

Financial Report 2009

DSB Bank N.V. in liquidation

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1. Introduction

DSB Bank N.V. was declared insolvent on 19 October 2009. On 17 November 2009, the administrators published a statement of assets and liabilities of the insolvent entity (Annex 2 to the first public report) as at the date of the declaration of insolvency. On 29 October 2010, the administrators published a second statement of assets and liabilities of the insolvent entity (Annex 1 to the fifth public report) as at 30 September 2010.

Since the administrators are carrying on the business of DSB Bank N.V., albeit without granting loans or advising on products, they wish to provide creditors with a view of the bank's financial affairs in 2009 in a manner comparable to an annual report. This 2009 financial report of DSB Bank N.V. has accordingly been prepared on a separate and not consolidated basis. In contrast to the 2008 financial statements, the present report does not include the external securitisations. DSB Bank N.V. has continued to service the securitised loans following the collapse.

The failure of the bank means that assets and liabilities can no longer be measured on a going-concern basis. The implications of the insolvency for this report are explained in the notes. The main impacts in 2009 are the exceptional expenses (€818 million) mentioned in note 28 and a saving of interest expense (approximately €28 million) mentioned in note 26.

The 2009 financial report has not been fully audited. The administrators and a firm of accountants have, however, performed a number of specific activities with the purpose of reconciling this financial report with the bank's underlying accounting records.

For the reporting by the administrators on the progress of their work, reference is made to the public reports which they have published.

Administrators of DSB Bank
Wognum, 29 July 2011

R.J. Schimmelpenninck

B.F.M. Knüppe

2. Financial report

2.1 Company balance sheet as at 31 December 2009 (x € 1,000)

		2009	2008
ASSETS			
Cash	1	90,592	323,206
Other deposits	2	15,224	137,972
Receivables from public authorities	3	0	85,000
Loans and advances	4	3,868,373	5,713,153
Investments in group companies	5	14,428	132,638
Derivatives	6	0	223,684
Financial investments	7	3,572	8,466
Intangible assets	8	0	11,202
Property, plant and equipment	9	18,760	27,772
Receivables			
Trade receivables	10	2,827	7,466
Receivables from group companies	11	32,102	278,533
Receivables from DSB Beheer	12	45,711	3,429
Other receivables	13	601,823	312,329
		<u>682,463</u>	<u>601,757</u>
		<u>4,693,412</u>	<u>7,264,850</u>

Company balance sheet as at 31 December 2009 (x €1000)

		2009	2008
EQUITY AND LIABILITIES			
Borrowings	14	1,161,118	347,500
Customer accounts	15	3,611,614	3,852,521
Derivatives	6	0	351,877
Other liabilities			
Tax and social security charges	16	1,781	1,587
Securitisation entities		0	2,202,736
Sundry other payables	17	<u>112,770</u>	<u>83,512</u>
		114,551	2,287,835
Accruals and deferred income			
			180
Provisions			
Commission refunds	18	11,623	14,081
Investments in group companies	19	21,559	25,595
Liquidation losses	20	200,000	0
Other	21	<u>0</u>	<u>4,008</u>
		233,182	43,684
Subordinated loans	22	147,853	138,362
Balance / shareholders' equity	23	-574,906	242,891
		<u><u>4,693,412</u></u>	<u><u>7,264,850</u></u>

2.2 Company income statement for 2009 (x €1,000)

		2009	2008
Revenue			
Finance income – interest	24	313,741	402,457
Share in results of subsidiaries, associates and joint ventures		-14,998	32,747
Commission	25	19,966	52,173
Other income		23,803	31,623
		<u>342,512</u>	<u>519,000</u>
Operating expenses			
Finance expense – interest	26	212,108	321,537
Administrative expenses	27	121,507	146,885
		<u>333,615</u>	<u>468,422</u>
Net operating income		8,897	50,578
Exceptional income		1,066	0
Exceptional expenses	28	-817,562	-1,184
Result before tax		<u>-807,599</u>	<u>49,394</u>
Tax	29	0	3,902
Result after tax		<u>-807,599</u>	<u>45,492</u>

2.3 Cash flow statement (x €1,000)

	2009
Cash flow from operating activities	
Result	-807,599
<i>Adjustments for:</i>	
Write-down of other deposits	197,615
Amortisation/depreciation of non-current assets	5,214
Write-downs of non-current assets	23,932
Provision for liquidation losses	200,000
Write-down of loans and advances	492,163
Value adjustments to receivables	12,580
Write-down of derivatives	-190,510
Value adjustments to derivatives	62,317
Write-down of notes held by the bank	22,262
Write-down of deferred tax position	9,435
Provision for DSB Beheer current account	30,000
	<u>865,008</u>
Receivables from public authorities	85,000
Other deposits	-74,867
Movements in loans and advances	1,340,037
Movements in financial investments	4,894
Movements in customer accounts	-240,907
Movements in unsecured claim liabilities	0
Movements in investments in group companies	118,210
Movements in provisions	-10,502
Movements in receivables	-142,403
Movements in other liabilities	-2,173,464
	<u>-1,094,002</u>
Total cash flow from operating activities	<u>-1,036,593</u>
Cash flow from investing activities	
Investments in intangible assets	-5,971
Investments in property, plant and equipment	-3,491
Disposals of property, plant and equipment	530
Total cash flow from investing activities	<u>-8,932</u>
Cash flow from financing activities	
Increase/decrease in borrowings	813,618
Increase/decrease in subordinated loans	9,491
Dividend	-11,300
Other movements in shareholders' equity	1,102
Total cash flow from financing activities	<u>812,911</u>
Total cash flow	<u><u>-232,614</u></u>
Cash balance:	
- as at 1 January	323,206
- as at 31 December	90,592
	<u><u>-232,614</u></u>

2.4 General notes and accounting policies

A. GENERAL

Purpose of financial report

DSB Bank N.V. (DSB Bank) failed on 19 October 2009. The primary purpose of the financial report is to provide a view of the assets and liabilities as at 31 December 2009 and of the income and expenses for the period 1 January to 31 December 2009. It should be emphasised that the financial report is not intended to give an indication of the sales value (estimated or otherwise) of the assets or of the pay-out percentages to unsecured creditors.

Unaudited accounts

The figures included in the financial report have been taken from DSB Bank's accounting records. The accounting policies applied are detailed below. As an insolvent entity, DSB Bank no longer has any obligation to have financial statements audited and published within the meaning of Section 394, Book 2, of the Netherlands Civil Code. The figures in this financial report have therefore not been subjected to examination by external auditors.

Company balance sheet and income statement

DSB Bank is registered in the Netherlands and is a public limited liability company (NV) whose shares are held by DSB Ficoholding N.V. DSB Bank failed on 19 October 2009. The financial report contains the company balance sheet and income statement of DSB Bank.

Securitised mortgage and consumer loans

DSB Bank has receivables in respect of mortgage and consumer loans granted by the bank and securitised through the special purpose vehicles (SPVs). In connection with the securitisation, the beneficial ownership of these receivables was transferred to the SPVs. To finance the SPVs' acquisition of the receivables, notes were issued by the SPVs. These securitised receivables, the corresponding notes for which were placed predominantly with third parties, are therefore not recognised in DSB Bank's company balance sheet and income statement.

Merger of DSB Financieringen B.V.

On 30 September 2009, the entity DSB Financieringen B.V. (amalgamated entity: DSB Financieringen) was legally merged with DSB Bank (acquiring entity). Under the terms of the merger agreement, DSB Bank reported the financial information of DSB Financieringen in its financial statements with effect from 1 January 2009. The merger is also included separately in the statements showing the movements in the various balance sheet items.

Comparative figures

The comparative figures for 2008 have been taken from the company balance sheet in the 2008 financial statements of DSB Bank. In preparing the 2008 company financial statements, use was made of the provisions of Section 2:362, subsection 8, of the Netherlands Civil Code, which permit the same accounting policies to be used for the company financial statements as for the consolidated financial statements, drawn up on the basis of IFRS. This means that the carrying amounts of the investments in entities where significant influence can be exercised are measured using the equity method.

These accounting policies essentially mean that the comparative figures for 2008 were prepared using the historical cost convention (amortised cost), with the exception of the financial instruments deriving from items in the accounts (derivatives) and financial assets held for sale, both of these items being measured at fair value. In addition, as required by hedge accounting rules, the carrying amount of loans and advances, stated at amortised cost, includes an adjustment for changes in the fair value due to interest rate movements, applied to those loans hedged by interest rate derivatives.

In preparing the financial report for 2009, an attempt has been made to adhere as closely as possible to the accounting policies set forth in Part 9, Book 2, of the Netherlands Civil Code. Changes in carrying amounts due to switching from IFRS, as permitted by Section 2:362, subsection 8, the Netherlands Civil Code, to compliance with Part 9, Book 2, of the Netherlands Civil Code are included separately in the statements showing the movements in the various balance sheet items. The 2008 figures, as adopted and approved on 29 June 2009, serve solely for comparison and are not explained in greater detail.

B. GENERAL ACCOUNTING POLICIES

Accounting policies used in preparing the financial report

The financial report has essentially been prepared in compliance with Part 9, Book 2, of the Netherlands Civil Code. Given the ongoing winding-up operation, however, different methods of valuation and determination of results may have been applied for a number of aspects. Departures from Part 9, Book 2, concern for example:

- The treatment of post-balance-sheet events, for which reference is made to the DSB Bank 2010 financial report.
- The carrying amounts of the balance sheet items loans and advances, property plant and equipment, intangible assets and receivables, on which separate disclosures are made in the notes to the balance sheet contained in the financial report.

The specific accounting policies applicable to the individual items in the financial statements are set forth below.

All amounts are presented in thousands of euros unless otherwise stated.

Use of estimates and judgements

The preparation of a financial report requires that the administrators form judgements, make estimates and make assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities and of income and expenses.

The estimates and underlying assumptions are regularly appraised and evaluated. The actual results can therefore differ from the estimates and assumptions made. Revised estimates are taken into account in the period in which the estimates are revised and in future periods for which such revision has implications.

C. SPECIFIC POLICIES USED FOR THE BALANCE SHEET

Cash and other deposits

Cash is considered to include all legal tender plus demand deposits with various banks. The amount of deposits is measured at face value, less any impairment where necessary.

Loans and advances

Accounted for in this item are the receivables in respect of loans to customers that are not held for trading purposes. These receivables are measured at face value. The carrying amount of loans and advances is less any necessary provision for impairment. The assumptions underlying the amount of the necessary provision are disclosed in the notes to the item. Loans and advances found to be uncollectible are written off against the provision.

Derivatives

Prior to the bank's collapse, DSB Bank made use of interest rate derivatives as part of its interest rate risk management. Derivatives were carried at fair value, with gains and losses recognised in the income statement as value adjustments to financial instruments. In the balance sheet, derivatives were presented as assets if the fair value was positive and as liabilities if the fair value was negative. After the bank's failure, the transactions in derivatives were cancelled by the counterparties. For the amount of the derivatives after cancellation we refer to note 6 in the notes to the balance sheet.

Financial investments

The investment portfolios are recognised at fair value in the balance sheet. Realised results on disposal are recognised in the income statement.

Investments in subsidiaries, associates and joint ventures

The amounts of these investments are measured using the equity method. If the shareholders' equity of an investee is negative, a special provision is recognised equal in amount to this negative equity. If there is a change in the shareholders' equity of the entity, DSB Bank recognises its share of the change. This also applies to the share in the results of the subsidiaries, associates and joint ventures that is included in the DSB Bank result.

Intangible assets

Goodwill, arising from a difference between the purchase price of a company and the fair value of the identifiable assets and equity and liabilities, was capitalised. The other intangible assets concern acquired portfolio rights and software. Following the collapse, the expected net selling price of the intangible assets was estimated at nil and the entire carrying amount was written off as a loss.

Property, plant and equipment

The property and other assets were recognised at cost less cumulative depreciation and any impairment losses. After the collapse, a write-down equal to 30% of the carrying amount was made by way of provisional estimate of the liquidation value. In 2010, the property, plant and equipment was carried at an amount based on new appraisals of the liquidation value. No further depreciation has been recognised since the date of the collapse.

Receivables

Outstanding accounts receivable are carried at face value less any necessary provision for impairment.

Customer accounts

This item is made up of the balances on clients' savings accounts, savings deposits and current accounts. Savings accounts are carried at face value.

Provisions

Provision for commission refunds

The provision for commission refunds included in the balance sheet concerns an estimate of the future repayment liabilities in respect of unearned commission. The amount of these provisions is determined on the basis of both historical data and an estimate of future developments.

Provision for other liquidation losses

The provision for other liquidation losses serves to cover present and future asset write-downs and claims on the insolvent entity arising as a consequence of or during the liquidation process. The amount of such write-downs on several specific assets and the amount of this provision involve estimates surrounded by considerable uncertainties. This provision does not take into account the magnitude of any amounts payable in the future in connection with dereliction of the duty of care.

Subordinated loans

The subordinated loans include the subordinated loans from private individuals and private loans made by institutional investors. They are carried at face value.

D. SPECIFIC POLICIES USED FOR THE INCOME STATEMENT

Income and expenses

Income is recognised if it is probable that the economic benefits of transactions will flow to the group and the amount thereof can be reliably measured. Commission income and expense is recognised in the period to which it relates. In 2009, prior to the collapse, monthly commission income receivable in the future was capitalised. As at year-end 2009, this capitalised commission income was written off. As from that date, monthly commission income has been recognised on a cash basis again. Staff costs and other administrative expenses are attributed to the year to which they relate.

Other income

Income which cannot be classified as interest income, commission income, investment results or value adjustments to financial instruments is recognised as other operating income in the period to which it relates.

Tax

The income statement for 2009 does not take account of any corporation tax.

Exceptional items

The exceptional items include income and expenses arising out of possible write-downs, the need for which became evident after the date of the collapse or is expected.

Cash flow statement

The cash flow statement has been prepared using the indirect method, the distinction being made according to the cash flow from operating activities , investing activities and financing activities. The net cash flow is the movement in the balance of cash during the year.

2.5 Notes to the company balance sheet as at 31 December 2009 (x €1,000)

	2009	2008
ASSETS		
1. CASH		
This item concerns:		
Demand deposits in external bank accounts	90,590	30,960
Cash	2	65
Deposit with DNB with a remaining term of two days	0	250,000
Receivables from the SPVs	0	62,216
Payables to SPVs	0	-20,035
	<u>90,592</u>	<u>323,206</u>

With effect from 2009, the receivables and payables relating to SPVs are classified with the other receivables and sundry other payables, respectively.

2. OTHER DEPOSITS

Up to the date of the collapse, deposits with third parties were used as collateral for the interest rate swap contracts concluded by DSB Bank. Following the collapse, all swap contracts were cancelled by counterparties and the deposits were netted off with the receivables under the cancelled swap contracts.

3. RECEIVABLES FROM PUBLIC AUTHORITIES

This concerns money market lending to central and lower-tier public authorities with maturities not exceeding one week.

	2009	2008
4. LOANS AND ADVANCES		
Mortgage loans with a first mortgage	2,726,168	2,543,775
Mortgage loans with a second mortgage	399,060	32,272
Consumer credit	792,420	695,183
Other lending	334,391	270,948
Securitised loans	0	2,215,118
Provision for bad debts	-383,666	-44,143
	<u>3,868,373</u>	<u>5,713,153</u>
Balance as at 1 January	5,713,153	4,502,435
Movement relating to legal merger of DSB Financieringen	1,098,600	-
Reclassification of securitised lending by DSB Bank to off-balance-sheet items	-2,215,118	-
Reclassification of securitised lending by DSB Financieringen to off-balance-sheet items	-725,822	-
Reclassification of lending to DSB Beheer	-69,464	-
Elimination of IFRS carrying amount amortisation as at 1.1.2009	26,176	-
Fair value hedge accounting gains and losses prior to collapse	49,064	139,199
Write-down connected with fair value hedge accounting	-188,263	0
Loans and advances granted	827,558	1,640,002
Less: net repayments and redemptions	-307,988	-572,084
Change in provision for bad debts	-339,523	3,601
Balance as at 31 December	<u>3,868,373</u>	<u>5,713,153</u>

Because of the failure of the bank, securitised loans where the beneficial interest has been transferred by virtue of the fact that the notes issued by the SPVs concerned are held predominantly by third parties ceased to be recognised in the balance sheet as from the date of the collapse. Securitised loans where DSB Bank itself holds all the notes issued by the SPVs concerned, however, continue to be recognised in the balance sheet, under mortgage loans and/or consumer credit.

The elimination of IFRS carrying amount amortisation contains amounts relating to the amortisation of arrangement fees and penalty interest.

	2009	2008
Other lending concerns		
DSB Beheer credit facility	-	69,464
Corporate finance	13,414	14,439
Funding for the Belgian subsidiaries	320,977	187,045
	<u>334,391</u>	<u>270,948</u>

The DSB Beheer credit facility has been classified in item 12 of the balance sheet, receivable from DSB Beheer and its group companies, with effect from 2009.

The corporate finance includes the financing of a property development project and an aircraft.

Provision for bad debts

A provision for bad debts is recognised for loans that are more than three instalments in arrears.

Immediately following the collapse of the bank, the provision for credit risks determined in accordance with the usual system for calculating provisions used by DSB Bank was supplemented by an additional adjustment of €303.9 million to the carrying amount of the mortgages. The amount of this adjustment reflects the amount for which DSB Bank had previously been able to buy its own notes. On the basis of this, an additional markdown of 5% on the carrying amount of the portfolio of first mortgages and an additional markdown of 15% on the carrying amounts of second mortgages and consumer credit were applied.

The effects of possible claims for dereliction of the duty of care were not entirely clear as at balance sheet date and have therefore not been included in the provision for bad debts.

	2009	2008
Movements in the provision for bad debts were:		
Balance as at 1 January	44,143	47,744
Change connected with the legal merger of DSB Financieringen	14,602	-
Bad debts written off	-10,232	-8,186
Other changes (elimination of IFRS effects)	18,673	989
Addition to the provision	316,480	3,596
Balance as at 31 December	<u>383,666</u>	<u>44,143</u>

	2009	2008
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Included here are the equity investments in companies where significant influence can be exercised.

Balance as at 1 January	132,638	100,968
Change connected with the legal merger of DSB Financieringen	-106,633	-
Investments	34	37
Disposals	0	-9,858
Share in results	-13,987	38,838
Share capital payment to DSB Belgium + reclassification from the liabilities side	2,376	0
Other changes	0	2,653
	14,428	132,638

	2009	2008
This concerns the following entities:		
Finanzdesk	34	-
DSB Financieringen	0	106,633
DSB Belgium	1,014	-
DSB Verzekeringen	13,270	25,895
SPVs	110	110
	14,428	132,638

DSB Financieringen B.V.

On 30 September 2009, the entity DSB Financieringen was legally merged with DSB Bank. Under the terms of the merger agreement, the financial information of DSB Financieringen (amalgamated entity) has been reported in the financial statements of the acquiring entity (DSB Bank) with effect from 1 January 2009.

Finanzdesk Service GmbH

The 50% interest in Finanzdesk Service GmbH was acquired in 2009 for a purchase price of €2 million payable immediately, with a further deferred earn-out payment of €1 million also agreed. The earn-out component of the purchase price was related to the achievement of target revenue figures over the period 2010–2014. The carrying amount of the investment as at year-end 2009 is based on the already paid part of the purchase price without the earn-out.

DSB Belgium N.V.

The subsidiary DSB Belgium NV is owner of 100% of the share capital of the subsidiaries Silver Finance and Creafin. In 2009, an increase of €3.5 million in the share capital is reported. This relates to the conversion of part of a loan into equity. The carrying amount of the investment is based on provisional figures for 2009 and 2010. In 2008, the investment in DSB Belgium was accounted for in item 19 provision for investments in group companies.

DSB Verzekeringen B.V.

The balance sheet of DSB Verzekeringen BV is largely made up of positions with DSB Bank and DSB Life/DSB Non-Life. The carrying amount of the investment is based on the audited financial statements of DSB Verzekeringen for 2009.

SPVs

Loans were granted to the special purpose vehicles (SPVs) to finance their share capital. In 2010, the loans were repaid by three SPVs (Convent 2007, Convent 2008 and Chapel 2009) in connection with the liquidation.

	2009	2008
6. DERIVATIVES		
Assets side		
Balance as at 1 January	223,684	122,527
Gains and losses on interest rate swaps prior to collapse	-1,794	-21,325
Gains and losses on back-to-back swaps prior to collapse	52,133	122,482
Write-down of back-to-back swaps after collapse	-274,023	-
Balance as at 31 December	<u>0</u>	<u>223,684</u>
Fair value of the interest rate swaps	0	1,794
Fair value of back-to-back swaps	0	221,890
Balance as at 31 December	<u>0</u>	<u>223,684</u>
	2009	2008
Liabilities side		
Balance as at 1 January	351,877	102,053
Gains and losses on interest rate swaps prior to collapse	60,872	126,315
Gains and losses on back-to-back swaps prior to collapse	51,785	123,509
Write-down of interest rate swaps after collapse	-188,936	-
Write-down of back-to-back swaps after collapse	-275,598	-
Balance as at 31 December	<u>0</u>	<u>351,877</u>
Fair value of interest rate swaps	0	128,064
Fair value of back-to-back swaps	0	223,813
Balance as at 31 December	<u>0</u>	<u>351,877</u>

By means of interest rate swaps between the SPVs and banks with a rating (front swaps) mirrored by back-to-back swaps between the banks concerned and DSB Bank (back swaps), the interest result and the interest rate risk on the securitised loan portfolios were made to revert to DSB Bank. The interest rate risk on both the securitised loans and the bank's own lending portfolio was then mitigated using interest rate swaps.

In October and November 2009, following the collapse of the bank, DSB Bank's swap contracts were cancelled by the various swap banks. This affected swap contracts with a total face value of €6,503.5 million, made up of €3,300.5 million in back swaps relating to securitisation programmes and €3,203 million in interest rate swaps. As security for the market value of the swaps, cash positions were mutually held (cash collateral). The front swaps entered into by the securitisation entities with the various swap banks, matching the back swaps, ceased to be recognised in the company balance sheet of DSB Bank with effect from the date of the collapse.

As at 31 December 2008, the estimated market value of the back swaps was €221.9 million positive and that of the interest rate swaps €126.3 million negative. These positive and negative fair values are estimated to have further increased in the course of 2009 up to the date of the collapse. As at that date, DSB Bank had net cash collateral deposits of €212.8 million with swap banks, mainly corresponding to the negative market value of the interest rate swaps.

After the collapse, all the swap banks cancelled the contracts in writing, including statements for the settlement of outstanding amounts under the contracts. These final settlements of account potentially relate to the settlement of market values, costs of hedging exposed positions, payments still to be made predating the collapse and payments of collateral. Settling the accounts with the swap banks, after deducting collateral, resulted in a total net liability of €39.2 million. The market value of the costs of hedging exposed positions as part of the settlements totalled €2579 million negative. DSB Bank wrote to all the individual swap banks disputing the amounts to be settled and has initiated a thorough financial and legal analysis of the various positions, concentrating particularly on the stated market values and the hedging of the exposed positions.

Two swap banks whose final statements of account showed an amount in favour of DSB Bank paid the amounts in question in November 2009. This concerned a total of €0.8 million.

The financial and legal analysis of the swap positions is ongoing. As at year-end 2009, the balance sheet does not include an amount in respect of derivatives.

	2009	2008
7. FINANCIAL INVESTMENTS		
Balance as at 1 January	8,466	240,569
Investments	0	7,053
Disposals	-5,167	-235,674
Value adjustments	273	-3,482
Balance as at 31 December	<u>3,572</u>	<u>8,466</u>

The financial investments are listed securities and therefore readily marketable. As at year-end 2009, the portfolio was made up exclusively of equities.

	2009	2008
8. INTANGIBLE ASSETS		
Balance as at 1 January	11,202	25,221
Investments	5,971	8,245
Disposals	0	-19,701
Amortisation	-1,281	-2,563
Write-downs	-15,892	0
Balance as at 31 December	<u>0</u>	<u>11,202</u>

Intangible assets mainly comprised capitalised consultancy fees and licences for developed software (projects), goodwill and other intangible assets. None of the intangible assets is expected to have any liquidation value and the entire carrying amount has been written off.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Other assets	Total 2009	Total 2008
Balance as at 1 January	15,223	12,549	27,772	22,467
Investments	0	3,491	3,491	10,358
Disposals	-530	0	-530	-1,595
Depreciation	-397	-3,536	-3,933	-3,458
Write-downs	-4,289	-3,751	-8,040	0
Balance as at 31 December	<u>10,007</u>	<u>8,753</u>	<u>18,760</u>	<u>27,772</u>

The property, plant and equipment mainly comprises business premises used by the bank, along with office equipment. On the basis of provisional estimates, the carrying amount of the property, plant and equipment needs to be written down by a minimum of 30% as liquidation adjustment in connection with the collapse of the bank. A total write-down of €8 million has heretofore been included in 2009.

RECEIVABLES

	2009	2008
10. TRADE RECEIVABLES		
Commission receivable	1,713	5,641
Guarantees receivable	34	0
Other	1,080	1,825
	<u>2,827</u>	<u>7,466</u>

	2009	2008
11. RECEIVABLES FROM GROUP COMPANIES		
Receivables from DSB Bank subsidiaries (excl. DSB Financieringen)	32,102	35,145
Receivables from DSB Financieringen	0	243,388
	<u>32,102</u>	<u>278,533</u>

On 30 September 2009, the entity DSB Financieringen was legally merged with DSB Bank. Under the terms of the merger agreement, the financial information of DSB Financieringen (amalgamated entity) was to be reported in the financial statements of the acquiring entity (DSB Bank) with effect from 1 January 2009.

	2009	2008
12. RECEIVABLES FROM DSB BEHEER AND ITS GROUP COMPANIES		
Current account with intermediaries	3,809	2,650
Current account receivable	625	779
DSB Beheer savings accounts	-5,021	-
Drawing on credit facility	76,298	-
Provision for bad debts	-30,000	-
Balance as at 31 December	<u>45,711</u>	<u>3,429</u>

The credit facility made available to DSB Beheer in the comparative figures for 2008 is included in item 4 as other loans and advances. The amount drawn on the credit facility as at year-end 2008 was €69.5 million. In addition, as at year-end 2008, an amount of €1.1 million in respect of DSB Beheer savings is included under the heading of customer accounts.

	2009	2008
13. OTHER RECEIVABLES		
This concerns:		
Repurchased notes issued by the securitisation entities	417,855	205,603
Receivables from securitisation entities	56,216	9,151
Receivables from internal securitisation entities	73,976	25,816
Receivables in respect of current tax assets	46,055	48,840
Deferred tax	0	9,699
Prepaid expenses	0	4,271
Accrued interest	1,427	2,825
Miscellaneous	6,294	6,124
	<u>601,823</u>	<u>312,329</u>

	2009	2008
Repurchased notes issued by securitisation entities concerns:		
A-Notes Chapel 2003	58,486	64,460
A-Notes Chapel 2007	51,800	10,000
A-Notes Monastery 2004	42,491	24,695
A-Notes Monastery 2006	178,179	39,248
Junior Notes Chapel 2003	10,500	5,000
Junior Notes Chapel 2007	27,600	16,100
Junior Notes Dome 2006	37,161	27,600
Junior Notes Monastery 2004	13,500	10,000
Junior Notes Monastery 2006	20,400	8,500
Write-downs	-22,262	0
	<u>417,855</u>	<u>205,603</u>

The repurchased notes relate exclusively to notes forming part of the securitisation programmes in which DSB Bank has placed loans and advances.

At year-end 2009, DSB Bank made a write-down of €223 million on the repurchased notes of securitisation entities. This figure was based on the assumption prevailing at the time of the collapse, representing a provision of 5% of the outstanding balance of repurchased notes as at that date. The administrators had no additional information as at year-end 2009 and decided to continue with this provisional write-down. The write-down is no indication of the liquidation value.

	2009	2008
Movements in receivables from securitisation entities were:		
Balance as at 1 January	9,151	3,626
Reclassification from cash	59,082	-
Change	-12,017	5,525
Write-downs	0	0
	<u>56,216</u>	<u>9,151</u>

The receivables from securitisation entities concern receivables relating to:

- provisions for Chapel 2003 and Chapel 2007 charged to the 'waterfall'
- deferred purchase price (DPP) retained by SPVs after the collapse
- provision for exceptional expenses of Chapel 2003
- subordinated credit facility deposit of Chapel 2007
- contribution to various reserve accounts

	2009	2008
Movements in receivables from internal securitisation entities were:		
Balance as at 1 January	25,816	11,324
Reclassification from cash	3,134	-
Change	45,026	14,492
	<u>73,976</u>	<u>25,816</u>

This concerns amounts still receivable from and reserves paid in to the securitisation programmes Convent 2007, Convent 2008 and Chapel 2009 initiated by DSB Bank, all the notes of which were issued to DSB Bank itself. In mid-2010, these securitisation programmes were wound up and the funds referred to were returned. These transactions are reported in the 2010 financial report.

Deferred tax

The other receivables include deferred tax. The amount concerned relates to tax loss carryforwards (recognised tax assets of the tax group). The collapse of the bank means that the asset of €9 million at year-end 2008 can no longer be realised and the item was accordingly written down to nil in 2009.

Receivables in respect of current tax assets

The corporation tax receivable totals €46.1 million and is a combination of:

- (i) DSB Bank claim on the Dutch Tax Administration for a refund of corporation tax in respect of 2001 and 2002 (€21.2 million);
- (ii) DSB Bank claim on DSB Beheer for a refund of corporation tax in respect of 2003 (€21.3 million);
- (iii) DSB Bank claim on DSB Beheer relating to two agreements in 2007 and 2008 concerning transfer of possible tax assets from DSB Beheer and a number of its existing and former subsidiaries relating to losses reported by these companies in the period 2004–2007 (€3.5 million).

With effect from 1 January 2003, DSB Bank has been part of the DSB Beheer BV tax group for corporation tax purposes. Tax liabilities and tax assets are internally settled within the tax group.

The tax refunds receivable in respect of 2001 and 2002 (old DSB Bank tax group) and 2003 (DSB Beheer tax group) still do not take account of (i) a possible adjustment in the amount of corporation tax refundable by the Dutch Tax Administration and (ii) set-off of the refundable corporation tax against remaining tax liabilities – specifically in relation to the final VAT assessments concerning the Swiss establishment of DSB Media (merged with DSB Bank at the end of 2005) (€25.2 million) and the final wage tax assessment in respect of the DSB Bank share plan (€6.3 million). No separate provisions have been recognised for either of these final assessments. The amounts owed (net) are entirely attributable to DSB Bank.

EQUITY AND LIABILITIES

	2009	2008
14. BORROWINGS		
ECB / DNB	1,018,225	0
DNB deposit	0	250,000
Secured loan facility with Société Générale Amsterdam	49,835	50,000
DSB Life deposit	0	37,500
DSB Non-Life	0	10,000
Secured loan facility with DSB Life	76,419	0
Secured loan facility with DSB Non-Life	16,639	0
	<u>1,161,118</u>	<u>347,500</u>

As at year-end 2009, the weighted average interest rate on borrowings was 4.27% (year-end 2008: 2.72%).

ECB / DNB

As security for the loan, DSB Bank pledged part of its assets portfolio, which, as at the end of December 2009, had a face value of €3.7 billion.

Secured loan facility with Société Générale Amsterdam

As security for the loan from Société Générale, DSB Bank pledged part of its mortgage portfolio, which, as at the end of December 2009, had a face value of €8.4 million.

Secured loan facility with DSB Life / DSB Non-Life

As security for the loans granted to DSB Bank by DSB Non-Life and DSB Life, amounting to €16.6 million and €76.4 million, respectively, DSB Bank pledged portfolios of first mortgages, which, as at the end of December 2009, had face values of €22.0 million and €99.5 million, respectively.

	2009	2008
15. CUSTOMER ACCOUNTS		
This item can be analysed into:		
- savings accounts	3,439,494	3,826,515
- current accounts and other accounts	14,725	26,006
- advances from DNB in connection with the deposit guarantee scheme	157,395	0
	<u>3,611,614</u>	<u>3,852,521</u>

In 2009, DSB Bank customers received an advance from DNB under the deposit guarantee scheme. DNB's receivable in connection with the deposit guarantee scheme was recorded in the list of creditors of DSB Bank in 2010 as an 'unsecured creditor'.

OTHER LIABILITIES

	2009	2008
16. Tax and social security charges		
Wage tax	2,211	2,147
Value added tax	-259	-493
Other	-171	-67
	<u>1,781</u>	<u>1,587</u>

17. Sundry other payables

	2009	2008
Payables of the insolvent entity	31,689	-
Amounts owed to group companies	28,893	9,221
Société Générale	45,800	-
Liabilities predating the collapse	6,388	-
Accrued interest payable	0	28,407
Expenses payable	0	11,796
Miscellaneous	0	34,088
	<u>112,770</u>	<u>83,512</u>

An amount of €22.8 million of the payables of the insolvent entity concern recent receipts of interest and repayments on securitised loans still to be transferred to the securitisation entities as at balance sheet date. The item also includes €8.9 million in respect of other insolvent entity payables.

The collateral liabilities, liabilities predating the collapse and amounts owed to group companies in 2010 for which claims have been submitted have been included in the list of creditors as unsecured creditors.

PROVISIONS**18. Provision for commission refunds**

	2009	2008
Balance as at 1 January	14,081	14,420
Change	-2,458	-339
Write-down	0	0
	<u>11,623</u>	<u>14,081</u>

19. Provision for investments in group companies

	2009	2008
Balance as at 1 January	25,595	18,737
Share in results	1,012	6,091
Reclassified to assets side relating to DSB Belgium	-1,124	-
Other changes	-3,924	767
	<u>21,559</u>	<u>25,595</u>
Inspectrum Groep	3,207	4,395
DSB International	4,005	7,214
DSB Belgium	-	1,124
DSB Beveiliging –insolvent with effect from 1 December 2009	5,685	4,787
DSB Print –insolvent with effect from 5 January 2010	8,197	7,615
DSB Leeuwarden –insolvent with effect from 29 December 2009	465	460
	<u>21,559</u>	<u>25,595</u>

A provision is recognised in respect of these entities in connection with the issue of a declaration of joint and several liability by DSB Bank pursuant to Section 403 of Part 9, Book 2, of the Netherlands Civil Code. The amount of this provision is based on the reported shareholders' equity (positive or negative) as at year-end 2010. The financial statements used for this purpose have not been audited. The provision is not a reflection of the actual risks and liabilities arising out of the declarations of joint and several liability.

20. Provision for liquidation losses

The balance sheet as at the date of the insolvency contains a provision of €200 million. This provision was recognised to cover write-downs of assets immediately following the collapse and further losses as well as claims against the insolvent entity arising in connection with or during the winding-up operation and the costs of the liquidation exercise. This also includes the costs of settling the bank's affairs such as staff costs,

costs of outside consultants and the costs of the administrators. The amount of the provision is an estimate and the possibility of considerably higher liquidation losses should be taken into account.

In the interim, circumstances have changed and views have been revised. The balance sheet total as at the end of December 2010 will include more write-downs on the assets side as a result of the more recent insights and, on the liabilities side, will include all claims submitted up to the end of December 2010, where not previously recorded, including claims contested by the administrators.

	2009	2008
21. Other provisions		
Balance as at 1 January	4,008	1,226
Change	0	2,782
Write-downs	-4,008	0
	<u>0</u>	<u>4,008</u>

In 2009, there was a settling of accounts with DNB (involving an amount of €2.2 million), reducing tonil the provision held in connection with the collapse of Icesave. The other provisions made at the time of the collapse are included in the provision for liquidation losses.

	2009	2008
22. SUBORDINATED LOANS		
Subordinated deposits	111,303	107,082
Other subordinated loans	32,000	31,280
Accrued interest payable on subordinated loans	4,550	0
	<u>147,853</u>	<u>138,362</u>

	2009	2008
23. BALANCE /SHAREHOLDERS' EQUITY		
The movements in this item were:		
Balance as at 1 January	242,891	197,449
Result	-807,599	45,492
Interim dividend 2009	-11,300	0
Other changes	1,102	-50
Balance as at 31 December	<u>-574,906</u>	<u>242,891</u>

This item represents the difference between the assets and liabilities. Whereas the balance sheet as at year-end 2008 still showed a positive balance, presented as shareholders' equity, in 2009, there was a deficit.

The other changes concern accounting adjustments compared with IFRS rules.

2.6 Rights and obligations not shown on the face of the balance sheet as at 31 December 2009 (x €1,000)

	2009	2008
SECURITISED LOANS TRANSFERRED TO SPVs		
Monastery 2004	344,306	400,537
Monastery 2006	640,884	673,290
Dome 2006	582,039	604,773
Chapel 2003	515,111	581,860
Chapel 2007	678,513	680,480
	2,760,853	2,940,940

This concerns the total amount of the loans which have been included in the various securitisation programmes.

Securitisations

DSB Bank, as originator, transferred loans in five securitisation programmes, viz. Monastery 2004, Monastery 2006, Dome 2006, Chapel 2003 and Chapel 2007. The separate SPVs each have their own management board and keep independent accounts.

The interest rate risks on the securitised portfolios were passed back to DSB Bank at the outset by means of the back-to-back swaps between DSB Bank, the SPVs and various swap counterparties. Following the collapse, the back swaps (part of the back-to-back swap contracts) were cancelled by all the swap counterparties under the terms of the contract. As a consequence, DSB Bank ceased to receive the interest margin on the cancelled swaps with effect from the date of the collapse. The front swaps between the various SPVs and the swap counterparties, however, remained intact after the collapse of DSB Bank.

As from the date of the collapse, several SPVs also stopped paying the regular remaining margin instalments (deferred purchase price). Prior to the collapse, DSB Bank received this remaining margin, when available, on each quarterly payment date. The SPVs have let it be known that they intend to use this remaining margin to cover possible future losses arising on the various programmes.

DSB Bank has various contractual financial positions with the separate securitisation programmes, chief among which are:

Monastery 2004

Notes as at balance sheet date	Total	Held by DSB Bank
Class A2	282,264	42,491
Class B	24,500	1,500
Class C	21,500	7,000
Class D	8,500	1,500
Class E	10,500	3,500
Class F	1,500	-
Class G	7,500	-
<i>Total</i>	<i>356,264</i>	<i>55,991</i>

- Receivable from Monastery 2004 in respect of unpaid deferred purchase price instalments, payment into reserve accounts and other receivables, totalling 1,807 (included in other receivables, note 13 to the balance sheet)
- Payable to Monastery 2004 in respect of regular cash flow payments (daily sweep) connected with the servicing activities, totalling 3,224 (included in sundry other payables, note 17 to the balance sheet)

Monastery 2006

Notes as at balance sheet date	Total	Held by DSB Bank
Class A2	580,458	178,179
Class B	28,000	-
Class C	28,700	20,100
Class D	9,500	300
<i>Total</i>	<i>646,658</i>	<i>198,579</i>

- Receivable from Monastery 2006 in respect of unpaid deferred purchase price instalments, payment into reserve accounts and other receivables, totalling 9,322 (included in other receivables, note 13 to the balance sheet)
- Payable to Monastery 2006 in respect of regular cash flow payments (daily sweep) connected with the servicing activities, totalling 3,773 (included in sundry other payables, note 17 to the balance sheet)

Dome 2006

Notes as at balance sheet date	Total	Held by DSB Bank
Class A	533,800	-
Class B	22,100	-
Class C	13,800	13,800
Class D	13,800	13,800
Class E	9,561	9,561
<i>Total</i>	<i>593,061</i>	<i>37,161</i>

- Receivable from Dome 2006 in respect of unpaid deferred purchase price instalments, payment into reserve accounts and other receivables, totalling 4,267 (included in other receivables, note 13 to the balance sheet)
- Payable to Dome 2006 in respect of regular cash flow payments (daily sweep) connected with the servicing activities, totalling 3,087 (included in sundry other payables, note 17 to the balance sheet)

Chapel 2003

Notes as at balance sheet date	Total	Held by DSB Bank
Class A	391,370	58,486
Class B	39,000	1,000
Class C	23,500	-
Class D	47,500	9,500
Class E	8,849	-
<i>Total</i>	<i>510,220</i>	<i>68,986</i>

- Receivable from Chapel 2003 in respect of unpaid deferred purchase price instalments, payment into reserve accounts and other receivables, totalling 30,519 (included in other receivables, note 13 to the balance sheet)
- Payable to Chapel 2003 in respect of regular cash flow payments (daily sweep) connected with the servicing activities, totalling 4,657 (included in sundry other payables, note 17 to the balance sheet)

Chapel 2007

Notes as at balance sheet date	Total	Held by DSB Bank
Class A1	321,000	51,800
Class A2	300,000	-
Class B	13,800	2,200
Class C	23,500	9,200
Class D	17,900	9,900
Class E	13,800	6,300
Class F	13,800	-
Class G	6,900	-
<i>Total</i>	<i>710,700</i>	<i>79,400</i>

- Receivable from Chapel 2007 in respect of unpaid deferred purchase price instalments, payment into reserve accounts and other receivables, totalling 10,301 (included in other receivables, note 13 to the balance sheet)
- Payable to Chapel 2007 in respect of regular cash flow payments (daily sweep) connected with the servicing activities, totalling 8,052 (included in sundry other payables, note 17 to the balance sheet).

Pledges

To provide collateral security for the borrowings (€143 million), DSB Bank pledged part of its loan portfolio. The face value of the portfolio given by way of collateral to DSB Life, DSB Non-Life and Société Générale Amsterdam, as at year-end 2009, amounted to €180 million.

In January 2010, it was agreed with the administrators that they would continue with the administration and collection of the underlying mortgage receivables and that the collected amounts would be paid monthly, with retroactive force to October 2009, to the pledgees in settlement of their receivables in respect of the loans granted.

Indication of interest not accounted for

As from the date of the collapse, with the exception of the borrowings, no interest has been calculated on the liabilities side of the balance sheet. Solely by way of indication, the interest not accounted for over the period 19 October 2009 to 31 December 2009 can be put at €28 million, calculated on the basis of an interest rate of 4%.

Other obligations

Claims on the insolvent entity may arise in the following situation. If a customer repays a loan after the bank was already in liquidation and it is subsequently found that said customer has a claim for dereliction of the duty of care by the bank predating the collapse, this will give rise to a claim on the insolvent entity in an amount not exceeding the amount paid by the customer after the bank was in liquidation. This is because the administrators have told customers (i) that they will honour such claims from customers by setting off the amount of the claim against the outstanding amount of the loan if the duty-of-care claim is either allowed by the administrators or ruled valid by the courts and (ii) that, if setting off the amount of the claim in that way is not possible for a customer because that customer has since repaid the loan, the claim will be settled as a claim against the insolvent entity up to an amount not exceeding the amount repaid after the bank was already in liquidation. It is not possible currently to determine the amount of such claims.

Undertakings given to staff

An undertaking has been given to some of the staff that they will be able to continue working for DSB Bank beyond 31 December 2009.

Lease obligations for premises

DSB Bank pays a quarterly rent of €181,000, including VAT, for the use of the premises at Dick Ketlaan, Wognum. Oral agreement has since been reached that DSB Bank will be exercising its option to continue using the premises at Dick Ketlaan, Wognum, up to the end of 2012.

In addition, DSB Bank has the lease on premises at Richterslaan 2, Nieuwegein, (€85,000 per annum) and at Jan Leentvaarlaan 37-47, Rotterdam, (€290,000 per annum).

2.7 Notes to the company income statement for 2009 (x €1,000)

	2009	2008
REVENUE		
24. Finance income		
Interest on mortgages and consumer credit	225,941	292,583
Margin on securitised loans (up to date of collapse)	54,914	0
Interest on notes	6,845	-
Servicing fee	9,055	-
Other interest income	15,839	106,341
Interest on cash and banks	1,147	3,533
	<u>313,741</u>	<u>402,457</u>

The average interest rate on first mortgages in 2009 amounted to approximately 4.8%, with an interest rate of 6.4% on second mortgages and a rate of 8.6% on consumer credit.

Up to the date of the collapse, the margin on the securitised loan portfolios was returned to DSB Bank by means of back-to-back swaps. In October and November 2009, as a consequence of the bank's failure, DSB Bank's swap contracts were cancelled by the various swap banks (see note 6, derivatives). From that point onwards, the margin has been recognised by the swap banks and is no longer included in the DSB Bank result.

25. Commission

Insurance	16,132	48,094
Finance arrangements	3,834	4,080
	<u>19,966</u>	<u>52,173</u>

OPERATING EXPENSES

	2009	2008
26. Finance expense		
Interest payable to DNB/ECB with pledges	16,995	0
Interest payable to third parties with pledges	4,264	1,563
SPVs	0	128,065
Interest on savings accounts	135,593	163,035
Loans and other interest charges	55,256	28,874
	<u>212,108</u>	<u>321,537</u>

As from the date of the collapse, with the exception of loans for which security has been provided in the form of pledges, no interest has been calculated on the customer accounts (funding). In 2009, this equated to approximately €28 million in the period after the collapse of the bank.

	2009	2008
27. Administrative expenses		
Costs of external services	3,035	3,247
Staff costs	44,696	56,695
Other administrative expenses	10,729	8,059
Office overheads	5,293	6,334
Depreciation and amortisation	5,183	6,991
Motor vehicles	3,321	4,515
Premises costs	5,178	6,502
Selling and distribution costs	31,492	50,946
Value adjustments to receivables	12,580	3,596
	<u>121,507</u>	<u>146,885</u>

The other administrative expenses include professional fees, collection costs and ICT costs.

The company employed an average of 1,211 full-time equivalent staff (year-end 2008: 1,408)

	2009	2008
28. Exceptional expenses		
Liquidation provision (note 20)	200,000	0
Write-down of loans (note 4)	303,900	0
Write-down of receivable from DSB Beheer (note 12)	30,000	0
Write-down connected with fair value hedge accounting (note 4)	188,263	0
Write-down of notes held by the bank (note 13)	22,262	0
Write-down the deferred/current tax positions (note 13)	9,435	0
Write-down of intangible assets (note 8)	15,892	0
Write-down of property, plant and equipment (note 9)	8,040	0
Write-down of derivatives and collateral (note 6)	38,455	0
Other	1,315	1,184
	<u>817,562</u>	<u>1,184</u>

Expenses treated as exceptional are those expenses and write-downs that are directly connected with the collapse of the bank.

29. Tax

No account is taken of corporation tax in the income statement for 2009.

3. List of subsidiaries, associates and joint ventures

At the time of the collapse, DSB Bank NV had the following investments in subsidiaries, associates and joint ventures:

Name of company	Domicile	Interest	Paid-up authorised capital	Capital called
DSB Direkt GmbH	Düsseldorf	100%	25,000	25,000
DSB Deutschland GmbH	Düsseldorf	100%	25,000	25,000
DSB Beveiliging B.V. (insolvent 1 December 2009)	Wognum	100%	90,000	18,000
DSB International B.V.	Wognum	100%	90,000	18,000
Finanzdesk Service GmbH	Gronau	50%		
DSB Assuradeuren B.V.	Grootebroek	100%	800,000	169,200
DSB Print B.V. (insolvent 5 January 2010)	Wognum	100%	68,067	15,882
Inspectrum Groep B.V.	Heerhugowaard	100%	90,000	18,000
DSB Belgium B.V.	Zaventem	100%	5,620,000	4,705,000
Serenity Crédit S.A.	Zaventem	100%	686,341	686,341
Silver Finance S.A.	Brussels	100%	263,947	263,947
DSB Leeuwarden B.V. (insolvent 29 December 2009)	Leeuwarden	100%	90,000	18,000
Chapel 2003-I B.V.	Amsterdam	100%	90,000	18,000
Chapel 2007 B.V.	Amsterdam	100%	18,000	18,000
Monastery 2004-I B.V.	Amsterdam	100%	18,000	18,000
Monastery 2006-I B.V.	Amsterdam	100%	18,000	18,000
Dome 2006-I B.V.	Amsterdam	100%	18,000	18,000