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Group Performance Summary

	Half-year Ended 30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	Full Year Ended 30/06/00 $M	30/06/99 $M	30/06/00 vs 30/06/99 %
Profit and Loss - Summary							
Operating profit after tax and abnormal items	**1,860**	**840**	**709**	**713**	**2,700**	**1,422**	**90**
Income							
Interest income	4,694	4,148	3,795	3,950	8,842	7,745	14
Interest expense	2,834	2,289	2,025	2,193	5,123	4,218	21
Net interest income	**1,860**	**1,859**	**1,770**	**1,757**	**3,719**	**3,527**	**5**
Other operating income	1,306	1,206	1,002	995	2,512	1,997	26
Total operating income	**3,166**	**3,065**	**2,772**	**2,752**	**6,231**	**5,524**	**13**
Expenses							
Staff expenses	867	838	805	799	1,705	1,604	6
Occupancy and equipment expenses	223	214	243	212	437	455	(4)
Information technology services	290	281	261	244	571	505	13
Other expenses	394	300	270	236	694	506	37
Total operating expenses	**1,774**	**1,633**	**1,579**	**1,491**	**3,407**	**3,070**	**11**
Underlying profit [1]	**1,392**	**1,432**	**1,193**	**1,261**	**2,824**	**2,454**	**15**
Charge for bad and doubtful debts	(100)	(96)	(131)	(116)	(196)	(247)	(21)
Goodwill amortisation	(34)	(23)	(24)	(23)	(57)	(47)	21
Operating profit before abnormal items and income tax	**1,258**	**1,313**	**1,038**	**1,122**	**2,571**	**2,160**	**19**
Income tax expense	363	457	318	396	820	714	15
Operating profit after income tax	**895**	**856**	**720**	**726**	**1,751**	**1,446**	**21**
Outside equity interests	(22)	(16)	(11)	(13)	(38)	(24)	58
Operating profit after income tax and before abnormal items	**873**	**840**	**709**	**713**	**1,713**	**1,422**	**20**
Abnormal items	967	-	-	-	967	-	-
Income tax credit on abnormal items	20	-	-	-	20	-	-
Operating profit after income tax attributable to members of the Bank	**1,860**	**840**	**709**	**713**	**2,700**	**1,422**	**90**
Contributions to profit (after tax)							
Banking							
Australia	666	708	591	608	1,374	1,199	11
New Zealand (ASB Bank)	63	55	55	49	118	104	13
Other countries [2]	51	8	25	43	59	68	(13)
	780	771	671	700	1,551	1,371	10
Life insurance and funds management	149	108	73	49	257	122	large
Profit after tax from operations	929	879	744	749	1,808	1,493	21
Goodwill amortisation	(34)	(23)	(24)	(23)	(57)	(47)	21
Outside equity interests [3]	(22)	(16)	(11)	(13)	(38)	(24)	58
Operating profit after income tax and before abnormal items	873	840	709	713	1,713	1,422	20
Abnormal items after tax	987	-	-	-	987	-	-
Operating profit after income tax	**1,860**	**840**	**709**	**713**	**2,700**	**1,422**	**90**

[1] Represents operating profit before tax, charge for bad and doubtful debts and goodwill amortisation.
[2] United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman and Fiji.
[3] Represents 25% interest in ASB Group.

Group Performance Summary

	Half-year Ended 30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	Full Year Ended 30/06/00 $M	30/06/99 $M	30/06/00 vs 30/06/99 %
Balance Sheet – Summary							
Loans, advances and other receivables	132,263	107,024	101,837	95,982	132,263	101,837	30
Total Assets	**217,671**	**161,108**	**138,096**	**134,957**	**217,671**	**138,096**	**58**
Deposits and other public borrowings	112,594	100,311	93,428	91,097	112,594	93,428	21
Total Liabilities	**199,824**	**153,832**	**131,134**	**127,524**	**199,824**	**131,134**	**52**
Shareholders' Equity	**17,847**	**7,276**	**6,962**	**7,433**	**17,847**	**6,962**	**large**
Assets held and Funds under management							
On Balance Sheet							
Banking Assets	185,108	149,911	136,787	133,953	185,108	136,787	35
Life Insurance Assets	32,563	11,197	1,309	1,004	32,563	1,309	large
	217,671	**161,108**	**138,096**	**134,957**	**217,671**	**138,096**	**58**
Off Balance Sheet (1)							
Funds under Management	73,914	18,190	17,290	15,775	73,914	17,290	large
Life Insurance Assets	-	-	10,241	9,009	-	10,241	large
	291,585	**179,298**	**165,627**	**159,741**	**291,585**	**165,627**	**76**
Banking Assets	185,108	149,911	136,787	133,953	185,108	136,787	35
Life Insurance Assets	32,563	11,197	11,550	10,013	32,563	11,550	large
Funds under Management	73,914	18,190	17,290	15,775	73,914	17,290	large
	291,585	**179,298**	**165,627**	**159,741**	**291,585**	**165,627**	**76**
Shareholder Summary							
Dividends per share (cents) - fully franked	72	58	66	49	130	115	13
Dividends provided for, reserved or paid ($million)	908	523	605	458	1,431	1,063	35
Dividend cover (times)	1.3	1.6	1.2	1.6	1.4	1.3	8
Earnings per share (cents) (2)							
(basic & fully diluted)							
before abnormal items	93	92	77	77	185	153	21
after abnormal items	198	92	77	77	291	153	90
Cash basis(4)	91	90	79	79	181	158	15
Dividend payout ratio (%) (3)							
before abnormal items	77.5	63.1	86.1	63.9	70.3	75.0	
after abnormal items	36.4	63.1	86.1	63.9	44.6	75.0	
Cash basis(4)	79.0	64.5	83.3	61.9	71.8	72.6	
Net tangible assets per share ($)	9.18	7.28	6.82	7.15	9.18	6.82	
Weighted average number of shares (basic)	940m	914m	924m	929m	927m	927m	
Shares at end of period	1,260m	902m	916m	935m	1,260m	916m	
Number of shareholders	788,791	406,564	404,728	404,257	788,791	404,728	
Share prices for the year ($)							
Trading high	27.95	27.48	28.76	23.20	27.95	28.76	
Trading low	22.54	22.60	21.90	18.00	22.54	18.00	
End (closing price)	27.69	26.23	24.05	23.16	27.69	24.05	

(1) Includes funds under administration and external funds managed. All life insurance assets were brought on balance sheet as from 1 July 1999 per AASB1038: Life Insurance Business.

(2) Calculated in accordance with AASB 1027: Earnings per share.

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

(4) 'Cash earnings' for the purpose of these financial statements is defined as net profit after tax and before abnormal items adjusted for goodwill amortisation and life insurance appraisal value uplift.

Group Performance Summary

	Half-year Ended				Full Year Ended		30/06/00 vs 30/06/99
	30/06/00	31/12/99	30/06/99	31/12/98	30/06/00	30/06/99	%
Performance Ratios (%)							
Return on average shareholders' equity [(1)]							
before abnormal items	21.19	23.06	20.62	20.46	22.06	20.54	
after abnormal items	45.14	23.06	20.62	20.46	34.78	20.54	
Return on average total assets [(2)]							
before abnormal items	1.03	1.12	1.05	1.07	1.08	1.06	
after abnormal items	2.19	1.12	1.05	1.07	1.70	1.06	
Capital adequacy - Tier 1	7.49	6.76	7.05	8.11	7.49	7.05	
Capital adequacy - Tier 2	4.75	3.63	3.12	2.89	4.75	3.12	
Deductions	(2.49)	(1.28)	(0.79)	(0.91)	(2.49)	(0.79)	
Capital adequacy - Total	9.75	9.11	9.38	10.09	9.75	9.38	
Cost to income ratio	56.00	53.31	56.95	54.17	54.68	55.57	
Cost to total average assets ratio [(3)]	2.09	2.17	2.33	2.23	2.15	2.29	
Cost to assets held and funds under management [(3)]	1.85	1.88	1.96	1.89	1.85	1.93	
Staff expense/Total operating income	27.35	27.36	29.06	29.03	27.35	29.04	
Total operating income per FTE [(4)]	$107,804	$106,689	$95,705	$94,518	$215,080	$190,720	
Other Information (numbers) [(5)]							
Full time staff	34,154	26,131	26,394	26,672	34,154	26,394	29
Part time staff	7,383	6,554	6,655	6,523	7,383	6,655	11
Full time staff equivalent	37,131	28,734	28,964	29,116	37,131	28,964	28

(1) Based on operating profit after tax and outside equity interest applied to average shareholders equity.
(2) Based on operating profit after tax and outside equity interest. Averages are based on beginning and end of year half balances. Includes Colonial assets weighted for the 17 days from 13 June 2000 to 30 June 2000.
(3) Includes Colonial assets weighted for 17 days since acquisition.
(4) Includes Colonial FTE staff numbers weighted for 17 days since acquisition.
(5) Staff numbers at 30 June 2000 include Colonial.

Banking Performance Summary

	Half-year Ended				Full Year Ended		30/06/00
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M	vs 30/06/99 %
Operating Profit after Tax from operations [2]							
- Commonwealth Bank	774	771	671	700	1,545	1,371	10
- Colonial (13 June to 30 June 2000)	6	-	-	-	6	-	-
	780	**771**	**671**	**700**	**1,551**	**1,371**	**10**
Banking Assets [1]	185,108	149,911	136,787	133,953	185,108	136,787	35
Average interest earning assets	132,539	125,824	116,790	111,792	129,163	114,271	13
Average interest bearing liabilities	120,583	113,605	104,877	101,411	117,075	103,130	14
Risk weighted assets	128,484	108,561	99,556	95,718	128,484	99,556	29
Net impaired assets	572	318	314	328	572	314	82
Performance Ratios (%)							
Net interest margin	2.8	2.9	3.1	3.1	2.9	3.1	
General provision/ Risk weighted assets	1.06	1.03	1.09	1.11	1.06	1.09	
Total provisions/Impaired assets	178.3	238.7	230.2	218.5	178.3	230.2	
Non interest income/Total operating income	41.2	39.4	36.2	36.1	40.3	36.2	
Cost to average assets ratio	2.1	2.2	2.3	2.2	2.2	2.3	
Other Information (numbers)							
Commonwealth Bank							
Branches/service centres (Australia)	1,074	1,118	1,162	1,175	1,074	1,162	
Agencies (Australia)	3,935	3,945	3,934	3,946	3,935	3,934	
ATMs	2,703	2,678	2,602	2,536	2,703	2,602	
EFTPOS terminals	109,358	101,243	90,152	87,854	109,358	90,152	
Colonial							
Branches/service centres (Australia)	313	-	-	-	313	-	
Agencies (Australia)	146	-	-	-	146	-	
ATMs	1,438	-	-	-	1,438	-	
EFTPOS terminals	6,706	-	-	-	6,706	-	
Total							
Branches/service centres (Australia)	1,387	1,118	1,162	1,175	1,387	1,162	
Agencies (Australia)	4,081	3,945	3,934	3,946	4,081	3,934	
ATMs	4,141	2,678	2,602	2,536	4,141	2,602	
EFTPOS terminals	116,064	101,243	90,152	87,854	116,064	90,152	

(1) Banking Assets represents total balance sheet assets excluding Life Insurance Assets held on behalf of policyholders.
(2) Represents operating profit after tax and before goodwill amortisation and abnormal items.

Life Insurance and Funds Management Performance Summary

		Full Year Ended 30/06/00 $M	Full Year Ended 30/06/99 $M
Operating Profit after Tax from operations [2]			
- Commonwealth Bank	$M	241	122
- Colonial (13 June to 30 June 2000)	$M	16	-
		257	122
Premiums/Deposits from Customers [1]	$M	11,418	9,881
No. of policy and unit holders	000's	1,834	800
Expenses [1]	$M	243	127
Claims & Redemptions [1]	$M	10,267	7,476
Net Funds Flow [1]	$M	1,151	2,453
Productivity			
Total Expenses to Funds Under Management	%	0.7%	0.4%
Claims & Redemptions to Funds Under Management	%	29.8%	25.9%
Assets held and Funds Under Management - Commonwealth Bank [3]			
Life Insurance	$M	13,217	11,550
Funds Management	$M	21,242	17,290
Total		34,459	28,840
Australia	$M	33,417	28,052
United Kingdom	$M	-	-
New Zealand	$M	1,042	788
Asia	$M	-	-
Total		34,459	28,840
Assets held and Funds Under Management - Colonial [3]			
Life Insurance	$M	19,346	-
Funds Management	$M	52,672	-
Total		72,018	-
Australia	$M	47,671	-
United Kingdom	$M	19,202	-
New Zealand	$M	2,228	-
Asia	$M	2,917	-
Total		72,018	-
Assets held and Funds Under Management - Total [3]			
Life Insurance	$M	32,563	11,550
Funds Management	$M	73,914	17,290
Total		106,477	28,840
Australia	$M	81,088	28,052
United Kingdom	$M	19,202	-
New Zealand	$M	3,270	788
Asia	$M	2,917	-
Total		106,477	28,840

(1) Excludes Colonial.
(2) Represents operating profit after tax and before goodwill amortisation and abnormal items.
(3) Excludes funds under trusteeship, custody and administration.

Results Overview

Except where otherwise stated, all figures relate to the year ended 30 June 2000 and comparatives are to the year ended 30 June 1999.

The Group recorded a profit after tax of $1,713 million (excluding abnormals) for the year ended 30 June 2000, a 20% increase on the prior year. The profit contribution from Colonial Limited (which was acquired on 13 June 2000) was $12 million (net of Goodwill Amortisation). Excluding the Colonial Limited (Colonial) contribution, the net operating profit was $1,701 million, an increase of 19.6% on the profit from the previous corresponding period.

The profit after tax including abnormal items for the year to 30 June 2000 was $2,700 million. Abnormal profits of $987 million after tax are due to:

- An increase in the market value of Commonwealth Life Insurance business of $536 million as a result of the change in basis of valuation;
- A profit of $537 million on recognition of market valuations for the Commonwealth Funds Management businesses; offset by
- Restructuring costs of $86 million raised in relation to the integration of Colonial;

A final dividend of 72 cents per share fully franked will be paid, bringing the full year dividend to 130 cents (up 15 cents, or 13%, from 115 cents for the year ended 30 June 1999). The dividend policy is now based on Profit after tax before goodwill amortisation and appraisal value uplift. The dividend yield based on the 30 June 2000 share price of $27.69 and calculated on the dividend payments of 66 cents (June 1999) and 58 cents (December 1999) was 4.48%. The ratio of dividends per share to cash earnings[1] per share for the year was 71.8%.

As part of its capital management program, the Bank also successfully completed an off-market share buy back utilising a tender process in November 1999. The Bank bought back 2.2% of its ordinary shares for $553 million. This brings the total amount of capital the Bank has returned to shareholders since 1996 to $2.9 billion.

On 10 March 2000, the Commonwealth Bank and Colonial Limited announced their intention to merge, with 7 Commonwealth Bank shares being offered for 20 Colonial shares. The merger received final approval from the Supreme Court of Victoria on 31 May 2000 and was completed on 13 June 2000. The combined strengths of the two companies with their different but complementary product sets, customer bases and distribution networks will create a strong, dynamic and globally relevant financial services group headquartered in Australia.

The Bank's credit ratings have been affirmed following the merger with Colonial Limited. The long term credit ratings of the Bank remain at AA-, Aa3 and AA from Standard & Poor's, Moody's and Fitch respectively. As a result of the merger, State Bank of New South Wales Limited (trading as Colonial State Bank) had its long term credit ratings upgraded to AA-, Aa3 and AA and Colonial Finance Limited had its long term credit ratings upgraded to A+, A1 and A+ by Standard & Poor's, Moody's and Fitch respectively.

[1] Cash earnings equals Profit after tax before abnormals, goodwill amortisation and appraisal value uplift.

The result before abnormals comprised:

Net Operating profit after tax	$1,713 million	Up 20.5%
Net interest income	$3,719 million	Up 5.4%
Other operating income	$2,512 million	Up 25.8%
Operating expenses	$3,407 million	Up 11%
Bad debt charge	$196 million	Down 20.6%
Income tax expense	$820 million	Up 14.8%

Key performance measures (excluding Colonial except where otherwise stated) were:

Return on equity	22.1%	Up from 20.5%
Earnings per share	187 cents	Up 21.8%
Dividends per share	130 cents	Up 13%
Total assets (including Colonial)	$217.7 billion	Up 57.6%
Total assets	$177.0 billion	Up 28.2%
Risk weighted assets (including Colonial)	$128.5 billion	Up 29.1%
Total capital ratio (including Colonial)	9.75%	Up from 9.38%
Tier 1 ratio (including Colonial)	7.49%	Up from 7.05%

The result reflects:

- Strong growth in lending assets (excluding Colonial) of 11.1% to $125.9 billion (including securitisation).
- Less reliance on interest income with non-interest income growing by 26% underpinned by increased lending commission and other fees, improved trading income and growth in contribution from Life Insurance and Funds Management.
- Competition placed continued pressure on banking rates, reducing net interest margin from 3.09% in 1999 to 2.88% in 2000.
- Reduced charge for bad and doubtful debts reflecting the strong credit processes and favourable economic conditions.
- Increased investment of $52 million in key business initiatives including eCommerce, Woolworths Ezy Banking and European Banking.
- Reduced cost to income ratio from 55.57% to 54.68% and reduced cost to total balance sheet assets and funds under management ratio from 1.93% to 1.85%.
- Excluding expenditure associated with increased revenue generating activities, expenses grew 3.5% mainly reflecting increased salary cost due to the 4.5% increase from the Enterprise Bargaining Agreement.

The Commonwealth Bank was awarded Internet Bank of the Decade by Australian Banking and Finance magazine in November 1999 and in May 2000, Lafferty Publications rated the Bank as Best Online Bank in Asia Pacific region and 8th Best Online Bank Worldwide. Colonial Limited was awarded Non-Bank Financial Institution of the Decade by Australian Banking and Finance magazine.

The final dividend will be paid on 9 October 2000. The ex-dividend date is 4 September 2000. Shares purchased on or after this date do not qualify for the dividend. Correctly completed and signed application forms requesting changes in your method of dividend payment should have been received by the Banks' Share Registrar, ASX Perpetual Registrars Limited by the record date 8 September 2000.

For those shareholders participating in the Bank's Dividend Reinvestment Plan, a combined Issuer sponsored Statement and Dividend advice will be mailed out by 18 October 2000.

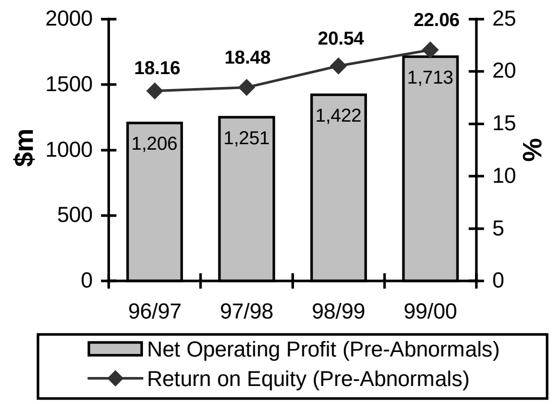
Main Financial Indicators

Analysis of Income and Expenses together with the effect of accounting standard changes, including AASB 1038 and other changes, is contained in the Financial Review section of this report.

The Profit and Loss includes the effect of Colonial for the period 13 to 30 June 2000. Balance Sheet items include figures for the combined Group as at 30 June 2000.

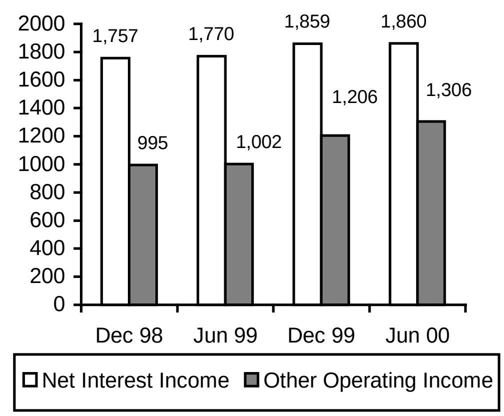
Profits

- The Group recorded a net operating profit before abnormals of $1,713 million for the year. This result represents an increase of 20% from the previous year.
- The June 2000 half-year profit of $873 million was an increase of 23% on the prior comparative period.



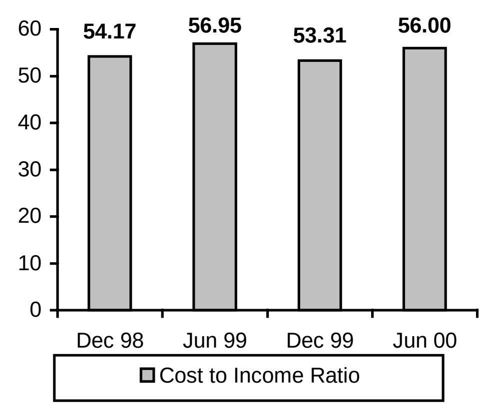
Income

- Net interest income increased 5% over the prior year.
- Other operating income increased 26% for the full year and by 30% for the half year to 30 June 2000 over the prior comparative period.



Costs

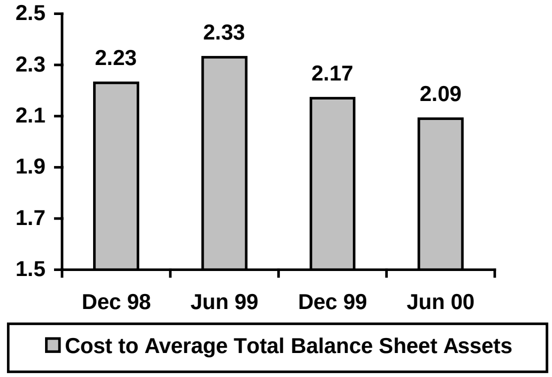
- The cost to income ratio for the half year decreased to 56.00%, from 56.95% for the prior comparative period.



Main Financial Indicators

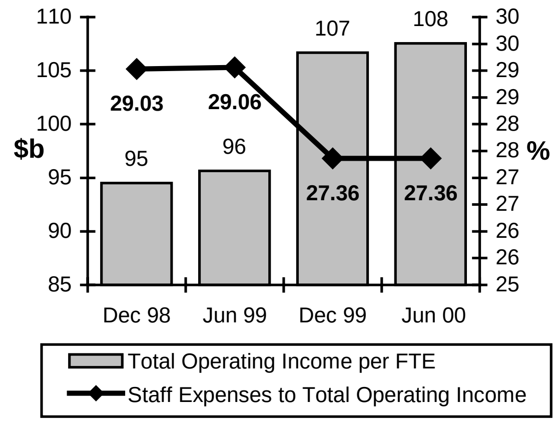
Costs to Average Total Balance Sheet Assets

- The cost to average total assets ratio (with Colonial assets weighted) for the half year decreased to 2.09%, from 2.33% for the prior comparative period.



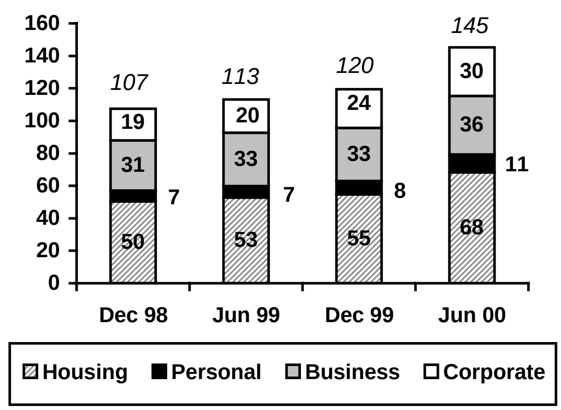
Productivity

- Total operating income per average FTE for the half year was $107,804, an increase of 13% over the prior comparative period.
- Staff expenses to total operating income improved to 27.35% from 29.06% for the prior comparative period.



Asset Growth

- In a very competitive environment, the Group increased total loans, advances and acceptances[2] to over $145 billion, a 29% increase over the prior comparative half. Excluding Colonial these balances increased by 10% to $124 billion.
- Home loan outstandings, now aggregate $68 billion. Excluding Colonial, home loan outstandings total $56.4 billion, an increase of 7% on the previous year.
- Personal loan outstandings totalled $11 billion at 30 June 2000. Excluding Colonial, personal loan outstandings totalled $9 billion, an increase of 24% on 1999.
- Total business and corporate lending amounted to $66 billion at 30 June 2000. Excluding Colonial, total business and corporate lending increased 10% to $58.5 billion.
- Home Loans securitised as at 30 June 2000 were $3.0 billion, including $1.1 billion for Colonial. Home Loans securitised as at 30 June 1999 were $0.4 billion.



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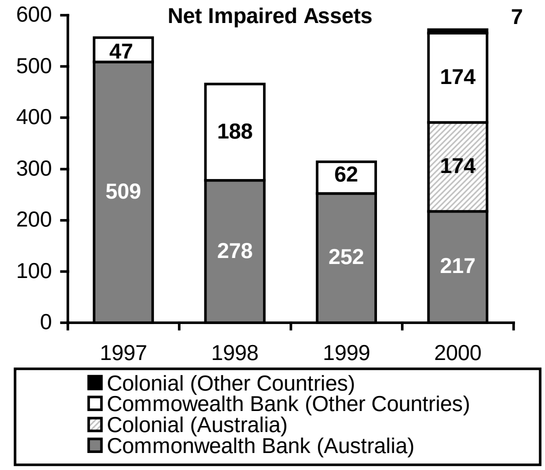
[2] Total Loans and Advances includes Bank Acceptances and excludes Provisions for Bad and Doubtful Debts and Securitised Balances.

Main Financial Indicators

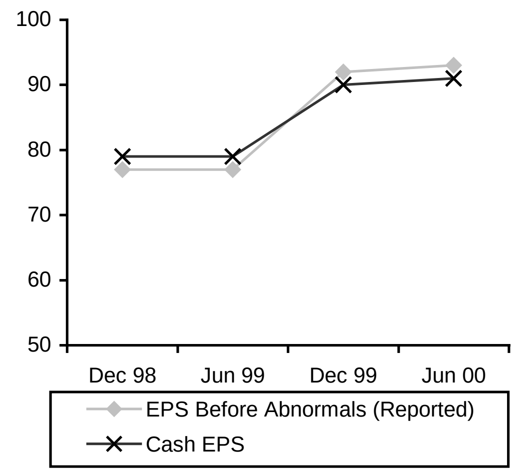
Asset Quality

- Net Impaired Assets amount to $572 million as at 30 June 2000. Excluding Colonial, the balance would have been $391 million. Of this $391 million, the domestic Net Impaired Assets were $217 million, a decrease of 14% on the previous comparable period.
- At 30 June 2000, specific provision as a percentage of gross impaired assets was 43% down from 47% at 30 June 1999.
- At 30 June 2000, general provisions as a percentage of risk weighted assets were 1.06% down from 1.09% at 30 June 1999.



Earnings Per Share

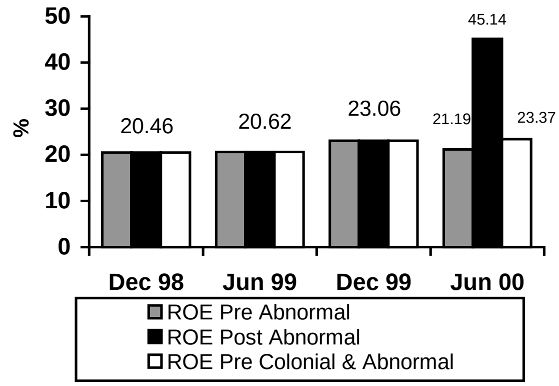
- Earnings per share (pre-abnormals) for the half year was 93 cents, a 21% increase on the prior comparative period.
- Cash earnings per share was 91 cents for the June half, a 15% increase on the prior comparative period. Cash earnings exclude goodwill amortisation and appraisal value uplift.



Main Financial Indicators

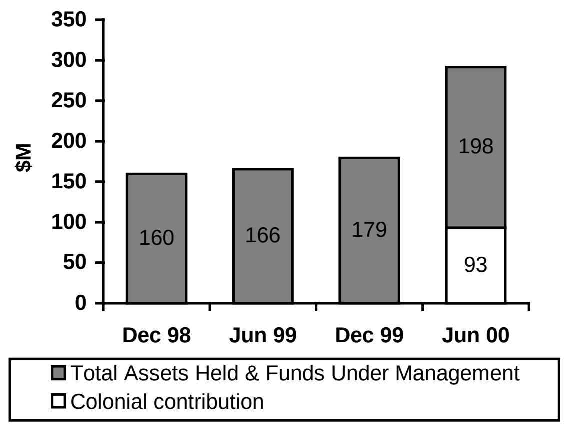
Return on Equity

- Return on Equity (pre-abnormals) for the half year was 21.19%, up from 20.62% for the prior comparative period.



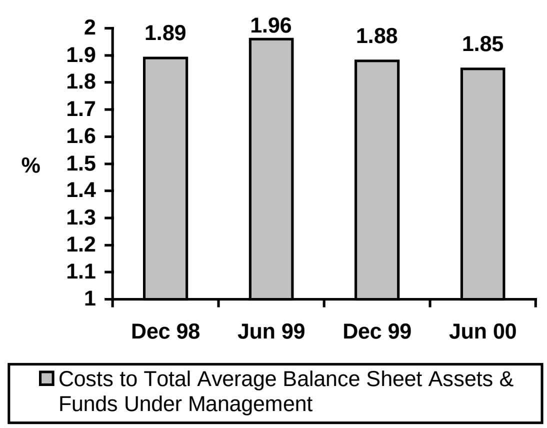
Total Balance Sheet Assets and Funds Under Management.

- The Group holds Total Balance Sheet Assets and Funds Under Management of $291.5 billion. Excluding Colonial, this balance increased $33 billion to $198 billion, an increase of 20% from 30 June 1999.



Costs to Total Average Balance Sheet Assets and Funds Under Management.

- Costs to total average balance sheet assets and funds under management decreased from 1.96% to 1.85% in the 12 months since 30 June 1999.
- Balances of assets and funds managed for Colonial have been weighted for the period from 13 June 2000 to 30 June 2000.



Products and Services

MARKET POSITIONING

The Group is Australia's largest financial services organisation with scale and leading market shares in the key areas of banking, funds management and life insurance.

Banking

The Group (following the Colonial merger) has the largest share of domestic banking assets of 20.6% at June 2000 (*source: APRA – AUD denominated banking assets*), the leading home loan market share of 22.4% (*source: APRA All Lenders*) and the largest share of retail deposits of 25.3% (*source APRA*).

The Group now has Australia's largest, most comprehensive distribution network, serving the needs of both rural and urban Australia. This is through the combination of Colonial's agency distribution capability and Commonwealth's branch and online network together with its Ezy Banking initiative with Woolworths and its nationwide arrangement with Australia Post.

Funds Management

The Group is ranked first in terms of market share of both retail and wholesale funds under management *(source: ASSIRT)*. This positions the Group well for the expected accelerated growth in the funds management industry. Colonial First State's disciplined approach to managing money has been recognised through many industry awards, including the Fund Manager of the Year awards, where Colonial First State was selected as the overall winner in 1996, 1998 and 1999.

Life Insurance

The combined Commonwealth/Colonial Group ranks third in terms of life insurance in-force premiums with a market share of over 15% (*source: Plan for Life March 2000*).

PRODUCTS AND SERVICES

Except where otherwise indicated, the following information relates primarily to the products and services of the Group prior to the merger with Colonial. A brief discussion on the impact of the Colonial merger on these products and services is included where applicable.

BANKING

PERSONAL

Housing Loans

Home loan outstandings for the Group (excluding Colonial) totalled $56.5 billion at 30 June 2000, a 7% increase on 1999. The Group's market share of Home loans (excluding Colonial) is 18.7% at June 2000 *(source APRA All Lenders)*. Growth in the home loan market was strong but competition between lenders intensified.

Securitisation balances grew by $2.1 billion during the year. Including the securitised loans, growth in home loan outstandings would have been $5.9 billion (11%).

The HomePath Home and Investment Home Loan was successfully launched in April 2000. It set a new benchmark in the Australian mortgage market as a fully online-only home loan at one of the lowest standard variable rates with no establishment or servicing fees at launch.

The enhanced Mortgage Interest Saver Account (MISA) was launched in June 2000 to provide a 100% off-set on the Standard Variable and 12 month Discount Variable Home and Investment Home Loans.

The Home Equity Facility has been successful this year, with balances of $2.3 billion as at 30 June 2000. The facility has secured market recognition through its 5 star rating from the independent research group, Cannex.

Home loan outstandings for the Group (including Colonial) totalled $68.3 billion at 30 June 2000.

Personal Loans

The Bank's leading position in the Personal Loan market was maintained during the year. Personal loan outstandings for the Group (excluding Colonial) totalled $3.2 billion at 30 June 2000, an 8.3% increase on 1999. An increased marketing effort resulted in solid growth in personal loan new business. The Group also launched on-line origination of personal loans in March 2000.

Personal loan outstandings for the Group (including Colonial) totalled $4.5 billion at 30 June 2000.

Credit Cards

The Group is the largest issuer of credit cards in Australia. Credit Card outstandings for the Group (excluding Colonial) totalled $3.0 billion at 30 June 2000, a 20.8% increase on 1999. The Group's market share of Credit Cards (excluding Colonial) is 26.6% at June 2000 *(source: RBA)*.

The number of cardholder accounts increased to 2.44 million and the number of merchants increased to 132,000. The credit card market is highly competitive as evidenced by the entry of new players and expanding product offerings from non-traditional credit card providers. Dynamic market developments such as niche products offered to discrete segments or affinity groups combined with the proliferation of special offers and ongoing loyalty programs is adding to competition. The Bank's own credit card loyalty program, 'True Awards', was launched during 1997 and has over one million members to date.

In addition to its card offerings to the broader market, the Bank has offered business customers a range of Business card programmes, with payment solutions for businesses of all sizes.

Credit Card outstandings for the Group (including Colonial) totalled $3.7 billion at 30 June 2000.

Deposit Products

The Group is the largest holder of retail deposits in Australia. As at 30 June 2000, the Bank's retail deposit base in Australia (excluding Colonial) stood at approximately $71.8 billion, a 7.2% increase on 1999. The Group's market share of Retail Deposits in Australia (excluding Colonial) was 21.9% at June 2000 *(source: APRA)*.

The Group continues to be the most accessible financial institution in Australia, by continuing to maintain the broadest representation network of any bank.

There was considerable growth in both the Award Saver and Streamline products, offset by a reduction in balances held in the traditional passbook accounts.

As at 30 June 2000, the Group's retail deposit base in Australia (including Colonial) stood at $84.7 billion.

General Insurance

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

CIL provides home buildings, contents and personal valuables cover. In November 1999 CIL successfully introduced an Investment Home Insurance policy to cater to the growing number of private residential investors in Australia.

Gross Written Premium Income for 2000 increased by 8% in a competitive market.

Products and Services

On-line initiatives included the launch of a quote, buy and pay for your insurance facility in March 2000 via www.comminsure.com.au.

Electronic and Direct Banking

Achieving increases in customer numbers through direct and on-line leadership is a strategic goal of the Group. The results of several initiatives are outlined below.

The ratio of electronic to over-the-counter transactions has increased to 81:19 (from 78:22 in 1999).

The Group's internet banking service NetBank processed some 50 million transactions during the year, almost four times as many as in 1998/99. The browser-based version of NetBank was launched in March 2000.

Calls to the 13 2221 customer service line averaged more than 1.9 million per week during the year, an increase of 34% on 1998/99. Approximately 85% of these calls were handled by the Interactive Voice Response system. Over 3.8 million customers now hold telephone banking passwords.

Usage of Quick Deposit Boxes located in branches increased 24% during the year.

The Group's EFTPOS terminal numbers increased 19% over the year, to over 109,000.

The Group operates the largest proprietary ATM network in the country, with terminal numbers increasing 4% during the year to over 2,700 at 30 June 2000.

The Group entered into an alliance with Vodafone to supply financial services information to mobile telephones. The MobileBank service was launched in November 1999 and enables customers to check account balances, transfer funds between bank accounts, and pay bills using their mobile phones.

Direct Banking is also an important element of ASB Group's product offering. ASB offers an automated telephone banking service, a telephone based loan origination service and an internet banking service.

Woolworths Ezy Banking

In September 1999, the Group commenced its rollout of Woolworths Ezy Banking in conjunction with Woolworths Limited. As at 30 June 2000, 603 Woolworths supermarkets and Big W stores are fully operational, selling and servicing transaction/savings accounts and credit cards. Ezy Banking offers customers convenience, lower cost, including 55 free transactions per month, and an innovative rewards program. Ezy Banking has allowed the Group to expand its customer base, with 40% of account holders having had no previous relationship with the Commonwealth Bank. Approximately 150,000 customers had signed up for Ezy Banking at August 2000. Ezy Banking was recently awarded the Australian Banking & Finance *"Best New Product Launched 2000."*

Commonwealth Securities

Commonwealth Securities, known as ComSec, is the Group's direct wealth management and stock broking business. ComSec continued to grow strongly throughout the year and retained its number one ranking in terms of trading volume. During the year, ComSec processed some two million contract notes, of which approximately 70% were sourced via the internet with the balance by telephone. ComSec has achieved a market share of volume of ASX trades of 9% in this increasingly competitive market.

The US Share Trading facility has experienced strong growth over the year and has been extended to provide access to the London and Toronto Stock Exchanges.

Money Market Online was launched in November 1999 offering retail investors professional rates by providing access to bank bills, debentures, bonds and all ASX-listed interest rate securities on-line.

ComSec Car Insurance was launched in May 2000 which provides clients with the facility to compare and buy the most favourable car insurance polices on-line. Visitor numbers to this website have been strong at around 500 per day.

BUSINESS

Business Lending

Commercial lending approvals were up 4.0% to $12.9 billion, and the Group has total commercial assets of $28.1 billion as at 30 June 2000.

In April 2000 the BetterBusiness loan was relaunched to provide a term lending product which is aligned to the changing business needs of our customers. This enhanced product combined the Bank's existing BetterBusiness loan product with a Fixed Rate Term Advance to form one "Complete Business Loan". The product offers business customers a choice of variable, fixed, capped, and economiser rate options.

CBFC Limited

CBFC Limited ("CBFC"), a wholly-owned subsidiary of the Bank, is a specialist provider of vehicle and equipment finance. CBFC's primary focus is on the business sector. Hire purchase, finance leases and operating leases, including fleet leasing arrangements, are the dominant product groups. The primary product distribution channel is the Bank's network of branches, Business Banking Centres and mobile field staff throughout Australia.

CBFC has total assets of $5.7 billion (including net loan receivables of $5.6 billion) representing growth of 4.6% over 30 June 1999. New business totalling $2.7 billion was written during the year, a reduction of 4.8% on the previous year. The reduction in new business occurred largely between December 1999 and April 2000 and was mainly attributable to business concerns about the introduction of GST.

CBFC commenced issuing Short Term Notes to the domestic market in August 1999. The program has proven successful with a total of $1.3 billion on issue at 30 June 2000.

QuickLine

QuickLine, the Group's electronic business banking product, has grown customer numbers by more than 50% in the past 12 months. QuickLine enables customers to retrieve account details, such as balances, from 8am each morning in addition to making payments to any account at any financial institution in Australia, reviewing unpresented cheques, and transferring funds up to six weeks in advance with payment only effected on the date specified. The ease and convenience of completing banking transactions from the home or office 24 hours a day, 7 days a week has led to the Bank processing approximately 7.5 million QuickLine transactions per month.

Agri Business

In February 2000 the Group's AgriOptions package was enhanced to include commodity price risk management capability.

In May 2000 the Group was successful in winning the Australian Dairy Industry Council tender to provide dairy farmers with upfront finance utilising the Federal governments deregulation payments.

Products and Services

New Initiatives

Manufacturing Growth Solutions, a range of products and services to meet the needs of manufacturing businesses was launched during the year.

Retailer Options, a new business and financial management package containing a broad range of solutions that meet the specific needs of retailers, was launched in February 2000. The Group aligned with key third party business partners to offer retailers value added solutions to complement the Group's offerings. The third party offerings included a PC based retail cash register with integrated software with KeyCorp & Quicken, online enablement with Optus and the co-branded GST educational CD-ROM with Quicken, Gang of Four and CCH.

eCommSupply

eCommSupply, which facilitates business to business [B2B] electronic procurement services to business customers via the Internet, was launched as a pilot service in February 2000. The service includes the ability for suppliers to have their company, product and/or service details registered and hosted on the Supply Search registry and ability for buyers to find suppliers and products using the search engine capabilities and initiate requests for information and quotes.

CORPORATE

Financial Markets

Financial Markets overall income was $396.6 million, an increase of 7%. Trading activities capitalised on the market volatility in interest rates and 78% of Financial Markets income was non-interest income.

During the year the Group was active in developing new risk management products.

Commonwealth was the first Bank to issue “trigger” currency warrants. These were issued on the Australian Stock Exchange in November 1999. The Group co-lead the first issue of e-bonds in Australia, the Telstra $500 million March 2010 Bonds.

The Group is evaluating opportunities in the new field of Greenhouse Gas Emissions, and Weather Derivatives to assist clients with hedging climate risk.

eCommCorporate

eCommCorporate, the Group’s Institutional and Corporate internet banking platform, was launched in November 1999. Through this platform Financial Markets’ clients can execute on-line, real-time spot and forward foreign exchange transactions and money market transactions and access their trade records.

Corporate Finance

The Group is a leading provider of financing for large asset acquisitions and businesses. Major transactions completed during the year include arranging and underwriting financing for the Millmerran Power project in Queensland, the Australian Pipeline Trust and the Visy Pulp and Paper Plant at Tumut and debt refinancing for Hills Motorway.

Through its Strategic Alliance with **Computer**Fleet, the Group has become a market leader in the provision of managed operating lease programmes for large installations of information technology and telecommunications equipment.

The Group is also recognised as one of the leading banks in the Australian property market. During the last year the Group provided finance for commercial projects in Sydney including 155 Macquarie Street, Park Plaza and 363 George Street and for residential projects including the Regency at Chatswood, King Street Wharf, Balmain Shores and the Forum at St Leonards.

Fund Services

In November 1999, the Group entered into a strategic alliance with State Street Australia Limited to provide master custody services to Australian superannuation funds. As a result of the alliance, Fund Services has consolidated its position in the custody market and as at 30 June 2000 administered over $66.5 billion of assets. Fund Services uses the Group’s leading edge e-commerce technology to enhance delivery and receipt of client reporting information via the internet.

Transaction Services

Transaction Services provides cash management solutions for clients, offering corporate accounts, payment and information services to help them efficiently manage their funds. Transaction Services continues to use the latest information technologies to develop and enhance the way payments and other transaction data is transmitted between the Group and its clients. The Group’s launch of eCommCorporate provided an internet payment channel for Transaction Services’ clients. **Image**Bank, an image databank product, was launched during the year.

FUNDS MANAGEMENT

The Group (including Colonial) is Australia’s largest fund manager with $73.9 billion in funds under management (excluding Life Insurance assets), consisting of $21.2 billion in Commonwealth funds under management and $52.7 billion in Colonial funds under management.

The merger with Colonial illustrates the Group’s commitment to growth in funds management and life insurance businesses, and is critical to the Group maintaining its momentum in a highly competitive market. The combined Commonwealth/Colonial Group ranks first in terms of both retail and wholesale funds under management *(source: ASSIRT June 2000)*.

Commonwealth

Commonwealth Financial Services is the 5th largest fund manager and 4th largest retail fund manager in Australia (*source: ASSIRT June 2000*).

As at 30 June 2000, Commonwealth Financial Services had a customer base of over 730,000. Gross sales in managed products, superannuation and other investment products were $9.6 billion, an increase of $1.3 billion or 16% over the prior period. Commonwealth remains the largest allocated pension provider in the market.

Funds Under Management for Retirement Products increased 14% from $9.6 billion at 30 June 1999 to $10.9 billion as at 30 June 2000. Gross retail sales for Retirement Products (which includes superannuation and retirement income products) increased 7%.

The predominant sources of new business on superannuation products are rollovers and personal contributions. A new superannuation product, Commonwealth SuperSelect which offers customers the choice of 15 investment options from a variety of fund managers was launched in September 1999.

Funds Under Management for Unit Trusts was up 26% from $5.4 billion at 30 June 1999 to $6.8 billion as at 30 June 2000. Unit Trust sales increased 21% on the same period last year from $5.7 billion to $6.9 billion.

Major sources of new sales for Unit Trusts have been Commonwealth Cash Management Trust, Commonwealth Balanced Fund, Commonwealth Income

Products and Services

Fund, Commonwealth Imputation Share Fund and Commonwealth Growth Fund.

Commonwealth Investment Management is responsible for managing Commonwealth's funds under management, including wholesale investment mandates, the Commonwealth Financial Services group wholesale and retail unit trust products and the life company's statutory funds. As at 30 June 2000 the Group managed $13.4 billion (including Life Insurance assets) on behalf of a diverse range of wholesale clients, including state, local and semi-government entities, corporations, investment funds and superannuation funds.

In December 1999, the Group entered into a strategic alliance with Legal & General Investment Management in the United Kingdom whereby Legal & General Investment Management manage indexed international equity and fixed interest portfolios for Commonwealth Investment Management's clients.

Colonial First State

Strong investment performance and new business inflows, driving higher funds under management, contributed to profits of $77 million for the year for Colonial First State Investments, an increase of 31% on the corresponding period in 1999.

During the year, Colonial First State Investments completed the acquisition of the UK based independent funds management company, Stewart Ivory. The acquisition increased funds under management by almost $8 billion and provides a strong UK base for growth of the international funds management business in the northern hemisphere. The UK business now trades as Colonial Stewart Ivory Investments.

External funds under management increased by $17 billion during the year to $52.7 billion at 30 June 2000. Included in this figure is funds under overlay management of $8.5 billion, through Tactical Global Management, 9% ahead of the position at the end of 1999. New business inflows remained strong during the year particularly in Australia and Singapore. Gross external fund inflows of $9.8 billion (excluding funds under overlay management) were achieved during the year ended 30 June 2000, 37% ahead of the previous year.

Funds under management in Australia increased by 23% during the year to $33.4 billion (including Life Insurance assets), driven by strong retail and wholesale inflows. Strong retail inflows in Singapore have taken funds under management in Asia to $2.4 billion at 30 June 2000. In the United Kingdom, funds under management at 30 June 2000 amounted to $18.9 billion, compared to $12.1 billion at the end of 1999, reflecting the impact of the acquisition of Colonial Stewart Ivory Investments.

The proportion of external funds under management has increased to 80% at 30 June 2000, from 51.4% at 30 June 1999.

The marked increase in the proportion of external funds under management was in part due to the acquisition of Colonial Stewart Ivory Investments, contributing almost $8 billion in funds under management. In addition, Colonial First State Investments retained the investment mandate to the majority of the Colonial UK life and pensions business subsequent to the sale of that business to the Swiss Insurer Winterthur. These funds were previously classified as internal funds under management.

LIFE INSURANCE

Total Life Insurance assets of the Group are in excess of $32 billion.

Commonwealth Life Limited

Annual life insurance premiums in force business for Commonwealth Life Limited (CLL) have grown by 15% to $54.4 million at 30 June 2000.

The major source of new business for Life Insurance products is Commonwealth Mortgage Protection, which has accounted for approximately 54% of all new sales for the year.

An immediate annuity product, Commonwealth Income Select was launched on 3 April 2000.

Commonwealth Life entered into an agency agreement with MLC Limited in November 1999 to distribute Income Protection insurance.

Colonial

On a Margin on Services basis, the Australasian insurance and superannuation business of Colonial recorded a net profit after tax of $223 million for the year to 30 June 2000, compared with a profit of $193 million for the previous corresponding period. The result was underpinned by strong new business growth during the year.

Profits from the Asian operations were significantly lower than the previous corresponding period, reflecting the impact of a sharp decline in equity markets in Thailand and the Philippines during the year.

New business in the insurance and superannuation operations was a significant 32% ahead of the previous year. An increase of 51% in sales of Master Fund products in Australia was a key driver of the sales growth, reflecting a deliberate positioning to capture a strong share of this market segment.

New business sales for the year continued to reflect the market's currently favourable view of unit trust products, with unit trust sales through the insurance and superannuation business 49% ahead of the previous year. A focused marketing effort on annuity products in Australia was rewarded during the year with strong sales of short-term annuity products while growth in the Asian business is reflected in new business sales 38% ahead of the previous year.

Strategy

The Group's vision is to be the best brand in helping customers manage and build wealth. A set of business goals underpins the achievement of the Group's vision. Each operating division in turn has a series of strategies that are consistent with, and directed at the collective achievement of those business goals, which are:

Attract more customers and revenue per customer

Primarily the Group seeks to attract more customers, and undertake higher-value business with each customer. This occurs by providing offerings tailored to customers' needs, through a multi-channel distribution network, which integrates banking and financial services and also offers third party choice.

With the acquisition of Colonial, the Group's total number of customers has increased to approximately 10 million with many Colonial customers having a relationship for the first time with the Commonwealth Group.

Best value service through innovation and on-line leadership

The Group seeks to provide best value for money service to its customers, across all channels and implement sound innovative ideas. The Group is committed to driving its leadership position in on-line financial services. Accordingly, the Group aims to integrate the customer attracting and information searching capabilities of on-line channels with the capabilities of traditional channels.

HomePath for example, is a new way of doing business, providing an online decision support system around the home buying experience, not simply the traditional 'mortgage only' offering.

Best team

Meeting the needs of the Group's many customers and shareholders requires strong leadership, shared vision and staff who are encouraged to use their capabilities and talents. The Group seeks to have the best team by ensuring its people and business systems are mutually reinforcing through:

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

For example the Group is continuing with the rollout of a leadership program to establish a common framework for leadership behaviour across the organisation. Over 5,300 employees in leadership roles have attended the program thus far. Moreover, with 80% of all Branch Managers accepting an offer to move to Australian Workplace Agreements, an enhancement to the commercial orientation and focus among this key customer focused management group is expected. In addition, Customer Service Division staff development was a key focus with an average of 5,000 formal training days per month covering a range of sales, leadership, relationship management and technical skills.

Develop offshore opportunities

The Group targets growth opportunities in international markets, within acceptable risk parameters. Opportunities are sought in areas where the Group can deploy its learning from on-line and financial services businesses into less-advanced markets, or where specific offerings can exploit niches within large advanced markets. The Group's long term goal is for 25% of market capitalisation to be represented by offshore earnings streams.

With Colonial the Group now has approximately 15% of market capitalisation represented by offshore revenue streams.

The Group's funds under management, life insurance, health insurance and banking businesses extend across Asia, Fiji, the United Kingdom and New Zealand.

In May, in the United Kingdom, the Bank announced a 23.5% investment in, and strategic alliance with, Property Internet plc which operates on-line residential property listings and information services websites. Under this arrangement, the Bank has exclusive rights to provide a mortgage choice referral service on Property Internet's website at www.08004homes.com.

Later this year the Group will launch a range of "Australian style" mortgages into the UK market. The product will be available online and through the Group's UK call centres and other intermediaries

Global best-practice costs

The Group has been working hard to develop its business on a cost structure that is globally competitive. The Group benchmarks itself against global players in each line of business and from time to time may re-engineer an entire process, ally with best-practice players, or in-source greater scale to reach best-practice unit costs.

The Group continues to advance its efforts in partnering with specialists that can provide market leadership in technology at lower cost.

The Group has entered into an agreement with Telecom Corporation New Zealand for a $500 million contract to provide telecommunications to the Group for the next five years. The arrangement will deliver new efficiencies to the Group, including a full range of integrated data, voice and video services over an internet protocol network.

Outlook Statement

The combined operations of Commonwealth and Colonial position the Group as a leader within the financial services sector in Australia and New Zealand, together with representation in key markets throughout Asia and the UK. This provides the opportunity to achieve further revenue growth and productivity improvements.

Critical to the Group's goal of further improving shareholder returns will be achieving the revenue and cost synergies anticipated from the successful integration of the Commonwealth and Colonial operations. At the same time, continued focus on sales momentum and service quality in the Group's core businesses will be essential.

The economic outlook, both domestically and overseas, is for lower growth than that experienced over recent years, but for the economic environment to remain relatively stable. A weaker Australian dollar would further reduce domestic business growth and raise costs. The markets in which the Group operates are expected to remain highly competitive, which will require ongoing implementation of electronic processing and delivery platforms to achieve continued productivity improvement. Within this challenging environment the Group expects that its diversified range of banking and financial services products will support further revenue growth, while the integration further improves its competitive positioning.

The Directors expect the ratio of dividends per share to cash earnings per share for 2000/2001 to remain high relative to peer financial institutions.

The Group continues to keep its capital management opportunities under review. Agreement has been reached with APRA on the basis of measurement of capital adequacy for the merged group. Work is now underway to fully integrate the Colonial businesses into the Group's integrated risk management framework, which will allow the aggregate economic equity requirement to be determined. Consideration will then be given to the optimum mix and level of capital, having regard to the objective of generating sustainable returns to shareholders whilst maintaining a buffer above the regulatory minimum (to reflect APRA’s position on conglomerates, once finalised) and preserving a AA ratings profile.

MANAGEMENT STRUCTURE

Managing Director and Chief Executive Officer
David Murray

- **CEO Office and Group Planning and Development** — Garry Mackrell
- **Financial and Risk Management** — Michael Ullmer
- **Australian Financial Services** — John Mulcahy
- **Technology, Operations and Property** — Russell Scrimshaw
- **Customer Service Division** — Gail Kelly
- **Group Human Resources** — Les Cupper
- **Colonial First State Investment Group** — Peter Polson
- **European Banking** — Adrian Cosenza
- **Institutional Banking** — Michael Katz
- **International Financial Services *** — Ralph Norris

* Includes ASB Group

Financial Review

Balance Sheet

The Group Balance Sheet has been impacted by the following significant items:

- The acquisition of Colonial on 13 June 2000 This had the following effects:
  - Assets increased $50 billion;
  - Liabilities increased $41 billion; and
  - Equity increased $9 billion, reflecting the issue of 351 million shares to Colonial shareholders on completion of the merger.
- The adoption of Accounting Standard 1038: Life Insurance Business which has resulted in:
  - Consolidation of Statutory Fund Assets ($25.7 billion) and liabilities ($26.5 billion). (Further details can be found in Note 1 of the Notes to and Forming Part of the Financial Statements.)
  - The adoption of market value accounting for various life insurance businesses within the Group increasing assets by $2.4 billion. (Further details can be found in Note 1 of the Notes to and Forming Part of the Financial Statements.)

Results of Operations for the Financial Year 2000 versus Financial Year 1999

Net Interest Income

The following table sets forth the Group's net interest income for Financial Years 1999 and 2000, together with half year comparatives.

	Half-year Ended				Full Year Ended		30/06/00
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M	vs 30/06/99 %
Interest Income							
Loans	4,051	3,612	3,362	3,444	7,663	6,806	13
Other financial institutions	116	75	69	96	191	165	16
Liquid assets	48	30	29	29	78	58	34
Trading securities	142	153	115	131	295	246	20
Investment securities	320	266	206	219	586	425	38
Dividends on redeemable preference shares	12	12	13	29	24	42	(43)
Other	5	-	1	2	5	3	67
Total Interest Income	**4,694**	**4,148**	**3,795**	**3,950**	**8,842**	**7,745**	**14**
Interest Expense							
Deposits	2,013	1,760	1,603	1,750	3,773	3,353	13
Other financial institutions	169	128	97	110	297	207	43
Short term debt issues	415	256	203	190	671	393	71
Long term debt issues	111	60	46	60	171	106	61
Loan capital	125	85	75	80	210	155	35
Other	1	-	1	3	1	4	(75)
Total Interest Expense	**2,834**	**2,289**	**2,025**	**2,193**	**5,123**	**4,218**	**21**
Net Interest Income	**1,860**	**1,859**	**1,770**	**1,757**	**3,719**	**3,527**	**5**

Net Interest Income

30/06/00 - 30/06/99 (up 5%) [(2)]

30/06/00 - 31/12/99 (up 0%) [(2)]

Net Interest Income for the current year increased by 5.4% or $192 million from $3,527 million to $3,719 million. This increase includes $22 million as a result of the inclusion of Colonial Limited from 13 June 2000. Excluding Colonial, the underlying growth for the year was $170 million or 4.8%.

The net Interest Income movement over the year was the result of the impact of growth in interest earning net assets, offset by a decline in interest margins. This is shown in the table below.

	Financial Year 2000 vs. 1999 Increase (Decrease)	Financial Year 1999 vs. 1998 Increase/ (Decrease)
	$M	$M
Due to changes in average volume of interest earning assets and interest bearing liabilities	**424**	363
Due to changes in average interest rates	**(232)**	(233)
Change in net interest income	**192**	130

Average interest earning assets grew by $14,892 million or 13% from $114,271 million to $129,163 million (Note 3)[(1)]. This growth added $424 million to net interest income.

The main contributor to the growth in average interest earning assets was achieved through loans, advances and other receivables within Australia which increased by 13.9% or $11,563 million from $83,350 million to $94,913 million (Note 3). This growth was predominantly within housing loans, term loans and overdrafts, together with an increase resulting from the purchase of Credit Lyonnais. Average interest bearing liabilities grew by 13.5% or $13,945 million from $103,130 million to $117,075 million (Note 3), including certificates of deposit (up $6.5 billion) and Debt Issues (up $4.7 billion).

However, as shown in the Group Interest Margins and Spreads table below, group net interest margin decreased by 0.21% from 3.09% to 2.88% principally as a result of:

- Intense competition resulting in reduced lending margins (particularly in home loan markets)
- Notwithstanding ongoing retail deposit growth and maintenance of market share, the very strong growth in assets has caused increased reliance on wholesale funding at a higher cost than retail deposits.
- The market's anticipation of the RBA's action in increasing official cash rates led to a widening in the spread between cash and 90 day Bank Bill Rates, further adding to the cost of wholesale funding.

(1) References to 'Notes' refer to Notes to and forming part of the Financial Statements.

(2) 30/06/00 – 30/06/99: This compares the full year ending 30 June 2000 to the full year ending 30 June 1999. 30/06/00 – 31/12/99: This compares the half year ending 30 June 2000 to the half year ending 31 December 1999.

Financial Review

Group Interest Margins and Spreads

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

Interest margin represents net interest income as a percentage of average interest earning assets.

The calculations of margins and spreads for Australia and Overseas include an allowance for transfer of offshore funding used to finance onshore lending. The lower overseas margins and spreads reflects the effect of the wholesale funding nature of that business.

	Half-year Ended				Full Year Ended	
	30/06/00	**31/12/99**	**30/06/99**	**31/12/98**	**30/06/00**	**30/06/99**
	%	**%**	**%**	**%**	**%**	**%**
Australia						
Interest spread before deduction of interest forgone on non-accrual and restructured loans	2.62	2.82	2.96	3.02	2.71	3.00
Interest forgone on non-accrual and restructured loans [(1)]	-	(0.01)	(0.02)	(0.01)	-	(0.02)
Interest spread [(2)]	2.62	2.81	2.94	3.01	2.71	2.98
Benefit of net interest free liabilities, provisions and equity [(3)]	0.43	0.41	0.39	0.39	0.42	0.39
Net interest margin [(4)]	3.05	3.22	3.33	3.40	3.13	3.37
Overseas						
Interest spread before deduction of interest forgone on non-accrual and restructured loans	1.20	1.27	1.47	1.43	1.24	1.45
Interest forgone on non-accrual and restructured loans [(1)]	(0.01)	(0.02)	(0.05)	(0.06)	(0.02)	(0.06)
Interest spread [(2)]	1.19	1.25	1.42	1.37	1.22	1.39
Benefit of net interest free liabilities, provisions and equity [(3)]	0.32	0.28	0.37	0.38	0.30	0.38
Net interest margin [(4)]	1.51	1.53	1.79	1.75	1.52	1.77
Group						
Interest spread before deduction of interest forgone on non-accrual and restructured loans	2.40	2.56	2.68	2.74	2.48	2.71
Interest forgone on non-accrual and restructured loans [(1)]	-	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)
Interest spread [(2)]	2.40	2.55	2.66	2.72	2.47	2.69
Benefit of net interest free liabilities, provisions and equity [(3)]	0.42	0.39	0.39	0.40	0.41	0.40
Net interest margin [(4)]	2.82	2.94	3.05	3.12	2.88	3.09

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

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

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

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

Group Interest Margin

30/06/00 - 30/06/99 (down 21 basis points, 7%)
30/06/00 - 31/12/99 (down 12 basis points, 4%)

The factors explained within Net Interest Income above, also explain the reduction in the group net interest margin from 3.09% to 2.88%.

Financial Review

Other Operating Income

The following table sets forth the Group's non interest income for Financial Years 1999 and 2000 together with half year comparatives.

	Half-year Ended				Full Year Ended		30/06/00
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M	vs 30/06/99 %
Lending fees	283	271	244	230	554	474	17
Commission and other fees	500	446	420	387	946	807	17
Trading income							
Foreign exchange earnings	*77*	*69*	*63*	*92*	*146*	*155*	(6)
Trading securities	*51*	*54*	*31*	*35*	*105*	*66*	59
Other financial instruments (incl derivatives)	*22*	*38*	*32*	*20*	*60*	*52*	15
	150	161	126	147	311	273	14
Dividends	7	13	4	2	20	6	large
Net gain on investment securities	(5)	17	9	70	12	79	(85)
Net profit on sale of property, plant and equipment	2	11	16	8	13	24	(46)
Life insurance and funds management (see below)	314	247	134	120	561	254	large
General insurance premium income	52	51	48	46	103	94	10
Less general insurance claims	(26)	(29)	(35)	(28)	(55)	(63)	(13)
Other	29	18	36	13	47	49	(4)
Total Other Operating Income	**1,306**	**1,206**	**1,002**	**995**	**2,512**	**1,997**	**26**

Other Operating Income

30/06/00 - 30/06/99 (up 26%)
30/06/00 - 31/12/99 (up 8%)

Other Operating Income increased by 26% or $515 million from $1,997 million to $2,512 million during the current financial year. This increase includes the initial impact of the following items:

- $67 million as a result of the inclusion of Colonial Limited from 13 June 2000.
- $92 million from the Appraisal Value uplift from marking to market the life insurance businesses of Commonwealth Life and Sovereign Limited.
- $84 million from the inclusion of gross policy holder income as a result of the adoption of the new life insurance accounting standard, together with the inclusion of Sovereign Ltd for a full year. This amount is offset by equivalent increases in operating expenses and tax expense.

Excluding the impact of those items above, Other Operating Income grew by $272 million (14%). The principal reasons for this increase are explained below.

Lending Fees

30/06/00 - 30/06/99 (up 17%)
30/06/00 - 31/12/99 (up 4%)

Lending fees have grown during the year by 17% or $80 million due to improved business volumes on owner occupied and Investment Home Loans and Corporate Lending. Further details are provided in the Products and Services section of this Profit Announcement.

Commission and Other Fees

30/06/00 - 30/06/99 (up 17%)
30/06/00 - 31/12/99 (up 12%)

Growth in commission and other fees has continued predominantly within Credit Cards and Commonwealth Securities. Card activity has been stronger with a 13% increase in the number of merchants and an 8% increase in the number of card holders. The success of Commonwealth Securities has also improved brokerage fee income, with a 130% increase in the number of transactions over the year.

Retail transaction fees for the Financial Year 2000 have remained at approximately 11% of total other operating income (4% of total operating income).

Trading Income

30/06/00 - 30/06/99 (up 14%)
30/06/00 - 31/12/99 (down 7%)

Volatility in the interest rate markets over the year, together with correct positioning in the lead up to Y2K, helped improve the levels of trading income.

Dividends

30/06/00 - 30/06/99 (up 233%)
30/06/00 - 31/12/99 (down 46%)

Dividend income for the current year represents dividends earned on the Group's strategic investments.

Financial Review

Net Gain on Investment Securities

30/06/00 - 30/06/99 (down 85%)
30/06/00 - 31/12/99 (down 129%)

The gain in the previous financial year primarily relates to the profit earned on the finalisation of the sale of certain infrastructure assets.

Net Profit on Sale of Property Plant and Equipment

30/06/00 - 30/06/99 (down 46%)
30/06/00 - 31/12/99 (down 82%)

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

General Insurance Income (net of claims)

30/06/00 - 30/06/99 (up 55%)
30/06/00 - 31/12/99 (up 18%)

Income from General Insurance increased 10% or $9 million during the current financial year as a result of increased business levels. Income net of claims increased further as a result of reduced claims experience. The 30 June 1999 year was adversely affected by claims associated with the Sydney hailstorm.

Life Insurance and Funds Management
Background

The following table sets forth the Group's Life Insurance and Funds Management Income, included as part of Other Operating Income for Financial Years 1999 and 2000 together with half year comparatives. This category includes the contributions from Commonwealth Insurance Holdings Limited (CIHL), Commonwealth Life Limited (CLL), Commonwealth Investment Services Limited (CISL), Commonwealth Managed Investments Limited (CMIL), Commonwealth Custodial Services Limited (CCSL), Commonwealth Funds Management Limited (CFML), ASB Life Limited and Sovereign Limited. It also includes Colonial Limited from 13 June 2000. In addition, expenses have been included to arrive at a net result from Life Insurance and Funds Management.

A corporate restructuring involving the transfer of certain subsidiaries under CIHL and the Colonial Mutual Life Assurance Society (CMLA) was completed prior to 30 June 2000. Refer Note 1(a).

Results Analysis

	Half-year Ended				**Full Year Ended**	
	30/06/00 $M	**31/12/99 $M**	**30/06/99 $M**	**31/12/98 $M**	**30/06/00 $M**	**30/06/99 $M**
Life Insurance and Funds Management						
Premium and product fee income	270	189	198	98	459	296
Reinsurance recoveries	49	40	45	9	89	54
Outward reinsurance premiums expense	(75)	(47)	(49)	(11)	(122)	(60)
Claims expense	(222)	(88)	(88)	(19)	(310)	(107)
Investment revenue	565	501	192	398	1,066	590
Life insurance policy liabilities expense	(409)	(447)	(219)	(397)	(856)	(616)
Margin on Services operating income	178	148	79	78	326	157
Change in excess of net market value over net assets of life insurance subsidiaries	51	41	-	-	92	-
Funds management income	85	58	55	42	143	97
Life Insurance and Funds Management Income	**314**	**247**	**134**	**120**	**561**	**254**
Operating expenses	(134)	(109)	(58)	(69)	(243)	(127)
Operating profit before tax	180	138	76	51	318	127
Income tax expense	31	30	3	2	61	5
Operating profit after tax (excluding abnormal income)	149	108	73	49	257	122

30/06/00 - 30/06/99 (up 121%)
30/06/00 - 31/12/99 (up 27%)

Financial Review

The Financial Year 2000 result includes the Commonwealth Life and Funds management businesses, 17 days for Colonial (acquired 13 June 2000), a full year of Sovereign Limited, and as a result of the adoption of the new life insurance accounting standard, income has been grossed up by $84 million, with offsetting $48 million operating expense and $36 million tax expense gross ups.

The Financial Year 1999 result includes the Commonwealth Life and Funds Management businesses and seven months for Sovereign Limited (acquired November 1998).

Having regard to the above:

There has been strong growth in product fee income reflecting a $1.5 billion growth in life insurance funds under management. Premium income and claims expense have increased in the half year to 30 June 2000 reflecting the inclusion of Colonial risk business.

An 80% increase in investment income was achieved due to strong investment performance from growth fund investments and increased funds under management.

The movement in policy liabilities expense mainly comprises the improved net investment income, adjusted for current and deferred tax expense. Most of the movement represents the increase in policy liabilities for the Supersavings products that hold the growth fund classes.

The growth in funds management income reflects the $5.6 billion growth in related funds managed.

On a like for like basis, operating expenses have been stable.

Charge for Bad and Doubtful Debts

The following table sets out the charge for bad and doubtful debts for Financial Years 1999 and 2000 together with half year comparatives.

	Half-year Ended				Full Year Ended	
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M
Specific Provisioning						
New and increased provisioning	123	113	111	173	236	284
Less provisions no longer required	(60)	(36)	(14)	(31)	(96)	(45)
Net specific provisioning	63	77	97	142	140	239
Provided from general provision	(63)	(77)	(97)	(142)	(140)	(239)
Charge to profit and loss	**-**	**-**	**-**	**-**	**-**	**-**
General provisioning						
Direct write-offs	17	17	18	26	34	44
Recoveries of amounts previously written off	(23)	(31)	(21)	(30)	(54)	(51)
Movement in general provision	43	33	37	(22)	76	15
Funding of specific provisions	63	77	97	142	140	239
Charge to profit and loss	**100**	**96**	**131**	**116**	**196**	**247**
Total Charge for Bad and Doubtful Debts	**100**	**96**	**131**	**116**	**196**	**247**

	Half-year Ended				Full Year Ended	
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M
Provisions for Impairment						
General Provisions	1,358	1,117	1,081	1,059	1,358	1,081
Specific Provisions	432	258	275	289	432	275
Total Provisions	1,790	1,375	1,356	1,348	1,790	1,356
Specific Provisions for impairment as a % of gross impaired assets net of interest reserved	43.03	44.79	46.69	46.84	43.03	46.69
General provisions as a % of risk weighted assets	1.06	1.03	1.09	1.11	1.06	1.09

Net charge for bad and doubtful debts decreased by 21% to $196 million during the year to 30 June 2000 reflecting strong credit management and the stable Australian economic environment.

Including Colonial, total Provisions for Impairment for the Group at 30 June 2000 are $1,790 million. This level of provisioning is considered adequate.

Specific provisions have increased 57% from $275 million to $432 million. Gross impaired assets less interest reserved have increased 82% from $589 million to $1,004 million.

This has resulted in a decrease in the coverage ratio to 43.0% from 46.7%, reflecting improved recoverability of a number of impaired assets, particularly within Asia.

Including Colonial, the general provision has increased to $1,358 million at 30 June 2000 from $1,081 million at 30 June 1999, an increase of 26%.

The general provision as a percentage of Risk Weighted Assets has remained relatively constant over the past 6 months, and together with Colonial now sits at 1.06% following a steady decline from 1.14% at 30 June 1998. This trend is consistent with that of other major Australian banks.

Financial Review

The following table sets forth the Group's operating expenses for Financial Years 1999 and 2000 together with half year comparatives.

	Half-year Ended				Full Year Ended		30/06/00
	30/06/00	31/12/99	30/06/99	31/12/98	30/06/00	30/06/99	vs 30/06/99
	$M	$M	$M	$M	$M	$M	%
Staff Expenses							
Salaries and wages	766	732	709	697	1,498	1,406	7
Superannuation contributions	1	1	-	1	2	1	large
Provision for staff leave benefits	17	24	22	22	41	44	(7)
Provisions for other employee entitlements	1	2	(2)	-	3	(2)	large
Payroll tax	36	39	37	40	75	77	(3)
Fringe benefits tax	17	16	17	17	33	34	(3)
Other staff expenses	29	24	22	22	53	44	20
Total Staff Expenses	867	838	805	799	1,705	1,604	6
Occupancy and Equipment Expenses							
Operating lease rentals	108	100	83	75	208	158	32
Depreciation							
Buildings	14	17	23	28	31	51	(39)
Leasehold improvements	14	14	14	12	28	26	8
Equipment	27	31	33	35	58	68	(15)
	55	62	70	75	117	145	(19)
Repairs and maintenance	23	23	37	27	46	64	(28)
Other	37	29	53	35	66	88	(25)
Total Occupancy and Equipment Expenses	223	214	243	212	437	455	(4)
Information Technology Services							
Projects and development	98	88	70	75	186	145	28
Data processing	71	73	77	64	144	141	2
Desktop	55	48	43	47	103	90	14
Communications	66	72	71	58	138	129	7
Total Information Technology Services	290	281	261	244	571	505	13
Other Expenses							
Postage	43	38	38	38	81	76	7
Stationery	38	37	35	34	75	69	9
Fees and commissions	104	72	65	47	176	112	57
Other	209	153	132	117	362	249	45
Total Other Expenses	394	300	270	236	694	506	37
Total Operating Expenses	1,774	1,633	1,579	1,491	3,407	3,070	11

Operating Expenses

Operating Expenses increased by 11% or $337 million from $3,070 million to $3,407 million during the financial year. This increase includes the following amounts, predominantly within the Information Technology Services and Other Expenses categories:

- $58 million as a result of the inclusion of Colonial Limited from 13 June 2000.
- $48 million gross expenses as a result of the adoption of the new life insurance accounting standard, offset within other operating income and tax expense, and the inclusion of Sovereign Ltd for a full year.
- $52 million from increased investment in revenue generating projects including eCommerce, Woolworths Ezybanking and European Banking, together with infrastructure projects and system changes in anticipation of the GST introduction.
- $71 million increase directly related to the success of certain revenue generating activities such as Commonwealth Securities and True Awards Loyalty program, where the related expense base is variable.

Excluding those items above, underlying expenses increased $108 million, which represents a 3.5% increase over the prior year.

Staff Expenses

Staff expenses increased by 6% or $101 million from $1,604 million to $1,705 million over the financial year. On 13 June 2000, CBA acquired control of Colonial Ltd, which added 8,549 staff to the group as at 30 June 2000 and $19 million to staff costs for the year. Excluding Colonial, staff expense increased by 5%. This reflects the 4.5% increase through the Enterprise Bargaining Agreement effective in May 1999.

Staff Numbers as at	30/06/00	31/12/99	30/06/99	31/12/98
Full time staff	34,154	26,131	26,394	26,672
Part time staff	7,383	6,554	6,655	6,523
Full time staff equivalent	**37,131**	**28,734**	**28,964**	**29,116**
Full time staff equivalent - Commonwealth Bank	28,582	28,734	28,964	29,116
Full time staff equivalent - Colonial Group	8,549	-	-	-
Australia	31,056	25,287	25,678	25,948
New Zealand	3,731	3,237	3,061	2,941
Other Overseas	2,344	210	225	227
Full time staff/total staff	82.2%	79.9%	79.9%	80.3%
Part time staff/total staff	17.8%	21.1%	20.1%	19.7%

Slight reductions occurred in underlying staff numbers resulting from reductions within the branch network and processing areas, partly offset by increase of staff within Commonwealth Securities and Call Centres.

Occupancy and Equipment Expenses

Overall occupancy and equipment expenses have declined 4% to $437 million from $455 million. Excluding Colonial the reduction achieved equals 5%. Operating lease rentals increased following the completion of the sale and leaseback program during the previous financial year with $500 million of property sold to the Commonwealth Property Office Fund. This has been partly offset by reductions in Buildings and Equipment Depreciation.

Information Technology Services

Information Technology Services have increased by 13% or $66 million from $505 million to $571 million during the current year. The increase of $65 million (excluding Colonial) is the result of increased expenditure on projects including GST, e-commerce and Ezybanking. Implementation of e-commerce initiatives and increased usage of call centres has resulted in increases in communications costs.

The bank has recently announced an alliance with Telecom Corporation New Zealand in relation to the provision of communications services.

Other Expenses

Other expenses have grown by 37% or $188 million from $506 million to $694 million over the current financial year. Included in this amount is:

- $35 million as a result of the inclusion of Colonial Limited from 13 June 2000;
- $34 million life insurance gross expenses;
- $37 million from increased investment in revenue generating projects; and
- $53 million current year revenue related expenses, including marketing and support costs for Commonwealth Securities and $17 million associated with the True Awards Loyalty program.

Excluding these items, underlying other expenses grew by $29 million representing a 5.7% increase.

Income Tax Expense

	Half-year Ended				Full Year Ended	
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M
Income Tax Expense (pre Abnormals)	363	457	318	396	820	714
Effective Tax Rate (pre Abnormals)	28.9	34.8	30.6	35.3	31.9	33.1

Income Tax Expense

The effective rate reduced from 33.1% in Financial Year 1999 to 31.9% in Financial Year 2000. This was predominantly due to an increase in non assessable life insurance income.

Financial Review

Abnormal Items (including Abnormal Income Tax Expense)

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

	Half-year Ended				Full Year Ended	
	30/06/00 $M	31/12/99 $M	30/06/99 $M	31/12/98 $M	30/06/00 $M	30/06/99 $M
Abnormal items:						
Restructuring costs[1]	(106)	-	-	-	(106)	-
Net market valuation of funds management businesses[2]	537	-	-	-	537	-
Change of valuation bases of Commonwealth Life insurance business [3]	536	-	-	-	536	-
Total Abnormal Items Before Tax	967	-	-	-	967	-
Abnormal tax credit items:						
Restructuring costs[4]	20	-	-	-	20	-
Total Abnormal Items After Tax	987	-	-	-	987	-

(1) *Restructuring Costs*
The provision for restructuring covers the costs of integrating the Colonial operations (acquired 13 June 2000) into the existing Group, including the rationalisation of existing processing and administrative functions. The principal costs associated with this programme are in the area of redundancy, property and systems. Refer Note 1A for further details of the Colonial acquisition.

(2) *Net market valuation of funds management businesses*
In June 2000, the Commonwealth's principal funds management businesses were transferred to Commonwealth Insurance Holdings Limited (CIHL); a life insurance wholly owned controlled entity, as part of an internal restructuring. In accordance with AASB1038: Life Insurance Business, these entities are required to be carried at their net market valuation. The difference between the previous carrying value and the net market value results in an abnormal gain.

(3) *Change of valuation bases of Commonwealth Life insurance business*
This item arises from a change in the bases of valuation of the Commonwealth Life business. The change in bases arose due to the following items:

- first time inclusion of franking credits;
- lower than previously estimated impact of business tax reforms; and
- revised assumptions for the new business multiplier.

These factors increased the valuation of CLL by $536 million.

(4) *Tax Credit – Restructuring Costs*
This represents the tax deductible portion of the restructuring costs. Certain of the costs are not tax deductible and represent a permanent difference.

Restructuring Provisions and Fair Value Adjustments

The following table highlights the restructuring provisions and fair value adjustments raised as part of the acquisition of Colonial Limited. Amounts have been compared to those estimated and disclosed within the Scheme Booklet.

	30 June 2000	Scheme Booklet
Restructuring Costs		
- Colonial (Refer Note 1A)	294	312
- Commonwealth Bank - Abnormal	106	-
	400	312
Net of Tax	330	223
Fair Value Adjustments - (Refer Note 1A)	475	325
Net of Tax	327	214

Financial Review

Restructuring costs of $400 million (pre tax) have been raised at 30 June 2000, an increase of $88 million from those disclosed within the Scheme Booklet. These provisions cover systems integration, branch and head office amalgamation costs and staff redundancies. The amounts have increased from the original assessment based on the Group's integration strategy and a more detailed assessment of cost structures.

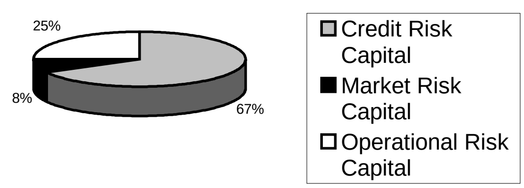
Fair value adjustments of $475 million (pre tax) have been raised, an increase of $150 million from those disclosed in the scheme booklet. The principal reasons for the increase are write-offs of capitalised costs in accordance with Commonwealth accounting policy and further provisioning against certain balances within loan portfolios.

Integrated Risk Management

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

The framework:

- Provides for all risk management policies to be coordinated within the Financial and Risk Management Division, with the oversight of the Risk Committee of the Board.
- Identifies and measures risk in the form of Economic Equity.
- Applies risk adjusted returns to allocated equity on a consistent basis to derive performance measures that are comparable between businesses.
- The management of risk and return is the responsibility of Business Units, operating within the Integrated Risk Management Framework policies. Overall compliance with policies is monitored by specialist areas within the Financial & Risk Management Division (including Group Audit). This Division also ensures that there is consistency between risk policies and measurement processes.



The average composition of diversified Economic Equity of the Group (excluding Colonial) during the Financial Year 2000 was:

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

(i) Credit Risk

The measurement of the Group's credit risk capital requirement is based on the Group's internal Credit Risk Rating Systems, and utilises techniques such as the KMV Portfolio Manager analytics to calculate Unexpected and Expected loss for the diversified portfolio. For further description of management of credit risk refer Note 14.

Credit Portfolio

The Group manages its credit portfolio in two segments:

Statistically Managed Segment

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

Risk Rated Managed Segment

This segment comprises all credit exposures not statistically managed. Management of this segment is based on the Credit Risk Rating system, which for each exposure makes an assessment of the risk of default, and then the risk of loss if default should occur.

The Group's credit risk portfolio is as follows:

	2000 $M	1999 $M	1998 $M
Total gross credit risk (Note 14)	**197,891**	151,984	140,215
Less unearned income (Note 12)	**(1,465)**	(1,169)	(1,193)
Credit Risk	**196,426**	150,815	139,022
Charge for bad and doubtful debts (Note 13)	**196**	247	233
Loss rate % (excluding Colonial)	**0.11**	0.16	0.17

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

Financial Review

(ii) Operational Risk

Operational Risk is defined as the potential variations in the value of the Group's businesses, other than those captured in credit and market risk definitions, comprising risks associated with:

- strategic and business decisions,
- processes, systems or people, and
- external events.

The Operational Risk Policy comprises a systematic assessment and improvement process.

Potential variations in value are quantified through bottom-up and top-down assessment processes.

Business units are responsible for estimating the probability of variations in value of their businesses and products by using a bottom-up assessment process. A key result area for most divisions is risk management, including operational risk management. The operational risk process provides managers with a tool to better assess and manage their risks. Financial and Risk Management Division design the framework and measurement method, and facilitate and audit the division's assessments. The Managing Director and the Audit Committee review at least every six months the large individual operational risk exposures identified and quantified by each division.

Risks are measured consistently as the largest loss over the next year given a 99.95% confidence level (consistent with a solvency standard equal to a AA rating). The most appropriate measure for large exposures is the impact on shareholder value because changes to shareholder value can be readily observed and measured for both external and internal large risks, and back-tested for internal large risk incidents.

Risks are identified, analysed and quantified using an internal risk case-study database, their expert opinion, and internal and external data on risk indicators and incidents. The inherent risk and the mitigating effects of preventative and impact controls are analysed, and the frequency and severity of potential losses are estimated based on plausible scenarios and a selected probability distribution. These individual operational risks are aggregated using a Monte Carlo simulation.

(iii) Market Risk

Market Risk is the potential change in the value of on and off balance sheet positions caused by movements in market factors such as interest rates, foreign exchange, asset prices and implied volatility. Risk capital for the Bank's market risk is measured separately for 'Traded', 'Non Traded' (banking book) and 'Financial Services' market risk.

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

Non-traded market risk capital is calculated utilising the same methodology as for traded market risk, taking into account the different characteristics of this risk. A detailed discussion and analysis of the Group's market risk in the balance sheet is detailed in Note 39 to the financial statements.

Market risk in financial markets trading

The Group's policy is that exposure to market risk from trading activities is managed in the Financial Markets area of Institutional Banking. The Group trades and distributes financial markets products and provides risk management services to clients on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management products and services to customers;
- Manage the Group's own market risks; and
- Conduct controlled trading in pursuit of profit, leveraging off the Bank's market presence and expertise.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury and capital market instruments, including a broad range of securities and derivatives. In foreign exchange, the Group is a participant in all major currencies and is a major participant in the Australian dollar market, providing services for central banks, institutional, corporate and retail customers. Positions are also taken in the interest rate, debt, equity and commodity markets based on views of future market movements.

Trading securities are further detailed in Note 10 of the financial statements.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments.

The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Group's financial markets activities. Derivatives are also used to manage the Group's own exposure to fluctuations in interest and exchange rates. The Group participates in both exchange traded and OTC derivatives markets.

Exchange traded derivatives: The Group buys and sells exchange traded financial instruments, primarily financial futures and options on financial futures. Exchange traded derivatives have standardised terms and require lodgment of initial and variation margins in cash or other collateral at the exchange, which guarantees ultimate settlement.

OTC traded derivatives: The Group buys and sells financial instruments that are traded 'over-the-counter', rather than on recognised exchanges. The terms and conditions of these transactions are negotiated between the parties, although the majority conform to accepted market conventions. Industry standard documentation is used, most commonly in the form of a master agreement supported by individual transaction confirmations. The documentation protects the Group's interests should the counterparty default, and provides the ability to net outstanding balances in jurisdictions where the relevant law allows.

Profit contribution

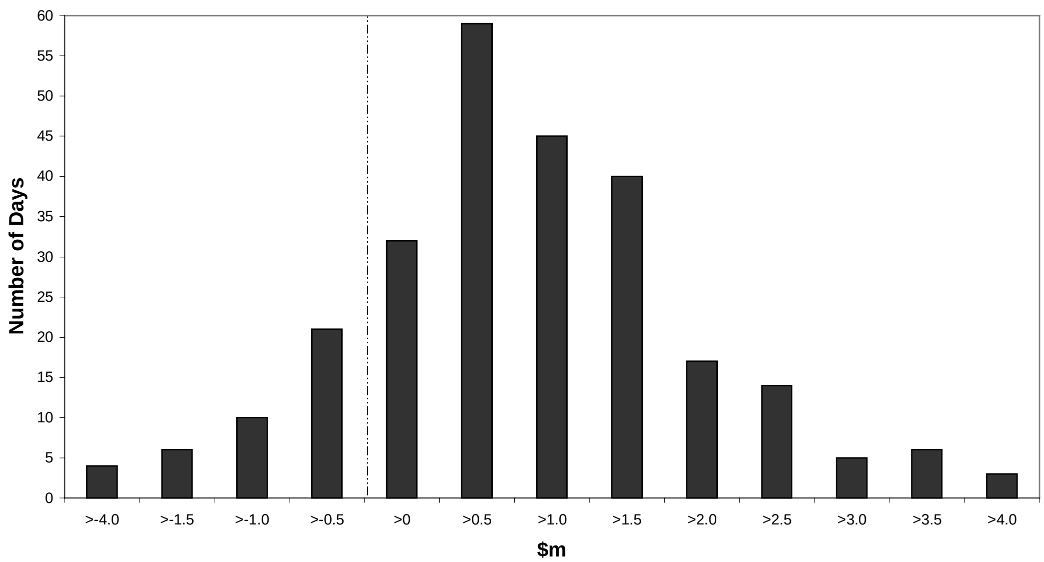
Income is earned from spreads achieved through market-making and from taking market risk. All trading positions are valued and taken to profit and loss on a mark to market basis. Trading profits also take account of interest, dividends and funding costs relating to trading activities.

Note 2 of the financial statements details Financial Markets Trading Income contribution of $311 million (1999: $273 million) to the income of the Group. The contribution is significant and provides important diversification benefits within the Group's overall earnings.

The risk/reward balance is highlighted by comparing the income contribution of $311 million to the 'value at risk' (VaR) measure, explained in the section following, which has averaged approximately $3.06 million for the year ended 30 June 2000. The VaR measure highlights that trading activity is undertaken within a tightly controlled environment where exposure to revenue loss from market movements is restricted to tolerable levels based on statistical experience.

The distribution of daily earnings for the year ended 30 June 2000 is set out in the following histogram:

Distribution of Daily Financial Markets Income



Risks and controls

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

Credit risk occurs if a counterparty defaults in performance of its obligations. Credit risk related to financial market products is assessed on a total basis for each client as part of the Group's overall credit management process.

The Group may require 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 Group readily obtaining prices to allow it to close out its position. This risk is controlled by concentrating trading activity in highly liquid markets and limiting the Bank's volume of activity in less liquid markets.

Market risk arises from movements in rates and prices. The Group's major market risk is interest rate risk but it also has exposures to foreign exchange, equities, commodities and implied volatility.

The Risk Committee of the Board recommends for Board approval the "traded" market risk management policies of the Group and overall market risk appetite.

The Risk Committee allocates a total VaR limit and delegates the day to day control and monitoring of market risk to management who set limits for each trading portfolio. The approval of trading limits and the monitoring of compliance are the responsibility of a separate Risk Management function within Institutional Banking. Institutional Banking reports regularly on its trading activity to the Risk Committee. An independent unit within Group Credit and Market Risk monitors the Group market risk profile and integrates policy on market related exposures across the Group. The effectiveness of controls is reviewed regularly by internal audit.

Value at risk (VaR)

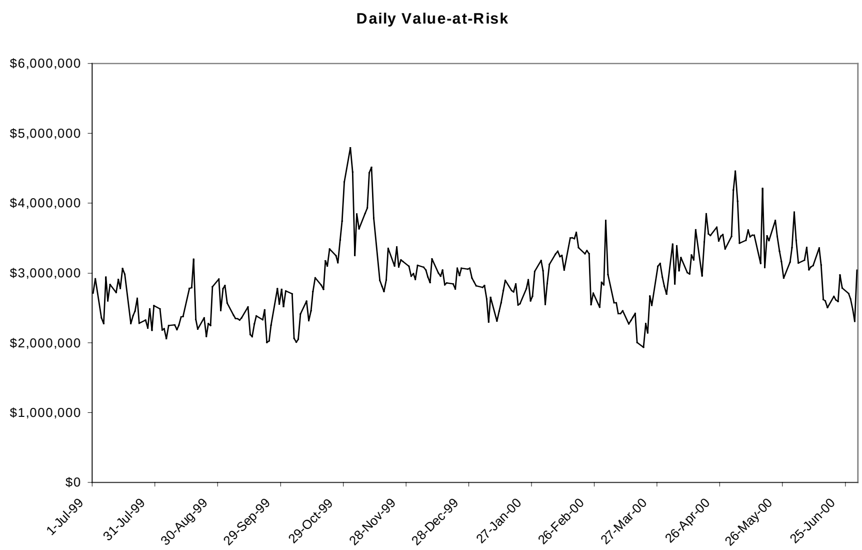
The Group uses a VaR measure as the primary mechanism for controlling market risk. VaR is an estimate to a 97.5% confidence level of the potential loss that could occur if the Group's positions were to be held unchanged for one business day. The VaR measure takes into account correlations between risks, ie where an exposure in one portfolio may be offset in whole or in part by an exposure in another portfolio. Actual outcomes are independently monitored and daily backtesting performed to confirm the validity of the assumptions made in the calculation of VaR.

In addition to the daily report of aggregate VaR, there are daily risk reports by:

- Risk type;
- Product;
- Business unit.

Financial Review

The following graph shows the VaR for each trading day during the financial year ended 30 June 2000.



The Group trades in numerous products and markets. This provides significant diversification of risk. The following table provides a summary of VaR by product:

Risk Type	VaR During Half Year to 30/6/00			VaR During Half Year to 31/12/99			VaR During Half Year to 30/6/99			VaR During Half Year to 31/12/98		
	High*	Avg	Low*	High	Avg	Low	High	Avg	Low	High	Avg	Low
CBA												
Interest rate	3.59	2.52	1.69	3.93	2.35	1.70	2.97	2.02	1.34	3.04	1.97	1.30
FX	1.78	.73	.17	1.92	.67	.14	2.15	0.83	0.08	4.73	1.35	0.43
Implied volatility	.34	.25	.16	.56	.32	.19	0.83	0.53	0.38	0.81	0.58	0.33
Equities	.83	.32	.08	.42	.13	.01	0.10	0.04	0.01	0.81	0.14	0.00
Commodities	.43	.29	.16	.25	.47	0	0.14	0.11	0.00	-	-	-
Pre-payment	.54	.28	-	-	-	-	-	-	-	-	-	-
ASB Bank	.51	.26	.09									
Diversification benefit		(1.59)			(1.49)		-	(1.33)	-	-	(1.51)	-
Group Total	4.47	3.06	1.96	4.01	2.45	1.89	3.37	2.20	1.41	5.18	2.53	1.65

* The high and low figures for each risk category may not occur on the same day. A diversification benefit therefore cannot be calculated.

In addition to monitoring VaR at a 97.5% confidence level, monitoring is also performed daily at a 99% confidence level, and for the worst case outcome over the two year historical period used for simulation. This additional monitoring provides a deeper understanding of the risk profile and provides a perspective on possible stress scenarios that may adversely impact the trading portfolio.

VaR provides a statistical estimate of the risk at the chosen confidence level, and not the size of losses that could potentially arise in extreme conditions. Recognising this limitation of VaR, monthly stress tests covering a variety of scenarios are also performed to simulate the impact of extreme market movements on the trading portfolios.

Funding and Liquidity

APRA exercises liquidity control by requiring each bank to develop a liquidity management strategy that is appropriate for itself. Each policy is formally approved by APRA. A key element of the Group's liquidity policy is the holding of a stock of high quality liquid assets to meet day to day fluctuations in liquidity. The liquid assets held are assets that are available for repurchase by the RBA (over and above those required to meet the Real Time Gross Settlement (RTGS) obligations, AUD CDs/Bills of other banks and AUD overnight interbank loans.) More detailed comments on the Group's liquidity and funding risks are provided in Note 39.

Financial Review

Capital Management

The Bank's capital management philosophy is to maintain a Tier One Capital Ratio of at least 6% and a Total Capital Ratio of at least 9%, to maintain current credit ratings (refer below) and, distribute excess capital back to shareholders.

The Bank's previous share buy-backs prior to June 1999 reduced shareholder's equity by approximately $2.3 billion through three off market share buy-backs. In November 1999 a buy-back by tender was completed which reduced shareholders' equity by a further $553 million (20.5 million shares).

Credit Rating

The Bank's credit ratings have remained unchanged for the year and at 30 June 2000 are:

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

Expansion

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

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

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

It acquired Commonwealth Funds Management Limited in 1996; a 50% equity share in the financial planning firm IPAC Securities Limited in 1997; and the Australian merchant banking operations of Credit Lyonnais in July 1999.

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

On 13 June 2000, pursuant to a Scheme of Arrangement, the Group acquired a 100% interest in Colonial Limited, a life insurance, funds management and banking group with operations in Australia, New Zealand, United Kingdom and throughout Asia (refer Note 1A for further details of this acquisition).

Guarantee

The progressive withdrawal of the Commonwealth's guarantee of the Bank's liabilities has not had any significant impact on the Bank's overall cost of funds. As at 30 June 2000, the weighted average term to maturity of that part of the wholesale borrowing program which remains guaranteed until maturity was approximately 4 years and 8 months (excluding the Undated Notes, which do not have a fixed maturity date).

Year 2000 Systems Compliance

The Bank's Y2K programme was successfully completed with no interruptions to service and was within the allocated budget of $115 million. The Bank continues to maintain a framework of Business Continuity Plans.

Capital Adequacy

In August 1988 the Reserve Bank established guidelines for the capital adequacy of Australian banks, to strengthen their soundness and stability. These guidelines are generally consistent with those proposed by the Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements. Full details of the Group's capital adequacy position is disclosed in Note 31 to the financial statements.

		Year ended 30 June	
	2000	1999	1998
	($ millions, except percentages)		
Risk Weighted Capital Ratios (percentages)			
Tier One	**7.49**	7.05	8.07
Tier Two	**4.75**	3.12	2.82
Less Deductions	**(2.49)**	(0.79)	(0.40)
Total	**9.75**	9.38	10.49
Tier One Capital	**9,618**	7,021	7,617
Tier Two Capital	**6,097**	3,109	2,666
Tier One and Tier Two Capital	**15,715**	10,130	10,283
Less: Deductions	**(3,197)**	(788)	(381)
Total Regulatory Capital	**12,518**	9,342	9,902

Financial Review

The maturity profile of eligible loan capital as at 30 June 2000 was as follows:

	Maturing in Year			
	2001 $M	2002 $M	After 2003 $M	Total $M
Tier One	26	-	392	418
Tier Two (1)	-	5	5,211	5,216
Total	26	5	5,603	5,634

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

Total Tier 1 capital increased by 37% to $9.6 billion at 30 June 2000 from $7.02 billion at 30 June 1999. This increase primarily reflects the new shares issued to fund the Colonial acquisition, net of goodwill and other intangibles. An off market buy back of $553 million was completed in November 1999.

Total Tier 2 capital increased by $3 billion to $6.1 billion at 30 June 2000 from $3.1 billion at 30 June 1999. Tier 2 eligible loan capital increased by $2,881 million to $5,216 million at 30 June 2000, from $2,335 million at 30 June 1999 primarily as a result of new subordinated debt issues. The $39 million of ASB Bank preference shares is included as Tier 2 capital.

Total regulatory capital increased 34.0% to $12,518 million at 30 June 2000 from $9,342 million at 30 June 1999. The Group's Tier 1 ratio also increased to 7.49% at 30 June 2000 from 7.05% at 30 June 1999. The total capital ratio increased to 9.75% at 30 June 2000 from 9.38% at 30 June 1999.

The Group's Tier 1 and Tier 2 capital at 30 June 2000 included eligible loan capital of $418 million and $5,216 million, respectively. At 30 June 2000, eligible loan capital constituted 45% of the Group's Total Regulatory Capital. Approximately $718 million of the Bank's eligible loan capital is the subject of separate agreements with the Commonwealth which provide, under certain circumstances, for the Bank to issue either fully paid Ordinary Shares to the Commonwealth, or with the Commonwealth's consent, rights to all shareholders to subscribe for fully paid Ordinary Shares of the Bank. Management believes that the possibility that such circumstances will arise is remote.

Description of Business

Overview

Commonwealth Bank of Australia provides a wide range of banking, financial and related services primarily in Australia. These services include general banking, finance company activities, and life insurance and funds management. On 13 June 2000 the Group acquired 100% of the share capital of Colonial Limited (Colonial), a life insurance, banking and funds management group. Colonial has operations in Australia, New Zealand, the United Kingdom and throughout Asia and the Pacific. Colonial is described separately in this section.

Australian Banking Operations

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

Australian Financial Services

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

The Bank provides a full range of financial services to over 7 million customers throughout Australia, including savings and cheque accounts, demand and term deposits, credit cards, eftpos services, personal loans and housing loans, superannuation, and investment and life insurance products. The Bank also offers a full range of commercial products including equipment and trade finance, and rural and agribusiness products. A team of trained and licensed investment advisers, conveniently located throughout the branch network, provide information and advice on financial and retirement planning.

Customer Service Division

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

Within the Division, Direct Banking operates one of the largest call centre and help desk operations in Australia handling over 8.6 million calls per month. Approximately 1,500 telephone service and support staff are employed to answer customer enquiries and to promote and sell a range of financial products and services.

Customer Service Division operates through an Australia wide network of over 1,000 branches, approximately 100 business banking centres, over 2,700 ATMs, over 108,000 EFTPOS terminals, 130 mobile bankers and expanding telephone and on-line delivery services. The Bank's branch and service centre network is complemented by over 3,900 agencies (primarily Australia Post offices) offering a more limited range of banking services. The majority of the Bank's branches and agencies are located in the eastern states of Australia.

Technology, Operations and Property

Technology

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

Operations

Banking Operations' primary purpose is to provide a full service item processing and back office/operational support function. Specialist centres across Australia process cheques, vouchers, financial services transactions, home, personal and business loans, credit cards and international payment/trade transactions, and manage the prevention of fraud and arrears. The focus across all processing centres is to continually improve productivity using economies of scale, site consolidation, process improvement, benchmarking comparisons, best practice management techniques and improved technology. An emerging focus is on business development where Banking Operations either acquires external processing business or supports other areas of the bank eg in preparation of tenders for transaction processing. The vision is to be, by measure and reputation, the best practice processor in terms of cost, speed and quality.

At 30 June 2000, Banking Operations comprised 5 operations processing centres, 5 loan processing centres, 2 international trade processing centres supported by 3 limited function service centres, a cards operations centre and a financial services processing centre. There were a total of 4,003 full time equivalent staff employed.

Property

Commonwealth Property is a highly skilled property investment and corporate real estate services group. Its focus is on improving returns to external investors and corporate owners of real estate by offering a range of wholesale/retail, listed/unlisted investment vehicles. Equal focus is applied on the needs of the Commonwealth Bank of Australia with an emphasis on achieving reduced occupancy costs for the Bank.

Description of Business

Institutional Banking

The Institutional Banking Division focuses on large corporations, government entities and other major institutions operating in Australia. In addition, Institutional Banking provides specific products to the customers of Australian Financial Services. The products offered by Institutional Banking facilitate the linking of providers and users of capital and assist our clients in achieving predictable business outcomes. Products include financial markets, securities underwriting, trading and distribution, corporate finance, equities, payments and transaction services, investment management and custody. Commonwealth Securities, known as ComSec, the Group's direct wealth management and stockbroking business is part of the Institutional Banking Division.

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

Colonial

The principal activities of the Colonial Group are the provision of a wide range of financial services and products to individuals and businesses, encompassing:

- banking and related financial services to retail and business customers;
- life insurance, pensions and savings products;
- investment management and stockbroking services;
- management of unit trust funds; and
- superannuation consulting and administrative services.

The Group's three main operating divisions prior to integration into the Commwealth's operations were:

- Australian Financial Services;
- International Financial Services; and
- Colonial First State Investments.

Australian Financial Services

Australian Financial Services ('AFS') encompasses the life insurance, superannuation, investments and banking businesses of Colonial in Australia.

The distribution network of AFS includes Retail Financial Services, Licensed Financial Services, Wholesale Financial Services and Corporate Financial Services.

Retail Financial Services uses a number of channels to market including full service branches, kiosks/ministores in shopping centres and supermarkets, 'single site' franchises and retail agencies. In terms of geographic distribution, 244 of the sites are in New South Wales and the Australian Capital Territory, 37 in Queensland, 39 in Victoria, five in South Australia and eight in Western Australia. In addition, AFS has an automatic teller machine network and a financial planners network, and also provides telephone and internet banking services.

Licensed Financial Services comprises two licensed groups of financial planners, Colonial Financial Services ('CFS') and Financial Wisdom Ltd. Currently, Financial Wisdom Ltd and Colonial Partners have approximately 720 advisors plus a large number of accredited employees, including Colonial Financial Advisors.

Wholesale Financial Services ('WFS') was created as a discreet distribution arm following the acquisition of Legal & General Australia. WFS services individual and independent distributors (advisors, multi-agents and broker groups).

WFS operates through 7,000 multi-agents and brokers, and over 800 mortgage intermediaries.

Corporate Financial Services provides Colonial products and services to the corporate market. Corporate Financial Services comprises three key streams: Business Financial Services, Group Risk and Corporate Superannuation.

The activities of AFS are now being integrated into the relevant Commonwealth divisions.

International Financial Services

International Financial Services ('IFS') comprises Colonial's insurance, retirement savings and banking operations in New Zealand, the United Kingdom, Asia and the Fiji Islands. In Asia, the group operates wholly owned subsidiaries in Hong Kong and the Philippines and joint ventures with major local partners in Indonesia, Malaysia and Thailand. Joint ventures have also recently been formed in China and Vietnam.

Colonial's UK business was sold during the year to 30 June 2000.

Colonial's New Zealand businesses ('Colonial NZ') offer a similar range of products to those offered by Colonial in Australia. These products include term life, disability income protection, trauma, individual savings and personal superannuation. Most savings and investment sales are through regular monthly savings and personal superannuation plans.

CMG Asia manages Colonial's life insurance businesses in Asia.

CMG Asia offers a range of insurance, savings and banking products through Colonial Mutual Life Assurance Society's ('CMLA') branch in Fiji, insurance and savings products through its wholly-owned subsidiaries in Hong Kong and the Philippines and through its joint venture interests in Indonesia, Malaysia and Thailand. Recent product initiatives have included products designed for direct mail marketing, health insurance, mortgage protection, investment savings and corporate retirement products.

Colonial First State Investments (CFSI)

Colonial First State Investments ('CFSI') is the international funds management business of Colonial and comprises the following activities:

- Funds Management – Retail and wholesale investment products are offered through CFSI's operations in Australia, New Zealand, the UK and in Asia where it has offices in Hong Kong, mainland China, the Philippines and Singapore. The product offerings cover all major asset classes including international and Australian equities, fixed interest, cash, private equity and property. During the year, Colonial merged its four listed property trusts to form Colonial First State Property Trust Group.
- Stockbroking – Stockbroking services are provided in Australia through Colonial Stockbroking. During 1999, Colonial Stockbroking launched SmartShare Online, an internet share trading service.

CFSI is a market leader and its strong performance has been recognised by being named Fund Manager of the Year by Money Management magazine in each of 1996, 1998 and 1999.

European Banking

The Bank's long-term objective is to realise 25% of market capitalisation from outside Australia.

European Banking was established in London in February 2000 as the entry vehicle for the Bank's aspirations in Europe. The Bank is interested in markets where on-line access is possible, where it believes it has product expertise and it believes customers will respond to the better offering.

New Zealand Banking Operations

The Bank's operations in New Zealand have been restructured with the formation of the ASB Group Limited comprising the primary operating entities of ASB Bank Limited and Sovereign Limited. ASB Group Limited was a 75% owned subsidiary of the Bank at 30 June 2000 with the remaining 25% held by the ASB Bank Community Trust, an independent entity within New Zealand. The Bank acquired the Trust's holding in ASB Group subsequent to 30 June 2000.

ASB Bank is New Zealand's longest established bank. It was founded in 1847 and for most of its history was a regional savings bank servicing the Auckland and Northland areas of New Zealand. ASB Bank now provides personal, business and rural banking services through a network of 117 branches throughout New Zealand. ASB Bank employs approximately 2,720 people on a full time equivalent basis.

ASB Bank's primary business is retail banking with lending for housing, its largest single line of business. ASB Bank accounts for approximately 4% of Group net income in Financial Year 2000 and 7% of total assets. Compared with the Bank's operations in Australia, ASB Bank has a larger proportion of its business in retail banking and correspondingly less in corporate and institutional banking.

Competition

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

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

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

Over recent years, the regional banking sector is undergoing significant rationalisation and consolidation. Reflecting their state-origins, the small regional banks have typically limited their operations to servicing customers in a particular state or region. Increasingly, however, they are targeting interstate customers and expanding their operations across state borders. Some of the larger regional banks operate in several States. Typically their competitive advantage has been their local community focus. At 30 June 2000, there were 42 foreign-owned banking groups operating in Australia through either a branch or locally incorporated bank subsidiary. Most of the foreign-owned banks initially focused their activities on the provision of banking services to the Australian clients of their overseas parent bank. Today most have now diversified their operations offering local clients a broad range of financial products and services.

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

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

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

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

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

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

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

Growth in the funds management industry has also contributed to disintermediation through the direct use of capital markets by borrowers as an alternative to bank finance. The corporate bond market in Australia has benefited from this growth with many of the major Australian corporates directly accessing capital markets in Australia and around the world. The Bank, in competition with numerous domestic and foreign banks, is actively involved as an originator of corporate debt in

Description of Business

the capital markets especially in the Euro-AUD and Euro-NZD sector and in the creation of new financing structures including as arranger and underwriter in major infrastructure projects undertaken by the corporate sector.

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

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

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

Through its investment in Sovereign Group, ASB Bank Group also competes in the New Zealand insurance and investment market, where Royal Sun Alliance and Tower Corporation are major competitors.

The Bank has recently established an on-line banking operation in the United Kingdom competing against both traditional banking service providers and new market entrants.

Following the acquisition of Colonial Ltd, the Group's retail operations have been extended into the United Kingdom, numerous Asian markets and the Fiji Islands; in these markets the Bank will be competing directly with established providers.

Financial System Regulation

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

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

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

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

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

Supervision of banks

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

Capital Adequacy

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

Liquidity Management

For an explanation of the Bank's liquidity policies, refer to Note 39 to the Financial Statements.

Large Credit Exposures

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

Ownership and Control

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

The Government's present policy is that mergers among the four major banks will not be permitted until the

Government is satisfied that competition from new and established participants in the financial industry, particularly in respect of small business lending, has increased sufficiently.

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

Banks' Association With Non-Banks

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

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

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

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

Supervision of non-bank group entities

The life insurance company and general insurance company subsidiaries of the group also come within the supervisory purview of APRA.

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

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

Corporate Governance

Board of Directors

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

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

DIRECTOR	BOARD MEMBERSHIP		COMMITTEE MEMBERSHIP			
			Nominations	Remuneration	Audit	Risk
J T Ralph, AC	Non executive	Chairman	Chairman	Chairman		Chairman
D V Murray	Executive	Managing Director	Member	Member		Member
N R Adler, AO	Non executive			Member		
A C Booth	Non executive					Member
R J Clairs, AO	Non executive				Member	
K E Cowley, AO	Non executive			Member		
A B Daniels, OAM	Non executive			Member		
C R Galbraith	Non executive					
W G Kent, AO	Non executive					
F D Ryan	Non executive				Member	
J M Schubert	Non executive		Member		Chairman	Member
F J Swan	Non executive					Member
B K Ward	Non executive				Member	

Details of the experience, qualifications, special responsibilities and attendance at meetings of the Directors are set out in the Directors' Report on pages 43 to 45.

Messrs Daniels and Ryan were appointed as non executive Directors on 31 March 2000 and Messrs Galbraith and Kent were appointed as non executive Directors on 13 June 2000. In accordance with the Bank's Constitution and the ASX Listing Rules, these four Directors will stand for election at the Annual General Meeting to be held on 26 October 2000.

Mr M A Besley, AO retired from the Board on 28 October 1999.

The Constitution of the Bank specifies that:

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

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

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

The Nominations Committee has developed a set of criteria for director appointments which have been adopted by the Board. The criteria set the objective of the Board as being as effective, and preferably more effective than the best boards in the comparable peer group. These criteria, which are reviewed annually, ensure that any new appointee is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgment, to think strategically and has demonstrated leadership experience, high levels of professional skill and appropriate personal qualities.

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

Remuneration Arrangements

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined, is divided between the directors as they agree. The policy of the Board is that the aggregate amount should be set at a level which provides the Bank with the necessary degree of flexibility to enable it to attract and retain the services of directors of the highest calibre. The latest determination was at the Annual General Meeting held on 28 October 1999 when shareholders approved an aggregate remuneration of $1,500,000 per year. The Nominations Committee reviews the fees payable to non executive directors. Details of individual directors' remuneration and the bands of remuneration are set out in Note 45. Directors' fees do not incorporate a bonus element related to performance.

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

Corporate Governance

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

The Board has established a Remuneration Committee to:

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

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

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

The Bank's remuneration policy in respect of executives includes provisions that remuneration will be competitively set so that the Bank can seek to attract, motivate and retain high quality local and international executive staff and that remuneration will incorporate, to a significant degree, variable pay for performance elements. A full statement of the Bank's remuneration policy for executives and details of the remuneration paid to five members of the senior executive team who were officers of the Bank at 30 June 2000 are set out in Note 46.

Audit Arrangements

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

The Board's Audit Committee consists entirely of non executive Directors and the chairman of the Committee is not Chairman of the Bank. This structure reflects the Board's policy. The Managing Director attends Committee meetings by invitation. The Committee oversees the adequacy of the overall internal control functions and the internal audit functions within the Group and their relationship to external audit.

In carrying out these functions, the Committee:

- reviews the financial statements and reports of the Group;
- reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards; and
- conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate.

The Committee regularly considers, in the absence of management and the external auditor, the quality of the information received by the Committee and, in considering the financial statements, discusses with management and the external auditor:

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

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

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

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

In addition, the Committee ratifies the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee. A range of insurance policies maintained by the Group mitigates some operational risks.

Risk Management

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 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.

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.

Corporate Governance

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. Similar restrictions apply to executives of the Bank.

In accordance with the Constitution and the Corporations Law, Directors disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Law any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial statements of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2000.

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

John T Ralph, AC, Chairman

Mr Ralph has been a member of the Board since 1985 and Chairman since 1999. He is also Chairman of the Risk, Remuneration and Nominations Committees. He is a Fellow of the Australian Society of Certified Practising Accountants and has over forty-seven years' experience in the mining and finance industries.
Chairman: Pacific Dunlop Limited.
Deputy Chairman: Telstra Corporation Limited.
Director: BHP Limited.
Other Interests: Board of Advisers of Constitutional Centenary Foundation Inc (Member), Melbourne Business School (Board of Management), Foundation for Young Australians (Deputy National Chairman), Australian Foundation for Science (Chairman), and Advisory Council of The Global Foundation (Member). Mr Ralph is a resident of Victoria. Age 67.

David V Murray, Managing Director and Chief Executive Officer

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 four years' experience in banking. Mr Murray is a member of the Remuneration, Risk and Nominations Committees.
Other Interests: International Monetary Conference (Member), Asian Bankers' Association (Member), Australian Bankers' Association (Member), Asian Pacific Bankers' Club (Member), Australian Coalition of Service Industries (Member), Business Council of Australia (Member), World Economic Forum (Member), General Motors Australian Advisory Council (Member), APEC Business Advisory Council (Member), and the Financial Sector Advisory Council (Member). Mr Murray is a resident of New South Wales. Age 51.

N R (Ross) Adler, AO

Mr Adler has been a member of the Board since 1990 and is a member of the Remuneration Committee. He holds a Bachelor of Commerce and a Master of Business Administration. Mr Adler is currently Managing Director of Santos Limited (due to retire 30 September 2000). 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, Tereny Investments Pty Ltd and is a Director/Member of Shelrey Pty Ltd.
Other Interests: Art Gallery of South Australia (Chairman), University of Adelaide (Council Member), Business Council of Australia (Member), Executive Member of the Australian Japan Business Co-operation Committee and Australian Institute of Company Directors (Member). Mr Adler is a resident of South Australia. Age 55.

Anna C Booth

Ms Booth has been a member of the Board since 1990 and is a member of the Risk Committee. She holds a Bachelor of Economics (Hons) and has had seventeen years' experience in the trade union movement.
Director: Ausflag Limited and CoSolve Australasia Pty Ltd.
Other Interests: Shopping Centre Council of Australia (Special Advisor), Sydney Organising Committee for the Olympic Games (Member) and Labour Management Studies Foundation of Macquarie University (Fellow). Ms Booth is a resident of New South Wales. Age 44.

Reg J Clairs, AO

Mr Clairs has been a member of the Board since 1 March 1999 and is a member of the Audit Committee. As the former Chief Executive Officer of Woolworths Limited, he had thirty three years' experience in retailing, branding and customer service.
Chairman: Agri Chain Solutions Ltd and The Prime Minister's Supermarket to Asia Board.
Deputy Chairman: Woolstock Australia Limited.
Director: David Jones Ltd, Howard Smith Ltd and National Australia Day Council.
Other Interests: Board Member of the Royal Children's Hospital Foundation of Queensland and Foundation Member of the Prime Minister's Supermarket to Asia Council. Mr Clairs is a resident of Queensland. Age 62.

Ken E Cowley, AO

Mr Cowley has been a member of the Board since September 1997 and is a member of the Remuneration Committee. He has thirty three years' experience in the media industry, having been a Director of News Limited since 1976 and until July 1997, was Executive Chairman of that company.
Executive Chairman: Zazu Limited.
Chairman: PMP Communications Limited, R M Williams Holdings Limited, Tasman Pacific Airways Limited, Tower Lodge Pty Limited and Melbourne Storm Football Club Pty Ltd.
Director: The News Corporation Limited, Independent Newspapers Limited and The Foundation for Rural & Regional Renewal.
Other Interests: Australian Stockman's Hall of Fame & Outback Heritage Centre (Chairman) and Royal Agricultural Society (Director). Mr Cowley is a resident of New South Wales. Age 65.

A B (Tony) Daniels, OAM

Mr Daniels has been a member of the Board since March 2000 and is a member of the Remuneration Committee. He has extensive experience in manufacturing and distribution, being Managing Director of Tubemakers of Australia for eight years to December 1995, during a long career with that company.
Director: Australian Gas Light Company, Orica, Pacific Dunlop, Pasminco and O'Connell St Associates. Mr Daniels is a resident of New South Wales. Age 65.

Directors' Report

Colin R Galbraith

Mr Galbraith has been a member of the Board since June 2000. He was previously a Director of Colonial Limited, appointed 1996. He is a partner of Arthur Robinson & Hedderwicks, Solicitors.
Chairman: BHP Community Trust.
Other Interests: Secretary of Council of Legal Education in Victoria and Member of the Corporate Council of CARE Australia. Mr Galbraith is a resident of Victoria. Age 52.

Warwick G Kent AO

Mr Kent has been a member of the Board since June 2000. He was previously a Director of Colonial Limited, appointed 1998. He was the Chief Executive Officer of BankWest until his retirement in 1997. Prior to joining BankWest, Mr Kent had a long and distinguished career with Westpac Banking Corporation.
Chairman: Investment Company of the West Ltd.
Director: Perpetual Trustees Australia Limited Group and West Australian Newspapers Holdings Limited.
Other Interests: Member of the Advisory Boards of Blake Dawson Waldron and Maxx Implementation Pty Limited, Trustee of the Walter and Eliza Hall Trust and Fellow of the Australian Institute of Company Directors, Australian Society of CPAs, Australian Institute of Bankers and the Chartered Institute of Company Secretaries. Mr Kent is a resident of New South Wales. Age 64.

Fergus D Ryan

Mr Ryan has been a member of the Board since March 2000 and is a member of the Audit Committee. He has extensive experience in accounting, audit, finance and risk management. He was a senior partner of Arthur Andersen until his retirement in August 1999 after thirty-three years with that firm including five years as Managing Partner Australasia.
Member: Prime Minister's Community Business Partnership.
Other Interests: Strategic Investment Co-ordinator and Major Projects Facilitator for the Federal Government, Counsellor, Committee for Melbourne and Patron of the Pacific Institute. Mr Ryan is a resident of Victoria. Age 57.

John M Schubert

Dr Schubert has been a member of the Board since 1991 and is Chairman of the Audit and a member of the Risk and Nominations Committees. He holds a Bachelor Degree and PhD in Chemical Engineering and has experience in the petroleum, mining and building materials industries. Dr Schubert is the former Managing Director and Chief Executive Officer of Pioneer International Limited.
Chairman: Worley Limited Advisory Board.
Director: The Broken Hill Proprietary Company Limited, Hanson Plc and Australian Graduate School of Management Ltd.
Other Interests: Academy of Technological Science (Fellow), Salvation Army Territorial Headquarters & Sydney Advisory Board (Member). He is also a Director of the Great Barrier Reef Research Foundation and a Director and a Member of the AGSM Consulting Ltd. Dr Schubert is a resident of New South Wales. Age 57.

Frank J Swan

Mr Swan has been a member of the Board since July 1997 and is a member of the Risk Committee. He holds a Bachelor of Science degree and has twenty three-years' senior management experience in the food and beverage industries.
Chairman: Foster's Brewing Group Limited.
Director: National Foods Limited and Catholic Ladies College Eltham.
Other Interests: Institute of Directors (Fellow), Australian Institute of Company Directors (Fellow), Australian Institute of Management (Fellow) and Institute of Management UK (Companion). Mr Swan is a resident of Victoria. Age 59.

Barbara K Ward

Ms Ward has been a member of the Board since 1994 and is a member of the Audit Committee. She holds a Bachelor of Economics and Master of Political Economy and has six years' experience in policy development and public administration as a senior ministerial adviser and twelve years' experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services. Since 1998, she has pursued a career as a company director.
Chairperson: HWW Limited and Northpower.
Director: Rail Services Australia and Data Advantage Limited.
Other Interests: Sydney Opera House Trust (Trustee), Australia Day Council of New South Wales (Member) and Allen, Allen & Hemsley (Director). Ms Ward is a resident of New South Wales. Age 46.

M A (Tim) Besley, AO. (Past Chairman – retired 28 October 1999)

Mr Besley was Chairman and a member of the Board from 1988 until his retirement in October 1999. He holds Bachelor degrees in Civil Engineering and Legal Studies and has forty-six years' experience in engineering, finance and public service.
Chairman: Leighton Holdings Limited.
Director: O'Connell Street Associates Pty Ltd.
Other Interests: Macquarie University (Chancellor), Australian Academy of Technological Sciences and Engineering (President), Australian National Gallery Foundation (Council of Governors), Legacy Torch Bearers Committee (Member), Sir Ian McLennan Achievement for Industry Award (Trustee), and World Vision of Australia Board of Reference (Member). Mr Besley is a resident of New South Wales. Age 73.

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
J T Ralph	13	13
D V Murray	13	13
N R Adler	13	10
A C Booth	13	11
R J Clairs	13	12
K E Cowley	13	10
A B Daniels ##	5	5
F D Ryan ##	5	4
J M Schubert	13	11
F J Swan	13	10
B K Ward	13	12
W G Kent ###	-	-
C R Galbraith ###	-	-
M A Besley #	3	3

* The number of meetings held during the time the Director held office during the year.
\# Mr Besley retired 28 October 1999.
\## Mr Daniels and Mr Ryan were appointed Directors on 31 March 2000.
\### Mr Kent and Mr Galbraith were appointed Directors on 13 June 2000.

	COMMITTEE MEETINGS					
	Risk Committee		Audit Committee		Remuneration Committee	
	No. of Meetings Held *	No. of Meetings Attended	No. of Meetings Held *	No. of Meetings Attended	No. of Meetings Held *	No. of Meetings Attended
J T Ralph	5	5	1	1	6	6
D V Murray	7	7			9	8
N R Adler					9	8
A C Booth	7	6				
R J Clairs ##			3	3		
K E Cowley					9	8
F D Ryan ###			-	-		
J M Schubert	7	6	4	4		
F J Swan	7	7				
B K Ward			4	4		
A B Daniels ***					1	1
M A Besley #	2	2			3	3

	Nominations Committee	
	No. of Meetings Held *	No. of Meetings Attended
J T Ralph	3	3
D V Murray	3	3
J M Schubert	1	1
M A Besley #	2	2

* The number of meetings held during the time the Director was a member of the relevant committee.
\# Mr Besley retired as Director 28 October 1999.
\## Mr Clairs was appointed to Audit Committee on 1 November 1999.
\### Mr Ryan was appointed to Audit Committee on 9 May 2000.
*** Mr Daniels was appointed to Remuneration Committee on 9 May 2000.

Directors' Report

Principal Activities

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

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

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

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

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

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

ASB Group Limited – 75% owned by the Commonwealth Bank, provides personal, business, corporate and rural banking and life insurance services in New Zealand. The Bank acquired the remaining 25% subsequent to 30 June 2000.

Colonial Group – a banking, life insurance and funds management group with operations in Australia, New Zealand, United Kingdom and Asia.

European Banking – online banking division established in London in February 2000.

The only significant change in these activities was the acquisition of the Colonial Group on 13 June 2000. There have been no other significant changes in the nature of these activities during the year.

Consolidated Profit

Consolidated operating profit after tax and outside equity interests for the financial year ended 30 June 2000 was $1,713 million before abnormal items (1999: $1,422 million) and $2,700 million after abnormal items (1999: $1,422 million).

The 2000 result represents a 20% increase over the prior year on a before abnormal items basis. The principal contributing factors to this increase were a growth in net interest income reflecting continued lending asset growth together with growth in commissions, life insurance and funds management income and trading income, partly offset by increases in a range of expenses.

Abnormals

The 30 June 2000 result includes abnormal items amounting to $987 million in relation to the following items:

- $537 million increase in valuation of funds management business, recognised as part of the transfer of these business to Commonwealth life insurance holding company.
- $536 million increase in valuation of life insurance business, recognised upon alignment of valuation basis with that used for Colonial life insurance businesses.
- $86 million of net restructuring provisions raised as part of the integration strategy for Colonial.

Dividends

The Directors have declared a fully franked (at 34%) final dividend of 72 cents per share amounting to $908 million. The dividend will be payable on 9 October 2000. Dividends paid since the end of the previous financial year:

- as provided for in last year's report, a fully franked final dividend of 66 cents per share amounting to $605 million was paid on 29 September 1999. The payment comprised cash disbursements of $470 million with $135 million being reinvested by participants through the Dividend Reinvestment Plan; and
- in respect of the current year, a fully franked interim dividend of 58 cents per share amounting to $524 million was paid on 31 March 2000. The payment comprised cash disbursements of $405 million with $118 million being reinvested by participants through the Dividend Reinvestment Plan.

Review of Operations

An analysis of operations for the financial year is set out in the Results Overview on page 8.

Changes in State of Affairs

The Bank's shareholders' equity was reduced by $553 million on 8 November 1999 pursuant to the buy back of 20.5 million shares.

The merger of Commonwealth Bank Group and Colonial was consummated on 13 June 2000. The offer of 7 Commonwealth Bank shares for 20 Colonial shares resulted in 351 million Commonwealth Bank shares being issued with a capital value of $9,274 million.

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

Events Subsequent to Balance Date

On 22 August 2000, the Bank purchased the 25% minority interest in ASB Group in New Zealand for NZD560 million ($430 million). This gives the Bank a 100% interest in ASB Group.

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

Directors' Report

Future Developments and Results

Major developments which may affect the operations of the Group in subsequent financial years are referred to in the Results Overview on page 8. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Group.

Environmental Regulation

The Bank and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Bank has developed credit policies to ensure this is managed.

Directors' Shareholdings

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

Options

An Executive Option Plan was approved by shareholders at the Annual General Meeting on 8 October 1996 and its continuation was further approved by shareholders at the Annual General Meeting on 29 October 1998. On 24 September 1999, the Bank granted options over 3,855,000 unissued ordinary shares to 39 executives under the Executive Option Plan. During the financial year 1,609,000 shares were allotted consequent to an exercise of options granted under the Plan. Full details of the Plan are disclosed in Note 29 to the financial statements.

The names of persons who currently hold options in the Plan are entered in the register of options kept by the Bank pursuant to Section 170 of the Corporations Law. The register may be inspected free of charge.

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

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

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

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 43 to 45 of this report, and the Secretaries of the Commonwealth Bank, being J D Hatton (Secretary) and K G Bourke (Assistant Company Secretary) are indemnified under Article 19 as are all the executive officers and employees of the Commonwealth Bank.

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

Directors' and Officers' Insurance

The Commonwealth Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of those named and referred to 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 199B of the Corporations Law. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Directors' and other Officers' Emoluments

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

Details on emoluments paid to each director are detailed in Note 45 of the Financial Report. Details on emoluments paid to the executive director and the other five most highest paid executive officers of the Bank and the Group are disclosed in Note 46 of the Financial Report.

Directors' Report

Incorporation of Additional Material

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

Roundings

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

Signed in accordance with a resolution of the Directors.

John Ralph

J T Ralph AC
Chairman

D V Murray
Managing Director

30 August 2000

Five Year Financial Summary

	2000 $M	1999 $M	1998 $M	1997 $M	1996 $M
Profit and Loss					
Net interest income	**3,719**	3,527	3,397	3,392	3,397
Other operating income	**2,512**	1,997	1,833	1,489	1,355
Total operating income	**6,231**	5,524	5,230	4,881	4,752
Charge for bad and doubtful debts	**196**	247	233	98	113
Total operating expenses (including goodwill)	**3,464**	3,117	3,085	2,967	2,863
Operating profit before abnormal items and income tax expense	**2,571**	2,160	1,912	1,816	1,776
Income tax expense	**820**	714	641	588	635
Operating profit after income tax	**1,751**	1,446	1,271	1,228	1,141
Outside equity interests	**38**	24	20	22	22
Operating profit after income tax and before abnormal items	**1,713**	1,422	1,251	1,206	1,119
Abnormal items	**967**	-	(570)	(200)	-
Income tax credit on abnormal items	**20**	-	409	72	-
Operating profit after income tax attributable to shareholders	**2,700**	1,422	1,090	1,078	1,119
Contributions to profit					
Banking					
Australia	**1,374**	1,199	1,162	1,090	1,032
New Zealand (ASB Bank)	**118**	104	98	85	71
Other countries	**59**	68	(30)	21	20
	1,551	1,371	1,230	1,196	1,123
Life insurance and funds management	**257**	122	87	75	59
Profit on operations	**1,808**	1,493	1,317	1,271	1,182
Goodwill amortisation	**(57)**	(47)	(46)	(43)	(41)
Outside equity interests	**(38)**	(24)	(20)	(22)	(22)
Operating profit after income tax before abnormal items	**1,713**	1,422	1,251	1,206	1,119
Abnormal income (expense) (after income tax)	**987**	-	(161)	(128)	-
Operating profit after income tax and abnormal items	**2,700**	1,422	1,090	1,078	1,119
Balance sheet					
Loans, advances and other receivables	**132,263**	101,837	89,816	81,632	70,042
Total assets	**217,671**	138,096	130,544	120,103	109,285
Deposits and other public borrowings	**112,594**	93,428	83,886	77,880	71,381
Total liabilities	**199,824**	131,134	123,655	113,079	101,918
Shareholders' equity	**17,472**	6,735	6,712	6,846	7,190
Net tangible assets	**11,942**	6,471	6,358	6,450	6,793
Risk weighted assets	**128,484**	99,556	94,431	86,468	77,246
Average interest earning assets	**129,163**	114,271	102,165	96,163	84,770
Average interest bearing liabilities	**117,075**	103,130	91,650	85,296	74,879
Assets (on balance sheet)					
Australia	**186,966**	115,510	110,120	101,202	92,456
New Zealand	**16,460**	13,046	10,846	9,994	7,903
Other	**14,245**	9,540	9,578	8,907	8,926
Total Assets	**217,671**	138,096	130,544	120,103	109,285

Five Year Financial Summary

	2000	1999	1998	1997	1996
Shareholder Summary					
Dividends per share (cents) - fully franked	**130**	115	104	102	90
Dividends provided for, reserved or paid ($million)	**1,431**	1,063	955	941	832
Dividend cover (times)	**1.6**	1.3	1.1	1.1	1.3
Earnings per share (cents)					
before abnormal items	**184.8**	153.4	134.5	131.2	115.2
after abnormal items	**291.3**	153.4	117.2	117.2	115.2
Cash basis (6)	**181.0**	158.5	139.4	136.2	119.7
Dividend payout ratio (%) (1)					
before abnormal items	**70.3**	75.0	77.3	77.7	78.1
after abnormal items	**44.6**	75.0	88.7	87.0	78.1
Cash basis (6)	**71.8**	72.6	74.6	74.9	75.2
Net tangible assets per share ($)	**9.2**	6.8	6.7	6.7	6.7
Weighted average number of shares (basic)	**927m**	927m	930m	917m	969m
Number of shareholders	**788,791**	404,728	419,926	426,229	275,204
Share prices for the year ($)					
Trading high	**27.95**	28.76	19.66	16.00	12.05
Trading low	**22.54**	18.00	13.70	9.93	9.20
End (closing price)	**27.69**	24.05	18.84	16.00	10.46
Performance Ratios (%)					
Return on average shareholders' equity (2)					
before abnormal items	**22.1**	20.5	18.5	18.2	16.3
after abnormal items	**34.8**	20.5	16.1	16.4	16.3
Return on average total assets (2)					
before abnormal items	**1.1**	1.1	1.0	1.1	1.1
after abnormal items	**1.7**	1.1	0.9	0.9	1.1
Capital adequacy - Tier 1	**7.49**	7.05	8.07	8.64	10.05
Capital adequacy - Tier 2	**4.75**	3.12	2.82	2.82	2.97
Deductions	**(2.49)**	(0.79)	(0.40)	(0.57)	(0.31)
Capital adequacy - Total	**9.75**	9.38	10.49	10.89	12.71
Net interest margin	**2.88**	3.09	3.33	3.53	4.01
Other Information (numbers) (4)					
Full time staff	**34,154**	26,394	28,034	30,566	31,455
Part time staff	**7,383**	6,655	6,968	7,364	7,964
Full time staff equivalent	**37,131**	28,964	30,743	33,543	34,518
Branches/service centres (Australia)	**1,387**	1,162	1,218	1,334	1,390
Agencies (Australia)	**4,081**	3,934	4,015	4,205	4,214
ATMs	**4,141**	2,602	2,501	2,301	2,113
EFTPOS terminals	**116,064**	90,152	83,038	63,370	43,703
Productivity (5)					
Total Operating Income per full-time (equivalent) employee ($)	**215,080**	190,720	170,120	145,515	137,667
Staff Expense/Total Operating Income (%)	**27.4**	29.0	31.0	34.0	33.3
Total Operating Expenses (3) /Total Operating Income (%)	**54.7**	55.6	58.1	59.9	59.4

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

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

(3) Total Operating Expenses excluding goodwill amortisation.

(4) Includes Colonial.

(5) Productivity measures calculated on a weighted average basis to include Colonial for 17 days since acquisition.

(6) 'Cash earnings' for the purpose of these financial statements is defined as net profit after tax and before abnormal items adjusted for goodwill amortisation and life insurance and funds management appraisal value uplift.

Financial Statements

Statements of Profit and Loss

For the Year ended 30 June 2000

		GROUP			BANK	
	Note	**2000 $M**	1999 $M	1998 $M	**2000 $M**	1999 $M
Interest income	2	**8,842**	7,745	7,605	**7,239**	6,352
Interest expense	2	**5,123**	4,218	4,208	**4,230**	3,451
Net interest income	2	**3,719**	3,527	3,397	**3,009**	2,901
Other operating income	2	**2,512**	1,997	1,833	**2,005**	2,161
Total operating income	2	**6,231**	5,524	5,230	**5,014**	5,062
Charge for bad and doubtful debts	2,13	**196**	247	233	**191**	78
Total operating income after charge for bad and doubtful debts		**6,035**	5,277	4,997	**4,823**	4,984
Total operating expenses	2	**3,407**	3,070	3,039	**2,951**	2,755
Operating profit before goodwill amortisation, abnormal items and income tax		**2,628**	2,207	1,958	**1,872**	2,229
Goodwill amortisation	2	**57**	47	46	**39**	39
Operating profit before abnormal items and income tax	2	**2,571**	2,160	1,912	**1,833**	2,190
Abnormal items	4	**967**	-	(570)	**(132)**	-
Operating profit before income tax		**3,538**	2,160	1,342	**1,701**	2,190
Income tax expense (credit)						
Operating profit	5	**820**	714	641	**605**	645
Abnormal items	4	**(20)**	-	(409)	**(20)**	-
Income tax expense	5	**800**	714	232	**585**	645
Operating profit after income tax		**2,738**	1,446	1,110	**1,116**	1,545
Outside equity interests in operating profit after income tax		**38**	24	20	**-**	-
Operating profit after income tax attributable to members of the Bank		**2,700**	1,422	1,090	**1,116**	1,545
Retained profits at the beginning of the financial year		**1,698**	755	908	**1,295**	216
Adjustment on adoption of new life insurance standard	1a	**432**	-	-	**-**	-
Buy back		**-**	(404)	(384)	**-**	(404)
Transfers from reserves		**-**	1,087	170	**-**	1,001
Total available for appropriation		**4,830**	2,860	1,784	**2,411**	2,358
Transfers to reserves		**1,713**	99	74	**-**	-
Dividends (fully franked)						
Transfer to dividend reinvestment plan reserve		**318**	316	403	**318**	316
Provided for payment in cash or paid	6	**1,113**	747	552	**1,113**	747
Dividends provided for, reserved or paid		**1,431**	1,063	955	**1,431**	1,063
Retained profits at the end of the financial year		**1,686**	1,698	755	**980**	1,295

		Cents per share		
Earnings per share based on operating profit after income tax attributable to members of the Bank:	7			
- before abnormal items		**184.8**	153.4	134.5
- after abnormal items		**291.3**	153.4	117.2
Dividends provided for, reserved or paid per share attributable to members of the Bank:	6	**130.0**	115.0	104.0

Balance Sheets

As at 30 June 2000

		GROUP		BANK	
		2000	1999	**2000**	1999
	Note	**$M**	$M	**$M**	$M
Assets					
Cash and liquid assets	8	**2,575**	1,814	**2,103**	1,746
Receivables due from other financial institutions	9	**5,154**	1,206	**4,329**	1,182
Trading securities	10	**7,347**	4,708	**4,692**	3,251
Investment securities	11	**9,149**	7,187	**7,169**	6,708
Loans, advances and other receivables	12	**132,263**	101,837	**90,661**	82,952
Bank acceptances of customers		**11,107**	9,672	**10,674**	9,672
Life insurance investment assets	16	**26,448**	-	**-**	-
Deposits with regulatory authorities	17	**46**	953	**3**	952
Shares in and loans to controlled entities	18	**-**	-	**17,349**	7,108
Property, plant and equipment	19	**1,073**	1,001	**739**	796
Investment in associates	42	**403**	281	**297**	292
Goodwill	20	**5,905**	491	**412**	451
Other assets	21	**16,201**	8,946	**8,255**	7,952
Total Assets		**217,671**	138,096	**146,683**	123,062
Liabilities					
Deposits and other public borrowings	22	**112,594**	93,428	**88,240**	80,940
Payables due to other financial institutions	23	**4,633**	3,249	**4,136**	2,886
Bank acceptances		**11,107**	9,672	**10,674**	9,672
Due to controlled entities		**-**	-	**4,326**	4,276
Provision for dividend	6	**708**	472	**708**	472
Income tax liability	24	**1,823**	1,410	**550**	897
Other provisions	25	**1,554**	805	**808**	742
Life insurance policy liabilities	34	**25,282**	-	**-**	-
Debt issues	26	**25,275**	10,763	**8,205**	6,340
Bills payable and other liabilities	27	**11,549**	8,507	**8,428**	7,525
		194,525	128,306	**126,075**	113,750
Loan Capital	28	**5,299**	2,828	**4,803**	2,828
Total Liabilities		**199,824**	131,134	**130,878**	116,578
Net Assets		**17,847**	6,962	**15,805**	6,484
Shareholders' Equity					
Share Capital	29	**12,521**	3,526	**12,521**	3,526
Reserves		**3,265**	1,511	**2,304**	1,663
Retained profits		**1,686**	1,698	**980**	1,295
Shareholders' equity attributable to members of the Bank		**17,472**	6,735	**15,805**	6,484
Outside equity interests in controlled entities	30	**375**	227	**-**	-
Total Shareholders' Equity		**17,847**	6,962	**15,805**	6,484

Consolidated Statements of Changes in Shareholders' Equity

As at 30 June 2000

		GROUP			BANK	
	Note	**2000 $M**	1999 $M	1998 $M	**2000 $M**	1999 $M
Issued and paid up capital	29					
Opening balance		**3,526**	1,845	1,860	**3,526**	1,845
Transfer from share premium reserve		**-**	1,499	-	**-**	1,499
Buy back		**(553)**	(246)	(76)	**(553)**	(246)
Dividend reinvestment plan		**253**	426	57	**253**	426
Employee share ownership schemes		**23**	5	4	**23**	5
Issue costs		**(2)**	(3)	-	**(2)**	(3)
Share issue to Colonial shareholders		**9,274**	-	-	**9,274**	-
Closing balance		**12,521**	3,526	1,845	**12,521**	3,526
Retained profits						
Opening balance		**1,698**	755	908	**1,295**	216
Adjustment on adoption of new life insurance standard		**432**	-	-	**-**	-
Buy back		**-**	(404)	(384)	**-**	(404)
Transfers from reserves		**-**	1,087	170	**-**	1,001
Operating profit attributable to members of Bank		**2,700**	1,422	1,090	**1,116**	1,545
Total available for appropriation		**4,830**	2,860	1,784	**2,411**	2,358
Transfers to reserves		**1,713**	99	74	**-**	-
Interim dividend - cash component only		**-**	275	231	**-**	275
Interim dividend - appropriated to dividend reinvestment plan reserve		**118**	183	189	**118**	183
Provision for final dividend - cash component only		**1,113**	472	321	**1,113**	472
Final dividend - appropriated to dividend reinvestment plan reserve		**200**	133	214	**200**	133
Closing balance		**1,686**	1,698	755	**980**	1,295
Reserves						
General Reserve						
Opening balance		**1,080**	2,069	2,195	**570**	1,572
Appropriation from profits		**1,713**	99	74	**-**	-
Transfer to retained profits		**-**	(1,088)	(200)	**-**	(1,002)
Closing balance		**2,793**	1,080	2,069	**570**	570
Capital Reserve						
Opening balance		**289**	289	288	**942**	277
Transfers from reserves		**-**	-	1	**589**	665
Closing balance		**289**	289	289	**1,531**	942
Asset Revaluation Reserve						
Revaluation of investments		**-**	-	-	**589**	665
Transfers to capital reserve		**-**	-	-	**(589)**	(665)
Closing balance		**-**	-	-	**-**	-
Share Premium Reserve						
Opening balance		**-**	1,499	1,300	**-**	1,499
Buy back		**-**	-	(191)	**-**	-
Premium from share issues		**-**	-	396	**-**	-
Employee share acquisition plan issue		**-**	-	(3)	**-**	-
Buy back costs and other adjustments		**-**	-	(2)	**-**	-
Transfer to capital reserve		**-**	-	(1)	**-**	-
Transfer to Issued Capital		**-**	(1,499)	-	**-**	(1,499)
Closing balance		**-**	-	1,499	**-**	-
Dividend Reinvestment Plan Reserve						
Opening balance		**133**	214	239	**133**	214
Conversion to share capital		**(251)**	(397)	(428)	**(251)**	(397)
Appropriation from profits		**318**	316	403	**318**	316
Closing balance		**200**	133	214	**200**	133
Foreign Currency Translation Reserve						
Opening balance		**9**	41	56	**18**	17
Currency translation adjustments		**(26)**	(33)	(45)	**(15)**	-
Transfer to retained profits		**-**	1	30	**-**	1
Closing balance		**(17)**	9	41	**3**	18
Total Reserves		**3,265**	1,511	4,112	**2,304**	1,663
Shareholders' equity attributable to members of the Bank		**17,472**	6,735	6,712	**15,805**	6,484

Statements of Cash Flows

For the Year ended 30 June 2000

	GROUP			BANK	
	2000	1999	1998	**2000**	1999
	$M	$M	$M	**$M**	$M
Cash Flow From Operating Activities					
Interest received	**7,949**	7,796	7,557	**7,314**	6,343
Dividends received	**20**	6	18	**83**	584
Interest paid	**(4,538)**	(4,071)	(4,065)	**(4,027)**	(3,219)
Other operating income received	**2,210**	1,972	1,152	**1,768**	1,652
Staff expenses paid	**(1,682)**	(1,510)	(1,705)	**(1,488)**	(1,353)
Occupancy and equipment expenses paid	**(324)**	(313)	(289)	**(287)**	(279)
Information technology services expenses paid	**(587)**	(481)	(503)	**(550)**	(456)
Other expenses paid	**(512)**	(452)	(416)	**(460)**	(358)
Income taxes paid	**(399)**	(363)	(216)	**(850)**	(292)
Tax losses purchased from controlled entities	**-**	-	-	**-**	(40)
Net decrease (increase) in trading securities	**(50)**	(408)	(646)	**(892)**	(209)
Life Insurance:					
Interest received	**428**	-	-	**-**	-
Premiums received	**2,771**	-	-	**-**	-
Policy payments	**(2,112)**	-	-	**-**	-
Net Cash provided by Operating Activities	**3,174**	2,176	887	**611**	2,373
Cash Flows from Investing Activities					
Payments for acquisition of entities	**(46)**	(196)	-	**(46)**	(196)
Net movement in investment securities:					
Purchases	**(16,852)**	(13,337)	(8,505)	**(15,050)**	(13,129)
Proceeds from sale	**17**	146	1,787	**7**	147
Proceeds at or close to maturity	**15,212**	11,993	8,681	**14,954**	12,305
Withdrawal/(lodgement) of deposits with regulatory authorities	**950**	(121)	(35)	**949**	(124)
Net increase in loans, advances and other receivables	**(8,791)**	(11,819)	(9,882)	**(7,789)**	(10,380)
Net amounts paid to controlled entities	**-**	-	-	**(1,011)**	2,191
Proceeds from sale of property, plant and equipment	**44**	652	196	**22**	640
Purchase of property, plant and equipment	**(94)**	(81)	(78)	**(81)**	(55)
Net decrease (increase) in receivables due from other financial institutions not at call	**231**	229	809	**231**	229
Net decrease (increase) in securities purchased under agreements to resell	**(433)**	(465)	347	**(433)**	(465)
Net decrease (increase) in other assets	**(2,424)**	(423)	1,175	**879**	(694)
Life insurance:					
Purchases of investment securities	**(11,356)**	-	-	**-**	-
Proceeds from sale/maturity of investment securities	**10,863**	-	-	**-**	-
Net Cash used in Investing Activities	**(12,679)**	(13,422)	(5,505)	**(7,368)**	(9,531)
Cash Flows from Financing Activities					
Buy back of shares	**(553)**	(650)	(651)	**(553)**	(650)
Proceeds from issue of shares	**4**	6	5	**4**	6
Net increase in deposits and other borrowings	**6,043**	9,476	6,683	**6,991**	9,367
Net increase in long term debt issues	**16**	13	125	**548**	13
Net increase (decrease) in short term debt issues	**5,818**	386	(970)	**1,317**	(2,762)
Dividends paid	**(882)**	(571)	(502)	**(875)**	(568)
Payments from provisions	**351**	(138)	(10)	**44**	(110)
Net increase (decrease) in payables due to other financial institutions not at call	**1,125**	(477)	(869)	**1,392**	(477)
Net increase (decrease) in securities sold under agreements to repurchase	**327**	(43)	(52)	**327**	(43)
Proceeds from (repayment of) loan capital	**2,053**	(317)	-	**1,975**	(317)
Other	**(271)**	1,041	(496)	**(956)**	437
Net Cash provided by Financing Activities	**14,031**	8,726	3,263	**10,214**	4,896
Net Increase (Decrease) in Cash and Cash Equivalents	**4,526**	(2,520)	(1,355)	**3,457**	(2,262)
Cash and Cash Equivalents at beginning of year	**(557)**	1,963	3,318	**(287)**	1,975
Cash and Cash Equivalents at end of year	**3,969**	(557)	1,963	**3,170**	(287)

Details of Reconciliation of Cash and Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities are provided in Note 47.

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

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

Notes to and forming part of the financial statements

NOTE 1 Summary of Significant Accounting Policies

(a) Bases of accounting

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

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

The Statements of Cash Flows has been prepared in accordance with the International Accounting Standard IAS7, Cash Flow Statements.

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

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

Changes in Accounting Policy

Life insurance business

The Group adopted the requirements of AASB 1038: 'Life Insurance Business' ('AASB 1038') for the first time from 1 July 1999. AASB 1038 prescribes the methods to be used in the reporting of life insurance business and establishes disclosure requirements with respect to that business in the financial report. The following accounting policy changes have been implemented:

- The consolidated financial report includes the financial statements of controlled life insurance subsidiaries, comprising both shareholders and policyholders entitlements to assets, liabilities, revenues, and expenses. Adoption of AASB 1038 has increased total assets and total liabilities by $26.5 billion and $25.3 billion respectively.
- Revenue and expense items of life insurance businesses are consolidated on a line by line basis in the consolidated profit and loss statement. Initial adoption of AASB 1038 has had no effect on reported profits as shareholders entitlements to profits emerging from the Statutory Funds were recognised in the Group's consolidated financial report in previous periods.
- The retained earnings and other reserves attributable to policyholders have been disclosed as part of life insurance policy liabilities. Profit attributable to policyholders is included in 'increase in policy liabilities'. This approach recognises the separate entitlements of policyholders and shareholders in the Statutory Funds of life insurance entities as required by the Life Insurance Act 1995.
- Controlled entities of Life Insurance companies, under AASB1038, are required to be valued at net market value. AASB1038 requires the differences between the net market value of the controlled entities and the underlying net assets to be recognised as the 'excess of net market value over net assets of life insurance controlled entities ('the excess') in the consolidated financial report. Several internal Group restructurings have occurred placing certain life insurance and funds management controlled entities under insurance companies, namely Commonwealth Insurance Holdings Limited (CIHL) and The Colonial Mutual Life Assurance Society Limited (CMLA). The impact of the restructuring that occurred during the year was:
  - Initial adoption of AASB1038 required Commonwealth Life Limited (CLL) to be marked to market. The resultant excess of $432 million was taken directly to retained earnings as required under the standard.
  - Various Colonial Group companies were transferred into CMLA and this resulted in an increase in the excess by $551 million at 30 June 2000. This includes $212 million transferred from goodwill into excess.
  - Transfer of Commonwealth Funds Management businesses under CIHL resulting in an increase in the excess by $537 million at 30 June 2000.
  - Alignment of the valuation bases of CLL with those used for the Colonial Group resulted in an increase in the excess by $536 million at 30 June 2000.

Consistent with the principles of market value accounting, the excess is not amortised. The movement in the excess is recognised in the consolidated profit and loss statement.

Future earnings will continue to be effected by this change in accounting policy. The financial effect, including abnormal items, for the year has been to increase earnings per share by 126 cents to 291 cents per share.

Comparatives have not been restated, as presentation of prior year information that excludes the Colonial Group would not be meaningful or comparable with current year disclosures.

(b) Historical cost

The financial statements of the Bank and the consolidated financial statements have been prepared in accordance with the historical cost convention and, except for AASB 1038 requirements and where indicated, do not reflect current valuations of non monetary assets. Domestic bills discounted which are included in loans, advances and other receivables and held by the Company and securities and derivatives held for trading purposes have been marked to market. The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts for particular classes of assets the relevant cash flows have not been discounted to their present value unless otherwise stated.

NOTE 1 Summary of Significant Accounting Policies continued

(c) Consolidation

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

(d) Investments in associated companies

Associated companies are defined as those entities over which the Group has significant influence but there is no capacity to control. Details of material associated companies are shown in Note 42.

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

(e) Foreign currency translations

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

The foreign currency assets and liabilities of overseas branches and overseas controlled entities are converted to Australian currency at 30 June 2000 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 Group maintains a substantially matched position in assets and liabilities in foreign currencies and the level of net foreign currency exposure does not have a material effect on its financial condition.

(f) Roundings

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

(g) Financial instruments

The Group is a full service financial institution which offers an extensive range of on balance sheet and off balance sheet financial instruments.

For each class of financial instrument listed below, except for restructured facilities referred to in Note 1(m), financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

(h) Cash and liquid assets

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

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

Interest is taken to profit and loss when earned.

(i) Receivables due from other financial institutions

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

(j) Trading securities

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

(k) Investment securities

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

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

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

(l) Repurchase agreements

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

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

Notes to and forming part of the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

(m) Loans, advances and other receivables

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

Non Accrual Facilities

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

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

Restructured Facilities

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

Assets Acquired Through Securities Enforcement (AATSE)

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

Bad Debts

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

(n) Leasing and leveraged leasing

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

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

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

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

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

(o) Provisions for impairment

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

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

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

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

NOTE 1 Summary of Significant Accounting Policies continued

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

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

With effect from 1 January 1998 the Group refined the methodology used to estimate the provisions for impairment by adopting a statistically based technique referred to as Dynamic Provisioning.

This takes into account historical loss experience and current economic factors to assess the balance required in the general provision to cover expected losses in the credit portfolio. Initial adoption of this technique resulted in an abnormal expense for bad and doubtful debts of $370 million in respect of the general provision which was charged to profit and loss in the year ended 30 June 1998.

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

(p) Bank acceptances of customers

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

(q) Deposits with regulatory authorities

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

(r) Shares in and loans to controlled entities

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

(s) Property, plant and equipment

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

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

Equipment is shown at cost less depreciation calculated principally on a category basis at rates applicable to each category's useful life. Depreciation is calculated using the straight line method. It is treated as an operating expense and charged to profit and loss. The amounts charged for the year are shown in Note 2.

Profit or loss on sale of property is treated as operating income or expense. Realised amounts in Asset Revaluation Reserve are transferred to Capital Reserve.

The useful lives of major depreciable assets are as follows:

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

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

(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 resulting from the acquisition of the Colonial Group in June 2000 and the amortisation policy is set out in Note 1A. Purchased goodwill arising from the merger with the State Bank of Victoria in 1991 is being amortised over 20 years, and goodwill on acquisition of Commonwealth Funds Management in December 1996, Micropay in 1995 and Leaseway in April 1997 is being amortised over 10, 7 and 5 years respectively. The periods of goodwill amortisation are subject to review annually by the Directors.

(u) Other assets

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

Capitalisation of Computer Software Costs

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-1 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use', the Group carries net unamortised capitalised computer software costs of $43 million as at 30 June 2000. The amortisation period for software is 2½ years except for certain longer term projects. Software maintenance costs continue to be expensed as incurred.

Notes to and forming part of the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

(v) Deposits and other public borrowings

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

(w) Payables due to other financial institutions

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

(x) Provision for dividend

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

(y) Income taxes

The Group has adopted the liability method of tax effect accounting. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is disclosed as a future income tax benefit or a provision for deferred income tax. Amounts are offset where the tax payable and realisable benefit are expected to occur in the same financial period. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised (Notes 5 and 21).

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

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

An abnormal credit to tax expense of $337 million was booked to profit and loss in the year ended 30 June 1998. Refer also Note 4.

(z) Provisions for employee entitlements

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

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

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

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

(aa) Provision for restructuring

Provision for Restructuring (2000)

In June 2000 the Group acquired a 100% interest in the Colonial Limited Group of companies. This resulted in consequent restructuring requirements within Commonwealth Bank's existing business. The provision for restructuring covers the integration of the Colonial operations into the existing Group and rationalisation of existing processing and administrative functions. The principal costs associated with this programme are in the area of redundancy, property and systems. Refer Note 1A for further details on the Colonial acquisition.

Abnormal Item – Restructuring Costs (2000)

The integration of Colonial into the Group's structure resulted in an abnormal expense for restructuring of $106 million ($86 million after tax) being charged to the Bank's profit and loss in the year ending 30 June 2000 (refer Notes 4 and 25).

Provision for Restructuring (1998)

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

Abnormal Item – Restructuring Costs (1998)

An abnormal expense for restructuring costs of $200 million ($128 million after tax) was charged to profit and loss in the year ended 30 June 1998. Refer also Notes 4 and 25.

(bb) Provision for self insurance

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

(cc) Debt issues

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

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

Further details of the Group's debt issues are shown in Note 26.

(dd) Bills payable and other liabilities

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

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

(ee) Loan capital

Loan capital is debt issued by the Group with terms and conditions, such as being undated or subordinated, which qualify the debt issue for inclusion as capital under APRA. Loan capital debt issues are recorded at cost or amortised cost.

NOTE 1 Summary of Significant Accounting Policies continued

Premiums, discounts and associated issue expenses are amortised through profit and loss each year from the date of issue so that securities attain their redemption values by maturity date. Interest is reflected in profit and loss as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit and loss in the period in which they are realised.

Further details of the Group's loan capital debt issues are shown in Note 28.

(ff) Shareholders' equity

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

General reserve is derived from revenue profits and is available for dividend except for undistributable profits in respect of the Group's life insurance businesses of $1,944 million, including the appraisal value uplift (1999: $231 million, 1998: $219 million).

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

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

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

Further details of share capital, outside equity interests and reserves are shown in Notes 29, 30 and Statements of Changes in Shareholders' Equity.

(gg) Derivative financial instruments

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

Derivative financial instruments held or issued for trading purposes

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

Derivative financial instruments held or issued for purposes other than trading

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

Swaps

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

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

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

Equity swaps are utilised to manage the risk 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.

Notes to and forming part of the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

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 39.

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

These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value. Further information is shown in Note 38.

(ii) Revenue recognition

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

Interest income

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

Fee income

Lending fees

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

Commission and other fees

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

Other income

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

(jj) Life Insurance Business

The Group conducts life insurance business through Commonwealth Insurance Holdings Limited (CIHL), Commonwealth Life Limited (CLL) and The Colonial Mutual Life Assurance Society Limited (CMLA) in Australia, ASB Life Assurance Limited, Sovereign Assurance Company, Metropolitan Life Assurance Company of NZ Limited and Colonial Holding Company No2 (NZ) Limited in New Zealand and several subsidiaries and joint ventures throughout Asia.

Accounting policies and disclosures specific to life insurance business are required under AASB1038: Life Insurance Business. These are provided in this note and Notes 16, 21 and 34.

Premiums and Claims

(i) Investment linked business

Premiums received, which are in the nature of investment deposits, have the fee portion of the premium recognised as revenue and the deposit portion recognised as an increase in policy liabilities. Premiums with no due date are recognised on a cash received basis. Fees earned by the Shareholder for managing the funds invested are recognised as revenue. Claims under investment linked businesses represent withdrawals of investment deposits and are recognised as a reduction in policy liabilities.

(ii) Non-investment linked business

Premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on an accruals basis. Non-investment linked claims are recognised as an expense when a liability has been established.

Market Value Accounting

All assets are valued at net market value (NMV) and all liabilities at net present value at balance date. Consistent with the principles of market value accounting, movements in the net market value of assets and net present value of liabilities during the period are immediately recognised in the profit and loss.

Life insurance investment assets

Investments are measured at net market values at balance date. Listed securities are valued at the price ruling at balance date. Where no quoted market exists, the Directors adopt various methods determined by internal and external valuers. In these cases the values are deemed equivalent to net market value. Details of particular methods adopted are as follows:

- Valuation of the investment in the life insurance controlled entities is based on the appraisal value. The appraisal value comprises the present value of future profits from in-force business, the estimated value of profits from future business and the shareholders interest in the net worth of the life insurance Statutory and Shareholder Funds.

NOTE 1 Summary of Significant Accounting Policies continued

- Non life insurance controlled entities are valued using a discounted cash flow method applied to anticipated future income streams, allowing for assumptions about future sales growth, redemptions, expenses, investment returns and fee margins. This method allows the values so calculated to be expressed in the form of appraisal values, consistent with those calculated for the life insurance controlled entities. Valuation of the investment in the non life insurance controlled entities is then based on these calculated appraisal values as at 30 June 2000.
- Properties are valued annually by qualified independent valuers.

Excess of Net Market Value over Net Assets of Controlled Entities

Interests in controlled entities held by the life insurance companies are subject to revaluation each period, such that the investment in the controlled entity is recorded at market value.

On consolidation the investment in controlled entities is eliminated and the excess of market value of controlled entities over their underlying net assets is separately recognised in Other Assets (Note 21) on the balance sheet as 'Excess of Net Market Value over Net Tangible Assets of Life Insurance Controlled Entities'. This amount is assessed periodically as part of the valuation of investments with changes in value being recorded under Other Operating Income. This excess does not require amortisation in the financial statements.

Life insurance policy liabilities and margin on services profit

Policy liabilities are calculated in accordance with the principles of Margin on Services (MoS) profit reporting as set out in Actuarial standard AS 1.02: 'Valuation of Policy Liabilities' issued by the Life Insurance Actuarial Standards Board. Policy liabilities are calculated in a way which allows for the systematic release of planned profit margins as services are provided to policyowners and the revenues relating to those services are received. Selected profit carriers including premiums and anticipated annuity payments are used to determine profit recognition.

Profit

Life insurance business operating under this profit recognition methodology can be analysed as follows:

(i) Emergence of planned profit margins:

In setting premium rates, life insurers will include planned margins of revenues over expenses. When the life insurer has performed the services necessary to establish a valid claim to those margins and has received the revenues relating to those services, the planned margins are recognised in the profit and loss account. Where actual experience replicates planned margin assumptions, the planned profit margin will be released over the life of the policy.

(ii) Difference between actual and planned experience:

Experience profits/(losses) are realised where actual experience differs from the expected performance used to determine planned margins. Circumstances giving rise to experience profits/(losses) include experience variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in force business in a year are lower than those allowed for in the planned margin.

(iii) Reversals of previously recognised losses or loss recognition on groups of related products:

Where future expenses for a group of related products exceeds future revenues, the anticipated loss is recognised immediately. If unprofitable business becomes profitable, previously recognised losses are reversed immediately.

(iv) Investment earnings on assets in excess of policy liabilities:

Investment assets are held in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of profit will vary from year to year.

Participating Policies

Policy liabilities attributable to participating policies include the value of future planned shareholder profit margins and an allowance for future supportable bonuses. The value of supportable bonuses and planned shareholder profit margins account for all profit on participating policies based on best estimate assumptions.

Under Margin on Services profit recognition methodology, the value of supportable bonuses and the shareholder profit margin relating to a reporting year will emerge as planned profits in that year.

Policy Acquisition Costs

Policy acquisition costs include the fixed and variable costs of acquiring new business. These costs are effectively deferred through the determination of policy liabilities at the balance date to the extent that they are deemed recoverable from premium or policy charges. Deferred acquisition costs are effectively amortised over the life of the policy.

Abnormal Item – Net market valuation of funds management businesses (2000)

In June 2000, the Commonwealth's principal funds management businesses were transferred to Commonwealth Insurance Holdings Limited (CIHL), a life insurance wholly owned controlled entity, as part of an internal restructuring. In accordance with AASB1038: Life Insurance Business, these entities are required to be carried at their net market valuation. The difference between the previous carrying value and the net market value results in an abnormal gain of $537 million.

Abnormal Item – Change of valuation bases of Commonwealth Life insurance business (2000)

The item arises from a change in the bases of valuation of the Commonwealth Life business to align them with those used for the equivalent Colonial businesses. The change in bases arose due to the following items:

- first time inclusion of franking credits;
- lower than previously estimated impact of business tax reforms; and
- revised assumptions for the new business multiplier.

These factors increased the valuation of CLL by $536 million.

Notes to and forming part of the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

(kk) Loan Securitisation

The Group conducts a loan securitisation program through which it packages and sells loans as securities to investors. For its services to the program, the Group receives fees such as loan servicing, program management and trustee fees on an arms length basis. Fee income is recognised in income on an accruals basis in relation to the period in which the costs of providing these services are incurred.

Interest rate swaps and liquidity facilities are provided at arms length to the program by the Group in accordance with APRA Prudential Guidelines.

The Group is entitled to any residual income of the program after all payments due to investors and costs of the program have been met.

Due to the significant uncertainties inherent in estimating the underlying loan repayment rates and interest margins, future cash flows cannot be reliably measured. Therefore, no asset/liability or gain/loss on sale of the loans has been recognised. The residual income is recognised in Other Income when receivable. Interest rates swaps are recognised in income on an accruals basis.

(ll) 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 38.

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

(mm) Superannuation plans

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

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

(nn) Comparative figures

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

(oo) 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.

(pp) Events Subsequent to Balance Date

On 22 August 2000, the Group purchased the 25% minority interest in ASB Group in New Zealand for NZD560 million ($430 million). This gives the Group a 100% interest in ASB Group.

NOTE 1A Acquisition of Colonial

On 13 June 2000, pursuant to a Scheme of Arrangement, the Group acquired a 100% interest in Colonial Limited, a life insurance, funds management and banking group. Under the scheme, Colonial ordinary shareholders accepted 7 new Commonwealth Bank shares for every 20 Colonial ordinary shares held. As a result, 351,409,450 new Commonwealth Bank shares were issued and allotted to Colonial shareholders and option holders, and $800 million paid to Colonial income security holders.

The assets acquired and the liabilities assumed have been measured at their fair values at 13 June 2000, including adjustments to bring accounting policies onto a consistent basis. Provisions for restructuring covering the planned integration of the Colonial operations into the existing Group and rationalisation of existing processing and administrative functions have been booked as a pre-acquisition cost in Colonial or as an abnormal charge in Commonwealth Bank, as applicable. The principal costs associated with this restructuring are staff redundancy payments, property and rental break costs, systems costs and supply contract renegotiation costs. The fair value adjustments principally relate to write-off of capitalised systems costs and additional general provisioning to bring Colonial onto a consistent provisioning methodology.

Consideration	$M
351,409,450 new Commonwealth Bank	
shares @ $26.39	9,274
Income securities payout	800
Transaction costs	46
Preacquisition dividend received	(1,000)
Cost of Acquisition	9,120
Fair value of net tangible assets acquired	
Cash & liquid assets	373
Receivables from other financial institutions	538
Trading securities	2,154
Investment securities	99
Loans, advances & other receivables	20,316
Bank acceptances of customers	477
Life insurance investment assets	15,504
Deposits with regulatory authorities	43
Property, plant and equipment	167
Investments in associates	117
Other assets	2,461
Deposits and other public borrowings	(13,024)
Payables due to other financial institutions	(267)
Bank acceptances	(477)
Income tax liability	(702)
Other provisions	(396)
Life insurance policy liabilities	(14,960)
Debt issues	(8,678)
Bills payable and other liabilities	(1,730)
Loan capital	(418)
Restructuring provision	(294)
	1,303
Outside equity interests in net assets acquired	(155)
Excess of net market value over	
net assets of life insurance controlled entities	2,548
Goodwill on acquisition	5,424
	9,120

	$M
The fair value of adjustments comprised:	
- Write off of capitalised costs	275
- Doubtful debt provisioning - general	120
- Doubtful debt provisioning - specific	29
- Other	51
	475
Income tax benefit - fair value adjustments	(148)
	327
Restructuring costs provisioned comprised	
- Staff	86
- Occupancy and equipment	90
- Information technology services	53
- Other	65
	294
Income tax benefit - restructuring costs	(50)
	244
Fair value adjustments and restructuring costs after tax	571

Notes to and forming part of the financial statements

NOTE 1A Acquisition of Colonial continued

Excess of net market value over net tangible assets of life insurance controlled entities.

An internal group restructuring of Colonial's life and funds management businesses was completed in June 2000, whereby all these businesses, except for some Asian businesses, were transferred to The Colonial Mutual Life Assurance Society Limited (CMLA), a life insurance controlled entity. These life and funds management businesses are valued at market value by CMLA. Consistent with the principles of market value accounting, as specified by AASB1038: Life Insurance Business, the above resulting Excess of net market value over net tangible assets of life insurance controlled entities is not amortised.

Goodwill

The goodwill emerging on the acquisition amounts to $5,424 million and will be amortised over a period of 20 years, representing the assessed life of the ongoing business. Upon achievement of the cost and revenue synergies anticipated from the integration of the Commonwealth and Colonial life insurance businesses, consideration may be given to accelerating the amortisation of a portion of this goodwill.

NOTE 2 Operating Profit

Operating profit before income tax has been determined as follows:

			GROUP		BANK
	2000 $M	1999 $M	1998 $M	**2000 $M**	1999 $M
Interest Income					
Loans	**7,663**	6,806	6,588	**6,126**	5,456
Other financial institutions	**191**	165	241	**176**	153
Cash and liquid assets	**78**	58	88	**76**	53
Trading securities	**295**	246	213	**224**	173
Investment securities	**586**	425	409	**437**	365
Dividends on redeemable preference shares	**24**	42	59	**(39)**	(36)
Controlled entities	**-**	-	-	**238**	186
Other	**5**	3	7	**1**	2
Total Interest Income	**8,842**	7,745	7,605	**7,239**	6,352
Interest Expense					
Deposits	**3,773**	3,353	3,343	**3,136**	2,651
Other financial institutions	**297**	207	218	**235**	182
Short term debt issues	**671**	393	293	**188**	305
Long term debt issues	**171**	106	183	**151**	93
Controlled entities	**-**	-	-	**316**	62
Loan capital	**210**	155	166	**204**	155
Other	**1**	4	5	**-**	3
Total Interest Expense	**5,123**	4,218	4,208	**4,230**	3,451
Net Interest Income	**3,719**	3,527	3,397	**3,009**	2,901
Other Operating Income					
Lending fees	**554**	474	472	**517**	444
Commission and other fees	**946**	807	678	**768**	672
Trading income					
Foreign exchange earnings	**146**	155	161	**130**	137
Trading securities	**105**	66	35	**91**	68
Other financial instruments (incl derivatives)	**60**	52	47	**60**	52
Dividends - controlled entities	**-**	-	-	**182**	463
- other	**20**	6	18	**13**	6
Net gain (loss) on investment securities	**12**	79	101	**7**	84
Net profit on sale of property, plant and equipment	**13**	24	34	**14**	23
Life insurance income (refer note 34)	**418**	157	130	**-**	-
Funds management income	**143**	97	75	**-**	-
General insurance premium income	**103**	94	79	**-**	-
Less general insurance claims paid	**(55)**	(63)	(46)	**-**	-
Other	**47**	49	49	**223**	212
Total Other Operating Income	**2,512**	1,997	1,833	**2,005**	2,161
Total Operating Income	**6,231**	5,524	5,230	**5,014**	5,062
Charge for Bad and Doubtful Debts (Note 13)					
General provisions	**196**	247	165	**191**	78
Specific provisions	**-**	-	68	**-**	-
Total Charge for Bad and Doubtful Debts	**196**	247	233	**191**	78

NOTE 2 Operating Profit continued

	GROUP 2000 $M	GROUP 1999 $M	GROUP 1998 $M	BANK 2000 $M	BANK 1999 $M
Staff Expenses					
Salaries and wages	**1,498**	1,406	1,412	**1,330**	1,265
Superannuation contributions	**2**	1	1	**-**	-
Provision for long service leave	**38**	42	32	**37**	41
Provision for annual leave	**3**	2	(7)	**1**	1
Provisions for other employee entitlements	**3**	(2)	-	**3**	(2)
Payroll tax	**75**	77	83	**72**	74
Fringe benefits tax	**33**	34	42	**32**	34
Other staff expenses	**53**	44	59	**35**	32
Total Staff Expenses	**1,705**	1,604	1,622	**1,510**	1,445
Occupancy and Equipment Expenses					
Operating lease rentals	**208**	158	141	**191**	152
Depreciation					
Buildings	**31**	51	62	**28**	47
Leasehold improvements	**28**	26	22	**26**	24
Equipment	**58**	68	103	**34**	47
Repairs and maintenance	**46**	64	69	**42**	51
Other	**66**	88	76	**50**	72
Total Occupancy and Equipment Expenses	**437**	455	473	**371**	393
Information Technology Services					
Projects and development	**186**	145	164	**169**	137
Data processing	**144**	141	102	**133**	131
Desktop	**103**	90	89	**102**	89
Communications	**138**	129	121	**130**	122
Total Information Technology Services	**571**	505	476	**534**	479
Other Expenses					
Postage	**81**	76	75	**75**	70
Stationery	**75**	69	53	**63**	57
Fees and commissions	**176**	112	116	**136**	100
Other	**362**	249	224	**262**	211
Total Other Expenses	**694**	506	468	**536**	438
Total Operating Expenses	**3,407**	3,070	3,039	**2,951**	2,755
Amortisation of Goodwill	**57**	47	46	**39**	39
Operating Profit before Abnormal Items	**2,571**	2,160	1,912	**1,833**	2,190
Revenue from Operating Activities					
Interest income	**8,842**	7,745	7,605	**7,239**	6,352
Fee and commissions	**1,500**	1,281	1,150	**1,285**	1,116
Trading income	**311**	273	243	**281**	257
Life insurance and funds management	**561**	254	205	**-**	-
Dividends	**20**	6	18	**195**	469
Proceeds from sale of property, plant and equipment	**14**	652	196	**22**	640
Proceeds from sale of investment securities	**17**	146	1,787	**7**	147
Other income	**95**	80	82	**223**	212
	11,360	10,437	11,286	**9,252**	9,193

There were no sources of revenue from non operating activities.

Notes to and forming part of the financial statements

NOTE 3 Average Balance Sheet and Related Interest

The table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rates for each of 1998, 1999 and 2000. Averages used are predominantly daily averages. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intergroup borrowings have been adjusted in the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non accrual loans are included in Interest Earning Assets under loans, advances and other receivables.

	2000			1999			1998		
	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									
Cash and liquid assets									
Australia	**1,860**	**78**	**4.2**	1,468	58	4.0	1,942	86	4.4
Overseas	**42**	**-**	**-**	119	-	-	156	2	1.3
Receivables due from other financial institutions									
Australia	**1,839**	**112**	**6.1**	1,481	79	5.3	1,882	106	5.6
Overseas	**1,307**	**79**	**6.0**	1,522	86	5.7	1,977	135	6.8
Deposits with regulatory authorities									
Australia	**-**	**-**	**-**	892	-	-	809	-	-
Overseas	**6**	**-**	**-**	2	-	-	-	-	-
Trading securities									
Australia	**3,754**	**196**	**5.2**	2,720	149	5.5	1,297	83	6.4
Overseas	**1,929**	**99**	**5.1**	1,700	97	5.7	1,709	130	7.6
Investment securities									
Australia	**4,082**	**260**	**6.4**	3,052	171	5.6	2,987	183	6.1
Overseas	**5,331**	**326**	**6.1**	4,659	254	5.5	3,662	226	6.2
Loans, advances and other receivables									
Australia	**94,913**	**6,701**	**7.1**	83,350	5,899	7.1	73,797	5,542	7.5
Overseas	**14,100**	**986**	**7.0**	13,306	949	7.1	11,947	1,105	9.2
Other interest earning assets	**-**	**5**	**n/a**	-	3	n/a	-	7	n/a
Intragroup loans									
Australia	**-**	**-**	**-**	414	23	5.6	713	43	6.0
Overseas	**2,825**	**168**	**5.9**	-	-	-	-	-	-
Average interest earning assets and interest income including intragroup	**131,988**	**9,010**	**6.8**	114,685	7,768	6.8	102,878	7,648	7.4
Intragroup eliminations	**(2,825)**	**(168)**	**5.9**	(414)	(23)	5.6	(713)	(43)	6.0
Total average interest earning assets and interest income	**129,163**	**8,842**	**6.8**	114,271	7,745	6.8	102,165	7,605	7.4
Non Interest Earning Assets									
Bank acceptances									
Australia	**10,533**			9,971			9,660		
Overseas	**21**			32			34		
Life insurance investment assets									
Australia	**9,732**			-			-		
Overseas	**240**			-			-		
Property, plant and equipment									
Australia	**755**			1,240			1,625		
Overseas	**187**			211			209		
Other assets									
Australia	**9,309**			9,739			8,883		
Overseas	**1,158**			2,085			2,015		
Provisions for impairment									
Australia	**(1,213)**			(1,210)			(950)		
Overseas	**(174)**			(158)			(86)		
Total average non interest earning assets	**30,548**			21,910			21,390		
Total Average Assets	**159,711**			136,181			123,555		
Percentage of total average assets applicable to overseas operations	**15.0%**			17.2%			17.5%		

NOTE 3 Average Balance Sheet and Related Interest continued

	2000			1999			1998		
	Average Balance $M	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Liabilities and Interest Expense									
Interest Bearing Liabilities and Loan Capital									
Time Deposits									
Australia	**38,176**	**2,022**	**5.3**	31,119	1,597	5.1	26,055	1,464	5.6
Overseas	**8,665**	**484**	**5.6**	9,201	591	6.4	8,300	718	8.7
Savings Deposits									
Australia	**25,248**	**460**	**1.8**	24,378	418	1.7	22,970	403	1.8
Overseas	**2,017**	**67**	**3.3**	2,120	81	3.8	1,680	104	6.2
Other demand deposits									
Australia	**17,662**	**696**	**3.9**	17,247	626	3.6	15,865	630	4.0
Overseas	**1,954**	**44**	**2.3**	1,682	40	2.4	1,375	24	1.7
Payables due to other financial institutions									
Australia	**961**	**56**	**5.8**	643	35	5.4	481	17	3.5
Overseas	**3,718**	**241**	**6.5**	3,367	172	5.1	3,175	201	6.3
Short term borrowings									
Australia	**5,285**	**285**	**5.4**	6,005	319	5.3	3,640	220	6.0
Overseas	**6,993**	**386**	**5.5**	2,130	74	3.5	1,656	73	4.4
Long term borrowings									
Australia	**2,330**	**128**	**5.5**	1,684	76	4.5	2,631	133	5.1
Overseas	**662**	**43**	**6.5**	808	30	3.7	874	50	5.7
Loan capital									
Australia	**3,336**	**204**	**6.1**	2,746	155	5.6	2,891	166	5.7
Overseas	**68**	**6**	**8.8**	-	-	-	-	-	-
Other interest bearing liabilities	**-**	**1**	**n/a**	-	4	n/a	57	5	8.8
Intragroup borrowings									
Australia	**2,825**	**168**	**5.9**	-	-	-	-	-	-
Overseas	**-**	**-**	**-**	414	23	5.6	713	43	6.0
Average interest bearing liabilities and loan capital and interest expense including intragroup	**119,900**	**5,291**	**4.4**	103,544	4,241	4.1	92,363	4,251	4.6
Intragroup eliminations	**(2,825)**	**(168)**	**5.9**	(414)	(23)	5.6	(713)	(43)	6.0
Total average interest bearing liabilities and loan capital and interest expense	**117,075**	**5,123**	**4.4**	103,130	4,218	4.1	91,650	4,208	4.6
Non Interest Bearing Liabilities									
Deposits not bearing interest									
Australia	**4,698**			3,952			3,738		
Overseas	**72**			76			58		
Liability on acceptances									
Australia	**10,533**			9,971			9,660		
Overseas	**21**			32			34		
Life insurance policy liabilities									
Australia	**9,458**			-			-		
Overseas	**201**			-			-		
Other liabilities									
Australia	**5,964**			9,632			9,377		
Overseas	**4,005**			2,383			1,990		
Total average non interest bearing liabilities	**34,952**			26,046			24,857		
Total average liabilities and loan capital	**152,027**			129,176			116,507		
Shareholders' equity	**7,684**			7,005			7,048		
Total average liabilities, loan capital and shareholders' equity	**159,711**			136,181			123,555		
Percentage of total average liabilities applicable to overseas operations	**18.7%**			16.9%			16.5%		

Notes to and forming part of the financial statements

NOTE 3 Average Balance Sheet and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis	**Year ended 30 June 2000 versus 1999**			Year ended 30 June 1999 versus 1998		
	Volume $M	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**16**	**4**	**20**	(20)	(8)	(28)
Overseas	**-**	**-**	**-**	-	(2)	(2)
Receivables due from other financial institutions						
Australia	**20**	**13**	**33**	(22)	(5)	(27)
Overseas	**(13)**	**6**	**(7)**	(28)	(21)	(49)
Deposits with regulatory authorities						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**-**	**-**	**-**	-	-	-
Trading securities						
Australia	**55**	**(8)**	**47**	85	(19)	66
Overseas	**12**	**(10)**	**2**	(1)	(32)	(33)
Investment securities						
Australia	**62**	**27**	**89**	4	(16)	(12)
Overseas	**39**	**33**	**72**	58	(30)	28
Loans, advances and other receivables						
Australia	**817**	**(15)**	**802**	697	(340)	357
Overseas	**56**	**(19)**	**37**	111	(267)	(156)
Other interest earning assets		**2**	**2**	-	(4)	(4)
Intragroup loans						
Australia	**-**	**-**	**-**	(17)	(3)	(20)
Overseas	**139**	**6**	**145**	-	-	-
Change in interest income including intragroup	**1,177**	**65**	**1,242**	839	(719)	120
Intragroup eliminations	**(139)**	**(6)**	**(145)**	17	3	20
Change in interest income	**1,014**	**83**	**1,097**	861	(721)	140
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	**368**	**57**	**425**	272	(139)	133
Overseas	**(32)**	**(75)**	**(107)**	68	(195)	(127)
Savings Deposits						
Australia	**15**	**27**	**42**	24	(9)	15
Overseas	**(4)**	**(10)**	**(14)**	22	(45)	(23)
Other demand deposits						
Australia	**16**	**54**	**70**	53	(57)	(4)
Overseas	**6**	**(2)**	**4**	6	10	16
Payables due to other financial institutions						
Australia	**18**	**3**	**21**	7	11	18
Overseas	**20**	**49**	**69**	11	(40)	(29)
Short term borrowings						
Australia	**(39)**	**5**	**(34)**	134	(35)	99
Overseas	**219**	**93**	**312**	19	(18)	1
Long term borrowings						
Australia	**32**	**20**	**52**	(45)	(12)	(57)
Overseas	**(7)**	**20**	**13**	(3)	(17)	(20)
Loan capital						
Australia	**35**	**14**	**49**	(8)	(3)	(11)
Overseas	**3**	**3**	**6**	-	-	-
Other interest bearing liabilities		**(3)**	**(3)**	-	(1)	(1)
Intragroup borrowings						
Australia	**139**	**6**	**145**	-	-	-
Overseas	**-**	**-**	**-**	(17)	(3)	(20)
Change in interest expense including intragroup	**696**	**354**	**1,050**	486	(496)	(10)
Intragroup eliminations	**(139)**	**(6)**	**(145)**	17	3	20
Change in interest expense	**590**	**315**	**905**	498	(488)	10
Change in net interest income	**424**	**(232)**	**192**	363	(233)	130

NOTE 3 Average Balance Sheet and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis

The preceding table shows the movement in interest income and expense due to changes in volume and changes in interest rates. Volume variances reflect the change in interest from the prior period due to movement in the average balance. Rate variance reflects the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories).

	GROUP		
	2000 $M	1999 $M	1998 $M
Net interest income	**3,719**	3,527	3,397
Average interest earnings assets	**129,163**	114,271	102,165

Interest Margins and Spreads

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

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

	%	%	%
Australia			
Interest spread adjusted for interest forgone on non accrual and restructured loans(1)	**2.71**	3.00	3.22
Interest forgone on non accrual and restructured loans	**(0.00)**	(0.02)	(0.04)
Interest Spread(2)	**2.71**	2.98	3.18
Benefit of net free liabilities, provisions and equity(3)	**0.42**	0.39	0.43
Australia Interest Margin(4)	**3.13**	3.37	3.61
Overseas			
Interest spread adjusted for interest forgone on non accrual and restructured loans(1)	**1.24**	1.45	1.44
Interest forgone on non accrual and restructured loans	**(0.02)**	(0.06)	(0.04)
Interest Spread(2)	**1.22**	1.39	1.40
Benefit of net free liabilities, provisions and equity(3)	**0.30**	0.38	0.57
Overseas Interest Margin(4)	**1.52**	1.77	1.97
Group			
Interest spread adjusted for interest forgone on non accrual and restructured loans(1)	**2.48**	2.71	2.89
Interest forgone on non accrual and restructured loans	**(0.01)**	(0.02)	(0.04)
Interest Spread(2)	**2.47**	2.69	2.85
Benefit of net free liabilities, provisions and equity(3)	**0.41**	0.40	0.48
Group Interest Margin(4)	**2.88**	3.09	3.33

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

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

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

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

NOTE 4 Abnormal Items

	GROUP			BANK	
	2000 $M	1999 $M	1998 $M	**2000 $M**	1999 $M
Abnormal items:					
Restructuring costs (Note 1(aa))	**(106)**	-	(200)	**(106)**	-
Net market valuation of funds management businesses (Note 1(jj))	**537**	-	-	**(26)**	-
Change of valuation bases of Commonwealth Life insurance businesses (Note 1(jj))	**536**	-	-	**-**	-
General provision charge for bad and doubtful debts (Note 1(o))	**-**	-	(370)	**-**	-
Total Abnormal Items Before Tax	**967**	-	(570)	**(132)**	-
Abnormal tax credit items:					
Restructuring costs (Note 1(aa))	**20**	-	72	**20**	-
Tax effecting general provision (Note 1 (y))	**-**	-	337	**-**	-
Total abnormal income tax credit	**20**	-	409	**20**	-
Total Abnormal Items After Tax	**987**	-	(161)	**(112)**	-

Notes to and forming part of the financial statements

NOTE 5 Income Tax Expense

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

	GROUP			BANK	
	2000 $M	1999 $M	1998 $M	**2000 $M**	1999 $M
Operating profit before abnormal items and income tax					
Banking	**2,213**	2,033	1,831	**1,833**	2,190
Life insurance and funds management	**358**	127	81	**-**	-
	2,571	2,160	1,912	**1,833**	2,190
Prima facie income tax at 36%					
Banking	**796**	732	659	**659**	789
Life insurance and funds management	**129**	45	29	**-**	-
	925	777	688	**659**	789
Add (or deduct) permanent differences expressed on a tax effect basis:					
Current Period					
Tax rate change	**23**	-	-	**38**	-
Increase in general provisions for bad and doubtful debts	**-**	-	9	**-**	-
Specific provisions for offshore bad and doubtful debts not tax effected	**(22)**	1	35	**(24)**	-
Non deductible depreciation on buildings	**3**	7	9	**3**	7
Taxation rebates (net of accruals)	**(38)**	(27)	(33)	**(75)**	(170)
Tax adjustment referable to policyholder income	**28**	-	-	**-**	-
Non assessable income - life insurance surplus	**(62)**	(36)	(27)	**-**	-
Change in excess of net market value over net assets of life insurance controlled entities	**(33)**	-	-	**-**	-
Non deductible goodwill amortisation	**21**	17	16	**14**	14
Employee share acquisition plan	**(9)**	-	(10)	**(9)**	-
Other	**(17)**	(19)	(13)	**(1)**	5
	(106)	(57)	(14)	**(54)**	(144)
Prior Periods					
Other	**1**	(6)	(33)	**-**	-
Income tax attributable to operating profit					
Banking	**759**	704	641	**605**	645
Life insurance and funds management	**61**	10	-	**-**	-
	820	714	641	**605**	645
Abnormal income tax expense (credit) (Note 4)					
Banking and finance	**(20)**	-	(409)	**(20)**	-
	(20)	-	(409)	**(20)**	-
Income tax expense	**800**	714	232	**585**	645
Income tax expense comprises:					
Current taxation provision	**730**	744	245	**536**	640
Deferred income (benefit)/tax provision	**137**	(24)	128	**128**	(25)
Future income tax benefit	**(109)**	(34)	(158)	**(115)**	13
Notional tax expense - leveraged leases	**34**	8	16	**29**	8
Other	**8**	20	1	**7**	9
Total Income Tax Expense	**800**	714	232	**585**	645
The components of income tax expense consist of the following:					
Current Australia	**677**	710	194	**535**	640
Overseas	**52**	34	51	**-**	-
	729	744	245	**535**	640
Deferred Australia	**73**	(46)	(13)	**50**	5
Overseas	**(2)**	16	-	**-**	-
	71	(30)	(13)	**50**	5

NOTE 5 Income Tax Expense continued

	GROUP 2000 $M	GROUP 1999 $M	GROUP 1998 $M	BANK 2000 $M	BANK 1999 $M
The significant temporary differences are as follows:					
Deferred income tax assets arising from:					
Provisions not tax deductible until expense incurred	**743**	255	272	**282**	216
Other	**156**	78	53	**(45)**	46
Future income tax benefits (Note 21)	**899**	333	325	**237**	262
Deferred income tax liabilities arising from:					
Leveraged leasing	**383**	461	437	**139**	198
Lease financing	**247**	209	185	**50**	56
Accelerated tax depreciation	**28**	41	47	**28**	40
Other	**541**	222	214	**147**	173
Total deferred income tax liabilities (Note 24)	**1,199**	933	883	**364**	467
Future income tax benefits attributable to tax losses carried forward as an asset (Note 21)	**181**	-	-	**-**	-
Future income tax benefits not taken to account					
Valuation allowance					
Opening balance	**146**	132	96	**140**	121
Prior year adjustments	**7**	(12)	6	**7**	(12)
Benefits now taken to account	**(11)**	(10)	(4)	**(11)**	(5)
Benefits not recognised	**31**	36	34	**31**	36
Closing balance (Note 21)	**173**	146	132	**167**	140

NOTE 6 Dividends Provided For, Reserved or Paid

	GROUP 2000 $M	GROUP 1999 $M	GROUP 1998 $M	BANK 2000 $M	BANK 1999 $M
Interim dividend (fully franked) of 58 cents per share (1999: 49 cents, 1998: 46 cents)					
Provision for interim dividend - cash component only	**405**	275	231	**405**	275
Declared final dividend (fully franked) of 72 cents per share (1999: 66 cents, 1998: 58 cents)					
Provision for final dividend - cash component only	**708**	472	321	**708**	472
Dividends provided for payments in cash or paid	**1,113**	747	552	**1,113**	747
Appropriations to Dividend Reinvestment Plan Reserve					
Interim dividend	**118**	183	189	**118**	183
Final dividend	**200**	133	214	**200**	133
Dividends appropriated to Dividend Reinvestment Plan Reserve	**318**	316	403	**318**	316
Total Dividends Provided for, Reserved or Paid	**1,431**	1,063	955	**1,431**	1,063

The Bank has changed its dividend policy for the year ended 30 June 2000. The amount of dividend to be paid is now based on profit after tax before goodwill amortisation and appraisal value uplift. Previously it was based on profit after tax.

Dividend Franking Account

The amount of franking credits available for subsequent financial years stands at $450 million. This figure represents the extent to which future dividends could be fully franked at 34%, and is based on the Bank's franking account at 30 June 2000, which has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the financial year ended 30 June 2000, franking debits that will arise from the payment of dividends proposed as at 30 June 2000 and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

Notes to and forming part of the financial statements

NOTE 6 Dividends Provided For, Reserved or Paid continued

Dividend History

Half Year Ended	Cents Per Share	Half Year Payout Ratio[(1)]	Full Year Payout Ratio[(1)]	DRP Price $	DRP Participation Rate[(3)]
31 December 1995	38	67.1%	-	9.96	48.6%
30 June 1996	52	88.3%	78.1%	10.64	46.5%
31 December 1996	45	68.2%	-	12.51	51.2%
30 June 1997	57	110.9%	87.0%	14.55	50.5%
31 December 1997 (on shares post buy back)	46	71.9%	-	18.06	43.0%
30 June 1998	58	109.3%	88.7%	18.79	42.2%
31 December 1998	49	63.9%	-	24.50	43.6%
30 June 1999	66	86.1%	75.0%	24.75	22.3%
31 December 1999	58	63.1%	-	24.42	22.6%
30 June 2000	72	77.9%	44.6% [(2)]		

(1) Dividend Payout Ratio: dividends per share divided by earnings per share.
(2) Full year payout ratio based on earnings before goodwill amortisation and appraisal value uplift was 71.8%.
(3) DRP Participation Rate: the percentage of total issued capital participating in the Dividend Reinvestment Plan.

NOTE 7 Earnings Per Share

			GROUP
	2000	1999	1998
	c	c	c
Earnings Per Ordinary Share (basic and fully diluted)			
-before abnormal items	**185**	153	134
-after abnormal items	**291**	153	117
Cash Basis Earnings Per Ordinary Share (basic and fully diluted)			
-before abnormal items	**181**	158	139
-after abnormal items	**181**	158	139
	$M	$M	$M
Reconciliation of earnings used in the calculation of earnings per share			
Operating profit after income tax (including abnormals)	**2,738**	1,446	1,110
Less: Outside equity interests	**(38)**	(24)	(20)
Earnings used in calculation of earnings per share	**2,700**	1,422	1,090
	Number of Shares		
	M	M	M
Weighted average number of ordinary shares used in the calculation of earnings per share	**927**	927	930

"Cash earnings" for the purpose of these financial statements is defined as net profit after tax and before abnormal items adjusted for goodwill amortisation and life insurance appraisal value uplift.

NOTE 8 Cash and Liquid Assets

	GROUP		BANK	
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Australia				
Notes, coins and cash at bankers	**944**	752	**680**	757
Money at short call	**147**	39	**-**	-
Securities purchased under agreements to resell	**1,226**	793	**1,226**	793
Bills receivable and remittances in transit	**189**	138	**189**	138
Total Australia	**2,506**	1,722	**2,095**	1,688
Overseas				
Notes, coins and cash at bankers	**35**	31	**-**	-
Money at short call	**32**	58	**8**	58
Bills receivable and remittances in transit	**2**	3	**-**	-
Total Overseas	**69**	92	**8**	58
Total Cash and Liquid Assets	**2,575**	1,814	**2,103**	1,746

NOTE 9 Receivables from Other Financial Institutions

	GROUP		BANK	
	2000 **$M**	1999 $M	**2000** **$M**	1999 $M
Australia	**4,159**	621	**3,697**	627
Overseas	**995**	585	**632**	555
Total Receivables from Other Financial Institutions	**5,154**	1,206	**4,329**	1,182

NOTE 10 Trading Securities

	GROUP		BANK	
	2000 **$M**	1999 $M	**2000** **$M**	1999 $M
Australia				
Listed:				
Australian Public Securities				
Commonwealth and States	**168**	603	**90**	317
Local and semi-government	**590**	47	**309**	47
Other Securities	**340**	-	**204**	-
Unlisted:				
Commercial paper	**121**	176	**121**	176
Bills of exchange	**2,771**	890	**1,444**	890
Certificates of deposit	**885**	642	**1,599**	642
Medium term notes	**605**	693	**488**	693
Other Securities	**-**	168	**-**	168
Total Australia	**5,480**	3,219	**4,255**	2,933
Overseas				
Listed:				
Eurobonds	**322**	212	**322**	212
Bills of exchange	**763**	814	**-**	-
Other securities	**77**	32	**77**	32
Unlisted:				
Government securities	**20**	22	**17**	-
Commercial paper	**349**	340	**-**	6
Other securities	**336**	69	**21**	68
Total Overseas	**1,867**	1,489	**437**	318
Total Trading Securities	**7,347**	4,708	**4,692**	3,251

Notes to and forming part of the financial statements

NOTE 11 Investment Securities	GROUP 2000 $M	GROUP 1999 $M	GROUP 1998 $M	BANK 2000 $M	BANK 1999 $M
Australia					
Listed					
Australian Public Securities					
Commonwealth and States	**2,670**	2,635	1,960	**2,665**	2,611
Treasury notes	**-**	-	-	**-**	-
Other securities and equity investments	**285**	282	578	**278**	278
Unlisted					
Bills of exchange	**30**	-	17	**-**	-
Medium term notes	**1,050**	160	141	**163**	160
Other securities and equity investments	**111**	70	455	**25**	9
Total Australia	**4,146**	3,147	3,151	**3,131**	3,058
Overseas					
Listed:					
Government securities	**287**	234	179	**287**	234
Treasury notes	**-**	5	5	**-**	5
Certificates of deposit	**-**	-	547	**-**	-
Eurobonds	**951**	583	539	**951**	583
Other securities	**767**	484	447	**712**	484
Unlisted:					
Government securities	**-**	1	25	**-**	1
Treasury notes	**5**	-	-	**5**	1
Certificates of deposit	**1,181**	1,228	648	**1,181**	1,228
Eurobonds	**141**	317	227	**141**	317
Medium term notes	**171**	27	29	**171**	27
Commercial paper	**159**	228	182	**159**	228
Other securities and equity investments	**1,341**	933	879	**431**	542
Total Overseas	**5,003**	4,040	3,707	**4,038**	3,650
Total Investment Securities	**9,149**	7,187	6,858	**7,169**	6,708

NOTE 11 Investment Securities continued

	GROUP Market Value At 30 June 2000 $M	1999 $M	1998 $M
Market Value			
Australia			
Australian Public Securities			
Commonwealth and States	**2,672**	2,637	1,994
Bills of exchange	**30**	-	17
Medium term notes	**1,057**	171	159
Other securities and equity investment	**407**	333	1,092
Total Australia	**4,166**	3,141	3,262
Overseas			
Government securities	**295**	243	231
Treasury notes	**5**	5	5
Certificates of deposit	**1,181**	1,236	1,201
Eurobonds	**1,094**	924	811
Medium Term Notes	**153**	20	25
Other securities and equity investments	**2,255**	1,627	1,544
Total Overseas	**4,983**	4,055	3,817
Total Investment Securities	**9,149**	7,196	7,079
Net Unrealised Surplus/(Deficit)	**-**	9	221

Gross Unrealised Gains and Losses of Group

The following table sets out the gross unrealised gains and losses of the Group's Investment Securities.

	At 30 June 2000				At 30 June 1999			
	Amortised Cost $M	**Gross Unrealised Gains $M**	**Losses $M**	**Fair Value $M**	Amortised Cost $M	Gross Unrealised Gains $M	Losses $M	Fair Value $M
Australia								
Australian Public Securities								
Commonwealth and States	**2,670**	**13**	**11**	**2,672**	2,635	13	11	2,637
Bills of exchange	**30**	**-**	**-**	**30**	-	-	-	-
Medium term notes	**1,050**	**8**	**1**	**1,057**	160	11	-	171
Other securities and equity investments [(1)]	**396**	**11**	**-**	**407**	352	-	19	333
Total Australia	**4,146**	**32**	**12**	**4,166**	3,147	24	30	3,141
Overseas								
Government securities	**287**	**9**	**1**	**295**	235	10	2	243
Treasury notes	**5**	**-**	**-**	**5**	5	-	-	5
Certificates of deposit	**1,181**	**-**	**-**	**1,181**	1,228	46	38	1,236
Eurobonds	**1,092**	**40**	**38**	**1,094**	900	46	22	924
Medium term notes	**171**	**-**	**18**	**153**	27	-	7	20
Other securities and equity investments	**2,267**	**21**	**33**	**2,255**	1,645	-	18	1,627
Total Overseas	**5,003**	**70**	**90**	**4,983**	4,040	102	87	4,055
Total Investment Securities	**9,149**	**102**	**102**	**9,149**	7,187	126	117	7,196

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.

(1) Equity derivatives are in place to hedge equity market risk in respect of structured equity products for customers. There are $11 million of net deferred losses on these contracts (1999: $19 million net deferred gains) which offset the above unrealised losses and these are disclosed within Note 39. At the end of the financial year $71 million of net deferred losses (1999: $71 million) are included in the amortised cost value.

Notes to and forming part of the financial statements

NOTE 11 Investment Securities continued

Maturity Distribution and Average Yield

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

									Maturity Period at 30 June 2000
	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	**1,541**	**5.86**	**358**	**6.25**	**600**	**6.50**	**171**	**6.90**	**2,670**
Bank Bills	**30**	**6.26**	**-**	**-**	**-**	**-**	**-**	**-**	**30**
Medium Term Notes	**75**	**9.35**	**952**	**9.24**	**23**	**9.19**	**-**	**-**	**1,050**
Other securities, commercial paper and equity investments	**322**	**4.40**	**-**	**-**	**-**	**-**	**74**	**6.51**	**396**
Total Australia	**1,968**		**1,310**		**623**		**245**		**4,146**
Overseas									
Government securities	**113**	**7.42**	**174**	**6.55**	**-**	**-**	**-**	**-**	**287**
Treasury Notes	**5**	**2.81**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Certificates of Deposit	**1,181**	**6.38**	**-**	**-**	**-**	**-**	**-**	**-**	**1,181**
Eurobonds	**17**	**12.38**	**484**	**8.78**	**591**	**8.24**	**-**	**-**	**1,092**
Medium Term Notes	**-**	**-**	**30**	**6.21**	**141**	**6.01**	**-**	**-**	**171**
Other securities, commercial paper and equity investments	**260**	**6.48**	**1,029**	**8.41**	**676**	**6.59**	**302**	**6.48**	**2,267**
Total Overseas	**1,576**		**1,717**		**1,408**		**302**		**5,003**
Total Investment Securities	**3,544**		**3,027**		**2,031**		**547**		**9,149**
Maturities at Fair Value	**3,562**		**3,050**		**2,008**		**529**		**9,149**

Additional Disclosure

Proceeds at or close to maturity of investment securities were $15,212 million (1999: $12,431 million, 1998: $8,681 million).

Proceeds from sale of investment securities were $17 million (1999: $146 million, 1998: $1,787 million).

Realised capital gains were $12 million (1999: realised capital gains $85 million and realised capital losses $6 million, 1998: realised capital gains $65 million).

NOTE 12 Loans, Advances and Other Receivables	GROUP 2000 $M	GROUP 1999 $M	BANK 2000 $M	BANK 1999 $M
Australia				
Overdrafts	**5,231**	3,821	**4,850**	3,821
Housing loans	**61,056**	45,495	**49,346**	45,495
Credit card outstandings	**3,501**	2,510	**3,033**	2,510
Lease financing	**5,565**	3,966	**1,706**	1,207
Bills discounted	**991**	1,650	**991**	1,654
Term loans	**39,579**	29,607	**27,779**	25,535
Redeemable preference share financing	**641**	682	**50**	89
Equity participation in leveraged leases	**1,659**	1,737	**617**	774
Other lending	**1,708**	1,607	**942**	1,052
Total Australia	**119,931**	91,075	**89,314**	82,137
Overseas				
Overdrafts	**1,080**	760	**-**	-
Housing loans	**7,266**	7,151	**65**	85
Credit card outstandings	**208**	162	**-**	-
Lease financing	**228**	166	**73**	-
Bills discounted	**-**	2	**-**	2
Term loans	**6,837**	5,250	**2,703**	2,131
Other Lending	**218**	-	**-**	-
Total Overseas	**15,837**	13,491	**2,841**	2,218
Gross Loans, Advances and Other Receivables	**135,768**	104,566	**92,155**	84,355
Less -				
Provisions for impairment (Note 13)				
General provision	**(1,358)**	(1,081)	**(1,004)**	(932)
Specific provision against loans and advances	**(431)**	(275)	**(175)**	(209)
Unearned income				
Term loans	**(558)**	(437)	**-**	-
Lease financing	**(691)**	(489)	**(226)**	(142)
Leveraged leases	**(216)**	(243)	**(37)**	(38)
Interest reserved	**(131)**	(68)	**(34)**	(62)
Unearned tax remissions on leveraged leases	**(120)**	(136)	**(18)**	(20)
	(3,505)	(2,729)	**(1,494)**	(1,403)
Net Loans, Advances and Other Receivables	**132,263**	101,837	**90,661**	82,952
Lease receivables, net of unearned income				
(included above)				
Current	**1,695**	1,250	**507**	348
Non current	**3,407**	2,393	**1,046**	717
	5,102	3,643	**1,553**	1,065

Notes to and forming part of the financial statements

NOTE 12 Loans, Advances and Other Receivables continued

Leasing arrangements

The Retail Financial Services division of the Group provides vehicle and equipment lease finance to a broad range of industries including transport, service, earthmoving, construction, manufacturing and mining. Most lease finance arrangements are for terms between 3 and 5 years and rentals are generally payable monthly in advance.

Institutional Banking division provides leasing services and hire purchase to corporate clients for a range of equipment. They also arrange off balance sheet finance for large scale long life plant and equipment across different tax jurisdictions.

		GROUP		BANK
	2000	**1999**	**2000**	**1999**
	$M	**$M**	**$M**	**$M**
Finance Leases				
Minimum lease payments receivable:				
No later than one year	**1,949**	1,388	**562**	381
Later than one year but not later than five years	**3,725**	2,657	**1,179**	799
Later than five years	**119**	87	**38**	27
Lease financing	**5,793**	4,132	**1,779**	1,207
Leverage Leases				
Minimum lease payments receivable:				
No later than one year	**119**	125	**67**	84
Later than one year but not later than five years	**697**	730	**426**	534
Later than five years	**843**	882	**124**	156
Equity participation in leveraged lease	**1,659**	1,737	**617**	774

NOTE 12 Loans, Advances and Other Receivables continued

Maturity Distribution of Loans

The following table sets forth the contractual maturity distribution of the Group's loans, advances and other receivables (excluding bank acceptances) at 30 June 2000.

	GROUP Maturity Period at 30 June 2000			
	Maturing One Year or Less $M	Maturing Between One & Five Years $M	Maturing After Five Years $M	Total $M
Australia				
Government and Public Authorities	**286**	**723**	**672**	**1,681**
Agriculture, Forestry and Fishing	**1,584**	**1,988**	**1,114**	**4,686**
Financial, Investment and Insurance	**3,601**	**1,031**	**535**	**5,167**
Real Estate				
Mortgage [1]	**3,388**	**10,182**	**47,486**	**61,056**
Construction [2]	**1,305**	**873**	**449**	**2,627**
Personal	**5,426**	**6,344**	**2,404**	**14,174**
Lease Financing	**1,805**	**4,040**	**1,092**	**6,937**
Other Commercial and Industrial	**11,665**	**8,656**	**3,282**	**23,603**
Total Australia	**29,060**	**33,837**	**57,034**	**119,931**
Overseas				
Government and Public Authorities	**124**	**71**	**9**	**204**
Agriculture, Forestry and Fishing	**249**	**747**	**-**	**996**
Financial, Investment and Insurance	**880**	**704**	**694**	**2,278**
Real Estate				
Mortgage [1]	**220**	**2,884**	**4,162**	**7,266**
Construction [2]	**62**	**90**	**-**	**152**
Personal	**832**	**323**	**315**	**1,470**
Lease Financing	**93**	**52**	**72**	**217**
Other Commercial and Industrial	**2,071**	**660**	**523**	**3,254**
Total Overseas	**4,531**	**5,531**	**5,775**	**15,837**
Gross Loans, Advances and Other Receivables	**33,591**	**39,368**	**62,809**	**135,768**
Interest Rate Sensitivity of Lending				
Variable Interest Rates				
Australia	**19,845**	**13,015**	**33,452**	**66,312**
Overseas	**3,444**	**3,358**	**1,277**	**8,079**
Total	**23,289**	**16,373**	**34,729**	**74,391**
Fixed Interest Rates				
Australia	**9,215**	**20,822**	**23,582**	**53,619**
Overseas	**1,087**	**2,173**	**4,498**	**7,758**
Total	**10,302**	**22,995**	**28,080**	**61,377**
Gross Loans, Advances and Other Receivables	**33,591**	**39,368**	**62,809**	**135,768**

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

[2] Financing real estate and land development projects.

Notes to and forming part of the financial statements

					GROUP		BANK
NOTE 13 Provisions For Impairment	**2000 $M**	1999 $M	1998 $M	1997 $M	1996 $M	**2000 $M**	1999 $M
Provisions for Impairment							
General Provisions							
Opening balance	**1,081**	1,076	690	613	476	**932**	995
Abnormal charge	**-**	-	370	-	-	**-**	-
Charge against profit and loss	**196**	247	165	36	99	**191**	78
Acquired provisions	**214**	-	-	-	-	**-**	-
Transfer to specific provisions	**(140)**	(239)	(155)	-	-	**(137)**	(159)
Bad debts recovered	**54**	51	48	80	74	**45**	43
Adjustments for exchange rate fluctuations	**(3)**	(7)	-	2	(3)	**1**	-
	1,402	1,128	1,118	731	646	**1,032**	957
Bad debts written off	**(44)**	(47)	(42)	(41)	(33)	**(28)**	(25)
Closing balance	**1,358**	1,081	1,076	690	613	**1,004**	932
Specific Provisions							
Opening balance	**275**	279	241	318	511	**209**	262
Charge against profit and loss							
New and increased provisions	**-**	-	105	152	155	**-**	-
Write-back of provisions no longer required	**-**	-	(37)	(90)	(141)	**-**	-
Acquired provisions	**219**	-	-	-	-	**-**	-
Transfer from general provision for							
New and increased provisioning	**236**	284	175	-	-	**208**	198
Less write-back of provisions no longer required	**(96)**	(45)	(20)	-	-	**(71)**	(39)
Net transfer	**140**	239	155	-	-	**137**	159
	-					**-**	
Adjustments for exchange rate fluctuations and other	**5**	(8)	(6)	6	(4)	**(3)**	(29)
items	**639**	510	458	386	521	**343**	392
Bad debts written off	**(207)**	(235)	(179)	(145)	(203)	**(168)**	(183)
Closing balance	**432**	275	279	241	318	**175**	209
Total Provisions for Impairment	**1,790**	1,356	1,355	931	931	**1,179**	1,141
	-						
Specific provisions for impairment comprise the following segments:							
Provisions against loans and advances	**431**	275	279	241	310	**175**	209
Provisions for diminution	**1**	-	-	-	8	**-**	-
Total	**432**	275	279	241	318	**175**	209
Includes specific provisions on indemnified loans	**40**	-	-	-	-	**-**	-
	%	%	%	%	%	**%**	%
Provision Ratios [(1)]							
Specific provisions for impairment as % of gross impaired assets net of interest reserved	**43.03**	46.69	37.60	30.24	29.94	**34.93**	42.65
Total provisions for impairment as % of gross impaired assets net of interest reserved	**178.29**	230.22	182.61	116.81	87.66	**235.14**	232.86
General provisions as % of risk weighted assets	**1.06**	1.09	1.14	0.79	0.79	**0.92**	1.09
	$M	$M	$M	$M	$M	**$M**	$M
Charge to profit and loss for bad and doubtful debts comprises:							
General provisions	**196**	247	165	36	99	**191**	78
Specific provisions	**-**	-	68	62	14	**-**	-
Total Charge for Bad and Doubtful Debts	**196**	247	233	98	113	**191**	78
						-	
Ratio of net charge-offs during the period to Average gross loans, advances and other receivables outstanding during the period	**0.2%**	0.3%	0.3%	0.1%	0.2%	**0.2%**	0.1%

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

NOTE 13 Provisions For Impairment continued	GROUP **2000** **$M**	GROUP 1999 $M	BANK **2000** **$M**	BANK 1999 $M
Total charge for bad and doubtful debts	**196**	247	**191**	78
The charge is required for				
Specific Provisioning				
New and increased provisioning	**236**	284	**208**	198
Less provisions no longer required	**(96)**	(45)	**(71)**	(39)
Net specific provisioning	**140**	239	**137**	159
Provided from general provision	**(140)**	(239)	**(137)**	(159)
Charge to profit and loss	**-**	-	**-**	-
General Provisioning				
Direct write-offs	**34**	44	**28**	25
Recoveries of amounts previously written off	**(54)**	(51)	**(45)**	(43)
Movement in general provision	**76**	15	**71**	(63)
Funding of specific provisions	**140**	239	**137**	159
Charge to profit and loss	**196**	247	**191**	78
Total Charge for Bad and Doubtful Debts	**196**	247	**191**	78

Specific Provisions for Impairment by Industry Category

The following table sets forth the Group's specific provisions for impairment by industry category as at 30 June 1996, 1997, 1998, 1999 and 2000.

	2000(3) $M	1999 $M	1998 $M	1997 $M	At 30 June 1996 $M
Australia					
Government and Public Authorities	**-**	-	-	-	-
Agriculture, Forestry and Fishing	**35**	15	20	21	34
Financial, Investment and Insurance	**23**	23	16	22	50
Real Estate					
Mortgage (1)	**8**	4	3	4	3
Construction (2)	**6**	35	8	11	16
Personal	**17**	15	14	12	17
Lease Financing	**6**	4	-	-	1
Other Commercial and Industrial	**110**	82	113	152	185
Total Australia	**205**	178	174	222	306
Overseas					
Government and Public Authorities	**13**	-	-	-	-
Agriculture, Forestry and Fishing	**-**	-	1	1	1
Financial, Investment and Insurance	**1**	-	-	2	2
Real Estate					
Mortgage (1)	**3**	3	5	-	-
Construction (2)	**-**	-	10	-	1
Personal	**69**	2	-	-	-
Lease Financing	**-**	-	-	-	-
Other Commercial and Industrial	**141**	92	89	16	8
Total Overseas	**227**	97	105	19	12
Total Specific Provisions	**432**	275	279	241	318

(1) Principally owner occupied housing.
(2) Financing real estate and land development projects.
(3) Includes Colonial Indemnified Provisions of $40 million.

Notes to and forming part of the financial statements

NOTE 13 Provisions For Impairment continued

Bad Debts Written Off by Industry Category

The following table sets forth the Group's bad debts written-off and bad debts recovered for Financial Years 1996, 1997, 1998, 1999 and 2000.

					Year ended 30 June
	2000	1999	1998	1997	1996
	$M	$M	$M	$M	M
Australia					
Government and Public Authorities	**-**	-	-	-	-
Agriculture, Forestry and Fishing	**6**	7	9	15	20
Financial, Investment and Insurance	**2**	4	4	4	25
Real Estate					
Mortgage [(1)]	**8**	9	11	9	5
Construction [(2)]	**24**	7	6	14	17
Personal	**104**	94	86	58	52
Lease Financing	**11**	11	6	5	4
Other Commercial and Industrial	**90**	71	79	69	93
Total Australia	**245**	203	201	174	216
Overseas					
Government and Public Authorities	**-**	-	-	-	-
Agriculture, Forestry and Fishing	**-**	-	-	-	-
Financial, Investment and Insurance	**-**	-	3	-	1
Real Estate					
Mortgage [(1)]	**1**	1	1	1	-
Construction [(2)]	**-**	14	-	2	-
Personal	**4**	-	6	3	3
Lease Financing	**-**	3	-	-	-
Other Commercial and Industrial	**1**	61	10	6	16
Total Overseas	**6**	79	20	12	20
Gross Bad Debts Written Off	**251**	282	221	186	236
Bad Debts Recovered					
Australia	**46**	48	46	63	65
Overseas	**8**	3	2	17	9
Bad Debts Recovered	**54**	51	48	80	74
Net Bad Debts Written Off	**197**	231	173	106	162

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

NOTE 13 Provisions For Impairment continued

Bad Debts Recovered by Industry Category

The following table sets forth the Group's bad debts recovered by industry category for Financial Years 1996, 1997, 1998, 1999 and 2000.

					Year ended 30 June
	2000	1999	1998	1997	1996
	$M	$M	$M	$M	$M
Australia					
Government and Public Authorities	**-**	-	-	-	-
Agriculture, Forestry and Fishing	**2**	2	4	5	5
Financial, Investment and Insurance	**1**	2	6	8	7
Real Estate					
Mortgage [(1)]	**1**	-	-	-	-
Construction [(2)]	**2**	1	1	1	1
Personal	**28**	27	21	16	16
Lease Financing	**2**	2	2	2	2
Other Commercial and Industrial	**10**	14	12	31	34
Total Australia	**46**	48	46	63	65
Overseas					
Government and Public Authorities	**-**	-	-	-	-
Agriculture, Forestry and Fishing	**-**	-	-	-	-
Financial, Investment and Insurance	**2**	-	-	2	3
Real Estate					
Mortgage [(1)]	**-**	-	-	-	-
Construction [(2)]	**1**	-	-	2	2
Personal	**3**	3	2	1	1
Lease Financing	**-**	-	-	-	-
Other Commercial and Industrial	**2**	-	-	12	3
Total Overseas	**8**	3	2	17	9
Bad Debts Recovered	**54**	51	48	80	74

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

Notes to and forming part of the financial statements

NOTE 14 Credit Risk Concentrations

Management of the Credit Business

Credit risk is the potential for loss arising from:

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

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

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

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

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

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

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

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

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

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

NOTE 14 Credit Risk Concentrations continued

Total Gross Credit Risk by Industry

The following table sets out the Group's Total Gross Credit Risk by industry as at 30 June 1996, 1997, 1998, 1999 and 2000. The industry profile of the loans, advances and other receivables content for the five financial years to 30 June 2000 is shown on page 94.

					At 30 June
	2000	1999	1998	1997	1996
	$M	$M	$M	$M	$M
Industry					
Australia					
Government and Public Authorities	**6,195**	6,162	5,200	6,686	6,080
Agriculture, Forestry and Fishing	**6,141**	5,303	4,791	3,743	3,741
Financial, Investment and Insurance	**20,908**	15,430	17,654	14,878	13,642
Real Estate					
Mortgage	**61,281**	49,150	41,231	37,498	33,930
Construction	**4,205**	3,830	2,790	2,705	2,635
Personal	**15,326**	10,688	8,659	7,183	6,967
Lease Financing	**6,937**	3,100	1,940	4,277	4,245
Other Commercial and Industrial	**47,297**	34,955	34,145	29,116	24,349
Total Australia	**168,290**	128,618	116,410	106,086	95,589
Overseas					
Government and Public Authorities	**1,152**	493	819	1,048	806
Agriculture, Forestry and Fishing	**1,017**	833	640	595	376
Financial, Investment and Insurance	**8,008**	5,631	7,012	7,147	7,005
Real Estate					
Mortgage	**7,268**	7,152	6,275	5,983	4,864
Construction	**152**	579	505	166	233
Personal	**1,487**	542	290	412	256
Lease Financing	**217**	191	173	-	1
Other Commercial and Industrial	**10,300**	7,945	8,091	6,759	4,824
Total Overseas	**29,601**	23,366	23,805	22,110	18,365
Total Gross Credit Risk	**197,891**	151,984	140,215	128,196	113,954
Less unearned income	**(1,465)**	(1,169)	(1,193)	(1,019)	(963)
Total Credit Risk	**196,426**	150,815	139,022	127,177	112,991

Notes to and forming part of the financial statements

NOTE 14 Credit Risk Concentrations continued

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

Risk Concentration of the Group By Asset Class 30 June 2000

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	**857**	**2,674**	**1,681**	**376**	**144**	**463**	**6,195**
Agriculture, Forestry and Fishing	**-**	**-**	**4,686**	**1,113**	**151**	**191**	**6,141**
Financial, Investment and Insurance	**2,380**	**125**	**5,167**	**2,633**	**1,868**	**4,576**	**16,749**
Real Estate							
Mortgage	**-**	**-**	**61,056**	**117**	**108**	**-**	**61,281**
Construction	**-**	**-**	**2,627**	**962**	**532**	**84**	**4,205**
Personal	**-**	**-**	**14,174**	**189**	**962**	**1**	**15,326**
Lease Financing			**6,937**				**6,937**
Other Commercial and Industrial	**2,243**	**1,347**	**23,603**	**5,717**	**11,197**	**3,190**	**47,297**
Total Australia	**5,480**	**4,146**	**119,931**	**11,107**	**14,962**	**8,505**	**164,131**
Overseas							
Government and Public Authorities	**351**	**290**	**204**	**-**	**304**	**3**	**1,152**
Agriculture, Forestry and Fishing	**21**	**-**	**996**	**-**	**-**	**-**	**1,017**
Financial, Investment and Insurance	**935**	**1,561**	**2,278**	**-**	**598**	**1,595**	**6,967**
Real Estate							
Mortgage	**-**	**-**	**7,266**	**-**	**2**	**-**	**7,268**
Construction	**-**	**-**	**152**	**-**	**-**	**-**	**152**
Personal	**16**	**-**	**1,470**	**-**	**1**	**-**	**1,487**
Lease Financing	**-**	**-**	**217**	**-**	**-**	**-**	**217**
Other Commercial and Industrial	**544**	**3,152**	**3,254**	**-**	**3,171**	**179**	**10,300**
Total Overseas	**1,867**	**5,003**	**15,837**	**-**	**4,076**	**1,777**	**28,560**
Gross Balances	**7,347**	**9,149**	**135,768**	**11,107**	**19,038**	**10,282**	**192,691**
Other Risk Concentrations							
Receivables due from other financial institutions							**5,154**
Deposits with regulatory authorities							**46**
Total Gross Credit Risk							**197,891**

Risk concentrations for contingent liabilities and derivatives are based on the credit equivalent balance in Note 38, Contingent Liabilities and Note 39, Market Risk respectively.

NOTE 14 Credit Risk Concentrations continued

Risk Concentration of the Group by Asset Class 30 June 1999

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and Public Authorities	650	2,635	1,727	387	625	138	6,162
Agriculture, Forestry and Fishing	-	-	4,203	859	220	21	5,303
Financial, Investment and Insurance	1,532	-	4,048	2,594	1,176	4,507	13,857
Real Estate							
Mortgage	-	-	45,495	126	3,529	-	49,150
Construction	-	-	2,105	743	969	13	3,830
Personal	-	-	10,144	208	336	-	10,688
Lease Financing	-	-	3,100	-	-	-	3,100
Other Commercial and Industrial	1,037	512	20,253	4,717	7,479	957	34,955
Total Australia	3,219	3,147	91,075	9,634	14,334	5,636	127,045
Overseas							
Government and Public Authorities	22	240	157	-	69	5	493
Agriculture, Forestry and Fishing	-	-	833	-	-	-	833
Financial, Investment and Insurance	814	1,228	1,507	-	276	1,220	5,045
Real Estate							
Mortgage	-	-	7,151	-	1	-	7,152
Construction	-	-	427	-	152	-	579
Personal	-	-	539	-	3	-	542
Lease Financing	-	-	191	-	-	-	191
Other Commercial and Industrial	653	2,572	2,686	38	1,912	84	7,945
Total Overseas	1,489	4,040	13,491	38	2,413	1,309	22,780
Gross Balances	4,708	7,187	104,566	9,672	16,747	6,945	149,825
Other Risk Concentrations							
Receivables due from other financial institutions							1,206
Deposits with regulatory authorities							953
Total Gross Credit Risk							151,984

Notes to and forming part of the financial statements

NOTE 14 Credit Risk Concentrations continued

	Risk Concentration of the Group's Impaired Assets 30 June 2000					
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	**6,195**	**-**	**-**	**-**	**-**	**-**
Agriculture, Forestry and Fishing	**6,141**	**101**	**35**	**6**	**(2)**	**4**
Financial, Investment and Insurance	**16,749**	**53**	**23**	**2**	**(1)**	**1**
Real Estate						
Mortgage	**61,281**	**37**	**8**	**8**	**(1)**	**7**
Construction	**4,205**	**60**	**6**	**24**	**(2)**	**22**
Personal	**15,326**	**10**	**17**	**104**	**(28)**	**76**
Lease Financing	**6,937**	**18**	**6**	**11**	**(2)**	**9**
Other Commercial and Industrial	**47,297**	**445**	**110**	**90**	**(10)**	**80**
Total Australia	**164,131**	**724**	**205**	**245**	**(46)**	**199**
Overseas						
Government and Public Authorities	**1,152**	**55**	**13**	**-**	**-**	**-**
Agriculture, Forestry and Fishing	**1,017**	**1**	**-**	**-**	**-**	**-**
Financial, Investment and Insurance	**6,967**	**85**	**1**	**-**	**(2)**	**(2)**
Real Estate						
Mortgage	**7,268**	**-**	**3**	**1**	**-**	**1**
Construction	**152**	**-**	**-**	**-**	**(1)**	**(1)**
Personal	**1,487**	**53**	**69**	**4**	**(3)**	**1**
Lease Financing	**217**	**-**	**-**	**-**	**-**	**-**
Other Commercial and Industrial	**10,300**	**217**	**141**	**1**	**(2)**	**(1)**
Total Overseas	**28,560**	**411**	**227**	**6**	**(8)**	**(2)**
Gross Balances	**192,691**	**1,135**	**432**	**251**	**(54)**	**197**
Receivables due from other financial institutions	**5,154**					
Deposits with regulatory authorities	**46**					
Total Gross Credit Risk	**197,891**					

NOTE 14 Credit Risk Concentrations continued

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write-offs $M	Recoveries $M	Net Write-offs $M
		Risk Concentration of the Group's Impaired Assets 30 June 1999				
Australia						
Government and Public Authorities	6,162	-	-	-	-	-
Agriculture, Forestry and Fishing	5,303	55	15	7	(2)	5
Financial, Investment and Insurance	13,857	47	23	4	(2)	2
Real Estate						
Mortgage	49,150	-	4	9	-	9
Construction	3,830	101	35	7	(1)	6
Personal	10,688	10	15	94	(27)	67
Lease Financing	3,100	5	4	11	(2)	9
Other Commercial and Industrial	34,955	278	82	71	(14)	57
Total Australia	127,045	496	178	203	(48)	155
Overseas						
Government and Public Authorities	493	-	-	-	-	-
Agriculture, Forestry and Fishing	833	1	-	-	-	-
Financial, Investment and Insurance	5,045	-	-	-	-	-
Real Estate						
Mortgage	7,152	-	3	1	-	1
Construction	579	-	-	14	-	14
Personal	542	-	2	-	(3)	(3)
Lease Financing	191	-	-	3	-	3
Other Commercial and Industrial	7,945	160	92	61	-	61
Total Overseas	22,780	161	97	79	(3)	76
Gross Balances	149,825	657	275	282	(51)	231
Receivables due from other financial institutions	1,206					
Deposits with regulatory authorities	953					
Total Gross Credit Risk	151,984					

Large Exposures

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

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

	2000	1999	1998	1997	1996
	Number	Number	Number	Number	Number
10% to less than 15% of Group's capital resources	**-**	1	1	1	1
5% to less than 10% of Group's capital resources	**1**	7	7	4	4

Notes to and forming part of the financial statements

NOTE 14 Credit Risk Concentrations continued
Credit Portfolio

Industry Profile

The following table sets forth the distribution of the Group's loans, advances and other receivables (excluding bank acceptances) classified by industry category at 30 June 1996, 1997, 1998, 1999 and 2000.

					At 30 June
	2000	1999	1998	1997	1996
	$M	$M	$M	$M	$M
Australia					
Government and Public Authorities	**1,681**	1,727	1,216	1,955	1,477
Agriculture, Forestry and Fishing	**4,686**	4,203	4,128	3,185	2,896
Financial, Investment and Insurance	**5,167**	4,048	2,490	1,859	2,211
Real Estate					
Mortgage [1]	**61,056**	45,495	41,137	37,400	32,337
Construction [2]	**2,627**	2,105	1,197	1,138	1,065
Personal	**14,174**	10,144	8,360	6,863	6,554
Lease Financing	**6,937**	3,100	1,940	4,277	4,245
Other Commercial and Industrial	**23,603**	20,253	19,559	16,044	12,552
Total Australia	**119,931**	91,075	80,027	72,721	63,337
Overseas					
Government and Public Authorities	**204**	157	105	28	310
Agriculture, Forestry and Fishing	**996**	833	640	547	376
Financial, Investment and Insurance	**2,278**	1,507	1,449	1,494	1,134
Real Estate					
Mortgage [1]	**7,266**	7,151	6,273	5,983	4,864
Construction [2]	**152**	427	318	151	205
Personal	**1,470**	539	248	397	240
Lease Financing	**217**	191	173	-	1
Other Commercial and Industrial	**3,254**	2,686	3,342	2,469	1,681
Total Overseas	**15,837**	13,491	12,548	11,069	8,811
Gross Loans, Advances and Other Receivables	**135,768**	104,566	92,575	83,790	72,148
Provisions for bad and doubtful debts, unearned income, interest reserved and unearned tax remissions on leverage leases	**(3,504)**	(2,729)	(2,759)	(2,158)	(2,106)
Net Loans, Advances and Other Receivables	**132,264**	101,837	89,816	81,632	70,042

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

NOTE 15 Asset Quality

Impaired Assets

The Group adopted the Australian disclosure requirements for Impaired Assets contained in AASB1032 'Specific Disclosures by Financial Institutions' with effect from Financial Year 1997.

There are three classifications of Impaired Assets:

(a) Non accruals, comprising:

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

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

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

(b) Restructured Facilities

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

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

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

			GROUP
	2000	1999	1998
	%	%	%
Impaired Asset Ratios [(1)]			
Gross impaired assets net of interest reserved as % of credit risk net of interest reserved	**0.51**	0.39	0.53
Net impaired assets as % of:			
Risk weighted assets	**0.44**	0.32	0.49
Total shareholders' equity	**3.20**	4.52	6.76

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

Accounting by Creditors for Impairment of Loans

			Year ended 30 June
	2000	1999	1998
	$M	$M	$M
Impaired Loans	**1,123**	636	920
- including non accruals	**1,123**	636	920
Impaired Loans with allowance for credit losses	**760**	505	726
- allowance for credit losses	**411**	255	259
Impaired Loans with no allowance for credit loss	**363**	131	194
Average investment in Impaired Loans	**880**	778	908
Income recognised on Impaired Loans (excluding Colonial)	**51**	33	34

Notes to and forming part of the financial statements

NOTE 15 Asset Quality continued

Impaired Assets

The following table sets forth the Group's impaired assets as at 30 June 1996, 1997, 1998, 1999 and 2000.

					At 30 June
	2000	1999	1998[1]	1997	1996
	$M	$M	$M	$M	$M
Australia					
Non-accrual loans:					
Gross balances	**722**	495	616	831	1,060
Less interest reserved	**(128)**	(66)	(85)	(100)	(108)
Gross balance (net of interest reserved)	**594**	429	531	731	952
Less provisions for impairment	**(205)**	(178)	(174)	(222)	(300)
Net non-accrual loans	**389**	251	357	509	652
Restructured loans:					
Gross balances	**1**	1	-	-	29
Less interest reserved	**-**	-	-	-	(9)
Gross balance (net of interest reserved)	**1**	1	-	-	20
Less specific provisions	**-**	-	-	-	-
Net restructured loans	**1**	1	-	-	20
Assets Acquired Through Security Enforcement (AATSE):					
Gross balances	**1**	-	-	-	6
Less provisions for impairment	**-**	-	-	-	(6)
Net AATSE	**1**	-	-	-	-
Net Australian impaired assets	**391**	252	357	509	672
Overseas					
Non-accrual loans:					
Gross balances	**410**	147	310	75	51
Less interest reserved	**(3)**	(2)	(17)	(9)	(6)
Gross balance (net of interest reserved)	**407**	145	293	66	45
Less provisions for impairment	**(226)**	(97)	(105)	(19)	(10)
Net non-accrual loans	**181**	48	188	47	35
Restructured loans:					
Gross balances	**-**	-	-	-	-
Less interest reserved	**-**	-	-	-	-
Gross balance (net of interest reserved)	**-**	-	-	-	-
Less specific provisions	**-**	-	-	-	-
Net restructured loans	**-**	-	-	-	-
Asset Acquired Through Security Enforcement	**1**	14	-	-	39
Less provisions for impairment	**(1)**	-	-	-	(2)
Net AATSE	**-**	14	-	-	37
Net overseas impaired assets	**181**	62	188	47	72
Total net impaired assets	**572**	314	545	556	744
Colonial Indemnified Portfolio (included above)	**19**	-	-	-	-

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

NOTE 15 Asset Quality continued

Movement in Impaired Asset Balances

The following table provides an analysis of the movement in the gross impaired asset balances for Financial Years 1996, 1997, 1998, 1999 and 2000.

				Year Ended 30 June	
	2000 $M	1999 $M	1998 $M	1997 $M	1996 $M
Gross impaired assets at period beginning	**657**	926	906	1,185	1,732
New and increased	**414**	415	689	487	390
Balances written off	**(226)**	(280)	(216)	(190)	(269)
Returned to performing or repaid	**(194)**	(404) [1]	(453)	(576)	(668)
	651	657	926	906	1,185
Colonial impaired assets	**484**	-	-	-	-
Gross impaired assets at period end	**1,135**	657	926	906	1,185

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

Loans Accruing But Past Due 90 Days or More					**at 30 June**
	2000 $M	1999 $M	1998 $M	1997 $M	1996 $M
Accruing loans past due 90 days or more					
Housing loans	**211**	182	249	267	336
Other loans	**64**	23	41	37	29
Total	**275**	205	290	304	365

Interest Income Forgone on Impaired Assets					**Year Ended 30 June**
	2000 $M	1999 $M	1998 $M	1997 $M	1996 $M
Interest income forgone					
Australia Non Accrual Facilities	**4**	17	34	52	75
Overseas Non Accrual Facilities	**5**	10	7	3	5
Total	**9**	27	41	55	80

Interest Taken to Profit and Loss on Impaired Assets					**Year Ended 30 June**
	2000 $M	1999 $M	1998 $M	1997 $M	1996 $M
Australia					
Non Accrual Facilities	**45**	33	34	50	70
Restructured Facilities	**-**	-	-	-	5
Overseas					
Non Accrual Facilities	**6**	-	-	-	-
OREO	**-**	-	-	5	6
Total Interest to Profit and Loss	**51**	33	34	55	81

Notes to and forming part of the financial statements

NOTE 15 Asset Quality continued

Impaired Assets

	Australia 2000 $M	Overseas 2000 $M	GROUP Total 2000 $M	Australia 1999 $M	Overseas 1999 $M	GROUP Total 1999 $M
Non Accrual Loans						
With provisions	**378**	**391**	**769**	366	145	511
Without provisions	**344**	**19**	**363**	129	2	131
Gross Balances	**722**	**410**	**1,132**	495	147	642
Less interest reserved	**(128)**	**(3)**	**(131)**	(66)	(2)	(68)
Net Balances	**594**	**407**	**1,001**	429	145	574
Less provisions for impairment	**(205)**	**(226)**	**(431)**	(178)	(97)	(275)
Net Non Accrual Loans	**389**	**181**	**570**	251	48	299
Restructured Loans						
Gross Balances	**1**	**-**	**1**	1	-	1
Less interest reserved	**-**	**-**	**-**	-	-	-
Net Balances	**1**	**-**	**1**	1	-	1
Less provisions for impairment	**-**	**-**	**-**	-	-	-
Net Restructured Loans	**1**	**-**	**1**	1	-	1
Other Real Estate Owned (OREO)						
Gross Balances	**1**	**-**	**1**	-	14	14
Less provisions for impairment	**-**	**-**	**-**	-	-	-
Net OREO	**1**	**-**	**1**	-	14	14
Other Assets Acquired Through Security Enforcement (OAATSE)						
Gross Balances	**-**	**1**	**1**	-	-	-
Less provisions for impairment	**-**	**(1)**	**(1)**	-	-	-
Net OAATSE	**-**	**-**	**-**	-	-	-
Total Impaired Assets						
Gross Balances	**724**	**411**	**1,135**	496	161	657
Less interest reserved	**(128)**	**(3)**	**(131)**	(66)	(2)	(68)
Net Balances	**596**	**408**	**1,004**	430	159	589
Less provisions for impairment	**(205)**	**(227)**	**(432)**	(178)	(97)	(275)
Net Impaired Assets	**391**	**181**	**572**	252	62	314
Colonial Indemnified Portfolio (included above)						
Gross Balances			**131**			
Less interest reserved			**(70)**			
Net Balances			**61**			
Less provisions for impairment			**(40)**			
Less share of indemnity			**(2)**			
Net Impaired Assets			**19**			
Non Accrual Loans by Size of Loan						
Less than $1 million	**324**	**54**	**378**	173	5	178
$1 million to $10 million	**217**	**35**	**252**	142	27	169
Greater than $10 million	**181**	**321**	**502**	180	115	295
Total	**722**	**410**	**1,132**	495	147	642
Accruing Loans 90 days past due or more	**262**	**13**	**275**	182	23	205

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.

NOTE 15 Asset Quality continued

Colonial State Bank

Indemnified loan book

Pursuant to the Sale Agreement between Colonial and the New South Wales Government, Colonial State Bank's loan book as at 31 December 1994 and any further loan losses (including interest) arising are indemnified by the NSW Government. This indemnity is to the extent of 90% of the losses after an initial $60 million (which was provided for by Colonial State Bank as at 31 December 1994). All loans (other than impaired loans) are covered for a period of three years from 31 December 1994 and for the duration of the loan in the case of impaired loans so classified as at 31 December 1997. The Sale Agreement also allows for loans to be withdrawn from the indemnity provided the withdrawal is approved by Colonial State Bank and the NSW Government and the due processes are followed.

Colonial State Bank and the NSW Government have progressively withdrawn loans from the indemnity during the year to 30 June 2000. As at 30 June 2000, loans still indemnified amount to $67 million. Pursuant to the Sale Agreement, the costs of funding and managing Non-Performing loans which are covered by the loan indemnities are reimbursed by the NSW Government on a quarterly basis.

Selected Regional Exposures

Asia

Almost 56% of total exposures relate to financial institutions. Exposures to Indonesia, Thailand and Korea have increased by 3% in the Financial Year 2000 and represent approximately 24% of the Bank's Asian credit risk.

The Group's credit risk exposure to Asian countries as at 30 June 2000 is set out below.

CUSTOMER TYPE

Country	Finance $M	Corporate/ Multinational $M	Government $M	Project Finance $M	APL/NZPL $M	2000 Total Exposure $M	1999 Total Exposure $M
China	**41**	**33**	**-**	**-**	**1**	**75**	107
Hong Kong	**202**	**383**	**88**	**-**	**188**	**861**	968
	243	**416**	**88**	**-**	**189**	**936**	1,075
Japan	**992**	**269**	**47**	**-**	**1**	**1,309**	1,482
Malaysia	**-**	**55**	**16**	**-**	**3**	**74**	71
Singapore	**613**	**57**	**56**	**-**	**42**	**768**	503
Taiwan	**21**	**16**	**-**	**-**	**-**	**37**	21
Other	**4**	**3**	**-**	**-**	**-**	**7**	9
	1,630	**400**	**119**	**-**	**46**	**2,195**	2,086
Indonesia	**74**	**131**	**55**	**115**	**45**	**420**	417
South Korea	**327**	**75**	**-**	**-**	**-**	**402**	356
Thailand	**11**	**140**	**-**	**-**	**-**	**151**	169
	412	**346**	**55**	**115**	**45**	**973**	942
Total	**2,285**	**1,162**	**262**	**115**	**280**	**4,104**	4,103

Other Regional Exposures

CUSTOMER TYPE

Region	Finance $M	Corporate/ Multinational $M	Government $M	Project Finance $M	APL/NZPL $M	2000 Total Exposure $M	1999 Total Exposure $M
Eastern Europe	**17**	**-**	**33**	**-**	**-**	**50**	47
Latin America	**5**	**-**	**-**	**-**	**-**	**5**	-
Middle East	**98**	**2**	**-**	**-**	**-**	**100**	116

Notes to and forming part of the financial statements

NOTE 15 Asset Quality continued

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

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

NOTE 16 Life Insurance Investment Assets

	GROUP 2000 $M
Equity Security Investments	
Direct	**7,754**
Indirect	**3,433**
	11,187
Debt Security Investments	
Direct	**8,525**
Indirect	**3,669**
	12,194
Property Investments	
Direct	**1,276**
Indirect	**1,048**
	2,324
Cash on Deposit	**743**
Total Life Insurance Investment Assets	**26,448**

Direct investments refer to investments that are directly with the issuer of the investment. Indirect investments refer to investments that are held through unit trusts or similar investment vehicles.

Disclosure on Asset Restriction

Investments held in the Statutory Funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that assets in a Fund can only be used to meet the liabilities and expense of the Fund, to acquire investments to further the business of the Fund or as distributions when solvency and capital adequacy requirements are met. Participating policyholders can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

These investment assets held in the Statutory Funds are not available for use by the Commonwealth Bank's operating businesses.

	GROUP		BANK	
	2000 $M	1999 $M	**2000 $M**	1999 $M
NOTE 17 Deposits With Regulatory Authorities				
Reserve Bank of Australia [1]	**-**	952	**-**	951
Central Banks Overseas	**46**	1	**3**	1
Total Deposits with Regulatory Authorities	**46**	953	**3**	952

(1) Non callable deposits with the RBA are no longer required as from 1 July 1999.

	GROUP		BANK	
	2000 $M	1999 $M	**2000 $M**	1999 $M
NOTE 18 Shares in and Loans to Controlled Entities				
Shares in controlled entities	**-**	-	**12,198**	3,065
Loans to controlled entities	**-**	-	**5,151**	4,043
Total Shares in and Loans to Controlled Entities	**-**	-	**17,349**	7,108

NOTE 19 Property, Plant and Equipment

	GROUP 2000 $M	GROUP 1999 $M	BANK 2000 $M	BANK 1999 $M
(a) Land and Buildings				
Land				
At 30 June 2000 valuation	**222**	-	**208**	-
At 30 June 1999 valuation	**-**	239	**-**	216
Closing balance	**222**	239	**208**	216
Buildings				
At 30 June 2000 valuation	**508**	-	**334**	-
At 30 June 1999 valuation	**-**	470	**-**	358
Closing balance	**508**	470	**334**	358
Total Land and Buildings	**730**	709	**542**	574

These valuations were established by the Directors and are lower than valuations prepared by independent valuers. No adjustments have been taken to asset revaluation reserve in 2000 or 1999.

	GROUP 2000 $M	GROUP 1999 $M	BANK 2000 $M	BANK 1999 $M
(b) Leasehold Improvements				
At cost	**532**	344	**321**	311
Provision for depreciation	**(336)**	(191)	**(195)**	(176)
Closing balance	**196**	153	**126**	135
(c) Equipment				
At cost	**670**	505	**351**	339
Provision for depreciation	**(523)**	(366)	**(280)**	(252)
Closing balance	**147**	139	**71**	87
Total Property, Plant and Equipment	**1,073**	1,001	**739**	796

	GROUP 2000 $M	GROUP 1999 $M	BANK 2000 $M	BANK 1999 $M
NOTE 20 Goodwill				
Purchased goodwill - Colonial [(1)]	**5,495**	-	**-**	-
Purchased goodwill - Other	**839**	841	**784**	784
Adjustment on corporate restructuring of funds management businesses	**(22)**	-	**-**	-
Accumulated amortisation	**(407)**	(350)	**(372)**	(333)
Total Goodwill	**5,905**	491	**412**	451

[(1)] Includes $5,424 million goodwill associated with purchase of Colonial Group (refer Note 1A) and other goodwill of $71 million in Colonial.

	GROUP 2000 $M	GROUP 1999 $M	BANK 2000 $M	BANK 1999 $M
NOTE 21 Other Assets				
Accrued interest receivable	**1,744**	795	**1,004**	791
Shares in other companies	**127**	123	**41**	23
Accrued fees/reimbursements receivable	**187**	233	**63**	198
Securities sold not delivered	**656**	350	**429**	290
Future income tax benefits	**899**	333	**237**	262
Excess of net market value over net tangible assets of life insurance controlled entities	**4,352**	-	**-**	-
Unrealised gains on trading derivatives (Note 39)	**6,252**	4,978	**5,764**	4,978
Other	**1,984**	2,134	**717**	1,410
Total Other Assets	**16,201**	8,946	**8,255**	7,952

Notes to and forming part of the financial statements

NOTE 21 Other Assets continued

Excess of net market value over net tangible assets of controlled entities of the life insurance businesses:

	Market Value $M	Net Assets $M	GROUP At 30 June 2000 Excess of Market Value Over Net Assets $M
Commonwealth entities	2,009	408	**1,601**
ASB entities	283	80	**203**
Colonial entities	4,388	1,840	**2,548**
	6,680	**2,328**	**4,352**

Further detail is provided in Note 34.

Potential future income tax benefits of the Company arising from tax losses in offshore centres and timing differences have not been recognised as assets because recovery is not virtually certain. These benefits, which could amount to $173 million (1999: $146 million) will only be obtained if:

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

	GROUP **2000** **$M**	GROUP 1999 $M	BANK **2000** **$M**	BANK 1999 $M
NOTE 22 Deposits and Other Public Borrowings				
Australia				
Certificates of deposit	**14,136**	11,000	**12,686**	11,000
Term deposits	**29,677**	23,871	**22,788**	21,188
On demand and short term deposits	**48,975**	41,454	**43,223**	41,305
Deposits not bearing interest	**6,075**	4,555	**5,803**	4,555
Securities sold under agreements to repurchase	**946**	619	**946**	619
Other	**7**	7	**-**	-
Total Australia	**99,816**	81,506	**85,446**	78,667
Overseas				
Certificates of deposit	**2,686**	2,295	**1,269**	534
Term deposits	**6,144**	5,692	**1,423**	1,723
On demand and short term deposits	**3,886**	3,878	**98**	10
Deposits not bearing interest	**62**	57	**4**	6
Total Overseas	**12,778**	11,922	**2,794**	2,273
Total Deposits and Other Public Borrowings	**112,594**	93,428	**88,240**	80,940

Term deposit balances include $2,522 million (1999: $2,683 million) of borrowings secured by charges over the assets of CBFC Limited Group, a controlled entity of the Bank.

NOTE 22 Deposits and Other Public Borrowings continued

Maturity Distribution of Certificates of Deposit and Time Deposits

The following table sets forth the maturity distribution of the Group's certificates of deposits and time deposits as at 30 June 2000.

					At 30 June 2000
	Maturing Three Months or Less	Maturing Between Three & six Months	Maturing Between Six & Twelve Months	Maturing After Twelve Months	Total
	$M	$M	$M	$M	$M
Australia					
Certificates of deposit [1]	**4,787**	**3,362**	**132**	**5,855**	**14,136**
Time deposits	**12,011**	**7,095**	**6,963**	**3,608**	**29,677**
Total Australia	**16,798**	**10,457**	**7,095**	**9,463**	**43,813**
Overseas					
Certificates of deposit [1]	**1,817**	**467**	**383**	**19**	**2,686**
Time deposits	**4,505**	**772**	**570**	**297**	**6,144**
Total Overseas	**6,322**	**1,239**	**953**	**316**	**8,830**
Total Certificates of Deposit and Time Deposits	**23,120**	**11,696**	**8,048**	**9,779**	**52,643**

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

		GROUP		BANK
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
NOTE 23 Payables to Other Financial Institutions				
Australia	**1,569**	879	**1,306**	799
Overseas	**3,064**	2,370	**2,830**	2,087
Total Payables to Other Financial Institutions	**4,633**	3,249	**4,136**	2,886

NOTE 24 Income Tax Liability		GROUP		BANK
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Australia				
Provision for income tax	**585**	472	**180**	428
Provision for deferred income tax	**1,155**	933	**364**	467
Total Australia	**1,740**	1,405	**544**	895
Overseas				
Provision for income tax	**39**	5	**6**	2
Provision for deferred income tax	**44**	-	**-**	-
Total Overseas	**83**	5	**6**	2
Total Income Tax Liability	**1,823**	1,410	**550**	897

Notes to and forming part of the financial statements

NOTE 25 Other Provisions

Provision for:				
Long service leave	**312**	286	**287**	285
Annual leave	**163**	129	**124**	124
Other employee entitlements	**188**	200	**188**	200
Restructuring costs [(1)]	**485**	57	**124**	57
General insurance claims	**45**	57	**-**	-
Self insurance/non lending losses	**33**	35	**33**	35
Other	**328**	41	**52**	41
Total Other Provisions	**1,554**	805	**808**	742

(1) Refer notes 1, 1A and 4 for further details on restructuring costs.

NOTE 26 Debt Issues

Short term debt issues	**16,249**	8,009	**5,406**	4,118
Long term debt issues	**9,026**	2,754	**2,799**	2,222
Total Debt Issues	**25,275**	10,763	**8,205**	6,340
Short Term Debt Issues				
AUD Bill Reliquification	**2,547**	-	**2,547**	-
AUD Promissory Notes	**2,964**	576	**-**	-
NZD Promissory Notes	**251**	119	**-**	-
US Commercial Paper	**3,814**	4,491	**-**	1,557
Euro Commercial Paper	**3,150**	1,582	**1,647**	1,320
Long Term Debt Issues with less than One Year to Maturity	**3,523**	1,241	**1,212**	1,241
Total Short Term Debt Issues	**16,249**	8,009	**5,406**	4,118
Long Term Debt Issues				
USD Medium Term Notes	**2,286**	124	**986**	124
AUD Medium Term Notes	**1,719**	525	**494**	525
JPY Medium Term Notes	**197**	665	**197**	665
Other Currencies Medium Term Notes	**981**	399	**482**	395
Offshore Loans (all JPY)	**540**	313	**540**	313
Eurobonds (all AUD)	**3,144**	200	**100**	200
Develop Australia Bonds (all AUD)	**159**	528	**-**	-
Total Long Term Debt Issues	**9,026**	2,754	**2,799**	2,222
Maturity Distribution of Debt Issues				
Less than 3 months	**11,618**	6,179	**4,615**	3,215
3 months to 12 months	**4,631**	1,830	**791**	903
Between 1 and 5 years	**7,839**	1,588	**2,109**	1,519
Greater than 5 years	**1,187**	1,166	**690**	703
Total Debt Issues	**25,275**	10,763	**8,205**	6,340

NOTE 26 Debt Issues continued

The Bank and its controlled entities have a number of programmes under which the Bank may issue notes. Notes issued under the programmes 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 2000, the Bank has issued the following notes:

- JPY2bn, Euro MTNs due 2010 (AUD31.7 million); and
- AUD705m MTNs due 2003.

Short Term Borrowings

The following table analyses the Group's short term borrowings for the Financial Years ended 30 June 1998, 1999 and 2000.

		Year Ended 30 June	
	2000	1999	1998
	($ millions, except where indicated)		
US Commercial Paper			
Outstanding at period end (1)	**3,814**	4,491	4,219
Maximum amount outstanding at any month end (2)	**7,890**	5,408	4,256
Approximate average amount outstanding (2)	**6,130**	4,419	2,501
Approximate weighted average rate on:			
Average amount outstanding	**5.7%**	5.2%	5.7%
Outstanding at period end	**6.6%**	5.0%	5.6%
Euro Commercial Paper			
Outstanding at period end (1)	**3,150**	1,582	1,365
Maximum amount outstanding at any month end (2)	**4,788**	2,267	2,813
Approximate average amount outstanding (2)	**2,855**	1,714	1,544
Approximate weighted average rate on:			
Average amount outstanding	**4.8%**	4.5%	5.7%
Outstanding at period end	**3.7%**	4.4%	5.3%
Bill Reliquification (3)			
Outstanding at period end (1)	**2,547**	-	-
Maximum amount outstanding at any month end (2)	**2,599**	-	-
Approximate average amount outstanding (2)	**1,972**	-	-
Approximate weighted-average rate on:			
Average amount outstanding	**5.8%**	-	-
Outstanding at period end	**6.2%**	-	-
Other Commercial Paper			
Outstanding at period end (1)	**3,215**	695	319
Maximum amount outstanding at any month end (2)	**3,304**	781	604
Approximate average amount outstanding (2)	**2,231**	324	466
Approximate weighted average rate on:			
Average amount outstanding	**5.5%**	4.6%	5.2%
Outstanding at period end	**5.1%**	4.9%	5.1%

(1) The amount outstanding at period end is reported on a book value basis (amortised cost).
(2) The maximum and average amounts over the period are reported on a face value basis because the book values of these amounts are not available. Any difference between face value and book value would not be material given the short term nature of the borrowings.
(3) Commercial bills sold under non recourse arrangements.

Notes to and forming part of the financial statements

NOTE 26 Debt Issues continued

Exchange Rates Utilised

		30 June 2000	30 June 1999
AUD 1.00 =	USD	**0.5982**	.6599
	GBP	**0.3943**	.4190
	JPY	**63.155**	79.793
	NZD	**1.278**	1.248
	HKD	**4.664**	5.120
	DEM	**1.229**	1.249
	CHF	**0.979**	1.023
	IDR	**5,230**	4,432

Guarantee Arrangements

Commonwealth Bank of Australia

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

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

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

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

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

Commonwealth Development Bank

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

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

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

The due payment of all monies payable by CDBL is guaranteed by the Commonwealth of Australia under Section 117 of the Commonwealth 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.

State Bank of NSW

The enabling legislation for the sale of the State Bank of NSW Limited (SBNSW), the State Bank (Privatisation) Act 1994 – Section 12 and the State Bank (Corporatisation) Act 1989 – Section 12 (as amended), provides in general terms for a guarantee by the NSW Government in respect of all funding liabilities and off balance sheet products (other than demand deposits) incurred or issued prior to 31 December 1997 by SBNSW until maturity and a guarantee for demand deposits accepted by SBNSW up to 31 December 1997. Other obligations incurred before 31 December 1994 are also guaranteed to their maturity.

NOTE 27 Bills Payable and Other Liabilities

	GROUP		BANK	
	2000 $M	1999 $M	**2000 $M**	1999 $M
Bills payable	**825**	1,226	**754**	575
Accrued interest payable	**1,340**	782	**815**	639
Accrued fees and other items payable	**760**	615	**558**	601
Securities purchased not delivered	**803**	296	**693**	239
Unrealised losses on trading derivatives (Note 39)	**5,605**	4,687	**5,284**	4,687
Other liabilities	**2,216**	901	**324**	784
Total Bills Payable and Other Liabilities	**11,549**	8,507	**8,428**	7,525

NOTE 28 Loan Capital

				GROUP 2000 $M	GROUP 1999 $M	GROUP 1998 $M	BANK 2000 $M	BANK 1999 $M	BANK 1998 $M
Tier 1 Capital		**Currency Amount (M)**							
Exchangeable	FRNs	USD300	(1)	**92**	113	422	**92**	113	422
Exchangeable	FRNs	USD400	(2)	**159**	330	563	**159**	330	563
Undated	FRNs	USD100	(3)	**167**	152	163	**167**	152	163
				418	595	1,148	**418**	595	1,148
Tier 2 Capital									
Extendible	FRNs	USD125		**-**	-	156	**-**	-	156
Extendible	FRNs	AUD300	(4)	**300**	300	300	**300**	300	300
Subordinated	MTNs	AUD185	(5)	**185**	185	-	**185**	185	-
Subordinated	FRNs	AUD115	(5)	**115**	115	-	**115**	115	-
Subordinated	FRNs	AUD25	(6)	**25**	25	-	**25**	25	-
Subordinated	MTNs	AUD200	(7)	**200**	-	-	**200**	-	-
Subordinated	FRNs	AUD50	(7)	**50**	-	-	**50**	-	-
Subordinated	Notes	USD300	(8)	**502**	-	-	**502**	-	-
Subordinated	FRNs	USD450	(8)	**746**	-	-	**746**	-	-
Subordinated	EMTN's	JPY20,000	(9)	**277**	251	-	**277**	251	-
Subordinated	EMTN's	USD200	(10)	**314**	-	-	**314**	-	-
Subordinated	EMTN's	USD75	(11)	**115**	-	-	**115**	-	-
Subordinated	EMTN's	USD100	(12)	**152**	-	-	**152**	-	-
Subordinated	EMTN's	USD400	(13)	**501**	501	501	**501**	501	501
Subordinated	EMTN's	GBP200	(14)	**408**	408	408	**408**	408	408
Subordinated	EMTN's	JPY30,000	(15)	**495**	448	483	**495**	448	483
Subordinated	Loan	NZD100	(16)	**79**	-	-	**-**	-	-
Subordinated	FRNs	AUD210	(17)	**210**	-	-	**-**	-	-
Subordinated	FRNs	AUD38	(18)	**38**	-	-	**-**	-	-
Subordinated	Notes	AUD130	(19)	**130**	-	-	**-**	-	-
Subordinated	Other	AUD39	(20)	**39**	-	-	**-**	-	-
				4,881	2,233	1,848	**4,385**	2,233	1,848
Total Loan Capital				**5,299**	2,828	2,996	**4,803**	2,828	2,996

Where a foreign currency hedge is in place to utilise a loan capital issue in a currency other than that of its original issue, the AUD equivalent value is shown net of the hedge.

(1) USD 300 million Undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into Dated FRNs.

Outstanding notes at 30 June 2000 were:

Due July 2000	:	USD15.75 million
Due July 2003	:	USD1.5 million
Due July 2004	:	USD0.5 million
undated	:	USD37.5 million

(2) USD 400 million Undated FRNs issued 22 February 1989 exchangeable into Dated FRNs.

Outstanding notes at 30 June 2000 were:

Due February 2005	:	USD64 million
undated	:	USD31 million

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

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

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

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

- a relevant event of default (discussed below) occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- the most recent audited annual financial statements of the Group show a loss (as defined in the Agreements);

Notes to and forming part of the financial statements

NOTE 28 Loan Capital continued

- the Bank does not declare a dividend in respect of its ordinary shares;
- the Bank, if required by the Commonwealth and subject to the agreement of the APRA, exercises its option to redeem a note issue; or
- in respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

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

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

(4) AUD 300 million Extendible Floating Rate Stock issued December 1989:
due December 2004 : AUD25 million
due December 2009 : AUD275 million

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

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

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

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

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

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

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

(7) AUD 250 million Subordinated FRN, issued November 1999, due November 2009; split into $200 million fixed rate notes and $50 million floating rate notes.

(8) USD 750 million Subordinated Notes, issued June 2000, due June 2010; split into USD 300 million fixed rate notes and USD 450 million floating rate notes.

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

(10) USD 200 million Subordinated EMTN, issued November 1999, due November 2009.

(11) USD 75 million Subordinated EMTN, issued January 2000, due January 2010.

(12) USD 100 million Subordinated EMTN, issued January 2000, due January 2010.

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

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

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

(16) NZD100 million Subordinated matures 15 December 2009.

(17) AUD210 million Euro FRN issued 3 September 1996, maturing 10 September 2004.

(18) AUD38 million FRN issued 15 December 1997, maturing 15 December 2004.

(19) AUD130 million Subordinated Notes comprised as follows:
AUD10 million fixed rate notes issued 12 December 1995, maturing 12 December 2005.
AUD110 million floating rate notes issued 12 December 1995, maturing 12 December 2005.
AUD5 million fixed rate notes issued 17 December 1996, maturing 12 December 2005.
AUD5 million floating rate notes issued 17 December 1996, maturing 12 December 2005.

(20) Comprises 16 subordinated Notes and FRN issues. The face value amounts are less than $10 million each and are all in Australian Dollars. The maturity ranges from October 2001 to October 2009.

NOTE 29 Share Capital	BANK 2000 $M	1999 $M
Issued and Paid Up Capital		
Opening balance	**3,526**	1,845
Transfer from share premium reserve	**-**	1,499
Buy Back	**(553)**	(246)
Dividend reinvestment plan	**253**	426
Employee Share Subscription Plan	**4**	5
Exercise of Executive Options	**19**	-
Issue costs	**(2)**	(3)
7 for 20 Issue to Colonial Shareholders	**9,274**	-
Closing balance	**12,521**	3,526

Shares on Issue	Number	Number
Opening balance	915,968,625	922,658,274
Buy Back	(20,486,618)	(27,366,447)
Dividend reinvestment plan issues:		
1999 final dividend fully paid ordinary shares at $24.75	5,545,990	-
2000 interim dividend fully paid ordinary shares at $ 24.42	4,931,782	-
1998 final dividend fully paid ordinary shares at $18.79	-	12,114,896
1999 interim dividend fully paid ordinary shares at $24.50	-	8,260,352
Exercise under Executive Option Plan	1,609,000	26,000
Employee Share Subscription Plan issues	170,550	275,550
Employee Share Acquisition Plan issues	1,053,199	-
7 for 20 Issue to Colonial Shareholders	351,409,450	-
Closing balance	1,260,201,978	915,968,625

Options to purchase securities from registrant or subsidiaries

The Bank has in place the following employee share plans:

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

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

Notes to and forming part of the financial statements

NOTE 29 Share Capital continued

Employee Share Acquisition Plan

The Employee Share Acquisition Plan provides employees of the Bank with up to $1,000 worth of free shares per annum subject to a performance target being met.

The performance target is growth in annual profit of the greater of 5% or consumer price index plus 2%.

Whenever annual profit growth exceeds CPI change, the Board may use its discretion in determining whether any grant of shares will be made.

Details of issues under this plan are:

Issue Date	Total Ordinary Shares Issued [(1)]	Total Bonus Ordinary Shares Issued [(2)]	No. of Eligible Employees Participating	Shares issued to each Participant	Issue Price [(3)]
1996 Offer					
2 January 1997	27,755	2,275,910	27,755	83	$12.04
18 March 1997	13	1,066	13	83	$12.04
1997 Offer					
11 December 1997	3,025	1,637,273	28,281	58	$17.16
3 February 1998		232	4	58	$17.16
1999 Offer					
24 September 1999	-	1,053,199	24,493	43	$23.12

(1) For the 1996 and 1997 Employee Share Acquisition Plan offers, new employee shareholders were granted one ordinary share with the remainder of shares issued as Bonus Ordinary Shares. For the 1999 offer both new and existing shareholders were granted Bonus Ordinary Shares.

(2) For the 1996 & 1997 Offers, the bonus shares were fully paid up as issued shares utilising the Share Premium Reserve. With the removal of the Share Premium Reserve the bonus shares are issued from the Share Capital Account.

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

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

Employee Share Subscription Plan

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

Issue Date	No. of Ordinary Shares Issued	No. of Eligible Employees Participating	Purchase Price [(1)]	Offer Date	Market Value at Issue Date
27 March 1997	209,400	1,149	$12.74	25 February 1997	$12.75
25 September 1997	171,000	971	$14.84	26 August 1997	$17.22
27 March 1998	158,600	815	$16.80	24 February 1998	$18.07
30 September 1998	81,450	511	$18.60	25 August 1998	$19.97
26 March 1999	194,100	1,027	$23.36	23 February 1999	$26.25
24 September 1999	127,800	833	$22.64	24 August 1999	$23.10
24 March 2000	42,750	296	$24.72	25 February 2000	$22.55

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

NOTE 29 Share Capital continued

Executive Option Plan

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

Eligible executives must hold a minimum number of shares as determined by the Board before they are permitted to take up any options. The minimum holding must be maintained during the life of the options. The options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by companies represented in the ASX's 'Bank's and Finance Accumulation Index', excluding the Bank. If the performance hurdle is not reached within that three years, (4 years for the second tranche of options granted to the Managing Director on 24 August 1999) the options may nevertheless be exercisable only where the hurdle is subsequently reached within 5 years (6 years for the second tranche of options granted to the Managing Director on 24 August 1999) from the Commencement Date. The plan is limited to no more than 50 executives. The options do not grant rights to the option holders to participate in a share issue of any other body corporate. Details of issues under this plan are:

Issue Date	Total Options Issued	Options Outstanding	Eligible Executives Participating	Exercise Price [1]	Expiry Date	Commencement Date	Market Price at Issue Date
16/12/96	2,100,000	195,000	25	$11.85	12/11/01	12/11/96	$11.93
11/12/97	2,875,000	2,465,000	27	$15.53 [2]	03/11/02	03/11/97	$16.85
30/09/98	3,275,000	3,025,000	32	$19.58 [2]	25/08/03	25/08/98	$19.97
24/09/99	3,855,000	3,775,000	39	$23.84 [2]	24/08/09	24/08/99	$23.10

(1) Market Value at the Commencement Date. Market Value is defined as the weighted average of the prices at which the Bank's ordinary shares were traded on the ASX during the one week period before the Commencement Date (being the date from which the options take effect).

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

1,010,000 options, from all grants to date, have been forfeited as at 30 June 2000. 1,535,000 options from the 1996 grant and 100,000 options from the 1997 grant, have been exercised as at 30 June 2000 for total consideration of $19,742,750. There are 9,460,000 options outstanding at 30 June 2000. Subsequently and up to the date of this report an additional 50,000 options were exercised from the 1997 grant.

Share Buy Back

The Bank's shareholders' equity was reduced by $553 million on 8 November 1999 pursuant to the buy back of 20.5 million shares. The price per share paid by the Bank for the buy back shares was $27.00 calculated in accordance with the buy back offer.

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

NOTE 30 Outside Equity Interests			GROUP
	2000	1999	1998
	$M	$M	$M
Share Capital	**355**	203	118
Reserves	**11**	-	-
Retained profits	**9**	24	59
Total Outside Equity Interests	**375**	227	177

This is principally comprised of 25% outside equity interest in ASB Group.

Notes to and forming part of the financial statements

NOTE 31 Capital Adequacy

In August 1988 guidelines for the capital adequacy of Australian banks were established to strengthen their soundness and stability. These guidelines have been adopted by APRA, and they are generally consistent with those proposed by the Basle Committee on Banking Supervision. They require Australian banks to have a stand-alone group 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. A deduction is made from the sum of Tier 1 and Tier 2 capital for investments in non-consolidated subsidiaries that are not consolidated for capital adequacy purposes. Deductions include investments in insurance and funds management subsidiaries.

Tier 1, or core, capital includes paid up ordinary shares, retained earnings, reserves, other approved capital resources and minority interest in subsidiaries. Less goodwill, future income tax benefit net of deferred income tax liability and the intangible component of investment in non-consolidated subsidiaries.

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.

The capital base is the sum of Tier 1 and Tier 2 capital less deductions. Deductions include investments in non-consolidated Authorised Deposit-taking Institutions and overseas banks and investments in non-consolidated subsidiaries net of any Tier 1 deductions.

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

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

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

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

Risk Weighted Capital Ratios	**2000 Actual %**	1999 Actual %
Tier one	**7.49**	7.05
Tier two	**4.75**	3.12
Less Deductions	**(2.49)**	(0.79)
Total	**9.75**	9.38

	GROUP	
	2000 $M	1999 $M
Tier One Capital		
Total Shareholders' Equity	**17,847**	6,962
Eligible Loan Capital	**418**	638
Total Shareholders' Equity and Loan Capital	**18,265**	7,600
Less Goodwill	**(5,905)**	(491)
Less Preference shares	**(86)**	(88)
Less Intangible Component of Investment in Non-Consolidated Subsidiaries	**(2,656)**	-
Total Tier One Capital	**9,618**	7,021
Tier Two Capital		
General provisions for bad and doubtful debts	**1,358**	1,081
FITB related to general provision	**(420)**	(347)
Dated note and bond issues	**5,120**	2,335
Preference shares	**39**	40
Total Tier Two Capital	**6,097**	3,109
Tier One and Tier Two Capital	**15,715**	10,130
Less Investment in Non-Consolidated Subsidiaries (net of Intangible component deducted from Tier 1)	**(2,528)**	(368)
Less Other deductions	**(669)**	(420)
Capital Base	**12,518**	9,342

NOTE 31 Capital Adequacy continued

	Face Value		Risk Weights	Risk Weighted Balance	
	2000 $M	1999 $M	%	**2000 $M**	1999 $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)	**16,157**	14,533	0%	**-**	-
Claims on OECD banks and local governments	**9,714**	6,697	20%	**1,943**	1,339
Advances secured by residential property (2)	**75,656**	57,478	50%	**37,828**	28,739
All other assets (3) (4)	**71,914**	55,481	100%	**71,914**	55,481
Total on balance sheet assets - credit risk	**173,441**	134,189		**111,685**	85,559

(1) Other zero weighted assets include gross unrealised gains on trading derivative financial instruments of $6,252 million (1999: $4,978 million). APRA announced on 28 August 1998 that claims on Australian Commonwealth, State and Territory Governments are risk weighted at zero per cent irrespective of terms.

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

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

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

	Face value		Credit Equivalent		Risk-weighted Balance	
	2000 $M	1999 $M	**2000 $M**	1999 $M	**2000 $M**	1999 $M
Off-balance sheet exposures						
Direct credit substitutes	**3,540**	3,027	**3,540**	3,027	**2,825**	2,424
Trade and performance related items	**1,795**	1,704	**828**	779	**819**	770
Commitments	**42,442**	32,970	**14,671**	12,941	**9,634**	8,366
Foreign exchange, interest rate and other market related transactions	**381,438**	283,646	**9,358**	6,598	**2,785**	1,852
Total off-balance sheet exposures - credit risk	**429,215**	321,347	**28,397**	23,345	**16,063**	13,412
Total risk-weighted assets - credit risk					**127,748**	98,971
Risk-weighted assets - market risk					**736**	585
Total risk-weighted assets					**128,484**	99,556

Notes to and forming part of the financial statements

NOTE 32 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, with actual maturities shorter than the contractual terms. Therefore this information is not relied on by the Bank in the management of its interest rate risk.

							GROUP	
						Maturity Period At 30 June 2000		
	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	**1,041**	**-**	**1,534**	**-**	**-**	**-**	**-**	**2,575**
Receivables due from other financial institutions	**2,200**	**16**	**2,699**	**204**	**-**	**-**	**35**	**5,154**
Trading securities [1]	**-**	**-**	**7,347**	**-**	**-**	**-**	**-**	**7,347**
Investment securities	**-**	**-**	**1,757**	**1,787**	**3,027**	**2,575**	**3**	**9,149**
Loans, advances and other receivables [2]	**510**	**4,719**	**8,351**	**18,315**	**49,826**	**51,853**	**(1,311)**	**132,263**
Bank acceptances of customers	**-**	**-**	**9,553**	**1,554**	**-**	**-**	**-**	**11,107**
Life Assets	**251**	**-**	**14,934**	**3,800**	**2,001**	**1,347**	**4,115**	**26,448**
Other Monetary assets	**1,024**	**-**	**8,854**	**133**	**13**	**15**	**244**	**10,283**
Total Monetary assets	**5,026**	**4,735**	**55,029**	**25,793**	**54,867**	**55,790**	**3,086**	**204,326**
Liabilities								
Deposits and other public borrowings [3]	**55,494**	**-**	**27,577**	**19,744**	**7,408**	**2,371**	**-**	**112,594**
Payables due to other financial institutions	**864**	**126**	**3,050**	**592**	**-**	**-**	**1**	**4,633**
Bank acceptances	**-**	**-**	**10,030**	**1,077**	**-**	**-**	**-**	**11,107**
Life Liabilities	**-**	**-**	**-**	**-**	**-**	**314**	**24,968**	**25,282**
Debt issues and loan capital	**-**	**-**	**11,647**	**4,142**	**8,855**	**5,371**	**559**	**30,574**
Other monetary liabilities	**201**	**-**	**11,565**	**317**	**137**	**30**	**-**	**12,250**
Total monetary liabilities	**56,559**	**126**	**63,869**	**25,872**	**16,400**	**8,086**	**25,528**	**196,440**

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

(2) $49 billion of this figure represents 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 has historically been 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 39.

NOTE 32 Maturity Analysis of Monetary Assets and Liabilities continued

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

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

(2) $36 billion of this figure represents 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 has historically been 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 39.

Notes to and forming part of the financial statements

NOTE 33 Financial Reporting by Segments

						GROUP
		2000		1999		1998
	$M	**%**	$M	%	$M	%
(a) Geographical segments						
Revenue						
Australia	**9,497**	**83.6**	8,801	84.3	9,514	84.3
New Zealand	**1,108**	**9.8**	976	9.4	1,115	9.9
Other Countries (1)	**755**	**6.6**	660	6.3	657	5.8
	11,360	**100.0**	10,437	100.0	11,286	100.0
Operating profit before tax						
Australia	**3,281**	**92.7**	1,933	89.5	1,221	91.0
New Zealand	**192**	**5.4**	151	7.0	148	11.0
Other Countries (1)	**65**	**1.9**	76	3.5	(27)	(2.0)
	3,538	**100.0**	2,160	100.0	1,342	100.0
Operating profit after tax and outside equity interests						
Australia	**2,536**	**93.9**	1,270	89.3	1,044	95.8
New Zealand	**105**	**3.9**	80	5.6	73	6.7
Other Countries (1)	**59**	**2.2**	72	5.1	(27)	(2.5)
	2,700	**100.0**	1,422	100.0	1,090	100.0
Assets						
Australia	**186,864**	**85.8**	115,510	83.6	110,120	84.4
New Zealand	**16,661**	**7.7**	13,046	9.5	10,846	8.3
Other Countries (1)	**14,146**	**6.5**	9,540	6.9	9,578	7.3
	217,671	**100.0**	138,096	100.0	130,544	100.0
(b) Industry segments						
Revenue						
Banking	**10,682**	**94.0**	10,077	96.6	11,072	98.1
Life Insurance and Funds Management	**678**	**6.0**	360	3.4	214	1.9
	11,360	**100.0**	10,437	100.0	11,286	100.0
Operating profit before tax						
Banking	**2,147**	**60.7**	2,033	94.1	1,261	94.0
Life Insurance and Funds Management	**1,391**	**39.3**	127	5.9	81	6.0
	3,538	**100.0**	2,160	100.0	1,342	100.0
Operating profit after tax and outside equity interests						
Banking	**1,376**	**51.0**	1,305	91.8	1,006	92.3
Life Insurance and Funds Management	**1,324**	**49.0**	117	8.2	84	7.7
	2,700	**100.0**	1,422	100.0	1,090	100.0
Assets						
Banking	**185,108**	**85.0**	136,787	99.1	130,117	99.7
Life Insurance and Funds Management	**32,563**	**15.0**	1,309	0.9	427	0.3
	217,671	**100.0**	138,096	100.0	130,544	100.0

(1) Other Countries are:
United Kingdom, United States of America, Japan, Singapore, Hong Kong and Grand Cayman. With the acquisition of Colonial in June 2000, the Group also has operations in the Philippines, Fiji, Thailand, Indonesia, Malaysia, China and Vietnam.

The banking 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.

NOTE 33 Financial Reporting by Segments continued

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

The Bank segments are: Retail Financial Services, Institutional Banking, ASB Bank Limited (ASB), Colonial Group and Corporate. Retail Financial Services comprises the Bank's Customer Service Division and Australian Financial Services.

Institutional Banking comprises debt funding, corporate finance, financial market activities and the securities business. ASB is a stand alone bank in New Zealand. Colonial comprises banking and life insurance activities and was acquired on 13 June 2000. Corporate comprises head office and service functions.

The overall result is analysed in the Financial Review section of this Profit Announcement. Results of business segments are affected by internal changes.

	GROUP Year Ended 30 June 2000					
Profit and Loss	**Retail Financial Services $M**	**Institutional Banking $M**	**ASB $M**	**Colonial (2) $M**	**Corporate $M**	**Total $M**
Net interest income	2,875	349	271	22	202	3,719
Fees and commissions	1,047	300	107	11	35	1,500
Trading income	-	276	32	1	2	311
Life insurance and funds management	392	28	77	53	11	561
Other income	68	38	2	2	30	140
Internal charges (1)	260	272	-	-	454	-
Total operating income	4,642	1,263	489	89	734	6,231
Provisions for impairment	231	87	9	-	(131)	196
Staff expenses						
Provisions (non cash)	31	5	1	19	7	63
Other	1,069	248	133	-	192	1,642
Total Staff expenses	1,100	253	134	19	199	1,705
Occupancy and equipment expenses						
Depreciation	79	7	25	2	4	117
Other	230	47	35	1	7	320
Total Occupancy and equipment expenses	309	54	60	3	11	437
Information technology services	355	110	25	1	80	571
Other expenses	389	83	75	35	112	694
Internal charges (1)	701	279	-	-	6	-
Total operating expenses	2,854	779	294	58	408	3,407
Profit before tax, goodwill amortisation and abnormal items	1,557	397	186	31	457	2,628
Amortisation of goodwill	3	-	-	10	44	57
Abnormal items	-	-	-	-	967	967
Profit before tax	1,554	397	186	21	1,380	3,538
Income tax expense	477	77	46	9	191	800
Outside equity interest	-	-	38	-	-	38
Profit after tax	1,077	320	102	12	1,189	2,700
Balance Sheet						
Total Assets	100,352	44,362	14,331	40,436	18,190	217,671
Total Liabilities	69,215	39,094	13,419	40,268	37,828	199,824
Performance Ratios (%)						
Total operating expenses/Total operating income (3)	61.48%	61.68%	60.12%	65.17%	55.59%	54.68%
Asset growth	23.01%	9.01%	11.48%	n.a.	large	57.62%

(1) Internal charges are eliminated on consolidation.
(2) Represents performance for period 13 June 2000 to 30 June 2000.
(3) Divisional ratios include internal charges.

Notes to and forming part of the financial statements

NOTE 33 Financial Reporting by Segments continued

					GROUP
					Year Ended 30 June 1999
Profit and Loss	**Retail Financial Services**	**Institutional Banking**	**ASB**	**Corporate**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**
Net interest income	2,769	273	279	206	3,527
Fees and commissions	939	240	94	8	1,281
Trading income	-	253	18	2	273
Life insurance and funds management	223	16	7	8	254
Other income	59	75	9	46	189
Internal charges (1)	159	167	-	520	-
Total operating income	4,149	1,024	407	790	5,524
Provisions for impairment	172	62	11	2	247
Staff expenses					
Provisions (non cash)	33	4	1	4	42
Other	1,021	212	124	205	1,562
Total Staff expenses	1,054	216	125	209	1,604
Occupancy and equipment expenses					
Depreciation	109	8	25	3	145
Other	228	42	27	13	310
Total Occupancy and equipment expenses	337	50	52	16	455
Information technology services	366	104	21	14	505
Other expenses	280	48	47	131	506
Internal charges (1)	678	171	-	(2)	-
Total operating expenses	2,715	589	245	368	3,070
Profit before tax, goodwill amortisation and abnormal items	1,262	373	151	420	2,207
Amortisation of goodwill	7	-	-	40	47
Abnormal items	-	-	-	-	-
Profit before tax	1,255	373	151	380	2,160
Income tax expense	416	68	47	183	714
Outside equity interest	-	-	24	-	24
Profit after tax	839	305	80	197	1,422
Balance Sheet					
Total Assets	81,583	40,697	12,855	2,961	138,096
Total Liabilities	57,390	34,251	11,992	27,501	131,134
Performance Ratios (%)					
Total operating expenses/Total operating income (2)	65.44%	57.52%	60.20%	46.58%	55.58%
Asset growth	8.30%	(2.22%)	19.10%	5.75%	5.78%

(1) Internal charges are eliminated on consolidation.
(2) Divisional ratios include internal charges.

NOTE 33 Financial Reporting by Segments continued

	GROUP				
	Year Ended 30 June 1998				
Profit and Loss	**Retail Financial Services**	**Institutional Banking**	**ASB**	**Corporate**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**
Net interest income	2,730	242	282	143	3,397
Fees and commissions	834	223	90	3	1,150
Trading income	-	229	14	-	243
Life insurance and funds management	188	17	1	(1)	205
Other income	68	99	4	64	235
Internal charges [1]	141	140	-	556	-
Total operating income	3,961	950	391	765	5,230
Provisions for impairment	137	132	9	(45)	233
Staff expenses					
Provisions (non cash)	24	4	1	(4)	25
Other	1,047	191	111	248	1,597
Total Staff expenses	1,071	195	112	244	1,622
Occupancy and equipment expenses					
Depreciation	128	5	22	(23)	132
Other	234	48	30	29	341
Total Occupancy and equipment expenses	362	53	52	6	473
Information technology services	322	101	21	32	476
Other expenses	295	30	48	95	468
Internal charges [1]	672	168	-	(3)	-
Total operating expenses	2,722	547	233	374	3,039
Profit before tax, goodwill amortisation and abnormal items	1,102	271	149	436	1,958
Amortisation of goodwill	1	-	-	45	46
Abnormal items	-	-	-	570	570
Profit before tax	1,101	271	149	(179)	1,342
Income tax expense	374	78	50	(270)	232
Outside equity interest	-	-	25	(5)	20
Profit after tax	727	193	74	96	1,090
Balance Sheet					
Total Assets	75,329	41,622	10,793	2,800	130,544
Total Liabilities	56,894	35,928	10,147	20,686	123,655
Performance Ratios (%)					
Total operating expenses/Total operating income [2]	68.72%	57.58%	59.59%	48.89%	58.11%
Asset growth	N/A	N/A	N/A	N/A	N/A

(1) Internet charges eliminated on consolidation.
(2) Divisional ratios include internal charges.

Notes to and forming part of the financial statements

NOTE 34 Life Insurance Business

The following information, in accordance with AASB1038, is provided to disclose life insurance business transactions contained in the Group financial statements and the underlying methods and assumptions used in their calculation. Also refer Notes 1(jj) and 21.

Summarised Profit and Loss Statement (excluding Abnormals)	**GROUP** **2000** **$M**	1999 $M
Premium and related revenue	**459**	296
Outward reinsurance premiums expense	**(122)**	(60)
Claims expense	**(310)**	(107)
Reinsurance recoveries	**89**	54
Investment revenue (excluding investments in subsidiaries)		
Equity securities	**592**	287
Debt securities	**442**	260
Property	**32**	42
Other	**-**	1
Life insurance policy liabilities expense	**(856)**	(616)
Margin on services operating income	**326**	157
Change in excess of net market values over net assets of life insurance controlled entities	**92**	-
Life Insurance operating income	**418**	157
Administration expense		
- Policy acquisition	**(61)**	(25)
- Policy maintenance	**(60)**	(25)
- Investment management	**(17)**	(8)
- Other	**(12)**	-
	(150)	(58)
Operating profit before income tax	**268**	99
Income tax attributable to operating profit	**(47)**	4
Operating profit after income tax	**221**	103
Outside equity interest in operating profit after income tax	**(2)**	(3)
Operating profit after outside equity interest and income tax	**219**	100

An analysis of this financial result is contained in the Financial Review.

Sources of life insurance operating profit (excluding Abnormals)

The operating profit after income tax is represented by:

Emergence of planned profit margins	**121**	83
Difference between actual and planned experience	**(8)**	10
Movement in excess of net market value over net assets of controlled entities	**92**	-
Reversal of previously recognised losses or loss recognition on groups of related products	**1**	-
Investment earnings on assets in excess of policy liabilities	**13**	10
Other	**2**	-
Operating profit after income tax	**221**	103
Life insurance premiums received and receivable	**2,927**	2,673
Life insurance claims paid and payable	**2,279**	1,874

NOTE 34 Life Insurance Business continued

The following tables set out the embedded values and appraisal values of the Group's life insurance and funds management businesses, together with the key actuarial assumptions applied by the independent actuaries in the determination of the appraisal values. These are Director's valuations based on appraisal values determined by independent actuaries Trowbridge Consulting.

As at 30 June 2000		Life Business		Funds	
	Australia $M	New Zealand $M	Other $M	Management $M	Total $M
Shareholders net tangible assets	1,634	176	502	16	2,328
Value of inforce business	713	194	151	638	1,696
Embedded Value	2,347	370	653	654	4,024
Value of future new business	689	240	166	1,561	2,656
Appraisal value (market value)	3,036	610	819	2,215	6,680

Embedded value: The present value of future profits from in-force business and the shareholders interest in the net worth of the life insurance Statutory and Shareholder Funds.

Appraisal value: The embedded value plus the estimated value of profits from future business.

Key Assumptions used in Market Values

As at 30 June 2000	New Business Multiplier	Risk Discount Rate %	Value of Franking Credits %	Market Value $M
Life insurance entities				
Australia				
Colonial Group	12	12	70	1,650
CIHL Group	10	12	70	1,386
New Zealand				
ASB Group	8	13	-	283
Colonial Group	8	13	-	327
Asia (1)				
Colonial Group				
- Hong Kong	9	HKD15 (2) USD12.5	-	653
- Other	various	various	-	166
Funds management entities				
Australia				
Colonial Group	n.a.	13	70	1,592
CIHL Group	n.a.	13	70	623
Total				6,680

(1) The Asian market values represent the values following transfer of ownership from The Colonial Mutual Life Assurance Society Limited to Colonial International Holding Company Pty Limited effective 1 July 1998.

(2) These are the risk discount rates for Hong Kong dollar business and US dollar business.

Notes to and forming part of the financial statements

NOTE 34 Life Insurance Business continued

Policy Liabilities

Appropriately qualified actuaries have been appointed in respect of each life insurance business and they have reviewed and satisfied themselves as to the accuracy of the policy liabilities included in this financial report, including compliance with the regulations of the Life Insurance Act 1995 where appropriate. Details are set out in the various statutory returns of these life insurance businesses.

	GROUP 2000 $M
Components of policy liabilities:	
Future policy benefits [1]	**26,880**
Future bonuses	**450**
Future expenses	**624**
Future profit margins	**576**
Future charges for acquisition expenses	**(327)**
Balance of future premiums	**(2,942)**
Provisions for bonuses not allocated to participating policyholders	**21**
Total policy liabilities	**25,282**

[1] Including bonuses credited to policyholders in prior years.

Taxation

In accordance with legislation applying at balance date, the taxation of life insurance is not based on the concept of overall profit but rather different rates of tax are applied to each class of business. The income tax expense of the life insurance activities of the Group has been determined after aggregating the different classes of business at the corresponding tax rates applicable to those classes.

To the extent that timing differences arise, the net related taxation benefit or income tax liability is disclosed as a future income tax benefit or a provision for deferred tax liability. In accordance with AASB1038, these have been discounted to a present value using reasonable assumptions as to future levels of interest rates, average periods for which each asset category or investment will be held, the tax rate applicable to the respective classes of business and the tax regime in each country of operation.

On 1 July 2000 a new tax regime for life insurance companies commenced in Australia. The primary effect of this regime is to tax profits that had previously not been subject to taxation. Allowance has been made in the appraisal value and policy liabilities of the life insurance businesses for the estimated impact of the new tax requirements.

NOTE 34 Life Insurance Business continued

Actuarial Methods and Assumptions

Policy liabilities have been calculated in accordance with the Margin on Services (MoS) methodology as set out in Actuarial Standard 1.02 – Valuation Standard ('AS1.02') issued by the Life Insurance Actuarial Standards Board ('LIASB'). The principal methods and profit carriers used for particular product groups are as follows:

Product Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses or expected claim payments
Investment account	Projection	Bonuses or asset charges
Investment linked	Projection	Asset charge
	Accumulation	Not applicable
Lump sum risk	Projection	Premiums/claims
Income stream risk	Projection	Expected claim payments
Immediate annuities	Projection	Bonuses or annuity payment
Group		
Investment account	Projection	Bonuses or asset charges
Investment linked	Projection	Asset charge
Lump sum risk	Projection	Claims
	Accumulation	Premiums (implied)
Income stream risk	Projection	Expected claim payments

The 'Projection Method' measures the present values of estimated future policy cash flows to calculate policy liabilities. The policy cash flows incorporate investment income, premiums, expenses, redemptions and benefit payments.

The 'Accumulation Method' measures the accumulation of amounts invested by policyholders plus investment earnings less fees specified in the policy to calculate policy liabilities. Deferred acquisition costs are offset against this liability.

Bonuses are amounts added, at the discretion of the life insurer, to the benefits currently payable under Participating Business. Under the Life Act, bonuses are a distribution to policyholders of profits and may take a number of forms including reversionary bonuses, interest credits and capital growth bonuses (payable on the termination of the policy).

Actuarial assumptions

Set out below is a summary of the material assumptions used in the calculation of policy liabilities in Australia and New Zealand.

Discount Rate

These are the rates used to discount future cash flows to determine their net present value. The discount rate is determined by the earnings rate of the assets that support the policy liability and the tax rate applicable to the Class of Business.

Class of Business	*Rate Range %*
Traditional – ordinary business (after tax)	6.11
Traditional – superannuation business (after tax)	7.88
Annuity business (after tax)	6.40 – 8.25
Term life insurance – ordinary business (after tax)	3.20 – 5.28
Term life insurance – superannuation business (after tax)	4.50 – 5.28
Disability business (before tax)	6.15
Investment linked – ordinary business (after tax)	5.70 – 5.82
Investment linked – superannuation business (after tax)	7.00 – 7.80
Investment linked – exempt (after tax)	8.35 – 8.63
Investment account – ordinary business (after tax)	4.44
Investment account – superannuation business (after tax)	5.72

Notes to and forming part of the financial statements

NOTE 34 Life Insurance Business continued

Bonuses

The valuation assumed that the long-term supportable bonuses would be paid, which is in line with the long-term company practice.

Maintenance expenses

For the Australian and New Zealand operations of the Colonial Group, maintenance expense assumptions are based on the contractual fees (inclusive of an allowance for inflation) as set out in the service company agreements.

Maintenance expense assumptions are based on an analysis of experience over the past year increased for inflation and taking into account future business plans, 'one-off' expenses are excluded. An allowance is made for tax deductibility of expenses at rates appropriate to the taxation basis of the business.

Investment management expenses

For the Australian and New Zealand operations of the Colonial Group, investment management expense assumptions are based on the contractual fees (inclusive of an allowance for inflation) as set out in the Fund Manager agreements.

Inflation

The inflation assumption is in line with the investment earning assumptions.

Benefit and premium indexation

The indexation rates are based on an analysis of past experience and estimated long term CPI and vary by business and product type.

Benefit and premium

The indexation rates are based on an analysis of past experience and estimated long term CPI and vary by business and product type.

Tax

The tax rates assumed are based on those applicable by territory and product type. For Australian business it reflects the new regime for life insurance companies effective 1 July 2000.

Voluntary discontinuance

Discontinuance rates are based on recent company experience and vary by age, territory, product and duration inforce.

Class of Business	*Rate %*
Traditional	7 – 30
Investment account business	3 – 25
Investment linked	2.5 – 70
Annuity business	1.5
Term life insurance	5.5 – 20
Disability income insurance	15 – 25

Surrender values

It has been assumed that the current surrender value bases will continue to apply in the future.

Unit price growth

Unit prices are assumed to grow in line with assumed investment earnings assumptions, net of asset charges as per current office practice.

Mortality - risk products

Rates vary by sex, age, product type and smoker status. Rates are based on standard mortality tables (primarily risk IA 90 – 92, annuity IM/IF 80) adjusted for recent company and industry experience.

Disability

Rates are based on recent company and industry experience. Incidence and termination rates can vary by product type, age, sex, occupation and smoker status.

Solvency

Australian Life Insurers

Australian life insurers are required to hold prudential reserves in excess of the amount of policy liabilities. These reserves are required to support capital adequacy requirements and provide protection against the adverse experience. Actuarial Standard AS2.02 'Solvency Standard' ('AS2.02') prescribes a minimum capital requirement and the minimum level of assets required to be held in each life insurance fund. All controlled Australian life insurance entities complied with the solvency requirements of AS2.02. Further information is available from the individual statutory returns of subsidiary life insurers.

Overseas life insurers

Overseas life insurance subsidiaries are required to hold reserves in excess of policy liabilities in accordance with local Acts and prudential rules. Each of the overseas subsidiaries complied with local requirements. Further information is available from the individual statutory returns of subsidiary life insurers.

Managed assets & fiduciary activities

Arrangements are in place to ensure that asset management and other fiduciary activities of controlled entities are independent of the life insurance funds and other activities of the Group.

Disaggregated information

Life insurance business is conducted through a number of life insurance entities in Australia and overseas. Under the Australian Life Insurance Act 1995, life insurance business is conducted within one or more separate statutory funds which are distinguished from each other and from the shareholders' fund. The financial statements of Australian life insurers prepared in accordance with AASB 1038, (and which are lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various life insurance statutory funds and their shareholder funds.

NOTE 35 Remuneration of Auditors

	GROUP		BANK	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Amounts paid or due and payable for audit services to				
Auditors of the Bank	**3,066**	2,593	**1,993**	1,753
Other auditors	**1,878**	300	**-**	-
	4,944	2,893	**1,993**	1,753
Amounts paid or due and payable for other services to				
Auditors of the Bank	**18,052**	5,011	**17,979**	4,905
Total Remuneration of Auditors	**22,996**	7,904	**19,972**	6,658

Other services provided by Ernst & Young during the year substantially relate to once-off initiatives including GST preparedness ($8.0 million), systems implementations ($4.5 million) and the acquisition of Colonial Limited ($3.1 million). A significant proportion of the other services was provided by Ernst & Young's management consulting division. Effective 23 May 2000, Ernst & Young sold its management consulting business. From that date Ernst & Young no longer provides such services to the Group.

NOTE 36 Commitments for Capital Expenditure Not Provided for in the Accounts

	GROUP		BANK	
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Not later than one year	22	9	19	7
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	22	9	19	7

NOTE 37 Lease Commitments - Property, Plant and Equipment

Commitments in respect of non cancellable operating lease agreements due -				
Not later than one year	**309**	197	**168**	172
Later than one year but not later than five years	**784**	558	**469**	490
Later than five years	**341**	363	**215**	303
Total Lease Commitments - Property, Plant and Equipment	**1,434**	1,118	**852**	965
Group's share of lease commitments of associated entities -				
Not later than one year	**8**	8		
Later than one year but not later than five years	**22**	22		
Later than five years	**10**	14		
Total Lease Commitments - Property, Plant and Equipment	**40**	44		

Notes to and forming part of the financial statements

NOTE 37 Lease Commitments - Property, Plant and Equipment continued

Lease Arrangements

Leases entered into by the Group are for the purpose of accommodating the business need. Leases may be over retail, commercial, industrial and residential premises and reflect the needs of the occupying business and market conditions. All leases are negotiated with external professional property resources acting for the Group.

Rental payments are determined in terms of relevant lease requirements – usually reflecting market rentals as described by standard valuation practice.

The Group as lessee has no purchase options over premises occupied. For properties sold and leased back by the Group, the Group does have the right of first refusal to purchase the property. There is no obligation on the Bank to do so, and there has never been an instance of purchase.

There are no restrictions imposed on the Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

NOTE 38 Contingent Liabilities

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

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

Details of contingent liabilities and off balance sheet business (excluding Derivatives – Note 39) are:

				GROUP
		Face Value		Credit Equivalent
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Credit risk related instruments				
Guarantees	**2,554**	2,030	**2,554**	2,030
Standby letters of credit	**558**	487	**558**	487
Bill endorsements	**428**	510	**428**	510
Documentary letters of credit	**231**	244	**46**	49
Performance related contingents	**1,564**	1,460	**782**	730
Commitments to provide credit	**41,324**	32,151	**13,579**	12,155
Other commitments	**1,118**	819	**1,091**	786
Total credit risk related instruments	**47,777**	37,701	**19,038**	16,747

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

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

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

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

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

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

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

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

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

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

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

NOTE 38 Contingent Liabilities continued

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.

Indemnities under UK Sale Agreement

The Group has contingent liabilities that relate to indemnities given under an agreement for the sale of Colonial Life (UK) Ltd and Colonial Pension Fund Ltd to the Winterthur Group.

These indemnities cover potential claims that could arise from mis-selling activities in the UK for pension products and mortgage endowment products. Under the sales agreement the liabilities are shared between Winterthur and the Group on a pre-determined basis.

Fiduciary Activities

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

	2000 $M	1999 $M
Funds under management		
Australia	**52,048**	27,189
United Kingdom	**19,202**	-
New Zealand	**947**	342
Asia	**1,717**	-
	73,914	27,531
Funds under trusteeship		
Australia	**21,150**	10,740
Funds under custody and investment administration (1)		
Australia	**66,510**	38,835

(1) Comparative has been restated to reflect inclusion of investment administration funds.

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 Group companies are engaged to act in more than one capacity (eg as trustee and fund manager).

Certain entities within the Group act as responsible entity or trustee of various managed schemes ('schemes'), wholesale and retail trusts ('trusts'). Liabilities are incurred by these entities in their capacity as responsible entity or trustee. Rights of indemnity are held against the schemes and trusts whose assets exceeded their liabilities at 30 June 2000. Where entities within the Group act as manager of unit trusts, obligations exist under the relevant Trust Deeds, whereby upon request from a unit holder, the manager has an obligation to repurchase units from the trust or to arrange for the relevant trustee to redeem units from the assets of those trusts. It is considered unlikely that these entities will need to repurchase units from their own funds.

The Commonwealth Bank of Australia does not guarantee the performance or obligations of its subsidiaries.

EDSA Contract

In 1997, the Bank entered into a ten year contract with an associated entity, EDS (Australia) Pty Ltd, relating to the provision of information technology services. The exact amount of the contract is unable to be reliably determined as it is dependent upon business volumes over the period of the contract.

Liquidity support

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

Year 2000 systems compliance

The Bank's Y2K programme was successfully completed with no interruptions to service and was within the allocated budget of $115 million. The Bank continues to maintain a framework of Business Continuity Plans.

Service agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Managing Director and other executives of the Company and its controlled entities at 30 June 2000 was $12.4 million (1999: $10 million).

Notes to and forming part of the financial statements

NOTE 39 Market Risk

The discussion in this note covers the management of market risk within the Commonwealth Bank Group ("Bank") prior to and excluding integration of the Colonial Group. As a general principle, Colonial's existing management policies and practices remain in place but with additional reporting, monitoring and management activities carried out by the responsible business unit within the Commonwealth Bank Group. Integration of all market risk management activities is proceeding in line with the integration plans of the responsible business unit.

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

Under the authority of the CBA Board, the Risk Committee of the Board ensures that all the Group's market policies are consistent with the Group business strategy and within Group risk tolerance. Regular market risk reports are tabled before Risk Committee. Within the Group, market risk exists in the balance sheet structure and arises in the course of its intermediation activities in financial services and in financial markets trading.

Market risk in the balance sheet

The Risk Committee of the Board recommends for Board approval all balance sheet market risk policies and limits. Implementation of the policy is through the Asset Liability Committee, with operational management of the risk delegated to the Group General Manager, Financial & Risk Management. Market risk in the balance sheet includes liquidity risk, funding risk, interest rate risk and foreign exchange rate risk.

Liquidity risk

Balance sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group manages liquidity risk separately for its domestic Australian Dollar (AUD) obligations and for its foreign currency obligations. In both domestic and foreign currency operations, liquidity policies are in place to manage liquidity both in a day to day sense, and also under crisis assumptions.

APRA has revised its Prudential Standard for the supervision of liquidity in banks. This standard has been expanded to cover all Approved Deposit-taking Institutions (ADIs). The previous policy has been superseded and the Prime Assets Requirements (PAR) has been abolished.

Each bank is required to develop a liquidity management strategy that is appropriate for itself, based on its size and the nature of its operations. The prime objective is to ensure that each bank has sufficient liquidity to meet its financial obligations as they fall due.

The Bank has developed a liquidity policy, relevant to its own circumstances and this has formally been approved by APRA. The objectives of the Bank's funding and liquidity policies are to:

- Ensure all financial obligations are met when due;
- Provide adequate protection at lowest cost; and
- Achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements, without over-reliance on any particular market segment.

The Bank's policy framework differentiates normal operational liquidity management (corresponding to the "going concern" scenario in APRA's Prudential Statement D1 on Liquidity) from a crisis event. Three types of crisis are dealt with ie, systemic, founded and unfounded. The policy sets out the controls and cash flow assumptions appropriate in all cases. The key elements of the liquidity policy cover:

- Detailed daily forecasts out to 3 months including mismatch limits;
- Development of reliable funding sources;
- The holding of a stock of high quality liquid assets ie, assets held that are available for repurchase by the RBA (over and above those required to meet Real Time Gross Settlement (RTGS) obligations), AUD CDs/Bills of other banks and AUD overnight interbank loans; and
- The use of standby lines of funding.

Subsidiaries are also included in the Group's liquidity policy framework.

Foreign currency liquidity risk is managed by ensuring that a positive cumulative cash flow always exists for the next 7 days' operations. This means that should a crisis situation arise, the Bank would not need to access new funding from wholesale markets for at least one week. There is also a cap on the maximum level of cumulative negative cash flows at day 28. A stock of liquid assets is included in this protective measure.

Funding risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Group has a policy of funding diversification. This Funding Policy augments the Group's Liqudity Policy. Its aim is to assure that the Group has a stable diversified funding base without over-reliance on any one market sector. Central to this is the determination of the most appropriate mix of deposits and other liabilities to fund the balance sheet. A target has been set for the preferred minimum level of retail deposits. A minimum level of long-term (greater than 12 months) funding has also been set.

Domestically, the Bank continues to obtain the majority of its AUD funding from its stable retail deposit base, primarily demand and short term deposits, which have a lower interest cost than wholesale funds. The retail funding percentage has fallen over recent years from 65% in June 1999 to 63% in June 2000 (60% with Colonial included). The relative size of the Bank's retail base has enabled it to source funds at a lower average rate of interest than the other major Australian banks. However, some of this benefit is offset by the cost of the Bank's retail network and the Bank's large share (approximately 42%) of pensioner deeming accounts.

In recent years, the Group has experienced a movement of retail deposit balances into higher interest bearing accounts. This reflects increased customer awareness of investment opportunities in an environment where the level of interest rates has remained lower and relatively more stable when compared with the interest rate cycles of the 1980s and early 1990s.

NOTE 39 Market Risk continued

The cost of funds for Financial Year 2000, calculated as the percentage of interest expense to average interest bearing liabilities, was 4.4% on a Group basis compared with 4.1% on a Group basis for Financial Year 1999.

The Bank obtains a growing proportion of its funding for the domestic balance sheet from wholesale sources – approximately 25%, excluding Bank Acceptances. The cost of funds raised in the wholesale markets is affected by independently assessed credit ratings. Previously, the Bank has benefited from the Commonwealth of Australia's guarantee of its liabilities in terms of both credit ratings and the resultant cost of wholesale funds.

Under the Commonwealth Bank Sale Act 1995, this guarantee was phased out over a three year period commencing on the date on which the Commonwealth's shareholding in the Bank fell below 50% (ie 19 July 1996). All liabilities incurred prior to 19 July 1996 continue to be guaranteed until maturity and, for a period of three years from that time, all deposits made in that period continue to be guaranteed. Time deposits outstanding at the end of the transition period are guaranteed until maturity. No new deposits made after 19 July 1999 carry the Commonwealth of Australia Guarantee.

The progressive removal of the Commonwealth's guarantee has not had a material impact on the Bank's overall cost of funds as the proportion of the Bank's funding raised from the wholesale markets with the benefit of the guarantee is low. Similarly, following the removal of the Commonwealth's guarantee on deposits on 19 July 1999, negligible change has occurred in retail deposit funding costs.

A funding diversification policy is particularly important in offshore markets where the absence of any "natural" offshore funding base means the Bank is principally reliant on money market and capital market sources for funding. The Bank has imposed internal prudential limits on the relative mix of offshore sources of funds.

The following table outlines the range of financial instruments used by the Group to raise deposits and borrowings, both within Australia and overseas. Funds are raised from well-diversified sources and there are no material concentrations in these categories.

	GROUP	
	2000	1999
	$M	$M
Australia		
Cheque Accounts	**15,289**	12,104
Savings Accounts	**29,543**	24,961
Term Deposits	**29,677**	23,871
Cash Management Accounts	**9,985**	8,789
Debt Issues	**17,520**	5,980
Bank Acceptances	**11,107**	9,634
Certificates of Deposit	**14,136**	11,000
Life Insurance Policy Liabilities	**21,975**	-
Loan Capital	**5,299**	2,828
Securities Sold Under Agreements to Repurchase	**946**	619
Other	**1,809**	1,041
Total Australia	**157,286**	100,827
Overseas		
Deposits and Interbank	**15,842**	14,292
Commercial Paper	**6,070**	3,758
Life Insurance Policy Liabilities	**3,307**	-
Other Debt Issues	**1,685**	1,025
Bank Acceptances and Other	**-**	38
Total Overseas	**26,904**	19,113
Total Funding Sources	**184,190**	119,940
Provisions and Other Liabilities	**15,634**	11,194
Total Liabilities	**199,824**	131,134

Notes to and forming part of the financial statements

NOTE 39 Market Risk continued

Interest rate risk

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

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

(a) Next 12 months' earnings

The risk to the net interest earnings over the next 12 months from a change in interest rates is measured on 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 asset and liability levels and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on other assets and liabilities (those priced at the discretion of the Group) is measured by taking into account both the manner 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)	**2000 %**	1999 %
Average monthly exposure	**1.8**	2.1
High month exposure	**2.3**	2.9
Low month exposure	**1.4**	1.5

(b) Economic value

Some of the Group's assets and liabilities have interest rate risk that is not captured within the measure of risk to next 12 months earnings, as the risk is beyond the next 12 months. To measure this longer-term sensitivity, the Group utilises an economic value-at-risk analysis. This analysis measures the potential change in the net present value of cashflows of assets and liabilities. Cashflows for fixed rate products are included on a contractual basis, after adjustment for forecast prepayment activity. Cashflows for products repriced at the discretion of the Group are based on the expected repricing characteristics of those products.

The total cashflows are revalued under a range of possible interest rate scenarios using a Value at Risk (VaR) methodology. The interest rate scenarios are based on actual interest rate movements that have occurred over 1 year and 5 year historical observation periods. The measured VaR exposure is an estimate to a 97.5% confidence level (one-tail) of the potential loss that could occur if the balance sheet positions were to be held unchanged for a one month holding period. For example, VaR exposure of $1 million means that in 97.5 cases out of 100, the expected net present value will not decrease by more than $1 million given the historical movement in interest rates.

The figures in the following table represent the net present value of the expected change in future earnings in all future periods for the remaining term of all existing assets and liabilities held for purposes other than trading.

	2000 $M	1999 $M
Exposure as at 30 June	**19**	54
Average monthly exposure	**27**	48
High month exposure	**45**	65
Low month exposure	**15**	31

A stress-test framework for interest rate risk augments the two risk-management perspectives outlined above. The results of the of the stress tests are used to refine policy and limits where appropriate and are reported to senior management.

The table following represents the Group's contractual interest rate risk sensitivity from repricing mismatches as at 30 June 2000 and the corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off balance sheet instruments that 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 mismatch report using delta equivalents of the option face values.

NOTE 39 Market Risk continued

Interest Rate Risk Sensitivity

									Repricing Period at 30 June 2000
	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	**2,506**	**1,548**	**-**	**7**	**-**	**-**	**-**	**951**	**3.59**
Receivables due from other financial institutions	**4,159**	**2,540**	**1,508**	**18**	**8**	**-**	**-**	**85**	**6.64**
Trading securities	**5,480**	**5,480**	**-**	**-**	**-**	**-**	**-**	**-**	**6.07**
Investment securities	**4,146**	**1,288**	**220**	**413**	**108**	**1,323**	**788**	**6**	**8.13**
Loans, advances and other receivables	**116,747**	**65,192**	**8,130**	**7,193**	**12,714**	**23,174**	**1,724**	**(1,380)**	**7.55**
Bank acceptances of customers	**11,107**	**-**	**-**	**-**	**-**	**-**	**-**	**11,107**	**-**
Life insurance investment assets [1]	**22,797**	**3,110**	**890**	**70**	**555**	**2,735**	**3,768**	**11,669**	**5.85**
Deposits with regulatory authorities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Property, plant and equipment	**861**	**-**	**-**	**-**	**-**	**-**	**-**	**861**	**-**
Goodwill	**5,899**	**-**	**-**	**-**	**-**	**-**	**-**	**5,899**	**-**
Other assets	**14,448**	**-**	**-**	**-**	**-**	**-**	**-**	**14,448**	**-**
Total Assets	**188,150**	**79,158**	**10,748**	**7,701**	**13,385**	**27,232**	**6,280**	**43,646**	**5.94**
Liabilities									
Deposits and other public borrowings	**99,816**	**57,491**	**9,448**	**10,607**	**7,394**	**6,654**	**2,244**	**5,978**	**4.27**
Payables due to other financial institutions	**1,569**	**1,145**	**424**	**-**	**-**	**-**	**-**	**-**	**6.05**
Bank acceptances	**11,107**	**-**	**-**	**-**	**-**	**-**	**-**	**11,107**	**-**
Provision for dividend	**708**	**-**	**-**	**-**	**-**	**-**	**-**	**708**	**-**
Income tax liability	**1,740**	**-**	**-**	**-**	**-**	**-**	**-**	**1,740**	**-**
Other provisions	**1,321**	**-**	**-**	**-**	**-**	**-**	**-**	**1,321**	**-**
Life insurance policy liabilities	**21,975**	**-**	**-**	**-**	**-**	**-**	**-**	**21,975**	**-**
Debt issues	**17,520**	**5,514**	**5,140**	**872**	**1,609**	**4,001**	**384**	**-**	**6.26**
Bills payable and other liabilities	**10,942**	**-**	**-**	**-**	**-**	**-**	**-**	**10,942**	**-**
Loan Capital	**5,220**	**795**	**1,845**	**182**	**-**	**394**	**2,004**	**-**	**7.31**
Total Liabilities	**171,918**	**64,945**	**16,857**	**11,661**	**9,003**	**11,049**	**4,632**	**53,771**	**3.39**
Shareholders Equity	**17,472**	**-**	**-**	**-**	**-**	**-**	**-**	**17,472**	
Outside equity interests in controlled entities	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**156**	
Total Shareholders' Equity	**17,628**	**-**	**-**	**-**	**-**	**-**	**-**	**17,628**	
Off Balance Sheet Items									
Swaps	*****	**(1,158)**	**(5,774)**	**1,282**	**719**	**2,199**	**2,732**	**-**	**#**
FRAs	*****	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**#**
Futures	*****	**181**	**-**	**(595)**	**446**	**(37)**	**5**	**-**	**#**
Net Mismatch	*****	**13,236**	**(11,883)**	**(3,273)**	**5,547**	**18,345**	**4,385**	**(27,753)**	**#**
Cumulative Mismatch	*****	**13,236**	**1,353**	**(1,920)**	**3,627**	**21,972**	**26,357**	**(1,396)**	**#**

\# no rate applicable
* no balance sheet amount applicable

As noted above the cumulative mismatch reflects contractual repricing periods. The balance sheet is managed based on assessments of expected pricing behaviour having regard to historical trends and competitive positioning.

(1) With the introduction of Australian Accounting Standard AASB1038: Life Insurance Business, the contractual repricing of Life insurance investment assets has been included in the Interest Rate Risk Sensitivity table for the first time for the financial year ended 30 June 2000. The interest income on these assets supports the life insurance policies issued by the Group's life companies and does not contribute to market risk within the banking book.

Notes to and forming part of the financial statements

NOTE 39 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	Repricing Period at 30 June 2000								
Overseas									
Assets									
Cash and liquid assets	**69**	**-**	**8**	**24**	**-**	**-**	**-**	**37**	**2.13**
Receivables due from other financial institutions	**995**	**479**	**240**	**216**	**23**	**-**	**-**	**37**	**5.85**
Trading securities	**1,867**	**483**	**790**	**254**	**137**	**144**	**59**	**-**	**6.62**
Investment securities	**5,003**	**201**	**1,710**	**171**	**164**	**1,281**	**1,476**	**-**	**7.91**
Loans, advances and other receivables	**15,516**	**6,338**	**1,453**	**1,470**	**1,962**	**4,076**	**391**	**(174)**	**7.86**
Bank acceptances of customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Life insurance investment assets	**3,651**	**115**	**301**	**193**	**194**	**354**	**595**	**1,899**	**6.61**
Deposits with regulatory authorities	**46**	**10**	**-**	**-**	**-**	**33**	**-**	**3**	**1.59**
Property, plant and equipment	**212**	**-**	**-**	**-**	**-**	**-**	**-**	**212**	**-**
Goodwill	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**
Other assets	**2,156**	**-**	**-**	**-**	**-**	**-**	**-**	**2,156**	**-**
Total Assets	**29,521**	**7,626**	**4,502**	**2,328**	**2,480**	**5,888**	**2,521**	**4,176**	**6.91**
Liabilities									
Deposits and other public borrowings	**12,778**	**6,626**	**3,581**	**1,221**	**972**	**315**	**1**	**62**	**5.50**
Payables due to other financial institutions	**3,064**	**1,652**	**816**	**370**	**226**	**-**	**-**	**-**	**6.12**
Bank acceptances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provision for dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income tax liability	**83**	**-**	**-**	**-**	**-**	**-**	**-**	**83**	**-**
Other provisions	**233**	**-**	**-**	**-**	**-**	**-**	**-**	**233**	**-**
Life insurance policy liabilities	**3,307**	**-**	**-**	**-**	**-**	**-**	**-**	**3,307**	**-**
Debt issues	**7,755**	**650**	**4,530**	**640**	**818**	**709**	**408**	**-**	**5.26**
Bills payable and other liabilities	**607**	**-**	**-**	**-**	**-**	**-**	**-**	**607**	**-**
Loan Capital	**79**	**-**	**-**	**-**	**-**	**79**	**-**	**-**	**7.46**
Total Liabilities	**27,906**	**8,928**	**8,927**	**2,231**	**2,016**	**1,103**	**409**	**4,292**	**4.67**
Shareholders Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Outside equity interests in controlled entities	**219**	**-**	**-**	**-**	**-**	**-**	**-**	**219**	
Total Shareholders' Equity	**219**	**-**	**-**	**-**	**-**	**-**	**-**	**219**	
Off Balance Sheet Items									
Swaps	*****	**(261)**	**2,032**	**463**	**(185)**	**(1,323)**	**(726)**	**-**	**#**
Options	*****	**-**	**670**	**(670)**	**-**	**-**	**-**	**-**	**#**
FRAs	*****	**94**	**1**	**(252)**	**157**	**-**	**-**	**-**	**#**
Futures	*****	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**#**
Net Mismatch	*****	**(1,469)**	**(1,722)**	**(362)**	**436**	**3,462**	**1,386**	**(335)**	**#**
Cumulative Mismatch	*****	**(1,469)**	**(3,191)**	**(3,553)**	**(3,117)**	**345**	**1,731**	**1,396**	**#**

\# no rate applicable
* no balance sheet amount applicable

NOTE 39 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	Repricing Period at 30 June 1999								
Australia									
Assets									
Cash and liquid assets	1,722	859	-	-	-	-	-	863	1.42
Receivables due from other financial institutions	621	215	206	159	-	-	-	41	8.08
Trading securities	3,219	3,219	-	-	-	-	-	-	3.99
Investment securities	3,147	1,414	20	-	332	931	450	-	6.64
Loans, advances and other receivables	88,500	44,457	4,869	5,830	10,403	22,291	1,634	(984)	6.92
Bank acceptances of customers	9,634	-	-	-	-	-	-	9,634	-
Deposits with regulatory authorities	952	952	-	-	-	-	-	-	-
Property, plant and equipment	806	-	-	-	-	-	-	806	-
Goodwill	491	-	-	-	-	-	-	491	-
Other assets	7,979	-	-	-	-	-	-	7,979	-
Total Assets	117,071	51,116	5,095	5,989	10,735	23,222	2,084	18,830	5.58
Liabilities									
Deposits and other public borrowings	81,506	48,174	7,714	7,916	5,244	5,169	2,734	4,555	3.28
Payables due to other financial institutions	879	645	17	61	153	2	-	1	4.55
Bank acceptances	9,634	-	-	-	-	-	-	9,634	-
Provision for dividend	472	-	-	-	-	-	-	472	-
Income tax liability	1,405	-	1	-	-	-	-	1,404	-
Other provisions	804	-	-	-	-	-	-	804	-
Debt issues	5,980	1,075	1,880	440	1,061	1,319	205	-	5.03
Bills payable and other liabilities	7,443	-	-	-	-	-	-	7,443	-
Loan Capital	2,828	343	789	152	-	185	1,359	-	5.59
Total Liabilities	110,951	50,237	10,401	8,569	6,458	6,675	4,298	24,313	2.86
Shareholders Equity	6,735	-	-	-	-	-	-	6,735	
Outside equity interests in controlled entities	-	-	-	-	-	-	-	-	
Total Shareholders' Equity	6,735	-	-	-	-	-	-	6,735	
Off Balance Sheet Items									
Swaps	*	(4,537)	(6,076)	2,917	2,006	2,651	3,039	-	#
FRAs	*	(181)	(271)	269	183	-	-	-	#
Futures	*	-	(2,000)	2,000	-	-	-	-	#
Net Mismatch	*	(3,839)	(13,653)	2,606	6,466	19,198	825	(12,218)	#
Cumulative Mismatch	*	(3,839)	(17,492)	(14,886)	(8,420)	10,778	11,603	(615)	#

\# no rate applicable
* no balance sheet amount applicable

Notes to and forming part of the financial statements

NOTE 39 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
								Repricing Period at 30 June 1999	
Overseas									
Assets									
Cash and liquid assets	92	34	58	-	-	-	-	-	2.08
Receivables due from other financial institutions	585	289	233	39	-	-	-	24	5.07
Trading securities	1,489	474	452	262	90	184	27	-	4.90
Investment securities	4,040	656	982	55	124	978	1,245	-	5.29
Loans, advances and other receivables	13,337	5,407	1,014	1,415	1,265	4,129	213	(106)	7.15
Bank acceptances of customers	38	38	-	-	-	-	-	-	-
Deposits with regulatory authorities	1	-	-	-	-	-	-	1	-
Property, plant and equipment	195	-	-	-	-	-	-	195	-
Other assets	1,248	-	-	-	-	-	-	1,248	-
Total Assets	21,025	6,898	2,739	1,771	1,479	5,291	1,485	1,362	6.05
Liabilities									
Deposits and other public borrowings	11,922	7,043	2,591	1,195	837	216	-	40	4.16
Payables due to other financial institutions	2,370	1,717	358	145	3	-	-	147	4.99
Bank acceptances	38	38	-	-	-	-	-	-	-
Income tax liability	5	-	-	-	-	-	-	5	-
Other provisions	1	-	-	-	-	-	-	1	-
Debt issues	4,783	1,356	1,861	706	239	292	329	-	4.79
Bills payable and other liabilities	1,064	376	212	-	-	24	19	433	1.84
Loan Capital	-	-	-	-	-	-	-	-	-
Total Liabilities	20,183	10,530	5,022	2,046	1,079	532	348	626	4.28
Shareholders Equity	-	-	-	-	-	-	-	-	
Outside equity interests in controlled entities	227	-	-	-	-	-	-	227	
Total Shareholders' Equity	227	-	-	-	-	-	-	227	
Off Balance Sheet Items									
Swaps	*	1,159	2,150	(8)	96	(3,059)	(338)	-	#
Options	*	-	-	-	-	-	-	-	#
FRAs	*	(339)	138	56	145	-	-	-	#
Futures	*	-	275	(515)	217	11	12	-	#
Net Mismatch	*	(2,812)	280	(742)	858	1,711	811	509	#
Cumulative Mismatch	*	(2,812)	(2,532)	(3,274)	(2,416)	(705)	106	615	#

no rate applicable
* no balance sheet amount applicable

NOTE 39 Market Risk continued

Foreign exchange risk

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

The Group hedges all balance sheet foreign exchange risk except for long term investments in offshore subsidiaries. An adverse movement of 10% in foreign exchange rates would cause the Group's capital adequacy ratio to deteriorate by less than 0.3% (1999: less than 0.3%)

Net deferred gains and losses

Net deferred 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
	2000 $M	1999 $M	**2000 $M**	1999 $M	**2000 $M**	1999 $M
Within 6 months	**341**	86	**(45)**	80	**296**	166
Within 6 months - 1 year	**31**	68	**(49)**	6	**(18)**	74
Within 1-2 years	**24**	(71)	**(28)**	(64)	**(4)**	(135)
Within 2-5 years	**(33)**	22	**(27)**	(134)	**(60)**	(112)
After 5 years	**(226)**	233	**(230)**	(172)	**(456)**	61
Net deferred gain (loss)	**137**	338	**(379)**	(284)	**(242)**	54

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 $11 million of net deferred losses on derivatives (1999: $19 million net deferred gains) used to hedge equity risk on investments disclosed within Note 11.

Market risk in financial services

Market risk in financial services is the risk of loss from adverse events in the financial markets; eg an adverse interest rate movement. Market risk includes financial services liquidity risk. This is the risk of being unable to meet fund redemptions occurring as a result of serious escalation in financial markets volatility or other factors.

The Risk Committee of the Board recommends for Board approval the financial services market risk management policies. In turn, the directors of the financial services companies are responsible to Risk Committee and Group Board for the management of market risks within these companies.

Interest rate risk

Interest rate risk arises from the contractual obligations underwritten within life policies issued by the life company including annuity policies. The aim of the fund is to invest in assets which match, as far as possible, the guaranteed policy holder liabilities including any statutory capital in such a manner that the risk of loss due to interest rate movements is, as far as possible, minimised.

The statutory funds' duration and convexity positions are monitored on a daily basis.

Independent monitoring is completed on a monthly basis to confirm matching requirements and check profit sources. Statutory requirements are to include this information within the Financial Conditions Report to the Insurance and Superannuation Commission (APRA).

Liquidity risk

Liquidity risk is measured by ensuring an appropriate level of liquidity exists within each fund to cover redemptions. Liquidity risk is managed by determining the market risk liquidity profile for each fund. The risk profile is determined by:

(i) the asset allocation benchmarks of each fund;
(ii) the historical volatility of fund redemptions for each fund; and
(iii) the varying settlement days for each class of assets.

The methodology is based on the identification of funds potentially at risk of a liquidity crisis caused by a significant increase in fund redemptions occurring as a result of serious escalation in financial markets volatility or other factors. The methodology assesses the underlying liquidity of each fund relative to the historical redemption level over the last five years.

Residual Value Risk on Operating Leases

The Group provides operating leases to customers on equipment such as motor vehicles, computers and industrial equipment. A residual value risk arises when equipment is not fully depreciated at lease expiry. Residual value risk is the risk that the amount recouped by selling the equipment at lease expiry will be less than the residual value on the lease.

In managing the risk the Group utilises industry experts to ensure that the residual value of equipment is prudently estimated at the start of the lease and the Group realises the maximum value of the equipment at lease expiry.

Notes to and forming part of the financial statements

NOTE 39 Market Risk continued

Derivative contracts

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

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

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

				GROUP
		Face Value		Credit Equivalent
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Derivatives				
Exchange rate related contracts				
Forwards				
Trading	**112,949**	92,721	**3,374**	2,521
Other than trading	**1,323**	43	**1**	-
Total Forwards	**114,272**	92,764	**3,375**	2,521
Swaps				
Trading	**14,151**	12,244	**1,235**	954
Other than trading	**12,010**	6,050	**1,726**	810
Total Swaps	**26,161**	18,294	**2,961**	1,764
Futures				
Trading	**324**	218	**-**	-
Other than trading	**-**	-	**-**	-
Total Futures	**324**	218	**-**	-
Options purchased and sold				
Trading	**39,375**	41,028	**626**	662
Other than trading	**-**	-	**-**	-
Total Options purchased and sold	**39,375**	41,028	**626**	662
Total exchange rate related contracts	**180,132**	152,304	**6,962**	4,947
Interest rate related contracts				
Forwards				
Trading	**18,002**	6,863	**4**	1
Other than trading	**6,192**	8,527	**2**	-
Total Forwards	**24,194**	15,390	**6**	1
Swaps				
Trading	**119,120**	56,534	**1,865**	1,261
Other than trading	**51,060**	36,343	**1,254**	634
Total Swaps	**170,180**	92,877	**3,119**	1,895
Futures				
Trading	**33,583**	44,602	**-**	-
Other than trading	**1,142**	454	**-**	-
Total Futures	**34,725**	45,056	**-**	-
Options purchased and sold				
Trading	**12,292**	8,471	**128**	41
Other than trading	**737**	61	**67**	61
Total Options purchased and sold	**13,029**	8,532	**195**	102
Total interest rate related contracts	**242,128**	161,855	**3,320**	1,998
Equity risk related contracts				
Swaps				
Other than trading	**278**	278	**-**	-
Total equity risk related contracts	**278**	278	**-**	-
Total derivatives exposures	**422,538**	314,437	**10,282**	6,945

NOTE 39 Market Risk continued

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

	GROUP			
	Fair Value		Average Fair Value	
	2000	1999	**2000**	1999
	$M	$M	**$M**	$M
Exchange rate related contracts				
Forward contracts				
Gross unrealised gains	**2,263**	1,804	**1,829**	2,490
Gross unrealised losses	**(1,828)**	(1,473)	**(1,446)**	(1,902)
	435	331	**383**	588
Swaps				
Gross unrealised gains	**1,509**	1,181	**1,364**	1,656
Gross unrealised losses	**(1,389)**	(1,165)	**(1,316)**	(1,727)
	120	16	**48**	(71)
Futures				
Gross unrealised gains	**3**	14	**5**	12
Gross unrealised losses	**(5)**	(16)	**(5)**	(13)
	(2)	(2)	**-**	(1)
Options purchased and sold				
Gross unrealised gains	**381**	409	**342**	536
Gross unrealised losses	**(255)**	(293)	**(252)**	(374)
	126	116	**90**	162
Net Unrealised Gains on Exchange Rate Related Contracts	**679**	461	**521**	678
Interest rate related contracts				
Forward contracts				
Gross unrealised gains	**6**	2	**10**	3
Gross unrealised losses	**(5)**	(3)	**(10)**	(6)
	1	(1)	**-**	(3)
Swaps				
Gross unrealised gains	**2,029**	1,530	**1,759**	1,806
Gross unrealised losses	**(2,056)**	(1,697)	**(1,922)**	(1,930)
	(27)	(167)	**(163)**	(124)
Futures				
Gross unrealised gains	**14**	16	**14**	20
Gross unrealised losses	**(22)**	(11)	**(13)**	(11)
	(8)	5	**1**	9
Options purchased and sold				
Gross unrealised gains	**47**	22	**35**	31
Gross unrealised losses	**(45)**	(29)	**(46)**	(20)
	2	(7)	**(11)**	11
Net Unrealised Losses on Interest Rate Related Contracts	**(32)**	(170)	**(173)**	(107)
Net Unrealised Gains (Losses) on Trading Derivative Contracts	**647**	291	**348**	571

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

Unrealised gains on trading derivatives (Note 21)	**6,252**	4,978
Unrealised losses on trading derivatives (Note 27)	**(5,605)**	(4,687)
Net unrealised gains (losses) on trading derivatives	**647**	291

Notes to and forming part of the financial statements

NOTE 40 Superannuation Commitments

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

Name of Plan	Type	Form of Benefit	Date of Last Assessment
Officers' Superannuation Fund (OSF)	Defined Benefits and Accumulation	Indexed pensions and lump sums	30 June 1997
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA(UK)SBS)	Defined Benefits and Accumulation	Indexed pensions and lump sums	1 May 1999
The Colonial Group Staff Superannuation Scheme (CGSSS)	Defined Benefits and Accumulation	Indexed pensions and lump sums	30 June 1998
Colonial UK Staff Pension Scheme (CUKSPS)	Defined Benefits and Accumulation	Indexed pensions and lump sums	5 April 1997
Trust Bank Staff Superannuation Fund (Trust BSSF)	Defined Benefits and Accumulation	Indexed pensions and lump sums	30 June 1999

Financial Details of Defined Benefits Plans

	OSF $M	CBA (UK) SBS $M	CGSSS [(1)] $M	CUK SPS [(2)] $M	Trust BSSF $M	Total $M
Net Market Value of Assets	5,302	116	588	277	22	**6,305**
Present Value of Accrued Benefits	4,022	55	292	258	18	**4,645**
Difference between Net Market of Assets and Present Value of Accrued Benefits	1,280	61	296	19	4	**1,660**
Difference as a percentage of plan assets	24%	53%	50%	7%	18%	**26%**
Value of Vested Benefits	4,022	56	322	258	15	**4,673**

(1) The Colonial Group Staff Superannuation Scheme values include the values, as at 30 June 1996, of the former Prudential Australia Superannuation Scheme, the Prudential Australia Superannuation Scheme No. 2 and the Prudential Australia Staff Pension Scheme. Members of these funds were transferred to the Colonial Scheme effective 1 April 1999.

(2) The Colonial UK life insurance business was sold in June 2000, which will result in a significant portion of these vested benefits being transferred out of this plan.

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

Contributions

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

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994.

Further, the Bank ceased contributions to the OSF corresponding to salary sacrifice benefits from 1 July 1997.

An actuarial assessment of the OSF, as at 30 June 1997 was completed during the year ended 30 June 1998. In line with the actuarial advice contained in the assessment, the Bank does not intend to make contributions to the OSF until after consideration of the next actuarial assessment of the OSF as at 30 June 2000. No employer contributions were made to the CGSSS during the year and the Bank does not intend to make contributions to the CGSSS until after consideration of the next actuarial assessment of CGSSS.

NOTE 41 Controlled Entities

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
AUSTRALIA		
(a) Banking		
Commonwealth Bank of Australia (Australia only)		Australia
Controlled Entities:		
Commonwealth Development Bank of Australia Limited		Australia
CBA Investments Limited		Australia
Antarctic Shipping Pty Ltd *		Australia
Australian Bank Limited		Australia
Balga Pty Limited *		Australia
Binya Pty Limited *		Australia
Brookhollow Ave Pty Limited *		Australia
CBA Specialised Financing Limited		Australia
Share Investments Pty Limited		Australia
CBA EDSA IT Assets Partnership		Australia
CBA Investments (No 2) Pty Ltd		Australia
CBA Indemnity Co. Pty Limited *		Australia
CBA International Finance Pty Limited		Australia
CBCL Australia Limited		Australia
CBFC Limited		Australia
Collateral Leasing Pty Limited		Australia
Commonwealth Securities Limited		Australia
Share Direct Nominees Pty Limited *		Australia
Comsec Nominees Pty Limited *		Australia
Chullora Equity Investments (No.2) Pty Limited *		Australia
Chullora Equity Investments (No.3) Pty Limited *		Australia
Commonwealth Insurance Limited		Australia
Commonwealth Investments Pty Limited *		Australia
Hazelwood Investment Company Pty Limited *		Australia
Commonwealth Property Limited		Australia
Darontin Pty Limited *		Australia
Fleet Care Services Pty Limited *		Australia
Infravest (No. 1) Limited		Australia
Infravest (No. 2) Limited		Australia
Leaseway Australia Pty Limited		Australia
Micropay Pty Limited		Australia
Perpetual Stock Pty Limited *		Australia
Retail Investor Pty Limited		Australia
Sparad (No. 20) Pty Limited *		Australia
Sparad (No. 24) Pty Limited		Australia
Sparad (No. 29) Pty Limited *		Australia
Sparad (No. 30) Pty Limited *		Australia
Sparad (No. 31) Pty Limited *		Australia

Notes to and forming part of the financial statements

NOTE 41 Controlled Entities continued

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
(b) Life Insurance and Funds Management		
Commonwealth Custodial Services Limited		Australia
Commonwealth Insurance Holdings Limited		Australia
Commonwealth Life Limited		Australia
CLL Investments Limited		Australia
CIF (Hazelwood) Pty Limited		Australia
Commonwealth Investment Services Limited Group		
Commonwealth Investment Services Limited		Australia
Commonwealth Managed Investments Limited		Australia
CISL (Hazelwood) Pty Limited		Australia
Commonwealth Funds Management Limited Group		
Commonwealth Funds Management Limited		Australia
CFM (ADF) Limited		Australia
CFML Nominees Pty Limited		Australia
NEW ZEALAND		
(a) Banking		
ASB Group Limited (1) #	75%	New Zealand
ASB Bank Limited	75%	New Zealand
ASB Finance Limited	75%	New Zealand
ASB Management Services Limited	75%	New Zealand
ASB Properties Limited	75%	New Zealand
ASB Superannuation Nominees Limited	75%	New Zealand
CBA Funding (NZ) Limited		New Zealand
(b) Life Insurance		
ASB Group Limited (1) #	75%	New Zealand
ASB Life Limited	75%	New Zealand
Sovereign Limited	75%	New Zealand
OTHER OVERSEAS		
(a) Banking		
Commonwealth Bank of Australia (Offshore Branches)		
CBA Asia Limited		Singapore
CBA (Europe) Finance Limited		United Kingdom
CBA (Delaware) Finance Incorporated		USA
Central Real Estate Holdings Group		
Central Real Estate Holdings Corporation		USA
Wilshire 10880 Corporation		USA
Wilshire 10960 Corporation		USA
CTB Australia Limited		Hong Kong
Senator House Investments (UK) Limited (2)		United Kingdom
Commonwealth Securities (Japan) Pty Limited		Japan
SBV Asia Limited		Hong Kong
Colonial Group (4) #		

Non-operating controlled entities are excluded from the above list.

(1) ASB Group Limited is a 75% owned subsidiary of the Bank. ASB Group Limited owns 100% of the ASB Bank Limited and ASB Life Limited.
(2) Wholly owned subsidiary of CBA International Finance Pty Limited.
(3) Purchased during the year ended 30 June 2000.
(4) Acquired 13 June 2000
Controlled entities not audited by Ernst & Young.
* Small proprietory companies not requiring audit.

NOTE 41 Controlled Entities continued

Acquisition of Controlled Entities

On 13 June 2000, the Bank acquired 100% interest in the Colonial Group. Listed below are the controlled entities of the Group.

Entity name	Extent of Related Interest if not 100%	Incorporated in
Australia		
(a) Banking		
Colonial Asset Finance Pty Limited		Australia
Colonial Employee Share Plan Limited		Australia
Colonial Finance (Australia) Limited		Australia
Colonial Finance Limited		Australia
Colonial Financial Services Pty Limited		Australia
CST Securitisation Management Limited		Australia
Emerald Holding Company Limited		Australia
Goldstar Mortgage Management Pty Limited		Australia
State Bank of New South Wales Limited		Australia
(b) Life Insurance and Funds Management		
CMG Asia Pty Limited		Australia
CMG First State Investment Managers (Asia) Limited		Australia
Colonial AFS Services Pty Limited		Australia
Colonial Financial Corporation Limited		Australia
Colonial First State Investments Group Limited		Australia
Colonial First State Managed Services Limited		Australia
Colonial First State Property Limited		Australia
Colonial Holding Company Pty Limited		Australia
Colonial Holding Company (No.2) Pty Limited		Australia
Colonial Insurance Services Pty Limited		Australia
Colonial International Holdings Pty Limited		Australia
Colonial Investments Holding Pty Limited		Australia
Colonial Investment Services Limited		Australia
Colonial LGA Holdings Limited		Australia
Colonial Mutual Funds Limited		Australia
The Colonial Mutual Life Assurance Society Limited		Australia
Colonial Mutual Superannuation Pty Limited		Australia
Colonial PCA Holdings Pty Limited		Australia
Colonial PCA Services Limited		Australia
Colonial Portfolio Services Limited		Australia
Colonial Promotions Pty Limited		Australia
Colonial Protection Insurance Pty Limited		Australia
Colonial Services Pty Limited		Australia
Colonial Stockbroking Limited		Australia
Jacques Martin Pty Limited		Australia

Notes to and forming part of the financial statements

NOTE 41 Controlled Entities continued

Entity name	Extent of Related Interest if not 100%	Incorporated in
New Zealand		
(a) Life Insurance and Funds Management		
Colonial First State Investment Managers (NZ) Limited		New Zealand
Colonial First State Investments (NZ) Limited		New Zealand
Colonial Holding Company NZ Limited		New Zealand
Colonial Life (NZ) Limited		New Zealand
Colonial Service Corporation New Zealand Limited		New Zealand
Other Overseas		
(a) Banking		
Colonial (UK) Trustees Limited		United Kingdom
Colonial Finance (UK) Limited		United Kingdom
National Bank of Fiji Limited	51	Fiji
(b) Life Insurance and Funds Management		
CMG Asia Life Holdings Limited		Bermuda
CMG Asia Limited		Bermuda
CMG Asia Pensions and Retirements Ltd		Hong Kong
CMG First State (HK) LLC		USA
CMG First State Investments (Hong Kong) Ltd		Hong Kong
CMG First State Singapore Ltd		Singapore
CMG Life Insurance Co Inc		Philippines
Colonial Fiji Life Limited		Fiji
Colonial First State International Assets Limited		United Kingdom
Colonial First State Investments (Fiji) Limited		Fiji
Colonial First State Investment Managers (UK) Limited		United Kingdom
Colonial Healthcare (Fiji) Limited		Fiji
Colonial Services (Fiji) Limited		Fiji

NOTE 42 Investments in Associated Entities and Joint Ventures

	Book Value $M	Extent of Ownership Interest %	Principal Activities	Balance Date
EDS (Australia) Pty Limited	238	35	Information Technology Services	31 December
IPAC Securities Limited	23	50	Funds Manager	30 June
PT Bank BII Commonwealth	10	50	Banking in Indonesia	31 December
Electronic Financial Technologies Pty Ltd	-	50	Financial Technology Development	30 June
Computer Fleet Management	5	50	Desktop IT Lease Management	30 June
Property Internet PLC	8	24	Online residential property information provider	31 March
Alliance Group Holdings	2	33	Receivables Management	30 June
EON CMG Life Assurance Bhd (1)	13	40	Life insurance - Malaysia	31 December
PT Astra CMG Life (1)	7	50	Life insurance - Indonesia	31 December
Ayudhya CMG Life Assurance PLC (1)	48	48	Life insurance - Thailand	31 December
China Life CMG Life Assurance Company Limited (1)	35	49	Life insurance - China	31 December
Bao Minh CMG Life Insurance Company (1)	5	50	Life insurance - Vietnam	31 December
CMG Mahon (China) Investment Management Limited (1)	-	50	Direct investment in China	30 June
Mahon and Associates Limited (1)	-	50	Investment management	30 June
CMG CH China Funds Management Limited (1)	-	50	Investment management	31 March
Hambro-Grantham Ltd and its subsidiaries (1)	4	50	Investment management	30 June
Jacques Martin Industry Funds Administration Pty Limited ("JMIFA") (1)	5	50	Industry superannuation	30 June

(1) Investments in associated entities acquired following acquisition of Colonial Group on 13 June 2000

The Group also holds investments in the Colonial First State Property Trust Group and Colonial Mastertrust Wholesale equity funds (including the Fixed Interest, Australian Share, International Share, Property Securities, Capital Stable, Balanced and Diversified Growth funds) through controlled life insurance entities which are not accounted for under the equity accounting method. Instead, the market values for these investments are calculated at balance date and are brought to account at this value in compliance with the requirements of AASB 1038 'Life Insurance Business'. These investments are classified as property or equity investments and are not material components of these asset categories.

	GROUP	
	2000 $M	1999 $M
Share of associates' profits (losses) after notional goodwill amortisation		
Operating profits before income tax	**(1)**	(1)
Income tax expense	**-**	1
Operating profits after income tax	**(1)**	-
Carrying amount of investments in associated entities		
Opening balance	**281**	276
New investments	**10**	6
Investments arising from Colonial Acquisition	**117**	-
Share of associates' profits (losses)	**(1)**	-
Foreign exchange adjustment	**(4)**	-
Dividends paid	**-**	(1)
Closing Balance	**403**	281

Notes to and forming part of the financial statements

NOTE 43 Standby Arrangements and Unused Credit Facilities

(of controlled entities that are borrowing corporations)

The facilities below principally relate to Colonial Finance Limited, a wholly owned subsidiary of Colonial Limited. Following the merger with the Commonwealth Bank, the future of these facilities is under review by the Group.

	GROUP			
	2000 $M		1999 $M	
	Available	**Unused**	Available	Unused
Financing arrangements accessible				
Bank overdraft	**964**	**553**	50	-
Revolving credit	**480**	**400**	-	-
Other	**560**	**1**	5	1
	2,004	**954**	55	1

NOTE 44 Related Party Disclosures

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, under an ASIC Order No. 98/110 dated 10 July 1998, from making disclosures of any loan made, guaranteed or secured by a bank to related parties (other than directors) and financial instrument transactions (other than shares and share options) of a bank where a director of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business and either on an arm's length basis or with the approval of a general meeting of the relevant entity and its ultimate parent entity (if any). The exemption does not cover transactions which relate to the supply of goods and services to a bank, other than financial assets or services.

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

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

Directors

The name of each person holding the position of Director of the Commonwealth Bank during the financial year is:

J T Ralph, AC	(Chairman)
D V Murray	(Managing Director)
N R Adler, AO	
A C Booth	
R J Clairs, AO	
K E Cowley, AO	
A B Daniels, OAM	(Appointed 31 March 2000)
C R Galbraith	(Appointed 13 June 2000)
W G Kent, AO	(Appointed 13 June 2000)
F D Ryan	(Appointed 31 March 2000)
J M Schubert	
F J Swan	
B K Ward	
M A Besley, AO	(Retired 28 October 1999)

Details of remuneration received or due and receivable by Directors are set out in Note 45.

Loans to Directors

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

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

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

The aggregate amount of such loans outstanding at 30 June 2000 was:

- $1,850,527 to Directors of the Bank (1999: $1,863,945); and
- $3,842,338 to Directors of related entities (1999: $1,084,533), including pre-existing loans to directors of Colonial Group companies.

NOTE 44 Related Party Disclosures continued

The aggregate amount of such loans received and repayments made was:

	Loans Received		Repayments Made	
	2000	1999	**2000**	1999
	$	$	**$**	$
Directors of the CBA Normal terms and conditions [(1)]	**-**	1,600,000	**63,418**	204,055
Directors of related entities Normal terms and conditions [(2)]	**132,356**	123,886	**354,517**	231,252

[(1)] Directors: A C Booth, K E Cowley, F D Ryan and B K Ward

[(2)] Directors: G J Judd, R J Norris, H Carter, W Foster, G Morrison, J Pearce and P Polson

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 2000, were:

Director	Held 30 June 1999 Ordinary	Shares Acquired Ordinary	Shares Disposed Of Ordinary	**Held 30 June 2000 Ordinary**
J T Ralph	11,064	128		**11,192**
D V Murray	48,792	301,595	300,000	**50,387**
N R Adler	9,175	368		**9,543**
A C Booth	1,075	56		**1,131**
R J Clairs	-	10,000		**10,000**
K E Cowley	8,000			**8,000**
A B Daniels				**11,823**
C R Galbraith		3,874		**3,874**
W G Kent		3,500		**6,237**
F D Ryan				**4,000**
J M Schubert	5,534	4,380		**9,914**
F J Swan	1,828	94		**1,922**
B K Ward	1,747	90		**1,837**
M A Besley (retired 28 October 1999)	10,156			

All shares were acquired by Directors on normal terms and conditions or in the case of Mr D V Murray under the Executive Option Plan, as appropriate. Additionally D V Murray was granted 1,000,000 options during the year. He exercised 300,000 options, leaving his total holdings of options at 2,000,000 under the Executive Option Plan. Refer Note 29 for details.

Additionally, Mr J T Ralph beneficially holds 100,000 units in the Commonwealth Property Trust, a related entity.

Other Transactions of Directors and Other Related Parties

Financial Instrument Transactions

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

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

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

Transactions other than Financial Instrument Transactions of Banks

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

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

Controlled Entities

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

As part of an internal Group restructuring, the Bank has sold its investments in its funds management subsidiaries to Commonwealth Insurance Holdings Limited, a life insurance wholly owned entity as at 30 June 2000. The sale price was at market value based on independent advice. Refer Note 1(a) for further details. The capital profit arising in the restructure is included in the Bank's capital reserve at 30 June 2000. The capital reserve is eliminated on consolidation. Also refer Note 1(jj).

Notes to and forming part of the financial statements

NOTE 44 Related Party Disclosures continued

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 41 for details of controlled entities.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 18. 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 45 Remuneration of Directors

Total amount received or due and receivable by non-executive Directors of the Company for the year ended 30 June 2000 was:

	Base Fee/Pay $	Committee Fee $	Superannuation [1] $	Total Remuneration $
Non-Executive Directors				
Mr J T Ralph, AC	183,825	30,929	14,999	229,753
Mr N R Adler, AO	70,000	12,500	5,786	88,286
Ms A C Booth	70,000	25,000	6,664	101,664
Mr R J Clairs, AO	70,000	20,000	5,783	95,783
Mr K E Cowley, AO	70,000	12,500	5,787	88,287
Mr A B Daniels, OAM [3]	20,000	2,342	1,564	23,906
Mr F D Ryan [3]	20,000	3,068	1,615	24,683
Dr J M Schubert	70,000	45,000	8,066	123,066
Mr F J Swan	70,000	25,000	6,664	101,664
Ms B K Ward	70,000	20,000	6,137	96,137
Mr W G Kent, AO [4]	3,945	-	-	3,945
Mr C R Galbraith [4]	3,945	-	-	3,945
Mr M A Besley, AO [2]	67,945	-	-	67,945

Executive Director
Mr D V Murray (refer Note 46)

(1) The Bank is currently not contributing to the Officers' Superannuation Fund. A notional cost of superannuation has been determined on an individual basis for certain of the Directors. Other Directors have superannuation contributions made to other funds.

(2) Mr Besley retired 28 October 1999.

(3) Mr Daniels and Mr Ryan were appointed Directors on 31 March 2000.

(4) Mr Kent and Mr Galbraith were appointed Directors on 13 June 2000.

NOTE 45 Remuneration of Directors continued

Retirement Benefit

The aggregate amount of retirement benefits given by the Bank during the year ended 30 June 2000 was $667,073 being a payment made to Mr M A Besley in accordance with the Corporations Law and pursuant to the Directors' Retirement Allowance Scheme approved by shareholders at the 1997 Annual General Meeting.

	BANK	
	2000	1999
	$	$
Total amount received or due and receivable by executive and non executive Directors (includes accumulated benefits due to Directors who retired during the year)	**3,761,277**	3,156,330

The number of executive and non-executive Directors whose remuneration fell within these bands was:

Remuneration (Dollars)	**Number**	Number
$ 0 - $ 10,000	**2**	-
$ 20,001 - $ 30,000	**2**	1
$ 60,001 - $ 70,000	**-**	1
$ 70,001 - $ 80,000	**-**	1
$ 80,001 - $ 90,000	**2**	3
$ 90,001 - $ 100,000	**2**	1
$ 100,001 - $ 110,000	**2**	-
$ 110,001 - $ 120,000	**-**	1
$ 120,001 - $ 130,000	**1**	-
$ 190,001 - $ 200,000	**-**	1
$ 220,001 - $ 230,000	**1**	-
$ 340,001 - $ 350,000	**-**	1 *
$ 730,001 - $ 740,000	**1** *	-
$1,990,001 - $2,000,000	**-**	1
$2,040,000 - $2,049,999	**1**	-
	14	11

* Remuneration includes retirement payment to Mr G H Slee who retired on 28 February 1999.

** Remuneration includes retirement payment to Mr M A Besley who retired on 28 October 1999.

	GROUP	
	2000	1999
	$	$
Total amount received or due and receivable by executive and non executive Directors of the Bank and controlled entities	**6,202,912**	4,902,942

Notes to and forming part of the financial statements

NOTE 46 Remuneration of Executives

The following table shows remuneration for the executive director and five highest paid other members of the senior executive team directly reporting to the Managing Director, who were officers of the Bank and the Group for the year ended 30 June 2000. The table does not include individuals, who are not direct reports to the Managing Director, whose incentive based remuneration in any given year may be in excess of that received by a member of the senior executive team.

Senior Executive Team

Name & Position	Year	Base Pay (1) $	Bonus $	Superannuation (2) $	Other Compensation (3) $	Total Remuneration $	Option Grant(5) Number
D V Murray Managing Director & CEO	2000	1,300,000	685,000	49,740	10,400	2,045,140	1,000,000 (4)
M J Ullmer Group General Manager Financial & Risk Management	2000	700,000	410,000	126,000	10,400	1,246,400	200,000
M A Katz Head of Institutional Banking	2000	700,000	390,000	52,500	10,400	1,152,900	250,000
J F Mulcahy Head of Australian Financial Services	2000	640,000	340,000	48,000	10,400	1,038,400	250,000
R J Scrimshaw Head of Technology, Operations & Property	2000	500,000	285,000	30,000	10,400	825,400	150,000
R J Norris Managing Director & CEO, ASB Bank	2000	472,069	318,646	-	-	790,715 *	175,000

* Converted from New Zealand dollars

(1) Base Pay is calculated on a Total Cost basis and includes any FBT charges related to employee benefits including motor vehicles.

(2) The Bank is currently not contributing to the Officers' Superannuation Fund (OSF) – refer Note 40. Notional cost of superannuation has been determined on an individual basis for each executive.

(3) Other compensation includes, where applicable, housing (including FBT), car parking (including FBT) and other payments.

(4) Issued in two tranches – each of 500,000 options.

(5) Option Grants are a right to subscribe for ordinary shares at an exercise price which is the Market Value (defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the Commencement Date) plus a premium representing the time value component of the value of options (based on the actual differences between the dividend and bond yields at the date of the vesting of the right to exercise the options). The ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by companies represented in the ASX's 'Bank's and Finance Accumulation index', excluding the Bank. If the performance hurdle is not reached within that three years (four years for the second tranche of options granted to the Managing Director on 24 August 1999), the options may nevertheless be exercisable only where the hurdle is subsequently reached within five years (six years for the second tranche of options granted to the Managing Director on 24 August 1999) from the Commencement Date. If the performance hurdle is not met, the options will have nil value. Options issued during the year to executives under the Executive Option Plan have an exercise price equivalent to the Market Value of the Bank's ordinary shares as at the Commencement Date of the options. As the options are subject to a performance hurdle, the achievement of which is uncertain, the amount included as remuneration in the above table is nil. Options in respect of the year commencing 1 July 1999 were granted with a Commencement Date of 24 August 1999 and an Issue Date of 24 September 1999. Options in respect of the year commencing 1 July 1998 were granted with a Commencement Date of 25 August 1998 and an Issue Date of 30 September 1998. For further details on the Executive Option Plan, refer Note 29.

NOTE 46 Remuneration of Executives continued

The following table shows the number of executives whose remuneration fell within the stated bands:

	GROUP		BANK	
	2000	1999	**2000**	1999
	Number	Number	**Number**	Number
Remuneration (Dollars)				
\$ 150,000 - \$ 159,999	**-**	**1 #**	**-**	**1 #**
\$ 230,000 - \$ 239,999	**1**	**-**	**1**	**-**
\$ 250,000 - \$ 259,999	**1**	**-**	**1**	**-**
\$ 260,000 - \$ 269,999	**-**	**1**	**-**	**1**
\$ 270,000 - \$ 279,999	**1**	**-**	**1**	**-**
\$ 290,000 - \$ 299,999	**1**	**2**	**1**	**2**
\$ 300,000 - \$ 309,999	**1**	**-**	**1**	**-**
\$ 320,000 - \$ 329,999	**2**	**1**	**2**	**1**
\$ 350,000 - \$ 359,999	**1**	**-**	**1**	**-**
\$ 370,000 - \$ 379,999	**2**	**-**	**2**	**-**
\$ 380,000 - \$ 389,999	**1**	**1**	**1**	**1**
\$ 390,000 - \$ 399,999	**-**	**2**	**-**	**2**
\$ 400,000 - \$ 409,999	**1**	**1**	**1**	**1**
\$ 410,000 - \$ 419,999	**-**	**1**	**-**	**1**
\$ 420,000 - \$ 429,999	**1**	**-**	**1**	**-**
\$ 430,000 - \$ 439,999	**3**	**1**	**3**	**1**
\$ 450,000 - \$ 459,999	**1**	**1**	**1**	**1**
\$ 460,000 - \$ 469,999	**3**	**1**	**3**	**1**
\$ 470,000 - \$ 479,999	**-**	**1**	**-**	**1**
\$ 480,000 - \$ 489,999	**1**	**2**	**1**	**2**
\$ 490,000 - \$ 499,999	**-**	**2**	**-**	**2**
\$ 500,000 - \$ 509,999	**-**	**1**	**-**	**1**
\$ 510,000 - \$ 519,999	**2**	**1**	**2**	**1**
\$ 520,000 - \$ 529,999	**1 ***	**-**	**1 ***	**-**
\$ 540,000 - \$ 549,999	**1**	**-**	**1**	**-**
\$ 550,000 - \$ 559,999	**1**	**1**	**1**	**1**
\$ 630,000 - \$ 639,999	**1 ***	**1**	**1 ***	**1**
\$ 650,000 - \$ 659,999	**1**	**1**	**1**	**1**
\$ 660,000 - \$ 669,999	**1**	**-**	**1**	**-**
\$ 680,000 - \$ 689,999	**-**	**1**	**-**	**1**
\$ 710,000 - \$ 719,999	**-**	**1**	**-**	**1**
\$ 720,000 - \$ 729,999	**2**	**-**	**2**	**-**
\$ 780,000 - \$ 789,999	**1**	**-**	**1**	**-**
\$ 820,000 - \$ 829,999	**1**	**-**	**1**	**-**
\$ 890,000 - \$ 899,999	**1**	**-**	**1**	**-**
\$ 930,000 - \$ 939,999	**-**	**1**	**-**	**1**
\$ 970,000 - \$ 979,999	**-**	**1**	**-**	**1**
\$ 1,000,000 - \$ 1,009,999	**-**	**1**	**-**	**1**
\$ 1,020,000 - \$ 1,029,999	**1**	**-**	**1**	**-**
\$ 1,030,000 - \$ 1,039,999	**1**	**-**	**1**	**-**
\$ 1,110,000 - \$ 1,119,999	**-**	**1**	**-**	**1**
\$ 1,150,000 - \$ 1,159,999	**1**	**-**	**1**	**-**
\$ 1,230,000 - \$ 1,239,999	**-**	**1**	**-**	**1**
\$ 1,240,000 - \$ 1,249,999	**1**	**-**	**1**	**-**
\$ 1,290,000 - \$ 1,299,999	**1**	**-**	**1**	**-**
\$ 1,990,000 - \$ 1,999,999	**-**	**1**	**-**	**1**
\$ 2,040,000 - \$ 2,049,999	**1**	**-**	**1**	**-**
Total number of executives	**40**	**31**	**40**	**31**

Notes to and forming part of the financial statements

NOTE 46 Remuneration of Executives continued	GROUP 2000 $M	 1999 $M	BANK 2000 $M	 1999 $M
Total amount received or due and receivable by executives (includes accumulated benefits due to executives who retired during the year).	**24,354,666**	18,623,129	**24,354,666**	18,623,129

* Includes termination payments to 2 retired, resigned, or retrenched executives during the 2000 financial year.
# Includes termination payment to 1 retired, resigned, or retrenched executive during the 1999 financial year.

An executive is a person who works in Australia and is either a participant in the Bank's Executive Option Plan or is otherwise directly accountable and responsible to the Managing Director for strategic direction or operational management functions.

Participation in the Executive Option Plan is limited to executives who, in the opinion of the Managing Director and the Board are able by virtue of their responsibility, experience and skill to influence the generation of shareholder wealth.

Remuneration is based on amounts paid and accrued with respect to the financial year.

The Group's Policy in respect of executives is that:

- Remuneration will be competitively set so that the Group can seek to attract, motivate and retain high quality local and international executive staff;
- Remuneration will incorporate, to a significant degree, variable pay for performance elements, both short term and long term focused as appropriate, which will:
  - reward executives for Group, business unit and individual performance against appropriate benchmarks/goals,
  - align the interests of executives with those of shareholders,
  - link executive reward with the strategic goals and performance of the Group, and
  - ensure total remuneration is competitive by market standards;
- Remuneration will be reviewed annually by the Remuneration Committee through a process that considers Group, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices;
- Remuneration systems will complement and reinforce the Group's leadership and succession planning systems; and
- Remuneration and terms and conditions of employment will be specified in an individual contract of employment and signed by the executive and the Bank.

Interests of Directors, Secretaries and Executive Officers of Colonial Group

Under the Merger Implementation Agreement all the directors of Colonial resigned as of 13 June 2000. Mr Warwick Kent and Mr Colin Galbraith were appointed Directors of the Commonwealth Bank.

The above remuneration of executives excludes any amounts paid to Colonial executives as these amounts relate to the period prior to acquisition on 13 June 2000. These amounts were separately disclosed in the Scheme Booklet.

NOTE 47 Statements of Cash Flow			GROUP		BANK
	2000	1999	1998	**2000**	1999
	$M	$M	$M	**$M**	$M
Note (a) Reconciliation of Cash					

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

Notes, coins and cash at bankers	**980**	784	951	**680**	757
Other short term liquid assets	**370**	238	247	**198**	197
Receivables due from other financial institutions - at call	**5,102**	912	2,925	**4,277**	886
Payables due to other financial institutions - at call	**(2,483)**	(2,491)	(2,160)	**(1,985)**	(2,127)
Cash and Cash Equivalents at end of year	**3,969**	(557)	1,963	**3,170**	(287)

Note (b) Cash Flows presented on a Net Basis

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

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

			GROUP		BANK
Note (c) Reconciliation of Operating Profit After	**2000**	1999	1998	**2000**	1999
Income Tax to Net Cash Provided by Operating Activities	**$M**	$M	$M	**$M**	$M
Operating profit after income tax	**2,738**	1,446	1,110	**1,116**	1,545
(Increase) decrease in interest receivable	**(948)**	(1)	(13)	**(158)**	77
Increase (decrease) in interest payable	**558**	(35)	75	**176**	47
Net (increase) decrease in trading securities	**(50)**	(408)	(646)	**(892)**	(209)
Net (gain) loss on sale of investment securities	**(12)**	(79)	(101)	**(7)**	(84)
Charge for bad and doubtful debts	**196**	247	233	**191**	78
Depreciation and amortisation	**175**	192	233	**127**	157
Other provisions	**422**	68	(74)	**24**	19
Increase (decrease) in income taxes payable	**248**	261	46	**(185)**	224
Increase (decrease) in deferred income taxes payable	**319**	50	128	**364**	31
(Increase) decrease in future income tax benefits	**(218)**	(8)	(158)	**(238)**	31
Amortisation of discount on debt issues	**110**	206	261	**112**	206
Amortisation of premium (discount) on investment securities	**47**	57	26	**48**	53
Unrealised (gain) loss on revaluation of trading securities	**(188)**	216	(484)	**(188)**	216
Abnormal item	**(967)**	-	492	**132**	-
Change in excess of net market value over net assets of life insurance subsidiaries	**92**	-	-	**-**	-
Other	**652**	(36)	(241)	**(11)**	(18)
Net Cash provided by Operating Activities	**3,174**	2,176	887	**611**	2,373

Note (d) Non cash Financing and Investing Activities

Shares issued under the Dividend Reinvestment Plan $253 million (1999: $426 million) and Employee Share Acquisition Plan - $24 million (1999: nil). Acquisition of entity by means of an equity issue $9,274 million (1999: nil).

Notes to and forming part of the financial statements

NOTE 47 Statements of Cash Flow continued

Note (e) Acquisition of Controlled Entities

On 13 June 2000, the Group acquired 100% of the share capital of Colonial Limited, a life insurance, banking and funds management group. For full details of this acquisition, refer to Note 1A. In July 1999 the Group acquired 100% of the share capital of Credit Lyonnais Australia Limited, an investment banking company. In December 1998, the Group acquired 100% of the Share Capital of Sovereign Limited, a life insurance company. Details of controlled entities acquired during the financial year are as follows:

			GROUP
	2000	1999	1998
	$M	$M	$M
Consideration			
Cash paid on acquisitions	**844**	205	-
Transaction costs	**46**	-	-
Securities issued	**9,274**	-	-
Pre-acquisition dividend received	**(1,000)**	-	-
	9,164	205	-
Fair value of net tangible assets acquired			
Cash & liquid assets	**373**	9	-
Receivables from other financial institutions	**538**	-	-
Trading securities	**2,154**	-	-
Investment securities	**99**	260	-
Loans, advances and other receivables	**21,635**	671	-
Bank acceptances of customers	**477**	-	-
Life insurance investment assets	**15,504**	-	-
Deposits with regulatory authorities	**43**	-	-
Property, plant and equipment	**382**	4	-
Investment in associates	**117**	-	-
Other assets	**2,228**	28	-
Deposits and public borrowings	**(13,123)**	(460)	-
Payables due to other financial institutions	**(267)**	-	-
Bank acceptances	**(477)**	-	-
Income tax liability	**(702)**	-	-
Other provisions	**(398)**	(4)	-
Life insurance policy liabilities	**(14,960)**	(358)	-
Debt issues	**(8,678)**	-	-
Bills payable and other liabilities	**(2,886)**	(72)	-
Loan Capital	**(418)**	-	-
Restructuring provision	**(294)**	-	-
Outside equity interest	**(155)**	(28)	-
	1,192	50	-
Excess market value over net assets of life insurance subsidiary	**2,548**	155	-
Goodwill	**5,424**	-	-
	9,164	205	-
Outflow (inflows) of cash on acquisitions			
Cash payments	**844**	205	-
Transaction costs	**46**	-	-
Less cash and cash equivalents acquired	**(373)**	(9)	-
Pre-acquisition dividend received	**(1,000)**	-	-
	(483)	196	-

Note (f) Financing Facilities

Standby funding lines with overseas banks as at 30 June 2000 amounted to AUD equivalent $29 million (1999: $24 million).

NOTE 48 Disclosures about Fair Value of Financial Instruments

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

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

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

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, the aggregate net fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.

				GROUP
		2000		1999
	Carrying Value $M	**Net Fair Value $M**	Carrying Value $M	Net Fair Value $M
Assets				
Cash and liquid assets	**2,575**	**2,575**	1,814	1,814
Receivables due from other financial institutions	**5,154**	**5,154**	1,206	1,206
Trading securities	**7,347**	**7,347**	4,708	4,708
Investment securities	**9,149**	**9,149**	7,187	7,196
Loans, advances and other receivables	**132,263**	**133,257**	101,837	105,768
Bank acceptances of customers	**11,107**	**11,107**	9,672	9,672
Life insurance investment assets	**26,448**	**26,448**	-	-
Deposit accounts with regulatory authorities	**46**	**46**	953	953
Other assets	**16,198**	**16,631**	9,046	9,489
Liabilities				
Deposits and other public borrowings	**112,594**	**112,993**	93,428	93,737
Payables due to other financial institutions	**4,633**	**4,633**	3,249	3,249
Bank acceptances	**11,107**	**11,107**	9,672	9,672
Life insurance policy liabilities	**25,282**	**25,282**	-	-
Debt issues	**25,275**	**25,321**	10,763	10,791
Bills payable and other liabilities	**11,490**	**11,646**	8,451	8,558
Loan Capital	**5,299**	**5,106**	2,828	2,862
Asset and liability hedges - unrealised gains/(losses) (Refer Note 39)	**-**	**(253)**	-	73

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

Liquid assets and bank acceptances of customers

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

Securities

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

Loans, advances and other receivables

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

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models (i.e. 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.

Notes to and forming part of the financial statements

NOTE 48 Disclosures about Fair Value of Financial Instruments continued

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.

Life Insurance Investment Assets & Policy Liabilities

Life insurance investment assets are carried at net fair value. Life insurance policy liabilities are measured on a net present value basis. This treatment is in accordance with accounting standard AASB1038: Life Insurance Business.

Statutory deposits with central banks

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

All other financial assets

Included in this category are fees receivable, unrealised income and investments in associates of $403 million (1999: $281 million), where the carrying amount is considered to be a reasonable estimate of net fair value.

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

Deposits and other public borrowings

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

Short term liabilities

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

Debt issues and loan capital

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

All other financial liabilities

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

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

Asset and liability hedges

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

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

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

Other off-balance sheet financial instruments

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

The fair value of these instruments are disclosed in Note 39.

Directors' Declaration

In accordance with a resolution of the directors of the Commonwealth Bank of Australia, we state that in the opinion of the Directors:

(a) the financial statements and notes of the Bank and of the Group are in accordance with the Corporations Law, including:
   (i) giving a true and fair view of the Bank's and the Group's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards and Corporations Regulations; and

(b) there are reasonable grounds to believe that the Bank will be able to pay its debts when they become due and payable.

Signed in accordance with a resolution of the Directors.

J T Ralph AC
Chairman

D V Murray
Managing Director

30 August 2000

Independent Audit Report

To the members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the Financial Report of Commonwealth Bank of Australia for the year ended 30 June 2000 included on the Bank's web site. The Bank's directors are responsible for the integrity of the Commonwealth Bank's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited Financial Report to confirm the information included in the audited Financial Report presented on this web site.

Scope

We have audited the financial report of Commonwealth Bank of Australia for the financial year ended 30 June 2000, as set out on pages 52 to 153, including the Directors' Declaration. The financial report includes the financial statements of Commonwealth Bank of Australia and the consolidated financial statements of the Group comprising the Bank and the entities it controlled at year's end or from time to time during the financial year. The Bank's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Bank.

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

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

Audit Opinion

In our opinion, the financial report of Commonwealth Bank of Australia is in accordance with:

(a) the Corporations Law including:
   (i) giving a true and fair view of the Bank's and the Group's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

ERNST & YOUNG
Sydney
Date: 30 August 2000

S C Van Gorp
Partner

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 24 August 2000

Rank	Name of Holder	Number of Shares	%
1	Chase Manhattan Nominees Limited	104,532,492	8.29
2	National Nominees Limited	65,197,290	5.17
3	Westpac Custodian Nominees	52,119,846	4.14
4	AMP Life Limited	25,665,452	2.04
5	ANZ Nominees Limited	24,559,573	1.95
6	Permanent Trustee Australia Limited	22,508,050	1.79
7	Citicorp Nominees Pty Limited	21,821,853	1.73
8	Queensland Investment Corporation	19,971,870	1.58
9	Perpetual Trustees Victoria Limited	15,967,072	1.27
10	BT Custodial Services Pty Limited	12,223,735	0.97
11	HKBA Nominees Limited	9,330,653	0.74
12	MLC Limited	8,740,060	0.69
13	The National Mutual Life Association of Australasia Limited	8,612,458	0.68
14	Colonial Foundation Limited	8,545,998	0.68
15	AMP Nominees Pty Limited	6,512,008	0.52
16	Perpetual Trustees Nominees Limited	6,427,400	0.51
17	Perpetual Trustees Company Limited	6,405,434	0.51
18	Mercantile Mutual Life Insurance Company Limited	6,369,128	0.51
19	CSS & PSS Board	6,289,431	0.50
20	Commonwealth Custodial Services Limited	5,325,504	0.42

The twenty largest shareholders hold 437,125,307 shares which is equal to 34.69% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia are listed on the Australian Stock Exchange under the trade symbol CBA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank does not have a current on-market buy back of its shares.

Directors Shareholdings as at 30 August 2000

	Shares	Options
J T Ralph, AC	11,192	
D V Murray	50,387	2,000,000
N R Adler, AO	9,543	
A C Booth	1,131	
R J Clairs, AO	10,000	
K E Cowley, AO	8,000	
A B Daniels OAM	11,823	
C R Galbraith	3,874	
W G Kent AO	6,327	
F D Ryan	4,000	
J M Schubert	9,914	
F J Swan	1,922	
B K Ward	1,837	

Guidelines for Dealings by Directors in Shares

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

Shareholding Information

Range of Shares (Fully Paid Ordinary $2 Shares and Employee Shares): 24 August 2000

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	623,267	80.04	200,732,541	15.93
1,001-5,000	138,617	17.80	273,040,472	21.66
5,001-10,000	11,539	1.48	79,286,427	6.29
10,001-100,000	4,989	0.64	101,926,005	8.09
100,001-Over	312	0.04	605,361,533	48.03
Total	778,724	100.00	1,260,346,978	100.00
Less than marketable parcel of $500	10,372		66,255	

Voting Rights

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

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

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

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

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APPENDIX – Unaudited Pro Forma Financial Information

Set out in this section are unaudited pro forma consolidated financial statements which comprise the Profit and Loss, Balance Sheet and Life Insurance and Funds Management Statistics for the Commonwealth Bank Group and Colonial Limited for the year ending 30 June 2000. These have been prepared to illustrate the pro forma consolidated position of Commonwealth Bank and Colonial as if Colonial had been merged with Commonwealth Bank as at 30 June 2000 for Balance Sheet purposes and from 1 July 1999 to 30 June 2000 for Profit and Loss purposes, and to highlight a possible disclosure format for the group in the future.

The pro formas do not include goodwill amortisation or life insurance appraisal uplift.

The results included within the Profit and Loss statements have been adjusted for abnormal items and other items not considered part of the ongoing operations, such as the effect of Colonial's UK life insurance business which was sold during the year and specific payments made by Colonial in relation to the merger with Commonwealth Bank. No adjustments have been made for inconsistencies in accounting policies between Colonial and Commonwealth.

Colonial Limited – Financial Highlights

The key financial indicators for Colonial Group Limited which underpin the result for the year to 30 June 2000, together with increases from the year to 30 June 1999.

- Group Insurance and Superannuation new business up 32% to $3.6 billion.
- Group new lending business up 14% to $6.2 billion.
- Group funds management external funds inflows up 37% to $9.8 billion.
- Group life insurance assets held, up 7% to $19.3 billion.
- Group external funds under management up 48% to $52.7 billion, including purchase of Stuart Ivory.

The Colonial result reflected within these pro formas is lower than the 31 December 1999 result due to the exclusion of the UK life insurance business and a reduction in investment earnings on shareholder funds in Asia.

Pro Forma Profit and Loss for Year Ended 30 June 2000 (unaudited)

	Commonwealth Bank $M	Colonial $M	Group $M
Interest income	8,820	1,632	10,452
Interest expense	5,123	1,117	6,240
Net interest income	3,697	515	4,212
Other income	1,937	241	2,178
Net banking operating income	5,634	756	6,390
Premium income (1)	245	3,277	3,522
Net investment income	1,020	1,978	2,998
Other income	131	445	576
Policy payments (1)	(93)	(3,609)	(3,702)
Policyholder liability expense	(887)	(409)	(1,296)
Net life and funds management operating income	416	1,682	2,098
Total net operating income	6,050	2,438	8,488
Charge for bad and doubtful debts	196	114	310
Operating expenses	3,349	1,529	4,878
Operating profit before abnormal items, goodwill amortisation and income tax	2,505	795	3,300
Income tax expense	812	371	1,183
Operating profit after income tax	1,693	424	2,117
Outside equity interest in operating profit after tax	38	11	49
Operating profit after income tax attributable to members of the bank	1,655	413	2,068

(1) Colonial premium income and policy payments have not been split between revenue and deposit elements.

Review of Operations

The consolidation of underlying results of Colonial and Commonwealth Bank groups for the year ended 30 June 2000 reflects the following:

- Strong net interest income of $4,212 million earned on $185.1 billion of Banking assets.
- Other Banking income of $2,086 million including lending fees, commissions and trading income.
- Net life insurance and funds management income of $2,190 million representing 26% of Total net operating income.
- Charge for Bad and Doubtful Debts of $310 million representing 0.2% of average Lending assets.
- Operating expenses of $4,878 million representing a cost to balance sheet assets held and funds under management of less than 2%.

While these statements serve to disclose the composition of underlying results for the businesses within the Commonwealth and Colonial groups, no conclusions should be drawn regarding the future profitability of the combined group. These statements have not been subject to audit.

Pro Forma Consolidated Balance Sheet of the combined Commonwealth Bank and Colonial Groups as at 30 June 2000 (unaudited)

	Commonwealth Bank $M	Colonial $M	Eliminations $M	Group $M
Cash & Liquid Assets	2,202	373		2,575
Receivables from other financial institutions	4,616	538		5,154
Trading securities	5,193	2,154		7,347
Investment securities	9,050	99		9,149
Loans and advances	111,947	20,316		132,263
Bank acceptances of customers	10,630	477		11,107
Life insurance investment assets	10,944	15,504		26,448
Deposits with regulatory authorities	3	43		46
Shares in and loans to controlled entities	9,120	-	(9,120)	-
Property, plant and equipment	906	167		1,073
Investments in Associates	286	117		403
Other assets	9,429	2,420		11,849
Goodwill	410	71	5,424	5,905
Excess of net market value over net assets	1,804	2,548		4,352
Total Assets	**176,540**	**44,827**	**(3,696)**	**217,671**
Deposits	99,570	13,024		112,594
Payables to other financial institutions	4,366	267		4,633
Bank acceptances	10,630	477		11,107
Provision for dividends	708	-		708
Income tax liability	1,113	710		1,823
Other Provisions	864	690		1,554
Debt issues	16,597	8,678		25,275
Life insurance policy liabilities	10,322	14,960		25,282
Creditors and other liabilities	9,819	1,730		11,549
Loan capital	4,881	418		5,299
Total Liabilities	**158,870**	**40,954**	**-**	**199,824**
Net Assets	**17,670**	**3,873**	**(3,696)**	**17,847**
Share capital	12,521	4,040	(4,040)	12,521
Reserves	3,265	39	(39)	3,265
Retained profits	1,664	(361)	383	1,686
Shareholders' equity	17,450	3,718	(3,696)	17,472
Outside equity interests	220	155		375
Total Shareholders' Equity	**17,670**	**3,873**	**(3,696)**	**17,847**

The combined Balance Sheets of Commonwealth and Colonial groups as at 30 June 2000 highlight a diversified financial services group with:

- A strong Banking asset base of $185.1 billion including loans advances and receivables of $132.3 billion.
- Life Insurance Assets of $32.6 billion.
- Funds under management not recorded on balance sheet of $73.9 billion.

Pro Forma Life Insurance and Funds Management Business for Year Ended 30 June 2000 (unaudited)

		Commonwealth Bank	Colonial	Group
Operating Profit After Tax	$M	236	311	547
Premiums/Deposits from Customers	$M	11,418	12,649	24,067
No. of policy and unit holders	000's	865	969	1,834
Expenses	$M	221	949	1,170
Claims & Redemptions	$M	10,267	10,721	20,988
Net Funds Flow	$M	1,151	1,928	3,079
Productivity				
Total Expenses to Funds Under Management	%	0.6%	1.3%	1.1%
Claims & redemptions to Funds Under Management	%	29.8%	14.9%	19.7%
Assets held and Funds Under Management				
Life Insurance	$M	13,217	19,346	32,563
Funds Management	$M	21,242	52,672	73,914
Total		34,459	72,018	106,477
Australia	$M	33,417	47,671	81,088
United Kingdom	$M	-	19,202	19,202
New Zealand	$M	1,042	2,228	3,270
Asia	$M	-	2,917	2,917
Total		34,459	72,018	106,477