Commonwealth Bank
of Australia

Annual Report 1999

This Annual Report includes the disclosure requirements for both Australia and the United States Securities and Exchange Commission (SEC). It will be lodged with the SEC as an Annual Report on Form 20F.

If as a shareholder you wish to continue to receive this Annual Report please complete the enclosed form.

All shareholders will receive a Report to Shareholders (Concise Financial Report), unless they request otherwise.

Commonwealth Bank of Australia
ACN 123 123 124

Financial Information and Analysis

For the year ended 30 June 1999

Form 20-F Cross Reference Index (for purpose of filing with US Securities and Exchange Commission)

(1) Not required in this Annual Report.
(2) (a)(b) None.
(3) (a)(b) none (c) not applicable (d) no changes.
(4) Not applicable as item 18 complied with.

Special Note Regarding Forward-Looking Statements

(Required in the context of filings with the US Securities and Exchange Commission.)

Certain statements under the captions ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’, ‘Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments, and Derivative Commodity Instruments’ and elsewhere in this Annual Report constitute ‘forward-looking statements’ within the meaning of the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements including economic forecasts and assumptions and business and financial projections involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include demographic changes, changes in competitive conditions in Australia, New Zealand, Asia, United States or United Kingdom, changes in the regulatory structure of the banking industry in Australia, New Zealand or Asia, changes in political, social and economic conditions in Australia, legislative proposals for reform of the banking industry in Australia, and various other factors beyond the Bank’s control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Review of Operations

Profits

$1,422 million after tax and before abnormal items, up 14% on 1997/98, and up 30% on 1997/98 after abnormal items.

The result reflects:

- increased lending volumes across all products;
- strong growth in financial services business;
- a one off profit on the sale of infrastructure assets;
- continued cost containment and productivity gains;
- increased coverage for impaired assets; and
- a strong performance by ASB Bank in New Zealand.

Net Profit ($m)

Earnings per Share

153.4 cents before abnormal items, up 14% on 1997/98 of 134.5 cents. 1996/97 earnings per share before abnormal items was 131.2 cents.

Assets

$138.1 billion, up 6% on 1997/98 of $130.5 billion, which was up from $120.1 billion for 1996/97.

The Group showed strong growth in its key lending products; Home Loans up 11% to $52.6 billion, Term Loans up 13% to $34.9 billion and Credit Cards up 13% to $2.7 billion. Balance sheet growth increased net interest earnings by $363 million, however, this was offset by a decline in interest margins reducing net interest income growth to $130 million.

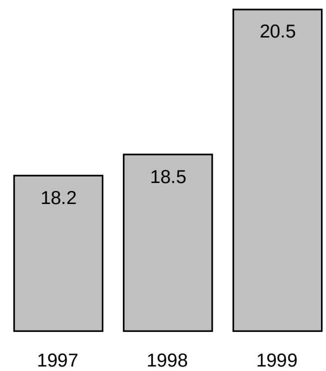
Dividends

The Bank continues to maintain its record of strong payout ratios with a 1998/99 dividend payout ratio of 75%. A final dividend of 66 cents per share, fully franked brought the total dividend for 1998/99 to 115 cents, up 11 cents from 104 cents for 1997/98. 1996/97 total dividend was 102 cents.

Return on equity

20.54% before abnormal items, up from 18.48% in 1997/98.

Return on Equity (%)
before abnormal items



Shareholders

Combining dividends and the appreciation in the value of the Bank's shares, total shareholder return for the year was 34.3% compared with 25.3% in 1998. The dividend yield based on 30 June 1999 share price of $24.05 and calculated on the 1998/99 dividends of 49 cents and 66 cents was 4.78%.

Over the last five years, the Bank has produced an annual return to shareholders in the top quartile of all banks within the Banks and Finance Index. Going forward, the aim is to retain this position.

Credit Ratings	Short Term	Long Term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch IBCA	F1+	AA
Moody's Bank Financial Strength Rating		B
Fitch IBCA Individual Rating		A/B

Capital Management

As part of its capital management program, the Bank also conducted a successful off market share buyback in March 1999. The Bank bought back 2.9% of its ordinary shares for $650 million. This brings the total of share buybacks to $2.3 billion since 1996.

Year 2000 Compliance

The Bank's Year 2000 compliance program is progressing to plan.

Goods and Services Tax

The Goods and Services Tax (GST) legislation was enacted on 8 July 1999, and will apply from 1 July 2000. The Bank has commenced a program to implement GST. With the exception of the areas of the Bank involved in general insurance and leasing services, the GST will not directly impact the Bank's services until 1 July 2000.

Strategic Vision And Business Goals

Strategic Vision: Commonwealth Bank aims to help customers manage and build wealth.

We will achieve this by:

Retaining our lowest cost structure

Competitive pressure from existing and new market entrants, together with new distribution technology innovations, will continue to impact on the margins in our traditional core businesses. Our strategic initiatives will remain focused on ensuring we retain our low unit cost structure advantage.

Key achievements

- Cost to Asset ratio has improved to 2.22%.
- Cost to Income ratio has improved to 55.6%.
- The Woolworths Ezy Banking initiative is being implemented to provide an alternative low cost distribution channel to meet the needs of our existing and new customers looking for a simple, fresh banking solution.
- Focus on telephone and online banking and financial solutions that provide more efficient service for a lower cost to the customer and the Bank.

Expanding our share of customers through online and direct leadership

Maintaining a competitive cost structure means growing our customer base for greater scale advantage. Internet-based products and services will be key growth businesses of the future, providing customers with superior offerings at lower cost. The Bank is currently at the forefront of these developments and is determined to continue to lead the way.

Key achievements

- The number of customers registered for Share Direct grew by 71%.
- **Net**Bank customers more than doubled to over 89,000.
- The number of customers registered for our direct (telephone) operations increased by almost 50% to 2.7 million.
- Establishment of eComm and development of detailed strategies for growing our online and direct businesses.
- Vodafone alliance for mobile phone banking.

Providing more of the financial services our customers need

Our customer base is the largest of any financial institution in Australia (7.7 million including 2 million young Australians) and we're continuing to grow. We can provide more of the financial services our customers need through a wider variety of products. This will be achieved through improving our understanding of the needs of each customer, focusing on improving service quality and efficiency, and developing new products and services that are better attuned to meeting these needs.

Key achievements

- Growth in funds under management to over $27 billion.
- Restructure of the retail Bank to support a customer-led business focus.
- Customer information management programme to provide a better understanding of customer needs.
- Listing of Commonwealth Property Office Fund.

Building offshore value

Our business has been focused on Australia and New Zealand. To maximise returns for shareholders we need to supplement this business with new revenue streams from larger and faster growing markets. As online communication technologies gather pace, financial services are increasingly becoming global in their reach and accessibility.

Our analysis suggests that the Bank is well placed in the technology revolution globally. As such, we are exploring options to leverage this 'know how' into emerging high growth online markets.

Our long term goal is to derive 25% of our market value from offshore businesses.

Key achievements

- ASB Bank, our presence in New Zealand, has continued to grow as a full service bank. During the year the life insurance and financial services company Sovereign Limited was acquired.
- Online entry strategies for other overseas markets are under consideration.

Implementing Best Practice People Management

Meeting the needs of our many customers and shareholders requires strong leadership, shared vision and a 'Make it happen' determination by our people. Our Best-Practice People Management strategy is about ensuring our people and business models are mutually self-reinforcing through:

- line-management leadership and accountability;
- fair treatment and safe work;
- appropriately recognising and rewarding contribution; and
- attracting the right people and developing their talent.

Key achievements

During the year a significant investment has been made in the rollout of a leadership program to establish a common framework for leadership behaviour across the organisation (over 3,000 executives and senior executives have participated in these training programmes).

Description of Business

Overview

Commonwealth Bank of Australia provides a wide range of banking, financial and related services primarily in Australia. These services include general banking, finance company activities, and life insurance and funds management. The Bank is Australia's largest bank in terms of housing loans and retail deposits and is the second largest in terms of Australian assets. The Group is one of the four major banking groups that collectively control approximately two-thirds of total assets within the Australian banking industry. At 30 June 1999, the Group had total consolidated assets of $138 billion and loans outstanding of $102 billion. The Group's net profit after tax was $1,422 million for Financial Year 1999.

The Group's banking operations contributed approximately 88% of its total net profit for Financial Year 1999 and represented approximately 95% of the Group's total assets at 30 June 1999. The Group's banking operations consist of the operations of the Bank, ASB Bank and Commonwealth Development Bank.

The operations of the core business functions of the Bank are carried out by Banking and Financial Services, Customer Service Division and Institutional Banking.

Banking and Financial Services is responsible for understanding the needs of our personal and business customers and the marketing and development of products and services. Products and services include banking, insurance and financial services, and are distributed to our customers by Customer Service Division.

The Customer Service Division is responsible for providing quality sales and service to the Bank's customers and managing the most extensive financial services distribution network in Australia. Services are provided to over 7.7 million customers through a national network of almost 100,000 service points, including the largest branch and agency network in the country (over 1,150 branches and 3,900 agencies and over 100 business banking centres as at 30 June 1999), 115 mobile bankers, over 2,600 automatic teller machines ('ATMs'), over 90,000 EFTPOS terminals and expanding telephone and on-line delivery services. Commonwealth Bank has Australia's most accessed financial services internet sites.

The Institutional Banking division focuses on Australasia's largest corporations, government bodies and other major institutions and has banking relationships with over 1,000 of these entities. Through a partnership approach to relationship banking, Institutional Banking delivers innovative and tailored financial solutions to its institutional clients.

The Technology, Operations and Property division operates as a discrete business unit to ensure that Bank staff dealing directly with customers are provided with best in class technology, infrastructure and support services and are able to focus on understanding and fulfilling customers' needs.

Over the last five years, the Group's return on equity has increased from 15.69% for Financial Year 1995 to 20.54% for Financial Year 1999. Over the same period the Group's return on average assets has increased from 1.01% to 1.06%. The Group has remained capitalised at over 9% of total risk weighted assets for the last five years, which is above the Reserve Bank regulatory requirement of 8%.

The Group's net interest margin has gradually contracted from 4.03% for Financial Year 1995 to 3.09% for Financial Year 1999. The outlook for the net interest margin remains subdued. Refer to 'Management's Discussion And Analysis Of Financial Condition And Results Of Operations'.

The re-engineering of the Bank's processes has seen branch and service centre numbers fall from 1,474 at 30 June 1995 to 1,162 at 30 June 1999, and staff numbers, on a full time equivalent basis, fall from 34,383 to 28,964 over the same period.

Staff productivity (total operating income per full time equivalent employee) has increased by 46% between Financial Year 1995 and Financial Year 1999 and total operating expenses versus total operating income has fallen from 61.3% in Financial Year 1995 to 55.6% in Financial Year 1999.

The following table sets forth a summary of the Group's key ratios for Financial Years 1995, 1996, 1997, 1998 and 1999.

Key Financial Data

	YEAR ENDED 30 JUNE				
	1999	1998	1997	1996	1995
Return on average shareholders' equity [(1)]	**20.54%**	16.10%	16.39%	16.27%	15.69%
Return on average total assets [(1)]	**1.06%**	0.87%	0.94%	1.06%	1.01%
Capital adequacy	**9.38%**	10.49%	10.89%	12.71%	11.15%
Net interest margin	**3.09%**	3.33%	3.53%	4.01%	4.03%
Full time staff equivalent	**28,964**	30,743	33,543	34,518	34,383
Branches/service centres (Australia)	**1,162**	1,218	1,334	1,390	1,474
Total operating income per full time (equivalent) employees (A$)	**190,720**	170,120	145,515	137,667	130,995
Total operating expenses/total operating income [(2)]	**55.6%**	58.1%	59.9%	59.4%	61.3%

(1) Calculations based on operating profit after tax and outside equity interests applied to average shareholders' equity.

(2) Total operating expenses excluding goodwill amortisation.

	YEAR ENDED 30 JUNE						
		1999		1998		1997	
	(A$ millions, except where indicated)						
	US$M		**%**		%		%
Geographic segments							
Revenue [(1)]							
Australia	**5,818**	**8,801**	**84.3**	9,514	84.3	9,484	86.9
New Zealand	**645**	**976**	**9.4**	1,115	9.9	977	9.0
Other Countries	**436**	**660**	**6.3**	657	5.8	448	4.1
	6,899	**10,437**	**100.0**	11,286	100.0	10,909	100.0
Net Profit							
Australia	**838**	**1,270**	**89.3**	1,044	95.8	990	91.9
New Zealand	**53**	**80**	**5.6**	73	6.7	63	5.8
Other Countries	**48**	**72**	**5.1**	(27)	(2.5)	25	2.3
	939	**1,422**	**100.0**	1,090	100.0	1,078	100.0
Assets (at year end)							
Australia	**76,364**	**115,510**	**83.6**	110,120	84.4	101,202	84.3
New Zealand	**8,625**	**13,046**	**9.5**	10,846	8.3	9,994	8.3
Other Countries	**6,306**	**9,540**	**6.9**	9,578	7.3	8,907	7.4
	91,295	**138,096**	**100.0**	130,544	100.0	120,103	100.0

(1) Revenue for this table represents total interest income plus total non interest income and proceeds from disposal of assets, refer Note 2 to Financial Statements for details.

The address of the Bank's principal executive office is 48 Martin Place, Sydney, New South Wales, 1155, Australia and its telephone number is (612) 9378 2000.

History and Ownership

The origins of the Bank lie in the former Commonwealth Bank of Australia which was established in 1911 by Act of Parliament to conduct commercial and savings banking business. Its functions were later expanded to encompass those of a central bank. Subsequent legislative amendment in 1959 created a separate Reserve Bank of Australia to take over the central bank functions.

In December 1990, the Commonwealth Banks Restructuring Act 1990 was passed, which provided for:

- the conversion of the Bank into a public company with a share capital, governed by its Memorandum and Articles of Association but subject to certain overriding provisions of the Banking Act - this conversion occurring on 17 April 1991;
- the Bank to become the successor in law of the State Bank of Victoria (SBV) - this occurring on 1 January 1991; and
- the issue of shares in the Bank to the public.

An offer of just under 30% of the issued shares in the Bank was made to members of the Australian public and staff of the Bank in July/August 1991 to strengthen the Bank's capital base following its acquisition of SBV and to provide a sound foundation for further development of the Bank's business.

Description of Business

In October 1993, the Commonwealth sold a portion of its shareholding in the Bank, thereby reducing its shareholding to 50.4% of the total number of issued voting shares.

In June/July 1996, the Commonwealth Government made a public offer of its remaining 50.4% shareholding in the Bank. The offer was fully subscribed. In conjunction with this offer, the Bank, pursuant to a buyback Agreement between the Bank and the Commonwealth of Australia, agreed to buyback 100 million shares in the Bank from the Commonwealth. The public offer and buyback were completed on 22 July 1996.

In connection with the public offer of the Commonwealth's shares in June/July 1996, transitional arrangements were implemented which provide that:

- all demand and term deposits will be guaranteed for a period of three years from 19 July 1996, when the Commonwealth of Australia ceased to hold more than 50% of the total voting shares in the Bank, with term deposits outstanding at the end of that three year period being guaranteed until maturity; and
- all other amounts payable under a contract that was entered into before, or under an instrument executed, issued, endorsed or accepted by the Bank and outstanding at 19 July 1996, would be guaranteed by the Commonwealth Government until their maturity.

Under the terms of an agreement reached between the Commonwealth and the Bank, the Bank will report to the Commonwealth annually on the level and maturity profile of outstanding liabilities which are subject to the Commonwealth's guarantee. The agreement also includes an undertaking from the Bank that it will not seek to extend the maturity profile of its deposit liabilities beyond that required in the normal course of business during the three years following the effective time. The liabilities of the Bank's subsidiary Commonwealth Development Bank Limited will continue to remain guaranteed by the Commonwealth. For full details of all guarantee arrangements refer Note 25 in the Financial Statements.

Australian Banking Operations

The overall structure of the Australian Banking operations is comprised of three main operating segments: Retail Financial Services, Institutional Banking and Corporate. Retail Financial Services is comprised of two divisions, Customer Services Division and Banking and Financial Services. Institutional Banking is a stand alone division, while Corporate comprises the divisions of Financial and Risk Management, Technology, Operations and Property, Group Human Resources and Group Planning and Development.

Banking and Financial Services

The Banking and Financial Services division is responsible for marketing services, product development and brand management for the retail and small and medium business segments. The division focuses on assessing customer needs and servicing those needs for banking, insurance, funds management and related products and services.

The Bank provides a full range of financial services to over 7.7 million customers throughout Australia, including savings and cheque accounts, demand and term deposits, credit cards, personal loans and housing loans, superannuation, and investment and life insurance products. The Bank offers a full range of commercial products including equipment and trade finance, and rural and agribusiness products. A team of trained and licensed investment advisers, conveniently located throughout the branch network, provide information and advice on financial and retirement planning.

Home lending forms a major part of the Bank's business and the Bank continues to be Australia's leading home loan provider. As the market leader the Bank offers a variety of home loan products to meet the requirements of over 900,000 Australians. The One Year Guaranteed Home Loan has proved very popular. This was complemented during the year by a series of zero establishment fee and interest rate offers that maintained our competitive position.

The Bank's leading position in the Personal Loan market was maintained during the year following a reduction in interest rates and processing improvements to increase the competitiveness of the product.

The Bank has approximately 544,000 relationships with small to medium enterprises, serviced through its branch and Business Banking Centre networks. Around 70% are very small businesses serviced through the branch network, while the larger enterprises are serviced by the network of 104 Business Banking Centres.

Commercial lending approvals to these clients were up 8.2% in Financial Year 1999 and the Bank has total commercial assets of $27.3 billion as at 30 June 1999.

A full range of products is offered to meet the diverse needs of the Bank's business customers. The Better Business Package offers reduced overdraft rates and an innovative range of product solutions, transaction accounts and business planning software. New features were added to the Commonwealth Bank Business Card during the year, reinforcing the product's unique positioning in the business finance market. Business customers can now choose between two types of revolving credit facility in addition to the standard purchasing card offering. Quickline users grew by 91% during the year, attesting to the fact that the software product provides business customers with the convenience and ease of completing banking transactions from their home or office, 24 hours a day, 7 days a week. A range of rural and agribusiness products along with equipment and trade finance is offered to meet various business needs.

The Commonwealth Bank was named *1999 Bank of the Year* in the *Personal Investor* awards announced on 28 July 1999.

The Bank has increased its focus on Internet and online financial services through the formation of **eComm**, an e-commerce centre of excellence that manages the Bank's online activities from strategy through to marketing.

The Commonwealth Bank already has around 200,000 online customers utilising its **Net**Bank, Share Direct, Funds Direct, Quickline and Diammond online services. Since its inception, **eComm** has also launched *Dot.comm*, an internet site designed to meet the needs of the youth market, and signed a partnership with Vodafone to provide a banking transaction service via Short Messaging Service direct to mobile digital handsets.

eComm will drive further development of Commonwealth Bank's online services and develop and manage partnerships in the online world. It will work across the Bank integrating the Group's banking, investment and broking services to the Bank's 7.7 million personal and business customers.

Housing Loans

The Bank's principal retail lending product is housing loans, most of which consist of financing the purchase of owner occupied housing. The Bank is Australia's largest lender for housing with approximately 900,000 home loan customers and $45.5 billion in outstanding balances as at 30 June 1999.

Historically in Australia, housing loans have been subject to a variable interest rate for a term from five to thirty years, secured by way of a first mortgage over the property being purchased. In more recent years the Bank has sought to provide its customers with additional choices in connection with its housing loans. In 1989, the Bank introduced a fixed rate housing loan product which now represents approximately 30% ($13.7 billion) of total housing loan outstandings. In December 1995 a Basic Variable Rate Home loan option (known as 'Economiser') was also introduced (September 1997 for Investment Home Loans). This allowed clients who did not require a full range of options (ie, split loans, portability, the ability to make unlimited special repayments) to reduce their interest rate. The Economiser now represents approximately 7% ($3.4 billion) of total housing loan balances. The Home Equity Facility (HEF) was relaunched in July 1997 to compete in the growing line of credit market. HEF has been very successful with balances of $1.4 billion as at 30 June 1999.

Investment Home Loans total $9.0 billion as at 30 June 1999, following strong growth of 36% in the year to 30 June 1999. The Bank in October 1998 released an interactive CD ROM 'Investment Place', a new step by step guide to all aspects of residential property investment. It assists clients throughout the decision, purchasing, maintenance and sales stages of an investment property and its financing.

It seeks to position the Bank as the leading provider of information and advice on residential property investment.

The Bank provides housing finance up to 80% of the value of the property. Above this level (to a 95% maximum), lenders' mortgage insurance would normally be taken out with the Housing Loan Insurance Corporation ('HLIC'). In June 1999, loans with total balances of $7 billion were covered by HLIC insurance, being 16% of the total portfolio.

Through Commonwealth Insurance Limited, a wholly owned subsidiary of the Bank, customers (not only Bank customers) can purchase home, contents and personal valuables cover at competitive premiums.

In the year to May 1999, the Bank increased its lead in market share (All Lenders) for home loan outstandings by 0.6% to be 4.0% ahead of its nearest competitor. Market share for May 1999 stands at 20.2% (All Lenders).

Intense competition is expected to continue to place pressure on the Bank's margin on housing loan products. Increased competition is expected also from new entrants to the rapidly growing online market. Margin income in 1998/99 has been affected by very aggressive pricing including widespread fee discounting. This is expected to continue during 1999/00.

Deposit Products

By continuing to maintain the broadest representation network of any bank in Australia, the Bank has a relative advantage over competitors in sourcing retail deposit funds. As at 30 June 1999, the Bank's retail deposit base stood at approximately $67 billion, making the Bank the largest holder of deposits in Australia, with a market share of 22% (RBA, May 1999). Term, demand and non interest bearing deposits accounted for 23.7%, 70.0% and 6.3% of this total respectively. There was a 3% shift in this deposit mix during the year towards lower interest cost products away from term deposits. This was a function of increased demand for the Award Saver product and a reduction in carded term deposits. Customer preferences caused a shift from fixed term to more flexible current accounts. Over the past five years the Bank's reliance on funding from domestic retail sources has remained relatively stable while its market share in this sector has fallen from over 24% to the current 22.5%, reflecting the increased competition within the banking industry and from the funds management industry.

Credit Cards

The Bank is the largest issuer of credit cards in Australia with approximately 2.34 million credit account holders (Visa, MasterCard and Bankcard) at 30 June 1999, approximately 50% more than the nearest competitor. The Bank's cardholder base grew by 3.7% during Financial Year 1999. Credit card outstandings grew by 13.2% to stand at $2.5 billion at 30 June 1999.

Description of Business

Competition in the credit card market has increased as it has become more segmented and niche driven by new entrants and the diversification by mortgage originators into this area. In addition, existing card issuing banks have continued to seek third party co-brand and alliance opportunities, adding to competition in credit card based loyalty reward programs. The Bank's own credit card loyalty program, 'True Awards', was launched during 1997 and has over 820,000 members to date.

In addition to its card offerings to the broader market, the Bank targets specific high net worth market segments through a range of 'affinity' card programs, including arrangements with several professional associations, such as the Australian Medical Association, and the Law Societies of NSW, Victoria and Queensland.

By virtue of its shareholding in Mondex Australia Pty Limited, the Bank is an original global founder in the Mondex smart card scheme and participated in MasterCard and Visa pilots of stored value cards in 1996. These are microchip based smart cards offering an electronic alternative to cash for small transactions. Management believes that smart card technology has the potential to offer significant benefits in terms of transmission processing efficiencies via the potential integration of customer information within the microchip, it also offers wider opportunities in terms of customer relationship development.

Financial Services

The Group provides funds management and life insurance products to a broad range of customers through its Commonwealth Financial Services (CFS) group of companies. Commonwealth Financial Services is the registered business name used by Commonwealth Life Limited (CLL), Commonwealth Funds Management Limited and Commonwealth Custodial Services Limited. Retail products are sold through the Bank's distribution network to over 557,000 customers (as at 30 June 1999). The Bank is continuing to integrate CFS products into its distribution system.

The Group is the fifth largest funds manager and second largest retail funds manager in Australia. Funds under management totalled $27.2 billion as at 30 June 1999, comprising retail funds of $15.6 billion and wholesale funds of $11.6 billion. Commonwealth Investment Management manages wholesale funds on behalf of major Australian companies, government funds, friendly societies and the Bank's staff superannuation fund. In addition, the group manages the funds of individual investors in the life company's statutory fund and through CFS' retail unit trust product range.

Approximately 800 trained and licensed investment advisers, located throughout the branch network, are available to meet the investment needs of clients. In Financial Year 1999 gross sales of $8.3 billion in managed products, superannuation and other investment products were achieved.

CLL offers term insurance policies, superannuation/pensions, annuities and investment products to the retail market. CLL is the sixth largest life insurance company in Australia and is the second largest rollover and personal superannuation manager as well as being the leading allocated pension fund provider. Annual life insurance premiums have grown by 19% over 1998/99, following growth of 24% in 1997/98.

Due to the fee based nature of the business, the main profit driver for the funds management company is the ability to increase funds under management while controlling operating costs.

The Bank is well under way in converting its unit trust business into managed investment schemes as required by the Managed Investments Act 1998. All fund managers must comply with the new law by 30 June 2000, however, it is our intention that the retail funds will be compliant with new law by October 1999.

Commonwealth Insurance Limited (CIL) (previously Commonwealth Connect Insurance Limited), is a wholly owned subsidiary of the Bank, specialising in general insurance.

CIL has been ranked 18 out of top 20 Private Direct General Insurers. This is the first time that the company has ranked in the top 20 (analysis undertaken by Deloitte Touche Tohmatsu, based on 1997 and 1998 Net Premium Revenue). Net Premium Income for 1999 increased by 16.4%.

CIL currently provides buildings, contents and personal valuables cover. CIL's customer base is predominantly comprised of Bank customers who have purchased insurance at a branch or as part of a home loan interview. Two thirds of new business is generated through the network in this manner; the remainder is generated directly with CIL's centralised call centre.

Initiatives undertaken during 1998/99 include expansion of flexible payment options to include automated monthly payment by credit card, 'Honeymoon' prices for new policyholders, as well as extending contents coverage to stand alone policies for owner occupiers and for renters. Simplified policy documents were introduced in November 1998 in conjunction with the company's name change to Commonwealth Insurance Limited.

Business Services

CBFC Limited ('CBFC'), a wholly owned subsidiary of the Bank, is a specialist provider of vehicle and equipment finance. CBFC's primary focus is on the business sector. Hire purchase, finance leases and operating leases, including fleet leasing arrangements, are the dominant product groups. The primary product distribution channel is the Bank's branch and business banking centre network throughout Australia.

CBFC has total assets of $5.5 billion principally comprising net loan receivables, representing a growth of 12% compared with 30 June 1998.

Equipment finance receivables are well spread with the maturity of outstanding receivables averaging less than three years.

CBFC finances its asset portfolio through the issue of secured debentures to retail investors (and wholesale investors to a lesser extent), and related party borrowings from within the Group.

Commonwealth Development Bank of Australia Limited ('CDBL')

CDBL was established to manage the outstanding assets of the former Commonwealth Development Bank of Australia ('CDB'), a statutory corporation of the Commonwealth of Australia whose initial share capital was 92% owned by the Bank and 8% owned by the Commonwealth. The Bank purchased the Commonwealth's 8% share of CDB in July 1996. Principal activities of CDB were the provision of finance and advice to the small business market in Australia, including primary producers. CDBL is not writing new business and its assets have decreased progressively due to maturity and repayment.

As at 30 June 1999, CDBL has total assets of $342 million and shareholders' equity of $84 million. Operating profit after tax for the year was $11 million.

Alliances

In December 1998, the Bank signed a 10 year strategic alliance agreement with a major Australian retailer, Woolworths Limited, to deliver co-branded financial services products through its 640 retail outlets. Woolworths has the largest share of the Australian retail grocery market and the alliance will further enhance the Bank's position as Australia's most accessible bank. The co-branded products will be developed and serviced by the Bank and distributed through Woolworths' outlets. Customer financial contracts arising via the alliance will be obligations of the Bank, and the Bank will maintain all customer information. The Bank also has a number of existing in-store branches with Franklins Ltd, another major Australian retailer.

The Bank has also entered into an alliance with Vodafone to supply financial services information via the Vodafone network to mobile telephony.

The Bank has entered into a two year agreement with ninemsn as a preferred supplier of financial services to their sites. The ninemsn sites are the most visited Internet sites in Australia.

Customer Service Division

Customer Service Division is responsible for providing quality sales and service to the Bank's customers and managing the largest financial services distribution network in the country. The network includes the largest number of branches and agencies, proprietary ATMs and EFTPOS terminals as well as an expanding array of telephone and direct/online services. The distribution network provides sales and service related functions to customers embracing the full range of financial products and services such as savings and cheque accounts, demand and term deposits, credit card services, personal loans and housing loans as well as superannuation, investment and life insurance products. The sale of various commercial products – Electronic Services (such as EFTPOS, Diammond, BPay™), Equipment Finance (CBFC, Leaseway, Fleetcare), Commercial Products (Factoring, Trade Finance, Business Asset Finance) and Rural/Agribusiness products/services also fall under the responsibility of Customer Service Division.

Within the Division, Direct Banking operates one of the largest call centre and help desk operations in Australia handling over 6.4 million calls per month. Approximately 1,300 telephone service and support staff are employed to answer customer enquiries and to promote and sell a range of financial products and services.

Customer Service Division operates through an Australia wide network of over 1,150 branches, approximately 100 business banking centres, over 2,600 ATMs, over 90,000 EFTPOS terminals, 115 mobile bankers and expanding telephone and online delivery services. The Bank's branch and service centre network is complemented by over 3,900 agencies (primarily Australia Post offices) offering a more limited range of banking services. The majority of the Bank's branches and agencies are located in the eastern states of Australia.

Electronic Banking: Over recent years the Bank has made good progress in reducing the costs of providing retail transaction services by migrating customer transactions out of the more costly branch network to electronic and telephone channels. The ratio of customer initiated branch to electronic transactions has improved from 40/60 in June 1995 to 22/78 in June 1999.

The Bank continues to invest in the development and expansion of its electronic distribution network. The Bank operates the largest proprietary ATM network in the country, with terminal numbers increasing by 4% during Financial Year 1999 to over 2,600 as at 30 June 1999. The ATM network currently handles approximately 680,000 transactions a day, an increase of 8% since 30 June 1998. In addition to this terminal network, the Bank has reciprocal arrangements with banks, credit unions and building societies allowing our customers access to almost all ATM's in Australia.

The Bank maintains an extensive EFTPOS network allowing the Bank's debit and credit cardholders to directly debit the cost of their purchases from retailers such as supermarkets, service stations and fast food chains. Cash withdrawal facilities are also available through the EFTPOS network. The Bank's EFTPOS terminal population continues to grow rapidly with terminal numbers increasing 10% over the year, to over 90,000.

EFTPOS in Australia permits customers of any of the country's banks to utilise the system. At 31 March 1999 the total domestic EFTPOS terminal population numbered over 250,000 with the Bank accounting for some 35% of all terminals at that time.

Description of Business

In addition to its domestic ATM and EFTPOS networks, the Bank is also a member of the international MasterCard, Cirrus/Maestro and VISA Plus International networks providing its customers with access to over 460,000 ATMs and 4.1 million EFTPOS terminals worldwide.

Telephone Banking: The Bank provides a comprehensive range of services via the telephone, offering customers access to account and product details and the ability to transfer funds seven days per week. The Bank's telephone-based Customer Service Centres averaged more than 1.4 million calls per week during Financial Year 1999, an increase of almost 50% over the previous twelve months. Sales through the telephone channel also increased significantly during the year.

Mobile Banking: As at 30 June 1999 the Bank had 115 Mobile Bankers, providing customers with the flexibility to apply for a home loan at a time and location convenient to them.

Internet Banking: Customers can also access the Bank's internet banking service – **Net**Bank (at www.commbank.com.au) to transfer funds between accounts, pay bills, view statements and apply for home loans or credit cards. The number of customers using **Net**Bank more than doubled over the year to over 89,000 and the annual number of transactions increased to 13.8 million.

Technology, Operations and Property

The Group functions of Group Technology, Banking Operations and Commonwealth Property operate as a discrete business unit to ensure that Bank staff dealing directly with customers are provided with best in class technology, infrastructure and support services and are able to focus on understanding and fulfilling customers' needs.

The Bank's Group Technology area facilitates the delivery of current and future information technology and telecommunications services for the Group. Its activities are focused on the management of the relationship with our technology partner EDS Australia, with the objective of ensuring that the Group's business units continue to be provided with the most responsive, flexible and cost efficient service. The Group outsourced its information technology requirements to EDSA for an initial ten year period in October 1997, and acquired a 35% equity position in EDSA. To date the outsourcing arrangement with EDS has reduced costs, improved service levels and opened up a number of new joint business opportunities.

Banking Operations' primary purpose is to provide a full service item processing and back office/operational support function. Specialist centres across Australia process cheques, vouchers, financial services transactions, home, personal and business loans, credit cards and international payment/trade transactions, and manage the prevention of fraud and arrears. The focus across all processing centres is to continually improve productivity using economies of scale, site consolidation, process improvement, benchmarking comparisons, best practice management techniques and improved technology. An emerging opportunity has seen several external organisations outsourcing their processing work to the Bank, enabling further improvement in internal efficiencies through increasing scale. The vision is to be, by measure and reputation, the best practice processor in terms of cost, speed and quality.

At 30 June 1999, Banking Operations comprised 10 operations processing centres, 5 loan processing centres, 5 international trade processing centres, a cards operations centre and employed approximately 4,200 staff.

Description of Property

The Bank operates a large retail based network extending throughout Australia and, as a result, it has a substantial holding of freehold land and buildings. These premises, which include major owned commercial properties, other properties, including branches and other administration centres and residences, had a carrying value at 30 June 1999 of $709 million (1998: $1,337 million). This carrying value is established by the Directors based on an annual revaluation of the portfolio to assessed values and taking into account prevailing economic conditions. It is established at or below the independent market valuation amount.

The Commonwealth Property Division is responsible for the management of the Group's freehold and leasehold properties and all aspects of facilities management. The Group also includes the property investment funds management operation, making it one of the leading funds management groups in Australia. The Group manages both listed and unlisted funds for wholesale and retail property investors.

Commonwealth Property is a highly skilled property investment and corporate real estate services group. Its focus is on improving returns to investors and corporate owners of real estate. The group also provides facilities management services to the Bank, with an emphasis on achieving reduced occupancy costs for the Bank.

The Commonwealth Property Office Fund, with total assets of $633 million, was listed on the Australian Stock Exchange. Certain properties previously owned by the Bank were sold into the Fund. The Bank does not hold any ownership interest in the Fund.

As at 30 June 1999 Commonwealth Property had $3.4 billion property funds under management.

Institutional Banking

The Institutional Banking division focuses on Australasia's largest corporations, government entities and other major institutions. In addition, Institutional Banking provides specific products to the Banking and Financial Services' customers of the Bank. The products offered by Institutional Banking facilitate the linking of providers and users of capital. Products include financial markets, securities underwriting, trading and distribution, corporate finance, equities, payments and transaction services, investment management and custody.

Using its international network, the Bank provides Financial Markets products on a 24 hour basis. These include the structuring and delivery of foreign exchange, money market and short term securities trading, fixed interest trading, and derivatives thereon. The Division's international strategy is to maintain the Bank's presence in major financial centres and facilitate financial markets business through contact with clients and major investors, including multinational corporations with interests in Australasia.

Financial Markets' overall income was $370 million of which 78% was non interest income. Underlying trading income increased by 13% over the prior corresponding year. A provision for market and liquidity risks has been raised. The increase was broadly based across interest rate and currency markets. Trading activities capitalised on the global decline in interest rates over most of the year.

The introduction of the Euro in January went without incident. Whilst some European countries experienced payment problems initially, the Bank's payments ran smoothly from the start. Many corporations also began utilising the new currency immediately.

During the year, the range of Currency and Interest Rate Option products the Bank is able to offer has been expanded. We have also extended the range of currency pairs where we are prepared to make option prices. This has substantially improved our ability to develop customised solutions specifically tailored to individual client requirements. They have enhanced our core revenue streams and helped to build our image in the minds of clients as an innovative bank capable of providing unique solutions to the most complex of financial problems.

The Bank has also introduced an FX Margin product, which provides clients with the ability to deal in Foreign Exchange, whilst ensuring the Bank's credit exposure is fully collateralised.

The Bank has achieved leading arranger and underwriter status in the Australian bond market. The largest corporate bond transaction for the year was the Australia Post $530 million offering which was lead managed by the Bank. The 5 and 10 year financing was highly successful, setting new benchmarks for duration, credit quality and liquidity in the local bond market.

The Bank's pioneering work on the Kangaroo bond market continued, with a key lead management role in the first $1 billion issue by Asian Development Bank. Lead manager and arranger roles were also mandated to the Bank by the AAA/Aaa rated Kreditanstalt fur Wiederaufbau (KfW), Frankfurt and Bayerische Landesbank of Munich.

In September 1998, the Bank arranged and lead managed a $303 million mortgage backed securities issue through the Medallion Trust, a master trust structure managed by the Bank's subsidiary, Securitisation Advisory Services Pty Limited. The securities are secured over a portfolio of residential mortgages owned by the trust and originated by the Bank. In June 1999, the Bank launched a $1.5 billion securitisation of Australian and offshore corporate credit exposures. This involved the issue of $180 million credit linked notes to institutional investors. The transaction involved the Bank entering into a credit swap with the Medallion Trust. This innovative transaction is a first for the Australian market and demonstrates the Bank's capital management capabilities.

Another initiative is the Coupon TIC synthetic instrument which securitises the yields available in the swap market. It has been developed as a service to our institutional clients looking for higher yields in the short term fixed interest market.

During the year the Bank established a commodities and energy desk to provide risk management capabilities for clients in these markets. A key feature of this initiative is the establishment of an alliance with ScotiaMocatta (a member of Canada's Scotiabank Group). Under this arrangement ScotiaMocatta provides hedging facilities to the Bank in the precious and base metals markets. ScotiaMocatta is a global leader in bullion banking and base metals trading.

The Bank recently announced that it was the first Australian bank to obtain a full Japanese Securities registration to strengthen its ability to offer Japanese investors' access to Australian and NZ debt markets. The dual banking and securities presence will facilitate the development of the Bank's financial markets business to a wider range of Japanese investors under recent deregulated requirements.

The Bank has continued to operate successfully in the increasingly competitive infrastructure and privatisation markets, completing a number of deals in Australia and New Zealand for property development and financing as well as significant utilities funding.

IB Transaction Services is looking to the latest Internet technologies to significantly enhance the way information is transmitted between the Bank and its clients. This will encompass payment instructions and other transactional/information activities where traditional forms of communication currently dominate, further enhancing the Bank's positioning in eCommerce.

Credit Lyonnais

In July 1999 the Bank acquired Credit Lyonnais Holding Australia Limited. Within this group, Credit Lyonnais Australia Limited (a money market corporation) is the only operating entity. Whilst a modest acquisition for the Bank, value will derive from the existing loan portfolio and niche activities including securitisation and various structured finance activities.

Description of Business

Infrastructure Sales

During the year the Bank sold its equity investments in Statewide Roads (M4 Tollroad) and Interlink (M5 Tollroad). This sale represents the conclusion of the Bank's joint sponsorship role in developing these landmark private sector transport projects. As joint sponsor, the Bank took an innovative role by participating in the initial tender, the design and construction phase as well as the commencement of successful operations. The Bank sold its interests to institutional investors, including Hastings Fund Management with whom an ongoing relationship is maintained.

Computer Fleet

In October 1998 the Bank established a 15 year exclusive alliance with Computer Fleet Management Pty Ltd to provide information technology leasing and asset management services to corporate and government organisations throughout Australia and New Zealand. The alliance combines the Bank's strength in cost effective leasing solutions with Computer Fleet's world leading technology and value added services. Computer Fleet employs a unique management tool, AssetXpress, which enables clients to keep an online register of their technology assets. Success has been substantial and the business is expected to continue to grow.

Commonwealth Securities Limited

Commonwealth Securities, known as ComSec, continued to grow strongly, achieving the number one ranking out of 90 brokers in terms of trading activity in May 1999. It currently employs 255 full time staff, which is an increase of 126 over the comparable date last year. This is due to the growth in the business requiring additional staff for client inquiries. The share of total number of transactions on the ASX in June 1999 was 7.1% compared to 4.1% in June 1998.

For the year, ComSec processed almost 800,000 transactions, split evenly between telephone and Internet orders. The Internet represents an increasing proportion of total trades. In June 1999, the total average daily number of trades was 3,200 with the Internet representing 51.7% of the total.

ComSec has developed a fledgling Advisory business, which currently has 12 advisers, 8 based in Sydney and 4 in Melbourne.

Funds Direct

This initiative was launched on 24 February 1999 as an Internet site providing clients with a sophisticated tool to analyse, compare and purchase investments in more than 250 managed funds from 28 leading Australian fund managers. Investors utilising this Internet facility pay little or no entry fees if they choose to invest in one of the funds. The Funds Direct site receives an average of 800 visitors per day. Since launch, over 14,000 prospectuses have been ordered and over 2,000 investments made.

Margin Lending

Launched in January 1999 to continue to provide our clients with access to debt funding of equities and unit trust investments, this initiative has had an excellent response.

US Share Trading

To meet the demands of clients for international investment opportunities, Commonwealth Securities launched a 24 hour service for trading shares on the major US Stock Exchanges including the New York Stock Exchange and NASDAQ. It was launched on 30 March 1999 and already over 500 clients have registered to use the service. It also provides a stock custody service in co-operation with the Bank of New York.

Commonwealth Direct Investment Account

On 21 June 1999, the Bank launched a new and enhanced investment account designed to meet the special needs of investors who trade securities, particularly those who trade on the Internet.

Investment Management and Administration

The Commonwealth Bank Group's investment management activities are a separate business unit within Institutional Banking. Commonwealth Investment Management is one of the top five institutional investment managers in Australia. Client funds under management as at 30 June 1999 total $27.2 billion of which $11.6 billion are wholesale funds. Over the 12 months to June, the business experienced significant success in attracting new business with growth in funds under management of almost $5.2 billion. The business was awarded first place in the Global Unit Trusts category of *Money Management's* 1998 Fund Manager of the Year award, and third place overall.

Fund Services provides wholesale investment administration and custody services to the Commonwealth Bank investment management business and to external fund managers, superannuation funds and offshore investors in Australia. As at 30 June 1999, Fund Services administered over $41 billion of assets. The group is poised for growth over the coming year with the implementation of the Managed Investments Act, the growing trend for investment managers to outsource their back office processes and an increase in the use of master custodians by superannuation funds.

New Zealand Banking Operations

The Bank's operations in New Zealand have been restructured with the formation of the ASB Group Limited comprising the primary operating entities of ASB Bank Limited and Sovereign Limited. ASB Group Limited is a 75% owned subsidiary of the Bank with the remaining 25% held by the ASB Bank Community Trust, an independent entity within New Zealand. An arrangement exists between the Bank and the Trust giving each preemptive rights over the other's shareholding in the event of a desire to sell by either party.

ASB Bank is New Zealand's longest established bank. It was founded in 1847 and for most of its history was a regional savings bank servicing the Auckland and Northland areas of New Zealand. ASB Bank now provides personal, business and rural banking services through a network of 122 branches throughout New Zealand. ASB Bank employs approximately 2,700 people on a full time equivalent basis.

ASB Bank's primary business is retail banking with lending for housing, its largest single line of business. ASB Bank accounts for approximately 4.9% of Group net income in Financial Year 1999 and 9.3% of total assets. Compared with the Bank's operations in Australia, ASB Bank has a larger proportion of its business in retail banking and correspondingly less in corporate and institutional banking.

At 30 June 1999, ASB Bank had total assets of NZ$14.8 billion ($11.9 billion) and total advances of NZ$12.5 billion ($10.1 billion). ASB Bank's net profit for the year to 30 June 1999 was NZ$116.9 million ($94.1 million), an increase of 8.3% compared with the NZ$107.9 million ($93.7 million) net profit for the year to 30 June 1998.

On 4 December 1998, the Group acquired the publicly listed New Zealand life insurance and financial services provider Sovereign Limited for NZ$238.4 million ($205 million). Sovereign Limited operates as a stand alone company maintaining its own brand profile. The acquisition of Sovereign will complement the operations of ASB Bank through innovative life assurance activities.

Sovereign is a leading provider of personal risk assurance business with total premium income, including superannuation, of NZ$397 million ($320 million) for the fifteen months ending 30 June 1999. Sovereign currently accounts for 15% of all new personal life insurance business generated by the New Zealand insurance industry. This includes a 19% share of the term life assurance market. Other business activities include funds management.

Competition

The Australian banking market is highly transparent and competitive. The banks, life companies and non bank financial institutions compete for customer deposits, the provision of lending, funds management, life insurance and other services.

Banks in Australia can be divided into three broad categories: major banks, regional banks and foreign-owned banks. CBA, NAB, Westpac and ANZ are typically referred to as Australia's major banks. Each of the major banks offers a full range of financial products and services through branch networks across Australia. In addition to their domestic operations, two of the major banks have significant operations and investments offshore.

The regional banks had their origins as either State government-owned banks or building societies whose operations were largely state-based.

At present, the regional banking sector is undergoing significant rationalisation and consolidation. Reflecting their state-origins, the small regional banks have typically limited their operations to servicing customers in a particular state or region. Increasingly, however, they are targeting interstate customers and expanding their operations across state borders. Some of the larger regional banks operate in several States. Typically their competitive advantage has been their local community focus.

At 30 June 1999, there were 31 foreign-owned banking groups operating in Australia through either a branch or locally incorporated bank subsidiary. Most of the foreign-owned banks initially focused their activities on the provision of banking services to the Australian clients of their overseas parent bank. Today most have now diversified their operations offering local clients a broad range of financial products and services.

The Bank also faces competition from non bank financial institutions, which compete vigorously for customer investments, deposits and the provision of lending and other services. Non bank financial intermediaries such as building societies and credit unions compete strongly in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. These State-based institutions are making headway in achieving multi-state coverage partly encouraged by a more conducive regulatory environment. Specialist non bank mortgage originators have acquired some prominence in the residential lending market.

A recent development has been the establishment of local single branch banks collectively referred to as 'community banks'. Their presence adds another dimension to the competitive dynamics of the market.

The Bank has for some time operated in the life insurance and funds management markets in competition with a range of non bank financial institutions. Similarly, non bank financial institutions (including life companies) have expanded their operations into banking, with a view to offering their customers a broad suite of financial services. International fund managers (and global investment banks) are also increasing their presence in Australia.

Changes in the financial needs of consumers, deregulation, and technology developments have also changed the mode of competition. In particular, the development of electronic delivery channels and the reduced reliance on a physical network facilitate the entry of new players from related industries, such as retailers, telecommunication companies and utilities. Technological change is encouraging new entrants with differing combinations of expertise and an unbundling of the value chain.

Deregulation has led to further disintermediation in the Australian finance industry. Traditionally, the banking industry has been the major intermediary between the providers of funds (ie depositors) and the users of funds (ie borrowers).

A significant factor in disintermediation in Australia has been the substantial growth in funds under management, especially within the superannuation (pension funds) industry.

The Australian Government's continued encouragement of long term saving through superannuation, by means of taxation concessions and a mandatory superannuation guarantee levy on employers, is expected to underpin strong growth in funds under management. This growth potential continues to attract new entrants to this market.

Description of Business

Growth in the funds management industry has also contributed to disintermediation through the direct use of capital markets by borrowers as an alternative to bank finance. The corporate bond market in Australia has benefited from this growth with many of the major Australian corporates directly accessing capital markets in Australia and around the world. The Bank, in competition with numerous domestic and foreign banks, is actively involved as an originator of corporate debt in the capital markets especially in the Euro-AUD and Euro-NZD sector and in the creation of new financing structures including as arranger and underwriter in major infrastructure projects undertaken by the corporate sector.

New Zealand banking activities are led by five financial services groups, all owned or largely owned by UK or Australian-based banks operating through nation-wide branch networks.

Like Australia, the New Zealand banking system is characterised by strong competition. Banks in New Zealand are free to compete in almost any area of financial activity. As in Australia, there is strong competition with non bank financial institutions in the areas of funds management and the provision of insurance services.

The Group's major competitors in New Zealand are ANZ, Bank of New Zealand (a wholly owned subsidiary of NAB), National Bank of New Zealand (a wholly owned subsidiary of Lloyds Bank plc) and Westpac Trust (a wholly owned subsidiary of Westpac). In addition, there are several financial institutions operating largely in the wholesale banking sector including Bankers Trust New Zealand Limited (now part of the Deutsche Bank AG Group) and AMP (Australia's largest insurance group).

With the acquisition of Sovereign Group, ASB Bank Group now competes in the New Zealand insurance and investment market, where Colonial Group, Royal Sun Alliance and Tower Corporation are additional major competitors.

By following a growth strategy, involving nationwide market expansion, a focused sales and service strategy and recruitment of additional specialist commercial and rural banking staff, the Bank's New Zealand subsidiary, ASB Bank has been able to significantly increase its market share in retail, commercial and rural banking during the past five years. ASB Bank is also diversifying its income streams with initiatives in direct banking, funds management and insurance services.

Employees

The Group currently employs approximately 29,000 permanent full time equivalent employees. Between 30 June 1995 and 30 June 1999 employee numbers decreased by approximately 5,400 measured on a full time equivalent basis.

In recent years, a significant change has occurred in the Australian labour market with a system of enterprise bargaining replacing the centralised wage fixation system.

Three Enterprise Bargaining Agreements (EBAs) covering Bank staff were ratified by the Australian Industrial Relations Commission in April 1998. These included a 'core' agreement covering the majority of staff, and separate agreements for the Bank's Direct Banking and Technology Operations and Property areas. These agreements are effective until April 2000.

Key outcomes of the agreements include:

- increased staffing flexibility to better meet customer needs through the removal of limits on the use of part time/casual staff, and through greater scope to redeploy staff in structural change;
- the establishment of an employment framework which supports future change through 3 separate EBAs, along with the potential to negotiate further site agreements as required. In addition, the current agreements provide scope to negotiate further changes to a range of employment systems to better align them with the Bank's business systems;
- maximisation of the variable proportion of employment costs through greater use of part time/casual staff and through increased use of performance based pay for targeted work groups; and
- containment of salary increases with a 3.5% increase in May 1998 and a further 4.5% in May 1999.

The identification and implementation of cost efficiency and staff reduction opportunities provided by the new agreements is being progressively implemented.

The Bank continues to offer individual Australian Workplace Agreements to managerial staff and to targeted work groups. The number of agreements signed thus far is in excess of 1,300. Once approved by the Employment Advocate, these agreements override awards and collective agreements.

In addition to the above, the Bank's 850 Senior Executive and Executive staff and over 1,000 specialists are on contract arrangements.

The Bank has made a significant investment in the rollout of a leadership program to establish a common framework for leadership behaviour across the organisation.

Going forward, the Bank will continue to place a high priority on enhancing its leadership capability, redesigning its employment systems to better align them with its business systems and securing and developing its talent pool for current and future needs.

Financial System Regulation

Australia has a high quality system of financial regulation by international standards. Following a comprehensive inquiry into the Australian financial system (the 'Wallis Inquiry'), the Australian Government introduced a new framework for regulating the financial system. The previous framework, which applied regulations according to the type of institution being regulated, resulted in similar products being regulated differently. The new functional approach regulates products equally regardless of the particular type of institutions providing them.

Since July 1998, the new regulatory arrangements have comprised three separate agencies: The Reserve Bank of Australia, the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission. Each of these agencies has system wide responsibilities for the different objectives of government intervention in the financial system. A description of these agencies and their general responsibilities and functions is set out below:

- Reserve Bank of Australia (RBA) - is responsible for monetary policy, financial system stability and regulation of the payments system;
- Australian Prudential Regulation Authority (APRA) - has comprehensive powers to regulate prudentially banks and other deposit-taking institutions, insurance companies and superannuation (pension funds). Unless an institution is authorised under the Banking Act 1959 or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking; and
- Australian Securities and Investments Commission (ASIC) - has responsibility for market conduct, consumer protection and corporate regulation functions across the financial system including for investment, insurance and superannuation products and the providers of these products.

Within the powers vested in them by the new legislation, the regulators are developing policies and streamlining regulations to give effect to the objectives of the functional approach to regulation and other Wallis Inquiry recommendations. In particular, guidelines for the regulation of conglomerates and access to the payments system are being developed in consultation with industry.

Financial market instability, particularly in various emerging market economies, has led to intense scrutiny of global financial markets and highly leveraged institutions. There is some pressure for fundamental reform of international financial architecture to avert future crises. Government officials and industry practitioners in Australia are actively involved in international fora in furthering these reforms.

Supervision of banks

The Bank is an authorised deposit-taking institution under the Banking Act and is subject to prudential regulation by APRA as a bank. The prudential framework applied by APRA is embodied in a series of prudential standards including:

Capital Adequacy

Under APRA capital adequacy guidelines, Australian banks are required to maintain a ratio of capital (comprising Tier 1 and Tier 2 capital components) to risk weighted assets of at least 8%, of which at least half must be Tier 1 capital. These guidelines are generally consistent with those agreed upon by the Basle Committee on Banking Supervision. For information on the capital position of the Bank, see ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy’.

Liquidity Management

For an explanation of the Bank’s liquidity policies, refer to Note 37 to the Financial Statements.

Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non bank, non-government clients do not exceed 30% of Tier 1 and Tier 2 capital. Prior notification must be given to APRA if a bank intends to exceed this limit. For information on the Bank’s large exposures, refer Note 14 to the Financial Statements.

Ownership and Control

In pursuit of transparency and risk minimisation, the Financial Sector (Shareholding) Act 1998 embodies the principle that regulated financial institutions should maintain widespread ownership. The Act applies a common 15 per cent shareholding limit for authorised deposit taking institutions, insurance companies and their holding companies. The Treasurer has the power to approve acquisitions exceeding 15 per cent where this is in the national interest, taking into account advice from the Australian Competition and Consumer Commission in relation to competition considerations and APRA on prudential matters. The Treasurer may also delegate approval powers to APRA where one financial institution seeks to acquire another.

The Government’s present policy is that mergers among the four major banks will not be permitted until the Government is satisfied that competition from new and established participants in the financial industry, particularly in respect of small business lending, has increased sufficiently.

Proposals for foreign acquisition of Australian banks are subject to approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975.

Banks’ Association With Non banks

There are formal guidelines which control investments by banks in subsidiaries and associates. A bank’s equity associations with other institutions should normally be in the field of finance. APRA has expressed an unwillingness to allow subsidiaries of a bank to exceed a size which would endanger the stability of the parent. No bank can enter into any agreements or arrangements for the sale or disposal of its business, or effect a reconstruction or carry on business in partnership with another bank, without the consent of the Commonwealth Treasurer.

In carrying out its prudential responsibilities, APRA closely monitors the operations of banks to ensure that they operate within the prudential framework it has laid down and that they follow sound management practices.

Description of Business

APRA currently supervises banks by a system of off-site examination. It closely monitors the operations of banks through the collection of regular statistical returns and regular prudential consultations with each bank's management. APRA also conducts a program of specialised on-site visits to assess the adequacy of individual banks' systems for identifying, measuring and controlling risks associated with the conduct of these activities.

In addition, APRA has established arrangements under which each bank's external auditor reports to APRA regarding observance of prudential standards and other supervisory requirements.

Supervision of non bank group entities

The operations of Commonwealth Life Ltd and Commonwealth Insurance Ltd (the life insurance company and general insurance company subsidiaries of the Group) also come within the supervisory purview of APRA.

APRA's prudential supervision of both life insurance and general insurance companies is exercised through the setting of minimum standards for solvency and financial strength to ensure obligations to policy holders can be met.

The financial condition of life insurance companies is monitored through regular financial reporting, lodgment of audited accounts and supervisory inspections. Compliance with APRA regulation for general insurance companies is monitored through regular returns and lodgment of an audited annual return.

Goods and Services Tax

The Goods and Services Tax (GST) legislation was enacted on 8 July 1999, and will apply from 1 July 2000. Sales tax will be abolished from that date, with delayed abolition of Financial Institutions Duty (FID) to follow from 1 July 2001 and debits taxes from 1 July 2005. The delay beyond 1 July 2000 in abolition of state taxes will result in estimated costs in 2000/01 of $190 million in FID and $200 million in debits tax. These costs are passed onto the Bank's customers. The Bank will incur FID and debits tax costs of $8.5 million pa in its own right.

Consistent with similar taxes in other jurisdictions, most of the Bank's activities will be 'input taxed', meaning that GST will not be added to the charge for the services to the customer, but the Bank cannot claim back GST charged to it by suppliers. Apart from areas of the Bank involved in providing general insurance and leasing services (which either receive upfront payments or face other 'transitional' issues), the GST will not directly impact the Bank's services until 1 July 2000.

Legal Proceedings

Neither the Commonwealth Bank nor any of its controlled entities is engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Commonwealth Bank or any of its controlled entities. Where some loss is probable an appropriate provision has been made.

Financial Review

Selected Consolidated Financial And Operating Data

						YEAR ENDED 30 JUNE
	1999	**1999**	1998	1997	1996	1995
		(A$ millions, except where indicated)				
Selected Consolidated Income Statement Data	**US$M**					
Australian GAAP						
Interest income	**5,120**	**7,745**	7,605	7,989	7,716	6,609
Interest expense	**(2,789)**	**(4,218)**	(4,208)	(4,597)	(4,319)	(3,445)
Net Interest income	**2,331**	**3,527**	3,397	3,392	3,397	3,164
Charge for bad and doubtful debts	**(163)**	**(247)**	(233)	(98)	(113)	(182)
Non interest income	**1,320**	**1,997**	1,833	1,489	1,355	1,340
Operating expenses (incl. Goodwill)	**(2,061)**	**(3,117)**	(3,085)	(2,967)	(2,863)	(2,799)
Operating profit before income tax and abnormal items	**1,427**	**2,160**	1,912	1,816	1,776	1,523
Income tax expense attributable to operating profit before abnormal items	**(472)**	**(714)**	(641)	(588)	(635)	(493)
Operating profit after income tax and before abnormal items	**955**	**1,446**	1,271	1,228	1,141	1,030
Abnormal (expense)/income before income tax	**-**	**-**	(570)	(200)	-	-
Abnormal income tax (expense)/credit	**-**	**-**	409	72	-	(28)
Operating profit after income tax and abnormal items	**955**	**1,446**	1,110	1,100	1,141	1,002
Outside equity interest	**(16)**	**(24)**	(20)	(22)	(22)	(19)
Net income	**939**	**1,422**	1,090	1,078	1,119	983
Earnings per share before abnormal items (cents)		**153.4**	134.5	131.2	115.2	109.2
Earnings per share after abnormal items (cents)		**153.4**	117.2	117.2	115.2	106.2
Dividends per share (cents)		**115**	104	102	90	82
Dividends payout ratio (%) [(1)]		**75.0**	77.3	77.7	78.1	75.1
Adjusted for US GAAP						
Operating profit after income tax	**988**	**1,494**	796	1,082	1,230	892
Earnings per share after abnormal items (cents)	**106.6**	**161.2**	85.6	118.0	127.0	96.5

(1) Dividends per share divided by earnings per share (before abnormal items).

Exchange Rates

For each of the Bank's financial years indicated, the year end, average, high and low Noon Buying Rates are set out below.

					YEAR ENDED 30 JUNE
	1999	1998	1997	1996	1995
		(expressed in US dollars per $1.00)			
At Period End	**0.6611**	0.6208	0.7550	0.7856	0.7108
Average Rate	**0.6273**	0.6809	0.7814	0.7628	0.7412
High	**0.6712**	0.7537	0.8180	0.8026	0.7778
Low	**0.5550**	0.5867	0.7455	0.7100	0.7108

On 5 August 1999, the Noon Buying Rate was US$0.6545 = $1.00.

Financial Review

						AT 30 JUNE
	1999	**1999**	1998	1997	1996	1995
		(A$ millions, except where indicated)				
Consolidated Balance Sheet Data (at year end)	**US$M**					
Australian GAAP						
Assets						
Cash and short term liquid assets	**1,199**	**1,814**	1,526	2,007	3,065	2,545
Due from other banks	**797**	**1,206**	3,448	4,839	5,713	5,033
Trading securities	**3,112**	**4,708**	4,009	2,635	2,883	4,812
Investment securities	**4,751**	**7,187**	6,858	9,233	8,394	7,596
Loans, advances and other receivables	**67,324**	**101,837**	89,816	81,632	70,042	62,707
Bank acceptances of customers	**6,394**	**9,672**	9,727	8,874	10,057	10,317
Statutory deposits with Central Banks	**630**	**953**	832	797	711	659
Property, plant and equipment	**662**	**1,001**	1,662	2,010	2,578	2,706
Investments in associates	**186**	**281**	276	-	-	-
Goodwill	**325**	**491**	531	574	574	608
Other assets	**5,915**	**8,946**	11,859	7,502	5,268	5,791
Total Assets	**91,295**	**138,096**	130,544	120,103	109,285	102,774
Liabilities						
Deposits and other public borrowings	**61,765**	**93,428**	83,886	77,880	71,381	67,824
Due to other banks	**2,148**	**3,249**	3,397	3,621	2,852	3,802
Bank acceptances	**6,394**	**9,672**	9,727	8,874	10,057	10,317
Provision for dividend	**312**	**472**	321	291	301	240
Income tax liability	**932**	**1,410**	1,099	925	1,050	898
Other provisions	**532**	**805**	875	835	858	874
Debt issues	**7,115**	**10,763**	10,608	10,154	6,673	4,921
Bills payable and other liabilities	**5,624**	**8,507**	10,746	7,698	5,992	5,602
	84,822	**128,306**	120,659	110,278	99,164	94,478
Loan capital (1)	**1,870**	**2,828**	2,996	2,801	2,754	1,601
Total liabilities and loan capital	**86,692**	**131,134**	123,655	113,079	101,918	96,079
Total Shareholders' Equity (2)	**4,603**	**6,962**	6,889	7,024	7,367	6,695
Adjusted for US GAAP						
Total Assets	**98,540**	**149,054**	139,460	128,253	116,375	108,885
Shareholders' equity (3)	**5,063**	**7,659**	7,631	7,783	8,062	7,235
Consolidated Operating Data (number) (at year end)						
Full time staff		**26,394**	28,034	30,566	31,455	31,333
Part time staff		**6,655**	6,968	7,364	7,964	7,602
Full time staff equivalent		**28,964**	30,743	33,543	34,518	34,383
Branches/service centres (Australia)		**1,162**	1,218	1,334	1,390	1,474
Agencies (Australia)		**3,934**	4,015	4,205	4,214	4,282

(1) Represents interest bearing liabilities qualifying as regulatory capital.
(2) Including minority interests.
(3) Exclusive of minority interests.

Consolidated Ratios and Operating Data	1999 US$M	1999	1998	1997	1996	1995
		YEAR ENDED 30 JUNE (A$ millions, except where indicated)				
Australian GAAP						
Profitability						
Net Interest Margin (%) [1]		**3.09**	3.33	3.53	4.01	4.03
Interest Spread (%) [2]		**2.69**	2.85	2.92	3.33	3.45
Return on average shareholders' equity [3]						
before abnormal items (%)		**20.54**	18.48	18.16	16.27	16.13
after abnormal items (%)		**20.54**	16.10	16.39	16.27	15.69
Return on average total assets [3]						
before abnormal items (%)		**1.06**	1.01	1.05	1.06	1.04
after abnormal items (%)		**1.06**	0.87	0.94	1.06	1.01
Productivity						
Total operating income per full time (equivalent) employee ($)	**126,085**	**190,720**	170,120	145,515	137,667	130,995
Staff expense/total operating income (%) [4]		**29.0**	31.0	34.0	33.3	33.8
Total operating expenses excluding goodwill amortisation/total operating income (%) [4]		**55.6**	58.1	59.9	59.4	61.3
Capital Adequacy (at year end)						
Risk weighted assets	**65,816**	**99,556**	94,431	86,468	77,246	70,383
Tier 1 capital	**4,642**	**7,021**	7,617	7,468	7,764	7,212
Tier 2 capital	**2,055**	**3,109**	2,666	2,437	2,297	917
Total capital [5]	**6,176**	**9,342**	9,902	9,418	9,822	7,847
Tier 1 capital/risk weighted assets (%)		**7.05**	8.07	8.64	10.05	10.25
Tier 2 capital/risk weighted assets (%)		**3.12**	2.82	2.82	2.97	1.30
Total capital/risk weighted assets (%)		**9.38**	10.49	10.89	12.71	11.15
Average shareholders' equity/average total assets (%)		**5.14**	5.70	5.79	6.63	6.64
Adjusted for US GAAP						
Net income as a percentage of year end:						
Total assets		**1.00**	0.57	0.84	1.06	0.08
Shareholders' equity		**19.51**	10.43	13.90	15.26	12.33
Dividends as a percentage of net income		**71.15**	119.97	86.97	67.64	86.64
Shareholders' equity as a percentage of total assets		**5.14**	5.47	6.07	6.93	6.65

(1) Net interest income divided by average interest earning assets for the year.

(2) Difference between the average interest rate earned and the average interest rate paid on funds.

(3) Calculations based on operating profit after tax and outside equity interests applied to average shareholders' equity/average total assets.

(4) Total operating income represents net interest income before deducting charges for bad and doubtful debts plus non interest income.

(5) Represents Tier 1 capital and Tier 2 capital less deductions under statutory guidelines imposed by the Reserve Bank of Australia. Deductions include investment in Commonwealth Life Limited, Commonwealth Insurance Limited, Commonwealth Funds Management Limited and IPAC Securities Limited and other banks' capital instruments.

Financial Review

					YEAR ENDED 30 JUNE	
	1999	**1999**	1998 [8]	1997	1996	1995
		(A$ millions, except where indicated)				
Consolidated Ratios And Operating Data	**US$M**					
Australian GAAP						
Asset Quality Data [1] [2]						
Non accrual loans [3]	**379**	**574**	742	797	997	1,504
Total impaired assets (net of interest reserved) [4]	**389**	**589**	742	797	1,062	1,583
Specific provisions for impairment [5]	**182**	**275**	279	241	318	511
General provisions for impairment	**715**	**1,081**	1,076	690	613	476
Net impaired assets (net of interest reserved)	**207**	**314**	466	556	744	1,073
Total provisions for impairment/average credit risk (%) [6]		**0.9**	1.0	0.8	0.9	1.0
Charge for bad and doubtful debts/average credit risk (%) [6]		**0.2**	0.2	0.1	0.1	0.2
Gross impaired assets/credit risk (%) [7]		**0.4**	0.5	0.6	0.9	1.5
Net impaired assets/total shareholders' equity (%)		**4.5**	6.8	7.9	10.1	16.0
Total provisions for impairment/gross impaired assets (%)		**230.2**	182.6	116.8	87.7	62.4
General provision for impairment/risk weighted assets (%)		**1.1**	1.1	0.8	0.8	0.7

(1) The Bank adopted the disclosure requirements for Impaired Assets contained in AASB 1032 'Specific Disclosures by Financial Institutions' with effect from the 1997 Financial Year. The policies introduced by the Bank with effect from 1 July 1994, incorporating the Reserve Bank guidelines issued in December 1993, meet the requirements of AASB 1032. Previous data for Financial Years 1995 and 1996 has been adjusted for comparative purposes with adoption of AASB 1032.

(2) All impaired asset balances and ratios are net of interest reserved.

(3) Non accrual facilities comprise any credit risk exposure where a specific provision for impairment has been raised, or is maintained on a cash basis because of significant deterioration in the financial position of the borrower, or where loss of principal or interest is anticipated.

(4) Total impaired assets comprise non accrual loans, restructured loans, Other Real Estate Owned (OREO) assets and Other Assets Acquired Through Security Enforcement (OAATSE).

(5) Specific provisions for impairment include provisions raised against off balance sheet credit risk.

(6) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year end balances.

(7) Gross credit risk less unearned income.

(8) Numbers and ratios for 30 June 1998 have been restated based on the amended definition of non accruals introduced with effect from 31 December 1998. When a client is experiencing difficulties the account is classified as a non accrual only where a loss is expected, taking into account the level of security held.

Segment Performance

Profit and Loss	Retail Financial Services A$M	Institutional Banking A$M	ASB A$M	Corporate A$M	Total A$M	US$M
	GROUP YEAR ENDED 30 JUNE 1999					
Net interest income	2,769	273	279	206	3,527	2,332
Fees and commissions	939	240	94	8	1,281	847
Trading income	-	253	18	2	273	180
Life insurance and funds management	223	16	7	8	254	168
Other income	59	75	9	46	189	125
Internal charges [1]	159	167	-	520	-	-
Total operating income	4,149	1,024	407	790	5,524	3,652
Provisions for impairment	172	62	11	2	247	163
Staff expenses						
Provisions (non cash)	33	4	1	4	42	28
Other	1,021	212	124	205	1,562	1,033
Total Staff expenses	1,054	216	125	209	1,604	1,061
Occupancy and equipment expenses						
Depreciation	109	8	25	3	145	96
Other	228	42	27	13	310	205
Total Occupancy and equipment expenses	337	50	52	16	455	301
Information technology services	366	104	21	14	505	334
Other expenses	280	48	47	131	506	335
Internal charges [1]	678	171	-	(2)	-	-
Total operating expenses	2,715	589	245	368	3,070	2,031
Amortisation of goodwill	7	-	-	40	47	31
Abnormal items	-	-	-	-	-	-
Profit before tax	1,255	373	151	380	2,160	1,427
Income tax expense	416	68	47	183	714	472
Outside equity interest	-	-	24	-	24	16
Profit after tax	839	305	80	197	1,422	939
Balance Sheet						
Total Assets	81,583	40,697	12,855	2,961	138,096	91,295
Total Liabilities	57,390	34,251	11,992	27,501	131,134	86,693

(1) Internal charges are eliminated on consolidation.

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Segment Performance continued

Profit and Loss	**Retail Financial Services**	**Institutional Banking**	**ASB**	**Corporate**	**Total**	
					GROUP	
					YEAR ENDED 30 JUNE 1998	
	A$M	**A$M**	**A$M**	**A$M**	**A$M**	**US$M**
Net interest income	2,730	242	282	143	3,397	2,109
Fees and commissions	834	223	90	3	1,150	714
Trading income	-	229	14	-	243	151
Life insurance and funds management	188	17	1	(1)	205	127
Other income	68	99	4	64	235	146
Internal charges [(1)]	141	140	-	556	-	-
Total operating income	3,961	950	391	765	5,230	3,247
Provisions for impairment	137	132	9	(45)	233	145
Staff expenses						
Provisions (non cash)	24	4	1	(4)	25	16
Other	1,047	191	111	248	1,597	991
Total Staff expenses	1,071	195	112	244	1,622	1,007
Occupancy and equipment expenses						
Depreciation	128	5	22	(23)	132	82
Other	234	48	30	29	341	212
Total Occupancy and equipment expenses	362	53	52	6	473	294
Information technology services	322	101	21	32	476	296
Other expenses	295	30	48	95	468	291
Internal charges [(1)]	672	168	-	(3)	-	-
Total operating expenses	2,722	547	233	374	3,039	1,888
Amortisation of goodwill	1	-	-	45	46	29
Abnormal items	-	-	-	570	570	354
Profit before tax	1,101	271	149	(179)	1,342	831
Income tax expense	374	78	50	(270)	232	144
Outside equity interest	-	-	25	(5)	20	12
Profit after tax	727	193	74	96	1,090	675
Balance Sheet						
Total Assets	75,329	41,622	10,793	2,800	130,544	81,042
Total Liabilities	56,894	35,928	10,147	20,686	123,655	76,765

[(1)] Internal charges are eliminated on consolidation.

Segment information for the financial year ended 30 June 1997 is not available in the above classifications. The Group undertook a major restructuring program during the financial year ended 30 June 1998. As part of the restructuring program, the previous business units of Personal Banking, Business Banking and Commonwealth Financial Services were reorganised into two new divisions: the specialist areas of marketing, customer segmentation and product development became the Banking and Financial Services Division, while the various distribution arms were brought together to form the Customer Services Division. The Institutional Banking Division remained largely unchanged. Retail Financial Services is comprised of two divisions, Customer Services Division and Banking and Financial Services Division. Corporate comprises the various head office functions as well as Technology, Operations and Property.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion is based on the Financial Statements as prepared under Australian GAAP and included on pages 49 through 151 of this Annual Report to Shareholders for the Financial Year ended 30 June 1999. A discussion of the differences between Australian GAAP and US GAAP, and the impact of those differences on the Financial Statements, is set out in Note 47 in the Financial Statements.

Overview

Business Description

The Commonwealth Bank is an integrated financial services business, providing a full range of banking and financial services to over 7.7 million Australians and 800,000 New Zealanders via its 75% owned New Zealand subsidiary, ASB Group Limited.

As at 30 June 1999, the Commonwealth Bank of Australia Group had:

- total consolidated assets of over $138 billion; and
- over $41 billion in assets under administration, including over $27 billion of funds under management.

The Group's operations are conducted primarily in Australia. For Financial Year 1999, Australia contributed 84% of revenue, 89% of net profit and at period end accounted for 84% of the Group's assets. The Group is represented internationally through branches in London, New York, Singapore, Tokyo, Hong Kong and Grand Cayman and representative offices in Beijing, Shanghai, Hanoi and Jakarta. It also has a joint venture arrangement with Bank Internasional in Indonesia.

The Group's revenue and net profit are principally derived from its banking operations, which comprise 92% of revenue and 88% of net profit on a Group basis for Financial Year 1999. However, fee based activities including insurance, funds management and finance operations represent a growing proportion of the Group's revenue and net profit (12% of net profit).

In a recent study, the Commonwealth Bank of Australia was ranked 17th among the major financial institutions in the world on the basis of its total shareholder return/risk performance and 26th in terms of creation of shareholder value.[1]

Economy

Being predominantly domiciled in Australia, the profitability of the Bank is significantly influenced by the state of the Australian economy, especially with regard to the level of interest rates, consumer and business confidence, and growth of the economy. The Bank's exposure to Asia represents only 2.7% of total Credit Risk. (The Bank has no direct exposure to Russia or Latin America. In addition, the Bank's exposures to Eastern Europe and the Middle East represent 0.1% of total Credit Risk.)

The current domestic economic outlook in Australia is for continued low inflation and low interest rates. The strong growth of the past year is currently forecast to continue but at a less buoyant pace. Momentum is expected to be maintained by respectable growth in consumer spending, underpinned by moderate growth in employment and real wages (secured against a backdrop of low inflation and robust productivity gains). The international outlook has improved although the situation is finely balanced. There are some encouraging signs in Japan and other Asian economies. Together with a strengthening in European growth, these trends should help offset any possible slowdown in the US economy. However, actual results could differ from these expectations due to a number of risks, uncertainties and other factors. See 'Special Note Regarding Forward – Looking Statements'.

Relatively low interest rates and strong competition for loans and deposit funds within Australia have placed pressure on interest margins. The competitive outlook is likely to see margins remain under some pressure.

In previous economic cycles, the interest rate environment had a beneficial impact on bank profitability through its effect on the overall level of economic activity. While the historically low levels to which interest rates have fallen has placed pressure on net interest margins, this has been accompanied by sound growth in financial assets and historically low levels of bad debts. Bank profitability has also been assisted by diversification into new fee based activities and material reductions in cost structures.

Assuming continued strong economic growth, albeit with some easing, low inflation and continued gains in productivity, the business outlook for financial services looks generally favourable.

The financial performance of the Bank is also influenced by government policies including the taxation regime and the level of regulation in the banking and financial services industries.

Strategy

The Group adopts a strong shareholder value driven focus. The Bank has a comprehensive and coordinated strategy in place to achieve its vision of helping its customers manage and build wealth. This vision is being pursued by leveraging its position as the leading distributor in Australia of a broad base of financial products and services with the largest customer base and lowest unit costs to help customers migrate rapidly into the world of online and direct distribution.

Brand

Technological changes allow financial service customers to undertake many of their banking activities remotely from bank branches. This reduced reliance on branches for customer services enables non banks to offer products and services which were formerly the province of banks, potentially weakening banks' existing customer relationships.

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1 Oliver Wyman and Company (1999)

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The need for the Group to retain a 'top of mind' relationship with customers is therefore paramount. The Group sees the consistent delivery of its brand vision as critical to its ongoing success, especially in an online environment. The Group has introduced a comprehensive brand strategy to align all its activities to deliver the Brand promise.

Lowest Cost Structure

The Commonwealth Bank's distribution network has undergone significant reconfiguration over recent years. Outlets have been realigned to meet the needs of personal and business customers, while technology and changing customer preferences have caused a major increase in the proportion of transactions provided by electronic channels. The Group continues to assist customers to migrate to lower cost forms of distribution made possible by technological advances.

Internally, the long term outsourcing/joint venture partnership with EDS is a key initiative aimed at reducing technology costs while remaining at the forefront of financial services business applications. The Group will continue to look for opportunities to enhance productivity through process-reengineering to maintain a productivity cost advantage. This will allow the maintenance of a low cost structure while it invests in the online business model. The Group continuously benchmarks its operations against world best practice to identify further efficiency gains.

Financial Services

Through a series of initiatives aimed at providing differentiated advice and decision support information together with a broader range of financial service offerings, the Group aims to better serve its large customer base to provide for the growing financial services needs of the Australian community.

By enhancing collection and use of customer information and packaging products and services around customer needs and major events in their lives, the Group seeks to increase the average number of products per customer.

This will enable the Group to increase the proportion of income from non bank businesses to assist in addressing the interest margin compression.

Online Financial Services

New technology is being embraced to provide more efficient and relevant services for clients, with an emphasis on online services. The goal is to enable customers to conduct a full range of financial services anywhere, anytime in a seamless global environment. Through online services, supplemented by direct channels, the objective is to increase market share and provide a broad range of cost effective financial services to each client segment.

The Bank is developing its online banking as a new business model, not as just another distribution channel. The Bank's internet banking and broking sites are amongst the most actively used of any sites in Australia. The online strategy is based on flexible infrastructure that can adapt as the online world evolves.

Online options are being considered to increase the retail financial services revenues from offshore sources.

Risk Management

The introduction of more sophisticated risk measurement disciplines has seen developments in risk/return management. In recent years, the Group has successfully grown profitability with low earnings volatility, assisted by:

- strong portfolio management disciplines and application of risk adjusted return methodologies;
- a domestic loan book with an emphasis on lower risk housing lending as opposed to higher-risk commercial lending; and
- a bottom up approach to operating risk measurement which develops an increasingly risk-aware management culture.

Best Practice People Management

Success in this information based business means providing the very best creative solutions to meet customers' diverse needs. This will depend critically on sound leadership and appropriately skilled, well trained, motivated and rewarded staff willing to accept responsibility and accountability. To meet this requirement, the Group has in place comprehensive leadership, management and training programs to develop its staff at all levels. An increasing component of total remuneration is also being provided on the basis of performance linked to enhancing overall Bank profitability.

Integrated Risk Management

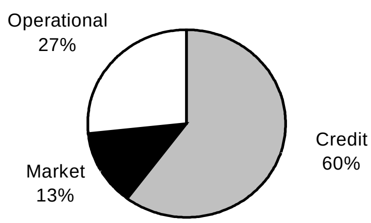
The Bank has implemented an Integrated Risk Management Framework, to measure risk and return on a consistent basis.

The framework:

- Provides for all risk management policies to be coordinated within the Financial and Risk Management Division, with the oversight of the Risk Committee of the Board.
- Identifies and measures risk in the form of Economic Equity.
- Applies risk adjusted returns to allocated equity on a consistent basis to derive performance measures that are comparable between businesses.

The management of risk and return is the responsibility of Business Units, operating within the Integrated Risk Management Framework policies. Overall compliance with policies is monitored by specialist areas within the Financial & Risk Management Division (including Group Audit). This Division also ensures that there is consistency between risk policies and measurement processes.

The composition of diversified Economic Equity of the Bank is currently:



Economic Equity is defined as:

A risk measure, over a one year time horizon, consistent with a solvency standard equal to a AA debt rating (expected default frequency of 5 basis points). Economic Equity is derived from the underlying exposures to Credit Risk, Market Risk, and Operational Risk, allowing for inter-risk diversification.

(i) Credit Risk

The measurement of the Bank's credit risk capital requirement is based on the Bank's internal Credit Risk Rating system, and utilises techniques such as the KMV Portfolio Manager analytics to calculate Unexpected and Expected loss for the diversified portfolio.

A description of the management of the Bank's credit risk is set out in Note 14 to the Financial Statements.

(ii) Market Risk

Risk capital for the Bank's market risk is measured separately for 'Traded' and 'Non Traded' (banking book) market risk.

Traded market risk capital is measured by a market risk engine which has been approved by APRA for use to identify Regulatory Capital required to support traded market risk.

Non traded market risk capital is calculated utilising the same methodology as for traded market risk, taking into account the different characteristics of this risk.

A description of the management of market risk is set out in Note 37: Market Risk of the Financial Statements beginning on page 113.

(iii) Operational Risk

Operational Risk is defined broadly as all risks other than credit and market risk, which could cause volatility of the revenues, expenses and values of the Bank's business. Potential volatility is quantified though both a bottom up indicative method, and top down deductive method.

To measure operational risk, business divisions utilise a risk incident database to assess plausibility of risk scenarios. Probability of loss is estimated based on inherent risk and the mitigating effects of preventative and impact controls, and applied to a selected probability distribution. The individual operational risks are aggregated using a Monte Carlo simulation.

The potential loss for individual risk is used to assess large operational risk exposures, while the aggregated loss amount is a portfolio measure of economic equity for operational risk.

Operational risks are categorised as strategic and business risks (eg economic cycle, reputation, policy formulation, competitive environment, clients etc); external event risks (eg natural disasters and supplier risk); internal controls and compliance risks (regulatory, political, personnel, information etc); and technology risks.

Capital Management

The Bank's capital management philosophy is to generate sustainable returns to shareholders, to maintain a buffer above the regulatory minimum capital in support of risk and to distribute excess capital back to shareholders. The decision to execute a further buyback of shares in March 1999 illustrated this philosophy in action.

The buyback of shares from the Commonwealth in July 1996, as part of the Australian Government's sale of its remaining shareholding in the Bank, reduced equity by approximately \$1,000 million. A further buyback of 38.1 million shares occurred on 29 December 1997, which reduced shareholders' equity by \$650 million. In March 1999 the Bank bought back another 27.4 million shares which reduced shareholders' equity by a further \$650 million.

Credit Ratings

The Bank's credit ratings at 30 June 1999 are:

	Short Term	Long Term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch IBCA	F1+	AA
Moody's Bank Financial Strength Rating		B
Fitch IBCA Individual Rating		A/B

Expansion

The Bank's primary growth objective has been to maintain and, where commercially sustainable, expand market share in the face of vigorous competition in the market.

In the Australian market, the Bank has expanded into growth areas primarily by organic means. The Bank was a pioneer in online services creating successful online businesses from the ground up. Its online site is Australia's busiest online banking service. Commonwealth Securities, the Bank's online broking arm, is Australia's largest Internet broker.

The Bank has supplemented organic growth by acquiring specific businesses to complement its existing financial services range.

It acquired Commonwealth Funds Management in 1996; a 50% equity share in the financial planning firm IPAC Securities Limited in 1997; and the

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Australian merchant banking operations of Credit Lyonnais in July 1999.

The Bank has expanded strongly in New Zealand through its 75% owned subsidiary, ASB Bank, which has achieved significant organic growth and developed leading direct banking capabilities. ASB Bank expanded its activities in life insurance and funds management through the acquisition of Sovereign Ltd in 1998.

Guarantee

The progressive withdrawal of the Commonwealth's guarantee has not had any significant impact on the Bank's overall cost of funds. As at 30 June 1999, the weighted average term to maturity of that part of the wholesale borrowing program which remains guaranteed until maturity was approximately 5 years and 3 months (excluding the Undated Notes, which do not have a fixed maturity date).

Year 2000 Systems Compliance

The Bank's Year 2000 programme is progressing to plan. The three phases of the programme, commenced in 1996, have been completed. They incorporated a disaster recovery phase which included a full inventory of hardware and software, a planning phase involving the compilation of remedial methods, cost strategies and remediation plans and the remedy phase which included remediation and comprehensive testing of all critical applications.

The Bank has been fully involved in the interorganisational testing programme being managed by the Australian Payments Clearing Association. Testing of the five interorganisational clearing streams commenced in November 1998 and was successfully completed in June 1999. The Bank has also been an active participant in other external testing programmes, including the Sydney Futures Exchange, SWIFT International and global payment system testing through the main New York clearing houses.

The Bank's building management systems project achieved Year 2000 readiness by 30 June 1999.

The Bank believes the most likely worst case scenario in respect of a Year 2000 breakdown would be from factors external to the Bank. The risks to the Bank have been largely minimised due to ongoing communications and dialogue with key service providers and the strong focus on business continuity plan (BCP). These plans target all critical customer functions to ensure minimal disruption to the day to day operations of the Bank. In addition to the internal BCP planning, the Bank is working closely with other institutions and the Reserve Bank of Australia to put in place contingency plans at an industry level. The latter activity includes active follow up with the industry's critical suppliers with regard to their Year 2000 readiness and contingency planning. These business continuity plans and disaster recovery plans will continue to be reviewed and refined beyond 2000 as part of the Bank's overall risk management strategy.

In addition to business continuity planning, the Bank is initiating a bank wide productions systems freeze commencing on 1 October 1999 until 3 March 2000. The aim of this freeze is to preserve the Bank's Year 2000 readiness in our own internal production environments and also with systems that are essential to our participation in the industry wide payments systems. A number of other preservation strategies are also in place to ensure the ongoing Year 2000 readiness of the Bank's systems.

A comprehensive communication programme has commenced targeting both business and consumer client segments with the shared objectives of raising awareness and building confidence in the Bank's ability to maintain normal banking services through the century change. This programme has included the sponsorship of a web site with the Institute of Engineers Australia containing details of suitably qualified engineers available to help businesses with their Year 2000 remediation activities.

The Bank has previously estimated total rectification costs for Year 2000 issues at $115 million. We expect to complete the overall program in line with this estimate. Expenditure to the end of June 1999 was $87 million.

The Bank has reported to the Australian Stock Exchange in March 1999 that depositors' funds will not be at risk from Year 2000 issues.

Results of Operations for the Financial Year 1999 versus Financial Year 1998 and Financial Year 1998 versus Financial Year 1997

Net Interest Income

The following table sets forth the Group's net interest income for Financial Years 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999	1998	1997
	$M	$M	$M
Interest income	**7,745**	7,605	7,989
Interest expense	**4,218**	4,208	4,597
Net interest income	**3,527**	3,397	3,392

The following table sets forth the effect on the Group's net interest income for Financial Year 1998 and Financial Year 1999 of changes in (i) the average volume of interest earning assets and interest bearing liabilities and (ii) their respective interest rates during the relevant years.

	FINANCIAL YEAR 1999 VS. 1998 INCREASE/ (DECREASE) $M	FINANCIAL YEAR 1998 VS. 1997 INCREASE/ (DECREASE) $M
Due to changes in average volume of interest earning assets and interest bearing liabilities	**363**	156
Due to changes in average interest rates	**(233)**	(151)
Change in net interest income	**130**	5

Net interest income increased to $3,527 million in Financial Year 1999 compared with $3,397 million in Financial Year 1998. Increased interest earning assets, which increased by 11.8% to $114.3 billion in Financial Year 1999 from $102.2 billion in Financial Year 1998 more than offset the fall in Group interest margin. The increase in average interest earning assets of $12 billion contributed growth of $363 million in net interest income. This volume effect was partially offset by the $233 million impact of interest rate change which reduced net interest margin.

Net interest income increased slightly to $3,397 million in Financial Year 1998 compared to $3,392 million in Financial Year 1997. Increased interest earning assets, which increased by 6.2% to $102.2 billion in Financial Year 1998 from $96.2 billion in Financial Year 1997 more than offset the fall in Group interest margin. The increase in average interest earning assets of $6 billion contributed growth of $156 million in net interest income. This volume effect was partially offset by the $151 million impact of interest rate changes.

The following table sets forth the Group's interest spread and net interest margin for the Financial Years 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999	1998	1997
	%	%	%
Interest spread before deduction of interest forgone on non accrual and restructured loans	**2.71**	2.89	2.98
Interest forgone on non accrual and restructured loans (1)	**(0.02)**	(0.04)	(0.06)
Interest spread (2)	**2.69**	2.85	2.92
Benefit of net interest free liabilities, provisions and equity (3)	**0.40**	0.48	0.61
Net interest margin (4)	**3.09**	3.33	3.53

(1) Represents interest forgone on loans on which the Group earns no interest or interest at below market rates.

(2) Difference between the average interest rate earned and the average interest rate paid on funds.

(3) A portion of the Group's interest earning assets is funded by net interest free liabilities and shareholders' equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.

(4) Net interest income divided by average interest earning assets for the period.

Financial Review

The Group's net interest margin has been compressed due to lowering of interest rates on assets and to a lesser extent on liabilities.

The average interest rate on interest earning assets for Financial Years 1997, 1998 and 1999 was 8.3%, 7.4% and 6.8%, respectively. The average interest rate on interest bearing liabilities for Financial Years 1997, 1998 and 1999 was 5.4%, 4.6% and 4.1%, respectively. Changes in the average interest rate on interest earning assets and interest bearing liabilities primarily reflect movements in market interest rates and sustained high levels of competition.

The impact of interest forgone on non accrual and restructured loans on the Group's net interest margin declined from 0.06% in Financial Year 1997 to 0.04% in Financial Year 1998 and 0.02% in Financial Year 1999. The reduction in interest forgone is in line with a general improvement in the Group's asset quality.

The benefit from net interest free liabilities, provisions and equity was 0.61% in Financial Year 1997, 0.48% in Financial Year 1998 and 0.40% in Financial Year 1999. The decrease in Financial Year 1999 reflects the effect of share buybacks and the lower interest rate environment. The decrease in Financial Year 1998 reflects the effect of the share buyback in December 1997 and the lower interest rate environment.

On a geographical basis, the Group's interest spreads and net interest margins are set forth in the following table.

	YEAR ENDED 30 JUNE		
	1999 %	1998 %	1997 %
Australia			
Interest spread before deduction of interest forgone on non accrual and restructured loans	**3.0**	3.2	3.3
Interest forgone on non accrual and restructured loans (1)	**-**	-	(0.1)
Interest spread (2)	**3.0**	3.2	3.2
Benefit of net interest free liabilities, provisions and equity (3)	**0.4**	0.4	0.6
Net interest margin (4)	**3.4**	3.6	3.8
Overseas			
Interest spread before deduction of interest forgone on non accrual and restructured loans	**1.4**	1.4	1.4
Interest forgone on non accrual and restructured loans (1)	**-**	-	-
Interest spread (2)	**1.4**	1.4	1.4
Benefit of net interest free liabilities, provisions and equity (3)	**0.4**	0.6	0.4
Net interest margin (4)	**1.8**	2.0	1.8

(1) Represents interest forgone on loans on which the Group earns no interest or interest at below market rates.

(2) Difference between the average interest rate earned and the average interest rate paid on funds.

(3) A portion of the Group's interest earning assets is funded by net interest free liabilities and shareholders' equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.

(4) Net interest income divided by average interest earning assets for the period.

The difference in margins and spreads between the Australian and overseas operations reflects the different nature of the Group's business in each of these geographic areas. The overseas operations includes significant wholesale loans from a funding base that predominantly consists of raising funds in the wholesale markets. The resulting margins are much narrower.

Charge for Bad and Doubtful Debts

The following table sets out the charge for bad and doubtful debts for Financial Years 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999 $M	1998 $M	1997 $M
Specific Provisioning			
New and increased provisioning	**284**	280	152
Less provisions no longer required	**(45)**	(57)	(90)
Net specific provisioning	**239**	223	62
Provided from general provision	**(239)**	(155)	-
Charge to profit and loss	**-**	68	62
General provisioning			
Direct write offs	**44**	42	41
Recoveries of amounts previously written off	**(51)**	(48)	(80)
Movement in general provision	**15**	16	75
Funding of specific provisions	**239**	155	-
Charge of profit and loss	**247**	165	36
Total Charge for Bad and Doubtful Debts	**247**	233	98

Net charge for bad and doubtful debts increased by 6% to $247 million in Financial Year 1999 from $233 million in Financial Year 1998.

Net charge for bad and doubtful debts increased by 138% to $233 million in Financial Year 1998 from $98 million in Financial Year 1997, largely due to increased provisioning for Asian exposures and continuing reduction in the level of writebacks and recoveries of bad debts. Included within abnormal items for Financial Year 1998 is a charge of $370 million relating to the general provision for bad and doubtful debts resulting from the introduction of Dynamic Provisioning – see Abnormal Items.

The ratio of general provisions to risk weighted assets decreased to 1.09% in Financial Year 1999. The ratio of specific provisions to gross impaired assets increased from 37.6% at Financial Year end 1998 to 46.7% at Financial Year end 1999. The ratio of specific provisions to gross impaired assets increased from 30.2% at Financial Year end 1997 to 37.6% at Financial Year end 1998.

Total Provisions for Impairment for the Group at 30 June 1999 are $1,356 million, no significant change on the total at 30 June 1998 of $1,355 million. This level of provisioning is considered adequate for the Group given the credit risks identified in the Credit Portfolio.

Specific provisions have reduced from $279 million to $275 million, a decrease of 1%, while gross impaired assets less interest reserved have reduced 21%. The increase in the coverage ratio from 37.6% to 46.7% is primarily the result of higher provisioning required on the Asia portfolio remaining after significant writeoff and realisation activity.

The general provision has increased to $1,081 million at 30 June 1999 from $1,076 million at 30 June 1998, an increase of 0.5%. Total Assets have increased by 6% over the year. The lower increase in the general provision than total assets primarily reflects use of the general provision to meet special provisioning requirements, primarily Asia.

Non Interest Income

The following table sets forth the Group's non interest income for Financial Years 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999 $M	1998 $M	1997 $M
Lending fees	**474**	472	439
Commission and other fees	**807**	678	541
Foreign exchange earnings	**155**	161	70
Net gain/(loss) on investment securities	**79**	101	4
Net profit on financing instruments - trading securities	**118**	82	104
Life insurance surplus and funds management fees	**254**	205	197
Other income	**110**	134	134
Total non interest income	**1,997**	1,833	1,489

The Group's non interest income increased 9.0% over the prior year to $1,997 million in Financial Year 1999 and 23.1% over the prior year to $1,833 million in Financial Year 1998 from $1,489 million in Financial Year 1997. The increase in Financial Year 1999 is principally due to higher fee income, improved trading income and higher levels of life insurance and funds management income.

Financial Review

Lending fees have remained steady during the current financial year whilst the increase in commission and other fees is due to changes made to fee structures in the previous financial year. Card fees have increased due to higher numbers of and activity by cardholders and merchants. The increase in foreign exchange earnings was due to continued volatility in foreign exchange markets, and higher levels of customer business. The higher levels of life insurance and funds management fees resulted from increased business volumes and higher funds under management balances.

The increase in Financial Year 1998 included gains on sales of investment securities.

Operating Expenses

The Group's total operating expenses (including the amortisation of goodwill but before abnormal items) for Financial Year 1999 were $3,117 million, as compared with $3,085 million in Financial Year 1998 and $2,967 million in Financial Year 1997. The ratio of operating expenses, excluding goodwill amortisation, to total operating income (before deducting the charge for bad and doubtful debts) was 55.6% in Financial Year 1999 compared to 58.1% in Financial Year 1998 and 59.9% in Financial Year 1997. This improvement in Financial Year 1999 was due to the growth in non interest income together with ongoing programmes to contain costs.

Included within abnormal items for Financial Year 1998 is a charge of $200 million for restructuring costs, and included within abnormal items for Financial Year 1997 is a charge of $200 million for write down of computer equipment. Further details are provided under discussion of Abnormal Items.

The following table sets forth the Group's operating expenses for Financial Years 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999 $M	1998 $M	1997 $M
Staff expenses	**1,604**	1,622	1,663
Occupancy and equipment expenses	**455**	473	547
Information Technology Services	**505**	476	255
Fees and commissions	**112**	116	92
Other expenses	**394**	352	367
Total operating expenses	**3,070**	3,039	2,924
Amortisation of Goodwill	**47**	46	43
Total operating expenses and amortisation of goodwill	**3,117**	3,085	2,967

Staff expenses decreased by 1.1% in Financial Year 1999 due to reductions in staff numbers, which were partially offset by increases in average staff costs. Staff numbers decreased by 1,779 net (with 400 staff acquired through Sovereign Ltd in December 1998) or 5.8% in Financial Year 1999 with the continuation of group wide reorganisation and rationalisation of processes.

Staff expenses decreased by 2.5% in Financial Year 1998 largely due to reductions in staff numbers. Staff numbers decreased by 2,800 or 8.3% in Financial Year 1998. This reduction includes the transfer of 1,400 staff to EDSA following the outsourcing of information technology and 800 redundancies which were part of the rationalisation of processing and administration functions, implementation of the new organisational structure and reconfiguration of delivery systems.

Full time equivalent staff numbers, on a Group basis, decreased from 33,543 employees as at 30 June 1997 to 30,743 employees at 30 June 1998 and 28,964 at 30 June 1999, an overall reduction of 13.6% over the two year period. Accompanying the overall reduction in the number of full time equivalent staff over the period Financial Year 1997 to Financial Year 1999, the Bank's part time employees have increased to 20.1% of the Group's work force as shown in the following table.

Full time equivalent staff have been weighted for the lower costs per employee of staff on extended leave; for example, maternity leave, unpaid sick pay or career break. Comparatives have been similarly adjusted.

	AT 30 JUNE		
	1999	1998	1997
	(number of employees, except percentages)		
Full time staff	**26,394**	28,034	30,566
Part time staff	**6,655**	6,968	7,364
Full time staff equivalent	**28,964**	30,743	33,543
Full time staff/total staff	**79.9%**	80.1%	80.6%
Part time staff/total staff	**20.1%**	19.9%	19.4%

The Group's superannuation costs (post retirement benefits) were $1 million in Financial Year 1999, $1 million in Financial Year 1998 and $2 million in Financial Year 1997. This reflects actuarial advice that, having regard to the surplus in the principal superannuation fund, the Officers' Superannuation Fund (OSF), the Bank may cease contributions.

An actuarial assessment of the Officers' Superannuation Fund (OSF) as at 30 June 1997 was completed during the Financial Year 1998. In line with the actuarial advice contained in this assessment, the Bank does not intend to make contributions to the OSF until after consideration of the next actuarial assessment of the OSF as at 30 June 2000.

Occupancy and Equipment Expenses

Occupancy and equipment expenses decreased by 4% in Financial Year 1999 due to rationalisation of premises occupied by the Group and the full year effect of the sale of computer and communications equipment to EDSA. During the year the Bank continued its property sale and leaseback program, including the sale of major office properties as part of the Commonwealth Office Property Fund listing as at 29 April 1999. This program increases rental costs which are offset by reduced depreciation and holding costs, and also assists in lowering the Bank's risk profile and in its capital management program.

Occupancy and equipment expenses decreased by 14% in Financial Year 1998 largely due to the fall in depreciation and repairs and maintenance costs on equipment following the sale of the Bank's computer and communications equipment to EDSA as part of outsourcing of the information technology function to EDSA. This was partially offset by an increase in operating lease rental from the continuing property sale and lease back program.

Information Technology Services

Comparison with prior years is not meaningful. The outsourcing of most of the Bank's information technology functions in October 1997 makes comparison with prior years difficult. This arrangement has increased costs in the information technology services category which are offset in all other expense categories. The scope of work performed by EDSA has remained similar to that performed by the Bank's information technology division prior to outsourcing, with savings realised over what the Bank expected to spend had outsourcing not proceeded.

Income Tax Expense

Before abnormals, income tax expense increased by 11.4% in Financial Year 1999 due to increased profit before tax partially offset by a reduction in the effective rate from 33.5% in Financial Year 1998 to 33.1% in Financial Year 1999. Before abnormals income tax expense increased by 9.0%, in Financial Year 1998 compared with Financial Year 1997.

Abnormal Items (including Abnormal Income Tax Expense)

Abnormal items of revenue or expense are included in operating profit after income tax and considered abnormal by reason of size and effect on operating profit after income tax for the financial year. There were no abnormal items of income or expense in Financial Year 1999; however, the following amounts were included in previous Financial Years.

Restructuring Costs (1998)

Restructuring costs of $200 million ($128 million after tax) were charged to profit and loss in the Financial Year 1998.

General Provision Charge for Bad and Doubtful Debts (1998)

With effect from 1 January 1998 the methodology used to estimate the provisions for impairment has been refined 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 balance required in the general provision to cover expected losses in the credit portfolio. 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 was charged to profit and loss in the Financial Year 1998.

Tax Effecting General Provision for Bad and Doubtful Debts (1998)

The general provision for bad and doubtful debts was 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 was booked to profit and loss in Financial Year 1998.

Information Technology Equipment Values (1997)

For the Financial Year 1997, in anticipation of a restructuring of the Bank's information technology processing, including investment in an information technology business, the carrying value of the Bank's computer and communications equipment was reduced. This reduction was undertaken having regard to the sale of equipment to a global technology company. As a result, an abnormal expense of $200 million ($128 million after tax) was charged to profit and loss in Financial Year 1997.

Financial Review

Net Income

Net income increased 30.5% in Financial Year 1999 to $1,422 million from $1,090 million in Financial Year 1998. Net income increased 1.1% in Financial Year 1998 to $1,090 million from $1,078 million in Financial Year 1997. The increase in net income in the Financial Year 1999 was due to growth in both interest and non interest income coupled with containment of costs. The increase in net income in the Financial Year 1998 was due to a growth in fees, commissions, trading income and sale of investment securities offset by Abnormal Expenses of $161 million net of tax.

Capital Adequacy

In August 1988 the Reserve Bank established guidelines for the capital adequacy of Australian banks, to strengthen their soundness and stability. These guidelines are generally consistent with those proposed by the Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements. Full details of the Group's capital adequacy position is disclosed in Note 30 to the Financial Statements.

	YEAR ENDED 30 JUNE		
	1999	1998	1997
	($ millions, except percentages)		
Risk Weighted Capital Ratios (percentages)			
Tier One	**7.05**	8.07	8.64
Tier Two	**3.12**	2.82	2.82
Less Deductions	**(0.79)**	(0.40)	(0.57)
Total	**9.38**	10.49	10.89
Tier One Capital	**7,021**	7,617	7,468
Tier Two Capital	**3,109**	2,666	2,437
Tier One and Tier Two Capital	**10,130**	10,283	9,905
Less: Deductions	**(788)**	(381)	(487)
Total Regulatory Capital	**9,342**	9,902	9,418

The maturity profile of eligible loan capital as at 30 June, 1999 was as follows:

	MATURING IN YEAR			
	2000 $M	**2001 $M**	**After 2002 $M**	**Total $M**
Tier One	270	78	290	638
Tier Two [(1)]	-	-	2,335	2,335
Total	270	78	2,625	2,973

(1) For capital adequacy purposes Tier 2 loan capital is reduced each year by 20% of the original amount during the last five years to maturity.

Total Tier 1 capital decreased by 7.8% to $7 billion at 30 June 1999 from $7.6 billion at 30 June 1998, primarily reflecting the $650 million off market share buyback in March 1999, and the maturity of approximately $574 million in Tier 1 loan capital.

Total Tier 2 capital increased by $443 million to $3.1 billion at 30 June 1999 from $2.67 billion at 30 June 1998. Tier 2 eligible loan capital increased by $450 million to $2,335 million at 30 June 1999, from $1,885 million at 30 June 1998 primarily a result of the issuing of approximately $575 million in debt capital. The $40 million of ASB Bank preference shares is included as Tier 2 capital.

Total regulatory capital decreased 5.7% to $9,342 million at 30 June 1999 from $9,902 million at 30 June 1998. The Group's Tier 1 ratio also decreased to 7.05% at 30 June 1999 from 8.07% at 30 June 1998. The total capital ratio decreased to 9.38% at 30 June 1999 from 10.49% at 30 June 1998.

The Group's Tier 1 and Tier 2 capital at 30 June 1999 included eligible loan capital of $638 million and $2,335 million, respectively. In the aggregate, such eligible loan capital at 30 June 1999 constituted 9.1%, 75.1% and 31.8% of the Group's Tier 1, Tier 2 and Total Regulatory capital, respectively. Approximately $938 million of the Bank's eligible loan capital is the subject of separate agreements with the Commonwealth which provide, under certain circumstances, for the Bank to issue either fully paid Ordinary Shares to the Commonwealth, or with the Commonwealth's consent, rights to all shareholders to subscribe for fully paid Ordinary Shares of the Bank. Management believes that the possibility that such circumstances will arise is remote.

Funding and Liquidity

In addition to its imposition of capital adequacy requirements, APRA exercises liquidity control by requiring the banks it regulates to hold prime assets (cash, balances with the Reserve Bank or Commonwealth and semi government securities) equivalent to not less than 3% of a bank's total liabilities (other than capital). As discussed in Note 37, this ratio is called the Prime Assets Requirement. APRA also requires banks to hold an adequate level of suitable assets to meet day to day fluctuations in liquidity.

At 30 June 1999 the Bank held domestically $1,722 million in cash and short term liquid assets, on a Group basis, up 16% on the comparable figure at 30 June 1998. Approximately 44% of this holding ($752 million) comprised notes, coins and cash at bankers. In addition, trading securities with a market value of $3,219 million were held domestically, up 46% on the comparable figure at 30 June 1998. Of these trading securities $650 million comprised Commonwealth and Australian State government publicly issued securities with the largest component 27.6% being bills of exchange. As at 30 June 1999, investment securities with a book value of $3,147 million (market value $3,141 million) were also held domestically, virtually unchanged on the comparable figure at 30 June 1998. Approximately 84% by book and by market value of the holdings of those investment securities were Commonwealth public listed securities.

Overseas holdings of cash and short term liquid assets totalled $92 million as at 30 June 1999, up $52 million on the comparable figure at 30 June 1998. As at 30 June 1999, trading securities with a market value of $1,489 million were held by the Bank, down 17% on the comparable figure as at 30 June 1998. As at 30 June 1999 investment securities with a book value of $4,040 million (market value $4,055 million) were held by the Bank, up 9% and up 6% respectively, on the comparable figures at 30 June 1998.

Because of the differences between its domestic and offshore operations, the Bank manages its liquidity in the domestic and offshore markets separately. The Bank has followed a deliberate strategy of diversifying its sources of foreign currency funding into a range of markets in order to avoid over-reliance on any one market or maturity term. It has imposed internal prudential limits on the relative mix of its offshore sources of funds.

The Bank obtains a large proportion of its domestic funding from retail deposits, primarily demand and short term deposits, which have a lower interest cost than wholesale funds. Over the past five years, the proportion of the Bank's domestic funding that has come from retail sources has been over 70% and, as at 30 June 1999, the proportion was approximately 63%. The relative size of the Bank's retail base has enabled it to source funds at a lower average rate of interest than the other major Australian banks. However, some of this benefit is offset by the cost of the Bank's retail network and the Bank's large share (approximately 40%) of pensioner deeming accounts which, in the current interest rate environment are incurring an interest cost above normal retail deposit accounts.

The Bank's cost of funds for Financial Year 1999, calculated as the percentage of interest expense to average interest bearing liabilities, was 4.1% on a Group basis compared with 4.6% for Financial Year 1998. In recent years, the Bank has experienced a movement of retail deposit balances into higher interest bearing accounts, reflecting increased customer awareness of investment opportunities in an environment where the level of interest rates has remained lower and relatively more stable when compared with the interest rate cycle of 1980s and early 1990s.

The Bank obtains a growing proportion of its funding for the domestic balance sheet from wholesale sources – approximately 22%, excluding Bank Acceptances and Other Liabilities. The cost of funds raised in the wholesale markets is affected by independently assessed credit ratings.

The progressive removal of the Commonwealth's guarantee has not had a material impact on the Bank's overall cost of funds as the proportion of the Bank's funding raised from the wholesale markets with the benefit of the guarantee is low.

Financial Review

Cross Border Outstandings by Industry Category

The following table sets forth the aggregate cross border outstandings of the Group by industry category at 30 June 1997, 1998 and 1999. The table includes those outstandings due from countries where such outstandings individually exceed 1% of the Group's total assets. At 30 June 1999 there are no countries where cross border outstandings, as defined below, exceed 1% of total assets.

For the purposes of this presentation, cross border outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk. Outstandings include loans, acceptances and other monetary assets denominated in other than the counterparties' local currency. Local currency activities with local residents by foreign branches and controlled entities of the Bank are excluded. The table excludes irrecoverable letters of credit, amounts of which are immaterial, and includes all local currency outstandings with foreign subsidiaries located in Australia.

	AT 30 JUNE		
	1999	1998	1997
	($ millions, except where indicated)		
Country		Japan[1]	Japan[1]
Government	**-**	-	-
Banks and other financial institutions	**-**	1,303	2,032
Other commercial and industrial	**-**	110	17
	-	1,413	2,049
Total outstandings for Japan as a percentage of total Bank assets	**-**	1.1%	1.7%

(1) Australia has an extensive trading relationship with Japan.

Corporate Governance

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:

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, AO	Non executive			Member		
A C Booth	Non executive					Member
R J Clairs, AO	Non executive					
K E Cowley, AO	Non executive			Member		
J M Schubert	Non executive				Member	Member
F J Swan	Non executive					Member
B K Ward	Non executive				Member	

Details of experience, qualifications, special responsibilities and attendance at meetings of the Directors are set out in the Directors' Report on pages 40 to 42.

Mr Clairs was appointed as a non executive director on 1 March 1999. In accordance with the Bank's Constitution and ASX Listing Rules, Mr Clairs will stand for election as a director at the Annual General Meeting to be held on 28 October 1999.

Mr G H Slee, AM retired from the Board on 28 February 1999.

The Constitution of the Bank specifies 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; and
- at each Annual General Meeting, one-third of directors (other than the managing director) shall retire from office and may stand for re-election.

In February 1999, the Board adopted a policy that, with a phasing in provision dealing with existing directors, the maximum term of appointment of directors to the Board would normally be limited to twelve years.

The Nominations Committee of the Board critically reviews, at least annually, the corporate governance procedures of the Bank and the composition and effectiveness of the Commonwealth Bank Board and the boards of the 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. The criteria set the objective of the Board as being as effective, and preferably more effective than the best boards in the comparable peer group. These criteria, which are reviewed annually, ensure that any new appointee 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 Constitution, at the next general meeting of shareholders.

Remuneration Arrangements

The Constitution and the ASX Listing Rules 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. Directors' fees do not incorporate a bonus element related to performance.

The remuneration of Mr Murray (Managing Director) is fixed by the Board, pursuant to the Constitution, 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.

Corporate Governance

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.

The Committee has an established work plan which allows it to review all major human resource policies, strategies and outcomes.

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 six members of the senior executive team who were officers of the Bank at 30 June 1999 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 Committee regularly considers, in the absence of management and the external auditor, the quality of the information received by the Committee and, in considering the financial statements, discusses with management and the external auditor:

- the financial statements and their conformity with accounting standards, other mandatory reporting requirements and statutory requirements; and
- the quality of the accounting policies applied and any other significant judgements made.

The Committee periodically meets separately with the Group Auditor and the external auditor in the absence of management.

The Committee reviews the processes governing advisory work undertaken by the external auditor to ensure that the independence of the external auditor is not affected by conflicts.

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 oversights 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.

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 Constitution 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.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial statements of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 1999.

The names of the Directors holding office during the financial year and until the date of this report are set out below together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors has declared an interest.

M A (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 six 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.
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), and World Vision of Australia Board of Reference (Member). Mr Besley is a resident of New South Wales. Age 72.

John T 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 Practicing Accountants and has over forty seven 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: Melbourne University Business School (Board of Management), The Queen's Trust for Young Australians (National Chairman), Australian Foundation for Science (Chairman), Australian Institute of Company Directors (Fellow), and Advisory Council of The Global Foundation (Member). Mr Ralph is a resident of Victoria. Age 66.

David V 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 three 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 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), General Motors Australian Advisory Council (Member), APEC Business Advisory Council (Member) and Financial Sector Advisory Council (Member). Mr Murray is a resident of New South Wales. Age 50.

N R (Ross) Adler, AO

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, Australian Institute of Petroleum Limited, Shelrey Pty Ltd, South Blackwater Coal Limited and Tereny Investments Pty Ltd.
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), Corporations and Securities Panel (Member) and Australian Institute of Company Directors (Member). Mr Adler is a resident of South Australia. Age 54.

Anna C Booth

Ms Booth has been a member of the Board since 1990 and is a member of the Risk 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 the Sydney Harbour Casino.
Director: Ausflag Limited.
Other Interests: Tourism Council of Australia (National Councillor), Shopping Centres Council of Australia (Special Advisor), 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 43.

Reg J Clairs, AO

Mr Clairs has been a member of the Board since 1 March 1999. He has thirty three years' extensive experience in retailing, branding and customer service. Mr Clairs is currently a board member of the Royal Children's Hospital Foundation of Queensland, Chairman and a foundation member of the Prime Minister's Supermarket to Asia Council. He is also Deputy Chairman of Woolstock Australia Limited and a director to the Boards of David Jones Ltd and Howard Smith Ltd. Mr Clairs is a resident of Queensland. Age 61.

Ken E Cowley, AO

Mr Cowley has been a member of the Board since September 1997 and is a member of the Remuneration Committee. 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, Ansett International Limited, Melbourne Storm Football Club Pty Ltd and Nardell Coal Corporation.
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) and Royal Agricultural Society (Councillor). Mr Cowley is a resident of New South Wales. Age 64.

John M Schubert

Dr Schubert has been a member of the Board since 1991 and is a member of the Audit and Risk Committees. 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: Academy of Technological Science (Fellow).
Dr Schubert is a resident of New South Wales. Age 56.

Graham H Slee, AM

Mr Slee was a member of the Board from 1986 and a member of the Risk Committee until his retirement from the Board on 28 February 1999. 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 62.

Frank J 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 58.

Barbara K 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 twelve years' experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services. Since 1998, she has pursued a career as a company director.
Chairman: HWW Limited.
Director: Delta Electricity, Rail Services Australia, and Data Advantage Limited.
Other Interests: Sydney Opera House Trust (Trustee) and Australia Day Council of New South Wales (Member).
Ms Ward is a resident of New South Wales. Age 45.

Directors' Report

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	13	13
J T Ralph	13	13
D V Murray	13	13
N R Adler	13	10
A C Booth	13	13
R J Clairs ##	4	2
K E Cowley	13	12
J M Schubert	13	12
G H Slee #	9	9
F J Swan	13	12
B K Ward	13	13

* The number of meetings held during the time the Director held office during the year.
# Mr Slee retired 28 February 1999
Mr Clairs was appointed Director 1 March 1999

COMMITTEE MEETINGS

	Risk Committee		Audit 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	9	9			6	6
J T Ralph			4	4		
D V Murray	9	9			6	6
N R Adler					6	6
A C Booth ♦	3	3			5	5
K E Cowley ▲					1	1
J M Schubert ■	3	3	4	4		
G H Slee #	6	6				
F J Swan	9	8				
B K Ward			4	4		

	Nominations Committee	
	No. of Meetings Held *	No. of Meetings Attended
M A Besley	5	5
J T Ralph	5	5
D V Murray	5	5

* The number of meetings held during the time the Director was a member of the relevant committee.
# Mr Slee retired as Director 28 February 1999.
♦ Ms Booth moved from Remuneration Committee to Risk Committee on 1 March 1999.
▲ Mr Cowley was appointed to Remuneration Committee on 1 March 1999.
■ Dr Schubert was appointed to Risk Committee on 1 March 1999.

Principal Activities

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

Banking & Financial Services Division – is responsible for marketing services, product development and brand management for the retail and small and medium business segments. The Division focuses on assessing customer needs and servicing those needs for banking, insurance, funds management and related products and services.

Customer Service Division – provides quality sales and service to the Bank's customers and is focused on managing the branch, agency networks and electronic delivery such as ATM, EFTPOS, telephone and direct/online services.

Institutional Banking – provides corporate and general banking, international financing (including trade and project financing), merchant and investment banking and stockbroking. Institutional Banking maintains banking relationships with 1,000 of Australasia's largest corporations, government bodies and other major institutions.

Technology Operations and Property – facilitates the delivery of current and future Information Technology and Telecommunication services for the Bank, provides a full service transaction processing and back office/operation support function, and manages the property investment and corporate real estate services of the Bank.

Financial and Risk Management – provides integrated financial, risk and capital management services to support the activities of the Bank.

ASB Group Limited – 75% owned by the Commonwealth Bank, provides personal, business, corporate and rural banking and life insurance services in New Zealand.

The only significant change in these activities was the acquisition within the ASB Group Limited in December 1998 of Sovereign Limited, a New Zealand life insurance company, for $205 million. There has been no other significant change in the nature of these activities during the year.

Consolidated Profit

Consolidated operating profit after tax and outside equity interests for the financial year ended 30 June 1999 was $1,422 million (1998: $1,090 million). There were no abnormal items for the year ended 30 June 1999.

The 1998 result was affected by a number of abnormal items, including an abnormal expense for restructuring costs of $128 million after tax related to rationalisation of processing and administration functions, implementation of a new organisational structure and reconfiguration of delivery systems. Further with effect from 1 January 1998 the general provision for bad and doubtful debts is assessed using a statistical dynamic provisioning methodology. An abnormal expense for bad and doubtful debts of $370 million in 1998 in this regard was 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 1999 consolidated operating profit before abnormal items and income tax was $2,160 million (1998: $1,912 million). The 1999 result represents a 13% increase over the prior year on a before abnormal items basis. The principal contributing factors to this increase were a growth in net interest income reflecting a 13% growth in lending assets together with growth in commissions, life insurance and funds management income and trading income.

Dividends

The Directors have declared a fully franked (at 36%) final dividend of 66 cents per share amounting to $605 million. The dividend will be payable on 30 September 1999. Dividends paid since the end of the previous financial year:

- as provided for in last year's report, a fully franked final dividend of 58 cents per share amounting to $535 million was paid on 30 September 1998. The payment comprised cash disbursements of $310 million with $225 million being reinvested by participants through the Dividend Reinvestment Plan; and
- in respect of the current year, a fully franked interim dividend of 49 cents per share amounting to $458 million was paid on 26 March 1999. The payment comprised cash disbursements of $258 million with $200 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 Review of Operations on page 4.

Changes in State of Affairs

The Bank's shareholders' equity was reduced by $650 million on 24 March 1999 pursuant to the buyback of 27.4 million shares.

There were no other significant changes in the state of affairs of the Group during the financial year.

Events Subsequent to Balance Date

Other than the acquisition of Credit Lyonnais Holding Australia Limited in July 1999, referred to in Note 1 to the Financial Report, 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Future Developments and Results

Major developments which may affect the operations of the Group in subsequent financial years are referred to in the Review of Operations on page 4. 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 Group.

Directors' Report

Environmental Regulation

The Bank and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Shareholdings

Particulars of shares in the Commonwealth Bank or in a related body corporate are set out in a separate section at the end of the Financial Report titled 'Shareholding Information' 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 30 September 1998, the Bank granted options over 3,275,000 unissued ordinary shares to 32 executives under the Executive Option Plan. On 31 May 1999, 26,000 shares were allotted consequent to an exercise of options granted under the 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 216C of the Corporations Law. The register may be inspected free of charge.

For details of the options granted to a director, refer to the separate section at the end of the Financial Report titled 'Shareholding Information' which is to be regarded as contained in this report.

Directors' Interests in Contracts

A number of Directors have given written notices, 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' and Officers' Indemnity

Article 19 of the Commonwealth Bank's Constitution 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) unless the liability arises 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 40 to 41 of this 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.

Directors' and other Officers' Emoluments

Details of the Bank's remuneration policy in respect of the Directors and executives is set out under 'Remuneration Arrangements' within the 'Corporate Governance' section of this report.

Details on emoluments paid to each director are detailed in Note 43 of the Financial Report. Details on emoluments paid to the executive director and the other five most highest paid executive officers of the Bank and the Group are disclosed in Note 44 of the Financial Report.

Incorporation of Additional Material

This report incorporates the Review of Operations, Corporate Governance and Shareholding Information sections of this Annual Report.

Roundings

The amounts contained in this report and the financial statements have been rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100.

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

D V Murray
Managing Director

11 August 1999

Selected Financial Data for Five Years

	1999 $M	1998 $M	1997 $M	1996 $M	1995 $M
Profit and Loss					
Net interest income	**3,527**	3,397	3,392	3,397	3,164
Other operating income	**1,997**	1,833	1,489	1,355	1,340
Total operating income	**5,524**	5,230	4,881	4,752	4,504
Charge for bad and doubtful debts	**247**	233	98	113	182
Total operating expenses (including goodwill)	**3,117**	3,085	2,967	2,863	2,799
Operating profit before abnormal items and income tax expense	**2,160**	1,912	1,816	1,776	1,523
Abnormal items	**-**	(570)	(200)	-	-
Income tax expense (credit)					
Operating profit before abnormal items	**714**	641	588	635	493
Abnormal items	**-**	(409)	(72)	-	28
Operating profit after income tax	**1,446**	1,110	1,100	1,141	1,002
Outside equity interests	**24**	20	22	22	19
Operating profit after income tax attributable to shareholders	**1,422**	1,090	1,078	1,119	983
Contributions to profit					
Banking					
Australia	**1,143**	1,096	1,028	984	907
New Zealand (ASB Bank)	**104**	98	85	71	63
Other countries	**68**	(30)	21	20	(2)
	1,315	1,164	1,134	1,075	968
Life insurance and funds management	**122**	87	75	59	49
Finance	**56**	66	62	48	52
Profit on operations	**1,493**	1,317	1,271	1,182	1,069
Goodwill amortisation	**(47)**	(46)	(43)	(41)	(39)
Outside equity interests	**(24)**	(20)	(22)	(22)	(19)
Operating profit after income tax before abnormal items	**1,422**	1,251	1,206	1,119	1,011
Abnormal expense (after income tax)	**-**	(161)	(128)	-	(28)
Operating profit after income tax and abnormal items	**1,422**	1,090	1,078	1,119	983
Balance sheet					
Loans, advances and other receivables	**101,837**	89,816	81,632	70,042	62,707
Total assets	**138,096**	130,544	120,103	109,285	102,774
Deposits and other public borrowings	**93,428**	83,886	77,880	71,381	67,824
Total liabilities	**131,134**	123,655	113,079	101,918	96,079
Shareholders' equity	**6,735**	6,712	6,846	7,190	6,568
Net tangible assets	**6,471**	6,358	6,450	6,793	6,087
Risk weighted assets	**99,556**	94,431	86,468	77,246	70,383
Average interest earning assets	**114,271**	102,165	96,163	84,770	78,461
Average interest bearing liabilities	**103,130**	91,650	85,296	74,879	69,300
Assets (on balance sheet)					
Australia	**115,510**	110,120	101,202	92,456	86,191
New Zealand	**13,046**	10,846	9,994	7,903	6,986
Other	**9,540**	9,578	8,907	8,926	9,597
Total Assets	**138,096**	130,544	120,103	109,285	102,774

	1999	1998	1997	1996	1995
Shareholder Summary					
Dividends per share (cents) - fully franked	**115**	104	102	90	82
Dividends provided for, reserved or paid ($million)	**1,063**	955	941	832	772
Dividend cover (times)	**1.3**	1.1	1.1	1.3	1.3
Earnings per share (cents)					
before abnormal items	**153.4**	134.5	131.2	115.2	109.2
after abnormal items	**153.4**	117.2	117.2	115.2	106.2
Dividend payout ratio (%) (1)					
before abnormal items	**75.0**	77.3	77.7	78.1	75.1
after abnormal items	**75.0**	88.7	87.0	78.1	77.2
Net tangible assets per share ($)	**6.82**	6.70	6.74	6.68	6.28
Weighted average number of shares (basic)	**927m**	930m	917m	969m	924m
Number of shareholders	**404,728**	419,926	426,229	275,204	274,247
Share prices for the year ($)					
Trading high	**28.76**	19.66	16.00	12.05	9.58
Trading low	**18.00**	13.70	9.93	9.20	7.05
End (closing price)	**24.05**	18.84	16.00	10.46	9.33
Performance Ratios (%)					
Return on average shareholders' equity (2)					
before abnormal items	**20.54**	18.48	18.16	16.27	16.13
after abnormal items	**20.54**	16.10	16.39	16.27	15.69
Return on average total assets (2)					
before abnormal items	**1.06**	1.01	1.05	1.06	1.04
after abnormal items	**1.06**	0.87	0.94	1.06	1.01
Capital adequacy - Tier 1	**7.05**	8.07	8.64	10.05	10.25
Capital adequacy - Tier 2	**3.12**	2.82	2.82	2.97	1.30
Deductions	**(0.79)**	(0.40)	(0.57)	(0.31)	(0.40)
Capital adequacy - Total	**9.38**	10.49	10.89	12.71	11.15
Net interest margin	**3.09**	3.33	3.53	4.01	4.03
Other Information (numbers)					
Full time staff	**26,394**	28,034	30,566	31,455	31,333
Part time staff	**6,655**	6,968	7,364	7,964	7,602
Full time staff equivalent	**28,964**	30,743	33,543	34,518	34,383
Branches/service centres (Australia)	**1,162**	1,218	1,334	1,390	1,474
Agencies (Australia)	**3,934**	4,015	4,205	4,214	4,282
ATMs	**2,602**	2,501	2,301	2,113	1,643
EFTPOS terminals	**90,152**	83,038	63,370	43,703	20,250
Productivity					
Total Operating Income per full time (equivalent) employee ($)	**190,720**	170,120	145,515	137,667	130,995
Staff Expense/Total Operating Income (%)	**29.0**	31.0	34.0	33.3	33.8
Total Operating Expenses (3) /Total Operating Income (%)	**55.6**	58.1	59.9	59.4	61.3

(1) Dividends per share divided by earnings per share.
(2) Calculations based on operating profit after tax and outside equity interests applied to average shareholders' equity/average total assets.
(3) Total Operating Expenses excluding goodwill amortisation.

Financial Statements

Statements of Profit & Loss

For the year ended 30 June 1999

	Note	GROUP **1999 $M**	GROUP 1998 $M	GROUP 1997 $M	BANK **1999 $M**	BANK 1998 $M
Interest income	2	**7,745**	7,605	7,989	**6,352**	6,012
Interest expense	2	**4,218**	4,208	4,597	**3,451**	3,227
Net interest income	2	**3,527**	3,397	3,392	**2,901**	2,785
Other operating income	2	**1,997**	1,833	1,489	**2,161**	1,639
Total operating income	2	**5,524**	5,230	4,881	**5,062**	4,424
Charge for bad and doubtful debts	2,13	**247**	233	98	**78**	224
Total operating income after charge for bad and doubtful debts		**5,277**	4,997	4,783	**4,984**	4,200
Total operating expenses	2	**3,070**	3,039	2,924	**2,755**	2,611
Operating profit before goodwill amortisation, abnormal items and income tax		**2,207**	1,958	1,859	**2,229**	1,589
Goodwill amortisation	2	**47**	46	43	**39**	39
Operating profit before abnormal items and income tax	2	**2,160**	1,912	1,816	**2,190**	1,550
Abnormal expense	4	**-**	570	200	**-**	570
Operating profit before income tax		**2,160**	1,342	1,616	**2,190**	980
Income tax expense (credit)						
Operating profit	5	**714**	641	588	**645**	506
Abnormal items	4	**-**	(409)	(72)	**-**	(409)
Income tax expense	5	**714**	232	516	**645**	97
Operating profit after income tax		**1,446**	1,110	1,100	**1,545**	883
Outside equity interests in operating profit after income tax		**24**	20	22	**-**	-
Operating profit after income tax attributable to members of the Bank	39	**1,422**	1,090	1,078	**1,545**	883
Retained profits at the beginning of the financial year		**755**	908	794	**216**	472
Adjustment on adoption of ISC Life Insurance Rules	1(oo)	**-**	-	(11)	**-**	-
Buyback		**(404)**	(384)	-	**(404)**	(384)
Transfers from reserves		**1,087**	170	74	**1,001**	200
Total available for appropriation		**2,860**	1,784	1,935	**2,358**	1,171
Transfers to reserves		**99**	74	86	**-**	-
Dividends (fully franked)						
Transfer to dividend reinvestment plan reserve		**316**	403	419	**316**	403
Provided for payment in cash or paid	6	**747**	552	522	**747**	552
Dividends provided for, reserved or paid		**1,063**	955	941	**1,063**	955
Retained profits at the end of the financial year		**1,698**	755	908	**1,295**	216

	Note	Cents per share **1999**	1998	1997
Earnings per share based on operating profit after income tax attributable to members of the Bank:	7	**153.4**	117.2	117.2
Dividends provided for, reserved or paid per share attributable to members of the Bank:	6	**115.0**	104.0	102.0

The Notes to and forming part of the accounts are an integral part of these accounts.

Balance Sheets

As at 30 June 1999

		GROUP		BANK	
	Note	**1999 $M**	1998 $M	**1999 $M**	1998 $M
Assets					
Cash and liquid assets	8	**1,814**	1,526	**1,746**	1,393
Receivables due from other financial institutions	9	**1,206**	3,448	**1,182**	3,205
Trading securities	10	**4,708**	4,009	**3,251**	2,698
Investment securities	11	**7,187**	6,858	**6,708**	5,949
Loans, advances and other receivables	12	**101,837**	89,816	**82,952**	72,949
Bank acceptances of customers		**9,672**	9,727	**9,672**	9,737
Deposits with regulatory authorities	16	**953**	832	**952**	828
Shares in and loans to controlled entities	17	**-**	-	**7,108**	5,583
Property, plant and equipment	18	**1,001**	1,662	**796**	1,438
Investment in associates	40	**281**	276	**292**	278
Goodwill	19	**491**	531	**451**	490
Other assets	20	**8,946**	11,859	**7,952**	11,402
Total Assets		**138,096**	130,544	**123,062**	115,950
Liabilities					
Deposits and other public borrowings	21	**93,428**	83,886	**80,940**	72,944
Payables due to other financial institutions	22	**3,249**	3,397	**2,886**	3,008
Bank acceptances		**9,672**	9,727	**9,672**	9,737
Due to controlled entities		**-**	-	**4,276**	359
Provision for dividend	6	**472**	321	**472**	321
Income tax liability	23	**1,410**	1,099	**897**	642
Other provisions	24	**805**	875	**742**	830
Debt issues	25	**10,763**	10,608	**6,340**	9,239
Bills payable and other liabilities	26	**8,507**	10,746	**7,525**	10,234
		128,306	120,659	**113,750**	107,314
Loan Capital	27	**2,828**	2,996	**2,828**	2,996
Total Liabilities		**131,134**	123,655	**116,578**	110,310
Net Assets		**6,962**	6,889	**6,484**	5,640
Shareholders' Equity					
Share Capital	28	**3,526**	1,845	**3,526**	1,845
Reserves		**1,511**	4,112	**1,663**	3,579
Retained profits		**1,698**	755	**1,295**	216
Shareholders' equity attributable to members of the Bank		**6,735**	6,712	**6,484**	5,640
Outside equity interests in controlled entities	29	**227**	177	**-**	-
Total Shareholders' Equity		**6,962**	6,889	**6,484**	5,640

The Notes to and forming part of the accounts are an integral part of these accounts.

Consolidated Statements of Changes in Shareholders' Equity

As at 30 June 1999

	Note	GROUP 1999 $M	GROUP 1998 $M	GROUP 1997 $M	BANK 1999 $M	BANK 1998 $M
Issued and paid up capital	28					
Opening balance		**1,845**	1,860	1,981	**1,845**	1,860
Transfer from share premium reserve		**1,499**	-	-	**1,499**	-
Buyback		**(246)**	(76)	(200)	**(246)**	(76)
Dividend reinvestment plan		**426**	57	74	**426**	57
Employee share ownership schemes		**5**	4	5	**5**	4
Issue costs		**(3)**	-	-	**(3)**	-
Closing balance		**3,526**	1,845	1,860	**3,526**	1,845
Retained profits						
Opening balance		**755**	908	794	**216**	472
Adjustments to opening balance	1(oo)	**-**	-	(11)	**-**	-
Buyback		**(404)**	(384)	-	**(404)**	(384)
Transfers from reserves		**1,087**	170	74	**1,001**	200
Operating profit attributable to members of Bank		**1,422**	1,090	1,078	**1,545**	883
Total available for appropriation		**2,860**	1,784	1,935	**2,358**	1,171
Transfers to reserves		**99**	74	86	**-**	-
Interim dividend - cash component only		**275**	231	231	**275**	231
Interim dividend - appropriated to dividend reinvestment plan reserve		**183**	189	180	**183**	189
Provision for final dividend - cash component only		**472**	321	291	**472**	321
Final dividend - appropriated to dividend reinvestment plan reserve		**133**	214	239	**133**	214
Closing balance		**1,698**	755	908	**1,295**	216
Reserves						
General Reserve						
Opening balance		**2,069**	2,195	2,182	**1,572**	1,772
Appropriation from profits		**99**	74	86	**-**	-
Transfer to retained profits		**(1,088)**	(200)	(73)	**(1,002)**	(200)
Closing balance		**1,080**	2,069	2,195	**570**	1,572
Capital Reserve						
Opening balance		**289**	288	289	**277**	277
Transfers from reserves		**-**	1	(1)	**665**	-
Closing balance		**289**	289	288	**942**	277
Asset Revaluation Reserve						
Revaluation of investments		**-**	-	-	**665**	-
Transfers to capital reserve		-	-	-	**(665)**	-
Closing balance		**-**	-	-	**-**	-
Share Premium Reserve						
Opening balance		**1,499**	1,300	1,754	**1,499**	1,298
Buyback		**-**	(191)	(801)	-	(191)
Premium from share issues		**-**	396	357	**-**	396
Employee share acquisition plan issue		**-**	(3)	(5)	-	(3)
Buyback costs and other adjustments		**-**	(2)	(5)	-	-
Transfer to capital reserve		**-**	(1)	-	-	(1)
Transfer to issued capital		**(1,499)**	-	-	**(1,499)**	-
Closing balance		**-**	1,499	1,300	**-**	1,499
Dividend Reinvestment Plan Reserve						
Opening balance		**214**	239	162	**214**	239
Conversion to share capital		**(397)**	(428)	(342)	**(397)**	(428)
Appropriation from profits		**316**	403	419	**316**	403
Closing balance		**133**	214	239	**133**	214
Foreign Currency Translation Reserve						
Opening balance		**41**	56	28	**17**	-
Currency translation adjustments		**(33)**	(45)	28	**-**	17
Transfer to retained profits		**1**	30	-	**1**	-
Closing balance		**9**	41	56	**18**	17
Total Reserves		**1,511**	4,112	4,078	**1,663**	3,579
Shareholders' equity attributable to members of the Bank		**6,735**	6,712	6,846	**6,484**	5,640

The Notes to and forming part of the accounts are an integral part of these accounts.

Statements of Cash Flows

For the year ended 30 June 1999

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Cash Flow From Operating Activities					
Interest received	**7,796**	7,557	8,054	**6,343**	6,084
Dividends received	**6**	18	18	**584**	106
Interest paid	**(4,071)**	(4,065)	(4,342)	**(3,219)**	(3,187)
Other operating income received	**1,972**	1,152	1,273	**1,652**	769
Staff expenses paid	**(1,510)**	(1,705)	(1,614)	**(1,353)**	(1,467)
Occupancy and equipment expenses paid	**(313)**	(289)	(310)	**(279)**	(246)
Information technology services expenses paid	**(481)**	(503)	(251)	**(456)**	(476)
Other expenses paid	**(452)**	(416)	(364)	**(358)**	(313)
Income taxes paid	**(363)**	(216)	(629)	**(292)**	(134)
Tax losses purchased from controlled entities	**-**	-	-	**(40)**	(28)
Net decrease (increase) in trading securities	**(408)**	(646)	556	**(209)**	(591)
Net Cash provided by Operating Activities	**2,176**	887	2,391	**2,373**	517
Cash Flows from Investing Activities					
Payments for acquisition of entities	**(196)**	-	(66)	**(196)**	-
Net movement in investment securities:					
Purchases	**(13,337)**	(8,505)	(8,887)	**(13,129)**	(7,981)
Proceeds from sale	**146**	1,787	1,172	**147**	1,666
Proceeds at or close to maturity	**11,993**	8,681	7,013	**12,305**	8,364
Lodgment of deposits with regulatory authorities	**(121)**	(35)	(86)	**(124)**	(42)
Net increase in loans, advances and other receivables	**(11,819)**	(9,882)	(11,353)	**(10,380)**	(8,190)
Net amounts paid to controlled entities	**-**	-	-	**2,191**	(184)
Proceeds from sale of property, plant and equipment	**652**	196	307	**640**	167
Purchase of property, plant and equipment	**(81)**	(78)	(180)	**(55)**	(51)
Net decrease (increase) in receivables due from other financial institutions not at call	**229**	809	750	**229**	809
Net decrease (increase) in securities purchased under agreements to resell	**(465)**	347	641	**(465)**	347
Net decrease (increase) in other assets	**(423)**	1,175	(432)	**(694)**	1,118
Net Cash used in Investing Activities	**(13,422)**	(5,505)	(11,121)	**(9,531)**	(3,977)
Cash Flows from Financing Activities					
Buyback of shares	**(650)**	(651)	(1,001)	**(650)**	(651)
Proceeds from issue of shares	**6**	5	12	**6**	3
Net increase in deposits and other borrowings	**9,476**	6,683	6,892	**9,367**	5,177
Proceeds from long term debt issues	**131**	1,355	1,414	**131**	1,290
Repayment of long term debt issues	**(118)**	(1,230)	(299)	**(118)**	(1,175)
Net increase (decrease) in short term debt issues	**386**	(970)	1,905	**(2,762)**	(1,005)
Dividends paid	**(571)**	(502)	(452)	**(568)**	(502)
Payments from provisions	**(138)**	(10)	(59)	**(110)**	(11)
Net increase (decrease) in payables due to other financial institutions not at call	**(477)**	(869)	325	**(477)**	(869)
Net increase (decrease) in securities sold under agreements to repurchase	**(43)**	(52)	(783)	**(43)**	(52)
Proceeds from (repayment of) loan capital	**(317)**	-	-	**(317)**	**-**
Other	**1,041**	(496)	(207)	**437**	(185)
Net Cash provided by Financing Activities	**8,726**	3,263	7,747	**4,896**	2,020
Net Increase (Decrease) in Cash and Cash Equivalents	**(2,520)**	(1,355)	(983)	**(2,262)**	(1,440)
Cash and Cash Equivalents at beginning of year	**1,963**	3,318	4,301	**1,975**	3,415
Cash and Cash Equivalents at end of year	**(557)**	1,963	3,318	**(287)**	1,975

Details of Reconciliation of Cash and Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities are provided in Note 45.

The Notes to and forming part of the accounts are an integral part of these accounts.

It should be noted that the Bank does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.

NOTE 1 Summary of Significant Accounting Policies

(a) Bases of accounting

In this Financial Report Commonwealth Bank of Australia is referred to as the 'Bank' or 'Company', and the 'Group' or the 'Consolidated Entity' consists of the Bank and its controlled entities. The Financial Report is a general purpose financial report which complies with the requirements of the Banking Act, Corporations Law, applicable Accounting Standards and other mandatory reporting requirements so far as the requirements are considered appropriate to a banking corporation.

The accounting policies applied are consistent with those of the previous year, except for the capitalisation of computer software costs, refer (u) Other Assets below.

Further, in accordance with revised International Accounting Standard IAS1, Presentation of Financial Statements, certain income and expense items have been presented on a net basis. The principal items involved are the netting of card issuer reimbursement costs against merchant service fees. There is no effect on profit and loss.

The Financial Report also includes disclosures required by the United States Securities and Exchange Commission (SEC) in respect of foreign registrants. The Statements of Cash Flows has been prepared in accordance with the International Accounting Standard IAS7, Cash Flow Statements.

The preparation of the Financial Report in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates although it is not anticipated that such differences would be material.

Unless otherwise indicated, all amounts are shown in $ million and are expressed in Australian currency.

(b) Historical cost

The financial statements of the Bank and the consolidated financial statements have been prepared in accordance with the historical cost convention and, except where indicated, do not reflect current valuations of non monetary assets. Domestic bills discounted which are included in loans, advances and other receivables and held by the Company and securities and derivatives held for trading purposes have been marked to market. The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts for particular classes of assets the relevant cash flows have not been discounted to their present value unless otherwise stated.

(c) Consolidation

The consolidated financial statements include the financial statements of the Bank and all entities where there is a determined capacity to control as defined in AASB 1024: Consolidated Accounts. All balances and transactions between Group entities have been eliminated on consolidation.

(d) Investments in associated companies

Associated companies are defined as those entities over which the Group has significant influence but there is no capacity to control. Details of material associated companies are shown in Note 40.

Investments in associates are carried at cost plus the Group's share of post acquisition profit or loss. The Group's share of profit or loss of associates is included in the Profit and Loss Statement.

(e) Foreign currency translations

All foreign currency monetary assets and liabilities are revalued at rates of exchange prevailing at balance date. Foreign currency forward, futures, swaps and option positions are valued at the appropriate market rates applying at balance date. Unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are included in profit and loss.

The foreign currency assets and liabilities of overseas branches and overseas controlled entities are converted to Australian currency at 30 June 1999 in accordance with the current rate method. Profit and loss items for overseas branches and overseas controlled entities are converted to Australian dollars progressively throughout the year at the exchange rate current at the last calendar day of each month.

Translation differences arising from conversion of opening balances of shareholders' funds of overseas controlled entities at year end exchange rates are excluded from profit and loss and reflected in a Foreign Currency Translation Reserve. The Bank maintains a substantially matched position in assets and liabilities in foreign currencies and the level of net foreign currency exposure does not have a material effect on its financial condition.

(f) Roundings

The amounts contained in this report and the financial statements have been rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100.

Notes to and forming part of the accounts

NOTE 1 Summary of Significant Accounting Policies continued

(g) Financial instruments

The Group is a full service financial institution which offers an extensive range of on balance sheet and off balance sheet financial instruments. For each class of financial instrument listed below, except for restructured facilities referred to in Note 1(m), financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

(h) Cash and liquid assets

Cash and liquid assets includes cash at branches, cash at bankers and money at short call.

They are brought to account at the face value or the gross value of the outstanding balance where appropriate.

Interest is taken to profit and loss when earned.

(i) Receivables due from other financial institutions

Receivables from other financial institutions includes loans, nostro balances and settlement account balances due from other banks. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit and loss when earned.

(j) Trading securities

Trading securities are short and long term public, bank, other debt securities and equities which are acquired and held for trading purposes. They are brought to account at net fair value based on quoted market prices, broker or dealer price quotations. Realised gains and losses on disposal and unrealised fair value adjustments are reflected in 'Other Income' within profit and loss. Interest on trading securities is reported in net interest earnings. Trading securities are recorded on a trade date basis.

(k) Investment securities

Investment securities are securities purchased with the intent of being held to maturity.

Investment securities are short and long term public, bank and other securities and include bonds, bills of exchange, commercial paper, certificates of deposit and equities. These securities are recorded at cost or amortised cost. Premiums and discounts are amortised through profit and loss each year from the date of purchase so that securities attain their redemption values by maturity date. Interest is reflected in profit and loss when earned. Dividends on equities are brought to account in profit and loss on declaration date. Any profits or losses arising from disposal prior to maturity are taken to profit and loss in the period in which they are realised. The cost of securities sold is calculated on a specific identification basis. Unrealised losses related to permanent diminution in the value of investment securities are recognised in profit and loss and the recorded values of those securities adjusted accordingly.

Investment securities are recorded on a trade date basis. The relationship between book and net fair values of investment securities is shown in Note 11.

(l) Repurchase agreements

Securities sold under agreements to repurchase are retained within the investment or trading portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase and are disclosed as deposits and other public borrowings. Securities held under reverse repurchase agreements are recorded as liquid assets.

In the average balance sheet and profit and loss, repurchase agreements and their related interest expense were previously netted against investment and trading securities. Repurchase agreements and related interest expense have been reclassified within other demand deposits. Comparative figures have been adjusted.

(m) Loans, advances and other receivables

Loans, advances and other receivables include overdrafts, home, credit card and other personal lending, term loans, leasing, bill financing, redeemable preference shares and leverage leases. They are carried at the recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts, interest reserved and unearned tax remissions on leverage leases. Interest and yield related fees are reflected in profit and loss when earned. Yield related fees received in advance are deferred, included as part of the carrying value of the loan and amortised to profit and loss as 'Interest Income' over the term of the loan. Note 1(n) provides additional information with respect to leasing and leveraged leasing.

Non Accrual Facilities

Non accrual facilities (primarily loans) are placed on a cash basis for recognition of income. Upon classification as non accrual, all interest charged in the current financial period is reversed from profit and loss and reserved if it has not been received in cash.

If necessary, a specific provision for impairment is recognised so that the carrying amount of the facility does not exceed the expected future cash flows. In subsequent periods, interest in arrears/due on non accrual facilities is taken to profit and loss when a cash payment is received/realised and the amount is not designated as a principal payment. Non accrual facilities are restored to an accrual basis when all principal and interest payments are current and full collection is probable.

Restructured Facilities

When facilities (primarily loans) have the original contractual terms modified, the accounts become classified as restructured. Such accounts will have interest accrued to profit as long as the facility is performing on the modified basis in accordance with the restructured terms. If performance is not maintained, or collection of interest and/or principal is no longer probable, the account will be returned to the non accrual classification. Facilities are generally kept as non accrual until they are returned to performing basis.

Assets Acquired through Securities Enforcement (AATSE)

Assets acquired in satisfaction of facilities in default (primarily loans) are recorded at net market value at the date of acquisition. Any difference between the carrying amount of the facility and the net market value of the assets acquired is represented as a specific provision for diminution of value or written off. AATSE are further classified as Other Real Estate Owned (OREO) or Other Assets Acquired through Security Enforcement (OAATSE). Such assets are classified in the appropriate asset classifications in the balance sheet.

Bad Debts

Bad debts are written off in the period in which they are recognised. Bad debts previously specifically provided for are written off against the related specific provisions, while bad debts not provided for are written off through the general provision. Any subsequent cash recovery is credited to the general provision.

(n) Leasing and leveraged leasing

Finance leases are accounted for using the finance method and are included in loans, advances and other receivables. Income, determined on an actuarial basis, is taken to account over the term of the lease in relation to the outstanding investment balance.

The finance method also applies to leveraged leases but with income being brought to account at the rate which yields a constant rate of return on the outstanding investment balance over the life of the transaction so as to reflect the underlying assets, liabilities, revenue and expenses that flow from the arrangements. Where a change occurs in the estimated lease cash flows or available tax benefits at any stage during the term of the lease, the total lease profit is recalculated for the entire lease term and apportioned over the remaining lease term.

In accordance with amendments to AASB 1008: Leases, all new leveraged leases with a lease term beginning from 1 July 1999 will be accounted for as finance leases with income brought to account progressively over the lease term.

Leveraged lease receivables are recorded under loans, advances and other receivables at amounts which reflect the equity participation in the lease. The debt provider in the transaction has no recourse other than to the unremitted lease rentals and the equipment under lease.

Operating lease rental revenue and expense is recognised in the profit and loss in equal periodic amounts over the effective lease term.

(o) Provisions for impairment

Provisions for credit losses are maintained at an amount adequate to cover anticipated credit related losses. Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, contingent liabilities, financial instruments and investments and assets acquired through security enforcement.

Specific provisions are established where full recovery of principal is considered doubtful. Specific provisions are made against individual facilities in the credit risk rated managed segment where exposure aggregates to $250,000 or more, and a loss of $10,000 or more is expected. A specific provision is also established against each statistically managed portfolio in the statistically managed segment to cover facilities which are not well secured and past due 180 days or more, against the credit risk rated managed segment for exposures aggregating to less than $250,000 and 90 days past due or more, and against emerging credit risks identified in specific segments in the credit risk rated managed portfolio. These provisions are funded primarily by reference to historical ratios of write offs to balances in default.

General provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall portfolio of advances and other credit transactions. The provisions are determined having regard to the general risk profile of the credit portfolio, historical loss experience, economic conditions and a range of other criteria.

The amounts required to bring the provisions for impairment to their assessed levels are taken to profit and loss. The balance of provisions for impairment and movements therein are set out in Note 13.

All facilities subject to a specific provision are classified as non accrual and interest is only taken to profit when received in cash.

Abnormal Item – General Provision Charge for Bad and Doubtful Debts (1998)

With effect from 1 January 1998 the Group 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 balance required in the general provision to cover expected losses in the credit portfolio. 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 was charged to profit and loss in the year ended 30 June 1998.

Subsequent requirements for specific provisions are funded via the general provision. Accordingly, it is appropriate to tax effect the general provisioning refer Note 1(y). Refer also Notes 4 and 13.

Notes to and forming part of the accounts

NOTE 1 Summary of Significant Accounting Policies continued

(p) Bank acceptances of customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is brought to account as a liability. An asset of equal value is raised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate fee income which is taken to profit and loss when earned.

(q) Deposits with regulatory authorities

In several countries in which the Group operates, the law requires that the Group lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. The amount of the deposit and the interest rate receivable are calculated in accordance with the requirements of the local central bank. Interest is taken to profit and loss when earned.

(r) Shares in and loans to controlled entities

These investments are recorded at the lower of cost or recoverable amount.

(s) Property, plant and equipment

At year end, independent market valuations, reflecting current use, were obtained for all individual property holdings (other than leasehold improvements). Directors adopt a valuation at or below the independent valuation. Adjustments arising from revaluation are reflected in Asset Revaluation Reserve, except to the extent the adjustment reverses a revaluation previously recognised in profit and loss. For the current year the revaluation had no effect on the level of the reserve.

Depreciation on owned buildings is based on the assessed useful life of each building. The book value of buildings demolished as part of the redevelopment of a site is written off in the financial year in which the buildings are demolished. Leasehold improvements are capitalised and depreciated over the unexpired term of the current lease.

Equipment is shown at cost less depreciation calculated principally on a category basis at rates applicable to each category's useful life. Depreciation is calculated using the straight line method. It is treated as an operating expense and charged to profit and loss. The amounts charged for the year are shown in Note 2. Profit or loss on sale of property is treated as operating income or expense. Realised amounts in Asset Revaluation Reserve are transferred to Capital Reserve.

The useful lives of major depreciable assets are as follows:

Buildings	
Shell	Maximum 30 years
Integral plant and equipment	
- carpets	10 years
- all other (air conditioning, lifts)	20 years
Non integral plant and equipment	
- fixtures and fittings	10 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Equipment	
- Security surveillance systems	10 years
- Furniture	8 years
- Office machinery	5 years
- EFTPOS machines	3 years

The Bank has outsourced the majority of its information processing and does not own any material amounts of computer or communications equipment.

Abnormal Item - Information Technology Equipment Values (1997)

In anticipation of a restructuring of the Bank's information technology processing, including investment in an information technology business, the carrying value of the Bank's computer and communications equipment as at 30 June 1997 was reduced. This reduction was undertaken having regard to the sale of equipment to a global technology company.

As a result, an abnormal expense of $200 million ($128 million after tax) was charged to profit and loss in the year ended 30 June 1997. Also refer Note 4.

(t) Goodwill

Goodwill, representing the excess of purchase consideration plus incidental expenses over the fair value of the identifiable net assets at the time of acquisition of an entity, is capitalised and brought to account in the balance sheet.

The goodwill so determined is amortised on a straight line basis over the period of expected benefit but not exceeding 20 years. Purchased goodwill arising from the merger with the State Bank of Victoria in 1991 is being amortised over 20 years, and goodwill on acquisition of Commonwealth Funds Management in December 1996, Micropay in 1995 and Leaseway in April 1997 is being amortised over 10, 7 and 5 years respectively. The periods of goodwill amortisation are subject to review annually by the Directors.

NOTE 1 Summary of Significant Accounting Policies continued

(u) Other assets

Other assets includes all other financial assets and includes interest, fees, market revaluation of trading derivatives and other unrealised income receivable and securities sold not delivered. These assets are recorded at the cash value to be realised when settled.

Capitalisation of Computer Software Costs

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-1 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use', the Group has capitalised $22 million of costs related to developing or acquiring computer software for internal use as from 1 July 1998. The amortisation period for software will be 2½ years except for certain longer term projects. Software maintenance costs and Year 2000 project costs will continue to be expensed as incurred.

(v) Deposits and other public borrowings

Deposits and other public borrowings includes certificates of deposits, term deposits, savings deposits, cheque and other demand deposits, debentures and other funds raised publicly by borrowing corporations. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit and loss when incurred.

(w) Payables due to other financial institutions

Payables due to other financial institutions includes deposits, vostro balances and settlement account balances due to other banks. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit and loss when incurred.

(x) Provision for dividend

The provision for dividend represents the maximum expected cash component of the declared final dividend. The remaining portion of the dividend is appropriated to the Dividend Reinvestment Plan Reserve.

(y) Income taxes

The Group has adopted the liability method of tax effect accounting. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is disclosed as a future income tax benefit or a provision for deferred income tax. Amounts are offset where the tax payable and realisable benefit are expected to occur in the same financial period. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised. (Note 20).

Abnormal Credit – Tax Effecting General Provision for Bad and Doubtful Debts (1998)

The general provision for bad and doubtful debts was 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 was booked to profit and loss in the year ended 30 June 1998. Refer also Note 4.

(z) Provisions for employee entitlements

The *provision for long service leave* is subject to actuarial review and is maintained at a level that accords with actuarial advice.

The *provision for annual leave* represents the outstanding liability as at balance date. Actual payments made during the year are included in Salaries and Wages.

The *provision for other employee entitlements* represents liabilities for staff housing loan benefits and a subsidy to a registered health fund with respect to retired employees and current employees.

The level of these provisions has been determined in accordance with the requirements of AASB 1028, Accounting for Employee Entitlements.

(aa) Provision for restructuring

The provision for restructuring covers information technology transition costs 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.

Abnormal Item – Restructuring Costs (1998)

An abnormal expense for restructuring costs of $200 million ($128 million after tax) was charged to profit and loss in the year ended 30 June 1998. Refer also Notes 4, 24 and 47(d).

(bb) Provision for self insurance

Actuarial reviews are carried out at regular intervals with provisioning effected in accordance with actuarial advice. The provision for self insurance covers certain non lending losses and non transferred insurance risks.

(cc) Debt issues

Debt issues are short and long term debt issues of the Group including commercial paper, notes, term loans and medium term notes which are recorded at cost or amortised cost. Premiums, discounts and associated issue expenses are amortised through profit and loss each year from the date of issue so that securities attain their redemption values by maturity date.

Interest is reflected in profit and loss as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit and loss in the period in which they are realised.

Further details of the Group's debt issues are shown in Note 25.

Notes to and forming part of the accounts

NOTE 1 Summary of Significant Accounting Policies continued

(dd) Bills payable and other liabilities

Bills payable and other liabilities includes all other financial liabilities and includes interest, fees, market revaluation of trading derivatives and other unrealised expenses payable and securities purchased not delivered.

These liabilities are recorded at the cash value to be realised when settled.

(ee) Loan capital

Loan capital is debt issued by the Group with terms and conditions, such as being undated or subordinated, which qualify the debt issue for inclusion as capital under APRA. Loan capital debt issues are recorded at cost or amortised cost. Premiums, discounts and associated issue expenses are amortised through profit and loss each year from the date of issue so that securities attain their redemption values by maturity date. Interest is reflected in profit and loss as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit and loss in the period in which they are realised.

Further details of the Group's loan capital debt issues are shown in Note 27.

(ff) Shareholders' equity

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares.

General reserve is derived from revenue profits and is available for dividend except for undistributable profits in respect of Commonwealth Life Limited of $231 million (1998: $219 million , 1997: $168 million).

Capital reserve is derived from capital profits and is available for dividend.

Share premium reserve was derived from the premium over par value received from the issue of shares. It was not available for distribution to shareholders in the form of a cash dividend. Following changes to the Corporations Law on 1 July 1998, shares have no par value and the related Share Premium Reserve becomes part of share capital.

Dividend reinvestment plan reserve is appropriated from revenue profits. The amount of the reserve represents the estimate of the minimum expected amount that will be reinvested in the Bank's dividend reinvestment plan. The allotment of shares under the plan is subsequently applied against the reserve. This accounting treatment reflects the probability that a fairly stable proportion of the Bank's final dividend will be reinvested in equity via the dividend reinvestment plan. This internal accounting methodology for the dividend reinvestment plan was introduced with the appropriation of the 1995 profit for the final dividend.

Further details of share capital, outside equity interests and reserves are shown in Notes 28, 29 and Consolidated Statements of Changes in Shareholders' Equity.

(gg) Derivative financial instruments

The Group enters into a significant volume of derivative financial instruments which include foreign exchange contracts, forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivative financial instruments are used as part of the Group's trading activities and to hedge certain assets and liabilities.

Derivative financial instruments held or issued for trading purposes

Traded derivative financial instruments are recorded at net fair value based on quoted market prices, broker or dealer price quotations. A positive revaluation amount of a contract is reported as an asset and a negative revaluation amount of a contract as a liability. Changes in net fair value are reflected in profit and loss immediately they occur.

Derivative financial instruments held or issued for purposes other than trading

The principal objective in holding or issuing derivative financial instruments for purposes other than trading is to manage balance sheet interest rate, exchange rate and credit risk associated with certain assets and liabilities such as loans, investment securities, deposits and debt issues. To be effective as hedges, the derivatives are identified and allocated against the underlying hedged item or class of items and generally modify the interest rate, exchange rate or credit characteristics of the hedged asset or liability. Such derivative financial instruments are purchased with the intent of being held to maturity. Derivatives that are designated and effective as hedges are accounted for on the same basis as the instruments they are hedging.

Swaps

Interest rate swap receipts and payments are accrued to profit and loss as interest of the hedged item or class of items being hedged over the term for which the swap is effective as a hedge of that designated item. Premiums or discounts to market interest rates which are received or made in advance are deferred and amortised to profit and loss over the term for which the swap is effective as a hedge of the underlying hedged item or class of items.

Similarly with cross currency swaps, interest rate receipts and payments are brought to account on the same basis outlined in the previous paragraph. In addition, the initial principal flows are reported net and revalued to market at the current market exchange rate. Revaluation gains and losses are taken to profit and loss against revaluation losses and gains of the underlying hedged item or class of items.

Credit default swaps are utilised to manage credit risk in the asset portfolio. Premiums are accrued to profit and loss as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge. Any principal cash flow on default is brought to account on the same basis as the designated item being hedged. Credit default swaps held at balance date are immaterial.

Equity swaps are utilised to manage the risk asso7ciated with both the capital investment in equities and the related yield. These swaps enable the income stream to be reflected in profit and loss when earned. Any capital gain or loss at maturity of the swap is brought to account on the same basis as the underlying equity being hedged.

Forward rate agreements and futures

Realised gains and losses on forward rate agreements and futures contracts are deferred and included as part of the carrying value of the hedged item or class of items being hedged. The cash flow is amortised to profit and loss as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge.

Options

Where options are utilised in the management of balance sheet risk, premiums on options and any realised gains and losses on exercise are deferred and included as part of the carrying value of the hedged item or class of items being hedged. The cash flows are amortised to profit and loss as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge.

Early termination

Where a derivative instrument hedge is terminated prior to its 'maturity date', realised gains and losses are deferred and included as part of the carrying value of the hedged item or class of items being hedged. The cash flows are amortised to profit and loss as interest of the hedged item or class of items being hedged over the period for which the hedge would have been effective. Where the underlying hedged item or class of items being hedged ceases to exist, the derivative instrument hedge is terminated and realised and unamortised gains or losses taken to profit and loss.

Further information on derivative financial instruments is shown in Note 37.

(hh) Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value. Further information is shown in Note 36.

(ii) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The principal sources of revenue are interest income and fees and commissions.

Interest income

Interest income is reflected in profit and loss when earned on an accrual basis. Further information is included in Notes 1(k) Investment securities, 1(m) Loans, advances and other receivables and 1(n) Leasing and leveraged leasing.

Fee income

Lending fees

Material non refundable front end loan fees that are yield related and do not represent cost recovery, are taken to profit and loss over the period of the loan. Associated costs incurred in these lending transactions are deferred and netted against yield related loan fees. Where non refundable front end loan fees are received that represent cost recovery or charges for services not directly related to the yield on a loan, they are taken to income in the period in which they are received. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are taken to income on an accrual basis.

Commission and other fees

When commission charges and fees relate to specific transactions or events, they are recognised as income in the period in which they are received. However, when they are charged for services provided over a period, they are taken to income on an accrual basis.

Other income

Trading income is brought to account when earned based on changes in net fair value of financial instruments and recorded from trade date. Further information is included in Notes 1(e) Foreign currency transactions, 1(j) Trading securities and 1(gg) Derivative financial instruments. Life insurance business income recognition is explained in Note 1(jj) below.

(jj) Life insurance business

The Group conducts life insurance business through Commonwealth Life Limited (CLL) which is subject to the provisions of the Life Insurance Act 1995. The shareholders' interest in CLL, consisting of the shareholders' fund and the shareholders' interest in the statutory funds, is included in the financial statements of the Group and has been subject to the stated principles of consolidation.

The shareholders' interest in the statutory funds is carried at cost. Policyholders' interest in the statutory funds is not included in the consolidated financial statements as the Group does not have control of such funds as defined by AASB 1024: Consolidated Accounts.

The profits from the statutory funds are brought to account in the profit and loss of the Group. The profits have been determined according to the 'Margin on Services' methodology for valuation of policy liabilities under Actuarial Standard AS 1.01 issued by the Life Insurance Actuarial Standards Board. These profits are then transferred to general reserves as they are not fully available for distribution until all requirements of the Life Insurance Act are met.

Notes to and forming part of the accounts

NOTE 1 Summary of Significant Accounting Policies continued

A new related accounting standard AASB 1038: Life Insurance Business will become operative for the Bank as from 1 July 1999. The standard will require all life insurance assets and liabilities to be carried at market value and the first time consolidation of approximately $10 billion of assets and liabilities in statutory funds.

As part of an internal Group restructuring the Bank has sold its investment in Commonwealth Life Limited to Commonwealth Insurance Holdings Limited, a life insurance wholly owned entity as at 30 June 1999. The sale price was at market value based on independent advice. The capital gain on sale eliminates on consolidation at 30 June 1999. Under the new life insurance accounting standard this investment in Commonwealth Life Limited will be carried at market value in the future. This will result in an increase in the Group's retained earnings of $432 million as from 1 July 1999.

(kk) Fiduciary activities

The Bank and designated controlled entities act as Trustee and/or Manager and/or Custodian for a number of Wholesale, Superannuation and Investment Funds, Trusts and Approved Deposit Funds. Further details are shown in Note 36.

The assets and liabilities of these Trusts and Funds are not included in the consolidated financial statements as the Bank does not have direct or indirect control of the Trusts and Funds as defined by AASB 1024. Commissions and fees earned in respect of the activities are included in the profit and loss of the Group and the designated controlled entity.

(ll) Superannuation plans

The Group sponsors a range of superannuation plans for its employees. The assets and liabilities of these plans are not included in the consolidated financial statements.

The superannuation contributions expense principally represents the annual funding, determined after having regard to actuarial advice, to provide for future obligations of defined benefit plans. Contributions to all superannuation plans are made in accordance with the rules of the plans.

(mm) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

(nn) Definitions

'Overseas' represents amounts booked in branches and controlled entities outside Australia.

'Borrowing Corporation' as defined by Section 9 of the Corporations Law is CBFC Limited and controlled entities.

'Net Fair Value' represents the fair or market value adjusted for transaction costs.

'Abnormal items' are items of revenue or expense included in operating profit after income tax and considered abnormal by reason of size and effect on operating profit after income tax for the financial year.

(oo) Adjustments to retained earnings

Commonwealth Life Limited adopted the new Insurance and Superannuation Commission Rules for financial reporting for the year ended 30 June 1997. This resulted in an $11 million debit adjustment to retained earnings in accordance with ASC Class Order No. 97/171 dated 17 February 1997.

(pp) Events Subsequent to Balance Date

In July 1999 the Bank acquired Credit Lyonnais Holding Australia Limited (CLHAL) which was the holding company for the Australian operations of Credit Lyonnais. CLHAL has total assets of $1.5 billion. The company was acquired on an adjusted net assets basis.

NOTE 2 **Operating Profit**

Operating profit before income tax has been determined as follows:

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Interest Income					
Loans	**6,806**	6,588	6,794	**5,456**	5,126
Other financial institutions	**165**	241	286	**153**	226
Cash and liquid assets	**58**	88	141	**53**	88
Trading securities	**246**	213	108	**173**	110
Investment securities	**425**	409	591	**365**	344
Dividends on redeemable preference shares	**42**	59	47	**(36)**	(34)
Controlled entities	**-**	-	-	**186**	150
Statutory deposits	**-**	-	11	**-**	-
Other	**3**	7	11	**2**	2
Total Interest Income	**7,745**	7,605	7,989	**6,352**	6,012
Interest Expense					
Deposits	**3,353**	3,343	3,660	**2,651**	2,464
Other financial institutions	**207**	218	226	**182**	192
Short term debt issues	**393**	293	291	**305**	226
Long term debt issues	**106**	183	234	**93**	163
Controlled entities	**-**	-	-	**62**	11
Loan capital	**155**	166	170	**155**	167
Other	**4**	5	16	**3**	4
Total Interest Expense	**4,218**	4,208	4,597	**3,451**	3,227
Net Interest Income	**3,527**	3,397	3,392	**2,901**	2,785
Other Operating Income					
Lending fees	**474**	472	439	**444**	438
Commission and other fees	**807**	678	541	**672**	571
Trading income					
Foreign exchange earnings	**155**	161	70	**137**	147
Trading securities	**66**	35	57	**68**	35
Other financial instruments (incl derivatives)	**52**	47	47	**52**	47
Dividends - controlled entities	**-**	-	-	**463**	156
- other	**6**	18	18	**6**	18
Net gain (loss) on investment securities	**79**	101	4	**84**	119
Net profit on sale of property, plant and equipment	**24**	34	44	**23**	31
Life insurance and funds management	**254**	205	197	**-**	-
General insurance premium income	**94**	79	64	**-**	-
Less general insurance claims paid	**(63)**	(46)	(44)	**-**	-
Other	**49**	49	52	**212**	77
Total Other Operating Income	**1,997**	1,833	1,489	**2,161**	1,639
Total Operating Income	**5,524**	5,230	4,881	**5,062**	4,424
Charge for Bad and Doubtful Debts (Note 13)					
General provisions	**247**	165	36	**78**	164
Specific provisions	**-**	68	62	**-**	60
Total Charge for Bad and Doubtful Debts	**247**	233	98	**78**	224

Notes to and forming part of the accounts

NOTE 2 Operating Profit continued

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Staff Expenses					
Salaries and wages	**1,406**	1,412	1,386	**1,265**	1,223
Superannuation contributions	**1**	1	2	**-**	(7)
Provision for long service leave	**42**	32	46	**41**	30
Provision for annual leave	**2**	(7)	11	**1**	(3)
Provisions for other employee entitlements	**(2)**	-	(3)	**(2)**	-
Payroll tax	**77**	83	86	**74**	76
Fringe benefits tax	**34**	42	70	**34**	39
Other staff expenses	**44**	59	65	**32**	34
Total Staff Expenses	**1,604**	1,622	1,663	**1,445**	1,392
Occupancy and Equipment Expenses					
Operating lease rentals	**158**	141	133	**152**	126
Depreciation					
Buildings	**51**	62	61	**47**	58
Leasehold improvements	**26**	22	16	**24**	20
Equipment	**68**	103	160	**47**	80
Repairs and maintenance	**64**	69	104	**51**	55
Other	**88**	76	73	**72**	61
Total Occupancy and Equipment Expenses	**455**	473	547	**393**	400
Information Technology Services					
Projects and development	**145**	164	152)	**137**	180
Data processing	**141**	102	-)	**131**	69
Desktop	**90**	89	-)	**89**	87
Communications	**129**	121	103	**122**	113
Total Information Technology Services	**505**	476	255	**479**	449
Other Expenses					
Postage	**76**	75	72	**70**	67
Stationery	**69**	53	57	**57**	43
Fees and commissions	**112**	116	92	**100**	94
Other	**249**	224	238	**211**	166
Total Other Expenses	**506**	468	459	**438**	370
Total Operating Expenses	**3,070**	3,039	2,924	**2,755**	2,611
Amortisation of Goodwill	**47**	46	43	**39**	39
Operating Profit before Abnormal Items	**2,160**	1,912	1,816	**2,190**	1,550

The Bank outsourced most of its information technology functions to EDS (Australia) in October 1997. This has changed the mix of operating expenses and has required a change in categorisation of expenses to more appropriately reflect expenditure into the future. Line by line comparison with prior periods is less meaningful in some instances.

Revenue from Operating Activities

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Interest income	**7,745**	7,605	7,989	**6,352**	6,012
Fee and commissions	**1,281**	1,150	980	**1,116**	1,009
Trading income	**273**	243	174	**257**	229
Life insurance and funds management	**254**	205	197	**-**	-
Dividends	**6**	18	18	**469**	174
Proceeds from sale of property, plant and equipment	**652**	196	307	**640**	167
Proceeds from sale of investment securities	**146**	1,787	1,172	**147**	1,666
Other income	**80**	82	72	**212**	77
	10,437	11,286	10,909	**9,193**	9,334

There were no sources of revenue from non operating activities.

NOTE 3 Average Balance Sheet and Related Interest

The table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rates for each of 1997, 1998 and 1999. Averages used are predominantly daily averages. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intergroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non accrual loans are included in Interest Earning Assets under loans, advances and other receivables.

	1999 Average Balance $M	**1999** Interest $M	**1999** Average Rate %	1998 Average Balance $M	1998 Interest $M	1998 Average Rate %	1997 Average Balance $M	1997 Interest $M	1997 Average Rate %
Average Assets and Interest Income									
Interest Earning Assets									
Cash and liquid assets									
Australia	**1,468**	**58**	**4.0**	1,942	86	4.4	2,188	138	6.3
Overseas	**119**	**-**	**-**	156	2	1.3	68	3	4.4
Receivables due from other financial institutions									
Australia	**1,481**	**79**	**5.3**	1,882	106	5.6	2,361	135	5.7
Overseas	**1,522**	**86**	**5.7**	1,977	135	6.8	2,747	151	5.5
Deposits with regulatory authorities									
Australia	**892**	**-**	**-**	809	-	-	756	11	1.5
Overseas	**2**	**-**	**-**	-	-	-	-	-	-
Trading securities									
Australia	**2,720**	**149**	**5.5**	1,297	83	6.4	1,511	96	6.4
Overseas	**1,700**	**97**	**5.7**	1,709	130	7.6	357	12	3.4
Investment securities									
Australia	**3,052**	**171**	**5.6**	2,987	183	6.1	5,083	303	6.0
Overseas	**4,659**	**254**	**5.5**	3,662	226	6.2	4,068	288	7.1
Loans, advances and other receivables									
Australia	**83,350**	**5,899**	**7.1**	73,797	5,542	7.5	67,292	5,959	8.9
Overseas	**13,306**	**949**	**7.1**	11,947	1,105	9.2	9,732	882	9.1
Other interest earning assets	**-**	**3**	**n/a**	-	7	n/a	-	11	n/a
Intragroup loans									
Australia	**414**	**23**	**5.6**	713	43	6.0	739	46	6.2
Average interest earning assets and interest income including intragroup	**114,685**	**7,768**	**6.8**	102,878	7,648	7.4	96,902	8,035	8.3
Intragroup eliminations	**(414)**	**(23)**	**5.6**	(713)	(43)	6.0	(739)	(46)	6.2
Total average interest earning assets and interest income	**114,271**	**7,745**	**6.8**	102,165	7,605	7.4	96,163	7,989	8.3
Non Interest Earning Assets									
Bank acceptances									
Australia	**9,971**			9,660			9,825		
Overseas	**32**			34			55		
Property, plant and equipment									
Australia	**1,240**			1,625			2,188		
Overseas	**211**			209			235		
Other assets									
Australia	**9,739**			8,883			5,646		
Overseas	**2,085**			2,015			1,267		
Provisions for impairment									
Australia	**(1,210)**			(950)			(938)		
Overseas	**(158)**			(86)			(83)		
Total average non interest earning assets	**21,910**			21,390			18,195		
Total Average Assets	**136,181**			123,555			114,358		
Percentage of total average assets applicable to overseas operations	**17.2%**			17.5%			16.1%		

Notes to and forming part of the accounts

NOTE 3 Average Balance Sheet and Related Interest continued

	1999 Average Balance $M	**1999 Interest $M**	**1999 Average Rate %**	1998 Average Balance $M	1998 Interest $M	1998 Average Rate %	1997 Average Balance $M	1997 Interest $M	1997 Average Rate %
Average Liabilities and Interest Expense									
Interest Bearing Liabilities and Loan Capital									
Time Deposits									
Australia	**31,119**	**1,597**	**5.1**	26,055	1,464	5.6	26,600	1,768	6.6
Overseas	**9,201**	**591**	**6.4**	8,300	718	8.7	6,487	529	8.2
Savings Deposits									
Australia	**24,378**	**418**	**1.7**	22,970	403	1.8	21,106	538	2.5
Overseas	**2,120**	**81**	**3.8**	1,680	104	6.2	1,696	103	6.1
Other demand deposits									
Australia	**17,247**	**626**	**3.6**	15,865	630	4.0	13,344	696	5.2
Overseas	**1,682**	**40**	**2.4**	1,375	24	1.7	1,321	26	2.0
Payables due to other financial institutions									
Australia	**643**	**35**	**5.4**	481	17	3.5	221	7	3.2
Overseas	**3,367**	**172**	**5.1**	3,175	201	6.3	3,463	219	6.3
Short term borrowings									
Australia	**6,005**	**319**	**5.3**	3,640	220	6.0	3,445	215	6.2
Overseas	**2,130**	**74**	**3.5**	1,656	73	4.4	1,354	76	5.6
Long term borrowings									
Australia	**1,684**	**76**	**4.5**	2,631	133	5.1	2,524	191	7.6
Overseas	**808**	**30**	**3.7**	874	50	5.7	968	43	4.4
Loan capital									
Australia	**2,746**	**155**	**5.6**	2,891	166	5.7	2,752	170	6.2
Other interest bearing liabilities	**-**	**4**	**n/a**	57	5	8.8	15	16	n/a
Intragroup borrowings									
Overseas	**414**	**23**	**5.6**	713	43	6.0	739	46	6.2
Average interest bearing liabilities and loan capital and interest expense including intragroup	**103,544**	**4,241**	**4.1**	92,363	4,251	4.6	86,035	4,643	5.4
Intragroup eliminations	**(414)**	**(23)**	**5.6**	(713)	(43)	6.0	(739)	(46)	6.2
Total average interest bearing liabilities and loan capital and interest expense	103,130	4,218	4.1	91,650	4,208	4.6	85,296	4,597	5.4
Non Interest Bearing Liabilities									
Deposits not bearing interest									
Australia	**3,952**			3,738			3,566		
Overseas	**76**			58			53		
Liability on acceptances									
Australia	**9,971**			9,660			9,825		
Overseas	**32**			34			55		
Other liabilities									
Australia	**9,632**			9,377			7,504		
Overseas	**2,383**			1,990			1,438		
Total average non interest bearing liabilities	**26,046**			24,857			22,441		
Total average liabilities and loan capital	**129,176**			116,507			107,737		
Shareholders' equity	**7,005**			7,048			6,621		
Total average liabilities, loan capital and shareholders' equity	**136,181**			123,555			114,358		
Percentage of total average liabilities applicable to overseas operations	**16.9%**			16.5%			15.6%		

NOTE 3 Average Balance Sheet and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis	**Year ended 30 June 1999 versus 1998**			Year ended 30 June 1998 versus 1997		
	Volume $M	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**(20)**	**(8)**	**(28)**	(13)	(39)	(52)
Overseas	**-**	**(2)**	**(2)**	3	(4)	(1)
Receivables due from other financial institutions						
Australia	**(22)**	**(5)**	**(27)**	(27)	(2)	(29)
Overseas	**(28)**	**(21)**	**(49)**	(47)	31	(16)
Deposits with regulatory authorities						
Australia	**-**	**-**	**-**	-	(11)	(11)
Overseas	**-**	**-**	**-**	-	-	-
Trading securities						
Australia	**85**	**(19)**	**66**	(14)	1	(13)
Overseas	**(1)**	**(32)**	**(33)**	74	44	118
Investment securities						
Australia	**4**	**(16)**	**(12)**	(127)	7	(120)
Overseas	**58**	**(30)**	**28**	(27)	(35)	(62)
Loans, advances and other receivables						
Australia	**697**	**(340)**	**357**	532	(949)	(417)
Overseas	**111**	**(267)**	**(156)**	203	20	223
Other interest earning assets	**-**	**(4)**	**(4)**	-	(4)	(4)
Intragroup loans						
Australia	**(17)**	**(3)**	**(20)**	(2)	(1)	(3)
Change in interest income including intragroup	**839**	**(719)**	**120**	470	(857)	(387)
Intragroup eliminations	**17**	**3**	**20**	2	1	3
Change in interest income	**861**	**(721)**	**140**	473	(857)	(384)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**272**	**(139)**	**133**	(33)	(271)	(304)
Overseas	**68**	**(195)**	**(127)**	152	37	189
Saving deposits						
Australia	**24**	**(9)**	**15**	40	(175)	(135)
Overseas	**22**	**(45)**	**(23)**	(1)	2	1
Other demand deposits						
Australia	**53**	**(57)**	**(4)**	116	(182)	(66)
Overseas	**6**	**10**	**16**	1	(3)	(2)
Payables due to other financial institutions						
Australia	**7**	**11**	**18**	9	1	10
Overseas	**11**	**(40)**	**(29)**	(18)	-	(18)
Short term borrowings						
Australia	**134**	**(35)**	**99**	12	(7)	5
Overseas	**19**	**(18)**	**1**	15	(18)	(3)
Long term borrowings						
Australia	**(45)**	**(12)**	**(57)**	7	(65)	(58)
Overseas	**(3)**	**(17)**	**(20)**	(5)	12	7
Loan capital						
Australia	**(8)**	**(3)**	**(11)**	8	(12)	(4)
Other interest bearing liabilities	**-**	**(1)**	**(1)**	-	(11)	(11)
Intragroup borrowings						
Overseas	**(17)**	**(3)**	**(20)**	(2)	(1)	(3)
Change in interest expense including intragroup	**486**	**(496)**	**(10)**	316	(708)	(392)
Intragroup eliminations	**17**	**3**	**20**	2	1	3
Change in interest expense	**498**	**(488)**	**10**	317	(706)	(389)
Change in net interest income	**363**	**(233)**	**130**	156	(151)	5

Notes to and forming part of the accounts

NOTE 3 Average Balance Sheet and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis

The preceding table allocates changes in net interest income between changes in volume and changes in rate over the previous year. Volume variances have been calculated by multiplying the average of both years' average interest rates, on average interest earning assets and average interest bearing liabilities, by the movement in average asset and liability balances. Rate variances have been calculated by multiplying the average of the average asset and liability balances by the change in average interest rates. The volume and rate variances for both total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories).

	GROUP		
	1999 $M	1998 $M	1997 $M
Net interest income	**3,527**	3,397	3,392
Average interest earnings assets	**114,271**	102,165	96,163

Interest Margins and Spreads

Interest spread represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest margin represents net interest income as a percentage of average interest earning assets. The calculations for Australia and Overseas include intragroup cross border loans/borrowings and associated interest.

	%	%	%
Australia			
Interest spread adjusted for interest forgone on non accrual and restructured loans	**3.00**	3.22	3.30
Interest forgone on non accrual and restructured loans	**(0.02)**	(0.04)	(0.07)
Interest Spread	**2.98**	3.18	3.23
Benefit of net free liabilities, provisions and equity	**0.39**	0.43	0.64
Australia Interest Margin	**3.37**	3.61	3.87
Overseas			
Interest spread adjusted for interest forgone on non accrual and restructured loans	**1.45**	1.44	1.41
Interest forgone on non accrual and restructured loans	**(0.06)**	(0.04)	(0.02)
Interest spread	**1.39**	1.40	1.39
Benefit of net free liabilities, provisions and equity	**0.38**	0.57	0.36
Overseas Interest Margin	**1.77**	1.97	1.75
Group			
Interest spread adjusted for interest forgone on non accrual and restructured loans	**2.71**	2.89	2.98
Interest forgone on non accrual and restructured loans	**(0.02)**	(0.04)	(0.06)
Interest spread	**2.69**	2.85	2.92
Benefit of net free liabilities, provisions and equity	**0.40**	0.48	0.61
Group Interest Margin	**3.09**	3.33	3.53

NOTE 4 Abnormal Items

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Abnormal expense item:					
Restructuring costs (Note 1(aa))	**-**	200	-	**-**	200
General provision charge for bad and doubtful debts (Note 1(o))	**-**	370	-	**-**	370
Write down of computer equipment (Note 1(s))	**-**	-	200	**-**	-
Total Abnormal Items Before Tax	**-**	570	200	**-**	570
Abnormal tax expense (credit) items:					
Restructuring costs (Note 1(aa))	**-**	(72)	-	**-**	(72)
Tax effecting general provision (Note 1(y))	**-**	(337)	-	**-**	(337)
Write down of computer equipment (Note 1(s))	**-**	-	(72)	**-**	-
Total abnormal income tax expense (credit)	**-**	(409)	(72)	**-**	(409)
Total Abnormal Items After Tax	**-**	161	128	**-**	161

NOTE 5 Income Tax Expense

Income tax expense shown in the financial statements differs from the prima facie tax charge calculated at current taxation rates on operating profit.

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Operating profit before abnormal items and income tax	**2,160**	1,912	1,816	**2,190**	1,550
Prima facie income tax at 36%	**777**	688	654	**789**	558
Add (or deduct) permanent differences expressed on a tax effect basis:					
Current Period					
Increase in general provisions for bad and doubtful debts	**-**	9	28	**-**	9
Specific provisions for offshore bad and doubtful debts not tax effected	**1**	35	-	**-**	28
Non deductible depreciation on buildings	**7**	9	9	**7**	8
Taxation rebates (net of accruals)	**(27)**	(33)	(35)	**(170)**	(44)
Non assessable income - life insurance surplus	**(36)**	(27)	(27)	**-**	-
Non deductible goodwill amortisation	**17**	16	15	**14**	14
Employee share acquisition plan	**-**	(10)	(10)	**-**	(10)
Other	**(19)**	(13)	(23)	**5**	(25)
	(57)	(14)	(43)	**(144)**	(20)
Prior Periods					
Other	**(6)**	(33)	(23)	**-**	(32)
Income tax attributable to operating profit	**714**	641	588	**645**	506
Abnormal income tax expense (credit) (Note 4)	**-**	(409)	(72)	**-**	(409)
Income tax expense	**714**	232	516	**645**	97
Income tax expense comprises:					
Current taxation provision	**744**	245	375	**640**	189
Deferred income (benefit)/tax provision	**(24)**	128	97	**(25)**	43
Future income tax benefit	**(34)**	(158)	22	**13**	(146)
Notional tax expense - leveraged leases	**8**	16	22	**8**	9
Other	**20**	1	-	**9**	2
Total Income Tax Expense	**714**	232	516	**645**	97
The components of income tax expense consist of the following:					
Current Australia	**710**	194	326	**640**	189
Overseas	**34**	51	49	**-**	-
	744	245	375	**640**	189
Deferred Australia	**(46)**	(13)	141	**5**	(92)
Overseas	**16**	-	-	**-**	-
	(30)	(13)	141	**5**	(92)
The significant temporary differences are as follows:					
Deferred income tax assets arising from:					
Provisions not tax deductible until expense incurred	**255**	272	82	**216**	261
Other	**78**	53	85	**46**	32
Future income tax benefits (Note 20)	**333**	325	167	**262**	293
Deferred income tax liabilities arising from:					
Leveraged leasing	**461**	437	439	**198**	191
Lease financing	**209**	185	175	**56**	36
Accelerated tax depreciation	**41**	47	74	**40**	47
Other	**222**	214	67	**173**	162
Total deferred income tax liabilities (Note 23)	**933**	883	755	**467**	436
Future income tax benefits attributable to tax losses carried forward as an asset	**-**	-	-	**-**	-
Future income tax benefits not taken to account					
Valuation allowance					
Opening balance	**132**	96	83	**121**	96
Prior year adjustments	**(12)**	6	7	**(12)**	6
Benefits now taken to account	**(10)**	(4)	(2)	**(5)**	(4)
Benefits not recognised	**36**	34	8	**36**	23
Closing balance (Note 20)	**146**	132	96	**140**	121

Notes to and forming part of the accounts

NOTE 6 Dividends Provided For, Reserved or Paid

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Interim dividend (fully franked) of 49 cents per share (1998: 46 cents, 1997: 45 cents)					
Provision for interim dividend - cash component only	**275**	231	231	**275**	231
Declared final dividend (fully franked) of 66 cents per share (1998: 58 cents, 1997: 57 cents)					
Provision for final dividend - cash component only	**472**	321	291	**472**	321
Dividends provided for payments in cash or paid	**747**	552	522	**747**	552
Appropriations to Dividend Reinvestment Plan Reserve					
Interim dividend	**183**	189	180	**183**	189
Final dividend	**133**	214	239	**133**	214
Dividends appropriated to Dividend Reinvestment Plan Reserve	**316**	403	419	**316**	403
Total Dividends Provided for, Reserved or Paid	**1,063**	955	941	**1,063**	955

Dividend Franking Account

The amount of franking credits available for subsequent financial years stands at $96 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 1999, which has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the financial year ended 30 June 1999, franking debits that will arise from the payment of dividends proposed as at 30 June 1999 and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

NOTE 7 Earnings Per Share

	GROUP		
	1999 c	1998 c	1997 c
Earnings Per Ordinary Share (basic and fully diluted)	**153.4**	117.2	117.2
	$M	$M	$M
Reconciliation of earnings used in the calculation of earnings per share			
Operating profit after income tax	**1,446**	1,110	1,100
Less: Outside equity interests	**(24)**	(20)	(22)
Earnings used in calculation of earnings per share	**1,422**	1,090	1,078
	Number of Shares		
	M	M	M
Weighted average number of ordinary shares used in the calculation of earnings per share	**927**	930	917

	GROUP		BANK	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M

NOTE 8 Cash and Liquid Assets

	1999 $M	1998 $M	**1999 $M**	1998 $M
Australia				
Notes, coins and cash at bankers	**752**	921	**757**	909
Money at short call	**39**	96	**-**	-
Securities purchased under agreements to resell	**793**	328	**793**	328
Bills receivable and remittances in transit	**138**	141	**138**	140
Total Australia	**1,722**	1,486	**1,688**	1,377
Overseas				
Notes, coins and cash at bankers	**31**	30	**-**	-
Money at short call	**58**	10	**58**	16
Bills receivable and remittances in transit	**3**	-	**-**	-
Total Overseas	**92**	40	**58**	16
Total Cash and Liquid Assets	**1,814**	1,526	**1,746**	1,393

NOTE 9 Receivables from Other Financial Institutions

	1999 $M	1998 $M	**1999 $M**	1998 $M
Australia	**621**	2,382	**627**	2,371
Overseas	**585**	1,066	**555**	834
Total Receivables from Other Financial Institutions	**1,206**	3,448	**1,182**	3,205

NOTE 10 Trading Securities

	1999 $M	1998 $M	**1999 $M**	1998 $M
Australia				
Listed:				
Australian Public Securities				
Commonwealth and States	**603**	237	**317**	237
Local and semi government	**47**	282	**47**	281
Unlisted:				
Commercial paper	**176**	336	**176**	336
Certificates of deposit	**642**	146	**642**	146
Bills of exchange	**890**	656	**890**	656
Medium term notes	**693**	263	**693**	263
Other securities	**168**	290	**168**	290
Total Australia	**3,219**	2,210	**2,933**	2,209
Overseas				
Listed:				
Government securities	**-**	413	**-**	59
Eurobonds	**212**	306	**212**	306
Bills of exchange	**814**	514	**-**	-
Other securities	**32**	73	**32**	73
Unlisted:				
Government securities	**22**	4	**-**	-
Commercial paper	**340**	402	**6**	1
Other securities	**69**	87	**68**	50
Total Overseas	**1,489**	1,799	**318**	489
Total Trading Securities	**4,708**	4,009	**3,251**	2,698

Notes to and forming part of the accounts

NOTE 11 Investment Securities

	GROUP			BANK	
	1999 $M	1998 $M	1997 $M	**1999 $M**	1998 $M
Australia					
Listed:					
Australian Public Securities					
Commonwealth and States	**2,635**	1,960	3,769	**2,611**	1,914
Treasury notes	**-**	-	20	**-**	-
Other securities and equity investments	**282**	578	564	**278**	527
Unlisted:					
Australian Public Securities					
Commonwealth and States	**-**	-	8	**-**	-
Treasury notes	**-**	-	17	**-**	-
Bills of exchange	**-**	17	34	**-**	-
Certificates of deposit	**-**	-	5	**-**	-
Medium term notes	**160**	141	115	**160**	141
Other securities and equity investments	**70**	455	301	**9**	13
Total Australia	**3,147**	3,151	4,833	**3,058**	2,595
Overseas					
Listed:					
Government securities	**234**	179	323	**234**	179
Treasury notes	**5**	5	5	**5**	5
Certificates of deposit	**-**	547	923	**-**	547
Eurobonds	**583**	539	367	**583**	539
Other securities	**484**	447	687	**484**	447
Unlisted:					
Government securities	**1**	25	38	**1**	25
Treasury notes	**-**	-	333	**1**	-
Bills of exchange	**-**	-	435	**-**	-
Certificates of deposit	**1,228**	648	64	**1,228**	647
Eurobonds	**317**	227	78	**317**	227
Medium term notes	**27**	29	-	**27**	29
Commercial paper	**228**	182	351	**228**	182
Other securities and equity investments	**933**	879	796	**542**	527
Total Overseas	**4,040**	3,707	4,400	**3,650**	3,354
Total Investment Securities	**7,187**	6,858	9,233	**6,708**	5,949

NOTE 11 Investment Securities continued

	GROUP		
	MARKET VALUE AT 30 JUNE		
	1999 $M	1998 $M	1997 $M
Market Value			
Australia			
Australian Public Securities			
Commonwealth and States	**2,637**	1,994	3,907
Treasury notes	**-**	-	37
Bills of exchange	**-**	17	34
Certificates of deposit	**-**	-	5
Medium term notes	**171**	159	128
Other securities and equity investment	**333**	1,092	944
Total Australia	**3,141**	3,262	5,055
Overseas			
Government securities	**243**	231	376
Treasury notes	**5**	5	339
Bills of exchange	**-**	-	436
Certificates of deposit	**1,236**	1,201	990
Eurobonds	**924**	811	464
Medium term notes	**20**	25	-
Other securities and equity investments	**1,627**	1,544	1,902
Total Overseas	**4,055**	3,817	4,507
Total Investment Securities	**7,196**	7,079	9,562
Net Unrealised Surplus/(Deficit)	**9**	221	329

Gross Unrealised Gains and Losses of Group

	AT 30 JUNE 1999				AT 30 JUNE 1998			
	Amortised Cost $M	**Gross Unrealised Gains $M**	**Gross Unrealised Losses $M**	**Fair Value $M**	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia								
Australian Public Securities								
Commonwealth and States	**2,635**	**13**	**11**	**2,637**	1,960	34	-	1,994
Bills of exchange	**-**	**-**	**-**	**-**	17	-	-	17
Medium term notes	**160**	**11**	**-**	**171**	141	18	-	159
Other securities and equity investments	**352**	**-**	**19**	**333**	1,033	59	-	1,092
Total Australia	**3,147**	**24**	**30**	**3,141**	3,151	111	-	3,262
Overseas								
Government securities	**235**	**10**	**2**	**243**	204	30	3	231
Treasury notes	**5**	**-**	**-**	**5**	5	-	-	5
Certificates of deposit	**1,228**	**46**	**38**	**1,236**	1,195	7	1	1,201
Eurobonds	**900**	**46**	**22**	**924**	766	53	8	811
Medium term notes	**27**	**-**	**7**	**20**	29	-	4	25
Other securities and equity investments	**1,645**	**-**	**18**	**1,627**	1,508	83	47	1,544
Total Overseas	**4,040**	**102**	**87**	**4,055**	3,707	173	63	3,817
Total Investment Securities	**7,187**	**126**	**117**	**7,196**	6,858	284	63	7,079

Notes to and forming part of the accounts

NOTE 11 Investment Securities continued

Investment securities are carried at cost or amortised cost and are purchased with the intent of being held to maturity. The investment portfolio is managed in the context of the full balance sheet of the Bank.

Equity derivatives are in place to hedge equity market risk. There are $19 million of net deferred gains on these contracts (1998: $50 million net deferred losses) which offset the above unrealised losses and these are disclosed within Note 37. At the end of the financial year $71 million of net deferred losses (1998: $80 million) are included in the amortised cost value.

Maturity Distribution and Average Yield

The table analyses the maturities and weighted average yields of the Group's holdings of investment securities.

	MATURITY PERIOD AT 30 JUNE 1999								
	1 to 12 months		1 to 5 years		5 to 10 years		10 years or more		Total
	$M	%	$M	%	$M	%	$M	%	$M
Australia									
Australian Public Securities									
Commonwealth and States	**552**	**6.51**	**1,661**	**5.19**	**422**	**6.14**	**-**	**-**	**2,635**
Medium term notes	**-**	**-**	**102**	**8.33**	**58**	**9.80**	**-**	**-**	**160**
Other securities, commercial paper and equity investments	**90**	**5.09**	**258**	**3.62**	**4**	**6.52**	**-**	**-**	**352**
Total Australia	**642**		**2,021**		**484**		**-**		**3,147**
Overseas									
Government securities	**1**	**5.72**	**163**	**2.32**	**71**	**5.62**	**-**	**-**	**235**
Treasury notes	**5**	**1.20**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Certificates of Deposit	**1,228**	**5.21**	**-**	**-**	**-**	**-**	**-**	**-**	**1,228**
Eurobonds	**145**	**8.78**	**222**	**6.69**	**533**	**5.75**	**-**	**-**	**900**
Medium term notes	**-**	**-**	**27**	**5.19**	**-**	**-**	**-**	**-**	**27**
Other securities, commercial paper and equity investments	**274**	**5.23**	**624**	**7.45**	**697**	**2.97**	**50**	**5.53**	**1,645**
Total Overseas	**1,653**		**1,036**		**1,301**		**50**		**4,040**
Total Investment Securities	**2,295**		**3,057**		**1,785**		**50**		**7,187**
Maturities at Fair Value	**2,299**		**3,033**		**1,814**		**50**		**7,196**

Proceeds at or close to maturity of investment securities were $12,431 million (1998: $8,681 million, 1997: $7,013 million).

Proceeds from sale of investment securities were $146 million (1998: $1,787 million, 1997: $1,172 million).

Realised capital gains were $85 million and realised capital losses were $6 million (1998: realised capital gains $65 million, 1997: realised capital gains $12 million and realised capital losses $8 million).

NOTE 12 Loans, Advances and Other Receivables

	GROUP		BANK	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
Australia				
Overdrafts	**3,821**	2,841	**3,821**	2,876
Housing loans	**45,495**	41,137	**45,495**	41,137
Credit card outstandings	**2,510**	2,218	**2,510**	2,217
Lease financing	**3,966**	3,594	**1,207**	1,123
Bills discounted	**1,650**	916	**1,654**	917
Term loans	**29,607**	25,676	**25,535**	22,173
Redeemable preference share financing	**682**	740	**89**	125
Equity participation in leveraged leases	**1,737**	1,615	**774**	769
Other lending	**1,607**	1,290	**1,052**	738
Total Australia	**91,075**	80,027	**82,137**	72,075
Overseas				
Overdrafts	**760**	519	**-**	-
Housing loans	**7,151**	6,273	**85**	125
Credit card outstandings	**162**	134	**-**	-
Lease financing	**166**	60	**-**	-
Bills discounted	**2**	4	**2**	4
Term loans	**5,250**	5,189	**2,131**	2,260
Redeemable preference share financing	**-**	369	**-**	-
Other lending	**-**	-	**-**	-
Total Overseas	**13,491**	12,548	**2,218**	2,389
Gross Loans, Advances and Other Receivables	**104,566**	92,575	**84,355**	74,464
Less -				
Provisions for impairment (Note 13)				
General provision	**(1,081)**	(1,076)	**(932)**	(995)
Specific provision against loans and advances	**(275)**	(279)	**(209)**	(232)
Unearned income				
Term loans	**(437)**	(425)	**-**	-
Lease financing	**(489)**	(473)	**(142)**	(130)
Leveraged leases	**(243)**	(295)	**(38)**	(42)
Interest reserved	**(68)**	(102)	**(62)**	(93)
Unearned tax remissions on leveraged leases	**(136)**	(109)	**(20)**	(23)
	(2,729)	(2,759)	**(1,403)**	(1,515)
Net Loans, Advances and Other Receivables	**101,837**	89,816	**82,952**	72,949
Lease receivables, net of unearned income				
(included above)				
Current	**1,250**	932	**348**	281
Non current	**2,393**	2,249	**717**	712
	3,643	3,181	**1,065**	993

Notes to and forming part of the accounts

NOTE 12 Loans, Advances and Other Receivables continued

Maturity Distribution of Loans

The following table sets forth the maturity distribution of the Group's loans, advances and other receivables (excluding bank acceptances) at 30 June 1999.

	GROUP			
	MATURITY PERIOD AT 30 JUNE 1999			
	Maturing One Year or Less $M	Maturing Between One & Five Years $M	Maturing After Five Years $M	Total $M
Australia				
Government and Public Authorities	272	844	611	1,727
Agriculture, Forestry and Fishing	1,464	2,046	693	4,203
Financial, Investment and Insurance	1,588	1,524	936	4,048
Real Estate				
Mortgage (1)	3,018	7,832	23,475	34,325
Construction (2)	942	939	224	2,105
Personal	3,307	7,531	8,912	19,750
Lease Financing	1,144	905	1,051	3,100
Other Commercial and Industrial	10,428	8,423	2,966	21,817
Total Australia	22,163	30,044	38,868	91,075
Overseas				
Government and Public Authorities	84	40	33	157
Agriculture, Forestry and Fishing	205	628	-	833
Financial, Investment and Insurance	456	525	526	1,507
Real Estate				
Mortgage (1)	794	2,605	4,014	7,413
Construction (2)	315	112	-	427
Personal	47	88	142	277
Lease Financing	18	52	121	191
Other Commercial and Industrial	1,506	719	461	2,686
Total Overseas	3,425	4,769	5,297	13,491
Gross Loans, Advances and Other Receivables	25,588	34,813	44,165	104,566
Interest Rate Sensitivity of Lending				
Variable Interest Rates				
Australia	12,021	11,825	20,065	43,911
Overseas	2,510	2,928	889	6,327
Total	14,531	14,753	20,954	50,238
Fixed Interest Rates				
Australia	10,141	18,218	18,804	47,163
Overseas	916	1,842	4,407	7,165
Total	11,057	20,060	23,211	54,328
Gross Loans, Advances and Other Receivables	25,588	34,813	44,165	104,566

(1) Principally owner occupied housing. While most of these loans would have a contractual term of 20 years or more, the actual average term of the portfolio is less than 5 years.

(2) Financing real estate and land development projects.

NOTE 13 Provisions For Impairment

	GROUP 1999 $M	1998 $M	1997 $M	1996 $M	1995 $M	BANK 1999 $M	1998 $M
Provisions for Impairment							
General Provisions							
Opening balance	**1,076**	690	613	476	396	**995**	604
Abnormal charge	**-**	370	-	-	-	**-**	370
Charge against profit and loss	**247**	165	36	99	15	**78**	164
Transfer to specific provisions	**(239)**	(155)	-	-	-	**(159)**	(152)
Bad debts recovered	**51**	48	80	74	105	**43**	38
Adjustments for exchange rate fluctuations	**(7)**	-	2	(3)	1	**-**	2
	1,128	1,118	731	646	517	**957**	1,026
Bad debts written off	**(47)**	(42)	(41)	(33)	(41)	**(25)**	(31)
Closing balance	**1,081**	1,076	690	613	476	**932**	995
Specific Provisions							
Opening balance	**279**	241	318	511	713	**262**	211
Charge against profit and loss							
New and increased provisions	**-**	105	152	155	333	**-**	94
Writeback of provisions no longer required	**-**	(37)	(90)	(141)	(166)	**-**	(34)
Transfer from general provision for							
New and increased provisioning	**284**	175	-	-	-	**198**	169
Less writeback of provisions no longer required	**(45)**	(20)	-	-	-	**(39)**	(17)
Net transfer	**239**	155	-	-	-	**159**	152
Adjustments for exchange rate fluctuations and other items	**(8)**	(6)	6	(4)	17	**(29)**	(7)
	510	458	386	521	897	**392**	416
Bad debts written off	**(235)**	(179)	(145)	(203)	(386)	**(183)**	(154)
Closing balance	**275**	279	241	318	511	**209**	262
Total Provisions for Impairment	**1,356**	1,355	931	931	987	**1,141**	1,257
Specific provisions for impairment comprise the following segments:							
Provisions against loans and advances	**275**	279	241	310	498	**209**	232
Provisions for diminution	**-**	-	-	8	13	**-**	30
Total	**275**	279	241	318	511	**209**	262

	%	**%**	**%**	**%**	**%**	**%**	**%**
Provision Ratios [1]							
Specific provisions for impairment as % of gross impaired assets net of interest reserved	**46.69**	37.60	30.24	29.94	32.28	**42.65**	37.11
Total provisions for impairment as % of gross impaired assets net of interest reserved	**230.22**	182.61	116.81	87.66	62.35	**232.86**	201.44
General provisions as % of risk weighted assets	**1.09**	1.14	0.79	0.79	0.68	**1.09**	1.14

	$M	$M	$M	$M	$M	**$M**	$M
Charge to profit and loss for bad and doubtful debts comprises:							
General provisions	**247**	165	36	99	15	**78**	164
Specific provisions	**-**	68	62	14	167	**-**	60
Total Charge for Bad and Doubtful Debts	**247**	233	98	113	182	**78**	224
Ratio of net charge offs during the period to Average gross loans, advances and other receivables outstanding during the period	**0.3%**	0.3%	0.1%	0.2%	0.3%	**0.1%**	0.3%

(1) Ratios have been restated for 1998 based on the amended definition of non accruals introduced with effect from 31 December 1998.

Notes to and forming part of the accounts

NOTE 13 Provisions For Impairment continued	GROUP		BANK	
	1999 $M	1998 $M	**1999 $M**	1998 $M
Total charge for bad and doubtful debts	**247**	233	**78**	224
The charge is required for				
Specific Provisioning				
New and increased provisioning	**284**	280	**198**	263
Less provisions no longer required	**(45)**	(57)	**(39)**	(51)
Net specific provisioning	**239**	223	**159**	212
Provided from general provision	**(239)**	(155)	**(159)**	(152)
Charge to profit and loss	**-**	68	**-**	60
General Provisioning				
Direct write offs	**44**	42	**25**	31
Recoveries of amounts previously written off	**(51)**	(48)	**(43)**	(38)
Movement in general provision	**15**	16	**(63)**	19
Funding of specific provisions	**239**	155	**159**	152
Charge to profit and loss	**247**	165	**78**	164
Total Charge for Bad and Doubtful Debts	**247**	233	**78**	224

NOTE 13 Provisions For Impairment continued

Specific Provisions for Impairment by Industry Category

The following table sets forth the Group's specific provisions for impairment by industry category as at 30 June 1995, 1996, 1997, 1998 and 1999.

										AT 30 JUNE
		1999		1998		1997		1996		1995
	($ millions, except where indicated)									
		%		%		%		%		%
Australia										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**15**	**5.4**	20	7.1	21	8.7	34	10.7	86	16.8
Financial, Investment and Insurance	**23**	**8.4**	16	5.7	22	9.1	50	15.7	77	15.0
Real Estate										
Mortgage (1)	**4**	**1.5**	3	1.1	4	1.7	3	0.9	2	0.4
Construction (2)	**35**	**12.7**	8	2.9	11	4.6	16	5.0	53	10.4
Personal	**15**	**5.4**	14	5.0	12	5.0	17	5.3	26	5.1
Lease Financing	**4**	**1.5**	-	-	-	-	1	0.3	8	1.6
Other Commercial and Industrial	**82**	**29.8**	113	40.5	152	63.0	185	58.3	227	44.4
Total Australia	**178**	**64.7**	174	62.3	222	92.1	306	96.2	479	93.7
Overseas										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**-**	**-**	1	0.4	1	0.4	1	0.3	1	0.2
Financial, Investment and Insurance	**-**	**-**	-	-	2	0.8	2	0.6	3	0.6
Real Estate										
Mortgage (1)	**3**	**1.1**	5	1.8	-	-	-	-	-	-
Construction (2)	**-**	**-**	10	3.6	-	-	1	0.3	3	0.6
Personal	**2**	**0.7**	-	-	-	-	-	-	-	-
Lease Financing	**-**	**-**	-	-	-	-	-	-	-	-
Other Commercial and Industrial	**92**	**33.5**	89	31.9	16	6.7	8	2.6	25	4.9
Total Overseas	**97**	**35.3**	105	37.7	19	7.9	12	3.8	32	6.3
Total Specific Provisions	**275**	**100.0**	279	100.0	241	100.0	318	100.0	511	100.0

(1) Principally owner occupied housing.
(2) Financing real estate and land development projects.

Notes to and forming part of the accounts

NOTE 13 Provisions For Impairment continued

Bad Debts Written Off by Industry Category

The following table sets forth the Group's bad debts written off and bad debts recovered for Financial Years 1995, 1996, 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE									
	1999		1998		1997		1996		1995	
	($ millions, except where indicated)									
		%		%		%		%		%
Australia										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**7**	**2.5**	9	4.1	15	8.1	20	8.5	28	6.6
Financial, Investment and Insurance	**4**	**1.4**	4	1.8	4	2.2	25	10.6	67	15.7
Real Estate										
Mortgage [1]	**9**	**3.2**	11	5.0	9	4.8	5	2.1	7	1.6
Construction [2]	**7**	**2.5**	6	2.7	14	7.5	17	7.2	43	10.1
Personal	**94**	**33.3**	86	38.9	58	31.2	52	22.0	79	18.5
Lease Financing	**11**	**3.9**	6	2.7	5	2.7	4	1.7	5	1.2
Other Commercial and Industrial	**71**	**25.2**	79	35.7	69	37.1	93	39.4	159	37.2
Total Australia	**203**	**72.0**	201	90.9	174	93.6	216	91.5	388	90.9
Overseas										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**-**	**-**	-	-	-	-	-	-	-	-
Financial, Investment and Insurance	**-**	**-**	3	1.4	-	-	1	0.4	7	1.6
Real Estate										
Mortgage [1]	**1**	**0.4**	1	0.5	1	0.5	-	-	-	-
Construction [2]	**14**	**5.0**	-	-	2	1.1	-	-	11	2.6
Personal	**-**	**-**	6	2.7	3	1.6	3	1.3	2	0.5
Lease Financing	**3**	**1.0**	-	-	-	-	-	-	-	-
Other Commercial and Industrial	**61**	**21.6**	10	4.5	6	3.2	16	6.8	19	4.4
Total Overseas	**79**	**28.0**	20	9.1	12	6.4	20	8.5	39	9.1
Gross Bad Debts Written Off	**282**	**100.0**	221	100.0	186	100.0	236	100.0	427	100.0
Bad Debts Recovered										
Australia	**48**		46		63		65		84	
Overseas	**3**		2		17		9		21	
Bad Debts Recovered	**51**		48		80		74		105	
Net Bad Debts Written Off	**231**		173		106		162		322	

(1) Principally owner occupied housing.
(2) Financing real estate and land development projects.

NOTE 13 Provisions For Impairment continued

Bad Debts Recovered by Industry Category

The following table sets forth the Group's bad debts recovered by industry category for Financial Years 1995, 1996, 1997, 1998 and 1999.

									YEAR ENDED 30 JUNE	
	1999		1998		1997		1996		1995	
	($ millions, except where indicated)									
		%		%		%		%		%
Australia										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**2**	**3.9**	4	8.3	5	6.3	5	6.8	5	4.8
Financial, Investment and Insurance	**2**	**3.9**	6	12.5	8	10.0	7	9.5	8	7.6
Real Estate										
Mortgage [(1)]	**-**	**-**	-	-	-	-	-	-	-	-
Construction [(2)]	**1**	**2.0**	1	2.1	1	1.2	1	1.3	4	3.8
Personal	**27**	**52.9**	21	43.7	16	20.0	16	21.6	8	7.6
Lease Financing	**2**	**3.9**	2	4.2	2	2.5	2	2.7	5	4.8
Other Commercial and Industrial	**14**	**27.5**	12	25.0	31	38.8	34	45.9	54	51.4
Total Australia	**48**	**94.1**	46	95.8	63	78.8	65	87.8	84	80.0
Overseas										
Government and Public Authorities	**-**	**-**	-	-	-	-	-	-	-	-
Agriculture, Forestry and Fishing	**-**	**-**	-	-	-	-	-	-	-	-
Financial, Investment and Insurance	**-**	**-**	-	-	2	2.5	3	4.1	17	16.2
Real Estate										
Mortgage [(1)]	**-**	**-**	-	-	-	-	-	-	-	-
Construction [(2)]	**-**	**-**	-	-	2	2.5	2	2.7	1	1.0
Personal	**3**	**5.9**	2	4.2	1	1.2	1	1.3	1	1.0
Lease Financing	**-**	**-**	-	-	-	-	-	-	-	-
Other Commercial and Industrial	**-**	**-**	-	-	12	15.0	3	4.1	2	1.8
Total Overseas	**3**	**5.9**	2	4.2	17	21.2	9	12.2	21	20.0
Bad Debts Recovered	**51**	**100.0**	48	100.0	80	100.0	74	100.0	105	100.0

(1) Principally owner occupied housing.
(2) Financing real estate and land development projects.

Notes to and forming part of the accounts

NOTE 14 Credit Risk Concentrations

Management of the Credit Business

Credit risk is the potential for loss arising from:

- failure of a debtor or counterparty to meet their contractual obligations; and
- failure to recover the recorded value of equity investments arising from individual transactions.

The Group has clearly defined credit policies for the approval and management of credit risk. Credit underwriting standards, which incorporate income/repayment capacity, acceptable terms and security and loan documentation tests exist for all products.

The Group relies, in the first instance, on the assessed integrity and ability of the debtor or counterparty to meet its contracted financial obligations for repayment. Collateral security, in the form of real property or a floating charge is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance is generally secured against real estate while short term revolving consumer credit is generally unsecured.

The credit risk portfolio is divided into two segments, statistically managed and credit risk rate managed. Statistically managed exposures are generally not individually reviewed unless arrears occur. Statistically managed portfolios are reviewed by business unit Credit Support and Monitoring units with an overview by the Risk Asset Review unit. Credit risk rated managed exposures are required to be reviewed at least annually. The risk rated segment is subject to inspection by the Risk Asset Review unit, which is independent of the business units and which reports quarterly on its findings to the Board Risk Committee. Most risk rated portfolios are reviewed on a random basis, usually within a period of twenty four months, by the Risk Asset Review unit. High risk portfolios are reviewed more frequently. Credit processes, including compliance with policy and underwriting standards, and application of risk ratings, are examined and reported on where cases of non compliance are observed.

Facilities in the statistically managed segment become classified for remedial management by centralised units based on arrears status. Impaired assets in this segment are those 'classified' facilities which are not well secured and past due 180 days or more.

Facilities in the credit risk rated managed segment become classified for remedial management by centralised units based on assessment in the risk rating system, which for each exposure makes an assessment of the risk of default, and then the risk of loss if default should occur. Impaired assets in this segment are those 'classified' facilities where either a specific provision for impairment has been raised, the facility is maintained on a cash basis, a loss of principal or interest is anticipated, facilities have been restructured or other assets have been accepted in satisfaction of an outstanding debt. Loans are generally classified as non accrual when receivership, insolvency or bankruptcy occurs. Provisions for impairment are raised for an amount equal to the difference between the exposure and the estimated realisable market value of the security net of estimated realisation costs. Most loans that are rated as troublesome or impaired are managed by centralised and specialised units.

A centralised exposure management system records all significant credit risks borne by the Group. This system is used to monitor concentrations by client, industry, geography and any other concentrations where increased risk is apparent.

Aggregated credit limits apply for debtors or counterparties (refer 'Large Exposures').

The Risk Committee of the Board operates under a charter of the Board in terms of which the Committee oversees the Bank's credit management policies and practices. The Committee usually meets on a monthly basis and more often if required.

The Group uses a portfolio approach to the management of its credit risk. A key element is a well diversified portfolio. The Group has a system of industry limits and targets to control industry concentration. The Group has a large credit exposure policy for commercial and industrial credit risk, tiered by credit risk rating and loan duration. The Bank has a system of country limits in place to control geographic concentration of credit risk. These policies are to ensure diversification of the credit portfolio. The Group is using various portfolio management tools to diversify the credit portfolio. The Bank is involved in credit derivative transactions, has purchased various assets in the market, has carried out various asset securitisations and has recently concluded a Collateralised Loan Obligation issue.

NOTE 14 Credit Risk Concentrations continued

Total Gross Credit Risk by Industry

The following table sets out the Group's Total Gross Credit Risk by industry as at 30 June 1996, 1997, 1998 and 1999. Comparative figures are not available for Financial Year 1995. The industry profile of the loans, advances and other receivables content for the five financial years to 30 June 1999 is shown on page 86.

				AT 30 JUNE
	1999 $M	1998 $M	1997 $M	1996 $M
Industry				
Australia				
Government and Public Authorities	**6,162**	5,200	6,686	6,080
Agriculture, Forestry and Fishing	**5,303**	4,791	3,743	3,741
Financial, Investment and Insurance	**15,430**	17,654	14,878	13,642
Real Estate				
Mortgage	**37,980**	34,599	32,990	30,556
Construction	**3,830**	2,790	2,705	2,635
Personal	**20,294**	14,362	11,060	9,869
Lease Financing	**3,100**	1,940	4,277	4,245
Other Commercial and Industrial	**36,519**	35,074	29,747	24,821
Total Australia	**128,618**	116,410	106,086	95,589
Overseas				
Government and Public Authorities	**493**	819	1,048	806
Agriculture, Forestry and Fishing	**833**	640	595	376
Financial, Investment and Insurance	**5,631**	7,012	7,147	7,005
Real Estate				
Mortgage	**7,414**	6,306	6,247	4,545
Construction	**579**	505	166	233
Personal	**280**	259	148	256
Lease Financing	**191**	173	-	1
Other Commercial and Industrial	**7,945**	8,091	6,759	5,143
Total Overseas	**23,366**	23,805	22,110	18,365
Total Gross Credit Risk	**151,984**	140,215	128,196	113,954
Less unearned income	**(1,169)**	(1,193)	(1,019)	(963)
Total Credit Risk	**150,815**	139,022	127,177	112,991

Notes to and forming part of the accounts

NOTE 14 Credit Risk Concentrations continued

The following tables set out the credit risk concentrations of the Group.

RISK CONCENTRATION OF THE GROUP BY ASSET CLASS 30 JUNE 1999

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and Public Authorities	**650**	**2,635**	**1,727**	**387**	**625**	**138**	**6,162**
Agriculture, Forestry and Fishing	**-**	**-**	**4,203**	**859**	**220**	**21**	**5,303**
Financial, Investment and Insurance	**1,532**	**-**	**4,048**	**2,594**	**1,176**	**4,507**	**13,857**
Real Estate							
Mortgage	**-**	**-**	**34,325**	**126**	**3,529**	**-**	**37,980**
Construction	**-**	**-**	**2,105**	**743**	**969**	**13**	**3,830**
Personal	**-**	**-**	**19,750**	**208**	**336**	**-**	**20,294**
Lease Financing	**-**	**-**	**3,100**	**-**	**-**	**-**	**3,100**
Other Commercial and Industrial	**1,037**	**512**	**21,817**	**4,717**	**7,479**	**957**	**36,519**
Total Australia	**3,219**	**3,147**	**91,075**	**9,634**	**14,334**	**5,636**	**127,045**
Overseas							
Government and Public Authorities	**22**	**240**	**157**	**-**	**69**	**5**	**493**
Agriculture, Forestry and Fishing	**-**	**-**	**833**	**-**	**-**	**-**	**833**
Financial, Investment and Insurance	**814**	**1,228**	**1,507**	**-**	**276**	**1,220**	**5,045**
Real Estate							
Mortgage	**-**	**-**	**7,413**	**-**	**1**	**-**	**7,414**
Construction	**-**	**-**	**427**	**-**	**152**	**-**	**579**
Personal	**-**	**-**	**277**	**-**	**3**	**-**	**280**
Lease Financing	**-**	**-**	**191**	**-**	**-**	**-**	**191**
Other Commercial and Industrial	**653**	**2,572**	**2,686**	**38**	**1,912**	**84**	**7,945**
Total Overseas	**1,489**	**4,040**	**13,491**	**38**	**2,413**	**1,309**	**22,780**
Gross Balances	**4,708**	**7,187**	**104,566**	**9,672**	**16,747**	**6,945**	**149,825**
Other Risk Concentrations							
Receivables due from other financial institutions							**1,206**
Deposits with regulatory authorities							**953**
Total Gross Credit Risk							**151,984**

Risk concentrations for contingent liabilities and derivatives are based on the credit equivalent balance in Note 36, Contingent Liabilities and Note 37, Market Risk respectively.

NOTE 14 Credit Risk Concentrations continued

RISK CONCENTRATION OF THE GROUP BY ASSET CLASS 30 JUNE 1998

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and Public Authorities	544	1,698	1,216	365	1,034	343	5,200
Agriculture, Forestry and Fishing	-	-	4,128	523	82	58	4,791
Financial, Investment and Insurance	484	17	2,490	2,549	2,358	6,543	14,441
Real Estate							
Mortgage	-	-	34,505	94	-	-	34,599
Construction	-	-	1,197	885	708	-	2,790
Personal	-	-	14,063	242	57	-	14,362
Lease Financing	-	-	1,940	-	-	-	1,940
Other Commercial and Industrial	1,182	1,436	20,488	5,042	5,623	1,303	35,074
Total Australia	2,210	3,151	80,027	9,700	9,862	8,247	113,197
Overseas							
Government and Public Authorities	74	208	105	-	312	120	819
Agriculture, Forestry and Fishing	-	-	640	-	-	-	640
Financial, Investment and Insurance	916	1,195	1,449	-	451	1,934	5,945
Real Estate							
Mortgage	-	-	6,304	-	2	-	6,306
Construction	-	-	318	-	187	-	505
Personal	-	-	217	-	4	38	259
Lease Financing	-	-	173	-	-	-	173
Other Commercial and Industrial	809	2,304	3,342	27	1,580	29	8,091
Total Overseas	1,799	3,707	12,548	27	2,536	2,121	22,738
Gross Balances	4,009	6,858	92,575	9,727	12,398	10,368	135,935
Other Risk Concentrations							
Receivables due from other financial institutions							3,448
Deposits with regulatory authorities							832
Total Gross Credit Risk							140,215

Notes to and forming part of the accounts

NOTE 14 Credit Risk Concentrations continued

RISK CONCENTRATION OF THE GROUP'S IMPAIRED ASSETS 30 JUNE 1999

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write offs $M	Recoveries $M	Net Write offs $M
Australia						
Government and Public Authorities	**6,162**	**-**	**-**	**-**	**-**	**-**
Agriculture, Forestry and Fishing	**5,303**	**55**	**15**	**7**	**(2)**	**5**
Financial, Investment and Insurance	**13,857**	**47**	**23**	**4**	**(2)**	**2**
Real Estate						
Mortgage	**37,980**	**-**	**4**	**9**	**-**	**9**
Construction	**3,830**	**101**	**35**	**7**	**(1)**	**6**
Personal	**20,294**	**10**	**15**	**94**	**(27)**	**67**
Lease Financing	**3,100**	**5**	**4**	**11**	**(2)**	**9**
Other Commercial and Industrial	**36,519**	**278**	**82**	**71**	**(14)**	**57**
Total Australia	**127,045**	**496**	**178**	**203**	**(48)**	**155**
Overseas						
Government and Public Authorities	**493**	**-**	**-**	**-**	**-**	**-**
Agriculture, Forestry and Fishing	**833**	**1**	**-**	**-**	**-**	**-**
Financial, Investment and Insurance	**5,045**	**-**	**-**	**-**	**-**	**-**
Real Estate						
Mortgage	**7,414**	**-**	**3**	**1**	**-**	**1**
Construction	**579**	**-**	**-**	**14**	**-**	**14**
Personal	**280**	**-**	**2**	**-**	**(3)**	**(3)**
Lease Financing	**191**	**-**	**-**	**3**	**-**	**3**
Other Commercial and Industrial	**7,945**	**160**	**92**	**61**	**-**	**61**
Total Overseas	**22,780**	**161**	**97**	**79**	**(3)**	**76**
Gross Balances	**149,825**	**657**	**275**	**282**	**(51)**	**231**
Receivables due from other financial institutions	**1,206**					
Deposits with regulatory authorities	**953**					
Total Gross Credit Risk	**151,984**					

NOTE 14 Credit Risk Concentrations continued

RISK CONCENTRATION OF THE GROUP'S IMPAIRED ASSETS 30 JUNE 1998

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write offs $M	Recoveries $M	Net Write offs $M
Australia						
Government and Public Authorities	5,200	-	-	-	-	-
Agriculture, Forestry and Fishing	4,791	66	20	9	(4)	5
Financial, Investment and Insurance	14,441	65	16	4	(6)	(2)
Real Estate						
Mortgage	34,599	-	3	11	-	11
Construction	2,790	102	8	6	(1)	5
Personal	14,362	9	14	86	(21)	65
Lease Financing	1,940	2	-	6	(2)	4
Other Commercial and Industrial	35,074	372	113	79	(12)	67
Total Australia	113,197	616	174	201	(46)	155
Overseas						
Government and Public Authorities	819	-	-	-	-	-
Agriculture, Forestry and Fishing	640	3	1	-	-	-
Financial, Investment and Insurance	5,945	2	-	3	-	3
Real Estate						
Mortgage	6,306	-	5	1	-	1
Construction	505	3	10	-	-	-
Personal	259	2	-	6	(2)	4
Lease Financing	173	-	-	-	-	-
Other Commercial and Industrial	8,091	300	89	10	-	10
Total Overseas	22,738	310	105	20	(2)	18
Gross Balances	135,935	926	279	221	(48)	173
Receivables due from other financial institutions	3,448					
Deposits with regulatory authorities	832					
Total Gross Credit Risk	140,215					

Large Exposures

Concentration of exposure to any debtor or counterparty, other than to governments and banks, is controlled by the Large Credit Exposure Policy. All exposures outside the policy are approved by the Board Risk Committee.

The following table shows the aggregate number of the Group's corporate exposures (including direct and contingent exposure) which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	1999	1998	1997	1996	1995
	Number	Number	Number	Number	Number
10% to less than 15% of Group's capital resources	1	1	1	1	2
5% to less than 10% of Group's capital resources	7	7	4	4	6

Notes to and forming part of the accounts

NOTE 14 Credit Risk Concentrations continued

Credit Portfolio

Industry Profile

The following table sets forth the distribution of the Group's loans, advances and other receivables (excluding bank acceptances) classified by industry category at 30 June 1995, 1996, 1997, 1998 and 1999.

	AT 30 JUNE									
		1999		1998		1997		1996		1995
	($ millions, except where indicated)									
		%		%		%		%		%
Australia										
Government and Public Authorities	**1,727**	**1.6**	1,216	1.3	1,955	2.3	1,477	2.0	874	1.3
Agriculture, Forestry and Fishing	**4,203**	**4.0**	4,128	4.4	3,185	3.8	2,896	4.0	2,538	3.9
Financial, Investment and Insurance	**4,048**	**3.9**	2,490	2.7	1,859	2.2	2,211	3.1	1,641	2.5
Real Estate										
Mortgage [(1)]	**34,325**	**32.8**	34,505	37.3	32,892	39.3	28,963	40.1	26,808	41.4
Construction [(2)]	**2,105**	**2.0**	1,197	1.3	1,138	1.4	1,065	1.5	1,084	1.7
Personal	**19,750**	**18.9**	14,063	15.2	10,740	12.8	9,456	13.1	8,669	13.4
Lease Financing	**3,100**	**3.0**	1,940	2.1	4,277	5.1	4,245	5.9	3,749	5.8
Other Commercial and Industrial	**21,817**	**20.9**	20,488	22.1	16,675	19.9	13,024	18.1	11,262	17.4
Total Australia	**91,075**	**87.1**	80,027	86.4	72,721	86.8	63,337	87.8	56,625	87.4
Overseas										
Government and Public Authorities	**157**	**0.1**	105	0.1	28	-	310	0.4	274	0.4
Agriculture, Forestry and Fishing	**833**	**0.8**	640	0.7	547	0.7	376	0.5	224	0.3
Financial, Investment and Insurance	**1,507**	**1.4**	1,449	1.6	1,494	1.8	1,134	1.6	956	1.5
Real Estate										
Mortgage [(1)]	**7,413**	**7.1**	6,304	6.8	6,247	7.4	4,545	6.3	3,701	5.7
Construction [(2)]	**427**	**0.4**	318	0.3	151	0.2	205	0.3	359	0.6
Personal	**277**	**0.3**	217	0.2	133	0.2	240	0.3	168	0.3
Lease Financing	**191**	**0.2**	173	0.2	-	-	1	-	2	-
Other Commercial and Industrial	**2,686**	**2.6**	3,342	3.7	2,469	2.9	2,000	2.8	2,474	3.8
Total Overseas	**13,491**	**12.9**	12,548	13.6	11,069	13.2	8,811	12.2	8,158	12.6
Gross Loans, Advances and Other Receivables	**104,566**	**100.0**	92,575	100.0	83,790	100.0	72,148	100.0	64,783	100.0
Provisions for bad And doubtful debts, Unearned income, interest reserved and unearned tax remissions on leverage leases	**(2,729)**		(2,759)		(2,158)		(2,106)		(2,076)	
Net Loans, Advances and Other Receivables	**101,837**		89,816		81,632		70,042		62,707	

(1) Principally owner occupied housing.
(2) Financing real estate and land development projects.

NOTE 15 Asset Quality

Credit Portfolio

The Group manages its credit portfolio in two segments:

Statistically Managed Segment

This segment comprises selected products where the exposures are generally less than $250,000. This segment is dominated by the housing portfolio. Credit facilities are approved using credit scoring and check sheet techniques.

Risk Rated Managed Segment

This segment comprises all credit exposures not statistically managed.

Management of this segment is based on the credit risk rating system, which for each exposure makes an assessment of the risk of default, and then the risk of loss if default should occur.

The Group's credit risk portfolio is as follows:

	1999 $M	1998 $M	1997 $M
Total gross credit risk (Note 14)	**151,984**	140,215	128,196
Less unearned income (Note 12)	**(1,169)**	(1,193)	(1,019)
Credit Risk	**150,815**	139,022	127,177
Credit Segments			
Statistically managed	**54,556**	50,264	46,795
Risk rated managed	**96,259**	88,758	80,382
Credit Risk	**150,815**	139,022	127,177

Charge for bad and doubtful debts for each segment was:

Credit Segments	**Charge 1999 $M**	**Loss Rate 1999 %pa**	Charge 1998 $M	Loss Rate 1998 %pa	Charge 1997 $M	Loss Rate 1997 %pa
Statistically managed	**81**	**0.15**	80	0.16	61	0.13
Risk rated managed	**151**	**0.16**	137	0.15	(38)	(0.05)
Sub total	**232**	**0.15**	217	0.16	23	0.02
Funding to general provisions	**15**	**0.01**	16	0.01	75	0.06
Total charge for bad and doubtful debts	**247**	**0.16**	233	0.17	98	0.08

The loss rate is the charge as a percentage of the credit segments.

Impaired Assets

The Group adopted the Australian disclosure requirements for Impaired Assets contained in AASB1032 'Specific Disclosures by Financial Institutions' with effect from Financial Year 1997. The Group's policies incorporate the Reserve Bank of Australia guidelines issued in December 1993, which meet the requirements of AASB1032.

There are three classifications of Impaired Assets:

(a) Non accruals, comprising:

- any credit risk facility against which a specific provision for impairment has been raised;
- any credit risk facility maintained on a cash basis because of significant deterioration in the financial position of the borrower; and
- any credit risk facility where loss of principal or interest is anticipated.

At 31 December 1998 the definition of non accruals was amended to align more closely with APRA (formerly RBA) guidelines and industry practice. When a client is experiencing difficulties the account is classified as a non accrual only where a loss is expected, taking into account the level of security held. To provide comparable provisioning and asset quality ratios at 30 June 1998 and 30 June 1999, impaired assets at 30 June 1998 have also been disclosed under the amended definition.

All interest charged in the current financial period that has not been received in cash is reversed from profit and loss when facilities become classified as non accrual. Interest on these facilities is only taken to profit if received in cash.

(b) Restructured Facilities

Credit risk facilities on which the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to profit and loss. Failure to comply fully with the modified terms will result in immediate reclassification to non accruals.

Notes to and forming part of the accounts

NOTE 15 Asset Quality continued

Impaired Assets continued

(c) Assets Acquired Through Security Enforcement (AATSE), includes:

- *Other Real Estate Owned (OREO)*, comprising real estate where the Bank has assumed ownership or foreclosed in settlement of a debt; and
- *Other Assets Acquired Through Security Enforcement (OAATSE)*, comprising assets other than real estate where the Bank has assumed ownership or foreclosed in settlement of a debt.

		GROUP	
	1999	1998	1997
	%	%	%
Impaired Asset Ratios [(1)]			
Gross impaired assets net of interest reserved as % of credit risk net of interest reserved	**0.39**	0.53	0.63
Net impaired assets as % of:			
Risk weighted assets	**0.32**	0.49	0.64
Total shareholders' equity	**4.52**	6.76	7.92

(1) Ratios have been restated from 1998 based on amended definition of non accruals introduced with effect from 31 December 1998.

US GAAP SFAS 114 and 118 - Accounting by Creditors for Impairment of Loans

		YEAR ENDED 30 JUNE	
	1999	1998	1997
	$M	$M	$M
Impaired Loans	**636**	920	896
- including non accruals	**636**	920	896
Impaired Loans with allowance for credit losses	**505**	726	670
- allowance for credit losses	**255**	259	226
Impaired Loans with no allowance for credit loss	**131**	194	226
Average investment in Impaired Loans	**778**	908	1,008
Income recognised on Impaired Loans	**33**	34	50

NOTE 15 Asset Quality continued

Impaired Assets

The following table sets forth the Group's impaired assets as at 30 June 1995, 1996, 1997, 1998 and 1999.

					AT 30 JUNE
	1999	1998 (1)	1997	1996	1995
	$M	$M	$M	$M	$M
Australia					
Non accrual loans:					
Gross balances	**495**	616	831	1,060	1,500
Less interest reserved	**(66)**	(85)	(100)	(108)	(129)
Gross balance (net of interest reserved)	**429**	531	731	952	1,371
Less provisions for impairment	**(178)**	(174)	(222)	(300)	(473)
Net non accrual loans	**251**	357	509	652	898
Restructured loans:					
Gross balances	**1**	-	-	29	37
Less interest reserved	**-**	-	-	(9)	(11)
Gross balance (net of interest reserved)	**1**	-	-	20	26
Less specific provisions	**-**	-	-	-	-
Net restructured loans	**1**	-	-	20	26
Other Assets Acquired Through Security Enforcement (OAATSE):					
Gross balances	**-**	-	-	6	6
Less provisions for impairment	**-**	-	-	(6)	(6)
Net OAATSE	**-**	-	-	-	-
Net Australian impaired assets	**252**	357	509	672	924
Overseas					
Non accrual loans:					
Gross balances	**147**	310	75	51	142
Less interest reserved	**(2)**	(17)	(9)	(6)	(9)
Gross balance (net of interest reserved)	**145**	293	66	45	133
Less provisions for impairment	**(97)**	(105)	(19)	(10)	(26)
Net non accrual loans	**48**	188	47	35	107
Restructured loans:					
Gross balances	**-**	-	-	-	-
Less interest reserved	**-**	-	-	-	-
Gross balance (net of interest reserved)	**-**	-	-	-	-
Less specific provisions	**-**	-	-	-	-
Net restructured loans	**-**	-	-	-	-
Other Real Estate Owned (OREO)					
Gross balances	**14**	-	-	39	47
Less provisions for impairment	**-**	-	-	(2)	(5)
Net OREO	**14**	-	-	37	42
Net Overseas impaired assets	**62**	188	47	72	149
Total net impaired assets	**314**	545	556	744	1,073

(1) Under revised definition of non accrual assets introduced 31 December 1998 net impaired assets at 30 June 1998 would have been $466 million.

Notes to and forming part of the accounts

NOTE 15 Asset Quality continued

Movement in Impaired Asset Balances

The following table provides an analysis of the movement in the gross impaired asset balances for Financial Years 1995, 1996, 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE				
	1999 $M	1998 $M	1997 $M	1996 $M	1995 $M
Gross impaired assets at period beginning	**926**	906	1,185	1,732	2,555
New and increased	**415**	689	487	390	773
Balances written off	**(280)**	(216)	(190)	(269)	(541)
Returned to performing or repaid	**(404)** [1]	(453)	(576)	(668)	(1,055)
Gross impaired assets at period end	**657**	926	906	1,185	1,732

[1] Includes $99 million reduction due to revised definition of non accruals introduced 31 December 1998.

Loans Accruing But Past Due 90 Days or More

	AT 30 JUNE				
	1999 $M	1998 $M	1997 $M	1996 $M	1995 $M
Accruing loans past due 90 days or more					
Housing loans	**182**	249	267	336	257
Other loans	**23**	41	37	29	44
Total	**205**	290	304	365	301

Interest Income Forgone on Impaired Assets

	YEAR ENDED 30 JUNE				
	1999 $M	1998 $M	1997 $M	1996 $M	1995 $M
Interest income forgone					
Australia Non Accrual Facilities	**17**	34	52	75	112
Overseas Non Accrual Facilities	**10**	7	3	5	11
Total	**27**	41	55	80	123

Interest Taken to Profit and Loss on Impaired Assets

	YEAR ENDED 30 JUNE				
	1999 $M	1998 $M	1997 $M	1996 $M	1995 $M
Australia					
Non Accrual Facilities	**33**	34	50	70	62
Restructured Facilities	**-**	-	-	5	-
Overseas					
Non Accrual Facilities	**-**	-	-	-	1
OREO	**-**	-	5	6	-
Total Interest to Profit and Loss	**33**	34	55	81	63

NOTE 15 Asset Quality continued

Impaired Assets

	Australia 1999 $M	Overseas 1999 $M	GROUP Total 1999 $M	Australia 1998 $M	Overseas 1998 $M	GROUP Total 1998 $M
Non Accrual Loans						
With provisions	**366**	**145**	**511**	439	293	732
Without provisions	**129**	**2**	**131**	177	17	194
Gross Balances	**495**	**147**	**642**	616	310	926
Less interest reserved	**(66)**	**(2)**	**(68)**	(85)	(17)	(102)
Net Balances	**429**	**145**	**574**	531	293	824
Less provisions for impairment	**(178)**	**(97)**	**(275)**	(174)	(105)	(279)
Net Non Accrual Loans	**251**	**48**	**299**	357	188	545
Restructured Loans						
Gross Balances	**1**	**-**	**1**	-	-	-
Less interest reserved	**-**	**-**	**-**	-	-	-
Net Balances	**1**	**-**	**1**	-	-	-
Less provisions for impairment	**-**	**-**	**-**	-	-	-
Net Restructured Loans	**1**	**-**	**1**	-	-	-
Other Real Estate Owned (OREO)						
Gross Balances	**-**	**14**	**14**	-	-	-
Less provisions for impairment	**-**	**-**	**-**	-	-	-
Net OREO	**-**	**14**	**14**	-	-	-
Other Assets Acquired Through Security Enforcement (OAATSE)						
Gross Balances	**-**	**-**	**-**	-	-	-
Less provisions for impairment	**-**	**-**	**-**	-	-	-
Net OAATSE	**-**	**-**	**-**	-	-	-
Total Impaired Assets						
Gross Balances	**496**	**161**	**657**	616	310	926
Less interest reserved	**(66)**	**(2)**	**(68)**	(85)	(17)	(102)
Net Balances	**430**	**159**	**589**	531	293	824 (1)
Less provisions for impairment	**(178)**	**(97)**	**(275)**	(174)	(105)	(279)
Net Impaired Assets	**252**	**62**	**314**	357	188	545 (1)
Non Accrual Loans by Size of Loan						
Less than $1 million	**173**	**5**	**178**	274	5	279
$1 million to $10 million	**142**	**27**	**169**	183	43	226
Greater than $10 million	**180**	**115**	**295**	159	262	421
Total	**495**	**147**	**642**	616	310	926

(1) Under the revised definition of non accrual assets introduced at 31 December 1998, Net Balances would be $742 million, and Net Impaired Assets $466 million.

Accruing Loans 90 days past due or more	**182**	**23**	**205**	265	25	290

These are loans which are well secured and not classified as impaired assets but which are in arrears 90 days or more. Interest on these loans continues to be taken to profit.

Notes to and forming part of the accounts

NOTE 15 Asset Quality continued

Asian and Other Regional Exposures

Approximately 65% of the Bank's Asian exposures relate to counterparties rated investment grade equivalent or better. Almost 47% of total exposures relate to financial institutions. Exposures to Indonesia, Thailand and Korea have reduced by 24% in the Financial Year 1999 and represent approximately 23% of the Bank's Asian credit risk.

The Group's credit risk exposure to Asian countries as at 30 June 1999 is set out below.

	Customer Type					1999	1998
Country	Finance	Corporate/ Multinational	Government	Project Finance	APL/NZPL	Total Exposure	Total Exposure
	$M	$M	$M	$M	$M	$M	$M
China	21	85	-	-	1	107	225
Hong Kong	205	554	45	-	164	968	979
	226	639	45	-	165	1,075	1,204
Japan	968	291	223	-	-	1,482	2,574
Malaysia	7	60	-	-	4	71	78
Singapore	361	103	1	-	38	503	749
Taiwan	5	16	-	-	-	21	45
Other	5	4	-	-	-	9	13
	1,346	474	224	-	42	2,086	3,459
Indonesia	61	162	50	94	50	417	618
South Korea	264	92	-	-	-	356	370
Thailand	24	128	17	-	-	169	254
	349	382	67	94	50	942	1,242
Total	1,921	1,495	336	94	257	4,103	5,905

	Product Category					1999	1998
Country	Trade Finance	Lending Bkd outside Asia	Other Comm Lending	APL/NZPL	Treasury/ Securities	Total Exposure	Total Exposure
	$M	$M	$M	$M	$M	$M	$M
China	13	41	51	1	1	107	225
Hong Kong	1	277	371	164	155	968	979
	14	318	422	165	156	1,075	1,204
Japan	-	287	220	-	975	1,482	2,574
Malaysia	-	1	7	4	59	71	78
Singapore	-	21	404	38	40	503	749
Taiwan	4	-	16	-	1	21	45
Other	1	-	8	-	-	9	13
	5	309	655	42	1,075	2,086	3,459
Indonesia	-	5	358	50	4	417	618
South Korea	110	-	73	-	173	356	370
Thailand	1	-	143	-	25	169	254
	111	5	574	50	202	942	1,242
Total	130	632	1,651	257	1,433	4,103	5,905

Total Exposure - The maximum of the limit or balance utilised for committed facilities, whichever is highest, and the balance utilised for uncommitted facilities. For derivative facilities, balances for 30 June 1998 were reported based on the RBA 'original exposure' method, from 1 July 1998 balances are reported on a 'mark to market plus potential exposure' basis.

Project Finance - Long term lending for large scale projects (such as mining, infrastructure) where repayment is primarily reliant on the cash flow from the project for repayment.

Trade Finance - Trade related documentary letters of credit and other trade products.

APL/NZPL - These are facilities to persons supported primarily by residential property in Australia and New Zealand.

Lending Bkd outside Asia - Lending Booked outside Asia are indirect exposures booked outside Asia where there is a relationship with the parent entity through a guarantee or letter of awareness/letter of comfort.

Other - Countries with total exposure of less than $10 million.

The Group had total exposures at 30 June 1999 of $163 million to Eastern Europe, Latin America and the Middle East.

	GROUP		BANK	
	1999 $M	1998 $M	**1999 $M**	1998 $M

NOTE 16 Deposits with Regulatory Authorities

Reserve Bank of Australia	**952**	831	**951**	827
Central Banks Overseas	**1**	1	**1**	1
Total Deposits with Regulatory Authorities	**953**	832	**952**	828

Deposits with the RBA are non callable deposits which are required to be maintained at a level equivalent to 1% of the liabilities of the Bank in Australia.

NOTE 17 Shares in and Loans to Controlled Entities

Shares in controlled entities	**-**	-	**3,065**	3,052
Loans to controlled entities	**-**	-	**4,043**	2,531
Total Shares in and Loans to Controlled Entities	**-**	-	**7,108**	5,583

NOTE 18 Property, Plant and Equipment

(a) Land and Buildings				
Land				
At 30 June 1999 valuation	**239**	-	**216**	-
At 30 June 1998 valuation	-	373	**-**	347
Closing balance	**239**	373	**216**	347
Buildings				
At 30 June 1999 valuation	**470**	-	**358**	-
At 30 June 1998 valuation	**-**	964	**-**	856
Closing balance	**470**	964	**358**	856
Total Land and Buildings	**709**	1,337	**574**	1,203

These valuations were established by the Directors and are lower than valuations prepared by independent valuers. No adjustments have been taken to asset revaluation reserve in 1999 or 1998.

(b) Leasehold Improvements				
At cost	**344**	254	**311**	242
Provision for depreciation	**(191)**	(129)	**(176)**	(126)
Closing balance	**153**	125	**135**	116
(c) Equipment				
At cost	**505**	539	**339**	335
Provision for depreciation	**(366)**	(339)	**(252)**	(216)
Closing balance	**139**	200	**87**	119
Total Property, Plant and Equipment	**1,001**	1,662	**796**	1,438

Notes to and forming part of the accounts

	GROUP		BANK	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
NOTE 19 Goodwill				
Purchased goodwill	**841**	835	**784**	784
Accumulated amortisation	**(350)**	(304)	**(333)**	(294)
Total Goodwill	**491**	531	**451**	490

NOTE 20 Other Assets

Accrued interest receivable	**795**	794	**791**	868
Shares in other companies	**123**	103	**23**	8
Accrued fees/reimbursements receivable	**233**	114	**198**	32
Securities sold not delivered	**350**	1,076	**290**	1,033
Future income tax benefits	**333**	325	**262**	293
Unrealised gains on trading derivatives (Note 37)	**4,978**	8,297	**4,978**	8,297
Other	**2,134**	1,150	**1,410**	871
Total Other Assets	**8,946**	11,859	**7,952**	11,402

Potential future income tax benefits of the Company arising from tax losses in offshore centres and timing differences have not been recognised as assets because recovery is not virtually certain. These benefits, which could amount to $146 million (1998: $132 million) will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

NOTE 21 Deposits and Other Public Borrowings

Australia				
Certificates of deposit	**11,000**	2,156	**11,000**	2,156
Term deposits	**23,871**	24,522	**21,188**	21,679
On demand and short term deposits	**41,454**	40,337	**41,305**	40,229
Deposits not bearing interest	**4,555**	3,936	**4,555**	4,962
Securities sold under agreements to repurchase	**619**	662	**619**	662
Other	**7**	7	**-**	-
Total Australia	**81,506**	71,620	**78,667**	69,688
Overseas				
Certificates of deposit	**2,295**	2,938	**534**	975
Term deposits	**5,692**	6,201	**1,723**	2,230
On demand and short term deposits	**3,878**	3,057	**10**	39
Deposits not bearing interest	**57**	70	**6**	12
Total Overseas	**11,922**	12,266	**2,273**	3,256
Total Deposits and Other Public Borrowings	**93,428**	83,886	**80,940**	72,944

Term deposit balances include $2,683 million (1998: $2,852 million) of borrowings secured by charges over the assets of CBFC Limited Group, a controlled entity of the Bank.

NOTE 21 Deposits and Other Public Borrowings continued

Maturity Distribution of Certificates of Deposit and Time Deposits

The following table sets forth the maturity distribution of the Group's certificates of deposits and time deposits as at 30 June 1999.

AT 30 JUNE 1999

	Maturing Three Months or Less	Maturing Between Three & Six Months	Maturing Between Six & Twelve Months	Maturing After Twelve Months	Total
	$M	$M	$M	$M	$M
Australia					
Certificates of deposit [1]	**4,030**	**1,541**	**-**	**5,429**	**11,000**
Time deposits	**10,799**	**5,296**	**4,374**	**3,402**	**23,871**
Total Australia	**14,829**	**6,837**	**4,374**	**8,831**	**34,871**
Overseas					
Certificates of deposit [1]	**1,405**	**583**	**248**	**59**	**2,295**
Time deposits	**4,321**	**643**	**571**	**157**	**5,692**
Total Overseas	**5,726**	**1,226**	**819**	**216**	**7,987**
Total Certificates of Deposit and Time Deposits	**20,555**	**8,063**	**5,193**	**9,047**	**42,858**

(1) All certificates of deposit issued by the Bank are for amounts greater than $100,000.

	GROUP 1999	GROUP 1998	BANK 1999	BANK 1998
	$M	$M	$M	$M
NOTE 22 Payables to Other Financial Institutions				
Australia	**879**	1,281	**799**	1,252
Overseas	**2,370**	2,116	**2,087**	1,756
Total Payables to Other Financial Institutions	**3,249**	3,397	**2,886**	3,008
NOTE 23 Income Tax Liability				
Australia				
Provision for income tax	**472**	215	**428**	205
Provision for deferred income tax	**933**	883	**467**	436
Total Australia	**1,405**	1,098	**895**	641
Overseas				
Provision for income tax	**5**	1	**2**	1
Provision for deferred income tax	**-**	-	**-**	-
Total Overseas	**5**	1	**2**	1
Total Income Tax Liability	**1,410**	1,099	**897**	642
NOTE 24 Other Provisions				
Provision for:				
Long service leave	**286**	289	**285**	288
Annual leave	**129**	129	**124**	123
Other employee entitlements	**200**	218	**200**	218
Restructuring costs	**57**	122	**57**	122
General insurance claims	**57**	35	**-**	-
Self insurance/non lending losses	**35**	30	**35**	30
Other	**41**	52	**41**	49
Total Other Provisions	**805**	875	**742**	830

Notes to and forming part of the accounts

NOTE 25 Debt Issues

	GROUP		BANK	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
Short term debt issues	**8,009**	6,758	**4,118**	6,190
Long term debt issues	**2,754**	3,850	**2,222**	3,049
Total Debt Issues	**10,763**	10,608	**6,340**	9,239
Short Term Debt Issues				
AUD Promissory Notes	**576**	319	**-**	-
NZD Promissory Notes	**119**	-	**-**	**-**
US Commercial Paper	**4,491**	4,219	**1,557**	4,219
Euro Commercial Paper and Certificates of Deposit	**1,582**	1,365	**1,320**	1,245
Long Term Debt Issues with less than One Year to Maturity	**1,241**	855	**1,241**	726
Total Short Term Debt Issues	**8,009**	6,758	**4,118**	6,190
Long Term Debt Issues				
USD Medium Term Notes	**124**	460	**124**	460
AUD Medium Term Notes	**525**	681	**525**	624
JPY Medium Term Notes	**665**	813	**665**	813
Other Currencies Medium Term Notes	**399**	509	**395**	293
Offshore Loans (all JPY)	**313**	558	**313**	558
Eurobonds (all AUD)	**200**	301	**200**	301
Develop Australia Bonds (all AUD)	**528**	528	**-**	-
Total Long Term Debt Issues	**2,754**	3,850	**2,222**	3,049
Maturity Distribution of Debt Issues				
Less than 3 months	**6,179**	4,653	**3,215**	4,085
3 months to 12 months	**1,830**	2,105	**903**	2,105
Between 1 and 5 years	**1,588**	2,376	**1,519**	2,160
Greater than 5 years	**1,166**	1,474	**703**	889
Total Debt Issues	**10,763**	10,608	**6,340**	9,239

The Bank has a Euro Medium Term Note programme under which it may issue notes (EuroMTNs) up to an aggregate amount of USD5 billion. At 30 June 1999, USD3.0 billion is outstanding under this programme. Notes issued under the programme are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Where any debt is booked in an offshore branch or subsidiary, the amounts have first been converted into the base currency of the branch at a branch defined exchange rate, before being converted into the AUD equivalent.

When proceeds have been employed in currencies other than that of the ultimate repayment liability, swap or other hedge arrangements have been entered into.

NOTE 25 Debt Issues continued

Short Term Borrowings

The following table analyses the Group's short term borrowings for the Financial Years ended 30 June 1997, 1998 and 1999.

	YEAR ENDED 30 JUNE		
	1999	1998	1997
	($ millions, except where indicated)		
US Commercial Paper			
Outstanding at period end [1]	**4,491**	4,219	3,074
Maximum amount outstanding at any month end [2]	**5,408**	4,256	3,553
Approximate average amount outstanding [2]	**4,419**	2,501	2,519
Approximate weighted average rate on:			
Average amount outstanding	**5.2%**	5.7%	5.5%
Outstanding at period end	**5.0%**	5.6%	5.7%
Euro Commercial Paper			
Outstanding at period end [1]	**1,582**	1,365	1,922
Maximum amount outstanding at any month end [2]	**2,267**	2,813	2,089
Approximate average amount outstanding [2]	**1,714**	1,544	1,484
Approximate weighted average rate on:			
Average amount outstanding	**4.5%**	5.7%	5.6%
Outstanding at period end	**4.4%**	5.3%	5.7%
Other Commercial Paper			
Outstanding at period end [1]	**695**	319	827
Maximum amount outstanding at any month end [2]	**781**	604	867
Approximate average amount outstanding [2]	**324**	466	776
Approximate weighted average rate on:			
Average amount outstanding	**4.6%**	5.2%	6.3%
Outstanding at period end	**4.9%**	5.1%	5.7%

(1) The amount outstanding at period end is reported on a book value basis.
(2) The maximum and average amounts over the period are reported on a face value basis because the book values of these amounts are not available.

Exchange Rates Utilised

		30 June 1999	30 June 1998
AUD 1.00 =	USD	**.6599**	.6128
	GBP	**.4190**	.3675
	JPY	**79.7934**	86.3201
	NZD	**1.2478**	1.1930
	HKD	**5.1197**	4.7486
	DEM	**1.2487**	1.1091
	CHF	**1.0228**	.9337
	IDR	**4432**	8000

Notes to and forming part of the accounts

NOTE 25 Debt Issues continued

Guarantee Arrangements

Commonwealth Bank of Australia

The due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under Section 117 of the Commonwealth Bank's Act 1959 (as amended) at 30 June 1996. This guarantee has been progressively phased out following the sale of the Commonwealth's shareholding in the Bank on 19 July 1996.

The transitional arrangements for phasing out the Commonwealth's guarantee are contained in the Commonwealth Bank Sale Act 1995.

In relation to the Commonwealth's guarantee of the Bank's liabilities, transitional arrangements provided that:

- all demand deposits and term deposits would be guaranteed until the end of the day on 19 July 1999, with term deposits outstanding at the end of the day on 19 July 1999 being guaranteed until maturity; and
- all other amounts payable under a contract that was entered into, or under an instrument executed, issued, endorsed or accepted by the Bank before 19 July 1996 are guaranteed until their maturity.

Under the terms of an agreement reached between the Commonwealth and the Bank, the Bank will report to the Commonwealth annually on the level and maturity profile of outstanding liabilities which are subject to the Commonwealth's guarantee.

Commonwealth Development Bank

On 24 July 1996, the Commonwealth of Australia sold its 8.1% shareholding in the Commonwealth Development Bank Limited (CDBL) to the Bank for $12.5 million.

Under the arrangements relating to the purchase by the Bank of the Commonwealth's shareholding in the CDBL:

- all lending assets as at 30 June 1996 have been quarantined in CDBL, consistent with the Charter terms on which they were written;
- the CDBL's liabilities continue to remain guaranteed by the Commonwealth; and
- CDBL ceased to write new business or incur additional liabilities from 1 July 1996. From that date, new business that would have previously been written by CDBL is being written by the rural arm of the Bank.

The due payment of all monies payable by CDBL is guaranteed by the Commonwealth of Australia under Section 117 of the Commonwealth Bank's Act 1959 (as amended). This guarantee will continue to be provided by the Commonwealth whilst quarantined assets are held. The value of the liabilities under the guarantee will diminish as quarantined assets reach maturity and are repaid.

NOTE 26 Bills Payable and Other Liabilities

	GROUP		BANK	
	1999 $M	1998 $M	**1999 $M**	1998 $M
Bills payable	**1,226**	547	**575**	531
Accrued interest payable	**782**	817	**639**	592
Accrued fees and other items payable	**615**	500	**601**	458
Securities purchased not delivered	**296**	650	**239**	609
Unrealised losses on trading derivatives (Note 37)	**4,687**	7,790	**4,687**	7,790
Other liabilities	**901**	442	**784**	254
Total Bills Payable and Other Liabilities	**8,507**	10,746	**7,525**	10,234

NOTE 27 Loan Capital

				GROUP			BANK		
				1999	1998	1997	**1999**	1998	1997
				$M	$M	$M	**$M**	$M	$M
Tier 1 Capital		**Currency Amount (M)**							
Exchangeable	FRNs	USD300	(1)	**113**	422	388	**113**	422	388
Exchangeable	FRNs	USD400	(2)	**330**	563	517	**330**	563	517
Undated	FRNs	USD100	(3)	**152**	163	134	**152**	163	134
				595	1,148	1,039	**595**	1,148	1,039
Tier 2 Capital									
Extendible	FRNs	USD125		**-**	156	156	**-**	156	156
Extendible	FRNs	AUD300	(4)	**300**	300	300	**300**	300	300
Subordinated	MTNs	AUD185	(5)	**185**	-	-	**185**	-	-
Subordinated	FRNs	AUD115	(5)	**115**	-	-	**115**	-	-
Subordinated	FRNs	AUD25	(6)	**25**	-	-	**25**	-	-
Subordinated	Euro MTNs	JPY20,000	(7)	**251**	-	-	**251**	-	-
Subordinated	Euro MTNs	USD400	(8)	**501**	501	501	**501**	501	501
Subordinated	Euro MTNs	GBP200	(9)	**408**	408	408	**408**	408	408
Subordinated	Euro MTNs	JPY30,000	(10)	**448**	483	397	**448**	483	397
				2,233	1,848	1,762	**2,233**	1,848	1,762
Total Loan Capital				**2,828**	2,996	2,801	**2,828**	2,996	2,801

(1) USD 300 million Undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into Dated FRNs.
Outstanding notes at 30 June 1999 were:
Due July 1999 : USD19 million
Due July 2000 : USD48.25 million
Due July 2003 : USD1.5 million
Undated : USD5.5 million

(2) USD 400 million Undated FRNs issued 22 February 1989 exchangeable into Dated FRNs.
Outstanding notes at 30 June 1999 were:
Due February 2000 : USD176 million
Undated : USD71 million

(3) USD 100 million Undated Capital Notes issued on 15 October 1986.

The Bank has entered into separate agreements with the Commonwealth of Australia relating to each of the above issues (the ‘Agreements’) which qualify the issues as Tier 1 capital.

The Agreements provide that, upon the occurrence of certain events listed below, the Bank may issue either fully paid ordinary shares to the Commonwealth or (with the consent of the Commonwealth) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the relevant note issue or issues plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price of such shares will be determined by reference to the prevailing market price for the Bank’s shares.

Any one or more of the following events may trigger the issue of shares to the Commonwealth or a rights issue:

- a relevant event of default (discussed below) occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- the most recent audited annual financial statements of the Group show a loss (as defined in the Agreements);
- the Bank does not declare a dividend in respect of its ordinary shares;
- the Bank, if required by the Commonwealth and subject to the agreement of the APRA, exercises its option to redeem a note issue; or
- in respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

Any payment made by the Commonwealth pursuant to its guarantee in respect of the relevant notes will trigger the issue of shares to the Commonwealth to the value of such payment.

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general banking business in Australia; and the Commonwealth ceasing to guarantee the relevant notes. In relation to Dated FRN’s which have matured to date, the Bank and the Commonwealth agreed to amend the relevant Agreement to reflect that the Commonwealth was not called upon to subscribe for fully paid ordinary shares up to an amount equal to the principal value of the maturing FRNs.

Notes to and forming part of the accounts

NOTE 27 Loan Capital continued

(4) AUD 300 million Extendible Floating Rate Stock issued December 1989; due December 2004.

The Bank has entered into a separate agreement with the Commonwealth relating to the above issue (the 'Agreement') which qualifies the issue as Tier 2 capital. For capital adequacy purposes Tier 2 debt based capital is reduced each year by 20% of the original amount during the last 5 years to maturity.

The Agreement provides for the Bank to issue either fully paid ordinary shares to the Commonwealth or (with the consent of the Commonwealth) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the note issue plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price will be determined by reference to the prevailing market price for the Bank's shares.

Any one or more of the following events will trigger the issue of shares to the Commonwealth or a rights issue:

- a relevant event of default occurs in respect of the note issue and, where applicable, the Trustee of the notes gives notice of such to the Bank; or
- the Bank, if required by the Commonwealth and subject to the agreement of the APRA, exercises its option to redeem such issue.

Any payment made by the Commonwealth pursuant to its guarantee in respect of the issue will trigger the issue of shares to the Commonwealth to the value of such payment.

(5) AUD300 million Subordinated Notes, issued February 1999; due February 2009, split into $185 million fixed rate notes and $115 million floating rate notes.

(6) AUD25 million Subordinated FRN, issued April 1999, due April 2029.

(7) JPY20 billion Perpetual Subordinated Euro MTN, issued February 1999.

(8) USD400 million Subordinated Euro MTN issued June 1996; due July 2006.

(9) GBP200 million Subordinated Euro MTN issued March 1996; due December 2006.

(10) JPY30 billion Subordinated Euro MTN issued October 1995; due October 2015.

NOTE 28 Share Capital

	BANK 1999 $M	BANK 1998 $M
Issued and Paid Up Capital		
Opening balance	**1,845**	1,860
Transfer from share premium reserve	**1,499**	-
Buyback	**(246)**	(76)
Dividend reinvestment plan	**426**	57
Employee Share Acquisition Plan	**-**	4
Employee Share Subscription Plan	**5**	-
Issue costs	**(3)**	-
Closing balance	**3,526**	1,845

Shares on Issue	Number
As at 30 June 1998	922,658,274
Buyback	(27,366,447)
Dividend reinvestment plan issues:	
1998 final dividend fully paid ordinary shares at $18.79	12,114,896
1999 interim dividend fully paid ordinary shares at $24.50	8,260,352
Exercise under Executive Option Plan	26,000
Employee Share Subscription Plan issues	275,550
Total shares on issue at 30 June 1999	915,968,625

Options to purchase securities from registrant or subsidiaries

The Bank has in place the following employee share plans:

- Employee Share Acquisition Plan;
- Employee Share Subscription Plan; and
- Executive Option Plan,

each of which was approved for a 3 year period by shareholders at the Annual General Meeting on 8 October 1996. Continuation of each of the plans for another 3 years was approved by shareholders at the Annual General Meeting on 29 October 1998.

NOTE 28 Share Capital continued

Employee Share Acquisition Plan

The Employee Share Acquisition Plan provides employees of the Bank with up to $1,000 worth of free shares per annum subject to a performance target being met. The performance target is growth in annual profit of the greater of 5% or consumer price index plus 2%. Details of issues under this plan are:

Issue Date	Total Ordinary Shares Issued(1)	Total Bonus Ordinary Shares Issued(2)	No. of Eligible Employees Participating	Shares Issued to each Participant	Issue Price(3)
1996 Offer					
2 January 1997	27,755	2,275,910	27,755	83	$12.04
18 March 1997	13	1,066	13	83	$12.04
1997 Offer					
11 December 1997	3,025	1,637,273	28,281	58	$17.16
3 February 1998		232	4	58	$17.16

(1) New employee shareholders are granted one ordinary share with the remainder of shares issued as Bonus Ordinary Shares.

(2) The bonus shares were fully paid up as issued shares utilising the Share Premium Reserve.

(3) The Issue Price x Shares issued to each Participant effectively represents $1,000 of free shares.

Under the Plan a further grant of up to $1,000 was possible during the year if the Bank had achieved the performance target for the year ended 30 June 1998. As the target was not achieved, no allotments occurred under this Plan during the year.

Employee Share Subscription Plan

The Employee Share Subscription Plan provides employees of the Bank with the opportunity to purchase ordinary shares at a 5% discount to the market price of the shares at the time of purchase, subject to a one year restriction on the disposal of the shares. At the Board's discretion up to 300 shares per annum can be acquired by employees who have had at least one year's service, excluding casual and overseas resident employees. The opportunity to acquire the shares is available twice a year within a period commencing two days and expiring thirty days after the Bank's half yearly and annual results are announced. Details of allotments to date under this plan are:

Issue Date	No. of Ordinary Shares Issued	No. of Eligible Employees Participating	Purchase Price(1)	Offer Date	Market Value at Issue Date
27 March 1997	209,400	1,149	$12.74	25 February 1997	$12.75
25 September 1997	171,000	971	$14.84	26 August 1997	$17.22
27 March 1998	158,600	815	$16.80	24 February 1998	$18.07
30 September 1998	81,450	511	$18.60	25 August 1998	$19.97
26 March 1999	194,100	1,027	$23.36	23 February 1999	$26.25

(1) The Purchase Price was 95% of the weighted average market price of Commonwealth Bank shares on the ASX during the five trading days immediately before the Offer Date.

Notes to and forming part of the accounts

NOTE 28 Share Capital continued

Executive Option Plan

Under the Executive Option Plan, the Bank will grant options to purchase ordinary shares to those key executives who, are able, by virtue of their responsibility, experience and skill, to influence the generation of shareholder wealth, are declared by the Board of Directors to be eligible to participate in the Plan. Non executive directors are not eligible to participate in the Executive Option Plan.

Eligible executives must hold a minimum number of shares as determined by the Board before they are permitted to take up any options. The minimum holding must be maintained during the five year life of the options. The options cannot be exercised before each respective exercise period other than at Board discretion in terms of Plan rules, and exercise is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by companies represented in the ASX's 'Bank's and Finance Accumulation Index', excluding the Bank. If the performance hurdle is not reached within that three years, the options may nevertheless be exercisable only where the hurdle is subsequently reached within the remaining life of the options. The Plan is limited to no more than 50 executives. The options do not grant rights to the option holders to participate in a share issue of any other body corporate. Details of issues under this Plan are:

Issue Date	Total Options Issued	Eligible Executives Participating	Exercise Price(1)	Expiry Date	Grant Date	Market Price at Issue Date
16/12/96	2,100,000	25	$11.85	12/11/01	12/11/96	$11.93
11/12/97	2,875,000	27	$15.53(2)	03/11/02	03/11/97	$16.85
30/09/98	3,275,000	32	$19.58(2)	25/08/03	25/08/98	$19.97

(1) Market Value at the Grant Date. Market Value is defined as the weighted average of the prices at which the Bank's ordinary shares were traded on the ASX during the one week period before the Grant Date.

(2) Will be adjusted by the premium formula (based on the actual differences between the dividend and bond yields at the date of the vesting of the right to exercise the options).

682,500 options, from all grants to date, have been forfeited as at the date of this report. 26,000 options from the 1996 grant, have been exercised as at the date of this report. There are 7,541,500 options outstanding at the date of this report.

Share Buyback

The Bank's shareholders' equity was reduced by $650 million on 24 March 1999 pursuant to the buyback of 27.4 million shares. The price per share paid by the Bank for the buyback shares was $23.78 calculated in accordance with the buyback offer. In accordance with an agreement reached with the Australian Taxation Office $9 per share of the consideration for each share bought back has been charged to paid up capital ($246 million). The balance of $14.78 per share is deemed to be a fully franked dividend and charged to retained profits ($404 million).

NOTE 29 Outside Equity Interests

	GROUP		
	1999	1998	1997
	$M	$M	$M
Share Capital	**203**	118	130
Reserves	**-**	-	-
Retained profits	**24**	59	48
Total Outside Equity Interests	**227**	177	178

NOTE 30 **Capital Adequacy**

In August 1988 the Reserve Bank of Australia (RBA) established guidelines for the capital adequacy of Australian banks, to strengthen their soundness and stability. These guidelines have been adopted by APRA, and they are generally consistent with those proposed by the Basle Committee on Banking Supervision. They require Australian banks to have a ratio of capital (comprising 'Tier 1' and 'Tier 2' capital) to risk adjusted assets and off balance sheet exposures, determined on a risk weighted basis, of at least 8 per cent, of which at least half must be Tier 1 capital.

Tier 1, or core, capital includes paid up ordinary shares, retained earnings, reserves, other approved capital resources and minority interest in subsidiaries, less goodwill. Tier 2, or supplementary, capital includes general provisions for bad and doubtful debts and dated bond and note issues. For capital adequacy purposes Tier 2 debt based capital is reduced each year by 20% of the original amount during the last five years to maturity.

Risk weighted assets compiled for credit risk purposes are calculated by applying one of four approved categories of risk weight (0, 20, 50 or 100 per cent) to the assets of the Group, based primarily on the calibre of the counterparty. Off balance sheet exposures are firstly converted to on balance sheet credit equivalents using credit conversion factors relating to the nature of the exposure, then weighted in the same manner as balance sheet assets. The only exception is for derivatives where a maximum weighting of 50% applies.

In addition to the capital requirements for credit risk purposes, effective from 1 January 1998, Australian banks are also required to hold sufficient levels of capital to cover market risk of their trading books. Market risk is defined as the risk of losses in on and off balance sheet positions arising from movements in market price.

APRA require the measure of market risk to be multiplied by 12.5 (ie the reciprocal of the minimum capital ratio of 8 per cent) to determine a notional Risk Weighted Asset figure.

The capital adequacy ratio is calculated by taking the total risk weighted assets (credit risk assets plus notional market risk assets) as the denominator and the Group's capital base as the numerator.

	1999 Actual %	1998 Actual %
Risk Weighted Capital Ratios		
Tier one	**7.05**	8.07
Tier two	**3.12**	2.82
Less deductions	**(0.79)**	(0.40)
Total	**9.38**	10.49

	GROUP	
	1999 $M	1998 $M
Tier One Capital		
Total Shareholders' Equity	**6,962**	6,889
Eligible Loan Capital	**638**	1,306
Total Shareholders' Equity and Loan Capital	**7,600**	8,195
Less Goodwill	**(491)**	(531)
Less Preference Shares	**(88)**	(47)
Total Tier One Capital	**7,021**	7,617
Tier Two Capital		
General provisions for bad and doubtful debts	**1,081**	1,076
FITB related to general provision	**(347)**	(337)
Dated note and bond issues (eligible loan capital)	**2,335**	1,885
Preference shares	**40**	42
Total Tier Two Capital	**3,109**	2,666
Tier One and Tier Two Capital	**10,130**	10,283
Less deductions	**(788)**	(381)
Total Tier One and Tier Two Capital	**9,342**	9,902

Notes to and forming part of the accounts

NOTE 30 Capital Adequacy continued

	Face Value		Risk Weights	Risk Weighted Balance	
	1999 $M	1998 $M	%	**1999 $M**	1998 $M
Risk weighted assets					
On balance sheet assets					
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero weighted assets (1)	**14,533**	10,732	0%	**-**	-
Longer term claims on Australian Commonwealth, State and Territory Governments	**-**	4,954	10%	**-**	495
Claims on OECD banks and local governments	**6,697**	7,566	20%	**1,339**	1,513
Advances secured by residential property (2)	**57,478**	46,158	50%	**28,739**	23,079
All other assets (3) (4)	**55,481**	57,004	100%	**55,481**	57,004
Total on balance sheet assets - credit risk	**134,189**	126,414		**85,559**	82,091

(1) Other zero weighted assets include gross unrealised gains on trading derivative financial instruments of $4,978 million (1998: $8,297 million). APRA announced on 28 August 1998 that claims on Australian Commonwealth, State and Territory Governments are risk weighted at zero per cent irrespective of terms.

(2) For loans secured by residential mortgages approved after 5 September 1994, a risk weight of 100 per cent applied where the loan to valuation ratio is in excess of 80 per cent. Effective from 28 August 1998, a risk weight of 50 per cent applies to these loans if they are totally insured by an acceptable lender's mortgage insurer. Loans that are risk weighted at 100 per cent are reported under 'All Other Assets'.

(3) The difference between total on balance sheet assets and the Group's balance sheet reflects the alternative treatment of some assets and provisions as prescribed in APRA's capital adequacy guidelines, principally goodwill and general provisions for bad and doubtful debts.

(4) Total on balance sheet assets exclude debt and equity securities in the trading book and all on balance sheet positions in commodities as they are included in the calculation of notional market risk weighted assets.

	Face Value		Credit Equivalent		Risk Weighted Balance	
	1999 $M	1998 $M	**1999 $M**	1998 $M	**1999 $M**	1998 $M
Off balance sheet exposures						
Direct credit substitutes	**3,027**	2,729	**3,027**	2,729	**2,424**	2,188
Trade and performance related items	**1,704**	1,593	**779**	655	**770**	608
Commitments	**32,970**	23,669	**12,941**	9,014	**8,366**	6,010
Foreign exchange, interest rate and other market related transactions	**283,646**	276,051	**6,598**	9,813	**1,852**	2,921
Total off balance sheet exposures - credit risk	**321,347**	304,042	**23,345**	22,211	**13,412**	11,727
Total risk weighted assets - credit risk					**98,971**	93,818
Risk weighted assets - market risk					**585**	613
Total risk weighted assets					**99,556**	94,431

NOTE 31 Maturity Analysis of Monetary Assets and Liabilities

The maturity distribution of monetary assets and liabilities is based on contractual terms. The majority of the longer term monetary assets are variable rate products. Therefore this information is not relied on by the Bank in the management of its interest rate risk.

	GROUP							
	Maturity Period At 30 June 1999							
	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	**864**	**-**	**950**	**-**	**-**	**-**	**-**	**1,814**
Receivables due from other financial institutions	**88**	**-**	**1,026**	**92**	**-**	**-**	**-**	**1,206**
Trading securities [(1)]	**-**	**-**	**4,708**	**-**	**-**	**-**	**-**	**4,708**
Investment securities	**-**	**-**	**1,802**	**493**	**3,057**	**1,835**	**-**	**7,187**
Loans, advances and other receivables [(2)]	**1,498**	**2,900**	**7,982**	**11,624**	**35,496**	**43,280**	**(943)**	**101,837**
Bank acceptances of customers	**-**	**-**	**8,804**	**868**	**-**	**-**	**-**	**9,672**
Other monetary assets	**173**	**-**	**6,404**	**2**	**12**	**982**	**665**	**8,238**
Total monetary assets	**2,623**	**2,900**	**31,676**	**13,079**	**38,565**	**46,097**	**(278)**	**134,662**
Liabilities								
Deposits and other public borrowings [(3)]	**49,947**	**-**	**21,178**	**13,256**	**8,890**	**157**	**-**	**93,428**
Payables due to other financial institutions	**657**	**-**	**2,270**	**320**	**2**	**-**	**-**	**3,249**
Bank acceptances	**-**	**-**	**8,804**	**868**	**-**	**-**	**-**	**9,672**
Debt issues and loan capital	**-**	**-**	**6,040**	**2,222**	**2,127**	**2,685**	**517**	**13,591**
Other monetary liabilities	**235**	**-**	**7,613**	**9**	**237**	**380**	**295**	**8,769**
Total monetary liabilities	**50,839**	**-**	**45,905**	**16,675**	**11,256**	**3,222**	**812**	**128,709**

(1) Trading securities are purchased without the intention to hold until maturity and are categorised as maturing within 3 months.

(2) $36 billion of this figure represents principally owner occupied housing loans. While most of these loans would have a contractual term of 20 years or more, and are analysed accordingly, the actual average term of the portfolio is less than 5 years.

(3) Includes substantial 'core' deposits which are contractually at call customer savings and cheque accounts. History demonstrates such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table in Note 37.

Notes to and forming part of the accounts

NOTE 31 Maturity Analysis of Monetary Assets and Liabilities continued

	GROUP							
	Maturity Period At 30 June 1998							
	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	1,041	-	485	-	-	-	-	1,526
Receivables due from other financial institutions	115	-	3,280	51	-	-	2	3,448
Trading securities (1)	-	-	4,009	-	-	-	-	4,009
Investment securities	-	-	1,383	895	2,626	1,934	20	6,858
Loans, advances and other receivables (2)	485	2,841	5,070	11,940	33,052	37,266	(838)	89,816
Bank acceptances of customers	-	-	8,849	878	-	-	-	9,727
Other monetary assets	110	-	10,444	2	79	856	497	11,988
Total monetary assets	1,751	2,841	33,520	13,766	35,757	40,056	(319)	127,372
Liabilities								
Deposits and other public borrowings (3)	47,373	-	19,788	9,260	6,094	1,371	-	83,886
Payables due to other financial institutions	431	-	2,648	312	6	-	-	3,397
Bank acceptances	-	-	8,849	878	-	-	-	9,727
Debt issues and loan capital	-	-	1,783	5,891	2,544	3,203	183	13,604
Other monetary liabilities	174	-	10,837	34	130	-	139	11,314
Total monetary liabilities	47,978	-	43,905	16,375	8,774	4,574	322	121,928

(1) Trading securities are purchased without the intention to hold until maturity and are categorised as maturing within 3 months.

(2) $35 billion of this figure represents principally owner occupied housing loans. While most of these loans would have a contractual term of 20 years or more, and are analysed accordingly, the actual average term of the portfolio is less than 5 years.

(3) Includes substantial 'core' deposits which are contractually at call customer savings and cheque accounts. History demonstrates such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table in Note 37.

NOTE 32 Financial Reporting by Segments						GROUP
		1999		1998		1997
	$M	**%**	$M	%	$M	%
(a) Geographical segments						
Revenue						
Australia	**8,801**	**84.3**	9,514	84.3	9,484	86.9
New Zealand	**976**	**9.4**	1,115	9.9	977	9.0
Other Countries [1]	**660**	**6.3**	657	5.8	448	4.1
	10,437	**100.0**	11,286	100.0	10,909	100.0
Operating profit before tax						
Australia	**1,933**	**89.5**	1,221	91.0	1,454	90.0
New Zealand	**151**	**7.0**	148	11.0	128	7.9
Other Countries [1]	**76**	**3.5**	(27)	(2.0)	34	2.1
	2,160	**100.0**	1,342	100.0	1,616	100.0
Operating profit after tax and outside equity interests						
Australia	**1,270**	**89.3**	1,044	95.8	990	91.9
New Zealand	**80**	**5.6**	73	6.7	63	5.8
Other Countries [1]	**72**	**5.1**	(27)	(2.5)	25	2.3
	1,422	**100.0**	1,090	100.0	1,078	100.0
Assets						
Australia	**115,510**	**83.6**	110,120	84.4	101,202	84.3
New Zealand	**13,046**	**9.5**	10,846	8.3	9,994	8.3
Other Countries [1]	**9,540**	**6.9**	9,578	7.3	8,907	7.4
	138,096	**100.0**	130,544	100.0	120,103	100.0
(b) Industry segments						
Revenue						
Banking	**9,576**	**91.8**	10,563	93.6	10,293	94.3
Life Insurance and Funds Management	**360**	**3.4**	214	1.9	202	1.9
Finance	**501**	**4.8**	509	4.5	414	3.8
	10,437	**100.0**	11,286	100.0	10,909	100.0
Operating profit before tax						
Banking	**1,944**	**90.0**	1,158	86.3	1,443	89.3
Life Insurance and Funds Management	**127**	**5.9**	81	6.0	74	4.6
Finance	**89**	**4.1**	103	7.7	99	6.1
	2,160	**100.0**	1,342	100.0	1,616	100.0
Operating profit after tax and outside equity interests						
Banking	**1,252**	**88.1**	940	86.2	941	87.2
Life Insurance and Funds Management	**117**	**8.2**	84	7.7	75	7.0
Finance	**53**	**3.7**	66	6.1	62	5.8
	1,422	**100.0**	1,090	100.0	1,078	100.0
Assets						
Banking	**131,043**	**94.9**	124,765	95.6	115,368	96.1
Life Insurance and Funds Management	**1,309**	**0.9**	427	0.3	359	0.3
Finance	**5,744**	**4.2**	5,352	4.1	4,376	3.6
	138,096	**100.0**	130,544	100.0	120,103	100.0

(1) 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.

Notes to and forming part of the accounts

NOTE 32 Financial Reporting by Segments continued

Detailed below is Segment Information required in accordance with US SFAS 131 Disclosure about Segments of an Enterprise and Related Information.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker or decision making group, in assessing performance. In accordance with the new standard, results have been presented based on segments as reviewed by the chief operating decision maker, the Managing Director, as well as other members of senior management.

The Bank segments are: Retail Financial Services, Institutional Banking, ASB Bank Limited (ASB) and Corporate. Retail Financial Services comprises the Bank's Customer Service Division and Banking and Financial Services. Institutional Banking comprises debt funding, corporate finance, financial market activities and the securities business. ASB is a stand alone bank in New Zealand. Corporate comprises head office and service functions.

	GROUP				
	YEAR ENDED 30 JUNE 1999				
Profit and Loss	**Retail Financial Services**	**Institutional Banking**	**ASB**	**Corporate**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**
Net interest income	2,769	273	279	206	3,527
Fees and commissions	939	240	94	8	1,281
Trading income	-	253	18	2	273
Life insurance and funds management	223	16	7	8	254
Other income	59	75	9	46	189
Internal charges (1)	159	167	-	520	-
Total operating income	4,149	1,024	407	790	5,524
Provisions for impairment	172	62	11	2	247
Staff expenses					
Provisions (non cash)	33	4	1	4	42
Other	1,021	212	124	205	1,562
Total Staff expenses	1,054	216	125	209	1,604
Occupancy and equipment expenses					
Depreciation	109	8	25	3	145
Other	228	42	27	13	310
Total Occupancy and equipment expenses	337	50	52	16	455
Information technology services	366	104	21	14	505
Other expenses	280	48	47	131	506
Internal charges (1)	678	171	-	(2)	-
Total operating expenses	2,715	589	245	368	3,070
Amortisation of goodwill	7	-	-	40	47
Abnormal items	-	-	-	-	-
Profit before tax	1,255	373	151	380	2,160
Income tax expense	416	68	47	183	714
Outside equity interest	-	-	24	-	24
Profit after tax	839	305	80	197	1,422
Balance Sheet					
Total Assets	81,583	40,697	12,855	2,961	138,096
Total Liabilities	57,390	34,251	11,992	27,501	131,134
Performance Ratios (%)					
Total operating expenses/Total operating income	65.44%	57.52%	60.20%	46.58%	55.58%
Asset growth	8.30%	(2.22%)	19.10%	5.75%	5.78%

(1) Internal charges are eliminated on consolidation.

NOTE 32 Financial Reporting by Segments continued

Profit and Loss	GROUP YEAR ENDED 30 JUNE 1998 Retail Financial Services $M	Institutional Banking $M	ASB $M	Corporate $M	Total $M
Net interest income	2,730	242	282	143	3,397
Fees and commissions	834	223	90	3	1,150
Trading income	-	229	14	-	243
Life insurance and funds management	188	17	1	(1)	205
Other income	68	99	4	64	235
Internal charges (1)	141	140	-	556	-
Total operating income	3,961	950	391	765	5,230
Provisions for impairment	137	132	9	(45)	233
Staff expenses					
Provisions (non cash)	24	4	1	(4)	25
Other	1,047	191	111	248	1,597
Total Staff expenses	1,071	195	112	244	1,622
Occupancy and equipment expenses					
Depreciation	128	5	22	(23)	132
Other	234	48	30	29	341
Total Occupancy and equipment expenses	362	53	52	6	473
Information technology services	322	101	21	32	476
Other expenses	295	30	48	95	468
Internal charges (1)	672	168	-	(3)	-
Total operating expenses	2,722	547	233	374	3,039
Amortisation of goodwill	1	-	-	45	46
Abnormal items	-	-	-	570	570
Profit before tax	1,101	271	149	(179)	1,342
Income tax expense	374	78	50	(270)	232
Outside equity interest	-	-	25	(5)	20
Profit after tax	727	193	74	96	1,090
Balance Sheet					
Total Assets	75,329	41,622	10,793	2,800	130,544
Total Liabilities	56,894	35,928	10,147	20,686	123,655
Performance Ratios (%)					
Total operating expenses/Total operating income	68.72%	57.58%	59.59%	48.89%	58.11%
Asset growth	N/A	N/A	N/A	N/A	N/A

(1) Internal charges are eliminated on consolidation.

Segment information for the financial year ending 30 June 1997 is not available in the above classifications. The Group undertook a major restructuring program during the financial year ended 30 June 1998. As part of the restructuring program, the previous business units of Personal Banking, Business Banking and Commonwealth Financial Services were reorganised into two new divisions: the specialist areas of marketing, customer segmentation and product development became the Banking and Financial Services Division, while the various distribution arms were brought together to form the Customer Services Division. The Institutional Banking Division remained largely unchanged. Retail Financial Services is comprised of two divisions, Customer Services Division and Banking and Financial Services Division. Corporate comprises the various head office functions as well as Technology, Operations and Property.

Notes to and forming part of the accounts

	GROUP		BANK	
	1999	1998	**1999**	1998
	$'000	$'000	**$'000**	$'000
NOTE 33 Remuneration of Auditors				
Amounts paid or due and payable for audit services to:				
Auditors of the Bank	**2,593**	2,540	**1,753**	1,671
Other auditors	**300**	250	**-**	-
	2,893	2,790	**1,753**	1,671
Amounts paid or due and payable for other services to:				
Auditors of the Bank	**5,011**	5,040	**4,905**	5,004
Total Remuneration of Auditors	**7,904**	7,830	**6,658**	6,675

NOTE 34 Commitments for Capital Expenditure Not Provided for in the Accounts

	$M	$M	**$M**	$M
Not later than one year	**9**	25	**7**	25
Later than one year but not later than two years	**-**	-	**-**	-
Later than two years but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
Total Commitments for Capital Expenditure Not Provided for in the Accounts	**9**	25	**7**	25

NOTE 35 Lease Commitments - Property, Plant and Equipment

Commitments in respect of non cancellable operating lease agreements due -				
Not later than one year	**197**	171	**172**	147
Later than one year but not later than two years	**164**	136	**143**	116
Later than two years but not later than five years	**394**	304	**347**	254
Later than five years	**363**	302	**303**	234
Total Lease Commitments - Property, Plant and Equipment	**1,118**	913	**965**	751
Group's share of lease commitments of associated entities -				
Not later than one year	**8**	9		
Later than one year but not later than two years	**6**	5		
Later than two years but not later than five years	**16**	9		
Later than five years	**14**	11		
Total Lease Commitments - Property, Plant and Equipment	**44**	34		

NOTE 36 Contingent Liabilities

The Group is 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.

Details of contingent liabilities and off balance sheet business (excluding Derivatives – Note 37) are:	GROUP			
	Face Value		Credit Equivalent	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
Credit risk related instruments				
Guarantees	**2,030**	1,878	**2,030**	1,878
Standby letters of credit	**487**	396	**487**	396
Bill endorsements	**510**	455	**510**	455
Documentary letters of credit	**244**	474	**49**	95
Performance related contingents	**1,460**	1,120	**730**	560
Commitments to provide credit	**32,151**	22,693	**12,155**	8,069
Other commitments	**819**	975	**786**	945
Total credit risk related instruments	**37,701**	27,991	**16,747**	12,398

Contingent liabilities have increased by $9.7 billion primarily due to the APRA requirement to include the value of any redraw facilities for owner occupied and investment housing loans in commitments to provide credit.

Guarantees represent conditional undertakings by the Group to support the financial obligations of its customers to third parties.

Standby letters of credit are undertakings by the Group to repay a loan obligation in the event of a default by a customer.

Bill endorsements relate to bills of exchange which have been confirmed by the Group and represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit represent an undertaking to pay an overseas supplier of goods in the event of payment default by a customer who is importing the goods.

Performance related contingents involve undertakings by the Group to pay third parties if a customer fails to fulfil a contractual non monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide funding facilities.

Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases and forward deposits and underwriting facilities.

The transactions are categorised and credit equivalents calculated under APRA guidelines for the risk based measurement of capital adequacy. The credit equivalent amounts are a measure of the potential loss to the Group in the event of possible non performance by a counterparty.

The potential loss (exposure) from direct credit substitutes (guarantees, standby letters of credit and bill endorsements) is the face value of the transaction, where as the exposure to documentary letters of credit and performance related contingents is 20% and 50% respectively of the face value. The exposure to commitments to provide credit is calculated by applying given credit conversion factors to the face value to reflect the duration, the nature and the certainty of the contractual undertaking to provide the facility.

Where the potential loss depends on the performance of a counterparty, the Group utilises the same credit policies and assessment criteria for off balance sheet business as it does for on balance sheet business and if it is deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If a probable loss is identified, suitable provisions are generated.

Litigation

Neither the Commonwealth Bank nor any of its controlled entities is engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Commonwealth Bank or any of its controlled entities. Where some loss is probable an appropriate provision has been made.

Notes to and forming part of the accounts

NOTE 36 Contingent Liabilities continued

Fiduciary activities

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for numerous investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail unit trusts. The amounts of funds concerned, which are not included in the Group's balance sheet, are as follows:

	1999 $M	1998 $M
Funds under trusteeship	**10,740**	10,385
Funds under management	**27,189**	21,983
Funds under custody	**23,965**	22,300

As an obligation arises under each type of duty the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where either Commonwealth Investment Services Limited, Commonwealth Funds Management Limited or Commonwealth Custodial Services Limited acts in more than one capacity in relation to those funds, eg manager and trustee.

Commonwealth Custodial Services Limited, acts as Trustee of the Commonwealth Bank Approved Deposit Fund and of State Bank Supersafe Approved Deposit Fund. In terms of the relevant Trust Deeds of those Funds, the Trustee has an obligation to repay deposits in the Funds. It is not envisaged that any material irrecoverable liabilities will result from these obligations.

Commonwealth Custodial Services Limited also acts as Trustee for various controlled superannuation funds and wholesale unit trusts. The Commonwealth Bank of Australia does not guarantee the performance or obligations of its subsidiaries including the Trustee of these funds and unit trusts.

Commonwealth Investment Services Limited (CISL) and Commonwealth Funds Management Limited (CFM), as Managers of the various controlled investment funds and retail and wholesale unit trusts have an obligation under the Trust Deeds of those funds, upon request of a unitholder, to repurchase units of those funds or to arrange for the relevant Trustee to redeem units from the assets of the trusts. It is considered unlikely that CISL or CFM would need to repurchase units from their own funds.

Commonwealth Funds Management Limited (CFM) acts as trustee and manager of various controlled trusts. CFM has incurred liabilities in its capacity as Trustee, however it has a right of indemnity against the assets of the respective trusts and as at 30 June 1999 the assets of the trusts exceeds those liabilities incurred.

Commonwealth Managed Investments Limited (CMIL) is a company established to act as the Responsible Entity of the Bank's managed investment schemes. CMIL as Trustee of the Commonwealth Property Office Fund has incurred liabilities in its capacity as Trustee. However, it has a right of indemnity against the Trust and at 30 June 1999 the assets of the Trust exceeded those liabilities.

EDSA Contract

In 1997, the Bank entered into a ten year contract with an associated entity, EDSA, relating to the provision of information technology services. The exact amount of the contract is unable to be reliably determined as it is dependent upon business volumes over the period of the contract.

Liquidity support

In accordance with the Regulations and Procedures governing clearing arrangements contained within the Australian Paper Clearing Stream (Clearing Stream 1) and the Bulk Electronic Clearing Stream (Clearing Stream 2) of the Australian Payments Clearing Association Limited, the Bank is subject to a commitment to provide liquidity support to these clearing streams in the event of a failure to settle by a member institution.

Year 2000 systems compliance

The Bank has previously estimated total rectification costs for Year 2000 issues at $115 million. The Bank expects to complete the overall programme in line with this estimate. Expenditure to the end of June 1999 was $87 million.

The Bank reported to the Australian Stock Exchange in March 1999, that depositors' funds will not be at risk from Year 2000 issues.

Service agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Managing Director and other executives of the Company and its controlled entities at 30 June 1999 was $10 million (1998: $10 million).

NOTE 37 Market Risk

The Group in its daily operations is exposed to a number of market risks. A market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings to the Bank, eg an adverse interest rate movement.

Within the Group, market risk exists in its balance sheet structure and in financial markets trading.

Market risk in the balance sheet

Market risk in the balance sheet includes liquidity risk, funding risk, interest rate risk and foreign exchange rate risk.

Liquidity risk

Balance sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group manages liquidity risk separately for its domestic AUD obligations and for its foreign currency obligations. In both domestic and foreign currency operations, liquidity policies are in place to manage liquidity both in a day to day sense, and also under crisis assumptions.

Domestically, each bank in Australia must maintain at all times a minimum proportion of its balance sheet in specified highly liquifiable assets as an emergency source of liquidity. This ratio, referred to as the Prime Assets Requirement ('PAR'), currently requires the banks to hold prime assets equivalent to not less than 3% of total liabilities (other than capital) that are invested in Australian dollar assets within Australia. Eligible PAR assets comprise cash, balances with the Reserve Bank, Commonwealth Government securities and Australian dollar denominated securities issued by the central borrowing authorities of State and Territory governments. In addition to observing PAR, banks are expected to hold a stock of high quality liquid assets sufficient to meet day to day liquidity needs and protect against an unexpected outflow of funds.

In April 1998, the RBA announced that the PAR ratio requirement will be abolished once liquidity management policies (suitable for a non PAR environment) are agreed with individual banks. APRA is currently in the midst of discussions with the banks and it is expected new liquidity arrangements will be in place by end 1999.

Foreign currency liquidity risk is managed by ensuring that a positive cumulative cash flow always exists for the next 7 days' operations. This means that should a crisis situation arise, the Bank would not need to access new funding from wholesale markets for at least one week. There is also a cap on the maximum level of cumulative negative cash flows at day 28. A stock of liquid assets is included in this protective measure.

Funding risk

Funding risk is the risk of over reliance on a funding source to the extent that change in that funding source would increase funding cost or cause difficulty in raising funds. The Group has a policy of funding diversification to ensure that over reliance is not placed on any one market sector.

Domestically, the Bank continues to obtain the majority of its AUD funding from its stable retail deposit base, primarily demand and short term deposits, which have a lower interest cost than wholesale funds. The retail funding percentage has fallen over recent years from 69% in June 1998 to 63% in June 1999 (monthly averages). The relative size of the Bank's retail base has enabled it to source funds at a lower average rate of interest than the other major Australian banks. However, some of this benefit is offset by the cost of the Bank's retail network and the Bank's large share (approximately 40%) of pensioner deeming accounts which, in the current interest rate environment are incurring an interest cost above normal retail deposit accounts.

In recent years, the Bank has experienced a movement of retail deposit balances into higher interest bearing accounts, reflecting increased customer awareness of investment opportunities in an environment where the level of interest rates has remained lower and relatively more stable when compared with the interest rate cycles of the 1980s and early 1990s.

The Bank's cost of funds for Financial Year 1999, calculated as the percentage of interest expense to average interest bearing liabilities, was 4.1% on a Group basis compared with 4.6% on a Group basis for Financial Year 1998.

The Bank obtains a growing proportion of its funding for the domestic balance sheet from wholesale sources – approximately 22%, excluding Bank Acceptances. The cost of funds raised in the wholesale markets is affected by independently assessed credit ratings. Previously, the Bank has benefited from the Commonwealth of Australia's guarantee of its liabilities in terms of both credit ratings and the resultant cost of wholesale funds.

Under the Commonwealth Bank Sale Act 1995, this guarantee is being phased out, over a three year period commencing on the date on which the Commonwealth's shareholding in the Bank fell below 50% (ie 19 July 1996). All liabilities incurred prior to that time continue to be guaranteed until maturity and, for a period of three years from that time, all deposits made in that period continue to be guaranteed. Time deposits outstanding at the end of the transition period are guaranteed until maturity.

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

The progressive removal of the Commonwealth's guarantee has not had a material impact on the Bank's overall cost of funds as the proportion of the Bank's funding raised from the wholesale markets with the benefit of the guarantee is low. Similarly, following the removal of the Commonwealth's guarantee on deposits on 19 July 1999, negligible change has occurred in retail deposit funding costs.

A funding diversification policy is particularly important in offshore markets where the absence of any 'natural' offshore funding base means the Bank is principally reliant on money market and capital market sources for funding. The Bank has imposed internal prudential limits on the relative mix of offshore sources of funds.

The following table outlines the range of financial instruments used by the Group to raise deposits and borrowings both within Australia and overseas. Funds are raised from well diversified sources and there are no material concentrations in these categories.

	GROUP	
	1999	1998
	$M	$M
Australia		
Cheque Accounts	**12,104**	11,824
Savings Accounts	**24,961**	23,471
Term Deposits	**23,871**	24,531
Cash Management Accounts	**8,789**	8,651
Debt Issues	**5,980**	8,078
Bank Acceptances	**9,634**	9,700
Certificates of Deposit	**11,000**	2,156
Loan Capital	**2,828**	2,996
Securities Sold Under Agreements to Repurchase	**619**	662
Other	**1,041**	1,606
Total Australia	**100,827**	93,675
Overseas		
Deposits and Interbank	**14,292**	14,382
Commercial Paper	**3,758**	1,270
Other Debt Issues	**1,025**	1,260
Bank Acceptances and Other	**38**	27
Total Overseas	**19,113**	16,939
Total Funding Sources	**119,940**	110,614
Provisions and Other Liabilities	**11,194**	13,041
Total Liabilities	**131,134**	123,655

NOTE 37 Market Risk continued

Interest rate risk

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Bank in the current reporting period, and in future years. Interest rate risk arises from the structure and characteristics of the Group's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The objective is to manage the interest rate risk to secure stable and sustainable net interest earnings in the long term.

The Group measures and manages balance sheet interest rate risk from two perspectives:

(a) Next 12 months' earnings

The risk to the net interest earnings over the next 12 months from a change in interest rates is measured on at least a monthly basis. Risk is measured assuming an immediate 1% parallel movement in interest rates across the full yield curve as well as other interest rate scenarios with variations in the size and timing of interest rate movements. Potential variations to net interest earnings are measured using a simulation model which takes into account the projected change in balance sheet level and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on other assets and liabilities (those priced at the discretion of the Group) is measured by taking into account both the manner in which the products have repriced in the past as well as the expected change in price based on the current competitive market environment.

The figures in the table represent the potential change to net interest earnings (expressed as a percentage of expected net interest earnings in the next 12 months) based on a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading.

(expressed as a % of expected next 12 months' earnings)	**1999** **%**	1998 %
Average monthly exposure	**2.1**	2.8
High month exposure	**2.9**	3.4
Low month exposure	**1.5**	2.3

(b) Economic value

Some of the Group's assets and liabilities have interest rate risk that is not captured within the measure of risk to next 12 month's earnings, as the risk is beyond the next 12 months. To measure this longer term sensitivity, the Group utilises an economic value at risk analysis. This analysis measures the potential change in the net present value of cashflows of assets and liabilities. Cashflows for fixed rate products are included on a contractual basis, after adjustment for forecast prepayment activity. Cashflows for products repriced at the discretion of the Group are based on the expected repricing characteristics of the products.

The total cashflows are revalued under a range of possible interest rate scenarios using a Value at Risk (VaR) methodology. The interest rate scenarios are based on actual interest rate movements that have occurred over 1 year and 5 year historical observation periods. The measured VaR exposure is an estimate to a 97.5% confidence level (one tail) of the potential loss that could occur if the balance sheet positions were to be held unchanged for a one month holding period. For example, value at risk exposure of $1 million means that in 97.5 cases out of 100, the expected net present value will not decrease by more than $1 million given the historical movement in interest rates.

The figures in the following table represent the net present value of the expected change in future earnings in all future periods for the remaining term of these existing assets and liabilities held for purposes other than trading.

	1999 **$M**	1998 $M
Exposure as at 30 June	**54**	78
Average monthly exposure	**48**	25
High month exposure	**65**	78
Low month exposure	**31**	7

The table following represents the Group's contractual interest rate risk sensitivity from repricing mismatches as at 30 June 1999 and the corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off balance sheet instruments which may be repriced in the time periods shown. <u>The Bank does not use this contractual repricing information to manage its interest rate risk</u>; the risk is managed using the 'Next 12 months' earnings' and 'Economic Value' perspectives outlined above. All assets and liabilities are shown according to contractual repricing dates. Options are shown in the mismatch report using delta equivalents of the option face values.

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

Interest Rate Risk Sensitivity

	REPRICING PERIOD AT 30 JUNE 1999								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	**1,722**	**859**	**-**	**-**	**-**	**-**	**-**	**863**	**1.42**
Receivables due from other financial institutions	**621**	**215**	**206**	**159**	**-**	**-**	**-**	**41**	**8.08**
Trading securities	**3,219**	**3,219**	**-**	**-**	**-**	**-**	**-**	**-**	**3.99**
Investment securities	**3,147**	**1,414**	**20**	**-**	**332**	**931**	**450**	**-**	**6.64**
Loans, advances and other receivables	**88,500**	**44,457**	**4,869**	**5,830**	**10,403**	**22,291**	**1,634**	**(984)**	**6.92**
Bank acceptances of customers	**9,634**	**-**	**-**	**-**	**-**	**-**	**-**	**9,634**	**-**
Deposits with regulatory authorities	**952**	**952**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Property, plant and equipment	**806**	**-**	**-**	**-**	**-**	**-**	**-**	**806**	**-**
Goodwill	**491**	**-**	**-**	**-**	**-**	**-**	**-**	**491**	**-**
Other assets	**7,979**	**-**	**-**	**-**	**-**	**-**	**-**	**7,979**	**-**
Total Assets	**117,071**	**51,116**	**5,095**	**5,989**	**10,735**	**23,222**	**2,084**	**18,830**	**5.58**
Liabilities									
Deposits and other public borrowings	**81,506**	**48,174**	**7,714**	**7,916**	**5,244**	**5,169**	**2,734**	**4,555**	**3.28**
Payables due to other financial institutions	**879**	**645**	**17**	**61**	**153**	**2**	**-**	**1**	**4.55**
Bank acceptances	**9,634**	**-**	**-**	**-**	**-**	**-**	**-**	**9,634**	**-**
Provision for dividend	**472**	**-**	**-**	**-**	**-**	**-**	**-**	**472**	**-**
Income tax liability	**1,405**	**-**	**1**	**-**	**-**	**-**	**-**	**1,404**	**-**
Other provisions	**804**	**-**	**-**	**-**	**-**	**-**	**-**	**804**	**-**
Debt issues	**5,980**	**1,075**	**1,880**	**440**	**1,061**	**1,319**	**205**	**-**	**5.03**
Bills payable and other liabilities	**7,443**	**-**	**-**	**-**	**-**	**-**	**-**	**7,443**	**-**
Loan Capital	**2,828**	**343**	**789**	**152**	**-**	**185**	**1,359**	**-**	**5.59**
Total Liabilities	**110,951**	**50,237**	**10,401**	**8,569**	**6,458**	**6,675**	**4,298**	**24,313**	**2.86**
Shareholders' Equity	**6,735**	**-**	**-**	**-**	**-**	**-**	**-**	**6,735**	
Outside equity interests in controlled entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total Shareholders' Equity	**6,735**	**-**	**-**	**-**	**-**	**-**	**-**	**6,735**	
Off Balance Sheet Items									
Swaps	*****	**(4,537)**	**(6,076)**	**2,917**	**2,006**	**2,651**	**3,039**	**-**	**#**
FRAs	*****	**(181)**	**(271)**	**269**	**183**	**-**	**-**	**-**	**#**
Futures	*****	**-**	**(2,000)**	**2,000**	**-**	**-**	**-**	**-**	**#**
Net Mismatch	*****	**(3,839)**	**(13,653)**	**2,606**	**6,466**	**19,198**	**825**	**(12,218)**	**#**
Cumulative Mismatch	*****	**(3,839)**	**(17,492)**	**(14,886)**	**(8,420)**	**10,778**	**11,603**	**(615)**	**#**

\# no rate applicable

* no balance sheet amount applicable

As noted above the cumulative mismatch reflects contractual repricing periods. The balance sheet is managed based on assessments of expected pricing behaviour having regard to historical trends and competitive positioning.

NOTE 37 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	REPRICING PERIOD AT 30 JUNE 1999								
Overseas									
Assets									
Cash and liquid assets	**92**	**34**	**58**	**-**	**-**	**-**	**-**	**-**	**2.08**
Receivables due from other financial institutions	**585**	**289**	**233**	**39**	**-**	**-**	**-**	**24**	**5.07**
Trading securities	**1,489**	**474**	**452**	**262**	**90**	**184**	**27**	**-**	**4.90**
Investment securities	**4,040**	**656**	**982**	**55**	**124**	**978**	**1,245**	**-**	**5.29**
Loans, advances and other receivables	**13,337**	**5,407**	**1,014**	**1,415**	**1,265**	**4,129**	**213**	**(106)**	**7.15**
Bank acceptances of customers	**38**	**38**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits with regulatory authorities	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Property, plant and equipment	**195**	**-**	**-**	**-**	**-**	**-**	**-**	**195**	**-**
Other assets	**1,248**	**-**	**-**	**-**	**-**	**-**	**-**	**1,248**	**-**
Total Assets	**21,025**	**6,898**	**2,739**	**1,771**	**1,479**	**5,291**	**1,485**	**1,362**	**6.05**
Liabilities									
Deposits and other public borrowings	**11,922**	**7,043**	**2,591**	**1,195**	**837**	**216**	**-**	**40**	**4.16**
Payables due to other financial institutions	**2,370**	**1,717**	**358**	**145**	**3**	**-**	**-**	**147**	**4.99**
Bank acceptances	**38**	**38**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income tax liability	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**-**
Other provisions	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Debt issues	**4,783**	**1,356**	**1,861**	**706**	**239**	**292**	**329**	**-**	**4.79**
Bills payable and other liabilities	**1,064**	**376**	**212**	**-**	**-**	**24**	**19**	**433**	**1.84**
Loan Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**20,183**	**10,530**	**5,022**	**2,046**	**1,079**	**532**	**348**	**626**	**4.28**
Shareholders' Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Outside equity interests in controlled entities	**227**	**-**	**-**	**-**	**-**	**-**	**-**	**227**	
Total Shareholders' Equity	**227**	**-**	**-**	**-**	**-**	**-**	**-**	**227**	
Off Balance Sheet Items									
Swaps	*****	**1,159**	**2,150**	**(8)**	**96**	**(3,059)**	**(338)**	**-**	**#**
Options	*****	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**#**
FRAs	*****	**(339)**	**138**	**56**	**145**	**-**	**-**	**-**	**#**
Futures	*****	**-**	**275**	**(515)**	**217**	**11**	**12**	**-**	**#**
Net Mismatch	*****	**(2,812)**	**280**	**(742)**	**858**	**1,711**	**811**	**509**	**#**
Cumulative Mismatch	*****	**(2,812)**	**(2,532)**	**(3,274)**	**(2,416)**	**(705)**	**106**	**615**	**#**

no rate applicable
* no balance sheet amount applicable

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

REPRICING PERIOD AT 30 JUNE 1998

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	1,486	642	-	-	-	-	-	844	1.28
Receivables due from other financial institutions	2,382	1,676	680	24	-	-	2	-	7.67
Trading securities	2,210	2,210	-	-	-	-	-	-	4.73
Investment securities	3,151	1,095	53	322	332	660	528	161	5.58
Loans, advances and other receivables	77,443	38,845	4,974	5,858	7,500	18,578	2,946	(1,258)	7.49
Bank acceptances of customers	9,700	-	-	-	-	-	-	9,700	-
Deposits with regulatory authorities	831	831	-	-	-	-	-	-	-
Property, plant and equipment	1,448	-	-	-	-	-	-	1,448	-
Goodwill	531	-	-	-	-	-	-	531	-
Other assets	10,938	87	-	-	-	-	6	10,845	-
Total Assets	110,120	45,386	5,707	6,204	7,832	19,238	3,482	22,271	5.71
Liabilities									
Deposits and other public borrowings	71,620	45,934	6,542	6,250	2,417	4,787	735	4,955	3.43
Payables due to other financial institutions	1,281	945	165	-	165	6	-	-	4.17
Bank acceptances	9,700	-	-	-	-	-	-	9,700	-
Provision for dividend	321	-	-	-	-	-	-	321	-
Income tax liability	1,098	-	-	4	-	-	-	1,094	-
Other provisions	869	-	-	-	-	-	-	869	-
Debt issues	8,078	1,777	1,594	1,474	486	2,152	595	-	5.22
Bills payable and other liabilities	10,120	90	-	-	-	-	23	10,007	-
Loan Capital	2,996	480	953	367	-	-	1,196	-	7.30
Total Liabilities	106,083	49,226	9,254	8,095	3,068	6,945	2,549	26,946	2.97
Shareholders' Equity	6,712	-	-	-	-	-	-	6,712	
Outside equity interests in controlled entities	5	-	-	-	-	-	-	5	
Total Shareholders' Equity	6,717	-	-	-	-	-	-	6,717	
Off Balance Sheet Items									
Swaps	*	441	(3,811)	598	(641)	2,042	1,371	-	#
FRAs	*	(1,330)	595	735	-	-	-	-	#
Futures	*	-	-	(650)	650	-	-	-	#
Net Mismatch	*	(4,729)	(6,763)	(1,208)	4,773	14,335	2,304	(11,392)	#
Cumulative Mismatch	*	(4,729)	(11,492)	(12,700)	(7,927)	6,408	8,712	(2,680)	#

no rate applicable
* no balance sheet amount applicable

NOTE 37 Market Risk continued

REPRICING PERIOD AT 30 JUNE 1998

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Overseas									
Assets									
Cash and liquid assets	40	24	-	-	-	-	-	16	-
Receivables due from other financial institutions	1,066	496	471	51	-	-	-	48	5.92
Trading securities	1,799	367	680	397	41	302	12	-	7.23
Investment securities	3,707	1,200	653	272	132	700	750	-	8.62
Loans, advances and other receivables	12,373	3,136	2,853	1,292	1,132	3,997	56	(93)	8.37
Bank acceptances of customers	27	27	-	-	-	-	-	-	-
Deposits with regulatory authorities	1	-	-	-	-	-	-	1	-
Property, plant and equipment	214	197	-	-	-	-	-	17	-
Other assets	1,197	93	-	-	-	-	-	1,104	-
Total Assets	20,424	5,540	4,657	2,012	1,305	4,999	818	1,093	7.58
Liabilities									
Deposits and other public borrowings	12,266	6,067	3,735	1,501	609	265	26	63	6.22
Payables due to other financial institutions	2,116	1,657	310	105	43	-	-	1	6.28
Bank acceptances	27	27	-	-	-	-	-	-	-
Income tax liability	1	(1)	-	-	-	-	-	2	-
Other provisions	6	5	-	-	-	-	-	1	-
Debt issues	2,530	894	353	311	65	479	428	-	4.76
Bills payable and other liabilities	626	209	-	-	-	-	-	417	-
Loan Capital	-	-	-	-	-	-	-	-	-
Total Liabilities	17,572	8,858	4,398	1,917	717	744	454	484	5.78
Shareholders' Equity	-	-	-	-	-	-	-	-	
Outside equity interests in controlled entities	172	-	-	-	-	-	-	172	
Total Shareholders' Equity	172	-	-	-	-	-	-	172	
Off Balance Sheet Items									
Swaps	*	989	1,687	266	(299)	(2,285)	(358)	-	#
Options	*	-	-	270	(270)	-	-	-	#
FRAs	*	(507)	(78)	590	8	(13)	-	-	#
Futures	*	(2)	(695)	680	(1)	11	7	-	#
Net Mismatch	*	(2,838)	1,173	1,901	26	1,968	13	437	#
Cumulative Mismatch	*	(2,838)	(1,665)	236	262	2,230	2,243	2,680	#

no rate applicable
* no balance sheet amount applicable

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

Foreign exchange risk

Foreign exchange risk is the risk to earnings caused by a change in foreign exchange rates.

The Group hedges all balance sheet foreign exchange risk except for long term investments in offshore subsidiaries. An adverse movement of 10% in foreign exchange rates would cause the Group's capital adequacy ratio to deteriorate by less than 0.3% (1998: less than 0.3%).

Net deferred gains and losses

Net deferred realised and unrealised gains and losses arising from derivative hedging contracts entered into in order to manage the risk arising from assets, liabilities, commitments or anticipated future transactions, together with the expected term of deferral are shown below.

As at 30 June	Exchange Rate Related Contracts		Interest Rate Related Contracts		Total	
	1999 $M	1998 $M	**1999 $M**	1998 $M	**1999 $M**	1998 $M
Within 6 months	**86**	67	**80**	63	**166**	130
Within 6 months - 1 year	**68**	39	**6**	(6)	**74**	33
Within 1-2 years	**(71)**	181	**(64)**	12	**(135)**	193
Within 2-5 years	**22**	(20)	**(134)**	(63)	**(112)**	(83)
After 5 years	**233**	348	**(172)**	(14)	**61**	334
Net deferred gain (loss)	**338**	615	**(284)**	(8)	**54**	607

Net deferred gains and losses are only in respect of derivatives and must be considered in the context of the total interest rate and foreign exchange risk of the balance sheet. The deferred gains and losses on both derivatives and on balance sheet assets and liabilities are included in the economic value at risk measure outlined above.

Additionally, there are $19 million of net deferred gains on derivatives (1998: $50 million net deferred losses) used to hedge equity risk on investments disclosed within Note 11.

Market risk in financial markets trading

Traded market risk is the risk of loss from adverse movements in the level or volatility of market prices in interest rate, foreign exchange, equity and commodity markets.

Nature of trading activities

The Group's policy is that exposure to market risk from trading activities is managed in the Financial Markets area of Institutional Banking. The Group trades and distributes financial markets products and provides risk management services to clients on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management products and services to customers;
- Manage the Group's own market risks; and
- Conduct controlled trading in pursuit of profit, leveraging off the Bank's market presence and expertise.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury and capital market instruments, including a broad range of securities and derivatives. In foreign exchange, the Group is a participant in all major currencies and is a major participant in the Australian dollar market, providing services for central banks, institutional, corporate and retail customers. Positions are also taken in the interest rate, debt, equity and commodity markets based on views of future market movements.

Trading securities are further detailed in Note 10.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments.

The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Group's financial markets activities. Derivatives are also used to manage the Group's own exposure to fluctuations in interest and exchange rates. The Group participates in both exchange traded and OTC derivatives markets.

Exchange traded derivatives: The Group buys and sells exchange traded financial instruments, primarily financial futures and options on financial futures. Exchange traded derivatives have standardised terms and require lodgment of initial and variation margins in cash or other collateral at the exchange, which guarantees ultimate settlement.

NOTE 37 Market Risk continued

Derivatives continued

OTC traded derivatives: The Group buys and sells financial instruments that are traded 'over the counter', rather than on recognised exchanges. The terms and conditions of these transactions are negotiated between the parties, although the majority conform to accepted market conventions. Industry standard documentation is used, most commonly in the form of a master agreement supported by individual transaction confirmations. The documentation protects the Group's interests should the counterparty default, and provides the ability to net outstanding balances in jurisdictions where the relevant law allows.

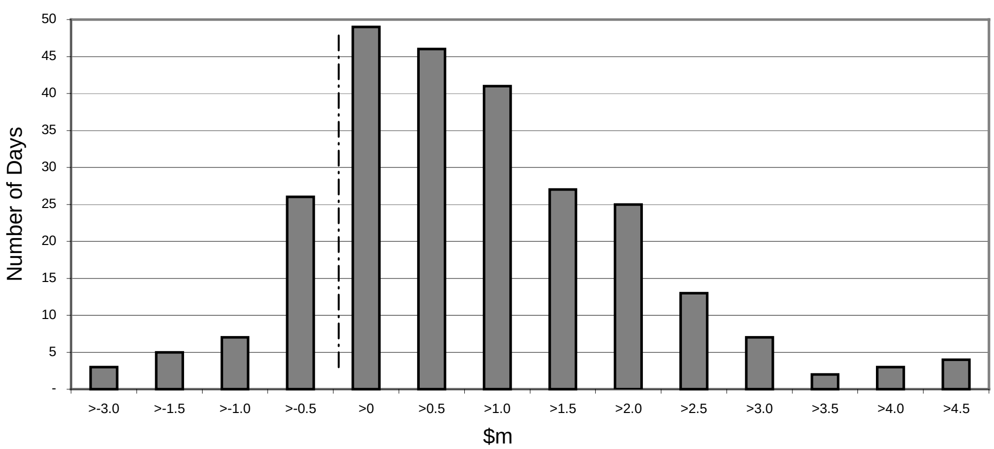
Profit contribution

Income is earned from spreads achieved through market making and from changes in market value caused by movements in interest and exchange rates, equity prices and other market prices. All trading positions are valued and taken to profit and loss on a mark to market basis. Trading profits also take account of interest, dividends and funding costs relating to trading activities.

Note 2 details Financial Markets Trading Income contribution of $273 million (1998: $243 million) to the income of the Bank. The contribution is significant and provides important diversification benefits within the Group's overall earnings. The risk/reward balance is highlighted by comparing the income contribution of $273 million to the 'value at risk' (VaR) measure, explained in the section following, which has averaged approximately $2.36 million for the year ended 30 June 1999. The VaR measure highlights that trading activity is undertaken within a tightly controlled environment where exposure to revenue loss from market price movements is restricted to tolerable levels based on statistical experience.

The distribution of daily earnings for the year ended 30 June 1999 is set out in the following histogram:

Distribution of Daily Financial Markets Income



Risks and controls

The broad categories of risks associated with financial market products are credit risk, liquidity risk, and market risk. These risks are independently monitored, controlled and mitigated by a system of limits, the use of various hedging strategies, credit control, daily revaluations of positions, liquidity management and a regime of accounting and systems controls.

Credit risk occurs if a counterparty defaults in performance of its obligations. Credit risk related to financial market products is assessed on a total basis for each client as part of the Group's overall credit management process. The Group may require lodgment of collateral for credit exposures arising from derivative products, although this is not a common practice.

Liquidity risk arises from the possibility that market changes could prevent the Group readily obtaining prices to allow it to close out its position. This risk is controlled by concentrating trading activity in highly liquid markets and limiting the Bank's volume of activity in less liquid markets.

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

Risks and controls continued

Market risk is the risk of loss arising due to adverse price movements in financial markets. The Group's major market risks are interest rate risk and exchange rate risk.

The Risk Committee of the Board recommends for Board approval the market risk management policies of the Group and overall market risk appetite. The Risk Committee allocates a total VaR limit and delegates the day to day control and monitoring of market risk to management who set limits for each trading portfolio. The approval of trading limits and the monitoring of compliance are the responsibility of a separate Risk Management function within Institutional Banking. Institutional Banking reports regularly on its trading activity to the Risk Committee. An independent Market Risk Policy Unit monitors the Group market risk profile and integrates policy on market related exposures across the Group. The effectiveness of controls is reviewed regularly by internal audit.

Value at risk (VaR)

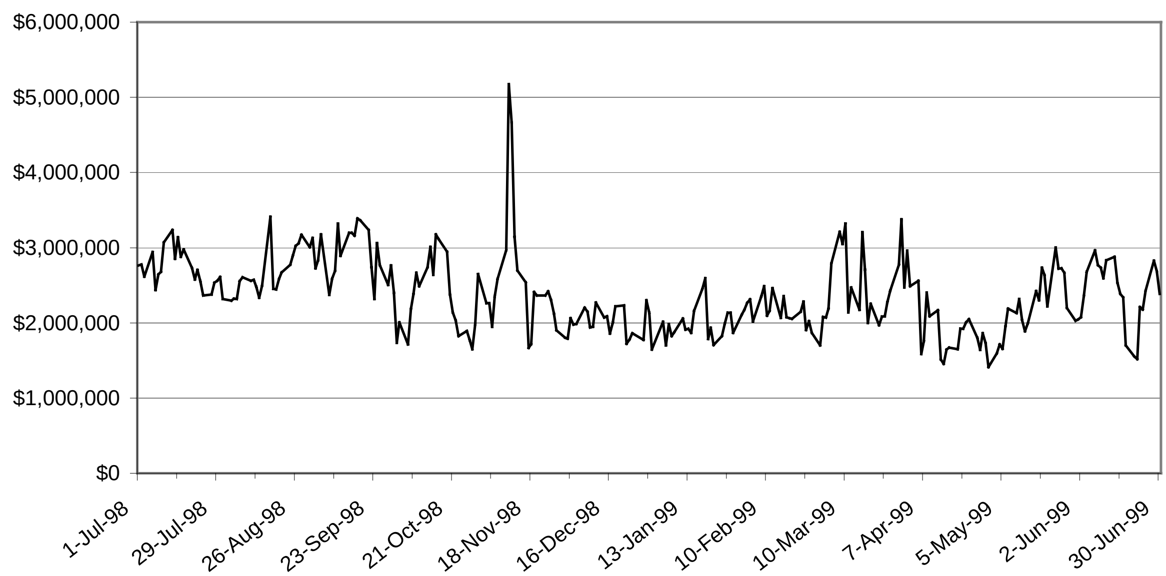
The Group uses a VaR measure as the primary mechanism for controlling market risk. VaR is an estimate to a 97.5% confidence level of the potential loss that could occur if the Group's positions were to be held unchanged for one business day. The VaR measure takes into account correlation between risks, ie where an exposure in one portfolio may be offset in whole or in part by an exposure in another portfolio. Actual outcomes are independently monitored and daily backtesting performed to confirm the validity of the assumptions made in the calculation of VaR.

In addition to the daily report of aggregate VaR, there are daily risk reports by:

- Risk type, that is interest rate, exchange rate, equity, volatility;
- Product; and
- Business unit.

The following table shows the VaR for each trading day during the financial year ended 30 June 1999.

Daily Value-at-Risk



NOTE 37 Market Risk continued

The Group trades in numerous products and markets. This provides significant diversification of risk. The following table provides a summary of VaR by product:

Risk Type	VaR During Half Year to 30 June 1999			VaR During Half Year to 31 Dec 1998			VaR During Half Year to 30 June 1998			Actual** VaR as at 31 Dec 1997
	High * $M	Avg $M	Low * $M	High * $M	Avg $M	Low * $M	High * $M	Avg $M	Low * $M	$M
Interest rate risk	**2.97**	**2.02**	**1.34**	3.04	1.97	1.30	4.55	2.92	1.94	4.55
Foreign exchange risk	**2.15**	**0.83**	**0.08**	4.73	1.35	0.43	2.08	1.12	0.47	0.95
Implied volatility risk	**0.83**	**0.53**	**0.38**	0.81	0.58	0.33	0.89	0.30	0.16	0.16
Equities risk	**0.10**	**0.04**	**0.01**	0.81	0.14	0.00	0.37	0.13	0.00	0.00
Commodities risk	**0.14**	**0.11**	**0.00**	-	-	-	-	-	-	-
Diversification benefit	**-**	**(1.33)**	**-**	-	(1.51)	-	-	(1.29)	-	(1.26)
Total	**3.37**	**2.20**	**1.41**	5.18	2.53	1.65	4.41	3.18	2.26	4.40

* The high and low figures for each risk category may not occur on the same day. A diversification benefit therefore cannot be calculated.

** Comparative data is not available for the half year ended 31 December 1997 due to a material change in the basis of measurement from 2 January 1998. The previous VaR risk measure ignored correlation between risks. The actual VaR as at 31 December 1997 has been calculated and is supplied for comparative purposes.

In addition to monitoring VaR at a 97.5% confidence level, monitoring is also performed daily at a 99% confidence level and for the worst case outcome over the two year historical period used for simulation. This additional monitoring provides a deeper understanding of the risk profile and provides a perspective on possible stress scenarios that may adversely impact the trading portfolio.

VaR provides a statistical estimate of the risk at the chosen confidence level, and not the size of losses that could potentially arise in extreme conditions. Recognising this limitation of VaR, monthly stress tests covering a variety of scenarios are also performed to simulate the impact of extreme market movements on the trading portfolios.

Residual Value Risk on Operating Leases

The Group provides operating leases to customers on equipment such as motor vehicles, computers and industrial equipment. A residual value risk arises when equipment is not fully depreciated at lease expiry. Residual value risk is the risk that the amount recouped by selling the equipment at lease expiry will be less than the residual value on the lease.

In managing the risk the Group aligns itself with industry experts. These industry experts ensure that the residual value of equipment is prudently estimated at the start of the lease and the Group realises the maximum value of the equipment at lease expiry.

Derivative contracts

The following table details the Group's outstanding derivative contracts as at the end of the year.

Each derivative type is split between those held for 'Trading' purposes and for 'Other than Trading' purposes. Derivatives classified, as 'Other than Trading' are transactions entered into in order to manage the risks arising from non traded assets, liabilities and commitments in Australia and our offshore centres.

The 'Face Value' is the notional or contractual amount of the derivatives. This amount is not necessarily exchanged and predominantly acts as a reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The 'Credit Equivalent' is a number calculated using a standard Reserve Bank of Australia formula and is disclosed for each product class. This amount is a measure of the on balance sheet loan equivalent of the derivative contracts, which includes a specified percentage of the face value of each contract plus the market value of all contracts with an unrealised gain at balance date. The Credit Equivalent does not take into account any benefits of netting exposures to individual counterparties.

The accounting policy for derivative financial instruments is set out in Note 1(gg).

Notes to and forming part of the accounts

NOTE 37 Market Risk continued

	GROUP			
	Face Value		Credit Equivalent	
	1999 $M	1998 $M	**1999 $M**	1998 $M
Derivatives				
Exchange rate related contracts				
Forwards				
Trading	**92,721**	119,979	**2,521**	5,880
Other than trading	**43**	-	**-**	-
Total Forwards	**92,764**	119,979	**2,521**	5,880
Swaps				
Trading	**12,244**	11,940	**954**	775
Other than trading	**6,050**	5,231	**810**	1,146
Total Swaps	**18,294**	17,171	**1,764**	1,921
Futures				
Trading	**218**	84	**-**	-
Other than trading	**-**	-	**-**	-
Total Futures	**218**	84	**-**	-
Options purchased and sold				
Trading	**41,028**	35,272	**662**	824
Other than trading	**-**	-	**-**	-
Total options purchased and sold	**41,028**	35,272	**662**	824
Total exchange rate related contracts	**152,304**	172,506	**4,947**	8,625
Interest rate related contracts				
Forwards				
Trading	**6,863**	11,739	**1**	4
Other than trading	**8,527**	2,586	**-**	-
Total Forwards	**15,390**	14,325	**1**	4
Swaps				
Trading	**56,534**	37,849	**1,261**	1,005
Other than trading	**36,343**	30,128	**634**	608
Total Swaps	**92,877**	67,977	**1,895**	1,613
Futures				
Trading	**44,602**	39,410	**-**	-
Other than trading	**454**	726	**-**	-
Total Futures	**45,056**	40,136	**-**	-
Options purchased and sold				
Trading	**8,471**	7,030	**41**	51
Other than trading	**61**	65	**61**	65
Total options purchased and sold	**8,532**	7,095	**102**	116
Total interest rate related contracts	**161,855**	129,533	**1,998**	1,733
Equity risk related contracts				
Options purchased and sold				
Other than trading	**278**	449	**-**	10
Total equity risk related contracts	**278**	449	**-**	10
Total derivatives exposures	**314,437**	302,488	**6,945**	10,368

NOTE 37 Market Risk continued

The fair or market value of trading derivative contracts, disaggregated into gross unrealised gains and gross unrealised losses, are shown below. In line with the Group's accounting policy, these unrealised gains and losses are recognised immediately in profit and loss, and together with net realised gains on trading derivatives and realised and unrealised gains and losses on trading securities, are reported within trading income under foreign exchange earnings or other financial instruments (refer Note 2). In aggregate, derivatives trading was profitable for the Group during the year.

	GROUP			
	Fair Value		Average Fair Value	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
Exchange rate related contracts				
Forward contracts				
Gross unrealised gains	**1,804**	4,332	**2,490**	3,988
Gross unrealised losses	**(1,473)**	(3,697)	**(1,902)**	(3,687)
	331	635	**588**	301
Swaps				
Gross unrealised gains	**1,181**	1,662	**1,656**	1,218
Gross unrealised losses	**(1,165)**	(1,925)	**(1,727)**	(1,326)
	16	(263)	**(71)**	(108)
Futures				
Gross unrealised gains	**14**	5	**12**	2
Gross unrealised losses	**(16)**	(4)	**(13)**	(2)
	(2)	1	**(1)**	-
Options purchased and sold				
Gross unrealised gains	**409**	602	**536**	401
Gross unrealised losses	**(293)**	(406)	**(374)**	(297)
	116	196	**162**	104
Net Unrealised Gains on Exchange Rate Related Contracts	**461**	569	**678**	297
Interest rate related contracts				
Forward contracts				
Gross unrealised gains	**2**	5	**3**	5
Gross unrealised losses	**(3)**	(7)	**(6)**	(9)
	(1)	(2)	**(3)**	(4)
Swaps				
Gross unrealised gains	**1,530**	1,648	**1,806**	1,596
Gross unrealised losses	**(1,697)**	(1,725)	**(1,930)**	(1,681)
	(167)	(77)	**(124)**	(85)
Futures				
Gross unrealised gains	**16**	7	**20**	13
Gross unrealised losses	**(11)**	(10)	**(11)**	(14)
	5	(3)	**9**	(1)
Options purchased and sold				
Gross unrealised gains	**22**	36	**31**	41
Gross unrealised losses	**(29)**	(16)	**(20)**	(12)
	(7)	20	**11**	30
Net Unrealised Losses on Interest Rate Related Contracts	**(170)**	(62)	**(107)**	(60)
Net Unrealised Gains (Losses) on Trading Derivative Contracts	**291**	507	**571**	237

In accordance with the accounting policy set out in Note 1(gg) the above trading derivative contract revaluations have been presented on a gross basis on the balance sheet.

Unrealised gains on trading derivatives (Note 20)	**4,978**	8,297
Unrealised losses on trading derivatives (Note 26)	**(4,687)**	(7,790)
Net unrealised gains (losses) on trading derivatives	**291**	507

Notes to and forming part of the accounts

NOTE 38 Superannuation Commitments

The Group sponsors a range of superannuation plans for its employees worldwide. Details of major plans with assets in excess of $10 million are:

Name of Plan	Type	Form of Benefit
Officers' Superannuation Fund (OSF)	Defined Benefits and Accumulation	Indexed pensions and lump sums
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA(UK)SBS)	Defined Benefits and Accumulation	Indexed pensions and lump sums

Financial Details of Defined Benefits Plans

	OSF 30 June 1997 $M	CBA(UK)SBS 1 January 1997 $M	Total $M
Net Market Value of Assets	5,302	75	**5,377**
Present Value of Accrued Benefits	4,022	47	**4,069**
Difference between Net Market Value of Assets and Present Value of Accrued Benefits	1,280	28	**1,308**
Difference as a percentage of plan assets	24%	37%	**24%**
Value of Vested Benefits	4,022	39	**4,061**

The above values have been extracted from financial statements and actuarial assessments of each plan, which have been prepared in accordance with relevant accounting and actuarial standards and practices.

Contributions

For the plans listed in the above table, entities of the Group contribute to the respective plans in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994. Further, the Bank ceased contributions to the OSF corresponding to salary sacrifice benefits from 1 July 1997.

An actuarial assessment of the OSF, as at 30 June 1997 was completed during the year ended 30 June 1998. In line with the actuarial advice contained in the assessment, the Bank does not intend to make contributions to the OSF until after consideration of the next actuarial assessment of the OSF as at 30 June 2000.

Management of OSF

The Board of Directors of the Trustee of the OSF comprises an equal number of member and Bank representatives.

NOTE 39 Controlled Entities	Extent of Beneficial Interest if not 100%	Incorporated in	Contribution to Consolidated Profit **1999** **$M**	1998 $M
AUSTRALIA				
(a) Banking			**1,104**	897
Commonwealth Bank of Australia (Australia only)		Australia		
Controlled Entities:				
Commonwealth Development Bank of Australia Limited		Australia		
CBA Investments Limited		Australia		
Antarctic Shipping Pty Ltd *		Australia		
Australian Bank Limited		Australia		
Balga Pty Limited *		Australia		
Binya Pty Limited *		Australia		
Brookhollow Ave Pty Limited *		Australia		
CBA Specialised Financing Limited		Australia		
Share Investments Pty Limited		Australia		
CBA EDSA IT Assets Partnership		Australia		
CBA Investments (No 2) Pty Ltd		Australia		
CBA Indemnity Co. Pty Limited *		Australia		
CBA International Finance Pty Limited		Australia		
Collateral Leasing Pty Limited		Australia		
Chullora Equity Investments (No.2) Pty Limited *		Australia		
Chullora Equity Investments (No.3) Pty Limited *		Australia		
Commonwealth Insurance Limited (1)		Australia		
Commonwealth Investments Pty Limited *		Australia		
Hazelwood Investment Company Pty Limited *		Australia		
Commonwealth Managed Property Limited		Australia		
Darontin Pty Limited *		Australia		
Infravest (No. 1) Limited		Australia		
Infravest (No. 2) Limited		Australia		
Micropay Pty Limited		Australia		
Perpetual Stock Pty Limited *		Australia		
Retail Investor Pty Limited		Australia		
Sparad (No. 16) Pty Limited * (5)		Australia		
Sparad (No. 20) Pty Limited *		Australia		
Sparad (No. 24) Pty Limited		Australia		
Sparad (No. 29) Pty Limited *		Australia		
Sparad (No. 30) Pty Limited *		Australia		
Sparad (No. 31) Pty Limited *		Australia		
(b) Finance			**49**	62
CBFC Group				
CBFC Limited		Australia		
CBFC Leasing Pty Limited		Australia		
Commonwealth Securities Limited Group				
Commonwealth Securities Limited		Australia		
Share Direct Nominees Pty Limited *		Australia		
Comsec Nominees Pty Limited *		Australia		
Fleet Care Services Pty Limited *		Australia		
Leaseway Australia Pty Limited		Australia		

Notes to and forming part of the accounts

NOTE 39 **Controlled Entities continued**	Extent of Beneficial Interest if not 100%	Incorporated in	Contribution to Consolidated Profit **1999** **$M**	1998 $M
(c) Life Insurance and Funds Management			**117**	84
Commonwealth Custodial Services Limited		Australia		
Commonwealth Insurance Holdings Limited		Australia		
Commonwealth Life Limited		Australia		
CLL Investments Limited		Australia		
CIF (Hazelwood) Pty Limited		Australia		
Commonwealth Investment Services Limited Group				
Commonwealth Investment Services Limited		Australia		
Commonwealth Managed Investments Limited		Australia		
CISL (Hazelwood) Pty Limited		Australia		
Commonwealth Funds Management Limited Group				
Commonwealth Funds Management Limited		Australia		
CFM (ADF) Limited		Australia		
CFML Nominees Pty Limited		Australia		
NEW ZEALAND				
(a) Banking			**80**	73
ASB Group Limited (2) #	75%	New Zealand		
ASB Bank Limited	75%	New Zealand		
ASB Finance Limited	75%	New Zealand		
ASB Management Services Limited	75%	New Zealand		
ASB Properties Limited	75%	New Zealand		
ASB Superannuation Nominees Limited	75%	New Zealand		
CBA Funding (NZ) Limited		New Zealand		
(b) Life Insurance				
ASB Group Limited (2) #	75%	New Zealand		
ASB Life Limited	75%	New Zealand		
Sovereign Limited	75%	New Zealand		
OTHER OVERSEAS				
(a) Banking			**68**	(30)
Commonwealth Bank of Australia (Offshore Branches)				
CBA Asia Limited		Singapore		
CBA (Europe) Finance Limited		United Kingdom		
CBA (Delaware) Finance Incorporated		USA		
Brigidina Investments Limited (3) (5)		Jersey		
Senator House Investments (UK) Limited (4)		United Kingdom		
Commonwealth Securities (Japan) Pty Limited		Japan		
(b) Finance			**4**	4
Central Real Estate Holdings Group				
Central Real Estate Holdings Corporation		USA		
Wilshire 10880 Corporation		USA		
Wilshire 10960 Corporation		USA		
CTB Australia Limited		Hong Kong		
SBV Asia Limited		Hong Kong		
Operating Profit After Tax and Outside Equity Interests			**1,422**	1,090

Non-operating controlled entities are excluded from the above list.

(1) During the year Commonwealth Connect Insurance Limited changed its name to Commonwealth Insurance Limited.

(2) ASB Group Limited is a 75% owned subsidiary of the Bank. ASB Group Limited owns 100% of ASB Bank Limited and ASB Life Limited.

(3) Wholly owned subsidiary of Share Investments Pty Limited.

(4) Wholly owned subsidiary of CBA International Finance Pty Limited.

(5) Disposed of during the 1999 Financial Year.

Controlled entities not audited by Ernst & Young.

* Small proprietary companies not requiring audit.

NOTE 40 Investments in Associated Entities

	Book Value $M	Extent of Ownership Interest %	Principal Activities	Balance Date
EDS (Australia) Pty Limited	238	35	Information Technology Services	31 December
IPAC Securities Limited	23	50	Funds Manager	30 June
PT Bank BII Commonwealth	13	50	Banking in Indonesia	31 December
Electronic Financial Technologies Pty Ltd	-	50	Financial Technology Development	30 June
Corporate Fleet Management	7	50	Desktop IT Lease Management	30 June

	GROUP	
	1999 $M	1998 $M
Share of associates' profits (losses) after notional goodwill amortisation		
Operating profits before income tax	**(1)**	2
Income tax expense	**1**	(4)
Operating profits after income tax	**-**	(2)
Carrying amount of investments in associated entities		
Opening balance	**276**	60
New investments	**6**	248
Share of associates' profits (losses)	**-**	(2)
Foreign exchange adjustment	**-**	(30)
Dividends paid	**(1)**	-
Closing Balance	**281**	276

NOTE 41 Standby Arrangements and Unused Credit Facilities

(of controlled entities that are borrowing corporations and entities subject to the Financial Corporations Act 1974)

	GROUP			
	1999 $M		1998 $M	
	Available	**Unused**	Available	Unused
(a) Financing arrangements accessible				
Bank overdraft	**50**	**-**	17	1
Bill facilities	**5**	**1**	5	-
	55	**1**	22	1
(b) Financing arrangements provided				
Wholesale finance	**-**	**-**	-	-
Other facilities	**-**	**-**	1	-
	-	**-**	1	-

Notes to and forming part of the accounts

NOTE 42 Related Party Disclosures

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, under an ASIC Order No. 98/110 dated 10 July 1998, from making disclosures of any loan made, guaranteed or secured by a bank to related parties (other than directors) and financial instrument transactions (other than shares and share options) of a bank where a director of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business and either on an arm's length basis or with the approval of a general meeting of the relevant entity and its ultimate parent entity (if any). The exemption does not cover transactions which relate to the supply of goods and services to a bank, other than financial assets or services.

The Class Order does not apply to a loan or financial instrument transaction which any director of the relevant entity should reasonably be aware that if not disclosed would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the Class Order is that the Bank must lodge a statutory declaration, signed by two directors, with the Australian Securities and Investments Commission accompanying the Annual Report. The declaration provides confirmation that the bank has systems of internal control and procedures to provide assurance that any financial instrument transactions of a bank which are not entered into on an arm's length basis are drawn to the attention of the Directors so that they may be disclosed.

Directors

The name of each person holding the position of Director of the Commonwealth Bank during the financial year is:

M A Besley, AO	(Chairman)
J T Ralph, AO	(Deputy Chairman)
D V Murray	(Managing Director)
N R Adler, AO	
A C Booth	
R J Clairs, AO	(Appointed 1 March 1999)
K E Cowley, AO	
J M Schubert	
G H Slee, AM	(Retired 28 February 1999)
F J Swan	
B K Ward	

Details of remuneration received or due and receivable by Directors are set out in Note 43.

Loans to Directors

Loans are made to Directors in the ordinary course of business of the Bank and on an arm's length basis. Loans to Executive Directors have been made on normal commercial terms and conditions.

Under the Australian Securities and Investments Commission Class Order referred to above, disclosure is limited to the aggregate amount of loans made, guaranteed or secured by:

- the Bank to its Directors;
- banks which are controlled entities to their Directors; and
- non bank controlled entities to Directors (and their related parties) of those entities.

The aggregate amount of such loans outstanding at 30 June 1999 was:

- $1,863,945 to Directors of the Bank (1998: $468,000); and
- $1,084,533 to Directors of related entities (1998: $1,191,900).

The aggregate amount of such loans received and repayments made was:

	LOANS RECEIVED		REPAYMENTS MADE	
	1999 $	1998 $	**1999 $**	1998 $
Directors of the CBA				
Normal terms and conditions (1)	**1,600,000**	-	**204,055**	111,000
Directors of related entities				
Normal terms and conditions (2)	**123,886**	186,663	**231,252**	154,522

(1) Directors: A C Booth, K E Cowley and B K Ward
(2) Directors: G J Judd, R J Norris, G A Thorby and W W Moyes

NOTE 42 Related Party Disclosures continued

Shares of Directors

The aggregate number of shares acquired by, disposed of and held by Directors and their director related entities in the Commonwealth Bank during the financial year ended 30 June 1999, were:

Director	Held 30 June 1998 Ordinary	Shares Acquired Ordinary	Shares Disposed Of Ordinary	**Held 30 June 1999 Ordinary**
M A Besley	10,602	547	993	**10,156**
J T Ralph	10,942	122	-	**11,064**
D V Murray	47,530	2,512	1,250	**48,792**
N R Adler	9,946	388	1,159	**9,175**
A C Booth	1,021	54	-	**1,075**
K E Cowley	8,000	-	-	**8,000**
J M Schubert	5,261	273	-	**5,534**
G H Slee (retired 28/02/99)	2,538			
F J Swan	1,908	99	179	**1,828**
B K Ward	1,660	87	-	**1,747**

All shares were acquired by Directors on normal terms and conditions or under the employee share scheme, as appropriate. Additionally D V Murray was granted 500,000 options during the year bringing his total holdings to 1,300,000 under the Executive Option Plan. Refer Note 28 for details.

Other Transactions of Directors and Other Related Parties

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed above) of Directors of the Bank and other banks which are controlled entities occur in the ordinary course of business of the banks on an arm's length basis.

Under the Australian Securities and Investments Commission Class Order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a Director of the entity concerned.

All such financial instrument transactions that have occurred between the banks and their Directors have been trivial or domestic and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Directors, director related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by non bank controlled entities.

All such transactions that have occurred with Directors, director related entities and other related parties have been trivial or domestic and were in the nature of lodgment of deposit monies.

Controlled Entities

Transactions with related parties in the Group are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities.

As part of an internal Group restructuring, the Bank has sold its investment in Commonwealth Life Limited to Commonwealth Insurance Holdings Limited, a life insurance wholly owned entity as at 30 June 1999. The sale price was at market value based on independent advice. The capital profit is included in the Bank's capital reserve at 30 June 1999. The capital reserve is eliminated on consolidation. Also refer Note 1(jj).

Support services are provided by the Bank such as provision of premises and/or equipment, availability of transfer payment and accounting facilities through data processing etc, and are transfer charged to the respective user entity at commercial rates.

Refer to Note 39 for details of controlled entities.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 17. Amounts due to controlled entities are disclosed in the balance sheet of the Bank.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 2.

All transactions between Group entities are eliminated on consolidation.

Notes to and forming part of the accounts

NOTE 42 Related Party Disclosures continued

Commonwealth Guarantee of the Bank's Liabilities

The liabilities of the Bank and its controlled entity, Commonwealth Development Bank of Australia, as at 30 June 1996 were guaranteed by the Commonwealth under a statute of the Australian Parliament.

Such guarantee is being progressively phased out following the Government sell-down on 19 July 1996. Refer Note 25 for full details of transitional measures. The removal of the guarantee has not materially affected either the borrowing costs or the borrowing capabilities of the Bank.

NOTE 43 Remuneration of Directors

Total amount received or due and receivable by non executive Directors of the Company for the year ended 30 June 1999 was:

	Base Fee/Pay $	Committee Fee $	Superannuation [(1)] $	Total Remuneration $
Non executive Directors				
Mr M A Besley, AO	200,000	-	-	200,000
Mr J T Ralph, AO	90,000	15,000	7,350	112,350
Mr N R Adler, AO	60,000	10,000	4,900	74,900
Ms A C Booth	60,000	15,014	5,250	80,264
Mr R J Clairs, AO[(3)]	20,054	-	1,404	21,458
Mr K E Cowley, AO	60,000	3,342	4,435	67,777
Dr J M Schubert	60,000	23,356	5,835	89,191
Mr G H Slee, AM[(2)]	46,589	10,000	3,961	60,550
Mr F J Swan	60,000	25,000	5,950	90,950
Ms B K Ward	60,000	15,000	5,250	80,250

Executive Director

Mr D V Murray (refer Note 44)

(1) The Bank is currently not contributing to the Officers' Superannuation Fund. A notional cost of superannuation has been determined on an individual basis for certain of the Directors. Other Directors have superannuation contributions made to other funds.

(2) Mr Slee retired 28 February 1999.

(3) Mr Clairs was appointed Director 1 March 1999.

Retirement Benefit

The aggregate amount of 'prescribed benefits' (as defined by Section 237 of the Corporations Law) given by the Bank during the year ended 30 June 1999 was $287,708 being a payment made to Mr G H Slee pursuant to the Directors' Retirement Allowance Scheme approved by shareholders at the 1997 Annual General Meeting.

	BANK	
	1999 $	1998 $
Total amount received or due and receivable by executive and non executive Directors (includes accumulated benefits due to Directors who retired during the year)	**3,156,330**	3,477,583

The number of executive and non executive Directors whose remuneration fell within these bands was:

Remuneration (Dollars)	**Number**	Number
$ 20,001 - $ 30,000	**1**	-
$ 40,001 - $ 50,000	**-**	1
$ 60,001 - $ 70,000	**1**	4
$ 70,001 - $ 80,000	**1**	2
$ 80,001 - $ 90,000	**3**	-
$ 90,001 - $ 100,000	**1**	1
$ 110,001 - $ 120,000	**1**	-
$ 160,001 - $ 170,000	**-**	1
$ 190,001 - $ 200,000	**1**	-
$ 340,001 - $ 350,000	**1** *	-
$1,060,001 - $1,070,000	**-**	1 #
$1,710,001 - $1,720,000	**-**	1
$1,990,001 - $2,000,000	**1**	-
	11	11

* Remuneration includes retirement payment to Mr G H Slee who retired on 28 February 1999.

Remuneration includes retirement payment to Mr I K Payne who retired on 11 July 1997.

NOTE 43 Remuneration of Directors continued	GROUP 1999 $	1998 $
Total amount received or due and receivable by executive and non executive Directors of the Bank and controlled entities	**4,902,942**	4,142,444

NOTE 44 Remuneration of Executives

The following table shows remuneration for the executive director and five highest paid other members of the senior executive team who were officers of the Bank and the Group for the year ended 30 June 1999.

Senior Executive Team

Name & Position	Year	Base Pay[(1)] $	Bonus $	Super-annuation[(2)] $	Other Compensation[(3)] $	Total Remuneration $	Option Grant[(4)] Number
D V Murray Managing Director & CEO	1999 1998	1,000,000 1,000,000	700,000 450,000	41,332 97,200	249,600 168,500	1,990,932 1,715,700	500,000 500,000
M J Ullmer Group General Manager Financial & Risk Management	1999 1998	700,000 [(5)]496,712	250,000 150,000	126,000 89,408	159,600 156,032	1,235,600 892,152	200,000 200,000
M A Katz Head of Institutional Banking	1999 1998	600,000 600,000	340,000 160,000	45,000 45,000	129,600 88,500	1,114,600 893,500	250,000 250,000
A E Long Head of Customer Service Division	1999 1998	500,000 500,000	270,000 175,000	20,178 42,120	210,441 181,453	1,000,619 898,573	175,000 150,000
J F Mulcahy Head of Banking & Financial Services	1999 1998	600,000 500,000	320,000 200,000	45,000 37,500	9,600 88,500	974,600 826,000	250,000 250,000
R J Scrimshaw Head of Technology, Operations & Property	1999 1998	420,000 [(6)]163,288	230,000 130,000	25,200 12,247	9,600 3,470	684,800 309,005	125,000 n/a

(1) Base Pay is calculated on a Total Cost basis and includes any FBT charges related to employee benefits including motor vehicles.

(2) The Bank is currently not contributing to the Officers' Superannuation Fund (OSF) – refer Note 38. For 1999, notional cost of superannuation has been determined on an individual basis for each executive. In 1998, a notional cost of superannuation spread across all members of the relevant Division of the OSF was used.

(3) Other compensation includes, where applicable, housing (including FBT), car parking (including FBT) and other payments.

(4) Option Grants are a right to buy ordinary shares at an exercise price which is the Market Value (as defined in the Plan Rules) at the date of commencement of the options, plus a premium representing the time value component of the value of options. The ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by companies represented in the ASX's 'Bank's and Finance Accumulation Index', excluding the Bank. If the performance hurdle is not met, the options will have nil value. The options have a maximum term of five years and are exercisable after three years. Options issued during the year to executives under the Executive Option Plan have an exercise price equivalent to the Market Value of the Bank's ordinary shares as at the Grant Date of the options. Market Value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the Grant Date. Additionally, options granted in 1997 and 1998 will be adjusted by a premium formula (based on the actual differences between the dividend and bond yields at the date of the vesting of the right to exercise the options). As the options are subject to a performance hurdle, the achievement of which is uncertain, the amount included as remuneration in the above table is nil. Under the Bank's US GAAP disclosures, fair value of options for purposes of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model, being $1.05 per option issued on 30 September 1998 and 89c per option issued on 11 December 1997. Refer Notes 28 and 47(c) for further details.

(5) From commencement of employment in October 1997.

(6) From commencement of employment in February 1998.

Notes to and forming part of the accounts

NOTE 44 Remuneration of Executives continued

The following table shows the number of executives whose remuneration fell within the stated bands:

	GROUP		BANK	
	1999 Number	1998 Number	**1999 Number**	1998 Number
Remuneration (Dollars)				
$ 120,000 - $ 129,999	**-**	1	**-**	1
$ 150,000 - $ 159,999	**1 ***	-	**1 ***	-
$ 200,000 - $ 209,999	**-**	1	**-**	1
$ 250,000 - $ 259,999	**-**	2	**-**	2
$ 260,000 - $ 269,999	**1**	-	**1**	-
$ 280,000 - $ 289,999	**-**	1	**-**	1
$ 290,000 - $ 299,999	**2**	-	**2**	-
$ 300,000 - $ 309,999	**-**	2	**-**	2
$ 320,000 - $ 329,999	**1**	1 #	**1**	1 #
$ 340,000 - $ 349,999	**-**	1	**-**	1
$ 350,000 - $ 359,999	**-**	1	**-**	1
$ 360,000 - $ 369,999	**-**	3 #	**-**	3 #
$ 370,000 - $ 379,999	**-**	3	**-**	3
$ 380,000 - $ 389,999	**1**	1	**1**	1
$ 390,000 - $ 399,999	**2**	-	**2**	-
$ 400,000 - $ 409,999	**1**	4	**1**	4
$ 410,000 - $ 419,999	**1**	1	**1**	1
$ 430,000 - $ 439,999	**1**	1	**1**	1
$ 440,000 - $ 449,999	**-**	3	**-**	3
$ 450,000 - $ 459,999	**1**	-	**1**	-
$ 460,000 - $ 469,999	**1**	-	**1**	-
$ 470,000 - $ 479,999	**1**	-	**1**	-
$ 480,000 - $ 489,999	**2**	-	**2**	-
$ 490,000 - $ 499,999	**2**	-	**2**	-
$ 500,000 - $ 509,999	**1**	-	**1**	-
$ 510,000 - $ 519,999	**1**	1	**1**	1
$ 550,000 - $ 559,999	**1**	-	**1**	-
$ 570,000 - $ 579,999	**-**	1	**-**	1
$ 600,000 - $ 609,999	**-**	1	**-**	1
$ 630,000 - $ 639,999	**1**	-	**1**	-
$ 650,000 - $ 659,999	**1**	-	**1**	-
$ 680,000 - $ 689,999	**1**	-	**1**	-
$ 710,000 - $ 719,999	**1**	-	**1**	-
$ 770,000 - $ 779,999	**-**	1	**-**	1
$ 820,000 - $ 829,999	**-**	1	**-**	1
$ 890,000 - $ 899,999	**-**	3	**-**	3
$ 930,000 - $ 939,999	**1**	-	**1**	-
$ 970,000 - $ 979,999	**1**	-	**1**	-
$ 1,000,000 - $ 1,009,999	**1**	-	**1**	-
$ 1,060,000 - $ 1,069,999	**-**	1 #	**-**	1 #
$ 1,070,000 - $ 1,079,999	**-**	1 #	**-**	1 #
$ 1,110,000 - $ 1,119,999	**1**	-	**1**	-
$ 1,230,000 - $ 1,239,999	**1**	-	**1**	-
$ 1,710,000 - $ 1,719,999	**-**	1	**-**	1
$ 1,990,000 - $ 1,999,999	**1**	-	**1**	-
Total number of executives	**31**	37	**31**	37

NOTE 44 Remuneration of Executives continued	GROUP		BANK	
	1999	1998	**1999**	1998
	$M	$M	**$M**	$M
Total amount received or due and receivable by executives (includes accumulated benefits due to executives who retired during the year).	**18,623,129**	19,058,944	**18,623,129**	19,058,944

* Includes termination payment to 1 retired, resigned, or retrenched executive during the 1998/99 financial year.

Includes termination payments to 4 retired, resigned or retrenched executives during the 1997/98 financial year.

An executive is a person who works in Australia and is either a participant in the Bank's Executive Option Plan or is otherwise directly accountable and responsible to the Managing Director for strategic direction or operational management functions.

Participation in the Executive Option Plan is limited to executives who, in the opinion of the Managing Director and the Board are able by virtue of their responsibility, experience and skill to influence the generation of shareholder wealth.

Remuneration is based on amounts paid and accrued with respect to the financial year. 1998 comparatives have been restated where appropriate.

The Group's Policy in respect of executives is that:

- Remuneration will be competitively set so that the Group can seek to attract, motivate and retain high quality local and international executive staff;
- Remuneration will incorporate, to a significant degree, variable pay for performance elements, both short term and long term focused as appropriate, which will:
    - reward executives for Group, business unit and individual performance against appropriate benchmarks/goals,
    - align the interests of executives with those of shareholders,
    - link executive reward with the strategic goals and performance of the Group,
    - ensure total remuneration is competitive by market standards;
- Remuneration will be reviewed annually by the Remuneration Committee through a process that considers Group, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices;
- Remuneration systems will complement and reinforce the Group's leadership and succession planning systems; and
- Remuneration and terms and conditions of employment will be specified in an individual contract of employment and signed by the executive and the Bank.

Notes to and forming part of the accounts

NOTE 45 Statements of Cash Flows	GROUP 1999 $M	GROUP 1998 $M	GROUP 1997 $M	BANK 1999 $M	BANK 1998 $M

Note (a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash at bankers, money at short call, at call deposits with other financial institutions and settlement account balances with other banks.

	GROUP 1999 $M	GROUP 1998 $M	GROUP 1997 $M	BANK 1999 $M	BANK 1998 $M
Notes, coins and cash at bankers	**784**	951	1,091	**757**	909
Other short term liquid assets	**238**	247	241	**197**	157
Receivables due from other financial institutions - at call	**912**	2,925	3,502	**886**	2,681
Payables due to other financial institutions - at call	**(2,491)**	(2,160)	(1,516)	**(2,127)**	(1,772)
Cash and Cash Equivalents at end of year	**(557)**	1,963	3,318	**(287)**	1,975

Note (b) Cash Flows presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- customer deposits to and withdrawals from deposit accounts;
- borrowings and repayments on loans, advances and other receivables;
- sales and purchases of trading securities; and
- proceeds from and repayment of short term debt issues.

Note (c) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities	GROUP 1999 $M	GROUP 1998 $M	GROUP 1997 $M	BANK 1999 $M	BANK 1998 $M
Operating profit after income tax	**1,446**	1,110	1,100	**1,545**	883
(Increase) decrease in interest receivable	**(1)**	(13)	80	**77**	(33)
Increase (decrease) in interest payable	**(35)**	75	5	**47**	(32)
Net (increase) decrease in trading securities	**(408)**	(646)	556	**(209)**	(591)
Net (gain) loss on sale of investment securities	**(79)**	(101)	(4)	**(84)**	(119)
Charge for bad and doubtful debts	**247**	233	98	**78**	224
Depreciation and amortisation	**192**	233	280	**157**	197
Other provisions	**68**	(74)	36	**19**	(71)
Increase (decrease) in income taxes payable	**261**	46	(222)	**224**	45
Increase (decrease) in deferred income taxes payable	**50**	128	97	**31**	43
(Increase) decrease in future income tax benefits	**(8)**	(158)	22	**31**	(146)
Amortisation of discount on debt issues	**206**	261	256	**206**	260
Amortisation of premium (discount) on investment securities	**57**	26	(13)	**53**	29
Unrealised (gain) loss on revaluation of trading securities	**216**	(484)	(147)	**216**	(484)
Abnormal item	**-**	492	200	**-**	492
Other	**(36)**	(241)	47	**(18)**	(180)
Net Cash provided by Operating Activities	**2,176**	887	2,391	**2,373**	517

Note (d) Non cash Financing and Investing Activities

Shares issued under the Dividend Reinvestment Plan $426 million (1998: $452 million) and Employee Share Acquisition Plan - nil (1998: $28 million).

NOTE 45 Statements of Cash Flows continued

Note (e) Acquisition of Controlled Entities

In December 1998, the Group acquired 100% of the Share Capital of Sovereign Limited, a life insurance company.

During 1997, the Group acquired 100% of the share capital of Commonwealth Funds Management and Leaseway and the 8.1% minority interest in Commonwealth Development Bank.

Details of controlled entities acquired during the financial year are as follows:

	GROUP 1999 $M	1998 $M	1997 $M
Consideration			
Cash paid on acquisition	**205**	-	88
Fair value of net tangible assets acquired			
Cash	**9**	-	22
Investment securities	**260**	-	2
Loans, advances and other receivables	**671**	-	15
Property, plant and equipment	**4**	-	4
Other assets	**28**	-	6
Outside equity interest	**(28)**	-	28
Borrowings	**(460)**	-	-
Income tax liability	**-**	-	(3)
Other provisions	**(4)**	-	(5)
Bills payable and other liabilities	**(72)**	-	(6)
Policy liabilities	**(358)**	-	-
	50	-	63
Excess market value over net assets of life insurance subsidiary	**155**	-	-
Discount on acquisition	**-**	-	(16)
Goodwill	**-**	-	41
	205	-	88
Outflow of cash on acquisition			
Cash payments	**205**	-	88
Less cash and cash equivalents acquired	**(9)**	-	(22)
	196	-	66

Note (f) Financing Facilities

Standby funding lines with overseas banks as at 30 June 1999 amounted to AUD equivalent $24 million (1998: $21 million).

NOTE 46 Disclosures about Fair Value of Financial Instruments

These amounts represent estimates of net fair values at a point in time. Significant estimates regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors were used for the purposes of this disclosure. These estimates are subjective in nature and involve matters of judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

While the estimated net fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the Group's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction. In addition, it is the Bank's intent to hold most of its financial instruments to maturity and therefore it is not probable that the net fair values shown will be realised in a current transaction.

The estimated net fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long term relationships with depositors (core deposit intangibles) and other customers (credit card intangibles) are not reflected. The value of these items is significant.

Notes to and forming part of the accounts

NOTE 46 Disclosures about Fair Value of Financial Instruments continued

Because of the wide range of valuation techniques and the numerous estimates which must be made, it may be difficult to make reasonable comparisons of the Bank's net fair value information with that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated net fair value disclosures and to realise that because of these uncertainties, <u>the aggregate net fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.</u>

				GROUP
		1999		1998
	Carrying Value $M	**Net Fair Value $M**	Carrying Value $M	Net Fair Value $M
Assets				
Cash and liquid assets	**1,814**	**1,814**	1,526	1,526
Receivables due from other financial institutions	**1,206**	**1,206**	3,448	3,448
Trading securities	**4,708**	**4,708**	4,009	4,009
Investment securities	**7,187**	**7,196**	6,858	7,079
Loans, advances and other receivables	**101,837**	**105,768**	89,816	92,646
Bank acceptances of customers	**9,672**	**9,672**	9,727	9,727
Deposit accounts with regulatory authorities	**953**	**953**	832	832
Other assets	**9,046**	**9,489**	12,054	12,518
Liabilities				
Deposits and other public borrowings	**93,428**	**93,737**	83,886	84,305
Payables due to other financial institutions	**3,249**	**3,249**	3,397	3,397
Bank acceptances	**9,672**	**9,672**	9,727	9,727
Debt issues	**10,763**	**10,791**	10,608	10,828
Bills payable and other liabilities	**8,451**	**8,558**	10,616	10,856
Loan Capital	**2,828**	**2,862**	2,996	3,170
Asset and liability hedges - unrealised gains/(losses) (Refer Note 37)	**-**	**73**	-	557

The net fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and bank acceptances of customers

The carrying values of cash and liquid assets, receivables due from other financial institutions and bank acceptances of customers approximate their net fair value as they are short term in nature or are receivable on demand.

Securities

Trading securities are carried at net market/net fair value and investment securities have their net fair value determined based on quoted market prices, broker or dealer price quotations.

Loans, advances and other receivables

The carrying value of loans, advances and other receivables is net of general and specific provisions for doubtful debts and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

For shares in companies, the estimated net fair values are based on quoted market prices.

Statutory deposits with central banks

In Australia, and several other countries in which the Group operates, the law requires that the Group lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. The net fair value is assumed to be equal to the carrying value as the Group is only able to continue as a going concern with the maintenance of these deposits.

NOTE 46 Disclosures about Fair Value of Financial Instruments continued

All other financial assets

Included in this category are fees receivable, unrealised income and investments in associates of $281 million (1998: $276 million), where the carrying amount is considered to be a reasonable estimate of net fair value.

Other financial assets are net of goodwill, future income tax benefits and prepayments/unamortised payments, as these do not constitute a financial instrument.

Deposits and other public borrowings

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the carrying value as at 30 June. Discounted cash flow models based upon deposit type and its related maturity were used to calculate the net fair value of other term deposits.

Short term liabilities

The carrying value of payables due to other financial institutions and bank acceptances approximate their net fair value as they are short term in nature and reprice frequently.

Debt issues and loan capital

The net fair values of debt issues and loan capital were calculated based on quoted market prices as at 30 June. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument was used.

All other financial liabilities

This category includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Other provisions including provision for dividend, income tax liability and unamortised receipts are not considered financial instruments.

Asset and liability hedges

Net fair value of asset and liability hedges is based on quoted market prices, broker or dealer price quotations.

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The net fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

Other off balance sheet financial instruments

The net fair value of trading and investment derivative contracts (foreign exchange contracts, currency swaps, exchange rate futures, currency options, forward rate agreements, interest rate swaps, interest rate futures, interest rate options), were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

The fair value of these instruments are disclosed in Note 37.

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles

The consolidated financial statements of the Group are prepared in accordance with Generally Accepted Accounting Principles in Australia ('Australian GAAP', refer Note 1) which differ in some respects from Generally Accepted Accounting Principles in the United States ('US GAAP').

The following are significant adjustments between net profit, shareholders' equity and consolidated balance sheets disclosed in these financial statements and which would be reported in accordance with US GAAP.

	Footnote	**1999 $M**	1998 $M	1997 $M
Consolidated Statements of Profit and Loss				
Net profit reported under Australian GAAP		**1,422**	1,090	1,078
Tax effect of increase in general provision for bad and doubtful debts	(a)	**-**	(248)	28
Employee share compensation	(c)	**(27)**	(1)	(57)
Unrealised net gain on available for sale securities	(f)	**65**	(65)	-
Pension expense adjustment	(i)	**38**	20	44
Goodwill amortisation	(k)	**(4)**	-	-
Adjustment on adoption of new ISC Life Insurance Rules	(p)	**-**	-	(11)
Net income according to US GAAP		**1,494**	796	1,082
Other Comprehensive Income				
Foreign currency translation reserve		**(20)**	(10)	18
Unrealised holding gains on available for sale securities		**(206)**	229	18
Less reclassification adjustment for gains/losses included in net income		**(51)**	10	(3)
		(257)	239	15
Total other comprehensive income		**(277)**	229	33
Total comprehensive income according to US GAAP		**1,217**	1,025	1,115
Basic and diluted earnings per share on net income according to US GAAP (cents)		**161.2**	85.6	118.0
Shareholders' Equity				
Shareholders' equity reported under Australian GAAP, excluding outside equity interests		**6,735**	6,712	6,846
Tax effect of foreign currency translation reserve	(a)	**(3)**	(15)	(20)
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts	(a)	**-**	-	248
Provision for final cash dividend	(d)	**472**	321	291
Unrealised net gain on trading securities transferred to available for sale securities	(f)	**-**	(65)	-
Unrealised net gain on other available for sale securities	(f)	**6**	263	24
Prepaid pension cost	(i)	**708**	648	616
Tax effect of prepaid pension cost	(i)	**(255)**	(233)	(222)
Goodwill amortisation	(k)	**(4)**	-	-
Shareholders' equity according to US GAAP		**7,659**	7,631	7,783
Consolidated Balance Sheets				
Total assets reported under Australian GAAP		**138,096**	130,544	120,103
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at year end	(a)	**-**	-	248
Assets relating to life insurance statutory funds	(e)	**10,241**	7,959	7,249
Unrealised net gain(loss) on available for sale securities	(f)	**9**	309	37
Prepaid pension cost	(i)	**708**	648	616
Total assets according to US GAAP		**149,054**	139,460	128,253

NOTE 47 Differences between Australian and United States Accounting Principles continued

(a) Income Tax

Deferred Income Tax Assets and Liabilities

Australian GAAP follows the liability method of tax-effect accounting. The tax-effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is disclosed as a future income tax benefit (FITB) or a provision for deferred income tax. Amounts are offset where the tax payable and the realisable benefit are expected to occur in the same period. Permanent differences are differences between taxable income and pre-tax accounting profit where the related income or expense items will never be included in either taxable income or pre-tax accounting profit.

The Group has applied SFAS 109 'Accounting for Income Taxes' in the preparation of its US GAAP information.

The differences between the effect of applying the provisions of SFAS 109 and the accounting policy adopted in the Australian Financial Statements are as follows:

- Under Australian GAAP the criterion for recognition of timing differences is assurance beyond any reasonable doubt and for tax losses 'virtual certainty'. The recognition criterion under US GAAP is that the tax benefit is probable.
- Australian GAAP requires that an announcement of the Government's intention to change the rate of company income tax in advance of periods in which the change will occur is adequate evidence for the deferred tax balances to be restated. This treatment is not permitted under SFAS 109 'Accounting for Income Taxes' which requires that the deferred tax liabilities and assets be adjusted in the financial year in which a change in the tax rate is enacted.

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. Previously the related deferred tax asset associated with the Group's general provision was not recognised. For US GAAP recognition purposes, the related deferred tax asset is recognised. The 1998 US GAAP net income adjustment of $248 million represents the cumulative deferred tax asset previously recognised as income for US GAAP. (Also refer Note 1(o)). Similarly for US GAAP purposes, the tax effect of the foreign currency translation reserve is booked as a deferred tax liability.

Investment Securities

Income from tax exempt securities does not exceed $500,000.

Tax related to gains/losses on investment securities sales is $28 million (1998: $3.7 million, 1997: $1.4 million).

(b) Pension Plans

In accordance with Australian GAAP, contributions to company sponsored defined benefit pension plans are expensed as incurred. Other than by way of a note to the financial statements, any surplus or deficit is not reflected in the consolidated accounts.

US GAAP pension expense, for defined benefit pension plans, is determined using defined methodology that is based on concepts of accrual accounting. This methodology, which requires several types of actuarial measurements, results in net amounts of expense and the related plan surplus or deficiency being recorded in the financial statements of the sponsor systematically over the working lives of the employees covered by the plan. As a result US GAAP reconciliation adjustments are required. The disclosure requirements of SFAS 87 'Employers Accounting for Pensions' and SFAS 132 'Employers Disclosures about Pensions and Other Post Retirement Benefits' have been included at footnote (i) within this note.

The Group adopted SFAS 87 later than the effective date specified in the accounting standard. To introduce the information required under SFAS 87 as from the effective date was not feasible. Accordingly an allocation of the pension obligation/asset has been taken directly to equity based on the number of years elapsed between the effective date and the date of adoption by the Group. The adoption date for the purposes of the US GAAP reconciliation information is 1 July 1994 and the remaining amortisation period at the adoption date was ten years.

(c) Employee Share Compensation

In the Consolidated Statements of Changes in Shareholders' Equity the Employee Share Acquisition Plan share issue is shown as a reduction to shareholder reserves. Under US GAAP, SFAS123 'Accounting for Stock Based Compensation', this employee share scheme would be considered as part of employee compensation and charged to profit and loss.

The grants of shares are in respect of the Group's performance for the prior years.

Further, under US GAAP, in accordance with the Employee Share Acquisition Plan an accrual for the probable grant of shares is required. For 1999 a US GAAP adjustment of $25 million has been included.

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles continued

(c) Employee Share Compensation continued

Also under US GAAP, the fair value of the options issued under the Executive Option Plan is included as part of employee compensation and charged to profit and loss. For 1999 a US GAAP adjustment of $2 million has been included.

The fair value of options (issued on 16 December 1996), being 45¢ per option, has been determined using the Black-Scholes option pricing model with the following assumptions at the date of issue: expected volatility of 17.5%, risk free interest rate of 6.94%, dividend rate of 8.18%, expected life of 39 months and a 50% probability for the performance hurdle.

The fair value of options (issued on 11 December 1997), being 89¢ per option, has been determined using the Black-Scholes option pricing model with the following assumptions at the date of issue: expected volatility of 19.1%, risk free interest rate of 5.88%, dividend rate of 5.96%, expected life of 39 months and a 50% probability for the performance hurdle.

The fair value of options (issued on 30 September 1998), being $1.05 per option, has also been determined using the Black-Scholes option pricing model with the following assumptions at the date of issue: expected volatility of 19.4%, risk free interest rate of 4.79%, dividend rate of 5.99%, expected life of 39 months and a 50% probability for the performance hurdle.

Movement in Executive Options during the year	1999	Weighted Average Exercise Price*	1998	Weighted Average Exercise Price*
Options Outstanding at the start of the year	4,675,000	$14.05	2,100,000	$11.85
Options Granted during the year	3,275,000	$19.58	2,875,000	$15.53
Options Forfeited during the year	382,500	$14.66	300,000	$12.77
Options Exercised during the year	26,000	$11.85		
Options Outstanding at the end of the year	7,541,500	$16.43	4,675,000	$14.05

* The exercise price for options granted in 1997 and 1998 will be adjusted by the premium formula (based on the actual difference between the dividend and bond yields at the date of vesting).

Outstanding Options at 30 June 1999	Number	Exercise Price	Expiry Date
December 1996 Options	1,704,000	$11.85	12 Nov 2001
December 1997 Options	2,612,500	$15.53	3 Nov 2002
September 1998 Options	3,225,000	$19.58	25 Aug 2003

The weighted average exercise price for options outstanding at 30 June 1999 is $16.43.

The weighted average remaining contractual life of these options is 3 years and 4 months.

The other disclosure requirements of SFAS 123 'Accounting for Stock-Based Compensation' in respect of the employee share plans are included in Note 28.

(d) Provisions

The term 'provisions' is used in Australian GAAP to designate accrued expenses with no definitive payment date. Provisions, principally disclosed in Note 24 comply in all material respects with US GAAP with the exception of the provision for the final cash dividend (Note 6), which is not formally declared until the meeting of directors shortly after the balance date.

Under US GAAP, dividends are recorded as liabilities only if formally declared prior to balance date. This difference in treatment has been amended in the US GAAP reconciliation of shareholders' equity.

The provision for restructuring costs at 30 June 1999 of $57 million (refer Note 24) includes staff redundancy costs of $31 million with the balance relating principally to occupancy and equipment expenses. This represents the remaining portion of the $200 million abnormal restructuring charge booked during the year ended 30 June 1998. It is planned that this remaining provision be substantially utilised during the year ended 30 June 2000.

The accounting policy adopted by the Group for restructuring provisions is detailed in Note 1(aa).

NOTE 47 Differences between Australian and United States Accounting Principles continued

(e) Life Insurance Controlled Entity

For Australian GAAP the assets of the statutory funds and the liabilities of the funds to its policyholders are excluded from the consolidated balance sheet (Note 1 (jj)). An adjustment has been made for this in relation to US GAAP. All related investments are brought to account at market values.

Life Insurance Statutory Fund Assets

The following fair value table of the investments of the life company shows the unrealised gains/losses by major category:

	At 30 June 1999				At 30 June 1998			
	Fair Value $M	**Gross Unrealised Gains $M**	**Gross Unrealised Losses $M**	**Amortised Cost $M**	Fair Value $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Amortised Cost $M
Investments								
Government securities								
Australia	**741**	**17**	**12**	**736**	791	28	-	763
Overseas	**225**	**1**	**6**	**230**	177	16	1	162
Local and semi government securities	**881**	**7**	**9**	**883**	729	22	-	707
Equity investments	**2,857**	**639**	**135**	**2,353**	2,026	488	134	1,672
Promissory notes	**7**	**-**	**-**	**7**	-	-	-	-
Certificates of deposit	**2**	**-**	**1**	**3**	-	-	-	-
Bank accepted bills	**-**	**-**	**-**	**-**	22	-	-	22
Other investments	**1,827**	**48**	**13**	**1,792**	1,112	36	1	1,077
Cash	**3,036**	**-**	**-**	**3,036**	3,062	-	-	3,062
Other assets	**665**	**-**	**-**	**665**	40	-	-	40
	10,241	**712**	**176**	**9,705**	7,959	590	136	7,505

Fair Value Maturity Distribution of Debt Securities

The tables analyse the maturities on a fair value basis:

	At 30 June 1999					At 30 June 1998				
	Maturing 1 year or less $M	**Maturing Between 1 and 5 years $M**	**Maturing Between 5 and 10 years $M**	**Maturing After 10 Years $M**	**Total $M**	Maturing 1 year or less $M	Maturing Between 1 and 5 years $M	Maturing Between 5 and 10 years $M	Maturing After 10 Years $M	Total $M
Investments										
Government securities										
Australia	**43**	**432**	**156**	**110**	**741**	127	465	113	86	791
Overseas	**6**	**210**	**7**	**2**	**225**	18	82	46	31	177
Local and semi government	**205**	**530**	**110**	**36**	**881**	247	358	106	18	729
Promissory notes	**7**	**-**	**-**	**-**	**7**	-	-	-	-	-
Certificates of deposit	**2**	**-**	**-**	**-**	**2**	-	-	-	-	-
Bank accepted bills	**-**	**-**	**-**	**-**	**-**	22	-	-	-	22
Other investments	**526**	**751**	**79**	**471**	**1,827**	251	559	-	302	1,112
Cash	**3,036**	**-**	**-**	**-**	**3,036**	3,062	-	-	-	3,062
Other assets	**665**	**-**	**-**	**-**	**665**	40	-	-	-	40
	4,490	**1,923**	**352**	**619**	**7,384**	3,767	1,464	265	437	5,933

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles continued

(f) Available For Sale Securities under US GAAP

Under Australian GAAP, only two categories of securities prevail, namely Investment and Trading Securities. Investment securities are purchased by the Bank with the intent to 'hold to maturity'.

Trading securities are purchased and held for the short term, primarily with the intention of making profits from anticipated movements in market rates.

Government securities, held in the investment securities portfolio, were sold during the 1998 financial year following the change in the Reserve Bank of Australia maximum holding for regulatory requirements. As a result, all Investment Securities have been reclassified as Available for Sale securities for the purposes of US GAAP disclosure. Any capital gain or loss realised on sale is taken to profit and loss at that time. The cost of available for sale securities sold is calculated on a specific identification basis.

Under US GAAP, these securities are revalued to market and the difference between carrying value and market value is taken to shareholders' equity.

Trading securities under Australian GAAP include infrastructure equity securities on hand at 30 June 1998. These securities are revalued to market with the unrealised gain or loss at balance sheet date taken to profit and loss. Under US GAAP these securities are classified as 'Available for Sale' and the unrealised gain taken to shareholders' equity rather than profit and loss. The disclosure requirements of SFAS 115 'Accounting for Certain Investments in Debt and Equity Securities' in respect of Available for Sale securities have been included at footnote (m) within this note.

(g) Net Profit

Under US GAAP the concept of 'operating profit' is not recognised. Net profit under Australian GAAP is operating profit after tax including 'abnormal items' and after deducting outside equity interests.

In performing the US GAAP profit reconciliation, the net profit reported using Australian GAAP is after deducting goodwill amortisation and abnormal items.

NOTE 47 Differences between Australian and United States Accounting Principles continued

(h) Consolidated Balance Sheet

The following reconciliations are of significant adjustments to Australian GAAP balance sheet categories disclosed in these accounts and which would be reported in accordance with US GAAP:

	Footnote	**1999 $M**	1998 $M	1997 $M
Assets				
Available for sale securities under Australian GAAP		**-**	-	-
Reclassification to Available for Sale securities	(f)	**7,187**	6,999	2,129
Restatement of Available for Sale securities to fair value	(f)	**9**	309	37
According to US GAAP		**7,196**	7,308	2,166
Investment securities under Australian GAAP		**7,187**	6,858	9,233
Reclassification to Available for Sale securities	(f)	**(7,187)**	(6,858)	(2,129)
According to US GAAP		**-**	-	7,104
Trading securities under Australian GAAP		**4,708**	4,009	2,635
Reclassification to Available for Sale securities	(f)	**-**	(141)	-
According to US GAAP		**4,708**	3,868	2,635
Goodwill under Australia GAAP		**491**	531	574
Reclassification from Other Assets	(k)	**155**	-	-
Goodwill amortisation	(k)	**(4)**	-	-
According to US GAAP		**642**	531	574
Other assets under Australian GAAP		**8,946**	11,859	7,502
Deferred tax assets on general provision for bad and doubtful debts	(a)	**-**	-	248
Assets relating to life insurance statutory funds	(e)	**10,241**	7,959	7,249
Prepaid pension cost	(i)	**708**	648	616
Reclassification to Goodwill	(k)	**(155)**	-	-
According to US GAAP		**19,740**	20,466	15,615
Liabilities				
Income tax liability under Australian GAAP		**1,410**	1,099	925
Tax effect of foreign currency translation reserve	(a)	**3**	15	20
Deferred tax liability on unrealised gain on Available for Sale securities	(f)	**3**	111	13
Deferred tax liability on pension income	(i)	**255**	233	222
According to US GAAP		**1,671**	1,458	1,180
Provision for dividend under Australian GAAP		**472**	321	291
Reversal of provision for final cash dividend	(d)	**(472)**	(321)	(291)
According to US GAAP		**-**	-	-
Bills payable and other liabilities under Australian GAAP		**8,507**	10,746	7,698
Liabilities relating to life insurance statutory funds	(e)	**10,241**	7,959	7,249
According to US GAAP		**18,748**	18,705	14,947

i) Details of Pension Expense and Reconciliation of Funded Status of Pension Plans

The Bank and its controlled entities sponsor a range of superannuation (pension) plans for its employees worldwide.

The Group's accounting policy for superannuation expense, under Australian GAAP reporting, is set out in Note 1(ll) of the financial statements. The superannuation expense principally represents the annual funding, determined after having regard to actuarial advice, to provide for future obligations of defined benefit plans. Other details of the Group's major superannuation plans are set out in Note 38 of the financial statements.

For US GAAP purposes, the Group adopted the disclosure requirement of SFAS 87 'Employers' Accounting for Pensions' for the major defined benefit fund, the Officers' Superannuation Fund (OSF), commencing 1 July 1994. For the financial year ending 30 June 1999, the Group revised its disclosures in accordance with SFAS 132 'Employers' Disclosures about Pensions and Other Post Retirement Benefits'.

Other defined benefit funds are immaterial for US GAAP reconciliation purposes.

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles continued

i) Details of Pension Expense and Reconciliation of Funded Status of Pension Plans continued

The OSF does not hold any equity in the Bank's paid capital. Amounts on deposit with the Bank at 30 June 1999 totalled $46 million (1998: $73 million and 1997: $145 million). Other investments with the Bank and/or controlled entities at 30 June 1999 were $27 million (1998: $40 million and 1997: $10 million).

The table displays the elements of the net pension expense and the change in benefit obligations and fair value of assets for each financial year as well as the funded status as at 31 March 1997, 31 March 1998 and 31 March 1999 for the OSF. The assumptions used in the calculations were a discount rate of 6.25% pa (1998: 6.50% pa, 1997: 8.00% pa), compensation increase rate of 4.25% pa (1998: 4.25% pa, 1997: 4.50% pa) and return on assets of 7.50% pa (1998: 7.50% pa, 1997: 8.25% pa).

Pension plan	**1999 $M**	1998 $M	1997[1] $M
Service cost	**(86)**	(80)	(62)
Interest cost	**(284)**	(328)	(344)
Expected return on assets	**388**	395	425
Amortisation of transitional obligation assets	**69**	69	69
Recognised net loss	**-**	-	-
Amortisation of prior service costs	**-**	-	-
Employer financed benefits within Accumulation Division	**(27)**	(24)	(21)
Net periodic pension (cost) income	**60**	32	67
Expensed employer contribution	**-**	-	1
	60	32	68
Less tax effect	**(22)**	(12)	(24)
Pension Expense Adjustment - see US GAAP Reconciliation	**38**	20	44
Reconciliation			
Change in benefit obligation:			
Benefit obligation at beginning of year	**4,364**	4,112	3,822
Service cost	**86**	80	46
Member contributions	**31**	36	28
Interest cost	**284**	328	258
Acquisitions	**-**	-	-
Benefit changes	**-**	-	-
Actuarial gains	**78**	348	242
Benefits and expenses paid	**(557)**	(540)	(284)
Benefit obligation at end of year	**4,286**	4,364	4,112
Change in fair value of assets			
Fair value of assets at beginning of year	**(5,279)**	(4,896)	(4,815)
Actual return on assets	**(476)**	(911)	(353)
Total contributions	**(31)**	(36)	(28)
Benefits and expenses paid	**557**	540	284
Employer financed benefits within Accumulation Division	**26**	24	16
Fair value of assets at end of year	**(5,203)**	(5,279)	(4,896)
Funded status at measurement date:	**(917)**	(915)	(784)
Assets not recognised:			
Transitional obligation assets	**345**	414	483
Unrecognised net loss	**(136)**	(147)	(315)
Unrecognised prior service costs	**-**	-	-
Employer contribution from measurement date to balance date	**-**	-	-
Prepayment of pension costs	**(708)**	(648)	(616)

(1) For the financial year ended 30 June 1996, the Group adopted 30 June as the measurement date for plan assets and obligations. Effective from the financial year ended 30 June 1997, the Group adopted 31 March as the measurement date for plan assets and obligations. Hence, the change in plan assets and obligations for 1996/1997 financial year is for the 9 months to 31 March 1997.

Additionally, a deferred tax liability has been taken up for US GAAP reconciliation purposes in respect of the above prepayment of pension costs.

(j) Employee Benefits – Post Retirement Benefits Other than Pensions

Health Care Subsidies

The Group provides a benefit to employees including retirees who were members of the CBHS Friendly Society Limited (CBHS) as at 6 July 1995 and who met certain criteria. The benefit provided by the Group is in the form of financial assistance in respect of eligible employees and retirees with their private health insurance premium. All staff who joined the CBHS on or after 7 July 1995 are not eligible for the financial assistance benefits.

An agreement between the Group and the Finance Sector Union provides that those members of the CBHS who were retired as at 30 June 1995 receive an ongoing fixed subsidy indexed to a maximum of the movements in the Consumer Price Index whenever the members' health insurance premiums in CBHS increase. Eligible members who retired on or between 1 July 1995 and 31 July 1996 are provided with a fixed ongoing premium subsidy in accordance with their benefit category. Other than the subsidised health insurance premium, which is fully provided for, the Group does not have a post retirement health care liability.

Concessional housing loans

The Group provides housing loans at concessional interest rates to assist with private housing for staff who meet certain criteria. All staff who joined the Bank on or after 1 May 1997 are not eligible to a post retirement concessional interest rate housing loan. Except for certain staff (including executives and senior executives) whose remuneration package excludes a post retirement concessional interest rate loan, the Group provides post retirement interest concessions for retirees who joined the Bank prior to 1 May 1997 on the following basis. Staff with housing loans prior to 1 April 1997 and taken into retirement may be repaid over the remainder of the specified term of the loan. Borrowings on or after 1 April 1997 but before 1 April 2002 may be retained into retirement until 1 April 2007 at which time the concession will cease. Borrowings after 1 April 2002 may be retained into retirement for a period of five years at which time the concession will cease.

No new or additional loans are offered at concessional interest rates after retirement.

Australian GAAP Compliance

Effective 1 July 1994 the Group adopted the Australian Accounting Standard AASB 1028: 'Accounting for Employee Entitlements' with respect to the liabilities arising from the post retirement benefits described above. AASB 1028: 'Accounting for Employee Entitlements' specifies that employee post retirement benefit liabilities are calculated as the present value of the estimated future cash flows due to the services of employees provided up to the reporting date.

The adequacy of the full provision for employee post retirement benefits liabilities in the financial statements is determined in accordance with the requirements of AASB 1028 after considering that employee post retirement benefits carry limited risks and after obtaining actuarial advice.

US GAAP Compliance

Prior to the adoption of AASB 1028 the Group accounted for its obligation for employee entitlements substantially in accordance with SFAS 43 'Accounting for Compensated Absences'. Other than the disclosures discussed above, there are no US GAAP adjustments or further disclosures under SFAS 106 'Employers' Accounting for Post Retirements Other than Pensions' and SFAS 132 'Employers' Disclosures about Pensions and Other Post Retirement Benefits'.

(k) Goodwill

Upon acquisition of Sovereign Limited in December 1998, (refer Note 45(e) for full details), an asset was brought to account being 'excess market value over net assets of life insurance subsidiary' of $155 million which under US GAAP would be accounted for as goodwill.

For US GAAP this asset is being amortised over a 20 year period on a straight line basis.

(l) Property and Other Non Current Asset Revaluations

Each year a review of non current assets is performed to assess the recoverable amount of non current assets. The 'recoverable amount test' is in accordance with the Australian accounting standard which requires future cash flows associated with non current assets to be discounted at a rate which reflects the risk involved. With respect to the determination of the fair value of non current assets and the recognition of losses from impairments, the requirements under Australian accounting standards and the requirements of SFAS 121 'Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of' are essentially the same.

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles continued

(l) Property and Other Non Current Asset Revaluations continued

Australian GAAP allows non current assets including property, plant and equipment to be revalued upwards direct to an asset revaluation reserve. Assets with a carrying amount greater than their recoverable amount may be revalued to their recoverable amount. Impairments to asset values, where there is an amount in the revaluation reserve relating to the relevant asset class, are taken to reduce the revaluation reserve. Impairments to asset values otherwise must be recorded in the profit and loss. Any subsequent upward reversing revaluations to the same asset class are recorded as revenue in the profit and loss. With the exception of land, all revalued assets are depreciated over their assessed useful lives.

Upward revaluations of property, plant and equipment are not allowed under US GAAP, except as part of accounting for business combinations under the Purchase Method. US GAAP requires impairments of non current assets to be recorded in the profit and loss account. Once such impairments have been recorded, subsequent recoveries to the income statement are not allowed.

A discounted cash flow methodology was used in arriving at the valuation at which the Group's property is carried. No asset writedowns were necessary in 1999, 1998 or 1997. At 30 June 1999, 1998 and 1997 the asset revaluation reserve shows a nil balance.

Any US GAAP adjustment of revalued assets to an historical cost basis would not be material in the income statement, shareholders' equity or carrying value of the property assets.

(m) Available for Sale Securities

	AT 30 JUNE 1999				AT 30 JUNE 1998			
	Amortised Cost $M	**Gross Unrealised Gains $M**	**Gross Unrealised Losses $M**	**Fair Value $M**	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia								
Australian Public Securities:								
Commonwealth and States	**2,635**	**13**	**11**	**2,637**	1,960	138	-	2,098
Bills of exchange	**-**	**-**	**-**	**-**	17	-	-	17
Medium Term Notes	**160**	**11**	**-**	**171**	141	38	-	179
Other securities and equity investments	**352**	**-**	**19**	**333**	1,072	161	50	1,183
Total Australia	**3,147**	**24**	**30**	**3,141**	3,190	337	50	3,477
Overseas								
Government securities	**235**	**10**	**2**	**243**	204	31	3	232
Treasury Notes	**5**	**-**	**-**	**5**	5	-	-	5
Certificates of deposit	**1,228**	**46**	**38**	**1,236**	1,195	7	1	1,201
Eurobonds	**900**	**46**	**22**	**924**	766	66	21	811
Medium Term Notes	**27**	**-**	**7**	**20**	29	-	4	25
Other securities and equity investments	**1,645**	**-**	**18**	**1,627**	1,508	148	99	1,557
Total Overseas	**4,040**	**102**	**87**	**4,055**	3,707	252	128	3,831
Total Available for Sale Securities	**7,187**	**126**	**117**	**7,196**	6,897	589	178	7,308

Proceeds at or close to maturity of Available for Sale securities during 1999 were $12,431 million (1998: $8,681 million and 1997: $6,479 million).

Proceeds from sale of Available for Sale securities during the year were $146 million (1998: $1,787 million and 1997: $1,172 million). Government securities, held in the investment securities portfolio, were sold during the 1998 financial year following the change in the Reserve Bank of Australia maximum holding for regulatory requirements. As a result, all Investment Securities have been reclassified as Available for Sale securities.

The fair value of Available for Sale securities includes the fair value of derivative hedges.

Realised capital gains were $85 million and realised capital losses were $6 million, (1998: realised capital gains $65 million, realised capital losses $80 million and 1997: realised capital gains $12 million, realised capital losses $8 million).

NOTE 47 Differences between Australian and United States Accounting Principles continued

(m) Available For Sale Securities continued

Maturity Distribution and Average Yield

The table analyses the maturities and weighted average yields of the book value of the Group's holdings of Available for Sale securities:

	1 to 12 months		1 to 5 years		5 to 10 years		10 years or more		Total
At 30 June 1999	$M	%	$M	%	$M	%	$M	%	$M
Australia									
Australian Public Securities:									
Commonwealth and States	**552**	**6.51**	**1,661**	**5.19**	**422**	**6.14**	**-**	**-**	**2,635**
Medium Term Notes	**-**	**-**	**102**	**8.33**	**58**	**9.80**	**-**	**-**	**160**
Other securities, commercial paper and equity investments	**90**	**5.09**	**258**	**3.62**	**4**	**6.52**	**-**	**-**	**352**
Total Australia	**642**		**2,021**		**484**		**-**		**3,147**
Overseas									
Government securities	**1**	**5.72**	**163**	**2.32**	**71**	**5.62**	**-**	**-**	**235**
Treasury Notes	**5**	**1.20**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Certificates of Deposit	**1,228**	**5.21**	**-**	**-**	**-**	**-**	**-**	**-**	**1,228**
Eurobonds	**145**	**8.78**	**222**	**6.69**	**533**	**5.75**	**-**	**-**	**900**
Medium Term Notes	**-**	**-**	**27**	**5.19**	**-**	**-**	**-**	**-**	**27**
Other securities, commercial paper and equity investments	**274**	**5.23**	**624**	**7.45**	**697**	**2.97**	**50**	**5.53**	**1,645**
Total Overseas	**1,653**		**1,036**		**1,301**		**50**		**4,040**
Total Available for Sale Securities	**2,295**		**3,057**		**1,785**		**50**		**7,187**
Maturities at Fair Value	**2,299**		**3,033**		**1,814**		**50**		**7,196**

(n) Impairment of Assets

SFAS 114 'Accounting by Creditors for Impairment of a Loan' as amended by SFAS 118 'Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures', requires the value of an impaired loan to be measured as the present value of future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. No adjustment is required in the US GAAP reconciliation as the estimated fair value of the impaired loans is not materially different from the carrying value as at 30 June 1999.

(o) Comprehensive Income

SFAS 130: 'Reporting Comprehensive Income' is applicable to the financial year ending 30 June 1999. The Statement requires the classification of items of other comprehensive income by their nature and the display of other comprehensive income separately from retained earnings and shareholders equity. All prior periods have been restated to conform to the provisions of this Statement.

Accumulated Other Comprehensive Income Balances

	1999	1998	1997
	$M	$M	$M
Foreign currency translation reserve			
Balance at beginning of financial year	**26**	36	18
Foreign currency translation adjustment net of tax expense	**(20)**	(10)	18
Balance at end of financial year	**6**	26	36
Available for Sale securities			
Balance at beginning of financial year	**263**	24	9
Change in fair value of Available for Sale securities	**(257)**	239	15
Balance at end of financial year	**6**	263	24
Total Other Comprehensive Income	**12**	289	60

Notes to and forming part of the accounts

NOTE 47 Differences between Australian and United States Accounting Principles continued

(p) Life Insurance

Under Australian GAAP, transitional adjustments on adoption of the new Insurance and Superannuation Commission Rules for financial reporting were made directly to retained earnings at the beginning of the 1997 financial year. Under US GAAP such adjustments were included as part of the 1997 financial year profits.

(q) Newly Issued Statements of the Financial Accounting Standards Board

The Financial Accounting Standards Board (FASB) of the United States of America has recently issued Statements of Financial Accounting Standards (SFAS) Nos. 134 and 135, which are not applicable to the financial year ending 30 June 1999. The Group does not believe these standards would materially impact the financial position and results of operations if they were applicable at 30 June 1999.

SFAS 133 'Accounting for Derivative Instruments and Hedging Activities' was issued in June 1998 and is applicable to the Group from 1 July 2000. This standard may have a material impact on the financial position and results of operations if it were applicable at 30 June 1999. As of the date of this report the Group is assessing the impact of application of this standard, however as yet is unable to determine its effect.

Directors' Declaration

In accordance with a resolution of the directors of the Commonwealth Bank of Australia, we state that in the opinion of the Directors:

(a) the financial statements and notes of the Bank and of the Group are in accordance with the Corporations Law, including:
   (i) giving a true and fair view of the Bank's and the Group's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards and Corporations Regulations; and

(b) there are reasonable grounds to believe that the Bank will be able to pay its debts when they become due and payable.

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

D V Murray
Managing Director

11 August 1999

Independent Audit Report

To the members of Commonwealth Bank of Australia

Scope

We have audited the Financial Report of Commonwealth Bank of Australia for the financial year ended 30 June 1999, as set out on pages 49 to 151, including the Directors' Declaration. The Financial Report includes the financial statements of Commonwealth Bank of Australia and the consolidated financial statements of the Group comprising the Bank and the entities it controlled at year's end or from time to time during the financial year. The Bank's directors are responsible for the Financial Report. We have conducted an independent audit of the Financial Report in order to express an opinion on it to the members of the Bank.

Our audit has been conducted in accordance with Australian and United States Auditing Standards to provide reasonable assurance whether the Financial Report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Financial Report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the Bank's and the Group's financial position and performance as represented by the results of these operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Financial Report of Commonwealth Bank of Australia is in accordance with:

(a) the Corporations Law including:
   (i) giving a true and fair view of the Bank's and the Group's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States. The application of the United States principles would have affected the determination of consolidated net income for each of the years in the three year period ended 30 June 1999 and the determination of consolidated financial position as at 30 June 1999 and 1998 to the extent summarised in Note 47 to the Financial Report.

ERNST & YOUNG
Sydney
Date: 11 August 1999

S C Van Gorp
Partner

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 5 August 1999

Rank	Name of Holder	Number of Shares	%
1	Chase Manhattan Nominees Ltd	50,381,450	5.52
2	Westpac Custodian Nominees	39,854,067	4.37
3	National Nominees Limited	30,885,440	3.38
4	ANZ Nominees Limited	18,814,636	2.06
5	Permanent Trustee Australia Limited	15,456,208	1.69
6	Queensland Investment Corporation Limited	15,161,443	1.66
7	AMP Life Limited	13,459,003	1.47
8	Citicorp Nominees Pty Ltd	11,581,634	1.27
9	Perpetual Trustees Victoria Limited	10,828,657	1.19
10	MLC Limited c/- Westpac Custodian Nominees	6,751,515	0.74
11	National Mutual Trustees Ltd	6,182,714	0.68
12	Mercantile Mutual Life Insurance Company Limited	5,792,278	0.63
13	BT Custodial Services Pty Limited	5,313,625	0.58
14	The National Mutual Life Association of Australasia Limited	5,073,601	0.56
15	Perpetual Trustees Nominees Limited	4,669,921	0.51
16	CSS & PSS Board c/- Chase Manhattan Nominees Limited	4,645,939	0.51
17	BT Custodial Services Pty Ltd	4,578,168	0.50
18	Australian Foundation Investment Company Limited	4,032,538	0.44
19	AMP Nominees Pty Limited	3,374,644	0.37
20	HKBA Nominees Ltd	3,348,590	0.37

The twenty largest shareholders hold 260,186,071 shares which is equal to 28.50% 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 11 August 1999

	Shares	Options
M A Besley, AO	10,156	
J T Ralph, AO	11,064	
D V Murray	48,792	1,300,000
N R Adler, AO	9,175	
A C Booth	1,075	
K E Cowley, AO	8,000	
J M Schubert	5,534	
F J Swan	1,828	
B K Ward	1,747	

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 Shares and Employee Shares): 5 August 1999

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	272,569	66.05	125,572,304	13.71
1,001-5,000	125,152	30.33	247,057,304	26.97
5,001-10,000	10,255	2.48	70,551,790	7.70
10,001-100,000	4,414	1.07	90,187,357	9.85
100,001-Over	303	0.07	382,599,870	41.77
Total	412,693	100.00	915,968,625	100.00
Less than marketable parcel of $500	4,590		43,619	

Voting Rights

Under the Bank's Constitution, 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%.

Control Of Registrant

The Bank is not directly or indirectly owned or controlled by another corporation or any foreign government. At 30 June 1999 there is no person who is known to the Bank to be the beneficial owner of more than 10% of the Bank's Ordinary Shares. Until recently, under the Banking Act and the Bank's Constitution, the Commonwealth has had a special relationship with the Bank and was required to hold a minimum of 50.1% of the total voting rights of Ordinary Shares in the Bank. In May 1995, the Commonwealth announced its intention to sell the Commonwealth's remaining 50.4% shareholding, and necessary amendments to the Banking Act were enacted in December 1995. As part of the sale process, which was completed in July 1996, the non-Government shareholders agreed on 14 May 1996 to permit the Bank to purchase from the Commonwealth approximately $1 billion of its Ordinary Shares held by the Commonwealth.

The sale of the remainder of the Commonwealth's shareholding included the global offering of 399,103,979 of the Bank's shares in the form of 'Instalment Receipts'. The Instalment Receipts evidenced full beneficial ownership in an ordinary share in the Bank. The final price for the global offering was set by the Commonwealth at $10.45 per share which was payable in two instalments of $6.00 and $4.45 on 22 July 1996 and 14 November 1997, respectively.

The Bank's Ordinary Shares are listed on the Australian Stock Exchange. In addition, the Bank established in 1996 a Rule 144A American Depositary Receipt program ('Restricted ADR Program') in the United States in relation to Ordinary Shares purchased in the Rule 144A Offering in the United States, conducted as part of the global offering of the Commonwealth's remaining shareholding in 1996. American Depositary Shares ('ADSs') issued pursuant to the Restricted ADR Program each represent the right to receive three Ordinary Shares.

Nature Of Trading Market

The Bank's Ordinary Shares are listed on the ASX. Trading of the Ordinary Shares on the ASX commenced on 9 September 1991.

The table below sets forth, for the calendar periods indicated, high and low closing prices and average daily trading volumes for the Ordinary Shares as reported by the ASX.

PERIOD	HIGH CLOSING PRICE $	LOW CLOSING PRICE $	TRADING VOLUME (NUMBER OF SHARES)
Ordinary Shares			
1997			
First Quarter	13.93	11.98	2,134,888
Second Quarter	16.00	12.39	1,662,578
Third Quarter	17.28	14.70	1,747,491
Fourth Quarter	17.69	14.90	1,761,689
1998			
First Quarter	18.52	17.49	1,671,196
Second Quarter	19.49	17.40	1,724,830
Third Quarter	20.55	18.66	1,952,258
Fourth Quarter	23.16	18.50	1,513,759
1999			
First Quarter	26.65	22.15	1,714,077
Second Quarter	28.69	23.95	1,727,382

On 30 June 1999, the last sale price of the Ordinary Shares as reported on the ASX was $24.05 per Share. The Bank's total market capitalisation was $22,029 million.

Stamp duty will arise on the sale or transfer of Ordinary Shares in Australia. Where the transaction is processed through the ASX by a broker, the rate generally will be 0.15% for the seller and 0.15% for the buyer. The rate generally will be 0.3% payable by the buyer for off market transfers. (Minimum amount payable is $20 for companies incorporated in the ACT.)

At 1999 the Bank maintained a restricted Rule 144A American Depositary Receipt ('ADR') program in the United States, representing ordinary shares, for which The Bank of New York acted as depositary bank. The ratio of Ordinary Shares per American Depositary Share ('ADS') is 3:1. Because the ADSs are not publicly listed or traded it is not possible to provide accurate market price information with respect to the ADSs.

On 30 June 1999, there were 246 shareholders with declared addresses in the United States holding 232,198 Ordinary Shares and 1 holder (a nominee company) of ADRs within the United States holding 595 ADRs representing ordinary shares. In addition, there are a number of United States shareholders who hold beneficial ownership in Ordinary Shares through nominee companies located outside the United States.

Shareholding Information

Directors and Officers Of Registrant

The business of the Bank is managed by a Board of Directors presently consisting of ten Directors who, except for the Managing Director, are elected on a rotating basis. At each annual general meeting of the Bank's shareholders, one-third of the Directors, excluding the Managing Director, retire and are eligible for re-election. The Board of Directors oversees the Bank's operation both directly and through its committees.

The members of the Board of Directors and executive and senior officers of the Group as at 30 June 1999 are as follows:

Board of Directors

Name	Age	Position	Director Since
M A Besley, AO	72	Chairman	1988
J T Ralph, AO	66	Deputy Chairman	1985
D V Murray	50	Managing Director	1992
N R Adler, AO	54	Director	1990
A C Booth	43	Director	1990
R J Clairs, AO	61	Director	1999
K E Cowley, AO	64	Director	1997
J M Schubert	56	Director	1991
F J Swan	58	Director	1997
B K Ward	45	Director	1994

Executive and Senior Officers

Name	Age	Position	Position held since	Year Joined Group
P M Andrews	52	General Manager, Sales and Service Delivery	1998	1963
N G Basile	43	Head of Asset Management	1999	1999
J D Beecher	45	Group Financial Controller	1996	1994
J J Beggs	48	Head of Equities	1997	1997
A R Cosenza	38	General Manager, Personal Customers	1999	1981
S B Coulter	40	General Manager, eComm	1999	1998
N J Cox	52	General Manager, Products	1997	1964
L G Cupper	50	General Manager, Group Human Resources	1996	1996
D A Doyle	39	Group Auditor	1998	1997
R C Eddington	56	General Manager, Banking Operations	1991	1958
J K Evans	46	General Manager, Finance and Operations, Banking and Financial Services	1998	1996
H D Harley	37	General Manager, Business Customers	1998	1987
J D Hatton	47	Company Secretary	1994	1985
M A Katz	47	Head of Institutional Banking	1993	1993
G P Kelly	43	General Manager, Strategic Marketing	1998	1997
E J Kinsella	47	General Manager, Sales and Service Victoria/Tasmania	1998	1970
A J Lally	45	Head of Investment and Insurance Products	1998	1990
D J Lawler	49	Financial Controller, Institutional Banking	1998	1993
M A Leonard	46	Chief Credit Officer	1998	1987
A E Long	59	Head of Customer Service Division	1997	1956
G L Mackrell	50	Head of Group Planning and Development	1995	1973
A C McMorron	54	General Manager, Lending Services	1998	1989
G K McWilliam	54	General Manager, Commonwealth Property	1998	1996
H M Morris	51	General Manager and Chief Information Officer, Group Technology	1997	1997
J F Mulcahy	49	Head of Banking and Financial Services	1997	1995
R J Norris	50	Managing Director, ASB Bank	1991	1989
R A Perkins	55	General Manager, Sales and Service NSW/ACT	1998	1962
P G Riordan	41	Head of Financial Markets	1994	1994
R J Scrimshaw	50	Head of Technology, Operations and Property	1998	1998
L E Taylor	59	Chief Solicitor and General Counsel	1989	1955
M J Ullmer	48	Group General Manager, Financial and Risk Management	1997	1997
R G Wilkie	52	Group Treasurer	1990	1961

Compensation Of Directors And Executive Officers

The aggregate compensation paid by the Bank during Financial Year 1999 to all directors and executive officers as a group (43 persons) was $20.8 million.

Australian executive officers are members of the Bank's principal superannuation fund, the Officers' Superannuation Fund (OSF). The OSF is a defined benefit fund. Executive officers who joined the Bank on or after 1 July 1993 are members of the accumulation division of the OSF. From 1 July 1996 the Bank introduced salary sacrifice superannuation benefits within the OSF for selected employees, including executive officers. Salary sacrifice superannuation benefits accrued during the 1999 Financial Year in respect of executive officers have been included in the above aggregate compensation.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994. Further, the Bank ceased contributions to the OSF corresponding to accruing salary sacrifice benefits from 1 July 1997.

Under Australian legislation, the Bank was required to provide minimum superannuation benefits for non executive directors under age 70 equal to 7% of their cash remuneration in the 1999 Financial Year. Benefits funded by the Bank during Financial Year 1999 to meet this requirement amounted to $44,355.

The Bank also provides defined benefits to non executive directors in connection with their departure from office after three years of service in accordance with an arrangement approved by shareholders.

The Bank's executive officers, (including the Managing Director) may be eligible to participate in the Executive Option Plan 'EOP' and the Employee Share Subscription Plan 'ESSP'. Executives who participate in the EOP are excluded from participating in the Employee Share Acquisition Plan 'ESAP'. Refer Executive Option Plan - Note 28.

The Bank's Constitution provide that the directors who are not also executive officers shall be paid an ordinary remuneration which may not exceed the maximum amount fixed by the Bank in general meeting from time to time. At the annual general meeting of the Bank held in October 1997 the shareholders set a maximum amount of $1 million per year, to be divisible among the non executive directors as the directors may determine.

Currency Of Presentation And Certain Definitions

The Bank publishes its consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to 'US$' or 'US dollars' are to United States dollars and references to '$' or 'A$' are to Australian dollars. Merely for the convenience of the reader, this Annual Report contains translations of certain Australia dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.6611 = $1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 1999.

Exchange Rates

For each of the Commonwealth Bank's financial years, the high, low, average and year end Noon Buying Rates, see 'Selected Financial and Operating Data' on page 19.

Fluctuations in the exchange rate between the Australian dollar and the US dollar may affect the Bank's earnings, the book value of its assets and its shareholders' equity as expressed in US dollars, and consequently may affect the market price for the Shares. In addition, fluctuations in the exchange rate between the Australian dollar and the US dollar will affect the US dollar equivalent of the Australian dollar price of the Bank's Ordinary Shares on the ASX and, as a result, are likely to affect the market price of the Shares. Such fluctuations will also affect the conversion into US dollars of cash dividends, if any, paid in Australian dollars.

Certain Definitions

The Bank's financial year ends on 30 June. As used throughout this Annual Report, the financial year ended 30 June 1999 is referred to as Financial Year 1999, and other financial years are referred to in a corresponding manner.

'Financial Statements' means the Group's audited consolidated balance sheets as of 30 June 1998 and 1999 and consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended 30 June 1999, together with accompanying notes, which are included elsewhere in this Annual Report.

'ACCC' means Australian Competition and Consumer Commission.

'APRA' means the Australian Prudential Regulation Authority.

'ASB Bank' means the ASB Bank Limited, incorporated in New Zealand.

'ASX' means the Australian Stock Exchange Limited.

'Australian GAAP' means Australian generally accepted accounting principles.

'Bank', 'CBA' or 'Company' means the Commonwealth Bank of Australia (A.C.N. 123 123 124), a banking corporation incorporated in Australia.

'Banking Act' means the Australian Banking Act 1959, as amended.

'CDBL' means the Commonwealth Development Bank of Australia Limited.

'Commonwealth' means the Commonwealth of Australia and its Territories.

Certain Definitions continued

'EFTPOS' means Electronic Funds Transfer at Point of Sale.

'Group' or 'Consolidated Entity' means the Commonwealth Bank of Australia and its controlled entities.

'Ordinary Shares' or 'Shares' means the ordinary shares of the Bank.

'Reserve Bank' or 'RBA' means the Reserve Bank of Australia.

'US GAAP' means United States generally accepted accounting principles.

Any discrepancies between totals and sums of components in tables contained herein are due to rounding.

Exchange Controls Affecting Security Holders

The Australian dollar is convertible into US dollars at freely floating rates and there are no restrictions on the flow of Australian currency between Australia and the United States. Under existing Australian legislation, the Reserve Bank does not inhibit the import and export of funds, and generally no governmental permission is required for the Bank to move funds in and out of Australia. The United States is not a declared tax haven. Accordingly, at the present time, remittances of any dividends, interest or other payment by the Bank to non resident holders of the Bank's securities in the United States are not restricted by exchange controls.

Apart from withholding tax on dividends and interest paid to non residents, there are currently no Australian exchange controls which restrict the payment of dividends, interest or other remittances to holders of securities issued by the Bank provided that such holders who are not residents of Australia are not connected with Iraq, Libya or the government of the Federal Republic of Yugoslavia (Serbia and Montenegro). The approval of the Reserve Bank is required for any payments to the Government of Iraq, its agencies or its nationals or to the Government or public authority of Libya; any commercial, industrial or public undertaking owned or controlled (whether directly or indirectly) by the Government or public authority of Libya or by an entity that is owned or controlled by the Government or public authority of Libya; or to any person acting for or on behalf of the Government and public authority of Libya or an entity as described previously. In addition, any transactions involving the authorities of the Federal Republic of Yugoslavia (Serbia and Montenegro) or their agencies will require the specific approval of the Reserve Bank.

Central banks and other foreign monetary institutions are permitted to invest the official reserve assets of their country in Australian domestic securities, provided they agree to be stable holders of Australian dollar assets and to keep the Reserve Bank informed of their Australian dollar portfolios.

Section 16 of the Banking Act provides that in the event of the Bank becoming unable to meet its obligations or suspending payment thereof, the Bank's assets in Australia shall be available to meet its deposit liabilities in Australia in priority to all of its other liabilities. Section 86 of the Australian Reserve Bank Act provides that in a winding up of the Bank, all debts due to the Reserve Bank shall, subject to Section 13A(3) of the Banking Act, have priority over all other debts of the Bank other than debts due to the Commonwealth.

Taxation

The following discussion is a summary of certain Australian tax consequences of the ownership of Ordinary Shares. For purposes of this discussion, a 'US Holder' is any beneficial owner who or that owns the Ordinary Shares as a capital asset and is (i) a citizen or resident of the United States, (ii) a domestic corporation, or (iii) an individual or entity otherwise subject to United States federal income taxation on a net income basis. Prospective investors are urged to consult their own tax advisors regarding the United States and Australian tax consequences of owning and disposing of Ordinary Shares.

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete technical analysis or listing of all potential Australian tax effects to US Holders. Except as otherwise noted, the statements of Australian tax laws set out below are based on the laws in force as at the date of this Annual Report, and are subject to any changes in Australian law, and in any double taxation convention between the United States and Australia occurring after that date.

Under Australian law non-residents may be subject to withholding tax in respect of dividends received from shares in Australian companies depending upon the extent to which dividends are franked. Also, in limited circumstances (as discussed below) such non-resident shareholders may be subject to Australian income tax in respect of gains made on disposal of shares in Australian companies. In accordance with the provisions of the Australia/United States double tax agreement, withholding tax on dividend income derived by a non-resident of Australia, who is a resident of the United States, is limited to 15% of the gross amount of the dividend.

The Australia/United States double tax agreement referred to in the preceding paragraph was entered into on 6 August 1982 and represents a convention between the Government of Australia and the Government of the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. The agreement applies to residents of one or both of Australia and the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

Taxation continued

Under Australia's dividend imputation system dividends are 'franked' dividends to the extent that they are paid out of income on which Australian income tax has been paid. Where an Australian resident individual shareholder receives a franked dividend, the shareholder receives a tax credit which can be offset against the Australian income tax payable by the shareholder. The amount of the credit is dependent upon the extent to which the dividend is franked. The extent to which a dividend is franked typically depends upon a company's available franking credits at the time of payment of the dividend. Accordingly, a dividend paid to a shareholder may be wholly or partly franked or wholly unfranked. Dividends paid to non-resident shareholders are exempt from dividend withholding tax to the extent the dividend is franked. The unfranked portion of the dividend is subject to 15% dividend withholding tax.

Subject to two exceptions, a non-resident disposing of shares in Australian public companies will be free from tax in Australia. The exceptions are as follows:

- Shares held as part of a trade or business conducted through a permanent establishment in Australia. In such a case any profit on disposal would be assessable to ordinary income tax. Losses would constitute allowable deductions.
- Shares held in public companies where such shares represent (or in the past five years have represented) a holding of 10% or more in the issued share capital of the company. In such a case capital gains tax would apply, but not otherwise.

Capital gains tax in Australia is payable on real gains over the period in which the shares have been held, ie the difference between the disposal price and the original cost indexed for inflation over that period. Normal rates of income tax would apply to real gains so calculated. Capital losses are not subject to indexing; they are available as deductions, but only as an offset against other capital gains.

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised, in the City of Sydney, Commonwealth of Australia.

COMMONWEALTH BANK OF AUSTRALIA (Registrant)

By:

Name: James David Beecher

Title: Group Financial Controller

Date: 11 August 1999

Domestic Representation

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

Level 3
48 Martin Place
Sydney NSW 1155
Telephone (02) 9378 2000
Postal Address:
GPO Box 2719
Sydney NSW 1155

Group Human Resources
General Manager
Les Cupper

Institutional Banking
Head of Institutional Banking
Michael Katz

Customer Service Division
Head of Customer Service Division
Alf Long

Banking and Financial Services
Head of Banking and Financial Services
John Mulcahy

Head of Products
Neville Cox

Technology Operations and Property
Head of Technology Operations and Property
Russell Scrimshaw

Financial and Risk Management
Group General Manager
Michael Ullmer

International Representation

Australia
Head Office
48 Martin Place (Level 3)
Sydney NSW 1155
Telephone: (612) 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 (Level 5)
Corner Albert & Wellesley Streets
Auckland New Zealand
Telephone: (64 9) 373 3427
Facsimile: (64 9) 373 3426
Chief Representative
G Porter

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
Singapore Land Tower
Singapore 048623
Telephone: (65) 326 3877
Telex: RS 20920
Swift: CTBA SG SG
Facsimile: (65) 224 5812
General Manager
P Beswick

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
Plaza BII
Tower 11 (5th Floor)
JI M.H. Thamrin
No 51 Kav 22
Jakarta 10350
Indonesia
Telephone: (6221) 318 4394
Facsimile: (6221) 318 4391
Chief Representative
P R Milton

Japan
8th Floor
Toranomon Waiko Building
5-12-1 Toranomon 5 chrome
Minato-ku
Tokyo 105-0001
Japan
Telephone: (813) 5400 7280
Facsimile: (813) 5400 7288
Telex: J 28167 Combank
Swift: CTBA JP JTS
General Manager
D A Hazelton

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
S Biggs

Australian Financial & Migrant Information Service
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
Senior Consultant
J O'Brien

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

Contact Us
www.commbank.com.au

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1800 240 889	Telephone Typewriter Service A special telephone banking service for our hearing and speech impaired customers. The service covers all the services available on **13 2221**. Available from 8am to 8pm, Monday to Friday.
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Financial Calendar 2000

Interim Profit result and dividend announced	9 February 2000
Ex-dividend date	17 February 2000
Record date	23 February 2000
Interim dividend paid	31 March 2000
Final profit result and final dividend announced	9 August 2000
Ex-dividend date	17 August 2000
Record date	23 August 2000
Final dividend paid	29 September 2000
Annual General Meeting, Melbourne 2000	26 October 2000

Corporate Directory

Registered Office
Level 1, 48 Martin Place
Sydney NSW 1155
Telephone: (02) 9378 2000
Facsimile: (02) 9378 3317

Company Secretary
JD Hatton

Shareholder Information
www.commbank.com.au

Share Registrar
Perpetual Registrars Limited
Locked Bag A14
SYDNEY SOUTH NSW 1232
Telephone Freecall 1800 022 440
or (02) 9285 7111
Facsimile (02) 9261 8489

Internet
www.perpetual.com.au

Email
Registry_syd@perpetual.com.au

Australian Stock Exchange Listing
Fully paid Ordinary Shares: CBA

Annual Report
To request a copy of the Annual Report please call (02) 9378 3229