

ADELAIDE BANK

PROSPECTUS

FOR THE ISSUE OF 400,000*

FLOATING RATE CAPITAL NOTES

AT \$100 PER NOTE

Adelaide Bank Limited Floating Rate Capital Notes are not bank deposits; they are unsecured subordinated obligations of Adelaide Bank Limited

* Adelaide Bank Limited may accept oversubscriptions of a further 350,000 Notes



Adelaide Bank

ADELAIDE BANK LIMITED

ACN 061 461 550

This Prospectus

This Prospectus is dated 13 July 1998, the date that a copy was lodged with the Australian Securities and Investment Commission ("ASIC"). The ASIC takes no responsibility for the contents of this Prospectus. Similarly, the Australian Stock Exchange Limited takes no responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.

This Prospectus does not constitute an offer or invitation to any person to whom it would be unlawful to do so, nor an offer or invitation in any jurisdiction where it would be unlawful to do so.

Queries

If you require any further information about the details of the issue or require any further copies of this Prospectus contact Adelaide Bank on 08 8300 6400 or toll free on 1800 647 014, or your stockbroker or financial adviser.

Contents

TOPIC	PAGE
Corporate Directory	Inside Cover
This Prospectus.....	1
Queries.....	1
Table of Contents	2
Key Dates.....	2
Glossary.....	3
Purpose of the Issue.....	4
Offer Summary	4-6
About Adelaide Bank.....	7-14
Board of Directors	15-16
Terms & Conditions of Notes	17-22
Risks of Investing in Notes, Ratings and Subordination Terms	23-25
Other Debt Issues of Adelaide Bank.....	26
Financial Summary	27-28
Additional Information	29-31
Authorisation	31

Application Forms and Instructions to Applicants can be found at the back of this Prospectus.

Key Dates

- Lodgement of Prospectus with the Australian Securities and Investments Commission 13 July 1998
- Issue Opens 27 July 1998
- Issue Closes* 14 August 1998
- Expected date of allotment of Notes 21 August 1998
- Expected date Notes will be quoted on the Australian Stock Exchange 28 August 1998
- Expected date of First Normal Interest Payment 1 December 1998

A Special Interest Payment will be made to the successful applicants covering the period from receipt of an Application to the day prior to the Listing Date. The first floating rate interest period will commence on the Listing Date and end on 15 November 1998. Thereafter, interest payments will be made quarterly for the periods ending on 15 February, May, August and November.

*The issue may be closed earlier or extended at the discretion of Adelaide Bank.

Glossary

<u>TERM</u>	<u>MEANING</u>
Adelaide Bank	Adelaide Bank Limited, ACN 061 461 550
Adelaide Bank Group	Adelaide Bank and its controlled entities within the meaning of the Corporations Law
Application	an application made for Notes under this Prospectus made on the Application Form
Application Form	an application form that is attached to this Prospectus
ASIC	the Australian Securities and Investment Commission
ASX	Australian Stock Exchange Limited
Business Day	a day that is a Business Day of the ASX
CHESS	Clearing House Electronic Sub-register System
Co-operative Building Society	the previous trading name of Adelaide Bank Limited
Date of Issue	the date that the Notes are allotted to the Noteholders
Debt Instrument	an interest bearing security, whereby one party has an obligation to pay a specific amount to another party upon maturity
Directors	the Directors of Adelaide Bank
Interest Payment	the payment of interest in accordance with the Note Terms and Conditions
Issue	the issue of Notes at \$100 per Note under this Prospectus
Listing Date	the date on which the Notes are first quoted by the ASX.
Listing Rules	the Listing Rules of the ASX together with all modifications and waivers
90 Day Bank Bill Rate	this term is defined for the purpose of the Notes in clause 1.1 of the Note Terms and Conditions as the Variable Interest Benchmark Rate
Notes	the Floating Rate Capital Notes to be issued under this Prospectus
Note Terms & Conditions	the terms and conditions of the Notes set out in this Prospectus
Official Quotation	official quotation of the Notes by the ASX
Prospectus	this prospectus
Prudential Regulator	Australian Prudential Regulation Authority (which from 1 July 1998 has succeeded the Reserve Bank of Australia as the prudential regulation authority for Australian banks, including Adelaide Bank)
Register	the register of Noteholders kept and maintained pursuant to the Note Terms and Conditions
Risk Weighted Assets (Capital)	the risk weighting applied to different asset classes to account for the varying degrees of risk for the purpose of determining the capital adequacy ratio as defined by the Prudential Regulator
Special Interest Payment	the payment of interest to the successful applicants for Notes covering the period from receipt of the Application to the day prior to the Listing Date
Subordinated Creditors	creditors whose claims against Adelaide Bank are subordinated in the event of a winding up of the Bank, to the claims of unsecured unsubordinated creditors of the Bank
the Bank	Adelaide Bank

Please Note: There are other definitions contained in the Note Terms & Conditions (refer to pages 17 to 22), which are specifically defined for the purpose of the Note Terms & Conditions.

Purpose of the Issue

The purpose of the issue is to raise \$40 million to strengthen Adelaide Bank's capital base. The issue will provide funds for the future growth of assets of the Bank and for general use.

The funds raised from the issue will contribute to Adelaide Bank's Tier 2 capital under the capital adequacy guidelines of the Prudential Regulator.

Adelaide Bank is currently reviewing a number of options with regard to the growth of its assets. Should the Bank decide to acquire any specific company, business or assets, or retire existing subordinated debt, the funds raised through this issue may contribute to the cost.

Offer Summary

The Issuer:	Adelaide Bank Limited.
Notes:	Unsecured Perpetual Floating Rate Subordinated Notes each with a face value of \$100 per Note. The Notes are not bank deposits nor deposit liabilities in Australia of Adelaide Bank within the meaning of the Banking Act 1959 (Commonwealth). This means that they do not have such protection as is afforded to deposit liabilities under the Banking Act.
Subordinated:	Adelaide Bank Floating Rate Capital Notes are a subordinated obligation of Adelaide Bank. The Note Terms and Conditions provide for the principal and interest on the Notes to absorb losses where the Bank would not otherwise be solvent. In effect, upon liquidation, the Noteholders would be treated like a class of preference shareholders - they will rank behind all other creditors of the Bank (including Subordinated Creditors, unless they are expressed to rank equally), but will rank ahead of the Bank's shareholders.
Size of the Issue:	The offer is for the issue of a minimum of 200,000 Notes of \$100 each to raise at least \$20 million. Adelaide Bank's target is 400,000 Notes (\$40 million). Adelaide Bank has the right to accept oversubscriptions up to a total of 750,000 Notes (\$75 million).
Term:	The Notes are perpetual (unless redeemed by Adelaide Bank earlier).
Interest Rates:	<p>From the date of receipt of an Application to the day prior to the Listing Date, the interest rate will be 6.0% per annum.</p> <p>From the Listing Date to the 10th anniversary of the Listing Date, the interest rate will be fixed quarterly at the 90 Day Bank Bill Rate plus a margin of 0.75% per annum determined at the commencement of each quarter.</p> <p>If Adelaide Bank does not redeem the Notes by the 10th anniversary of the Listing Date, the margin will increase to 1.00% per annum.</p>
Special Interest Payment:	Adelaide Bank will make a payment of interest at 6.0% per annum from the date of receipt of an Application, in respect of which Notes are allotted, to the day prior to the Listing Date. The date of receipt will be determined as the date that the Application moneys are received by the Bank or the Notes Registrar.

The Special Interest Payment will be made by cheque to the person to whom the Notes are allotted.

- First Normal Interest Payment:** Adelaide Bank will make the first normal payment for the period from the Listing Date to 15 November 1998. The record date for determining entitlements for this interest payment will be 15 November 1998.
- Interest Dates:** Interest will be calculated quarterly in arrears while the Notes remain on issue, on 15 February, May, August and November in each year. Interest payments will be made 11 Business Days from the end of each interest period. The record date for determining entitlements to interest payments will be 11 Business Days prior to the relevant Interest Payment Date. The registered holder of Notes at that time will receive the next Interest Payment. Notes are expected to trade on the ASX “ex-interest” (that is without an entitlement to the next Interest Payment) 7 Business Days prior to the record date.
- Deferral of Interest:** Interest payments may be deferred by Adelaide Bank in certain circumstances specified in the Note Terms and Conditions. They are: where the Bank has not paid a dividend in the previous financial year; or where the Bank has resolved not to pay a dividend in the current financial year.
- Redemption:** Subject to receiving the consent of the Prudential Regulator, Adelaide Bank has the right to redeem the Notes. If Adelaide Bank does not redeem the Notes by the 10th anniversary of the Listing Date, the interest rate will “step-up” and be fixed quarterly at the 90 Day Bank Bill Rate plus 1.00% per annum determined at the commencement of each quarter.
- Buy Back of Notes:** Adelaide Bank may, subject to the prior consent of the Prudential Regulator, offer to repurchase some or all Notes on issue at any time. An offer to repurchase Notes may be undertaken in any manner thought fit by Adelaide Bank, for any quantity of Notes and need not be extended to all or any Noteholder.
- Minimum Application:** The minimum number of Notes that may be applied for on any Application is 50 Notes (\$5,000). Applications in excess of the minimum amount must be in multiples of 10 Notes (\$1,000).
- Allotment:** The Notes will be allotted as soon as practicable after the close of the Issue. Adelaide Bank reserves the right to reject part or all of any Application.
- Uncertificated (CHESS):** Adelaide Bank will apply for the Notes to participate in the Clearing House Electronic Subregister System (CHESS). No certificates will be issued to the successful applicants. In addition to a CHESS sub-register, Adelaide Bank will operate an issuer sponsored sub-register. The two subregisters together will make up the register of Noteholders. Following allotment, applicants on the issuer sponsored subregister will receive a statement (similar to a bank account statement) that sets out the number of Notes allotted and the Securityholder Reference Number (SRN) allocated. Successful applicants on the CHESS subregister will be issued a notice stating their Holder Identification Number (HIN) and advising the number of Notes allotted. Statements will be issued at the end of each subsequent month to all Noteholders where a transaction has been applied to their holding during the month. End of month statements are issued to CHESS holders by the clearing house and to issuer sponsored holders by the Note Registrar.

ASX Listing:	Adelaide Bank will apply to the ASX, within 3 Business Days after the date of Issue of this Prospectus, for Official Quotation of the Notes. It is intended that quotation will occur as soon as possible after allotment of the Notes, and is expected to occur on 28 August 1998. If Official Quotation is not granted by the ASX within the time permitted by the Corporations Law, all Application money will be refunded to Applicants.
Brokerage & Handling Fees:	No brokerage or handling fees are payable by investors on subscription for the Notes, nor will any such fees be deducted from the Application moneys.
Legal & Taxation Considerations:	Dealing in Notes issued under this Prospectus may have taxation implications for Noteholders, which will vary depending on the Noteholder's own circumstances. Potential investors should seek their own advice as to investment in Notes. Certain disclosures are made on pages 30 and 31. This Prospectus does not constitute nor contain and it should not be taken as constituting nor containing any legal or taxation advice.
Applications:	All Applications to subscribe for Notes must be made on the Application Form attached to this Prospectus and in accordance with the instructions set out on the reverse side of the Application Form. Payment for the Notes must be made in full with the Application.
Future Issues:	Adelaide Bank reserves the right to issue further Notes or other Debt Instruments that could rank ahead of or equally with the Notes issued under this Prospectus.
No Issue Rights:	Noteholders do not have any right to participate in future issues by Adelaide Bank, whether the issues be of equity, debt or some other instrument.
Minimum and Maximum Subscription:	The minimum subscription amount under this Prospectus is \$20 million. If the minimum subscription amount is not achieved, all Application moneys will be returned to applicants. The maximum amount that may be raised under this Prospectus is \$75 million.
Qualification as Capital:	Under the Prudential Regulator's capital adequacy guidelines the funds raised through the Notes will qualify as Tier 2 capital for the purpose of the Bank's capital requirements.
Modifications:	No changes will be made to the terms or conditions of this offer without the prior consent of the Prudential Regulator.

About Adelaide Bank

This section contains information about Adelaide Bank.

BACKGROUND AND HISTORY

Adelaide Bank converted to a company limited by shares and was granted an authority to carry on banking in Australia on 1 January 1994. Prior to conversion, the Bank traded as The Co-operative Building Society of South Australia Limited, one of Australia's largest Building Societies in terms of assets (\$2.059 billion at 31 December 1993).

Adelaide Bank's business comprises primarily the provision of mortgage loans for home buyers, business and consumer lending, savings and investment facilities, the sale of insurance policies and the provision of management, marketing and consultancy services to the retirement industry.

FINANCIAL PERFORMANCE

A summary of the consolidated financial results of the Adelaide Bank Group for the financial years ended 30 June and the 6 months ended 31 December 1997 is as follows:

	Year Ended 30 June		6 Months Ended
	1996	1997	31 December 1997
	\$000's	\$000's	\$000's
<u>Profit & Loss</u>			
Profit Before Tax	37,951	34,435	20,508
Tax	11,928	6,727	6,981
Profit After Tax	26,023	27,708	13,527
<u>Balance Sheet</u>			
Total Assets	3,119,675	3,511,065	3,851,553
Loans, Advances and other Receivables	2,620,087	2,951,638	3,191,660
Deposits	2,086,164	2,071,571	2,092,862
Share Capital and Reserves	173,018	184,921	195,478

Total assets were \$3.85 billion at 31 December 1997, an increase of 9.7% on \$3.51 billion at 30 June 1997. The total lending portfolio accounted for \$3.21 billion of total assets with 79% of total lending made up of residential loans, 5% consumer loans and 16% business loans.

For the year ended 30 June 1997 Group profit after tax was \$27.71 million, a 6.5% increase compared with the previous year. The half year profit to 31 December 1997 of \$13.53 million was an 4% increase over the previous corresponding period.

Accounting policies have been consistently applied between the periods except for the accounting policy relating to investment securities. In prior periods Government and Semi Government securities that were purchased with the intention that they be held to maturity were valued at cost.

The Adelaide Bank Group has continued its cost reduction program, with the ratio of operating expenses to average total assets falling from 2.07% at 31 December 1996, to 1.99% at 31 December 1997. The Group's expense to income ratio has been reduced to 61.69% at 31 December 1997, compared with 62.64% at 31 December 1996, and 64.40% at 31 December 1995.

At 31 December 1997 non-accrual loans stood at \$8.7 million, 0.27% of the total loan portfolio, compared with \$12.95 million at 31 December 1996. Specific provisions as a percentage of non-accrual loans stood at 61%. The Bank increased general provisions for doubtful debts by \$1 million, to \$11.6 million at 31 December 1997. As a result, general provisions as a percentage of risk weighted assets was 0.46% at 31 December 1997, compared to 0.48% at 31 December 1996. For tax purposes the general provision is tax effected.

In the preparation of its annual and half yearly accounts the Bank's accounting policy in relation to problem loans is consistent with the Prudential Regulator's policy in relation to the classification of non-accrual loans. Generally, a loan is classified as non-accrual where the Bank expects not to be paid all principal and/or interest.

Adelaide Bank recorded a strong lending performance, with a 52% lift in loan approvals to \$806 million for the first 6 months of 1997/98 compared with the same period of 1996/97.

As a result of increased competition in the housing loan market, the Bank has seen net interest margins contract in that component of the Bank's business. The Bank expects to operate on reduced net interest margins in that sector of the market for the foreseeable future.

RETAIL OPERATIONS

SA Banking Division

The Division provides a comprehensive range of deposit services, consumer loans, residential secured loans, insurance and investment services and business banking.

Of the \$758 million in loans approved in South Australia in the 1996/97 financial year \$280 million were home owner loans, a further \$78 million were for residential investment purposes, \$190 million were business loans, \$89 million were consumer loans and \$121 million were for revolving credit facilities.

A further \$415 million in loans were approved in the 6 months to 31 December 1997. Of the \$415 million loans approved, \$136 million were home owner loans, \$31 million were for residential investment purposes, \$119 million were business loans, \$46 million were consumer loans and \$83 million were for revolving credit facilities.

Distribution Network

As at 31 December 1997, Adelaide Bank had 750 employees (full-time equivalent) and 30 branches in South Australia. The Bank has more than 392,000 personal investment, saving and borrowing accounts and over 299,000 customers.

A hub-branch concept has been refined, with five branches designated as Business Banking hubs, backed by management with a business banking focus.

The remaining metropolitan branches in the network are focused on retail sales of both loans and investments. Regional development plans have been put in place to provide a focus for future growth.

The branch network is concentrated in metropolitan areas and over 93% of the branches are in leased premises.

Electronic banking

The Bank continues to extend its existing network of Automatic Teller Machine ('ATM') installation. The Bank's ATM's are part of an Australia-wide Cashcard network. The Bank has installed over 85 ATM's. By virtue of agreements with third parties it offers electronic banking services through a national network

of 3,600 ATM's and more than 200,000 point-of-sale facilities ("EFTPOS"). The increasing acceptance of electronic transactions in Australia has allowed the Bank to deliver services to its customers more cost effectively. Over 80 per cent of transactions are now carried out electronically.

giroPost

Further extending electronic services, the Bank is part of Australia Post's giroPost network throughout Australia.

The service provides the Bank's customers with day-to-day transaction facilities in more than 2,600 Australia Post giroPost designated branches throughout the country.

Through giroPost, the Bank's services have extended to regional South Australia, with more than 280 Australia Post branches in the State capable of handling day-to-day transactions for the Bank's customers.

Telephone banking

Adelaide Bank Express Line operates seven days a week, 24 hours a day, and provides interest, transaction and account balance enquiries, cheque book and statement ordering, routine enquiry service and funds transfer between accounts. Express Line currently processes around 55,000 calls per month, thereby relieving pressure and lowering costs within the branch network.

Residential Lending

Approximately 79% of the Group's loans are secured over residential property. The Bank's principal business is residential lending and the Bank remains committed to providing a comprehensive range of residential home loan products for owner-occupied and investment purposes. A significant portion of the Bank's outstanding residential loans bear interest at a variable rate which is reset at the discretion of the Bank in response to market conditions. The Bank also offers a comprehensive range of fixed rate lending products for terms of one to five years, secured by mortgages over the property financed.

The Bank's lending policy requires residential housing loans to be mortgage loss insured but allows that requirement to be waived in certain circumstances. The cover is provided by a panel of specialist mortgage insurers and provides the Bank with recourse to the insurer for loss due to any default by the relevant mortgagor. At 31 December 1997, approximately 78% of the Bank's housing loan mortgages were mortgage loss insured.

Business Banking

The Bank continues to diversify its Business Banking portfolio from a base of property-related loans to include a full range of business facilities, including working capital, funds for expansion and purchase of capital equipment and other fixed assets.

Reflecting the Bank's conservative approach to its business lending activities, it has established a commercial portfolio broadly spread among professionals and small to medium sized businesses.

Non-accrual business loans at 31 December 1997 were \$7.0 million, a slight decrease on the \$7.1 million as at 30 June 1997 and down from \$10.9 million as at 31 December 1996.

The business banking loan portfolio increased during the year ended 30 June 1997 by 24.9 per cent, from \$384.7 million to \$480.6 million. The portfolio grew a further 10.8 per cent to \$532.4 million in the 6 months to 31 December 1997.

The Bank has not participated in loans to public corporations. The Bank has a policy to avoid exposure to any one industry of more than 20 per cent of the business loan portfolio. The exception is commercial property, which must not exceed 50 per cent of the loan portfolio. Generally, finance of up to 5 per cent of the Bank's capital base will be the maximum advanced to any individual business, and as at 30 June 1998 the maximum loan advanced was \$25.5 million. The majority of business loans are for less than \$500,000.

The Bank's credit policies and procedures focus on the repayment and/or servicing capacity of the borrower.

As at 31 December 1997 main industry segments of the commercial loan portfolio comprised the following:

Property.....	45.8
Retirement	12.4
Retail trade.....	6.3
Health.....	6.9
Accommodation & Cafes	7.4
Other	<u>21.2</u>
	100.0 %

Insurance

In November 1996, the Bank entered into a strategic alliance arrangement with NZI Insurance Australia Limited ("NZI"), which is now a subsidiary of the global insurance group, CGU plc. Under the alliance, NZI provides a wide range of general insurance-based products with the Bank acting as NZI's agent.

The Bank continues to offer Adelaide Bank Covercare insurance policies, the general insurance elements of which are underwritten by NZI.

The agreement with NZI is in line with the Bank's publicly stated strategic plan of expanding fee income opportunities in specifically designated niche areas.

Commission income from insurance activities was \$855,000 for the 6 months to 31 December 1997.

WHOLESALE OPERATIONS

Interstate Residential Lending

The Bank commenced a programme in mid-1993 of contracting with agents in other mainland states of Australia to act as mortgage loan originators and managers for the Bank. The purpose of the programme is to expand the residential housing loan asset base of the Bank whilst geographically diversifying the loan portfolio.

The Bank now has approximately 25 originators and managers located in New South Wales, Western Australia, Victoria and Queensland.

All loans originated by agents are approved by the Bank and are documented either by the Bank or by law firms acting for the Bank.

As at 31 December 1997 the aggregate of the Bank's loans originated by interstate agents was \$1,020 million.

Loans approved by interstate operations for the year ended 30 June 1997 were \$162 million and for the six months ended 31 December 1997 \$390 million.

Treasury

The Bank's Treasury Department is responsible for money market and capital market funding and liquidity and portfolio management. Treasury also implements decisions made by the Bank's Management Asset and Liability Committee with respect to managing the Bank's interest rate risk.

The Bank has a team of experienced officers to facilitate its funding and liquidity and interest rate risk management, but does not set an objective of realising significant trading income from Treasury operations.

RETIREMENT SERVICES

Co-operative Retirement Services Pty Ltd ("CRS") a wholly-owned subsidiary of the Bank, and its subsidiary companies have been the owner, marketer and/or manager of 45 retirement estates throughout Australia.

The CRS group contributed significantly to profits in the year ended 30 June 1997. After tax profit from the CRS group operations was \$1.26 million. At 31 December 1997, the CRS group posted a first half after tax profit of \$656,000 continuing the profit trend of the previous year.

As at 31 May 1998, the CRS group had a total resident occupancy level of over 90% across all estates owned by the CRS group, with more than 4,200 residents living in the estates under its management.

On 30 June 1998, the Bank disposed of the retirement estates owned by the CRS group to a syndicate of investors, realising a small gain on the book value of the investment. The CRS group has retained its management and marketing role.

FUNDING

The Bank is a retail-based financial institution with a significant portion of its funding derived from retail deposits raised through its branch network. Other deposits and wholesale funding are sourced through the Bank's Money Market and Treasury department.

Breakdown of Funding

	30 June 1996	30 June 1997	31 December 1997
	\$000's	\$000's	\$000's
Retail	2,086,164	2,071,571	2,092,862
Wholesale	710,564	1,058,508	1,382,900
Subordinated Debt	50,597	89,406	89,082

Retail Funding

The Bank obtains the majority of its funding through a wide range of deposit products on offer to the retail market concentrated in South Australia. The retail deposit base includes at call and term deposits, savings, cheque and investment accounts.

Retail product design and pricing are constantly refined to meet consumer demands. The Bank focuses on simplification, convenience and flexibility in its product range, particularly through electronic banking. Interest rates on deposits continue to be set at competitive rates.

Wholesale Funding

Wholesale funding has been derived from both the Australian domestic market and the international market.

The Bank offers a popular Treasury Deposit Facility under which the Bank issues negotiable certificates of deposit to a diverse range of clients including life and insurance offices, statutory authorities, other money market participants and private investors. Wholesale deposits are made for a variety of terms ranging from at call to five year term deposits with interest rates set by the Bank's Treasury department.

In 1997, the Bank established a US\$750 million Euro Medium-Term Note Programme. In July 1997 the Bank issued \$272 million under that programme.

All foreign currency borrowings by the Bank are fully hedged against movements in currency exchange rates.

The Bank continually reviews the alternatives available in wholesale markets to increase term funding and to provide diversification of funding sources.

Subordinated Debt

The Bank's subordinated debt is made up of the following:

- **Listed Convertible Notes:** The listed unsecured notes were issued by the Co-operative Building Society in March 1992 at a fixed interest rate of 11.50% for a term of ten years. These convertible notes are listed on the Australian Stock Exchange Limited. Interest is paid half yearly in arrears. These notes qualify as Tier 2 capital for capital adequacy purposes. At 31 December 1997 2.15 million notes were on issue amounting to \$4.08 million.
- **Subordinated Notes:** These subordinated notes were issued in June 1994 and June 1995 for a term of ten years with an option to redeem at par after five years subject to the Prudential Regulator's approval. Interest is payable quarterly in arrears at a floating rate. The notes are held by a group of institutional investors. These notes also qualify as Tier 2 capital for capital adequacy purposes. At 31 December 1997 subordinated notes on issue amounted to \$45 million.
- **Capital Notes:** These notes were issued in May 1997 at a fixed interest rate of 8.4 per cent until 15 July 2004 and a floating rate of Bank Bill plus 1.25 per cent thereafter until maturity on 15 July 2009. At 31 December 1997 capital notes on issue amounted to \$40 million.

All subordinated debt forms part of the Bank's Tier 2 Capital.

RISK MANAGEMENT

The profile of the asset and liability mix for the Bank is typical of most long term mortgage lenders, in that maturity mismatches arise between the long term nature of the assets and the shorter maturity profile of the liabilities.

The Bank has a conservative liquidity policy which is designed to ensure that the Bank has the ability to service its liabilities in a timely fashion through the maintenance of a high level of liquid assets. Although the Bank does not depend on the inter-bank market for funding it does have access to this market to smooth liquidity flows and has in place substantial uncommitted credit lines with other banks.

At 31 December 1997 liquid assets stood at 12.95 per cent of total liabilities excluding capital. The internal liquidity requirements are managed on the basis of the maturity profile and source of funding used. Liquidity is managed daily by the Bank's Treasury department and reported daily to the Executive Committee of the Bank and monthly to the Bank's Asset and Liability Committee ("ALCO").

In addition to the daily and monthly cycle of reporting and managing liquid assets, the Bank reports on and off balance sheet maturity profile to the Prudential Regulator each quarter and meets with the Prudential Regulator's bank supervisors on a regular basis.

In the normal course of business, the Bank also incurs a degree of interest rate risk. This arises from differences in the regularity with which interest rates applying to the Bank's assets and liabilities are reset. This interest rate gap is managed by the Bank's Treasury department under the direction of ALCO. The extent of the gap and hence the Bank's exposure to interest rate movements, is subject to continual monitoring and is managed within limits established and approved by the Board of Directors of the Bank.

In the management of its interest rate risk the Bank utilises a wide variety of physical and derivative instruments: including government bonds, futures, forward rate agreements, swaps and interest rate options.

Each division, in conjunction with an independent Credit Unit department is responsible for the identification and quantification of the credit risk to which it is exposed and is then responsible for the development and implementation of appropriate policies and procedures to manage that risk. This approach ensures that the relevant division or department is accountable for the management of its affairs and that the appropriate risk management is achieved. The divisions and department report their risk position to senior management and the Board of Directors on a regular basis and are monitored by the Board Credit and Risk Committee. The Bank has adopted systems and procedures which seek to ensure that the Bank complies with the requirements of the Uniform Consumer Credit Code.

Adelaide Bank is well placed to meet the technological challenges of the future, including the much publicised and documented systems problems associated with the approach of the year 2000. Work has continued to ensure the Bank's systems are modified, upgraded and updated to ensure they are ready for the year 2000. The Bank's main systems have all been designed to operate past the year 2000 deadline and incorporate full century dating architecture.

Early testing on the Bank's most complicated computer system, revolving credit and card systems, have already been run well into the next century during regular testing, without error. Significant effort continues within the Bank to ensure all systems are fully tested and, where necessary upgraded, to ensure the Bank has a safe level of year 2000 tolerance. Complete testing of all systems to ensure smooth transition through the year 2000 barrier is scheduled to be completed by November 1998.

CAPITAL ADEQUACY

The following is a summary of Adelaide Bank's capital adequacy calculations including a pro-forma calculation as at 31 December 1997 showing the Capital Adequacy figures as if \$40 million had been raised and invested in 100% Risk Weighted Assets.

	30 June 1996	30 June 1997	31 December 1997	Proforma 31 December 1997
	\$,000	\$,000	\$,000	\$,000
Total Tier 1 Capital	165,850	173,844	182,743	182,743
Total Tier 2 Capital	59,329	95,862	98,823	138,823
Total Qualifying Capital	225,179	269,706	281,566	321,566
Total Risk Weighted Assets	1,964,959	2,198,711	2,515,221	2,555,221
	%	%	%	%
Tier 1 Capital Ratio	8.44%	7.91%	7.27%	7.15%
Tier 2 Capital Ratio	3.02%	4.36%	3.92%	5.43%
Total Capital Adequacy Ratio	11.46%	12.27%	11.19%	12.58%

The Bank may not necessarily invest all of the proceeds of the Issue in 100% Risk Weighted Assets. In such circumstances, the Pro-forma 31 December 1997 figure above may not reflect the capital position of the Bank.

SECURITISATION

In February 1996, Adelaide Bank securitised \$195.4 million of residential mortgages through its securitisation program, the Torrens Trust. The securitisation of "on balance sheet" assets has the effect of releasing capital and permitting further balance sheet growth without additional capital.

In June 1998 the Bank securitised a further \$246.7 million of residential mortgages through the Torrens Trust.

Adelaide Bank intends to continue this program with further securitisations when appropriate.

Board of Directors

R.H. Fidock, FCA, FAICD, Chairman

Mr. Fidock was elected to the Board in 1975 and was appointed Chairman in 1978. He is a chartered accountant and a Director of Retravision D.A.D. Ltd and other South Australian companies. He is a Member of the Council of the Australian War Memorial and a past National President of the Australian Institute of Company Directors. Mr. Fidock chairs the Remuneration Committee and is a member of the Asset & Liability, Audit and Credit & Risk Committees.

R.W. Piper, LLB, Deputy Chairman

Mr Piper joined the Board in 1976. Mr Piper is the Senior Partner of Piper Alderman, Solicitors and Chairman of Envestra Limited. He has had widespread involvement with charitable and other public organisations. Mr. Piper chairs the Board of Co-operative Retirement Services Pty Ltd and is also a member of the Audit, Credit & Risk and Remuneration Committees.

B.F. Fitzpatrick, FCPA, FCIS, FAIBF, FAIM, FAICD, Group Managing Director

Mr Fitzpatrick began his career with Adelaide Bank in 1974 and, after working in various financial positions with the company, was appointed Chief General Manager in 1985 and Group Managing Director in 1987. He is a member of the Co-operative Retirement Services Pty Ltd Board and a member of the Audit, Credit & Risk and Asset & Liability Committees.

B.L. Sallis, AO, BEc, FCPA, FCIS, FAIM, FAICD

Mr Sallis was appointed to the Board in 1989. He is Chairman of Advertiser Newspapers Limited, having formerly been Group Managing Director, and a Director of Envestra Limited. His past appointments include Chairman and Board member of the Royal Adelaide Hospital, Council member of the Art Gallery of South Australia Foundation, Chairman of the Media Council of Australia and President of the Australian Institute of Management (S.A. Division). Mr. Sallis chairs the Credit & Risk Committee.

R.J. McKay, FAIBF, FAICD

Mr McKay joined the Board in 1993 after working for more than 40 years in senior management and executive positions with National Australia Bank. He is Chairman of Martindale Holdings Pty Ltd and a Director of Bridgestone Australia, Crusta Fruit Juices Pty. Ltd. and the History Trust of South Australia. He is a member of the Motor Accident Commission and the Construction Industry Training Board. He is Chairman of the Seaford Joint Venture and a Director of Masonic Homes Inc. Mr McKay is a member of the Credit & Risk and Asset & Liability Committees.

M. Diamond BEc, FAIBF, FAICD

Mr Diamond was South Australian State Manager of the Reserve Bank of Australia from 1986 to his retirement in 1991. He had a distinguished career in the banking industry and with the Reserve Bank spanning more than 41 years and held a research position with the International Monetary Fund for four years. Mr. Diamond, who joined the Board in 1991, chairs the Asset & Liability Committee.

C.L. Harris, BEc, FCPA, FAICD

Mr Harris was appointed to the Board in 1994. He is a former Group Managing Director and Chief Executive Officer of FH Faulding & Co Ltd. Mr Harris is a Director of Simeon Wines Limited, Argo Investments Limited, Bounty Investments Limited, Wakefield Investments (Australia) Limited and Adelaide Brighton Limited. He is a member of the Motor Accident Commission. Mr Harris chairs the Audit Committee and is a member of the Asset & Liability and Remuneration Committees.

A. Lloyd, PhD, M.Ed.Admin, BA(Hons), DipT

Dr Lloyd is a leading South Australian businesswoman who joined the Board in 1997. Executive Director of National Jet Systems Pty Ltd, Dr Lloyd heads Lloyd Products Pty Ltd, which controls Bickford Cordials. 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 before taking up her executive position with National Jet Systems in 1993. Dr. Lloyd is a member of the Asset & Liability Committee.

R.A. Cook, FREI, AAICD

Mr Cook is a highly credentialed international commercial real estate authority who joined the Board in 1997. Mr Cook was a founder of Colliers International in Australia becoming CEO of Colliers Jardine, based in Hong Kong. He oversaw its expansion to cover the Asia-Pacific region, the United Kingdom and the United States. Mr Cook is a Director of SA Water Corporation and Balfour Wauchope Pty Ltd. He is Chairman of the SA Tourism Commission, Chairman of the Major Projects Task Force and Chairman of the Seafood Advisory Board. He is involved in management of his own rural properties. Mr. Cook is a member of the Credit & Risk Committee.

The Directors, other than Mr. B.F. Fitzpatrick, are non-executive directors.

The business address of each of the Directors of the Bank is the Bank's registered and head office at 169 Pirie Street, Adelaide, South Australia, 5000.

Terms and Conditions of Notes

The Floating Rate Capital Notes offered by Adelaide Bank Limited ACN 061 461 550 pursuant to a Prospectus dated 13 July 1998 (the "Notes") will be issued upon and subject to the following terms and conditions (the "Note Conditions"):

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In these Note Conditions:

"ASX" means Australian Stock Exchange Limited;

"Bank" means Adelaide Bank Limited ACN 061 461 550;

"Business Day" has the meaning given to the term "business day" in the Listing Rules;

"CHESS Approved" has the meaning given to that expression in the SCH Business Rules;

"Corporations Law" has the meaning given to that expression in the Corporations (South Australia) Act 1990;

"Date of Application Receipt" means, in relation to each Note, the date upon which the application moneys for the Note were received by the Bank (or its agent for this purpose, Corporate Registry Services Pty Ltd);

"Date of Issue" means the date the Notes are allotted and issued by a resolution of the Board of Directors of the Bank;

"Face Value" means \$100 in respect of each Note;

"Financial Year" means a period of 12 months commencing on 1 July and ending on 30 June in the following calendar year;

"First Interest Calculation Date" means 15 November 1998;

"First Normal Interest Period" means the period from the Listing Date to the First Interest Calculation Date inclusive;

"Interest Calculation Date" means each of the Listing Date, and each subsequent 15 February, 15 May, 15 August, and 15 November prior to and including the date on which the Notes are redeemed in accordance with these Note Conditions;

"Interest Payment Date" means:

- (a) in relation to the Special Interest Period - 11 Business Days after the Listing Date; and
- (b) in relation to the First Normal Interest Period, a Standard Interest Period or a Reviewed Interest Period - 11 Business Days after the relevant Interest Calculation Date, or such other date required by the Listing Rules or applicable law.

"Interest Period" means the Special Interest Period, the First Normal Interest Period, a Standard Interest Period or a Reviewed Interest Period.

"Interest Rate" means:

- (a) during the Special Interest Period - 6.0% per annum;
- (b) during the First Normal Interest Period - the aggregate of the Variable Interest Benchmark Rate applicable to the First Interest Period and 0.75% per annum;
- (c) during a Standard Interest Period - the aggregate of the Variable Interest Benchmark Rate applicable to that Standard Interest Period and 0.75% per annum;
- (d) during a Reviewed Interest Period - the aggregate of the Variable Interest Benchmark Rate applicable to that Reviewed Interest Period and 1.00% per annum; and

"Interest Rate Determination Date" means:

- (a) in relation to the First Normal Interest Period - the Listing Date; and
- (b) in relation to each subsequent Interest Period - each of 15 November 1998 and each subsequent 15 February, 15 May, 15 August and 15 November, prior to and (if applicable) including the date on which the Notes are redeemed in accordance with these Note Conditions;

"Listing Date" means the date upon which the Notes are first officially quoted by the ASX;

"Listing Rules" means the listing rules of the ASX (subject to any waiver);

"Noteholder" means, in respect of a Note, a person whose name is for the time being entered as the, or a, holder of that Note in the Register and includes that person's executors and administrators;

"Ordinary Shares" means fully paid ordinary shares of \$1.00 each in the capital of the Bank;

"Prospectus" means the Prospectus offering the Notes dated 13 July 1998;

"Quarter" means each consecutive period of 3 calendar months commencing on 16 February, 16 May, 16 August and 16 November in a year;

“Record Date” means, in relation to an Interest Payment Date, the day determined by the Bank in accordance with the Listing Rules (which until the Bank otherwise determines will be 11 Business Days before the Interest Payment Date);

“Register” means each Register of Noteholders kept and maintained under clause 3.1;

“Registered Address” means, in relation to a Noteholder, the address of that Noteholder as is for the time being shown in the Register;

“Review Date” means the first Interest Calculation Date occurring after the 10th anniversary of the Listing Date;

“Reviewed Interest Period” means each consecutive Quarter commencing on the day following the Review Date to the date of redemption of the Notes in accordance with these Note Conditions;

“SCH Business Rules” has the meaning given to the term “SCH business rules” in the Corporations Law;

“Special Interest Payment” means the payment to be made under clause 4.4;

“Special Interest Period” means the period from the Date of Application Receipt to the day prior to the Listing Date inclusive;

“Standard Interest Period” means each consecutive Quarter from 16 November 1998 to the Review Date inclusive or, if the Notes are redeemed in accordance with these Note Conditions before the Review Date, to that date of redemption;

“Tax Act” means the Income Tax Assessment Act 1936 (Commonwealth) and the Income Tax Assessment Act 1997 (Commonwealth) as amended or re-enacted from time to time;

“Tax Change” means:

- (a) any amendment, modification or replacement of the Tax Act;
- (b) the announcement of any proposed amendment, modification or replacement of the Tax Act by the Commissioner of Taxation or the Australian Taxation Office or by the Treasurer or any other responsible Minister of the Crown;
- (c) a decision of any Court of competent jurisdiction or any Administrative Appeals Tribunal; or
- (d) any announcement or ruling by the Commissioner of Taxation or the Australian Taxation Office of, or any assessment from the Commissioner of Taxation disclosing, any change in the interpretation or administration of the Tax Act or of any legislation replacing that Act by the Commissioner of Taxation; and

“Variable Interest Benchmark Rate” means, in relation to an Interest Period:

- (a) the rate calculated by the Bank by taking the mid rate displayed at or about 10.00 am (Adelaide time) on the Interest Rate Determination Date, as quoted on the Reuters screen BBSW page for a term equivalent (or as near as equivalent as possible) to that Interest Period, (rounded up, if necessary, to the nearest two decimal places); or
- (b) if on that day, the rate cannot be determined in accordance with paragraph (a), the Rate determined by the Bank based on the arithmetic mean (rounded up, if necessary, to the nearest two decimal places) of the mid rates on that day for bank bills of exchange of the equivalent tenor to that Interest Period by four leading dealers in the market for bank bills of exchange of the equivalent tenor (or as near as equivalent as possible), as selected by the Bank, after eliminating one of the highest and one of the lowest rates, as certified by the Bank.

1.2. Interpretation

In these Note Conditions, unless the context otherwise requires:

- (a) reference to clauses are to clauses of these Note Conditions;
- (b) a reference to “\$” is to an amount in Australian currency;
- (c) a reference to a date or time is to that date or time in Adelaide;
- (d) a reference to any legislation, rules or instruments is to such legislation, rules or instruments as modified, consolidated, amended, re-enacted or replaced from time to time; and
- (e) the singular includes the plural and vice versa, references to any gender include all genders and where a word or expression is defined, other parts of speech in respect of that word (or expression) have corresponding meanings.

2. NOTES

2.1. Note Conditions

The Notes will be held with the benefit of and subject to these Note Conditions, and these Note Conditions will be binding on the Bank and the Noteholders and all persons claiming through or under them respectively.

2.2. No Certificates

All Notes will be CHESSE Approved. The Bank is not obliged to issue certificates evidencing title to the Notes. The Bank will comply with the SCH Business Rules, and with the relevant provisions of the Listing Rules and the Corporations Law concerning CHESSE Approved securities, including in relation to the issue of notices or statements relating to CHESSE Approved securities.

2.3. Subordination

- (a) The Notes are designed to absorb losses where the Bank would not otherwise be solvent, and accordingly the Noteholders

are to be (as far as practicable and subject to any applicable law) treated as if, in the event of a winding up of the Bank and with effect from the day immediately preceding:

- (i) the date an application is made to any Court for the winding up of the Bank on the grounds of insolvency;
- (ii) unless paragraph (i) applies, the date that a meeting of creditors or members of the Bank resolves that the Bank be wound up; or
- (iii) in any other case, the date of commencement of the winding up for the purposes of the Corporations Law,

they were in respect of each Note the holders of one preference share ranking in priority to all other classes of shares as to repayment of capital equal to the Face Value and accrued but unpaid interest, but otherwise to have no other rights (and in particular no right to participate in surplus assets or profits).

(b) To give full effect to clause 2.3(a):

(i) notwithstanding any other provisions of these Note Conditions, the rights of Noteholders against the Bank are subordinated in right of payment to the claims of all of the creditors of the Bank (other than those creditors whose claims are expressed or required by law to rank equally with or after the claims of Noteholders) in the manner set out in clause 2.3(b)(ii); and

(ii) the obligations of the Bank to Noteholders in respect of moneys owing pursuant to the Notes and these Note Conditions constitute direct, unsecured and general obligations of the Bank and, in the event of a winding up of the Bank, rank for payment:

(A) before any obligation of the Bank to:

(I) a shareholder of the Bank; or

(II) persons whose claims are expressed or required by law to rank after the claims of Noteholders; and

(B) equally with any obligation of the Bank expressed to rank equally with the Notes; and

(C) equally amongst themselves;

but after:

(D) payment of any other obligation of the Bank (including, without limitation, obligations to repay, and to pay interest on, deposit liabilities of the Bank and obligations to other subordinated creditors); and

(E) payments required by law to be made in priority.

(c) Payment in accordance with the foregoing provisions of this clause will be to full and final satisfaction of the obligations to the Noteholders in respect of the Notes.

(d) Once payment has been made by the Bank in accordance with this clause 2.3, the Noteholders will release the Bank from any further liability in respect of the Notes.

2.4. Not Deposit Liabilities

Notes do not represent deposit liabilities of the Bank for the purpose of the Banking Act 1959 (Commonwealth).

2.5. Issue

Each Note shall:

(a) be issued at Face Value; and

(b) be paid for in full from the moneys received on application.

3. TITLE AND TRANSFER

3.1. The Register

(a) The Bank will establish and maintain, or cause to be established and maintained, a Register or Registers of Noteholders at the offices of Corporate Registry Services Pty Ltd, Level 11, 115 Grenfell Street, Adelaide or at such other place or places as the Bank may from time to time determine.

(b) In each Register there will be entered the names and addresses of Noteholders whose Notes are registered on that Register, the number of Notes held by each such Noteholder and such other particulars as the Bank thinks fit.

(c) Where there is more than one Register, Noteholders may elect as to the Register on which their Notes will for the time being be registered. If no election is made, the Notes will be registered on such Register as the Bank may decide.

(d) All Registers must be open during business hours to the inspection of any Noteholder, any person authorised in writing by any Noteholder and any other person permitted by law.

(e) Where there is more than one Register, Notes will be transferred from one Register to another Register without fee on the written request of a Noteholder subject to the payment by the Noteholder of any stamp duty involved.

(f) The Bank may delegate to attorneys or agents such powers, authorities and discretions as are conferred on it under these Note Conditions.

- (g) The property in the Notes shall for all purposes be regarded as situated at the place where the Register on which the Notes are for the time being registered is situated and not elsewhere.

3.2. Noteholders

- (a) Unless otherwise provided in these Note Conditions, the Bank will recognise the Noteholder as the absolute owner of Notes registered in that person's name, and all persons may act accordingly.
- (b) Except as otherwise provided in these Note Conditions or as ordered by a court of competent jurisdiction or required by law, the Bank is not bound to take notice of, or to enter upon the Register, any trust, encumbrance or equity affecting the ownership of any Notes.
- (c) There must not be more than three joint Noteholders of any Notes except in the case of the legal personal representatives of a deceased Noteholder.
- (d) In the case of the death of one of the joint Noteholders of any Notes, the survivor or survivors will be the only person or persons recognised by the Bank as having any title to or interest in such Notes.
- (e) The executors and administrators of a deceased Noteholder (not being one of several joint Noteholders) shall be the only persons recognised by the Bank as having any title to or interest in his or her Notes.
- (f) Any person becoming entitled to Notes in consequence of the death, unsoundness of mind, bankruptcy or liquidation of any Noteholder (upon production of such evidence satisfactory to the Bank that that person is so entitled) may become registered as having any title to or interest in his or her Notes.
- (g) The Bank will be at liberty to retain any amounts payable in respect of any Notes to which any person under clause 3.2(f) is entitled until such person is registered as the Noteholder or, subject to the conditions as to transfer, may transfer such Notes.

3.3. Transfers

- (a) Notes may be transferred by a Noteholder in accordance with the SCH Business Rules, the Listing Rules and the Corporations Law, or in any other manner permitted by law.
- (b) No fee will be charged for the registration of a transfer.
- (c) The transferor remains the owner of the Notes until the name of the transferee is entered in the Register in respect of such Notes.
- (d) On registration of the transfer of the Notes, the transferee will be recognised as entitled to the Notes free from any equity, set-off or cross-claim of the Bank against the transferor.

4. INTEREST

4.1. Interest Rate

While a Note is on issue, interest will accrue from day to day on the Face Value of the Note at the Interest Rate, based on a 365 day year.

4.2. Interest Calculation and Payment

Interest will be calculated for each Interest Period in arrears on each Interest Calculation Date. Interest will be paid to persons who are Noteholders as at the relevant Record Date on the relevant Interest Payment Date.

4.3. Variable Interest Benchmark Rate

The Variable Interest Benchmark Rate applicable to an Interest Period will be:

- (a) announced by the Bank to the ASX on the first day of the Interest Period; and
- (b) notified to persons who are Noteholders as at the immediately preceding Interest Calculation Date not later than 15 Business Days after such Interest Calculation Date.

4.4. Special Interest Payment

On the Listing Date, interest will be calculated in arrears at the Interest Rate for the Special Interest Period ("the Special Interest Payment"). The Special Interest Payment in relation to each Note will be paid to the Noteholder first registered as such in relation to the Note on the Date of Issue, on the relevant Interest Payment Date.

4.5. Deferral of Payment of Interest

- (a) The Bank may, in its absolute discretion, defer the payment of interest payable on any Interest Payment Date in a Financial Year if:
- (i) the Bank has not paid or declared a dividend on its Ordinary Shares in the previous Financial Year; or
- (ii) the board of directors of the Bank has resolved not to pay a dividend on its Ordinary Shares in that Financial Year.
- (b) Subject to clause 4.5(c), such interest will accumulate (but not compound) and will be paid on the next Interest Payment Date on which interest is payable in accordance with these Note Conditions.
- (c) Interest may be deferred more than once under clause 4.5(a).

5. REPAYMENT OF PRINCIPAL

5.1. Perpetual

Subject to these Note Conditions, the term of the Notes shall be in perpetuity.

5.2. Not Redeemable at Noteholder's Option

In no circumstances is the Bank required to repay, redeem or repurchase any Notes at the request of a Noteholder.

5.3. Redemption by the Bank

The Bank may, with the prior consent of the Australian Prudential Regulation Authority, redeem all of the Notes by:

- (a) announcing the intended redemption to the ASX and the date of redemption (“the Early Redemption Date”) on a date at least 60 Business Days prior to such Early Redemption Date (“the Announcement Date”);
- (b) giving notice to all Noteholders on the Register as at the Announcement Date within 15 Business Days of such Announcement Date; and
- (c) repaying the Face Value of the Notes together with all unpaid interest which has accrued on the Notes in the period up to and including the Early Redemption Date 11 Business Days after such Early Redemption Date.

5.4. Buy-Back

The Bank may, at any time, with the prior consent of the Australian Prudential Regulation Authority, purchase any Notes on-market on the ASX or by private treaty.

5.5. Tax Change

If the Bank is satisfied that:

- (a) the interest or any part thereof paid or payable in respect of the Notes is not or may not be allowed as a deduction for Australian income tax purposes; or
- (b) a Tax Change occurs or a Bill to effect such a Tax Change is presented to the Parliament of the Commonwealth of Australia and the Bank is of the opinion that it is reasonably probable that any such change has or will have the result that the interest or any part thereof paid or payable by the Bank in respect of the Notes is not or may not be allowed as a deduction for Australian income tax purposes,

the Bank may at its option (at the expiration of not more than 60 nor less than 30 days' notice to the Noteholders concerned), and with the prior approval of the Australian Prudential Regulation Authority, repay all, or from time to time some, of the Notes at Face Value together with all unpaid interest which has accrued on the Notes in the period up to and including the date of repayment (if any) in respect of those Notes.

5.6. Prudential Regulator Approval

The Bank will not redeem, repay or purchase the Notes in any circumstances under this clause 5, without obtaining the prior approval of the Australian Prudential Regulation Authority.

6. PAYMENTS

6.1. Method of Payment

Subject to clauses 6.2 and 6.3, payments by the Bank to a Noteholder in respect of a Note will be paid by cheque in favour of the Noteholder and crossed “Not Negotiable” and sent:

- (a) to the Registered Address of the Noteholder; or
- (b) in the case of joint Noteholders, to the Registered Address of the joint Noteholder who is first named on the Register in respect of the relevant Notes; or
- (c) as otherwise agreed between the Noteholder and the Bank.

6.2. Alternative Methods of Payment

The Bank may in its discretion make payment by:

- (a) Electronic Funds Transfer; or
- (b) through Austraclear.

6.3. Non-resident Noteholders

- (a) Notwithstanding anything contained in these Note Conditions, if a Note is held by a Noteholder resident outside of Australia, the obtaining of all necessary approvals and any statutory requirements which may then be required or in existence is a condition precedent to the right of a Noteholder to receive payment of any interest in respect of or of the Face Value represented by his or her Notes.
- (b) The Bank will not be obliged to pay, nor shall it be deemed to have committed any breach by failure to pay any interest in respect of or the Face Value payable in respect of any of the Notes unless the condition precedent referred to in clause 6.3(a) has been satisfied.

7. REMEDIES

If the Bank defaults in the performance of any of its obligations under these Note Conditions, the rights of a Noteholder against the Bank are limited to taking action:

- (a) for specific performance of these Note Conditions;
- (b) to recover outstanding interest (but excluding any interest deferred under clause 4.5); and
- (c) to apply for the winding up of the Bank.

Except as required by law, the Noteholder will have no other right to take any action or proceeding against the Bank in respect of the Notes or these Note Conditions.

8. NOTICES

8.1. Method of Giving Notices by Bank

All notices required or permitted to be given by the Bank to a Noteholder pursuant to these Note Conditions must be in writing and will be treated as duly given if:

- (a) left at the Noteholder's Registered Address, in which case the notice is treated as given on the day on which the notice is so left; or
- (b) sent by prepaid mail to that Noteholder's Registered Address (which must be by air mail if outside the country of posting), in which case the notice is treated as given on the fourth day after posting.

8.2. Joint Noteholders

If several person are entered in the Register as joint Noteholders of any Note, a notice to any one of those persons is effective as notice to all those persons.

9. GENERAL

9.1. Non-Business Days

If the date specified for any payment, repayment, redemption or determination under these Note Conditions is not a Business Day then that payment, repayment, redemption or determination (as the case may be) will be due or determined on the first Business Day following the specified due date.

9.2. Governing Law and Jurisdiction

The Notes and these Note Conditions will be governed by and construed in accordance with the laws of South Australia. The Bank and the Noteholders submit to the non-exclusive jurisdiction of the courts of South Australia and any court hearing appeals from those courts.

9.3. Conflict or Inconsistency

If any of these Note Conditions are or become inconsistent with any law or any part of the SCH Business Rules or the Listing Rules, then these Note Conditions will be deemed to be modified to remove such inconsistency to the extent of such inconsistency.

9.4. Modification

No alteration or modification may be made to these Note Conditions without the prior consent of the Australian Prudential Regulation Authority.

9.5. Right to Issue Further Securities

The Bank expressly reserves the right to:

- (a) issue further Notes; and
- (b) issue further securities ranking equally with or in priority to the Notes.

9.6. Repurchase

The Bank expressly reserves the right to repurchase and cancel any Notes, subject to the approval of the Australian Prudential Regulation Authority (without imposing any obligation on a Noteholder to dispose of Notes).

Risks of Investing in Notes, Ratings and Subordination Terms

RISKS

The risks associated with investing in the Notes lie principally in two areas, Market Risk and Business Risk.

Market Risk

The trading price of the Notes may vary depending on, among other things, the interest rate and credit environment at any time, in particular for securities with similar characteristics to the Notes.

Business Risk

The trading price of the Notes may vary depending on the assessment of the credit risk associated with Adelaide Bank. This may depend at any time on:

- the profit performance of Adelaide Bank;
- the credit rating placed on Adelaide Bank by particular ratings agencies; and
- other factors which may affect the business or assets of Adelaide Bank.

CREDIT RATINGS

Credit ratings assigned to Adelaide Bank by ratings agencies may be considered by some investors to be relevant to an investment decision in respect of the Notes and to the price at which Notes may trade on the ASX.

A credit rating is a rating assigned to an organisation by a ratings agency. It expresses the ratings agency's opinion about the relative credit worthiness of the organisation. Credit ratings may be expressed to relate to specific types of securities or obligations of an organisation or may relate to the organisation.

The ratings system is designed to provide a consistent framework for comparing the relative credit worthiness of different organisations. A Credit rating is not a recommendation to buy securities, personalised or otherwise. The ratings agencies are not inducing or advising investors to take any action with respect to the Notes or any other security. A credit rating may be changed or withdrawn at any time. A ratings agency does not independently verify the information on which ratings are based. None of the ratings referred to below were given by a ratings agency for the Notes.

Standard and Poor's

On 17 February 1998 Standard & Poor's affirmed its counter party ratings and its long and short term ratings for deposits and other senior obligations for Adelaide Bank as follows:

Long Term Rating A\$:	BBB	Outlook: Stable
Short Term Rating A\$:	A-2	

Standard & Poor's also affirmed its ratings for various other debt issues of Adelaide Bank:

\$A Domestic Commercial Paper Rating:	A-2
---------------------------------------	-----

US\$750M Euro Medium Term Note Program Rating:	
--	--

- Senior notes	BBB / A-2	Outlook: Stable
- Subordinated notes	BBB- / A-3	Outlook: Stable

Standard and Poor's ratings reflect the ability of the issuer to pay principal and interest in full and on time or before maturity and are based on a letter system where, for long term ratings AAA is the highest rating, AA the next lowest, with + or - designations to show standing within the major groups (except AAA). The lowest rating for an issue is D, and CCC for issuers. For short term ratings (for maturities up to 12 months) the scale is from A-1+, A-1, A-2, etc to D for issues and C for issuers.

A Standard & Poor's credit rating is not a recommendation to purchase, sell or hold a financial obligation, inasmuch as it does not comment as to market price, or suitability for a particular investor.

Moody's

On 28 January 1998, Moody's Investor Services Pty Ltd ACN 003 399 657 ("Moody's") assigned the following unsolicited ratings to Adelaide Bank.

Rating:	Baa3/Prime 3
Issuer:	Adelaide Bank
Description:	Bank Deposit Ratings

Rating:	D+
Issuer:	Adelaide Bank
Description:	Bank Financial Strength Rating

Rating:	Ba1/Ba2 (Subordinated)/Prime 3
Issuer:	Adelaide Bank
Description:	Euro MTN Program
Amount:	US \$511.50M

Moody's bank financial strength ratings represent Moody's opinion about a bank's intrinsic safety and soundness, but do not address probability of timely payment. These ratings are a lettered series from A to D. Moody's long term ratings are on a lettered scale starting with Aaa, then Aa1, Aa2 etc down to C. Moody's short term ratings relate to Moody's opinion of an issuer's ability to repay all unsubordinated short term obligations rather than a specific class of securities, and are Prime 1, Prime 2, Prime 3 and Not Prime.

Moody's has not consented to the inclusion of its ratings in the Prospectus. Moody's do not independently verify the information provided to it by the issuer and therefore, it makes no representation or warranty with respect to the accuracy for the ratings it has provided.

Investors are advised that the ratings assigned by Moody's do not relate, and should not be construed as relating to, the Unsecured Subordinated Notes the subject of this Prospectus. The ratings are not recommendations to buy, hold or sell securities. By publishing a rating, Moody's is not inducing or advising investors to take any action with respect to this or any other security. The ratings should not be construed as investment advice, personalised or other. Accordingly, each investor should conduct his or her own evaluation of the security or consult with his or her investment adviser.

The ratings supplied by Moody's to Adelaide Bank are as at 28 January 1998. The ratings are subject to changes or withdrawal at any time at Moody's sole discretion. The ratings provided by Moody's were unsolicited.

NOTE SUBORDINATION TERMS

Investors should note that Notes rank after all other creditors of the Bank, including other subordinated creditors (unless expressed to rank equally with the Notes). In the event of a liquidation of the Bank, if the assets of the Bank are not sufficient to repay the Bank's creditors who rank ahead of the Notes, the Noteholders would not receive any payment.

INTEREST DEFERRAL

Interest payments may be deferred by the Bank in certain circumstances specified in the Note Terms and Conditions. Interest payments, if deferred, do not compound. The circumstances in which interest payments may be deferred are:

- where the Bank has not paid a dividend in the previous financial year; or
- where the Bank has resolved not to pay a dividend in the current financial year.

Accordingly, investors may need to have regard to the risk that Adelaide Bank may not pay dividends and may therefore have the capacity to defer interest on the Notes. Adelaide Bank's recent dividend history is as follows:

Date of Dividend	Type	Amount per share	Amount \$,000's
13 May 1994	Interim	11.5 ¢	6,125
15 Nov 1994	Final	12.5 ¢	6,970
12 May 1995	Interim	12.5 ¢	7,677
15 Nov 1995	Final	12.5 ¢	8,423
29 Mar 1996	Interim	13.0 ¢	8,922
15 Oct 1996	Final	14.0 ¢	9,766
27 Mar 1997	Interim	13.0 ¢	9,226
15 Oct 1997	Final	15.0 ¢	10,772
31 Mar 1998	Interim	13.0 ¢	9,587

The Board of Directors of Adelaide Bank intend that the Bank should continue to pay dividends when there are available profits, and the financial position of the Bank permits dividends to be paid. If the Bank's profitability and financial position does not justify payment of dividends the Bank may decide not to pay dividends and may defer interest on the Notes. Where dividends are not paid, the Bank may nevertheless pay interest on the Notes. In such a case, the Bank would consult with the Prudential Regulator before making or deferring payment.

Other Debt Issues of Adelaide Bank

Adelaide Bank may issue debt instruments at any time in the future which may rank equally with or ahead of the Notes.

In addition to the Notes to be issued under this Prospectus, Adelaide Bank has other Debt Instruments on issue including the following:

Euro Medium Term Note Programme

Program of US\$750 million on “stand by”. That is, may be drawn down at any time.

The claims of the Euro Medium Term noteholders will rank ahead of Noteholders.

Convertible Notes

These listed unsecured notes were issued by the Co-Operative Building Society in March 1992 for a term of ten years (maturing in March 2002). At 31 December 1997, 2.15 million Convertible Notes were on issue, with an aggregate face value of \$4.08 million.

The claims of the convertible noteholders will rank ahead of Noteholders.

Subordinated Notes

These subordinated notes were issued in June 1994 and June 1995 for a term of ten years (maturing in June 2004 and June 2005) with an option to redeem at par after five years subject to the approval of the Prudential Regulator.

At 31 December 1997, subordinated notes with an aggregate face value of \$45 million were on issue.

The claims of the subordinated noteholders will rank ahead of Noteholders.

1997 Capital Notes

These capital notes were issued in June 1997 for a term of twelve years (maturing in July 2009) with an option to redeem at par after seven years subject to the approval of the Prudential Regulator. As at 31 December 1997 capital notes with an aggregate face value of \$40 million were on issue.

The claims of the capital noteholders will rank ahead of the claims of Noteholders.

Financial Summary

The following information is a summary of the Financial Statements of Adelaide Bank for the years ended 30 June 1996 and 1997 and of the Half Yearly Report to the ASX for the period 1 July 1997 to 31 December 1997.

While the Financial Statements and Half Yearly Report were respectively audited and subject to audit review the Auditors were not involved in the preparation of this summary.

The audited Financial Statements for the year ended 30 June 1998 are scheduled to be released to the public on 27 August 1998.

Consolidated Balance Sheets			
	30 June 1996	30 June 1997	31 December 1997
	\$,000	\$,000	\$,000
ASSETS			
Cash	13,227	18,967	20,871
Loans to authorised short term money market dealers	19,673	105,940	38,492
Balances due from other banks	14,440	11,578	6,149
Investment securities	271,918	223,985	398,360
Statutory deposit with Prudential Regulator	28,301	31,472	33,407
Liquid Assets, Deposits & Investments	347,559	391,942	497,279
Loans, advances & other receivables	2,620,087	2,951,638	3,191,660
Inventories	8,721	8,818	8,723
Investment in retirement villages	23,669	24,776	24,903
Property plant & equipment	49,930	50,407	46,178
Intangibles	122	242	201
Other assets	69,587	83,242	82,609
Total Assets	3,119,675	3,511,065	3,851,553
LIABILITIES			
Deposits	2,086,164	2,071,571	2,092,862
Balances due to other banks	30,309	28,101	15,305
Borrowings	710,564	1,058,508	1,382,900
Provisions	24,185	28,452	31,027
Other liabilities	44,838	50,106	44,899
Subordinated debt	50,597	89,406	89,082
Total Liabilities	2,946,657	3,326,144	3,656,075
Net Assets	173,018	184,921	195,478
SHAREHOLDERS' FUNDS			
Share capital	69,426	70,988	72,729
Reserves	77,671	80,206	85,046
Retained profits	25,921	33,727	37,703
Total Shareholders' Funds	173,018	184,921	195,478

Consolidated Profit and Loss Accounts

	Year to 30 June 1996 \$000's	Year to 30 June 1997 \$000's	6 Months to 31 December 1997 \$000's
Interest income	288,476	274,379	133,041
Less interest expense	202,650	185,450	84,538
Net interest income	85,826	88,929	48,503
Other operating income	24,609	24,289	13,535
Total operating income	110,435	113,218	62,038
Less bad & doubtful debt expense	4,003	3,889	3,260
Less other operating expenses	68,180	70,701	38,270
Operating profit before abnormal items	38,252	38,628	20,508
Abnormal items before income tax	(301)	(4,193)	-
Operating profit before income tax	37,951	34,435	20,508
Income tax expense	11,928	6,727	6,981
Operating profit after income tax	26,023	27,708	13,527
Retained profits at beginning of the financial year	18,589	25,921	33,727
Total available for appropriation	44,612	53,629	47,254
Dividends provided for or paid	18,691	19,902	9,551
Retained profits at the end of the period	25,921	33,727	37,703

Note to the Summary Accounts

The accounting policies are consistent between the periods excepting that:

The accounting policy relating to Investment Securities was changed for the half year to 31 December 1996. In past reporting periods Investment Securities were purchased with the intention to be held to maturity and accordingly valued at cost. The accounting policy has now been changed to record those securities at market value.

If the policy to mark Investment Securities to market had been in place over the full period of the summary the following adjustments to reported profit would have resulted:

	June 1996	June 1997
Pre-tax Profit Increase (\$,000)	\$911	\$3,728

Additional Information

1. Shareholders

The Bank's shareholder base is diverse. As at 29 May 1998, the Bank had 14,328 ordinary shareholders. As at that date, the top 20 shareholders were as follows:

<i>Name of shareholder</i>	<i>Number of shares</i>	<i>Per cent of issued capital</i>
AMP Life	2,675,066	3.66
Co-operative Member Services Pty. Ltd.	2,102,522	2.88
Mercantile Mutual Life Insurance Co. Ltd.	2,052,238	2.81
Westpac Custodian Nominees Ltd.	1,961,068	2.69
Citicorp Nominees Pty. Ltd.	907,157	1.24
Argo Investments Ltd.	861,000	1.18
Chase Manhattan Nominees Ltd.	722,944	0.99
National Nominees Limited	670,812	0.92
Adelaide Bank Super Fund Pty. Ltd.	509,732	0.70
Sandhurst Trustees Ltd	440,851	0.60
Suncorp General Insurance Ltd	405,400	0.56
IOOF Australia Trustees (NSW) Ltd	392,347	0.54
Suncorp Life & Superannuation Ltd	372,900	0.51
Commercial Union Lenders Mortgage Insurance Ltd.	350,000	0.48
Milton Corporation Limited	350,000	0.48
Co-operative Member Services Pty Ltd No.2 Account	324,450	0.44
Commonwealth Custodial Services Ltd	306,595	0.42
Chatham Investment Company Ltd	300,000	0.41
Matine Ltd	300,000	0.41
Milkirk Investment Company Ltd	300,000	0.41
	16,305,082	22.33

2. Corporations Law Exemptions

On 21 July 1994, the Australian Securities Commission (the predecessor of ASIC) declared that Adelaide Bank was an "excluded corporation" for the purpose of section 65 of the Corporations Law on certain conditions. The effect of the declaration and the conditions is that Adelaide Bank is not required to comply with certain parts of Division 4 of Part 7.12 of the Corporations Law (other than sections 1046-1051, 1061 and 1062). In particular, Adelaide Bank is not required to make provision in a trust deed relating to the Notes for the appointment of a trustee for the holders of Notes. Accordingly, there is no trust deed for the Notes, nor a trustee for the holders of Notes. On 9 July 1998 the Australian Securities and Investment Commission declared that Adelaide Bank should be exempted from Section 1032 of the Corporations Law in relation to the reference to the ratings of Adelaide Bank by Moody's Investor Service Pty Ltd, referred to on page 24.

3. Australian Stock Exchange Waiver

The ASX, on 21 March 1997, granted Adelaide Bank a waiver from Listing Rule 2.5 Condition 5, "...to the extent necessary not to require the Company to provide a trust deed in relation to any issue or issues of subordinated unsecured debt securities made during the period in which the Company remains an excluded corporation pursuant to section 65 of the Corporations Law."

4. Sections 1023 and 1028 Corporations Law

In accordance with section 1023 of the Corporations Law, Adelaide Bank undertakes to issue to Noteholders a document which acknowledges, evidences or constitutes an acknowledgment of the indebtedness of Adelaide Bank in respect of Notes issued, within 2 months after the acceptance of Application moneys.

For the purpose of section 1028 of the Corporations Law, Adelaide Bank states that if the over-subscriptions up to the limit of \$75 million were accepted or retained, the total assets of Adelaide Bank would be \$3.927 billion on a consolidated basis and the total liabilities of Adelaide Bank would be \$3.731 billion on a consolidated basis, in each case based on Adelaide Bank's accounts as at 31 December 1997.

5. Consents

Corporate Registry Services Pty Ltd has given, and as at the date hereof has not withdrawn, its consent to be named as the Notes Registrar in the form and context in which it is named. Corporate Registry Services Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than recording of its name as Notes Registrar to the Company. Corporate Registry Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Johnson Winter & Slattery has given and not withdrawn its written consent to being named in this Prospectus as Solicitors to the Issuer in connection with the Issue. It has not authorised or caused the issue of this Prospectus.

Ernst & Young has given its written consent (and has not withdrawn that consent) to the issue of this Prospectus naming it as Auditor of the Bank and with the summary financial information in Section 3 "About Adelaide Bank" (Financial Performance) and in Section 8 "Financial Summary" in the form and context in which it is included. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

Standard & Poor's (Australia) Pty Ltd ACN 007 324 852 has given its written consent (and has not withdrawn that consent) to the issue of this Prospectus with the statements concerning the credit ratings assigned to the Bank and other debt issues of the Bank in the form and context in which they are included. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

6. Fees and Commissions

Johnson Winter & Slattery will receive, for work done in connection with this Prospectus, fees in accordance with their usual time based charges. Their fees are not expected to exceed \$35,000.

Ernst & Young will receive, for work done in connection with this Prospectus, fees in accordance with their usual time based charges. Their fees are not expected to exceed \$4,000.

Adelaide Bank has the right to pay fees or commission in respect of any brokerage or handling. These fees will be calculated as 1.0% of the Application amount accepted by Adelaide Bank under this Prospectus.

7. Taxation Disclosures

7.1 Traditional Securities

The Notes will be treated as "traditional securities" for the purpose of the Income Tax Assessment Act 1936 (Commonwealth) for investors other than share traders. This means that Notes will not be subject to the Capital Gains Tax regime, gains on disposal of Notes will be taxable as income (with no indexation) and losses will generally be deductible against other income.

7.2 Tax File Numbers

Under current Australian tax law, Adelaide Bank may be required to withhold interest at the highest marginal tax rate plus Medicare levy if a Noteholder chooses not to quote a tax file number or exemption to Adelaide Bank.

7.3 Withholding Tax

Under current Australian tax law, Adelaide Bank may be required to deduct withholding tax from interest payments to a non resident Noteholder. Interest payments will not be "grossed up" if withholding tax is deducted.

Investors are urged to seek their own taxation advice, having regard to their personal circumstances.

Authorisation

The Issue of this Prospectus has been duly authorised by the Board of Directors of Adelaide Bank Limited and is signed by the Directors in office on the date of Issue.

R. H. Fidock

by his duly authorised representative M. Diamond.



R. W. Piper

by his duly authorised representative C.L. Harris.

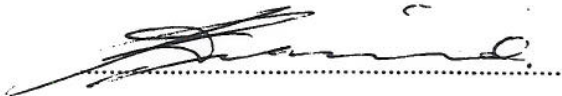


B. F. Fitzpatrick

by his duly authorised representative C.L. Harris.



M. Diamond



B. L. Sallis

by his duly authorised representative R.J. McKay.



R. J. McKay

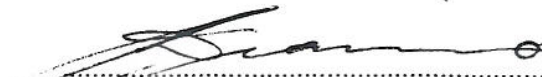


C. L. Harris



A. Lloyd

by her duly authorised representative M. Diamond.



R. A. Cook

by his duly authorised representative C.L. Harris.



THIS PAGE HAS BEEN LEFT BLANK DELIBERATELY.

How to complete the Application Form

Please complete all relevant sections of the Application Form using BLOCK LETTERS

- A) Enter the NUMBER OF FLOATING RATE CAPITAL NOTES you wish to apply for.
Applications must be for the minimum of 50 notes (\$5,000) as set down on page 5 of the prospectus and thereafter in multiples of 10 notes (\$1,000).
- B) Enter the TOTAL AMOUNT of application money payable.
To calculate the amount multiply the number of Floating Rate Capital Notes applied for by the face value of the Notes.
- C) Enter the FULL NAME(S) and TITLE(S) of all legal entities that are to be recorded as the registered holders(s). Refer to the Name Standards below for guidance on valid registration.
- D) Enter the POSTAL ADDRESS for all communications from the Bank. Only one address can be recorded.
- E) Enter telephone numbers and a contact person the registry can speak to if they have any queries regarding this application.
- F) If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).
- G) Payment must be made in Australian Currency and cheques must be drawn on an Australian Bank. Cheques or bank drafts must be payable to ADELAIDE BANK LTD. "FRCN OFFER" and crossed "Not Negotiable". Direct deposits to Adelaide Bank accounts will not be accepted. Cheques not properly drawn will be rejected. Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application may be rejected.
- H) Before completing the Application Form the applicant(s) must read the Prospectus to which the application relates. The applicant(s) agree(s) that this application is for Floating Rate Capital Notes in Adelaide Bank Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of Floating Rate Capital Notes equal to or less than the number of Floating Rate Capital Notes indicated in Box A that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application form.
- I) Enter the tax file number(s) or exemption(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

Forward your completed application together with the application money to:

Adelaide Bank Ltd. Floating Rate Capital Notes Issue c/o Corporate Registry Services Pty. Ltd. GPO Box 1903, Adelaide, SA 5001	OR	Adelaide Bank Ltd. Floating Rate Capital Notes Issue c/o Corporate Registry Services Pty. Ltd. Level 11, 115 Grenfell Street, Adelaide, SA 5000
---	----	--

Applications must be received by no later than 5.00pm Friday 14 August 1998.

- Name Standards**
- Only legal entities may be registered as the holders of securities.
 - The full and correct name of each entity must be shown.
 - Salutations such as MR, MRS & MS should be included.
 - Securities cannot be registered in the name of a trust and no trust can be implied.
 - Securities should not be registered in the name of a minor or a deceased person.
 - An account designation can be included. If shown, it must be contained within one line and within the "<>" symbols. The last word of the designation must be ACCOUNT or A/C.

Type of Investor	Correct Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>
Deceased Estates Use the executor(s) personal names(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>
Long Names	Mr John William Alexander Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal names(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>

How to complete the Application Form

Please complete all relevant sections of the Application Form using BLOCK LETTERS

- A) Enter the NUMBER OF FLOATING RATE CAPITAL NOTES you wish to apply for.
Applications must be for the minimum of 50 notes (\$5,000) as set down on page 5 of the prospectus and thereafter in multiples of 10 notes (\$1,000).
- B) Enter the TOTAL AMOUNT of application money payable.
To calculate the amount multiply the number of Floating Rate Capital Notes applied for by the face value of the Notes.
- C) Enter the FULL NAME(S) and TITLE(S) of all legal entities that are to be recorded as the registered holders(s).
Refer to the Name Standards below for guidance on valid registration.
- D) Enter the POSTAL ADDRESS for all communications from the Bank. Only one address can be recorded.
- E) Enter telephone numbers and a contact person the registry can speak to if they have any queries regarding this application.
- F) If you are sponsored in CHES by a stockbroker or other CHES participant enter your Holder Identification Number (HIN).
- G) Payment must be made in Australian Currency and cheques must be drawn on an Australian Bank.
Cheques or bank drafts must be payable to ADELAIDE BANK LTD. "FRCN OFFER" and crossed "Not Negotiable".
Direct deposits to Adelaide Bank accounts will not be accepted.
Cheques not properly drawn will be rejected.
Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application may be rejected.
- H) Before completing the Application Form the applicant(s) must read the Prospectus to which the application relates.
The applicant(s) agree(s) that this application is for Floating Rate Capital Notes in Adelaide Bank Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of Floating Rate Capital Notes equal to or less than the number of Floating Rate Capital Notes indicated in Box A that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application form.
- I) Enter the tax file number(s) or exemption(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

Forward your completed application together with the application money to:

Adelaide Bank Ltd. Floating Rate Capital Notes Issue
c/o Corporate Registry Services Pty. Ltd.
GPO Box 1903, Adelaide, SA 5001

OR

Adelaide Bank Ltd. Floating Rate Capital Notes Issue
c/o Corporate Registry Services Pty. Ltd.
Level 11, 115 Grenfell Street, Adelaide, SA 5000

Applications must be received by no later than 5.00pm Friday 14 August 1998.

- Name Standards**
- Only legal entities may be registered as the holders of securities.
 - The full and correct name of each entity must be shown.
 - Salutations such as MR, MRS & MS should be included.
 - Securities cannot be registered in the name of a trust and no trust can be implied.
 - Securities should not be registered in the name of a minor or a deceased person.
 - An account designation can be included. If shown, it must be contained within one line and within the "<>" symbols. The last word of the designation must be ACCOUNT or A/C.

Type of Investor	Correct Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>
Deceased Estates Use the executor(s) personal names(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>
Long Names	Mr John William Alexander Robertson-Smith
Clubs/Unicorporated Bodies/Business Names Use office bearer(s) personal names(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>

Corporate Directory

The Issuer

Adelaide Bank Limited
ACN 061 461 550
169 Pirie Street
Adelaide SA 5000

Solicitors to the Issuer

Johnson Winter & Slattery
75 Hindmarsh Square
Adelaide SA 5000

Notes Registrar

Corporate Registry Services Pty Ltd
Level 11, 115 Grenfell Street
Adelaide SA 5000

Auditor

Ernst & Young
Santos House
91 King William Street
Adelaide SA 5000

ADELAIDE BANK LIMITED

(ACN 061 461 550)



Adelaide Bank

Adelaide Bank Limited ACN 061 461 550, 169 Pirie Street, Adelaide, 5000.
GPO Box 1048, Adelaide, South Australia, 5001.
Telephone (08) 8300 6000. Facsimile (08) 8300 6175. AUSDOC DX 169 Adelaide.
Internet Address <http://www.adelaidebank.com.au>