

# Adelaide Bank Limited

## Notice of Annual General Meeting

Annual General Meeting of the Members of Adelaide Bank Limited

Friday 5th November, 2004 at 11.00am  
Regency Ballroom, Hyatt Regency  
North Terrace, Adelaide, South Australia

**Adelaide Bank Limited**  
ABN 54 061 461 550. Incorporated in South Australia  
Registered Office: 169 Pirie Street, Adelaide SA 5000.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2004 Annual General Meeting of Members of Adelaide Bank Limited will be held at the Regency Ballroom, Hyatt Regency, North Terrace, Adelaide on Friday 5<sup>th</sup> November 2004 at 11.00 am.

## AGENDA

### 1. Financial Statements

To receive the Financial Statements for the year ended 30<sup>th</sup> June 2004 and the reports of the Directors and the Auditors.

### 2. Re-Election of Directors

2.1 Dr Adele Lloyd retires by rotation in accordance with the Company's Constitution and the Australian Stock Exchange ("ASX") Listing Rules and, being eligible, offers herself for re-election.

2.2 Mr Richard McKay retires by rotation in accordance with the Company's Constitution and the ASX Listing Rules and, being eligible, offers himself for re-election.

Personal details of the Directors offering themselves for re-election are contained in the Explanatory Statement accompanying this Notice of Meeting.

### 3. New Constitution

#### Special Business

To consider, and if thought fit, pass the following resolution as a special resolution:

"That the Company repeal its existing Memorandum of Association and Articles of Association and, in place of the repealed Memorandum of Association and Articles of Association, adopt a new constitution in the form signed by the Chairman of the meeting for the purpose of identification."

### 4. Refresh capacity to issue shares following issue of Step Up Preference Shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the issue by the Directors of 1,000,000 Step Up Preference Shares ("SPS") under the prospectus dated 26<sup>th</sup> August 2004 at an issue price of \$100 per SPS be ratified for the purposes of ASX Listing Rule 7.4."

#### Voting Exclusion Statement

The Company will disregard any votes cast in respect of Item of Business 4 by:

- any person who participated in the issue of SPS; and
- an associate of any person referred to above.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 5. Fees Payable to Directors

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That until otherwise determined by a general meeting of the Company, the maximum aggregate sum payable in any financial year by the Company and its controlled entities to the non-executive Directors of the Company and its controlled entities be increased by \$50,000 to \$750,000.

#### Voting Exclusion Statement

The Company will disregard any votes cast in respect of Item of Business 5 by:

- any Director of the Company; and
- an associate of any Director.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## INFORMATION FOR SHAREHOLDERS:

### Proxies

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies. If you wish to appoint two proxies please refer to the back of the proxy form for instructions.

A proxy need not be a member of the Company. The proxy form must specify the proxy's name or the name of the office held by the proxy. To be valid, the form appointing the proxy may be lodged in one of the ways described in the proxy form accompanying this Notice of Meeting.

### Eligibility to Vote

The Company has determined that for the purpose of the meeting, shares will be taken to be held by the persons who are the registered holders of those shares at 10.00pm on 3rd November 2004. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the meeting.

By Order of the Board

A.J. KAMM

Secretary

169 Pirie Street, Adelaide SA 5000

28<sup>th</sup> September 2004

## Annual General Meeting Attendance

If you propose to attend the Annual General Meeting, please bring the attached proxy form with you.

This will assist in registering your attendance.

Unless you are appointing a proxy, you will not need to complete the proxy form.



**Adelaide Bank Limited**  
ABN 54 061 461 550

## EXPLANATORY STATEMENT

### Item of Business 2 – Re-Election of Directors

Dr Adele Lloyd and Mr Richard McKay each retire by rotation and offer themselves for re-election. The following information is provided about Dr Lloyd and Mr McKay for shareholders:

Dr. A. Lloyd

PhD, M.Ed.Admin, BA (Hons), DipT  
Deputy Chairman

Dr Lloyd is a leading South Australian businesswoman who initially joined the Board of Adelaide Bank Limited in 1997. Business commitments in the United Kingdom forced her to resign from the Board in January 2000. On her return to Australia she rejoined the Board in July 2001. She was appointed Deputy Chair in March 2003. Dr Lloyd is a Director of several family businesses involved in the rural industry. Until April 2004 she was a Director of the South Australian Museum Board. Dr Lloyd holds a Masters and Doctorate in Administration and Management and was a senior lecturer at the University of South Australia for many years. Dr Lloyd is Chair of the Asset and Liability Committee.

R.J. McKay

FAIBF, FAICD  
Chairman

Mr McKay joined the Board of Adelaide Bank Limited in 1993 after working for more than 40 years with National Australia Bank, many of those in senior management and executive positions. He was appointed Deputy Chairman of the Bank in April 1999 and Chairman in February 2001. Mr McKay is Chairman of the South Australian Motor Accident Commission, Martindale Holdings Pty. Ltd., a Director of Masonic Homes Inc. and a Trustee of the Sir Thomas Playford Memorial Trust.

The Board recommends the re-election of each of Dr Lloyd and Mr McKay.

### **Item of Business 3 - New Constitution**

As an item of special business, it is proposed that the Company adopt a new constitution at its 2004 Annual General Meeting.

#### **Introduction**

The current Memorandum of Association (“**Memorandum**”) and Articles of Association (“**Articles**”) of the Company were adopted by the Company when it was first incorporated on 1<sup>st</sup> January 1994 on the conversion of The Co-operative Building Society of South Australia to Adelaide Bank Limited. The Articles have been amended since that time only twice:

- on 31<sup>st</sup> October 1997, to amend Article 7.6 dealing with the share qualification for Directors; and
- on 25<sup>th</sup> October 2002, to insert Article 2.3A relating to preference shares.

A company is no longer required to have a Memorandum of Association, and the Articles contain certain provisions which are now outdated or inapplicable (due to amendments to the Corporations Act 2001 (“**Corporations Act**”), and the ASX Listing Rules since 1994).

The Board believes that it is appropriate to replace the current Memorandum and Articles with a new modernised, streamlined and “plain-English” constitution which is consistent with the Corporations Act in its current form and the current ASX Listing Rules.

The proposed new constitution (“**Proposed Constitution**”) is available for inspection and review by shareholders as follows:

- (a) during the hours of 9.00am to 5.00pm at the registered office of the Company at 169 Pirie Street, Adelaide, South Australia, for a period of 28 business days prior to the date of the Annual General Meeting;
- (b) by a shareholder requesting (in writing) a copy of the Proposed Constitution from the Company;
- (c) on the Company’s website [www.adelaidebank.com.au](http://www.adelaidebank.com.au); and
- (d) from 10.00am on the day of the Annual General Meeting at the place of the Annual General Meeting, being the Regency Ballroom, Hyatt Regency, North Terrace, Adelaide.

In accordance with section 139 of the Corporations Act, copies of the existing Memorandum and Articles are also available to shareholders upon request.

#### **Proposed Constitution**

The Proposed Constitution differs from the existing Memorandum and Articles generally in that its form has been simplified, drafted in “plain-English” gender-neutral language and structured with more subheadings to make it easier to read.

The Proposed Constitution is consistent with the current provisions of the Corporations Act and the ASX Listing Rules. A number of provisions that are now not required, or are adequately covered by the Corporations Act and/or ASX Listing Rules (for example the provisions relating to proxies), have been removed.

Specific changes to which shareholders' attention is drawn are as follows:

- (a) The existing Memorandum sets out the objects and functions of the Company. Such provisions are not necessary in a company's constitution. As such, no similar provisions are found in the Proposed Constitution.
- (b) Existing Article 2.10 requires a special resolution to approve a reduction of capital of the Company. This is now dealt with by Part 2J.1 of the Corporations Act which allows some capital reductions to take place with only an ordinary resolution of the Company.
- (c) Articles 7.6 and 7.7 will provide for the Company to be able to sell the shares of a member that constitute less than a marketable parcel if the member does not inform the Company of its wish to retain those shares within 6 weeks, or if those shares constitute a new small holding resulting from the transfer of a less than marketable parcel. Similar provisions in Article 2.19 of the existing Articles ceased to have effect 12 months after they were first adopted.
- (d) The existing Articles provide that if a member appoints two proxies in relation to its shares but does not specify the number of votes that each may exercise, neither proxy is entitled to vote at a general meeting. This situation is now governed by section 249X of the Corporations Act which provides that each proxy may exercise half of the member's votes.
- (e) Article 8.11 will allow Directors to decide that shareholders may lodge proxy forms electronically. Authentication requirements will be determined by the Directors, subject to any applicable laws.
- (f) Article 9.1 will raise the maximum number of Directors of the Company from 9 to 11. This will permit future growth if that is appropriate for the Company's business. A Board of more than 9 members is not contemplated at this time.
- (g) Article 9.13 will provide the chair of a general meeting with a casting vote in the case of an equality of votes on either a show of hands or a poll. The chair does not have a casting vote under the existing Articles.
- (h) Existing Article 6.7(c) allows any member or the chair to demand a poll in general meeting. The calling of a poll under the Proposed Constitution would be subject to the provisions of the Corporations Act, meaning that a poll could only be demanded by 5 shareholders entitled to vote on the resolution, or shareholders with 5% of the votes that may be cast, or by the chair.
- (i) Article 9.15 will provide that a poll cannot be demanded at a general meeting for the election of the chair, unlike under the existing Articles.
- (j) Existing Article 6.9(i) requires proxy, attorney and representative appointments to be deposited with the Company 48 hours before a general meeting, tabled at a meeting or adjourned meeting of the Company, and produced when a poll is taken. This is now dealt with by section 250B of the Corporations Act, which requires (unless the company's constitution provides otherwise) a proxy appointment to be deposited with the Company 48 hours before a general meeting. For an adjourned meeting, a proxy appointment deposited with the Company 48 hours before the resumption of the meeting will be valid for the resumed part of the meeting. Section 250B also allows

the 48 hour period before a meeting (or resumed meeting) to be shortened by the relevant notice of meeting.

- (k) In compliance with the ASX Listing Rules Article 10.3 will provide that any Executive Director of the Company (except the Managing Director) will be subject to the board rotation provisions.
- (l) Article 10.13 will require a Director to vacate office if they are absent from Directors' meetings (either personally or by Alternate Director) for a continuous period of 3 months without leave of absence from the Directors.
- (m) Article 13.6 will specify a quorum for Directors' meetings of 3 non-Executive Directors. Under the existing Articles, the quorum requirement is half of the Directors and at least half of the Directors present must be non-Executive Directors.
- (n) Existing Article 8.9 requires a quorum for Directors' Committees to consist of at least a majority of non-Executive Directors. New Article 14.1 specifies a quorum of 2 non-Executive Directors without any majority requirement. A Committee appointed under new Article 14.1 need not consist of only Directors (unlike under the existing Articles).
- (o) Article 19.10 will allow for dividends to be deposited directly into any bank account nominated by a shareholder or by way of direct debit.
- (p) Article 19.15 will provide that any dividends not claimed within a year may be invested for the benefit of the Company until claimed.
- (q) Article 21.2 will allow the Company to decide to give notices to shareholders at any electronic address nominated by the shareholder. Article 21.6 also allows the Company to decide that shareholders may elect to receive notices from the Company by electronic means (such as being notified by e-mail that a notice is available for viewing on-line).
- (r) Existing Article 16.2 provides for the Company to indemnify the Directors and executive officers of the Company against liabilities incurred in relation to the execution of their duties (including liabilities in relation to some legal actions which the person successfully brings or defends). New Article 23.1 provides for the Company to indemnify the officers of the Company against all liabilities incurred as officers of the Company to the extent allowed by section 199A of the Corporations Act.
- (s) New Article 25.7 has been included as a general compliance provision to cover the requirements under the ASX Listing Rules. In effect, it ensures that the Proposed Constitution will comply with the ASX Listing Rules at the time of adoption of the Proposed Constitution and in the future when the Listing Rules are amended (subject to the share ownership restrictions discussed below).

The above is a summary only of changes which might be regarded as significant, and is not a comprehensive summary of all differences between the existing Articles and the Proposed Constitution.

It is also relevant to note that the existing Articles contain various provisions (in Articles 2.5, 2.6 and 2.7) that are intended to prevent any person from owning more than 10% of the issued shares in the Company. The share ownership restrictions, along with certain other supporting

provisions, have been retained in the Proposed Constitution in identical form (see Article 25.8 of the Proposed Constitution and the Schedules to the Proposed Constitution).

The share ownership restrictions are the subject of waivers from ASX from compliance with ASX Listing Rules 6.10 and 6.12. ASX has confirmed that the waivers continue to apply provided that the share ownership restrictions are not amended in any way.

As noted above, a full copy of the Proposed Constitution is available to shareholders in various ways.

### Adopting Proposed Constitution

Item of Business 3 in the Notice of Annual General Meeting seeks shareholder approval for the repeal of the existing Memorandum and Articles and adoption of the Proposed Constitution because the Company may only repeal or modify its current constitution by its shareholders passing a special resolution to that effect (subsection 136(2) of the Corporations Act). This means that the resolution must be passed by a 75% majority of votes of the shareholders present (in person, by proxy or representative) and voting.

ASX Listing Rule 15.1.1 requires that a company proposing to amend its constitution must submit the proposed new constitution to ASX for approval prior to it being approved by shareholders. The form of the Proposed Constitution has been submitted to the ASX and the Company has been informed by ASX that ASX has no objections to the document.

A copy of the proposed constitution which reflects the above summary will be signed by the Chairman for identification purposes and tabled at the Annual General Meeting.

## **Item of Business 4 – Refresh Capacity to issue shares following issue of Step Up Preference Shares**

This resolution is an ordinary resolution and, to be passed, requires approval by a majority of those present and voting.

The resolution is to obtain shareholder approval for the issue by the Company of 1,000,000 Step Up Preference Shares (“SPS”) under a prospectus dated 26<sup>th</sup> August 2004. By the date of the Annual General Meeting on 5<sup>th</sup> November 2004, it is expected that 1,000,000 SPS will have been issued and will be quoted on ASX. The SPS are expected to be issued on 29<sup>th</sup> September 2004.

The shareholder approval being sought is for the purposes of ASX Listing Rule 7.4 and is effectively a retrospective approval or “ratification”, to refresh the Company’s capacity to issue further shares pursuant to ASX Listing Rule 7.1. Subject to certain exceptions, ASX Listing Rule 7.1 limits the issue of equity securities without shareholder approval to 15% of the entity’s capital in any 12 month period. Although there is an exception in relation to preference shares so that such shares do not need to be counted in calculating whether a company has complied with ASX Listing Rule 7.1, the SPS do not fall within this exception given the rights of conversion attached to the SPS.

If shareholders give this approval, the Company will then have the flexibility to issue more shares in the future if an opportunity arises which the Board believes is in the best interests of the Company, and which it expects will create shareholder value, for example, to fund a strategic initiative.

### **ASX Listing Rules requirements**

In connection with this resolution and to comply with the Company’s obligations under ASX Listing Rule 7.5, further information regarding the issue of the SPS is set out below:

- (a) 1,000,000 SPS will be allotted under the prospectus dated 26<sup>th</sup> August 2004 on 29<sup>th</sup> September 2004;
- (b) the SPS will be issued at an issue price of \$100 per SPS;
- (c) the SPS are a type of preference share which may be exchanged by the Company in certain circumstances and have a floating dividend rate that is subject to a step up after 10 years. The rights attached to ordinary shares will remain the same following the issue of the SPS, however, the SPS will have priority over ordinary shares for the payment of dividends and return of capital on a winding up.

The SPS will be issued on the terms described in the prospectus dated 26<sup>th</sup> August 2004. A summary of the key terms is set out below and the full prospectus (including the full terms of issue) can be obtained from the Company’s website at [www.adelaidebank.com.au](http://www.adelaidebank.com.au) or by calling 132200 (within

South Australia)) or 1300 65 22 20 (outside south Australia) (between 9.00am and 5.00pm Adelaide time Monday to Friday);

- (d) the persons to whom the SPS will be issued will be determined by the Company after consultation with the Joint Lead Managers and Underwriters of the offer, ABN AMRO Rothschild and Deutsche Bank AG. The Company will offer SPS to eligible shareholders and noteholders, in priority to general applicants, for 300,000 SPS. The Company will have the absolute discretion to determine the method of the priority entitlement. 700,000 SPS have been set aside for firm allocations offered by the Joint Lead Managers and Underwriters and other participating brokers to the issue and these will not be subject to the priority entitlement.

Details of the top 20 holders of the SPS following the issue will be announced to ASX following allotment of the SPS.

Directors of the Company will be able to participate in the proposed issue of SPS as ASX granted the Company a waiver from Listing Rule 10.11 so that the Directors (and their respective related parties) may apply for up to, but not more than, 20,000 SPS in aggregate; and

- (e) the Company 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 the Company.

#### Summary of the SPS Offer

Set out below is a summary of the key terms of the SPS.

<b>TERM</b>	<b>DETAILS</b>
<b>Issuer</b>	Adelaide Bank Limited (ABN 54 061 461 550).
<b>Security</b>	Step Up Preference Shares in Adelaide Bank (“SPS”).
<b>Offer Size</b>	1 million SPS to raise \$100 million.
<b>Issue Price</b>	\$100 per SPS.
<b>Dividend</b>	A preferred, noncumulative, floating rate Dividend.

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For the first Dividend Period, the Dividend Rate per annum will be the greater of:

- (i) 5.03%; and
- (ii) the rate calculated as  $(\text{Market Rate} + \text{Margin}) \times (1 - T)$ ,

**Calculation of the Dividend Rate**

where:

Market Rate is a floating rate to be set by reference to the Bank Bill Rate on the Allotment Date;

Margin is 1.75%; and

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).

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.

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**Payment of Dividend**

Dividends are payable quarterly in arrears on 10<sup>th</sup> January, 10<sup>th</sup> April, 10<sup>th</sup> July and 10<sup>th</sup> October in each year that the SPS are on issue. The first Dividend Payment Date is 10<sup>th</sup> January 2005. 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.

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**Noncumulative**

Dividends are noncumulative. 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. However, if this occurs Adelaide Bank cannot pay a dividend on Ordinary Shares unless Adelaide Bank takes certain actions.

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<b>Franking</b>	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.
<b>Step Up Date</b>	The Step Up Date is 10 <sup>th</sup> 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.
<b>Exchange by Adelaide Bank</b>	<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). On Exchange, at its sole discretion, Adelaide Bank may:</p> <ul style="list-style-type: none"> <li>• Exchange each SPS for the Issue Price, subject to the prior approval of APRA;</li> <li>• convert the SPS into Ordinary Shares; or</li> <li>• undertake a combination of the above.</li> </ul>
<b>Conversion into Ordinary Shares</b>	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.
<b>Ranking</b>	For the payment of Dividends, the SPS will rank equally with Adelaide Bank's Reset Preference Shares (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. 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.
<b>Participation</b>	The SPS do not carry a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares.

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**Voting Rights**

The SPS do not carry a right to vote at general meetings of Adelaide Bank, except in limited circumstances.

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**Quotation**

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.

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### **Item of Business 5 – Fees Payable to Directors**

The Directors seek 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 \$700,000 to \$750,000.

The fees paid to individual non-executive Directors were last increased in 2003. The Board's Remuneration Committee recently engaged an independent consultant to review the remuneration of the non-executive Directors. The advice to Directors from the independent consultant is that a 5% increase will maintain the Company's competitive position regarding Directors' fees.

If the proposal is approved, it will allow for an increase in fees for non-executive Directors in accordance with the recommended 5% increase and allow a small buffer for any contingencies which may arise during the year.