

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.