OP Amalgamation Capital Adequacy Report
30 September 2020

Table of Contents

Introduction

This report discloses a summary of information on the capital adequacy of the consolidated group of the amalgamation of member cooperative banks, as specified in Part 8 of the Capital Requirements Regulation of the European Parliament and of the Council No. 575/2013 (CRR) (Pillar III disclosures) in compliance with the guidelines issued by the European Banking Authority (EBA/GL)/2016/11). Given that this information is based on the consolidated capital adequacy on the amalgamation of member cooperative banks, it is not directly comparable with other information disclosed on OP Financial Group. The Report is unaudited.

The amalgamation of cooperative banks consists of the amalgamation's central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups. Although OP Financial Group's insurance companies do not belong to the amalgamation of cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. More detailed information on companies within the consolidation group can be found in notes 22 and 45 to the financial statements of 2019. Changes in Group structure are presented in OP Financial Group's Interim Financial Report for 1 January–30 September 2020.

OP Financial Group's risk management practices and goals can be found in the 2019 Financial Statements Notes 2 and 51. OP Financial Group's Corporate Governance and steering systems are available on websites covering respective issues (op.fi > OP Financial Group > About us > Corporate Governance) and in OP Financial Group's Corporate Governance Statement.

A description of the remuneration schemes and practices can be found in Notes 47 and 48 in the financial statements 2019, OP Financial Group's website dealing with remuneration (op.fi > OP Financial Group > About us > Corporate governance > Remuneration) as well as in OP Financial Group's Remuneration Statement and Corporate Governance Statement.

OP Financial Group received IRBA permission in stages between 2008–2011. OP Financial Group has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories. The Standardised Approach is used for OP Card Company's exposures. OP Card Company aims to adopt IRBA for its exposures. OP Financial Group has begun discussions with the ECB on reassessing the extent of the IRBA application. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

1 Capital base and capital adequacy

1.1 Capital base

EUR million	30 Sep 2020	31 Dec 2019
OP Financial Group's equity capital	12,770	12,570
The effect of insurance companies on the Group's shareholders' equity is excluded	-336	-237
Fair value reserve, cash flow hedge	-193	-141
Common Equity Tier 1 (CET1) before deductions	**12,240**	**12,192**
Intangible assets	-564	-630
Excess funding of pension liability and valuation adjustments	-99	-76
Items deducted from cooperative capital	-2	-142
Expected profit distribution	-95	-97
Shortfall of ECL minus expected losses	-431	-428
Common Equity Tier 1 (CET1)	**11,049**	**10,819**
Hybrid capital to which transitional provision is applied	40	60
Additional Tier 1 capital (AT1)	**40**	**60**
Tier 1 capital (T1)	**11,090**	**10,879**
Debenture loans	1,641	806
Tier 2 capital (T2)	**1,641**	**806**
Total capital base	**12,731**	**11,685**

The table presents how OP Amalgamation's CET1 capital derives from OP Financial Group's equity capital. The CET1 capital was increased by banking earnings and decreased by an increase in the expected loss (EL) caused by growth in risk parameters. The amount of Profit Shares in CET1 capital was EUR 2.9 billion (2.9). The amount of Tier 2 (T2) loans issued during the second quarter totalled EUR 1.3 billion. The amount of T2 loans redeemed during the third quarter totalled EUR 0.4 billion.

OP Financial Group has applied transitional provisions regarding old capital instruments to subordinated loans.

1.2 Overview of RWAs (EU OV1)

EUR million	RWAs 30 Sep 2020	RWAs 30 June 2020	Minimum capital requirements 30 Sep 2020
1 Credit risk (excluding CCR)	**52,354**	**53,288**	**4,188**
2 Of which the standardised approach	5,253	5,048	420
3 Of which the foundation IRB (FIRB) approach	26,877	27,538	2,150
4 Of which the advanced IRB (AIRB) approach	13,176	13,607	1,054
5 Of which equity IRB under the simple risk-weighted approach	277	326	22
5a Of which equity investments under PD/LGD method	6,770	6,769	542
6 CCR	**878**	**907**	**70**
7 Of which mark to market	708	665	57
12 Of which CVA	**171**	**242**	**14**
13 Settlement risk		**0**	
14 Securitisation exposures in the banking book (after the cap)	**100**	**112**	**8**
15 Of which IRB approach	100	112	8
19 Market risk	**1,686**	**2,016**	**135**
20 Of which the standardised approach	1,686	2,016	135
23 Operational risk	**3,964**	**3,964**	**317**
25 Of which standardised approach	3,964	3,964	317
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	**345**	**359**	**28**
27a Other risks	**787**	**611**	**63**
29 Total	**60,114**	**61,256**	**4,809**
30 Risk weight floors based on ECB's decision	**359**	**179**	**29**
31 Total risk exposure amount including risk weight floors	**60,473**	**61,435**	**4,838**

The risk exposure amount (REA) totalled EUR 60.5 billion (55.5), or 9% higher than on 31 December 2019. The risk weight floor for retail exposures set by the ECB decreased to EUR 0.4 billion from the beginning of 2019. Because of the adoption of the new definition of default, the average retail and corporate exposure risk weights rose from the 2019-end level as result of the risk weighting factors set by the ECB in March 2020. The loan portfolio grew especially in corporate exposures. To prepare for the effects of the COVID-19 pandemic, OP Financial Group made an extra addition of EUR 0.8 billion to risk-weighted assets in the third quarter. This is shown in line Other risks.

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of retail exposures secured by real estate as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met. The relevant risk weight floor for retail exposures other than mortgage-backed ones, based on the ECB's decision in 2017, is 32.7%.

1.3 Capital Ratios

Ratios, %	30 Sep 2020	31 Dec 2019
CET1 capital ratio	18.3	19.5
Tier 1 ratio	18.3	19.6
Capital adequacy ratio	21.1	21.1

Ratios, fully loaded, %	30 Sep 2020	31 Dec 2019
CET1 capital ratio	18.3	19.5
Tier 1 ratio	18.3	19.5
Capital adequacy ratio	21.0	21.0

The lower ratio was affected by the increase in the loan portfolio and the rise in risk weights caused by the new definition of default.

Capital requirement, EUR million	30 Sep 2020	31 Dec 2019
Capital base	12,731	11,685
Capital requirement	8,317	8,068
Buffer for capital requirements	4,413	3,617

As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The capital requirement of 13.8% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 1.0% (previously 2.0%), the minimum requirement (P2R) of 2.25% (2.0% a year ago) set by the ECB and the changing capital conservation buffers by country for foreign exposures.

In the first quarter, OP Financial Group adopted the European Banking Authority's (EBA) Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. The Guidelines harmonise the definition of default applied by European banks on their customers. The new process in accordance with the Guidelines recognises defaulted customers earlier, for example, based on information in external credit registers. As regards retail customers, the new process extends the default to cover all exposures of an individual obligor. This change increased the number of observations of default and weakened the parameters of credit risk.

OP Financial Group will apply a so-called two-step approach. The first step involved the change of the definition of default during the first quarter of 2020. The second step to be taken later involves the calibration of credit risk parameters. The supervisory obligation related to the adoption of the new definition of default increased the average risk weights of OP Financial Group's loan portfolio at the first step.

In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include obligations, if any, imposed by the supervisor due to the ECB's review of OP's internal models (TRIM), and changes resulting from the update of the EU capital requirements regulation (CRR2). The ECB review of the internal models for corporate exposures is expected to reduce OP Financial Group's CET1 ratio by around 0.8 percentage points. More detailed information on the effects is expected during 2020. The CRR2 changes are expected to reduce OP Financial Group's CET1 ratio by around 0.5 percentage points during 2021.

OP Financial Group has begun discussions with the ECB on reassessing the extent of application of internal models (IRBA). Based on the current estimate, the change in the scope of IRBA would decrease OP Financial Group's CET1 ratio by around 1.1 percentage points during 2020. The final effect and its schedule will be specified after discussions with the supervisor and the approval process related to the scope of IRBA.

2 Credit Risk

The figures presented in the credit risk section excludes items treated within the scope of counterparty credit risk.

2.1 Concentration of exposures by industry or counterparty types (EU CRB-D)

	Net value, 30 Sep 2020, EUR million	IRB Corporates	Of which SME exposures	IRB Retail	Of which SME exposures	IRB Institutions	SA Central government and central banks	Other	Total
a	Renting and operation of residential real estate	9,380	7,431	452	440			22	9,854
b	Operating of other real estate	4,883	2,376	90	72		68	707	5,749
c	Trade	5,140	1,094	444	243			493	6,076
d	Energy	4,457	826	4	2			440	4,902
e	Services	4,984	1,283	1,062	342		556	235	6,838
f	Construction	4,247	1,773	657	292		1	92	4,997
g	Other manufacturing	1,956	259	58	30			95	2,109
h	Manufacture of machinery and equipment (incl. maintenance)	2,488	147	58	23			18	2,564
i	Transportation and storage	1,327	373	418	253			298	2,042
j	Financial and insurance activities	3,516	1,181	30	14	1,406	3,929	3,129	12,011
k	Central bank deposits						21,110		21,110
l	Covered bonds					6,392			6,392
m	Agriculture, forestry and fishing	1,952	1,292	3,160	154		5	106	5,222
n	Forest industry	1,573	73	23	10			45	1,642
o	Metal industry	1,221	344	54	29			10	1,285
p	Food industry	741	79	20	12			80	841
q	Buying and selling of own real estate	637	63	22	4			22	682
r	Information and communication	1,283	355	67	23			39	1,389
s	Other sectors	378	227	23	20			1,173	1,574
t	Water supply and waste management	318	107	18	13		22	62	419
u	Mining and quarrying	219	41	24	16			5	248
v	Manufacture of chemicals and chemical products	291	24	2	1			2	295
x	Activities of households as employers; undifferentiated goods and services producing activities of households for own use	1	0	327	0			165	493
y	Public administration and defence (incl. compulsory social security)	259	35	1	1		4,829	87	5,176
z	Activities of extraterritorial organisations and bodies	0	0	0	0				0
å	Households			51,982				3,846	55,828
ä	**Total**	**51,251**	**19,386**	**58,998**	**1,996**	**7,798**	**30,520**	**11,170**	**159,737**

The table presents the breakdown by industry concerning material exposure classes while immaterial exposure classes are presented under other sectors. Central government exposures include exposures from central banks, local governments, public-sector entities, international development banks and international organisations.

2.2 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)

The table below presents the PD class breakdown of credit exposures within the scope of the IRB approach, specification of risk parameters and other information. The defaults, or PD 100, are not included in the average PD and risk weight. The minimum PD is 0.03%. CCF stands for a credit conversion factor. Off-balance-sheet exposures include loans not drawn down and unused commitments. Exposure amounts do not include counterparty credit risk.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Retail												
0,00 - < 0,15	36,920	4,680	53.0 %	39,377	0.1 %	582,122	26.7 %	15	2,434	6.2 %	6	
0,15 - < 0,25	4,856	138	60.7 %	4,935	0.2 %	97,847	26.6 %	15	918	18.6 %	3	
0,25 - < 0,50	2,557	176	61.4 %	2,658	0.4 %	121,287	29.2 %	10	679	25.6 %	3	
0,50 - < 0,75	1,560	57	54.6 %	1,589	0.6 %	67,668	32.8 %	11	658	41.4 %	3	
0,75 - < 2,50	3,764	171	63.1 %	3,863	1.3 %	108,373	32.9 %	11	2,338	60.5 %	16	
2,50 - < 10,00	2,024	81	65.6 %	2,069	5.0 %	69,409	36.9 %	10	2,471	119.4 %	39	
10,00 - < 100,00	1,025	17	73.9 %	1,037	28.5 %	30,491	33.5 %	11	2,136	206.0 %	96	
100.00	1,120	14	1.1 %	1,120	100.0 %	29,825	31.0 %	13	1,543	137.8 %	228	
Total	**53,827**	**5,334**	**53.9 %**	**56,648**	**0.9 %**	**1,107,022**	**28.0 %**	**14**	**13,176**	**21.0 %**	**395**	**164**

The average risk weights of private customer exposures increased from the 2019-end level, in particular as a result of the risk weighting factors set by the ECB in March. In the second quarter, the distribution of PD showed a transition from the best borrower grades to weaker ones. This resulted both from the new definition of default and the effects of the COVID-19 crisis. In the third quarter, credit ratings improved slightly compared with the second quarter. Defaulted exposures increased, too. The most significant effect of the COVID-19 crisis arises from repayment holidays granted on loans.

In setting PD values given by rating models assessing solvency of personal customers' retail exposures, OP Financial Group has used its own default data and external data. As external data, OP Financial Group has made use of the unemployment rate since 1989. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism.

In setting PD values given by rating models assessing corporate customers in retail exposures, OP Financial Group has used its own default data and external data. As external data, the Group has used bankruptcy statistics since 1987. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism. The current corporate customer PDs in use were adopted in the first quarter of 2015.

In determining LGD estimates for retail exposures, the Group has used contract, customer, default, collateral and debt-collection data from 2008 until 2014. The Group applies the definition of default as in the PD models. In addition, the model uses product level cash flow data on uncollateralised returns and the recovery rate of default probabilities as well as recession valuation adjustments for collateral values based on the recession of the early 1990s. The Group has taken account of uncertainty associated with the data using a margin of conservatism.

In the risk weight calculation, the Group applies the regulatory LGD minimum of 10% and 15% to residential mortgage-backed exposures and commercial mortgage-backed exposures, respectively.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Retail - Secured by real estate property												
0,00 - < 0,15	34,648	730	55.4 %	35,053	0.1 %	415,153	25.2 %	15.3	2,071	5.9 %	5	
0,15 - < 0,25	4,306	50	53.3 %	4,332	0.2 %	47,628	27.8 %	15.6	852	19.7 %	3	
0,25 - < 0,50	1,511	61	62.4 %	1,549	0.4 %	28,056	24.0 %	12.3	351	22.7 %	1	
0,50 - < 0,75	996	11	53.4 %	1,001	0.5 %	13,365	28.3 %	14.7	364	36.4 %	1	
0,75 - < 2,50	2,804	78	64.1 %	2,854	1.2 %	38,750	27.6 %	13.6	1,720	60.3 %	10	
2,50 - < 10,00	1,375	29	68.3 %	1,395	4.7 %	18,772	28.0 %	13.1	1,836	131.6 %	18	
10,00 - < 100,00	782	9	72.6 %	789	30.5 %	10,030	27.7 %	12.5	1,793	227.3 %	68	
100.00	866	4	1.5 %	866	100.0 %	10,715	19.6 %	13.2	1,209	139.6 %	76	
subtotal	**47,289**	**971**	**56.7 %**	**47,840**	**0.8 %**	**582,469**	**25.6 %**	**15.0**	**10,197**	**19.1 %**	**182**	**79**
Retail - Other												
0,00 - < 0,15	2,272	3,950	1	4,324	0	225,863	0	10	362	0	1	
0,15 - < 0,25	550	88	1	602	0	52,566	0	14	66	0	0	
0,25 - < 0,50	1,046	115	1	1,109	0	95,130	0	7	328	0	2	
0,50 - < 0,75	564	46	1	588	0	54,954	0	5	293	0	2	
0,75 - < 2,50	961	93	1	1,009	0	74,237	0	5	618	1	7	
2,50 - < 10,00	648	53	1	674	0	53,686	1	5	634	1	21	
10,00 - < 100,00	243	8	1	248	0	21,854	1	5	343	1	29	
100.00	253	10	0	254	1	22,291	1	12	334	1	151	
subtotal	**6,538**	**4,364**	**53.3 %**	**8,808**	**1.4 %**	**600,581**	**41.0 %**	**8.8**	**2,979**	**30.9 %**	**212**	**85**
Total	**53,827**	**5,334**	**53.9 %**	**56,648**	**0.9 %**	**1,183,050**	**28.0 %**	**14.0**	**13,176**	**21.0 %**	**395**	**164**

The ECB's risk parameter and risk-weighting factors affect the average PD and LGD parameters and the average risk weights of mortgage-backed retail exposures. Considering that one and the same customer may be included in several sub-exposure classes, the sums of the number of obligors differ between the tables.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Corporates												
0,00 - < 0,15	7,135	4,893	67.8 %	8,991	0.1 %	455	44.4 %	4.5	2,416	26.9 %	3	
0,15 - < 0,25	2,548	1,671	68.8 %	3,226	0.2 %	646	43.8 %	6.5	1,415	43.9 %	3	
0,25 - < 0,50	8,460	3,160	60.3 %	9,783	0.4 %	9,640	43.5 %	9.8	5,263	53.8 %	16	
0,50 - < 0,75												
0,75 - < 2,50	8,628	3,557	58.3 %	10,087	1.2 %	10,345	42.5 %	8.4	8,713	86.4 %	52	
2,50 - < 10,00	7,730	2,221	58.2 %	5,567	4.4 %	9,903	42.7 %	8.0	6,963	125.1 %	105	
10,00 - < 100,00	629	133	34.1 %	671	22.3 %	1,350	41.7 %	6.1	1,260	187.9 %	62	
100.00	781	157	60.3 %	863	100.0 %	985	43.5 %	12.3	0	0.0 %	375	
Total	**35,910**	**15,792**	**62.1 %**	**39,187**	**1.5 %**	**33,324**	**43.3 %**	**7.7**	**26,030**	**67.9 %**	**615**	**451**

The average risk weight of corporate exposures increased slightly from the 2019-end level.

In setting PD values given by rating models assessing solvency of corporate customers' retail exposures, OP Financial Group has used its own default data and external data. As external data, the Group has used bankruptcy statistics since 1987. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism. The current corporate customer PDs in use were adopted in the first quarter of 2015.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Corporates - Other												
0,00 - < 0,15	5,971	4,008	68.1 %	7,606	0.1 %	340	44.4 %	4.2	2,075	27.3 %	3	
0,15 - < 0,25	1,978	1,439	69.2 %	2,503	0.2 %	163	44.2 %	4.8	1,149	45.9 %	2	
0,25 - < 0,50	3,435	2,578	68.2 %	4,575	0.3 %	1,354	44.1 %	4.8	2,902	63.4 %	7	
0,50 - < 0,75												
0,75 - < 2,50	4,122	2,432	59.4 %	5,104	1.2 %	1,803	42.6 %	5.8	5,114	100.2 %	25	
2,50 - < 10,00	3,770	1,433	59.1 %	2,680	4.2 %	1,750	42.9 %	8.1	4,011	149.6 %	48	
10,00 - < 100,00	285	90	27.9 %	306	21.2 %	198	41.8 %	4.0	712	232.9 %	27	
100.00	502	143	60.8 %	578	100.0 %	217	43.5 %	11.3	0	0.0 %	252	
subtotal	**20,063**	**12,122**	**64.8 %**	**23,353**	**1.2 %**	**5,825**	**43.7 %**	**5.4**	**15,962**	**70.1 %**	**364**	**321**
Corporates - SMEs												
0,00 - < 0,15	1,164	885	65.0 %	1,385	0.1 %	115	44.4 %	6.1	341	24.6 %	0	
0,15 - < 0,25	569	232	67.5 %	723	0.2 %	483	42.5 %	12.4	266	36.8 %	1	
0,25 - < 0,50	5,024	582	34.5 %	5,208	0.4 %	8,286	43.0 %	14.2	2,361	45.3 %	9	
0,50 - < 0,75												
0,75 - < 2,50	4,506	1,125	56.1 %	4,983	1.3 %	8,542	42.4 %	11.1	3,599	72.2 %	26	
2,50 - < 10,00	3,961	787	56.8 %	2,887	4.6 %	8,153	42.5 %	7.9	2,952	102.3 %	56	
10 - < 100	344	43	43.8 %	365	23.2 %	1,152	41.6 %	7.9	548	150.2 %	35	
100	279	15	54.7 %	284	100.0 %	768	43.4 %	14.4	0	0.0 %	123	
subtotal	**15,847**	**3,669**	**53.7 %**	**15,834**	**1.9 %**	**27,499**	**42.8 %**	**11.1**	**10,068**	**64.7 %**	**251**	**130**
Total	**35,910**	**15,792**	**62.1 %**	**39,187**	**1.5 %**	**33,324**	**43.3 %**	**7.7**	**26,030**	**67.9 %**	**615**	**451**

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Institutions												
0,00 - < 0,15	6,053	423	71.9 %	6,379	0.0 %	161	14.4 %	5.0	510	8.0 %	0	
0,15 - < 0,25	422	210	75.6 %	515	0.2 %	21	17.5 %	3.7	107	20.7 %	0	
0,25 - < 0,50	216	43	52.1 %	242	0.4 %	43	17.8 %	5.3	84	34.6 %	0	
0,50 - < 0,75	252	28	40.9 %	21	0.7 %	48	45.0 %	18.0	23	107.3 %	0	
0,75 - < 2,50	8	19	50.2 %	18	1.3 %	21	45.0 %	5.8	24	134.0 %	0	
2,50 - < 10,00	14	86	44.8 %	52	4.1 %	46	45.0 %	1.1	94	179.7 %	1	
10,00 - < 100,00	1	3	38.5 %	2	11.6 %	14	45.0 %	1.3	5	238.4 %	0	
Total	**6,967**	**831**	**66.4 %**	**7,230**	**0.1 %**	**355**	**15.2 %**	**4.9**	**847**	**11.7 %**	**2**	**0**

The average risk weights of credit institution exposures decreased slightly. Some 88% of the credit institution exposures are covered bonds.

For setting PD values given by the credit institution exposure rating model, OP Financial Group has used rating scores for credit institution exposure and external credit ratings and the corresponding default data. PD values have been adjusted with a margin of conservatism in order to take account of uncertainties associated with the data.

2.3 RWA flow statements of credit risk exposures under the IRB approach (EU CR8)

	a	b
EUR million	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period 30 June 2020	41,145	3,292
2 Asset size	420	34
3 Asset quality	-1,230	-98
5 Methodology and policy	-282	-23
9 RWAs as at the end of the reporting period 30 Sep 2020	40,053	3,204

Changes occurred in retail exposures, corporate exposures and credit institution exposures during the last quarter are presented using the flow statements. In the Asset quality line, lower risk weights were explained by the transition of exposures to better borrower grades. The effect of SME relief factor scope widening under CRR is presented on the Methodology and Policy line.

3 Leverage

3.1 Leverage

Leverage ratio, EUR million	30 Sep 2020	31 Dec 2019
Tier 1 capital (T1)	11,090	10,879
Total exposure	144,613	131,504
Leverage ratio, %	**7.7**	**8.3**

Leverage ratio decreased particularly as a result of the increase in exposures caused by central bank deposits. The leverage ratio that describes a company's degree of indebtedness is presented in accordance with Commission Delegated Regulation. According to these rules, the minimum ratio is three per cent. The leverage ratio is based on period-end figures.