

TO NON-DEFAULTED OBLIGORS AND SEGMENTS OF NON-DEFAULTED RETAIL EXPOSURES¹

Capital Requirement

$$K = \left[LGD \times N \left(\frac{N^{-1}(PD) + \sqrt{R} \times N^{-1}(0.999)}{\sqrt{1-R}} \right) - (LGD \times PD) \right]$$

(K)

Non-

Defaulted

Exposures

Correlation For residential mortgage exposures: $R = 0.15$ **Factor (R)** For qualifying revolving exposures: $R = 0.04$ For other retail exposures: $R = 0.03 + 0.13 \times e^{-35 \times PD}$

Capital Requirement

$$K = \left[LGD \times N \left(\frac{N^{-1}(PD) + \sqrt{R} \times N^{-1}(0.999)}{\sqrt{1-R}} \right) - (LGD \times PD) \right] \times \left(\frac{1 + (M - 2.5) \times b}{1 - 1.5 \times b} \right)$$

(K)

Non-

Defaulted

Exposures

Correlation For HVCRE exposures:**Factor (R)**

$$R = 0.12 + 0.18 \times e^{-50 \times PD}$$

For wholesale exposures to unregulated financial institutions:

Retail

Wholesale