

# Financial Report 2014

**DSB Bank N.V. in bankruptcy**

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## 1.1 Key figures (x €1,000)

	2014	2013	2012	2011	2010	2009
<b>BALANCE SHEET</b>						
Balance sheet total	2,630,342	2,919,073	3,282,731	3,560,678	3,968,256	4,693,412
Loans and advances	2,532,888	2,819,795	3,151,399	3,411,117	3,853,435	4,252,039
Provision for bad debts	-252,298	-270,801	-265,472	-278,664	-363,432	-383,666
Provision as percentage of loans and advances	10.0%	9.6%	8.4%	8.2%	9.4%	9.0%
Borrowings	1,377,900	381,981	489,472	588,967	455,208	1,161,118
Distribution to preferential and unsecured creditors (cumulative)	2,757,342	1,317,202	1,001,351	696,588	0	0
Outstanding payables to unsecured creditors (cumulative)	1,030,318	2,527,247	2,829,312	3,109,476	3,817,554	0
Subordinated payables (cumulative)	131,880	131,880	143,303	143,303	143,303	147,853
Balance of assets and liabilities (cumulative)	-176,384	-308,370	-429,135	-451,393	-631,688	-574,906
Interest not included in balance (cumulative)	-582,129	-499,185	-400,172	-280,447	-148,593	-31,022
<b>INCOME STATEMENT</b>						
Revenue	190,922	199,805	187,569	210,241	239,744	342,512
Operating expenses	27,523	43,943	52,840	58,960	88,785	333,615
Exceptional income and expenses	-31,413	-35,097	-112,471	17,714	-207,741	-816,496
Net result	131,986	120,765	22,258	168,995	-56,782	-807,599
<b>OTHER KEY FIGURES</b>						
FTEs on payroll (average)	47	98	153	216	271	1,211
FTEs on temporary contract (average)	27	56	99	71	-- <sup>1</sup>	--
Securitised loans	1,800,463	1,959,138	2,127,664	2,292,028	2,520,018	2,760,853
Compensation in respect of duty of care	107,600 <sup>2</sup>	29,178	129,284	21,100	27,344	0
Compensation in respect of duty of care (cumulative)	314,506 <sup>3</sup>	206,906	177,728	48,444	27,344	0

<sup>1</sup> The number of temporary FTEs is unknown for this and earlier periods.

<sup>2</sup> See note 3.

<sup>3</sup> Up to year-end 2013, the amount recognised for duty-of-care compensation included an estimate of the amount of compensation claims received as at year-end (year-end 2013: €25 million). At the end of 2014, a provision for duty-of-care compensation claims still to be received was also recognised. The total amount of the provision for compensation in respect of duty of care as at year-end 2014 was accordingly €105 million.

## 1.2 Introduction

DSB Bank N.V. was declared insolvent on 19 October 2009. The financial reports for the years 2009–2013 have been published on the website of DSB Bank N.V. ([www.dsbbank.nl](http://www.dsbbank.nl)).

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 2014 in a manner comparable to an annual report. As in the previous reports, the present report has been prepared on a separate basis, i.e. not consolidated, and does not include the off-balance-sheet securitised assets.

As a consequence of the insolvency, the claims of unsecured and subordinated creditors are included in the balance sheet without accrued interest since the date of insolvency. In the income statement, too, therefore, no interest is recognised in respect of these claims, which has the effect of flattering the net interest result. The accrued interest owed to creditors with effect from the date of insolvency will only be payable (in whole or in part) when all claims of the creditors, as allowed as at the date of insolvency, have been settled in full.

On 4 November 2014, the Amsterdam Court of Appeal gave its final decision on the application made by the administrators and others under the Collective Mass Claims Settlement Act ('WCAM'). The Court declared the compensation scheme agreed as part of the Heads of Agreement in September 2011 to be binding, including a number of amendments put forward on 8 July 2014.

Existing and former customers of DSB Bank have until 8 May 2015 to indicate that they do not wish to be bound by the compensation scheme ('opt out'). Additionally, existing and former customers have until 8 November 2015 to apply for compensation ('opt in'). This means that, by year-end 2015 – after completion of the processing of all applications for inclusion in the compensation scheme – it will no longer be possible for existing and former customers to bring actions against DSB Bank on grounds of dereliction of duty of care. The administrators have calculated the amount of the provision for settlement of compensation claims in 2015 as €105 million. For further information regarding the compensation scheme, reference is made to [www.dsbcompensatie.nl](http://www.dsbcompensatie.nl).

On 3 December 2014, subject to a number of conditions – including clearance by De Nederlandsche Bank N.V. (DNB) – DSB Bank sold its interests in the DSB Bank insurance operations to Chesnara plc. The proceeds will total approximately €70 million. Allowing time for the required clearance by DNB, it is expected that delivery of the shares and payment of the purchase price will be made before the summer of 2015.

In the course of 2014, with the support of the creditors' committee and the agreement of the supervisory judge, the administrators decided (i) to continue running off the loan portfolio over a period of five years, in principle, and (ii) to increase the amount of the special short-term loan facility in order to permit a distribution of 35% to be made in December 2014. These decisions were covered in the public report published on 5 December 2014.

This report takes account of the distributions of 4% and 35% to unsecured creditors made in June and December 2014, respectively, amounting to a total of €1.44 billion.

The 2014 financial report has not been audited. The administrators, however, have instructed an independent firm of accountants to perform a number of specific activities with the purpose of reconciling this financial report with the bank's underlying accounting records. The administrators have discussed this financial report and reports made by the independent accountants with the creditors' committee and the supervisory judge.

For the reporting by the administrators on the progress of their work in 2014, reference is made to the public reports which they have published.

Administrators of DSB Bank N.V.  
Wognum, 27 March 2015

R.J. Schimmelpenninck

B.F.M. Knüppe

## 2. Financial report

### 2.1 Company balance sheet as at 31 December 2014 (x €1,000)

		2014	2013
<b>ASSETS</b>			
<b>Cash</b>	<b>1</b>	27,867	40,573
<b>Loans and advances</b>	<b>2</b>	2,280,590	2,548,994
<b>Interest rate swaps</b>	<b>3</b>	0	0
<b>Investments in group companies</b>	<b>4</b>	14,018	13,617
<b>Property, plant and equipment</b>	<b>5</b>	2,030	3,468
<b>Receivables</b>			
Debtors / receivables	<b>6</b>	151	283
Receivables from DSB Ficoholding	<b>7</b>	18,706	13,000
Receivables from DSB Beheer	<b>8</b>	41,426	40,209
Other receivables	<b>9</b>	245,554	258,929
		<u>305,837</u>	<u>312,421</u>
		<u><u>2,630,342</u></u>	<u><u>2,919,073</u></u>

Company balance sheet as at 31 December 2014 (x € 1.000)

		2014	2013
<b>EQUITY AND LIABILITIES</b>			
<b>Borrowings</b>	<b>10</b>	1,377,900	381,981
<b>Other liabilities</b>			
Tax and social security charges	<b>11</b>	157	269
Sundry other payables	<b>12</b>	<u>11,471</u>	<u>11,066</u>
		11,628	11,335
<b>Provisions</b>			
Compensation scheme	<b>13</b>	105,000	25,000
Liquidation losses	<b>14</b>	<u>150,000</u>	<u>150,000</u>
		255,000	175,000
<b>Unsecured creditors</b>	<b>15</b>	1,030,318	2,527,247
<b>Subordinated creditors</b>	<b>16</b>	131,880	131,880
<b>Balance<sup>1</sup></b>	<b>17</b>	-176,384	-308,370
		<u><u>2,630,342</u></u>	<u><u>2,919,073</u></u>

<sup>1</sup> Since the date of insolvency, there has been no calculation of interest on the claims of the unsecured and subordinated creditors. Only when all the claims of the creditors have been settled and the insolvency has been brought to a formal close by the court will the creditors be able to claim payment of interest. In the whole of the period up to year-end 2014, the accumulated amount in respect of 'unrecognised accrued interest' was €582 million. This figure has been arrived at using the statutory interest rate for consumer transactions.

**2.2 Company income statement for 2014 (x €1,000)**

		2014	2013
<b>Revenue</b>			
Finance income - interest	<b>18</b>	189,308	202,508
Share in results of subsidiaries, associates and joint ventures	<b>4</b>	401	-5,777
Other income	<b>19</b>	1,213	3,074
		<u>190,922</u>	<u>199,805</u>
<b>Operating expenses</b>			
Finance expense - interest	<b>20</b>	5,686	8,505
Administrative expenses	<b>21</b>	21,837	35,438
		<u>27,523</u>	<u>43,943</u>
<b>Net operating income</b>		<u>163,399</u>	<u>155,862</u>
Exceptional income and expenses	<b>22</b>	-31,413	-35,097
<b>Result before tax</b>		<u>131,986</u>	<u>120,765</u>
Tax		0	0
<b>Result</b>		<u>131,986</u>	<u>120,765</u>

Since the date of insolvency, there has been no calculation of interest on the claims of the unsecured and subordinated creditors. Only when all the claims of the creditors have been settled and the insolvency has been brought to a formal close by the court will the creditors be able to claim payment of interest. In the 2014 reporting period, the additional amount in respect of 'unrecognised accrued interest' was €82.9 million. This figure has been arrived at using the statutory interest rate for consumer transactions.

**2.3 Cash flow statement (x €1,000)**

	<b>2014</b>	<b>2013</b>
<b>Receipts from management and sale of assets</b>		
Payments on loans	557,716	540,617
Settlement of interest rate swaps	61,161	41,023
Servicing fee	0	1,824
Coupon interest on notes	2,227	2,246
Redemption of notes	16,721	23,385
Receipt of receivable from DSB Beheer	1,147	0
Interest and repayments, Belgian entities	56,482	119,876
Interest and repayments, corporate loans	0	375
Proceeds from disposals	156	849
Other income	1,308	4,840
<b>Total receipts</b>	<b>696,918</b>	<b>735,035</b>
<b>Expenditures</b>		
<b>Onward payments, repayments and non-operational expenditures</b>		
SPVs sweep	229,248	237,888
Pledgee redemptions and interest	0	107,840
Settlement of interest rate swaps	7,197	44,747
Interest payable on the special short-term loan facility	4,855	7,122
Receivable in respect of DSB Beheer insolvency	0	744
Payment of capital to DSB International	0	9,000
Customer payments not owing after insolvency	522	3,879
Interest on savings-type bank mortgage loans	270	272
Distribution to creditors	1,439,818	315,834
Other expenses	574	3,022
	1,682,484	730,348
<b>Operational and administrative expenses</b>		
Staff costs	3,301	6,619
Temporary staff / management services	7,276	12,054
Administrators / Houthoff Buruma /other advisers	6,141	8,268
Servicing fee	3,157	2,394
Other expenses	2,987	3,219
	22,862	32,554
<b>Total expenditures</b>	<b>1,705,346</b>	<b>762,902</b>
<b>Short-term financing</b>		
Drawings on special short-term loan facility	1,470,000	270,000
Repayment of special short-term loan facility	-471,000	-273,000
DSB Beheer current account facility	-3,278	-5,627
Tadas Verzekeringen current-account facility	0	8,000
<b>Total insolvent entity financing</b>	<b>995,722</b>	<b>-627</b>
<b>Total cash flow</b>	<b>-12,706</b>	<b>-28,494</b>
Cash balance:		
- as at 1 January	40,573	69,067
- as at 31 December	27,867	40,573
	<b>-12,706</b>	<b>-28,494</b>

## 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 2014 and of the income and expenses for the period 1 January to 31 December 2014. 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 expected pay-out percentages.

#### **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 prepared, 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 Ficoholding). The financial report contains the company balance sheet and income statement of DSB Bank.

#### **Securitised mortgage and consumer loans**

In the years 2003-2007, DSB Bank securitised a proportion of the receivables in respect of still current mortgage and consumer loans through the special-purpose vehicles (SPVs), the beneficial ownership of these receivables being transferred to the SPVs by virtue of the transaction. Notes were issued by the SPVs to finance the acquisition of the receivables. These securitised receivables, the corresponding notes for which are held predominantly by third parties, are therefore not recognised in DSB Bank's company balance sheet and income statement.

### 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.
- The carrying amounts of several balance sheet items, including loans and advances, property plant and equipment and receivables, on which separate disclosures are made in the notes to the balance sheet contained in the financial report.
- The presentation and recognition of the interest rate swaps, details of which are disclosed separately in the financial report under the general notes and accounting policies and under the rights and obligations not shown on the face of the balance sheet.
- 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 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. The financial impact of changes in estimates is accounted for in the period in which the estimates are revised and in future periods for which such revision has implications.

Listed below are the main items in the financial statements where estimates affect the reported amounts:

- Provision for bad debts: estimate of losses on loans.
- Receivable from DSB Ficoholding: estimate of recoverable amount.
- Receivable from DSB Beheer: estimate of recoverable amount.
- Provision for repurchased notes: estimate of redeemable amount.
- Provision for duty-of-care compensation: estimate of the number of claims expected up to the date on which the WCAM scheme closes coupled with the numbers qualifying for compensation and an estimate of the average amount of compensation awarded.
- Provision for liquidation losses: estimate of future write-downs of assets, future claims and liquidation costs.

### **C. SPECIFIC POLICIES USED FOR THE BALANCE SHEET**

The 2013 figures serve solely for comparison and no further disclosures are made relating to them.

#### **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 carried at face value less any necessary provision for impairment.

With the agreement of the creditors' committee and the supervisory judge, the administrators have decided in principle to dispose of the loan portfolio within the next five years. The assumptions underlying the amount of the necessary provision are disclosed in the notes to the item (page 14, note 2).

Loans and advances found to be uncollectible are written off against the provision.

#### **Interest rate swaps**

Interest rate swaps are instruments used to restore the interest result and the interest rate risk on the securitised loan portfolios to DSB Bank. These interest rate swaps were concluded between the SPVs and DSB Bank (front swap). DSB Bank's interest rate risk exposure on the securitised loans is hedged with interest rate hedges.

Interest rate swaps are not recognised in the balance sheet. The interest which is received or paid on the interest rate swaps during the year is accounted for on a cash basis in the income statement as part of finance income.

The expected cash flows generated by the front swaps in the current year are disclosed in the rights and obligations not shown on the face of the balance sheet. The face value of the front swaps as at balance sheet date is also disclosed. With respect to the interest rate hedges directly associated to the front swap (which are standard interest rate swap contracts), both the face value and the fair value as at balance sheet date are disclosed. The fair value is based on the yield curves as at balance sheet date, as published by Bloomberg.

### **Investments in subsidiaries, associates and joint ventures**

In principle, the amounts of these investments are measured using the equity method. If the shareholders' equity of an investee is negative, the carrying amount of the investment is nil. Where investments are due to be disposed of in the short term, the carrying amount is equal to the expected proceeds from sale.

In the case of equity-measured investments where the carrying amount is zero, a provision for bad debts is recognised in respect of DSB Bank's other receivables from the entities concerned. Any change in an entity's equity is recognised pro rata by DSB Bank. The results of subsidiaries, associates and joint ventures are similarly recognised on a proportionate basis in the DSB Bank income statement.

### **Property, plant and equipment**

The items of property, plant and equipment are carried at liquidation value based on recently revised assumptions and estimates. They are no longer depreciated.

### **Receivables**

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

### **Compensation scheme provision**

The provision for the compensation scheme serves to cover the expected obligations outstanding as at balance sheet date under the compensation scheme (WCAM agreement) declared binding by the Amsterdam Court of Appeal on 4 November 2014. The amount recognised also takes into account the associated enhancements to the compensation payments previously made under the Heads of Agreement.

The amount of the provision has been based on the expected number of customers as at balance sheet date likely to apply for insurance mis-selling compensation in the period up to 8 November 2015 – the closing date for applications. This estimate is also based on the historical trend in the numbers of applications received under the Heads of Agreement (which preceded the WCAM agreement). Another factor taken into account is the expected award of compensation to those customers, based on the average amount of compensation awarded to date, amongst other things. Assumptions have also been made regarding the number of applications resulting in compensation payments under the scheme for excessive lending.

### **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.

### **Unsecured creditors**

The liquidation proceedings mean that the claims against DSB Bank have to be allowed by the court. The validation of the claims of unsecured creditors is described in note 15.

### **Subordinated loans**

The liquidation proceedings mean that the claims against DSB Bank have to be allowed by the court. The validation of the claims of subordinated creditors is described in note 16.

## **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 DSB Bank and the amount thereof can be reliably measured.

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.

**E. SPECIFIC POLICIES USED FOR THE CASH FLOW STATEMENT**

**Cash flow statement**

The cash flow statement has been prepared using the direct method. 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 2014 (x €1,000)****ASSETS****1. CASH**

Included in cash are all demand deposits in external bank accounts.

	2014	2013
<b>2. LOANS AND ADVANCES</b>		
Mortgage loans with a first mortgage	2,032,894	2,177,163
Mortgage loans with a second mortgage	223,179	250,607
Consumer credit	207,604	263,013
Residual debts (mortgaged property repossessed and sold)	69,211	56,614
Other loans and advances (funding of Belgian investee)	0	72,398
Subtotal gross loans	<u>2,532,888</u>	<u>2,819,795</u>
Provision for bad debts	-252,298	-257,372
Provision for other loans and advances	0	-13,429
	<u>2,280,590</u>	<u>2,548,994</u>
Loans and advances as at 1 January	2,819,795	3,151,399
Receipts	-245,718	-298,734
Write-downs	-31,908	-32,870
Other loans and advances transferred to receivables (note 9)	-9,281	0
Balance as at 31 December	<u>2,532,888</u>	<u>2,819,795</u>
Analysis of receipts		
- mortgages and consumer credit	-193,448	-184,152
- other lending	-52,270	-114,582
Total receipts	<u>-245,718</u>	<u>-298,734</u>
Analysis of write-downs		
- write-down on other loans and advances on sale of portfolio	-10,847	0
- write-down on sale of portfolio	-155	-1,206
- write-down for credit risk	-9,927	-9,378
- write-down adjustment	0	8,282
- compensation payment adjustments replacing write-downs	110	0
- compensation payments	-9,977	-29,430
- restructuring connected with the duty-of-care issues	-1,112	-1,138
Total write-downs	<u>-31,908</u>	<u>-32,870</u>

**Provision for bad debts**

Based on experience since the date of insolvency, DSB Bank accordingly adopted new frameworks and rules for calculating the provision for bad debts as at year-end 2010, 2011, 2012, 2013 and 2014.

In calculating the necessary provisions for bad debts, account is taken both of customers' arrears in meeting their interest and repayment liabilities and the sales value on repossession of the collateral security furnished. Depending on the number of monthly instalments remaining, a percentage is calculated for the provision for bad debts.

The total amount of the provision for write-downs on all of the above loans and advances as at year-end 2014 amounted to €252.3 million (2013: €257.4 million).

	<b>2014</b>	<b>2013</b>
Movements in the provision for bad debts were:		
Balance as at 1 January	257,372	254,350
Write-down on sale of portfolio	-155	-1,206
Write-down for credit risk	-9,927	-9,378
Write-down correction	0	8,282
Restructuring connected with the duty-of-care issues	-1,112	-1,138
Added to provision	6,120	6,462
Balance as at 31 December	<u>252,298</u>	<u>257,372</u>

It is the administrators' policy that customers in severe financial difficulties who also have a probable duty-of-care claim will qualify for an ex-gratia rescheduling of their debts. Customers can apply for this if they simultaneously submit a statement of their income and expenses.

Write-downs for credit risk concern amounts written off in connection with the settlement of residual debts, debt restructuring arrangements (under the law and otherwise) and the death of customers.

	<b>2014</b>	<b>2013</b>
Movements in the provision for other loans and advances were:		
Balance as at 1 January	13,429	11,122
Write-down of other loans and advances (funding of Belgian investee)	-10,847	0
Released from / added to provision	-2,582	2,307
Balance as at 31 December	<u>0</u>	<u>13,429</u>

### 3. INTEREST RATE SWAPS

The interest rate swaps are not recognised. Section 2.6.1 contains further information regarding the interest rate swaps.

### 4. INVESTMENTS IN GROUP COMPANIES

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

	<b>2014</b>	<b>2013</b>
Balance as at 1 January	13,617	10,394
Payment of capital	0	9,000
Capital gain / loss	749	-9,000
Share in results	-348	3,223
Balance as at 31 December	<u>14,018</u>	<u>13,617</u>

This concerns the following entities:

DSB International B.V.	0	0
Tadas Verzekeringen B.V.	14,018	13,617
	<u>14,018</u>	<u>13,617</u>

#### **DSB International B.V.**

The investee Crea-Hypo-Finance N.V. was sold by DSB International B.V. on 17 October 2014. The remaining parts of DSB International will be liquidated in 2015. The shareholders' equity of DSB International B.V. as at 31 December 2014 was nil.

#### **Tadas Verzekeringen B.V.**

Agreement was reached on the sale of the shares of Tadas Verzekeringen B.V. in the autumn of 2014. Payment will be received and delivery of the shares will be made as soon as DNB issues the necessary declaration of no objection. This is expected by mid-2015. In anticipation of the finalisation of the sale of the Tadas

Verzekeringen B.V. shares, the expected proceeds from the disposal have been recognised as the carrying amount of the investment.

### Other investments

The insolvency proceedings relating to DSB Beveiliging and DSB Leeuwarden were completed on 11 April 2014, when the final distribution lists were declared binding.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Other assets	Total 2014	Total 2013
Balance as at 1 January	3,430	38	3,468	4,021
Investments/disposals	0	-24	-24	-103
Depreciation and amortisation	0	0	0	0
Revaluation / write-down	-1,430	16	-1,414	-450
Balance as at 31 December	2,000	30	2,030	3,468

Buildings and land as at year-end 2014 comprises one building in Heerhugowaard. The carrying amount has been arrived at on the basis of revised assumptions and estimates resulting from a professional appraisal recently requested by the administrators of DSB Bank. The value resulting from appraisal in 2010 was still €3.4 million. The other items of property, plant and equipment concern the expected proceeds from the sale of office equipment in 2015.

	2014	2013
<b>6. TRADE RECEIVABLES</b>		
Guarantees receivable	74	85
Other	77	198
	151	283

	2014	2013
<b>7. RECEIVABLES FROM DSB FICOHOLDING</b>		
Loan to DSB Ficoholding	13,000	13,000
Accrued interest on loan to DSB Ficoholding	2,252	1,431
Write-down of interest receivable from DSB Ficoholding	0	-1,431
Receivable from DSB Ficoholding in respect of interim dividend	11,300	11,300
Received in respect of interim dividend receivable (8.5%)	-671	0
Write-down of receivable in respect of interim dividend	-7,175	-11,300
Receivables from DSB Bank subsidiaries	0	7,400
Write-down of receivables from DSB Bank subsidiaries	0	-7,400
	18,706	13,000

### Loan to DSB Ficoholding

In connection with the compensation scheme, DSB Bank granted a loan of €13 million to DSB Ficoholding as part of a loan facility of €28 million (with a term of 10 years) and obtained a third-ranking pledge on the shares of Waard Leven (formerly DSB Leven) and Waard Schade (formerly DSB Schade) as collateral for this facility. The interest on this loan is added to the principal each year and, based on recent estimates, should also be recoverable under the pledge. It was accordingly not necessary to recognise a write-down on the amount of the outstanding interest as at year-end 2014.

### Receivable from DSB Ficoholding in respect of interim dividend

At the end of 2011, as part of the investigation into the cause of the insolvency being undertaken by the administrators, it was found that the distribution of an interim dividend of €11.3 million by DSB Bank in

2009 had been made unlawfully. The administrators have therefore demanded the repayment of the dividend paid out by DSB Bank on grounds of non-entitlement.

This means that the interim dividend of €11.3 million subsequently paid to DSB Beheer by DSB Ficoholding was likewise unlawful.

DSB Ficoholding has accordingly submitted a claim against the insolvent DSB Beheer for the dividend it has paid.

On 4 June 2014, the Amsterdam District Court ratified the terms of the settlement arrived at between DSB Ficoholding and DSB Beheer relating to interim dividend paid (rightfully or wrongfully) in 2009. Following the court ruling, DSB Ficoholding was allowed as unsecured creditor in the insolvency of DSB Beheer up to an amount of €7.9 million. DSB Bank's receivable from DSB Ficoholding, however, remained unchanged and has been set at €11.3 million.

#### Write-down of receivable from DSB Ficoholding

DSB Beheer has made an initial distribution to DSB Ficoholding in respect of the €7.9 million. This first distribution was set at 8.5% back in 2012, making an amount of 0.7 million. This distribution was then paid to DSB Bank by DSB Ficoholding.

The agreement concerning the sale of the shares of the Insurers by DSB Ficoholding also made it possible to arrive at a reasonable estimate of the final amount of DSB Ficoholding's receivable from DSB Beheer. The consequent distribution of 8.5% to Ficoholding will then be paid to DSB Bank. Given these distributions, the amount of the provision can be reduced to 7,175, making the recognised amount of the dividend receivable 3,453.

#### Receivables from DSB Bank subsidiaries

The DSB Bank subsidiaries DSB Beveiliging and DSB Leeuwarden were wound up on 11 April 2014. From the final distribution lists for DSB Beveiliging and DSB Leeuwarden, a total of 147 was received in respect of the receivables. This amount has been included in the income statement under exceptional income and expenses.

## 8. RECEIVABLES FROM DSB BEHEER

	2014	2013
Receivables from DSB Beheer	101,129	101,489
Receivables from DSB Beheer subsidiaries	96	1,193
Receivables of group companies in the insolvency of DSB Beheer taken over	744	744
Provision for bad debts	-60,543	-63,217
	<u>41,426</u>	<u>40,209</u>

	2014	2013
The receivable from DSB Beheer is analysed as follows:		
Definitive receivable in respect of DSB Beheer insolvency		
- allowed claim in respect of insolvency	56,272	56,272
- provisionally contested claim in respect of insolvency	50,000	50,000
- Proceeds from Spanbroekerweg 114 sale, after settlement	-360	0
	<u>105,912</u>	<u>106,272</u>
- initial distribution on allowed claim in insolvency (8.5%)	-4,783	-4,783
Balance as at 31 December	<u>101,129</u>	<u>101,489</u>

The provisionally contested claim in respect of the insolvency of DSB Beheer relates solely to the inability to finalise the amount of the proceeds of the shares in Waard Leven and Waard Schade that were pledged to DSB Bank. Agreement was reached in the autumn of 2014 concerning the sale of the shares of the Insurers

by DSB Ficoholding. The transaction is due to be completed in the spring of 2015 and the provisionally contested claim in the insolvency will be converted into an allowed claim after deduction of the proceeds from the share transaction.

DSB Bank and DSB Beheer reached an amicable arrangement whereby DSB Bank would receive 50% (360) out of the proceeds from the house at Spanbroekerweg 114. This amount has been deducted from the outstanding balance of DSB Bank's receivable from DSB Beheer.

#### Receivables from DSB Beheer subsidiaries

This concerns a current account receivable from DS Art, an insolvent subsidiary of DSB Beheer. The receivables from DS Sport and DSB Stadion were settled in a final distribution made in 2014.

	2014	2013
Movements:		
Balance as at 1 January	1,193	1,193
Final distribution received	-42	0
Write-down charged to provision	-1,055	0
Balance as at 31 December	<u>96</u>	<u>1,193</u>

#### Receivables of group companies in the insolvency of DSB Beheer taken over

In 2013, two receivables in the insolvency of DSB Beheer were taken over, involving payment of an amount of 744. This relates to the receivables of DS Sport B.V. and Gema Advies Groep B.V. from DSB Beheer with a face value of €11.1 million.

#### Provision for bad debts

A provision for bad debts has been recognised on the receivables from DSB Beheer, allowing for the security obtained by DSB Bank for the loan.

	2014	2013
Movements in the provision for bad debts were:		
Balance as at 1 January	63,217	63,217
Movement in receivable from DSB Beheer group companies	-2,786	0
Added from final distributions received	112	0
Balance as at 31 December	<u>60,543</u>	<u>63,217</u>

The provision for bad debts has been calculated at €2.6 million less. The decrease results from the finalised write-down of the receivables from DS Sport and DSB Stadion, amounting to €1.0 million and a higher estimate for the proceeds from the sale of the shares of the Insurers held by DSB Ficoholding. DSB Bank has a right to the proceeds from the sale of the shares under the established pledge. Simultaneously, it is possible to make an estimate of the allowable claims of DSB Bank and DSB Ficoholding in the insolvency of DSB Beheer, qualifying for a provisional distribution of 8.5%. These factors result in a reduction in the amount of the necessary provision by approximately €1.6 million.

#### 9. OTHER RECEIVABLES

This concerns:

	2014	2013
Repurchased notes issued by the securitisation entities	216,828	233,549
Receivables from securitisation entities	0	0
Receivable from SPV shareholders	55	55
Financing of Duhold N.V. and Auxifina N.V. (from note 2)	8,366	0
Accrued interest	5,859	8,638
Direct debit receivable from customer (received 2.1 2015)	14,158	16,165
Miscellaneous	288	522
	<u>245,554</u>	<u>258,929</u>

	2014	2013
<b>Repurchased notes issued by the securitisation entities</b>		
A-Notes Chapel 2003	27,372	33,361
A-Notes Monastery 2004	23,532	26,051
A-Notes Monastery 2006	121,909	130,122
Junior Notes Chapel 2003	10,500	10,500
Junior Notes Chapel 2007	27,600	27,600
Junior Notes Dome 2006	33,815	33,815
Junior Notes Monastery 2004	13,500	13,500
Junior Notes Monastery 2006	20,400	20,400
Subtotal (nominal) of notes	<u>278,628</u>	<u>295,349</u>
Provision	<u>-61,800</u>	<u>-61,800</u>
	<u>216,828</u>	<u>233,549</u>

	2014	2013
The movements in the repurchased notes are as follows:		
Balance as at 1 January	233,549	257,747
Redemptions	-16,721	-23,385
Movement in provision	0	-813
Balance as at 31 December	<u>216,828</u>	<u>233,549</u>

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

DSB Bank has recognised a provision for the repurchased notes of securitisation entities, based on the estimated losses in value of the underlying loans and advances within the securitisation programmes.

#### **Financing of Duhold N.V. and Auxifina N.V.**

On 17 October 2014, DSB Bank granted loans to Duhold N.V. and Auxifina N.V. for the purpose of acquiring the loan portfolios of the former Belgian investees of DSB Bank. Prior to 17 October 2014, the loan portfolios had been funded by DSB Bank by means of an intercompany loan recognised in other loans and advances (note 2).

The movements in the financing were as follows:

Advances on 17 October 2014 (note 2)	9,281	0
Repayment	-915	0
Balance as at 31 December	<u>8,366</u>	<u>0</u>

**EQUITY AND LIABILITIES**

	<b>2014</b>	<b>2013</b>
<b>10. BORROWINGS</b>		
Special short-term loan facility provided by consortium of banks	1,350,000	351,000
DSB Beheer current account facility	19,900	22,981
Tadas Verzekeringen current-account facility	8,000	8,000
	<u>1,377,900</u>	<u>381,981</u>

As at year-end 2014, the weighted average interest rate on borrowings was 1.28 % (year-end 2013: 2.20%).

**Special short-term loan facility provided by a consortium of banks**

DSB Bank had contracted a special short-term loan facility maturing 23 December 2014 with a consortium of banks (ING, Rabobank, ABN AMRO, Van Lanschot and NIBC). On 4 December 2014, the facility was extended up to 27 December 2017 by three of the banks in the consortium (ING, Rabobank and ABN AMRO). Under the facility, it is possible to draw down loans with maturities of up to one year.

DSB Bank drew on the extended facility on 23 December 2014 to refinance the maturing loans and to permit the distribution of 35% to the unsecured creditors to be made.

A condition of the special short-term loan facility is that, after the distribution made on 24 December 2014, the available cash flows generated by loans and advances (other than securitised assets), front swaps and notes issued under the securitisation programmes should be used for repayments under the facility.

**DSB Beheer current account facility**

DSB Beheer's temporary cash surpluses are placed with DSB Bank under a current account facility. The cash can be withdrawn daily up to a maximum of €5 million per month.

**Tadas Verzekeringen current-account facility**

Tadas Verzekeringen's temporary cash surpluses are placed with DSB Bank under a current account facility. The cash surpluses are callable on a daily basis.

	<b>2014</b>	<b>2013</b>
<b>11. TAX AND SOCIAL SECURITY CHARGES</b>		
Wage tax	113	224
Value added tax	40	32
Other	4	13
	<u>157</u>	<u>269</u>

**12. SUNDRY OTHER PAYABLES**

Liabilities of the insolvent entity	11,471	11,066
Amounts owed to group companies	0	0
	<u>11,471</u>	<u>11,066</u>

Liabilities of the insolvent entity concerns:

- (1) €16.1 million (2013: €5.9 million) in recent receipts of interest and repayments on securitised loans which were still to be settled with the securitisation entities as at balance sheet date;
- (2) €5.4 million (2013: €5.1 million) in respect of other insolvent entity payables.

**13. PROVISION FOR COMPENSATION SCHEME / DUTY OF CARE**

The provision for the compensation scheme serves to cover the expected obligations outstanding as at balance sheet date under the compensation scheme (WCAM agreement) declared binding by the Amsterdam Court of Appeal on 4 November 2014. The amount recognised also takes into account the associated enhancements to the compensation payments previously made under the Heads of Agreement.

The amount of the provision has been based on the expected number of customers as at balance sheet date likely to apply for insurance mis-selling compensation in the period up to 8 November 2015 – the closing

date for applications. This estimate is also based on the historical trend in the numbers of applications received under the Heads of Agreement (which preceded the WCAM agreement). Another factor taken into account is the expected award of compensation to those customers, based on the average amount of compensation awarded to date, amongst other things. Assumptions have also been made regarding the number of applications resulting in compensation payments under the scheme for excessive lending.

Outstanding obligations after 31 December 2014 concern:

- approximately 9,000 files (€15.0 million) still to be settled under the terms of the Heads of Agreement, including the agreed enhancements to previously paid compensation under the Heads of Agreement.
- approximately 27,000 files (relating to customers who have made or are unlikely to make applications in the period 4 November 2014 to 8 November 2015, totalling €90.0 million) still to be settled under the terms of the WCAM agreement.

#### 14. 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.

In 2010, the amount of the liquidation provision was reduced to €150 million. The amount of the provision remains an estimate, however. Substantial uncertainties remain, particularly on the assets side, so there is no reason to adjust the amounts of these provisions as at year-end 2014.

	2014	2013
<b>15. UNSECURED CREDITORS</b>		
Claims payable < €100	165	158
Allowed unsecured claims	1,007,252	2,443,999
Contested claims contingently allowed	0	3,252
Claims provisionally allowed by administrators	22,901	10,832
Other receivables	0	69,006
	<u>1,030,318</u>	<u>2,527,247</u>

The movements in the unsecured creditors were as follows:

	Claims < €100	Allowed claims	Contested claims provisionally allowed	Claims provisionally allowed by administrators	Other receivables	Total
Unsecured claims	759	3,760,600	3,252	10,832	69,006	3,844,449
Cumulative distribution	-601	-1,316,601	0	0	0	-1,317,202
Balance as at 1 January	158	2,443,999	3,252	10,832	69,006	2,527,247
Changes in 2014						
Claims allowed		-657	-3,252		-69,006	-72,915
Increase in claims	7			15,797		15,804
From provision to allowed claims		3,530		-3,530		0
Distributions in June (4%) and December (35%)		-1,439,620		-198		-1,439,818
Total	7	-1,436,748	-3,252	12,069	-69,006	-1,496,929
Unsecured claims	766	3,763,473	0	23,099	0	3,787,338
Cumulative distribution	-601	-2,756,221	0	-198	0	-2,757,020
Balance as at 31 December	165	1,007,252	0	22,901	0	1,030,318

Movements in claims (gross amounts) by creditors were as follows:

Claims by creditors as at 1 January 2014	3,844,449
Claims by creditors as at 31 December 2014	3,787,338
Increase	<u>-57,111</u>

The increase is analysed as follows:

Less: Contested claims provisionally allowed and since withdrawn	-3,252
Less: Allowed claims, settled against arrears and since withdrawn	-657
Less: Released to other receivables	-69,006
Add: New claims by SPVs in respect of compensation for terminated HWL (Hollands Welvaren Leven) policies	27
Add: New claims by SPVs in respect of rescheduling charged to loans from the SPVs	237
Add: New claims by customers in respect of compensation awarded	3,500
Add: New claims by SPVs in respect of compensation charged to loans from the SPVs	12,040
	<u>-57,111</u>

In insolvency proceedings, claims of creditors have to be allowed by the court before any distributions can be made on them. Claims were added to the allowed list in 2010, 2011, 2012, 2013 and 2014. It is also possible for claims to be submitted and/or allowed in 2015 and beyond.

#### *Allowed claims and provisionally allowed contested claims*

Meetings of creditors were held on 10 December 2010, 19 May 2011, 24 May 2012, 29 November 2012, 30 May 2013, 28 November 2013, 15 May 2014 and 13 November 2014. The total amount of the allowed claims of preferential and unsecured creditors amounts to €3.76 billion (year-end 2013: €3.76 billion). The contested claims provisionally allowed pursuant to Section 125 of the Insolvency Act, amounting to €3.3 million, were released to income in 2014, based on a decision by the Trade and Industry Appeals Tribunal (CBb).

#### *Claims provisionally allowed by administrators*

As at year-end 2014, the claims provisionally allowed by the administrators totalled €23.1 million (year-end 2013: €10.8 million). This includes compensation awarded to customers and compensation on loans from the securitisation entities which have not been formally recognised at a meeting pursuant to Section 178 of the Insolvency Act. These will be placed on the verification list for the next meeting pursuant to Section 178 of the Insolvency Act.

#### *Other receivables*

Starting in 2010, an amount of €69.0 million, being an estimate of claims still to be filed, has been recognised at each year-end on grounds of prudence. With the insolvency now in its fifth year and with collective schemes in place for the consequences of dereliction of the duty of care, this provision is no longer necessary.

#### *Claims < €100.00*

There remains an outstanding claim of €0.2 million in respect of creditors with claims of < €100.00.

#### *Distributions*

A total of €2.757 billion has meanwhile been distributed to preferential and unsecured creditors, amounting to 74% of the allowed claims. There was a temporary halt to payments in 2014 on outstanding allowed claims amounting to €73 million.

## **16. SUBORDINATED PAYABLES**

In January 2013, the administrators effected a composition with the association of subordinated DSB Bank deposit holders (VDD).

At the creditors' meetings held on 30 May and 28 November 2013, the claims of all deposit holders were allowed as either unsecured or subordinated claims.

	<b>2014</b>	<b>2013</b>
<b>17. BALANCE</b>		
The movements in this item were:		
Balance as at 1 January	-308,370	-429,135
Result	<u>131,986</u>	<u>120,765</u>
Balance as at 31 December	<u><u>-176,384</u></u>	<u><u>-308,370</u></u>

The balance represents the difference between the assets and liabilities of DSB Bank.

Since the date of insolvency, there has been no calculation of interest on the claims of the unsecured and subordinated creditors. Only when all the claims of the creditors have been settled and the insolvency has been brought to a formal close by the court will the creditors be able to claim payment of interest. In the whole period up to year-end 2014, the accumulated amount in respect of 'unrecognised accrued interest' was €582 million. This figure has been arrived at using the statutory interest rate for consumer transactions.

## **2.6 Rights and obligations not shown on the face of the balance sheet as at 31 December 2014**

### **2.6.1 Interest rate swaps**

#### ***History***

Prior to the insolvency of DSB Bank, the interest results and the interest rate risk on the securitised loan portfolios reverted to DSB Bank's account, for example by contracting interest rate swaps between the swap banks concerned and DSB Bank. In October and November 2009, following the collapse of the bank, these swap contracts were cancelled in writing by the various swap banks. These letters also contained statements of account relating to outstanding amounts under the contracts. DSB Bank wrote to all the individual swap banks disputing the amounts to be settled.

In 2012 and 2013, DSB Bank reached agreement on the interest rate swaps with the swap banks. Part of the agreements reached was that claims submitted in the insolvency proceedings would be withdrawn. The agreements also provided for DSB Bank to take over the front swap positions. In certain cases there was also provision for one-off payments to be made between the parties, settling the cash collateral positions held, among other things. In the case of one front swap, it was further agreed that a limited proportion of the future income from the swap would be paid to the swap bank concerned. DSB Bank's liabilities under the assumed front swap agreement are guaranteed by Rabobank. The administrators expect the front swaps to generate substantial positive cash flow for the insolvent entity.

#### ***Interest rate risk***

The interest rate risk incurred by taking over the front swaps has been largely mitigated by means of several interest rate hedges. The interest rate risk on the loan portfolio for periods up to 12 months ahead is not hedged since the unrestricted choice of interest rates which customers have over this short time horizon mean that the amount concerned is uncertain and the associated risk is limited. The interest rate risk over periods of more than five years has been included in the five-year interest rate hedging as necessary and desirable. This is considered acceptable in view of the uncertainties associated with the insolvent entity in the long term and the limited amounts involved with respect to this part of the portfolio.

The policy is to evaluate the interest rate hedges every three months, based on their existing amounts and the interest rate risk profile of the front swaps, contracting new interest rate hedges as necessary. The effectiveness of the interest rate hedges will also be evaluated at the same time, measured in terms of the sensitivity of cash flows from front swaps and interest rate hedges to changes in market interest rates. The effectiveness of the hedges was also assessed as at year-end 2014 on the basis of the usual measures and was judged to be satisfactory.

DSB Bank ceased hedging the interest rate risk on the loans on its own books after the date of insolvency in view of the uncertainties surrounding the winding-up operation and the absence of normal funding for the loan portfolio, which makes the use of normal interest rate hedging instruments to hedge the interest rate risk difficult. With the substantial drawing made on the special short-term finance in December 2014 and the expected longer duration of the winding-up operation, there has been a change in the interest rate risk profile relating to the loans and advances on the bank's own books. In March 2015, DSB Bank mitigated the interest rate risks thus arising, using financial instruments.

The cash flows arising from the front swaps and the related interest rate hedges have been included in the 2014 income statement.

#### ***Forecast cash flows***

The cash flows arising from the front swaps and the related interest rate hedges generated in 2014 have been included in the 2014 income statement and amount to €51.4 million. The total cash flows received from the front swaps and the interest rate hedges, less the cost of the associated guarantees and other deductions, will be approximately €44 million for the whole of 2015 and will further decline in later years with the decline in the size of the loan portfolio and the impact of interest rate movements. Based on estimates of the relevant parameters (trend in interest rates, loan losses and repayments), the cash flows in the period 2016–2019 will be approximately €100 million.

**Nominal value**

The nominal value of the front swaps taken over by DSB Bank as at year-end 2014 was €1,729 million (2013: 1,896 million).

The nominal value of the interest rate hedges against the related interest rate risk as at year-end 2014 was €1,125 million (2013: €1,020 million).

	<b>2014</b>	<b>2013</b>
The remaining term to maturity of the interest rate hedges can be analysed as follows:		
Less than 3 months	85,000	25,000
More than 3 months, but not more than 1 year	210,000	55,000
More than 1 year, but not more than 5 years	800,000	910,000
More than 5 years	30,000	30,000
	<u>1,125,000</u>	<u>1,020,000</u>

The remaining terms of the interest rate hedges reflects the remaining interest rate time horizons of the front swap.

**Fair value**

The fair value of the interest rate hedges against the related interest rate risk as at year-end 2014 was €16.5 million negative (2013: €2.7 million negative).

	<b>2014</b>	<b>2013</b>
The fair value of the interest rate hedges is as follows:		
Positive fair value	0	1,146
Negative fair value	-16,494	-3,863
	<u>-16,494</u>	<u>-2,717</u>

## 2.6.2 Other rights and obligations not shown on the face of the balance sheet

### Indication of interest not accounted for

As from the date of insolvency, 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). Solely by way of indication, the interest not accounted for over the period 19 October 2009 to 31 December 2014 can be put at €582 million. The amount of the interest not accounted for has been based on the statutory interest rate for consumer transactions.

The following computation has been arrived at in this way.

Year	€ million
2009	31
2010	117
2011	132
2012	120
2013	99
2014	83
Total	582

As from the date of the insolvency up to mid-2014, the statutory interest rate for consumer transactions fluctuated between a minimum of 3% and a maximum of 4%. The statutory interest rate as at 1 January 2015 has been set at 2%.

### Other obligations

It is possible for obligations incumbent on the insolvent entity to arise as a result of acts or omissions on the part of the administrators. It should be noted that, until such time as the final distribution list in the insolvency is declared binding, it is still possible for late unsecured creditors to file claims. There is, after all, no statute of limitations with respect to such claims. However, it is NOT possible currently to determine the amount of such obligations and claims.

### Current legal proceedings

The outcomes of the current legal proceedings will not have any material impact on the balance sheet items.

### Undertakings given to staff

To process the duty-of-care claims plus the compensation scheme and the mass claims settlement as well as the winding-up of the insolvent entity, including its administration, specific insolvency-related activities and support tasks, some of the existing staff will continue to be required beyond 2014.

The promises of employment given to 51 employees (as at 31/12/2014) are as follows:

14 employees will cease employment in the first half of 2015. Promises of employment have been given to 2 employees up to the end of the second quarter of 2015, to 22 employees up to the end of the third quarter of 2015 and to 13 employees up to the end of the fourth quarter of 2015.

In the first quarter of 2015, the expected average payroll cost will be approximately €0.2 million per month and the estimated costs for temporary staff connected with the operations of the insolvent entity will be approximately €0.5 million per month. Temporary staff requirements are reviewed quarterly (or at shorter intervals).

### Lease obligations for premises

As from 15 December 2014, DSB Bank has been leasing the second floor in the building situated at Geert Scholtenslaan 10, Wognum. A five-year lease has been signed, with the option of reducing the rented office space during the lease period. The monthly rent for DSB Bank, including service costs and utilities, is 13.

**2.7 Notes to the company income statement for 2014 (x €1,000)**

	<b>2014</b>	<b>2013</b>
<b>18. FINANCE INCOME - INTEREST</b>		
Interest on mortgages and consumer credit	133,993	148,065
Interest on other loans	1,646	6,492
Interest on front swaps and interest rate hedges	51,442	43,934
Interest on notes	2,227	2,246
Servicing fee	0	1,771
	<u>189,308</u>	<u>202,508</u>

The average interest rate on first mortgages in 2014 amounted to approximately 4.7% (2013: 4.8%), on second mortgages 5.9% (2013: 6.0%) and on consumer credit 7.0% (2013: 7.2%).

Disclosed as interest on front swaps and interest rate hedges is the net amount of the interest paid and received plus guarantee fees on contracted front swaps and the related interest rate hedges.

	<b>2014</b>	<b>2013</b>
<b>19. OTHER INCOME</b>		
Proceeds from sale of assets	0	82
Payment from DNB relating to insolvency of Landsbanki/Hoop/Indover	935	121
Insurance settlements / other income	278	2,871
	<u>1,213</u>	<u>3,074</u>

	<b>2014</b>	<b>2013</b>
<b>20. FINANCE EXPENSE - INTEREST</b>		
Interest payable on the special short-term loan facility	5,052	7,247
Interest payable to third parties with pledges	0	1,354
Asset-backed loan repayment discount	0	-671
Loans and other interest charges	634	575
	<u>5,686</u>	<u>8,505</u>

As from the date of insolvency, 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). The interest not included in 2014 is estimated at approximately €83 million (2013: €99 million).

	<b>2014</b>	<b>2013</b>
<b>21. ADMINISTRATIVE EXPENSES</b>		
Staff costs	3,012	6,396
Temporary staff	4,444	8,394
Management services	2,661	3,220
Administrators / Houthoff Buruma	4,064	4,876
Advisers	1,200	2,273
Office overheads	1,673	3,445
Crea-Hypo-Finance portfolio success fee	66	1,661
Servicing fee + loan portfolio management costs	3,749	3,573
Auditors' fees relating to audit of compensation scheme	465	1,104
Motor vehicles	112	212
Premises costs	391	284
	<u>21,837</u>	<u>35,438</u>

The company employed an average of 47 full-time equivalents (2013: 98 FTEs).

	2014	2013
<b>22. EXCEPTIONAL INCOME AND EXPENSES</b>		
Movements in the provision for bad debts (note 2)	-6,120	-6,462
Movements in the provision for other bad debts (note 2)	2,582	-2,307
Write-down of property, plant and equipment (note 5)	-1,414	-450
Gain on the receivable from group companies (note 7)	6,378	-116
Gain on the receivable from DSB Beheer and its group companies (note 8)	1,881	0
Write-down of notes held by the bank (note 9)	0	-813
Movement in claims of unsecured creditors	71,933	43,039
Settlements in connection with reinstatement of swaps	0	-40,039
Compensation scheme costs (see analysis below)	-106,654	-27,483
Other	1	-466
	<u>-31,413</u>	<u>-35,097</u>

*Gain on the receivable from group companies*

The gain concerns a reduced write-down on the receivable relating to interim dividend from DSB Ficoholding, amounting to 3,454 (note 7), release of the provision for interest on the loan to DSB Ficoholding, amounting to 2,252 (note 7), the expected partial repayment of the receivable from DSB Ficoholding in respect of DSB Ficoholding interim dividend, amounting to 672 (note 7) and the final distributions relating to the winding-up of DSB Beveiliging BV and DSB Leeuwarden BV, amounting to 147.

*Movement in claims of unsecured creditors*

Provisionally allowed contested claims withdrawn (note 15)	3,252
Movement in provisionally allowed claims	-88
Movement in other claims (note 15, page 22)	69,006
New allowed / not yet allowed unsecured claims by SPVs related to debt rescheduling	-237
	<u>71,933</u>

*Compensation scheme costs*

The compensation scheme costs can be summarised as follows:

	2014	2013
compensation scheme costs (see analysis below)	-26,654	-77,483
Movement in compensation scheme provision (note 13)	-80,000	50,000
	<u>- 106,654</u>	<u>-27,483</u>

The analysis of the compensation claims by category is as follows:

	Processed	Movemen t in provision	Total 2014	Total 2013
Claims relating to mis-sold PPI	22,495	72,500	94,995	24,863
Claims relating to unit-linked plans	2,583	0	2,583	7,172
Claims relating to excessive lending	4,147	7,500	11,647	286
Claims relating to impossible cover	13	0	13	7
Compensation payments relating to HWS	0	0	0	2,327
	<u>29,237</u>	<u>80,000</u>	<u>109,237</u>	<u>34,655</u>
Less: Claims relating to unit-linked plans	-2,583	0	-2,583	-7,172
Total	<u>26,654</u>	<u>80,000</u>	<u>106,654</u>	<u>27,483</u>
	Processed	Movemen t in provision	Total 2014	Total 2013
Compensation payments under the Heads of Agreement	19,039	-22,500	-3,461	27,483
Compensation payments under the enhancement to the Heads of Agreement	6,180	12,500	18,680	0
Compensation payments under the WCAM scheme	1,436	90,000	91,436	0
Total	<u>26,654</u>	<u>80,000</u>	<u>106,654</u>	<u>27,483</u>

It is the administrators' policy that customers in severe financial difficulties who also have a probable duty-of-care claim will qualify for an ex-gratia rescheduling of their debts. Debt rescheduling agreements were reached in 2014 totalling 946 (2013: 1,695). The total cost of rescheduling (946) and compensation (106,654) is 107,600. The following table analyses the manner in which the compensation payments and debt rescheduling arrangements have been accounted for, as well as disclosing the costs of the conditional amendments to the WCAM scheme.

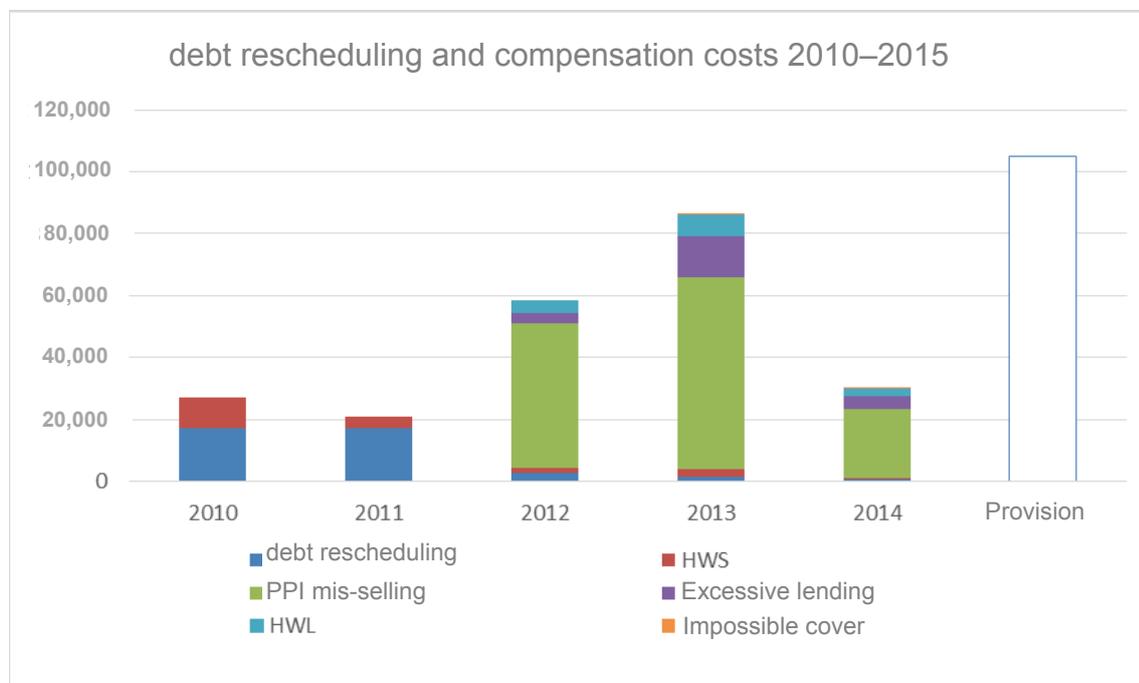
The analysis according to method of processing is as follows:

	Debt resched- uling	PPI mis- selling	Excess- ive lend- ing	Impossi- ble cover	Total for insolve- nt entity	HWL	Total 2014	Total 2013
Appropriation to duty-of-care provision – Heads of Agreement (note 13)	-18,800	-3,700			-22,500		-22,500	-50,000
Appropriation to duty-of-care provision – Heads of Agreement enhancement (note 13)	9,800	2,700			12,500		12,500	0
Appropriation to duty-of-care provision – WCAM scheme (note 13)	81,500	8,500			90,000		90,000	0
Processed compensation payments to customers: claims on insolvent entity (note 15)	3,073			4	3,077	27	3,104	10,290
Processed compensation payments: settled against loans from SPVs (note 15)	10,041	1,997		2	12,040	488	12,528	35,060
Processed compensation payments: settled against the bank's loans (note 15)	7,820	2,150		7	9,977	157	10,134	29,926
Processed compensation payments: payment not due		1,561		0	1,561	775	2,336	5,349
Processed debt rescheduling arrangements	946				946		946	1,695
	946	94,995	11,647	13	107,600	1,447	109,047	32,320
Add: Processed compensation payments for current HWL policies					0	1,136	1,136	4,030
Less: Processed compensation payments for current and matured HWL policies charged to insurers					0	-2,583	-2,583	-7,172
Less: Processed debt rescheduling charged to provision for loans (note 2)	-1,112				-1,112		-1,112	-1,138
Add: Refunds relating to rescheduling	404				404		404	0
Less: Processed debt rescheduling claimed by SPVs on insolvent entity (note 15)	-237				-237		-237	-557
	0	94,995	11,647	13	106,654	0	106,654	27,483

### 3. Additional information

#### 3.1. The Compensation Scheme

The notes to the company income statement include disclosure of the costs of the compensation scheme in 2014 (note 22). The following graph illustrates these costs together with the costs of debt rescheduling as they are spread over the years.



	2010	2011	2012	2013	2014	total
Debt rescheduling	17,322	17,244	2,907	1,695	946	40,113
HWS	10,022	3,856	1,732	2,327	350	18,287
PPI mis-selling	0	0	46,625	61,863	22,144	130,632
Excessive lending	0	0	3,020	13,286	4,147	20,453
HWL	0	0	4,353	7,172	2,583	14,108
Impossible cover	0	0	0	7	13	20
Total recognised (basis of graph)	27,344	21,100	58,637	86,350	30,183	223,614
Less HWL	0	0	-4,353	-7,172	-2,583	-14,108
Add: Movement in provision	0	0	75,000	-50,000	80,000	105,000
Total expense	27,344	21,100	129,284	29,178	107,600	314,506
Cumulative	27,344	48,444	177,728	206,906	314,506	

The annual costs of the debt restructuring and compensation payments are made up of the disclosed amounts as presented above plus the movement in the provision for the compensation scheme / duty of care. The provision serves to cover the expected obligations outstanding as at balance sheet date under the compensation scheme (WCAM agreement) declared binding by the Amsterdam Court of Appeal on 4 November 2014. The amount recognised also takes into account the associated enhancements to the compensation payments previously made under the Heads of Agreement. Notes on the provision for claims relating to dereliction of the duty of care can be found on page 20.

The cost of compensation awards relating to HWL (indirect) are also borne by DSB Bank not least because DSB Bank (via the intermediate companies) provided HWL with the necessary extra capital.

**3.2. Other information on securitisation programmes**

	<b>2014</b>	<b>2013</b>
<b>SECURITISED LOANS TRANSFERRED TO SPVs</b>		
Monastery 2004	228,318	244,149
Monastery 2006	471,591	498,248
Dome 2006	462,440	487,578
Chapel 2003	307,157	346,952
Chapel 2007	330,957	382,211
	<u>1,800,463</u>	<u>1,959,138</u>

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.

As from the date of the insolvency, several SPVs stopped paying the regular remaining margin instalments (deferred purchase price). Prior to the insolvency, 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

<b>Notes as at balance sheet date</b>	Total	Held by DSB Bank
Class A2	156,322	23,532
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	0
Class G	6,817	0
<i>Total</i>	<i>229,639</i>	<i>37,032</i>

- Receivable from Monastery 2004 in respect of deferred purchase price receivable amounting to €2.1 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Monastery 2004 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €1.0 million, recognised in sundry other liabilities (note 12).

Monastery 2006

<b>Notes as at balance sheet date</b>	Total	Held by DSB Bank
Class A2	397,148	121,909
Class B	28,000	0
Class C	28,700	20,100
Class D	9,500	300
<i>Total</i>	<i>463,348</i>	<i>142,309</i>

- Receivable from Monastery 2006 in respect of deferred purchase price receivable amounting to €16.9 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Monastery 2006 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €1.2 million, recognised in sundry other liabilities (note 12).

## Additional information

### Dome 2006

<b>Notes as at balance sheet date</b>	Total	Held by DSB Bank
Class A	405,750	0
Class B	22,100	0
Class C	13,800	13,800
Class D	13,800	13,800
Class E	6,215	6,215
<i>Total</i>	<i>461,665</i>	<i>33,815</i>

- Receivables from Dome 2006 relating to received deferred purchase price, payments into the reserve account and other receivables. These receivables total €2.8 million and are accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Dome 2006 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €2.1 million, recognised in sundry other liabilities (note 12).

### Chapel 2003

<b>Notes as at balance sheet date</b>	Total	Held by DSB Bank
Class A	183,166	27,372
Class B	39,000	1,000
Class C	23,500	0
Class D	47,500	9,500
Class E	8,849	0
<i>Total</i>	<i>302,015</i>	<i>37,872</i>

- Receivable from Chapel 2003 in respect of deferred purchase price receivable amounting to €7.7 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Chapel 2003 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €0.8 million, recognised in sundry other liabilities (note 12).

### Chapel 2007

<b>Notes as at balance sheet date</b>	Total	Held by DSB Bank
Class A1	-	0
Class A2	226,221	0
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	0
Class G	6,900	0
<i>Total</i>	<i>315,921</i>	<i>27,600</i>

- Receivable from Chapel 2007 in respect of deferred purchase price receivable amounting to €19.3 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Chapel 2007 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €1.0 million, recognised in sundry other liabilities (note 12).

### 3.3. List of subsidiaries, associates and joint ventures

As at 31 December 2014, the company balance sheet includes the following investments in subsidiaries, associates and joint ventures:

(Amounts x €1,000)

Name of company	Domicile	Interest	Authorised capital	Paid-up and called capital
DSB International B.V.	Wognum	100%	90,000	18,000
- DSB Direkt GmbH	Düsseldorf	100%	25,000	25,000
- DSB Deutschland GmbH	Düsseldorf	100%	25,000	25,000
- Crea-Hypo-Finance N.V.	(Sold 17 October 2014)			
Tadas Verzekeringen B. V.	Heerhugowaard	100%	800,000	169,200
DSB Leeuwarden B.V.	(Liquidation completed 11 April 2014)			
DSB Beveiliging B.V.	(Liquidation completed 11 April 2014)			