

22. Loans and advances to customers

	31.12.2017	31.12.2016
Loans and advances to individuals:	48 142 786	48 949 829
- current accounts	7 324 329	6 458 369
- term loans, including:	40 818 457	42 491 460
housing and mortgage loans	32 593 180	35 369 113
Loans and advances to corporate entities:	37 941 722	34 174 289
- current accounts	5 187 588	4 125 405
- term loans:	30 599 981	28 267 897
- corporate & institutional enterprises	5 030 702	5 037 182
- medium & small enterprises	25 569 279	23 230 715
- reverse repo / buy-sell-back transactions	57 119	56 676
- other	2 097 034	1 724 311
Loans and advances to public sector	995 570	1 228 230
Other receivables	307 627	228 424
Total (gross) loans and advances to customers	87 387 705	84 580 772
Provisions for loans and advances to customers (negative amount)	(2 911 861)	(2 817 495)
Total (net) loans and advances to customers	84 475 844	81 763 277
Short-term (up to 1 year)	29 191 490	26 909 693
Long-term (over 1 year)	55 284 354	54 853 584

As at 31 December 2017, variable interest rate loans amounted to PLN 85 942 267 thousand and fixed interest rate loans amounted to PLN 1 445 438 thousand (as at 31 December 2016 respectively: PLN 82 744 657 thousand and PLN 1 836 115 thousand). The average interest rate for loans granted to customers (excluding reverse repos) amounted to 3.38% (31 December 2016: 3.18%).

In 2017, the item "other" includes receivables from the National Depository of Securities CCP in the amount of PLN 155 195 thousand in connection with the Brokerage Office activity (31 December 2016: PLN 135 977 thousand).

The item "other" includes cash collaterals (as at 31 December 2017 in the amount of PLN 106 274 thousand, as at 31 December 2016: PLN 28 287 thousand) placed by the Group under derivatives transactions (Note 39).

Provisions for loans and advances

	31.12.2017	31.12.2016
Incurred but not identified losses		
Gross balance sheet exposure	82 883 395	80 043 614
Impairment provisions for exposures analysed according to portfolio approach	(243 810)	(226 430)
Net balance sheet exposure	82 639 585	79 817 184
Receivables with impairment		
Gross balance sheet exposure	4 504 310	4 537 158
Provisions for receivables with impairment	(2 668 051)	(2 591 065)
Net balance sheet exposure	1 836 259	1 946 093

Movements in provisions for loans and advances

MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS AS OF 2017	Provisions as at 01.01.2017	Provisions created	Release of provisions	Reclassification and foreign exchange differences	Write-offs	Provisions as at 31.12.2017
Loans and advances to individuals	(1 515 339)	(962 150)	644 694	42 604	215 267	(1 574 924)
Current accounts	(614 379)	(365 080)	230 620	7 928	85 681	(655 230)
Term loans, including:	(900 960)	(597 070)	414 074	34 676	129 586	(919 694)
Housing and mortgage loans	(515 928)	(254 664)	217 073	34 730	62 595	(456 194)
Loans and advances to corporate entities	(1 301 407)	(384 490)	227 022	17 641	104 858	(1 336 376)
Current accounts	(190 490)	(96 967)	62 726	(7 152)	20 214	(211 669)
Term loans, including:	(1 056 923)	(286 949)	162 362	23 678	60 560	(1 097 272)
Corporate & institutional enterprises	(28 788)	(13 875)	29 702	1 289	-	(11 672)
Medium & small enterprises	(1 028 135)	(273 074)	132 660	22 389	60 560	(1 085 600)
Other	(53 994)	(574)	1 934	1 115	24 084	(27 435)
Loans and advances to public sector	(749)	(105)	290	3	-	(561)
Total movements in provisions for loans and advances to customers	(2 817 495)	(1 346 745)	872 006	60 248	320 125	(2 911 861)

MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS AS OF 2016	Provisions as at 01.01.2016	Provisions created	Release of provisions	Reclassification and foreign exchange differences	Write-offs	Provisions as at 31.12.2016
Loans and advances to individuals	(1 532 502)	(889 879)	620 862	(13 980)	300 160	(1 515 339)
Current accounts	(683 042)	(326 194)	222 533	(26)	172 350	(614 379)
Term loans, including:	(849 460)	(563 685)	398 329	(13 954)	127 810	(900 960)
Housing and mortgage loans	(491 329)	(291 120)	235 741	(9 110)	39 890	(515 928)
Loans and advances to corporate entities	(1 442 251)	(434 161)	335 426	(6 007)	245 586	(1 301 407)
Current accounts	(204 860)	(98 524)	64 928	10 870	37 096	(190 490)
Term loans, including:	(1 187 981)	(311 476)	251 131	(16 877)	208 280	(1 056 923)
Corporate & institutional enterprises	(157 515)	(38 664)	73 697	(19 847)	113 541	(28 788)
Medium & small enterprises	(1 030 466)	(272 812)	177 434	2 970	94 739	(1 028 135)
Other	(49 410)	(24 161)	19 367	-	210	(53 994)
Loans and advances to public sector	(1 111)	(197)	565	(6)	-	(749)
Total movements in provisions for loans and advances to customers	(2 975 864)	(1 324 237)	956 853	(19 993)	545 746	(2 817 495)

Loans and advances include receivables under finance leases.

	31.12.2017	31.12.2016
Gross investment in finance leases, receivable:	8 755 621	7 667 168
- not later than 1 year	2 660 832	2 244 468
- later than 1 year and not later than 5 years	5 476 270	4 590 979
- later than 5 years	618 519	831 721
Unearned future finance income on finance leases (negative amount)	(714 033)	(654 009)
Net investment in finance leases	8 041 588	7 013 159

Net investment in finance leases, receivable:		
- not later than 1 year	2 396 582	2 005 193
- later than 1 year and not later than 5 years	5 073 161	4 229 557
- later than 5 years	571 845	778 409
Net investment in finance leases	8 041 588	7 013 159
Impairment provisions for finance leases receivable	(206 251)	(196 644)
Net carrying amount of finance leases receivable	7 835 337	6 816 515
Unguaranteed residual value accruing to the lessor	1 114 218	659 965

Loans and advances to customers	31.12.2017		31.12.2016	
	exposure in PLN '000	share/coverage (%)	exposure in PLN '000	share/coverage (%)
Neither past due nor impaired	79 806 600	91.33	77 405 640	91.52
Past due but not impaired	3 076 795	3.52	2 637 974	3.12
Impaired	4 504 310	5.15	4 537 158	5.36
Total, gross	87 387 705	100.00	84 580 772	100.00
Provision (provision for impaired loans and advances as well as IBNI provision)	(2 911 861)	3.33	(2 817 495)	3.33
Total, net	84 475 844	96.67	81 763 277	96.67

The amount of recognised provision for loans and advances was PLN 2 911 861 thousand (as at 31 December 2016: PLN 2 817 495 thousand) of which PLN 2 668 051 thousand (as at 31

December 2016: PLN 2 591 065 thousand) represents the individually impaired loans and advances to customers and the remaining amount of PLN 243 810 thousand represents IBNI portfolio provision (as at 31 December 2016 PLN 226 430 thousand).

91.33% of the portfolio of loans and advances to customers has been considered to be neither past due nor impaired (31 December 2016: 91.52%).

Loans and advances neither past due nor impaired

31 December 2017	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers
Sub-portfolio	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
					corporate & institutional enterprises	medium & small enterprises					
1	138 424	8 427 345	8 551 318	186 271	149 788	797 545	-	20 675	147 877	-	9 867 925
2	1 379 136	19 652 477	18 012 857	993 997	1 709 084	2 601 603	-	198 937	657 772	-	27 193 006
3	1 303 710	4 286 430	2 637 681	970 511	1 606 349	9 645 778	-	6	158 022	-	17 970 806
4	2 023 991	3 790 851	812 252	2 029 931	1 267 643	6 181 383	-	-	30 955	-	15 324 754
5	741 318	1 250 346	498 776	505 421	101 397	3 068 802	-	-	-	-	5 667 284
6	70 484	132 784	78 324	14 797	1 329	272 323	-	-	-	-	491 717
7	136 879	266 697	168 271	32 770	3 093	503 347	-	-	-	-	942 786
8	46 379	-	-	37 934	-	-	57 119	-	-	307 600	449 032
other *)	-	-	-	-	-	-	-	1 850 981	-	27	1 851 008
Default category	1 353	29 475	26 945	1	-	17 453	-	-	-	-	48 282
Total	5 841 674	37 836 405	30 786 424	4 771 633	4 838 683	23 088 234	57 119	2 070 599	994 626	307 627	79 806 600
31 December 2016	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers
Sub-portfolio	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
					corporate & institutional enterprises	medium & small enterprises					
1	159 577	10 247 838	10 334 730	91 092	44 111	637 508	-	20 439	167 180	-	11 367 745
2	1 336 592	20 751 325	18 959 089	873 695	1 925 685	1 895 384	-	151 531	680 603	-	27 614 815
3	1 010 228	3 766 119	2 153 346	580 802	1 420 445	9 010 926	-	6	343 154	-	16 131 680
4	1 753 167	2 939 356	928 821	1 721 292	1 369 798	6 147 027	-	-	36 121	-	13 966 761
5	685 038	1 125 769	495 591	429 849	127 158	2 718 618	-	-	260	-	5 086 692
6	54 296	114 492	65 706	18 510	344	140 989	-	-	-	-	328 631
7	125 959	292 173	182 398	20 358	6 552	598 960	-	-	-	-	1 044 002
8	29 661	-	-	31 226	-	-	56 676	-	-	228 410	345 973
other *)	-	-	-	-	-	-	-	1 482 743	-	-	1 482 743
Default category	2 275	34 309	28 680	-	-	-	-	-	-	14	36 598
Total	5 156 793	39 271 381	33 148 361	3 766 824	4 894 093	21 149 412	56 676	1 654 719	1 227 318	228 424	77 405 640

*) position "other" concerns these entities, which do not use the same rating systems as mBank S.A.

Loans and advances past due but not impaired

Gross amounts of loans and advances, which were past due but not impaired is presented below by classes of assets. No impairment is recognised in respect of loans and advances past due for less than 90 days, unless other available information indicates their impairment.

31 December 2017	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
					corporate & institutional enterprises	medium & small enterprises					
Past due up to 30 days	528 690	1 108 989	747 655	49 686	49 125	782 716	-	-	-	-	2 519 206
Past due 31 - 60 days	45 849	163 419	96 222	12 851	10 957	153 825	-	-	-	-	386 901
Past due 61 - 90 days	19 706	51 037	19 951	3 385	167	46 816	-	-	-	-	121 111
Past due over 90 days	12 583	31 125	8 037	586	-	4 339	-	-	944	-	49 577
Total	606 828	1 354 570	871 865	66 508	60 249	987 696	-	-	944	-	3 076 795
31 December 2016	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
					corporate & institutional enterprises	medium & small enterprises					
Past due up to 30 days	415 164	1 200 637	898 517	21 808	47 550	525 935	-	2 002	-	-	2 213 096
Past due 31 - 60 days	44 472	195 280	130 215	3 402	1 275	40 241	-	-	912	-	285 582
Past due 61 - 90 days	17 977	55 989	32 020	587	104	24 899	-	-	-	-	99 556
Past due over 90 days	11 963	25 109	15 072	151	-	2 517	-	-	-	-	39 740
Total	489 576	1 477 015	1 075 824	25 948	48 929	593 592	-	2 002	912	-	2 637 974

Loans and advances individually impaired

Loans and advances individually impaired amounted to PLN 1 836 259 thousand (as at 31 December 2016: PLN 1 946 093 thousand). Gross amounts of loans and advances individually

impaired (i.e., before taking into consideration the cash flows from collateral held and expected repayments) are presented below by classes of assets.

	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans and advances to customers
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans		Reverse repo / buy-sell-back transactions	Other			
					corporate & institutional enterprises	medium & small enterprises					
31 December 2017											
Loans and advances with impairment	875 827	1 627 482	934 891	349 447	131 770	1 493 349	-	26 435	-	-	4 504 310
Provisions for loans and advances with impairment	(594 480)	(826 865)	(426 667)	(196 861)	(10 542)	(1 012 868)	-	(26 435)	-	-	(2 668 051)
31 December 2016											
Loans and advances with impairment	812 000	1 743 064	1 144 928	332 633	94 160	1 487 711	-	67 590	-	-	4 537 158
Provisions for loans and advances with impairment	(562 478)	(808 180)	(476 237)	(178 169)	(26 537)	(962 707)	-	(52 994)	-	-	(2 591 065)

The Group applies a conservative approach in the area of verification of collateral value and setting of acceptable LtV ratio levels. The policy, in this respect, imposes particularly significant restrictions in case of transactions with probability of default higher than average (non-purpose loans and consolidation loans) and/or secured on low-liquid real estate (localized on not well developed markets).

Financial effect of collaterals

The note below presents the influence of value of collaterals received by the Group in relation to the loans granted by the Group on the provisions level.

As at 31 December 2017	Gross amount	Provisions created	Provisions without cash flow from collaterals	Financial effect of collaterals
Balance sheet data				
Loans and advances to banks	1 708 749	(1 027)	(1 028)	1
Loans and advances to customers, including:	87 387 705	(2 911 861)	(3 795 569)	883 708
Loans to individuals:	48 142 786	(1 574 924)	(1 899 083)	324 159
– Current accounts	7 324 329	(655 230)	(668 180)	12 950
– Term loans, including:	40 818 457	(919 694)	(1 230 903)	311 209
housing and mortgage loans	32 593 180	(456 194)	(734 237)	278 043
Loans to corporate clients:	35 787 569	(1 308 941)	(1 868 466)	559 525
– Current accounts	5 187 588	(211 669)	(244 691)	33 022
– Term loans:	30 599 981	(1 097 272)	(1 623 775)	526 503
corporate & institutional enterprises	5 030 702	(11 672)	(24 091)	12 419
medium & small enterprises	25 569 279	(1 085 600)	(1 599 684)	514 084
Loans and advances to public sector	995 570	(561)	(585)	24
Total balance sheet data	89 096 454	(2 912 888)	(3 796 597)	883 709
Off-balance sheet data:				
Loan commitments and other commitments	26 271 712	(26 571)	(30 374)	3 803
Guarantees, banker's acceptances, documentary and commercial letters of credit	7 143 651	(49 144)	(67 103)	17 959
Total off-balance sheet data:	33 415 363	(75 715)	(97 477)	21 762

As at 31 December 2016	Gross amount	Provisions created	Provisions without cash flow from collaterals	Financial effect of collaterals
Balance sheet data				
Loans and advances to banks	3 085 112	(2 257)	(2 257)	-
Loans and advances to customers, including:	84 580 772	(2 817 495)	(3 863 367)	1 045 872
Loans to individuals:	48 949 829	(1 515 339)	(1 797 447)	282 108
– Current accounts	6 458 369	(614 379)	(629 109)	14 730
– Term loans, including:	42 491 460	(900 960)	(1 168 338)	267 378
housing and mortgage loans	35 369 113	(515 928)	(750 295)	234 367
Loans to corporate clients:	32 393 302	(1 247 413)	(2 011 135)	763 722
– Current accounts	4 125 405	(190 490)	(208 214)	17 724
– Term loans:	28 267 897	(1 056 923)	(1 802 921)	745 998
corporate & institutional enterprises	5 037 182	(28 788)	(104 970)	76 182
medium & small enterprises	23 230 715	(1 028 135)	(1 697 951)	669 816
Loans and advances to public sector	1 228 230	(749)	(791)	42
Total balance sheet data	87 665 884	(2 819 752)	(3 865 624)	1 045 872
Off-balance sheet data:				
Loan commitments and other commitments	22 692 191	(30 847)	(38 643)	7 796
Guarantees, banker's acceptances, documentary and commercial letters of credit	5 881 446	(12 588)	(17 601)	5 013
Total off-balance sheet data:	28 573 637	(43 435)	(56 244)	12 809