FINANCIAL STATEMENTS 1997

Five Year Financial Summary

	1997	1996	1995	1994	1993
Profit and Loss ($ million)					
Net interest income	3,392	3,397	3,164	2,844	2,981
Other operating income	1,634	1,501	1,484	1,415	1,386
Total operating income	5,026	4,898	4,648	4,259	4,367
Charge for bad and doubtful debts	98	113	182	321	468
Total operating expenses (including goodwill)	3,112	3,009	2,943	2,884	2,954
Profit before abnormal items and income tax	1,816	1,776	1,523	1,054	945
Abnormal items	(200)	-	-	-	(171)
Income tax - profit before abnormal items	(588)	(635)	(493)	(358)	(356)
- abnormal items	72	-	(28)	-	35
Profit after income tax	1,100	1,141	1,002	696	453
Outside equity interests	22	22	19	14	10
Profits attributable to shareholders	1,078	1,119	983	682	443
Balance Sheet ($ million)					
Shareholders' equity	6,846	7,190	6,568	5,965	5,569
Total assets [(1)]	120,103	109,285	102,774	91,321	90,979
Net tangible assets	6,450	6,793	6,087	5,424	4,945
Deposits and other public borrowings	77,880	71,381	67,824	63,377	63,374
Loans, advances and other receivables	81,632	70,042	62,707	57,992	57,960
Share Information					
Dividends provided for, reserved or paid ($ million)	941	832	772	539	365
Earnings per share (cents)					
before abnormal items	131.5	115.5	109.4	76.9	67.6
after abnormal items	117.5	115.5	106.4	76.9	51.7
Dividends per share (cents) - fully franked	102	90	82	60	42
Dividend cover (times)	1.2	1.3	1.3	1.3	1.2
Dividend payout ratio (before abnormal items) (%) [(2)]	77.6	77.9	75.0	78.0	62.1
Net tangible assets per share ($)	6.74	6.68	6.28	5.88	5.58
Share prices for the year ($)					
Trading high	16.00	12.05	9.58	10.20	8.75
Trading low	9.93	9.20	7.05	7.35	5.80
End (closing price)	16.00	10.46	9.33	7.73	8.69
Number of shareholders and IR holders	426,229	275,204	274,247	274,355	183,243

Five Year Financial Summary

continued

	1997	1996	1995	1994	1993
Performance Ratios (%)					
Return on average shareholders' equity (3)					
before abnormal items	18.16	16.27	16.13	11.83	10.50
after abnormal items	16.39	16.27	15.69	11.83	8.03
Return on average total assets (1),(3)					
before abnormal items	1.05	1.06	1.04	0.75	0.65
after abnormal items	0.94	1.06	1.01	0.75	0.49
Capital adequacy - Tier 1	8.64	10.05	10.25	9.79	9.66
Capital adequacy - Tier 2	2.82	2.97	1.30	1.30	1.30
Deductions	(0.57)	(0.31)	(0.40)	(0.12)	(0.06)
Capital adequacy - Total	10.89	12.71	11.15	10.97	10.90
Net interest margin	3.53	4.01	4.03	3.79	4.12
Other Information (numbers)					
Full time staff	30,566	31,455	31,333	32,983	38,416
Part time staff	7,364	7,964	7,602	6,962	6,522
Full time staff equivalent	34,874	36,084	35,822	37,269	42,329
Branches/service centres (Australia)	1,334	1,390	1,474	1,612	1,740
Agencies (Australia)	4,205	4,214	4,282	4,305	4,409
Productivity					
Total Operating Income per full-time (equivalent) employee ($)	144,119	135,739	129,753	114,277	103,168
Staff Expense/Total Operating Income (%)	33.1	32.3	32.8	38.1	38.4
Total Operating Expenses (4) / Total Operating Income (%)	61.1	60.6	62.5	66.8	66.7

(1) 1997, 1996 and 1995 Total Assets include the gross amount of trading derivative contract revaluations. The prior periods include only the net revaluation amount as comparative numbers are not available.

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

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

(4) Total Operating Expenses excluding goodwill amortisation.

Contents

Corporate Governance

Board of Directors

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

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

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

* Appointed with effect from 30 September 1997.

Details of experience, qualifications, special responsibilities and attendance at meetings of the Directors in office at 13 August 1997 are set out in the Directors' Report on pages 28 to 30.

Mr Gleeson, AC and Mr Kennedy, AO, CBE retired from the Board on 8 October 1996 and 30 June 1997, respectively. Mr Evans, an ex-officio director as the Secretary to the Treasury, ceased to be a Director on 19 July 1996 as a consequence of the sale by the Commonwealth of its majority shareholding in the Bank and the provisions of the Commonwealth Bank Sale Act 1995. Mr Payne, an executive director, retired from the Board on 11 July 1997. Mr Swan was appointed as a non executive director on 11 July 1997 to the casual vacancy created by the retirement of Mr Payne. Mr Cowley was appointed as a non executive director with effect from 30 September 1997.

The Articles of Association of the Bank specify that -

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

The Nominations Committee of the Board critically reviews the composition and effectiveness of the Commonwealth Bank Board and the boards of the major wholly-owned subsidiaries. The policy of the Board is that the Committee shall consist of a majority of non executive directors, and that the Chairman of the Bank shall be chairman of the Committee.

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

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

Remuneration Arrangements

The Articles of Association specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined, is divided between the directors as they agree. The latest determination was at the annual general meeting held on 26 October 1994 when shareholders approved an aggregate remuneration of $600,000 per year. The Nominations Committee reviews the fees payable to non executive directors.

The remuneration of Mr Murray (Managing Director) is fixed by the Board, pursuant to the Articles of Association, as part of the terms and conditions of his appointment. Those terms and conditions are subject to review, from time to time, by the Board. Note 44 sets out the bands of remuneration for directors for the year under review.

There is in place a retirement scheme which provides for benefits within the statutory limits to be paid to non executive directors after service of a qualifying period.

The Board has established a Remuneration Committee to -

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

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

Mr Payne was a member of the Committee up until his retirement from the Board.

Corporate Governance

continued

Audit Arrangements

For the period up until 19 July 1996 the Auditor General acted as auditor of the Bank pursuant to Section 118(5) of the Commonwealth Banks Act 1959. As a consequence of the sale by the Commonwealth of its majority shareholding in the Bank and the provisions of the Commonwealth Bank Sale Act 1995, the Auditor General resigned as auditor on 19 July 1996 and the firm of Ernst & Young was appointed to fill the casual vacancy until the 1996 Annual General meeting. At that meeting, Ernst & Young was appointed as the auditor of the Bank.

The Board's Audit Committee consists entirely of non executive Directors and the chairman of the Committee is not Chairman of the Bank. This structure reflects the Board's policy. The functions of the Committee are to oversee the adequacy of the overall internal control functions and the internal audit functions within the Group and the relationship of those functions to external audit.

In carrying out these functions, the Committee -

- reviews the financial statements and reports of the Group;
- reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;
- reviews, as necessary, the policy in relation to internal audit services within the Group and reviews internal audit plans for Group members;
- reviews reports from external auditors and the Group's internal auditor; and
- conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate.

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

Mr Gleeson was a member of the Committee until his retirement from the Board when he was replaced by Dr Schubert. Mr Adler retired from the Committee in November 1996 and was replaced by Ms Ward.

Risk Management

The functions of the Board's Credit Committee and the Market Risk Policy Committee were amalgamated during the year and are now carried out by the Risk Committee.

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

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

The Committee also examines risk management policies and procedures for market, funding and liquidity risks incurred or likely to be incurred in the Group's business. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk.

Details of the Bank's management of market risk are set out in Note 38 to the accounts.

Messrs Kennedy and Payne were members of the Committee until their retirement from the Board. Dr Schubert retired from the Committee when appointed to the Audit Committee in October 1996. Mr Swan was appointed to the Committee in July 1997.

Operational risk is a basic line management responsibility within the Group. The adequacy of the Group's internal control functions are reviewed to the Board's Audit Committee by the internal audit function. A range of insurance policies maintained by the Group also mitigates some operational risks.

Independent Professional Advice

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

Access to Information

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

Ethical Standards

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

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

These standards are regularly communicated to staff. In addition, the Bank has established insider trading guidelines for staff to ensure that unpublished price sensitive information about the Bank or any other company is not used in an illegal manner.

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

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

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

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial statements of the Commonwealth Bank of Australia (the Chief Entity) and of the Economic Entity, being the Chief Entity and its controlled entities, for the year ended 30 June 1997.

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

M A Besley, AO. Chairman

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

Chairman: Leighton Holdings Limited.

Director: O'Connell Street Associates Pty Ltd and Chancellor Investment Group Pty Ltd.

Other Interests: Macquarie University (Chancellor), Australian National Gallery Foundation (Council of Governors), Legacy Torch Bearers Committee (Member), Salvation Army – NSW Advisory Board and Red Shield Appeal Committee (Member), Royal Botanic Gardens Sydney Foundation (Trustee), Sir Ian McLennan Achievement for Industry Award (Trustee), Metal Trades Industry Association (NSW State and National Councillor) and World Vision of Australia Board of Reference (Member). Mr Besley is aged 70 and is a resident of New South Wales.

D V Murray, Managing Director

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

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

Director: International Monetary Conference.

Other Interests: Asian Bankers' Association (Member), Asian Pacific Bankers' Club (Member), Australian Coalition of Service Industries (Member), Australian Institute of Banking and Finance (Fellow), Business Council of Australia (Member), World Economic Forum (Member), St Mary's Cathedral Appeals Committee (Chairman) and Macquarie University Graduate School of Management (Advisory Board). Mr Murray is aged 48 and is a resident of New South Wales.

J T Ralph, AO. Deputy Chairman

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

Chairman: Foster's Brewing Group Limited.

Deputy Chairman: Telstra Corporation Limited and Pacific Dunlop Limited.

Director: Pioneer International Limited.

Other Interests: Australia–Japan Business Cooperation Committee (President), Australasian Institute of Mining and Metallurgy (Past President), Constitutional Centenary Foundation Inc (Director), Melbourne University Business School (Board of Management), St Patrick's Cathedral Restoration Appeal (Chairman), The Queen's Trust for Young Australians (National Chairman), Australian Institute of Company Directors (National President). Mr Ralph is aged 64 and is a resident of Victoria.

N R Adler

Mr Adler has been a member of the Board since 1990 and is a member of the Remuneration Committee of the Board. He holds a Bachelor of Commerce and a Master of Business Administration. Mr Adler is currently Managing Director of Santos Limited. He has experience in various commercial enterprises, more recently in the oil and gas industry.

Director: QCT Resources Limited Group Companies, Santos Limited (Group) Companies, Telstra Corporation Limited and Australian Institute of Petroleum Limited.

Other Interests: Art Gallery of South Australia (Chairman), Business Council of Australia (Member) and Corporations and Securities Panel. Mr Adler is aged 52 and is a resident of South Australia.

A C Booth

Ms Booth has been a Director of the Bank since 1990 and is a member of the Remuneration Committee of the Board. She holds a Bachelor of Economics (Hons) and has seventeen years' experience in the trade union movement. She is currently General Manager Corporate Communications of the Sydney Harbour Casino.

Director: Ausflag Limited and Sydney Harbour Casino Superannuation Fund Pty Ltd.

Other Interests: Appeal Committee for the Breast Cancer Institute of Australia (Chairperson) and Sydney Organising Committee for the Olympic Games (Member). Ms Booth is aged 41 and is a resident of New South Wales.

J M Schubert

Dr Schubert has been a Director of the Bank since 1991 and is a member of the Audit Committee of the Board. He holds a Bachelor Degree and PhD in Chemical Engineering and has experience in the petroleum, mining and building materials industries. Dr Schubert is currently Managing Director and Chief Executive Officer of Pioneer International Limited.
Director: Australian Petroleum Pty Limited and Australian Graduate School of Management Ltd.
Other Interests: Business Council of Australia (Vice President). Dr Schubert is aged 54 and is a resident of New South Wales.

G H Slee, AM

Mr Slee has been a member of the Board since 1986. He holds a Bachelor of Mechanical Engineering and has thirty seven years' experience in engineering and manufacturing industries. Mr Slee is a member of the Risk Committee of the Board.
Chairman: McNee Holdings Pty Limited and Sheet Metal Supplies Pty Ltd. Mr Slee is aged 60 and is a resident of New South Wales.

F J Swan

Mr Swan was appointed to the Board in July 1997. He holds a Bachelor of Science degree and has over twenty three years senior management experience in the food and beverage industries. Mr Swan is a member of the Risk Committee of the Board.
Director: Foster's Brewing Group Limited and National Foods Limited. Mr Swan is aged 56 and is a resident of Victoria.

B K Ward

Ms Ward has been a member of the Board since 1994 and is a member of the Audit Committee of the Board. She holds a Bachelor of Economics and Master of Political Economy and has six years' experience in policy development and public administration as a senior ministerial adviser and 12 years' experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services.
Director: Delta Electricity and Pooled Development Fund Registration Board. Ms Ward is aged 43 and is a resident of New South Wales.

Since the date of this report, Mr K E Cowley was appointed as a Director with effect from 30 September 1997.

K E Cowley, AO

Mr Cowley has thirty-three years' experience in the media industry, having been a Director of News Limited since 1976 and, until July 1997 was Executive Chairman of that company.
Chairman: PMP Communications Limited, R M Williams Holdings Limited, Super League Pty Ltd, Ansett New Zealand Limited and Ansett International Limited.
Director: The News Corporation Limited, Independent Newspapers Limited and Foxtel Management Pty Ltd. Mr Cowley is aged 62 and is a resident of New South Wales.

Directors' Report

continued

Directors' Meetings

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

DIRECTOR	DIRECTORS' MEETINGS	
	No. of Meetings Held*	No. of Meetings Attended
M A Besley	12	12
J T Ralph	12	12
D V Murray	12	12
I K Payne #	12	12
N R Adler	12	11
A C Booth	12	11
E A Evans ##	1	1
G Gleeson ###	4	2
J J Kennedy ####	12	10
J M Schubert	12	11
G H Slee	12	12
B K Ward	12	12

* The number of meetings held during the time the Director held office during the year.
\# Mr Payne retired on 11 July 1997.
\## Mr Evans ceased to be a director on 19 July 1996.
\### Mr Gleeson retired on 8 October 1996.
\#### Mr Kennedy retired on 30 June 1997.

	COMMITTEE MEETINGS					
	Audit Committee		*Credit Committee***		*Market Risk Policy Committee***	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
M A Besley			13	11	1	1
J T Ralph	4	4				
D V Murray			13	11	1	1
I K Payne			13	12	1	1
N R Adler	1	1				
G Gleeson	1	1	8	7		
J M Schubert	3	3			1	-
G H Slee			13	11	1	1
B K Ward	3	3				

	Risk Committee		*Bank Structure Committee*		*Remuneration Committee*	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
M A Besley	13	10	9	9	6	4
J T Ralph			9	7		
D V Murray	13	6	9	9	6	5
I K Payne	13	13			6	6
N R Adler					6	4
A C Booth					6	6
J M Schubert			9	8		
G H Slee	13	11	9	9		
J J Kennedy	13	10				

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

* The number of meetings held during the time the Director was a member of the relevant committee.
** As from November 1996, the Credit Committee and the Market Risk Policy Committee were merged with the establishment of the Risk Committee.

Principal Activities

The principal activities of the Commonwealth Bank Group during the financial year were:
Personal Banking – banking, insurance and related services for individuals and small businesses, including housing lending, investment and transaction services, and vehicle and equipment finance.
Business Banking – banking and related services for medium sized commercial enterprises including business lending, payment and other transaction services, trade finance, vehicle and equipment finance, rural finance and payroll services.
Institutional Banking – corporate and general banking, international financing (including trade financing), merchant and investment banking and stockbroking.
Funds Management – superannuation products, insurance bonds, unit trusts, investment advice, financial planning and investment management.

There were no significant changes in the nature of the activities of the Commonwealth Bank Group during the year.

Consolidated Profit

Consolidated operating profit after abnormal items, tax and outside equity interests for the financial year ended 30 June 1997 was $1,078 million (1996: $1,119 million). In anticipation of a restructuring of the Bank's information technology processing, including investment in an information technology business, a writedown of computer equipment of $128 million after tax was booked as an abnormal expense. The consolidated operating profit before abnormal items and income tax was $1,816 million, representing a 2.3% increase on the prior year. The principal contributing factors to this increase were a growth in financial services and banking fee income. Net interest income remained steady despite a 16.5% growth in lending assets.

Dividends

The Directors have declared a fully franked (at 36%) final dividend of 57 cents per share amounting to $530 million. The dividend will be payable on 30 September 1997. Dividends paid since the end of the previous financial year -

- as provided for in last year's report, a fully franked final dividend of 52 cents per share amounting to $463 million was paid on 30 September 1996. The payment comprised cash disbursements of $247 million with $216 million being reinvested by participants through the Dividend Reinvestment Plan; and
- in respect of the current year, a fully franked interim dividend of 45 cents per share amounting to $411 million was paid on 27 March 1997. The payment comprised cash disbursements of $201 million with $210 million being reinvested by participants through the Dividend Reinvestment Plan.

Review of Operations

A review of operations and the results of those operations for the financial year are set out in the Chairman's and Managing Director's Review.

Changes in State of Affairs

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

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

The Commonwealth Government's sale of its remaining 50.39% shareholding in the Bank was completed on 22 July 1996. The Commonwealth's sale included a global offering of 399,103,979 of the Bank's shares in the form of 'Instalment Receipts' and a selective buy back of 100 million shares by the Bank. The liabilities of the Bank and the Commonwealth Development Bank of Australia were guaranteed by the Commonwealth of Australia under a statute of the Australian Parliament. This guarantee is being progressively phased out following the reduction of the Commonwealth's shareholding in the Bank to below 50% on 19 July 1996. From 1 July 1996 the Commonwealth Development Bank of Australia had no continuing special lending charter and no subsidy or other financial assistance in respect of the charter is payable by the Commonwealth. Neither of these events has materially adversely affected the Bank's operations.

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

Events Subsequent to Balance Date

Directors propose a share buy back of around $650 million to occur in November 1997, following the final payment on the Instalment Receipts due 14 November 1997.

The Bank has announced the selection of a global technology company for the formation of a strategic technology partnership.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

Directors' Report

continued

Future Developments and Results

Major developments which may affect the operations of the Economic Entity in subsequent financial years are referred to in the Chairman and Managing Director's Review on pages 10 to 15. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Economic Entity.

Directors' Shareholdings

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

Options

An Executive Option Plan was approved by shareholders at the Annual General Meeting on 8 October 1996. On 16 December 1996, the Bank granted options over 2,100,000 unissued ordinary shares to 25 executives under the Executive Option Plan. Full details of the Plan are disclosed in Note 28 to the financial statements.

The names of persons who currently hold options in the Plan are entered in the register of options kept by the Bank pursuant to Section 216C of the Corporations Law. The register may be inspected free of charge.

Pursuant to ASC Class Order 97/1011 dated 9 July 1997 the directors have taken advantage of relief available from the requirement to disclose the names of persons, not being directors, to whom options are issued and the number of options issued to each person.

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

Directors' Interests in Contracts

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

Directors' Benefits

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

- a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the consolidated financial statements; and
- normal benefits as a full time employee of the Commonwealth Bank or of a related body corporate and in the case of Mr I K Payne, the payment of his final entitlement and other payments upon his retirement as a director of the Bank in accordance with his past services;

by reason of a contract made by the Commonwealth Bank, its controlled entities, or a related body corporate with the Director, a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.

Directors' and Officers' Indemnity

Article 19 of the Commonwealth Bank's Articles of Association provides: 'To the extent permitted by law, the company indemnifies every director, officer and employee of the company against any liability incurred by that person (a) in his or her capacity as a director, officer or employee of the company and (b) to a person other than the company or a related body corporate of the company. The company indemnifies every director, officer and employee of the company against any liability for costs and expenses incurred by the person in his or her capacity as a director, officer or employee of the company (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted or (b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law, provided that the director, officer or employee has obtained the company's prior written approval (which shall not be unreasonably withheld) to incur the costs and expenses in relation to the proceedings'.

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

The Directors, as named on pages 28 and 29 of the Annual Report, and the Secretaries of the Commonwealth Bank, being J D Hatton (Secretary) and K G Bourke (Assistant Company Secretary) are indemnified under Article 19 as are all the executive officers and employees of the Commonwealth Bank.

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

Directors' and Officers' Insurance

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

Incorporation of Additional Material

This report incorporates the Chairman and Managing Director's Review.

Roundings

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

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

D V Murray
Managing Director

13 August 1997

Statements of Profit and Loss

for the year ended 30 June 1997

		ECONOMIC ENTITY			CHIEF ENTITY	
		1997	1996	1995	1997	1996
	Note	$M	$M	$M	$M	$M
Interest income	2	7,989	7,716	6,609	6,561	6,543
Interest expense	2	4,597	4,319	3,445	3,733	3,629
Net interest income	2	3,392	3,397	3,164	2,828	2,914
Other operating income	2	1,634	1,501	1,484	1,449	1,418
Total operating income	2	5,026	4,898	4,648	4,277	4,332
Charge for bad and doubtful debts	2,13	98	113	182	85	108
Total operating income after charge for bad and doubtful debts		4,928	4,785	4,466	4,192	4,224
Total operating expenses	2	3,069	2,968	2,904	2,605	2,528
Operating profit before goodwill amortisation, abnormal items and income tax		1,859	1,817	1,562	1,587	1,696
Goodwill amortisation	2	43	41	39	40	39
Operating profit before abnormal items and income tax	2	1,816	1,776	1,523	1,547	1,657
Abnormal expense	4	200	-	-	200	-
Operating profit before income tax		1,616	1,776	1,523	1,347	1,657
Income tax expense (credit)						
Operating profit	5	588	635	493	471	517
Abnormal items	4	(72)	-	28	(72)	-
Income tax expense	5	516	635	521	399	517
Operating profit after income tax		1,100	1,141	1,002	948	1,140
Outside equity interests in operating profit after income tax		22	22	19	-	-
Operating profit after income tax attributable to members of the chief entity	40	1,078	1,119	983	948	1,140
Retained profits at the beginning of the financial year		794	535	540	465	157
Adjustment on adoption of new ISC Life Insurance Rules	1(nn)	(11)	-	-	-	-
Net adjustment on adoption of accounting standards for employee entitlements and general insurance	1(nn)	-	-	(190)	-	-
Transfers from reserves		74	27	20	-	-
Total available for appropriation		1,935	1,681	1,353	1,413	1,297
Transfers to reserves		86	55	46	-	-
Dividends (fully franked)						
Transfer to dividend reinvestment plan reserve		419	328	197	419	328
Provided for payment in cash or paid	6	522	504	575	522	504
Dividends provided for, reserved or paid		941	832	772	941	832
Retained profits at the end of the financial year		908	794	535	472	465

		Cents per share		
Earnings per share based on operating profit after income tax attributable to members of the chief entity:	7	117.5	115.5	106.4
Dividends provided for, reserved or paid per share attributable to members of the chief entity:	6	102	90	82

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

Balance Sheets

as at 30 June 1997

	Note	ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Assets					
Cash and liquid assets	8	2,007	3,065	1,930	3,008
Receivables due from other financial institutions	9	4,839	5,713	4,627	5,494
Trading securities	10	2,635	2,883	2,673	2,869
Investment securities	11	9,233	8,394	7,406	7,246
Loans, advances and other receivables	12	81,632	70,042	65,731	57,408
Bank acceptances of customers		8,874	10,057	8,881	10,070
Deposits with regulatory authorities	16	797	711	786	696
Shares in and loans to controlled entities	17	-	-	5,140	3,984
Property, plant and equipment	18	2,010	2,578	1,750	2,330
Goodwill	19	574	574	529	569
Other assets	20	7,502	5,268	7,141	4,961
Total Assets		120,103	109,285	106,594	98,635
Liabilities					
Deposits and other public borrowings	21	77,880	71,381	67,836	62,795
Payables due to other financial institutions	22	3,621	2,852	3,240	2,606
Bank acceptances		8,874	10,057	8,881	10,070
Due to controlled entities		-	-	152	184
Provision for dividend	6	291	301	291	301
Income tax liability	23	925	1,050	554	748
Other provisions	24	835	858	797	819
Debt issues	25	10,154	6,673	8,755	6,219
Bills payable and other liabilities	26	7,698	5,992	7,369	5,734
		110,278	99,164	97,875	89,476
Loan Capital	27	2,801	2,754	2,801	2,754
Total Liabilities		113,079	101,918	100,676	92,230
Net Assets		7,024	7,367	5,918	6,405
Shareholders' Equity					
Share Capital	28	1,860	1,981	1,860	1,981
Reserves		4,078	4,415	3,586	3,959
Retained profits		908	794	472	465
Shareholders' equity attributable to members of the chief entity		6,846	7,190	5,918	6,405
Outside equity interests in controlled entities	29	178	177	-	-
Total Shareholders' Equity		7,024	7,367	5,918	6,405

The liabilities of the Commonwealth Bank of Australia (the Chief Entity) and its controlled entity, Commonwealth Development Bank of Australia, as at 30 June 1996 were guaranteed by the Commonwealth of Australia under a statute of the Australian Parliament. This guarantee is being progressively phased out following the Government sell down of its shareholding on 19 July 1996. (Refer to Note 25.)

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

Consolidated Statements of Changes in Shareholders' Equity

as at 30 June 1997

		ECONOMIC ENTITY			CHIEF ENTITY	
		1997	1996	1995	1997	1996
	Note	$M	$M	$M	$M	$M
Issued and paid up capital	28					
Opening balance (ordinary shares of $2.00 each)		1,981	1,898	1,810	1,981	1,898
Buy back		(200)	-	-	(200)	-
Dividend reinvestment plan		74	83	88	74	83
Employee share ownership schemes		5	-	-	5	-
Closing balance		1,860	1,981	1,898	1,860	1,981
Retained profits						
Opening balance		794	535	540	465	157
Adjustments to opening balance	1(nn)	(11)	-	(190)	-	-
Transfers from reserves		74	27	20	-	-
Operating profit attributable to members of chief entity		1,078	1,119	983	948	1,140
Total available for appropriation		1,935	1,681	1,353	1,413	1,297
Transfers to reserves		86	55	46	-	-
Interim dividend - cash component only 1996, 1997		231	203	335	231	203
Interim dividend - appropriated to dividend reinvestment plan reserve		180	166	-	180	166
Provision for final dividend - cash component only		291	301	240	291	301
Final dividend - appropriated to dividend reinvestment plan reserve		239	162	197	239	162
Closing balance		908	794	535	472	465
Reserves						
General Reserve						
Opening balance		2,182	2,155	2,129	1,772	1,772
Discounts on acquisition and other adjustments		-	(1)	-	-	-
Appropriation from profits		86	55	46	-	-
Transfer to retained profits		(73)	(27)	(20)	-	-
Closing balance		2,195	2,182	2,155	1,772	1,772
Capital Reserve						
Opening balance		289	289	289	277	277
Transfer to retained profits		(1)	-	-	-	-
Capital Reserve		288	289	289	277	277
Asset Revaluation Reserve		-	-	-	-	-
Share Premium Reserve						
Opening balance		1,754	1,432	1,178	1,752	1,430
Buy back		(801)	-	-	(801)	-
Premium from share issues		357	326	255	357	326
Employee share acquisition plan issue		(5)	-	-	(5)	-
Buy back costs and other adjustments		(5)	(4)	(1)	(5)	(4)
Closing balance		1,300	1,754	1,432	1,298	1,752
Dividend Reinvestment Plan Reserve						
Opening balance		162	197	-	162	197
Conversion to share capital		(342)	(363)	-	(342)	(363)
Appropriation from profits		419	328	197	419	328
Closing balance		239	162	197	239	162
Foreign Currency Translation Reserve						
Opening balance		28	62	19	(4)	3
Currency translation adjustments		28	(34)	43	4	(7)
Closing balance		56	28	62	-	(4)
Total Reserves		4,078	4,415	4,135	3,586	3,959
Shareholders' equity attributable to members of the chief entity		6,846	7,190	6,568	5,918	6,405

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

Statements of Cash Flows

for the year ended 30 June 1997

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997 $M	1996 $M	1995 $M	1997 $M	1996 $M
Cash Flow From Operating Activities					
Interest received	8,054	7,939	6,748	6,604	6,773
Dividends received	18	8	1	200	281
Interest paid	(4,342)	(4,323)	(3,378)	(3,482)	(3,650)
Other operating income received	1,418	1,550	1,433	1,078	1,218
Staff expenses paid	(1,614)	(1,544)	(1,526)	(1,396)	(1,349)
Building occupancy expenses paid	(261)	(235)	(243)	(226)	(204)
Equipment expenses paid	(244)	(249)	(205)	(218)	(212)
Other expenses paid	(565)	(460)	(415)	(430)	(346)
Income taxes paid	(629)	(449)	(340)	(507)	(335)
Tax losses purchased from controlled entities	-	-	-	(38)	(28)
Net decrease (increase) in trading securities	556	2,374	(1,385)	487	2,822
Net Cash provided by Operating Activities	2,391	4,611	690	2,072	4,970
Cash Flows from Investing Activities					
Proceeds from disposal of controlled entities	-	-	4	-	-
Payments for acquisition of entities	(66)	-	-	(66)	-
Net movement in investment securities:					
Purchases	(8,887)	(9,576)	(13,869)	(7,517)	(8,627)
Proceeds from sale	1,172	729	1,025	1,172	439
Proceeds at or close to maturity	7,013	7,956	13,801	6,291	7,173
Lodgement of deposits with regulatory authorities	(86)	(52)	(12)	(90)	(52)
Net increase in loans, advances and other receivables	(11,353)	(8,488)	(4,344)	(8,414)	(6,672)
Net amounts paid to controlled entities	-	-	-	(1,123)	(1,394)
Proceeds from sale of property, plant and equipment	307	194	56	281	189
Purchase of property, plant and equipment	(180)	(313)	(332)	(134)	(287)
Net decrease (increase) in receivables due from other financial institutions not at call	750	1,750	(1,764)	750	1,750
Net decrease (increase) in securities purchased under agreements to resell	641	(658)	(677)	641	(658)
Net decrease (increase) in other assets	(432)	(117)	(170)	(427)	72
Net Cash used in Investing Activities	(11,121)	(8,575)	(6,282)	(8,636)	(8,067)
Cash Flows from Financing Activities					
Buy back of shares	(1,001)	-	-	(1,001)	-
Proceeds from issue of shares	12	94	-	3	-
Net increase in deposits and other borrowings	6,892	6,070	1,099	5,793	5,718
Proceeds from long term debt issues	1,414	1,620	963	1,024	1,620
Repayment of long term debt issues	(299)	(143)	(7)	(299)	(143)
Net increase (decrease) in short term debt issues	1,905	370	(113)	1,351	(19)
Dividends paid	(452)	(451)	(318)	(448)	(399)
Payments from provisions	(59)	(79)	(123)	(54)	(83)
Net increase (decrease) in payables due to other financial institutions not at call	325	(559)	181	325	(559)
Net increase (decrease) in securities sold under agreements to repurchase	(783)	(1,994)	2,716	(783)	(1,994)
Proceeds from (repayment of) loan capital	-	1,290	(35)	-	1,290
Other	(207)	424	20	(208)	285
Net Cash provided by Financing Activities	7,747	6,642	4,383	5,703	5,716
Net Increase (Decrease) in Cash and Cash Equivalents	(983)	2,678	(1,209)	(861)	2,619
Cash and Cash Equivalents at beginning of year	4,301	1,623	2,832	4,276	1,657
Cash and Cash Equivalents at end of year	3,318	4,301	1,623	3,415	4,276

Details of Reconciliation of Cash and Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities are provided in Note 46.

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

Notes to and forming part of the accounts

Note 1 Summary of Significant Accounting Policies

(a) Bases of accounting

In these financial statements Commonwealth Bank of Australia is referred to as the 'Chief Entity', or the 'Bank', and the 'Economic Entity' consists of the Chief Entity and those controlled entities listed in Note 40. The financial statements are a general purpose financial report which comply with the requirements of the Banking Act, Corporations Law, applicable Accounting Standards and other mandatory reporting requirements so far as the requirements are considered appropriate to a banking corporation.

The accounting policies applied are consistent with those of the previous year. The Economic Entity has elected to apply new accounting standards AASB 1032: Specific Disclosures by Financial Institutions and AASB 1033: Presentation and Disclosure of Financial Instruments prior to their operative date in accordance with section 285(3) of the Corporations Law. As a result, the following principal additional disclosures have been included in these financial statements:

- Average Balance Sheet and Related Interest, Volume and Rate Analysis and Margins and Spreads (Note 3).
- Credit Risk Concentrations (Note 14).
- Maturity Analysis of Monetary Assets and Liabilities (Note 31).
- Concentrations of Deposits and Borrowings (Note 33).
- Fiduciary Activities (Note 37).
- Interest Rate Risk Sensitivity (Note 38).
- Net Fair Value of Financial Instruments (Note 47).

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

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

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

(b) Historical cost

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

(c) Consolidation

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

(d) Associated companies

Associated companies are defined as those entities over which the Economic Entity has significant influence but there is no capacity to control. Details of material associated companies are shown in Note 41. Interests in associated companies are included under Other Assets in the balance sheet and dividend income only is taken to profit and loss. The principles of equity accounting have not been applied as the impact would not be material.

(e) Foreign currency translations

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

Note 1 Summary of Significant Accounting Policies continued

(e) Foreign currency translations continued

The foreign currency assets and liabilities of overseas branches and overseas controlled entities are converted to Australian currency at 30 June 1997 in accordance with the current rate method. Profit and loss items for overseas branches and overseas controlled entities are converted to Australian dollars progressively throughout the year at the exchange rate current at the last calendar day of each month. Translation differences arising from conversion of opening balances of shareholders' funds of overseas controlled entities at year end exchange rates are excluded from profit and loss and reflected in a Foreign Currency Translation Reserve. The Bank maintains a substantially matched position in assets and liabilities in foreign currencies and the level of net foreign currency exposure does not have a material effect on its financial condition.

(f) Roundings

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

(g) Financial instruments

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

(h) Cash and liquid assets

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

They are brought to account at the face value or the gross value of the outstanding balance where appropriate. Interest is taken to profit and loss when earned.

(i) Receivables due from other financial institutions

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

(j) Trading securities

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

(k) Investment securities

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

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

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

Note 1 Summary of Significant Accounting Policies continued

(l) Repurchase agreements

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

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

(m) Loans, advances and other receivables

Loans, advances and other receivables include overdrafts, home, credit card and other personal lending, term loans, leasing, bill financing, redeemable preference shares and leverage leases. They are carried at the recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts, interest reserved and unearned tax remissions on leverage leases.

Interest and yield related fees are reflected in profit and loss when earned. Yield related fees received in advance are deferred, included as part of the carrying value of the loan and amortised to profit and loss as 'Interest Income' over the term of the loan. Note 1(n) provides additional information with respect to leasing and leveraged leasing.

Non Accrual Facilities

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

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

Restructured Facilities

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

Assets Acquired through Securities Enforcement (AATSE)

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

Bad Debts

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

(n) Leasing and leveraged leasing

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

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

Note 1 **Summary of Significant Accounting Policies continued**

(n) Leasing and leveraged leasing continued

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

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

(o) Provisions for impairment

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

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

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

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

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

(p) Bank acceptances of customers

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

(q) Deposits with regulatory authorities

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

(r) Shares in and loans to controlled entities

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

(s) Property, plant and equipment

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

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

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

Notes to and forming part of the accounts

continued

Note 1 Summary of Significant Accounting Policies continued

(s) Property, plant and equipment continued

Abnormal Item - Information Technology Equipment Values

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

As a result, an abnormal expense of $200 million ($128 million after tax) has been charged to profit and loss in the year ended 30 June 1997. Also refer Notes 4 and 18.

(t) Goodwill

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

The goodwill so determined is amortised on a straight line basis over the period of expected benefit but not exceeding 20 years. Purchased goodwill arising from the merger with the State Bank of Victoria in 1991 is being amortised over 20 years, $33 million goodwill on acquisition of Commonwealth Funds Management in December 1996 is being amortised over 10 years, $7 million goodwill on acquisition of Micropay in 1995 is being amortised over 7 years and $8 million goodwill on acquisition of Leaseway in April 1997 is being amortised over 5 years. The periods of goodwill amortisation are subject to review annually by the Directors.

(u) Other assets

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

(v) Deposits and other public borrowings

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

(w) Payables due to other financial institutions

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

(x) Provision for dividend

The provision for dividend represents the maximum expected cash component of the declared final dividend. The remaining portion of the dividend is appropriated to the Dividend Reinvestment Plan Reserve. Participants in the dividend reinvestment plan receive a 2.5% discount to market price on shares acquired under the plan.

(y) Income taxes

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

(z) Provisions for employee entitlements

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

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

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

The level of these provisions has been determined in accordance with the requirements of AASB1028, Accounting for Employee Entitlements.

Note 1 **Summary of Significant Accounting Policies continued**

(aa) Provision for self insurance

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

(bb) Debt issues

Debt issues are short and long term debt issues of the Economic Entity including commercial paper, notes, term loans and medium term notes which are recorded at cost or amortised cost. Premiums, discounts and associated issue expenses are amortised through profit and loss each year from the date of issue so that securities attain their redemption values by maturity date. Interest is reflected in profit and loss as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit and loss in the period in which they are realised.

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

(cc) Bills payable and other liabilities

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

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

(dd) Loan capital

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

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

(ee) Shareholders' equity

Ordinary share capital is recognised at the par value of the amount paid up. Any excess between the par value and the issue price is recorded in the share premium reserve.

General reserve is derived from revenue profits and is available for dividend except for undistributable profits in respect of Commonwealth Life Limited of $168 million (1996: $91 million, 1995: $62 million)

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

Share premium reserve is derived from the premium over par value received from the issue of shares. It is not available for distribution to shareholders in the form of a cash dividend. The share premium reserve may be used to satisfy the payment of a dividend by an issue of shares to shareholders. The reserve may also be utilised to write off preliminary expenses, share or debenture issue costs, share buyback costs and discount allowed on any issue of shares or debentures.

Dividend reinvestment plan reserve is appropriated from revenue profits. The amount of the reserve represents the estimate of the minimum expected amount that will be reinvested in the Bank's dividend reinvestment plan. The allotment of shares under the plan is subsequently applied against the reserve.

This accounting treatment reflects the probability that a fairly stable proportion of the Bank's final dividend will be reinvested in equity via the dividend reinvestment plan. This internal accounting methodology for the dividend reinvestment plan was introduced with the appropriation of the 1995 profit for the final dividend.

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

(ff) Derivative financial instruments

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

Derivative financial instruments held or issued for trading purposes

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

Notes to and forming part of the accounts

continued

Note 1 Summary of Significant Accounting Policies continued

(ff) Derivative financial instruments continued

Derivative financial instruments held or issued for purposes other than trading

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

Swaps

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

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

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

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

Forward rate agreements and futures

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

Options

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

Early termination

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

Further information on derivative financial instruments is shown in Note 38.

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

These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value. Further information is shown in Note 37.

Note 1 Summary of Significant Accounting Policies continued

(hh) Fee income

Lending fees

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

Commission and other fees

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

(ii) Life insurance business

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

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

The profits from the statutory funds are brought to account in the profit and loss of the Economic Entity. The profits have been determined according to the 'Margin on Services' methodology for valuation of policy liabilities under Actuarial Standard AS1.01 issued by the Life Insurance Actuarial Standards Board. These profits are then transferred to general reserves as they are not fully available for distribution until all requirements of the Life Insurance Act are met.

The value of the net worth and the business in force of CLL (known as the embedded value), to Commonwealth Bank of Australia has been actuarially assessed to be $400 million as at 30 June 1997 (1996: $322 million), $365 million in excess of book value (1996: $287 million) in the Chief Entity. This amount has not been included in the balance sheet.

(jj) Fiduciary activities

The Bank and designated controlled entities act as Trustee and/or Manager and/or Custodian for a number of Wholesale, Superannuation and Investment Funds, Trusts and Approved Deposit Funds. Further details are shown in Note 37.

The assets and liabilities of these Trusts and Funds are not included in the consolidated financial statements as the Bank does not have direct or indirect control of the Trusts and Funds as defined by AASB1024. Commissions and fees earned in respect of the activities are included in the profit and loss of the Economic Entity and the designated controlled entity.

(kk) Superannuation plans

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

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

(ll) Comparative figures

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

Notes to and forming part of the accounts

continued

Note 1 Summary of Significant Accounting Policies continued

(mm)Definitions

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

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

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

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

(nn) Adjustments to retained earnings

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

The following adjustments were booked to retained earnings in the year ended 30 June 1995 on adoption of accounting standards for employee entitlements and general insurance.

	$M
Adjustment on adoption of new accounting standard on employee entitlements - (debit)	(241)
Adjustment on adoption of accounting standard on general insurance activities - credit	51
Net adjustment to retained earnings (debit)	(190)

Note 2 **Operating Profit**

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997 $M	1996 $M	1995 $M	1997 $M	1996 $M
Operating Revenue	9,623	9,217	8,093	8,010	7,961
Operating profit before income tax has been determined as follows:					
Interest Income					
Loans	6,794	6,485	5,479	5,403	5,285
Other financial institutions	286	277	238	285	274
Cash and liquid assets	141	160	66	141	160
Trading securities	108	202	202	118	236
Investment securities	591	535	536	455	414
Dividends on redeemable preference shares	47	26	38	4	26
Controlled entities	-	-	-	142	127
Statutory deposits	11	17	44	10	16
Other	11	14	6	3	5
Total Interest Income	7,989	7,716	6,609	6,561	6,543
Interest Expense					
Deposits	3,470	3,459	2,765	2,891	2,960
Public borrowings by borrowing corporations	190	177	153	-	-
Other financial institutions	226	188	165	191	183
Short term debt issues	291	196	106	243	189
Long term debt issues	234	174	153	229	174
Controlled entities	-	-	-	6	10
Loan capital	170	123	95	170	122
Other	16	2	8	3	(9)
Total Interest Expense	4,597	4,319	3,445	3,733	3,629
Net Interest Income	3,392	3,397	3,164	2,828	2,914
Other Operating Income					
Lending fees	447	464	501	408	423
Commission and other fees	569	520	507	512	470
Trading income					
Foreign exchange earnings	70	78	77	57	71
Trading securities	57	41	45	57	41
Other financial instruments (incl derivatives)	47	29	20	47	29
Rental income	47	65	63	45	52
Dividends - controlled entities	-	-	-	188	273
- other	18	8	1	12	8
Net gain (loss) on sale of investment securities	4	(10)	9	4	(10)
Net profit on sale of property, plant and equipment	44	21	11	36	20
Commonwealth Government subsidy to CDB	-	20	20	-	-
Life insurance surplus and funds management fees	197	142	126	-	-
Other	134	123	104	83	41
Total Other Operating Income	1,634	1,501	1,484	1,449	1,418
Total Operating Income	5,026	4,898	4,648	4,277	4,332
Charge for Bad and Doubtful Debts (Note 13)					
General provisions	36	99	15	48	85
Specific provisions	62	14	167	37	23
Total Charge for Bad and Doubtful Debts	98	113	182	85	108

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997	1996	1995	1997	1996
	$M	$M	$M	$M	$M
Note 2 Operating Profit continued					
Staff Expenses					
Salaries and wages	1,386	1,298	1,231	1,217	1,143
Superannuation contributions	2	9	41	(5)	2
Provision for long service leave	46	39	24	44	36
Provision for annual leave	11	15	(1)	11	14
Provisions for other employee entitlements	(3)	(9)	(17)	(4)	(9)
Payroll tax	86	83	78	80	77
Fringe benefits tax	70	74	84	65	67
Other staff expenses	65	73	83	37	48
Total Staff Expenses	1,663	1,582	1,523	1,445	1,378
Building Occupancy Expenses					
Operating lease rentals	151	142	126	130	123
Depreciation - buildings	61	86	119	57	82
- leasehold improvements	16	20	32	15	19
Repairs and maintenance	37	36	38	34	33
Other	73	72	79	63	63
Total Building Occupancy Expenses	338	356	394	299	320
Equipment Expenses					
Operating lease rentals	29	26	24	26	24
Depreciation	160	146	150	137	125
Repairs and maintenance	67	61	63	64	58
Software and other related costs	152	161	137	133	129
Total Equipment Expenses	408	394	374	360	336
Other Expenses					
Communications and postage	175	152	135	161	138
Stationery	57	57	49	47	47
Fees and commissions	119	122	132	111	111
Non lending losses	4	24	46	4	24
Other	305	281	251	178	174
Total Other Expenses	660	636	613	501	494
Total Operating Expenses	3,069	2,968	2,904	2,605	2,528
Amortisation of Goodwill	43	41	39	40	39
Operating Profit before Abnormal Items	1,816	1,776	1,523	1,547	1,657

Note 3 **Average Balance Sheet and Related Interest**

The table lists the major categories of interest earning assets and interest bearing liabilities of the Economic Entity together with the respective interest earned or paid and the average interest rates for each of 1995, 1996 and 1997. Averages used are predominantly daily averages. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non accrual loans are included in Interest Earning Assets under loans, advances and other receivables.

	1997			1996			1995		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Assets and Interest Income									
Interest Earning Assets									
Receivables due from other financial institutions									
Australia	2,361	135	5.7	1,621	94	5.8	1,282	70	5.5
Overseas	2,747	151	5.5	3,354	183	5.5	3,031	168	5.5
Deposits with regulatory authorities									
Australia	756	11	1.5	690	17	2.5	656	44	6.7
Investment/trading and other securities									
Australia	8,782	537	6.1	9,044	641	7.1	9,941	626	6.3
Overseas	4,493	303	6.7	3,571	256	7.2	3,258	216	6.6
Loans, advances and other receivables									
Australia	67,292	5,959	8.9	58,304	5,741	9.8	53,210	4,893	9.2
Overseas	9,732	882	9.1	8,186	770	9.4	7,063	586	8.3
Other interest earning assets	-	11	n/a	-	14	n/a	20	6	n/a
Total average interest earning assets and interest income	96,163	7,989	8.3	84,770	7,716	9.1	78,461	6,609	8.4
Non Interest Earning Assets									
Bank acceptances									
Australia	9,825			10,692			10,326		
Overseas	55			42			114		
Property, plant and equipment									
Australia	2,188			2,422			2,444		
Overseas	235			227			247		
Other assets									
Australia	5,646			4,730			3,118		
Overseas	1,267			1,278			431		
Provision for doubtful debts									
Australia	(938)			(994)			(1,120)		
Overseas	(83)			(62)			(93)		
Total average non interest earning assets	18,195			18,335			15,467		
Total average assets	114,358			103,105			93,928		
Percentage of total average assets applicable to overseas operations	16.1%			16.1%			15.0%		

Notes to and forming part of the accounts

continued

Note 3 Average Balance Sheet and Related Interest continued

	1997 Average Balance $M	1997 Interest $M	1997 Average Rate %	1996 Average Balance $M	1996 Interest $M	1996 Average Rate %	1995 Average Balance $M	1995 Interest $M	1995 Average Rate %
Average Liabilities and Interest Expense									
Interest Bearing Liabilities and Loan Capital									
Time Deposits									
Australia	24,341	1,600	6.6	21,180	1,509	7.1	17,626	1,200	6.8
Overseas	6,487	529	8.2	5,939	477	8.0	5,243	350	6.7
Savings Deposits									
Australia	21,106	538	2.5	20,346	641	3.2	23,042	639	2.8
Overseas	1,696	103	6.1	1,483	95	6.4	1,412	68	4.8
Other demand deposits									
Australia	13,016	674	5.2	12,301	714	5.8	10,339	494	4.8
Overseas	1,321	26	2.0	752	23	3.1	808	14	1.7
Public borrowings by borrowing corporations									
Australia	2,587	190	7.3	2,291	177	7.7	2,100	153	7.3
Payables due to other financial institutions									
Australia	221	7	3.2	230	9	3.9	273	9	3.3
Overseas	3,463	219	6.3	2,904	179	6.2	2,757	156	5.7
Short term borrowings									
Australia	3,445	215	6.2	1,740	121	7.0	751	41	5.5
Overseas	1,354	76	5.6	1,447	75	5.2	1,143	65	5.7
Long term borrowings									
Australia	2,524	191	7.6	1,531	145	9.5	1,382	122	8.8
Overseas	968	43	4.4	795	29	3.6	763	31	4.1
Loan capital									
Australia	2,752	170	6.2	1,894	123	6.5	1,563	95	6.1
Other interest bearing liabilities	15	16	n/a	46	2	n/a	98	8	n/a
Total average interest bearing and loan capital and interest expense	85,296	4,597	5.4	74,879	4,319	5.8	69,300	3,445	5.0
Non Interest Bearing Liabilities									
Deposits not bearing interest									
Australia	3,566			3,604			3,775		
Overseas	53			76			62		
Liability on acceptances									
Australia	9,825			10,692			10,326		
Overseas	55			42			114		
Other liabilities									
Australia	7,504			5,726			3,868		
Overseas	1,438			1,245			248		
Total average non interest bearing liabilities	22,441			21,385			18,393		
Total average liabilities and loan	107,737			96,264			87,693		
Shareholders' equity	6,621			6,841			6,235		
Total average liabilities, loan capital and shareholders' equity	114,358			103,105			93,928		
Percentage of total average liabilities applicable to overseas operations	15.6%			15.3%			14.3%		

Note 3 **Average Balance Sheet and Related Interest continued**

Changes in Net Interest Income: Volume and Rate Analysis

The table allocates changes in net interest income between changes in volume and changes in rate over the previous year. Volume variances have been calculated by multiplying the average of both years' average interest rates, on average interest earning assets and average interest bearing liabilities, by the movement in average asset and liability balances. Rate variances have been calculated by multiplying the average of the average asset and liability balances by the change in average interest rates. Variances resulting from changes in volume/rate movements have been allocated to each category in the same proportion as the actual ratio of individual volume and rate variances.

	Year ended 30 June 1997 versus 1996			Year ended 30 June 1996 versus 1995		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Receivables due from other financial institutions						
Australia	42	(1)	41	19	5	24
Overseas	(33)	1	(32)	18	(3)	15
Deposits with regulatory authorities						
Australia	2	(8)	(6)	2	(29)	(27)
Investment/trading and other securities						
Australia	(18)	(86)	(104)	(59)	74	15
Overseas	63	(16)	47	22	18	40
Loans, advances and other receivables						
Australia	831	(613)	218	487	361	848
Overseas	141	(29)	112	100	84	184
Other interest earning assets	n/a	(3)	(3)	n/a	8	8
Change in interest income	1,028	(755)	273	589	518	1,107
Interest Bearing Liabilities						
Time deposits						
Australia	(214)	123	(91)	(251)	(58)	(309)
Overseas	(45)	(7)	(52)	(50)	(77)	(127)
Savings deposits						
Australia	(23)	126	103	79	(81)	(2)
Overseas	(13)	5	(8)	(4)	(23)	(27)
Other demand deposits						
Australia	(40)	80	40	(103)	(117)	(220)
Overseas	(13)	10	(3)	1	(10)	(9)
Public borrowings by borrowing corporations						
Australia	(22)	9	(13)	(14)	(10)	(24)
Payables due to other financial institutions						
Australia	-	2	2	2	(2)	-
Overseas	(35)	(5)	(40)	(9)	(14)	(23)
Short term borrowings						
Australia	(108)	14	(94)	(66)	(14)	(80)
Overseas	5	(6)	(1)	(16)	6	(10)
Long term borrowings						
Australia	(80)	34	(46)	(14)	(9)	(23)
Overseas	(7)	(7)	(14)	(1)	3	2
Loan capital						
Australia	(53)	6	(47)	(21)	(7)	(28)
Other interest bearing liabilities	n/a	(14)	(14)	n/a	6	6
Change in interest expense	(648)	370	(278)	(467)	(407)	(874)
Change in net interest income	380	(385)	(5)	122	111	233

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY		
	1997 $M	1996 $M	1995 $M
Note 3 Average Balance Sheet and Related Interest continued			
Net interest income	**3,392**	3,397	3,164
Average interest earning assets	**96,163**	84,770	78,461

Interest Margins and Spreads

Interest spread represents the difference between the average interest rate earned and the average interest rate paid on funds. Interest margin represents net interest income as a percentage of average interest earning assets.

	%	%	%
Australia			
Interest spread adjusted for interest forgone on non accrual and restructured loans	**3.32**	3.84	4.00
Interest foregone on non accrual and restructured loans	**(0.07)**	(0.11)	(0.17)
Interest Spread	**3.25**	3.73	3.83
Benefit of net free liabilities, provisions and equity	**0.60**	0.65	0.59
Australia Interest Margin	**3.85**	4.38	4.42
Overseas			
Interest spread adjusted for interest foregone on non accrual and restructured loans	**1.39**	1.56	1.73
Interest foregone on non accrual and restructured loans	**(0.02)**	(0.03)	(0.08)
Interest spread	**1.37**	1.53	1.65
Benefit of net free liabilities, provisions and equity	**0.65**	0.77	0.51
Overseas Interest Margin	**2.02**	2.30	2.16
Group			
Interest spread adjusted for interest foregone on non accrual and restructured loans	**2.98**	3.43	3.61
Interest foregone on non accrual and restructured loans	**(0.06)**	(0.10)	(0.16)
Interest spread	**2.92**	3.33	3.45
Benefit of net free liabilities, provisions and equity	**0.61**	0.68	0.58
Group Interest Margin	**3.53**	4.01	4.03

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997	1996	1995	**1997**	1996
	$M	$M	$M	**$M**	$M
Note 4 Abnormal Items					
Abnormal expense item:					
Write down of computer equipment (Note 1(s))	**200**	-	-	**200**	-
Abnormal tax expense (credit) items:					
Write down of computer equipment	**(72)**	-	-	**(72)**	-
Adjustments to tax effect accounts due to increase in Australian company tax rate to 36% applied from 1 July 1995					
Deferred income tax provision	**-**	-	23	**-**	-
Future income tax benefit	**-**	-	(41)	**-**	-
Leveraged leases	**-**	-	2	**-**	-
Write-off of future income tax benefits related to offshore tax losses and offshore specific provisions for bad and doubtful debts	**-**	-	44	**-**	-
Total abnormal income tax expense (credit)	**(72)**	-	28	**(72)**	-
Total Abnormal Items After Tax	**128**	-	28	**128**	-

Note 5 Income Tax Expense

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

	ECONOMIC ENTITY 1997 $M	1996 $M	1995 $M	CHIEF ENTITY 1997 $M	1996 $M
Operating profit before abnormal items and income tax	**1,816**	1,776	1,523	**1,547**	1,657
Prima facie income tax at 36% (1995: 33%)	**654**	639	503	**557**	597
Add (or deduct) permanent differences expressed on a tax effect basis:					
Current Period					
Increase in general provisions for bad and doubtful debts	**28**	50	27	**29**	44
Non deductible depreciation on buildings	**9**	12	12	**10**	11
Taxation rebates (net of accruals)	**(35)**	(28)	(23)	**(88)**	(126)
Non assessable income - life insurance surplus	**(27)**	(20)	(15)	**-**	-
Non deductible goodwill amortisation	**15**	14	13	**14**	14
Employee share acquisition plan	**(10)**	-	-	**(10)**	-
Other	**(23)**	(18)	(16)	**(18)**	(8)
	(43)	10	(2)	**(63)**	(65)
Prior Periods					
Other	**(23)**	(14)	(8)	**(23)**	(15)
Income tax attributable to operating profit	**588**	635	493	**471**	517
Abnormal income tax expense (credit) (Note 4)	**(72)**	-	28	**(72)**	-
Income tax expense	**516**	635	521	**399**	517

Notes to and forming part of the accounts

continued

Note 5 **Income Tax Expense continued**

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997 $M	1996 $M	1995 $M	**1997 $M**	1996 $M
Income tax expense comprises:					
Current taxation provision	**375**	546	403	**295**	447
Deferred income tax provision	**97**	20	5	**48**	11
Future income tax benefit	**22**	51	107	**45**	45
Adjustments for tax rate change					
Deferred income tax provision	**-**	-	23	**-**	-
Future income tax benefit	**-**	-	(41)	**-**	-
Leveraged leases	**-**	-	2	**-**	-
Notional tax expense - leveraged leases	**22**	18	20	**11**	14
Other	**-**	-	2	**-**	-
Total Income Tax Expense	**516**	635	521	**399**	517
The components of income tax expense consist of the following:					
Current Australia	**326**	508	370	**295**	447
Overseas	**49**	38	33	**-**	-
	375	546	403	**295**	447
Deferred Australia	**141**	89	118	**104**	70
Overseas	**-**	-	-	**-**	-
	141	89	118	**104**	70
	516	635	521	**399**	517
The significant temporary differences are as follows:					
Deferred income tax assets arising from:					
Provisions not tax deductible until expense incurred	**82**	149	203	**64**	148
Other	**85**	40	36	**83**	44
Future income tax benefits (Note 20)	**167**	189	239	**147**	192
Deferred income tax liabilities arising from:					
Leveraged leasing	**439**	407	369	**234**	228
Lease financing	**175**	52	51	**55**	40
Accelerated tax depreciation	**74**	74	69	**74**	58
Other	**67**	125	108	**30**	19
Total deferred income tax liabilities (Note 23)	**755**	658	597	**393**	345
Future income tax benefits attributable to tax losses carried forward as an asset	**-**	-	-	**-**	-
Future income tax benefits not taken to account					
Valuation allowance					
Opening balance	**83**	102	49	**83**	102
Prior year adjustments	**7**	5	6	**7**	5
Benefits now taken to account	**(2)**	(24)	-	**(2)**	(24)
Benefits not recognised	**8**	-	47	**8**	-
Closing balance (Note 20)	**96**	83	102	**96**	83

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997 $M	1996 $M	1995 $M	1997 $M	1996 $M
Note 6 Dividends Provided For, Reserved or Paid					
Interim dividend (fully franked) of 45 cents per share (1996: 38 cents, 1995: 36 cents)					
Provision for interim dividend - cash component 1996, 1997	**231**	203	335	**231**	203
Declared final dividend (fully franked) of 57 cents per share (1996: 52 cents, 1995: 46 cents)					
Provision for final dividend - cash component only	**291**	301	240	**291**	301
Dividends provided for payments in cash or paid	**522**	504	575	**522**	504
Appropriations to Dividend Reinvestment Plan Reserve					
Interim dividend	**180**	166	-	**180**	166
Final dividend	**239**	162	197	**239**	162
Dividends appropriated to Dividend Reinvestment Plan Reserve	**419**	328	197	**419**	328
Total Dividends Provided for, Reserved or Paid	**941**	832	772	**941**	832

Dividend Franking Account

The amount of franking credits available for subsequent financial years stands at $1,202 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 1997, adjusted for franking credits that will arise from the payment of income tax payable on profits of the 1997 financial year, franking debits that will arise from the payment of dividends proposed as at the end of the financial year and franking credits that the Bank may be prevented from distributing in the subsequent financial year.

	ECONOMIC ENTITY		
	1997 c	1996 c	1995 c
Note 7 Earnings Per Share			
Earnings Per Ordinary Share (basic and fully diluted)	**117.5**	115.5	106.4
	$M	$M	$M
Reconciliation of earnings used in the calculation of earnings per share			
Operating profit after income tax	**1,100**	1,141	1,002
Less: Outside equity interests	**(22)**	(22)	(19)
Earnings used in calculation of earnings per share	**1,078**	1,119	983
	NUMBER OF SHARES		
	M	M	M
Weighted average number of ordinary shares used in the calculation of earnings per share	**917**	969	924

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997 $M	1996 $M	1997 $M	1996 $M
Note 8 Cash and Liquid Assets				
Australia				
Notes, coins and cash at bankers	1,060	449	1,060	448
Loans to authorised dealers in the Australian short term money market	-	935	-	934
Money at short call	37	13	-	-
Securities purchased under agreements to resell	675	1,316	675	1,316
Bills receivable and remittances in transit	84	287	84	280
Total Australia	1,856	3,000	1,819	2,978
Overseas				
Notes, coins and cash at bankers	31	30	-	-
Money at short call	-	30	-	30
Bills receivable and remittances in transit	120	5	111	-
Total Overseas	151	65	111	30
Total Cash and Liquid Assets	2,007	3,065	1,930	3,008
Note 9 Receivables from Other Financial Institutions				
Australia	2,616	2,823	2,590	2,818
Overseas	2,223	2,890	2,037	2,676
Total Receivables from Other Financial Institutions	4,839	5,713	4,627	5,494
Note 10 Trading Securities				
Australia				
Listed:				
Australian Public Securities				
Commonwealth and States	130	279	130	279
Local and semi-government	57	5	57	5
Other Securities	185	-	185	-
Unlisted:				
Commercial paper	189	564	234	562
Certificates of deposit	312	286	312	296
Bills of exchange	996	1,418	996	1,418
Medium term notes	288	58	288	58
Other securities	21	-	21	-
Total Australia	2,178	2,610	2,223	2,618
Overseas				
Listed:				
Government securities	124	-	124	-
Eurobonds	275	214	275	214
Other securities	27	37	27	37
Unlisted:				
Government securities	-	5	-	-
Other securities	31	17	24	-
Total Overseas	457	273	450	251
Total Trading Securities	2,635	2,883	2,673	2,869

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 11 **Investment Securities**				
Australia				
Listed:				
Australian Public Securities				
Commonwealth and States	3,769	4,045	3,695	3,936
Treasury notes	20	-	-	-
Other securities and equity investments	40	163	-	145
Unlisted:				
Australian Public Securities				
Commonwealth and States	8	4	-	-
Treasury notes	17	-	17	-
Bills of exchange	34	66	-	-
Certificates of deposit	5	11	-	-
Medium term notes	115	181	115	181
Other securities and equity investments	825	142	546	21
Total Australia	4,833	4,612	4,373	4,283
Overseas				
Listed:				
Government securities	323	254	323	253
Treasury notes	5	5	5	5
Certificates of deposit	923	346	923	346
Eurobonds	367	309	367	309
Other securities	687	64	676	64
Unlisted:				
Government securities	38	31	16	-
Treasury notes	333	196	-	17
Bills of exchange	435	608	46	222
Certificates of deposit	64	648	64	648
Eurobonds	78	416	78	416
Medium term notes	-	9	-	-
Commercial paper	351	454	351	454
Other securities and equity investments	796	442	184	229
Total Overseas	4,400	3,782	3,033	2,963
Total Investment Securities	9,233	8,394	7,406	7,246

Notes to and forming part of the accounts

continued

Note 11 Investment Securities continued

Gross Unrealised Gains and Losses of Economic Entity

	At 30 June 1997				At 30 June 1996			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia								
Australian Public Securities								
Commonwealth and States	3,777	130	-	3,907	4,049	20	22	4,047
Treasury notes	37	-	-	37	-	-	-	-
Bills of exchange	34	-	-	34	66	-	-	66
Certificates of deposit	5	-	-	5	11	1	-	12
Medium term notes	115	13	-	128	181	6	-	187
Other securities and equity investments	865	88	9	944	305	-	-	305
Total Australia	4,833	231	9	5,055	4,612	27	22	4,617

Equity swaps and put and call options are in place to hedge equity market risk. There are $78 million of net deferred losses on these contracts (1996: $5 million net deferred gains) which offset the above gains and these are disclosed within Note 38.

	At 30 June 1997				At 30 June 1996			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Overseas								
Government securities	361	15	-	376	285	6	11	280
Treasury notes	338	1	-	339	201	2	-	203
Bills of exchange	435	2	1	436	608	2	-	610
Certificates of deposit	987	3	-	990	994	2	-	996
Eurobonds	445	22	3	464	725	25	4	746
Medium term notes	-	-	-	-	9	-	1	8
Other securities and equity investments	1,834	68	-	1,902	960	12	9	963
Total Overseas	4,400	111	4	4,507	3,782	49	25	3,806
Total Investment Securities	9,233	342	13	9,562	8,394	76	47	8,423

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

Note 11 **Investment Securities continued**

Maturity Distribution and Average Yield

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

	Maturity Period at 30 June 1997								
	1 to 12 months		1 to 5 years		5 to 10 years		10 years or more		Total
	$M	%	$M	%	$M	%	$M	%	$M
Australia									
Australian Public Securities:									
Commonwealth and States	993	5.46	2,323	6.95	350	7.35	111	8.67	3,777
Treasury notes	37	5.60	-	-	-	-	-	-	37
Bills of exchange	34	5.06	-	-	-	-	-	-	34
Certificates of deposit	5	5.44	-	-	-	-	-	-	5
Medium term notes	-	-	58	10.35	57	9.80	-	-	115
Other securities, commercial paper and equity investments	687	6.21	-	-	-	-	178	*-	865
Total Australia	1,756		2,381		407		289		4,833
Overseas									
Government securities	127	5.67	166	6.25	68	5.89	-	-	361
Treasury notes	338	6.67	-	-	-	-	-	-	338
Bills of exchange	435	7.27	-	-	-	-	-	-	435
Certificates of deposit	931	5.92	56	6.69	-	-	-	-	987
Eurobonds	141	5.93	142	8.54	162	7.59	-	-	445
Other securities, commercial paper and equity investments	904	6.35	505	9.31	232	6.52	193	5.87	1,834
Total Overseas	2,876		869		462		193		4,400
Total Investment Securities	4,632		3,250		869		482		9,233
Maturities at Net Fair Value	4,728		3,438		912		484		9,562

* Equity investments

Proceeds at or close to maturity of investment securities were $7,013 million (1996: $7,956 million, 1995: $13,801 million).
Proceeds from sale of investment securities were $1,172 million (1996: $729 million, 1995: $1,025 million).
Realised capital gains were $12 million and realised capital losses were $8 million (1996: realised capital losses $10 million, 1995: realised capital gains $9 million).

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	**1997**	1996
	$M	$M	**$M**	$M
Note 12 Loans, Advances and Other Receivables				
Australia				
Overdrafts	**2,707**	2,729	**2,719**	2,729
Housing loans	**37,400**	32,337	**37,400**	32,337
Credit card outstandings	**1,823**	1,666	**1,823**	1,666
Lease financing	**3,032**	2,796	**1,045**	1,054
Bills discounted	**1,025**	893	**1,025**	893
Term loans	**22,939**	19,846	**19,234**	16,194
Redeemable preference share financing	**775**	634	**159**	614
Equity participation in leveraged leases	**1,455**	1,437	**866**	918
Other lending	**1,565**	999	**718**	510
Total Australia	**72,721**	63,337	**64,989**	56,915
Overseas				
Overdrafts	**379**	295	**-**	-
Housing loans	**5,983**	4,864	**146**	130
Credit card outstandings	**123**	83	**-**	-
Lease financing	**28**	1	**-**	-
Bills discounted	**586**	172	**586**	171
Term loans	**3,260**	3,119	**832**	1,115
Redeemable preference share financing	**367**	-	**-**	-
Other lending	**343**	277	**328**	267
Total Overseas	**11,069**	8,811	**1,892**	1,683
Gross Loans, Advances and Other Receivables	**83,790**	72,148	**66,881**	58,598
Less -				
Provisions for impairment (Note 13)				
General provision	**(690)**	(613)	**(604)**	(521)
Specific provision against loans and advances	**(241)**	(310)	**(211)**	(283)
Unearned income				
Term loans	**(400)**	(334)	**-**	-
Lease financing	**(442)**	(439)	**(145)**	(167)
Leveraged leases	**(177)**	(190)	**(58)**	(70)
Interest reserved	**(109)**	(123)	**(101)**	(112)
Unearned tax remissions on leveraged leases	**(99)**	(97)	**(31)**	(37)
	(2,158)	(2,106)	**(1,150)**	(1,190)
Net Loans, Advances and Other Receivables	**81,632**	70,042	**65,731**	57,408
Lease receivables, net of unearned income				
(included above)				
Current	**816**	699	**295**	267
Non current	**1,802**	1,659	**605**	620
	2,618	2,358	**900**	887

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 13 Provisions for Impairment				
General Provisions				
Opening balance	613	476	521	400
Charge against profit and loss	36	99	48	85
Bad debts recovered	80	74	67	58
Adjustments for exchange rate fluctuations	2	(3)	-	(1)
	731	646	636	542
Bad debts written off	(41)	(33)	(32)	(21)
Closing balance	690	613	604	521
Specific Provisions				
Opening balance	318	511	289	450
Charge against profit and loss				
New and increased provisions	152	155	117	132
Write-back of provisions no longer required	(90)	(141)	(80)	(109)
Adjustments for exchange rate fluctuations and other items	6	(4)	6	(5)
	386	521	332	468
Bad debts written off	(145)	(203)	(121)	(179)
Closing balance	241	318	211	289
Total Provisions for Impairment	931	931	815	810
Specific provisions for impairment comprise the following segments:				
Provisions against loans and advances (Note 12)	241	310	211	283
Provisions for diminution	-	8	-	6
Total	241	318	211	289
	%	%	%	%
Provision Ratios				
Specific provisions for impairment as % of gross impaired assets net of interest reserved	30.2	29.9	29.4	31.7
Total provisions for impairment as % of gross impaired assets net of interest reserved	116.8	87.7	113.5	88.9
General provisions as % of risk weighted assets	0.79	0.79	0.78	0.75
	$M	$M	$M	$M
Charge to profit and loss for bad and doubtful debts comprises:				
General provisions	36	99	48	85
Specific provisions	62	14	37	23
Total Charge for Bad and Doubtful Debts	98	113	85	108

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	**1997**	1996
	$M	$M	**$M**	$M
Note 13 Provisions for Impairment continued				
Total charge for bad and doubtful debts derives from:				
New and increased provisions				
General provisions (direct write offs)	**41**	33	**32**	21
Specific provisions	**152**	155	**117**	132
Total new and increased provisions	**193**	188	**149**	153
Write back of provisions				
Recoveries previously written off	**(80)**	(74)	**(67)**	(58)
Specific provisions	**(90)**	(141)	**(80)**	(109)
Total write back of provisions	**(170)**	(215)	**(147)**	(167)
Increase in general provisions	**75**	140	**83**	122
Net Charge for Bad and Doubtful Debts	**98**	113	**85**	108

	ECONOMIC ENTITY	
	1997	1996
	$M	$M
Distribution of Bad Debt Expense		
Commonwealth Bank of Australia	**85**	108
CBFC Limited	**5**	3
Commonwealth Development Bank	**-**	1
ASB Bank Limited	**9**	8
Others	**(1)**	(7)
	98	113

	General Provision		Specific Provision	
	1997	1996	**1997**	1996
	$M	$M	**$M**	$M
Distribution of Provisions for Impairment				
Commonwealth Bank of Australia	**604**	521	**211**	289
CBFC Limited	**28**	29	**7**	8
Commonwealth Development Bank	**24**	33	**14**	15
ASB Bank Limited	**31**	27	**6**	3
Others	**3**	3	**3**	3
	690	613	**241**	318

Note 14 Credit Risk Concentrations

Management of the Credit Business

Credit risk is the potential for loss arising from -

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

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

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

The credit risk portfolio is divided into two segments - statistically managed and credit risk rated managed. Statistically managed exposures are generally not reviewed unless arrears occur. Credit risk rated managed exposures are required to be reviewed at least annually. Both segments are subject to inspection by the Risk Asset Review function which reports quarterly on its findings to the Board Risk Committee.

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

Facilities in the credit risk rated managed segment become classified for remedial management by centralised units based on assessment in the risk rating system, which for each exposure makes an assessment of the risk of default, and then the risk of loss if default should occur. Impaired assets in this segment are those 'classified' facilities where either a specific provision for impairment has been raised, the facility is maintained on a cash basis, a loss of principal or interest is anticipated, facilities have been restructured or other assets have been accepted in satisfaction of an outstanding debt.

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

Maximum aggregated credit limits apply for debtors or counterparties (refer Large Exposures below).

Credit risk is actively monitored and reviewed on a portfolio basis with regular independent reviews undertaken to test the quality of the credit risk portfolio, compliance with policy and underwriting standards, and the effectiveness of management control. The results of the reviews are reported quarterly to the Board Risk Committee.

Notes to and forming part of the accounts

continued

Note 14 Credit Risk Concentrations continued

The following tables set out the credit risk concentrations of the Economic Entity.

Risk Concentration by Asset Class 30 June 1997

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and Public Authorities	187	3,811	1,955	115	417	201	6,686
Agriculture, Forestry and Fishing	-	-	3,185	451	87	20	3,743
Financial, Investment and Insurance	1,263	100	1,859	2,431	2,958	2,858	11,469
Real Estate - mortgage	-	-	32,892	98	-	-	32,990
Real Estate - construction	-	-	1,138	943	599	25	2,705
Personal	-	-	10,740	264	56	-	11,060
Lease Financing	-	-	4,277	-	-	-	4,277
Other Commercial and Industrial	728	922	16,675	4,524	5,835	1,063	29,747
Total Australia	2,178	4,833	72,721	8,826	9,952	4,167	102,677
Overseas							
Government and Public Authorities	131	707	28	-	179	3	1,048
Agriculture, Forestry and Fishing	-	48	547	-	-	-	595
Financial, Investment and Insurance	-	1,539	1,494	-	275	1,612	4,920
Real Estate - mortgage	-	-	6,247	-	-	-	6,247
Real Estate - construction	-	-	151	-	15	-	166
Personal	-	6	133	-	9	-	148
Lease Financing	-	-	-	-	-	-	-
Other Commercial and Industrial	326	2,100	2,469	48	1,778	38	6,759
Total Overseas	457	4,400	11,069	48	2,256	1,653	19,883
Gross Balances	2,635	9,233	83,790	8,874	12,208	5,820	122,560
Other Risk Concentrations							
Receivables due from other financial institutions							4,839
Deposits with regulatory authorities							797
Total Gross Credit Risk							128,196

Note 14 Credit Risk Concentrations continued

Risk Concentration by Asset Class 30 June 1996

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and Public Authorities	284	4,049	1,477	96	141	33	6,080
Agriculture, Forestry and Fishing	-	-	2,896	708	124	13	3,741
Financial, Investment and Insurance	1,704	77	2,211	1,964	1,542	2,613	10,111
Real Estate - mortgage	-	-	28,963	135	1,458	-	30,556
Real Estate - construction	-	-	1,065	1,020	540	10	2,635
Personal	-	-	9,456	353	60	-	9,869
Lease Financing	-	-	4,245	-	-	-	4,245
Other Commercial and Industrial	622	486	13,024	5,712	4,542	435	24,821
Total Australia	2,610	4,612	63,337	9,988	8,407	3,104	92,058
Overseas							
Government and Public Authorities	5	486	310	-	1	4	806
Agriculture, Forestry and Fishing	-	-	376	-	-	-	376
Financial, Investment and Insurance	-	1,602	1,134	63	122	1,191	4,112
Real Estate - mortgage	-	-	4,545	-	-	-	4,545
Real Estate - construction	-	-	205	-	28	-	233
Personal	-	-	240	-	16	-	256
Lease Financing	-	-	1	-	-	-	1
Other Commercial and Industrial	268	1,694	2,000	6	1,128	47	5,143
Total Overseas	273	3,782	8,811	69	1,295	1,242	15,472
Gross Balances	2,883	8,394	72,148	10,057	9,702	4,346	107,530
Other Risk Concentrations							
Receivables due from other financial institutions							5,713
Deposits with regulatory authorities							711
Total Gross Credit Risk							113,954

Risk concentrations for contingent liabilities and derivatives are based on the credit equivalent balance in Note 37, Contingent Liabilities and Note 38, Market Risk respectively.

Notes to and forming part of the accounts

continued

Note 14 Credit Risk Concentrations continued

Risk Concentration of Impaired Assets 30 June 1997

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia						
Government and Public Authorities	6,686	-	-	-	-	-
Agriculture, Forestry and Fishing	3,743	104	21	15	(5)	10
Financial, Investment and Insurance	11,469	58	22	4	(8)	(4)
Real Estate - mortgage	32,990	4	4	9	-	9
Real Estate - construction	2,705	45	11	14	(1)	13
Personal	11,060	44	12	58	(16)	42
Lease Financing	4,277	3	-	5	(2)	3
Other Commercial and Industrial	29,747	573	152	69	(31)	38
Total Australia	102,677	831	222	174	(63)	111
Overseas						
Government and Public Authorities	1,048	-	-	-	-	-
Agriculture, Forestry and Fishing	595	1	1	-	-	-
Financial, Investment and Insurance	4,920	2	2	-	(2)	(2)
Real Estate - mortgage	6,247	-	-	1	-	1
Real Estate - construction	166	-	-	2	(2)	-
Personal	148	1	-	3	(1)	2
Lease Financing	-	-	-	-	-	-
Other Commercial and Industrial	6,759	71	16	6	(12)	(6)
Total Overseas	19,883	75	19	12	(17)	(5)
Gross Balances	122,560	906	241	186	(80)	106
Other Risk Concentrations						
Receivables due from other financial institutions	4,839					
Deposits with regulatory authorities	797					
Total Gross Credit Risk	128,196					

Note 14 Credit Risk Concentrations continued

Risk Concentration of Impaired Assets 30 June 1996

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia						
Government and Public Authorities	6,080	-	-	-	-	-
Agriculture, Forestry and Fishing	3,741	127	34	20	(5)	15
Financial, Investment and Insurance	10,111	91	50	25	(7)	18
Real Estate - mortgage	30,556	3	3	5	-	5
Real Estate - construction	2,635	60	16	17	(1)	16
Personal	9,869	10	17	52	(16)	36
Lease Financing	4,245	4	1	4	(2)	2
Other Commercial and Industrial	24,821	800	185	93	(34)	59
Total Australia	92,058	1,095	306	216	(65)	151
Overseas						
Government and Public Authorities	806	-	-	-	-	-
Agriculture, Forestry and Fishing	376	1	1	-	-	-
Financial, Investment and Insurance	4,112	4	2	1	(3)	(2)
Real Estate - mortgage	4,545	-	-	-	-	-
Real Estate - construction	233	1	1	-	(2)	(2)
Personal	256	2	-	3	(1)	2
Lease Financing	1	-	-	-	-	-
Other Commercial and Industrial	5,143	82	8	16	(3)	13
Total Overseas	15,472	90	12	20	(9)	11
Gross Balances	107,530	1,185	318	236	(74)	162
Other Risk Concentrations						
Receivables due from other financial institutions	5,713					
Deposits with regulatory authorities	711					
Total Gross Credit Risk	113,954					

Large Exposures

Concentration of exposure to any debtor or counterparty, other than to governments and banks, is controlled by the Large Credit Exposure Policy. All exposures outside the policy are approved by the Board Risk Committee. The following table shows the aggregate number of the Economic Entity's corporate exposures (including direct and contingent exposure) which individually were greater than 5% of the Economic Entity's capital resources (Tier 1 and Tier 2 capital):

	1997 Number	1996 Number
10% to less than 15% of Economic Entity's capital resources	1	1
5% to less than 10% of Economic Entity's capital resources	4	4

Note 15 Asset Quality

Credit Portfolio

The Economic Entity manages its credit portfolio in two segments:

Statistically Managed Segment

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

Risk Rated Managed Segment

This segment comprises all credit exposures not statistically managed.

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

The Economic Entity's credit risk portfolio is as follows:

	1997 $M	1996 $M
Total gross credit risk (Note 14)	128,196	113,954
Less unearned income (Note 12)	(1,019)	(963)
Credit Risk	127,177	112,991
Credit Segments		
Statistically managed	46,795	40,141
Risk rated managed	80,382	72,850
Credit Risk	127,177	112,991

Charge for bad and doubtful debts for each segment was:

Credit Segments	Charge 1997 $M	Loss Rate 1997 %pa	Charge 1996 $M	Loss Rate 1996 %pa
Statistically managed	61	0.13	31	0.08
Risk rated managed	(38)	(0.05)	(58)	(0.08)
Sub-total	23	0.02	(27)	(0.02)
Increase in general provisions	75	0.06	140	0.12
Total charge for bad and doubtful debts	98	0.08	113	0.10

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

Note 15 Asset Quality continued

Impaired Assets

The disclosure requirements of AASB1032: Specific Disclosures by Financial Institutions for Impaired Loans, Acquired Assets and Past-Due Loans have been adopted.

The Bank previously introduced new policies for identification of Impaired Assets effective 1 July 1994.

This approach incorporated the Reserve Bank guidelines issued in December 1993, and application of these definitions meets the disclosure requirements of Impaired Assets for AASB1032.

There are three classifications of Impaired Assets:

(i) Non accruals, comprising -

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

All interest charged in the current financial period is reversed from profit and loss when facilities become classified as non accrual. Interest on these facilities is only taken to profit if received in cash.

(ii) Restructured Facilities

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

(iii) Assets Acquired Through Security Enforcement (AATSE), includes -

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

	ECONOMIC ENTITY	
	1997	1996
	%	%
Impaired Asset Ratios		
Gross impaired assets net of interest reserved as % of credit risk net of interest reserved	**0.63**	0.94
Net impaired assets as % of:		
Risk weighted assets	**0.64**	0.96
Total shareholders' equity	**7.92**	10.10

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

At 30 June 1997, the recorded investment in loans that are considered to be impaired under SFAS 114 was $896 million (of which $896 million were on a non accrual basis). Included in this amount is $670 million of impaired assets for which the related allowance for credit losses is $226 million and $226 million of impaired loans that do not have an allowance for credit losses. The average recorded investment in impaired loans during the year ended 30 June 1997 was $1,008 million. For the year ended 30 June 1997, the Economic Entity recognised interest income on these loans of $50 million.

At 30 June 1996, the recorded investment in loans that are considered to be impaired under SFAS 114 was $1,130 million (of which $1,102 million were on a non accrual basis). Included in this amount is $776 million of impaired assets for which the related allowance for credit losses is $303 million and $325 million of impaired loans that do not have an allowance for credit losses. The average recorded investment in impaired loans during the year ended 30 June 1996 was $1,417 million. For the year ended 30 June 1996, the Economic Entity recognised interest income on these loans of $75 million.

Notes to and forming part of the accounts

continued

Note 15 **Asset Quality continued**

	ECONOMIC ENTITY			ECONOMIC ENTITY		
	Australia 1997 $M	Overseas 1997 $M	Total 1997 $M	Australia 1996 $M	Overseas 1996 $M	Total 1996 $M
Non Accrual Loans						
With provisions	606	74	680	737	49	786
Without provisions	225	1	226	323	2	325
Gross balances	831	75	906	1,060	51	1,111
Less interest reserved	(100)	(9)	(109)	(108)	(6)	(114)
Net balances	731	66	797	952	45	997
Less provisions for impairment	(222)	(19)	(241)	(300)	(10)	(310)
Net Non Accrual Loans	509	47	556	652	35	687
Restructured Loans						
Gross balances	-	-	-	29	-	29
Less interest reserved	-	-	-	(9)	-	(9)
Net balances	-	-	-	20	-	20
Less provisions for impairment	-	-	-	-	-	-
Net Restructured Loans	-	-	-	20	-	20
Other Real Estate Owned (OREO)						
Gross balances	-	-	-	-	39	39
Less provisions for impairment	-	-	-	-	(2)	(2)
Net OREO	-	-	-	-	37	37
Other Assets Acquired Through Security Enforcement (OAATSE)						
Gross balances	-	-	-	6	-	6
Less provisions for impairment	-	-	-	(6)	-	(6)
Net OAATSE	-	-	-	-	-	-
Total Impaired Assets						
Gross balances	831	75	906	1,095	90	1,185
Less interest reserved	(100)	(9)	(109)	(117)	(6)	(123)
Net balances	731	66	797	978	84	1,062
Less provisions for impairment	(222)	(19)	(241)	(306)	(12)	(318)
Net Impaired Assets	509	47	556	672	72	744
Non Accrual Loans by Size of Loan						
Less than $1 million	371	3	374	439	4	443
$1 million to $10 million	283	12	295	346	11	357
Greater than $10 million	177	60	237	275	36	311
Total	831	75	906	1,060	51	1,111
Accruing Loans 90 days past due or more	288	16	304	352	13	365

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

		ECONOMIC ENTITY			ECONOMIC ENTITY	
	Australia 1997 $M	**Overseas 1997 $M**	**Total 1997 $M**	Australia 1996 $M	Overseas 1996 $M	Total 1996 $M

Note 15 **Asset Quality continued**

Interest Income Foregone on Impaired Assets

Comprises net interest charged but not taken to profit during the year, and interest assessed for loans on which no interest has been charged.

	Australia 1997 $M	Overseas 1997 $M	Total 1997 $M	Australia 1996 $M	Overseas 1996 $M	Total 1996 $M
Non accrual loans	**52**	**3**	**55**	75	5	80
Restructured loans	**-**	**-**	**-**	-	-	-
OREO	**-**	**-**	**-**	-	-	-
OAATSE	**-**	**-**	**-**	-	-	-
Total	**52**	**3**	**55**	75	5	80

Interest taken to Profit and Loss on Impaired Assets

	Australia 1997 $M	Overseas 1997 $M	Total 1997 $M	Australia 1996 $M	Overseas 1996 $M	Total 1996 $M
Non accrual loans	**50**	**-**	**50**	70	-	70
Restructured loans	**-**	**-**	**-**	5	-	5
OREO	**-**	**5**	**5**	-	6	6
OAATSE	**-**	**-**	**-**	-	-	-
Total	**50**	**5**	**55**	75	6	81

Migration of Impaired Assets

The following table provides an analysis of the movement in the gross impaired asset balances.

	Total 1997 $M	Total 1996 $M
Opening balance	**1,185**	1,738
Plus - new and increased	**487**	390
Less - balances written off	**(190)**	(269)
- return to performing	**(576)**	(674)
Closing balance	**906**	1,185

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997 $M	1996 $M	**1997 $M**	1996 $M
Note 16 Deposits with Regulatory Authorities				
Reserve Bank of Australia	**793**	708	**782**	693
Central Banks Overseas	**4**	3	**4**	3
Total Deposits with Regulatory Authorities	**797**	711	**786**	696

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

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 17 Shares in and Loans to Controlled Entities				
Shares in controlled entities at cost or recoverable amount	-	-	2,832	2,043
Loans to controlled entities	-	-	2,308	1,941
Total Shares in and Loans to Controlled Entities	-	-	5,140	3,984
Note 18 Property, Plant and Equipment				
(a) Land and Buildings				
Land -				
At 30 June 1996 valuation	-	600	-	572
At 30 June 1997 valuation	480	-	451	-
Closing balance	480	600	451	572
Buildings -				
At 30 June 1996 valuation	-	1,306	-	1,179
At 30 June 1997 valuation	1,039	-	914	-
Closing balance	1,039	1,306	914	1,179
Total Land and Buildings	1,519	1,906	1,365	1,751

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

	ECONOMIC ENTITY 1997	ECONOMIC ENTITY 1996	CHIEF ENTITY 1997	CHIEF ENTITY 1996
(b) Leasehold Improvements				
At cost	223	229	208	215
Provision for depreciation	(104)	(120)	(98)	(115)
Closing balance	119	109	110	100
(c) Equipment (Computers, Furniture, etc)				
At cost	1,406	1,275	1,179	1,064
Provision for depreciation	(834)	(712)	(704)	(585)
Abnormal write down of computer equipment (Notes 1(s) and 4)	(200)	-	(200)	-
Closing balance	372	563	275	479
Total Property, Plant and Equipment	2,010	2,578	1,750	2,330

No capital gains tax would have been payable if the land and buildings portfolio was sold at the values as at 30 June 1997 (1996: nil).

	ECONOMIC ENTITY 1997	ECONOMIC ENTITY 1996	CHIEF ENTITY 1997	CHIEF ENTITY 1996
Note 19 Goodwill				
Purchased goodwill	833	791	784	784
Accumulated amortisation	(259)	(217)	(255)	(215)
Total Goodwill	574	574	529	569

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 20 Other Assets				
Accrued interest receivable	781	861	835	913
Shares in associated companies and other companies	109	22	109	23
Accrued fees/reimbursements receivable	73	44	35	28
Securities sold not delivered	489	318	473	318
Future income tax benefits	167	189	147	192
Unrealised gains on trading derivatives (Note 38)	4,742	3,267	4,742	3,263
Other	1,141	567	800	224
Total Other Assets	7,502	5,268	7,141	4,961

Potential future income tax benefits of the Chief Entity arising from tax losses in offshore centres and timing differences have not been recognised as assets because recovery is not virtually certain. These benefits, which could amount to $96 million (1996: $83 million) will only be obtained if -

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

	ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Note 21 Deposits and Other Public Borrowings				
Australia				
Certificates of deposit	1,700	1,552	1,712	1,057
Term deposits	22,415	21,588	22,391	21,551
On demand and short term deposits	35,535	31,373	35,670	31,845
Deposits not bearing interest	3,929	4,002	4,932	4,987
By borrowing corporations	2,924	2,376	-	-
Securities sold under agreements to repurchase	714	1,497	714	1,497
Other	8	20	1	2
Total Australia	67,225	62,408	65,420	60,939
Overseas				
Certificates of deposit	2,076	1,640	551	395
Term deposits	5,255	4,602	1,820	1,425
On demand and short term deposits	3,219	2,675	14	29
Deposits not bearing interest	105	56	31	7
Total Overseas	10,655	8,973	2,416	1,856
Total Deposits and Other Public Borrowings	77,880	71,381	67,836	62,795

	ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Note 22 Payables to Other Financial Institutions				
Australia	394	204	379	159
Overseas	3,227	2,648	2,861	2,447
Total Payables to Other Financial Institutions	3,621	2,852	3,240	2,606

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 23 Income Tax Liability				
Australia				
Provision for income tax	166	388	160	400
Provision for deferred income tax	755	658	393	345
Total Australia	921	1,046	553	745
Overseas				
Provision for income tax	4	4	1	3
Provision for deferred income tax	-	-	-	-
Total Overseas	4	4	1	3
Total Income Tax Liability	925	1,050	554	748
Note 24 Other Provisions				
Provision for:				
Long service leave	316	301	314	300
Annual leave	137	125	134	123
Other employee entitlements	236	261	236	261
Homes insurance	15	20	15	20
General insurance claims	30	32	-	-
Self insurance/non lending losses	50	52	50	52
Other	51	67	48	63
Total Other Provisions	835	858	797	819
Note 25 Debt Issues				
Short term debt issues	6,411	3,672	5,403	3,218
Long term debt issues	3,743	3,001	3,352	3,001
Total Debt Issues	10,154	6,673	8,755	6,219
Short Term Debt Issues				
AUD Promissory Notes	827	454	-	-
US Commercial Paper	3,074	1,135	3,074	1,135
Euro Commercial Paper and Certificates of Deposit	1,922	1,926	1,773	1,926
Sterling Commercial Paper	-	41	-	41
Long Term Debt Issues With Less than One Year to Maturity	588	116	556	116
Total Short Term Debt Issues	6,411	3,672	5,403	3,218

Note 25 **Debt Issues continued**

Long Term Debt Issues

Maturity	Issue	Currency	Amount (M)	ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
1997	Euro MTNs	AUD	200	- [1]	200	- [1]	200
	Euro MTNs	NZD	50	- [1]	43	- [1]	43
1998	12.75% Notes	AUD	150	- [1]	150	- [1]	150
	Euro MTNs	HKD	250	- [1]	41	- [1]	41
	Euro MTNs	GBP	30	- [1]	59	- [1]	59
	Euro MTNs	NZD	100	87	-	87	-
	Euro MTNs	AUD	40	39	37	39	37
	Euro MTNs	JPY	5,000	65	63	65	63
	Euro MTNs	CHF	50	47	-	47	-
	Euro MTNs	USD	100	129	-	-	-
1999	Euro MTNs	AUD	236	235	135	235	135
	Euro MTNs	HKD	100	17	16	17	16
	Euro MTNs	USD	250	317	-	317	-
	13.75% Notes	AUD	100	100	100	100	100
	Euro MTNs	NZD	50	45	45	45	45
	Euro MTNs	JPY	2,700	31	23	31	23
	Term Loans	JPY	10,000	117	-	117	-
2000	Euro MTNs	HKD	50	9	8	9	8
	Euro MTNs	JPY	40,000	584	381	584	381
	Term Loans	JPY	10,000	117	116	117	116
	8.75% Notes	AUD	100	101	101	101	101
	Euro MTNs	GBP	100	207	-	-	-
2001	Euro MTNs	AUD	150	150	149	150	149
	11.0% Bonds	AUD	100	100	100	100	100
	Euro MTNs	DEM	300	244	245	244	245
2002	Euro MTNs	JPY	2,000	26	25	26	25
	Euro MTNs	AUD	100	100	-	100	-
2003	Euro MTNs	JPY	2,000	21	-	21	-
	Euro MTNs	AUD	100	99	99	99	99
2004	Term Loans	JPY	22,000	258	254	258	254
	Euro MTNs	GBP	20	45	39	45	39
2005	Euro MTNs	AUD	175	175	172	175	172
	Euro MTNs	JPY	3,000	35	35	35	35
	Term Loans	JPY	14,000 [2]	47	162	47	162
2006	Euro MTNs	JPY	6,500 [3]	-	76	-	76
	Term Loans	JPY	11,000 [4]	23	127	23	127
2007	Euro MTNs	JPY	3,000	35	-	35	-
	Euro MTNs	USD	45	58	-	58	-
2008	Euro MTNs	USD	20	25	-	25	-
2026	Notes	AUD	55	55	-	-	-
Total Long Term Debt Issues				3,743	3,001	3,352	3,001

[1] Less than one year to maturity.
[2] JPY 10bn redeemed January 1997.
[3] JPY 5bn redeemed February 1997 and JPY 1.5bn redeemed August 1996.
[4] JPY 3bn redeemed September 1996, JPY 1bn redeemed February 1997 and JPY 5bn redeemed May 1997.

Notes to and forming part of the accounts

continued

Note 25 Debt Issues continued

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

Subsequent to 30 June 1997, the Bank has issued long term debt as set out below. Equivalent amounts in Australian dollars are translated at rates of exchange prevailing on 31 July 1997.

CHF 10m Euro MTNs due 2002 (AUD9m)
JPY 1.8bn Euro MTNs due 2012 (AUD20m)
JPY 700m Euro MTNs due 2008 (AUD8m)
JPY 1bn Euro MTNs due 2007 (AUD11m)

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

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

Exchange Rates Utilised

		30 June 1997	30 June 1996
AUD 1.00 =	USD	.7457	.7891
	GBP	.4482	.5097
	JPY	85.2464	86.5312
	NZD	1.0992	1.1548
	HKD	5.7777	6.1074
	DEM	1.2954	1.2000
	CHF	1.0846	.9865

Guarantee Arrangements

Commonwealth Bank of Australia

The due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Banks Act 1959 (as amended) at 30 June 1996. This guarantee is being progressively phased out following the reduction of the Commonwealth's shareholding in the Bank to below 50% on 19 July 1996.

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

In relation to the Commonwealth's guarantee of the Bank's liabilities, transitional arrangements provide that -

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

Under the terms of an agreement reached between the Commonwealth and the Bank, the Bank will report to the Commonwealth annually on the level and maturity profile of outstanding liabilities which are subject to the Commonwealth's guarantee. The agreement also includes an undertaking from the Bank that it will not seek to extend the maturity profile of its deposit liabilities beyond that required in the normal course of business during the three years following 19 July 1996.

Commonwealth Development Bank

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

Under the arrangements relating to the purchase by the Bank of the Commonwealth's shareholding in the CDB -

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

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

	ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Note 26 Bills Payable and Other Liabilities				
Bills payable	**312**	433	**298**	427
Accrued interest payable	**742**	737	**624**	623
Accrued fees and other items payable	**434**	333	**377**	299
Securities purchased not delivered	**904**	464	**888**	464
Unrealised losses on trading derivatives (Note 38)	**4,719**	3,391	**4,719**	3,391
Other liabilities	**587**	634	**463**	530
Total Bills Payable and Other Liabilities	**7,698**	5,992	**7,369**	5,734

Note 27 Loan Capital

		Currency Amount (M)		ECONOMIC ENTITY 1997 $M	ECONOMIC ENTITY 1996 $M	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Tier 1 Capital							
Exchangeable	FRNs	USD300	(1)	**388**	380	**388**	380
Exchangeable	FRNs	USD400	(2)	**517**	507	**517**	507
Undated	FRNs	USD100	(3)	**134**	127	**134**	127
				1,039	1,014	**1,039**	1,014
Tier 2 Capital							
Extendible	FRNs	USD125	(4)	**156**	156	**156**	156
Extendible	FRNs	AUD300	(5)	**300**	300	**300**	300
Subordinated	Euro MTNs	USD400	(6)	**501**	501	**501**	501
Subordinated	Euro MTNs	GBP200	(7)	**408**	408	**408**	408
Subordinated	Euro MTNs	JPY30,000	(8)	**397**	375	**397**	375
				1,762	1,740	**1,762**	1,740
Total Loan Capital				**2,801**	2,754	**2,801**	2,754

(1) USD300 million Undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into Dated FRNs. Outstanding notes at 30 June 1997 were:

due July 1998	:	USD227.25 million
due July 1999	:	USD19 million
due July 2000	:	USD48.25 million
undated	:	USD5.5 million

(2) USD 400 million Undated FRNs issued 22 February 1989 exchangeable into Dated FRNs. Outstanding notes at 30 June 1997 were:

due February 1999	:	USD217 million
due February 2000	:	USD176 million
undated	:	USD7 million

(3) USD100 million Undated Capital Notes issued on 15 October 1986.

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

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

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

- a relevant event of default (discussed below) occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- the most recent audited annual financial statements of the Group show a loss (as defined in the Agreements);
- the Bank does not declare a dividend in respect of its ordinary shares;

Note 27 Loan Capital continued

- the Bank, if required by the Commonwealth and subject to the agreement of the RBA, exercises its option to redeem a note issue; or
- in respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

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

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general banking business in Australia; and the Commonwealth ceasing to guarantee the relevant notes.

(4) USD125 million Extendible FRNs issued June 1989; due June 1999.

(5) AUD300 million Extendible Floating Rate Stock issued December 1989; due December 2004.

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

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

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

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

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

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

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

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

Note 28 Share Capital

	CHIEF ENTITY 1997 $M	CHIEF ENTITY 1996 $M
Authorised Capital		
3,250,000,000 ordinary shares of $2 each	6,500	6,500
Issued and Paid Up Capital		
Opening balance (ordinary fully paid shares of $2 each)	1,981	1,898
Buy Back	(200)	-
Dividend reinvestment plan	74	83
Employee share acquisition plan	5	-
Employee share subscription plan	-	-
Closing balance	1,860	1,981

Shares on Issue	Number
As at 30 June 1996	990,403,371
Buy Back	(100,000,000)
Dividend reinvestment plan issues:	
1996 final dividend fully paid ordinary shares at $10.64	20,351,714
1997 interim dividend fully paid ordinary shares at $12.51	16,908,006
Employee share acquisition plan issues	2,304,744
Employee share subscription plan issues	209,400
Total shares on issue at 30 June 1997	930,177,235

Directors propose a share buy back of around $650 million to occur in November 1997, following the final payment on the Instalment Receipts due 14 November 1997.

Note 28 Share Capital continued

Employee Share Acquisition Plan

An Employee Share Acquisition Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996. On 2 January 1997 the Bank allotted 2,303,665 ordinary shares to 27,755 eligible employees for no consideration under the Employee Share Acquisition Plan. On 18 March 1997 the Bank allotted an additional 1,079 ordinary shares to 13 eligible employees. Each participating eligible employee has been granted one ordinary share and 82 bonus ordinary shares, which effectively represents $1,000 of free shares at $12.04 per share. The bonus shares have been fully paid up as issued shares utilising the Share Premium Reserve. Under the Plan two further grants of up to $1,000 each may be offered subject to the Bank achieving the performance target of growth in annual profit by the greater of 5% or consumer price index plus 2%.

Employee Share Subscription Plan

An Employee Share Subscription Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996. A total of 209,400 ordinary shares were issued to 1,149 eligible employees at a purchase price of $12.74 per share. The purchase price is 95% of the weighted average market price of the shares on the ASX during the five trading days immediately before the offer date. The market price at date of issue was $12.75 per share.

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

Executive Option Plan

An Executive Option Plan was approved by shareholders for a 3 year period at the Annual General Meeting on 8 October 1996. A total of 2,100,000 options were initially issued on 16 December 1996 to 25 participating eligible executives, with an exercise price of $11.85 per share and exercise period from 13 November 1999 to 12 November 2001. The exercise price of $11.85 per share was the Market Value (as defined in the Plan Rules) at date of issue of the options. Market Value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the date of issue. The market price at date of issue of the options was $11.93 per share. No options have been forfeited at 30 June 1997.

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 13 November 1999 and the ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by the companies represented in the ASX 'Banks and Finance Accumulation Index', excluding the Bank. If the performance hurdle is not reached after three years, the options may nevertheless be exercisable only if the hurdle is subsequently reached within the remaining life of the options. The plan is limited to no more than 50 executives. Option holders do not have a right to participate in a share issue of any other body corporate.

Sale of Government Shareholding and Share Buy Back

The Commonwealth Government's sale of its remaining 50.39% shareholding in the Bank was completed on 22 July 1996. The Commonwealth's sale included a global offering of 399,103,979 of the Bank's shares in the form of 'Instalment Receipts' and a selective buy back of 100 million shares by the Bank. The final price for the global offering was set by the Government at $10.45 per share payable in two instalments of $6.00 and $4.45 on 22 July 1996 and 14 November 1997 respectively.

On 14 May 1996, the Bank's shareholders, other than the Commonwealth of Australia and its associates, voted to approve the terms of a Buy Back Agreement dated 9 April 1996 pursuant to which the Commonwealth had agreed to sell, and the Bank had agreed to acquire, 100 million of the Bank's shares pursuant to a selective buy back under the Corporations Law.

The price per share paid by the Bank for the buy back shares was $10.008 calculated in accordance with a formula provided in the Buy Back Agreement and based on the gross proceeds of the first instalment due to the Government pursuant to its global offering and the net present value of the final instalment due on 14 November 1997.

Payment of $1,001 million for the buy back shares was made to the Commonwealth on 22 July 1996. The buy back shares were cancelled on that date, as required by the Corporations Law.

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY	
	1997	1996
	$M	$M
Note 29 Outside Equity Interests		
Share Capital	**130**	132
Reserves	**-**	8
Retained profits	**48**	37
Total Outside Equity Interests	**178**	177

ASB Bank Limited issued -

- NZD $50 million non cumulative preference shares on 22 December 1995. The preference shares are non voting, non cumulative, redeemable at the option of ASB Bank and bear a dividend based on a margin above the 5 year bond rate.
- 57,955,325 ordinary shares to minority shareholders for an issue price of NZ$1 (on a pro rata basis) on 28 June 1996.

Note 30 Capital Adequacy

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

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

Risk weighted assets are calculated by applying one of five approved categories of risk weight (0,10,20,50 or 100 per cent) to the assets of the Economic Entity, based primarily on the calibre of the counter party. Off balance sheet exposures are similarly risk weighted, but are initially converted to on balance sheet equivalents using credit conversion factors relating to the nature of the exposure.

The total of the risk weighted assets and the risk assessed off balance sheet exposures is then related to the capital base to arrive at the risk weighted capital ratio which is used as a measure of capital adequacy.

	1997 Actual %	1996 Actual %
Risk Weighted Capital Ratios		
Tier one	**8.64**	10.05
Tier two	**2.82**	2.97
Less RBA statutory deductions	**(0.57)**	(0.31)
Total	**10.89**	12.71

	ECONOMIC ENTITY	
	1997	1996
	$M	$M
Note 30 Capital Adequacy continued		
Tier One Capital		
Total Shareholders' Equity	**7,024**	7,367
Eligible Loan Capital *	**1,073**	1,014
Total Shareholders' Equity and Loan Capital	**8,097**	8,381
Less Goodwill	**(574)**	(574)
Less Preference Shares	**(55)**	(43)
Total Tier One Capital	**7,468**	7,764
Tier Two Capital		
General provisions for bad and doubtful debts	**690**	613
Dated note and bond issues	**1,702**	1,641
Preference shares	**45**	43
Total Tier Two Capital	**2,437**	2,297
Tier One and Tier Two Capital	**9,905**	10,061
Less RBA statutory deductions	**(487)**	(239)
Total Tier One and Tier Two Capital	**9,418**	9,822

* Included gross of any related swaps.

	Face Value		Risk Weights	Risk Weighted Balance	
	1997	1996		**1997**	1996
	$M	$M	%	**$M**	$M
Risk-weighted assets					
On balance sheet assets					
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero-weighted assets (1)	**8,515**	5,794	0%	**-**	-
Longer term claims on Australian Commonwealth, State and Territory Governments	**7,392**	7,638	10%	**739**	764
Claims on OECD banks and local governments	**10,533**	11,126	20%	**2,107**	2,225
Advances secured by residential property (2)	**39,420**	35,296	50%	**19,710**	17,648
All other assets (3)	**54,191**	48,814	100%	**54,191**	48,814
Total on balance sheet assets	**120,051**	108,668		**76,747**	69,451

(1) Other zero weighted assets include gross unrealised gains on trading derivative financial instruments of $4,742 million (1996: $3,267 million).

(2) The RBA announced on 17 August 1994 that housing loans approved after 5 September 1994 having a loan to market valuation ratio in excess of 80 per cent must be risk weighted at 100 per cent. These loans are reported under 'All other assets'.

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

Notes to and forming part of the accounts

continued

	Face Value		Credit Equivalent		Risk-Weighted Balance	
	1997 $M	1996 $M	**1997 $M**	1996 $M	**1997 $M**	1996 $M
Note 30 Capital Adequacy continued						
Off-balance sheet exposures						
Direct credit substitutes	**2,855**	3,011	**2,855**	3,011	**1,930**	2,382
Trade and performance related items	**1,380**	1,422	**563**	551	**524**	522
Commitments	**21,339**	17,401	**8,790**	6,140	**5,483**	3,679
Foreign exchange, interest rate and other market related transactions	**258,990**	215,754	**5,766**	4,253	**1,784**	1,212
Total off-balance sheet exposures	**284,564**	237,588	**17,974**	13,955	**9,721**	7,795
Total risk-weighted assets					**86,468**	77,246

Note 31 Maturity Analysis of Monetary Assets and Liabilities

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

ECONOMIC ENTITY

Maturity Period at 30 June 1997

	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	**1,159**	**-**	**725**	**123**	**-**	**-**	**-**	**2,007**
Receivables due from other financial institutions	**348**	**4**	**4,144**	**343**	**-**	**-**	**-**	**4,839**
Trading securities [1]	**-**	**-**	**2,635**	**-**	**-**	**-**	**-**	**2,635**
Investment securities	**-**	**-**	**2,139**	**2,493**	**3,250**	**1,351**	**-**	**9,233**
Loans, advances and other receivables [2]	**225**	**2,992**	**4,782**	**11,504**	**30,776**	**31,759**	**(406)**	**81,632**
Bank acceptances of customers	**-**	**-**	**5,930**	**2,944**	**-**	**-**	**-**	**8,874**
Other monetary assets	**64**	**-**	**6,393**	**224**	**90**	**767**	**256**	**7,794**
Total monetary assets	**1,796**	**2,996**	**26,748**	**17,631**	**34,116**	**33,877**	**(150)**	**117,014**
Liabilities								
Deposits and other public borrowings [3]	**43,787**	**-**	**18,208**	**11,399**	**4,285**	**156**	**45**	**77,880**
Payables due to other financial institutions	**745**	**-**	**2,437**	**427**	**12**	**-**	**-**	**3,621**
Bank acceptances	**-**	**-**	**5,930**	**2,944**	**-**	**-**	**-**	**8,874**
Debt issues and loan capital	**-**	**-**	**3,601**	**2,810**	**3,918**	**2,476**	**150**	**12,955**
Other monetary liabilities	**134**	**4**	**7,255**	**754**	**386**	**-**	**186**	**8,719**
Total monetary liabilities	**44,666**	**4**	**37,431**	**18,334**	**8,601**	**2,632**	**381**	**112,049**

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

(2) $30 billion of this figure represents principally owner occupied housing loans. While most of these loans would have a contractual term of 20 years or more, and are analysed accordingly, the actual average term of the portfolio is less than 5 years.

(3) Includes substantial 'core' deposits which are contractually at call customer savings and cheque accounts. History demonstrates such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table in Note 38.

	ECONOMIC ENTITY			
	1997		1996	
	$M	%	$M	%
Note 32 Financial Reporting by Segments				
(a) Geographical segments				
Revenue				
Australia	8,198	85.1	7,853	85.2
New Zealand	977	10.2	807	8.8
Other Countries	448	4.7	557	6.0
	9,623	100.0	9,217	100.0
Operating profit before tax				
Australia	1,454	90.0	1,652	93.0
New Zealand	128	7.9	102	5.8
Other Countries	34	2.1	22	1.2
	1,616	100.0	1,776	100.0
Operating profit after tax and outside equity interests				
Australia	990	91.9	1,050	93.8
New Zealand	63	5.8	49	4.4
Other Countries	25	2.3	20	1.8
	1,078	100.0	1,119	100.0
Assets				
Australia	101,202	84.3	92,456	84.6
New Zealand	9,994	8.3	7,903	7.2
Other Countries	8,907	7.4	8,926	8.2
	120,103	100.0	109,285	100.0
(b) Industry segments				
Revenue				
Banking	9,007	93.6	8,699	94.4
Life Insurance and Funds Management	202	2.1	150	1.6
Finance	414	4.3	368	4.0
	9,623	100.0	9,217	100.0
Operating profit before tax				
Banking	1,443	89.3	1,640	92.3
Life Insurance and Funds Management	74	4.6	62	3.5
Finance	99	6.1	74	4.2
	1,616	100.0	1,776	100.0
Operating profit after tax and outside equity interests				
Banking	941	87.2	1,012	90.4
Life Insurance and Funds Management	75	7.0	59	5.3
Finance	62	5.8	48	4.3
	1,078	100.0	1,119	100.0
Assets				
Banking	115,368	96.1	105,639	96.7
Life Insurance and Funds Management	359	0.3	212	0.2
Finance	4,376	3.6	3,434	3.1
	120,103	100.0	109,285	100.0

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

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

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

	ECONOMIC ENTITY	
	1997	1996
	$M	$M

Note 33 Concentrations of Deposits and Borrowings

The following table outlines the range of financial instruments used by the Economic Entity to raise deposits and borrowings both within Australia and overseas. Funds are raised from well diversified sources and there are no material concentrations in these categories. The policy on funding diversification is outlined in Note 38.

	1997 $M	1996 $M
Australia		
Cheque accounts	**9,341**	7,302
Savings accounts	**21,491**	20,004
Term deposits	**24,842**	23,362
Cash management accounts	**8,389**	7,784
Debt issues	**7,845**	4,946
Bank acceptances	**8,826**	9,988
Certificates of deposit	**1,700**	1,552
Loan capital	**2,801**	2,754
Securities sold under agreements to repurchase	**714**	1,497
Other	**1,062**	509
Total Australia	**87,011**	79,698
Overseas		
Deposits and interbank	**13,881**	12,127
Commercial paper	**1,374**	1,324
Bond issues	**569**	462
Bank acceptances and other	**495**	106
Total Overseas	**16,319**	14,019
Total Funding Sources	**103,330**	93,717
Provisions and other liabilities	**9,749**	8,201
Total Liabilities	**113,079**	101,918

Note 34 Remuneration of Auditors

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	**1997**	1996
	$'000	$'000	**$'000**	$'000
Amounts paid or due and payable for audit services to:				
Auditors of the chief entity	**2,432**	1,150	**1,544**	867
Previous auditors of the chief entity	**-**	1,366	**-**	997
Other auditors	**200**	558	**-**	-
	2,632	3,074	**1,544**	1,864
Amounts paid or due and payable for other services to:				
Auditors of the chief entity	**3,873**	108	**3,448**	103
Previous auditors of the chief entity	**-**	187	**-**	187
Other auditors	**32**	218	**-**	-
	3,905	513	**3,448**	290
Total Remuneration of Auditors	**6,537**	3,587	**4,992**	2,154

A further amount of $1,352,000 was paid to the previous auditors of the chief entity by the Commonwealth Government in respect of the audit of the financial statements for the half year ended 31 December 1995.

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997 $M	1996 $M	**1997 $M**	1996 $M
Note 35 Commitments for Capital Expenditure Not Provided for in the Accounts				
Not later than one year	**33**	59	**26**	50
Later than one year but not later than two years	**-**	-	**-**	-
Later than two years but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
Total Commitments for Capital Expenditure Not Provided for in the Accounts	**33**	59	**26**	50
Note 36 Lease Commitments - Property, Plant and Equipment				
Commitments in respect of non cancellable operating lease agreements due -				
Not later than one year	**172**	148	**138**	124
Later than one year but not later than two years	**143**	129	**117**	108
Later than two years but not later than five years	**280**	258	**227**	210
Later than five years	**306**	286	**223**	198
Total Lease Commitments - Property, Plant and Equipment	**901**	821	**705**	640

Note 37 Contingent Liabilities

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

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

	ECONOMIC ENTITY			
	Face Value		Credit Equivalent	
	1997 $M	1996 $M	**1997 $M**	1996 $M
Details of contingent liabilities and off balance sheet business (excluding Derivatives – Note 38) are:				
Credit risk related instruments				
Guarantees	**1,522**	1,818	**1,522**	1,818
Standby letters of credit	**808**	473	**808**	473
Bill endorsements	**525**	720	**525**	720
Documentary letters of credit	**423**	533	**85**	106
Performance related contingents	**957**	889	**478**	445
Commitments to provide credit	**19,346**	15,764	**6,851**	4,615
Other commitments	**1,993**	1,637	**1,939**	1,525
Total credit risk related instruments	**25,574**	21,834	**12,208**	9,702

Note 37 Contingent Liabilities continued

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

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

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

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

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

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

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

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

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

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

Litigation

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

Fiduciary activities

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

	1997 $M	1996 $M
Funds under trusteeship	**14,931**	2,488
Funds under management	**23,166**	14,343
Funds under custody	**20,724**	13,659

As an obligation arises under each type of duty the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where Commonwealth Financial Services acts in more than one capacity in relation to those funds, eg manager and trustee.

Commonwealth Custodial Services Limited, acts as trustee of the Commonwealth Bank Approved Deposit Fund and of State Bank Supersafe Approved Deposit Fund. In terms of the relevant Trust Deeds of those Funds, the trustee has an obligation to repay deposits in the Funds. It is not envisaged that any material irrecoverable liabilities will result from these obligations.

Note 37 Contingent Liabilities continued

Fiduciary activities continued

Commonwealth Custodial Services Limited also acts as Trustee for the Commonwealth Life Superannuation Mastertrust, Commonwealth Life Personal Superannuation Fund, Commonwealth Property Investment Fund, Commonwealth Infrastructure Funds, Commonwealth Bank Investment Trust, Commonwealth Wholesale Australian Equity Trust, Commonwealth Wholesale International Equity Trust, Commonwealth Airports Fund and CLL Property Trust. The Commonwealth Bank of Australia does not guarantee the performance or obligations of its subsidiaries including the Trustee of these funds.

Commonwealth Investment Services Limited, as Manager of the Commonwealth Mortgage Fund, Commonwealth Balanced Fund, Commonwealth Fixed Interest Fund, Commonwealth Equity Imputation Fund, Commonwealth Cash Management Trust, Commonwealth Premium International Bond Fund, Commonwealth Premium International Equity Fund, Commonwealth Premium Asian Equity Fund, Commonwealth Premium Cash Plus Fund, Commonwealth Premium Cash Management Fund, Commonwealth International Bond Fund, Commonwealth Premium Small Capitalisation Equity Fund, Commonwealth Income Fund, Commonwealth Growth Fund, Commonwealth Australian Equity Fund, Commonwealth Asia Pacific Equity Fund, Commonwealth Property Investment Fund, Commonwealth Property Securities Fund, Commonwealth Infrastructure Funds, Commonwealth Wholesale Australian Equity Trust, Commonwealth Wholesale International Equity Trust, Commonwealth Airports Fund and Commonwealth International Equity Fund has an obligation under the Trust Deeds of those Funds, upon request of a unitholder, to repurchase units of those Funds or to arrange for the relevant Trustee to redeem units from the assets of the Trust Funds. It is considered unlikely that Commonwealth Investment Services Limited would need to repurchase units from its own funds.

Commonwealth Funds Management Limited (CFM) acts as trustee and manager of the CFM International Equities Trust, CFM Australian Equity Trust, CFM Property Fund, CFM Rural Investment Fund, CFM Fixed Interest Trust, CFM Retirement/Pension Funds and Commonwealth Funds Management Pooled Super Trusts. CFM has incurred liabilities in its capacity as Trustee, however it has a right of indemnity against the assets of the respective trusts and as at 30 June 1997 the assets of the trusts exceeds those liabilities incurred. As such CFM does not expect to have to meet any of those liabilities from its own funds.

Commonwealth Funds Management Limited also acts as Manager of the CFM Investment Fund and the CFM General Investment Trust which comprises the following funds: Balanced Capital Stable, Capital Stable, Managed Growth, Portfolio Services Select Assets, Australian Equities, Industrial Equity, Australian Bond, Cash, International Equity, Hedged International Equity, International Fixed Interest and Listed Property. In its capacity as Manager CFM has an obligation upon the request of a unitholder, to repurchase units in the above funds or to arrange for the relevant trustee to redeem units from the assets of the trust. It is considered unlikely that CFM would need to repurchase units from its own funds.

Liquidity support

In accordance with the Regulations and Procedures governing clearing arrangements contained within the Australian Paper Clearing Stream (Clearing Stream 1) and the Bulk Electronic Clearing Stream (Clearing Stream 2) of the Australian Payments Clearing Association Limited, the Bank is subject to a commitment to provide liquidity support to these clearing streams in the event of a failure to settle by a member institution.

Year 2000 systems compliance

The Bank has completed an evaluation of its computer systems to ensure that they will operate satisfactorily with the change of century from 31 December 1999. A plan for achieving compliancy with the majority of the systems by June 1998 has been developed and conversion and testing of systems has commenced. The total conversion cost is estimated at over $100 million.

Service agreements

The maximum contingent liability for termination benefits in respect of service agreements with Executive Directors and other executives of the Chief Entity and its controlled entities at 30 June 1997 was $9 million (1996: $8 million).

Note 38 Market Risk

The Bank in its daily operations is exposed to a number of market risks. A market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings to the Bank, eg an adverse interest rate movement.

Within the Bank, market risk exists in its balance sheet structure and in financial markets trading.

Market risk in the balance sheet

Market risk in the balance sheet includes liquidity risk, funding risk, interest rate risk and foreign exchange rate risk.

Liquidity risk

Balance sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Bank manages liquidity risk separately for its domestic AUD obligations and for its foreign currency obligations.

In its domestic operations, the Bank ensures that obligations are met day to day in normal market conditions at lowest cost. Protection against an unexpected outflow of funds is provided for within the liability management process and from a stock of high quality liquid assets held surplus to the Reserve Bank of Australia's Prime Assets Ratio requirements.

Foreign currency liquidity risk is managed by ensuring that a positive cumulative cash flow always exists for the next 7 days operations. A stock of liquid assets is included in this protective measure.

Funding risk

Funding risk is the risk of over reliance on a funding source, to the extent that change in that funding source would increase funding cost or cause difficulty in raising funds. The Bank has a policy of funding diversification to ensure that over reliance is not placed on any one market sector.

Interest rate risk

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the Net Interest Earnings of the Bank in the current reporting period, and in future years. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The objective is to manage the interest rate risk to secure stable and sustainable net interest earnings in the long term.

The Bank measures and manages balance sheet interest rate risk from two perspectives:

(a) Next 12 months' earnings

The risk to the net interest earnings over the next 12 months from a change in interest rates is measured on at least a monthly basis. Risk is measured assuming an immediate 1% parallel movement in interest rates across the full yield curve as well as other interest rate scenarios with variations in the size and timing of interest rate movements. Potential variations to net interest earnings are measured using a simulation model which takes into account the projected change in balance sheet level and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on other assets and liabilities (those priced at the discretion of the Bank) is measured by taking into account both the manner in which the products have repriced in the past as well as the expected change in price based on the current competitive market environment.

The figures in the table represent the potential change to net interest earnings (expressed as a percentage of expected net interest earnings in the next 12 months) based on a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading.

(expressed as a % of expected next 12 months' earnings)	**1997**	1996
	%	%
Average monthly exposure	**1.5**	1.6
High month exposure	**3.0**	2.1
Low month exposure	**0.5**	1.2

Note 38 **Market Risk continued**

Market risk in the balance sheet continued

Interest rate risk continued

(b) Economic value

Some of the Bank's assets and liabilities have interest rate risk that is not captured within the measure of risk to next 12 month's earnings, as the risk is beyond the next 12 months. To measure this longer term sensitivity, the Bank utilises an economic value at risk analysis. This analysis measures the potential change in the net present value of cash flows of assets and liabilities where repricing dates do not match. Assets and liabilities priced at a variable rate and at the discretion of the Bank are not included in this measure.

The economic value at risk is determined by recalculating the net present value using a rate movement based on a 95% confidence level of monthly movements in interest rates. For example, an earnings at risk exposure of $1 million means that in 95 cases out of 100, the expected net present value will not increase or decrease by more than $1 million given historical behaviour in interest rates. The figures in the following table represent the net present value of the expected change in future earnings in all future periods for the remaining term of these existing assets and liabilities held for purposes other than trading.

	1997 $M	1996 $M
Exposures as at 30 June	18	15
Average monthly exposure	46	25
High month exposure	72	38
Low month exposure	8	7

In each case, all market sensitive transactions (including physical assets and liabilities and derivatives) are included in the risk measures. Prepayment assumptions for measurement of the risk are not a significant issue as the Bank includes mark to market prepayment clauses in most fixed rate lending contracts.

Note 38 Market Risk continued

The table represents the Economic Entity's contractual interest rate risk sensitivity from repricing mismatches as at 30 June 1997 and the corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off balance sheet instruments which may be repriced in the time periods shown. The Bank does not use this contractual repricing information to manage its interest rate risk; the risk is managed using the 'Next 12 months' earnings' and 'Economic value' perspectives outlined above.

All assets and liabilities are shown according to contractual repricing dates.

Options are shown in the gap using delta equivalents of the option face values.

Interest Rate Risk Sensitivity

	Repricing Period at 30 June 1997								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	1,856	1,269	-	-	-	-	-	587	3.87
Receivables due from other financial institutions	2,616	2,390	10	-	-	-	-	216	4.91
Trading securities	2,178	2,178	-	-	-	-	-	-	5.61
Investment securities	4,833	1,020	1,006	5	28	1,405	677	692	5.97
Loans, advances and other receivables	70,645	34,960	4,167	5,002	9,214	16,751	1,470	(919)	8.20
Bank acceptances of customers	8,826	-	-	-	-	-	-	8,826	-
Deposits with regulatory authorities	793	793	-	-	-	-	-	-	0.89
Property, plant and equipment	1,776	-	-	-	-	-	-	1,776	-
Goodwill	574	-	-	-	-	-	-	574	-
Other assets	7,105	2	5	8	11	5	-	7,074	2.42
Total Assets	101,202	42,612	5,188	5,015	9,253	18,161	2,147	18,826	6.42
Liabilities									
Deposits and other public borrowings	67,225	42,204	6,164	5,729	4,511	4,229	166	4,222	4.10
Payables due to other financial institutions	394	382	-	-	-	12	-	-	5.27
Bank acceptances	8,826	-	-	-	-	-	-	8,826	-
Provision for dividend	291	-	-	-	-	-	-	291	-
Income tax liability	921	1	-	-	-	-	-	920	-
Other provisions	830	-	-	-	-	-	-	830	-
Debt issues	7,766	1,192	1,187	1,949	680	2,254	504	-	5.78
Bills payable and other liabilities	7,091	16	1	7	-	25	-	7,042	0.05
	93,344	43,795	7,352	7,685	5,191	6,520	670	22,131	
Loan Capital	2,801	800	666	-	-	-	1,335	-	5.77
Total Liabilities	96,145	44,595	8,018	7,685	5,191	6,520	2,005	22,131	3.53
Shareholders' Equity	6,734							6,734	
Outside equity interests in controlled entities	10							10	
Total Shareholders' Equity	6,744							6,744	
Off Balance Sheet Items									
Swaps	*	3,113	140	448	(1,756)	(2,562)	993	(376)	#
FRAs	*	(712)	(782)	1,494	-	-	-	-	#
Net Mismatch	*	418	(3,472)	(728)	2,306	9,079	1,135	(10,425)	
Cumulative Mismatch	*	418	(3,054)	(3,782)	(1,476)	7,603	8,738	(1,687)	

no rate applicable

* no balance sheet amount applicable

Note 38 Market Risk continued

	Repricing Period at 30 June 1997								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Overseas									
Assets									
Cash and liquid assets	151	27	71	13	-	-	-	40	2.43
Receivables due from other financial institutions	2,223	1,510	427	172	-	-	-	114	5.66
Trading securities	457	32	14	9	15	299	88	-	6.74
Investment securities	4,400	584	1,239	1,060	353	792	372	-	6.94
Loans, advances and other receivables	10,987	1,305	4,543	745	1,326	3,125	64	(121)	8.73
Bank acceptances of customers	48	3	-	-	-	-	-	45	0.42
Deposits with regulatory authorities	4	1	-	-	-	-	-	3	1.29
Property, plant and equipment	234	-	-	-	-	-	-	234	-
Other assets	397	13	-	1	2	1	-	380	1.11
Total Assets	18,901	3,475	6,294	2,000	1,696	4,217	524	695	7.78
Liabilities									
Deposits and other public borrowings	10,655	5,815	2,661	1,274	582	219	-	104	6.05
Payables due to other financial institutions	3,227	2,124	676	422	5	-	-	-	5.87
Bank acceptances	48	3	-	-	-	-	-	45	0.42
Income tax liability	4	-	-	-	-	-	-	4	-
Other provisions	5	-	-	-	-	-	-	5	-
Debt issues	2,388	769	665	199	3	420	332	-	3.63
Bills payable and other liabilities	607	-	-	-	-	-	-	607	-
	16,934	8,711	4,002	1,895	590	639	332	765	
Loan Capital	-	-	-	-	-	-	-	-	-
Total Liabilities	16,934	8,711	4,002	1,895	590	639	332	765	5.58
Shareholders' Equity	112							112	
Outside equity interests in controlled entities	168					45		123	6.16
Total Shareholders' Equity	280					45		235	
Off Balance Sheet Items									
Swaps	*	680	3,103	(97)	(2,002)	(1,656)	(28)	-	#
FRAs	*	478	(37)	(520)	75	4	-	-	#
Futures	*	-	419	(430)	11	-	-	-	#
Net Mismatch	*	(4,078)	5,777	(942)	(810)	1,881	164	(305)	
Cumulative Mismatch	*	(4,078)	1,699	757	(53)	1,828	1,992	1,687	

\# no rate applicable

* no balance sheet amount applicable

Note 38 Market Risk continued

Foreign exchange risk

Foreign exchange risk is the risk to earnings caused by a change in foreign exchange rates.

The Bank hedges all balance sheet foreign exchange risk except for long term investments in offshore subsidiaries. An adverse movement of 10% in the applicable AUD foreign exchange rate would cause the Bank's capital adequacy ratio to deteriorate by less than 0.2% (1996: less than 0.2%)

Net deferred gains and losses

Net deferred realised and unrealised gains and losses arising from derivative hedging contracts entered into in order to manage the risk arising from assets, liabilities, commitments or anticipated future transactions, together with the expected term of deferral are shown below.

As at 30 June	Exchange Rate Related Contracts		Interest Rate Related Contracts		Total	
	1997	1996	**1997**	1996	**1997**	1996
	$M	$M	**$M**	$M	**$M**	$M
Within 6 months	**1**	1	**(14)**	5	**(13)**	6
Within 6 months - 1 year	**4**	-	**(49)**	(1)	**(45)**	(1)
Within 1-2 years	**33**	1	**(58)**	2	**(25)**	3
Within 2-5 years	**(48)**	(133)	**(75)**	28	**(123)**	(105)
After 5 years	**97**	(109)	**(72)**	(11)	**25**	(120)
Net deferred gain (loss)	**87**	(240)	**(268)**	23	**(181)**	(217)

Net deferred gains and losses are only in respect of derivatives and must be considered in the context of the total interest rate and foreign exchange risk of the balance sheet. The deferred gains and losses on both derivatives and on balance sheet assets and liabilities are included in the economic value at risk measure outlined above.

Additionally, there are $78 million of net deferred losses (1996: $5 million net deferred gains) on derivatives used to hedge equity risk on investments disclosed within Note 11.

Market risk in financial markets trading

Nature of trading activities

The Financial Markets area of Institutional Banking is engaged in trading and distribution of financial markets products and risk management services to clients on a global basis.

Traded products fall into the categories of money market and securities, foreign exchange, and derivatives. Securities trading and distribution covers a wide range of products in a variety of currencies, such as commercial paper, government bonds, asset backed paper, eurobonds, and structured transactions. In foreign exchange, the Bank is a participant in all major currencies and is a major participant in the Australian dollar market, providing services for central banks, institutional, corporate and retail clients. Derivative products include futures, forward rate agreements, interest rate and currency swaps, and foreign currency and interest rate options. A wide range of complex derivatives are used for trading and risk management purposes.

Securities are detailed in Note 10, whilst Foreign Exchange and Interest Rate Risk Management products are detailed within this note.

In the current financial period, the Bank's equities business has expanded from our broking services to include trading, arbitrage and structured equity transactions.

Profit contribution

Note 2 details Financial Markets contribution of $174 million to the overall profit of the Bank. This contribution is significant in a dollar sense, and provides important diversification benefits within the Bank's overall earnings. The risk/reward combination is highlighted by comparing the profit contribution of $174 million to the measure of 'value at risk', explained below, which was $3 million on a correlated basis as at 30 June 1997. The value at risk number highlights that trading activity is undertaken within a tightly controlled environment where probable revenue loss from market price movements is restricted to tolerable levels based on statistical experience.

Note 38 **Market Risk continued**

Risks and controls

The broad categories of risks associated with financial market products are credit risk, liquidity risk and price risk. These risks are monitored, controlled and mitigated by a system of limits, the use of various hedging strategies, credit control, daily revaluations of positions, liquidity management and a regime of accounting and systems controls.

Credit risk occurs if a counterparty defaults in performance of its obligations. Credit risk related to financial market products is assessed on a total basis for each client as part of the Bank's overall credit management process. The Bank may require lodgement of collateral for credit exposures arising from derivative products, although this is not a common practice.

Liquidity risk arises from the possibility that market changes could prevent the Bank readily obtaining prices to allow it to close out its positions. This risk is controlled by concentrating trading activity in highly liquid markets and limiting the Bank's volume of activity in less liquid markets.

Price risk is the risk of loss arising due to adverse price movements in financial markets. The Bank's major price risks are interest rate risk and exchange rate risk. This risk is managed by the use of a Value at Risk methodology, explained below. The approval of trading limits and the monitoring of compliance are the responsibility of a separate Risk Management function. Institutional Banking reports regularly on its trading activity to the Risk Committee of the Board. The effectiveness of controls is reviewed regularly by internal audit.

Value at risk(VAR)

The Bank measures VAR in dollar value terms. Separate VAR amounts are calculated for each risk type eg. interest rate risk and exchange rate risk. Risk is controlled conservatively by assuming that all limits may be fully utilised even though only a portion of available limits is normally in use at any given time. The current risk measure also ignores correlations between risks ie. where a risk in one portfolio may be offset in whole or in part by a risk in another portfolio. The Bank intends to move to a correlated risk measure during the 1997/98 financial year. Measuring risk on a fully correlated basis will significantly reduce reported VAR. For illustrative purposes, a correlated VAR measure has been calculated as at 30 June 1997, and is set out below. The Bank uses historical simulation VAR for the measurement of market risk. This involves revaluing all transactions, using historically observed price and rate changes for a period of at least 1 year and constructing a distribution of the outcomes. The distribution of outcomes is ranked and a 97.5% level of the adverse outcomes is taken as the measure of risk.

The techniques used generally give a 97.5% confidence level that a revenue loss on any given day will not exceed our VAR limits. A loss greater than the VAR measure can occur in circumstances where price and rate change in excess of the 97.5% historical experience.

VAR (97.5% confidence level) for global financial markets activities

	Uncorrelated						
	Maximum VAR		Minimum VAR		Average VAR		**Correlated**
		During		During		During	**Actual**
	1997	1996	**1997**	1996	**1997**	1996	**30 June 1997**
	$M	$M	**$M**	$M	**$M**	$M	**$M**
Interest rate risk	**15**	13	**7**	9	**10**	10	
Exchange rate risk	**12**	9	**3**	3	**6**	5	
Total					**16**	15	**3**

Derivative contracts

The following table details the Bank's outstanding derivative contracts as at the end of the year.

Each derivative type is split between those held for 'Trading' purposes and for 'Other than Trading' purposes. Derivatives classified as 'Other than Trading' are transactions entered into in order to manage the risks arising from non traded assets, liabilities and commitments in Australia and our offshore centres.

The 'Face Value' is the notional or contractual amount of the derivatives. This amount is not necessarily exchanged and predominantly acts as reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The 'Credit Equivalent' is a number calculated using a standard Reserve Bank of Australia formula and is disclosed for each product class. This amount is a measure of the on balance sheet loan equivalent of the derivative contracts, which includes a specified percentage of the face value of each contract plus the market value of all contracts with an unrealised gain at balance date. The Credit Equivalent does not take into account any benefits of netting exposures to individual counterparties.

The accounting policy for derivative financial instruments is set out in Note 1(ff).

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY			
	Face Value		Credit Equivalent	
	1997	1996	1997	1996
	$M	$M	$M	$M
Note 38 Market Risk continued				
Derivatives:				
Exchange rate related contracts				
Forwards				
Trading	126,294	130,463	3,045	2,433
Other than trading	-	-	-	-
Total Forwards	126,294	130,463	3,045	2,433
Swaps				
Trading	8,040	7,016	720	980
Other than trading	4,533	2,871	554	182
Total Swaps	12,573	9,887	1,274	1,162
Futures				
Trading	2,462	28	-	-
Other than trading	-	-	-	-
Total Futures	2,462	28	-	-
Options purchased and sold				
Trading	16,058	6,664	242	43
Other than trading	-	-	-	-
Total options purchased and sold	16,058	6,664	242	43
Total exchange rate related contracts	157,387	147,042	4,561	3,638
Interest rate related contracts				
Forwards				
Trading	14,950	12,317	11	5
Other than trading	2,037	3,036	3	-
Total Forwards	16,987	15,353	14	5
Swaps				
Trading	24,961	25,212	701	383
Other than trading	25,799	16,216	483	239
Total Swaps	50,760	41,428	1,184	622
Futures				
Trading	50,637	68,643	-	-
Other than trading	134	357	-	-
Total Futures	50,771	69,000	-	-
Options purchased and sold				
Trading	3,536	4,912	52	75
Other than trading	2,452	648	-	1
Total options purchased and sold	5,988	5,560	52	76
Total interest rate related contracts	124,506	131,341	1,250	703
Equity risk related contracts				
Swaps				
Other than trading	376	-	9	-
Options purchased and sold				
Other than trading	182	143	-	5
Total equity risk related contracts	558	143	9	5
Total Derivatives Exposures	282,451	278,526	5,820	4,346

Note 38 Market Risk continued

The fair or market value of trading derivative contracts, disaggregated into gross unrealised gains and gross unrealised losses, are shown below. In line with the Bank's accounting policy these unrealised gains and losses are recognised immediately in profit and loss, and together with net realised gains on trading derivatives and realised and unrealised gains and losses on trading securities, are reported within trading income under foreign exchange earnings or other financial instruments (refer Note 2). In aggregate, derivatives trading was profitable for the Bank during the year.

	ECONOMIC ENTITY			
	Fair Value		Average Fair Value	
	1997 $M	1996 $M	**1997 $M**	1996 $M
Exchange rate related contracts				
Forward contracts				
Gross unrealised gains	**2,321**	1,738	**1,900**	1,519
Gross unrealised losses	**(2,377)**	(1,796)	**(1,984)**	(1,524)
	(56)	(58)	**(84)**	(5)
Swaps				
Gross unrealised gains	**670**	913	**1,066**	644
Gross unrealised losses	**(493)**	(648)	**(596)**	(450)
	177	265	**470**	194
Futures				
Gross unrealised gains	**-**	-	**-**	-
Gross unrealised losses	**-**	-	**-**	-
	-	-	**-**	-
Options purchased and sold				
Gross unrealised gains	**142**	20	**64**	28
Gross unrealised losses	**(124)**	(38)	**(71)**	(38)
	18	(18)	**(7)**	(10)
Net Unrealised Gains on Exchange Rate Related Contracts	**139**	189	**379**	179
Interest rate related contracts				
Forward contracts				
Gross unrealised gains	**8**	5	**7**	10
Gross unrealised losses	**(15)**	(11)	**(12)**	(16)
	(7)	(6)	**(5)**	(6)
Swaps				
Gross unrealised gains	**1,535**	551	**1,083**	669
Gross unrealised losses	**(1,675)**	(865)	**(1,524)**	(871)
	(140)	(314)	**(441)**	(202)
Futures				
Gross unrealised gains	**23**	18	**21**	4
Gross unrealised losses	**(28)**	(17)	**(23)**	(4)
	(5)	1	**(2)**	-
Options purchased and sold				
Gross unrealised gains	**43**	22	**33**	21
Gross unrealised losses	**(7)**	(16)	**(10)**	(13)
	36	6	**23**	8
Net Unrealised Losses on Interest Rate Related Contracts	**(116)**	(313)	**(425)**	(200)
Net Unrealised Gains (Losses) on Trading Derivative Contracts	**23**	(124)	**(46)**	(21)

In accordance with the accounting policy set out in Note 1(ff) the above trading derivative contract revaluations have been presented on a gross basis on the balance sheet.

	1997	1996
Unrealised gains on trading derivatives (Note 20)	**4,742**	3,267
Unrealised losses on trading derivatives (Note 26)	**(4,719)**	(3,391)
Net unrealised gains (losses) on trading derivatives	**23**	(124)

Note 39 Superannuation Commitments

The Economic Entity sponsors a range of superannuation plans for its employees world wide.
Details of the major plans with assets in excess of $10 million are:

Name of Plan	Type	Form of Benefit
Officers' Superannuation Fund (OSF)	Defined Benefits and Accumulation	Indexed pensions and lump sums
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA(UK)SBS)	Defined Benefits and Accumulation	Indexed pensions and lump sums

Financial Details of Defined Benefit Plans
Financial details of the defined benefit plans are:

	OSF [1] 30/06/94 $M	CBA(UK)SBS 30/04/95 $M	Total $M
Net Market Value of Assets	4,826	56	4,882
Present Value of Accrued Benefits	3,922	42	3,964
Difference between Net Market Value of Assets and Present Value of Accrued Benefits	904	14	918
Difference as a percentage of plan assets	19%	25%	19%
Value of Vested Benefits	3,922	47	3,969

(1) The OSF's values include the values, as at 30 June 1994, for the former SBV Staff Superannuation Fund and the former CBA Staff Superannuation Fund which were terminated on 21 July 1995 with each plan's assets, liabilities, member contributions and benefit arrangements transferred to the OSF.
An actuarial investigation of the OSF, as at 30 June 1997, is currently in progress.

The above values have been extracted from financial statements and actuarial assessments of each plan which have been prepared in accordance with relevant accounting and actuarial standards and practices.

Contributions
For the plans listed in the above table, entities of the Economic Entity contribute to the respective plans in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Chief Entity ceased contributions to the OSF from 8 July 1994. The need for contributions by the Chief Entity to the OSF will be considered after the completion of the current actuarial investigation of the OSF as at 30 June 1997. Given the surplus in the fund and recent investment performance, it is unlikely that contributions will be resumed in the next year.

Management of OSF
The Board of Directors of the Trustee of the OSF comprises an equal number of member and Chief Entity representatives.

	Extent of Beneficial Interest if not 100%	Incorporated in	Contribution to Consolidated Profit 1997 $M	1996 $M
Note 40 Controlled Entities				
AUSTRALIA				
The Commonwealth Bank of Australia carries on business in various countries throughout the world. All other entities carry on business in their countries of incorporation.				
a) Banking			857	947
Commonwealth Bank of Australia (Australia only)		Australia		
Controlled Entities:				
Commonwealth Development Bank of Australia Limited		Australia		
CBA Investments Limited Group				
CBA Investments Limited		Australia		
Sparad (No. 21) Pty Limited *		Australia		
Sparad (No. 26) Pty Limited *		Australia		
AEFC Investments Pty Limited *		Australia		
Antarctic Shipping Pty Ltd		Australia		
Aquasten Pty Limited *		Australia		
Australian Bank Limited		Australia		
Australian TIC Management Pty Limited *		Australia		
Balga Pty Limited *		Australia		
Binya Pty Limited *		Australia		
CBA Corporate Services (NSW) Pty Limited *		Australia		
CBA Corporate Services (VIC) Pty Limited *		Australia		
CBA Specialised Finance Limited Group				
CBA Specialised Financing Limited		Australia		
Share Investments Pty Limited		Australia		
CBA Leasing (No. 2) Pty Limited *		Australia		
CBA Investments (No 2) Pty Ltd		Australia		
CBA Indemnity Co. Pty Limited		Australia		
CBA International Finance Pty Limited		Australia		
Collateral Leasing Pty Limited		Australia		
Chullora Equity Investments (No.1) Pty Limited		Australia		
Chullora Equity Investments (No.2) Pty Limited *		Australia		
Chullora Equity Investments (No.3) Pty Limited *		Australia		
Commonwealth Connect Insurance Limited		Australia		
Commonwealth Investments Pty Limited Group				
Commonwealth Investments Pty Limited		Australia		
Hazelwood Investment Company Pty Limited (1)		Australia		
Darontin Pty Limited *		Australia		
Direct Australian Pty Limited *		Australia		
First Australian Pty Limited *		Australia		
Harford Pty Limited *		Australia		
Infravest (No. 1) Limited		Australia		
Infravest (No. 2) Limited		Australia		
MMAL Fleet Lease Arranger Pty Limited (1) *		Australia		
Micropay Pty Limited		Australia		
Perpetual Stock Pty Limited *		Australia		
Puerto Limited		Australia		
Retail Investor Pty Limited		Australia		
RVG Administration Company Pty Ltd *		Australia		

Notes to and forming part of the accounts

continued

	Extent of Beneficial Interest if not 100%	Incorporated in	Contribution to Consolidated Profit 1997 $M	1996 $M
Note 40 Controlled Entities continued				
a) Banking continued				
SBV Nominees Limited		Australia		
SBV Staff Superannuation Pty Limited *		Australia		
Securitisation Advisory Services Pty Limited *		Australia		
Securitisation Custodian Pty Limited (1) *		Australia		
Securitisation Management Pty Limited (1) *		Australia		
South Australian Fleet Lease Arranger Pty Ltd *		Australia		
Sparad (No. 12) Pty Limited *		Australia		
Sparad (No. 13) Pty Limited *		Australia		
Sparad (No. 14) Pty Limited *		Australia		
Sparad (No. 15) Pty Limited *		Australia		
Sparad (No. 16) Pty Limited *		Australia		
Sparad (No. 17) Pty Limited *		Australia		
Sparad (No. 19) Pty Limited *		Australia		
Sparad (No. 20) Pty Limited *		Australia		
Sparad (No. 22) Pty Limited *		Australia		
Sparad (No. 24) Pty Limited *		Australia		
Sparad (No. 28) Pty Limited *		Australia		
Sparad (No. 29) Pty Limited *		Australia		
Sparad (No. 30) Group				
Sparad (No. 30) Pty Limited *		Australia		
Sparad (No. 27) Pty Limited *		Australia		
Sparad (No. 31) Pty Limited *		Australia		
Collateral Sparad Limited Partnership (No 1)	General Partner	Australia		
Collateral Sparad Limited Partnership (No 2)	General Partner	Australia		
Collateral Sparad Limited Partnership (No 3)	General Partner	Australia		
Collateral Sparad Limited Partnership (No 4)	General Partner	Australia		
Collateral Sparad Limited Partnership (No 5)	General Partner	Australia		
Collateral Sparad Limited Partnership (No 6)	General Partner	Australia		
Victorian Fleet Lease Arranger Pty Limited (1) *		Australia		
Yeldarb Pty Limited *		Australia		
b) Finance			**58**	44
CBFC Group				
CBFC Limited		Australia		
CBFC Leasing Pty Limited		Australia		
Commonwealth Securities Limited Group				
Commonwealth Securities Limited		Australia		
Share Direct Nominees Pty Limited *		Australia		
Comsec Nominees Pty Limited *		Australia		
Fleet Care Services Pty Limited (1) *		Australia		
Leaseway Australia Pty Limited (1)		Australia		

	Extent of Beneficial Interest if not 100%	Incorporated in	Contribution to Consolidated Profit 1997 $M	1996 $M
Note 40 Controlled Entities continued				
c) Life Insurance and Funds Management			**75**	59
Commonwealth Custodial Services Limited		Australia		
Commonwealth Life Limited Group				
Commonwealth Life Limited		Australia		
CLL Investments Limited		Australia		
CIF (Hazelwood) Pty Limited (1)		Australia		
Commonwealth Investment Services Limited Group				
Commonwealth Investment Services Limited		Australia		
CISL (Hazelwood) Pty Limited (1)		Australia		
Commonwealth Funds Management Limited Group				
Commonwealth Funds Management Limited (2)		Australia		
CFM (ADF) Limited (2)		Australia		
CFML Nominees Pty Limited (2)		Australia		
NEW ZEALAND				
a) Banking			**63**	49
CINZ Group #				
Commonwealth Investments New Zealand Limited		New Zealand		
ASB Bank Limited	75%	New Zealand		
ASB Finance Limited	75%	New Zealand		
ASB Management Services Limited	75%	New Zealand		
ASB Properties Limited	75%	New Zealand		
ASB Superannuation Nominees Limited	75%	New Zealand		
OTHER OVERSEAS				
a) Banking			**21**	16
Commonwealth Bank of Australia (Offshore Branches)				
CBA Asia Limited		Singapore		
Commbank International NV#		Netherlands Antilles		
Resources and Investment Finance Limited	51%	Papua New Guinea		
CBA (Europe) Finance Limited (1)		United Kingdom		
Brigidina Investments Limited (1)(3)		Jersey		
Senator House Investments (UK) Limited (1)(4)		United Kingdom		
b) Finance			**4**	4
Central Real Estate Holdings Group				
Central Real Estate Holdings Corporation		USA		
Wilshire 10880 Corporation		USA		
Wilshire 10960 Corporation		USA		
CTB Australia Limited		Hong Kong		
SBV Asia Limited		Hong Kong		
Operating Profit After Tax and Outside Equity Interests			**1,078**	1,119

(1) Incorporated during the year.
(2) Purchased during the year.
(3) Wholly owned subsidiary of Share Investments Pty Limited.
(4) Wholly owned subsidiary of CBA International Finance Pty Limited.
Controlled Entities not audited by Ernst & Young.
* Small proprietary companies not requiring audit.

Liquidated during year: AEFC Advisory Services Ltd, AEFC Securities Limited and AEFC Leasing Pty Limited.
Deregistered during year: Balesroom Pty Limited, Galdnet Pty Limited and Lasoace Pty Limited.
Disposed of during year: Sparad (No 25) Pty Limited and Sparad (No 18) Pty Limited.

Notes to and forming part of the accounts

continued

	Book Value	Extent of Beneficial Interest	Principal Activities
Note 41 Investments in Associated Entities			
Interlink Roads Pty Limited	$2	50%	Tollroad Operator
PT Bank BII Commonwealth	$40m	50%	Banking

	ECONOMIC ENTITY			
	1997		1996	
	$M		$M	
	Available	**Unused**	Available	Unused
Note 42 Standby Arrangements and Unused Credit Facilities				
(of controlled entities that are borrowing corporations and entities subject to the Financial Corporations Act 1974.)				
(a) Financing arrangements accessible				
Bank overdraft	**10**	**-**	10	-
Bill facilities	**-**	**-**	100	60
	10	**-**	110	60
(b) Financing arrangements provided				
Wholesale finance	**13**	**3**	13	3
Other facilities	**1**	**-**	1	-
	14	**3**	14	3

Note 43 Related Party Disclosures

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, under an Australian Securities Commission Class Order No. 97/1016 dated 9 July 1997, from making disclosures of any loan made, guaranteed or secured by a bank to related parties (other than directors) and financial instrument transactions (other than shares and share options) of a bank where a director of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business and either on an arm's length basis or with the approval of a general meeting of the relevant entity and its ultimate chief entity (if any). The exemption does not cover transactions which relate to the supply of goods and services to a bank, other than financial assets or services.

The Class Order does not apply to a loan or financial instrument transaction which any director of the relevant entity should reasonably be aware that if not disclosed would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the Class Order is that the Bank must lodge a statutory declaration, signed by two directors, with the Australian Securities Commission accompanying the annual return. The declaration provides confirmation that the bank has systems of internal control and procedures to provide assurance that any financial instrument transactions of a bank which are not entered into on an arm's length basis are drawn to the attention of the Directors so that they may be disclosed.

Note 43 Related Party Disclosures continued

Directors

The names of each person holding the position of Director of the Commonwealth Bank during the financial year are:

M A Besley AO	(Chairman)
J T Ralph AO	(Deputy Chairman)
D V Murray	(Managing Director)
I K Payne	(Executive Director - Retired 11 July 1997)
N R Adler	
A C Booth	
E A Evans	(Resigned 19 July 1996)
G Gleeson AC	(Retired 8 October 1996)
J J Kennedy AO CBE	(Retired 30 June 1997)
J M Schubert	
G H Slee AM	
B K Ward	

Details of remuneration received or due and receivable by Directors are set out in Note 44.

Loans to Directors

Loans are made to Directors in the ordinary course of business of the Bank and on an arm's length basis. Loans to Executive Directors have been made on normal commercial terms and conditions.

Under the Australian Securities Commission Class Order referred to above, disclosure is limited to the aggregate amount of loans made, guaranteed or secured by -

- the Chief Entity to its Directors;
- banks which are controlled entities to their Directors; and
- non bank controlled entities to Directors (and their related parties) of those entities.

The aggregate amount of such loans outstanding at 30 June 1997 was -

- $690,897 to Directors of the Chief Entity (1996: $917,153); and
- $1,159,760 to Directors of related entities (1996: $1,188,973).

The aggregate amount of such loans received and repayments made during the year ended 30 June 1997 was:

	Loans Received		Repayments Made	
	1997	1996	**1997**	1996
	$	$	**$**	$
Directors of the Chief Entity				
Normal terms and conditions [(1)]	**52,000**	235,581	**278,256**	723,200
Directors of related entities				
Normal terms and conditions [(2)]	**178,692**	1,419,817	**207,905**	1,841,270

(1) Directors: D V Murray, I K Payne, A C Booth, B K Ward
(2) Directors: G J Judd, R J Norris, G A Thorby, W G Ward–Holmes

Notes to and forming part of the accounts

continued

Note 43 Related Party Disclosures continued

Shares of Directors

The aggregate number of shares acquired by, disposed of and held by Directors and their director related entities in the Commonwealth Bank during the financial year ended 30 June 1997, were:

Director	Held 30 June 1996	Shares Acquired		Shares Disposed Of		**Held 30 June 1997**	
	Ordinary	Ordinary	IR	Ordinary	IR	**Ordinary**	**IR**
M A Besley	8,183	888	2,050			**9,071**	**2,050**
J T Ralph	7,382	2,277	5,150		3,000	**9,659**	**2,150**
D V Murray	13,357	3,834	33,750			**17,191**	**33,750**
I K Payne	1,362	1,175	650			**2,537**	**650**
N R Adler	1,132	645	8,300			**1,777**	**8,300**
A C Booth	260	23				**283**	
G Gleeson (retired 8/10/96)	2,283						
J J Kennedy (retired 30/06/97)	1,000					**1,000**	
J M Schubert	1,775	742	3,000			**2,517**	**3,000**
G H Slee	2,446	214				**2,660**	
B K Ward	1,000	140	600			**1,140**	**600**

IR - Instalment Receipts evidence full beneficial ownership in an ordinary share. A second instalment of $4.45 is payable on the IRs by 14 November 1997.

All shares were acquired by Directors on normal terms and conditions or under the employee share scheme, as appropriate. Additionally D V Murray and I K Payne were granted 300,000 and 150,000 options respectively under the Executive Option Plan. Refer Note 28 for details.

Other Transactions of Directors and Other Related Parties

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed above) of Directors of the Chief Entity and banks which are controlled entities occur in the ordinary course of business of the banks on an arm's length basis.

Under the Australian Securities Commission Class Order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a Director of the entity concerned.

All such financial instrument transactions that have occurred between the banks and their Directors have been trivial or domestic and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Directors, director related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by non bank controlled entities.

All such transactions that have occurred with Directors, director related entities and other related parties have been trivial or domestic and were in the nature of lodgement of deposit and debenture monies.

Controlled Entities

Transactions with related parties in the Economic Entity are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities.

Support services are provided by the Bank such as provision of premises and/or equipment, availability of transfer payment and accounting facilities through data processing etc, and are transfer charged to the respective user entity at commercial rates.

Refer to Note 40 for details of controlled entities.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 17. Amounts due to controlled entities are disclosed in the balance sheet of the Bank.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 2.

All transactions between Group entities are eliminated on consolidation.

Note 43 Related Party Disclosures continued

Relationship with the Commonwealth Government

At 30 June 1996 the Commonwealth Government owned 50.39% of the voting shares of the Bank. Following the Commonwealth Government's sale of this remaining shareholding, which was completed on 22 July 1996 the Commonwealth does not own any shares in the Bank.

The sale by the Commonwealth included a global offering of 399,103,979 of the Bank's shares in the form of 'Instalment Receipts' and a selective buy-back of 100 million shares by the Bank. The final price for the global offering was set by the Government at $10.45 per share payable in two instalments of $6.00 and $4.45 by 22 July 1996 and 14 November 1997 respectively.

On 14 May 1996 the Bank's shareholders, other than the Commonwealth of Australia and its associates, voted to approve the terms of a Buy Back Agreement dated 9 April 1996 pursuant to which the Commonwealth had agreed to a selective buy back under the Corporations Law.

The purchase price for the buy back shares was agreed to be the lesser of $10.70 per share and the average price per share received by the Commonwealth for the sale of shares in its global offering. The price per share paid by the Bank for the buy back shares was $10.008 calculated in accordance with a formula provided in the Buy Back Agreement and based on the gross proceeds of the first instalment due to the Government pursuant to its global offering and the net present value of the final instalment due by 14 November 1997.

Payment of $1,001 million for the buy back shares was made to the Commonwealth on 22 July 1996. The buy back shares were cancelled on that date, as required by the Corporations Law.

Prior to the sell-down the Commonwealth had certain powers under the Commonwealth Banks Act 1959. These powers included -

- the appointment of one Board member to represent its views;
- approval of the Bank's corporate plan; and
- approval of the amount of the dividend where it did not exceed 45% of the consolidated profit after tax but before extraordinary items.

It was not the practice of the Commonwealth to change any proposed course of action of the Bank by exercising the above powers.

These powers were removed, effective 19 July 1996 under the Commonwealth Bank Sale Act 1995.

All banking transactions between the Bank and the Commonwealth Government were conducted on an arm's-length basis in the normal course of business and on commercial terms and conditions.

These transactions principally involved the following:

Loans and related facilities to Commonwealth Government Instrumentalities

The Commonwealth operates various departments, authorities and corporatised enterprises. Committed loans to these government related bodies as at 30 June 1996 totalled $1.4 billion.

Investment in Commonwealth Government Securities

The Commonwealth issues term debt securities into the financial markets as a means of debt financing. Such securities are the prime fixed interest securities traded in the Australian market.

At 30 June 1996 the Bank held $0.1 billion of such securities in its trading securities and $4.0 billion in its investment securities.

Operation of Cheque Clearing Accounts for Commonwealth Government Departments

The Bank continues to provide cheque clearing account facilities for many of the Commonwealth Government Departments.

The Bank earns normal fees and charges in this regard.

Agency Agreement with Australian Postal Corporation

The Australian Postal Corporation is a commercial enterprise owned by the Commonwealth.

It operates all post offices throughout Australia.

The Bank has an agency agreement with the Australian Postal Corporation, whereby the Bank pays a service fee based on the volume of deposit and withdrawal banking transactions processed by the post offices.

Telstra Telephone Services

Telstra is a Commonwealth Government Instrumentality which supplies telephone and telecommunications services throughout Australia.

The Bank uses these services in the conduct of its business.

Notes to and forming part of the accounts

continued

Note 43 Related Party Disclosures continued

Commonwealth Development Bank of Australia

Commonwealth Development Bank of Australia ('CDB') was a 91.9% owned subsidiary of the Bank with the remaining 8.1% owned by the Commonwealth Government at 30 June 1996. On 24 July 1996 the Commonwealth Government sold its 8.1% shareholding in the CDB to the Bank for $12.5 million. As a result of this purchase by the Bank, the existing CDB charter ceased from 1 July 1996 and a new CDB brand name business is conducted as part of the Bank.

The subsidy of $20 million per annum is no longer being paid by the Commonwealth Government to the CDB. CDB was a special purpose bank whose function under its statutory charter was to provide finance for the purpose of establishing, acquiring or carrying on businesses with emphasis on small businesses including primary producers in cases where, in the opinion of CDB, the provision of finance was desirable but would not be available elsewhere on reasonable and suitable terms and conditions.

Commonwealth Guarantee of the Bank's Liabilities

The liabilities of the Bank and its controlled entity, Commonwealth Development Bank of Australia, as at 30 June 1996 were guaranteed by the Commonwealth under a statute of the Australian Parliament.

Such guarantee is being progressively phased out following the Government sell-down on 19 July 1996. Refer Note 25 for full details of transitional measures. The removal of the guarantee has not materially affected either the borrowing costs or the borrowing capabilities of the Bank.

Note 44 Remuneration of Directors

	CHIEF ENTITY 1997 $	CHIEF ENTITY 1996 $
Total amount received or due and receivable by executive and non executive Directors (includes accumulated benefits due to Directors who retired during the year)	2,766,887	2,015,049
The number of Directors whose remuneration fell within these bands was:	Number	Number
Remuneration (Dollars)		
$ 0 – $ 10,000	1	1
$ 30,001 – $ 40,000	-	3
$ 40,001 – $ 50,000	-	2
$ 50,001 – $ 60,000	7 *	1
$ 60,001 – $ 70,000	1	3
$ 70,001 – $ 80,000	1	-
$ 120,001 – $ 130,000	1	1
$ 170,001 – $ 180,000	1 **	-
$ 550,001 – $ 559,000	-	1
$ 650,001 – $ 660,000	1	–
$ 860,001 – $ 870,000	-	1
$1,310,001 – $ 1,320,000	1	-
Total Number of Directors	14	13

	ECONOMIC ENTITY 1997 $	ECONOMIC ENTITY 1996 $
Total amount received or due and receivable by executive and non executive Directors of the Bank and controlled entities	3,331,388	2,590,983

* Remuneration includes retirement allowance scheme payments to Mr I Deveson and Mr G M Pemberton who were paid during the financial year, but actually retired during previous years.

** Remuneration includes retirement allowance scheme payment to Mr G Gleeson.

Remuneration includes share options granted to executive directors under the Executive Option Plan in December 1996. The fair value of the options has been determined in accordance with the principles of US SFAS 123 'Accounting for Stock-Based Compensation'. The exercise price for the executive options is calculated in accordance with the Plan Rules which take into account the market price per share and the time value of money by using the difference between expected dividend and bond yields. Refer to Notes 28 and 48(c) for details of the Executive Option Plan.

	ECONOMIC ENTITY		CHIEF ENTITY	
	1997	1996	1997	1996
	$	$	$	$
Note 45 Remuneration of Executives				
Total amount received or due and receivable by executives (includes accumulated benefits due to executives who retired during the year).	10,835,258	9,644,658	10,835,258	9,644,658
The numbers of executives whose remuneration fell within the following bands was:	Number	Number	Number	Number
Remuneration (Dollars)				
$ 130,000 - $ 139,999	-	1	-	1
$ 180,000 - $ 189,999	-	1	-	1
$ 190,000 - $ 199,999	1	-	1	-
$ 200,000 - $ 209,999	1	-	1	-
$ 210,000 - $ 219,999	2	1	2	1
$ 220,000 - $ 229,999	-	2 #	-	2 #
$ 240,000 - $ 249,999	-	1	-	1
$ 250,000 - $ 259,999	3	2	3	2
$ 260,000 - $ 269,999	-	1	-	1
$ 270,000 - $ 279,999	-	1	-	1
$ 280,000 - $ 289,999	-	1	-	1
$ 290,000 - $ 299,999	1	-	1	-
$ 300,000 - $ 309,999	1	3	1	3
$ 310,000 - $ 319,999	3	1	3	1
$ 320,000 - $ 329,999	-	1	-	1
$ 330,000 - $ 339,999	1	-	1	-
$ 340,000 - $ 349,999	-	2	-	2
$ 350,000 - $ 359,999	1	2	1	2
$ 360,000 - $ 369,999	1	-	1	-
$ 370,000 - $ 379,999	2	1	2	1
$ 380,000 - $ 389,999	2	-	2	-
$ 410,000 - $ 419,999	-	1	-	1
$ 420,000 - $ 429,999	-	2	-	2
$ 450,000 - $ 459,999	1	-	1	-
$ 460,000 - $ 469,999	1	-	1	-
$ 480,000 - $ 489,999	1	-	1	-
$ 500,000 - $ 509,999	1	-	1	-
$ 520,000 - $ 529,999	-	1 #	-	1 #
$ 540,000 - $ 549,999	-	1	-	1
$ 550,000 - $ 559,999	-	1	-	1
$ 590,000 - $ 599,999	1	-	1	-
$ 650,000 - $ 659,999	1	-	1	-
$ 660,000 - $ 669,999	1	-	1	-
$ 860,000 - $ 869,999	-	1	-	1
$1,310,000 - $1,319,999	1	-	1	-
Total Number of Executives	27	28	27	28

Includes termination payments to 2 retired, resigned, or retrenched executives during the 1995/96 financial year.

An executive is a person who works in Australia and is directly accountable and responsible to the Managing Director for the strategic direction and operational management of the Chief Entity, its divisions, major controlled entities and group functions and includes those who have retired, resigned or have been retrenched from any of those positions.

Remuneration includes share options granted to executives under the Executive Option Plan in December 1996. The fair value of the options has been determined in accordance with the principles of US SFAS 123 'Accounting for Stock-Based Compensation'. The exercise price for the executive options is calculated in accordance with the Plan Rules which take into account the market price per share and the time value of money by using the difference between expected dividend and bond yields. Refer to Notes 28 and 48(c) for details of the Executive Option Plan.

Notes to and forming part of the accounts

continued

	ECONOMIC ENTITY			CHIEF ENTITY	
	1997	1996	1995	1997	1996
	$M	$M	$M	$M	$M

Note 46 Statements of Cash Flow

Note (i) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash at bankers, money at short call, at call deposits with other financial institutions and settlement account balances with other banks.

	1997	1996	1995	1997	1996
Notes, coins and cash at bankers	1,091	479	411	1,060	448
Other short term liquid assets	241	1,270	1,476	195	1,244
Receivables due from other financial institutions - at call	3,502	3,625	1,200	3,294	3,411
Payables due to other financial institutions - at call	(1,516)	(1,073)	(1,464)	(1,134)	(827)
Cash and Cash Equivalents at end of year	3,318	4,301	1,623	3,415	4,276

Note (ii) Cash Flows presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows -

- customer deposits to and withdrawals from deposit accounts;
- borrowings and repayments on loans, advances and other receivables;
- sales and purchases of trading securities; and
- proceeds from and repayment of short term debt issues.

Note (iii) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

	1997	1996	1995	1997	1996
Operating profit after income tax	1,100	1,141	1,002	948	1,140
Decrease in interest receivable	80	171	28	78	178
Increase (decrease) in interest payable	5	(125)	(25)	-	(143)
Net (increase) decrease in trading securities	556	2,374	(1,385)	487	2,822
(Gain) Loss on sale of investment securities	(4)	10	(9)	(4)	10
Charge for bad and doubtful debts	98	113	182	85	108
Depreciation and amortisation	280	293	340	249	265
Other provisions	36	63	-	34	49
Increase (decrease) in income taxes payable	(222)	91	(75)	(240)	132
Increase in deferred taxes payable	97	61	38	48	9
Decrease in future income tax benefits	22	50	239	45	15
Amortisation of discount on debt issues	256	139	106	256	139
Amortisation of premium on investment securities	(13)	56	108	(31)	56
Unrealised (gain) loss on revaluation of trading securities	(147)	89	(13)	(147)	93
Abnormal item	200	-	-	200	-
Other	47	85	154	64	97
Net Cash provided by Operating Activities	2,391	4,611	690	2,072	4,970

Note (iv) Non cash Financing and Investing Activities

Shares issued under the Dividend Reinvestment Plan $426 million (1996: $407 million) and Employee Share Acquisition Plan $28 million (1996: nil).

	ECONOMIC ENTITY		
	1997	1996	1995
	$M	$M	$M

Note 46 **Statements of Cash Flows continued**

Note (v) Acquisition of Controlled Entities

During the year the Bank acquired 100% of the share capital of Commonwealth Funds Management and Leaseway and the 8.1% minority interest in Commonwealth Development Bank.

Details of controlled entities acquired during the financial year are as follows:

	1997 $M	1996 $M	1995 $M
Consideration			
Cash paid on acquisition	**88**	-	-
Fair value of net tangible assets acquired			
Cash	**22**	-	-
Investment securities	**2**	-	-
Loans, advances and other receivables	**15**	-	-
Property, plant and equipment	**4**	-	-
Other assets	**6**	-	-
Outside equity interest	**28**	-	-
Income tax liability	**(3)**	-	-
Other provisions	**(5)**	-	-
Bills payable and other liabilities	**(6)**	-	-
	63	-	-
Discount on acquisition	**(16)**	-	-
Goodwill	**41**	-	-
	88	-	-
Outflow of cash on acquisition			
Cash payments	**88**	-	-
Less cash and cash equivalents acquired	**(22)**	-	-
	66	-	-

Note (vi) Disposal of Controlled Entities

Details of controlled entities disposed of during the financial year are as follows:

	1997 $M	1996 $M	1995 $M
Disposal proceeds			
Cash receipt on disposal	-	-	7
	-	-	7
Fair value of net tangible assets disposed			
Cash	-	-	1
Receivables due from other financial institutions	-	-	2
Investment securities	-	-	35
Loans, advances and other receivables	-	-	21
Property, plant and equipment	-	-	5
Other assets	-	-	2
Deposits	-	-	(58)
Bills payable and other liabilities	-	-	(2)
Outside equity interest	-	-	(3)
Gain on sale	-	-	6
Consolidation adjustment	-	-	(2)
	-	-	7
Inflow of cash from disposal			
Cash proceeds	-	-	7
Less cash and cash equivalents disposed	-	-	(3)
	-	-	4

Note (vii) Financing Facilities

Standby funding lines with overseas banks as at 30 June 1997 amounted to AUD equivalent $21 million (1996: $36 million).

Note 47 Disclosures about Fair Value of Financial Instruments

These amounts represent estimates of net fair values at a point in time. Significant estimates regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors were used for the purposes of this disclosure. These estimates are subjective in nature and involve matters of judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

While the estimated net fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the Economic Entity's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction. In addition, it is the Bank's intent to hold most of its financial instruments to maturity and therefore it is not probable that the net fair values shown will be realised in a current transaction.

The estimated net fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long-term relationships with depositors (core deposit intangibles) and other customers (credit card intangibles) are not reflected. The value of these items is significant.

Because of the wide range of valuation techniques and the numerous estimates which must be made, it may be difficult to make reasonable comparisons of the Bank's net fair value information with that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated net fair value disclosures and to realise that because of these uncertainties, <u>the aggregate net fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.</u>

	ECONOMIC ENTITY			
	1997		1996	
	Carrying Value $M	**Net Fair Value $M**	Carrying Value $M	Net Fair Value $M
Assets				
Cash and liquid assets	**2,007**	**2,007**	3,065	3,065
Receivables due from other financial institutions	**4,839**	**4,839**	5,713	5,713
Trading securities	**2,635**	**2,635**	2,883	2,883
Investment securities	**9,233**	**9,562**	8,394	8,423
Loans, advances and other receivables	**81,632**	**84,958**	70,042	72,107
Bank acceptances of customers	**8,874**	**8,874**	10,057	10,057
Deposit accounts with regulatory authorities	**797**	**797**	711	711
Other assets	**7,301**	**7,560**	5,036	5,229
Liabilities				
Deposits and other public borrowings	**77,880**	**78,439**	71,381	71,774
Payables due to other financial institutions	**3,621**	**3,621**	2,852	2,852
Bank acceptances	**8,874**	**8,874**	10,057	10,057
Debt issues	**10,154**	**10,276**	6,673	6,594
Bills payable and other liabilities	**7,590**	**7,574**	5,961	5,969
Loan Capital	**2,801**	**2,847**	2,754	2,754
Asset and liability hedges - unrealised losses (Refer Note 38)	**-**	**(259)**	-	(212)

The net fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and bank acceptances of customers

The carrying values of cash and liquid assets, receivables due from other financial institutions and bank acceptances of customers approximate their net fair value as they are short term in nature or are receivable on demand.

Securities

Trading securities are carried at net market/net fair value and investment securities have their net fair value determined based on quoted market prices, broker or dealer price quotations.

Note 47 Disclosures about Fair Value of Financial Instruments continued

Loans, advances and other receivables

The carrying value of loans, advances and other receivables is net of general and specific provisions for doubtful debts and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models (ie the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

For shares in companies, the estimated net fair values are based on quoted market prices.

Statutory deposits with central banks

In Australia, and several other countries in which the Economic Entity operates, the law requires that the Economic Entity lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. The net fair value is assumed to be equal to the carrying value as the Economic Entity is only able to continue as a going concern with the maintenance of these deposits.

All other financial assets

The net fair value includes the value of the net worth and the business in force of CLL (known as the embedded value), which has been actuarially assessed to be $400 million as at 30 June 1997 (1996: $322 million), $365 million (1996: $287 million) in excess of carrying value in the Chief Entity.

Also included in this category are fees receivable and unrealised income where the carrying amount is considered to be a reasonable estimate of net fair value.

Other financial assets are net of goodwill, future income tax benefits and prepayments/unamortised payments as these do not constitute a financial instrument.

Deposits and other public borrowings

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the carrying value as at 30 June. Discounted cash flow models based upon deposit type and its related maturity, were used to calculate the net fair value of other term deposits.

Short term liabilities

The carrying value of payables due to other financial institutions and bank acceptances approximate their net fair value as they are short term in nature and reprice frequently.

Debt issues and loan capital

The net fair values of debt issues and loan capital were calculated based on quoted market prices as at 30 June. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument was used.

All other financial liabilities

This category includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Other provisions including provision for dividend, income tax liability and unamortised receipts are not considered financial instruments.

Asset and liability hedges

Net fair value of asset and liability hedges is based on quoted market prices, broker or dealer price quotations.

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

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The net fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

Other off-balance sheet financial instruments

The net fair value of trading and investment derivative contracts (foreign exchange contracts, currency swaps, exchange rate futures, currency options, forward rate agreements, interest rate swaps, interest rate futures, interest rate options), were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

The fair value of these instruments are disclosed in Note 38.

Notes to and forming part of the accounts

continued

Note 48 Differences between Australian and United States Accounting Principles

The consolidated financial statements of the Bank are prepared in accordance with Generally Accepted Accounting Principles in Australia ('Australian GAAP', refer Note 1) which differ in some respects from Generally Accepted Accounting Principles in the United States ('US GAAP').

The following are significant adjustments between net profit, shareholders' equity and consolidated balance sheets disclosed in these accounts and which would be reported in accordance with US GAAP.

	Footnote	1997 $M	1996 $M	1995 $M
Consolidated Statements of Profit and Loss				
Net profit reported under Australian GAAP		**1,078**	1,119	983
Restatement of deferred tax balances resulting from change in tax rate	(a)	**-**	16	(16)
Tax effect of increase in general provision for bad and doubtful debts	(a)	**28**	50	27
Employee share compensation	(c)	**(57)**	-	-
Pension expense adjustment	(j)	**44**	45	88
Adjustment on adoption of accounting standard on employee entitlements	(k)	**-**	-	(241)
Adjustment on adoption of new ISC Life Insurance Rules	(l)	**(11)**	-	-
Adjustment on adoption of accounting standard on general insurance activities	(m)	**-**	-	51
Net income according to US GAAP		**1,082**	1,230	892
Earnings per share according to US GAAP (cents)	(h)	**118.0**	127.0	96.5
Shareholders' Equity				
Shareholders' equity reported under Australian GAAP, excluding outside equity interests		**6,846**	7,190	6,568
Restatement of deferred tax balances resulting from change in tax rate	(a)	**-**	-	(16)
Tax effect of foreign currency translation reserve	(a)	**(20)**	(10)	(20)
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts	(a)	**248**	221	157
Provision for final cash dividend	(d)	**291**	301	240
Unrealised net gain(loss) on available-for-sale securities	(f)	**24**	9	(13)
Prepaid pension cost	(j)	**616**	548	476
Tax effect of prepaid pension cost	(j)	**(222)**	(197)	(157)
Shareholders' equity according to US GAAP		**7,783**	8,062	7,235
Consolidated Balance Sheets				
Total assets reported under Australian GAAP		**120,103**	109,285	102,774
Restatement of FITB resulting from change in tax rate	(a)	**-**	-	(41)
Reinstatement of the deferred tax asset relating to general provision for bad and doubtful debts at year end	(a)	**248**	221	157
Assets relating to life insurance statutory funds	(e)	**7,249**	6,307	5,532
Unrealised net gain(loss) on available-for-sale securities	(f)	**37**	14	(19)
Deferred tax asset on unrealised net loss on available-for-sale securities	(f)	**-**	-	6
Prepaid pension cost	(j)	**616**	548	476
Total assets according to US GAAP		**128,253**	116,375	108,885

Note 48 Differences between Australian and United States Accounting Principles continued

(a) **Income Tax**

Deferred Income Tax Assets and Liabilities

Australian GAAP follows the liability method of tax-effect accounting. The tax-effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is disclosed as a future income tax benefit (FITB) or a provision for deferred income tax. Amounts are offset where the tax payable and the realisable benefit are expected to occur in the same period. Permanent differences are differences between taxable income and pre-tax accounting profit where the related income or expense items will never be included in either taxable income or pre-tax accounting profit.

The Bank has applied SFAS 109 'Accounting for Income Taxes' in the preparation of its US GAAP information.

The differences between the effect of applying the provisions of SFAS 109 and the accounting policy adopted in the Australian Financial Statements are as follows -

- Australian GAAP requires that an announcement of the Government's intention to change the rate of company income tax in advance of periods in which the change will occur is adequate evidence for the deferred tax balances to be restated. This treatment is not permitted under SFAS 109 'Accounting for Income Taxes' which requires that the deferred tax liabilities and assets be adjusted in the financial year in which a change in the tax rate is enacted. The restatement of the deferred tax balances resulting from the 1995 Australian tax rate change in respect of the 1996 financial year is included as a US GAAP adjustment; and
- under Australian GAAP the criterion for recognition of timing differences is assurance beyond any reasonable doubt and for tax losses 'virtual certainty'. The recognition criterion under US GAAP is that the tax benefit is probable.

Under Australian GAAP the timing of the realisation of the deferred tax asset associated with the Bank's general provision may be regarded as uncertain and therefore the asset is not recognised. For US GAAP recognition purposes, the related deferred tax asset has been recognised. Similarly for US GAAP purposes, the tax effect of the foreign currency translation reserve has been booked as a deferred tax liability.

Investment Securities

Income from tax exempt securities does not exceed $500,000.

Tax related to gains/losses on investment securities sales is $1.4 million (1996: $3.6 million benefit, 1995: $3.0 million)

(b) **Pension Plans**

In accordance with Australian GAAP, contributions to company sponsored defined benefit pension plans are expensed as incurred. Other than by way of a note to the financial statements, any surplus or deficit is not reflected in the consolidated accounts.

US GAAP pension expense, for defined benefit pension plans, is determined using defined methodology that is based on concepts of accrual accounting. This methodology, which requires several types of actuarial measurements, results in net amounts of expense and the related plan surplus or deficiency being recorded in the financial statements of the sponsor systematically over the working lives of the employees covered by the plan. As a result US GAAP reconciliation adjustments are required. The disclosure requirements of SFAS 87 'Employers Accounting for Pensions' have been included at footnote (j) within this note.

The Bank has adopted SFAS 87 later than the effective date specified in the accounting standard. To introduce the information required under SFAS 87 as from the effective date was not feasible. Accordingly an allocation of the pension obligation/asset has been taken directly to equity based on the number of years elapsed between the effective date and the date of adoption by the Bank. The adoption date for the purposes of the US GAAP reconciliation information is 1 July 1994 and the remaining amortisation period at the adoption date was ten years.

(c) **Employee Share Compensation**

In the Consolidated Statements of Changes in Shareholders Equity the Employee Share Acquisition Plan share issue is shown as a reduction to shareholder reserves. Under US GAAP, SFAS 123 'Accounting for Stock Based Compensation', this employee share scheme would be considered as part of employee compensation and charged to profit and loss. This grant of shares was in respect of the Bank's performance for the year ended 30 June 1996.

Further, under US GAAP, in accordance with the Employee Share Acquisition Plan an accrual for the probable grant of shares is required for the period ending 30 June 1997.

Also under US GAAP, the fair value of the options issued under the Executive Option Plan is included as part of employee compensation and charged to profit and loss.

The fair value of the options, being 45c per option, has been determined using Black-Scholes option pricing model with the following assumptions: expected volatility of 17.5%, risk free interest rate of 6.94%, dividend rate of 8.18%, expected life of 39 months and a 50% probability for the performance hurdle.

The other disclosure requirements of SFAS 123 'Accounting for Stock-Based Compensation' in respect of the employee share plans are included in Note 28.

Note 48 Differences between Australian and United States Accounting Principles continued

(d) **Provisions**

The term 'provisions' is used in Australian GAAP to designate accrued expenses with no definitive payment date. Provisions, principally disclosed in Note 24 comply in all material respects with US GAAP with the exception of the provision for the final cash dividend (Note 6), which is not formally declared until the meeting of directors shortly after the balance date.

Under US GAAP, dividends are recorded as liabilities only if formally declared prior to balance date. This difference in treatment has been amended in the US GAAP reconciliation of shareholders' equity.

(e) **Life Insurance Controlled Entity**

For Australian GAAP the assets of the statutory funds and the liabilities of the funds to its policyholders are excluded from the consolidated balance sheet (Note 1 (ii)). An adjustment has been made for this in relation to US GAAP. All related investments are brought to account at market values.

Life Insurance Statutory Fund Assets

The following fair value table of the investments of the life company shows the unrealised gains/losses by major category:

	At 30 June 1997				At 30 June 1996		
	Fair Value	Gross Unrealised Gains	Gross Unrealised Losses	Amortised Cost	Fair Value	Net Unrealised Gains	Amortised Cost
	$M	$M	$M	$M	$M	$M	$M
Investments							
Government securities							
Australia	578	31	-	547	535	4	531
Overseas	17	1	-	16	32	1	31
Local and semi-government securities	973	34	-	939	1,003	3	1,000
Equity investments	1,611	343	30	1,298	1,128	76	1,052
Promissory notes	869	6	-	863	235	2	233
Certificates of deposit	1,034	12	-	1,022	1,281	21	1,260
Bank accepted bills	795	6	-	789	1,069	5	1,064
Other investments	1,024	28	1	997	761	12	749
Cash	290	-	-	290	129	-	129
Other assets	58	-	-	58	134	-	134
	7,249	461	31	6,819	6,307	124	6,183

Information to calculate gross unrealised gains/losses at 30 June 1996 was not available.

Note 48 Differences between Australian and United States Accounting Principles continued

(e) **Life Insurance Controlled Entity continued**

Fair Value Maturity Distribution of Debt Securities

The tables analyse the maturities on a fair value basis:

	At 30 June 1997					At 30 June 1996				
	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing between 5 and 10 years $M	Maturing after 10 years $M	Total $M	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing between 5 and 10 years $M	Maturing after 10 years $M	Total $M
Investments										
Government securities										
Australia	1	370	165	42	578	-	415	87	33	535
Overseas	-	1	3	13	17	-	6	7	19	32
Local and semi-government	188	711	46	28	973	37	897	47	22	1,003
Promissory notes	869	-	-	-	869	235	-	-	-	235
Certificates of deposit	637	272	-	125	1,034	985	231	-	65	1,281
Bank accepted bills	795	-	-	-	795	1,069	-	-	-	1,069
Other investments	313	409	-	302	1,024	498	105	30	128	761
Cash	290	-	-	-	290	129	-	-	-	129
Other assets	58	-	-	-	58	134	-	-	-	134
	3,151	1,763	214	510	5,638	3,087	1,654	171	267	5,179

(f) **Available-For-Sale Securities under US GAAP**

Under Australian GAAP, only two categories of securities prevail, namely Investment and Trading Securities. Investment securities are purchased by the Bank with the intent to 'hold to maturity'. Trading securities are purchased and held for the short term, primarily with the intention of making profits from anticipated movements in market rates.

Certain investment securities which may be utilised in the management of liquidity operations have been reclassified as 'Available-for-Sale' for the purposes of US GAAP disclosure. These securities principally comprise short term instruments such as Bills of Exchange, Certificates of Deposit and Commercial Paper and are brought to account at cost or amortised cost. Any capital gain or loss realised on sale is taken to profit and loss at that time. The cost of available-for-sale securities sold is calculated on a specific identification basis.

Under US GAAP, these securities are revalued to market and the difference between carrying value and market value is taken to shareholders' equity. The disclosure requirements of SFAS 115 'Accounting for Certain Investments in Debt and Equity Securities' in respect of available-for-sale securities have been included at footnote (p) within this note.

(g) **Net Profit**

Under US GAAP the concept of 'operating profit' is not recognised. Net profit under Australian GAAP is operating profit after tax including 'abnormal items' and after deducting outside equity interests.

In performing the US GAAP profit reconciliation, the net profit reported using Australian GAAP is after deducting goodwill amortisation and abnormal items.

(h) **Earnings Per Share**

Under Australian GAAP, basic earnings per share is calculated by dividing net profit by the weighted average number of fully paid equivalent ordinary shares outstanding during the period after adjusting for the bonus element of rights and other issues. Under US GAAP, the bonus element of rights and other issues is excluded from the US GAAP computation. The bonus elements of shares issued under the Bank's dividend reinvestment plan and employee acquisition plan are not significant.

Note 48 Differences between Australian and United States Accounting Principles continued

(i) **Consolidated Balance Sheet**

The following reconciliations are of significant adjustments to Australian GAAP balance sheet categories disclosed in these accounts and which would be reported in accordance with US GAAP:

	Footnote	1997 $M	1996 $M	1995 $M
Assets:				
Available-for-sale securities under Australian GAAP		-	-	-
Reclassification to available-for-sale securities	(f)	2,129	2,838	1,905
Restatement of available-for-sale securities to fair value	(f)	37	14	(19)
According to US GAAP		2,166	2,852	1,886
Investment securities under Australian GAAP		9,233	8,394	7,596
Reclassification to available-for-sale securities	(f)	(2,129)	(2,838)	(1,905)
According to US GAAP		7,104	5,556	5,691
Other assets under Australian GAAP		7,502	5,268	5,791
Restatement of FITB resulting from change in tax rate	(a)	-	-	(41)
Deferred tax assets on general provision for bad and doubtful debts	(a)	248	221	157
Assets relating to life insurance statutory funds	(e)	7,249	6,307	5,532
Deferred tax asset on unrealised net loss on available-for-sale securities	(f)	-	-	6
Prepaid pension cost	(j)	616	548	476
According to US GAAP		15,615	12,344	11,921
Liabilities:				
Income tax liability under Australian GAAP		925	1,050	898
Restatement of provision for deferred income tax arising from change in tax rate	(a)	-	-	(26)
Tax effect of foreign currency translation reserve	(a)	20	10	20
Deferred tax liability on unrealised gain on available-for-sale securities	(f)	13	5	-
Deferred tax liability on pension income	(j)	222	197	157
According to US GAAP		1,180	1,262	1,049
Provision for dividend under Australian GAAP		291	301	240
Reversal of provision for final cash dividend	(d)	(291)	(301)	(240)
According to US GAAP		-	-	-
Bills payable and other liabilities under Australian GAAP		7,698	5,992	5,602
Liabilities relating to life insurance statutory funds	(e)	7,249	6,307	5,532
According to US GAAP		14,947	12,299	11,134

Note 48 Differences between Australian and United States Accounting Principles continued

(j) Details of Pension Expense and Reconciliation of Funded Status of Pension Plans

The Bank and its controlled entities sponsor a range of superannuation (pension) plans for its employees world wide.

The Bank's accounting policy for superannuation expense, under Australian GAAP reporting, is set out in Note 1(kk) of the financial statements. The superannuation expense principally represents the annual funding, determined on actuarial advice, to provide for future obligations of defined benefit plans. Other details of the Bank's major superannuation plans are set out in Note 39 of the financial statements.

For US GAAP purposes, the Bank adopted the disclosure requirement of SFAS 87 'Employers' Accounting for Pensions' for the major defined benefit fund, the Officers' Superannuation Fund (OSF), commencing 1 July 1994. Other defined benefit funds are immaterial for US GAAP reconciliation purposes.

For the financial years ended 30 June 1995 and 30 June 1996, the Bank adopted 30 June as the measurement date for plan assets and obligations. Effective from the financial year ended 30 June 1997, the Bank has adopted 31 March as the measurement date for plan assets and obligations.

The plan assets consist primarily of listed equities, debt securities and property.

The OSF does not hold any equity in the Bank's paid capital. Amounts on deposit with the Bank at 30 June 1997 totalled $145 million (1996: $4 million and 1995: $7 million). Other investments with the Bank and/or controlled entities at 30 June 1997 were $10 million (1996: $92 million and 1995: $57 million).

The table displays the elements of the net pension expense for each financial year and the funded status as at 30 June 1995, 30 June 1996 and 31 March 1997 for the OSF. The assumptions used in the calculations were a discount rate of 8.00% (1996: 9.00%, 1995: 9.25%), compensation increase rate of 4.50% (1996: 5.00%, 1995: 5.50%) and return on assets of 8.25% (1996: 9.00%, 1995: 9.25%).

Pension plan	1997 $M	1996 $M	1995 $M
Service cost	(62)	(68)	(62)
Interest cost	(344)	(342)	(370)
Actual return on assets	353	425	467
Net amortisation and deferral of costs	141	69	69
Employer financed benefits within Accumulation Division	(21)	(14)	(7)
Net periodic pension (cost) income	67	70	97
Expensed employer contribution	1	1	34
	68	71	131
Less tax effect	(24)	(26)	(43)
Pension expense adjustment - see US GAAP Reconciliation	44	45	88
Fund status at measurement date:			
Vested benefit obligation	2,924	2,563	2,447
Non vested benefit obligation	312	198	247
Accumulated benefit obligation	3,236	2,761	2,694
Effect of future salary projections	876	1,061	996
Projected benefit obligation	4,112	3,822	3,690
Fair value of assets	(4,896)	(4,815)	(4,665)
Funded status	(784)	(993)	(975)
Assets not recognised:			
Transitional obligation assets	483	552	621
Unrecognised net loss	(315)	(107)	(122)
Unrecognised prior service costs	-	-	-
Employer contribution from measurement date to balance date	-	-	-
Prepayment of pension costs	(616)	(548)	(476)

Additionally, a deferred tax liability has been taken up for US GAAP reconciliation purposes in respect of the above prepayment of pension costs.

Note 48 Differences between Australian and United States Accounting Principles continued

(k) **Employee Benefits - Post Retirement Benefits Other Than Pensions**

Health Care Subsidies

The Bank provides a benefit to employees including retirees who were members of the 'Commonwealth Bank Health Society (Friendly Society)' (CBHS) as at 6 July 1995 and met certain criteria. The benefit provided by the Bank is in the form of financial assistance to eligible employees and retirees with their private health insurance premium. All staff who joined the CBHS on or after 7 July 1995 are not eligible for any benefits. The CBHS is a friendly society registered under the Friendly Societies Act 1989 (NSW) and a health benefit organisation under the National Health Act 1953.

As at 30 June 1996 the agreement between the Bank and the Finance Sector Union provided for those members of the CBHS who were retired as at 30 June 1995 an ongoing fixed subsidy indexed to a maximum of the movements in the Consumer Price Index whenever the members' health insurance premiums in CBHS increase. Eligible members who retired between 30 June 1995 and 31 July 1996 are provided with a fixed on-going premium subsidy in accordance with their benefit category. Other than the subsidised health insurance premium, which is fully provided for, the Bank does not have a post retirement health care liability.

Concessional housing loans

The Bank provides housing loans at concessional interest rates to assist with private housing for staff who meet certain criteria. Except for certain executive and senior executive staff whose remuneration package excludes a post retirement concessional interest rate loan, the Bank provides post retirement interest concessions for all retirees on the following basis. Staff with housing loans prior to 1 April 1997 and taken into retirement may be repaid over the remainder of the specified term of the loan. Borrowings on or after 1 April 1997 but before 1 April 2002 may be retained in retirement until 1 April 2007 at which time the concession will cease. Borrowings after 1 April 2002 may be retained into retirement for a period of five years at which time the concession will cease. No new or additional loans are offered at concessional interest rates after retirement.

Australian GAAP Compliance

Effective 1 July 1994 the Bank adopted the Australian Accounting Standard AASB 1028: 'Accounting for Employee Entitlements' with respect to the liabilities arising from the post retirement benefits described above. AASB 1028: 'Accounting for Employee Entitlements' specifies that employee post retirement benefit liabilities are calculated as the present value of the estimated future cash flows due to the services of employees provided up to the reporting date.

The adequacy of the full provision for employee post retirement benefits liabilities in the financial statements is determined in accordance with the requirements of AASB 1028 after considering that employee post retirement benefits carry limited risks, and after obtaining actuarial advice.

US GAAP Compliance

Prior to the adoption of AASB 1028 the Bank accounted for its obligation for employee entitlements substantially in accordance with SFAS 43 'Accounting for Compensated Absences'. Other than the disclosures discussed above, there are no US GAAP adjustments or further disclosures under SFAS 106 'Employers' Accounting for Post Retirement Benefits Other than Pensions'.

For Australian GAAP purposes, the adoption of an accounting standard is adjusted against opening retained profits at the beginning of the financial year in which the standard first applied. Under US GAAP, adjustments of this nature are generally treated as adjustments in the profit or loss in the financial year of the adoption of the standard. Accordingly the 1995 Australian GAAP reported profit of the Bank has been adjusted in the US GAAP reconciliation.

(l) **Life Insurance**

Under Australian GAAP, transitional adjustments on adoption of the new Insurance and Superannuation Commission Rules for financial reporting are made directly to retained earnings at the beginning of the financial year. Under US GAAP such adjustments are included as part of current year profits.

(m) **General Insurance**

Under Australian GAAP, transitional adjustments to provisioning levels for general insurance, on initial adoption of an accounting standard, are made directly to retained earnings at the beginning of the financial year. Under US GAAP such adjustments are included as part of current year profits.

(n) **Associated Companies**

The Australian Accounting Standards Board ('AASB') has recently reissued Accounting Standard AASB 1016 'Accounting for Investments in Associates' which is not applicable to the financial year ending 30 June 1997.

US GAAP requires investments in associates to be accounted for under the equity method after the elimination of unrealised profits on transactions with associates.

The contribution of the equity method of accounting for associated companies is not material and therefore not included in this reconciliation.

Note 48 Differences between Australian and United States Accounting Principles continued

(o) Property and Other Non-Current Asset Revaluations

Each year a review of non-current assets is performed to assess the recoverable amount of non-current assets. The 'recoverable amount test' is in accordance with the Australian accounting standard which requires future cash flows associated with non-current assets to be discounted at a rate which reflects the risk involved. With respect to the determination of the fair value of non-current assets and the recognition of losses from impairments, the requirements under Australian accounting standards and the requirements of SFAS 121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of' are essentially the same.

Australian GAAP allows non-current assets including property, plant and equipment to be revalued upwards direct to an asset revaluation reserve. Assets with a carrying amount greater than their recoverable amount may be revalued upward to the recoverable amount. Impairments to asset values, where there is an amount in the revaluation reserve relating to the relevant asset class, are taken to reduce the revaluation reserve. Impairments to asset values otherwise must be recorded in the profit and loss. Any subsequent upward reversing revaluations to the same asset class are recorded as revenue in the profit and loss. With the exception of land, all revalued assets are depreciated over their assessed useful lives.

Upward revaluations of property, plant and equipment are not allowed under US GAAP, except as part of accounting for business combinations under the Purchase Method. US GAAP requires impairments of non-current assets to be recorded in the profit and loss account. Once such impairments have been recorded, subsequent recoveries to the income statement are not allowed.

A discounted cash flow methodology was used in arriving at the valuation at which the Bank's property is carried. No asset writedowns were necessary in either 1997, 1996 or 1995. At 30 June 1997, 1996 and 1995 the asset revaluation reserve shows a nil balance.

Any US GAAP adjustment of revalued assets to an historical cost basis would not be material in the income statement, shareholders' equity or carrying value of the property assets.

(p) Available-For-Sale Securities

	At 30 June 1997				At 30 June 1996			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia								
Australian Public Securities:								
Commonwealth and States	427	36	-	463	990	14	3	1,001
Bills of exchange	34	-	-	34	66	-	-	66
Certificates of deposit	5	-	-	5	11	1	-	12
Other securities and equity investments	278	-	-	278	138	-	-	138
Total Australia	744	36	-	780	1,205	15	3	1,217
Overseas								
Government securities	-	-	-	-	1	-	-	1
Bills of exchange	47	-	1	46	184	-	-	184
Certificates of deposit	987	3	1	989	994	2	-	996
Other securities and equity investments	351	-	-	351	454	-	-	454
Total Overseas	1,385	3	2	1,386	1,633	2	-	1,635
Total Available for Sale Securities	2,129	39	2	2,166	2,838	17	3	2,852

Proceeds at or close to maturity of available-for-sale securities during 1997 were $6,479 million (1996: $6,170 million, 1995: $5,411 million).
Proceeds from sale of available-for-sale securities during the year were $1,172 million (1996: $729 million, 1995: $1,025 million).
Realised capital gains were $12 million, realised capital losses were $8 million (1996: realised capital losses $10 million, 1995: realised capital gains $9 million).

Note 48 Differences between Australian and United States Accounting Principles continued

(p) **Available-For-Sale Securities continued**

Maturity Distribution and Average Yield

The table analyses the maturities and weighted average yields of the book value of the Economic Entity's holdings of available-for-sale securities:

At 30 June 1997	Maturing 1 year or less $M	%	Maturing between 1 and 5 years $M	%	Maturing between 5 and 10 years $M	%	Maturing after 10 years $M	%	Total $M
Australia									
Australian Public Securities:									
Commonwealth and States	-	-	421	7.96	6	5.40	-	-	427
Bills of exchange	34	5.69	-	-	-	-	-	-	34
Certificates of Deposit	5	5.44	-	-	-	-	-	-	5
Other securities and equity investments	102	2.20	-	-	-	-	176	*-	278
Total Australia	141		421		6		176		744
Overseas									
Bills of exchange	47	9.14	-	-	-	-	-	-	47
Certificates of Deposit	931	5.91	56	6.69	-	-	-	-	987
Other securities and equity investments	351	6.13	-	-	-	-	-	-	351
Total Overseas	1,329		56		-		-		1,385
Total Available for Sale Securities	1,470		477		6		176		2,129
Maturities at Fair Value	1,521		463		6		176		2,166

* Equity investments.

(q) **Impairment of Assets**

SFAS 114 'Accounting by Creditors for Impairment of a Loan' as amended by SFAS 118 'Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures', requires the value of an impaired loan to be measured as the present value of future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. No adjustment is required in the US GAAP reconciliation as the estimated fair value of the impaired loans is not materially different from the carrying value as at 30 June 1997.

(r) **Newly Issued Statements of the Financial Accounting Standards Board**

The Financial Accounting Standards Board ('FASB') of the United States of America has recently issued Statements of Financial Accounting Standards ('SFAS') Nos. 128, 129, 130 and 131 which are not applicable to the financial year ending 30 June 1997. The Bank does not believe that these standards would materially impact the financial position and results of operations if they were applicable at 30 June 1997.

Directors' Statement

In the opinion of the Directors of the Commonwealth Bank of Australia -

- the profit and loss statement and statement of cash flows are drawn up so as to give a true and fair view of the results and cash flows of the company for the financial year ended 30 June 1997;
- the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the company as at 30 June 1997;
- at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due; and
- the consolidated financial statements of the economic entity have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law so as to give a true and fair view of -
  - the results and cash flows of the economic entity, constituted by the company and the entities it controlled from time to time during the financial year, for the financial year ended 30 June 1997; and
  - the state of affairs of the economic entity, constituted by the company and the entities it controlled at the year's end, as at 30 June 1997.

The financial statements of the Chief Entity and the Economic Entity have been made out in accordance with applicable Accounting Standards and other mandatory reporting requirements. The Directors have elected to adopt AASB 1032: Specific Disclosures by Financial Institutions and AASB 1033: Presentation and Disclosure of Financial Instruments, for the financial year ended 30 June 1997, in accordance with section 285(3) of the Corporations Law.

Signed in accordance with a resolution of the Directors.

M A Besley AO
Chairman

D V Murray
Managing Director

13 August 1997

Independent Audit Report

To the members of the Commonwealth Bank of Australia.

Scope

We have audited the financial statements of the Commonwealth Bank of Australia for the financial year ended 30 June 1997, as set out on pages 34 to 119, including the Statement by Directors. The financial statements include the accounts of Commonwealth Bank of Australia, and the consolidated accounts of the economic entity comprising the Commonwealth Bank of Australia and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian and United States Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly by the Directors in accordance with applicable Accounting Standards, statutory requirements and other mandatory professional reporting requirements, so as to present a view which is consistent with our understanding of the company's and economic entity's financial position, the results of their operations and cash flows.

The names of the entities controlled during all or part of or at the end of the financial year, of which we have not acted as auditor, are disclosed in Note 40. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Commonwealth Bank of Australia are properly drawn up -

(a) so as to give a true and fair view of -
   (i) the state of affairs of the company and economic entity as at 30 June 1997 and 1996, and of the company's results of operations and cash flows for each of the two years ended 30 June 1997 and the economic entity's results of operations and cash flows for each of the three years ended 30 June 1997; and
   (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Australian Corporations Law to be dealt with in the financial statements;

(b) in accordance with the provisions of the Corporations Law; and

(c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States. The application of the United States principles would have affected the determination of consolidated net income for each of the years in the three year period ended 30 June 1997 and the determination of consolidated financial position as at 30 June 1997, 1996 and 1995 to the extent summarised in Note 48 to the financial statements.

ERNST & YOUNG

S C Van Gorp
Partner

Sydney
Date: 13 August 1997

Shareholding Information

Top 20 Holders of Fully Paid Ordinary $2 Shares as at 13 August 1997

Rank	Name of Holder	Number of Shares	%
1	Commonwealth Instalment Receipt Trustee Limited	281,731,133	30.29
2	Westpac Custodian Nominees Limited	24,380,179	2.62
3	Chase Manhattan Nominees Limited	20,732,183	2.23
4	National Nominees Limited	19,297,478	2.07
5	Australian Mutual Provident Society	15,183,057	1.63
6	ANZ Nominees Limited	14,988,032	1.61
7	Queensland Investment Corporation	11,327,978	1.22
8	SAS Trustee Corporation	8,570,374	0.92
9	Mercantile Mutual Life Insurance Company Limited	5,492,311	0.59
10	MLC Limited	4,749,736	0.51
11	Warbont Nominees Pty Ltd	4,036,132	0.43
12	Citicorp Nominees Pty Limited	3,976,855	0.43
13	Australian Foundation Investment Company Limited	3,601,592	0.39
14	Permanent Trustee Australia Limited	3,295,844	0.35
15	The National Mutual Life Association of Australasia Limited	3,115,117	0.33
16	GIO Personal Investment Services Limited	3,017,862	0.32
17	Zurich Australian Life Insurance Limited	2,196,721	0.24
18	National Australia Financial Management Limited	1,767,078	0.19
19	Perpetual Trustees Victoria Limited	1,664,299	0.18
20	Westpac Life Insurance Services Limited	1,659,188	0.18

The twenty largest shareholders hold 434,783,149 shares which is equal to 46.73% of the total shares on issue.

Top 20 Holders of Instalment Receipts as at 13 August 1997

Rank	Name of Holder	Number of Units	%
1	Westpac Custodian Nominees Limited	12,267,786	4.35
2	Chase Manhattan Nominees Limited	12,221,957	4.34
3	National Nominees Limited	8,964,148	3.18
4	ANZ Nominees Limited	7,288,678	2.58
5	SAS Trustee Corporation	5,515,366	1.96
6	Macquarie Life Limited	5,000,000	1.77
7	Permanent Trustee Australia Limited	4,760,062	1.69
8	Australian Mutual Provident Society	3,994,816	1.42
9	MLC Limited	3,238,145	1.15
10	Citicorp Nominees Pty Limited	3,118,397	1.11
11	Mercantile Mutual Life Insurance Company Limited	3,082,682	1.09
12	Perpetual Trustees Victoria Limited	2,233,631	0.79
13	Queensland Investment Corporation	2,162,350	0.77
14	National Mutual Trustees Ltd	1,836,000	0.65
15	Commonwealth Superannuation Board of Trustees No. 2	1,825,413	0.65
16	National Australia Financial Management Limited	1,200,950	0.43
17	BT (Queensland) Pty Limited	1,177,616	0.42
18	REMA Nominees Pty Limited	1,166,000	0.41
19	MLC Lifetime Company Limited	1,141,504	0.41
20	Victorian Superannuation Board	1,053,434	0.37

Stock Exchange Listing

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

The Instalment Receipts ('IRs') evidence full beneficial ownership in an ordinary share. The first instalment of $6.00 was payable by 22 July 1996 and the second IR instalment of $4.45 is payable on 14 November 1997. The IRs were listed on the Australian Stock Exchange on 15 July 1996 under the trade symbol CMG.

Shareholding Information

continued

Directors' Shareholdings as at 13 August 1997

	Shares	Instalment Receipts[1]	Options
M A Besley AO	9,071	2,050	
J T Ralph AO	9,659	2,150	
D V Murray	14,212	33,600	300,000
N R Adler	1,603	4,300	
A C Booth	283		
J M Schubert	2,256		
G H Slee AM	1,330		
F J Swan	2,000		
B K Ward	1,140	600	

(1) Instalment Receipts ('IRs') evidence full beneficial ownership in an ordinary share. The first instalment of $6.00 was payable by 22 July 1996 and the second instalment of $4.45 is payable on 14 November 1997.

Guidelines for Dealings by Directors in Shares

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

Range of Shares (Fully Paid Ordinary $2 Shares and Employee Shares): 13 August 1997

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1–1,000	262,892	70.75	103,622,118	11.14
1,001–5000	98,267	26.45	187,605,591	20.17
5,001–10,000	7,078	1.90	49,004,236	5.27
10,001–100,000	3,064	0.83	64,672,734	6.95
100,001–Over	264	0.07	525,272,556	56.47
Totals	**371,565**	**100.00**	**930,177,235**	**100.00**
Less than marketable parcel of 50 shares	42,889		1,241,048	

Range of Instalment Receipts: 13 August 1997

Range	Number of Holders	Percentage Holders	Number of IRs	Percentage IRs
1–1,000	172,372	86.25	77,420,219	27.48
1,001–5000	24,389	12.20	51,147,684	18.16
5,001–10,000	1,939	0.97	14,323,711	5.08
10,001–100,000	1,010	0.51	23,442,189	8.32
100,001–Over	135	0.07	115,397,330	40.96
Totals	**199,845**	**100.00**	**281,731,133**	**100.00**
Less than marketable parcel of 50 IRs	166		2,928	

Voting Rights

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

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

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

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

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