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Dear Shareholder

It gives me great pleasure to provide you with this copy of the 2002 Adelaide Bank Annual Report, plus details about the Bank's Annual General Meeting, which will be held at the Hyatt Regency Adelaide at 11 a.m. on Friday, October 25.

The matters to be covered at our AGM include consideration of a proposal to issue reset preference shares ("RPS").

This involves:

- amendment of the constitution of the Bank to allow for the issue of RPS; and
- approval of the issue of the RPS.

If these resolutions are approved, the Board may proceed to lodge a prospectus for the offer of RPS and make an offer of RPS depending on market conditions at the time.

The Board is proposing the issue of RPS as part of its ongoing capital management strategy. By way of background, the Bank is required under APRA prudential standards to have a minimum amount of Tier 1 capital. To date, the Bank has only issued ordinary shares as part of its Tier 1 capital. The Bank has carried out a review of its capital management strategy and has concluded it would be appropriate for a proportion of its Tier 1 capital to comprise RPS. This will enable the Bank to maintain the required amount of Tier 1 capital and an appropriate risk profile while lowering its cost of capital. The capital raised will be used to increase the Bank's Tier 1 capital and to fund its continued growth.

As the Bank's constitution does not currently permit issues of preference shares with the characteristics of RPS, the Board is proposing a resolution (resolution 3.1) to amend the constitution of the Bank to allow for the issue of preference shares, including RPS.

Resolution 3.2 involves approval of the issue of the RPS. The proposal is to issue up to 1,000,000 preference shares at an issue price of \$100 per share. The Listing Rules of Australian Stock Exchange do not permit the Bank to make an issue of this size without shareholder approval, although the Bank could still make part of the offer if the resolution was not approved. Directors will be able to participate in the offer of RPS without shareholder approval, but their participation will be restricted in the manner described in the attached Explanatory Statement.

The reasons for proposing these resolutions are described more fully in the attached Explanatory Statement and the Board recommends that you carefully read all of the enclosed material. Anyone wishing to apply for RPS will need to complete the application form that will be in or will accompany the prospectus that may be issued following the AGM. If you would like to reserve a copy of the prospectus, then please call our Information Line on 1800 003 940.

The Board recommends these proposals to shareholders and looks forward to your support at the Annual General Meeting.

Yours faithfully

A handwritten signature in blue ink that reads "R.J. McKay".

R.J. McKay

Chairman

23 September 2002