



Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

**Profit Announcement
For the year ended
30 June 1998**

Results have been subject to an independent
audit by the external auditors.
Released 12 August 1998

This Profit Announcement is available on the Internet at:
www.commbank.com.au/today

TABLE OF CONTENTS

Accounting Standards and Practices	38
Asian Exposures	
Commentary	8
Credit Risk Table	26
Asset Quality	
Commentary	8
Financial Tables	22
Average Balance Sheet	
Half Yearly Figures	33
Yearly Figures	29
Bad and Doubtful Debts	25
Balance Sheet	20
Business Unit Performance Highlights	6
Banking and Financial Services	6
Customer Service Division	6
Institutional Banking	7
New Zealand	8
Technology Operations and Property	7
Capital Adequacy	40
Capital Expenditure	19
Changes in State of Affairs	9
Contingent Liabilities	38
Credit Ratings	40
Definitions	48
Deposits and Other Public Borrowings	28
Derivatives	37
Exchange Rate Conversions	41
Financial Reporting by Segments	41
Group Financial Information for US Investors	49
Highlights	5
Income Tax	18
Interest Rate and Volume Analysis	
Full Year Results	32
Half Year Results	36
Loans, Advances and Other Receivables	21
Margins and Spreads	12
Net Interest Income	11
Operating Expenses	16
Other Operating Income	14
Outlook	9
Performance Summary	3
Profit and Loss Statement	10
Share Capital	45
Shareholder Value	46
Staff Numbers and Productivity	19
Statement of Cash Flows	43

For further information contact:**Carolyn Kerr - Investor Relations****Ph 02 9378 2747****Fax 02 9378 2344****E-mail address: kerrc@cba.com.au**

PERFORMANCE SUMMARY

As at	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97	vs 30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M	%
Profit and Loss - Summary							
Operating profit after tax before abnormal items	632	619	604	602	1,251	1,206	4
Income							
Operating Revenue	4,809	4,681	4,669	4,844	9,490	9,513	(0)
Interest income	3,799	3,806	3,878	4,111	7,605	7,989	(5)
Interest expense	2,092	2,116	2,205	2,392	4,208	4,597	(8)
Net interest income	1,707	1,690	1,673	1,719	3,397	3,392	0
Other operating income	1,010	875	791	733	1,885	1,524	24
Total operating income	2,717	2,565	2,464	2,452	5,282	4,916	7
Expenses							
Staff expenses	787	835	843	820	1,622	1,663	(2)
Occupancy and equipment expenses	228	245	284	263	473	547	(14)
Information technology services	283	193	130	125	476	255	87
Other expenses	261	259	251	243	520	494	5
Total operating expenses	1,559	1,532	1,508	1,451	3,091	2,959	4
Underlying profit*	1,158	1,033	956	1,001	2,191	1,957	12
Charge for bad and doubtful debts	(144)	(89)	(55)	(43)	(233)	(98)	large
Goodwill amortisation	(23)	(23)	(22)	(21)	(46)	(43)	7
Operating profit before abnormal items and income tax	991	921	879	937	1,912	1,816	5
Abnormal expense	544	26	200	-	570	200	large
Operating profit before income tax	447	895	679	937	1,342	1,616	(17)
Income tax expense (credit)							
Operating profit	350	291	263	325	641	588	9
Abnormal items	(400)	(9)	(72)	-	(409)	(72)	large
Total income tax expense (credit)	(50)	282	191	325	232	516	(55)
Operating profit after income tax	497	613	488	612	1,110	1,100	1
Outside equity interests	(9)	(11)	(12)	(10)	(20)	(22)	(9)
Operating profit after income tax attributable to members of the chief entity	488	602	476	602	1,090	1,078	1
Contributions to profit							
Banking							
Australia	566	530	492	536	1,096	1,028	7
New Zealand (ASB Bank)	49	49	48	37	98	85	15
Other countries*	(37)	7	21	-	(30)	21	large
Life insurance and funds management	56	31	43	32	87	75	16
Finance	30	36	34	28	66	62	6
Profit on operations	664	653	638	633	1,317	1,271	4
Goodwill amortisation	(23)	(23)	(22)	(21)	(46)	(43)	7
Outside equity interests	(9)	(11)	(12)	(10)	(20)	(22)	(9)
	632	619	604	602	1,251	1,206	4
Abnormal expense (after income tax)	(144)	(17)	(128)	-	(161)	(128)	26
Operating profit after income tax and abnormal items	488	602	476	602	1,090	1,078	1

* See Definitions (p 48)

PERFORMANCE SUMMARY (CONTINUED)

As at	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97	vs 30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M	%
Balance Sheet - Summary							
Loans, advances and other receivables	89,816	85,317	81,632	76,729	89,816	81,632	10
Total Assets	130,544	126,007	120,103	114,399	130,544	120,103	9
Deposits and other public borrowings	83,886	81,321	77,880	73,502	83,886	77,880	8
Total Liabilities	120,659	116,327	110,278	104,875	120,659	110,278	9
Shareholders' Equity	6,889	6,752	7,024	6,781	6,889	7,024	(2)
Risk weighted assets	94,431	90,718	86,468	81,956	94,431	86,468	9
Net non accrual loans	545	479	556	607	545	556	(2)
Average interest earning assets	102,423	101,910	98,929	93,442	102,165	96,163	6
Average interest bearing liabilities	92,747	90,572	87,221	83,402	91,650	85,296	7
Assets (on balance sheet)							
Australia	110,120	105,370	101,202	97,412	110,120	101,202	9
New Zealand	10,846	10,661	9,994	8,952	10,846	9,994	9
Other	9,578	9,976	8,907	8,035	9,578	8,907	8
Total Assets *	130,544	126,007	120,103	114,399	130,544	120,103	9
Shareholder Summary							
Dividends per share (fully franked at 36%)	58c	46c	57c	45c	104c	102c	2
Earnings per share (basic and fully diluted)*							
before abnormal items	68.7c	65.8c	65.5c	66.0c	134.5c	131.5c	2
after abnormal items	53.2c	64.0c	51.5c	66.0c	117.2c	117.5c	(0)
Net tangible asset backing per share	\$6.70	\$6.60	\$6.74	\$6.63	\$6.70	\$6.74	(0)
Weighted average number of shares (basic)	918m	941m	923m	912m	930m	917m	
Shares at end of period	923m	912m	930m	911m	923m	930m	
Dividend payout ratio*							
before abnormal items	84.4%	69.9%	87.0%	68.2%	77.3%	77.6%	
after abnormal items	109.0%	71.9%	110.6%	68.2%	88.7%	86.8%	
Performance Ratios							
	%	%	%	%	%	%	
Return on average shareholders' equity *							
before abnormal items	19.00	17.62	17.78	18.46	18.48	18.16	
after abnormal items	14.66	17.14	14.14	18.46	16.10	16.39	
Return on average total assets *							
before abnormal items	1.02	1.00	1.03	1.08	1.01	1.05	
after abnormal items	0.79	0.97	0.81	1.08	0.88	0.94	
Capital adequacy ratio	10.49	10.57	10.89	10.94	10.49	10.89	
General provision/Risk weighted assets	1.14	0.79	0.79	0.78	1.14	0.79	
Non interest income/Total operating income	37.17	34.11	32.10	29.89	35.69	31.00	
Cost to income ratio	57.4	59.7	61.2	59.2	58.5	60.2	
Cost to total assets ratio	1.19	1.22	1.25	1.27	2.37	2.46	
Staff expense/Total operating income	28.97	32.55	34.21	33.44	30.71	33.83	
Total operating income per FTE	\$88,378	\$80,514	\$73,458	\$71,202	\$171,811	\$146,558	
Margins and Spreads							
Group interest spread	2.93	2.77	2.81	3.04	2.85	2.92	
Group interest margin	3.36	3.29	3.41	3.65	3.33	3.53	

* See Definitions (p 48)

REVIEW OF OPERATIONS

(All comparatives are with the year ended 30 June 1997 unless otherwise stated.)

Highlights

Commonwealth Bank reported an operating profit of \$1,251 million, before abnormal items, up 4% for the year ended 30 June 1998. Operating profit after abnormal items was \$1,090 million. Comparable with the corresponding period last year, this result represents a satisfactory outcome in the current competitive environment.

As announced to the market on 31 July 1998, abnormal restructuring costs of \$200 million before tax (\$128 million after tax) have been charged to profit and loss in the year ended 30 June 1998.

The components of the restructuring charge include the transition to EDS Australia and other outsourcing arrangements, further rationalisation of processing and administration functions, implementation of the new organisational structure and reconfiguration of delivery systems.

With effect from 1 January 1998 the Commonwealth Bank Group has adopted dynamic provisioning in estimating the provision for bad and doubtful debts. This statistical technique takes into account historical loss experience and current economic factors to assess the provisioning requirement over the term to maturity of existing credit portfolios.

Initial adoption of dynamic provisioning has resulted in an abnormal expense for bad and doubtful debts of \$370 million in respect of the general provision being charged to profit and loss in the year ended 30 June 1998. Subsequent requirements for specific provisions will be funded via the general provision. The general provision for bad and doubtful debts has been tax effected as at 1 January 1998, with an abnormal credit to tax expense of \$337 million booked to profit and loss in the year ended 30 June 1998.

A final dividend of 58 cents per share fully franked will be paid on 30 September 1998, bringing the dividend for the 1997/98 financial year to 104 cents per share (102 cents per share in 1996/97). The final dividend has been determined having regard to operating profit before abnormal items. The ratio of dividends per share to earnings per share before abnormal items on this basis is 77.3% compared with 77.6% in 1996/97. The Directors consider this appropriate having regard to the Bank's strong capital position and the nature of the abnormal expense.

Return on equity before abnormal items increased from 18.16% to 18.48% (16.10% after abnormals). Earnings per share before abnormal items were 134.5 cents, up 2% (117.2 cents per share after abnormals).

Total assets increased by 9% to \$130,544 million. Risk weighted assets increased by 9% to \$94,431 million. Net tangible assets per share was \$6.70 compared with \$6.74 at 30 June 1997.

The risk weighted capital ratio as at 30 June 1998 was 10.49%, with a Tier 1 ratio of 8.07%.

The 1997/98 full year result was made up of :

Net interest income	\$3,397 million	Steady	0%
Other operating income	\$1,885 million	Up	24%
Operating expenses	\$3,091 million	Up	4%
Bad debt charge	\$233 million	Up	\$135 m
Income tax expense before abnormals	\$641 million	Up	9%

The result reflects:

- increased lending volumes, up 10% to \$92,575 million, reflecting increases in housing loans, term loans and credit card lending, in part offsetting the fall in Group interest margin, down 20 basis points since June 1997.
- higher fee income attributed to greater activity in lending particularly in the home loan market; new transaction fees; increased credit card income due to increased market activity and an increase in the number of card holders and card merchants; new business in stockbroking and fleet management; increased trading income due to improved trading conditions in foreign exchange markets and increase in life insurance and funds management.
- cost containment with improvement in the cost to income ratio to 58.5% (down from 60.2% at 30 June 1997)
- effective tax rate of 33.5% (compared with 32.4% for June 1997).

In July 1998, the Bank entered into a strategic alliance with Woolworths which will provide customers with increased accessibility and flexibility for their financial services needs.

BUSINESS UNIT PERFORMANCE HIGHLIGHTS

Customer Service Division

- The Commonwealth Bank has over 90,000 customer service points including :
 - 1,218 branches, down from 1,334
 - 4,015 agencies, including 3,769 in Australia Post Offices
 - 2,501 ATMs, up 9%
 - 83,038 EFTPOS terminals, up 31% (65,770 COMM2000 EFTPOS terminals)
- Ratio of electronic to over the counter transactions increased from 70:30 at 30 June 1997 to 72:28 at 30 June 1998.
- Average number of ATM transactions processed per day is up 5% for the year.
- Almost 50% increase in the number of calls answered by the 13 2221 telephone line, with 1.1 million calls being answered per week, with the majority using the automated service. Increase in the number of telephone password holders to 1.9 million, up over 50% since June 1997.
- During the period over 3,000 home loans and a significant number of new transaction and saving accounts were opened over the phone using the 13 2224 telephone number.
- NetBank now has over 37,000 registered clients, with 2,500 new applications being received per month.
- The Bank's Internet site receives over 4.5 million hits per month.
- Mobile Bankers now account for more than 24% of all home loan approvals, with total business approved increasing by 6.3% on the same period last year.

Banking and Financial Services

Personal Customers

- Commonwealth Bank now has over 7.5 million customers.
- The Bank's market share of home loan outstandings has remained steady at 20.46% at May 1998 (RBA All Lenders). Market share of approvals for the year to May 1998 is 18.5%.
- As at June 1998, 51% of new owner occupied home lending is at a fixed rate (compared with 7% as at June 1997).
- Gross investment home loan approvals up 50% on the same period last year.
- Largest issuer of credit cards, with over 2.25 million accounts as at 30 June 1998 (up 5%). Outstanding balances up 22% to \$2.2 billion. Over 480,000 credit card holders are members of the Bank's True Awards Loyalty Program.
- Significant growth in personal loan funded approvals up 8% over the period, due to strong demand for motor vehicles and growth in the volume of personal loans used for share investment purposes. Total funded approvals of \$1.0 billion.
- 5.4% growth in retail funding portfolio, with approximately 150,000 new deposit product accounts opened each month. Market share of total retail deposits grew from 24.7% at June 1997 to 25.0% as at May 1998 (ABA).
- Introduction of revised transaction fees in November 1997 has contributed to a 24% decrease (year on year) in the number of over the counter withdrawals on these accounts.

Commonwealth Connect Insurance Limited

- Over 440,000 building and contents risks as at 30 June 1998.
- More than 2/3 of new business is generated through the branch network.
- Premium income up 23% on the same period last year.
- Introduction of "Contents Only" insurance policy.

Financial Services

- Number of customers up 13.4% in the 12 months
- Commonwealth Financial Services is the 4th largest fund manager and the 2nd largest retail fund manager in Australia. During the year ended 30 June 1998 retail funds under management increased by 19% to \$12.8 billion. Total funds under management decreased as anticipated by 5% to \$22.0 billion reflecting withdrawals of certain wholesale portfolios.
- 31% increase in net sales of retail managed funds.
- Strong growth in funds under management. Total sales up 65% to \$4.0 billion.
- Cash Management Trust funds under management grew to almost \$2 billion at June 1998. Unit Trust funds under management (excluding Cash Management Trust) increased 86% to \$1.6 billion at June 1998.
- Commonwealth Life Limited is the 5th largest life insurance company in Australia and is the leading rollover and personal superannuation manager as well as the leading allocated pension fund provider. Annual life insurance premiums have grown by 21% over the year.
- Over 570 investment advisers are now available to meet the investment needs of clients. In 1997/98 gross sales of \$5.7 billion in managed products, life products, superannuation and other investment products were achieved.

Business Customers

- Approximately 475,000 relationships with small to medium sized enterprises (SME) are serviced through the branch network and 103 Business Banking Centres.
- Commercial lending approvals to small and middle market clients were up 9.5%. Total commercial assets of \$25.2 billion as at 30 June 1998.
- BPAY™⁽¹⁾, the interbank electronic billing system was successfully launched in November 1997 (and available on 13 2221), with over 200 billers now on the system.
- The Rural Fixed Rate Term Advance product, launched in September 1997, has been very successful, with over \$70.2 million in outstanding balances.
- Equipment Finance business recorded another strong year of growth with new business fundings rising by 19% over the year. Over the year lease finance grew by 20%, whilst hire purchase increased by 18%.
- The Commonwealth Bank Business Card has continued to be popular with small businesses as an easily accessible and flexible electronic alternative to traditional overdrafts and transaction products.
- Integration of CBFC Fleet Lease Administration and Fleetcare with Leaseway (service now available on 13 1998).

Institutional Banking

- Revenue from Institutional Banking is up 16% on the same period last year, with non-interest revenue representing 65% of total revenue. A key contributor was the financial markets business up almost 41% on last year as well as recognition of significant gains in the value of securities.
- The increasing range of sophisticated interest rate and foreign exchange risk management products purchased by a wide range of Bank clients was a major contributor to the increased revenues. Foreign Exchange trading was also an important factor in increased Financial Markets revenue.
- Corporate Finance in 1997/98 continued to compete successfully in the competitive infrastructure/privatisation market with successful bids for Southern Hydro and Envestra.
- Outstanding year for property financing, with over \$1.5 billion in financings arranged.
- Successful launch of our first mortgage backed securities issue for \$277 million in November 1997.
- The first phase of the Real Time Gross Settlement system was implemented in December 1997, with the establishment of a new centralised Payments Centre.
- The Commonwealth Diversified Share Fund, the Bank's first listed index share fund, was launched on 5 June 1998 with over 6,400 investors. The Fund provides investors with a diversified exposure to the Australian share market. The Bank now offers instalment warrants over the Fund allowing investors to leverage their investment.
- Awarded Euromoney Bank of Year for Australia.

Commonwealth Securities Limited – Share Direct (www.comsec.com.au)

- Strong acceptance of the new \$29 discounted brokerage charge for trade orders placed over the Internet, with revenue almost doubling, up 89% on the same period last year.
- Number of clients doubled to 206,000. 65% of the business is generated over the phone, with the remaining 35% by Internet.
- Over 21,000 phone calls per week to the 13 1519 phone number, with more than 7,200 share trades executed per week over the phone.
- Largest Internet stockbroking service in Australia, with over 14,000 clients accessing the site per day and a further 6,500 new clients joining per month. Over 900 trades executed per day. Average of 4 million hits to the site per month.
- Client Advisory Service established in March 1998, with 12 trained securities advisers and one equity research analyst.
- Played a successful role in both the Telstra and AMP floats, processing over 3,800 trades on 15 June 1998, the day of the AMP listing.

Technology Operations and Property

Year 2000

- The Year 2000 programme is on target and the Bank expects substantially all applications to be fully compliant by 31 December 1998. The remaining applications will be compliant in the first half of 1999.
- Allocated budget of \$115 million over three years (FY 1997 to FY 1999), with \$47.5 million spent to date.
- The Bank is a member of the Interbank Working Group which is developing the Test Strategies, together with the Australian Payment Clearing Association, to ensure the financial payment systems are Year 2000 ready.

⁽¹⁾ Registered to BPAY Pty Ltd ACN 079 137 518

Strategic Technology Partnership

- Contract worth \$5 billion to outsource the Bank's IT services and the management of its telecommunications to EDS Australia was signed on 10 October 1997.
- A \$240 million investment was made to take up 35% equity in EDS Australia.
- Approximately 1,400 staff transitioned to EDS Australia from the Bank.
- The transition phase has gone smoothly. Continuity of operations and service levels have been successfully maintained and improved.
- EDS is now working with the Bank to identify strategic opportunities in line with the Bank's strategic plan.

Property

- Commonwealth Property created during the year ended 30 June 1998 integrating the Bank's corporate real estate group and property investment group.
- The Corporate Real Estate Portfolio consists of both owned and leased property. The value of owned property is more than \$1.2 billion.
- The combined property funds managed on behalf of investors is valued at more than \$2.7 billion.
- The group is the 3rd largest property fund manager in Australia, based on the value of assets managed.
- The corporate property sale and leaseback program continued during the period, reducing the internal property portfolio by 8% in value. The proportion of branches currently owned is 35%, compared with 65% leased (by number).

Banking Operations

- Loan Processing Centres achieved a 21% unit cost improvement.
- Operations Processing Centres reduced from 23 sites at 30 June 1997 to 15 sites at 30 June 1998. Two of these sites are small item processing units only. Staff productivity, measured by the number of accounts managed per FTE, improved by almost 13%.
- Consolidation of central sites continued, with 2 Loan Processing Centres closed earlier this year, leaving 5 sites throughout Australia.
- Outsourcing of Supply Services completed in December 1997. Organisational restructuring, incorporating Card Operations, Staff Services, Financial Service Processing Centres and Fraud and Security into the Banking Operations division, was completed during the financial year.

New Zealand

ASB Bank Limited

- Achieved a record after tax operating profit of NZ\$107.9 million, up 17% on the previous year.
- Interest margin down from 2.75% to 2.65%, reflecting the intense competition within the banking industry and the entry of non banks into the home mortgage market.
- Total deposits up 18% to NZ\$12.1 billion, with customer deposits up 21% to NZ\$10.4 billion.
- Home mortgage lending up 16% to NZ\$7.4 billion.
- BankDirect launched in October 1997, offering home loans and transactional banking via the Internet and telephone. Supermarket banking in association with Woolworths (New Zealand) launched during the year.

Asset Quality

- Overall credit quality remains sound. Gross impaired assets in Australia declined over the year by 25% (reduction \$215 million), however, this was offset by an increase in impaired assets overseas of \$235 million, primarily relating to Asia (refer below). Signs are beginning to emerge of a deterioration in the credit cycle.
- Dynamic provisioning, together with tax effecting the general provision, was implemented in the second half. As a result, General Provision to Risk Weighted Assets increased from 0.79% to 1.14%.
- Specific provision coverage of impaired assets increased from 32% to 34% during the second half, reflecting increased provision coverage for Asia. Total provision coverage of impaired assets at 164% is consistent with best industry practice.

Asian Exposures

- Asia continues to experience major financial difficulties, with Indonesia the most severely affected country.
- Exposures to Asia have reduced by 12% in the second half to \$5.9 billion, which represents 4.2% of total credit risk.
- Approximately 70% of the Bank's Asian exposures relate to counterparties rated investment grade equivalent or better. Almost 60% of total exposures relate to financial institutions.
- Exposures to Indonesia, Thailand and Korea, the countries most affected, have reduced by 27% in the second half and represent approximately 21% of Asian credit risk.
- Impaired assets have increased due to breaches in financial covenants, principally in Indonesia. Few monetary defaults have occurred. Strong specific provisioning coverage for Asian impaired assets.

Outlook

The combination of weaker Asian economies and a slowdown in the US economy is expected to induce weaker growth in Australia. Demand for credit is expected to weaken, which, together with continuing pressure on margins, will constrain growth of net interest earnings.

Non-interest income should continue to grow, although financial markets trading conditions are not expected to be as strong during 1998/99.

Earnings growth will therefore be dependent on significant containment of costs and continuation of low inflation, low interest rates and continued stability of economic and business conditions to maintain bad debt expense within expectations.

Accordingly the Directors expect modest growth in earnings and continuation of the dividend payout ratio during 1998/99. Management of capital will be dependent on the availability and cost of various investment opportunities.

CHANGES IN STATE OF AFFAIRS

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

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

The Bank's shareholders' equity was reduced by \$651 million on 29 December 1997 pursuant to the buy back of 38.1 million shares.

There were no other significant changes in the state of affairs of the Economic Entity during the year ended 30 June 1998.

PROFIT AND LOSS STATEMENT

	Page No. Ref.	30/06/98 \$M	Half Year Ended		Full Year Ended		30/06/98 vs 30/06/97 %	
			31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 \$M	30/06/97 \$M	
Operating Revenue		4,809	4,681	4,669	4,844	9,490	9,513	(0)
Interest income	11	3,799	3,806	3,878	4,111	7,605	7,989	(5)
Interest expense	11	2,092	2,116	2,205	2,392	4,208	4,597	(8)
Net interest income	11	1,707	1,690	1,673	1,719	3,397	3,392	0
Other operating income	14	1,010	875	791	733	1,885	1,524	24
Total operating income		2,717	2,565	2,464	2,452	5,282	4,916	7
Charge for bad and doubtful debts	25	144	89	55	43	233	98	large
Total operating income after charge for bad and doubtful debts		2,573	2,476	2,409	2,409	5,049	4,818	5
Staff expenses	16	787	835	843	820	1,622	1,663	(2)
Occupancy and equipment expenses	16	228	245	284	263	473	547	(14)
Information technology services	16	283	193	130	125	476	255	87
Other expenses	16	261	259	251	243	520	494	5
Total operating expenses	16	1,559	1,532	1,508	1,451	3,091	2,959	4
Operating profit before goodwill amortisation, abnormal items and income tax		1,014	944	901	958	1,958	1,859	5
Goodwill amortisation		23	23	22	21	46	43	7
Operating profit before abnormal items and income tax		991	921	879	937	1,912	1,816	5
Abnormal expense	13	544	26	200	-	570	200	large
Operating profit including abnormal items before income tax		447	895	679	937	1,342	1,616	(17)
Income tax expense (credit)								
Operating profit		350	291	263	325	641	588	9
Abnormal items	13	(400)	(9)	(72)	-	(409)	(72)	large
Total income tax expense (credit)	18	(50)	282	191	325	232	516	(55)
Operating profit after income tax		497	613	488	612	1,110	1,100	1
Outside equity interests		9	11	12	10	20	22	(9)
Operating profit after income tax attributable to members of the chief entity		488	602	476	602	1,090	1,078	1
Retained profits at the beginning of the period		694	908	1,017	794	908	794	14
Buy back	45	-	(384)	-	-	(384)	-	
Adjustment on adoption of new ISC Rules		-	-	(11)	-	-	(11)	large
Transfers from reserves		170	-	10	64	170	74	large
Total available for appropriation		1,352	1,126	1,492	1,460	1,784	1,935	(8)
Transfers to reserves		62	12	54	32	74	86	(14)
Dividends (fully franked)								
Transfer to dividend reinvestment plan reserve		214	189	239	180	403	419	(4)
Provided for payment in cash or paid		321	231	291	231	552	522	6
Dividends provided for, reserved or paid		535	420	530	411	955	941	1
Retained profits at the end of the period		755	694	908	1,017	755	908	(17)

NET INTEREST INCOME

	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97	vs 30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M	%
Interest Income							
Loans	3,319	3,269	3,313	3,481	6,588	6,794	(3)
Other financial institutions	115	126	134	152	241	286	(16)
Liquid assets	19	69	38	103	88	141	(38)
Trading securities	121	92	66	42	213	108	97
Investment securities	202	207	292	299	409	591	(31)
Dividends on redeemable preference shares	28	31	27	20	59	47	26
Statutory deposits	-	-	4	7	-	11	large
Other	(5)	12	4	7	7	11	(36)
Total Interest Income	3,799	3,806	3,878	4,111	7,605	7,989	(5)
Interest Expense							
Deposits	1,563	1,563	1,641	1,829	3,126	3,470	(10)
Public borrowings by borrowing corporations	102	115	97	93	217	190	14
Other financial institutions	115	103	109	117	218	226	(4)
Short term debt issues	138	155	162	129	293	291	1
Long term debt issues	86	97	105	129	183	234	(22)
Loan capital	84	82	81	89	166	170	(2)
Other	4	1	10	6	5	16	(69)
Total Interest Expense	2,092	2,116	2,205	2,392	4,208	4,597	(8)
Net Interest Income	1,707	1,690	1,673	1,719	3,397	3,392	0

Net Interest Income

30/06/98 - 30/06/97 (steady)

30/06/98 - 31/12/97 (up 1%)

Net interest income remained at the prior year level due to increases of \$6 billion in average interest earning assets (+\$279m income effect) fully offset by a lower net interest margin (-\$274m).

ASB has reclassified NZ\$1.5 billion of investment securities to trading securities to more appropriately reflect their treasury assets. The effect is A\$102 million classified in trading securities interest income for the 1997/98 year (A\$46 million in the first half).

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. Comparatives have been adjusted to include these calculations

	Half Year Ended				Full Year Ended	
	30/06/98 %	31/12/97 %	30/06/97 %	31/12/96 %	30/06/98 %	30/06/97 %
Australia						
Interest spread adjusted for interest forgone on non accrual and restructured loans	3.31	3.13	3.19	3.42	3.22	3.30
Interest forgone on non accrual and restructured loans	(0.04)	(0.05)	(0.07)	(0.06)	(0.04)	(0.07)
Interest Spread	3.27	3.08	3.12	3.36	3.18	3.23
Benefit of net free liabilities, provisions and equity	0.38	0.49	0.63	0.64	0.43	0.64
Australia Interest Margin	3.65	3.57	3.75	4.00	3.61	3.87
Overseas						
Interest spread adjusted for interest forgone on non accrual and restructured loans	1.47	1.42	1.32	1.50	1.44	1.41
Interest forgone on non accrual and restructured loans	(0.06)	(0.01)	(0.02)	(0.01)	(0.04)	(0.02)
Interest Spread	1.41	1.41	1.30	1.49	1.40	1.39
Benefit of net free liabilities, provisions and equity	0.59	0.53	0.35	0.37	0.57	0.36
Overseas Interest Margin	2.00	1.94	1.65	1.86	1.97	1.75
Group						
Interest spread adjusted for interest forgone on non accrual and restructured loans	2.97	2.81	2.86	3.09	2.89	2.98
Interest forgone on non accrual and restructured loans	(0.04)	(0.04)	(0.06)	(0.05)	(0.04)	(0.06)
Interest Spread	2.93	2.77	2.80	3.04	2.85	2.92
Benefit of net free liabilities, provisions and equity	0.43	0.52	0.61	0.61	0.48	0.61
Group Interest Margin	3.36	3.29	3.41	3.65	3.33	3.53

The difference in margins and spreads between the Australian and Overseas operations reflects the significantly different nature of the businesses.

Group Interest Margin

30/06/98 - 30/06/97 (down 20 basis points, 6%)

30/06/98 - 31/12/97 (up 7 basis points, 2%)

The Group net interest margin for the year to June 1998 was 3.33% down from 3.53% for the year to June 1997.

The interest margin reduction results from increased competition in lending, primarily home loans in the first half of the year.

The margin for the second half of the financial year stabilised as lower domestic lending rates were offset by reduced time deposit interest as the effect of the lower interest rate environment filtered through. In addition, customer preference for saving and demand accounts has lowered the overall interest cost.

ABNORMAL ITEMS

	Half Year Ended				Full Year Ended	
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M
Abnormal expense items:						
Restructuring costs	174	26	-	-	200	-
General provision charge for bad and doubtful debts	370	-	-	-	370	-
Write down of computer equipment	-	-	200	-	-	200
Total Abnormal Items Before Tax	544	26	200	-	570	200
Abnormal tax expense (credit) items:						
Restructuring costs	(63)	(9)	-	-	(72)	-
Tax effecting general provision	(337)	-	-	-	(337)	-
Write down of computer equipment	-	-	(72)	-	-	(72)
Total abnormal income tax expense (credit)	(400)	(9)	(72)	-	(409)	(72)
Total Abnormal Items After Tax	144	17	128	-	161	128

Restructuring Costs

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

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

General Provision Charge for Bad and Doubtful Debts

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

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

Tax Effecting General Provision for Bad and Doubtful Debts

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

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

OTHER OPERATING INCOME

	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97	vs 30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M	%
Lending fees	242	246	233	214	488	447	9
Commission and other fees	387	327	290	278	714	568	26
Trading income							
Foreign exchange earnings	77	84	36	34	161	70	large
Trading securities	25	10	30	27	35	57	(39)
Other financial instruments (incl derivatives)	26	21	24	23	47	47	0
Dividends	16	2	12	6	18	18	0
Net gain (loss) on investment securities	66	35	6	(2)	101	4	large
Net profit on sale of property, plant and equipment	14	20	21	23	34	44	(23)
Life insurance and funds management	113	92	109	88	205	197	4
General insurance premium income	41	38	34	30	79	64	23
Less general insurance claims	(23)	(23)	(22)	(22)	(46)	(44)	4
Other	26	23	18	34	49	52	(6)
Total Other Operating Income	1,010	875	791	733	1,885	1,524	24

Other Operating Income

30/06/98 - 30/06/97 (up 24%)

30/06/98 - 31/12/97 (up 15%)

Total other operating income has increased by 24% to \$1,885 million from \$1,524 million in the previous year and increased by 15% to \$1,010 million from \$875 million in the June 1998 half.

This increase is largely due to higher fee income, improved trading income and gains on investment securities.

Lending Fees

30/06/98 - 30/06/97 (up 9%)

30/06/98 - 31/12/97 (down 2%)

The increase in lending fees is due to fee recovery improving over the previous year's highly competitive market conditions, the introduction of new fees on a range of products and greater activity in lending particularly in the home loan market. Fees from bills continued to decline due to customer preference for other forms of finance.

Commission and Other Fees

30/06/98 - 30/06/97 (up 26%)

30/06/98 - 31/12/97 (up 18%)

The increase in commission and other fees is due to changes made to fees charged and the introduction of new fees on customer accounts. Card fees have increased significantly due to higher numbers of and activity by card holders and card merchants. New businesses in stock broking and fleet management also increased their contribution to fee income growth.

Trading Income

30/06/98 - 30/06/97 (up 40%)

30/06/98 - 31/12/97 (up 11%)

The increase in trading income was due to increased volatility in foreign exchange and interest rate markets, and higher levels of customer business.

OTHER OPERATING INCOME (CONTINUED)

Net Gain (Loss) on Investment Securities

30/06/98 - 30/06/97 (large)

30/06/98 - 31/12/97 (up 89%)

The increase in the net gain (loss) on investment securities includes gains and losses on infrastructure assets and gains on sales of prescribed investments following the decision by the Australian Reserve Bank to reduce the Prime Asset Requirement (PAR) holdings of the banks from 6% to 3% of Australian denominated assets, partially offset by write downs in other investments.

Life Insurance Surplus and Funds Management Fees

30/06/98 - 30/06/97 (up 4%)

30/06/98 - 31/12/97 (up 23%)

The increase in life insurance and funds management is 7% after allowing for one-off items, which included earnings from an investment subsidiary of Commonwealth Life Limited in the prior year which has now been wound down.

OPERATING EXPENSES

	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97 vs 30/06/97	%
	\$M	\$M	\$M	\$M	\$M	\$M	%
Staff Expenses							
Salaries and wages	689	723	710	676	1,412	1,386	2
Superannuation contributions	-	1	(2)	4	1	2	(50)
Provision for staff leave benefits	15	10	31	26	25	57	(56)
Provisions for other employee entitlements	(3)	3	(3)	-	-	(3)	large
Payroll tax	39	44	42	44	83	86	(3)
Fringe benefits tax	18	24	32	38	42	70	(40)
Other staff expenses	29	30	33	32	59	65	(9)
Total Staff Expenses	787	835	843	820	1,622	1,663	(2)
Occupancy and Equipment Expenses							
Operating lease rentals	72	69	79	54	141	133	6
Depreciation							
Buildings	31	31	26	35	62	61	2
Leasehold improvements	12	10	6	10	22	16	38
Equipment	40	63	81	79	103	160	(36)
Repairs and maintenance	29	40	57	47	69	104	(34)
Other	44	32	35	38	76	73	4
Total Building Occupancy Expenses	228	245	284	263	473	547	(14)
Information Technology Services							
Projects and development	94	105	(74)	(78)	199	(152)	(large)
Data processing	46	23	((69	((
Desktop	65	22	((87	((
Communications	78	43	56	47	121	103	17
Total Information Technology Services	283	193	130	125	476	255	*
Other Expenses							
Postage	37	38	37	35	75	72	4
Stationery	30	23	29	28	53	57	(7)
Fees and commissions	94	74	67	60	168	127	32
Non lending losses	(4)	4	(13)	17	-	4	large
Other	104	120	131	103	224	234	(4)
Total Other Expenses	261	259	251	243	520	494	5
Total Operating Expenses	1,559	1,532	1,508	1,451	3,091	2,959	4

Operating Expenses

30/06/98 - 30/06/97 (up 4%)

30/06/98 - 31/12/97 (up 2%)

Total operating expenses (excluding amortisation of goodwill) for the year were \$3,091m as compared with \$2,959m in the prior year. The ratio of total operating expenses to total operating income decreased to 58.5% from 60.2% in the year and to 57.4% in the June 1998 half from 59.7% in the December 1997 half principally due to the growth in other operating income outstripping costs.

The Bank outsourced most of its information technology functions to EDSA in October 1997. This 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.

Further in accordance with revised International Accounting Standard IAS1, Presentation of Financial Statements certain income and expenses items have been presented on a net basis. The principal items involved are the netting of rental income against operating lease rentals and general insurance claims paid shown as a deduction from general insurance premium income. There is no effect on profit and loss. Prior period comparatives have been adjusted accordingly.

Staff Expenses

30/06/98 - 30/06/97 (down 2%)

30/06/98 - 31/12/97 (down 6%)

The decrease in staff expenses is largely due to reductions in staff numbers. Full Time Equivalents have reduced by 2,800 (8%) to 30,743 during the year mainly in the Technology, Operations and Property division with 1,400 staff transferring to EDSA following the outsourcing of information technology. Further reductions were associated with other outsourcing and continuing rationalisations of back office functions and delivery systems.

OPERATING EXPENSES (CONTINUED)

Other expense decreases such as fringe benefits tax (which followed a reduction in the statutory interest rate) were offset by the effect of the EBA and the continued change in the mix of staff toward a higher skill base.

Occupancy and Equipment Expenses

30/06/98 - 30/06/97 (down 14%)

30/06/98 - 31/12/97 (down 7%)

The decrease in occupancy and equipment expenses is 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 offset by an increase in operating lease rental from the continuing property sale and leaseback programme. During the year 216 properties were sold for a total consideration of \$156m, realising a net gain of \$31m. This sale and leaseback programme will continue in the 1998/99 financial year.

Information Technology Services

30/06/98 - 30/06/97 (up 87%)

30/06/98 - 31/12/97 (up 47%)

* Comparison with prior periods is not meaningful.

The outsourcing of most of the Bank's information technology functions in October 1997 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 with 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.

Other Expenses

30/06/98 - 30/06/97 (up 5%)

30/06/98 - 31/12/97 (up 1%)

The increase in other expenses is largely due to increases in fees and commissions which are offset by higher income. These include card scheme participation costs from higher card activity and valuation costs from higher lending activity.

INCOME TAX

	Half Year Ended				Full Year Ended	
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M
INCOME TAX EXPENSE						
Operating profit before abnormal items and income tax	991	921	879	937	1,912	1,816
Prima facie income tax at 36%	357	331	317	337	688	654
Add (or deduct) permanent differences expressed on a tax effect basis						
Current period						
Increase in general provisions for bad and doubtful debts	-	9	18	10	9	28
Specific provisions for offshore bad and doubtful debts not tax effected	26	9	-	-	35	-
Non deductible depreciation on buildings	5	4	4	5	9	9
Taxation rebates (net of accruals)	(16)	(17)	(22)	(13)	(33)	(35)
Non assessable income - life insurance surplus	(14)	(13)	(15)	(12)	(27)	(27)
Non deductible goodwill amortisation	8	8	8	7	16	15
Employee share acquisition plan	-	(10)	(10)	-	(10)	(10)
Other items	13	(26)	(13)	(10)	(13)	(23)
	22	(36)	(30)	(13)	(14)	(43)
Prior periods						
Other	(29)	(4)	(24)	1	(33)	(23)
Income Tax Expense attributable to operating profit before abnormal items	350	291	263	325	641	588
Abnormal income tax expense (credit)	(400)	(9)	(72)	-	(409)	(72)
Total Income Tax Expense	(50)	282	191	325	232	516
Income tax expense comprises						
Current taxation provision	77	168	194	181	245	375
Deferred income tax provision	37	91	47	50	128	97
Future income tax benefit	(171)	13	(60)	82	(158)	22
Notional tax expense - leveraged leases	6	10	12	10	16	22
Other	1	-	(2)	2	1	-
Total Income Tax Expense	(50)	282	191	325	232	516
Effective Tax Rate (before abnormal items) (%)	35.3	31.6	29.9	34.7	33.5	32.4
As at	30/06/98	31/12/97	30/06/97	31/12/96		
	\$M	\$M	\$M	\$M		
Assets						
Future Income Tax Benefits						
Australia	319	100	162	77		
Overseas	6	7	5	4		
Total Income Tax Assets	325	107	167	81		
Liabilities						
Australia						
Provision for income tax	215	128	166	179		
Provision for deferred income tax	883	889	755	696		
Total Australia	1,098	1,017	921	875		
Overseas						
Provision for income tax	1	13	4	10		
Provision for deferred income tax	-	-	-	-		
Total Overseas	1	13	4	10		
Total Income Tax Liabilities	1,099	1,030	925	885		

Refer page 47 for details of Dividend Franking Account.

CAPITAL EXPENDITURE

	Half Year Ended				Full Year Ended		30/06/98
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97	vs 30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M	%
Buildings	18	12	14	11	30	25	20
Equipment	22	26	86	68	48	154	(69)
Total	40	38	100	79	78	179	(56)

Total Capital Expenditure

30/06/98 - 30/06/97 (down 56%)

30/06/98 - 31/12/97 (up 5%)

The decline in equipment expenditure reflects the outsourcing of the Bank's information technology functions to EDSA in October 1997. Under the terms of the outsourcing agreement, EDSA purchases all capital items to provide the outsourced service contract to the Bank.

STAFF NUMBERS AND PRODUCTIVITY

As at	30/06/98	31/12/97	30/06/97	31/12/96
Full time staff	28,034	29,068	30,566	31,362
Part time staff	6,968	7,227	7,364	7,727
Full Time Equivalent Staff				
Australia	27,993	29,220	30,943	31,841
New Zealand	2,502	2,381	2,345	2,321
Other Overseas	248	257	255	275
Total Full Time Equivalent Staff	30,743	31,858	33,543	34,437
Total operating income per full time equivalent employee (\$) for half year	88,378	80,514	73,458	71,202
Staff expense/Total operating income (%) for half year	28.97	32.55	34.21	33.44

Full time equivalent staff numbers have been weighted for the lower cost per employee of staff on extended leave, eg maternity leave, unpaid sick leave, career break. Comparatives have been similarly adjusted.

Total Staff Numbers (FTE)

30/06/98 - 30/06/97 (down 8%)

30/06/98 - 31/12/97 (down 3%)

The decrease in staff numbers of 2,800 over the previous June 1997 period is due to 1,400 staff who joined EDSA following outsourcing of the Bank's information technology function in October 1997 and the continuing rationalisation of operations.

BALANCE SHEET

As at	Page No. Ref	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 vs 30/06/97 %
Assets						
Cash and liquid assets		1,526	1,844	2,007	2,622	(24)
Receivables from other financial institutions		3,448	3,548	4,839	5,300	(29)
Trading securities		4,009	2,215	2,635	1,074	52
Investment securities		6,858	7,771	9,233	8,639	(26)
Loans, advances and other receivables	21	89,816	85,317	81,632	76,729	10
Bank acceptances of customers		9,727	9,842	8,874	9,923	10
Deposits with regulatory authorities		832	807	797	768	4
Property, plant and equipment		1,662	1,807	2,010	2,284	(17)
Investments in associates	38	276	284	-	-	-
Goodwill		531	552	574	582	(7)
Unrealised gains on trading derivatives		8,297	8,757	4,742	4,517	75
Other assets		3,562	3,263	2,760	1,961	29
Total Assets		130,544	126,007	120,103	114,399	9
Liabilities						
Deposits and other public borrowings	28	83,886	81,321	77,880	73,502	8
Payables due to other financial institutions		3,397	3,900	3,621	3,631	(6)
Bank acceptances		9,727	9,842	8,874	9,923	10
Provision for dividend		321	231	291	235	10
Income tax liability	18	1,099	1,030	925	885	19
Other provisions		875	799	835	854	5
Debt issues		10,608	7,607	10,154	8,782	4
Unrealised losses on trading derivatives		7,790	8,626	4,719	4,615	65
Bills payable and other liabilities		2,956	2,971	2,979	2,448	(1)
		120,659	116,327	110,278	104,875	9
Loan capital		2,996	2,928	2,801	2,743	7
Total Liabilities		123,655	119,255	113,079	107,618	9
Net Assets		6,889	6,752	7,024	6,781	(2)
Shareholders' Equity						
Share capital	45	1,845	1,825	1,860	1,822	(1)
Reserves		4,112	4,052	4,078	3,778	1
Retained profits		755	694	908	1,017	(17)
Shareholders' equity attributable to members of the chief entity		6,712	6,571	6,846	6,617	(2)
Outside equity interest in controlled entities		177	181	178	164	(1)
Total Shareholders' Equity		6,889	6,752	7,024	6,781	(2)

LOANS, ADVANCES AND OTHER RECEIVABLES

As at	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 vs 30/06/97 %
Australia					
Overdrafts	2,841	2,429	2,707	2,376	5
Housing loans	41,137	38,798	37,400	35,439	10
Credit card outstandings	2,218	2,045	1,823	1,796	22
Lease financing	3,594	3,309	3,032	2,905	19
Bills discounted	916	555	1,025	629	(11)
Term loans	25,676	24,341	22,939	21,757	12
Redeemable preference share financing	740	790	775	793	(5)
Equity participation in leveraged leases	1,615	1,386	1,455	1,484	11
Other lending	1,290	1,273	1,565	2,029	(18)
Total Australia	80,027	74,926	72,721	69,208	10
Overseas					
Overdrafts	519	387	379	319	37
Housing loans	6,273	6,384	5,983	5,406	5
Credit card outstandings	134	139	123	111	9
Lease financing	60	63	28	50	large
Bills discounted	4	9	124	138	(97)
Term loans	5,189	5,129	3,977	3,520	30
Redeemable preference share financing	369	458	367	17	1
Other lending	-	-	88	100	large
Total Overseas	12,548	12,569	11,069	9,661	13
Gross Loans, Advances and Other Receivables	92,575	87,495	83,790	78,869	10
Deduct					
Provisions for impairment					
General provision	(1,076)	(716)	(690)	(643)	56
Specific provision against loans and advances	(279)	(221)	(241)	(281)	16
Unearned income					
Term loans	(425)	(415)	(400)	(367)	6
Lease financing	(473)	(469)	(442)	(445)	7
Leveraged leases	(295)	(166)	(177)	(190)	67
Interest reserved	(102)	(99)	(109)	(110)	(6)
Unearned tax remissions on leveraged leases	(109)	(92)	(99)	(104)	10
	(2,759)	(2,178)	(2,158)	(2,140)	28
Net Loans, Advances and Other Receivables	89,816	85,317	81,632	76,729	10

Gross Loans, Advances and Other Receivables: Australia

30/06/98 - 30/06/97 (up 10%)

30/06/98 - 31/12/97 (up 7%)

The Bank has consolidated its position as the leading home loan lender growing the portfolio by \$3.7 billion, particularly in investment home loans which grew by over \$2.0 billion.

Other growth areas were term loans, where both variable and fixed rate lending grew strongly as interest rates fell and remained at low levels.

Card lending grew 22% in line with market trend of higher card usage underpinned by loyalty programs such as True Awards.

Gross Loans, Advances and Other Receivables: Overseas

30/06/98 - 30/06/97 (up 13%)

30/06/98 - 31/12/97 (steady)

The increase in overseas lending is primarily attributable to ASB Bank in New Zealand which experienced strong growth in term loans (23%) and home loans (16%) before exchange rate variation.

ASSET QUALITY

Ratios

As at	30/06/98 %	31/12/97 %	30/06/97 %	31/12/96 %
Impaired Assets Ratio				
Gross impaired assets (net of interest reserved)/Credit risk	0.60	0.53	0.63	0.75
Loss Rates				
Net charge to profit and loss/Credit risk (annualised)	0.21	0.13	0.09	0.07
Net charge to profit and loss/Risk weighted assets (annualised)	0.30	0.20	0.13	0.10
Coverage Ratios				
Specific provisions for impairment/Gross impaired assets (net of interest reserved)	33.86	31.57	30.24	32.25
Total provisions for impairment/Gross impaired assets ⁽¹⁾ (net of interest reserved)	164.44	133.86	116.81	104.02
Net Impaired Assets as % of				
Risk weighted assets	0.58	0.53	0.64	0.74
Total shareholders' equity	7.91	7.09	7.92	8.95
General Provision Ratio				
General Provision as % of Risk Weighted Assets ⁽¹⁾	1.14	0.79	0.79	0.78

⁽¹⁾ New general provisioning methodology adopted as from 1 January 1998, with the general provision being tax effected from this date.

Credit Risk

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. Credit risk is the potential for loss arising from these credit instruments.

The Group's credit risk portfolio is:

	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 vs 30/06/97 %
Gross Credit Risk	140,215	134,215	128,196	120,526	9
Less: Unearned income	(1,193)	(1,050)	(1,019)	(1,002)	17
Credit Risk	139,022	133,165	127,177	119,524	9

Credit Portfolio

As at	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Credit Portfolio Segments					
Statistically managed *	50,264	48,188	46,795	43,620	7
Risk rated managed *	88,758	84,977	80,382	75,904	10
Credit Risk	139,022	133,165	127,177	119,524	9

* See Definitions (p 48)

Impaired Assets

Migration

This table shows the migration of impaired assets and the impact on the specific provision for impairment and interest reserved accounts.

Half Year Ended	Impaired Assets				Specific Provisions and Interest Reserved			
	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M
Opening balance	799	906	1,006	1,185	320	350	399	441
New and increased impaired assets	414	275	278	209				
Provisioning and interest reservation of new and impaired assets					162	101	90	68
Additional provisioning and interest reservation of existing impaired assets					38	30	30	46
Returned to performing or repaid	(180)	(273)	(279)	(297)				
Full write offs to provisions and interest reserved	(85)	(74)	(70)	(61)	(85)	(74)	(70)	(61)
Partial write offs to provisions and interest reserved	(22)	(35)	(29)	(30)	(22)	(35)	(29)	(30)
Write backs of provisions and interest reserved					(32)	(52)	(70)	(65)
Closing balance	926	799	906	1,006	381	320	350	399

Balances of Impaired Assets

As at	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Total Impaired Assets					
Gross non accruals	926	799	906	978	2
Gross restructured	-	-	-	-	-
Other real estate owned	-	-	-	22	-
Other assets acquired through security enforcement	-	-	-	6	-
Total Gross impaired assets	926	799	906	1,006	2
Less Interest reserved	(102)	(99)	(109)	(110)	(6)
Less Specific provisions for impairment	(279)	(221)	(241)	(289)	16
Total Net Impaired Assets	545	479	556	607	(2)
Net Impaired Assets by Geographical Segments					
Australia	357	369	509	568	(30)
New Zealand	7	7	1	4	large
Other countries	181	103	46	35	large
Total	545	479	556	607	(2)

Income Received and Forgone on Impaired Assets

Interest is only taken to profit on non accrual loans when received in cash. Interest entitlement on non accrual loans that is not received represents income forgone.

Half Year Ended	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Impaired Assets					
Income received					
Current period	10	4	16	5	(38)
Prior period	6	14	9	25	(33)
Total income received	16	18	25	30	(36)
Income forgone	22	19	31	24	(29)

Loans Accruing But Past Due 90 Days or More

Loans accruing but past due 90 days or more in the statistically managed segment, which are well secured, are not classified as impaired assets.

Half Year Ended	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Loans accruing but past due 90 days or more					
Housing Loans	249	239	267	297	(7)
Other	41	36	37	27	11
Total	290	275	304	324	(5)

BAD AND DOUBTFUL DEBTS

Charge for Bad and Doubtful Debts

Provisions for credit losses are maintained at an amount adequate to cover anticipated credit losses.

Specific provisions for impairment are funded so that the carrying amount of the loan does not exceed the expected cash flows. General provisions for bad and doubtful debts are maintained to cover non identified possible losses and latent risks inherent in the overall credit portfolio. With effect from 1 January 1998 the general provision is assessed using the methodology known as "Dynamic Provisioning". This statistical technique takes into account historical loss experience and current economic factors to assess the provision requirement over the term to maturity of the existing credit portfolios.

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.

The amounts required to bring the provisions for impairment to their assessed levels are taken to profit and loss, as follows:-

	Half Year Ended				Full Year Ended	
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M
Total charge for bad and doubtful debts	144	89	55	43	233	98
The charge is required for						
Specific provisioning						
New and increased provisioning	175	105	78	74	280	152
Less provisions no longer required (write backs)	(20)	(37)	(55)	(35)	(57)	(90)
Net specific provisioning	155	68	23	39	223	62
Provided from general provision	(155)	-	-	-	(155)	-
Charge to specific provision	-	68	23	39	68	62
General provisioning						
Direct write offs	21	21	23	18	42	41
Recoveries of amounts previously written off	(22)	(26)	(37)	(43)	(48)	(80)
Movement in assessed level	(10)	26	46	29	16	75
Fund specific provision	155	-	-	-	155	-
Charge to general provision	144	21	32	4	165	36
Total charge for bad and doubtful debts	144	89	55	43	233	98

Provisions for Impairment

As at	30/06/98		31/12/97		30/06/97		31/12/96	
	Specific	General	Specific	General	Specific	General	Specific	General
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Movements in Provisions								
Opening balance	221	716	241	690	289	643	318	613
Plus abnormal charge		370						
New and increased provisioning			105		78		74	
Write backs			(37)		(55)		(35)	
Charge to profit and loss		144	68	21	23	32	39	4
Transfer from general provision	155	(155)						
Direct write offs		(21)		(21)		(23)		(18)
Recoveries		22		26		37		43
Movement in assessed level		(10)		26		46		29
Bad debts written off	(91)		(88)		(77)		(68)	
Exchange rate adjustment and other items	(6)	-	-	-	6	1	-	1
Closing Balance	279	1,076	221	716	241	690	289	643

ASIAN EXPOSURES AS AT 30 JUNE 1998

The Bank's credit risk exposure to Asian countries is set out below.

Country	CUSTOMER TYPE					30/06/98	31/12/97
	Finance	Corporate/ Multinational	Government	Project Finance	APL/NZPL	Total Exposure	Total Exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
China	115	110	-	-	-	225	n/a
Hong Kong	263	525	29	-	162	979	n/a
	378	635	29	-	162	1,204	1,298
Japan	2,065	509	-	-	-	2,574	2,839
Malaysia	8	69	-	-	1	78	163
Singapore	581	104	5	-	59	749	658
Taiwan	12	33	-	-	-	45	89
Other	7	6	-	-	-	13	-
	2,673	721	5	-	60	3,459	3,749
Indonesia	87	256	54	142	79	618	702
South Korea	272	98	-	-	-	370	740
Thailand	27	209	18	-	-	254	256
	386	563	72	142	79	1,242	1,698
Total Exposure	3,437	1,919	106	142	301	5,905	6,745

Country	EXPOSURE CATEGORY					30/06/98	31/12/97
	On Balance Sheet Outstandings	Undrawn Commitments	Off Balance Sheet Outstandings	Pre Settlement Risk	APL/NZPL	Total Exposure	Total Exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
China	152	38	6	29	-	225	n/a
Hong Kong	576	185	5	51	162	979	n/a
	728	223	11	80	162	1,204	1,298
Japan	1,727	264	206	377	-	2,574	2,839
Malaysia	69	-	7	1	1	78	163
Singapore	338	8	332	12	59	749	658
Taiwan	44	1	-	-	-	45	89
Other	10	3	-	-	-	13	-
	2,188	276	545	390	60	3,459	3,749
Indonesia	342	66	131	-	79	618	702
South Korea	283	-	48	39	-	370	740
Thailand	216	36	-	2	-	254	256
	841	102	179	41	79	1,242	1,698
Total Exposure	3,757	601	735	511	301	5,905	6,745

See Definitions over page.

ASIAN EXPOSURES (CONTINUED)

Country	PRODUCT CATEGORY					30/06/98 Total Exposure \$M	31/12/97 Total Exposure \$M
	Trade Finance	Lending Booked Outside Asia	Other Commercial Lending	APL/NZPL	Treasury/ Securities		
	\$M	\$M	\$M	\$M	\$M		
China	74	55	67	-	29	225	n/a
Hong Kong	4	280	300	162	233	979	n/a
	78	335	367	162	262	1,204	1,298
Japan	163	402	384	-	1,625	2,574	2,839
Malaysia	-	7	8	1	62	78	163
Singapore	-	36	391	59	263	749	658
Taiwan	12	-	33	-	-	45	89
Other	-	-	10	-	3	13	-
	175	445	826	60	1,953	3,459	3,749
Indonesia	-	-	539	79	-	618	702
South Korea	138	-	164	-	68	370	740
Thailand	2	4	221	-	27	254	256
	140	4	924	79	95	1,242	1,698
Total Exposure	393	784	2,117	301	2,310	5,905	6,745

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 are reported based on the RBA 'original exposure' method.

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.

On Balance Sheet Outstandings - The balances of facilities utilised as reported on the balance sheet.

Undrawn Commitments - The excess of limits over utilisations for committed facilities. Further drawdowns are subject to compliance by the borrower with facility conditions.

Off Balance Sheet Outstandings - The balances of off balance sheet facilities utilised (excluding derivatives).

Pre Settlement Risk - The balance of derivative exposures (on RBA 'original exposure' basis).

Lending Booked outside Asia - Indirect exposures booked outside Asia where there is a relationship with the parent entity (such as through a letter of awareness / letter of comfort).

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

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

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

31 December 1997 Exposure Disclosure - The exposure balance reported in the 31 December 1997 Profit Announcement of \$5,222 million has been revised following general agreement among the major banks on definitions and disclosure requirements. The revised exposure balance of \$6,745 million now includes undrawn commitments and lending booked outside Asia, as well as those facilities supported primarily by residential property in Australia and New Zealand.

n/a - not available.

DEPOSITS AND OTHER PUBLIC BORROWINGS

As at	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Australia					
Certificates of deposit	2,156	673	1,700	1,556	27
Term deposits	21,679	22,085	22,415	23,309	(3)
On demand and short term deposits	39,997	37,936	35,535	32,813	13
Deposits not bearing interest	3,936	4,831	3,929	3,886	0
Public borrowings	3,183	3,065	2,924	2,559	9
Securities sold under agreements to repurchase	662	859	714	439	(7)
Other	7	6	8	8	(13)
Total Australia	71,620	69,455	67,225	64,570	7
Overseas					
Certificates of deposit	2,938	2,578	2,076	967	42
Term deposits	6,201	6,016	5,255	4,945	18
On demand and short term deposits	3,057	3,232	3,219	2,968	(5)
Deposits not bearing interest	70	40	105	52	(33)
Total Overseas	12,266	11,866	10,655	8,932	15
Total Deposits and Other Public Borrowings	83,886	81,321	77,880	73,502	8

Deposits and Other Public Borrowings: Australia

30/06/98 - 30/06/97 (up 7%)

30/06/98 - 31/12/97 (up 3%)

The deposit mix changed over the year to June 1998 with customer preference for "on demand" accounts in anticipation of investment opportunities (such as share floats) in the low interest rate environment. Similarly term deposits have declined due to the lower margin between these rates and those offered on demand accounts.

Deposits and Other Public Borrowings: Overseas

30/06/98 - 30/06/97 (up 15%)

30/06/98 - 31/12/97 (up 3%)

ASB Bank in New Zealand funded much of their asset growth through term deposits and New Zealand Treasury deposits in a higher and more volatile interest rate environment.

AVERAGE BALANCE SHEET YEARLY FIGURES

Year Ended	30/06/98			30/06/97			30/06/96		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
AVERAGE ASSETS AND INTEREST INCOME									
Interest Earning Assets									
Receivables due from other financial institutions									
Australia	1,882	106	5.6	2,361	135	5.7	1,621	94	5.8
Overseas	1,977	135	6.8	2,747	151	5.5	3,354	183	5.5
Deposits with regulatory authorities									
Australia	809	-	-	756	11	1.5	690	17	2.5
Investment/trading and other securities									
Australia	6,225	352	5.7	8,782	537	6.1	9,044	641	7.1
Overseas	5,528	358	6.5	4,493	303	6.7	3,571	256	7.2
Loans, advances and other receivables									
Australia	73,797	5,542	7.5	67,292	5,959	8.9	58,304	5,741	9.8
Overseas	11,947	1,105	9.2	9,732	882	9.1	8,186	770	9.4
Other interest earning assets									
Intragroup loans	-	7	n/a	-	11	n/a	-	14	n/a
Australia	713	43	6.0	739	46	6.2	1,025	59	5.8
Average interest earning assets and interest income including intragroup									
	102,878	7,648	7.4	96,902	8,035	8.3	85,795	7,775	9.1
Intragroup eliminations									
	(713)	(43)	n/a	(739)	(46)	n/a	(1,025)	(59)	n/a
Total average interest earning assets and interest income									
	102,165	7,605	7.4	96,163	7,989	8.3	84,770	7,716	9.1
Non Interest Earning Assets									
Bank acceptances									
Australia	9,660			9,825			10,692		
Overseas	34			55			42		
Property, plant and equipment									
Australia	1,625			2,188			2,422		
Overseas	209			235			227		
Other assets									
Australia	8,883			5,646			4,730		
Overseas	2,015			1,267			1,278		
Provisions for bad and doubtful debts									
Australia	(950)			(938)			(994)		
Overseas	(86)			(83)			(62)		
Total average non interest earning assets									
	21,390			18,195			18,335		
Total Average Assets									
	123,555			114,358			103,105		
Percentage of total average assets applicable to overseas operations									
	17.5%			16.1%			16.1%		

AVERAGE BALANCE SHEET (CONTINUED)

Year Ended	30/06/98			30/06/97			30/06/96		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
AVERAGE LIABILITIES AND INTEREST EXPENSE									
Interest Bearing Liabilities and Loan Capital									
Time deposits									
Australia	23,336	1,263	5.4	24,341	1,600	6.6	21,180	1,509	7.1
Overseas	8,300	718	8.7	6,487	529	8.2	5,939	477	8.0
Saving deposits									
Australia	22,970	403	1.8	21,106	538	2.5	20,346	641	3.2
Overseas	1,680	104	6.2	1,696	103	6.1	1,483	95	6.4
Other demand deposits									
Australia	15,522	614	4.0	13,016	674	5.2	12,301	714	5.8
Overseas	1,375	24	1.7	1,321	26	2.0	752	23	3.1
Public borrowings by borrowing corporations									
Australia	3,062	217	7.1	2,587	190	7.3	2,291	177	7.7
Payables due to other financial institutions									
Australia	481	17	3.5	221	7	3.2	230	9	3.9
Overseas	3,175	201	6.3	3,463	219	6.3	2,904	179	6.2
Short term borrowings									
Australia	3,640	220	6.0	3,445	215	6.2	1,740	121	7.0
Overseas	1,656	73	4.4	1,354	76	5.6	1,447	75	5.2
Long term borrowings									
Australia	2,631	133	5.1	2,524	191	7.6	1,531	145	9.5
Overseas	874	50	5.7	968	43	4.4	795	29	3.6
Loan capital									
Australia	2,891	166	5.7	2,752	170	6.2	1,894	123	6.5
Other interest bearing liabilities									
Intragroup borrowings	57	5	8.8	15	16	n/a	46	2	n/a
Overseas	713	43	6.0	739	46	6.2	1,025	59	5.8
Average interest bearing liabilities and loan capital and interest expense including intragroup									
Intragroup eliminations	(713)	(43)	n/a	(739)	(46)	n/a	(1,025)	(59)	n/a
Total average interest bearing liabilities and loan capital and interest expense									
	91,650	4,208	4.6	85,296	4,597	5.4	74,879	4,319	5.8

AVERAGE BALANCE SHEET (CONTINUED)

Year Ended	30/06/98			30/06/97			30/06/96		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Non Interest Bearing Liabilities									
Deposits not bearing interest									
Australia	3,738			3,566			3,604		
Overseas	58			53			76		
Liability on acceptances									
Australia	9,660			9,825			10,692		
Overseas	34			55			42		
Other liabilities									
Australia	9,377			7,504			5,726		
Overseas	1,990			1,438			1,245		
Total average non interest bearing liabilities	24,857			22,441			21,385		
Total average liabilities and loan capital	116,507			107,737			96,264		
Shareholders' equity	7,048			6,621			6,841		
Total average liabilities, loan capital and shareholders' equity	123,555			114,358			103,105		
Percentage of total average liabilities applicable to overseas operations	16.5%			15.6%			15.3%		

These Average Balance Sheets are for full year periods. The averages are calculated on balances over the full year. The calculated values for the full year to 30 June are not the same as the calculated values for the half year to 30 June.

Overseas Intragroup borrowings have been adjusted into the interest spread and margin calculations to more accurately reflect the overseas costs of funds.

INTEREST RATE AND VOLUME ANALYSIS OF FULL YEAR RESULTS

	30/06/98 vs 30/06/97 Changes due to			30/06/97 vs 30/06/96 Changes due to		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest Earning Assets						
Receivables due from other financial institutions						
Australia	(27)	(2)	(29)	42	(1)	41
Overseas	(48)	32	(16)	(33)	1	(32)
Deposits with regulatory authorities						
Australia	1	(12)	(11)	2	(8)	(6)
Investment/trading and other securities						
Australia	(148)	(37)	(185)	(18)	(86)	(104)
Overseas	65	(10)	55	63	(16)	47
Loans, advances and other receivables						
Australia	544	(961)	(417)	831	(613)	218
Overseas	205	18	223	141	(29)	112
Other interest earning assets	n/a	(4)	(4)	n/a	(3)	(3)
Intragroup Loans						
Australia	(2)	(1)	(3)	(17)	4	(13)
Change in interest income including intragroup	590	(977)	(387)	1,011	(751)	260
Intragroup eliminations	2	1	3	17	(4)	13
Change in Interest Income	592	(976)	(384)	1,028	(755)	273
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	(64)	(273)	(337)	(214)	123	(91)
Overseas	155	34	189	(45)	(7)	(52)
Savings deposits						
Australia	43	(178)	(135)	(23)	126	103
Overseas	(1)	2	1	(13)	5	(8)
Other demand deposits						
Australia	116	(176)	(60)	(40)	80	40
Overseas	1	(3)	(2)	(13)	10	(3)
Public borrowings by borrowing corporations						
Australia	34	(7)	27	(22)	9	(13)
Payables due to other financial institutions						
Australia	9	1	10	-	2	2
Overseas	(19)	1	(18)	(35)	(5)	(40)
Short term borrowings						
Australia	12	(7)	5	(108)	14	(94)
Overseas	15	(18)	(3)	5	(6)	(1)
Long term borrowings						
Australia	8	(66)	(58)	(80)	34	(46)
Overseas	(4)	11	7	(7)	(7)	(14)
Loan capital						
Australia	8	(12)	(4)	(53)	6	(47)
Other interest bearing liabilities	n/a	(11)	(11)	n/a	(14)	(14)
Intragroup borrowings						
Overseas	(2)	(1)	(3)	17	(4)	13
Change in interest expense including intragroup	311	(703)	(392)	(631)	366	(265)
Intragroup eliminations	2	1	3	(17)	4	(13)
Change in Interest Expense	313	(702)	(389)	(648)	370	(278)
Change in Net Interest Income	279	(274)	5	380	(385)	(5)

These Volume and Rate Analyses are for full year periods. The calculations are based on balances over the full year. The calculated values for the full year to 30 June are not the same as the calculated values for the half year to 30 June.

Overseas Intragroup borrowings have been adjusted into the interest spread and margin calculations to more accurately reflect the overseas costs of funds.

AVERAGE BALANCE SHEET HALF YEARLY FIGURES

Half Year Ended	30/06/98			31/12/97			30/06/97			31/12/96		
	Average Balance \$M	Interest \$M	Average Rate %									
AVERAGE ASSETS AND INTEREST INCOME												
Interest Earning Assets												
Receivables due from other financial institutions												
Australia	1,725	48	5.6	2,036	58	5.7	2,347	67	5.8	2,375	68	5.7
Overseas	1,808	67	7.5	2,135	68	6.3	2,458	67	5.5	3,031	84	5.5
Deposits with regulatory authorities												
Australia	816	-	-	802	-	-	776	4	1.0	736	7	1.9
Overseas	3	-	-	5	-	-	-	-	-	-	-	-
Investment/trading and other securities												
Australia	4,996	150	6.1	7,434	202	5.4	9,126	256	5.7	8,444	281	6.6
Overseas	5,582	192	6.9	5,475	166	6.0	4,649	140	6.1	4,340	163	7.5
Loans, advances and other receivables												
Australia	75,292	2,756	7.4	72,326	2,786	7.6	69,403	2,903	8.4	65,215	3,056	9.3
Overseas	12,216	591	9.8	11,682	514	8.7	10,172	437	8.7	9,299	445	9.5
Other interest earning assets	(15)	(5)	n/a	15	12	n/a	(2)	4	n/a	2	7	n/a
Intragroup loans												
Australia	776	23	6.0	653	20	6.1	636	22	7.0	841	24	5.7
Average interest earning assets and interest income including intragroup	103,199	3,822	7.5	102,563	3,826	7.4	99,565	3,900	7.9	94,283	4,135	8.7
Intragroup eliminations	(776)	(23)	n/a	(653)	(20)	n/a	(636)	(22)	n/a	(841)	(24)	n/a
Total average interest earning assets and interest income	102,423	3,799	7.5	101,910	3,806	7.4	98,929	3,878	7.9	93,442	4,111	8.7
Non Interest Earning Assets												
Bank acceptances												
Australia	9,848			9,475			9,626			10,021		
Overseas	25			43			49			61		
Property, plant and equipment												
Australia	1,501			1,747			2,076			2,298		
Overseas	195			223			241			229		
Other assets												
Australia	9,417			8,358			5,860			5,435		
Overseas	2,182			1,851			1,293			1,241		
Provisions for bad and doubtful debts												
Australia	(946)			(954)			(958)			(968)		
Overseas	(99)			(73)			(59)			(57)		
Total average non interest earning assets	22,123			20,670			18,128			18,260		
Total Average Assets	124,546			122,580			117,057			111,702		
Percentage of total average assets applicable to overseas operations	17.6%			17.4%			16.1%			16.2%		

AVERAGE BALANCE SHEET (CONTINUED)

Half Year Ended

	30/06/98			31/12/97			30/06/97			31/12/96		
	Average Balance	Interest	Average Rate									
	\$M	\$M	%									
AVERAGE LIABILITIES AND INTEREST EXPENSE												
Interest Bearing Liabilities and Loan Capital												
Time deposits												
Australia	23,205	599	5.2	23,465	664	5.6	24,352	791	6.6	24,330	809	6.6
Overseas	8,503	403	9.6	8,100	315	7.7	6,497	254	7.9	6,477	275	8.4
Saving deposits												
Australia	23,267	195	1.7	22,678	208	1.8	22,413	242	2.2	19,820	296	3.0
Overseas	1,532	51	6.7	1,826	53	5.8	1,790	49	5.5	1,604	54	6.7
Other demand deposits												
Australia	16,149	305	3.8	14,905	309	4.1	12,565	294	4.7	13,460	380	5.6
Overseas	1,402	10	1.4	1,348	14	2.1	1,782	11	1.2	868	15	3.4
Public Borrowings by borrowing corporations												
Australia	3,100	102	6.6	3,025	115	7.5	2,709	97	7.2	2,467	93	7.5
Payables due to other financial institutions												
Australia	642	13	4.1	323	4	2.5	245	4	3.3	197	3	3.0
Overseas	3,186	102	6.5	3,164	99	6.2	3,356	105	6.3	3,568	114	6.3
Short term borrowings												
Australia	3,683	107	5.9	3,598	113	6.2	3,899	122	6.3	2,998	93	6.2
Overseas	1,854	31	3.4	1,461	42	5.7	1,344	40	6.0	1,364	36	5.2
Long term borrowings												
Australia	2,545	62	4.9	2,716	71	5.2	2,608	82	6.3	2,441	109	8.9
Overseas	634	24	7.6	1,110	26	4.6	913	23	5.1	1,022	20	3.9
Loan capital												
Australia	2,940	84	5.8	2,843	82	5.7	2,753	81	5.9	2,751	89	6.4
Other interest bearing liabilities												
	105	4	7.7	10	1	n/a	(5)	10	n/a	35	6	n/a
Intragroup borrowings												
Overseas	776	23	6.0	653	20	6.1	636	22	7.0	841	24	5.7
Average interest bearing liabilities and loan capital and interest expense including intragroup												
	93,523	2,115	4.6	91,225	2,136	4.6	87,857	2,227	5.1	84,243	2,416	5.7
Intragroup eliminations												
	(776)	(23)	n/a	(653)	(20)	n/a	(636)	(22)	n/a	(841)	(24)	n/a
Total average interest bearing liabilities and loan capital and interest expense												
	92,747	2,092	4.5	90,572	2,116	4.6	87,221	2,205	5.1	83,402	2,392	5.7

AVERAGE BALANCE SHEET (CONTINUED)

Half Year Ended

	30/06/98			31/12/97			30/06/97			31/12/96		
	Average	Interest	Average									
	Balance		Rate									
	\$M	\$M	%									
Non Interest Bearing Liabilities												
Deposits not bearing interest												
Australia	3,874			3,604			3,584			3,548		
Overseas	68			48			56			50		
Liability on acceptances												
Australia	9,848			9,475			9,626			10,021		
Overseas	25			43			49			61		
Other liabilities												
Australia	8,968			9,779			8,201			6,818		
Overseas	2,112			1,870			1,528			1,349		
Total average non interest bearing liabilities	24,895			24,819			23,044			21,847		
Total average liabilities and loan capital	117,642			115,391			110,265			105,249		
Shareholders' equity	6,905			7,189			6,792			6,453		
Total average liabilities, loan capital and shareholders' equity	124,547			122,580			117,057			111,702		
Percentage of total average liabilities applicable to overseas operations	16.5%			16.4%			15.7%			15.6%		

These Average Balance Sheets are for half year periods. The averages are calculated on balances over the half year. The calculated values for the half year to 30 June are not the same as the calculated values for the full year to 30 June.

Overseas Intragroup borrowings have been adjusted into the interest spread and margin calculations to more accurately reflect the overseas costs of funds.

INTEREST RATE AND VOLUME ANALYSIS OF HALF YEAR RESULTS

	30/06/98 vs 30/06/97 Changes due to			30/06/98 vs 31/12/97 Changes due to		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest Earning Assets						
Receivables due from other financial institutions						
Australia	(17)	(2)	(19)	(9)	(1)	(10)
Overseas	(20)	20	-	(11)	10	(1)
Deposits with regulatory authorities						
Australia	-	(4)	(4)	-	-	-
Investment/trading and other securities						
Australia	(123)	17	(106)	(72)	20	(52)
Overseas	30	22	52	3	23	26
Loans, advances and other receivables						
Australia	234	(381)	(147)	112	(142)	(30)
Overseas	95	59	154	24	53	77
Other interest earning assets	n/a	(9)	(9)	n/a	(17)	(17)
Intragroup loans						
Australia	4	(3)	1	4	(1)	3
Change in interest income including intragroup	203	(281)	(78)	51	(55)	(4)
Intragroup eliminations	(4)	3	(1)	(4)	1	(3)
Change in Interest Income	199	(278)	(79)	47	(54)	(7)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	(36)	(156)	(192)	(7)	(58)	(65)
Overseas	88	61	149	16	72	88
Savings deposits						
Australia	9	(56)	(47)	5	(18)	(13)
Overseas	(8)	10	2	(9)	7	(2)
Other demand deposits						
Australia	74	(63)	11	25	(29)	(4)
Overseas	(3)	2	(1)	1	(5)	(4)
Public borrowings by borrowing corporations						
Australia	13	(8)	5	3	(16)	(13)
Payables due to other financial institutions						
Australia	8	1	9	5	4	9
Overseas	(5)	2	(3)	1	2	3
Short term borrowings						
Australia	(7)	(8)	(15)	3	(9)	(6)
Overseas	12	(21)	(9)	9	(20)	(11)
Long term borrowings						
Australia	(2)	(18)	(20)	(4)	(5)	(9)
Overseas	(8)	9	1	(14)	12	(2)
Loan capital						
Australia	5	(2)	3	3	(1)	2
Other interest bearing liabilities	n/a	(6)	(6)	n/a	3	3
Intragroup borrowings						
Overseas	4	(3)	1	4	(1)	3
Change in interest expense including intragroup	144	(256)	(112)	41	(62)	(21)
Intragroup eliminations	(4)	3	(1)	(4)	1	(3)
Change in Interest Expense	140	(253)	(113)	37	(61)	(24)
Change in Net Interest Income	59	(25)	34	10	7	17

These Volume and Rate Analyses are for half year periods. The calculations are based on balances over the half year. The calculated values for the half year to 30 June are not the same as the calculated values for the full year to 30 June.

Overseas Intragroup borrowings have been adjusted into the interest spread and margin calculations to more accurately reflect the overseas costs of funds.

DERIVATIVES

Derivatives are financial contracts whose value depends on the values of one or more underlying assets, reference rates or indices. Derivatives include foreign exchange forward transactions, interest rate and currency swaps, forward interest rate agreements and option contracts and can be denominated in Australian dollars or a foreign currency.

As at	Face Value				Credit Equivalent			
	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M	30/06/98 \$M	31/12/97 \$M	30/06/97 \$M	31/12/96 \$M
Exchange Rate Related Contracts								
Forwards								
Trading	119,979	133,428	126,294	120,906	5,880	6,560	3,045	2,793
Other than trading	-	231	-	-	-	35	-	-
Total forwards	119,979	133,659	126,294	120,906	5,880	6,595	3,045	2,793
Swaps								
Trading	11,940	9,426	8,040	8,095	775	763	720	1,617
Other than trading	5,231	5,335	4,533	3,842	1,146	939	554	312
Total swaps	17,171	14,761	12,573	11,937	1,921	1,702	1,274	1,929
Futures								
Trading	84	87	98	4	-	-	-	-
Other than trading	-	-	-	-	-	-	-	-
Total futures	84	87	98	4	-	-	-	-
Options purchased and sold								
Trading	35,272	21,703	16,058	9,772	824	602	242	98
Other than trading	-	-	-	-	-	-	-	-
Total options purchased and sold	35,272	21,703	16,058	9,772	824	602	242	98
Total Exchange Rate Related Contracts	172,506	170,210	155,023	142,619	8,625	8,899	4,561	4,820
Interest Rate Related Contracts								
Forwards								
Trading	11,739	8,935	14,950	10,958	4	4	11	9
Other than trading	2,586	270	2,037	1,194	-	-	3	-
Total forwards	14,325	9,205	16,987	12,152	4	4	14	9
Swaps								
Trading	37,849	30,761	24,961	24,197	1,005	841	701	629
Other than trading	30,128	27,980	25,799	19,940	608	543	483	375
Total swaps	67,977	58,741	50,760	44,137	1,613	1,384	1,184	1,004
Futures								
Trading	39,410	41,196	53,001	71,035	-	-	-	-
Other than trading	726	76	134	577	-	-	-	-
Total futures	40,136	41,272	53,135	71,612	-	-	-	-
Options purchased and sold								
Trading	7,030	5,081	5,675	6,008	51	45	52	40
Other than trading	65	612	313	62	65	-	-	-
Total options purchased and sold	7,095	5,693	5,988	6,070	116	45	52	40
Total Interest Rate Related Contracts	129,533	114,911	126,870	133,971	1,733	1,433	1,250	1,053
Equity Risk Related Contracts								
Swaps								
Other than trading	-	359	376	-	-	8	9	-
Options purchased and sold								
Other than trading	449	187	182	183	10	-	-	-
Total Equity Risk Related Contracts	449	546	558	183	10	8	9	-
Total Derivatives Exposures	302,488	285,667	282,451	276,773	10,368	10,340	5,820	5,873

CONTINGENT LIABILITIES

As at	Face Value				Credit Equivalent			
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	31/12/97	30/06/97	31/12/96
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Credit Risk Related Instruments								
Guarantees	1,878	1,506	1,522	1,763	1,878	1,506	1,522	1,763
Standby letters of credit	396	861	808	448	396	861	808	448
Bill endorsements	455	520	525	561	455	520	525	561
Documentary letters of credit	474	424	423	461	95	85	85	92
Performance related contingents	1,120	1,108	957	906	560	554	478	453
Commitments to provide credit	22,693	20,439	19,346	17,218	8,069	6,786	6,851	5,330
Other commitments	975	1,938	1,993	1,498	945	1,885	1,939	1,433
Total Credit Risk Related Instruments	27,991	26,796	25,574	22,855	12,398	12,197	12,208	10,080

ACCOUNTING STANDARDS AND PRACTICES**Accounting Policies**

The financial data in this announcement has been drawn from audited accounts that have been maintained to ensure compliance with applicable Accounting Standards. The accounting policies applied are consistent with those of the previous year except for the adoption of equity accounting.

Changes in Accounting Policy*Equity Accounting*

The Economic Entity has elected to adopt equity accounting in terms of AASB 1016: Accounting for Investments in Associates for the year ended 30 June 1998. Investments in associates are carried at cost plus the Economic Entity's share of post-acquisition profit or loss. The Economic Entity's share of profit or loss of associates is included in the Profit and Loss Statement. ASC Class Order no 97/798 dated 5 June 1997 permits the adoption of equity accounting.

As a result of the change in accounting policy, the effect on profit after tax for the year ended 30 June 1998 is a \$2 million net loss. The carrying value of investments in associates included in the balance sheet is \$276 million. There was no transitional adjustment to retained profits as the amount was not material.

Income and Expenses

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 rental income against operating lease rentals and general insurance claims paid shown as a deduction from general insurance premium income. There is no effect on profit and loss.

Accounting Practices

Risk Management

The major categories of risk actively managed by the Bank include credit risk, liquidity and funding risk, market risk and other operational risks. Refer to the 1997 Annual Report, Note 38 on pages 88 - 93 explains the management of market risk.

Interest Rate Risk in the Balance Sheet is discussed within Note 38 of the 1997 Annual Report, updated information to 30 June 1998 is as follows:

Next 12 months' Earnings

Over the year to 30 June 1998 the potential change to the next 12 months' net interest earnings based on a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading is as follows:

(expressed as a % of expected next 12 months' earnings)	1998 %	1997 %
Average monthly exposure	2.8	1.5
High month exposure	3.4	3.0
Low month exposure	2.3	0.5

Economic Value

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 existing assets and liabilities, where repricing dates do not match, held for purposes other than trading.

	1998 \$M	1997 \$M
Exposures as at 30 June	78	18
Average monthly exposure	25	46
High month exposure	78	72
Low month exposure	7	8

Foreign Exchange Risk in the Balance Sheet is discussed within Note 38, updated information to 30 June 1998 is:

An adverse movement of 10% in the applicable AUD foreign exchange rate would cause the Bank's capital ratio to deteriorate by less than 0.3% (1997: less than 0.2%)

Value at risk (VAR) within Financial Markets Trading is discussed within Note 38 of the 1997 Annual Report, updated information to 30 June 1998 is:

Correlated				
	Average VaR During June 1998 Half \$M	Actual VaR as at 30 June 1998 \$M	Actual VaR as at 31 Dec 1997 \$M	Actual VaR as at 30 June 1997 \$M
Interest rate risk	N/A	N/A	N/A	N/A
Exchange rate risk	N/A	N/A	N/A	N/A
Total	3	3	4	3

Uncorrelated						
	Maximum VaR During		Minimum VaR During		Average VaR During	
	Dec 1997 Half \$M	June 1997 Year \$M	Dec 1997 Half \$M	June 1997 Year \$M	Dec 1997 Half \$M	June 1997 Year \$M
Interest rate risk	12	15	4	7	9	10
Exchange rate risk	8	12	3	3	5	6
Total	N/A	N/A	N/A	N/A	14	16

Daily calculation of VAR on a correlated basis commenced on 2 January 1998.

CAPITAL ADEQUACY

As at	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98 vs 30/06/97
	\$M	\$M	\$M	\$M	%
Tier One Capital					
Total shareholders' equity	6,889	6,752	7,024	6,781	
Eligible loan capital	1,306	1,224	1,073	1,004	
Total shareholders' equity and loan capital	8,195	7,976	8,097	7,785	(1)
Goodwill	(531)	(552)	(574)	(582)	
Preference shares	(47)	(52)	(55)	(53)	
Total Tier One Capital	7,617	7,372	7,468	7,150	(2)
Tier Two Capital					
General provisions for bad and doubtful debts	1,076	716	690	643	
FITB related to general provision	(337)	-	-	-	
Dated note and bond issues	1,885	1,848	1,702	1,645	
Preference shares	42	45	45	44	
Total Tier Two Capital	2,666	2,609	2,437	2,332	(9)
Total Tier One and Tier Two Capital	10,283	9,981	9,905	9,482	(4)
Deductions	(381)	(390)	(487)	(517)	
Total Regulatory Capital	9,902	9,591	9,418	8,965	(5)
Tier One Capital less Eligible loan capital	6,311	6,148	6,395	6,146	1
Risk Weighted Capital Ratios					
	%	%	%	%	
Tier One	8.07	8.12	8.64	8.72	
Tier Two	2.82	2.88	2.82	2.85	
Deductions	(0.40)	(0.43)	(0.57)	(0.63)	
Total	10.49	10.57	10.89	10.94	

Buy Back

The Bank's shareholders' equity was reduced by \$651 million on 29 December 1997 pursuant to the buy back of 38.1 million shares.

Government Guarantee

In conjunction with the Government's sale of its remaining shareholding, 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, 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, will be guaranteed until their maturity.

CREDIT RATINGS**Debt issues not guaranteed by the Commonwealth of Australia**

	Short Term	Long Term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch IBCA Limited	A-1+	AA-

Moody's Bank Financial Strength Rating: B

FINANCIAL REPORTING BY SEGMENTS

	30/06/98		30/06/97		30/06/98 vs 30/06/97
	\$M	%	\$M	%	%
GEOGRAPHICAL SEGMENTS					
Revenue					
Australia	7,718	81.4	8,088	85.0	(5)
New Zealand	1,115	11.7	977	10.3	14
Other countries *	657	6.9	448	4.7	47
	9,490	100.0	9,513	100.0	(0)
Operating profit before income tax					
Australia	1,221	91.0	1,454	90.0	(16)
New Zealand	148	11.0	128	7.9	16
Other countries *	(27)	(2.0)	34	2.1	large
	1,342	100.0	1,616	100.0	(17)
Operating profit after income tax and outside equity interests					
Australia	1,044	95.8	990	91.9	5
New Zealand	73	6.7	63	5.8	16
Other countries *	(27)	(2.5)	25	2.3	large
	1,090	100.0	1,078	100.0	1
Assets					
Australia	110,120	84.4	101,202	84.3	9
New Zealand	10,846	8.3	9,994	8.3	9
Other countries *	9,578	7.3	8,907	7.4	8
	130,544	100.0	120,103	100.0	9

* See Definitions (p 48)

EXCHANGE RATE CONVERSIONS

At		30/06/98	31/12/97	30/06/97	31/12/96
AUD1.00 =	USD	.6128	.6540	.7457	.7968
	GBP	.3675	.3945	.4482	.4712
	JPY	86.3201	84.9906	85.2464	92.5983
	NZD	1.1930	1.1236	1.0992	1.1267
	HKD	4.7486	5.0667	5.7777	6.1629
	DEM	1.1091	1.1702	1.2954	1.2384
	CHF	.9337	.9513	1.0846	1.0747
	INR	8000	4500	1890	n/a

FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

	30/06/98		30/06/97		30/06/98 vs 30/06/97
	\$M	%	\$M	%	%
INDUSTRY SEGMENTS					
Revenue					
Banking	8,767	92.4	8,897	93.5	(1)
Life insurance and funds management	214	2.3	202	2.1	6
Finance	509	5.3	414	4.4	23
	9,490	100.0	9,513	100.0	(0)
Operating profit before income tax					
Banking	1,158	86.3	1,443	89.3	(20)
Life insurance and funds management	81	6.0	74	4.6	9
Finance	103	7.7	99	6.1	4
	1,342	100.0	1,616	100.0	(17)
Operating profit after income tax and outside equity interests					
Banking	940	86.2	941	87.2	(0)
Life insurance and funds management	84	7.7	75	7.0	12
Finance	66	6.1	62	5.8	6
	1,090	100.0	1,078	100.0	1
Assets					
Banking	124,765	95.6	115,368	96.1	8
Life insurance and funds management	427	0.3	359	0.3	19
Finance	5,352	4.1	4,376	3.6	22
	130,544	100.0	120,103	100.0	9

STATEMENT OF CASH FLOWS

	Half Year Ended				Full Year Ended	
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M
Cash flows from operating activities						
Interest received	3,858	3,699	4,038	4,016	7,557	8,054
Dividends received	16	2	12	6	18	18
Interest paid	(2,101)	(1,964)	(1,989)	(2,353)	(4,065)	(4,342)
Other operating income received	475	729	649	659	1,204	1,308
Staff expenses paid	(856)	(849)	(829)	(785)	(1,705)	(1,614)
Occupancy and equipment expenses paid	(153)	(136)	(174)	(136)	(289)	(310)
Information technology services expenses paid	(294)	(209)	(125)	(126)	(503)	(251)
Other expenses paid	(241)	(227)	(85)	(314)	(468)	(399)
Income taxes paid	(109)	(107)	(240)	(389)	(216)	(629)
Net decrease (increase) in trading securities	(359)	(287)	(1,400)	1,956	(646)	556
Net cash (used in) provided by operating activities	236	651	(143)	2,534	887	2,391
Cash flows from investing activities						
Payments for acquisition of entities	-	-	(10)	(56)	-	(66)
Net movement in investment securities						
Purchases	(4,607)	(3,898)	(2,909)	(5,978)	(8,505)	(8,887)
Proceeds from sale	61	1,726	465	707	1,787	1,172
Proceeds at or close to maturity	4,529	4,152	2,036	4,977	8,681	7,013
Lodgment of deposits with regulatory authorities	(25)	(10)	(29)	(57)	(35)	(86)
Net increase in loans, advances and other receivables	(5,847)	(4,035)	(5,018)	(6,335)	(9,882)	(11,353)
Proceeds from sale of property, plant and equipment	104	92	89	218	196	307
Purchase of property, plant and equipment	(38)	(40)	(101)	(79)	(78)	(180)
Net decrease in receivables due from other financial institutions not at call	651	158	198	552	809	750
Net decrease in securities purchased under agreements to resell	278	69	222	419	347	641
Net decrease (increase) in other assets	473	702	(259)	(173)	1,175	(432)
Net cash used in investing activities	(4,421)	(1,084)	(5,316)	(5,805)	(5,505)	(11,121)
Cash flows from financing activities						
Buy back of shares	-	(651)	-	(1,001)	(651)	(1,001)
Proceeds from issue of shares	2	3	3	9	5	12
Net increase in deposits and other borrowings	3,207	3,476	3,892	3,000	6,683	6,892
Proceeds from long term debt issues	1,232	123	625	789	1,355	1,414
Repayment of long term debt issues	(1,179)	(51)	(240)	(59)	(1,230)	(299)
Net movement in short term debt issues	2,515	(3,485)	473	1,432	(970)	1,905
Dividends paid	(241)	(261)	(203)	(249)	(502)	(452)
Payments from provisions	30	(40)	(25)	(34)	(10)	(59)
Net (decrease) increase in payables due to other financial institutions not at call	(631)	(238)	342	(17)	(869)	325
Net (decrease) increase in securities sold under agreements to repurchase	(197)	145	275	(1,058)	(52)	(783)
Other	(164)	(332)	14	(221)	(496)	(207)
Net cash (used in) provided by financing activities	4,574	(1,311)	5,156	2,591	3,263	7,747
Net increase (decrease) in cash and cash equivalents	389	(1,744)	(303)	(680)	(1,355)	(983)
Cash and cash equivalents at beginning of period	1,574	3,318	3,621	4,301	3,318	4,301
Cash and cash equivalents at end of period	1,963	1,574	3,318	3,621	1,963	3,318

Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

	Half Year Ended				Full Year Ended	
	30/06/98	31/12/97	30/06/97	31/12/96	30/06/98	30/06/97
	\$M	\$M	\$M	\$M	\$M	\$M
Operating profit after income tax	497	613	488	612	1,110	1,100
(Increase) decrease in interest receivable	14	(27)	141	(61)	(13)	80
Increase (decrease) in interest payable	22	53	(39)	44	75	5
Net (increase) decrease in trading securities	(359)	(287)	(1,400)	1,956	(646)	556
Net (gain) loss on investment securities	(66)	(35)	(6)	2	(101)	(4)
Charge for bad and doubtful debts	144	89	55	43	233	98
Depreciation and amortisation	106	127	136	144	233	280
Other provisions	(78)	4	6	30	(74)	36
Increase (decrease) in income taxes payable	75	(29)	(19)	(203)	46	(222)
Increase (decrease) in deferred income taxes payable	(6)	134	59	38	128	97
(Increase) decrease in future income tax benefits	(218)	60	(86)	108	(158)	22
Amortisation of discount on debt issues	149	112	230	26	261	256
Amortisation of premium (discount) on investment securities	(6)	32	10	(23)	26	(13)
Unrealised gain on revaluation of trading securities	(376)	(108)	(121)	(26)	(484)	(147)
Abnormal item	492	-	200	-	492	200
Other	(154)	(87)	203	(156)	(241)	47
Net cash (used in) provided by operating activities	236	651	(143)	2,534	887	2,391

Reconciliation of Cash

For the purposes of the Statement 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.

As at	30/06/98	31/12/97	30/06/97	31/12/96
	\$M	\$M	\$M	\$M
Notes, coin and cash at bankers	951	901	1,091	1,415
Other short term liquid assets	247	337	241	310
Receivables due from other financial institutions - at call	2,925	2,369	3,502	3,765
Payables due to other financial institutions - at call	(2,160)	(2,033)	(1,516)	(1,869)
Cash and cash equivalents at end of period	1,963	1,574	3,318	3,621

Non Cash Financing and Investing Activities

Shares issued under the Dividend Reinvestment Plan \$452 million (1997: \$426 million) and Employee Share Acquisition Plan \$28 million (1997: \$28 million).

SHARE CAPITAL**Ordinary Shares**

Issue	Category of Securities	Number Issued	Par Value Cents	Paid up Value Cents
Opening Balance 1/7/97	Ordinary shares	930,177,235	200	200
Buy back	Ordinary shares	(38,093,483)	200	200
DRP 1996/97 final dividend	Ordinary shares	18,511,049	200	200
DRP 1997/98 interim dividend	Ordinary shares	10,093,343	200	200
Employee Share Acquisition Plan Issues	Ordinary shares	1,640,530	200	200
Employee Share Subscription Plan Issues	Ordinary shares	329,600	200	200
Closing Balance 30/6/98	Ordinary shares	922,658,274	200	200

Buy Back

The Bank's shareholders' equity was reduced by \$651 million on 29 December 1997 pursuant to the buy back of 38.1 million shares. The price per share paid by the Bank for the buy back shares was \$17.08 calculated in accordance with the buy back offer. In accordance with a compromise reached with the Australian Tax Office \$2 per share of the consideration for each share bought back has been charged to paid up capital (\$76 million) and \$5 per share against share premium account (\$191 million). The balance of \$10.08 per share is deemed to be a fully franked dividend and charged to retained earnings (\$384 million).

Employee Share Acquisition Plan

An Employee Share Acquisition Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996. The grant each year to each eligible employee represents approximately \$1,000 of free shares.

Employee Share Subscription Plan

An Employee Share Subscription Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996.

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 offer date, 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 continuous 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.

Executive Option Plan

An Executive Option Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996. A total of 2,100,000 options were issued on 16 December 1996 to 25 participating eligible executives, with an exercise price of \$11.85 per share and exercise period from 13 November 1999 to 12 November 2001. The exercise price of \$11.85 per share was the Market Value (as defined in the Plan Rules) at the Grant Date being 12 November 1996. 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. The market price at the date of issue of the options was \$11.93 per share.

A total of 2,875,000 options were issued on 11 December 1997 to 27 participating eligible executives, with an exercise price of \$15.53 per share and exercise period from 4 November 2000 to 3 November 2002. The exercise price of \$15.53 per share was the Market Value (as defined in the Plan Rules) at the Grant Date being 3 November 1997 which will be adjusted by the premium formula (based on the time value of money component of the value of the options) as at the date of vesting. The market price at date of issue of the options was \$16.85 per share.

300,000 options, from all grants to date, have been forfeited as at 30 June 1998.

SHARE CAPITAL (CONTINUED)**Executive Option Plan (Continued)**

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 and 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 the companies represented in the ASX's 'Banks and Finance Accumulation Index', excluding the Bank. If the performance hurdle is not reached after three years, the options may nevertheless be exercisable only if the hurdle is subsequently reached within the remaining life of the options. The plan is limited to no more than 50 executives. The option plan does not grant rights to the option holders to participate in a share issue of any other body corporate.

SHAREHOLDER VALUE

Half Year Ended	30/06/98	31/12/97	30/06/97	31/12/96
Dividend per share (cents) fully franked	58	46	57	45
Earnings per share (cents)*				
before abnormal items	68.7	65.8	65.5	66.0
after abnormal items	53.2	64.0	51.5	66.0
Return on average shareholders' equity (%) *				
before abnormal items	19.00	17.62	17.78	18.46
after abnormal items	14.66	17.14	14.14	18.46
Net Tangible Assets (\$M)	6,358	6,200	6,450	6,199
Dividend amount paid/payable (\$M)	535	420	530	411
Dividend cover (times)				
before abnormal items	1.2	1.5	1.1	1.5
after abnormal items	0.9	1.4	0.9	1.5
Dividend payout ratio (%) *				
before abnormal items	84.4	69.9	87.0	68.2
after abnormal items	109.0	71.9	110.6	68.2
Share prices for half year (\$):				
Ordinary				
Trading high	19.66	17.76	16.00	12.16
Trading low	13.70	13.70	11.98	9.93
End (closing price)	18.84	17.60	16.00	12.04
IRs ⁽¹⁾				
Trading high	-	13.10	11.65	7.96
Trading low	-	8.80	5.76	5.93
End (closing price) ⁽²⁾	-	10.51	11.65	7.83
Number of shareholders and IRs holders ⁽²⁾	419,926	425,404	426,229	410,920

* See Definitions (p48)

⁽¹⁾ IRs (Instalment Receipts) evidenced ownership of the beneficial interest in an ordinary share, including dividend entitlements. The IRs were listed on the Australian Stock Exchange on 15 July 1996 under the trading symbol CMG and delisted on 28 October 1997. The trading high and low prices for the IRs were for the period 15 July 1996 to 28 October 1997. The second and final instalment of \$4.45 on the IRs was payable to the Commonwealth Instalment Receipt Trustee on 14 November 1997.

⁽²⁾ Last day of trading for Instalment Receipts was 28 October 1997.

Dividend Franking Account

The amount of franking credits available for subsequent financial years stands at \$474 million. This figure represents the extent to which future dividends could be fully franked at 36%, and is based on the Bank's franking account at 30 June 1998, which has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the year ended 30 June 1998, a franking debit for the dividend component of the December 1997 share buy back, franking debits that will arise from the payment of dividends proposed for the half year and franking credits that the Bank may be prevented from distributing in subsequent financial periods including \$25 million as a result of a compromise with the Australian Tax Office in respect of the buy back.

The Dividend Reinvestment Plan continues.

Dividend History

Half Year Ended	Cents Per Share	Half Year Payout Ratio *	Full Year Payout Ratio *	DRP Price \$	DRP Participation Rate *
31 December 1991	20	66.9%	-	6.64	57.7%
30 June 1992	20	92.6%	77.7%	5.62	57.7%
31 December 1992	20	71.9%	-	7.56	52.5%
30 June 1993	22	92.1%	81.2%	8.86	56.9%
31 December 1993	24	67.6%	-	7.81	56.2%
30 June 1994	36	87.0%	78.0%	6.93	53.7%
31 December 1994	36	72.4%	-	8.92	49.7%
30 June 1995	46	81.1%	77.1%	9.86	51.8%
31 December 1995	38	67.1%	-	9.96	48.6%
30 June 1996	52	88.3%	77.9%	10.64	46.5%
31 December 1996	45	68.2%	-	12.51	51.2%
30 June 1997	57	110.6%	86.8%	14.55	50.5%
31 December 1997 (on shares post buy back)	46	70.2%	-	18.06	43.0%
30 June 1998	58	109.0%	88.7%		

* See Definitions (p 48)

Record Date

The register closes for determination of dividend entitlement and for participation in the Dividend Reinvestment Plan at 5:00 pm on 25 August 1998 at Coopers & Lybrand Securities Registration Services, Locked Bag A14, Sydney South, 1232.

Ex-Dividend Date

The ex dividend date is 17 August 1998.

DEFINITIONS

Item	Page Ref.	Description
Dividend payout ratio	4, 46, 47	Dividends per share divided by earnings per share.
DRP Participation Rate	47	The percentage of total issued capital participating in the Dividend Reinvestment Plan.
Earnings per share	4, 46	Calculated in accordance with AASB 1027: Earnings per Share.
Other countries	3, 41	United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, Netherlands Antilles and Papua New Guinea.
Return on average shareholders' equity	4, 46	Based on operating profit after tax and outside equity interests. Averages are based on beginning and end of period balances except where average equity has been weighted for the effect of the buy back on 29/12/97 by \$651 million.
Return on average total assets	4	Based on operating profit after tax and outside equity interests. Averages are based on beginning and end of half year balances.
Risk rated managed	23	The segment of the credit portfolio not statistically managed (see below). Management of this segment is based on the credit risk rating system.
Statistically managed	23	The segment of the credit portfolio managed on a statistical basis comprising selected products where individual account balances are less than \$250,000.
Total assets	4	Includes the gross amount of trading derivative contract revaluations.
Underlying Profit	3	Represents operating profit before tax, charge for bad and doubtful debts, goodwill amortisation and abnormal items.

GROUP FINANCIAL INFORMATION FOR US INVESTORS

The Commonwealth Bank of Australia filed a registration statement on Form 20-F in the United States with the Securities and Exchange Commission to register its ordinary shares under the Securities Exchange Act of 1934. This registration became effective on 26 February 1997 and will provide the Bank with access to the US public capital markets.

The consolidated financial statements of the Bank are prepared in accordance with Generally Accepted Accounting Principles in Australia (Australian GAAP) 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 sheet disclosed in these accounts and which would be reported in accordance with US GAAP.

Year Ended	30/06/98 A\$M	30/06/97 A\$M	30/06/96 A\$M
Consolidated Statement of Profit and Loss			
Net profit reported under Australian GAAP	1,090	1,078	1,119
Restatement of deferred tax balances resulting from change in tax rate	-	-	16
Tax effect of increase in general provision for bad and doubtful debts	(248)	28	50
Employee share compensation	(1)	(57)	-
Unrealised net gain on available for sale securities	(65)	-	-
Pension expense adjustment	20	44	45
Adjustment on adoption of new ISC Rules	-	(11)	-
Net Income according to US GAAP	796	1,082	1,230
Basic and Diluted Earnings per share according to US GAAP (cents)	85.6	118.0	127.0
As at	30/06/98 A\$M	30/06/97 A\$M	30/06/96 A\$M
Shareholders' Equity			
Shareholders' equity reported under Australian GAAP, excluding outside equity interests	6,712	6,846	7,190
Tax effect of foreign currency translation reserve	(15)	(20)	(10)
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at year end	-	248	221
Provision for final cash dividend	321	291	301
Unrealised net gain on available for sale securities	198	24	9
Prepaid pension cost	648	616	548
Tax effect of prepaid pension cost	(233)	(222)	(197)
Shareholders' Equity according to US GAAP	7,631	7,783	8,062
As at	30/06/98 A\$M	30/06/97 A\$M	30/06/96 A\$M
Consolidated Balance Sheet			
Total assets reported under Australian GAAP	130,544	120,103	109,285
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at year end	-	248	221
Assets relating to life insurance statutory funds	7,959	7,249	6,307
Unrealised net gain on available for sale securities	309	37	14
Prepaid pension cost	648	616	548
Total Assets according to US GAAP	139,460	128,253	116,375