

EXPLANATORY STATEMENT

Item of Business 2 – Remuneration Report

The Corporations Act requires the Directors Report component of the Financial Statements to include a Remuneration Report.

The Remuneration Report which is set out on pages 26 to 31 of the Company's 2006 Annual Report, contains the Bank's policy and other disclosures regarding Director and Executive Remuneration.

Pursuant to the Corporations Act, a resolution that the Remuneration Report be adopted must be put to the vote at the Company's Annual General Meeting. The vote on the proposed resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Chairman of the Annual General Meeting will allow a reasonable opportunity for members to ask questions about, or make comments on, the Remuneration Report.

Item of Business 3 – Fees Payable to Directors

The Board seeks your approval to increase the maximum aggregate sum payable in any financial year by the Company and its subsidiaries to the non-executive Directors of the Company and subsidiaries from \$825,000 to \$1,075,000.

The Board seeks the proposed increase in order to cater for the payment of fees to non-executive directors of subsidiary company Adelaide Managed Funds Ltd.

Adelaide Managed Funds Ltd Directors fees

Adelaide Managed Funds Ltd, a wholly owned subsidiary of the Company, has recently established a listed trust known as the Asset Backed Yield Trust. In association with establishment of the Trust, the Board of Adelaide Managed Funds Ltd has been revised and its governance activities expanded. In that process two independent directors were appointed to the Adelaide Managed Funds Ltd Board.

In recognition of the expanded governance activities and independence from the governance of Adelaide Bank Ltd, the Board considers it appropriate that market level fees be paid to each of the non-Executive Directors of Adelaide Managed Funds Ltd (including Adelaide Bank Directors Dr Lloyd and Mr Crane). Pursuant to the ASX Listing Rules, the fees payable to Adelaide Managed Funds Ltd Directors must be taken into account in calculating the aggregate fees payable to the Directors of Adelaide Bank Ltd and its subsidiary companies.

The Board is of the view that the expansion of the Adelaide Managed Funds business is an important strategic initiative for the Company and accordingly recommends the proposed fee increase be supported.

Where appropriate, consideration will be given to the recovery of a portion of the fees payable to Adelaide Managed Funds Ltd Directors from the Asset Backed Yield Trust.

Capacity to appoint an additional Director

Whilst there is no intention at this stage to appoint an additional Director to the Board of the Company or any subsidiary, the Board considers it prudent to ensure the Company has capacity to appoint an additional Director should the need arise during the financial year. The proposed increase in aggregate fees will provide a buffer to enable such an appointment.

Increase in Adelaide Bank Limited Directors fees

In accordance with past practice, the Board has obtained advice from an independent remuneration consultant about Directors' fees. The advice obtained states that it would be reasonable to increase current fees by an amount up to 10% in order to maintain Directors fees at a level which is comparable with the fees paid by other relevant Companies, and to ensure Directors are rewarded for the increasing demands placed upon listed company directors. The Board has considered the advice and has increased fees by 7.5%.

The fee increase can be accommodated within the aggregate Directors fee amount approved by shareholders in 2005. As a matter of good governance, however, the Board believes it is appropriate that the increase be disclosed to shareholders.

As stated in the Company's Corporate Governance Statement, the Company does not maintain a retirement plan for Directors, and the above amount of aggregate Directors fees includes the value of superannuation fund contributions made by the Company.

Item of Business 4 – Re-Election of Directors

Messrs Abrahamson and Osborn each retire by rotation and offer themselves for re-election. The following information is provided about Messrs Abrahamson and Osborn for shareholders:

K. D. Abrahamson

BSc(Hons), MA, MBA, FAICD, F Fin, FAIM

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

K.G. Osborn

FAICD, FFTA, FPNA

Mr Osborn was appointed to the Adelaide Bank Board in 2003. He was formerly the Chief Executive of Bank One in Australia (now part of J.P. Morgan Chase). From 1998 – 2000 he was a Director of the American Chamber of Commerce in Australia and has assisted the South Australian Government on various finance Boards and advisory roles. Mr Osborn is a Foundation Fellow of the Australian Institute of Company Directors and the Finance and Treasury Association. Mr Osborn is Director of ABB Grain Ltd and a Board member of the Leadership Institute of South Australia Inc. Mr Osborn is Chairman of the Risk Management Committee.

The Board recommends the re-election of each of Mr Abrahamson and Mr Osborn.