

2.7 QW: In relation to return on equity:

a) What is the return on equity (ROE) on mortgages?

b) What is the return on equity (ROE) on credit cards?

c) What percentage of the NAB's overall ROE is attributed to home loan business?

**Answer**

Return on equity (ROE) for individual product lines, such as mortgages and credit cards, is based on a number of assumptions and is significantly influenced by the credit cycle, which can materially change the results. The assumptions relied on in the calculation of individual product line ROE figures include the cost allocation of NAB's branch network, NAB Group 'overheads' and the allocation of capital costs within internal divisions of NAB.

The method of calculation of individual product line ROE and the resulting figure, are commercially sensitive and NAB does not publicly disclose this information. NAB considers that if it were to provide this information, it would place NAB at a competitive disadvantage.

NAB's cash return on equity for the six months to 31 March 2016 was 14.3% under restated financial information released on 13 October 2016 after the completion of the sale of 80% of NAB's life insurance business to Nippon Life. NAB's net interest margin (NIM) – the overall rate which NAB lends less the overall rate NAB borrows – for the six months to 31 March 2016 was 1.7% for NAB's Australian Banking division, which includes mortgages and credit cards.

NAB's cash return on equity for the year to 30 September 2016 will be available following NAB's full year results announcement on 27 October 2016.