

*The Bank's focus is
to help customers
build and manage
wealth, and to...
...deliver
superior returns
to shareholders*

1998

<u>Corporate Governance</u>	24
<u>Directors' Report</u>	28
<u>Five Year Summary</u>	34
<u>Financial Statements</u>	36
<u>Directors' Statement</u>	45
<u>Audit Report</u>	45

Corporate Governance

MA (Tim) Besley, AO CHAIRMAN



Mr Besley has been Chairman and a member of the Board since 1988. He holds Bachelor degrees in Civil Engineering and Legal Studies and has forty five years' experience in engineering, finance and public service. Mr Besley is Chairman of the Remuneration, Risk and Nominations Committees.

Chairman: Leighton Holdings Limited.
Director: O'Connell Street Associates Pty Ltd and Chancellor Investment Group Pty Ltd.

Other Interests: Macquarie University (Chancellor), Australian Academy of Technological Sciences and Engineering (President), Australian National Gallery Foundation (Council of Governors), Legacy Torch Bearers Committee (Member), Salvation Army – NSW Advisory Board and Red Shield Appeal Committee (Member), Royal Botanic Gardens Sydney Foundation (Trustee), Sir Ian McLennan Achievement for Industry Award (Trustee), Metal Trades Industry Association (NSW State and National Councillor) and World Vision of Australia Board of Reference (Member). Mr Besley is a resident of New South Wales. Age 71.

Board of Directors

The Board of Directors assumes responsibility for corporate governance of the Bank. It oversees the business and affairs of the Bank, establishes the strategies and financial objectives to be implemented by management and monitors standards of performance directly and through its committees.

The Board currently consists of ten Directors. Membership of the Board and its Committees is set out below.

Details of experience, qualifications, special responsibilities and attendance at meetings of the Directors are set out on pages 24 to 33.

Mr Swan was appointed as a non executive director on 11 July 1997 and Mr Cowley was appointed as a non executive director with effect from 30 September 1997. In accordance with the Bank's Articles of Association, Mr Swan and Mr Cowley stood for election as directors at the Annual General Meeting held on 30 October 1997. Both were elected at that meeting.

The Articles of Association of the Bank specify that:

- the Managing Director and any other executive directors shall not be eligible to stand for election as Chairman of the Bank;
- the number of directors shall be not less than 9 nor more than 13 (or such lower number as the Board may from time to time determine). The Board has determined that for the time being the number of directors shall be 10;
- at each Annual General Meeting, one third of directors (other than the Managing Director) shall retire from office and may stand for re-election; and
- a person of or over the age of 70 years shall not be appointed or re-appointed as a director.

The Nominations Committee of the Board critically reviews the corporate governance procedures of the Bank and the composition and effectiveness of the Commonwealth Bank Board and the boards of the

DIRECTOR	BOARD MEMBERSHIP		COMMITTEE MEMBERSHIP			
			Nominations	Remuneration	Audit	Risk
M A Besley, AO	Non executive	Chairman	Chairman	Chairman		Chairman
J T Ralph, AO	Non executive	Deputy Chairman	Member		Chairman	
D V Murray	Executive	Managing Director	Member	Member		Member
N R Adler	Non executive			Member		
A C Booth	Non executive			Member		
J M Schubert	Non executive				Member	
G H Slee, AM	Non executive					Member
F J Swan	Non executive					Member
B K Ward	Non executive				Member	
K E Cowley, AO	Non executive					

major wholly owned subsidiaries. The policy of the Board is that the Committee shall consist of a majority of non executive directors, and that the Chairman of the Bank shall be chairman of the Committee.

The Nominations Committee has developed a set of criteria for director appointments which have been adopted by the Board. These criteria, which are reviewed annually, ensure that any new appointment is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgment, to think strategically and has demonstrated leadership experience, high levels of professional skill and appropriate personal qualities.

Candidates for appointment as directors are considered by the Nominations Committee, recommended for decision by the Board and, if appointed, stand for election, in accordance with the Articles, at the next general meeting of shareholders.

Remuneration Arrangements

The Articles of Association specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined, is divided between the directors as they agree. The policy of the Board is that the aggregate amount should be set at a level which provides the Bank with the necessary degree of flexibility to enable it to attract and retain the services of directors of the highest calibre. The latest determination was at the annual

general meeting held on 30 October 1997 when shareholders approved an aggregate remuneration of \$1,000,000 per year. The Nominations Committee reviews the fees payable to non executive directors. Details of individual directors' remuneration and the bands of remuneration are set out in Note 43. These fees do not incorporate performance based elements.

The remuneration of Mr Murray (Managing Director) is fixed by the Board, pursuant to the Articles of Association, as part of the terms and conditions of his appointment. Those terms and conditions are subject to review, from time to time, by the Board.

There is in place a retirement scheme which provides for benefits to be paid to non executive directors after service of a qualifying period. The terms of this scheme, which were approved by shareholders at the 1997 Annual General Meeting, allow for a benefit on a pro rata basis to a maximum of four years' total emoluments after twelve years' service.

The Board has established a Remuneration Committee to:

- consider remuneration policy for the Bank's senior executives and executives;
- consider senior executive appointments; and
- consider arrangements in the level or structure of remuneration and benefits for staff generally.

The policy of the Board is that the Committee shall consist of a majority of non executive directors.

John Ralph, AO DEPUTY CHAIRMAN



Mr Ralph has been a member of the Board since 1985 and is Chairman of the Audit Committee and member of the Nominations Committee. He is a Fellow of the Australian Society of Certified Practising Accountants and has over forty six years' experience in the mining and finance industries.

Chairman: Foster's Brewing Group Limited and Pacific Dunlop Limited.
Deputy Chairman: Telstra Corporation Limited.

Director: Pioneer International Limited and BHP Limited.

Other Interests: Australia-Japan Business Co-operation Committee (President), Constitutional Centenary Foundation Inc (Director), Melbourne University Business School (Board of Management), The Queen's Trust for Young Australians (National Chairman), Australian Foundation for Science (Chairman) and Australian Institute of Company Directors (Fellow). Mr Ralph is a resident of Victoria. Age 65.

David Murray MANAGING DIRECTOR



Mr Murray has been a member of the Board and Managing Director since June 1992. He holds a Bachelor of Business and Master of Business Administration and has thirty two years' experience in banking. Mr Murray is a member of the Remuneration, Risk and Nominations Committees.

Chairman: Commonwealth Life Limited, Commonwealth Investment Services Limited, Commonwealth Connect Insurance Limited, Commonwealth Custodial Services Limited and Commonwealth Funds Management Limited.

Director: International Monetary Conference.

Other Interests: Asian Bankers' Association (Member), Australian Bankers' Association (Member), Asian Pacific Bankers' Club (Member), Australian Coalition of Service Industries (Member), Australian Institute of Banking and Finance (President), Business Council of Australia (Member), World Economic Forum (Member), St Mary's Cathedral Appeals Committee (Chairman), Macquarie University Graduate School of Management (Advisory Board) and General Motors Australian Advisory Council (Member). Mr Murray is a resident of New South Wales. Age 49.

The Bank's remuneration policy in respect of executives includes provisions that remuneration will be competitively set so that the Bank can seek to attract, motivate and retain high quality local and international executive staff and that remuneration will incorporate, to a significant degree, variable pay for performance elements. A full statement of the Bank's remuneration policy for executives and details of the remuneration paid to five members of the senior executive team who were officers of the Bank at 30 June 1998 are set out in Note 44.

Audit Arrangements

Ernst & Young was appointed as the auditor of the Bank at the 1996 Annual General Meeting and continues to fulfil that office.

The Board's Audit Committee consists entirely of non executive Directors and the chairman of the Committee is not Chairman of the Bank. This structure reflects the Board's policy.

The Managing Director attends Committee meetings by invitation. The Committee oversees the adequacy of the overall internal control functions and the internal audit functions within the Group and their relationship to external audit.

In carrying out these functions, the Committee:

- reviews the financial statements and reports of the Group;
- reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;
- reviews, as necessary, the policy in relation to internal audit services within the Group and reviews internal audit plans for Group members;

- reviews reports from external auditors and the Group's internal auditor; and
- conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate.

The scope of the audit is agreed between the Committee and the auditor. The external audit partner attends meetings of the Audit Committee by invitation and attends the Board meetings when the annual and half yearly accounts are signed.

Risk Management

The Risk Committee oversees credit, market and operational risks assumed by the Bank in the course of carrying on its business.

The Committee considers the Group's credit policies and ensures that management maintains a set of credit underwriting standards designed to achieve portfolio outcomes consistent with the Group's risk/return expectations. In addition, the Committee reviews the Group's credit portfolios and recommends provisioning for bad and doubtful debts.

The Committee examines risk management policies and procedures for market, funding and liquidity risks incurred or likely to be incurred in the Group's business. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk. Details of the Bank's management of market risk are set out in Note 37 to the accounts.

The Committee ratifies the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and

management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee. A range of insurance policies maintained by the Group mitigates some operational risks.

Independent Professional Advice

The Bank has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of the Bank, to assist them to carry out their duties as directors. The policy of the Bank provides that any such advice is made available to all directors.

Access to Information

The Board has an agreed policy on the circumstances in which directors are entitled to obtain access to company documents and information.

Ethical Standards

The Bank has adopted a Statement of Professional Practice which sets standards of behaviour required including:

- to act properly and efficiently in pursuing the objectives of the Bank;
- to avoid situations which may give rise to a conflict of interests;
- to know and adhere to the Bank's Equal Employment Opportunity policy and programs;
- to maintain confidentiality in the affairs of the Bank and its customers; and
- to be absolutely honest in all professional activities.

These standards are regularly communicated to staff. In addition,

the Bank has established insider trading guidelines for staff to ensure that unpublished price sensitive information about the Bank or any other company is not used in an illegal manner.

The restrictions imposed by law on dealings by directors in the securities of the Bank have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by directors, their spouses, any dependent child, family company and family trust. The guidelines provide that, in addition to the requirement that directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price sensitive information, directors are only permitted to deal within certain periods. These periods include between 3 and 30 days after the announcement of half yearly and final results and from 3 days after release of the Annual Report until 30 days after the Annual General Meeting. Further, the guidelines require that directors not deal on the basis of considerations of a short term nature or to the extent of trading in those securities.

Non executive directors are not entitled to participate in current employee share plans.

In accordance with the Articles and the Corporations Law, directors disclose to the Board any material contract in which they may have an interest. In compliance with section 232A of the Corporations Law, any director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Ross Adler



Mr Adler has been a member of the Board since 1990 and is a member of the Remuneration Committee. He holds a Bachelor of Commerce and a Master of Business Administration. Mr Adler is currently Managing Director of Santos Limited. He has experience in various commercial enterprises, more recently in the oil and gas industry. Director: QCT Resources Limited Group Companies, Santos Limited (Group) Companies, Telstra Corporation Limited and Australian Institute of Petroleum Limited. Other Interests: Art Gallery of South Australia (Chairman), National Institute of Labour Studies, Flinders University of South Australia (Governor), University of Adelaide (Council Member), Business Council of Australia (Member), and Corporations and Securities Panel (Member). Mr Adler is a resident of South Australia. Age 53.

Directors' Report

Anna Booth



Ms Booth has been a member of the Board since 1990 and is a member of the Remuneration Committee. She holds a Bachelor of Economics (Hons) and has seventeen years' experience in the trade union movement and most recently as General Manager Corporate Communications of Star City. Director: Ausflag Limited. Other Interests: Tourism Council of Australia (National Councillor), Shopping Centres Council of Australia (Special Adviser), Breast Cancer Institute of Australia Research for Life Appeal (Member), Sydney Organising Committee for the Olympic Games (Member) and Labour Management Studies Foundation of Macquarie University (Fellow). Ms Booth is a resident of New South Wales. Age 42.

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial statements of the Commonwealth Bank of Australia (the Chief Entity) and of the Economic Entity, being the Chief Entity and its controlled entities, for the year ended 30 June 1998.

The names of the Directors holding office at the date of this report are set out on pages 24 to 33 together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors has declared an interest.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Commonwealth Bank during the financial year were:

DIRECTOR	DIRECTORS' MEETINGS	
	No. of Meetings Held*	No. of Meetings Attended
M A Besley, AO	11	11
J T Ralph, AO	11	10
D V Murray	11	11
I K Payne +	1	1
N R Adler	11	10
A C Booth	11	11
K E Cowley ++	8	7
J M Schubert	11	10
G H Slee, AM	11	11
F J Swan +++	10	10
B K Ward	11	11

* The number of meetings held during the time the Director held office during the year.

+ Mr Payne retired on 11 July 1997.

++ Mr Cowley was appointed a Director on 30 September 1997.

+++ Mr Swan was appointed a Director on 11 July 1997.

DIRECTOR	COMMITTEE MEETINGS					
	AUDIT COMMITTEE		RISK COMMITTEE		REMUNERATION COMMITTEE	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
M A Besley, AO			13	9	9	6
J T Ralph, AO	4	4				
D V Murray			13	13	9	9
I K Payne+					2	-
N R Adler					9	9
A C Booth					9	9
J M Schubert	4	3				
G H Slee, AM			13	13		
F J Swan			13	13		
B K Ward	4	4				

* The number of meetings held during the time the Director was a member of the relevant committee.

+ Mr Payne retired on 11 July 1997.

DIRECTOR	COMMITTEE MEETINGS			
	BANK STRUCTURE COMMITTEE		NOMINATIONS COMMITTEE	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
M A Besley, AO	2	2	3	3
J T Ralph, AO	2	2	3	3
D V Murray	2	2	3	3
J M Schubert	2	2		
G H Slee, AM	2	2		

* The number of meetings held during the time the Director was a member of the relevant committee.

Principal Activities

The principal activities of the Commonwealth Bank Group during the financial year were:

Banking & Financial Services

Division – provides marketing services, product development and brand management and focuses on assessing customer needs and servicing those needs for banking, insurance, funds management and related products and services for individuals and small to medium size businesses.

Customer Service Division – provides distribution/delivery channels for products and services to customers and is focused on managing the branch and agency networks and electronic delivery such as ATM, EFTPOS, telephone and direct/on line services.

Institutional Banking – provides corporate and general banking, international financing (including trade and project financing), merchant and investment banking and

stockbroking to large corporate clients in Australia and select offshore clients.

ASB Bank Limited – provides personal, business, corporate and rural banking services in New Zealand.

Whilst there have been no significant changes in the nature of these activities during the year, a restructure was completed during the year to enhance and broaden product and service availability.

Consolidated Profit

Consolidated operating profit after abnormal items, tax and outside equity interests for the financial year ended 30 June 1998 was \$1,090 million (1997: \$1,078 million). Following announced rationalisation of processing and administration functions, implementation of a new organisational structure and reconfiguration of delivery systems, an abnormal expense for restructuring costs of \$128 million after tax was recorded. Further, with effect from 1 January 1998, the general provision for bad and doubtful debts is assessed

Ken Cowley, AO



Mr Cowley has been a member of the Board since September 1997. He has thirty three years' experience in the media industry, having been Director of News Limited since 1976 and until July 1997, was Executive Chairman of that company. Chairman: PMP Communications Limited, R M Williams Holdings Limited, Ansett New Zealand Limited and Ansett International Limited. Director: The News Corporation Limited, Independent Newspapers Limited, Ansett Australia Limited and Foxtel Management Pty Limited. Other Interests: Australian Stockman's Hall of Fame & Outback Heritage Centre NSW (Chairman), Melbourne Storm Football Club Pty Limited and Royal Agricultural Society (Councillor). Mr Cowley is a resident of New South Wales. Age 63.

John Schubert



Dr Schubert has been a member of the Board since 1991 and is a member of the Audit Committee. He holds a Bachelor Degree and PhD in Chemical Engineering and has experience in the petroleum, mining and building materials industries. Dr Schubert is currently Managing Director and Chief Executive Officer of Pioneer International Limited.
 Director: Australian Graduate School of Management Ltd.
 Other Interests: Business Council of Australia (Vice President) and Academy of Technological Science (Fellow).
 Dr Schubert is a resident of New South Wales. Age 55.

using a statistical dynamic provisioning methodology. An abnormal expense for bad and doubtful debts of \$370 million in this regard has been charged to profit and loss. Following this change in general provisioning methodology, the general provision was tax effected resulting in an abnormal tax credit of \$337 million. The consolidated operating profit before abnormal items and income tax was \$1,912 million, representing a 5% increase on the prior year. The principal contributing factors to this increase were a growth in banking fees and trading income. Net interest income remained steady despite a 10% growth in lending assets.

Dividends

The Directors have declared a fully franked (at 36%) final dividend of 58 cents per share amounting to \$535 million. The dividend will be payable on 30 September 1998. Dividends paid since the end of the previous financial year:

- as provided for in last year's report, a fully franked final dividend of 57 cents per share amounting to \$530 million was paid on 30 September 1997. The payment comprised cash disbursements of \$261 million with \$269 million being reinvested by participants through the Dividend Reinvestment Plan; and
- in respect of the current year, a fully franked interim dividend of 46 cents per share amounting to \$420 million was paid on 27 March 1998. The payment comprised cash disbursements of \$239 million with \$181 million being reinvested by participants through the Dividend Reinvestment Plan.

Review of Operations

An analysis of operations for the financial year is set out in the Message to Shareholders.

Changes in State of Affairs

On 12 November 1997 the Bank announced a reorganisation of its core business functions to drive growth through more effective organisation of marketing, product development and delivery of financial services to individuals and small to medium size businesses. The previous business units of Personal Banking, Business Banking and Commonwealth Financial Services were reorganised into two new divisions. The Bank's various distribution arms to these segments have been brought together to form Customer Service Division. The specialist areas of marketing, customer segmentation and product development have become Banking and Financial Services Division.

Effective 26 September 1997, the Bank entered a long term outsourcing/joint venture partnership with EDS Australia, which is a key initiative aimed at reducing longer term technology costs and to generally assist with the development of business applications.

The Bank's shareholders' equity was reduced by \$651 million on 29 December 1997 pursuant to the buy back of 38.1 million shares. There were no other significant changes in the state of affairs of the Economic Entity during the financial year.

Events Subsequent to Balance Date

In July 1998, the Bank entered into a strategic alliance with Woolworths

which will provide customers with increased accessibility and flexibility for their financial services needs. The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

Future Developments and Results

Major developments which may affect the operations of the Economic Entity in subsequent financial years are referred to in the Message to Shareholders on pages 5 to 10. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Economic Entity.

Directors' Shareholdings

Particulars of shares in the Commonwealth Bank or in a related body corporate are set out in a separate section titled 'Shareholding Information' on page 46 which is to be regarded as contained in this report.

Options

An Executive Option Plan was approved by shareholders at the Annual General Meeting on 8 October 1996. On 11 December 1997, the Bank granted options over 2,875,000 unissued ordinary shares to 27 executives under the Executive Option Plan. Full details of the Plan are disclosed in Note 28 to the financial statements.

The names of persons who currently hold options in the Plan are entered in the register of options kept by the Bank pursuant to Section 170 of the Corporations Law. The register may be inspected free of charge. Pursuant to ASC Class Order 97/1011 dated 9 July 1997, the directors have taken advantage of relief available from the requirement to disclose the names of persons, not being directors, to whom options are issued and the number of options issued to each person.

For details of the options granted to a director, refer to the separate section titled 'Shareholding Information' on page 46 which is to be regarded as contained in this report.

Directors' Interests in Contracts

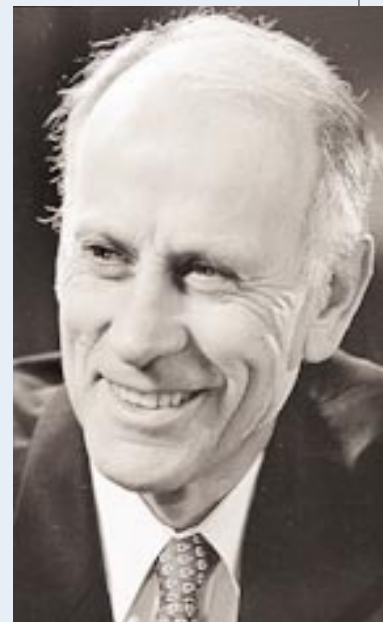
A number of Directors have given written notices, in accordance with Section 231(1) of the Corporations Law, stating that they hold office in specified companies and accordingly are to be regarded as having an interest in any contract or proposed contract that may be made between the Bank and any of those companies.

Directors' Benefits

During or since the financial year, no Director of the Commonwealth Bank has received or has become entitled to receive a benefit other than:

- a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the consolidated financial statements; and
- normal benefits as a full time employee of the Commonwealth Bank or of a related body corporate and in the case of Mr I K Payne, the

Graham Slee, AM



Mr Slee has been a member of the Board since 1986 and is a member of the Risk Committee. He holds a Bachelor of Mechanical Engineering and has thirty seven years' experience in engineering and manufacturing industries. Chairman: McNee Holdings Pty Limited and Sheet Metal Supplies Pty Ltd. Mr Slee is a resident of New South Wales. Age 61.

Frank Swan



Mr Swan has been a member of the Board since July 1997 and is a member of the Risk Committee. He holds a Bachelor of Science degree and has twenty three years' senior management experience in the food and beverage industries.

Director: Foster's Brewing Group Limited and National Foods Limited.

Mr Swan is a resident of Victoria.

Age 57.

payment of his final entitlement and other payments upon his retirement as a Director of the Bank in accordance with his past services; by reason of a contract made by the Commonwealth Bank, its controlled entities, or a related body corporate with the Director, a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.

Directors' and Officers' Indemnity

Article 19 of the Commonwealth Bank's Articles of Association provides:

'To the extent permitted by law, the company indemnifies every director, officer and employee of the company against any liability incurred by that person (a) in his or her capacity as a director, officer or employee of the company and (b) to a person other than the company or a related body corporate of the company. The company indemnifies every director, officer and employee of the company against any liability for costs and expenses incurred by the person in his or her capacity as a director, officer or employee of the company (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted or (b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law, provided that the director, officer or employee has obtained the company's prior written approval (which shall not be unreasonably withheld) to incur the costs and expenses in relation to the proceedings:

The Corporations Law (Section 241) prohibits a company from indemnifying directors, secretaries and executive officers against a liability, except for liability to another person (other than the company or a related body corporate) where the liability does not arise out of conduct involving a lack of good faith and except for a liability for costs and expenses incurred in defending proceedings in which the person is successful. An indemnity for employees, who are not directors, secretaries or executive officers, is not expressly restricted in any way by the Corporations Law.

The Directors, as named on pages 24 to 33 of the Annual Report, and the Secretaries of the Commonwealth Bank, being J D Hatton (Secretary) and K G Bourke (Assistant Company Secretary) are indemnified under Article 19 as are all the executive officers and employees of the Commonwealth Bank.

Deeds of Indemnity have been executed by Commonwealth Bank in terms of Article 19 above in favour of each director.

Directors' and Officers' Insurance

The Commonwealth Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of those named above and the directors, secretaries, executive officers and employees of any related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the company under Section 241A(1) of the Corporations Law. In

accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Incorporation of Additional Material

This report incorporates the Message to Shareholders.

Roundings

The Chief Entity is a company of the kind referred to in Corporations Regulation 3.6.05(6) and, in accordance with an ASC Class Order No. 97/1005 dated 9 July 1997, amounts in this report and the accompanying financial statements have been rounded off to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.



M A Besley, AO
Chairman



D V Murray
Managing Director

12 August 1998

Barbara Ward



Ms Ward has been a member of the Board since 1994 and is a member of the Audit Committee. She holds a Bachelor of Economics and Master of Political Economy and has six years' experience in policy development and public administration as a senior ministerial adviser and 12 years' experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services.

Director: Delta Electricity, Rail Services Australia, Data Advantage Limited and Australia Day Council of New South Wales.

Other Interests: Allen, Allen and Hemsley (Board member) and Appeal Committee for the Breast Cancer Institute of Australia (Member).

Ms Ward is a resident of New South Wales. Age 44.

Five year summary

	1998 \$M	1997 \$M	1996 \$M	1995 \$M	1994 \$M
Profit and Loss					
Net interest income	3,397	3,392	3,397	3,164	2,844
Other operating income	1,885	1,524	1,382	1,364	1,308
Total operating income	5,282	4,916	4,779	4,528	4,152
Charge for bad and doubtful debts	233	98	113	182	321
Total operating expenses (including goodwill)	3,137	3,002	2,890	2,823	2,777
Operating profit before abnormal items and income tax expense	1,912	1,816	1,776	1,523	1,054
Abnormal items	(570)	(200)	-	-	-
Income tax expense (credit)					
Operating profit before abnormal items	641	588	635	493	358
Abnormal items	(409)	(72)	-	28	-
Operating profit after income tax	1,110	1,100	1,141	1,002	696
Outside equity interests	20	22	22	19	14
Operating profit after income tax attributable to shareholders	1,090	1,078	1,119	983	682
Contributions to profit					
Banking					
Australia	1,096	1,028	984	907	597
New Zealand (ASB Bank)	98	85	71	63	44
Other countries	(30)	21	20	(2)	(1)
	1,164	1,134	1,075	968	640
Life insurance and funds management	87	75	59	49	47
Finance	66	62	48	52	48
Profit on operations	1,317	1,271	1,182	1,069	735
Goodwill amortisation	(46)	(43)	(41)	(39)	(39)
Outside equity interests	(20)	(22)	(22)	(19)	(14)
Operating profit after income tax before abnormal items	1,251	1,206	1,119	1,011	682
Abnormal expense (after income tax)	(161)	(128)	-	(28)	-
Operating profit after income tax and abnormal items	1,090	1,078	1,119	983	682
Balance sheet					
Loans, advances and other receivables	89,816	81,632	70,042	62,707	57,992
Total assets	130,544	120,103	109,285	102,774	91,321
Deposits and other public borrowings	83,886	77,880	71,381	67,824	63,377
Total liabilities	123,655	113,079	101,918	96,079	85,250
Shareholders' equity	6,712	6,846	7,190	6,568	5,965
Net tangible assets	6,358	6,450	6,793	6,087	5,424
Risk weighted assets	94,431	86,468	77,246	70,383	66,938
Average interest earning assets	102,165	96,163	84,770	78,461	74,733
Average interest bearing liabilities	91,650	85,296	74,879	69,300	66,723
Assets (on balance sheet)					
Australia	110,120	101,202	92,456	86,191	79,217
New Zealand	10,846	9,994	7,903	6,986	5,058
Other	9,578	8,907	8,926	9,597	7,046
Total Assets	130,544	120,103	109,285	102,774	91,321

	1998	1997	1996	1995	1994
Shareholders Summary					
Dividends per share (cents) - fully franked	104	102	90	82	60
Dividends provided for, reserved or paid (\$million)	955	941	832	772	539
Dividend cover (times)	1.1	1.1	1.3	1.3	1.3
Earnings per share (cents)					
before abnormal items	134.5	131.5	115.5	109.4	76.9
after abnormal items	117.2	117.5	115.5	106.4	76.9
Dividend payout ratio (%) ⁽¹⁾					
before abnormal items	77.3	77.6	77.9	75.0	78.0
after abnormal items	88.7	86.8	77.9	77.1	78.0
Net tangible assets per share (\$)	6.70	6.74	6.68	6.28	5.88
Weighted average number of shares (basic)	930m	917m	969m	924m	887m
Number of shareholders	419,926	426,229	275,204	274,247	274,355
Share prices for the year (\$)					
Trading high	19.66	16.00	12.05	9.58	10.20
Trading low	13.70	9.93	9.20	7.05	7.35
End (closing price)	18.84	16.00	10.46	9.33	7.73
Performance Ratios (%)					
Return on average shareholders' equity ⁽²⁾					
before abnormal items	18.48	18.16	16.27	16.13	11.83
after abnormal items	16.10	16.39	16.27	15.69	11.83
Return on average total assets ⁽²⁾					
before abnormal items	1.01	1.05	1.06	1.04	0.75
after abnormal items	0.88	0.94	1.06	1.01	0.75
Capital adequacy - Tier 1	8.07	8.64	10.05	10.25	9.79
Capital adequacy - Tier 2	2.82	2.82	2.97	1.30	1.30
Deductions	(0.40)	(0.57)	(0.31)	(0.40)	(0.12)
Capital adequacy - Total	10.49	10.89	12.71	11.15	10.97
Net interest margin	3.33	3.53	4.01	4.03	3.79
Other Information (numbers)					
Full time staff	28,034	30,566	31,455	31,333	32,983
Part time staff	6,968	7,364	7,964	7,602	6,962
Full time staff equivalent	30,743	33,543	34,518	34,383	35,544
Branches/service centres (Australia)	1,218	1,334	1,390	1,474	1,612
Agencies (Australia)	4,015	4,205	4,214	4,282	4,305
ATMs	2,501	2,301	2,113	1,643	1,486
EFTPOS terminals	83,038	63,370	43,703	20,250	6,600
Productivity					
Total Operating Income per full time (equivalent) employee (\$)	171,811	146,558	138,450	131,693	116,813
Staff Expense/Total Operating Income (%)	30.7	33.8	33.1	33.6	39.1
Total Operating Expenses ⁽³⁾ / Total Operating Income (%)	58.5	60.2	59.6	61.5	66.0

⁽¹⁾ Dividends per share divided by earnings per share.

⁽²⁾ Calculations based on operating profit after tax and outside equity interests. Averages are based on current and previous year end balances adjusted for buy back.

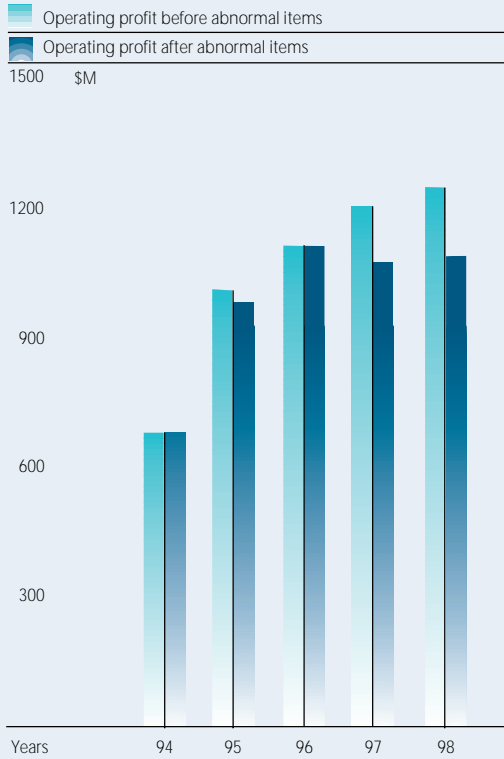
⁽³⁾ Total Operating Expenses excluding goodwill amortisation.

Concise Financial Statements

Comments on the Profit and Loss

for the year ended 30 June 1998

(All comparisons are with the year ended 30 June 1997)



The Commonwealth Bank Group achieved a net profit after tax but before abnormal items of \$1,251 million (1997: \$1,206 million) and after tax and abnormal items of \$1,090 million (1997: \$1,078 million).

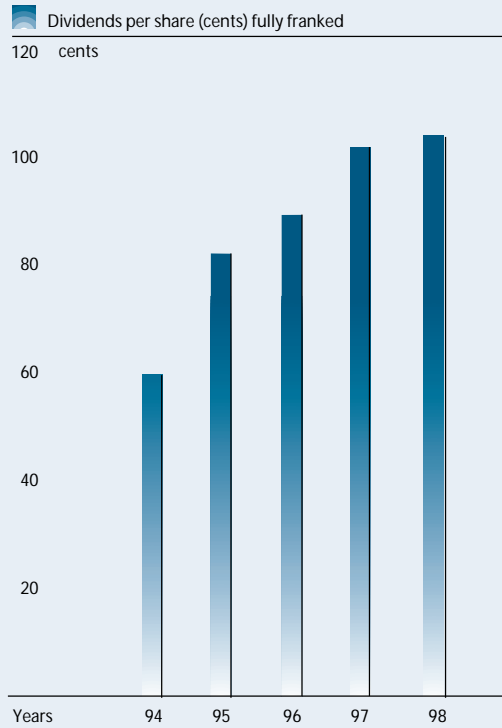
The net abnormal expense was \$161 million after tax (1997: \$128 million). The abnormal items are explained in Note 2 to these concise financial statements, but principally relate to:

- restructuring costs associated with reorganising the Bank's back office processing and administration functions; and
- a change in the Bank's bad and doubtful debts provisioning methodology which increased the general provision and led to the Bank booking a related future income tax benefit.

The operating profit before abnormal items and tax was \$1,912 million, representing a 5% increase (\$96 million) on the prior year.

This increase was principally due to:

- banking fees increasing by \$187 million to \$1,202 million



associated with increased housing lending and increased credit card transactions;

- trading income from foreign exchange and interest rate securities and derivatives increased by \$69 million to \$243 million; and
- net gains on investment securities increased by \$97 million,

which were offset by:

- an increase in the charge for bad and doubtful debts by \$135 million to \$233 million, principally associated with Asian loans; and
- operating expenses increasing by \$132 million.

Net interest income remained steady. A 10% growth in lending assets was offset by a decline in the interest margin from 3.53% to 3.33%.

The Directors have declared a fully franked (at 36%) final dividend of 58 cents per share amounting to \$535 million. The dividend will be payable on 30 September 1998. This combined with the interim dividend of 46 cents per share represents a dividend payout ratio of 77.3% on net profit after tax before abnormal items for the full year.

Statements of Profit and Loss

for the year ended 30 June 1998

	Note	ECONOMIC ENTITY		CHIEF ENTITY	
		1998 \$M	1997 \$M	1998 \$M	1997 \$M
Interest income	2	7,605	7,989	6,012	6,561
Interest expense	2	4,208	4,597	3,227	3,733
Net interest income	2	3,397	3,392	2,785	2,828
Other operating income	2	1,885	1,524	1,691	1,390
Total operating income	2	5,282	4,916	4,476	4,218
Charge for bad and doubtful debts	2,13	233	98	224	85
Total operating income after charge for bad and doubtful debts		5,049	4,818	4,252	4,133
Total operating expenses	2	3,091	2,959	2,663	2,546
Operating profit before goodwill amortisation, abnormal items and income tax		1,958	1,859	1,589	1,587
Goodwill amortisation	2	46	43	39	40
Operating profit before abnormal items and income tax	2	1,912	1,816	1,550	1,547
Abnormal expense	24	570	200	570	200
Operating profit before income tax		1,342	1,616	980	1,347
Income tax expense (credit)					
Operating profit	5	641	588	506	471
Abnormal items	24	(409)	(72)	(409)	(72)
Income tax expense	2	232	516	97	399
Operating profit after income tax		1,110	1,100	883	948
Outside equity interests in operating profit after income tax		20	22	-	-
Operating profit after income tax attributable to members of the Commonwealth Bank of Australia	39	1,090	1,078	883	948
Retained profits at the beginning of the financial year		908	794	472	465
Adjustment on adoption of ISC Life Insurance Rules	1(oo)	-	(11)	-	-
Buy back		(384)	-	(384)	-
Transfers from reserves		170	74	200	-
Total available for appropriation		1,784	1,935	1,171	1,413
Transfers to reserves		74	86	-	-
Dividends (fully franked)					
Transfer to dividend reinvestment plan reserve		403	419	403	419
Provided for payment in cash or paid	6	552	522	552	522
Dividends provided for, reserved or paid	4	955	941	955	941
Retained profits at the end of the financial year		755	908	216	472
		Cents per share			
Earnings per share based on operating profit after income tax attributable to members of the Commonwealth Bank of Australia:	5	117.2	117.5		
Dividends provided for, reserved or paid per share attributable to members of the Commonwealth Bank of Australia:	4	104	102		

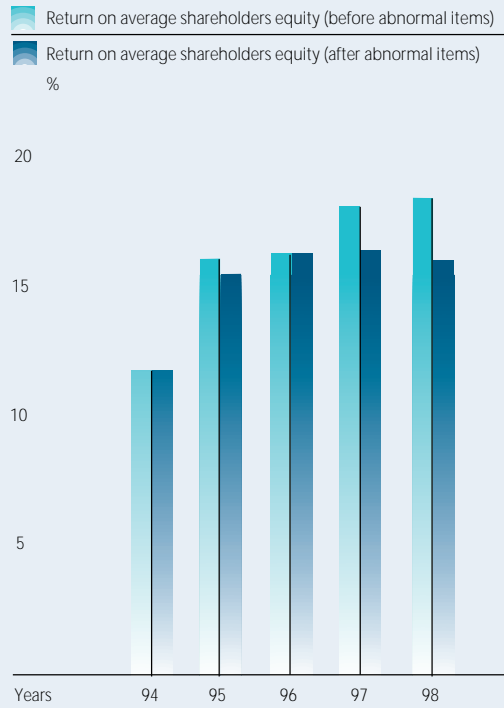
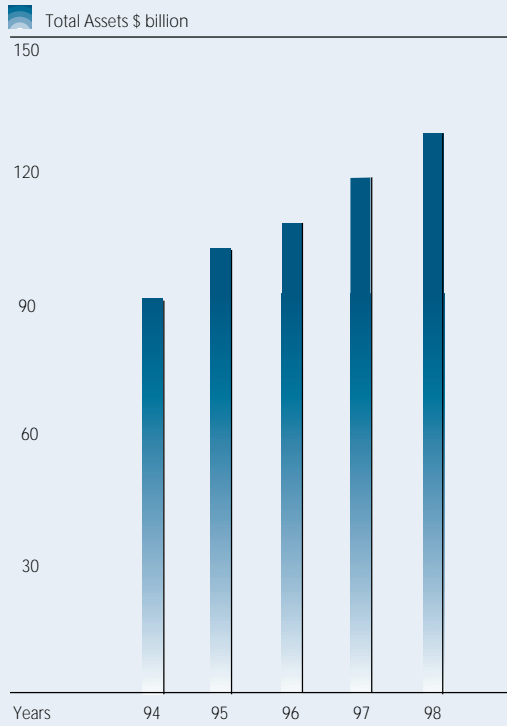
For further information, refer Annual Report to Shareholders – 1998 Financial Statements.

Concise Financial Statements

Comments on the Balance Sheets

as at 30 June 1998

(All comparisons are with the year ended 30 June 1997)



The Group's assets increased by \$10.4 billion to \$130.5 billion (1997: \$120.1 billion) over the year.

This increase principally comprises a 10% growth in lending assets. Loans and advances increased by \$8.2 billion to \$89.8 billion. This growth in assets was principally funded by a \$6 billion growth in deposits.

Within loans and advances, Australian housing loans increased by \$3.7 billion to \$41.1 billion and term loans increased by \$2.7 billion to \$25.7 billion. Overseas term loans increased by \$1.2 billion to \$5.2 billion, primarily in New Zealand.

This balance sheet growth increased net interest earnings by \$279 million, however, this was offset by a decline in net interest rates reducing net interest income by \$274 million.

In Australia, interest rates charged on loans and advances decreased by 1.4% to an average rate of 7.5%, while rates on time deposits decreased by 1.2% to 5.4%, savings deposits by 0.7% to 1.8% and other demand deposits by 1.2% to 4.0%. As a result, the net interest margin in Australia decreased to 3.61% from 3.87% and at a Group level to 3.33% from 3.53%.

The Group Balance Sheet, off balance sheet uncommitted facilities and derivatives facilities, include total Asian Exposures of \$5.9 billion, with 73% of this exposure (\$4.3 billion) to Japan, Hong Kong and Singapore. Total Asian exposures have reduced 12% since 31 December 1997.

The capital adequacy ratio reduced to 10.49% from 10.89% (still well above the Reserve Bank guideline of 8%) following the buy back of \$651 million of share capital in December 1997.

Balance Sheets

as at 30 June 1998

	ECONOMIC ENTITY		CHIEF ENTITY	
	1998 \$M	1997 \$M	1998 \$M	1997 \$M
Assets				
Cash and liquid assets	1,526	2,007	1,393	1,930
Receivables due from other financial institutions	3,448	4,839	3,205	4,627
Trading securities	4,009	2,635	2,698	2,673
Investment securities	6,858	9,233	5,949	7,406
Loans, advances and other receivables	89,816	81,632	72,949	65,731
Bank acceptances of customers	9,727	8,874	9,737	8,881
Deposits with regulatory authorities	832	797	828	786
Shares in and loans to controlled entities	-	-	5,583	5,140
Property, plant and equipment	1,662	2,010	1,438	1,750
Investment in associates	276	-	278	-
Goodwill	531	574	490	529
Other assets	11,859	7,502	11,402	7,141
Total Assets	130,544	120,103	115,950	106,594
Liabilities				
Deposits and other public borrowings	83,886	77,880	72,944	67,836
Payables due to other financial institutions	3,397	3,621	3,008	3,240
Bank acceptances	9,727	8,874	9,737	8,881
Due to controlled entities	-	-	359	152
Provision for dividend	321	291	321	291
Income tax liability	1,099	925	642	554
Other provisions	875	835	830	797
Debt issues	10,608	10,154	9,239	8,755
Bills payable and other liabilities	10,746	7,698	10,234	7,369
	120,659	110,278	107,314	97,875
Loan Capital	2,996	2,801	2,996	2,801
Total Liabilities	123,655	113,079	110,310	100,676
Net Assets	6,889	7,024	5,640	5,918
Shareholders' Equity				
Share Capital	1,845	1,860	1,845	1,860
Reserves	4,112	4,078	3,579	3,586
Retained profits	755	908	216	472
Shareholders' equity attributable to members of the Commonwealth Bank of Australia	6,712	6,846	5,640	5,918
Outside equity interests in controlled entities	177	178	-	-
Total Shareholders' Equity	6,889	7,024	5,640	5,918

The liabilities of the Commonwealth Bank of Australia and its controlled entity, Commonwealth Development Bank of Australia, as at 30 June 1996 were guaranteed by the Commonwealth of Australia under a statute of the Australian Parliament. This guarantee is being progressively phased out following the Government sell down of its shareholding on 19 July 1996.

For further information, refer Annual Report to Shareholders - 1998 Financial Statements.

Concise Financial Statements

Statements of Cash Flows

for the year ended 30 June 1998

	ECONOMIC ENTITY		CHIEF ENTITY	
	1998 \$M	1997 \$M	1998 \$M	1997 \$M
Cash Flows from Operating Activities				
Interest received	7,557	8,054	6,084	6,604
Dividends received	18	18	106	200
Interest paid	(4,065)	(4,342)	(3,187)	(3,482)
Other operating income received	1,204	1,308	821	1,019
Staff expenses paid	(1,705)	(1,614)	(1,467)	(1,396)
Occupancy and equipment expenses paid	(289)	(310)	(246)	(271)
Information technology services expenses paid	(503)	(251)	(476)	(224)
Other expenses paid	(468)	(399)	(365)	(320)
Income taxes paid	(216)	(629)	(134)	(507)
Tax losses purchased from controlled entities	-	-	(28)	(38)
Net decrease (increase) in trading securities	(646)	556	(591)	487
Net Cash provided by Operating Activities	887	2,391	517	2,072
Cash Flows from Investing Activities				
Payments for acquisition of entities	-	(66)	-	(66)
Net movement in investment securities:				
Purchases	(8,505)	(8,887)	(7,981)	(7,517)
Proceeds from sale	1,787	1,172	1,666	1,172
Proceeds at or close to maturity	8,681	7,013	8,364	6,291
Lodgement of deposits with regulatory authorities	(35)	(86)	(42)	(90)
Net increase in loans, advances and other receivables	(9,882)	(11,353)	(8,190)	(8,414)
Net amounts paid to controlled entities	-	-	(184)	(1,123)
Proceeds from sale of property, plant and equipment	196	307	167	281
Purchase of property, plant and equipment	(78)	(180)	(51)	(134)
Net decrease (increase) in receivables due from other financial institutions not at call	809	750	809	750
Net decrease (increase) in securities purchased under agreements to resell	347	641	347	641
Net decrease (increase) in other assets	1,175	(432)	1,118	(427)
Net Cash used in Investing Activities	(5,505)	(11,121)	(3,977)	(8,636)
Cash Flows from Financing Activities				
Buy back of shares	(651)	(1,001)	(651)	(1,001)
Proceeds from issue of shares	5	12	3	3
Net increase in deposits and other borrowings	6,683	6,892	5,177	5,793
Proceeds from long term debt issues	1,355	1,414	1,290	1,024
Repayment of long term debt issues	(1,230)	(299)	(1,175)	(299)
Net increase (decrease) in short term debt issues	(970)	1,905	(1,005)	1,351
Dividends paid	(502)	(452)	(502)	(448)
Payments from provisions	(10)	(59)	(11)	(54)
Net increase (decrease) in payables due to other financial institutions not at call	(869)	325	(869)	325
Net increase (decrease) in securities sold under agreements to repurchase	(52)	(783)	(52)	(783)
Proceeds from (repayment of) loan capital	-	-	-	-
Other	(496)	(207)	(185)	(208)
Net Cash provided by Financing Activities	3,263	7,747	2,020	5,703
Net Increase (Decrease) in Cash and Cash Equivalents	(1,355)	(983)	(1,440)	(861)
Cash and Cash Equivalents at beginning of year	3,318	4,301	3,415	4,276
Cash and Cash Equivalents at end of year	1,963	3,318	1,975	3,415

For further information, refer Annual Report to Shareholders - 1998 Financial Statements.

Notes to and forming part of the accounts

for the year ended 30 June 1998

NOTE 1 Accounting Policies

The accompanying concise financial statements have been derived from the annual statutory financial statements of the Commonwealth Bank of Australia and its controlled entities, the Economic Entity, for the year ended 30 June 1998 provided in the Annual Report to Shareholders - 1998 Financial Statements. The statutory financial statements comply with the requirements of the Banking Act, Corporations Law, applicable Accounting Standards and other mandatory reporting requirements so far as they are considered appropriate to a banking corporation.

A full description of the accounting policies adopted by the Economic Entity is provided in the Annual Report to Shareholders - 1998 Financial Statements.

	ECONOMIC ENTITY	
	1998 \$M	1997 \$M
NOTE 2 Abnormal Items		
Abnormal expense items:		
Restructuring costs	200	-
General provision charge for bad and doubtful debts	370	-
Write down of computer equipment	-	200
Total Abnormal Items Before Tax	570	200
Abnormal tax expense (credit) items:		
Restructuring costs	(72)	-
Tax effecting general provision	(337)	-
Write down of computer equipment	-	(72)
Total Abnormal Income Tax Expense (Credit)	(409)	(72)
Total Abnormal Items After Tax	161	128

Restructuring Costs

Restructuring costs of \$200 million (\$128 million after tax) have been charged to profit and loss in the year ended 30 June 1998.

The components of this abnormal restructuring charge include the information technology transition to EDS (Australia) and other outsourcing arrangements, further rationalisation of processing and administration functions, implementation of the new organisational structure and reconfiguration of delivery systems. Each of these programmes has associated costs, principally in the areas of redundancy and property.

General Provision Charge for Bad and Doubtful Debts

With effect from 1 January 1998, the Economic Entity has refined the methodology used to estimate the provisions for impairment by adopting a statistically based technique referred to as Dynamic Provisioning. This takes into account historical loss experience and current economic factors to assess the provisioning requirement over the term to maturity of the existing credit portfolios. Initial adoption of this technique resulted in an abnormal expense for bad and doubtful debts of \$370 million in respect of the general provision which has been charged to profit and loss in the year ended 30 June 1998.

Subsequent requirements for specific provisions will be funded via the general provision. Accordingly, it is appropriate to tax effect the general provision, refer below.

Tax Effecting General Provision for Bad and Doubtful Debts

The general provision for bad and doubtful debts has been tax effected as at 1 January 1998. This reflects the adoption of a balance sheet risk based dynamic provisioning methodology which satisfies the recognition requirement that utilisation of the provision be assured beyond reasonable doubt.

An abnormal credit to tax expense of \$337 million has been booked to profit and loss in the year ended 30 June 1998.

Concise Financial Statements

Notes to and forming part of the accounts

	ECONOMIC ENTITY			
	\$M	1998 %	\$M	1997 %
NOTE 3 Financial Reporting by Segments				
(a) Geographical segments				
Revenue				
Australia	7,718	81.4	8,088	85.0
New Zealand	1,115	11.7	977	10.3
Other Countries	657	6.9	448	4.7
	9,490	100.0	9,513	100.0
Operating profit before tax				
Australia	1,221	91.0	1,454	90.0
New Zealand	148	11.0	128	7.9
Other Countries	(27)	(2.0)	34	2.1
	1,342	100.0	1,616	100.0
Operating profit after tax and outside equity interests				
Australia	1,044	95.8	990	91.9
New Zealand	73	6.7	63	5.8
Other Countries	(27)	(2.5)	25	2.3
	1,090	100.0	1,078	100.0
Assets				
Australia	110,120	84.4	101,202	84.3
New Zealand	10,846	8.3	9,994	8.3
Other Countries	9,578	7.3	8,907	7.4
	130,544	100.0	120,103	100.0
(b) Industry segments				
Revenue				
Banking	8,767	92.4	8,897	93.5
Life Insurance and Funds Management	214	2.3	202	2.1
Finance	509	5.3	414	4.4
	9,490	100.0	9,513	100.0
Operating profit before tax				
Banking	1,158	86.3	1,443	89.3
Life Insurance and Funds Management	81	6.0	74	4.6
Finance	103	7.7	99	6.1
	1,342	100.0	1,616	100.0
Operating profit after tax and outside equity interests				
Banking	940	86.2	941	87.2
Life Insurance and Funds Management	84	7.7	75	7.0
Finance	66	6.1	62	5.8
	1,090	100.0	1,078	100.0
Assets				
Banking	124,765	95.6	115,368	96.1
Life Insurance and Funds Management	427	0.3	359	0.3
Finance	5,352	4.1	4,376	3.6
	130,544	100.0	120,103	100.0

Other Countries are:

United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, Netherlands Antilles and Papua New Guinea.

These operations have a greater proportion of wholesale business with a funding base from predominantly wholesale markets where margins are very fine. The overseas balance sheet also supports trading activities.

The geographical segments represent the location in which the transaction was booked.

	ECONOMIC ENTITY	
	1998 \$M	1997 \$M
NOTE 4 Dividends Provided For, Reserved or Paid		
Interim dividend (fully franked) of 46 cents per share (1997: 45 cents)		
Provision for interim dividend - cash component only	231	231
Declared final dividend (fully franked) of 58 cents per share (1997: 57 cents)		
Provision for final dividend - cash component only	321	291
Dividends provided for payments in cash or paid	552	522
Appropriations to Dividend Reinvestment Plan Reserve		
Interim dividend	189	180
Final dividend	214	239
Dividends appropriated to Dividend Reinvestment Plan Reserve	403	419
Total Dividends Provided for, Reserved or Paid	955	941

Dividend Franking Account

The amount of franking credits available for subsequent financial years stands at \$474 million. This figure represents the extent to which future dividends could be fully franked at 36%, and is based on the Bank's franking account at 30 June 1998, which has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the 1998 financial year, franking debits that will arise from the payment of dividends proposed as at the end of the financial year and franking credits that the Bank may be prevented from distributing in the subsequent financial year, including \$25 million as a result of a compromise with the Australian Tax Office in respect of the buy back.

	ECONOMIC ENTITY	
	1998 c	1997 c
NOTE 5 Earnings Per Share		
Earnings Per Ordinary Share (basic and fully diluted)	117.2	117.5
	\$M	\$M
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit after income tax	1,110	1,100
Less: Outside equity interests	(20)	(22)
Earnings used in calculation of earnings per share	1,090	1,078
	Number of Shares	
	M	M
Weighted average number of ordinary shares used in the calculation of earnings per share	930	917

Concise Financial Statements

Notes to and forming part of the accounts

NOTE 6 Year 2000 Systems Compliance

As reported to the Australian Stock Exchange in May 1998, the Bank expects to have all key applications fully Year 2000 compliant by the end of 1998, with the majority of in house applications having already achieved compliance by June 1998.

The Bank has estimated rectification costs of \$115 million, to be expended over three years commencing July 1996. Expenditure to 30 June 1998 on the total programme is \$47 million.

The Bank is confident it will be ready for the change of the century, and believes that depositors' funds will not be at risk as a result of the Year 2000 issue.

NOTE 7 Contingent Liabilities

The Commonwealth Bank and its controlled entities are involved in a range of transactions that give rise to contingent and/or future liabilities. These transactions meet the financing requirements of customers and include endorsed bills of exchange, letters of credit, guarantees and commitments to provide credit.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions is not carried at a level which would have a material effect on the financial condition of the Bank and its controlled entities.

	ECONOMIC ENTITY			
	Face Value		Credit Equivalent	
	1998	1997	1998	1997
	\$M	\$M	\$M	\$M

Details of contingent liabilities and off balance sheet business are:

Credit risk related instruments

Guarantees	1,878	1,522	1,878	1,522
Standby letters of credit	396	808	396	808
Bill endorsements	455	525	455	525
Documentary letters of credit	474	423	95	85
Performance related contingents	1,120	957	560	478
Commitments to provide credit	22,693	19,346	8,069	6,851
Other commitments	975	1,993	945	1,939
Total credit risk related instruments	27,991	25,574	12,398	12,208

Derivatives

Exchange rate related contracts	172,506	155,023	8,625	4,561
Interest rate related contracts	129,533	126,870	1,733	1,250
Equity risk related contracts	449	558	10	9
Total Derivatives Exposures	302,488	282,451	10,368	5,820

Directors' Statement

The accompanying Profit and Loss Statement and Statement of Cash Flows for the year ended 30 June 1998 and the Balance Sheet as at 30 June 1998 and the notes thereto are in our opinion fairly presented as an abbreviation of the full financial report for the year. The full financial report is reported on by the Directors, who have stated that, in their opinion:

- The said Profit and Loss Statement and Statement of Cash Flows for the year ended 30 June 1998 and the Balance Sheet as at 30 June 1998 for the Commonwealth Bank of Australia are drawn up so as to give a true and fair view of the results and cash flows of the Company for the financial year and the state of affairs of the Company as at the end of the financial year and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
- The said consolidated financial statements of the Economic Entity, constituted by the company and the entities it controlled, have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and in particular give a true and fair view of the matters with which they deal.

The full financial report is accompanied by an independent audit report furnished by the Company's auditors, Ernst & Young, and the report is unqualified.

A copy of the full Annual Report to Shareholders will be provided without charge upon request at any time.



M A Besley AO
Chairman



D V Murray
Managing Director

12 August 1998

Independent Audit Report


To the members of the Commonwealth Bank of Australia.

Scope

We have audited the concise financial statements of the Commonwealth Bank of Australia for the year ended 30 June 1998 as set out on pages 36 to 45 in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion, the information reported in the concise financial statements is consistent with the annual statutory financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report to the members dated 12 August 1998. For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the annual statutory financial statements.



ERNST & YOUNG



S C Van Gorp
Partner

Sydney
Date: 12 August 1998

Shareholding Information

Top 20 Holders of Fully Paid Ordinary \$2 Shares as at 5 August 1998

Rank	Name of Holder	Number of Shares	%
1	Westpac Custodian Nominees Limited	48,776,181	5.31
2	Chase Manhattan Nominees Limited	42,848,634	4.66
3	National Nominees Limited	31,734,783	3.45
4	ANZ Nominees Limited	22,312,262	2.43
5	AMP Life Limited	18,003,415	1.96
6	Permanent Trustee Australia Limited	16,972,584	1.85
7	Queensland Investment Corporation Limited	15,933,080	1.73
8	SAS Trustee Corporation	13,339,813	1.45
9	Citicorp Nominees Pty Limited	12,736,190	1.39
10	Perpetual Trustees Victoria Limited	8,687,893	0.95
11	MLC Limited	7,891,628	0.86
12	National Mutual Trustees Limited	6,022,778	0.66
13	Mercantile Mutual Life Insurance Company Limited	5,755,977	0.63
14	CSS & PSS Board	5,264,259	0.57
15	Australian Foundation Investment Company Limited	4,381,615	0.48
16	Perpetual Trustees Nominees Limited	3,847,651	0.42
17	HKBA Nominees Limited	3,687,386	0.40
18	National Australia Financial Management Limited	3,585,656	0.39
19	Prudential Corporation Australia Limited	3,237,874	0.35
20	GIO Personal Investment Services Limited	3,179,434	0.35

The twenty largest shareholders hold 278,199,093 shares which is equal to 30.29% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia are listed on the Australian Stock Exchange under the trade symbol CBA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank.

Directors' Shareholdings as at 12 August 1998

	Shares	Options
M A Besley AO	10,602	-
J T Ralph AO	10,942	-
D V Murray	44,372	800,000
N R Adler	5,628	-
A C Booth	1,021	-
K E Cowley, AO	8,000	-
J M Schubert	2,152	-
G H Slee	1,269	-
F J Swan	1,908	-
B K Ward	1,660	-

Guidelines for Dealings by Directors in Shares

The restrictions imposed by law on dealings by Directors in the securities of the Bank have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by Directors, their spouses, any dependent child, family company and family trust. The guidelines provide, that in addition to the requirement that Directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price sensitive information, Directors are only permitted to deal within certain periods. Further, the guidelines require that Directors not deal on the basis of considerations of a short term nature or to the extent of trading in those securities.

Shareholding Information

Range of Shares (Fully Paid Ordinary \$2 Shares and Employee Shares): 5 August 1998

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1–1,000	274,879	66.21	127,317,297	13.80
1,001–5000	125,334	30.19	246,588,769	26.73
5,001–10,000	10,245	2.47	70,558,871	7.65
10,001–100,000	4,404	1.06	90,658,615	9.82
100,001–Over	303	0.07	387,534,722	42.00
Totals	415,165	100.00	922,658,274	100.00
Less than marketable parcel of \$500	6,289		83,016	

Voting Rights

Under the Bank's Articles of Association, each member present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- on a show of hands – to one vote; and
- on a poll – to one vote for each share held or represented.

If more than one proxy, attorney or official representative is present for a member:

- none of them is entitled to a vote on a show of hands; and
- the vote of each one on a poll is of no effect unless each is appointed to represent a specified proportion of the member's voting rights, not exceeding in aggregate 100%.

Domestic Representation

The members of the Bank's Executive Committee, listed below, are located at:

Level 3
48 Martin Place
Sydney NSW 1155

Postal Address:
GPO Box 2719
Sydney NSW 1155

Banking & Financial Services

Head of Products

Neville Cox

Telephone: (02) 9378 3237
Facsimile: (02) 9378 3087

Group Human Resources

General Manager

Les Cupper

Telephone: (02) 9378 3966
Facsimile: (02) 9378 3965

Institutional Banking

Head of Institutional Banking

Michael Katz

Telephone: (02) 9378 5903
Facsimile: (02) 9378 3023

Customer Service Division

Head of Customer Service Division

Alf Long

Telephone: (02) 9378 3372
Facsimile: (02) 9378 7007

Banking and Financial Services

Head of Banking and Financial Services

John Mulcahy

Telephone: (02) 9378 2673
Facsimile: (02) 9378 3585

Technology Operations and Property

Head of Technology Operations and Property

Russell Scrimshaw

Telephone: (02) 9378 3541
Facsimile: (02) 9378 3566

Financial and Risk Management

Group General Manager

Michael Ullmer

Telephone: (02) 9378 3211
Facsimile: (02) 9378 5201

International Representation

Australia

Head Office

48 Martin Place (Level 3)
Sydney NSW 1155
Telephone: (02) 9378 2000
Telex: AA 120345
Swift: CTBAAU2S
Facsimile: (02) 9378 3023

Head of Institutional Banking

M A Katz

New Zealand

Head Office

ASB Bank Ltd
ASB Bank Centre
Corner Albert & Wellesley Streets
Auckland
Telephone: (64 9) 377 8930
Telex: NZ60881
Facsimile: (64 9) 358 3511

Managing Director

R J Norris

Asia/Pacific

Beijing, China

2910 China World Towers
Beijing China World Trade Centre
1 Jianguomenwai Avenue
Beijing 100004
People's Republic of China
Telephone: (86 10) 6505 5350
Facsimile: (86 10) 6505 5354

Chief Representative

Y T Au

Shanghai, China

805 Union Building
100 Yan An Road (East)
Shanghai 200002
People's Republic of China
Telephone: (86 21) 6355 3939
Facsimile: (86 21) 6373 5066

Chief Representative

Y T Au

Hong Kong

1405-1408 Two Exchange Square
8 Connaught Place
Central
Hong Kong
Telephone: (852) 2844 7500
Telex: (852) 60466 CTB HX
Swift: CTB HK HH BKG
Facsimile: (852) 2845 9194

General Manager

S R J Holden

Singapore

50 Raffles Place #22-04
Shell Tower
Singapore 048623
Telephone: (65) 224 5132
Telex: RS 20920
Swift: CTBA SG SG
Facsimile: (65) 224 5812

General Manager

G E J Forte

Vietnam

Suite 202-203A
Central Building
31 Hai Ba Trung
Hanoi
Vietnam
Telephone: (84 4) 826 9899
Facsimile: (84 4) 824 3961

Chief Representative

P R Milton

Indonesia

11th Floor
World Trade Centre
JI Jendral Sudirman Kav 29-31
Jakarta 12920
Indonesia
Telephone: (62 21) 522 4424/5/6
Facsimile: (62 21) 522 4427

Chief Representative

P R Milton

Japan

8th Floor Toranomon Waiko Bldg
12-1 Toranomom 5-chome
Minato-ku
Tokyo 105
Telephone: (81 3) 5400 7280
Telex: J 28167
Swift: CTBA JP JTS
Facsimile: (81 3) 5400 7288

General Manager

A M Kershaw

Republic of Korea

(South Korea)
Based in Sydney Head Office
Telephone: (02) 9312 0972
Facsimile: (02) 9312 0987

Vice President

Australia/Korea Business

Moon-Ki Jung

Europe

United Kingdom

Senator House
85 Queen Victoria Street
London EC4V 4HA
Telephone: (44 171) 710 3999
Telex: 883864
Swift: CTBA GB 2L
Facsimile: (44 171) 710 3939

General Manager Europe

A J F Brown

Australian Financial & Migrant Information Service

Senator House
85 Queen Victoria Street
London EC4V 4HA
Telephone: (44 171) 710 3990
Telex: 883864
Swift: CTBA GB 2L
Facsimile: (44 171) 710 3998

Manager

B W Tilley

Grand Cayman

CBA Grand Cayman
PO Box 501
British West Indies

Americas

United States of America

599 Lexington Avenue (Level 17)
New York NY 10022
Telephone: (1 212) 848 9200
Telex: TRT 177666
Swift: CTBA US 33
Facsimile: (1 212) 336 7725

General Manager Americas

I M Phillips

we deliver

www.commbank.com.au



