

32. Subordinated liabilities

SUBORDINATED LIABILITIES	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2017						
- Commerzbank AG	80 000	CHF	3M LIBOR + 3.4%**	2.6412	perpetual ¹⁾	285 627
- Commerzbank AG	170 000	CHF	3M LIBOR + 2.2%***	1.4740	perpetual ¹⁾	608 510
- Investors not associated with mBank S.A. Group	500 000	PLN	6M WIBOR + 2.25%	4.0600	20.12.2023	500 581
- Investors not associated with mBank S.A. Group	750 000	PLN	6M WIBOR + 2.1%	3.9100	17.01.2025	763 425

2 158 143

SUBORDINATED LIABILITIES	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2016						
- Commerzbank AG	400 000	CHF	3M LIBOR + 1.2%*	0.4598	08.03.2017	1 647 425
- Commerzbank AG	80 000	CHF	3M LIBOR + 3.4%**	2.6612	perpetual ¹⁾	329 676
- Commerzbank AG	170 000	CHF	3M LIBOR + 2.2%***	1.4668	perpetual ¹⁾	702 308
- Investors not associated with mBank S.A. Group	500 000	PLN	6M WIBOR + 2.25%	4.0000	20.12.2023	500 573
- Investors not associated with mBank S.A. Group	750 000	PLN	6M WIBOR + 2.1%	3.8600	17.01.2025	763 367

3 943 349

* Margin amounting to 0.7% was in force for the period of first five years. From June 2012, margin amounting to 1.2% is in force.

** Margin amounting to 1.4% was in force up to 20 December 2016. From 20 December 2016 margin amounting to 3.4% is in force.

*** Margin amounting to 2.2% is in force up to January 2018. Within the period of next years it will be equal to 4.2%.

¹⁾ Debt securities become due on the initiative of the Bank no earlier than two years after the issue date or on the initiative of Commerzbank, not earlier than five years after the issue date, after obtaining the approval of the KNF.

The effective interest rate specified in the tables above means the interest rate at the inception day of the last interest period.

In 2017 and in 2016, the Group did not note any delays in repayments of interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

According to the decision dated 8 January 2015 mBank obtained a permission of the KNF to include in Tier 2 capital the amount of PLN 750 000 thousand constituting subordinated liabilities from the bonds issue dated 17 December 2014 on a total nominal value of PLN 750 000 thousand with redemption date on 17 January 2025 on terms that meet the requirements arising from the CRR Regulation.

According to the decision dated 14 February 2014 mBank obtained a written permission of the KNF to include in Tier 2 capital the amount of PLN 500 000 thousand constituting subordinated liability from the bonds issue dated 3 December 2013 on total nominal value of PLN 500 000 thousand and with 10 years maturity on terms that meet the requirements arising from the CRR Regulation.

According to Article 484 (5) of the CRR Regulation, subordinated liabilities arising from the bonds issue with undefined maturity are included in Tier 2 capital calculation with application of the rules of grandfathering and limits of grandfathering in transitional period ongoing from 1 January 2014 till 31 December 2021.

Movements in subordinated liabilities

	31.12.2017	31.12.2016
As at the beginning of the period	3 943 349	3 827 315
Disposals (repayment, early redemption)	(1 611 840)	-
Exchange differences	(172 605)	115 635
Other changes	(761)	399
Subordinated liabilities as at the end of the period	2 158 143	3 943 349
Short-term (up to 1 year)	2 337	1 664 119
Long-term (over 1 year)	2 155 806	2 279 230

On 8 March 2017, mBank S.A. redeemed subordinated bonds in the amount of CHF 400 000 thousand (equivalent of PLN 1 611 840 thousand at the average NBP exchange rate as of 8 March 2017), issued on 8 March 2007 and acquired by Commerzbank AG.