



**Commonwealth** Bank  
Commonwealth Bank of Australia  
ACN 123 123 124

**Profit Announcement  
For the year ended  
30 June 1999**

Results have been subject to an independent  
audit by the external auditors.  
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## TABLE OF CONTENTS

Abnormal Items .....	13
Accounting Standards and Practices .....	36
Asian and Other Regional Exposures .....	25
Asset Quality	
Financial Tables .....	21
Average Balance Sheet	
Half Yearly Figures .....	31
Yearly Figures .....	27
Bad and Doubtful Debts .....	24
Balance Sheet .....	19
Capital Adequacy .....	38
Capital Expenditure .....	18
Contingent Liabilities .....	36
Credit Ratings .....	38
Definitions .....	46
Deposits and Other Public Borrowings .....	26
Derivatives .....	35
Exchange Rate Conversions .....	39
Financial Reporting by Segments .....	39
Group Financial Information for US Investors .....	47
Income Tax .....	17
Interest Rate and Volume Analysis	
Full Year Results .....	30
Half Year Results .....	34
Loans, Advances and Other Receivables .....	20
Margins and Spreads .....	12
Net Interest Income .....	11
Operating Expenses .....	15
Other Operating Income .....	14
Performance Summary .....	4
Profit and Loss Statement .....	10
Share Capital and Reserves .....	43
Shareholder Value .....	45
Staff Numbers and Productivity .....	18
Statement of Cash Flows .....	42

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## PERFORMANCE SUMMARY

	30/06/99 \$M	Half Year Ended		31/12/97 \$M	Full Year Ended		30/06/99 vs 30/06/98 %
		31/12/98 \$M	30/06/98 \$M		30/06/99 \$M	30/06/98 \$M	
<b>Profit and Loss - Summary</b>							
<b>Operating profit after tax before abnormal items</b>	<b>709</b>	<b>713</b>	<b>632</b>	<b>619</b>	<b>1,422</b>	<b>1,251</b>	<b>14</b>
<b>Income</b>							
Interest income	3,795	3,950	3,799	3,806	7,745	7,605	2
Interest expense	2,025	2,193	2,092	2,116	4,218	4,208	-
<b>Net interest income</b>	<b>1,770</b>	<b>1,757</b>	<b>1,707</b>	<b>1,690</b>	<b>3,527</b>	<b>3,397</b>	<b>4</b>
Other operating income	1,002	995	982	851	1,997	1,833	9
<b>Total operating income</b>	<b>2,772</b>	<b>2,752</b>	<b>2,689</b>	<b>2,541</b>	<b>5,524</b>	<b>5,230</b>	<b>6</b>
<b>Expenses<sup>(1)</sup></b>							
Staff expenses	805	799	787	835	1,604	1,622	(1)
Occupancy and equipment expenses	243	212	228	245	455	473	(4)
Information technology services <sup>(1)</sup>	261	244	283	193	505	476	6
Other expenses	270	236	233	235	506	468	8
<b>Total operating expenses</b>	<b>1,579</b>	<b>1,491</b>	<b>1,531</b>	<b>1,508</b>	<b>3,070</b>	<b>3,039</b>	<b>1</b>
<b>Underlying profit*</b>	<b>1,193</b>	<b>1,261</b>	<b>1,158</b>	<b>1,033</b>	<b>2,454</b>	<b>2,191</b>	<b>12</b>
Charge for bad and doubtful debts	(131)	(116)	(144)	(89)	(247)	(233)	6
Goodwill amortisation	(24)	(23)	(23)	(23)	(47)	(46)	2
<b>Operating profit before abnormal items and income tax</b>	<b>1,038</b>	<b>1,122</b>	<b>991</b>	<b>921</b>	<b>2,160</b>	<b>1,912</b>	<b>13</b>
Abnormal expense	-	-	544	26	-	570	large
<b>Operating profit before income tax</b>	<b>1,038</b>	<b>1,122</b>	<b>447</b>	<b>895</b>	<b>2,160</b>	<b>1,342</b>	<b>61</b>
Income tax expense (credit)							
Operating profit	318	396	350	291	714	641	11
Abnormal items	-	-	(400)	(9)	-	(409)	large
<b>Total income tax expense (credit)</b>	<b>318</b>	<b>396</b>	<b>(50)</b>	<b>282</b>	<b>714</b>	<b>232</b>	<b>large</b>
<b>Operating profit after income tax</b>	<b>720</b>	<b>726</b>	<b>497</b>	<b>613</b>	<b>1,446</b>	<b>1,110</b>	<b>30</b>
Outside equity interests	(11)	(13)	(9)	(11)	(24)	(20)	20
<b>Operating profit after income tax attributable to members of the Bank</b>	<b>709</b>	<b>713</b>	<b>488</b>	<b>602</b>	<b>1,422</b>	<b>1,090</b>	<b>30</b>
<b>Contributions to profit</b>							
<b>Banking</b>							
Australia	559	584	566	530	1,143	1,096	4
New Zealand (ASB Bank)	55	49	49	49	104	98	6
Other countries*	25	43	(37)	7	68	(30)	large
	639	676	578	586	1,315	1,164	13
Life insurance and funds management	73	49	56	31	122	87	40
Finance	32	24	30	36	56	66	(15)
Profit on operations	744	749	664	653	1,493	1,317	13
Goodwill amortisation	(24)	(23)	(23)	(23)	(47)	(46)	2
Outside equity interests	(11)	(13)	(9)	(11)	(24)	(20)	20
	<b>709</b>	<b>713</b>	<b>632</b>	<b>619</b>	<b>1,422</b>	<b>1,251</b>	<b>14</b>
Abnormal expense (after income tax)	-	-	(144)	(17)	-	(161)	large
<b>Operating profit after income tax and abnormal items</b>	<b>709</b>	<b>713</b>	<b>488</b>	<b>602</b>	<b>1,422</b>	<b>1,090</b>	<b>30</b>

(1) Comparison with prior periods is affected by outsourcing to EDSA. Refer p 15.

\* See Definitions (p 46).

**PERFORMANCE SUMMARY (CONTINUED)**

As at	Half Year Ended				Full Year Ended		30/06/99 vs 30/06/98 %
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M	
<b>Balance Sheet - Summary</b>							
Loans, advances and other receivables	101,837	95,982	89,816	85,317	101,837	89,816	13
<b>Total Assets</b>	<b>138,096</b>	<b>134,957</b>	<b>130,544</b>	<b>126,007</b>	<b>138,096</b>	<b>130,544</b>	<b>6</b>
Deposits and other public borrowings	93,428	91,097	83,886	81,321	93,428	83,886	11
<b>Total Liabilities</b>	<b>131,134</b>	<b>127,524</b>	<b>123,655</b>	<b>119,255</b>	<b>131,134</b>	<b>123,655</b>	<b>6</b>
<b>Shareholders' Equity</b>	<b>6,962</b>	<b>7,433</b>	<b>6,889</b>	<b>6,752</b>	<b>6,962</b>	<b>6,889</b>	<b>1</b>
Risk weighted assets	99,556	95,718	94,431	90,719	99,556	94,431	5
Net impaired assets (revised basis)	314	328	466	393	314	466	(33)
Average interest earning assets	116,790	111,792	102,423	96,163	114,271	102,165	12
Average interest bearing liabilities	104,877	101,411	92,747	85,296	103,130	91,650	13
<b>Assets (on balance sheet)</b>							
Australia	115,510	112,382	110,120	105,370	115,510	110,120	5
New Zealand	13,046	12,542	10,846	10,661	13,046	10,846	20
Other	9,540	10,033	9,578	9,976	9,540	9,578	-
<b>Total Assets*</b>	<b>138,096</b>	<b>134,957</b>	<b>130,544</b>	<b>126,007</b>	<b>138,096</b>	<b>130,544</b>	<b>6</b>
<b>Shareholder Summary</b>							
Dividends per share (fully franked at 36%)	66c	49c	58c	46c	115c	104c	11
Earnings per share (basic and fully diluted)*							
before abnormal items	77c	77c	69c	66c	153.4c	134.5c	14
after abnormal items	77c	77c	53c	64c	153.4c	117.2c	31
Net tangible asset backing per share	\$6.82	\$7.15	\$6.70	\$6.60	\$6.82	\$6.70	2
Weighted average number of shares (basic)	924m	929m	918m	941m	927m	930m	
Shares at end of period	916m	935m	923m	912m	916m	923m	
Dividend payout ratio*							
before abnormal items	86.1%	63.9%	84.4%	69.9%	75.0%	77.3%	
after abnormal items	86.1%	63.9%	109.3%	71.9%	75.0%	88.7%	
<b>Performance Ratios</b>							
	%	%	%	%	%	%	
Return on average shareholders' equity*							
before abnormal items	20.62	20.46	19.00	17.62	20.54	18.48	
after abnormal items	20.62	20.46	14.66	17.14	20.54	16.10	
Return on average total assets*							
before abnormal items	1.05	1.07	1.02	1.00	1.06	1.01	
after abnormal items	1.05	1.07	0.79	0.97	1.06	0.87	
Capital adequacy ratio							
Tier One	7.05	8.11	8.07	8.12	7.05	8.07	
Tier Two	3.12	2.89	2.82	2.88	3.12	2.82	
Deductions	(0.79)	(0.91)	(0.40)	(0.43)	(0.79)	(0.40)	
Total	9.38	10.09	10.49	10.57	9.38	10.49	
General provision/ Risk weighted assets	1.09	1.11	1.14	0.79	1.09	1.14	
Total provisions/Impaired assets (revised basis)	230.22	218.48	182.61	153.61	230.22	182.61	
Non interest income/Total operating income	36.15	36.14	36.52	33.49	36.14	35.05	
Cost to income ratio	56.95	54.17	56.94	59.35	55.57	58.10	
Cost to total assets ratio	2.31	2.19	2.37	2.37	2.22	2.33	
Staff expense/Total operating income	29.06	29.03	29.27	32.86	29.04	31.00	
Total operating income per FTE	\$95,705	\$94,518	\$87,467	\$79,760	\$190,720	\$170,120	

\* See Definitions (p 46).

## REVIEW OF OPERATIONS

Except where otherwise stated, all figures relate to the year ended 30 June 1999 and comparatives are to the year ended 30 June 1998.

Commonwealth Bank recorded a net operating profit of \$1,422 million for the year ended 30 June 1999, an increase of 13.7% on the pre-abnormal profit from the previous corresponding period.

A final dividend of 66 cents per share fully franked will be paid, bringing the full year dividend to 115 cents (up 11 cents from 104 cents for the year ended 30 June 1998). The dividend yield based on the 30 June 1999 share price of \$24.05 and calculated on the dividend payments of 49 cents and 58 cents was 4.45%. The ratio of dividends per share to earnings per share for the year was 75%.

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

The Bank's long term credit ratings remained unchanged at AA- and Aa3 from Standard & Poor's and Moody's respectively. The removal of the Commonwealth of Australia's guarantee from 19 July 1999 on demand deposits and new term deposits with the Bank resulted in the Bank's long term deposit ratings being adjusted to align with its long term credit ratings.

### The result comprised:

Net interest income	\$3,527 million	Up 4%
Other operating income	\$1,997 million	Up 9%
Operating expenses	\$3,070 million	Up 1%
Bad debt charge	\$ 247 million	Up 6%
Income tax expense	\$ 714 million	Up 11%

### Key performance measures were:

Return on equity	20.54%	Up from 18.48%
Earnings per share	153.4 cents	Up 14%
Total assets	\$138.1 billion	Up 6%
Risk weighted assets	\$99.6 billion	Up 5%
Total capital ratio	9.38%	Down from 10.49%
Tier 1 ratio	7.05%	Down from 8.07%

The result reflects:

- The Bank's leading market share in core product segments.
- Strong growth in financial services business.
- The progress of a number of key strategic developments.
- Continued cost savings through the EDS Australia alliance for the provision of information technology services.
- The achievement of significant milestones of the Year 2000 Programme.

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

## DIVISIONAL PERFORMANCE HIGHLIGHTS

### Banking and Financial Services

Banking and Financial Services is responsible for marketing services, product development and brand management for the retail and small to medium business segments.

In continuing to satisfy customer needs, the Division has:

- Opened new channels of access for customers through alliances with Woolworths and Vodafone.
- Evaluated the drivers of Brand Value, developed an integrated Brand strategy for the Bank, and launched a new Brand campaign.
- Established *e-Comm*, an e-Commerce centre of excellence, which supports the Bank's development of online services.
- Progressed detailed customer segmentation analysis to identify differential product needs and sources of value.
- Repositioned Investment Home Loans as a separate product and launched Investment Place to meet the information needs of property investors.

The Bank also recently took the Best New Agribusiness Bank award at the 1999 *Personal Investor* awards, only six months after launching AgriOptions, a comprehensive package of financial services specifically designed for farming and agribusiness customers.

The Bank's leading position in financial services was maintained in a competitive market with:

- Market share for home loan outstandings of 20.2% (All Lenders, May 1999), 4% ahead of its nearest competitor. The Bank remains Australia's leading home loan provider with over 650,000 home loans.
- Growth of 36% in Investment Home Loan outstandings to \$9.0 billion.
- The Bank holding the largest share of the Personal Loan market, at 13.5%.
- Its position as the leading issuer and acquirer of credit cards in Australia. Merchant sales grew by 33% and exceeded \$13 billion.
- Total commercial lending balances of \$27.3 billion, up 5.7% from \$25.8 billion in June 1998. The Bank's market share of small business commercial lending grew by 1.4% to 19.7% as at March 1999, driven by the success of the BetterBusiness variable rate loan product.
- Growth of 24% in total group funds under management to \$27.2 billion, including growth of 23% in retail funds to \$15.6 billion.
- The Bank recording the largest inflow of funds under management for the fourth quarter in a row.
- Funds under management for retirement products rising 11.7% to \$9.5 billion.
- Growth of 19% in annual life insurance premiums.
- The Bank's position as the largest holder of deposits in Australia maintained, with an estimated market share of 22%.

## Customer Service Division

Customer Service Division is responsible for providing quality sales and service to the Bank's customers.

The Division manages the largest financial services distribution network in the country, meeting the needs of over 7.7 million customers through almost 100,000 points of service, including:

- 1,151 branches.
- Over 3,900 agencies, including 3,715 in Australia Post Offices.
- Approximately 100 business banking centres.
- Over 2,600 ATMs, up 4%.
- Over 91,000 EFTPOS terminals, up 12%.
- Over 22,000 employees (18,000 FTE).

The Division provides a full range of access options, resulting in continuing strong growth in customer usage of self service/direct channels, including:

- NetBank, our Internet banking service (at [www.commbank.com.au](http://www.commbank.com.au)), where the number of customers has more than doubled to over 89,000 and the annual number of transactions has increased to 13.8 million.
- Telephone banking, where the 132221 customer service line received a total of 73.9 million calls over the year, an average of 1.4 million calls per week, of which over 80% were handled by automated voice response devices (non-operator). Over 2.7 million customers now hold telephone banking passwords.
- BPAY<sup>TM</sup>, where the Bank continues to hold the largest share of all biller members in the BPAY scheme at 27.5%. The Bank's share of payers grew from 25% in June 1998 to 34% in June 1999.

As a result, the proportion of customer transactions through direct/electronic access continues to grow, now standing at almost 78%.

Key sales outcomes for the year included:

- Combined Home and Investment Home Loan approvals up 8.5%.
- Cardholder base up 3.7% to approximately 2.33 million credit card holders.
- Total commercial lending approvals up 8.2%
- \$8.3 billion in gross sales of managed products, superannuation and other investment products.
- Sales of Life Insurance up 28% on last year.
- Doubling of the number of Business Cards on issue and over 540,000 business banking relationships now established.
- Net growth in new retail deposit accounts at an average of 40,000 per month.

## Institutional Banking

Institutional Banking maintains banking relationships with over 1,000 of Australasia's largest corporations, government bodies and other major institutions.

Key outcomes for the year included:

- The consistent contribution of non-interest income representing 68% of total operating income.
- Continued developments in trading activity, including:
  - Improvement in trading income by more than 12% over 1998.

- Expansion of the range of Currency and Interest Rate Option products on offer and the introduction of a Foreign Exchange Margin Trading product.
- Establishment of a commodities and energy desk to provide risk management capabilities for clients in these markets. A key feature of this initiative is the establishment of an alliance with ScotiaMocatta.
- Securing the transaction banking business of the Federal Government's Department of Finance and Administration, the Australian Capital Territory Government and that of the Western Australian Government.
- Processing payments with a value in excess of \$6.2 trillion in the Real Time Gross Settlement system.
- Participation in major property and infrastructure transactions including:
  - The arrangement of a renegotiated \$210 million development finance facility for residential and office developments in Sydney city.
  - The provision of structured debt facilities totalling \$980 million for the acquisition of privatised Victorian Gas assets in which the Bank acted as Lead Arranger.
  - In New Zealand, the Bank acted as Lead Underwriter and Arranger for a NZ\$1.0 billion acquisition facility for the purchase of electricity distribution networks.
- Of the total Group's growth in funds under management to \$27.2 billion, wholesale funds grew by 26% to \$11.6 billion.
- Agreement to purchase the Australian operations of Credit Lyonnais SA, with total assets of \$1.47 billion. (The acquisition was finalised in July 1999.)
- Support for the Bank's capital management capabilities with the arrangement of an innovative credit derivative structure, a first in Australian capital markets. The Bank lead managed the issuance of \$180 million of notes linked to the credit performance of a \$1.5 billion portfolio of the Bank's corporate credit exposures.
- Arranging \$22.8 billion funding for lending purposes and \$3.3 billion in bonds for our clients.

Commonwealth Securities continued to expand with:

- Growth of Share Direct, demonstrated by:
  - The processing of over 700,000 transactions, increasing its share of the total number of transactions on the ASX from 4% to 7%.
  - An increase in the number of clients by 71% since 30 June 1998. The number of hits to the website ([www.comsec.com.au](http://www.comsec.com.au)) has grown from 4 million per month in June 1998 to 40 million per month by June 1999. Major Internet surveys of frequently visited sites regularly place Commonwealth Securities as one of the Top Three most visited sites in Australia.
  - Growth of trading over the Internet, which now represents a higher proportion of total Share Direct trades than trading by telephone.

<sup>1</sup> Registered to BPAY Pty Ltd ACN 079 137 518

- The launch of Funds Direct, an Internet facility providing clients with a tool to analyse, compare and purchase more than 250 managed funds of 28 leading Australian Fund Managers, including Commonwealth Bank. Since the launch in February over 14,000 prospectuses have been ordered and over 2,000 investments made.
- The introduction of a facility for US Share Trading, a Margin Lending product and the Commonwealth Direct Investment Account, a new and enhanced investment account designed to meet the needs of investors who trade securities, particularly those who trade on the Internet.

### Technology Operations and Property

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

During the period:

- The EDS outsourcing continued to operate successfully, with cost savings meeting expectations. Major technology initiatives undertaken included completion of the Y2K remediation and conversion to a new card processing system, the largest conversion ever undertaken by the Bank.
- Property under management grew to over \$4 billion; the Bank is one of Australia's leading property investment managers.
- On 29 April 1999, Commonwealth Property Office Fund, with total assets of \$633 million, was listed on the Australian Stock Exchange.
- There was further consolidation of Operations Processing Centres: 10 compared with 12 at 30 June 1998.
- The systems to support the Woolworths Ezy Banking alliance were built, including migration of EFTPOS processing to the Bank.

### Year 2000 Issues

The Bank's Year 2000 Program continues to plan with:

- Remediation of remaining non-compliant Bank systems completed in June 1999.
- Testing of the five inter-bank payment streams via the Australian Payment Clearing Association test program successfully completed in June 1999. The Bank has also been a participant in other external testing programs, including those run by SWIFT International, the Australian Stock Exchange and global payment system testing through the New York clearing house.
- Completion of the Bank's building management systems project, with remediation work in all buildings finalised in June 1999.
- Progress to plan of the comprehensive review of the Bank's business continuity plans, which are designed to ensure customer service levels are maintained.
- The overall Year 2000 program expected to be completed within the allocated budget of \$115 million. Expenditure to 30 June 1999 was \$87 million.

### Financial and Risk Management

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

Substantial progress was made in integrating and enhancing the Group's customer information systems. This was complemented by a major review of the Bank's activity based costing system.

The Bank has commenced a program to implement the GST, which will involve total costs of around \$35 million from 1 January 1999 to the end of the 2000/01 year. Approximately \$3 million has been expended to 30 June 1999. With the exception of the areas of the Bank involved in general insurance and leasing services, the GST will not directly affect the Bank's services until 1 July 2000.

Despite continued volatility in financial markets, the Bank's traded and non-traded risk reduced. The internal market risk models have been accepted by the regulatory authorities for capital adequacy purposes, and produce comprehensive daily reports for monitoring global exposures to traded market risk.

Development of credit portfolio management techniques has continued throughout the period. After year end, the Bank concluded a credit linked swap for \$180 million of the risk, after a first loss allowance of \$45 million, on a portfolio of \$1.5 billion of corporate exposures. Work is progressing on techniques to improve the analysis and management of the return for risk from the credit portfolios.

Asset quality continues to improve:

- Gross impaired assets (net of interest reserved) reduced by 21% to \$589 million.
- Net impaired assets reduced by 33% from 30 June 1998 to \$314 million.
- New impaired assets have reduced, and primarily originated from Australian portfolios since 30 June 1998.
- Arrears past due 90 days or more (statistically managed portfolio) are the lowest since June 1996.
- The total provision coverage ratio has increased from 183% to 230% of gross impaired assets.
- While the view is that the credit cycle has peaked, the overall quality of the Bank's credit portfolio remains sound.

A comprehensive review was completed of the operating risk methodology introduced in the prior financial year. This led to further refinements of the analysis of detailed operating risks, including the effectiveness of relevant controls and insurance coverage, and the linkage to the Audit programme.

Capital is allocated to Divisions on the basis of their underlying economic risk and returns on allocated equity are measured on a risk adjusted basis. A range of innovative capital instruments is under consideration to optimise the capital mix. Surplus equity above that required for business needs is bought back so as to enhance shareholder value.

In addition to successfully completing the off market buyback of \$650 million of capital, there were other initiatives taken to manage share capital. A cap was introduced on participation in the Dividend Reinvestment Plan, restricting participation to the first 10,000 shares of any holding; this is expected to reduce the reinvestment of dividends into capital from approximately 40% to an estimated 22%. Also, a facility to acquire small shareholdings was introduced; this was taken up by 2,062 shareholders.

### ASB Bank Group (New Zealand)

ASB Bank, 75% owned by Commonwealth Bank, is New Zealand's fastest growing full service bank, meeting the transactional banking, insurance and investment requirements of over 800,000 customers throughout New Zealand. It also operates New Zealand's leading direct services bank, BankDirect. ASB Group now includes Sovereign Limited, a life insurance and financial services provider, acquired in December 1998.

The operating performance for the year was strong with:

- Group operating income for the year was NZ\$482.2 million (A\$406.5 million)
- ASB Group contributed NZ\$122 million (A\$104 million, pre-outside equity interest) to Group performance up from NZ\$113 million in the prior year.
- The cost to income ratio of ASB Bank progressively reduced to 60.9%.
- Continued growth above market for ASB Bank with:
  - An increase of 116% in retail funds under management from NZ\$163.2 million to NZ\$352.6 million, a growth of 1% in overall market share.
  - 15.1% growth in lending to NZ\$12.46 billion.
  - Deposits increasing by NZ\$1.74 billion to NZ\$13.8 billion.
- Successful introduction of Access Online, which enables the ASB Bank to acquire Visa and Mastercard transactions from merchants and telemarketing organisations on the Internet.
- Updated Fastnet, ASB's Internet banking service.
- In August 1998, launched the loyalty programme True Rewards. As at January 1999, 62% of ASB Bank's credit card accounts were enrolled and 34,600 new cardholders had been acquired.

- Continued growth of BankDirect with telephone based loan origination averaging 8% share per month of new home lending. BankDirect now represents 4.0% of ASB Bank's personal loan advances.
- Subscriptions to ASB Bank's Internet service continue to grow at an increasing rate, with over 15,000 customers registered by June 1999.

## OUTLOOK

The domestic economic outlook is for continued growth with the possibility of a slowdown given some pressures on the international economy. The Bank expects continued growth in credit markets with stronger growth in managed funds. Competitive pressure on margins and lending fees should continue to moderate the growth of total net income.

The Bank's established position in financial services and electronic service delivery will provide opportunities for both revenue growth and more cost efficient delivery of services. However, the opportunities presented by the "e-commerce" revolution necessitate ongoing investments, a large component of which are expensed annually.

The new goods and services tax in Australia will require expenditure on systems changes during 1999/2000. Under the proposed status of financial supplies, the Bank will be liable for input taxes but unable to recover those taxes as part of a GST charge on its services. Accordingly, from 1 July 2000, the Bank will need to recover input taxes from customers via changes in margins and other charges. Given the regulatory framework for cost recovery, there is a risk to earnings where the approved method of recovery leaves a shortfall to actual costs incurred.

Overall, these factors indicate a challenging year in which the Directors expect continued earnings growth. In addition, there will be ongoing attention to capital management to optimise returns to shareholders while maintaining capital at prudent levels.

Directors expect the ratio of Dividends Per Share to Earnings Per Share for 1999/2000 to remain high relative to peer financial institutions.

## PROFIT AND LOSS STATEMENT

	Page No. Ref.	30/06/99 \$M	Half Year Ended		Full Year Ended		30/06/99 vs 30/06/98 %	
			31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M	
Interest income	11	3,795	3,950	3,799	3,806	7,745	7,605	2
Interest expense	11	2,025	2,193	2,092	2,116	4,218	4,208	-
<b>Net interest income</b>	11	<b>1,770</b>	<b>1,757</b>	<b>1,707</b>	<b>1,690</b>	<b>3,527</b>	<b>3,397</b>	<b>4</b>
Other operating income	14	1,002	995	982	851	1,997	1,833	9
<b>Total operating income</b>		<b>2,772</b>	<b>2,752</b>	<b>2,689</b>	<b>2,541</b>	<b>5,524</b>	<b>5,230</b>	<b>6</b>
Charge for bad and doubtful debts	24	131	116	144	89	247	233	6
<b>Total operating income after charge for bad and doubtful debts</b>		<b>2,641</b>	<b>2,636</b>	<b>2,545</b>	<b>2,452</b>	<b>5,277</b>	<b>4,997</b>	<b>6</b>
Staff expenses	16	805	799	787	835	1,604	1,622	(1)
Occupancy and equipment expenses	16	243	212	228	245	455	473	(4)
Information technology services	16	261	244	283	193	505	476	6
Other expenses	16	270	236	233	235	506	468	8
<b>Total operating expenses</b>	16	<b>1,579</b>	<b>1,491</b>	<b>1,531</b>	<b>1,508</b>	<b>3,070</b>	<b>3,039</b>	<b>1</b>
<b>Operating profit before goodwill amortisation, abnormal items and income tax</b>		<b>1,062</b>	<b>1,145</b>	<b>1,014</b>	<b>944</b>	<b>2,207</b>	<b>1,958</b>	<b>13</b>
Goodwill amortisation	24	24	23	23	23	47	46	2
<b>Operating profit before abnormal items and income tax</b>		<b>1,038</b>	<b>1,122</b>	<b>991</b>	<b>921</b>	<b>2,160</b>	<b>1,912</b>	<b>13</b>
Abnormal expense	13	-	-	544	26	-	570	large
<b>Operating profit including abnormal items before income tax</b>		<b>1,038</b>	<b>1,122</b>	<b>447</b>	<b>895</b>	<b>2,160</b>	<b>1,342</b>	<b>61</b>
Income tax expense (credit)								
Operating profit		318	396	350	291	714	641	11
Abnormal items	13	-	-	(400)	(9)	-	(409)	large
<b>Total income tax expense (credit)</b>	17	<b>318</b>	<b>396</b>	<b>(50)</b>	<b>282</b>	<b>714</b>	<b>232</b>	<b>large</b>
<b>Operating profit after income tax</b>		<b>720</b>	<b>726</b>	<b>497</b>	<b>613</b>	<b>1,446</b>	<b>1,110</b>	<b>30</b>
Outside equity interests	11	11	13	9	11	24	20	20
<b>Operating profit after income tax attributable to members of the Bank</b>		<b>709</b>	<b>713</b>	<b>488</b>	<b>602</b>	<b>1,422</b>	<b>1,090</b>	<b>30</b>
Retained profits at the beginning of the period		1,005	755	694	908	755	908	(17)
Buy back		(404)	-	-	(384)	(404)	(384)	5
Transfers from reserves		1,052	35	170	-	1,087	170	large
<b>Total available for appropriation</b>		<b>2,362</b>	<b>1,503</b>	<b>1,352</b>	<b>1,126</b>	<b>2,860</b>	<b>1,784</b>	<b>60</b>
Transfers to reserves		59	40	62	12	99	74	34
Dividends (fully franked)								
Transfer to dividend reinvestment plan reserve		133	183	214	189	316	403	(22)
Provided for payment in cash or paid		472	275	321	231	747	552	35
Dividends provided for, reserved or paid		605	458	535	420	1,063	955	11
<b>Retained profits at the end of the period</b>		<b>1,698</b>	<b>1,005</b>	<b>755</b>	<b>694</b>	<b>1,698</b>	<b>755</b>	<b>large</b>

**NET INTEREST INCOME**

	Half Year Ended				Full Year Ended		30/06/99
	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99	30/06/98	vs 30/06/98
	\$M	\$M	\$M	\$M	\$M	\$M	%
<b>Interest Income</b>							
Loans	3,362	3,444	3,319	3,269	6,806	6,588	3
Other financial institutions	69	96	115	126	165	241	(32)
Liquid assets	29	29	19	69	58	88	(34)
Trading securities	115	131	121	92	246	213	15
Investment securities	206	219	202	207	425	409	4
Dividends on redeemable preference shares	13	29	28	31	42	59	(29)
Other	1	2	(5)	12	3	7	(57)
<b>Total Interest Income</b>	<b>3,795</b>	<b>3,950</b>	<b>3,799</b>	<b>3,806</b>	<b>7,745</b>	<b>7,605</b>	<b>2</b>
<b>Interest Expense</b>							
Deposits	1,603	1,750	1,665	1,678	3,353	3,343	0
Other financial institutions	97	110	115	103	207	218	(5)
Short term debt issues	203	190	138	155	393	293	34
Long term debt issues	46	60	86	97	106	183	(42)
Loan capital	75	80	84	82	155	166	(7)
Other	1	3	4	1	4	5	(20)
<b>Total Interest Expense</b>	<b>2,025</b>	<b>2,193</b>	<b>2,092</b>	<b>2,116</b>	<b>4,218</b>	<b>4,208</b>	<b>0</b>
<b>Net Interest Income</b>	<b>1,770</b>	<b>1,757</b>	<b>1,707</b>	<b>1,690</b>	<b>3,527</b>	<b>3,397</b>	<b>4</b>

**Net Interest Income**

30/06/99 - 30/06/98 (up 4%)

30/06/99 - 31/12/98 (up 1%)

Moderate net interest income growth over previous period (\$130 million) due to \$12 billion increase in interest earning assets (+\$363 million), offset by a lower net interest margin (-\$233 million).

The growth in interest income was achieved across a range of products including owner occupied and investment home loans (where balance growth outweighed rate reductions), term loans, credit cards and lease assets financing. This was offset by lower interest income on liquid assets as balances held were reduced.

Interest paid on deposits grew predominantly in the time deposit category, with an increase in wholesale term borrowings and a reduction in carded term deposits. In addition, interest on savings deposits grew as interest rate uncertainty and customer preferences caused a shift from fixed term to more flexible current accounts.

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

	Half Year Ended				Full Year Ended	
	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99	30/06/98
	%	%	%	%	%	%
<b>Australia</b>						
Interest spread adjusted for interest forgone on non accrual and restructured loans	2.96	3.02	3.31	3.13	3.00	3.22
Interest forgone on non accrual and restructured loans	(0.02)	(0.01)	(0.04)	(0.05)	(0.02)	(0.04)
<b>Interest Spread</b>	<b>2.94</b>	<b>3.01</b>	<b>3.27</b>	<b>3.08</b>	<b>2.98</b>	<b>3.18</b>
Benefit of net free liabilities, provisions and equity	0.38	0.39	0.38	0.49	0.39	0.43
<b>Australia Interest Margin</b>	<b>3.33</b>	<b>3.40</b>	<b>3.65</b>	<b>3.57</b>	<b>3.37</b>	<b>3.61</b>
<b>Overseas</b>						
Interest spread adjusted for interest forgone on non accrual and restructured loans	1.47	1.43	1.47	1.42	1.45	1.44
Interest forgone on non accrual and restructured loans	(0.05)	(0.06)	(0.06)	(0.01)	(0.06)	(0.04)
<b>Interest Spread</b>	<b>1.42</b>	<b>1.37</b>	<b>1.41</b>	<b>1.41</b>	<b>1.39</b>	<b>1.40</b>
Benefit of net free liabilities, provisions and equity	0.37	0.38	0.59	0.53	0.38	0.57
<b>Overseas Interest Margin</b>	<b>1.79</b>	<b>1.75</b>	<b>2.00</b>	<b>1.94</b>	<b>1.77</b>	<b>1.97</b>
<b>Group</b>						
Interest spread adjusted for interest forgone on non accrual and restructured loans	2.68	2.74	2.97	2.81	2.71	2.89
Interest forgone on non accrual and restructured loans	(0.02)	(0.02)	(0.04)	(0.04)	(0.02)	(0.04)
<b>Interest Spread</b>	<b>2.66</b>	<b>2.72</b>	<b>2.93</b>	<b>2.77</b>	<b>2.69</b>	<b>2.85</b>
Benefit of net free liabilities, provisions and equity	0.39	0.40	0.43	0.52	0.40	0.48
<b>Group Interest Margin</b>	<b>3.05</b>	<b>3.12</b>	<b>3.36</b>	<b>3.29</b>	<b>3.09</b>	<b>3.33</b>

### Group Interest Margin

30/06/99 - 30/06/98 (down 24 basis points, 7%)

30/06/99 - 31/12/98 (down 7 basis points, 2%)

The group net interest margin for the year reduced to 3.09%, down from 3.33% for the prior year.

Much of this reduction occurred in the first half as a result of the continuing high level of competition in both lending

and deposit taking in Australia and New Zealand. The second half saw more stable interest rates and a lower decline in group interest margin.

Given the uncertain global financial markets, liquidity was maintained at levels higher than the regulatory requirement during the first half; while not adversely impacting net interest income, this depressed the margin during that period. Reliance on wholesale funding was increased over the year.

**ABNORMAL ITEMS**

	Half Year Ended				Full Year Ended	
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M
Abnormal expense items						
Restructuring costs	-	-	174	26	-	200
General provision charge for bad and doubtful debts	-	-	370	-	-	370
Write down of computer equipment	-	-	-	-	-	-
<b>Total Abnormal Items Before Tax</b>	-	-	<b>544</b>	<b>26</b>	-	<b>570</b>
Abnormal tax expense (credit) items						
Restructuring costs	-	-	(63)	(9)	-	(72)
Tax effecting general provision	-	-	(337)	-	-	(337)
Total abnormal income tax expense (credit)	-	-	(400)	(9)	-	(409)
<b>Total Abnormal Items After Tax</b>	-	-	<b>144</b>	<b>17</b>	-	<b>161</b>

There were no abnormal items for the year ended 30 June 1999.

Abnormal items for 30 June 1998 related to provision for Restructuring Costs and introduction of Dynamic provisioning.

The components of Restructuring costs included 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.

Dynamic Provisioning is a refinement to the methodology used to estimate provisions for impairment which takes into account historical loss experience and current economic conditions.

## OTHER OPERATING INCOME

	Half Year Ended				Full Year Ended		30/06/99
	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99	30/06/98	vs 30/06/98
	\$M	\$M	\$M	\$M	\$M	\$M	%
Lending fees	244	230	232	240	474	472	0
Commission and other fees	420	387	369	309	807	678	19
Trading income							
<i>Foreign exchange earnings</i>	63	92	77	84	155	161	(4)
<i>Trading securities</i>	31	35	25	10	66	35	89
<i>Other financial instruments (incl derivatives)</i>	32	20	26	21	52	47	11
	126	147	128	115	273	243	12
Dividends	4	2	16	2	6	18	(67)
Net gain on investment securities	9	70	66	35	79	101	(22)
Net profit on sale of property, plant and equipment	16	8	14	20	24	34	(29)
Life insurance and funds management	134	120	113	92	254	205	24
General insurance premium income	48	46	41	38	94	79	19
Less general insurance claims	(35)	(28)	(23)	(23)	(63)	(46)	37
Other	36	13	26	23	49	49	-
<b>Total Other Operating Income</b>	<b>1,002</b>	<b>995</b>	<b>982</b>	<b>851</b>	<b>1,997</b>	<b>1,833</b>	<b>9</b>

### Other Operating Income

30/06/99 - 30/06/98 (up 9%)  
30/06/99 - 31/12/98 (up 1%)

Total Other Operating Income has increased to \$1,997 million from \$1,833 million. Fee income growth has been maintained, together with strong levels of Trading income. Life insurance and managed funds have continued their steady growth.

The strong increase in non interest income from the corresponding December half has been consistent across customer segments, with the mix remaining relatively constant (personal customers 34%, business customers 33%, and institutions 33%).

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

### Lending Fees

30/06/99 - 30/06/98 (steady)  
30/06/99 - 31/12/98 (up 6%)

Lending fees have remained steady for the year despite the highly competitive market conditions and the level of discounts offered, particularly on home loan establishment fees.

### Commission and Other Fees

30/06/99 - 30/06/98 (up 19%)  
30/06/99 - 31/12/98 (up 9%)

Growth in commission and other fees has continued with the introduction of new fee structures in the second half of last financial year. Retail transaction fees have remained at approximately 11% of total other operating income (4% of total operating income). Card activity has been stranger

with an 8% increase in the number of merchants and a 4% increase in the number of card holders. The success of Commonwealth Securities has also improved brokerage fee income, with a 65% increase in the number of customers.

### Trading Income

30/06/99 - 30/06/98 (up 12%)  
30/06/99 - 31/12/98 (down 14%)

Volatility in exchange and interest rate markets, particularly during the first half, helped maintain the levels of trading activity and customer franchise business.

### Net Gain on Investment Securities

30/06/99 - 30/06/98 (down 22%)  
30/06/99 - 31/12/98 (down 87%)

This primarily relates to the profit earned on the finalisation of the sale of certain infrastructure assets during the first half.

### Profit on Sale of Property Plant and Equipment

30/06/99 - 30/06/98 (down 29%)  
30/06/99 - 31/12/98 (up 100%)

During the year the Bank completed a planned sale and leaseback programme, which included the listing of Commonwealth Property Office Fund as at 29 April 1999.

### Life Insurance and Funds Management

30/06/99 - 30/06/98 (up 24%)  
30/06/99 - 31/12/98 (up 12%)

Growth in the level of funds under management and the level of new business across a range of insurance and investment products has contributed to the increased income in this area.

## OPERATING EXPENSES

	Half Year Ended				Full Year Ended		30/06/99
	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99	30/06/98	vs 30/06/98
	\$M	\$M	\$M	\$M	\$M	\$M	%
<b>Staff Expenses</b>							
Salaries and wages	709	697	689	723	1,406	1,412	-
Superannuation contributions	-	1	-	1	1	1	-
Provision for staff leave benefits	22	22	15	10	44	25	76
Provisions for other employee entitlements	(2)	-	(3)	3	(2)	-	-
Payroll tax	37	40	39	44	77	83	(7)
Fringe benefits tax	17	17	18	24	34	42	(19)
Other staff expenses	22	22	29	30	44	59	(25)
<b>Total Staff Expenses</b>	<b>805</b>	<b>799</b>	<b>787</b>	<b>835</b>	<b>1,604</b>	<b>1,622</b>	<b>(1)</b>
<b>Occupancy and Equipment Expenses</b>							
Operating lease rentals	83	75	72	69	158	141	12
Depreciation							
<i>Buildings</i>	23	28	31	31	51	62	(18)
<i>Leasehold improvements</i>	14	12	12	10	26	22	18
<i>Equipment</i>	33	35	40	63	68	103	(34)
	70	75	83	104	145	187	(22)
Repairs and maintenance	37	27	29	40	64	69	(7)
Other	53	35	44	32	88	76	16
<b>Total Occupancy and Equipment Expenses</b>	<b>243</b>	<b>212</b>	<b>228</b>	<b>245</b>	<b>455</b>	<b>473</b>	<b>(4)</b>
<b>Information Technology Services</b>							
Projects and development	70	75	92	72	145	164	(12)
Data processing	77	64	67	35	141	102	38
Desktop	43	47	66	23	90	89	1
Communications	71	58	58	63	129	121	7
<b>Total Information Technology Services</b>	<b>261</b>	<b>244</b>	<b>283</b>	<b>193</b>	<b>505</b>	<b>476</b>	<b>6</b>
<b>Other Expenses</b>							
Postage	38	38	37	38	76	75	1
Stationery	35	34	30	23	69	53	30
Fees and commissions	65	47	66	50	112	116	(3)
Other	132	117	100	124	249	224	11
<b>Total Other Expenses</b>	<b>270</b>	<b>236</b>	<b>233</b>	<b>235</b>	<b>506</b>	<b>468</b>	<b>8</b>
<b>Total Operating Expenses</b>	<b>1,579</b>	<b>1,491</b>	<b>1,531</b>	<b>1,508</b>	<b>3,070</b>	<b>3,039</b>	<b>1</b>

## Operating Expenses

30/06/99 - 30/06/98 (up 1%)

30/06/99 - 31/12/98 (up 6%)

Total operating expenses (excluding amortisation of goodwill) for the year were \$3,070 million compared with \$3,039 million. The ratio of total operating expenses to total operating income has decreased during the year to 55.6%, compared with 58.1% for the prior year.

This has been the result of the sustained level of operating income and a strong focus on containment of costs across all categories.

The Bank outsourced most of its information technology function to EDSA in October 1997, which has changed the mix of operating expenses since that date.

## OPERATING EXPENSES (CONTINUED)

### Staff Expenses

30/06/99 - 30/06/98 (down 1%)  
30/06/99 - 31/12/98 (up 1%)

Staff expenses have reduced slightly due to the continued reduction in staff numbers which was partially offset by the increase in salary and wage payments and the continued change in the mix of staff toward a higher skill base.

### Occupancy and Equipment Expenses

30/06/99 - 30/06/98 (down 4%)  
30/06/99 - 31/12/98 (up 15%)

Occupancy and equipment expenses have decreased to \$455 million for the year, a reduction of \$18 million from the prior year, most of which is in depreciation and repairs and maintenance following the continuation of the sale and leaseback program. This has resulted in an increase in operating lease rentals. Other occupancy and equipment expenses include utilities and services costs.

### Information Technology Services

30/06/99 - 30/06/98 (up 6%)  
30/06/99 - 31/12/98 (up 7%)

With the outsourcing of most of the Bank's information technology function to EDSA now fully operational, the Bank has continued to realise cost savings across the range of expenditure categories. Project and development

costs have declined due to the reduction in the use of external contractors as a result of increased focus on the usage of EDS resources. Further the spend on Year 2000 remediation reduced from its peak in the prior year. Additionally \$22 million (\$14 million in second half) of software costs have been capitalised during the year.

Data processing and communications costs have increased due to increased volumes. Desktop costs have remained steady.

### Other Expenses

30/06/99 - 30/06/98 (up 8%)  
30/06/99 - 31/12/98 (up 14%)

Other expenses have increased slightly across the range of categories and include the first full year payments in respect of the Bank's credit card loyalty program.

Stationery costs include amounts which were previously in Staff costs following the outsourcing of this function in December 1997.

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

## INCOME TAX

	Half Year Ended				Full Year Ended	
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M
<b>INCOME TAX EXPENSE</b>						
<b>Operating profit before abnormal items and income tax</b>	<b>1,038</b>	<b>1,122</b>	<b>991</b>	<b>921</b>	<b>2,160</b>	<b>1,912</b>
Prima facie income tax at 36%	373	404	357	331	777	688
<b>Add (or deduct) permanent differences expressed on a tax effect basis</b>						
<b>Current period</b>						
Increase in general provisions for bad and doubtful debts	-	-	-	9	-	9
Provisions for offshore bad and doubtful debts not tax effected	1	-	26	9	1	35
Non deductible depreciation on buildings	3	4	5	4	7	9
Taxation rebates (net of accruals)	(15)	(12)	(16)	(17)	(27)	(33)
Non assessable income - life insurance surplus	(22)	(14)	(14)	(13)	(36)	(27)
Non deductible goodwill amortisation	9	8	8	8	17	16
Employee share acquisition plan	-	-	-	(10)	-	(10)
Other items	(20)	1	13	(26)	(19)	(13)
	(44)	(13)	22	(36)	(57)	(14)
<b>Prior periods</b>						
Other	(11)	5	(29)	(4)	(6)	(33)
<b>Income Tax Expense attributable to operating profit before abnormal items</b>	<b>318</b>	<b>396</b>	<b>350</b>	<b>291</b>	<b>714</b>	<b>641</b>
Abnormal income tax expense (credit)	-	-	(400)	(9)	-	(409)
<b>Total Income Tax Expense</b>	<b>318</b>	<b>396</b>	<b>(50)</b>	<b>282</b>	<b>714</b>	<b>232</b>
<b>Income tax expense comprises</b>						
Current taxation provision	413	331	77	168	744	245
Deferred income tax provision	(75)	51	37	91	(24)	128
Future income tax benefit	(37)	3	(171)	13	(34)	(158)
Notional tax expense - leveraged leases	-	8	6	10	8	16
Other	17	3	1	-	20	1
<b>Total Income Tax Expense</b>	<b>318</b>	<b>396</b>	<b>(50)</b>	<b>282</b>	<b>714</b>	<b>232</b>
<b>Effective Tax Rate (before abnormal items) (%)</b>	<b>30.6</b>	<b>35.3</b>	<b>35.3</b>	<b>31.6</b>	<b>33.1</b>	<b>33.5</b>

As at	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M
<b>Assets</b>				
Future Income Tax Benefits				
Australia	326	315	319	100
Overseas	7	7	6	7
<b>Total Income Tax Assets</b>	<b>333</b>	<b>322</b>	<b>325</b>	<b>107</b>
<b>Liabilities</b>				
Australia				
Provision for income tax	472	351	215	128
Provision for deferred income tax	933	934	883	889
Total Australia	1,405	1,285	1,098	1,017
Overseas				
Provision for income tax	5	12	1	13
Provision for deferred income tax	-	-	-	-
Total Overseas	5	12	1	13
<b>Total Income Tax Liabilities</b>	<b>1,410</b>	<b>1,297</b>	<b>1,099</b>	<b>1,030</b>

Refer page 46 for details of Dividend Franking Account.

## CAPITAL EXPENDITURE

	Half Year Ended				Full Year Ended		30/06/99
	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99	30/06/98	vs 30/06/98
	\$M	\$M	\$M	\$M	\$M	\$M	%
Buildings	22	14	18	12	36	30	20
Equipment	26	20	22	26	46	48	(4)
<b>Total</b>	<b>48</b>	<b>34</b>	<b>40</b>	<b>38</b>	<b>82</b>	<b>78</b>	<b>5</b>

### Total Capital Expenditure

30/06/99 - 30/06/98 (up 5%)  
30/06/99 - 31/12/98 (up 41%)

Capital expenditure has remained broadly consistent with the prior year.

## STAFF NUMBERS AND PRODUCTIVITY

As at	30/06/99	31/12/98	30/06/98	31/12/97
Full time staff	26,394	26,672	28,034	29,068
Part time staff	6,655	6,523	6,968	7,227
<b>Full Time Equivalent Staff</b>				
Australia	25,678	25,948	27,993	29,220
New Zealand	3,061	2,941	2,502	2,381
Other Overseas	225	227	248	257
<b>Total Full Time Equivalent Staff</b>	<b>28,964</b>	<b>29,116</b>	<b>30,743</b>	<b>31,858</b>
Total operating income per full time equivalent employee (\$) for half year	95,705	94,518	87,467	79,760
Staff expense/Total operating income (%) for half year	29	29	29	33

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)

30/06/99 - 30/06/98 (down 6%)  
30/06/99 - 31/12/98 (down 1%)

The decrease in staff numbers of 1,779 over the previous June reflects continuing rationalisation of operations offset by the inclusion of 400 staff as a result of the purchase of Sovereign in December 1998.

The proportion of part time staff has increased from 19.9% to 20.1% in line with strategic moves toward a more variable cost structure.

**BALANCE SHEET**

As at	Page No. Ref	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
<b>Assets</b>						
Cash and liquid assets		1,814	2,367	1,526	1,844	19
Receivables from other financial institutions		1,206	2,337	3,448	3,548	(65)
Trading securities		4,708	4,040	4,009	2,215	17
Investment securities		7,187	7,526	6,858	7,771	5
Loans, advances and other receivables	20	101,837	95,982	89,816	85,317	13
Bank acceptances of customers		9,672	9,833	9,727	9,842	(1)
Deposits with regulatory authorities		953	895	832	807	15
Property, plant and equipment		1,001	1,502	1,662	1,807	(40)
Investments in associates		281	276	276	284	2
Goodwill		491	514	531	552	(8)
Unrealised gains on trading derivatives		4,978	7,097	8,297	8,757	(40)
Other assets		3,968	2,588	3,562	3,263	11
<b>Total Assets</b>		<b>138,096</b>	<b>134,957</b>	<b>130,544</b>	<b>126,007</b>	<b>6</b>
<b>Liabilities</b>						
Deposits and other public borrowings	26	93,428	91,097	83,886	81,321	11
Payables due to other financial institutions		3,249	3,363	3,397	3,900	(4)
Bank acceptances		9,672	9,832	9,727	9,842	(1)
Provision for dividend		472	276	321	231	47
Income tax liability	17	1,410	1,297	1,099	1,030	28
Other provisions		805	818	875	799	(8)
Debt issues		10,763	9,656	10,608	7,607	1
Unrealised losses on trading derivatives		4,687	6,438	7,790	8,626	(40)
Bills payable and other liabilities		3,820	2,063	2,956	2,971	29
		<b>128,306</b>	<b>124,840</b>	<b>120,659</b>	<b>116,327</b>	<b>6</b>
Loan capital		2,828	2,684	2,996	2,928	(6)
<b>Total Liabilities</b>		<b>131,134</b>	<b>127,524</b>	<b>123,655</b>	<b>119,255</b>	<b>6</b>
<b>Net Assets</b>		<b>6,962</b>	<b>7,433</b>	<b>6,889</b>	<b>6,752</b>	<b>1</b>
<b>Shareholders' Equity</b>						
Share capital	43	3,526	3,570	1,845	1,825	91
Reserves	43	1,511	2,621	4,112	4,052	(63)
Retained profits		1,698	1,005	755	694	large
Shareholders' equity attributable to members of the Bank		6,735	7,196	6,712	6,571	-
Outside equity interest in controlled entities		227	237	177	181	28
<b>Total Shareholders' Equity</b>		<b>6,962</b>	<b>7,433</b>	<b>6,889</b>	<b>6,752</b>	<b>1</b>

## LOANS, ADVANCES AND OTHER RECEIVABLES

As at	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99 vs 30/06/98
	\$M	\$M	\$M	\$M	%
<b>Australia</b>					
Overdrafts	3,821	2,722	2,841	2,429	34
Housing loans	45,495	42,927	41,137	38,798	11
Credit card outstandings	2,510	2,430	2,218	2,045	13
Lease financing	3,966	3,991	3,594	3,309	10
Bills discounted	1,650	1,187	916	555	80
Term loans	29,607	28,266	25,676	24,341	15
Redeemable preference share financing	682	732	740	790	(8)
Equity participation in leveraged leases	1,737	1,576	1,615	1,386	8
Other lending	1,607	1,504	1,290	1,273	25
<b>Total Australia</b>	<b>91,075</b>	<b>85,335</b>	<b>80,027</b>	<b>74,926</b>	<b>14</b>
<b>Overseas</b>					
Overdrafts	760	346	519	387	46
Housing loans	7,151	7,458	6,273	6,384	14
Credit card outstandings	162	165	134	139	21
Lease financing	166	61	60	63	large
Bills discounted	2	3	4	9	(50)
Term loans	5,250	5,253	5,189	5,129	1
Redeemable preference share financing	-	-	369	458	large
<b>Total Overseas</b>	<b>13,491</b>	<b>13,286</b>	<b>12,548</b>	<b>12,569</b>	<b>8</b>
<b>Gross Loans, Advances and Other Receivables</b>	<b>104,566</b>	<b>98,621</b>	<b>92,575</b>	<b>87,495</b>	<b>13</b>
Deduct					
Provisions for impairment					
General provision	(1,081)	(1,059)	(1,076)	(716)	0
Specific provision against loans and advances	(275)	(289)	(279)	(221)	(1)
Unearned income					
<i>Term loans</i>	(437)	(434)	(425)	(415)	3
<i>Lease financing</i>	(489)	(491)	(473)	(469)	3
<i>Leveraged leases</i>	(243)	(176)	(295)	(166)	(18)
	(1,169)	(1,101)	(1,193)	(1,050)	(2)
Interest reserved	(68)	(92)	(102)	(99)	(33)
Unearned tax remissions on leveraged leases	(136)	(98)	(109)	(92)	25
	(2,729)	(2,639)	(2,759)	(2,178)	(1)
<b>Net Loans, Advances and Other Receivables</b>	<b>101,837</b>	<b>95,982</b>	<b>89,816</b>	<b>85,317</b>	<b>13</b>

Group Net Loans Advances and Receivables increased by \$12.0 billion (13%). This growth was achieved predominantly through increased Housing Lending of \$5.2 billion (11%) to \$52.6 billion and Term Loans of \$4.0 billion (13%) to \$34.9 billion.

### Gross Loans, Advances and Other Receivables: Australia

30/06/99 - 30/06/98 (up 14%)  
30/06/99 - 31/12/98 (up 7%)

Notwithstanding the competitive environment, the Bank has increased Australian loans and advances by \$11 billion over the prior year.

The growth was achieved across the range of products, particularly in owner occupied and investment housing and business term loans.

### Gross Loans, Advances and Other Receivables: Overseas

30/06/99 - 30/06/98 (up 8%)  
30/06/99 - 31/12/98 (up 2%)

Overseas, the growth was attributable to increases in home lending by ASB Bank in New Zealand and the purchase of Sovereign Ltd in December 1998, partly offset by a reduction in the exposure to Asia of \$1.8 billion.

## ASSET QUALITY

### Ratios

As at	30/06/99 %	31/12/98 %	30/06/98 %	31/12/97 %
<b>Impaired Assets Ratio<sup>(1)</sup></b>				
Gross impaired assets (net of interest reserved)/Credit risk	0.39	0.42	0.53	0.46
<b>Loss Rates</b>				
Net charge to profit and loss/Credit risk (annualised)	0.17	0.16	0.21	0.13
Net charge to profit and loss/Risk weighted assets (annualised)	0.26	0.24	0.30	0.20
<b>Coverage Ratios<sup>(1)</sup></b>				
Specific provisions for impairment/Gross impaired assets (net of interest reserved)	46.69	46.84	37.60	36.23
Total provisions for impairment/Gross impaired assets (net of interest reserved)	230.22	218.48	182.61	153.61
<b>Net Impaired Assets as % of<sup>(1)</sup></b>				
Risk weighted assets	0.32	0.34	0.49	0.43
Total shareholders' equity	4.52	4.41	6.76	5.82
<b>General Provision Ratio</b>				
General Provision as % of Risk Weighted Assets <sup>(2)</sup>	1.09	1.11	1.14	0.79

<sup>(1)</sup> At 31 December 1998, the definition of non accruals was amended to align with current APRA guidelines and industry practice. When a client is experiencing difficulties the account is now classified as non accrual only where a loss is expected, taking into account the level of security held.

All ratios have been calculated on this revised definition of impaired assets basis.

<sup>(2)</sup> 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 aggregate credit risk is:

	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
Gross Credit Risk	151,984	147,153	140,215	134,215	8
Less: Unearned income	(1,169)	(1,101)	(1,193)	(1,050)	(2)
<b>Credit Risk</b>	<b>150,815</b>	<b>146,052</b>	<b>139,022</b>	<b>133,165</b>	<b>8</b>

### Credit Portfolio

As at	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
<b>Credit Portfolio Segments</b>					
Statistically managed*	54,556	52,676	50,264	48,188	9
Risk rated managed*	96,259	93,376	88,758	84,977	8
<b>Credit Risk</b>	<b>150,815</b>	<b>146,052</b>	<b>139,022</b>	<b>133,165</b>	<b>8</b>

\* See Definitions (p46).

## 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	Gross Impaired Assets				Specific Provisions and Interest Reserved			
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M
<b>Opening balance</b>	<b>709</b>	<b>926</b>	<b>799</b>	<b>906</b>	<b>381</b>	<b>381</b>	<b>320</b>	<b>350</b>
New and increased impaired assets	174	241	414	275				
Provisioning and interest reservation of new and impaired assets					110	119	162	101
Additional provisioning and interest reservation of existing impaired assets					19	82	38	30
Returned to performing or repaid	(93)	(311) <sup>(1)</sup>	(180)	(273)				
Full write offs to provisions and interest reserved	(100)	(73)	(85)	(74)	(100)	(73)	(85)	(74)
Partial write offs to provisions and interest reserved	(33)	(74)	(22)	(35)	(33)	(74)	(22)	(35)
Write backs of provisions and interest reserved					(34)	(54)	(32)	(52)
<b>Closing balance</b> <sup>(2)</sup>	<b>657</b>	<b>709</b>	<b>926</b>	<b>799</b>	<b>343</b>	<b>381</b>	<b>381</b>	<b>320</b>

(1) Includes a reduction of \$99 million at 31 December 1998 as a result of amending the definition of impaired assets (see following page).

(2) Previous closing balances of impaired assets would have been \$840 million at 30 June 1998 and \$705 million at 31 December 1997 on the basis of 31 December 1998 revised definition of impaired assets.

## Balances of Impaired Assets

As at	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
<b>Total Impaired Assets</b>					
Gross non accruals	642	709	926	799	(31)
Gross restructured	1	-	-	-	large
Other real estate owned	14	-	-	-	large
Other assets acquired through security enforcement	-	-	-	-	-
<b>Total Gross impaired assets</b>	<b>657</b>	<b>709</b>	<b>926</b>	<b>799</b>	<b>(29)</b>
Less Interest reserved	(68)	(92)	(102)	(99)	(33)
<b>Subtotal</b>	<b>589</b>	<b>617</b>	<b>824</b>	<b>700</b>	<b>(29)</b>
Less Specific provisions for impairment	(275)	(289)	(279)	(221)	(1)
<b>Total Net Impaired Assets</b>	<b>314</b>	<b>328</b>	<b>545</b>	<b>479</b>	<b>(42)</b>
<b>Net Impaired Assets by Geographical Segments</b>					
Australia	267	237	357	369	(25)
New Zealand	-	3	7	7	large
Other countries	47	88	181	103	(74)
<b>Total</b>	<b>314</b>	<b>328</b>	<b>545</b>	<b>479</b>	<b>(42)</b>

**Balances of Impaired Assets (continued)**

At 31 December 1998, the definition of non accruals was amended to align with current APRA guidelines and industry practice. When a client is experiencing difficulties the account is now classified as non accrual only where a loss is expected, taking into account the level of security held. Previous disclosure would be revised as follows:

	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
Gross Impaired Assets (net of interest reserved)	589	617	742	610	(21)
Net impaired assets	314	328	466	393	(33)

**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	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
<b>Impaired Assets</b>					
Income received					
Current period	9	6	10	4	(10)
Prior period	4	14	6	14	(33)
<b>Total income received</b>	<b>13</b>	<b>20</b>	<b>16</b>	<b>18</b>	<b>(19)</b>
Income forgone	11	16	22	19	(50)

**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	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 vs 30/06/98 %
<b>Loans accruing, well secured but past due 90 days or more</b>					
Housing Loans	182	185	249	239	(27)
Other	23	43	41	36	(44)
<b>Total</b>	<b>205</b>	<b>228</b>	<b>290</b>	<b>275</b>	<b>(29)</b>

## 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 takes into account historical loss experience and current economic conditions to assess the balance required to cover expected losses in the portfolio.

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	Half Year Ended				Full Year Ended	
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M
<b>Total charge for bad and doubtful debts</b>	<b>131</b>	<b>116</b>	<b>144</b>	<b>89</b>	<b>247</b>	<b>233</b>
The charge is required for						
<b>Specific provisioning</b>						
New and increased provisioning	111	173	175	105	284	280
Less provisions no longer required (write backs)	(14)	(31)	(20)	(37)	(45)	(57)
Net specific provisioning	97	142	155	68	239	223
Provided from general provision	(97)	(142)	(155)	-	(239)	(155)
Charge for specific provision	-	-	-	68	-	68
<b>General provisioning</b>						
Direct write offs	18	26	21	21	44	42
Recoveries of amounts previously written off	(21)	(30)	(22)	(26)	(51)	(48)
Movement in assessed level	37	(22)	(10)	26	15	16
Fund specific provision	97	142	155	-	239	155
Charge for general provision	131	116	144	21	247	165
<b>Total charge for bad and doubtful debts</b>	<b>131</b>	<b>116</b>	<b>144</b>	<b>89</b>	<b>247</b>	<b>233</b>

### Provisions for Impairment

As at	30/06/99 \$M		31/12/98 \$M		30/06/98 \$M		31/12/97 \$M	
	Specific	General	Specific	General	Specific	General	Specific	General
<b>Movements in Provisions</b>								
<b>Opening balance</b>	<b>289</b>	<b>1,059</b>	<b>279</b>	<b>1,076</b>	<b>221</b>	<b>716</b>	<b>241</b>	<b>690</b>
Plus abnormal charge	-	-	-	-	-	370	-	-
New and increased provisioning	-	-	-	-	-	-	105	-
Write backs	-	-	-	-	-	-	(37)	-
Charge to profit and loss	-	131	-	116	-	144	68	21
Transfer from general provision	97	(97)	142	(142)	155	(155)	-	-
Direct write offs	-	(18)	-	(26)	-	(21)	-	(21)
Recoveries	-	21	-	30	-	22	-	26
Movement in assessed level	-	37	-	(22)	-	(10)	-	26
Bad debts written off	(106)	(3)	(129)	-	(91)	-	(88)	-
Exchange rate adjustment and other items	(5)	(12)	(3)	5	(6)	-	-	-
<b>Closing Balance</b>	<b>275</b>	<b>1,081</b>	<b>289</b>	<b>1,059</b>	<b>279</b>	<b>1,076</b>	<b>221</b>	<b>716</b>

## ASIAN AND OTHER REGIONAL EXPOSURES AS AT 30 JUNE 1999

The Bank's credit risk exposure by customer type is set out below

Country	CUSTOMER TYPE					30/06/99	31/12/98	30/06/98	31/12/97
	Finance	Corporate/ Multinational	Govt	Project Finance	APL/ NZPL	Total Exposure	Total Exposure	Total Exposure	Total Exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
China	21	85	-	-	1	107	140	225	n/a
Hong Kong	205	554	45	-	164	968	1,082	979	n/a
	226	639	45	-	165	1,075	1,222	1,204	1,298
Japan	968	291	223	-	-	1,482	1,838	2,574	2,839
Malaysia	7	60	-	-	4	71	77	78	163
Singapore	361	103	1	-	38	503	647	749	658
Taiwan	5	16	-	-	-	21	41	45	89
Other	5	4	-	-	-	9	10	13	-
	1,346	474	224	-	42	2,086	2,613	3,459	3,749
Indonesia	61	162	50	94	50	417	505	618	702
South Korea	264	92	-	-	-	356	435	370	740
Thailand	24	128	17	-	-	169	183	254	256
	349	382	67	94	50	942	1,123	1,242	1,698
<b>Total Exposure</b>	<b>1,921</b>	<b>1,495</b>	<b>336</b>	<b>94</b>	<b>257</b>	<b>4,103</b>	<b>4,958</b>	<b>5,905</b>	<b>6,745</b>

Region	CUSTOMER TYPE					30/06/99	31/12/98
	Finance	Corporate/ Multinational	Govt	Project Finance	APL/ NZPL	Total Exposure	Total Exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Eastern Europe*	16	1	30	-	-	47	54
Latin America	-	-	-	-	-	-	1
Middle East	106	10	-	-	-	116	129

\* Includes nil exposure to Russia.

See Definitions next page.

Country	PRODUCT CATEGORY					30/06/99	31/12/98	30/06/98	31/12/97
	Trade Finance	Lending Booked Outside Asia	Other Commercial Lending	APL/ NZPL	Treasury Securities	Total Exposure	Total Exposure	Total Exposure	Total Exposure
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
China	13	41	51	1	1	107	140	225	n/a
Hong Kong	1	277	371	164	155	968	1,082	979	n/a
	14	318	422	165	156	1,075	1,222	1,204	1,298
Japan	-	287	220	-	975	1,482	1,838	2,574	2,839
Malaysia	-	1	7	4	59	71	77	78	163
Singapore	-	21	404	38	40	503	647	749	658
Taiwan	4	-	16	-	1	21	41	45	89
Other	1	-	8	-	-	9	10	13	-
	5	309	655	42	1,075	2,086	2,613	3,459	3,749
Indonesia	-	5	358	50	4	417	505	618	702
South Korea	110	-	73	-	173	356	435	370	740
Thailand	1	-	143	-	25	169	183	254	256
	111	5	574	50	202	942	1,123	1,242	1,698
<b>Total Exposure</b>	<b>130</b>	<b>632</b>	<b>1,651</b>	<b>257</b>	<b>1,433</b>	<b>4,103</b>	<b>4,958</b>	<b>5,905</b>	<b>6,745</b>

**ASIAN AND OTHER REGIONAL EXPOSURES AS AT 30 JUNE 1999 (CONTINUED)**

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

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

*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.

n/a - not available.

**DEPOSITS AND OTHER PUBLIC BORROWINGS**

As at	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99
					vs 30/06/98 %
<b>Australia</b>					
Certificates of deposit	11,000	7,534	2,156	673	large
Term deposits	23,871	24,756	24,522	24,790	(3)
On demand and short term deposits	41,454	40,812	40,337	38,296	3
Deposits not bearing interest	4,555	4,085	3,936	4,831	16
Securities sold under agreements to repurchase	619	657	662	859	(6)
Other	7	7	7	6	-
<b>Total Australia</b>	<b>81,506</b>	<b>77,851</b>	<b>71,620</b>	<b>69,455</b>	<b>14</b>
<b>Overseas</b>					
Certificates of deposit	2,295	2,507	2,938	2,578	(22)
Term deposits	5,692	6,295	6,201	6,016	(8)
On demand and short term deposits	3,878	4,407	3,057	3,232	27
Deposits not bearing interest	57	37	70	40	(19)
<b>Total Overseas</b>	<b>11,922</b>	<b>13,246</b>	<b>12,266</b>	<b>11,866</b>	<b>(3)</b>
<b>Total Deposits and Other Public Borrowings</b>	<b>93,428</b>	<b>91,097</b>	<b>83,886</b>	<b>81,321</b>	<b>11</b>

**Deposits and Other Public Borrowings: Australia**

30/06/99 - 30/06/98 (up 14%)  
30/06/99 - 31/12/98 (up 5%)

Total deposits increased by \$9.9 billion over the corresponding period, primarily in certificates of deposit.

Notwithstanding increased competition, the Bank has maintained its leading market share of retail deposits. However, with continued growth in funds management alternatives and changes in household funds flows, retail deposit growth is not expected to keep pace with asset growth; accordingly, there will be increased reliance on wholesale funding.

**Deposits and Other Public Borrowings: Overseas**

30/06/99 - 30/06/98 (down 3%)  
30/06/99 - 31/12/98 (down 10%)

ASB Bank in New Zealand grew the balance of on demand and short term deposits by \$1.3 billion which was offset by some reductions in other offshore borrowings.

**AVERAGE BALANCE SHEET YEARLY FIGURES**

Year Ended	Average Balance \$M	30/06/99 Interest \$M	Average Rate %	Average Balance \$M	30/06/98 Interest \$M	Average Rate %	Average Balance \$M	30/06/97 Interest \$M	Average Rate %
<b>AVERAGE ASSETS AND INTEREST INCOME</b>									
<b>Interest Earning Assets</b>									
Cash and liquid assets									
Australia	1,468	58	4.0	1,942	86	4.4	2,188	138	6.3
Overseas	119	-	-	156	2	1.3	68	3	4.4
Receivables due from other financial institution									
Australia	1,481	79	5.3	1,882	106	5.6	2,361	135	5.7
Overseas	1,522	86	5.7	1,977	135	6.8	2,747	151	5.5
Deposits with regulatory authorities									
Australia	892	-	-	809	-	-	756	11	1.5
Overseas	2	-	-	-	-	-	-	-	-
Trading securities									
Australia	2,720	149	5.5	1,297	83	6.4	1,511	96	6.4
Overseas	1,700	97	5.7	1,709	130	7.6	357	12	3.4
Investment securities									
Australia	3,052	171	5.6	2,987	183	6.1	5,083	303	6.0
Overseas	4,659	254	5.5	3,662	226	6.2	4,068	288	7.1
Loans, advances and other receivable									
Australia	83,350	5,899	7.1	73,797	5,542	7.5	67,292	5,959	8.9
Overseas	13,306	949	7.1	11,947	1,105	9.2	9,732	882	9.1
Other interest earning assets									
Intragroup loans	-	3	n/a	-	7	n/a	-	11	n/a
Australia	414	23	5.6	713	43	6.0	739	46	6.2
Average interest earning assets and interest income including intragroup									
	114,685	7,768	6.8	102,878	7,648	7.4	96,902	8,035	8.3
Intragroup eliminations									
	(414)	(23)	5.6	(713)	(43)	6.0	(739)	(46)	6.2
<b>Total average interest earning assets and interest income</b>	<b>114,271</b>	<b>7,745</b>	<b>6.8</b>	<b>102,165</b>	<b>7,605</b>	<b>7.4</b>	<b>96,163</b>	<b>7,989</b>	<b>8.3</b>
<b>Non Interest Earning Assets</b>									
Bank acceptances									
Australia	9,971			9,660			9,825		
Overseas	32			34			55		
Property, plant and equipment									
Australia	1,240			1,625			2,188		
Overseas	211			209			235		
Other assets									
Australia	9,739			8,883			5,646		
Overseas	2,085			2,015			1,267		
Provisions for impairment									
Australia	(1,210)			(950)			(938)		
Overseas	(158)			(86)			(83)		
<b>Total average non interest earning assets</b>	<b>21,910</b>			<b>21,390</b>			<b>18,195</b>		
<b>Total Average Assets</b>	<b>136,181</b>			<b>123,555</b>			<b>114,358</b>		
<b>Percentage of total average assets applicable to overseas operations</b>	<b>17.2%</b>			<b>17.5%</b>			<b>16.1%</b>		

**AVERAGE BALANCE SHEET (CONTINUED)**

Year Ended	Average Balance \$M	30/06/99 Interest \$M	Average Rate %	Average Balance \$M	30/06/98 Interest \$M	Average Rate %	Average Balance \$M	30/06/97 Interest \$M	Average Rate %
<b>AVERAGE LIABILITIES AND INTEREST EXPENSE</b>									
<b>Interest Bearing Liabilities and Loan Capital</b>									
Time deposits									
Australia	31,119	1,597	5.1	26,055	1,464	5.6	26,600	1,768	6.6
Overseas	9,201	591	6.4	8,300	718	8.7	6,487	529	8.2
Saving deposits									
Australia	24,378	418	1.7	22,970	403	1.8	21,106	538	2.5
Overseas	2,120	81	3.8	1,680	104	6.2	1,696	103	6.1
Other demand deposits									
Australia	17,247	626	3.6	15,865	630	4.0	13,344	696	5.2
Overseas	1,682	40	2.4	1,375	24	1.7	1,321	26	2.0
Payables due to other financial institutions									
Australia	643	35	5.4	481	17	3.5	221	7	3.2
Overseas	3,367	172	5.1	3,175	201	6.3	3,463	219	6.3
Short term borrowings									
Australia	6,005	319	5.3	3,640	220	6.0	3,445	215	6.2
Overseas	2,130	74	3.5	1,656	73	4.4	1,354	76	5.6
Long term borrowings									
Australia	1,684	76	4.5	2,631	133	5.1	2,524	191	7.6
Overseas	808	30	3.7	874	50	5.7	968	43	4.4
Loan capital									
Australia	2,746	155	5.6	2,891	166	5.7	2,752	170	6.2
Other interest bearing liabilities	-	4	-	57	5	8.8	15	16	n/a
Intragroup borrowings									
Overseas	414	23	5.6	713	43	6.0	739	46	6.2
<b>Average interest bearing liabilities and loan capital and interest expense including intragroup</b>	<b>103,544</b>	<b>4,241</b>	<b>4.1</b>	<b>92,363</b>	<b>4,251</b>	<b>4.6</b>	<b>86,035</b>	<b>4,643</b>	<b>5.4</b>
Intragroup eliminations	(414)	(23)	5.6	(713)	(43)	6.0	(739)	(46)	6.2
<b>Total average interest bearing liabilities and loan capital and interest expense</b>	<b>103,130</b>	<b>4,218</b>	<b>4.1</b>	<b>91,650</b>	<b>4,208</b>	<b>4.6</b>	<b>85,296</b>	<b>4,597</b>	<b>5.4</b>

**AVERAGE BALANCE SHEET (CONTINUED)**

Year Ended	30/06/99			30/06/98			30/06/97		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
<b>Non Interest Bearing Liabilities</b>									
Deposits not bearing interest									
Australia	3,952			3,738			3,566		
Overseas	76			58			53		
Liability on acceptances									
Australia	9,971			9,660			9,825		
Overseas	32			34			55		
Other liabilities									
Australia	9,632			9,377			7,504		
Overseas	2,383			1,990			1,438		
<b>Total average non interest bearing liabilities</b>	<b>26,046</b>			<b>24,857</b>			<b>22,441</b>		
<b>Total average liabilities and loan capital</b>	<b>129,176</b>			<b>116,507</b>			<b>107,737</b>		
Shareholders' equity	7,005			7,048			6,621		
<b>Total average liabilities, loan capital and shareholders' equity</b>	<b>136,181</b>			<b>123,555</b>			<b>114,358</b>		
<b>Percentage of total average liabilities applicable to overseas operations</b>	<b>16.9%</b>			<b>16.5%</b>			<b>15.6%</b>		

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.

## INTEREST RATE AND VOLUME ANALYSIS OF FULL YEAR RESULTS

Year Ended	30/06/99 vs 30/06/98			30/06/98 vs 30/06/97		
	Changes due to			Changes due to		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
<b>Interest Earning Assets</b>						
Cash and liquid assets						
Australia	(20)	(8)	(28)	(13)	(39)	(52)
Overseas	(0)	(2)	(2)	3	(4)	(1)
Receivables due from other financial institutions						
Australia	(22)	(5)	(27)	(27)	(2)	(29)
Overseas	(28)	(21)	(49)	(47)	31	(16)
Deposits with regulatory authorities						
Australia	-	-	-	0	(11)	(11)
Trading securities						
Australia	85	(19)	66	(14)	1	(13)
Overseas	(1)	(32)	(33)	74	44	118
Investment securities						
Australia	4	(16)	(12)	(127)	7	(120)
Overseas	58	(30)	28	(27)	(35)	(62)
Loans, advances and other receivables						
Australia	697	(340)	357	532	(949)	(417)
Overseas	111	(267)	(156)	203	20	223
Other interest earning assets	-	(4)	(4)	-	(4)	(4)
Intragroup loans						
Australia	(17)	(3)	(20)	(2)	(1)	(3)
Change in interest income including intragroup	839	(719)	120	470	(857)	(387)
Intragroup eliminations	17	3	20	2	1	3
<b>Change in Interest Income</b>	<b>861</b>	<b>(721)</b>	<b>140</b>	<b>473</b>	<b>(857)</b>	<b>(384)</b>
<b>Interest Bearing Liabilities and Loan Capital</b>						
Time deposits						
Australia	272	(139)	133	(33)	(271)	(304)
Overseas	68	(195)	(127)	152	37	189
Savings deposits						
Australia	24	(9)	15	40	(175)	(135)
Overseas	22	(45)	(23)	(1)	2	1
Other demand deposits						
Australia	53	(57)	(4)	116	(182)	(66)
Overseas	6	10	16	1	(3)	(2)
Payables due to other financial institutions						
Australia	7	11	18	9	1	10
Overseas	11	(40)	(29)	(18)	0	(18)
Short term borrowings						
Australia	134	(35)	99	12	(7)	5
Overseas	19	(18)	1	15	(18)	(3)
Long term borrowings						
Australia	(45)	(12)	(57)	7	(65)	(58)
Overseas	(3)	(17)	(20)	(5)	12	7
Loan capital						
Australia	(8)	(3)	(11)	8	(12)	(4)
Other interest bearing liabilities	-	(1)	(1)	-	(11)	(11)
Intragroup borrowings						
Overseas	(17)	(3)	(20)	(2)	(1)	(3)
Change in interest expense including intragroup	486	(496)	(10)	316	(708)	(392)
Intragroup eliminations	17	3	20	2	1	3
<b>Change in Interest Expense</b>	<b>498</b>	<b>(488)</b>	<b>10</b>	<b>317</b>	<b>(706)</b>	<b>(389)</b>
<b>Change in Net Interest Income</b>	<b>363</b>	<b>(233)</b>	<b>130</b>	<b>156</b>	<b>(151)</b>	<b>5</b>

The volume and rate variances for both total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories).

**AVERAGE BALANCE SHEET HALF YEARLY FIGURES**

Half Year Ended	30/06/99			31/12/98			30/06/98			31/12/97		
	Average Balance	Interest	Average Rate									
	\$M	\$M	%									
<b>AVERAGE ASSETS AND INTEREST INCOME</b>												
<b>Interest Earning Assets</b>												
Cash and liquid assets												
Australia	1,628	30	3.7	1,311	28	4.2	787	18	4.6	3,078	68	4.4
Overseas	51	-	-	186	-	-	139	1	1.5	173	1	1.1
Receivables due from other financial institutions												
Australia	1,370	34	5.0	1,590	45	5.6	1,725	48	5.6	2,036	58	5.7
Overseas	1,251	35	5.6	1,789	51	5.7	1,808	67	7.5	2,135	68	6.3
Deposits with regulatory authorities												
Australia	921	-	-	863	-	-	816	-	-	802	-	-
Overseas	2	-	-	2	-	-	3	-	-	5	-	-
Trading securities												
Australia	2,818	74	5.3	2,624	75	5.7	1,530	48	6.3	1,067	35	6.5
Overseas	1,734	41	4.8	1,667	56	6.7	1,672	73	8.8	1,745	57	6.5
Investment securities												
Australia	2,872	85	6.0	3,229	86	5.3	2,679	84	6.3	3,289	99	6.0
Overseas	4,687	120	5.2	4,631	134	5.7	3,771	118	6.3	3,557	108	6.0
Loans, advances and other receivables												
Australia	85,550	2,951	7.0	81,185	2,948	7.2	75,292	2,756	7.4	72,326	2,786	7.6
Overseas	13,907	424	6.1	12,715	525	8.2	12,216	591	9.8	11,682	514	8.7
Other interest earning assets												
Intragroup loans	-	1	n/a	-	2	n/a	(15)	(5)	n/a	15	12	n/a
Australia	(133)	(4)	6.1	952	27	5.6	776	23	6.0	653	20	6.1
Average interest earning assets and interest income including intragroup												
	116,657	3,791	6.6	112,744	3,977	7.0	103,199	3,822	7.5	102,563	3,826	7.4
Intragroup eliminations												
	133	4	6.1	(952)	(27)	5.6	(776)	(23)	6.0	(653)	(20)	6.1
<b>Total average interest earning assets and interest income</b>	<b>116,790</b>	<b>3,795</b>	<b>6.6</b>	<b>111,792</b>	<b>3,950</b>	<b>7.0</b>	<b>102,423</b>	<b>3,799</b>	<b>7.5</b>	<b>101,910</b>	<b>3,806</b>	<b>7.4</b>
<b>Non Interest Earning Assets</b>												
Bank acceptances												
Australia	10,246			9,700			9,848			9,475		
Overseas	31			33			25			43		
Property, plant and equipment												
Australia	1,113			1,365			1,501			1,747		
Overseas	212			210			195			223		
Other assets												
Australia	8,502			10,956			9,417			8,358		
Overseas	2,384			1,791			2,182			1,851		
Provisions for impairment												
Australia	(1,192)			(1,228)			(946)			(954)		
Overseas	(166)			(150)			(99)			(73)		
<b>Total average non interest earning assets</b>	<b>21,130</b>			<b>22,677</b>			<b>22,123</b>			<b>20,670</b>		
<b>Total Average Assets</b>	<b>137,920</b>			<b>134,469</b>			<b>124,546</b>			<b>122,580</b>		
<b>Percentage of total average assets applicable to overseas operations</b>	<b>17.5%</b>			<b>17.0%</b>			<b>17.6%</b>			<b>17.4%</b>		

**AVERAGE BALANCE SHEET (CONTINUED)**

Half Year Ended	30/06/99			31/12/98			30/06/98			31/12/97		
	Average Balance \$M	Interest \$M	Average Rate %									
<b>AVERAGE LIABILITIES AND INTEREST EXPENSE</b>												
<b>Interest Bearing Liabilities and Loan Capital</b>												
Time deposits												
Australia	32,489	812	5.0	29,771	785	5.2	25,961	693	5.4	26,148	771	5.8
Overseas	9,165	221	4.9	9,236	370	7.9	8,503	403	9.6	8,100	315	7.7
Saving deposits												
Australia	24,645	206	1.7	24,115	212	1.7	23,267	195	1.7	22,678	208	1.8
Overseas	2,230	34	3.1	2,012	47	4.6	1,532	51	6.7	1,826	53	5.8
Other demand deposits												
Australia	17,303	303	3.5	17,192	323	3.7	16,493	313	3.8	15,247	317	4.1
Overseas	1,745	26	3.0	1,620	14	1.7	1,402	10	1.4	1,348	14	2.1
Payables due to other financial institutions												
Australia	557	19	6.9	728	16	4.4	642	13	4.1	323	4	2.5
Overseas	3,085	79	5.2	3,644	93	5.1	3,186	102	6.5	3,164	99	6.2
Short term borrowings												
Australia	5,775	144	5.0	6,231	175	5.6	3,683	107	5.9	3,598	113	6.2
Overseas	2,920	59	4.1	1,353	15	2.2	1,854	31	3.4	1,461	42	5.7
Long term borrowings												
Australia	1,379	32	4.7	1,984	44	4.4	2,545	62	4.9	2,716	71	5.2
Overseas	802	14	3.5	814	16	3.9	634	24	7.6	1,110	26	4.6
Loan capital												
Australia	2,782	75	5.4	2,711	80	5.9	2,940	84	5.8	2,843	82	5.7
Other interest bearing liabilities												
	-	1	n/a	-	3	n/a	105	4	7.7	10	1	19.8
Intragroup borrowings												
Overseas	(133)	(4)	6.1	952	27	5.6	776	23	6.0	653	20	6.1
Average interest bearing liabilities and loan capital and interest expense including intragroup												
	104,744	2,021	3.9	102,363	2,220	4.3	93,523	2,115	4.6	91,225	2,136	4.6
Intragroup eliminations												
	133	4	6.1	(952)	(27)	5.6	(776)	(23)	6.0	(653)	(20)	6.1
<b>Total average interest bearing liabilities and loan capital and interest expense</b>												
	<b>104,877</b>	<b>2,025</b>	<b>3.9</b>	<b>101,411</b>	<b>2,193</b>	<b>4.3</b>	<b>92,747</b>	<b>2,092</b>	<b>4.5</b>	<b>90,572</b>	<b>2,116</b>	<b>4.6</b>

**AVERAGE BALANCE SHEET (CONTINUED)**

Half Year Ended	30/06/99			31/12/98			30/06/98			31/12/97		
	Average Balance	Interest	Average Rate									
	\$M	\$M	%									
<b>Non Interest Bearing Liabilities</b>												
Deposits not bearing interest												
Australia	4,286			3,623			3,874			3,604		
Overseas	70			82			68			48		
Liability on acceptances												
Australia	10,246			9,700			9,848			9,475		
Overseas	31			33			25			43		
Other liabilities												
Australia	8,543			10,703			8,968			9,779		
Overseas	3,048			1,729			2,112			1,870		
<b>Total average non interest bearing liabilities</b>	<b>26,225</b>			<b>25,870</b>			<b>24,895</b>			<b>24,819</b>		
<b>Total average liabilities and loan capital</b>	<b>131,102</b>			<b>127,281</b>			<b>117,642</b>			<b>115,391</b>		
Shareholders' equity	6,819			7,188			6,904			7,189		
<b>Total average liabilities, loan capital and shareholders' equity</b>	<b>274,615</b>			<b>134,469</b>			<b>124,546</b>			<b>122,580</b>		
<b>Percentage of total average liabilities applicable to overseas operations</b>	<b>17.6%</b>			<b>16.1%</b>			<b>16.5%</b>			<b>16.4%</b>		

## INTEREST RATE AND VOLUME ANALYSIS OF HALF YEAR RESULTS

	30/06/99 vs 30/06/98			30/06/99 vs 31/12/98		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
<b>Interest Earning Assets</b>						
Cash and liquid assets						
Australia	17	(5)	12	6	(4)	2
Overseas	(0)	(1)	(1)	-	-	-
Receivables due from other financial institutions						
Australia	(9)	(5)	(14)	(6)	(4)	(10)
Overseas	(18)	(14)	(32)	(15)	(0)	(15)
Deposits with regulatory authorities						
Australia	-	-	-	-	-	-
Overseas	-	-	-	-	-	-
Trading securities						
Australia	37	(11)	26	5	(5)	0
Overseas	2	(34)	(32)	2	(16)	(14)
Investment securities						
Australia	6	(5)	1	(10)	10	0
Overseas	26	(24)	2	2	(13)	(11)
Loans, advances and other receivables						
Australia	365	(170)	195	153	(102)	51
Overseas	67	(234)	(167)	42	(136)	(94)
Other interest earning assets	-	6	6	-	(1)	(1)
Intragroup loans						
Australia	(27)	0	(27)	(31)	1	(30)
Change in interest income including intragroup	468	(499)	(31)	131	(253)	(122)
Intragroup eliminations	27	(0)	27	31	(1)	30
<b>Change in Interest Income</b>	<b>500</b>	<b>(504)</b>	<b>(4)</b>	<b>168</b>	<b>(259)</b>	<b>(92)</b>
<b>Interest Bearing Liabilities and Loan Capital</b>						
Time deposits						
Australia	169	(50)	119	69	(29)	40
Overseas	24	(206)	(182)	(2)	(141)	(143)
Savings deposits						
Australia	12	(1)	11	5	(7)	(2)
Overseas	17	(34)	(17)	4	(16)	(12)
Other demand deposits						
Australia	15	(25)	(10)	2	(17)	(15)
Overseas	4	12	16	1	11	12
Payables due to other financial institutions						
Australia	(2)	8	6	(5)	8	3
Overseas	(3)	(20)	(23)	(14)	2	(12)
Short term borrowings						
Australia	56	(19)	37	(12)	(16)	(28)
Overseas	20	8	28	24	20	44
Long term borrowings						
Australia	(28)	(2)	(30)	(14)	2	(12)
Overseas	5	(15)	(10)	-	(2)	(2)
Loan capital						
Australia	(4)	(5)	(9)	2	(6)	(4)
Other interest bearing liabilities	-	(3)	(3)	-	(2)	(2)
Intragroup borrowings						
Overseas	(27)	0	(27)	(31)	1	(30)
Change in interest expense including intragroup	235	(329)	(94)	48	(211)	(163)
Intragroup eliminations	27	(0)	27	31	(1)	30
<b>Change in Interest Expense</b>	<b>254</b>	<b>(321)</b>	<b>(67)</b>	<b>70</b>	<b>(203)</b>	<b>(133)</b>
<b>Change in Net Interest Income</b>	<b>246</b>	<b>(183)</b>	<b>63</b>	<b>98</b>	<b>(56)</b>	<b>41</b>
<b>Change due to Variation in Time Periods</b>						<b>(29)</b>

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.

The volume and rate variances for both total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories). The variation in time periods allows for the different number of days in the respective half years.

## 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			
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M
<b>Exchange Rate Related Contracts</b>								
Forwards								
Trading	92,721	109,885	119,979	133,428	2,521	3,689	5,880	6,560
Other than trading	43	-	-	231	-	-	-	35
<b>Total forwards</b>	<b>92,764</b>	<b>109,885</b>	<b>119,979</b>	<b>133,659</b>	<b>2,521</b>	<b>3,689</b>	<b>5,880</b>	<b>6,595</b>
Swaps								
Trading	12,244	13,479	11,940	9,426	954	1,158	775	763
Other than trading	6,050	6,315	5,231	5,335	810	1,344	1,146	939
<b>Total swaps</b>	<b>18,294</b>	<b>19,794</b>	<b>17,171</b>	<b>14,761</b>	<b>1,764</b>	<b>2,502</b>	<b>1,921</b>	<b>1,702</b>
Futures								
Trading	218	153	84	87	-	-	-	-
Other than trading	-	-	-	-	-	-	-	-
<b>Total futures</b>	<b>218</b>	<b>153</b>	<b>84</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Options purchased and sold								
Trading	41,028	34,554	35,272	21,703	662	719	824	602
Other than trading	-	-	-	-	-	-	-	-
<b>Total options purchased and sold</b>	<b>41,028</b>	<b>34,554</b>	<b>35,272</b>	<b>21,703</b>	<b>662</b>	<b>719</b>	<b>824</b>	<b>602</b>
<b>Total Exchange Rate Related Contracts</b>	<b>152,304</b>	<b>164,386</b>	<b>172,506</b>	<b>170,210</b>	<b>4,947</b>	<b>6,910</b>	<b>8,625</b>	<b>8,899</b>
<b>Interest Rate Related Contracts</b>								
Forwards								
Trading	6,863	11,063	11,739	8,935	1	2	4	4
Other than trading	8,527	3,781	2,586	270	-	-	-	-
<b>Total forwards</b>	<b>15,390</b>	<b>14,844</b>	<b>14,325</b>	<b>9,205</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>4</b>
Swaps								
Trading	56,534	48,374	37,849	30,761	1,261	1,514	1,005	841
Other than trading	36,343	33,018	30,128	27,980	634	771	608	543
<b>Total swaps</b>	<b>92,877</b>	<b>81,392</b>	<b>67,977</b>	<b>58,741</b>	<b>1,895</b>	<b>2,285</b>	<b>1,613</b>	<b>1,384</b>
Futures								
Trading	44,602	30,816	39,410	41,196	-	-	-	-
Other than trading	454	72	726	76	-	-	-	-
<b>Total futures</b>	<b>45,056</b>	<b>30,888</b>	<b>40,136</b>	<b>41,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Options purchased and sold								
Trading	8,471	7,787	7,030	5,081	41	44	51	45
Other than trading	61	65	65	612	61	65	65	-
<b>Total options purchased and sold</b>	<b>8,532</b>	<b>7,852</b>	<b>7,095</b>	<b>5,693</b>	<b>102</b>	<b>109</b>	<b>116</b>	<b>45</b>
<b>Total Interest Rate Related Contracts</b>	<b>161,855</b>	<b>134,976</b>	<b>129,533</b>	<b>114,911</b>	<b>1,998</b>	<b>2,396</b>	<b>1,733</b>	<b>1,433</b>
<b>Equity Risk Related Contracts</b>								
Swaps								
Other than trading	-	-	-	359	-	-	-	8
Options purchased and sold								
Other than trading	278	135	449	187	-	-	10	-
<b>Total Equity Risk Related Contracts</b>	<b>278</b>	<b>135</b>	<b>449</b>	<b>546</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>8</b>
<b>Total Derivatives Exposures</b>	<b>314,437</b>	<b>299,497</b>	<b>302,488</b>	<b>285,667</b>	<b>6,945</b>	<b>9,306</b>	<b>10,368</b>	<b>10,340</b>

## CONTINGENT LIABILITIES

As at	Face Value				Credit Equivalent			
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M
<b>Credit Risk Related Instruments</b>								
Guarantees	2,030	1,838	1,878	1,506	2,030	1,838	1,878	1,506
Standby letters of credit	487	499	396	861	487	499	396	861
Bill endorsements	510	418	455	520	510	418	455	520
Documentary letters of credit	244	330	474	424	49	66	95	85
Performance related contingents	1,460	1,256	1,120	1,108	730	628	560	554
Commitments to provide credit	32,151	28,395	22,693	20,439	12,155	10,319	8,069	6,786
Other commitments	819	845	975	1,938	786	827	945	1,885
<b>Total Credit Risk Related Instruments</b>	<b>37,701</b>	<b>33,581</b>	<b>27,991</b>	<b>26,796</b>	<b>16,747</b>	<b>14,595</b>	<b>12,398</b>	<b>12,197</b>

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

## ACCOUNTING STANDARDS AND PRACTICES

### Accounting Policies

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

#### Changes in Accounting Policy

##### *Capitalisation of Computer Software Costs*

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-1 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use', the Group has capitalised \$22 million of costs related to developing or acquiring computer software for internal use as from 1 July 1998.

The amortisation period for software will be 2½ years except for certain longer term projects. Software maintenance costs and Year 2000 project costs will continue to be expensed as incurred.

##### *Income and Expenses*

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

##### *Life Insurance Business*

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

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

## 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 1998 Annual Report, Note 37 on pages 104-113 which explains the management of market risk.

**Interest Rate Risk** in the Balance Sheet is discussed within Note 37 of the 1998 Annual Report. Updated information to 30 June 1999 is as follows:

#### Next 12 months' Earnings

Over the year to 30 June 1999 the potential impact on net interest earnings of 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)	1999 %	1998 %
Average monthly exposure	2.1	2.8
High month exposure	2.9	3.4
Low month exposure	1.5	2.3

### 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.

	1999 \$M	1998 \$M
Exposures as at 30 June	54	78
Average monthly exposure	48	25
High month exposure	65	78
Low month exposure	31	7

**Foreign Exchange Risk** in the Balance Sheet is discussed within Note 37 of the 1998 Annual Report. Updated information to 30 June 1999 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% (1998: less than 0.3%).

**Value at risk (VAR)** within Financial Markets Trading is discussed within Note 37 of the 1998 Annual Report. Updated information to 30 June 1999 is:

	Average VAR During June 1999 Half \$M	Correlated Average VaR During December 1998 Half \$M	Average VaR During June 1998 Half \$M	Actual VaR as at 31 December 1997 \$M
Interest rate risk	2.02	1.97	2.92	4.55
Exchange rate risk	0.83	1.35	1.12	0.95
Implied volatility risk	0.53	0.58	0.30	0.16
Equities risk	0.04	0.14	0.13	0.00
Commodities risk	0.11	-	-	-
Diversification benefit	(1.33)	(1.51)	(1.29)	(1.26)
Total	2.20	2.53	3.18	4.40

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

## CAPITAL ADEQUACY

As at	30/06/99	31/12/98	30/06/98	31/12/97	30/06/99
	\$M	\$M	\$M	\$M	vs 30/06/98 %
<b>Tier One Capital</b>					
Total shareholders' equity	6,962	7,433	6,889	6,752	1
Eligible loan capital	638	936	1,306	1,224	(51)
Total shareholders' equity and loan capital	7,600	8,369	8,195	7,976	(7)
Goodwill	(491)	(514)	(531)	(552)	(8)
Preference shares	(88)	(95)	(47)	(52)	88
<b>Total Tier One Capital</b>	<b>7,021</b>	<b>7,760</b>	<b>7,617</b>	<b>7,372</b>	<b>(8)</b>
<b>Tier Two Capital</b>					
General provisions for bad and doubtful debts	1,081	1,059	1,076	716	0
FITB related to general provision	(347)	(300)	(337)	-	3
Dated note and bond issues	2,335	1,961	1,885	1,848	24
Preference shares	40	43	42	45	(5)
<b>Total Tier Two Capital</b>	<b>3,109</b>	<b>2,763</b>	<b>2,666</b>	<b>2,609</b>	<b>17</b>
<b>Total Tier One and Tier Two Capital</b>	<b>10,130</b>	<b>10,523</b>	<b>10,283</b>	<b>9,981</b>	<b>(1)</b>
Deductions	(788)	(866)	(381)	(390)	large
<b>Total Regulatory Capital</b>	<b>9,342</b>	<b>9,657</b>	<b>9,902</b>	<b>9,591</b>	<b>(6)</b>
<b>Tier One Capital less Eligible loan capital</b>	<b>6,383</b>	<b>6,824</b>	<b>6,311</b>	<b>6,148</b>	<b>1</b>
<b>Risk Weighted Capital Ratios</b>					
	%	%	%	%	%
Tier One	7.05	8.11	8.07	8.12	(13)
Tier Two	3.12	2.89	2.82	2.88	11
Deductions	(0.79)	(0.91)	(0.40)	(0.43)	98
<b>Total</b>	<b>9.38</b>	<b>10.09</b>	<b>10.49</b>	<b>10.57</b>	<b>(11)</b>

### Capital Reduction

The Bank's shareholders' equity was reduced by \$650 million on 24 March 1999 pursuant to the buy back of 27.4 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
Moody's Bank Financial Strength Rating		B

## FINANCIAL REPORTING BY SEGMENTS

	30/06/99 \$M	%	30/06/98 \$M	%	30/06/99 vs 30/06/98 %
<b>GEOGRAPHICAL SEGMENTS</b>					
<b>Revenue</b>					
Australia	8,801	84.3	9,514	84.3	(7)
New Zealand	976	9.4	1,115	9.9	(12)
Other countries*	660	6.3	657	5.8	-
	<b>10,437</b>	<b>100.0</b>	<b>11,286</b>	<b>100.0</b>	<b>(8)</b>
<b>Operating profit before income tax</b>					
Australia	1,933	89.5	1,221	91.0	58
New Zealand	151	7.0	148	11.0	2
Other countries*	76	3.5	(27)	(2.0)	large
	<b>2,160</b>	<b>100.0</b>	<b>1,342</b>	<b>100.0</b>	<b>61</b>
<b>Operating profit after income tax and outside equity interests</b>					
Australia	1,270	89.3	1,044	95.8	22
New Zealand	80	5.6	73	6.7	10
Other countries*	72	5.1	(27)	(2.5)	large
	<b>1,422</b>	<b>100.0</b>	<b>1,090</b>	<b>100.0</b>	<b>30</b>
<b>Assets</b>					
Australia	115,510	83.6	110,120	84.4	5
New Zealand	13,046	9.5	10,846	8.3	20
Other countries*	9,540	6.9	9,578	7.3	-
	<b>138,096</b>	<b>100.0</b>	<b>130,544</b>	<b>100.0</b>	<b>6</b>

\* See Definitions (p 46).

## EXCHANGE RATE CONVERSIONS

At	30/06/99	31/12/98	30/06/98	31/12/97
AUD1.00 = USD	.6599	.6136	.6128	.6540
GBP	.4190	.3685	.3675	.3945
JPY	79.7934	70.3946	86.3201	84.9906
NZD	1.2478	1.1628	1.1930	1.1236
HKD	5.1197	4.7539	4.7486	5.0667
DEM	1.2487	1.0315	1.1091	1.1702
CHF	1.0228	.8498	.9337	.9513
IDR	4432	4875	8000	4500

**FINANCIAL REPORTING BY SEGMENTS (CONTINUED)**

	30/06/99 \$M	%	30/06/98 \$M	%	30/06/99 vs 30/06/98 %
<b>INDUSTRY SEGMENTS</b>					
<b>Revenue</b>					
Banking	9,576	91.8	10,563	93.6	(9)
Life insurance and funds management	360	3.4	214	1.9	68
Finance	501	4.8	509	4.5	(2)
	<b>10,437</b>	<b>100.0</b>	<b>11,286</b>	<b>100.0</b>	<b>(8)</b>
<b>Operating profit before income tax</b>					
Banking	1,944	90.0	1,158	86.3	68
Life insurance and funds management	127	5.9	81	6.0	57
Finance	89	4.1	103	7.7	(14)
	<b>2,160</b>	<b>100.0</b>	<b>1,342</b>	<b>100.0</b>	<b>61</b>
<b>Operating profit after income tax and outside equity interests</b>					
Banking	1,252	88.1	940	86.2	33
Life insurance and funds management	117	8.2	84	7.7	39
Finance	53	3.7	66	6.1	(20)
	<b>1,422</b>	<b>100.0</b>	<b>1,090</b>	<b>100.0</b>	<b>30</b>
<b>Assets</b>					
Banking	131,043	94.9	124,765	95.6	5
Life insurance and funds management	1,309	0.9	427	0.3	large
Finance	5,744	4.2	5,352	4.1	7
	<b>138,096</b>	<b>100.0</b>	<b>130,544</b>	<b>100.0</b>	<b>6</b>

	30/06/99 \$M	30/06/98 \$M
<b>Revenue from Operating Activities</b>		
Interest income	7,745	7,605
Fee and commissions	1,281	1,150
Trading income	273	243
Life insurance and funds management	254	205
Dividends	6	18
Proceeds from sale of property, plant and equipment	652	196
Proceeds from sale of investment securities	146	1,787
Other income	80	82
	<b>10,437</b>	<b>11,286</b>

There were no sources of non operating revenue.

The Group undertook a major restructuring program during the financial year ended 30 June 1998. As part of the restructuring program, the previous business units of Personal Banking, Business Banking and Commonwealth Financial Services were reorganised into two new divisions: the specialist areas of marketing, customer segmentation and product development became the Banking and Financial Services Division, while the various distribution arms were brought together to form the Customer Services Division. The Institutional Banking Division remained largely unchanged. Retail Financial Services is comprised of two divisions, Customer Services Division and Banking and Financial Services Division. Corporate comprises the various head office functions as well as Technology, Operations and Property.

**PROFIT AND LOSS**

	GROUP Year Ended 30 June 1999					GROUP Year Ended 30 June 1998				
	Retail Financial Services	Institutional Banking	ASB	Corporate	Total	Retail Financial Services	Institutional Banking	ASB	Corporate	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Net interest income	2,769	273	279	206	3,527	2,730	242	282	143	3,397
Fees and commissions	939	240	94	8	1,281	834	223	90	3	1,150
Trading income	-	253	18	2	273	-	229	14	-	243
Life insurance and funds management	223	16	7	8	254	188	17	1	(1)	205
Other income	59	75	9	46	189	68	99	4	64	235
Internal charges <sup>(1)</sup>	159	167	-	520	-	141	140	-	556	-
Total operating income	4,149	1,024	407	790	5,524	3,961	950	391	765	5,230
Provisions for impairment	172	62	11	2	247	137	132	9	(45)	233
Staff expenses										
Provisions (non cash)	33	4	1	4	42	24	4	1	(4)	25
Other	1,021	212	124	205	1,562	1,047	191	111	248	1,597
Total Staff expenses	1,054	216	125	209	1,604	1,071	195	112	244	1,622
Occupancy and equipment expenses										
Depreciation	109	8	25	3	145	128	5	22	(23)	132
Other	228	42	27	13	310	234	48	30	29	341
Total Occupancy and equipment expenses	337	50	52	16	455	362	53	52	6	473
Information technology services	366	104	21	14	505	322	101	21	32	476
Other expenses	280	48	47	131	506	295	30	48	95	468
Internal charges <sup>(1)</sup>	678	171	-	(2)	-	672	168	-	(3)	-
Total operating expenses	2,715	589	245	368	3,070	2,722	547	233	374	3,039
Amortisation of goodwill	7	-	-	40	47	1	-	-	45	46
Abnormal items	-	-	-	-	-	-	-	-	570	570
Profit before tax	1,255	373	151	380	2,160	1,101	271	149	(179)	1,342
Income tax expense	416	68	47	183	714	374	78	50	(270)	232
Outside equity interest	-	-	24	-	24	-	-	25	(5)	20
Profit after tax and outside equity interest	839	305	80	197	1,422	727	193	74	96	1,090

**Balance Sheet**

Total Assets	81,583	40,697	12,855	2,961	138,096	75,329	41,622	10,793	2,800	130,544
Total Liabilities	57,390	34,251	11,992	27,501	131,134	56,894	35,928	10,147	20,686	123,655

<sup>(1)</sup> Internal charges are eliminated on consolidation.

## STATEMENT OF CASH FLOWS

	Half Year Ended				Full Year Ended	
	30/06/99 \$M	31/12/98 \$M	30/06/98 \$M	31/12/97 \$M	30/06/99 \$M	30/06/98 \$M
<b>Cash flows from operating activities</b>						
Interest received	3,836	3,960	3,858	3,699	7,796	7,557
Dividends received	4	2	16	2	6	18
Interest paid	(2,048)	(2,023)	(2,101)	(1,964)	(4,071)	(4,065)
Other operating income received	1,249	723	445	707	1,972	1,152
Staff expenses paid	(688)	(822)	(856)	(849)	(1,510)	(1,705)
Occupancy and equipment expenses paid	(179)	(134)	(153)	(136)	(313)	(289)
Information technology services expenses paid	(243)	(238)	(294)	(209)	(481)	(503)
Other expenses paid	(70)	(382)	(211)	(205)	(452)	(416)
Income taxes paid	(168)	(195)	(109)	(107)	(363)	(216)
Net decrease (increase) in trading securities	(1,267)	859	(359)	(287)	(408)	(646)
<b>Net cash provided by operating activities</b>	<b>426</b>	<b>1,750</b>	<b>236</b>	<b>651</b>	<b>2,176</b>	<b>887</b>
<b>Cash flows from investing activities</b>						
Payments for acquisition of entity - Sovereign Ltd	10	(206)	-	-	(196)	-
Net movement in investment securities						
Purchases	(6,823)	(6,514)	(4,607)	(3,898)	(13,337)	(8,505)
Proceeds from sale	35	111	61	1,726	146	1,787
Proceeds at or close to maturity	6,540	5,453	4,529	4,152	11,993	8,681
Lodgment of deposits with regulatory authorities	(58)	(63)	(25)	(10)	(121)	(35)
Net increase in loans, advances and other receivables	(6,393)	(5,426)	(5,847)	(4,035)	(11,819)	(9,882)
Proceeds from sale of property, plant and equipment	486	166	104	92	652	196
Purchase of property, plant and equipment	(47)	(34)	(38)	(40)	(81)	(78)
Net decrease in receivables due from other financial institutions not at call	359	(130)	651	158	229	809
Net (increase) decrease in securities purchased under agreements to resell	(51)	(414)	278	69	(465)	347
Net decrease in other assets	(1,185)	762	473	702	(423)	1,175
<b>Net cash used in investing activities</b>	<b>(7,127)</b>	<b>(6,295)</b>	<b>(4,421)</b>	<b>(1,084)</b>	<b>(13,422)</b>	<b>(5,505)</b>
<b>Cash flows from financing activities</b>						
Buy back of shares	(650)	-	-	(651)	(650)	(651)
Proceeds from issue of shares	4	2	2	3	6	5
Net increase in deposits and other borrowings	2,893	6,583	3,207	3,476	9,476	6,683
Proceeds from long term debt issues	131	-	1,232	123	131	1,355
Repayment of long term debt issues	(118)	-	(1,179)	(51)	(118)	(1,230)
Net movement in short term debt issues	1,668	(1,282)	2,515	(3,485)	386	(970)
Dividends paid	(260)	(311)	(241)	(261)	(571)	(502)
Payments from provisions	(60)	(78)	30	(40)	(138)	(10)
Net (decrease) increase in payables due to other financial institutions not at call	237	(714)	(631)	(238)	(477)	(869)
Net (decrease) increase in securities sold under agreements to repurchase	(38)	(5)	(197)	145	(43)	(52)
Repayment of loan capital	(50)	(267)	-	-	(317)	-
Other	1,921	(880)	(164)	(332)	1,041	(496)
<b>Net cash (used in) provided by financing activities</b>	<b>5,678</b>	<b>3,048</b>	<b>4,574</b>	<b>(1,311)</b>	<b>8,726</b>	<b>3,263</b>
Net increase (decrease) in cash and cash equivalents	(1,023)	(1,497)	389	(1,744)	(2,520)	(1,355)
Cash and cash equivalents at beginning of period	466	1,963	1,574	3,318	1,963	3,318
<b>Cash and cash equivalents at end of period</b>	<b>(557)</b>	<b>466</b>	<b>1,963</b>	<b>1,574</b>	<b>(557)</b>	<b>1,963</b>

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

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

Half Year Ended	Half Year Ended			
	30/06/99	31/12/98	30/06/98	31/12/97
	\$M	\$M	\$M	\$M
Operating profit after income tax	720	726	497	613
(Increase) decrease in interest receivable	8	(9)	14	(27)
Increase in interest payable	(78)	43	22	53
Net (increase) decrease in trading securities	(1,267)	859	(359)	(287)
Net (gain) loss on investment securities	(9)	(70)	(66)	(35)
Charge for bad and doubtful debts	131	116	144	89
Depreciation and amortisation	93	99	106	127
Other provisions	47	21	(78)	4
Increase (decrease) in income taxes payable	112	149	75	(29)
Increase (decrease) in deferred income taxes payable	(2)	52	(6)	134
(Increase) decrease in future income tax benefits	(20)	12	(218)	60
Amortisation of discount on debt issues	90	116	149	112
Amortisation of premium (discount) on investment securities	53	4	(6)	32
Unrealised gain on revaluation of trading securities	368	(152)	(376)	(108)
Abnormal item	-	-	492	-
Other	180	(216)	(154)	(87)
<b>Net cash provided by operating activities</b>	<b>426</b>	<b>1,750</b>	<b>236</b>	<b>651</b>

**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	30/06/99	31/12/98	30/06/98	31/12/97
	\$M	\$M	\$M	\$M
Notes, coin and cash at bankers	784	1,104	951	901
Other short term liquid assets	238	521	247	337
Receivables due from other financial institutions - at call	912	1,683	2,925	2,369
Payables due to other financial institutions - at call	(2,491)	(2,842)	(2,160)	(2,033)
<b>Cash and cash equivalents at end of period</b>	<b>(557)</b>	<b>466</b>	<b>1,963</b>	<b>1,574</b>

**Non Cash Financing and Investing Activities**

The value of shares issued under the Dividend Reinvestment Plan totalled \$426 million (1998: \$452 million) and Employee Share Acquisition Plan Nil (1998: \$28 million).

**SHARE CAPITAL AND RESERVES**

	Ordinary Shares Issued	\$M
<b>Share Capital</b>		
Opening Balance 1/07/98	922,658,274	1,845
Transfer from Share Premium Reserve		1,499
Buy back	(27,366,447)	(246)
DRP 1997/98 final dividend	12,114,896	226
DRP 1998/99 interim dividend	8,260,352	200
Employee Share Subscription Plan Issues	275,550	5
Exercise under Executive Option Plan	26,000	-
Issue costs		(3)
Closing Balance 30/06/99	915,968,625	3,526
<b>Reserves</b>		
Opening balance 1/07/98		4,112
Transfer of Share Premium Reserve to Share Capital		(1,499)
Transfer of DRP Reserve to Share Capital		(397)
Transfer to DRP Reserve re 1998/99 Dividends		316
Appropriation from profits		99
Transfer to Retained Profits		(1,087)
Movement in Foreign Currency Translation Reserve		(33)
Closing Balance 30/06/99		1,511

## SHARE CAPITAL AND RESERVES (CONTINUED)

Following changes to the Corporations Law on 1 July 1998, shares have no par value and the related Share Premium Reserve becomes part of share capital.

### Employee Share Plans

The Bank has in place the following employee share plans:

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

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

### Employee Share Acquisition Plan

Under the Plan a grant of up to \$1,000 is possible if the Bank achieves the performance target of growth in annual profit by the greater of 5% or consumer price index plus 2%. As this target was not met in respect of the 1997/98 financial year no grant was made for that year. The target has been met for the 1998/99 year.

### Employee Share Subscription Plan

The Employee Share Subscription Plan provides employees of the Bank with the opportunity to purchase ordinary shares at a 5% discount to the market price of the shares at the 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.

On 30 September 1998 a total of 81,450 ordinary shares were issued to 511 eligible employees at a purchase price of \$18.60 per share. The purchase price was 95% of the weighted average market price of the shares on the ASX

during the five trading days immediately before the offer date of 25 August 1998. The market value at the date of issue was \$19.97 per share.

On 26 March 1999 a total of 194,100 ordinary shares were issued to 1,027 eligible employees at a purchase price of \$23.36 per share. The purchase price was 95% of the weighted average market price of the shares on the ASX during the five trading days immediately before the offer date of 23 February 1999. The market value at the date of issue was \$26.25 per share.

### Executive Option Plan

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

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

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

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

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

682,500 options, from all grants to date, have been forfeited as at 30 June 1999. 26,000 options from the 1996 grant have been exercised as at 30 June 1999. There are 7,541,500 options outstanding.

**SHARE CAPITAL AND RESERVES (CONTINUED)****SHAREHOLDER VALUE**

<b>Half Year Ended</b>	<b>30/06/99</b>	<b>31/12/98</b>	<b>30/06/98</b>	<b>31/12/97</b>
Dividend per share (cents) fully franked	66	49	58	46
Earnings per share (cents)*				
before abnormal items	76.7	76.7	68.7	65.8
after abnormal items	76.7	76.7	53.2	64.0
Return on average shareholders' equity (%)*				
before abnormal items	20.62	20.46	19.00	17.62
after abnormal items	20.62	20.46	14.66	17.14
Net tangible assets (\$M)	6,471	6,919	6,358	6,200
Net tangible assets per share (\$)	6.82	7.15	6.71	6.60
Dividend amount paid/payable (\$M)	605	458	535	420
Dividend cover (times)				
before abnormal items	1.2	1.6	1.2	1.5
after abnormal items	1.2	1.6	0.9	1.4
Dividend payout ratio (%)*				
before abnormal items	86.1	63.9	84.4	69.9
after abnormal items	86.1	63.9	109.3	71.9
Share prices for half year (\$)				
Ordinary				
Trading high	28.76	23.20	19.66	17.76
Trading low	21.90	18.00	13.70	13.70
End (closing price)	24.05	23.16	18.84	17.60
Number of shareholders	404,728	404,257	419,926	425,404

\* See Definitions (p 46).

**Dividend Franking Account**

The amount of franking credits available for subsequent financial years stands at \$96 million. This figure represents the extent to which future dividends could be fully franked at 36%, and is based on the Bank's franking account at 30 June 1999, which has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the year ended 30 June 1999, franking debits that will arise from the payment of

dividends proposed for the year and franking credits that the Bank may be prevented from distributing in subsequent financial years.

The Dividend Reinvestment Plan continues and for the final dividend participation is capped at 10,000 shares per shareholder.

**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%	77.2%	9.86	51.8%
31 December 1995	38	67.1%	-	9.96	48.6%
30 June 1996	52	88.3%	78.1%	10.64	46.5%
31 December 1996	45	68.2%	-	12.51	51.2%
30 June 1997	57	110.9%	87.0%	14.55	50.5%
31 December 1997 (on shares post buy back)	46	71.9%	-	18.06	43.0%
30 June 1998	58	109.3%	88.7%	18.79	42.2%
31 December 1998	49	63.9%	-	24.50	43.6%
30 June 1999	66	86.1%	75.0%		

\* See Definitions (p 46).

**Record Date**

The register closes for determination of dividend entitlement and for participation in the Dividend Reinvestment Plan at 5:00pm on 24 August 1999 at Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1232.

**Ex-Dividend Date**

The ex dividend date is 18 August 1999.

**DEFINITIONS**

Item	Page Ref.	Description
Dividend payout ratio	5, 45, 46	Dividends per share divided by earnings per share.
DRP Participation Rate	46	The percentage of total issued capital participating in the Dividend Reinvestment Plan.
Earnings per share	5, 45	Calculated in accordance with AASB 1027: Earnings per Share.
Other countries	4, 39	United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, Netherlands Antilles and Papua New Guinea.
Return on average shareholders' equity	5, 45	Based on operating profit after tax and outside equity interests applied to average shareholders equity.
Return on average total assets	5	Based on operating profit after tax and outside equity interests. Averages are based on beginning and end of half year balances.
Risk rated managed	21	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	21	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	5	Includes the gross amount of trading derivative contract revaluations.
Underlying Profit	4	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 provides 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	30/06/99 A\$M	30/06/98 A\$M	30/06/97 A\$M
<b>Consolidated Statement of Profit and Loss</b>			
Net profit reported under Australian GAAP	1,422	1,090	1,078
Tax effect of increase in general provision for bad and doubtful debts	-	(248)	28
Employee share compensation	(27)	(1)	(57)
(Unrealised) net gain on available for sale securities	65	(65)	-
Pension expense adjustment	38	20	44
Goodwill amortisation	(4)	-	-
Adjustment on adoption of new ISC Life Insurance Rules	-	-	(11)
<b>Net Income according to US GAAP</b>	<b>1,494</b>	<b>796</b>	<b>1,082</b>
<b>Other Comprehensive Income</b>			
Foreign currency translation reserve	(20)	(10)	18
Unrealised holding gains on available for sale securities	(206)	229	18
Less reclassification adjustment for gain/losses included in net income	(51)	10	(3)
<b>Total Other Comprehensive Income</b>	<b>(277)</b>	<b>229</b>	<b>33</b>
<b>Total Comprehensive Income according to US GAAP</b>	<b>1,217</b>	<b>1,025</b>	<b>1,115</b>
<b>Basic and Diluted Earnings per share on Net Income according to US GAAP (cents)</b>	<b>161.2</b>	<b>85.6</b>	<b>118.0</b>
<b>As at</b>			
<b>Shareholders' Equity</b>			
Shareholders' equity reported under Australian GAAP, excluding outside equity interests	6,735	6,712	6,846
Tax effect of foreign currency translation reserve	(3)	(15)	(20)
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at period end	-	-	248
Provision for final cash dividend	472	321	291
Unrealised net gain on trading securities transferred to available for sale securities	-	(65)	-
Unrealised net gain on other available for sale securities	6	263	24
Prepaid pension cost	708	648	616
Tax effect of prepaid pension cost	(255)	(233)	(222)
Goodwill amortisation	(4)	-	-
<b>Shareholders' Equity according to US GAAP</b>	<b>7,659</b>	<b>7,631</b>	<b>7,783</b>
<b>As at</b>			
<b>Consolidated Balance Sheet</b>			
Total assets reported under Australian GAAP	138,096	130,544	120,103
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at period end	-	-	248
Assets relating to life insurance statutory funds	10,241	7,959	7,249
Unrealised net gain on available for sale securities	9	309	37
Prepaid pension cost	708	648	616
<b>Total Assets according to US GAAP</b>	<b>149,054</b>	<b>139,460</b>	<b>128,253</b>