QW22: 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 Westpac's overall ROE is attributed to home loan business?

Answer: We cannot accurately assess return on equity at the product level.

ROE is a measure of the return on shareholders' equity. Shareholders invest in the Westpac Group and not specific Westpac products. Any calculation of shareholder equity capital and return on equity at this level would require a subjective allocation of various Group costs, including expenses, cost of funds and other capital items, to each product.

For example, a significant proportion of our total costs are essentially fixed and support all our retail and many SME banking products including our:

- Branch network (which costs over $1.2 billion per year to operate); and
- Customer Contact Centre (over $170 million per year).

How we apportion these costs to each product is a subjective decision. Relatively small changes in the assumptions we use to allocate the costs can have a large effect on product profitability estimates.

Similarly, assumptions on the cost of funds transfer price applied to loans and deposits can have a large impact on product profitability. As a result of these type of issues we assess returns at a divisional level not at a product level.

The closest ROE measure we have is the ROE of our Consumer and Business Bank which includes mortgages and credit cards and is 16.1 per cent. The Consumer Bank contributed 37 per cent of the Westpac Group's cash earnings in the first half of Westpac's 2016 financial year.

It should also be noted that ROE changes materially over a business cycle and that the ROE above is a point in time measure. For example, loss rates can vary greatly at different points in the economic cycle. This dynamic can be seen in the chart included as part of the answer to QW34.