

Financial Report 2016

DSB Bank N.V. in bankruptcy

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Wognum, 16 March 2017

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1.1 Key figures (x €1,000)

	2016	2015	2014	2013	2012	2011	2010	2009
BALANCE SHEET								
Balance sheet total	1,983,463	2,297,142	2,630,342	2,919,073	3,282,731	3,560,678	3,968,256	4,693,412
Loans and advances	1,942,582	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	-209,744	-231,068	-252,298	-270,801	-265,472	-278,664	-363,432	-383,666
Provision as percentage of loans and advances	10.8%	10.2%	10.0%	9.6%	8.4%	8.2%	9.4%	9.0%
Borrowings	629,949	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)	2,889,964	2,828,058	2,757,020	1,317,202	1,001,351	696,588	--	-
Outstanding payables to unsecured creditors(cumulative)	914,107	972,803	1,030,318	2,527,247	2,829,312	3,109,476	3,817,554	-
Paid out to subordinated creditors (cumulative)	10,224	3,384	-	-	-	-	-	-
Outstanding payables to subordinated creditors(cumulative)	121,656	128,399	131,880	131,880	143,303	143,303	143,303	147,853
Balance of assets and liabilities (cumulative)	158,579	-1,987	-176,384	-308,370	-429,135	-451,393	-631,688	-574,906
Interest not included in balance (cumulative)	-652,335	-613,060	-582,129	-499,185	-400,172	-280,447	-148,593	-31,022
INCOME STATEMENT								
Revenue	132,199	160,987	190,922	199,805	187,569	210,241	239,744	342,512
Operating expenses	23,730	37,234	27,523	43,943	52,840	58,960	88,785	333,615
Operating result	108,469	123,753	163,399	155,862	134,729	151,281	150,959	8,897
Exceptional income (+) and expenses (-)	52,097	50,644	-31,413	-35,097	-112,471	17,714	-207,741	-816,496
Net result	160,566	174,397	131,986	120,765	22,258	168,995	-56,782	-807,599
OTHER KEY FIGURES								
FTEs on payroll (average)	18	31	47	98	153	216	271	1,211
FTEs on temporary contract (average)	14	30	27	56	99	71	n/b	n/b
Securitised loans	1,427,245	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) [1]	323,987	324,386	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.

1.2 Introduction

General

DSB Bank N.V. was declared insolvent on 19 October 2009. The financial reports for the years 2009–2015 have been published on the website of DSB Bank N.V. (www.dsbbank.nl).

As DSB Bank N.V. in bankruptcy has carried on its business, albeit without granting new loans, a view is being provided of the bank's financial affairs in 2016 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 the off-balance-sheet securitised assets have not been consolidated.

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 2016 reporting period

Bankruptcy-related matters have continued to be settled during 2016, the seventh year of the bankruptcy. These include the final duty-of-care claims by customers, which have been settled on the basis of a ruling by the Amsterdam Court of Appeal. An agreement on possible liability relating to the causes of the bankruptcy was reached with certain directors in 2016. This generated exceptional income. Furthermore, customers with a residual claim in respect of savings and other loans received an offer of payment of the outstanding amount in December 2015 and this was accepted by almost everyone. Finally, the liquidation of DSB Beheer B.V., the parent company of the DSB group, has progressed so far that it will be possible to conclude the bankruptcy of DSB Beheer B.V. in 2017 with a final distribution to DSB Bank N.V. and others.

In the meantime, management of the loans portfolio continued in 2016. The portfolio declined in 2016 as a result of the sale of savings-type mortgage loans with a nominal value of €65 million and redemptions by customers. These redemptions, which were higher than in earlier years, were assisted by favourable economic developments in the Netherlands this year.

As expected, operating income went down as a result of the decline in the lending portfolio. The average rate of interest received on the loans was also lower. Part of the fall in operating income was offset by lower expenses. The operating result - the amount of revenue less expenses - fell by 14% in 2016.

The good progress also had a positive effect on the lending portfolio of DSB Bank N.V. and the value of the 'notes' owned by DSB Bank N.V., which are receivables from securitisation companies which purchased parts of DSB Bank N.V.'s lending portfolio. It was possible to reduce the provisions on the lending portfolio and the notes and this generated exceptional income.

The financial report as at 31 December 2016 has not been audited although a firm of external auditors performed a number of specific activities with the purpose of reconciling this financial report with the bank's underlying accounting records. This financial report and the reports on the reconciliations have been discussed with the creditors' committee and the supervisory judge.

Reference is also made to the public reports which have been published on the progress of activities in 2016.

Outlook

Operating income is expected to continue to decline in the years ahead as the lending portfolio declines. Even though operating expenses will also fall, the operating result in 2017 and subsequent years is expected to be considerably lower than in 2016.

Bankruptcy Trustees of DSB Bank N.V.

Wognum, 16 March 2017

R.J. Schimmelpenninck

B.F.M. Knüppe

2. Financial report

2.1 Company balance sheet as at 31 December 2016 (x €1,000)

		2016	2015
ASSETS			
Cash	1	21,393	33,872
Loans and advances	2	1,732,838	2,027,613
Interest rate swaps	3	0	0
Investments in group companies	4	0	0
Property, plant and equipment	5	0	1,625
Receivables			
Debtors/receivables	6	46	217
Receivables from DSB Ficoholding	7	5,300	5,000
Receivables from DSB Beheer	8	8,700	8,200
Other receivables	9	<u>215,186</u>	<u>220,615</u>
		229,232	234,032
		<u><u>1,983,463</u></u>	<u><u>2,297,142</u></u>

Company balance sheet as at 31 December 2016 (x €1,000)

		2016	2015
EQUITY AND LIABILITIES			
Borrowings	10	629,949	1,028,158
Other liabilities			
Tax and social security charges	11	35	54
Sundry other payables	12	9,137	12,715
		9,172	12,769
Provisions			
Compensation scheme	13	0	7,000
Liquidation losses	14	150,000	150,000
		150,000	157,000
Unsecured liabilities	15	914,107	972,803
Subordinated liabilities	16	121,656	128,399
Balance¹	17	158,579	-1,987
		1,983,463	2,297,142

¹ Since the date of insolvency, there has been no recognition of interest on the claims of the unsecured and subordinated creditors in the balance sheet. 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 2016, the accumulated amount in respect of 'unrecognised accrued interest' was €652 million (year-end 2015: €613 million). This figure has been arrived at using the interest rates and terms stated in the contract or, if the term of the contractual interest rate has lapsed, the statutory interest rate for consumer transactions.

2.2 Company income statement for 2016 (x €1,000)

		2016	2015
Revenue			
Finance income – interest	18	131,936	160,705
Other income	19	263	282
		<u>132,199</u>	<u>160,987</u>
Operating expenses			
Finance expense – interest	20	11,003	17,923
Administrative expenses	21	12,727	19,311
		<u>23,730</u>	<u>37,234</u>
Net operating income		<u>108,469</u>	<u>123,753</u>
Exceptional income and expenses	22	52,097	50,644
Result before tax		<u>160,566</u>	<u>174,397</u>
Tax		0	0
Result		<u>160,566</u>	<u>174,397</u>

Since the date of insolvency, there has been no recognition of interest on the claims of the unsecured and subordinated creditors in the income statement. 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. The interest charge that has consequently not been recognised in the result for 2016 is €39 million (2015: €31 million), including a release of €34 million following acceptance of the Offer (2015: €3 million), see also the notes on page 25.

2.3 Cash flow statement (x €1,000)

	2016	2015
Receipts from management and sale of assets		
Payments on loans	637,619	593,851
Settlement of interest rate swaps	48,441	52,392
Coupon interest on notes	1,105	1,351
Redemption of notes	25,370	22,714
Receipt of receivable from DSB Beheer	5,027	55,743
Interest and repayments, Belgian entities	0	8,469
Proceeds from disposals	5,628	2,574
Sale of Tadas Verzekeringen	0	13,085
Other income	994	746
Total receipts	724,184	750,925
Expenditures		
Onward payments, repayments and non-operational expenditures		
SPVs sweep	236,274	234,180
Settlement of interest rate swaps	10,360	9,089
Interest payable on the special long-term loan facility	10,782	17,478
Customer payments not owing after insolvency	0	8,580
Interest on savings-type bank mortgage loans	233	272
Paid out to creditors	65,909	104,436
Other expenses	352	533
	323,910	374,568
Operating and administrative expenses		
Staff costs	1,736	2,584
Temporary staff/management services	3,861	6,321
Bankruptcy Trustees/Houthoff Buruma/other advisers	2,648	4,538
Servicing fee	4,210	4,823
Other expenses	1,888	2,136
	14,343	20,402
Total expenditures	338,253	394,970
Bankrupt estate financing		
Drawings on special long-term loan facility	0	0
Repayment of special long-term loan facility	-395,000	-345,000
DSB Beheer current account facility	-3,410	3,050
Tadas Verzekeringen current account facility	0	-8,000
Total bankrupt estate financing	-398,410	-349,950
Total cash flow	-12,479	6,005
Cash balance:		
- as at 1 January	33,872	27,867
- as at 31 December	21,393	33,872
	-12,479	6,005

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 2016 and of the income and expenses for the period 1 January to 31 December 2016. 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 2016 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 liquidation losses: estimate of future write-downs of assets, future claims and liquidation costs.

C. SPECIFIC POLICIES USED FOR THE BALANCE SHEET

The 2015 figures serve solely for comparison and no further disclosures are made relating to them.

Cash

Cash is considered to include all legal tender plus demand deposits with various banks.

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 13).

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) was purchased in 2015 which essentially fixes the interest rate on the loan facility at 1.25%. The cap had a declining notional principal amount and matured at the end of 2016. The non-recurring cost of this instrument was recognised directly in the result and included in finance expense in 2015.

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.

Receivables

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

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 or value adjustments to financial instruments is recognised as other operating income in the period to which it relates.

Tax

DSB Bank ceased to be part of a tax group with DSB Beheer B.V. (referred to in Dutch as 'FE Vpb Beheer') from December 2015. Based on the separate opening tax-base balance sheet of DSB Bank N.V. drawn up as a consequence of this and the result for 2016, there is no corporation tax liability with respect to the reporting period 1 January 2016 – 31 December 2016.

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 2016 (x €1,000)**ASSETS****1. CASH**

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

	2016	2015
2. LOANS AND ADVANCES		
Mortgage loans with a first mortgage	1,565,519	1,825,268
Mortgage loans with a second mortgage	155,070	181,573
Consumer credit	83,782	117,805
Residual debts (mortgaged property repossessed and sold)	33,168	41,463
Consumer credit loans more than 12 instalments in arrears	105,043	92,572
Subtotal: gross loans	<u>1,942,582</u>	<u>2,258,681</u>
Provision for bad debts	<u>-209,744</u>	<u>-231,068</u>
	<u>1,732,838</u>	<u>2,027,613</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 specialist service providers with effect from the second quarter of 2015.

	2016	2015
Loans and advances as at 1 January	2,258,681	2,532,888
Receipts	-241,218	-239,117
Receipt from sale of portfolio	-63,177	0
Write-downs	-11,704	-35,090
Balance as at 31 December	<u>1,942,582</u>	<u>2,258,681</u>

	2016	2015
- write-down for credit risk	9,336	10,946
- compensation payments for duty-of-care claims	2,108	23,429
- restructuring connected with the duty-of-care issues	260	715
Total write-downs	<u>11,704</u>	<u>35,090</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 2016 amounted to €209.7 million (2015: €231.1 million).

	2016	2015
Movements in the provision for bad debts were:		
Balance as at 1 January	231,068	252,298
Adjustment to write-down for duty-of-care issues	488	0
Write-down for credit risk	-9,345	-9,675
Restructuring connected with the duty-of-care issues	-260	-715
Released from the provision for loans > 12 instalments in arrears	-3,159	-2,212
Released following reappraisal of collateral value	-4,047	-3,822
Released from/added to provision	-5,001	-4,806
Balance as at 31 December	<u>209,744</u>	<u>231,068</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.

	2016	2015
Balance as at 1 January	0	14,018
Sale of Tadas Verzekeringen shares	0	13,085
Impairment/capital gain recognised in income	0	-933
Share in results	0	0
Balance as at 31 December	<u>0</u>	<u>0</u>

	2016	2015
This concerns the following entities:		
DSB International	0	0
Tadas Verzekeringen	0	0
	<u>0</u>	<u>0</u>

DSB International

The remaining parts of DSB International will be liquidated in 2017. The shareholders' equity of DSB International as at 31 December 2016 was nil.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Other assets	Total 2016	Total 2015
Balance as at 1 January	1,625	0	1,625	2,030
Investments/disposals	-1,625	0	-1,625	-30
Depreciation and amortisation	0	0	0	0
Revaluation/write-down	0	0	0	-375
Balance as at 31 December	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,625</u>

Premises in Heerhugowaard were sold in February 2016. The proceeds from the sale were equal to the carrying amount as at year-end 2015. There was no property, plant and equipment as at year-end 2016.

	2016	2015
6. DEBTORS/RECEIVABLES		
Guarantees receivable	46	55
Other	0	162
	<u>46</u>	<u>217</u>

	2016	2015
7. RECEIVABLES FROM DSB FICOHOLDING		
Loan to DSB Ficoholding	0	0
Receivable from DSB Ficoholding in respect of interim dividend	5,300	5,000
	<u>5,300</u>	<u>5,000</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.

	2016	2015
The movements were as follows:		
Balance as at 1 January	0	15,252
Add: Interest	0	249
Less: Repayment received	0	-15,501
Balance as at 31 December	<u>0</u>	<u>0</u>

Receivable from DSB Ficoholding in respect of interim dividend

	2016	2015
The movements were as follows:		
Balance as at 1 January	5,000	3,454
Less: Repayment received	0	-3,386
Add/Less: Released from/added to provision for bad debts	300	4,932
Balance as at 31 December	<u>5,300</u>	<u>5,000</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 €0.7 million in 2014. DSB Ficoholding subsequently repaid €3.4 million in 2015, leaving an outstanding receivable of €7.2 million as at 31 December 2016. It has been estimated that the amount which will be paid in settlement of this receivable will be approximately €5.3 million, and a provision has been recognised for the possible uncollectability of €1.9 million. As at 31 December 2015, the provision amounted to €2.2 million.

	2016	2015
8. RECEIVABLES FROM DSB BEHEER		
Receivables from DSB Beheer	7,400	7,100
Receivables from DSB Beheer subsidiaries	0	0
Receivables of group companies in the insolvency of DSB Beheer taken over	1,300	1,100
	<u>8,700</u>	<u>8,200</u>

	2016	2015
Receivables from DSB Beheer		
The receivables from DSB Beheer are made up as follows:		
Verified allowed receivable	66,435	66,435
Verified contingently allowed receivable	0	0
	<u>66,435</u>	<u>66,435</u>
Total repayments received	-6,007	-6,007
	<u>60,428</u>	<u>60,428</u>
Provision for bad debts	-53,028	-53,328
Balance as at 31 December	<u>7,400</u>	<u>7,100</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 €39.8 million was received by DSB Bank, of which €5 million was paid into an escrow account in 2015 and settled in 2016 (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 €10.2 million 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 2016 was €66.4 million.

DSB Beheer paid DSB Bank an amount of €0.9 million in 2015 (representing 8.5% of €10.2 million). An amount of €5.1 million had already been paid in 2014, making a total amount paid out up to 31 December 2016 of €6.0 million.

The net amount of the receivable after deducting the payments already received is €60.4 million. The final percentage payout made by DSB Beheer is estimated at around 11%, meaning that a further €7.4 million approximately will be paid on the receivable. The provision for the possible uncollectible portion of this receivable therefore amounts to €53.0 million. As at 31 December 2015, the provision amounted to €53.3 million.

	2016	2015
The movements in the receivable from DSB Beheer were as follows:		
Balance as at 1 January	7,100	41,426
Less: Received from exercise of pledge	0	-39,837
Less: Received in payment on allowed receivable	0	-864
Add: Released from provision for bad debts	300	6,375
Balance as at 31 December	<u>7,400</u>	<u>7,100</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 €0.7 million. 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 11%, resulting in a recognised carrying amount as at year-end 2016 of 2016 of €1.3 million.

	2016	2015
9. OTHER RECEIVABLES		
This concerns:		
Notes issued by securitisation companies	198,444	194,114
Receivable from SPV shareholders	55	55
Escrow account (after sale of insurance entities, see note 8)	0	5,000
Accrued interest	4,014	6,369
Customer direct debit receivables	9,409	11,498
Miscellaneous	3,264	3,579
	<u>215,186</u>	<u>220,615</u>

	2016	2015
Notes issued by securitisation companies		
A-Notes Chapel 2003	11,916	18,893
A-Notes Monastery 2004	17,678	20,908
A-Notes Monastery 2006	99,013	110,298
Junior Notes Chapel 2003	10,500	10,500
Junior Notes Chapel 2007	27,600	27,600
Junior Notes Dome 2006	29,937	33,815
Junior Notes Monastery 2004	13,500	13,500
Junior Notes Monastery 2006	20,400	20,400
Subtotal: Nominal of notes	<u>230,544</u>	<u>255,914</u>
Provision	<u>-32,100</u>	<u>-61,800</u>
	<u>198,444</u>	<u>194,114</u>

The notes relate exclusively to notes issued under securitisation programmes involving DSB Bank loans.

	2016	2015
The movements in the notes issued by securitisation companies were as follows:		
Balance as at 1 January	194,114	216,828
Redemptions	-25,370	-22,714
Movement in provision	29,700	0
Balance as at 31 December	<u>198,444</u>	<u>194,114</u>

Each year, DSB Bank has recognised a 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 and possible uncertainties in settling this balance sheet position. This provision was reduced by €29.7 million in 2016 mainly as a result of:

- macroeconomic market conditions leading to increasing value of collateral and lower arrears on the underlying lending;
- the improved financial position of the various securitisation programmes as a result of the full financial settlement of compensation for duty-of-care claims on lending. Securitisation companies were able to submit these claims in the bankruptcy of DSB Bank.

EQUITY AND LIABILITIES

	2016	2015
10. BORROWINGS		
Special long-term loan facility provided by a consortium of banks	610,000	1,005,000
DSB Beheer current account facility	19,949	23,158
	<u>629,949</u>	<u>1,028,158</u>

As at 31 December 2016, the weighted average interest rate on borrowings was 1.24% (year-end 2015: 1.24%).

	2016	2015
The remaining term to maturity of the borrowings can be analysed as follows:		
Less than 3 months	320,000	205,000
More than 3 months, but not more than 1 year	250,000	800,000
Indefinite	59,949	23,158
	<u>629,949</u>	<u>1,028,158</u>

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 was recognised directly in finance expense, as interest on the special long-term loan, in 2015.

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.

	2016	2015
11. TAX AND SOCIAL SECURITY CHARGES		
Payroll deductions and VAT	35	53
Other	0	1
	<u>35</u>	<u>54</u>

	2016	2015
12. SUNDRY OTHER PAYABLES		
Amounts owed to securitisation companies	5,657	7,531
Other amounts owed by the bankrupt estate	3,480	5,184
	<u>9,137</u>	<u>12,715</u>

13. PROVISION FOR COMPENSATION SCHEME

As at year-end 2016, there were no further obligations under the compensation scheme (WCAM agreement) declared binding by the Amsterdam Court of Appeal on 4 November 2014. This also takes into account the associated enhancements to the compensation payments previously made under the Heads of Agreement.

	2016	2015
Balance as at 1 January	7,000	105,000
Compensation claims settled	-6,536	-87,270
Released from/added to provision	-464	-10,730
Balance as at 31 December	<u>0</u>	<u>7,000</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 2016.

	2016	2015
15. UNSECURED LIABILITIES		
Claims payable < €100	0	165
Allowed unsecured claims	913,841	953,115
Claims provisionally allowed by the Bankruptcy Trustees	266	19,523
	<u>914,107</u>	<u>972,803</u>

The movements in the unsecured liabilities were as follows:

	Claims < €100	Allowed claims	Claims provisionally allowed by Bankruptcy Trustees	Total
Unsecured claims	766	3,662,946	45,253	3,708,965
Cumulative amount of distributions	-601	-2,709,831	-25,730	-2,736,162
Balance as at 1 January	165	953,115	19,253	972,803
 Movements in 2016				
Increase in amount of claims			5,055	5,055
Decrease in amount of claims		-1,076	-2	-1,078
Movement in claims	-165			-165
Decrease in amount of claims due to acceptance of the Offer		-147,292	-49,344	-196,636
Total movement in unsecured claims	-165	-148,368	-44,291	-192,824
 Distributions in connection with the Offer		-38,296	-12,828	-51,124
Distributions		-112	-11,482	-11,594
Movement in distributions		211		211
Decrease in amounts payable on claims due to acceptance of the Offer		147,292	49,344	196,636
Total movement in amount of distributions	0	109,095	25,034	134,129
 Unsecured claims	0	3,514,577	962	3,515,539
Cumulative amount of distributions	0	-2,600,736	-696	-2,601,432
Balance as at 31 December	<u>0</u>	<u>913,841</u>	<u>266</u>	<u>914,107</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 the period 2010 to 2016. It is also possible for claims to be submitted and/or allowed in 2017 and beyond.

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

Claims by creditors as at 1 January 2016	3,708,965
Claims by creditors as at 31 December 2016	3,515,539
Movement	<u>-193,426</u>
Movements in allowed claims by creditors were as follows:	
Less: Allowed claims due to acceptance of the Offer	-196,636
Less: Allowed claims, settled against arrears and since withdrawn	-19
Less: Allowed claims withdrawn	-1059
Less: Reclassification of claims <€100 to Other liabilities	-766
Add: New claims	37
Add: New claims by SPVs in respect of rescheduling charged to loans from the SPVs	61
Add: New claims by customers in respect of compensation awarded	708
Add: New claims by SPVs in respect of compensation charged to loans from the SPVs	4,248
	<u>-193,426</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 €3.52 billion (year-end 2015: €3.66 billion)

Claims provisionally allowed by the Bankruptcy Trustees

As at 31 December 2016, the claims provisionally allowed by the Bankruptcy Trustees amounted to € 962 (year-end 2015: € 45,253). This includes compensation awarded to customers and 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, to the extent that these creditors have not accepted the Offer.

Claims < €100

These are claims from customers that have not been verified because of the amount involved (< €100) but which were paid out immediately after bankruptcy. At the beginning of the year, some 165 was due to customers who had not received payment because up-to-date information (address, telephone number and bank account number) was unavailable. With effect from this reporting period, it has been decided no longer to recognise this liability to these customers in unsecured and subordinated creditors but in Other payables.

Distributions

Up to the reporting date, a total of €2.89 billion has been paid out to unsecured and preferential creditors, corresponding to 74% of the allowed claims and the residual amount to creditors who had accepted the Offer as at 31 December 2016.

The Offer

The Bankruptcy Trustees made an 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.

Up to 31 December 2016, 30,691 unsecured creditors had accepted the Offer and received the outstanding amount of their claims of 74,780, settling the original amount of their claims.

16. SUBORDINATED LIABILITIES

	2016	2015
Allowed subordinated claims under the DGS	89,526	89,526
Allowed other subordinated claims of financiers	32,085	32,085
Allowed other subordinated claims	45	6,788
Balance as at 31 December	<u>121,656</u>	<u>128,399</u>

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

	2016	2015
Balance as at 1 January	6,788	10,269
Decrease in claims	0	-97
Distributions made in connection with the Offer	-6,743	-3,384
Balance as at 31 December	<u>45</u>	<u>6,788</u>

The Offer

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

As at 31 December 2016, 305 unsecured creditors with allowed claims had accepted the Offer and received the amount of their claims of 10,127.

	2016	2015
17. BALANCE		
The movements in the balance were as follows:		
Balance as at 1 January	-1,987	-176,384
Result	160,566	174,397
Balance as at 31 December	<u>158,579</u>	<u>-1,987</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 2016, the accumulated amount in respect of 'unrecognised accrued interest' was €652 million. This figure has been arrived at using the interest rates and terms stated in the contract or, if the term of the contractual interest rate has lapsed, 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 2016

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 2016 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 in 2015 with a declining notional principal amount maturing at the end of 2016. The non-recurring cost of this instrument was recognised directly in the result and included in finance expense in 2015.

Forecast cash flows

The cash flows from the front swaps and the related interest rate hedges generated in 2016 have been included in the 2016 income statement and amount to €35.7 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 €27 million for the whole of 2017 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 2018-2020 will be approximately €50 million.

Rights and obligations not shown on the face of the balance sheet as at 31 December 2016 (x €1,000)

Nominal value

The nominal value of the front swaps taken over by DSB Bank as at year-end 2016 was €1,307 million (2015: €1,481 million).

The nominal value of the interest rate hedges against the related interest rate risk as at year-end 2016 was €925 million (2015: €1,050 million).

	2016	2015
The remaining term to maturity of the interest rate hedges can be analysed as follows:		
Less than 3 months	55,000	60,000
More than 3 months, but not more than 1 year	315,000	210,000
More than 1 year, but not more than 5 years	435,000	705,000
More than 5 years	120,000	75,000
	<u>925,000</u>	<u>1,050,000</u>

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

Fair value

The net fair value of the interest rate hedges against the related interest rate risk as at year-end 2016 was €11.8 million negative (2015: €14.4 million negative).

	2016	2015
The fair value of the interest rate hedges is as follows:		
Positive fair value	577	42
Negative fair value	-12,408	-14,417
	<u>-11,831</u>	<u>-14,375</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-à-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').

Final status of the response to the Offer by creditors

As at year-end 2016, 30,691 unsecured creditors and 305 subordinated creditors had accepted the Offer. In 2016, 51,124 of the outstanding claims had been paid to unsecured creditors (year-end 2015: 23,657) and 6,743 to subordinated creditors (year-end 2015: 3,384) (see also notes 15 and 16).

The combined original amount of the claims of these creditors amounted to €299 million.

In total, only 94 creditors, with a total amount payable of 1,659, have let it be known that they are not accepting the Offer. A further 296 creditors (mainly involving very small amounts) have not responded.

Payment of outstanding claims under €100

The Bankruptcy Trustees have as far as possible paid the outstanding amount of their verified claims to creditors with claims under €100, with the statement: "Payment of outstanding amount of DSB Bank claim. You no longer have a claim against DSB Bank." In this way, 796 creditors were paid in 2016, involving a settlement totalling 38.

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 2016.

Change in the calculation of interest

In the financial report 2015, interest was calculated generically at the statutory interest rate for consumer transactions. The calculation was changed in 2016 so that the applicable interest rates stated in the contract are used for individual creditors for the terms stated in the contract. Thereafter, the statutory interest rate for consumer transactions applies. Account is also taken of interim redemptions. This change has led to an additional €37 million of interest.

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 for accrued interest as at 31 December 2016 amounts to €652 million. The movements were as follows:

	2016
Balance as at 1 January	613
Add: increase in accrued interest as a result of applying the contractual interest rate	37
Less: reduction in interest from creditors who accepted the Offer in 2016	-34
Add: increase in interest for interest on claims in 2016 (including accrued interest) from then remaining creditors	36
Balance as at 31 December	<u>652</u>

In 2015 and 2016, 30,700 creditors accepted the Offer and waived their claim to payment of interest of €37 million (2016: €34 million and 2015: €3 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 2016 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 and perform support duties implementing and winding up the bankrupt estate including keeping its accounts and carrying on specific insolvency-related activities, some of the existing staff will continue to be needed beyond 31 December 2016.

In order to provide a 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 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 12 employees, the period of notice has been set at 12 months, for four employees it is six months and for three 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 2017, the expected average staff costs will be approximately 105 per month and the estimated costs for temporary staff connected with the operations of the bankrupt estate will be approximately 220 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. DSB Bank is paying a monthly rent of 11, including service costs and utilities.

2.7 Notes to the company income statement for 2016 (x €1,000)

	2016	2015
18. FINANCE INCOME - INTEREST		
Interest on mortgages and consumer credit	95,170	115,532
Interest on other loans	0	78
Interest on front swaps and interest rate hedges	35,661	43,744
Interest on notes	1,105	1,351
	<u>131,936</u>	<u>160,705</u>

The average interest rate on first mortgages in 2016 amounted to approximately 4.3% (2015: 4.6%), on second mortgages 5.3% (2015: 5.7%) and on consumer credit 7.0% (2015: 7.1%).

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.

19. OTHER INCOME

This concerns other income that cannot be classified as interest.

	2016	2015
20. FINANCE EXPENSE - INTEREST		
Interest payable on the special long-term loan facility	10,646	14,961
Interest rate cap	0	2,400
Loans and other interest charges	357	562
	<u>11,003</u>	<u>17,923</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 2016 is estimated at approximately €73 million (2015: €34 million), including €37 million for the change in the method of calculating interest.

	2016	2015
21. ADMINISTRATIVE EXPENSES		
Staff costs	1,606	2,451
Temporary staff	2,165	4,003
Management services	1,658	2,279
Bankruptcy Trustees/Houthoff Buruma	1,489	2,336
Advisers	432	1,271
Office overheads	1,320	1,902
Servicing fee + loan portfolio management costs	3,829	4,717
Auditors' fees relating to audit of compensation scheme	0	106
Motor vehicles costs	33	67
Premises costs	195	179
	<u>12,727</u>	<u>19,311</u>

The company had an average of 18 full-time equivalent employees in 2016, all active in the Netherlands (2015: 34 FTEs).

	2016	2015
22. EXCEPTIONAL INCOME AND EXPENSES		
Movements in the provision for bad debts (note 2)	9,048	8,628
Income from loans > 12 instalments in arrears (note 2)	3,159	2,212
Write-down of investment in Tadas Verzekeringen (note 4)	0	-933
Write-down of property, plant and equipment (note 5)	0	-375
Gain on the receivable from DSB Ficoholding (note 7)	300	5,181
Gain on receivable from DSB Beheer (note 8)	500	7,475
Movement in the provision for notes issued by the securitisation entities (note 9)	29,700	0
Income from sale of Tadas Verzekeringen and exercise of pledge	750	3,338
Settlement of outstanding claims of SPVs	0	15,455
Non-recurring proceeds from sale of sub-portfolio	3,820	0
Agreement with two former directors	1,421	0
Payout from professional liability insurance for two former directors	3,008	0
Movement in claims of unsecured creditors	-98	-1,049
Compensation scheme income/costs (see analysis below)	464	10,730
Other	25	-18
	<u>52,097</u>	<u>50,644</u>

Movement in claims of unsecured creditors

	2016	2015
The compensation scheme income/costs can be summarised as follows:		
Compensation scheme costs (see analysis below)	-6,536	-87,270
Movement in compensation scheme provision (note 13)	7,000	98,000
	<u>464</u>	<u>10,730</u>

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

	processed	movement in provision	Total 2016	Total 2015
Claims relating to mis-sold PPI	4,447	-5,000	-553	-7,906
Claims relating to unit-linked plans	175	0	175	6,108
Claims relating to excessive lending	2,089	-2,000	89	-2,824
Claims relating to impossible cover	0	0	0	0
Compensation payments relating to HWS	0	0	0	0
	<u>6,711</u>	<u>-7,000</u>	<u>-289</u>	<u>-4,622</u>
Less: Claims relating to unit-linked plans	-175	0	-175	-6,108
Total	<u>6,536</u>	<u>-7,000</u>	<u>-464</u>	<u>-10,727</u>
	processed	movement in provision	Total 2016	Total 2015
Compensation payments under the Heads of Agreement	1,244	-1,000	244	-12,748
Compensation payments under the enhancement to the Heads of Agreement	61	0	61	-1,940
Compensation payments under the WCAM scheme	5,231	-6,000	-769	3,958
Total	<u>6,536</u>	<u>-7,000</u>	<u>-464</u>	<u>-10,730</u>

The analysis according to method of processing is as follows:

	Debt restructuring	PPI mis-selling	Excessive lending	Total for bankrupt estate	HWL	Total 2015	Total 2015
Appropriation to duty-of-care provision - Heads of Agreement (note 13)				0		0	-2,500
Appropriation to duty-of-care provision - Heads of Agreement enhancement (note 13)				0		0	-12,500
Appropriation to duty-of-care provision - WCAM scheme (note 13)		-5,000	-2,000	-7,000		-7,000	-83,000
Processed compensation payments to customers: claims on bankrupt estate (note 15)		714		714		714	25,365
Processed compensation payments: settled against loans from SPVs (note 15)		2,993	1,086	4,079	60	4,139	28,298
Processed compensation payments: settled against the bank's loans (note 15)		2,426	2,062	4,488	20	4,508	25,166
Processed compensation payments: payment not due		351		351	95	446	12,187
Processed debt restructuring arrangements	220			220		220	441
	<u>220</u>	<u>1,484</u>	<u>1,148</u>	<u>2,852</u>	<u>175</u>	<u>3,027</u>	<u>-6,544</u>
Less: Compensation payments settled against restructuring		-2,037	-1,059	-3,096		-3,096	0
Add: Processed compensation payments for current HWL policies				0		0	2,363
Less: Processed compensation payments for current and matured HWL policies charged to insurers				0	-175	-175	-6,108
Less: Processed debt restructuring charged to provision for loans (note 2)	-160			-160		-160	-715
Add: Refunds relating to restructuring	1			1		1	356
Less: Processed debt restructuring claimed by SPVs on bankrupt estate (note 15)	-61			-61		-61	-82
	<u>0</u>	<u>-553</u>	<u>89</u>	<u>-464</u>	<u>0</u>	<u>-464</u>	<u>-10,730</u>

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 2016 (note 22). The following table illustrates these costs together with the costs of debt restructuring as they are spread over the years.

	2010	2011	2012	2013	2014	2015	2016	total
Debt restructuring	17,322	17,244	2,907	1,695	946	393	-110	40,397
HWS	10,022	3,856	1,732	2,327	350	0	0	18,287
PPI mis-selling	0	0	46,625	61,863	22,144	79,595	4,447	214,674
Excessive lending	0	0	3,020	13,286	4,147	7,676	2,089	30,218
HWL	0	0	4,353	7,172	2,583	6,108	175	20,391
Impossible cover	0	0	0	7	13	0	0	20
Total recognised	27,344	21,100	58,637	86,350	30,183	93,772	6,601	323,987
Add: Movement in provision	0	0	75,000	-50,000	80,000	-98,000	-7,000	0
Total expense	27,344	21,100	133,637	36,350	110,183	-4,228	-399	323,987
Cumulative	27,344	48,444	182,081	218,431	328,614	324,386	323,987	
Cumulative, excluding. HWL	27,344	48,444	177,728	206,906	314,506	304,170	303,596	

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 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

	2016	2015
Securitised loans transferred to SPVs		
Monastery 2004	188,944	210,765
Monastery 2006	396,296	433,390
Dome 2006	380,802	425,963
Chapel 2003	220,595	256,814
Chapel 2007	240,608	279,636
	1,427,245	1,606,568

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.

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	117,432	17,678
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>190,749</i>	<i>31,178</i>

- Receivable from Monastery 2004 in respect of deferred purchase price receivable amounting to €5.5 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	322,559	99,013
Class B	28,000	0
Class C	28,700	20,100
Class D	9,500	300
<i>Total</i>	<i>388,759</i>	<i>119,413</i>

- Receivable from Monastery 2006 in respect of deferred purchase price receivable amounting to €23.6 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 €1.8 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	323,200	0
Class B	22,100	0
Class C	13,800	13,800
Class D	13,800	13,800
Class E	2,337	2,337
<i>Total</i>	<i>375,237</i>	<i>29,937</i>

- Receivables from Dome 2006 relating to received deferred purchase price, payments into the reserve account and other receivables. These receivables total €5.4 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 €1.2 million, recognised in sundry other liabilities (note 12).

Chapel 2003

Notes as at balance sheet date	Total	Held by DSB Bank
Class A	79,740	11,916
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>198,589</i>	<i>22,416</i>

- Receivable from Chapel 2003 in respect of deferred purchase price receivable amounting to €20.3 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 2003 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €0.7 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	124,269	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>213,969</i>	<i>27,600</i>

- Receivable from Chapel 2007 in respect of deferred purchase price receivable amounting to €36.7 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 2007 as regular cash flow still payable (daily sweep less servicing costs) in connection with servicing activities, totalling €0.7 million, recognised in sundry other liabilities (note 12).

3.3. List of subsidiaries, associates and joint ventures

As at 31 December 2016, 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
Tadas Verzekeringen B.V.	(Sold 19 May 2015)			