both the existing Australian Accounting Standards and the future Australian version of IFRS (AASB 132) as currently issued. As the SPS will be classified as equity, payments to Holders will be treated as dividends. However, were the SPS to require reclassification as a liability due to a change in the accounting standards, the payments to Holders would then be classified as an interest expense. Such a change could cause APRA to change its classification of the SPS as Tier 1 Capital, which would trigger a Regulatory Event and entitle the Directors of Adelaide Bank to resolve that the SPS be Exchanged.

The method used for the calculation of basic earnings per share (“EPS”) under IFRS is consistent with the current approach under Australian Generally Accepted Accounting principles. The method used for calculating diluted EPS may change under IFRS. Currently, the probability that a company will convert a security into ordinary shares is taken into account in calculating diluted EPS. This “probability test” has been removed under IFRS, which may mean that the SPS will be included in the calculation of Adelaide Bank’s diluted EPS. The potential effect of this on Adelaide Bank’s diluted EPS can only be determined by reference to the price at which SPS will be converted and any dividend foregone by Holders and therefore cannot currently be quantified.

Other changes to accounting standards under IFRS or by the AASB may result in a material impact on the reported earnings and financial position of Adelaide Bank in future periods. See Section 6.6.

7.2 Risks associated with investing in Adelaide Bank

The financial prospects of any company are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the company is exposed. The risks outlined below focus on the key specific risks associated with Adelaide Bank and are not intended to be exhaustive of all possible risks associated with Adelaide Bank. These risks are relevant to an investment in the SPS to the extent they may affect the ability of Adelaide Bank to meet its obligations under the SPS, including its ability to pay and frank Dividends.

7.2.1 Bank-specific risks

There are a number of risks which arise directly from the operations of Adelaide Bank as a participant in the Australian financial services industry. These risks are categorised as credit risk, liquidity risk, market risk and operational risk.

- credit risk – is the potential for loss arising from a debtor or counterparty failing to meet their financial contractual obligations

to Adelaide Bank or the failure to recover the recorded value of specific investments. This risk is inherent in Adelaide Bank’s lending activities.

- liquidity risk – is the potential for Adelaide Bank to be unable to meet its financial commitments when they fall due as a result of mismatches in its cash flows from financial transactions.
- market risk – is the risk of an adverse event in the financial markets causing a loss of earnings to Adelaide Bank. This risk arises generally from either funding risk or interest rate risk. Funding risk is the risk of over-reliance on a particular funding source, which carries a risk of volatility in funding costs or funding availability. Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates can affect earnings or the value of Adelaide Bank.
- operational risk – is the risk of potential variations in the value of Adelaide Bank’s day to day activities, other than those captured in the credit and market risk categories, which relate to strategic and business decisions, process, systems and human error and external events.

The Directors have adopted policies and procedures to control exposures to, and limit the extent of, these risks. Whilst there are inherent limitations in any risk management control system, the development and maintenance of effective control systems should provide a solid foundation for Adelaide Bank to manage the above risks.

7.2.2 Competition risk

There is substantial competition for the provision of financial services in the markets in which Adelaide Bank operates. The effect of competitive market conditions may adversely impact on the earnings and assets of Adelaide Bank.

7.2.3 Macroeconomic risk

The ability for Adelaide Bank to grow depends on the general state of the Australian and international economies. A significant downturn in the Australian economy may limit Adelaide Bank’s opportunity for growth.

7.2.4 Changes in technology

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. Adelaide Bank’s ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

7.2.5 Changes in government policy, regulations or legislation

Adelaide Bank may be affected by changes in government policy, regulations or legislation applying to companies in the Australian financial services industry. These include possible changes in the accounting and taxation treatment of financial products and services or its capital, the regulation of selling practices and solvency standards. These changes may affect Adelaide Bank by, for example, requiring Adelaide Bank to hold more capital or incur other costs.

8. Taxation Implications



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23 August 2004

Private & Confidential

The Directors
Adelaide Bank Limited
169 Pirie Street
ADELAIDE SA 5000

Dear Directors

Adelaide Bank Limited (Adelaide Bank) Step-up Preference Shares (SPS) Taxation Opinion

This letter has been prepared at the request of Adelaide Bank for inclusion in a prospectus ("Prospectus") to be dated 26 August 2004 for the issue of 1 million Adelaide Bank SPS at a price of \$100 each.

The information contained in this letter is a general outline of the taxation consequences for SPS investors based on the taxation law as at the date of this letter. Australian tax law may change at any time and therefore the taxation consequences discussed in this letter may change if there is a change in the taxation law after the date of this letter.

The letter is concerned only with the general taxation consequences for Australian resident investors (individuals, complying superannuation funds and companies) who hold the SPS on capital account, and is not intended to provide an exhaustive or definitive statement of the possible taxation consequences for investors.

The information contained in this letter does not apply to investors that:

- Hold SPS as trading stock in the course of the carrying on of a business;
- Hold SPS for the purpose of resale at a profit;
- Are not residents of Australia for income tax purposes; or
- Are exempt from Australian income tax.

This opinion is not intended to be an authoritative or exhaustive statement of the law applicable to the particular circumstances of all taxpayers. The information is not advice and so should not be relied upon on that basis.

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

The taxation consequences for particular investors will depend on their individual circumstances. Therefore, investors should obtain their own professional taxation advice on the taxation consequences of investing in the SPS.

The taxation information is being provided by Ernst & Young, which is not required to hold an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001* to provide that information. The information is confined to taxation issues and is only one of the matters that must be considered when making a decision as to whether to invest in SPS. All potential investors should consider taking advice from a holder of an AFSL before making a decision as to whether they should invest in SPS.

This letter should be read in conjunction with the remainder of the Prospectus dated 26 August 2004.

Defined terms used in this letter are consistent with those set out in Appendices A and B of the Prospectus.

1 Taxation Treatment of Dividends

1.1 Equity Interest

In our view, SPS will constitute an equity interest for the purposes of the *Income Tax Assessment Act 1997* (the 1997 Act). This is because Adelaide Bank will not have an “effectively non-contingent obligation” to provide any “financial benefits” to the holders of the SPS for the purposes of the 1997 Act. Also, the returns to the holders of the SPS are contingent on the economic performance of Adelaide Bank.

Accordingly, dividends paid by Adelaide Bank on the SPS will be capable of having franking credits attached to them.

1.2 Assessability of dividends

Dividends received on the SPS by investors will need to be included in each investor’s assessable income as ordinary income.

Individuals

To the extent that the dividend is fully franked, each individual’s assessable income is calculated by first “grossing up” the amount of the dividend by $\frac{30}{70}$ (based on a 30% company tax rate) to take account of the tax already paid by Adelaide Bank. This is referred to as the imputation credit. The individual then applies their marginal tax rate to the “grossed up” dividend amount including the imputation credit, but may be entitled to a tax (franking) offset equal to the amount of imputation credit included in their assessable income.

In effect, if an individual’s marginal rate of tax is greater than 30% that individual will be required to pay “top up tax” in the amount of the excess. On the other hand, if an individual’s marginal tax rate is less than 30%, they may receive a tax offset that will reduce tax payable on other income, or result in a refund of the excess imputation credits.

To the extent that the dividend is unfranked, there is no franking gross up and the individual will be taxed at their marginal rate on the dividend received with no tax offset.

Complying Superannuation Funds

Generally speaking, complying superannuation funds treat the receipt of the dividend in the same way as an individual, although complying superannuation funds are subject to different tax rates. A complying superannuation fund investor is subject to tax at the rate of 15%. Complying superannuation funds, like individuals, should be entitled to a tax offset or refund of excess imputation credits if the applicable tax rate for the complying superannuation fund is less than the underlying company tax paid in respect of the dividend.

Companies

In respect of any investor that is a subsidiary member of a consolidated group, any reference in the income tax sections of this document to an investor that is a company, should be read as a reference to the head entity of that group and not the subsidiary member.

A resident corporate taxpayer that receives a dividend will also be required to “gross up” the amount of the dividend by an amount equal to the imputation credit to take account of the tax already paid by Adelaide Bank, and apply the company rate of tax to that “grossed up” dividend amount. However, as with individuals and complying superannuation funds, the corporate investor should be entitled to a franking offset equal to the amount of imputation credit included in its assessable income.

In addition, corporate taxpayers will record a credit in their franking account to reflect the underlying tax paid by Adelaide Bank in respect of the dividend, i.e. an amount equal to the franking credit attached to the dividend. In some circumstances, corporate taxpayers that have insufficient income tax liabilities to fully utilise franking offsets may convert those excess franking offsets into a tax loss.

To the extent that a dividend does not have a franking credit attached to it, a resident corporate taxpayer investor will include in assessable income the amount of the dividend only, and will not be entitled to a tax offset.

1.3 Holding period rule

The availability of any franking benefit, including an entitlement to a tax offset, to investors is subject to the “holding period rule”. Broadly, this requires investors to hold the SPS “at risk” for a period of at least 90 days during the primary qualification period (the primary qualification period commences the day after the date of acquisition and ends 90 days after the ex-dividend date). Investors are required to retain more than 30% of the risks and benefits associated with holding the SPS for a continuous period of at least 90 days. This 90 day period does not include the day on which the investor acquired the SPS and also does not include the day on which the investor disposes of the SPS.

Individual investors may qualify for the small shareholder exemption under the “holding period rule”. If the sum of the franking off-sets to which the investor would be entitled, from all sources, does not exceed \$5,000 in the income year, the investor should generally be considered to be a qualified person for the purposes of the “holding period rule” without the need to satisfy the minimum 90 day holding period. The small shareholder exemption will not apply if the individual investor has made or is likely to make a “related payment” in respect of the dividend, or a distribution attributable to the dividend.

If an investor does not satisfy the “holding period rule” in relation to a dividend, the imputation credit attached to the dividend will not be included in the investor’s assessable income, and the investor will not be entitled to the tax offset in relation to the franking credit.

The above is a general summary of the “holding period rule”, and it may apply differently depending on each investor’s particular circumstances.

In addition, where an investor or associate has made or may make a “related payment” in respect of the dividend, different rules may apply to that investor.

We recommend that investors obtain their own advice on the potential application of the holding period and related payments rules.

2 Exchange of SPS

2.1 Exchange for Ordinary Shares in Adelaide Bank

If Adelaide Bank elects to “exchange” a SPS for Adelaide Bank Ordinary Shares, the rights attaching to the SPS would be varied so that it becomes an Ordinary Share. Once the investor’s SPS has been converted into an Ordinary Share the investor will then be allotted an additional number of Ordinary Shares in accordance with the terms of the exchange.

This process would not constitute a cancellation, redemption or termination of the SPS. For tax purposes, this exchange should not trigger a Capital Gains Tax (CGT) event.

For the purposes of calculating the cost base of the Ordinary Shares for CGT purposes, the cost of each original SPS should be apportioned between the Ordinary Shares for which the SPS is exchanged under the exchange process.

For CGT purposes, the Ordinary Shares should be treated as having been acquired by the investor at the time that the investor acquired the SPS that is exchanged for the Ordinary Shares.

A CGT event would arise if investors later dispose of their Ordinary Shares. Broadly, a capital gain would arise if the capital proceeds received on disposal of the Ordinary Shares by the investor exceed the cost base of the Ordinary Shares to the investor. A capital loss would arise if the capital proceeds received on disposal were less than the reduced cost base of the Ordinary Shares to the investor.

The cost base of the Ordinary Shares should include the investor's acquisition cost (modified as discussed above for the number of Ordinary Shares arising from the exchange of each SPS), incidental acquisition and disposal costs (for example, brokerage) and non-capital costs of ownership that are not deductible to the investor. The reduced cost base would be similar to the cost base, but would not include the non-capital costs of ownership.

Any net capital gain arising would be required to be included in the assessable income of the investor. Any capital loss could only be used to offset capital gains.

An individual investor or a complying superannuation fund investor may be entitled to discount the amount of the taxable capital gain (after application of capital losses) arising from the disposal of Ordinary Shares. The capital gain can be discounted by 50% for individual investors and by 33.3% for complying superannuation fund investors. This discount is only available if the disposal occurs at least 12 months after the date of acquisition of the SPS and certain other requirements are satisfied. A resident corporate tax entity would not be able to obtain the CGT discount concession.

2.2 Exchange for Cash

Adelaide Bank may elect to exchange SPS for cash. The taxation treatment for an investor that disposes of SPS as part of a cash exchange will depend on whether the transaction is a buy-back, redemption or cancellation of shares, at Adelaide Bank's option. All of these transactions should give rise to CGT events for investors. However, the exact taxation treatment will depend on which method is used, and the circumstances of the exchange. In particular, to the extent a redemption is funded from profits of Adelaide Bank rather than the proceeds of a new issue of shares, part or all of the amount may be treated as a dividend and included in the assessable income of the holder. Therefore, we strongly recommend that investors obtain their own professional taxation advice on the taxation consequences in the event of such an exchange.

3 Selling of SPS

If an investor disposes of their SPS by sale on the Australian Stock Exchange or otherwise, a CGT event will occur. This will give rise to a capital gain or a capital loss.

A capital gain will arise if the capital proceeds received on disposal exceed the cost base of the SPS to the investor. The cost base of the SPS to the investor will include the acquisition cost and any incidental costs on acquisition or disposal. As discussed above, an individual investor or a complying superannuation fund investor may be able to discount this capital gain if the investor had held the SPS for at least 12 months before disposal and certain other requirements are satisfied.

A capital loss would arise if the capital proceeds received on disposal were less than the reduced cost base of the SPS to the investor. Broadly, the reduced cost base will be similar to the cost base, but will not include the non-capital costs of ownership.

Any net capital gain arising would be required to be included in the assessable income of the investor. Any capital loss could only be used to offset capital gains.

4 Quotation of Tax File Numbers

Investors will be able to quote their Tax File Number (TFN) or claim an exemption from doing so, if applicable.

Although quotation of a TFN is not compulsory, failure to quote a TFN by an investor that is not exempt from doing so will result in an amount of tax being withheld from any part of a dividend that does not have a franking credit attached to it. The rate at which the tax will be withheld is the highest marginal tax rate (currently 47%), plus Medicare Levy (currently 1.5%). The tax is required to be remitted to the Australian Taxation Office and may be claimed as a tax credit by the investor in their income tax return for the relevant year.

Alternatively, where the investor holds SPS in the course or furtherance of an enterprise carried on by them, the investor may quote its Australian Business Number (ABN).

5 Anti-Avoidance Provisions

There are anti-avoidance provisions in the taxation laws relating to dividend streaming arrangements and franking credit benefits that allow the Commissioner of Taxation to make a determination to deny shareholders the benefit of franking credits and other benefits associated with franking credits attached to dividends.

In our view, the terms of the issue and exchange of the SPS should not fall within these provisions and therefore the Commissioner should not make a determination under these anti-avoidance provisions in respect of the issue, exchange, and payment of a Dividend in respect of the SPS.

6 Goods and Services Tax (“GST”)

The payment of a Dividend by Adelaide Bank will not be regarded as consideration for a supply by investors for the purposes of the GST legislation. Accordingly, there will be no GST payable nor input tax credits claimable by investors in relation to the receipt of these Dividends.

The acquisition, exchange or disposal of SPS will not be a taxable supply if an investor is either not carrying on an enterprise, or is not registered for GST.

In the event a GST registered investor acquires, exchanges or disposes of SPS in the course of an enterprise, this transaction would be a financial supply. Investors making financial supplies will not be liable to GST, as financial supplies are input taxed. These investors should seek GST advice as to the potential blockage of input tax credits on acquisitions made in relation to the acquisition/exchange/disposal.

* * * *

DISCLAIMER

The information contained in this opinion is of a general nature only and the taxation implications associated with an investment in the SPS will depend upon the tax profile of each investor. There is no specific Australian Taxation Office private ruling, product ruling or class ruling that has been issued in respect of this transaction. Investors should obtain independent taxation advice before investing in any SPS.

Neither the undersigned nor any of the partners of Ernst & Young have any interest in the promotion of the investment. This opinion does not constitute an endorsement of the investment or recommendation by Ernst & Young of any participation in SPS in Adelaide Bank by an intending investor.

Ernst & Young has given its consent to the inclusion of this letter in the Prospectus. However, it gives no assurance or guarantee in respect of the performance of SPS and its consent should not be taken as an endorsement or as a recommendation.

Yours faithfully



Ernst & Young

9. Additional Information

9.1 Terms of Issue

The rights attached to the SPS will be governed by:

- the Terms of Issue of the SPS set out in Appendix A; and
- Adelaide Bank's constitution, which sets out the rights attaching to Ordinary Shares into which SPS may be converted in certain circumstances.

Adelaide Bank is authorised to issue the SPS as it passed a special resolution on 25 October 2002 amending its constitution to allow Adelaide Bank to issue non-cumulative preference shares.

9.2 Adelaide Bank - information, disclosure and availability

Adelaide Bank was admitted to the official list on ASX on 23 July 1992 (when it was The Co-operative Building Society of SA). Adelaide Bank is a disclosing entity under the Corporations Act and, as such, is subject to regular reporting and disclosing obligations under the Corporations Act and the Listing Rules. Adelaide Bank is required to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, Adelaide Bank has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware concerning Adelaide Bank which a reasonable person would expect to have a material effect on the price or value of Adelaide Bank's shares. That information is available from ASX and on Adelaide Bank's website at www.adelaidebank.com.au.

9.3 Availability of documents lodged with ASIC

Adelaide Bank is required to prepare and lodge both yearly and half yearly financial statements accompanied by a directors' statement and report, with audit or review reports. Copies of these documents may be obtained from or inspected at an ASIC office.

9.4 Summary of rights attaching to Ordinary Shares

The SPS, in certain circumstances at the election of Adelaide Bank, may be Exchanged for Ordinary Shares. All such Ordinary Shares will rank equally with existing fully paid Ordinary Shares then on issue. The rights attaching to Ordinary Shares are set out in Adelaide Bank's constitution and are also regulated by the Corporations Act, the Listing Rules and general law.

Some key rights attaching to Ordinary Shares are:

(a) Dividend entitlement

Payment of dividends on Ordinary Shares is subject to the Directors of Adelaide Bank determining a dividend to be payable. Directors may only declare a dividend if Adelaide Bank complies at the time of declaration with APRA's then prevailing prudential

standards and there being sufficient profits in Adelaide Bank out of which Adelaide Bank is lawfully able to pay dividends.

Subject to the rights of the holders of any preference shares, and subject to the terms of any issue of shares to the contrary, all fully paid shares on which any dividend is declared or paid are entitled to participate in the dividend in proportion to the number of shares held, and partly paid shares are entitled to participate pro rata according to the amount paid on the shares.

(b) Voting Rights

At any general meeting of Adelaide Bank, every shareholder has one vote on a show of hands and one vote for each share held in respect of which the shareholder is entitled to vote on a poll.

(c) Transferability of Ordinary Shares

While Ordinary Shares are quoted on ASX, shareholders will generally be able to sell or transfer Ordinary Shares without restriction. This is subject to the limitations on shareholdings described in the shareholder limitations and ownership restrictions sections below and the Directors' ability to decline to register a transfer in certain limited circumstances.

(d) Shareholder limitations

There is a limitation on any shareholder owning more than 10% of the "Voting Shares" in Adelaide Bank, unless the relevant provisions of Adelaide Bank's constitution are amended.

"Voting Shares" means shares which entitle the holder to vote at a general meeting of Adelaide Bank.

(e) Entitlement of Ordinary Shares on winding up

Holders of Ordinary Shares are entitled to share in any surplus assets on a winding up in proportion to the Ordinary Shares held by them, irrespective of the amounts paid or credited as paid on the Ordinary Shares.

9.5 Ownership restrictions

In addition to the restrictions set out in paragraph 9.4(d) above, ownership of Ordinary Shares in Adelaide Bank is restricted by the Financial Sector (Shareholdings) Act 1998. That Act limits the ownership by persons (together with their associates) of companies that are subject to the Act to 15% of the total Voting Shares in the relevant company. A shareholder may apply to the Australian Treasurer to extend its ownership beyond 15% but approval depends on the Treasurer being satisfied that a holding by that person of more than 15% is in the national interest.

9.6 Summary of Underwriting Agreement

Adelaide Bank, ABN AMRO Rothschild and Deutsche Bank entered into an Underwriting Agreement on 25 August 2004 under which Adelaide Bank has appointed ABN AMRO Rothschild and Deutsche

Bank as Joint Lead Managers and Underwriters of the Offer. The Joint Lead Managers and Underwriters have agreed to underwrite 1,000,000 SPS, comprising the total Offer size. The material terms of the Underwriting Agreement are summarised below:

Fees

The Joint Lead Managers and Underwriters will be paid the following fees (exclusive of GST, if any) on the earlier of the Allotment Date and the date on which the Joint Lead Managers and Underwriters are required to take up shares under the Underwriting Agreement:

2% of the underwritten amount (ie 2% of \$100 million)

The Joint Lead Managers and Underwriters will pay all other fees including any Participating Broker selling fees and general application stamping fees.

Expenses

Adelaide Bank will pay and reimburse the Joint Lead Managers and Underwriters all reasonable costs and expenses in respect of the Underwriting Agreement, any aspect of the Offer and the subscription of the SPS incurred by the Joint Lead Managers and Underwriters.

Termination by Joint Lead Managers and Underwriters

Either of the Joint Lead Managers and Underwriters may without cost or liability to themselves terminate their obligations under the Underwriting Agreement if any one or more of the following events occur ("Termination Events"). In the case of the Termination Events listed in paragraphs 4, 10, 11, 12, 13, 15, 16, 17, 19 and 21 below, a Joint Lead Manager and Underwriter may only terminate its obligations under the Underwriting Agreement if the Joint Lead Manager and Underwriter has reasonable and bona fide grounds to believe that the relevant Termination Event:

- has or is likely to have a material adverse effect upon the success of the Offer; or
- could expose it to any material liability.

Termination Events

1. **Failure to allot:** Adelaide Bank fails to allot and issue the SPS in accordance with the Underwriting Agreement;
2. **Financial assistance:** after the date of the Underwriting Agreement, Adelaide Bank or any related body corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Joint Lead Managers and Underwriters;
3. **Capital structure:** Adelaide Bank alters its capital structure in any manner not expressly contemplated by this Prospectus without the prior written consent of the Joint Lead Managers and Underwriters;
4. **Constitution:** the constitution or any other constituent document of Adelaide Bank is amended without the prior written consent of the Joint Lead Managers and Underwriters;

5. **ASX:** ASX advises Adelaide Bank in writing that official quotation of the SPS on ASX will not be granted, or such official quotation is not granted, or if granted such official quotation is subsequently withdrawn, qualified or withheld;
6. **ASIC:**
 - (a) ASIC applies for an order under sections 1324B and 1325 of the Corporations Act in relation to this Prospectus and the application is not dismissed or withdrawn within seven days; or
 - (b) ASIC gives notice of intention to hold a hearing in relation to this Prospectus under section 739(1), or makes an interim order under section 739(3), of the Corporations Act;
7. **Supplementary or replacement prospectus:** the Joint Lead Managers and Underwriters form the view that a supplementary or replacement prospectus must be lodged with ASIC under section 719 of the Corporations Act;
8. **Change in management:** a material change in the senior management or the board of directors of Adelaide Bank or any related body corporate occurs;
9. **Insolvency Event:** an Insolvency Event occurs or is threatened, where an Insolvency Event means any steps being taken towards the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other similar official in relation to, or to any property of, Adelaide Bank or any of its related bodies corporate, or Adelaide Bank or any of its related body corporates entering into a scheme or composition with its creditors or any class of them;
10. **Change in laws:** any of the following occurs:
 - (a) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (b) the public announcement of prospective legislation or policy by:
 - (i) the Federal Government; or
 - (ii) the Government of any State or Territory; or
 - (c) the adoption by ASIC, its delegates, APRA or the Reserve Bank of Australia of any regulations or policy, which does or is likely to prohibit, restrict, regulate or otherwise adversely affect the Offer, capital issues or stock markets;
11. **Failure to comply:** Adelaide Bank or any related body corporate fails to comply with any of the following:
 - (a) a provision of its constitution;
 - (b) any applicable law;
 - (c) a requirement, order or request, made by or on behalf of

- ASIC or any governmental or semi-governmental agency, authority, tribunal or other body;
- (d) the Listing Rules; or
- (e) any agreement entered into by it.
12. **Hostilities:** there is an outbreak or escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving any of Australia, New Zealand, Japan, the United Kingdom, Indonesia, the United States of America, or China;
13. **Default:** Adelaide Bank is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement - Adelaide Bank has given a number of standard warranties and undertakings under the Underwriting Agreement as well as an undertaking relating to further issues of shares. In particular, Adelaide Bank has agreed that it will not, without the prior written consent of the Joint Lead Managers and Underwriters (such consent not to be unreasonably withheld), at any time after the date of the Underwriting Agreement and prior to the expiration of 90 days after the Issue Date, allot or agree to allot or indicate in any way that it may or will allot or agree to allot any shares or other securities convertible or exchangeable into equity of Adelaide Bank or any related body corporate or that represent the right to receive equity of Adelaide Bank or any related body corporate (or do anything economically equivalent to any of the foregoing) other than pursuant to the Offer (excluding the issue of shares which are issued on conversion of any securities already on issue at the date of the Underwriting Agreement or which are issued under a dividend reinvestment plan);
14. **Adverse change:** any adverse change occurs in the condition, business, operations, assets, liabilities, financial position and performance, profits, losses, prospects or value of Adelaide Bank or any related body corporate including, without limitation, if any forecast in this Prospectus becomes incapable of being met or, in a Joint Lead Manager and Underwriter's bona fide opinion, unlikely to be met in the projected time;
15. **Investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of Adelaide Bank or a related body corporate;
16. **Misrepresentations:** any warranty, representation or statement by Adelaide Bank in relation to the Offer is or is found to be false, misleading or incorrect when made or regarded as made;
17. **Financial and capital markets:** a material adverse change occurs in financial or capital markets conditions generally, or in Australia, or in the market or trading of securities of Australian-incorporated issuers or in the financial, political, economic, currency or banking conditions of Australia;
18. **Prospectus:**
- (a) there is an omission from this Prospectus of material required to be disclosed under sections 710, 711, 712, 713 and 716 of the Corporations Act;
- (b) this Prospectus contains a misleading or deceptive statement; or
- (c) any statement in this Prospectus becomes misleading or deceptive;
- (d) in a Joint Lead Manager and Underwriter's opinion there is:
- (i) a misleading or deceptive statement in this Prospectus;
- (ii) an omission of information that should be disclosed in this Prospectus by reason of sections 710, 711, 712, 713 and 716 of the Corporations Act; or
- (iii) a new circumstance has arisen since this Prospectus was lodged which would have been required by Part 6D of the Corporations Act to be included in this Prospectus if the matter had arisen when this Prospectus was prepared,
- that is materially adverse from the point of view of an investor;
- (e) Adelaide Bank lodges a supplementary or replacement prospectus;
- (f) any person gives a notice under section 730 of the Corporations Act;
- (g) a person who consented to be named in this Prospectus withdraws such consent;
- (h) this Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any applicable law;
19. **Due diligence report:** the due diligence report or any other information supplied by or on behalf of Adelaide Bank to the Joint Lead Managers and Underwriters in relation to Adelaide Bank or a related body corporate or the Offer is false, misleading or deceptive or there is a material omission from it;
20. **Change in business:** Adelaide Bank or any of its related bodies corporate ceases to carry on its business or any material part of it, or threatens to do either of those things;
21. **Offences:** a director or executive of Adelaide Bank or any related body corporate is charged with an indictable offence; or
22. **Withdrawal:** Adelaide Bank withdraws this Prospectus or the Offer.

Indemnity

Adelaide Bank has agreed to indemnify the Joint Lead Managers and Underwriters, their directors and officers and their respective related bodies corporate against all losses arising from or in connection with this Prospectus and the Offer. The indemnity does not apply to any loss which results from any fraud, recklessness, wilful misconduct or gross negligence of the Joint Lead Managers and Underwriters or another indemnified party.

9.7 ASX waivers

ASX has granted Adelaide Bank a waiver from Listing Rule 10.11 to the extent necessary to enable Directors of Adelaide Bank to participate in the issue of the SPS, provided the aggregate number of SPS allotted between all Directors (and their related parties) is limited to 0.2% of the total number of SPS issued and the Directors (and their related parties) otherwise participate on the same terms and conditions as other investors.

The waiver from Listing Rule 10.11 is subject to the condition that Adelaide Bank makes a release to the market advising that ASX has granted a waiver from ASX Listing Rule 10.11 that allows all of the Directors (and their related parties) to participate in the issue of SPS provided that the extent of the participation for all of the Directors (and their related parties) combined is limited to no more than 0.2% of the total issue of the SPS, without obtaining shareholder approval for the issue.

ASX has also provided Adelaide Bank with the following confirmations:

- ASX considers that the Terms of Issue are appropriate and equitable for the purposes of Listing Rule 6.1;
- ASX Listing Rule 6.10 does not apply to the Terms of Issue which provide for Adelaide Bank to change the date and rate of distributions of the SPS;
- ASX Listing Rule 6.12 does not apply to the Terms of Issue which provide for Adelaide Bank to change the date and rate of distributions of the SPS; and
- For the purposes of ASX Listing Rule 7.1.4, ASX has no objections to the conversion rate of the SPS being calculated based on the market price of Ordinary Shares on the Allotment Date.

9.8 Consents

Each of the parties (referred to as Consenting Parties), who are named below:

- (a) has not made any statement in this Prospectus, or any statement on which a statement made in this Prospectus is based, other than as specified in paragraph (d) below;
- (b) to the maximum extent permitted by law, expressly disclaims

and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or a statement or report included in this Prospectus with the consent of that Consenting Party;

- (c) have given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus in the form and context in which it is named; and
- (d) in the case of Standard & Poor's, Moody's and Ernst & Young, have given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to the inclusion of a statement or report by that person in the form and context in which it appears in the Prospectus.

Role	Consent Parties
Joint Lead Managers	ABN AMRO Rothschild Deutsche Bank AG
Co-Managers	ABN AMRO Morgans Limited Deutsche Securities Australia Limited Ord Minnett Limited Westpac Banking Corporation
Legal Advisers	Mallesons Stephen Jaques
Auditors and Tax Advisers	Ernst & Young
Adelaide Bank Share Registry	Computershare Investor Services Pty. Limited
Ratings Agencies	Moody's Investors Service Pty Limited Standard & Poor's (Australia) Pty Ltd

9.9 Interests of advisers

The following disclosures of interests and fees are made in relation to the advisers' roles in connection with the Offer:

- Ernst & Young has acted as the auditors and tax advisers for Adelaide Bank (and its controlled entities), performed professional services to assist management in its due diligence enquiries on financial matters and have provided taxation and accounting advice. Adelaide Bank estimates that it will pay approximately \$50,000 (excluding disbursements and GST) to Ernst & Young. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.
- Mallesons Stephen Jaques has acted as legal advisers to Adelaide Bank in relation to the Offer and have performed work in relation to preparing the due diligence and verification program, performing due diligence required on legal matters and providing legal advice on other matters related to the Offer. In respect of this work, Adelaide Bank estimates that it will pay approximately \$185,000 (excluding disbursements and GST) to Mallesons Stephen Jaques. Further amounts may be paid to Mallesons Stephen Jaques in accordance with its normal time based charges.

- ABN AMRO Rothschild has acted as the Joint Lead Manager and Underwriter of the Offer, in respect of which they will receive the fees outlined in Section 9.6 above.
- Deutsche Bank has acted as the Joint Lead Manager and Underwriter of the Offer, in respect of which they will receive the fees outlined in Section 9.6 above.

9.10 Directors' interest

No Director or proposed Director of Adelaide Bank, nor any firm in which any Director is a partner, has, or has had in the 2 years before lodgment of this Prospectus with ASIC, any interest in:

- the formation or promotion of Adelaide Bank;
- the Offer; or
- any property acquired or proposed to be acquired by Adelaide Bank in connection with its formation or promotion, or with the Offer.

No amount (whether in cash or shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director of Adelaide Bank, nor any firm in which any Director or proposed Director is a partner, either to induce them to become, or qualify them as, a Director or otherwise for services provided by them in connection with the formation or promotion of Adelaide Bank or the Offer.

9.11 Electronic Prospectus

This Prospectus is available in electronic form on the Adelaide Bank web site at www.adelaidebank.com.au. The Offer constituted by this Prospectus in electronic form is available to persons receiving this Prospectus in electronic form within Australia. Applicants using the Application Form attached to the electronic version of this Prospectus must be resident in and located in Australia. A paper copy of this Prospectus is available free of charge by calling the Adelaide Bank Information Line on 1800 085 396 (between 9am-5pm (Adelaide time) Monday to Friday).

Persons who receive the electronic version of this Prospectus should ensure that they download and read the Prospectus in its entirety.

An application can be made by completing and lodging a paper copy of the Application Form attached to or accompanying this Prospectus, or by printing a copy of the Application Form from the electronic version of this Prospectus. Applications cannot be made online. The Application Form must be completed in accordance with the instructions set out in the Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

9.12 Consent to lodgment

Each director of Adelaide Bank has given, and not withdrawn as at the date of this Prospectus, their consent to the lodgment of this Prospectus with ASIC.

Appendix A - Terms of Issue

1 Description

This document sets out the terms and conditions of \$100 non-cumulative, redeemable and convertible perpetual step up preference shares ("SPS").

2 Issuer

Adelaide Bank Limited (ABN 54 061 461 550).

3 Issue Price

Each SPS will be issued as fully paid at an Issue Price of \$100 per SPS.

4 Minimum Subscription Amount

The Minimum Subscription Amount will be 50 SPS and in multiples of 10 thereafter.

Adelaide Bank reserves the right to change the Minimum Subscription Amount at its absolute discretion.

5 Maturity

None, the SPS are perpetual.

6 Dividends

6.1 Calculation

The SPS will pay a dividend in arrears on each Dividend Payment Date (each a "Dividend"). The Dividend is calculated as:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Issue Price} \times D}{365}$$

Where:

D is the Dividend Period;

Dividend Rate is the rate, expressed as a percentage per annum, calculated as $(\text{Market Rate} + \text{Margin}) \times (1 - T)$, where:

Market Rate has the meaning given in clause 7;

Margin has the meaning given in clause 8; and

T has the meaning given in clause 6.2.

6.2 Gross-up

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act, the Dividend will be adjusted in accordance with the following formula:

$$\text{Dividend} = \frac{D}{1 - [T \times (1 - f)]}$$

Where:

D is the Dividend calculated under clause 6.1;

T is the Australian corporate tax rate applicable to the franking account of Adelaide Bank from which the Dividend will be franked, expressed as a decimal; and

f is the franking percentage within the meaning of Part 3-6 of the Tax Act of the Dividend, expressed as a decimal.

6.3 Non-Cumulative

Dividends are non-cumulative. If and to the extent that all or any part of a Dividend is not paid under the provisions of these Terms of Issue, Adelaide Bank will have no liability to pay, and the Holders will have no right to be paid, any amount in respect of that Dividend.

7 Market Rate

- (a) For the first Dividend Payment Date, the Market Rate will be the higher of 5.43% and the Bank Bill Rate at or around 10.15am (Australian Eastern Standard Time) on the date of allotment.
- (b) For each Dividend Payment Date after the first Dividend Payment Date, the Market Rate will be the Bank Bill Rate at or around 10.15am (Australian Eastern Standard Time) on the immediately prior Dividend Payment Date, or if that date is not a Business Day, on the next Business Day following that date.

8 Margin

The Margin, expressed as a percentage per annum will:

- (a) for the period up to the Step Up Date, be 1.75% ("**Initial Margin**"); and
- (b) for the period after the Step Up Date, be the Initial Margin plus 1.00%.

9 Deductions

Adelaide Bank may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by Adelaide Bank to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder will be taken to have been duly paid and satisfied by Adelaide Bank. Adelaide Bank must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and must, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by Adelaide Bank.

10 Dividend Payment Date and Restrictions

10.1 Payment

Dividends will be payable on the SPS quarterly in arrears, with the first such Dividend payment being 10 January 2005 and thereafter on each 10 April, 10 July, 10 October and 10 January.

(each a **Dividend Payment Date**)

10.2 Restrictions

A Dividend is only payable if:

- (a) the Directors, at their discretion, determine that the Dividend is payable;
- (b) unless otherwise approved by APRA, the amount of payments on Tier 1 Securities does not exceed the Distributable Profits on the relevant Dividend Payment Date;
- (c) Adelaide Bank complies with APRA's then prevailing prudential standards and guidelines relating to the payment of Dividends; and
- (d) APRA has not issued any objection to the Dividend.

10.3 Record Date

A Dividend is only payable to those persons registered as Holders on the Record Date.

11 Ordinary Dividend Restrictions

If Adelaide Bank fails to pay a Dividend in full within 20 Business Days after the relevant Dividend Payment Date, Adelaide Bank may not, without approval of a special resolution passed at a separate meeting of Holders:

- (a) declare or pay a dividend or make any distribution on any share capital of Adelaide Bank over which the SPS rank in priority for participation in profits; or
- (b) declare or pay any dividend or make any distribution on the SPS or on any share capital of Adelaide Bank which ranks by legal or stated terms equal with the SPS for participation in profits (other than proportionate payment); or
- (c) redeem, reduce, cancel or acquire for any consideration any share capital of Adelaide Bank (other than the SPS or share capital ranking equally with or in priority to the SPS);

unless:

- (d) Adelaide Bank has complied with clause 12.1; or
- (e) all SPS have been Exchanged.

12 Optional Dividend

12.1 Optional Dividend

The restrictions in clause 11 will no longer apply if:

- (a) four consecutive Dividends payable on the SPS after the Dividend that Adelaide Bank failed to pay have been paid in full (or an equivalent amount of Dividends if the frequency of payment is other than quarterly); or
- (b) an optional dividend (“Optional Dividend Payment”) has been paid to the Holders equal to the unpaid amount of the four immediately preceding Dividends prior to the date of payment of the Optional Dividend Payment (or equivalent Dividends if the frequency of payment is other than quarterly).

12.2 Restrictions

Payment of an Optional Dividend Payment is subject to APRA’s prior approval and the restrictions set out in clause 10.2.

12.3 Record Date

An Optional Dividend Payment is only payable to those persons registered as Holders on the Record Date.

13 Ranking

13.1 Subordinated

The SPS are subordinated to all depositors and creditors of Adelaide Bank without any rights of set-off. The SPS do not represent a deposit liability of Adelaide Bank and are not subject to the depositor protection provisions of Australian banking legislation.

13.2 Dividends

Until conversion, the SPS rank ahead of Ordinary Shares and equal with the RPS for payment of Dividends.

13.3 Liquidation preference

In a winding-up or liquidation of Adelaide Bank, the SPS rank subordinate to all creditors (including depositors), senior to holders of Ordinary Shares and at least equal with other preference shares (including the RPS) for return of the Issue Price and the amount of any Dividend due but unpaid, and otherwise do not participate in a winding up. All preference shares then on issue rank equally amongst themselves.

14 Set-off

No contractual right of set-off exists between the SPS and any claims by Adelaide Bank on the Holders.

15 Other issues

15.1 Right to participate

Holders do not have a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares.

15.2 Other issues

Adelaide Bank reserves the right to issue further SPS or other preference shares which rank equally with existing SPS, whether in respect of dividends, return of capital on a winding-up or otherwise. Such an issue does not constitute a variation or abrogation of the rights attached to the then existing SPS.

16 Voting

Holders will not be entitled to vote at any general meeting of Adelaide Bank except that they may vote:

- (a) if at the time of the meeting, a Dividend has been declared but has not been paid in full by the relevant Dividend Payment Date;
- (b) on a proposal:
 - (i) to reduce Adelaide Bank’s share capital;
 - (ii) that affects rights attached to the SPS;

- (iii) to wind up Adelaide Bank; or
 - (iv) for the disposal of the whole of Adelaide Bank's property, business and undertaking;
 - (c) on a resolution to approve the terms of a buy-back agreement;
 - (d) during the winding up of Adelaide Bank; and
 - (e) in any other circumstances in which the Listing Rules require holders of preference shares to be entitled to vote,
- in which case Holders will have the same rights as to manner of attendance and to voting as a holder of Ordinary Shares with one vote per SPS.

17 Exchange by Adelaide Bank

17.1 Exchange by Adelaide Bank

Subject to clause 17.2, Adelaide Bank has the right to Exchange some or all of the SPS on the Step Up Date or any subsequent Dividend Payment Date by delivering to a Holder an Exchange Notice within the Notice Period specifying which of the following actions it intends to undertake (singularly or in combination):

- (a) Exchange the Holder's SPS for cash consideration (subject to APRA approval) equal to the Exchange Consideration; or
- (b) Exchange the Holder's SPS for the Exchange Number of Ordinary Shares.

17.2 Exchange of some but not all SPS

- (a) Any Exchange by Adelaide Bank of some but not all of the SPS is subject to there being a minimum of 250,000 SPS remaining on issue following the Exchange.
- (b) If Adelaide Bank Exchanges some but not all of the SPS under clause 17.1, Adelaide Bank must endeavour to treat Holders on an approximately proportionate basis. Adelaide Bank may discriminate to take account of logistical considerations such as marketable parcels, if necessary.

18 Exchange Notice

18.1 Irrevocable

An Exchange Notice given by Adelaide Bank under clause 17.1 is irrevocable.

18.2 Content

If Adelaide Bank serves an Exchange Notice on Holders, Adelaide Bank must include in that notice which, or which combination, of the Exchange options it intends to do in respect of the SPS which are the subject of the notice and otherwise may include such information as Adelaide Bank considers necessary to effect the Exchange in an orderly manner.

19 Adelaide Bank Exchange - Special Events

On the occurrence of a Tax Event or a Regulatory Event, Adelaide Bank has the right to Exchange all (but not some) of the SPS on any subsequent Dividend Payment Date. If Adelaide Bank elects to Exchange all of the SPS, Adelaide Bank in its absolute discretion must determine and notify Holders within the Notice Period which of the following actions it will undertake (singularly or in combination):

- (a) Exchange the Holder's SPS for cash consideration (subject to APRA approval) equal to the Exchange Consideration; or
- (b) Exchange the Holder's SPS for the Exchange Number of Ordinary Shares.

20 Holder obligations

If required by Adelaide Bank, where Adelaide Bank has exercised its right to Exchange the Holder's SPS for cash consideration (subject to APRA approval) equal to the Exchange Consideration under these Terms of Issue, the Holder must:

- (a) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
 - (b) provide all documentation and execute any authorisation or power necessary; and
 - (c) take all other action necessary or desirable,
- to effect the Exchange of those SPS.

21 Volume Weighted Average Price

21.1 Calculation

The VWAP is 97.5% of the average of the daily volume weighted average sale price of Ordinary Shares over the 20 Trading Day period (the "Reference Period") of those shares prior to the relevant date for Exchange.

21.2 Fractions

Where the total number of Ordinary Shares to be allotted to a Holder in respect of the total number of SPS being Exchanged at that time includes a fraction, that fraction will be disregarded except where the total number is less than one, in which event the total number will be deemed to equal one.

21.3 Adjustment

For the purposes of calculating VWAP, if during the Reference Period (or any part of the Reference Period) the Ordinary Shares have been quoted on ASX:

- (a) cum dividend or cum entitlement, and the Ordinary Shares to be issued to Holders will not carry that dividend or entitlement, then the VWAP on the days the Ordinary Shares have been quoted cum dividend or cum entitlement will be reduced by an amount equal to:
 - (i) the cash amount of the dividend (not including any amount for attached franking); or
 - (ii) the cash amount or the value of the other entitlement.
- (b) ex dividend or ex entitlement, and the Ordinary Shares to be issued to Holders will be entitled to receive the relevant dividend or entitlement, then the VWAP on the days the Ordinary Shares have been quoted ex dividend or ex entitlement will be increased by an amount equal to:
 - (i) the cash amount of the dividend (not including any amount for attached franking); or
 - (ii) the cash amount or the value of the other entitlement.

Appropriate adjustments will be made by the Directors for any capital reconstruction during this period.

22 Notice and meetings

Holders of SPS will be entitled to:

- (a) receive notice of and attend (but not vote, except in accordance with clause 16) at any general meeting of Adelaide Bank;
- (b) receive all reports and audited accounts of Adelaide Bank which are sent by Adelaide Bank to holders of Ordinary Shares.

Failure by Adelaide Bank to give a Holder any notice, report or other document to which that Holder is entitled under this paragraph will not affect the validity of any meeting (or any proceedings at any meeting), transaction or document which relates to the document which was not received by the Holder.

23 Quotation

Adelaide Bank must use all reasonable endeavours and furnish all documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the SPS on ASX and of all Ordinary Shares issued on any Exchange of the SPS into Ordinary Shares on each of the stock exchanges on which the other Ordinary Shares of Adelaide Bank are quoted on the date of Exchange.

24 Amendments to the Terms of Issue

Subject to complying with all applicable laws and with APRA's prior approval, Adelaide Bank may without the authority, assent or approval of Holders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of Adelaide Bank:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error;
- (c) made to comply with any law, ASX Listing Rules or the listing or quotation requirements of any stock exchange on which Adelaide Bank proposes from time to time to seek quotation of its securities;
- (d) convenient for the purpose of obtaining or maintaining the quotation of the SPS; or
- (e) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders of the SPS.

25 Interpretation

25.1 Definitions

In these Terms of Issue, the following expressions have the following meanings:

Adelaide Bank means Adelaide Bank Limited (ABN 54 061 461 550).

APRA means the Australian Prudential Regulatory Authority (ABN 79 635 582 658) or any authority succeeding to its powers and functions.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of the ASX from time to time with any modification or waivers in their application to Adelaide Bank, which ASX may grant.

Bank Bill Rate means the rate, expressed as a percentage per annum, calculated as the average mid rate for bills of a term of 90 days which average rate is displayed on the Reuters page designated BBSW (or any page which replaces that page), or if there is a manifest error in the calculation of that average rate or that average rate is not displayed on the relevant date, the nearest possible equivalent rate specified in good faith by Adelaide Bank.

Business Day has the meaning given in the listing rules of ASX.

Distributable Profits means the profits after tax of the Group (on a consolidated basis) for the immediately preceding Reporting Year less the aggregate amount of dividends paid, or liable to be paid by any member of the Group (other than intra Group payments) on Tier 1 Securities, in the 12 month period up to and including the payment date for the Dividend.

Dividend has the meaning given in clause 6.

Dividend Payment Date has the meaning given in clause 10.1.

Dividend Period is the number of days from (and including) the date of issue of the SPS or the preceding Dividend Payment Date (which is the later) until (but not including) the relevant Dividend Payment Date.

Dividend Rate has the meaning given in clause 6.1.

Exchange has the meaning given in clause 17.

Exchange Consideration means the product of the Issue Price and the number of SPS held by the Holder that are to be Exchanged.

Exchange Notice has the meaning given in clause 18.

Exchange Number is the number of Ordinary Shares to be Exchanged for a Holder's SPS and is calculated by dividing the Exchange Consideration by the VWAP.

Group means Adelaide Bank and its controlled entities.

Holders means the persons whose names are for the time being registered in the register of SPS as a holder of SPS.

IASB means International Accounting Standards Board.

Initial Margin has the meaning given in clause 8(a).

Issue Price has the meaning given in clause 3.

Margin has the meaning given in clause 8.

Market Rate has the meaning given in clause 7.

Minimum Subscription Amount has the meaning given in clause 4.

Notice Period means not less than 20 Business Days (but not more than 3 months) prior to the Step Up Date or the relevant Dividend Payment Date (as applicable).

Optional Dividend Payment has the meaning given in clause 12.1(b).

Ordinary Share means an ordinary fully paid share in the capital of Adelaide Bank.

Qualifying Tier 1 Capital means an instrument that satisfies APRA's requirements for inclusion in the Tier 1 Capital of an Australian deposit-taking institution (irrespective of whether it is actually included in the calculation of the aggregate Tier 1 Capital of an Australian deposit-taking institution).

Record Date means:

- (a) in relation to a Dividend, the date that is 11 Business days before the Dividend Payment Date for that Dividend; and
- (b) in relation to an Optional Dividend Payment, the date prior to its payment that is determined by Adelaide Bank, or such other date as may be required by ASX from time to time.

Reference Period has the meaning given in clause 21.1.

Regulatory Event means:

- (a) the receipt by Adelaide Bank of advice from reputable legal counsel that as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in any law or regulation affecting securities laws in Australia, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective or pronouncement, action or decision if announced on or after the date of issue of the SPS additional requirements would be imposed on Adelaide Bank which Adelaide Bank determines, at its sole discretion, to be unacceptable; or
- (b) the determination by the Board of Adelaide Bank that there is a risk that the SPS will not be, or will no longer be, Qualifying Tier 1 Capital.

Reporting Year means each 12 month period ending 30 June or 31 December, or such other period as approved by APRA in circumstances where Adelaide Bank has changed its reporting period for its financial results.

RPS means the 1,000,000 reset preference shares issued by Adelaide Bank on 27 November 2002 under a prospectus dated 25 October 2002.

SPS has the meaning given in clause 1.

Step Up Date means 10 October 2014.

Tax Act means the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997.

Tax Event means the receipt by Adelaide Bank of advice from a reputable legal counsel or other tax adviser in Australia that as a result of any amendment to, clarification of, or change in Australian tax law (including laws, treaties, judicial decisions and administrative actions) that results in there being more than an insubstantial risk of Adelaide Bank being exposed to a more than de minimus increase in the costs of servicing the obligations on the SPS (as a result of increased taxes, duties or other governmental charges or duties) that Adelaide Bank deems to be unacceptable.

Tier 1 Capital means the core capital of Adelaide Bank as defined by APRA.

Tier 1 Securities means the SPS, the Ordinary Shares and any other security issued by Adelaide Bank which constitutes Tier 1 Capital.

Trading Day has the meaning given in the listing rules of the ASX.

VWAP (Volume Weighted Average Price) has the meaning given in clause 21.

25.2 Exchange

In these Terms of Issue:

- (a) a reference to “Exchange the Holder’s SPS for cash consideration (subject to APRA approval) equal to the Exchange Consideration” is a reference to the redemption, buy back or cancellation of the SPS as determined by the Directors and approved by APRA;
- (b) a reference to “Exchange the Holder’s SPS for the Exchange Number of Ordinary Shares” is a reference to the conversion of the Holder’s SPS into the Exchange Number of Ordinary Shares. If Adelaide Bank elects to convert the SPS into Ordinary Shares then each SPS which is the subject of the Exchange Notice will convert on the date specified in the Exchange Notice into one Ordinary Share and upon conversion, each Holder will be allotted such number of additional Ordinary Shares as is required so that the Holder receives the Exchange Number of Ordinary Shares. Exchange of the Holder’s SPS into Ordinary Shares in this manner does not constitute cancellation, redemption or termination of any SPS or an issue, allotment or creation of new shares (other than additional Ordinary Shares issued to make up the Exchange Number); and
- (c) a reference to “Exchanged” or “Exchange” is a reference to the SPS being converted, redeemed, bought back or cancelled as determined by the Directors.

25.3 Restriction on conversion

Notwithstanding any other provision of these Terms of Issue, if the conversion of SPS into Ordinary Shares for a particular Holder would result in that Holder breaching any provision of the constitution of Adelaide Bank or any applicable law, the Board of Adelaide Bank has the discretion not to convert that Holder’s SPS into Ordinary Shares and instead to redeem, buy back or cancel that Holder’s SPS as contemplated by these Terms of Issue (whether or not the specific event would otherwise permit such action under these Terms of Issue). Before taking such action, the Board of Adelaide Bank will take reasonable steps to determine which is preferred by the particular Holder.

25.4 Interpretation

Unless the context otherwise requires or unless otherwise specified:

- (a) if there is any inconsistency between the provisions of these Terms of Issue and the constitution of Adelaide Bank then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail;
- (b) the Board of Adelaide Bank may exercise all powers of Adelaide Bank under these Terms of Issue as are not, by the Corporations Act or by Adelaide Bank's constitution, required to be exercised by the company in general meeting;
- (c) notices may be given by Adelaide Bank to a Holder in the manner prescribed by Adelaide Bank's constitution for the giving of notices to members of Adelaide Bank and the relevant provisions of Adelaide Bank's constitution apply with all necessary modification to notices to Holders;
- (d) a reference to a clause is a reference to a clause of these Terms of Issue;
- (e) if a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to two decimal places. For the purposes of making payment to any person, any fraction of a cent will be disregarded;
- (f) definitions and interpretation under Adelaide Bank's constitution will also apply to these Terms of Issue subject to Clause 25.4(a);
- (g) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to Adelaide Bank only if Adelaide Bank is an entity or the holding company of an entity subject to regulation and supervision by APRA at the relevant time;
- (h) a reference to, or to any part or provision of, a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (i) if an event under these terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.

Appendix B - Glossary

The following is a glossary of terms used in this Prospectus. There is also a list of defined terms in clause 25 of the Terms of Issue. Terms defined in this glossary and in clause 25 are used in this Prospectus and the Application Form.

Term	Definition
ABN	Australian Business Number.
ABN AMRO Rothschild	ABN AMRO Equity Capital Markets Australia Limited (ABN 17 000 757 111) (AFSL 221950) and Rothschild Australia Securities Limited (ABN 61 008 591 768) (AFSL 239 059) (jointly and severally trading as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture).
Adelaide Bank Share Registry	Computershare Investor Services Pty. Limited.
Allocation	the number of SPS allotted to successful Applicants.
Allotment Date	the date on which the SPS will be allotted, which is expected to be 29 September 2004.
Applicant	a person who submits an Application Form pursuant to this Prospectus.
Application	an application pursuant to this Prospectus by using an Application Form to apply for a specified number of SPS.
Application Form	each form attached to or accompanying the Prospectus on which an offer to subscribe for SPS may be made.
Application Money	the money payable on Application, calculated as the Issue Price multiplied by the number of SPS applied for.
ASIC	the Australian Securities & Investments Commission.
ASTC Settlement Rules	the clearing and settlement rules made by ASX Settlement and Transfer Corporation Pty Limited, as amended from time to time.
Board	the Board of Directors of Adelaide Bank.
Broker Firm Offer	the broker firm offer by Participating Brokers to their private clients in Australia as described in the Prospectus.
Capital Notes	the Capital Notes issued by Adelaide Bank pursuant to the prospectus dated 13 July 1998.
CHESS	the Clearing House Electronic Sub-register System.
Closing Date	the last day on which Application Forms will be accepted, which is expected to be 21 September 2004.
Co-Managers	ABN AMRO Morgans Limited, Deutsche Securities Australia Limited, Ord Minnett Limited and Westpac Banking Corporation
Corporations Act	Corporations Act 2001 (Cwlth).
Deutsche Bank	Deutsche Bank AG.
Director	a director of Adelaide Bank.
Eligible Shareholder	a person who has an Australian registered address and is an Ordinary Shareholder, RPS Holder or Noteholder as at 5:00pm on 10 September 2004 or a person who held Adelaide Bank fixed rate capital notes (which traded under the code ADBHA) on 15 July 2004.
General Public Offer	the 300,000 SPS set aside for Eligible Shareholders and general retail public Applicants.
HIN	Holder Identification Number.
Holder	the person whose name is for the time being registered in the register of SPS as a holder of SPS.
IFRS	International Financial Reporting Standards.
Joint Lead Managers	ABN AMRO Rothschild and Deutsche Bank.
Listing Rules	the listing of rules of ASX.

Term	Definition
Noteholder	a holder of Capital Notes or was a holder of fixed rate capital notes of Adelaide Bank (which traded under the code ADBHA) on 15 July 2004.
Offer	the invitation made by Adelaide Bank pursuant to this Prospectus for persons to apply for SPS.
Offer Period*	3 September 2004 to 21 September 2004.
Opening Date	the date the Offer opens which is expected to be 9.00am on 3 September 2004, or such other date determined by the Board.
Ordinary Shareholder	a holder of an Ordinary Share.
Ordinary Share	an ordinary fully paid share in the capital of Adelaide Bank.
Participating Broker	any member organisation of ASX selected by the Joint Lead Managers and Underwriters, including the Co-Managers.
Prospectus	this prospectus dated 26 August 2004.
SPS	Step Up Preference Shares issued by Adelaide Bank pursuant to the Terms of Issue.
SRN	Shareholder Registration Number.
RPS Holder	a holder of RPS.
RPS	a reset preference share in the capital of Adelaide Bank issued under a prospectus for the offer of reset preference shares dated 25 October 2002.
Terms of Issue	the terms of issue of the SPS set out in Appendix A of this Prospectus.
Underwriters	ABN AMRO Rothschild and Deutsche Bank.
Underwriting Agreement	the agreement between Adelaide Bank, ABN AMRO Rothschild and Deutsche Bank dated 25 August 2004, the terms of which are summarised in Section 9.6.

*Adelaide Bank has the right, subject to agreement with the Joint Lead Managers and Underwriters, to close the offer early or to extend the Closing Date for the Offer without notice.

How to complete the Application Form

You should read the Prospectus carefully before completing this Application Form

The Prospectus is dated 26 August 2004 and expires on 26 September 2005. The Prospectus contains important information about investing in SPS and you should read it in full before applying for SPS. On request, Adelaide Bank will send you a free copy of the Prospectus.

Only Australian residents receiving the Prospectus (including an electronic Prospectus) in Australia may apply for SPS.

You do not have to sign this Form

Please complete all relevant sections of the Application Form **USING BLOCK LETTERS**. These instructions are cross referenced to each section of the form.

- A** Insert the number of SPS you wish to apply for. No applicant is assured of receiving any SPS for which they have applied.
- B** Please enter the total amount of the cheque or money order required for payment for the SPS for which you have applied at the issue price of A\$100 per SPS in box B.
- C** Write the full name you wish to appear on the statement of your SPS holding. This must be either your own name or the name of a company. Up to three joint applicants may apply.
- D** Please enter your postal address for all correspondence. All communications to you will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.
- E** Enter your Tax File Number ("TFN") or exemption code. Business enterprises may alternatively quote their Australian Business Number ("ABN"). Where applicable, please enter the TFN or ABN for each joint applicant. Collection of TFN(s) or ABN(s) is not compulsory and will not affect your application. However, not quoting your TFN or ABN may affect the tax payable on Dividends paid on your SPS. See paragraph 4 of Ernst & Young's letter in Section 7 of the Prospectus.
- F** By providing your Issuer Sponsored SRN or CHESS HIN your SPS will be allotted to this number. If you do not provide your existing Issuer Sponsored SRN or CHESS HIN or tick the box requesting a separate holding, your SPS will be allotted to a new Issuer Sponsored SRN.
- G** Please enter your cheque details as requested in section G. Cheques must be drawn on an Australian branch of a financial institution in Australian currency and made payable to "Adelaide Bank SPS Account". The amount of the cheque should agree with the amount shown in Section G. Sufficient cleared funds should be held in your Australian bank account, as cheques returned unpaid are likely to result in your application being rejected. Pin (do not staple) your cheque(s) to the application form.

Please enter your contact telephone numbers so we may contact you regarding your application, if necessary.

Home Telephone Number	Work Telephone Number	Contact Name (PRINT)
(<input type="text"/> <input type="text"/>) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	(<input type="text"/> <input type="text"/>) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>

How to lodge your Application Form

Broker Firm Applications

Broker firm applicants should contact the Participating Broker from whom they received their firm allocation of SPS for information about submitting an application and payment instructions. You should be aware that the Sponsoring Broker will settle your application on a delivery versus payment basis through CHESS and this transaction will not have the benefit of coverage by the National Guarantee Fund.

General Applications

The completed Application Form should be forwarded with your payment to reach the Adelaide Bank Share Registry by 5.00pm (Adelaide time) on Tuesday 21 September 2004. Adelaide Bank has the right, subject to agreement with the Joint Lead Managers, to close the Offer early or to extend the Closing Date for the Offer without notice.

Postal Address: Adelaide Bank SPS Offer
C/- Computershare Investor Services Pty. Limited
GPO Box 1903,
Adelaide, SA, 5000

or Hand Delivery: Adelaide Bank SPS Offer
C/- Computershare Investor Services Pty. Limited
Level 5, 115 Grenfell Street,
Adelaide, SA, 5000

Terms and Conditions

The applicant agrees to be bound by the provisions (as amended and as may be amended from time to time in the future) of the Constitution of Adelaide Bank and the Terms of Issue of the SPS.

The applicant represents and warrants that they have not received this Prospectus outside Australia and are not acting on behalf of a person resident outside Australia unless they are an institutional investor to whom the securities may be offered in their jurisdiction without contravention of the securities laws of that jurisdiction or any need to register the Prospectus for the Offer.

Words and expressions used in this Application Form have the same meaning as given to them in the Prospectus.

Privacy Statement

Your personal information is collected in accordance with the privacy statement included in Section 2.11 of the Prospectus. By submitting the Application Form, you authorise us to collect, maintain, use and disclose your personal information in the manner set out in Section 2.11 of the Prospectus.

OFFER SCHEDULED TO CLOSE 5.00PM (ADELAIDE TIME) TUESDAY, 21 SEPTEMBER 2004

THIS APPLICATION FORM RELATES TO THE PROSPECTUS DATED 26 AUGUST 2004. THE PROSPECTUS CONTAINS IMPORTANT INFORMATION ABOUT INVESTING IN SPS AND YOU SHOULD READ IT IN FULL BEFORE APPLYING FOR SPS.

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Corporate Directory

Registered and Head Office

Adelaide Bank Limited

Level 5, 169 Pirie Street
Adelaide SA 5000

Joint Lead Managers & Underwriters

ABN AMRO Rothschild

Level 29, ABN AMRO Tower
Cnr Phillip & Bent Streets
Sydney NSW 2000

Deutsche Bank AG

Level 18, 225 George Street
Sydney NSW 2000 Australia

Co-Managers

ABN AMRO Morgans Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Deutsche Securities Australia Limited

Level 18, 225 George Street
Sydney NSW 2000 Australia

Ord Minnett Limited

Level 8, NAB House
255 George Street
Sydney NSW 2000

Westpac Banking Corporation

60 Martin Place
Sydney NSW 2000

Legal Advisers

Mallesons Stephen Jaques

Level 60, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Auditors and Tax Advisers

Ernst & Young

Level 21, Santos House
91 King William Street
Adelaide SA 5000

Adelaide Bank Share Registry

Computershare Investor Services Pty. Limited

Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone 1300 556 161



Adelaide Bank

ABN 54 061 461 550

