

2.36 QW: In the above example, what is the additional cost of regulatory capital that is incurred by the bank arising from the customer failure to make the payment on time?

Answer

Where a customer fails to make their minimum monthly payment, this will be reflected in higher capital costs for NAB, including as a result of APRA's regulatory requirement to ensure NAB holds sufficient shareholder capital.

There is a complex interaction between NAB's provisioning and capital models. Depending on the extent of the increase in provisioning on a delinquent credit card account, NAB might also have to hold additional capital if APRA deems that NAB is inadequately provisioned. This depends on a range of factors. In the circumstances, NAB is not in a position to provide an accurate answer to the question.