

Financial Report 2015

DSB Bank N.V. in bankruptcy

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1.1 Key figures (x €1,000)

	2015	2014	2013	2012	2011	2010	2009
BALANCE SHEET							
Balance sheet total	2,297,142	2,630,342	2,919,073	3,282,731	3,560,678	3,968,256	4,693,412
Loans and advances	2,258,681	2,532,888	2,819,795	3,151,399	3,411,117	3,853,435	4,252,039
Provision for bad debts	-231,068	-252,298	-270,801	-265,472	-278,664	-363,432	-383,666
Provision as percentage of loans and advances	10.2%	10.0%	9.6%	8.4%	8.2%	9.4%	9.0%
Borrowings	1,028,158	1,377,900	381,981	489,472	588,967	455,208	1,161,118
Paid out to preferential and unsecured creditors ^(cumulative)	2,828,058	2,757,020	1,317,202	1,001,351	696,588	-	-
Outstanding payables to unsecured creditors ^(cumulative)	972,803	1,030,318	2,527,247	2,829,312	3,109,476	3,817,554	-
Paid out to subordinated creditors ^(cumulative)	3,384	-	-	-	-	-	-
Outstanding payables to subordinated creditors ^(cumulative)	128,399	131,880	131,880	143,303	143,303	143,303	147,853
Balance of assets and liabilities ^(cumulative)	-1,987	-176,384	-308,370	-429,135	-451,393	-631,688	-574,906
Interest not included in balance ^(cumulative)	-613,060	-582,129	-499,185	-400,172	-280,447	-148,593	-31,022
INCOME STATEMENT							
Revenue	160,987	190,922	199,805	187,569	210,241	239,744	342,512
Operating expenses	37,234	27,523	43,943	52,840	58,960	88,785	333,615
Exceptional income and expenses	50,644	-31,413	-35,097	-112,471	17,714	-207,741	-816,496
Net result	174,397	131,986	120,765	22,258	168,995	-56,782	-807,599
OTHER KEY FIGURES							
FTEs on payroll ^(average)	31	47	98	153	216	271	1,211
FTEs on temporary contract ^(average)	30	27	56	99	71	n/a	n/a
Securitised loans	1,606,568	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 ^(cumulative)	324,386 ¹	314,506	206,906	177,728	48,444	27,344	-

¹ With effect from 2015, the costs of HWL compensation payments, totalling €20.2 million, have been included in this figure – see page 31.

1.2 Introduction

General

DSB Bank N.V. was declared insolvent on 19 October 2009. The financial reports for the years 2009–2014 have been published on the website of DSB Bank N.V. (www.dsbbank.nl).

As the Bankruptcy Trustees have been 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 2015 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.

The 2015 reporting period

On 4 November 2014, the Amsterdam Court of Appeal gave its final decision on the application made by the Bankruptcy Trustees and others under the Collective Mass Claims Settlement Act (Dutch abbreviation: '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.

Existing and former customers of DSB Bank had until 8 May 2015 to indicate that they did not wish to be bound by the compensation scheme ('opt out'). Additionally, existing and former customers had until 8 November 2015 to apply for compensation ('opt in'). This means that – 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 Bankruptcy Trustees have calculated the amount of the provision for settlement of compensation claims beyond 31 December 2015 as €7 million. For further information regarding the compensation scheme, reference is made to www.dsbcompensatie.nl.

In May 2015, following clearance by De Nederlandsche Bank N.V. (DNB), DSB Bank sold its (indirect) interests in the DSB Bank insurance operations to Chesnara plc. The proceeds totalled approximately €70 million and this income has been accounted for in the present financial report.

On 4 December 2015, the Bankruptcy Trustees – having sought the recommendations of the creditors' committee and obtained the agreement of the supervisory judge – made an offer to almost all of the approximately 30,000 creditors with unsecured and/or subordinated claims essentially involving payment of 100% of the claimed amount on condition that the right to accrued interest as from the date of the insolvency was waived. As at balance sheet date, in excess of 25,000 creditors had already accepted this offer.

The financial report as at 31 December 2015 has not been audited. The Bankruptcy Trustees, however, have instructed a firm of external auditors to perform a number of specific activities with the purpose of reconciling this financial report with the bank's underlying accounting records. The Bankruptcy Trustees have discussed this financial report and reports made by the external auditors with the creditors' committee and the supervisory judge.

For the reporting by the Bankruptcy Trustees on the progress of their work in 2015, reference is also made to the public reports which they have published.

Outlook

The net result for 2015 was lifted by exceptional income resulting from a number of incidental factors, such as the sale of the insurance entities. Underlying operating income, however, was down compared with 2014 by approximately 15% and operating income is expected to continue to decline in the years ahead as the lending portfolio shrinks. Even though operating expenses will also fall, the net result in 2016 and subsequent years will be considerably lower than in 2015.

Bankruptcy Trustees of DSB Bank N.V.
Wognum, 7 April 2016

R.J. Schimmelpenninck

B.F.M. Knüppe

2. Financial report

2.1 Company balance sheet as at 31 December 2015 (x €1,000)

		2015	2014
ASSETS			
Cash	1	33,872	27,867
Loans and advances	2	2,027,613	2,280,590
Interest rate swaps	3	0	0
Investments in group companies	4	0	14,018
Property, plant and equipment	5	1,625	2,030
Receivables			
Debtors / receivables	6	217	151
Receivables from DSB Ficoholding	7	5,000	18,706
Receivables from DSB Beheer	8	8,200	41,426
Other receivables	9	<u>220,615</u>	<u>245,554</u>
		234,032	305,837
		<u>2,297,142</u>	<u>2,630,342</u>

Company balance sheet as at 31 December 2015 (x €1,000)

		2015	2014
EQUITY AND LIABILITIES			
Borrowings	10	1,028,158	1,377,900
Other liabilities			
Tax and social security charges	11	54	157
Sundry other payables	12	12,715	11,471
		12,769	11,628
Provisions			
Compensation scheme	13	7,000	105,000
Liquidation losses	14	150,000	150,000
		157,000	255,000
Unsecured liabilities	15	972,803	1,030,318
Subordinated liabilities	16	128,399	131,880
Balance ¹	17	-1,987	-176,384
		<u>2,297,142</u>	<u>2,630,342</u>

¹ 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 2015, the accumulated amount in respect of 'unrecognised accrued interest' was €613 million. This figure has been arrived at using the statutory interest rate for consumer transactions.

2.2 Company income statement for 2015 (x €1,000)

		2015	2014
Revenue			
Finance income – interest	18	160,705	189,308
Share in results of subsidiaries, associates and joint ventures	4	0	401
Other income	19	282	1,213
		<u>160,987</u>	<u>190,922</u>
Operating expenses			
Finance expense – interest	20	17,923	5,686
Administrative expenses	21	19,311	21,837
		<u>37,234</u>	<u>27,523</u>
Net operating income		<u>123,753</u>	<u>163,399</u>
Exceptional income and expenses	22	50,644	-31,413
Result before tax		<u>174,397</u>	<u>131,986</u>
Tax		0	0
Result		<u>174,397</u>	<u>131,986</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 2015 reporting period, the additional amount in respect of 'unrecognised accrued interest' was €34 million. Additionally, acceptance of the Offer allowed an amount of €3 million to be released from 'unrecognised accrued interest'. This figure has been arrived at using the statutory interest rate for consumer transactions.

2.3 Cash flow statement (x €1,000)

	2015	2014
Receipts from management and sale of assets		
Payments on loans	593,851	557,716
Settlement of interest rate swaps	52,392	61,161
Coupon interest on notes	1,351	2,227
Redemption of notes	22,714	16,721
Receipt of receivable from DSB Beheer	55,743	1,147
Interest and repayments, Belgian entities	8,469	56,482
Proceeds from disposals	2,574	156
Sale of Tadas Verzekeringen	13,085	0
Other income	746	1,308
Total receipts	750,925	696,918
Expenditures		
Onward payments, repayments and non-operational expenditures		
SPVs sweep	234,180	229,248
Settlement of interest rate swaps	9,089	7,197
Interest payable on the special long-term loan facility	17,478	4,855
Customer payments not owing after insolvency	8,580	522
Interest on savings-type bank mortgage loans	272	270
Paid out to creditors	104,436	1,439,818
Other expenses	533	574
	374,568	1,682,484
Operating and administrative expenses		
Staff costs	2,584	3,301
Temporary staff / management services	6,321	7,276
Bankruptcy Trustees / Houthoff Buruma / other advisers	4,538	6,141
Servicing fee	4,823	3,157
Other expenses	2,136	2,987
	20,402	22,862
Total expenditures	394,970	1,705,346
Bankrupt estate financing		
Drawings on special long-term loan facility	0	1,470,000
Repayment of special long-term loan facility	-345,000	-471,000
DSB Beheer current account facility	3,050	-3,278
Tadas Verzekeringen current account facility	-8,000	0
Total bankrupt estate financing	-349,950	995,722
Total cash flow	6,005	-12,706
Cash balance:		
- as at 1 January	27,867	40,573
- as at 31 December	33,872	27,867
	6,005	-12,706

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 2015 and of the income and expenses for the period 1 January to 31 December 2015. 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 a bankrupt estate, 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 Dutch 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 assumes that the present policy of running down the lending portfolio will continue to be pursued. The 2015 financial report has been prepared in many respects in compliance with Part 9, Book 2, of the Dutch 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 other aspects. Departures from Part 9, Book 2, of the Dutch Civil Code, concern for example:

- 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 bankrupt estate arising as a consequence of or during the liquidation process.
- Recognition of interest income and expense in the income statement at face value.
- The separate presentation of exceptional income and expenses in the income statement.
- Non-adherence to the provisions of Netherlands GAAP 170 Discontinuity and serious uncertainty concerning discontinuity.

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 Bankruptcy Trustees 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 lending losses.
- Receivables from DSB Ficoholding: estimate of recoverable amount.
- Receivables from DSB Beheer: estimate of recoverable amount.
- Provision for notes issued by the securitisation entities: estimate of redeemable amount.
- Provision for duty-of-care compensation: estimate of compensation amounts still to be 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 2014 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.

Having consulted the creditors' committee and the supervisory judge, the Bankruptcy Trustees have decided in principle not to dispose of the lending portfolio before year-end 2020. 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 and cap

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 largely 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.

To hedge the interest rate risk relating to the bankrupt estate financing, a financial instrument (cap) has been purchased which essentially fixes the interest rate on the loan facility at 1.25%. The cap has a

declining notional principal amount and matures at the end of 2016. The non-recurring cost of this instrument has been recognised directly in the result and is included in finance expense.

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

Assets included in property, plant and equipment are carried at net selling price.

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 is calculated according to the expected award of compensation to those customers, based on the average amount of compensation awarded to date, amongst other things.

Provision for other liquidation losses

The provision for other liquidation losses serves to cover any further write-downs on assets.

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

Interest income and expense

The amounts of interest income and expense are recognised at face value in the year to which they relate. An exception is the interest expense on the previously mentioned interest rate cap, which has been accounted for on a cash basis.

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.

Tax

For corporation tax purposes relating to the 2015 tax year, DSB Bank forms part of a tax group with DSB Beheer B.V. (referred to in Dutch as 'FE Vpb Beheer'). Based on current information, FE Vpb Beheer (and hence DSB Bank) does not have any corporation tax liability with respect to the reporting period 1 January 2015–31 December 2015.

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 2015 (x €1,000)**ASSETS****1. CASH**

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

	2015	2014
2. LOANS AND ADVANCES		
Mortgage loans with a first mortgage	1,825,268	2,032,894
Mortgage loans with a second mortgage	181,573	223,179
Consumer credit	117,805	207,604
Residual debts (mortgaged property repossessed and sold)	41,463	69,211
Consumer credit loans more than 12 instalments in arrears	92,572	0
Subtotal: gross loans	<u>2,258,681</u>	<u>2,532,888</u>
Provision for bad debts	<u>-231,068</u>	<u>-252,298</u>
	<u><u>2,027,613</u></u>	<u><u>2,280,590</u></u>

The consumer credit loans more than 12 instalments in arrears are presented separately with effect from 2015. The management of these loans has been transferred to new service providers with effect from the second quarter of 2015.

	2015	2014
Loans and advances as at 1 January	2,532,888	2,819,795
Receipts	-239,117	-245,718
Write-downs	-35,090	-31,908
Other loans and advances transferred to receivables (note 9)	0	-9,281
Balance as at 31 December	<u>2,258,681</u>	<u>2,532,888</u>

	2015	2014
- mortgages and consumer credit	-239,117	-193,448
- other lending	0	-52,270
Total receipts	<u>-239,117</u>	<u>-245,718</u>

	2015	2014
- write-down on other loans and advances on sale of portfolio	0	10,847
- write-down on sale of portfolio	0	155
- write-down for credit risk	10,946	9,927
- compensation payment adjustments replacing write-downs	0	-110
- compensation payments for duty-of-care claims	23,429	9,977
- restructuring connected with the duty-of-care issues	715	1,112
Total write-downs	<u>35,090</u>	<u>31,908</u>

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.

Provision for bad debts

Based on experience since the insolvency, DSB Bank in bankruptcy formulated new frameworks and accounting rules in 2010 for calculating bad debt provisions. 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 2015 amounted to €231.0 million (2014: €252.3 million).

	2015	2014
Movements in the provision for bad debts were:		
Balance as at 1 January	252,298	257,372
Write-down on sale of portfolio	0	-155
Write-down for credit risk	-9,675	-9,927
Restructuring connected with the duty-of-care issues	-715	-1,112
Released from the provision for loans > 12 instalments in arrears	-2,212	0
Released following reappraisal of collateral value as at mid-2015	-3,822	0
Released from / added to provision	-4,806	6,120
Balance as at 31 December	<u>231,068</u>	<u>252,298</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.

	2015	2014
Balance as at 1 January	14,018	13,617
Sale of Tadas Verzekeringen shares	13,085	0
Impairment/capital gain recognised in income	-933	749
Share in results	0	-348
Balance as at 31 December	<u>0</u>	<u>14,018</u>

	2015	2014
This concerns the following entities:		
DSB International	0	0
Tadas Verzekeringen	0	14,018
	<u>0</u>	<u>14,018</u>

DSB International

The investee Crea-Hypo-Finance N.V. was sold by DSB International on 17 October 2014. The remaining parts of DSB International will be liquidated in 2016. The shareholders' equity of DSB International as at 31 December 2015 was nil.

Tadas Verzekeringen

The shares of Tadas Verzekeringen were sold in May 2015. The proceeds from the sale turned out €933 lower than the carrying amount as at year-end 2014. This impairment has been recognised in the exceptional income and expenses.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Other assets	Total 2015	Total 2014
Balance as at 1 January	2,000	30	2,030	3,468
Investments/disposals	0	-30	-30	-24
Depreciation and amortisation	0	0	0	0
Revaluation / write-down	-375	0	-375	-1,414
Balance as at 31 December	<u>1,625</u>	<u>0</u>	<u>1,625</u>	<u>2,030</u>

Buildings and land as at 31 December 2015 comprises the premises in Heerhugowaard, disposed of in February 2016. The carrying amount is the same as the proceeds from the sale.

6. TRADE RECEIVABLES

	2015	2014
Guarantees receivable	55	74
Other	162	77
	<u>217</u>	<u>151</u>

7. RECEIVABLES FROM DSB FICOHOLDING

	2015	2014
Loan to DSB Ficoholding	0	15,252
Receivable from DSB Ficoholding in respect of interim dividend	5,000	3,454
	<u>5,000</u>	<u>18,706</u>

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 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 accrued annually. The loan was repaid in full in May 2015 by exercising the pledge when the shares were disposed of.

	2015	2014
The movements were as follows:		
Balance as at 1 January	15,252	13,000
Add: Interest	249	2,252
Less: Repayment received	-15,501	0
Balance as at 31 December	<u>0</u>	<u>15,252</u>

Receivable from DSB Ficoholding in respect of interim dividend

	2015	2014
The movements were as follows:		
Balance as at 1 January	3,454	11,300
Less: Repayment received	-3,386	-671
Add/Less: Released from/added to provision for bad debts	4,932	-7,175
Balance as at 31 December	<u>5,000</u>	<u>3,454</u>

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. The amount of DSB Bank's receivable from DSB Ficoholding,

which is only partially recoverable, remains unchanged and is recognised at the original amount of €11.3 million.

In connection with a payment agreed back in 2012, DSB Ficoholding made an initial repayment of 671 in 2014. DSB Ficoholding subsequently repaid 3,386 in 2015, leaving an outstanding receivable of 7,243 as at 31 December 2015. It has been estimated that the amount which will be paid in settlement of this receivable will be approximately 5,000, and a provision has been recognised for the possible uncollectability of 2,243. As at 31 December 2014, the provision amounted to 7,175, enabling an amount of 4,932 to be released to income.

	2015	2014
8. RECEIVABLES FROM DSB BEHEER		
Receivables from DSB Beheer	7,100	41,426
Receivables from DSB Beheer subsidiaries	0	0
Receivables of group companies in the insolvency of DSB Beheer taken over	1,100	0
	<u>8,200</u>	<u>41,426</u>

Receivables from DSB Beheer

	2015	2014
The receivables from DSB Beheer are made up as follows:		
Verified allowed receivable	66,435	56,272
Verified contingently allowed receivable	0	50,000
	<u>66,435</u>	<u>106,272</u>
Total repayments received	-6,007	-5,143
	<u>60,428</u>	<u>101,129</u>
Provision for bad debts	-53,328	-59,703
Balance as at 31 December	<u>7,100</u>	<u>41,426</u>

As at 31 December 2014, DSB Bank's contingently allowed receivable in the insolvency of DSB Beheer amounted to €50 million. In May 2015, the shares of the insurance entities were sold by DSB Ficoholding. On the basis of the sale of the shares and the pledge established on these shares in favour of DSB Bank, an amount of 39,837 was received by DSB Bank, of which €5 million was paid into an escrow account (see other receivables). DSB Bank's contingently allowed receivable in the insolvency of DSB Beheer, amounting to €50 million, was eliminated by this transaction. In the claim validation proceedings brought by DSB Bank against DSB Beheer, the District Court in Amsterdam allowed the residual amount of 10,162 as the ultimate amount of the receivable (after liquidation of all collateral security). The amount of DSB Bank's receivable from DSB Beheer ultimately allowed as at 31 December 2015 was 66,435.

DSB Beheer paid DSB Bank an amount of 864 in 2015 (representing 8.5% of 10,162). An amount of 5,143 had already been paid in 2014, making a total amount paid out up to year-end 2015 of 6,007.

The net amount of the receivable after deducting the payments already received is 60,428. The final percentage payout made by DSB Beheer is estimated at around 10%, meaning that a further 7,100 approximately will be paid on the receivable. The provision for the possible uncollectible portion of this receivable therefore amounts to 53,328. As at 31 December 2014, the provision amounted to 59,703, enabling an amount of 6,375 to be released to income.

	2015	2014
The movements in the receivable from DSB Beheer were as follows:		
Balance as at 1 January	41,426	41,426
Less: Received from exercise of pledge	-39,837	0
Less: Received in payment on allowed receivable	-864	0
Add: Released from provision for bad debts	6,375	0
Balance as at 31 December	<u>7,100</u>	<u>41,426</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 and paid, involving an amount of 744. They were receivables of DS Sport B.V. and Gema Advies Groep B.V. from DSB Beheer, together having a face value of €11.1 million. In the period up to year-end 2014, a provision of 100% was recognised for the possible uncollectability of the amount receivable. However, it is now possible to make an estimate of the final payout percentage in the insolvency of DSB Beheer. This has been put at around 10%, resulting in a recognised carrying amount as at year-end 2015 of 1,100.

	2015	2014
9. OTHER RECEIVABLES		
This concerns:		
Notes issued by securitisation companies	194,114	216,828
Receivable from SPV shareholders	55	55
Financing of Duhold N.V. and Auxifina N.V. (from note 2)	0	8,366
Escrow account (after sale of insurance entities, see note 8)	5,000	0
Accrued interest	6,369	5,859
Customer direct debit receivables	11,498	14,158
Miscellaneous	3,579	288
	<u>220,615</u>	<u>245,554</u>

	2015	2014
Notes issued by securitisation companies		
A-Notes Chapel 2003	18,893	27,372
A-Notes Monastery 2004	20,908	23,532
A-Notes Monastery 2006	110,298	121,909
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>255,914</u>	<u>278,628</u>
Provision	<u>-61,800</u>	<u>-61,800</u>
	<u>194,114</u>	<u>216,828</u>

	2015	2014
The movements in the notes issued by securitisation companies were as follows:		
Balance as at 1 January	216,828	233,549
Redemptions	-22,714	-16,721
Movement in provision	0	0
Balance as at 31 December	<u>194,114</u>	<u>216,828</u>

The notes relate exclusively to notes issued under securitisation programmes involving DSB Bank loans. DSB Bank has recognised the provision in respect of the notes issued by securitisation companies, based on the estimated losses on the underlying loans contained in the securitisation programmes concerned.

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. in connection with the purchase by these companies of the loan portfolios of DSB Bank's former subsidiaries in Belgium. In the period prior to 17 October 2014, these loan portfolios were financed by DSB Bank by means of an intercompany loan accounted for in the other loans (note 2). The loans were repaid in full by Duhold N.V. and Auxifina N.V. in 2015.

Escrow

A proportion (amounting to €5 million) of the proceeds from the sale of the shares of Tadas Verzekeringen and of the insurance entities was paid into an escrow account – see note 8. The amount held in escrow will

be released to DSB Bank at year-end 2017, provided that the purchaser has no claim under the guarantees provided by DSB Bank.

EQUITY AND LIABILITIES

	2015	2014
10. BORROWINGS		
Special long-term loan facility provided by a consortium of banks	1,005,000	1,350,000
DSB Beheer current account facility	23,158	19,900
Tadas Verzekeringen current account facility	0	8,000
	<u>1,028,158</u>	<u>1,377,900</u>

As at 31 December 2015, the weighted average interest rate on borrowings was 1.24 % (year-end 2014: 1.28%).

Special long-term loan facility provided by a consortium of banks

DSB Bank had contracted a special long-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 a distribution of 35% to the unsecured creditors to be made.

It is a condition of the special long-term loan facility that available cash flows from lending activities (non-securitised loans), front swaps and notes issued under securitisation programmes since the distribution made on 24 December 2014 are to be used to repay the special long-term loan, with the proviso that in 2015 the consortium approved the payments to creditors accepting the Offer. See section 2.6.2.

In March 2015, the interest rate on the special long-term loan facility was largely fixed at 1.25% by purchasing a financial instrument (cap) maturing at the end of 2016. The non-recurring cost of this instrument has been recognised directly in finance expense, as interest on the special long-term loan.

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 were placed with DSB Bank under a current account facility. The facility was terminated on 19 May 2015.

	2015	2014
11. TAX AND SOCIAL SECURITY CHARGES		
Payroll deductions and VAT	53	153
Other	1	4
	<u>54</u>	<u>157</u>

	2015	2014
12. SUNDRY OTHER PAYABLES		
Amounts owed to securitisation companies	7,531	6,097
Other amounts owed by the bankrupt estate	5,184	5,374
	<u>12,715</u>	<u>11,471</u>

13. PROVISION FOR COMPENSATION SCHEME

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 is based on the number of customers as at balance sheet date that had applied by 7 November 2015 – the closing date for applications – for inclusion in the compensation scheme for insurance mis-selling compensation where the amount of the compensation still has to be calculated. The estimate has been made partly on the basis of the average amount of compensation awarded to date. The amount released in 2015 is explained by the differences between the assumptions underlying the provision as regards the expected numbers of claimants and average amount of compensation and the compensation payments actually awarded.

	2015	2014
Balance as at 1 January	105,000	25,000
Compensation claims settled	-87,270	-26,654
Released from / added to provision	-10,730	106,654
Balance as at 31 December	<u>7,000</u>	<u>105,000</u>

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 bankrupt estate 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, on the assets side, so there is no reason to adjust the amounts of these provisions as at year-end 2015.

	2015	2014
15. UNSECURED LIABILITIES		
Claims payable < €100	165	165
Allowed unsecured claims	953,115	1,007,252
Claims provisionally allowed by the Bankruptcy Trustees	<u>19,523</u>	<u>22,901</u>
	<u>972,803</u>	<u>1,030,318</u>

The movements in the unsecured liabilities were as follows:

	Claims < €100	Allowed claims	Claims provisionally allowed by Bankruptcy Trustees	Total
Unsecured claims	766	3,763,473	23,099	3,787,338
Cumulative amount of distributions	-601	-2,756,221	-198	-2,757,020
Balance as at 1 January	<u>165</u>	<u>1,007,252</u>	<u>22,901</u>	<u>1,030,318</u>
Movements in 2015				
Increase in amount of claims		49	43,626	43,675
Decrease in amount of claims		-30,153		-30,153
Decrease in amount of claims due to acceptance of the Offer		-69,508	-21,472	-90,980
Total movement in unsecured claims	<u>0</u>	<u>-99,612</u>	<u>22,154</u>	<u>-77,458</u>
Distributions in connection with the Offer		-18,073	-5,584	-23,657
Distributions		-5,961	-41,420	-47,381
Decreasing amounts payable on claims due to acceptance of the Offer		69,508	21,472	90,980
Total movement in amount of distributions	<u>0</u>	<u>45,474</u>	<u>-25,532</u>	<u>19,942</u>
Unsecured claims	766	3,663,862	45,253	3,709,880
Cumulative amount of distributions	-601	-2,710,747	-25,730	-2,737,078
Balance as at 31 December	<u>165</u>	<u>953,115</u>	<u>19,523</u>	<u>972,803</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, 2014 and 2015. It is also possible for claims to be submitted and/or allowed in 2016 and beyond.

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

Less: Allowed claims due to acceptance of the Offer	-90,980
Less: Allowed claims connected with settlement of disposal of group companies	-30,045
Less: Allowed claims, settled against arrears and since withdrawn	-108
Add: New claims	266
Add: New claims in connection with excessive amounts paid out in respect of refunds	1,378
Add: New claims by SPVs in respect of compensation for terminated HWL (Hollands Welvaren Leven) policies	7
Add: New claims by SPVs in respect of rescheduling charged to loans from the SPVs	82
Add: New claims by customers in respect of compensation awarded	24,727
Add: New claims by SPVs in respect of compensation charged to loans from the SPVs	17,215
	<u>-77,458</u>

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 €3.66 billion (year-end 2014: €3.76 billion).

Claims provisionally allowed by the Bankruptcy Trustees

As at 31 December 2015, the claims provisionally allowed by the Bankruptcy Trustees amounted to 45,253 (year-end 2014: 23,099). This includes compensation awarded to customers, claims from insurance entities relating to excessive refunds and compensation on loans from the securitisation entities which have not been formally recognised at a meeting pursuant to Section 178 of the Dutch Insolvency Act. These will be placed on the verification list for the next meeting pursuant to Section 178 of the Dutch Insolvency Act.

Claims < €100.00

There remains an outstanding claim of 165 in respect of creditors with claims of < €100.00.

Distributions

A total of €2.83 billion has so far been paid out to unsecured and preferential creditors, corresponding to 74% of the allowed claims and the distributions in full as at 31 December 2015 made to creditors who have accepted the Offer.

The Offer

The Bankruptcy Trustees made the Offer to all unsecured creditors of DSB Bank with allowed claims (with the exception of De Nederlandsche Bank N.V. ('DNB') in its capacity as administrator of the deposit guarantee scheme 'DGS') on 4 December 2015. In addition, the Bankruptcy Trustees have made an offer to all 311 subordinated deposit holders. Details of the Offer and the current state of affairs in relation to it are disclosed in section 2.6.2.

As at December 2015, 25,010 unsecured creditors had accepted the Offer and received the outstanding amount of their claims, together totalling 23,657, settling the original amount of their claims.

16. SUBORDINATED LIABILITIES

	2015	2014
Allowed subordinated claims under the DGS	89,526	89,526
Allowed other subordinated claims of financiers	32,085	32,085
Allowed other subordinated claims	6,788	10,269
Balance as at 31 December	<u>128,399</u>	<u>131,880</u>

The movements in the other allowed subordinated claims were as follows:

	2015	2014
Balance as at 1 January	10,269	10,269
Decrease in claims	-97	0
Distributions made in connection with the Offer	-3,384	0
Balance as at 31 December	<u>6,788</u>	<u>10,269</u>

The Offer

The Bankruptcy Trustees made the Offer to all unsecured creditors of DSB Bank with allowed claims (with the exception of DNB in its capacity as administrator of the DGS) on 4 December 2015. In addition the Bankruptcy Trustees have made an offer to all 311 subordinated deposit holders. Details of the Offer and the current state of affairs in relation to it are disclosed in section 2.6.2.

In December 2015, 124 creditors with subordinated claims accepted the Offer and received the amount of their claim, together totalling 3,384

	2015	2014
17. BALANCE		
The movements in the balance were as follows:		
Balance as at 1 January	-176,384	-308,370
Result	174,397	131,986
Balance as at 31 December	<u>-1,987</u>	<u>-176,384</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 2015, the accumulated amount in respect of 'unrecognised accrued interest' was €613 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 2015

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 front swaps have generated a considerable positive cash flow for the bankrupt estate and the income from them in the years ahead will diminish.

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 time horizons of more than one year is hedged by interest rates hedging instruments, taking due account of premature redemptions and an upward forward yield curve.

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 2015 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 bankrupt estate financing in December 2014 and the expected longer duration of the winding-up operation, there has been a change in DSB Bank's interest rate risk profile. DSB Bank mitigated the resultant interest rate risks in March 2015 by fixing the interest rate on a large part of the special long-term loan facility at 1.25% by purchasing an interest rate cap with a declining notional principal amount maturing at the end of 2016. The non-recurring cost of this instrument has been recognised directly in the result and is included in finance expense.

Forecast cash flows

The cash flows arising from the front swaps and the related interest rate hedges generated in 2015 have been included in the 2015 income statement and amount to €43.7 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 €34 million for the whole of 2016 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 2017-2020 will be approximately €70 million.

Nominal value

The nominal value of the front swaps taken over by DSB Bank as at year-end 2015 was €1,481 million (2014: 1,679 million).

The nominal value of the interest rate hedges against the related interest rate risk as at year-end 2015 was €1,050 million (2014: €1,125 million).

	2015	2014
The remaining term to maturity of the interest rate hedges can be analysed as follows:		
Less than 3 months	60,000	85,000
More than 3 months, but not more than 1 year	210,000	210,000
More than 1 year, but not more than 5 years	705,000	800,000
More than 5 years	75,000	30,000
	<u>1,050,000</u>	<u>1,125,000</u>

The remaining terms of the interest rate hedges reflect 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 2015 was €14.4 million negative (2014: €16.5 million negative).

	2015	2014
The fair value of the interest rate hedges is as follows:		
Positive fair value	42	0
Negative fair value	-14,417	-16,494
	<u>-14,375</u>	<u>-16,494</u>

2.6.2 The Offer made by the Bankruptcy Trustees to creditors

Introduction

The Bankruptcy Trustees made the offer to all unsecured creditors of DSB Bank with allowed claims (with the exception of De Nederlandsche Bank N.V. ('DNB') in its capacity as administrator of the deposit guarantee scheme) on 4 December 2015. In addition the Bankruptcy Trustees have made an offer to all 311 subordinated deposit holders. The essence of the offer is described below. For full details of the offer, reference is made to 'The Offer from the Bankruptcy Trustees ' as published on the DSB Bank N.V. website.

Offer

The Bankruptcy Trustees are offering to settle a creditor's claims by paying the residual amount as a lump sum on condition that the creditor waives all claims against DSB and claims against third parties connected with DSB. The outstanding amount is the original claim less the distributions already received: unsecured creditors have already received payouts of 74% but subordinated creditors have not yet received any payout at all.

If a creditor accepts the offer, this means that a settlement agreement has been established between the creditor and the Bankruptcy Trustees under which the creditor and the Bankruptcy Trustees, after receipt by the creditor of the residual amount, grant each other final discharge with regard to all existing or future claims of the creditor against DSB – including though not limited to costs and any accrued interest claims as of the insolvency date.

The waiving of rights as described above does not affect the rights which the creditor may claim vis-a-vis third parties under Articles 11.2 and 11.3 of the Agreement on the mass claim settlement scheme declared generally binding on 4 November 2014 that was concluded between the Bankruptcy Trustees, several Stakeholder Organisations representing customers of DSB, several insurers and several former subsidiaries of DSB (the 'WCAM Agreement').

Creditors wishing to accept the Offer must register via the website www.aanbod.dsb.nl no later than 4 March 2016.

Interim status of the response to the Offer by creditors

As at 31 December 2015, 25,010 unsecured creditors and 124 subordinated creditors had accepted the Offer and the outstanding claims of unsecured creditors, totalling 23,657, and subordinated creditors, totalling 3,384, had been paid out (notes 15 and 16).

As at 4 March 2016, 28,486 creditors had accepted the Offer. The combined original amount of the claims of these creditors amounted to €280 million, with the remaining amount of these claims totalling €80 million. Of this amount, €27 million had been paid out before the end of 2015, with a further €53 million is still to be paid out in 2016.

Twenty-seven customers with a total amount payable of 594 have let it be known that they are not accepting the Offer.

2.6.3 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). Purely by way of indication, a calculation has been made of the total amount of accrued interest on the allowed claims of unsecured and subordinated creditors over the period 19 October 2009–31 December 2015.

The accrued interest has been calculated at the statutory interest rate for consumer transactions, applied to the allowed claims of creditors and taking into account interim distributions. As from the date of the insolvency up to 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 was set at 2% and remains at this rate.

The obligation in respect of accrued interest as at 31 December 2015 amounts to €613 million, analysed as follows:

Year	€ million
2009	31
2010	117
2011	132
2012	120
2013	99
2014	83
2015	34
'The Offer'	-3
Total	613

The accrued interest in 2015, totalling €34 million, concerns the interest on the claims of the unsecured and subordinated creditors registered in 2015. The 25,000-plus creditors who had accepted the Offer as at 31 December 2015 waive their claim to payment of interest, totalling €3 million.

As explained in section 2.6.2, more than 28,000 creditors had accepted the Offer as at 4 March 2016. The accrued interest on the claims of the 3,000 creditors who have accepted the Offer in 2016 totals €31 million. The relatively large amount of this accrued interest figure stems from acceptance of the Offer by creditors with substantial claims.

The accrued interest figure as at 31 December 2015 is, incidentally, no indication of the actual amount of interest payable to creditors at any given date. This will depend on the available funds, as explained below.

In principle, the Bankruptcy Trustees are prohibited under the Dutch Insolvency Act from making distributions in respect of interest claims arising after the date of insolvency as part of insolvency proceedings (first insolvency). Pursuant to the Dutch Insolvency Act, the DSB insolvency is brought to a close when the allowed claims of all Creditors in the insolvency of DSB have been paid in full. The payment of interest in respect of allowed claims that has been accrued since the declaration of insolvency can only commence after termination of the first insolvency.

At the end of the insolvency, DSB will not have sufficient funds to pay all interest claims accrued since the declaration of insolvency. That is why there will be a subsequent insolvency. The creditors must submit the interest claims - accrued during the current insolvency up to the date of the second insolvency order - to the Bankruptcy Trustees in the second insolvency.

The interest claims will subsequently be established in the second insolvency in the manner described in the Dutch Insolvency Act. This means, inter alia, that the Bankruptcy Trustees and each creditor in the second insolvency have the possibility of disputing submitted interest claims and taking their dispute to court.

In the event that interest claims are allowed and sufficient funds are available for distribution, distributions can then be made in respect of the allowed interest claims.

There is a chance that not only the principal sum of a Creditor's claim but also part of DSB Bank interest liability accrued during the insolvency may be paid.

Other obligations

It is possible for obligations incumbent on the bankrupt estate to arise as a result of acts or omissions on the part of the Bankruptcy Trustees. 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 other current legal proceedings will not have any material impact on the balance sheet items.

Undertakings given to staff

To manage the lending portfolio, to support the implementation of the Scheme and the Offer and to help with winding up the bankrupt estate including the keeping of its accounts, undertaking specific insolvency-related activities and support duties, some of the existing staff will continue to be needed beyond 31 December 2015.

In order to provide a better guarantee of retaining knowledge and expertise in this phase of the winding-up operation and to avoid any problems of undesirable departures of staff at a premature stage, an undertaking has been given to 24 employees in relation to the expected duration of their employment involving the promise of a longer period of notice rather than giving them a specific date on which their employment will be terminated. In the case of 14 employees, the period of notice has been set at 12 months, for five employees it is six months and for a further five employees, three months. The period of notice will start from the end of the calendar month in which it is given in each case.

In the first quarter of 2016, the expected average staff costs will be approximately 150 per month and the estimated costs for temporary staff connected with the operations of the bankrupt estate will be approximately 350 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. DSB Bank is paying a monthly rent of 13, including service costs and utilities.

2.7 Notes to the company income statement for 2015 (x €1,000)

	2015	2014
18. FINANCE INCOME - INTEREST		
Interest on mortgages and consumer credit	115,532	133,993
Interest on other loans	78	1,646
Interest on front swaps and interest rate hedges	43,744	51,442
Interest on notes	1,351	2,227
	<u>160,705</u>	<u>189,308</u>

The average interest rate on first mortgages in 2015 amounted to approximately 4.6% (2014: 4.7%), on second mortgages 5.7% (2014: 5.9%) and on consumer credit 7.1% (2014: 7.0%).

The interest on other loans concerns the interest on the Belgian lending portfolio, which was sold in 2015.

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.

	2015	2014
19. OTHER INCOME		
Payment from DNB relating to insolvency of Landsbanki/Hoop/Indover	0	935
Insurance settlements / other income	282	278
	<u>282</u>	<u>1,213</u>

	2015	2014
20. FINANCE EXPENSE - INTEREST		
Interest payable on the special long-term loan facility	14,961	5,052
Interest rate cap	2,400	0
Loans and other interest charges	562	634
	<u>17,923</u>	<u>5,686</u>

The interest rate risk arising as a consequence of the substantial amount drawn on the bankrupt estate financing in December 2014 has been mitigated by purchasing a Euribor-linked interest rate cap contract in March 2015. The costs associated with this contract were recognised in their entirety as finance expense in 2015.

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 2015 is estimated at approximately €34 million (2014: €83 million).

	2015	2014
21. ADMINISTRATIVE EXPENSES		
Staff costs	2,451	3,012
Temporary staff	4,003	4,444
Management services	2,279	2,661
Bankruptcy Trustees / Houthoff Buruma	2,336	4,064
Advisers	1,271	1,200
Office overheads	1,902	1,673
Servicing fee + loan portfolio management costs	4,717	5,622
Costs passed on in connection with lending portfolio migration	0	-1,873
Auditors' fees relating to audit of compensation scheme	106	465
Crea-Hypo-Finance portfolio success fee	0	66
Motor vehicles costs	67	112
Premises costs	179	391
	<u>19,311</u>	<u>21,837</u>

The company had an average of 34 full-time equivalent employees in 2015, all active in the Netherlands (2014: 47 FTEs).

	2015	2014
22. EXCEPTIONAL INCOME AND EXPENSES		
Movements in the provision for bad debts (note 2)	8,628	-6,120
Income from loans > 12 instalments in arrears (note 2)	2,212	0
Movements in the provision for other bad debts (note 2)	0	2,582
Write-down of investment in Tadas Verzekeringen (note 4)	-933	0
Write-down of property, plant and equipment (note 5)	-375	-1,414
Gain on the receivable from DSB Ficoholding (note 7)	5,181	6,378
Gain on receivable from DSB Beheer (note 8)	7,475	1,881
Income from sale of Tadas Verzekeringen and exercise of pledge	3,338	0
Settlement of outstanding claims of SPVs	15,455	0
Movement in claims of unsecured creditors	-1,049	71,933
Compensation scheme income / costs (see analysis below)	10,730	-106,654
Other	-18	1
	<u>50,644</u>	<u>-31,413</u>

Movement in claims of unsecured creditors

Released from allowed claims following sale of Tadas Verzekeringen claim	366
Movement in provisionally allowed claims	-81
Movement in other claims	-1,377
New, still to be allowed, unsecured claims by SPVs related to debt restructuring	43
	<u>-1,049</u>

Income / costs of compensation scheme

	2015	2014
The compensation scheme income / costs can be summarised as follows:		
Compensation scheme costs (see analysis below)	-87,270	-26,654
Movement in compensation scheme provision (note 13)	98,000	-80,000
	<u>10,730</u>	<u>-106,654</u>

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

	processed	movement in provision	Total 2015	Total 2014
Claims relating to mis-sold PPI	79,594	-87,500	-7,906	94,995
Claims relating to unit-linked plans	6,108	0	6,108	2,583
Claims relating to excessive lending	7,676	-10,500	-2,824	11,647
Claims relating to impossible cover	0	0	0	13
Compensation payments relating to HWS	0	0	0	0
	<u>93,378</u>	<u>-98,000</u>	<u>-4,622</u>	<u>109,237</u>
Less: Claims relating to unit-linked plans	-6,108	0	-6,108	-2,583
Total	<u>87,270</u>	<u>-98,000</u>	<u>-10,730</u>	<u>106,654</u>

	processed	movement in provision	Total 2015	Total 2014
Compensation payments under the Heads of Agreement	2,752	-15,500	-12,748	-3,462
Compensation payments under the enhancement to the Heads of Agreement	10,560	-12,500	-1,940	18,680
Compensation payments under the WCAM scheme	73,958	-70,000	3,958	91,436
Total	<u>87,270</u>	<u>-98,000</u>	<u>-10,730</u>	<u>106,654</u>

Notes to the company income statement for 2015 (x €1,000)

It is the Bankruptcy Trustees' policy that customers in severe financial difficulties who also have a probable duty-of-care claim will qualify for an ex-gratia restructuring of their debts. In 2015, debt restructuring in this connection totalled €148 (2014: €946).

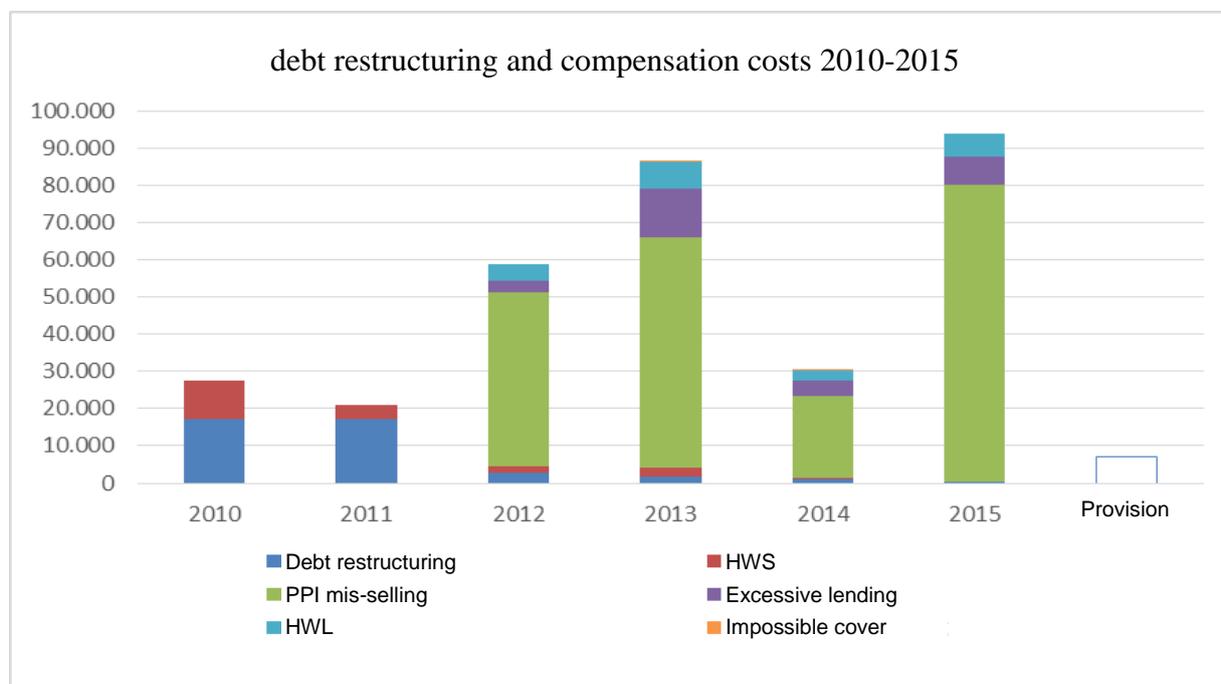
The analysis according to method of processing is as follows:

	Debt PPI mis-selling restructuring	Excessive lending	Impossible cover	Total for bankrupt estate	HWL	Total 2015	Total 2014	
Appropriation to duty-of-care provision - Heads of Agreement (note 13)	-1,700	-800		-2,500		-2,500	-22,500	
Appropriation to duty-of-care provision - Heads of Agreement enhancement (note 13)	-9,800	-2,700		-12,500		-12,500	12,500	
Appropriation to duty-of-care provision - WCAM scheme (note 13)	-76,000	-7,000		-83,000		-83,000	90,000	
Processed compensation payments to customers: claims on bankrupt estate (note 15)	25,358		0	25,358	7	25,365	3,104	
Processed compensation payments: settled against loans from SPVs (note 15)	23,834	3,809	0	27,643	655	28,298	12,528	
Processed compensation payments: settled against the bank's loans (note 15)	20,886	3,850	0	24,736	430	25,166	10,134	
Processed compensation payments: payment not due	9,517	17	0	9,534	2,653	12,187	2,336	
Processed debt restructuring arrangements	441			441		441	946	
	441	-7,906	-2,824	0	-10,289	3,745	-6,544	109,047
Add: Processed compensation payments for current HWL policies				0	2,363	2,363	1,136	
Less: Processed compensation payments for current and matured HWL policies charged to insurers				0	-6,108	-6,108	-2,583	
Less: Processed debt restructuring charged to provision for loans (note 2)	-715			-715		-715	-1,112	
Add: Refunds relating to restructuring	356			356		356	404	
Less: Processed debt restructuring claimed by SPVs on bankrupt estate (note 15)	-82			-82		-82	-237	
	0	-7,906	-2,824	0	-10,730	0	-10,730	106,654

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 2015 (note 22). The following graph illustrates these costs together with the costs of debt restructuring as they are spread over the years.



	2010	2011	2012	2013	2014	2015	total
Debt restructuring	17,322	17,244	2,907	1,695	946	393	40,507
HWS	10,022	3,856	1,732	2,327	350	0	18,287
PPI mis-selling	0	0	46,625	61,863	22,144	79,595	210,227
Excessive lending	0	0	3,020	13,286	4,147	7,676	28,129
HWL	0	0	4,353	7,172	2,583	6,108	20,216
Impossible cover	0	0	0	7	13	0	20
Total recognised (basis of graph)	27,344	21,100	58,637	86,350	30,183	93,772	317,386
Add: Movement in provision	0	0	75,000	-50,000	80,000	-98,000	7,000
Total expense	27,344	21,100	133,637	36,350	110,183	-4,228	324,386
Cumulative	27,344	48,444	182,081	218,431	328,614	324,386	
Cumulative, excluding. HWL	27,344	48,444	177,728	206,906	314,506	304,170	

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 compensation scheme provision can be found on pages 19 and 20.

The total costs connected with debt restructuring and compensation payments recognised in the DSB Bank income statement amount to €304 million. This figure excludes the compensation payments totalling €20 million relating to HWL, the cost of which was transferred to former group company Hollands Welvaren Leven NV. However, the latter costs were effectively also borne by DSB Bank since the burden of the HWL compensation payments reduced the proceeds from the sale of the shares of this group company in 2015. The overall costs of duty-of-care claims therefore amount to €324 million.

3.2. Other information on securitisation programmes

	2015	2014
SECURITISED LOANS TRANSFERRED TO SPVs		
Monastery 2004	210,765	228,318
Monastery 2006	433,390	471,591
Dome 2006	425,963	462,440
Chapel 2003	256,814	307,157
Chapel 2007	279,636	330,957
	<u>1,606,568</u>	<u>1,800,463</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 amounts concerned were settled in 2015 by being set against the payment of SPV duty-of-care claims.

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	138,890	20,908
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>212,207</i>	<i>34,408</i>

- Receivable from Monastery 2004 in respect of deferred purchase price receivable amounting to €3.7 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Monastery 2004 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).

Monastery 2006

Notes as at balance sheet date	Total	Held by DSB Bank
Class A2	359,322	110,298
Class B	28,000	0
Class C	28,700	20,100
Class D	9,500	300
<i>Total</i>	<i>425,522</i>	<i>130,698</i>

- Receivable from Monastery 2006 in respect of deferred purchase price receivable amounting to €19.8 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 €2.3 million, recognised in sundry other liabilities (note 12).

Additional information

Dome 2006

Notes as at balance sheet date	Total	Held by DSB Bank
Class A	368,550	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>424,465</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 €7.7 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 €2.2 million, recognised in sundry other liabilities (note 12).

Chapel 2003

Notes as at balance sheet date	Total	Held by DSB Bank
Class A	126,428	18,893
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>245,277</i>	<i>29,393</i>

- Receivable from Chapel 2003 in respect of deferred purchase price receivable amounting to €12.9 million accounted for in other receivables (note 9). A provision has been recognised in respect of the full amount of these receivables.
- Payable to Chapel 2003 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €1.1 million, recognised in sundry other liabilities (note 12).

Chapel 2007

Notes as at balance sheet date	Total	Held by DSB Bank
Class A1	0	0
Class A2	163,182	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>252,882</i>	<i>27,600</i>

- Receivable from Chapel 2007 in respect of deferred purchase price receivable amounting to €27.3 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 €1.2 million, recognised in sundry other liabilities (note 12).

3.3. List of subsidiaries, associates and joint ventures

As at 31 December 2015, the company balance sheet includes the following investments in subsidiaries, associates and joint ventures:

Name of company	Domicile	Interest	Authorised share 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.	(Sold 19 May 2015)			
DSB Leeuwarden B.V.	(Liquidation completed 11 April 2014)			
DSB Beveiliging B.V.	(Liquidation completed 11 April 2014)			