Retail

Capital Requirement (K) Non-Defaulted Exposures

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

Correlation Factor (R)

For residential mortgage exposures: $R = 0.15$

For qualifying revolving exposures: $R = 0.04$

For other retail exposures: $R = 0.03 + 0.13 \times e^{-35 \times PD}$

Wholesale

Capital Requirement (K) Non-Defaulted Exposures

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

Correlation Factor (R)

For HVCRE exposures:

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

For wholesale exposures to unregulated financial institutions: