

INTERIM INSOLVENCY REPORT

Insolvency Report No. 24 by the Administrators of

DSB Bank N.V.

5 December 2014

The public insolvency reports of DSB Bank N.V. ('DSB Bank') are published online on the websites www.dsbbank.nl and www.houthoff.com. The administrators of DSB Bank ('Administrators') will be using these websites to publish other information concerning the case and the progress of the insolvency proceedings.

Introductory remarks

See the introductory remarks on page 5 of the 23rd public report published on 31 October 2014, which are equally applicable to the present interim report.

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1. **WCAM decision**

On 4 November 2014, the Amsterdam Court of Appeal (the '**Court**') gave its final decision on the application made by the Administrators, three stakeholder organisations ('**Stakeholder Organisations**') and nine insurance companies ('**Insurers**') under the Collective Mass Claims Settlement Act ('**WCAM**'). The Court declared the compensation scheme which the Administrators, the Stakeholder Organisations and the Insurers had agreed as part of the Heads of Agreement to be binding, including a number of amendments put forward by the applicants on 8 July 2014 (the '**Scheme**').

A letter has since been sent to around 335,000 existing and former DSB Bank customers explaining the implications of the Scheme having been declared binding. A notice announcing the decision was also placed in the newspapers De Telegraaf, the Algemeen Dagblad and Het Financieele Dagblad on Saturday, 8 November 2014.

The DSB Bank customers concerned have six months – deadline 8 May 2015 – in which to indicate that they wish to opt out of the Scheme. Additionally, they have until 8 November 2015 to apply for compensation under the Scheme (opt in). Further information can be found on www.dsbcompensatie.nl, the joint website of the Administrators and the Stakeholder Organisations.

As at 3 December 2014, 24,393 existing and former DSB Bank customers had applied for compensation in the period following the declaration. This huge volume of applications means that it will be several months at least before they have all been processed. The number of opt-outs received up to 3 December 2014 totalled 192. However, we get the impression that many of them do not plan a legal challenge to DSB Bank or the Insurers but simply wish to indicate that their files should be closed.

The next public report will contain greater detail concerning the WCAM decision and the financial implications thereof.

2. **Increase in estate credit facility**

In view of the following considerations, DSB Bank is to extend the term of the estate credit facility, by three years initially, simultaneously increasing the maximum amount that can be borrowed from ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and ABN AMRO Bank N.V. under the facility to €1.4 billion, so as to permit an additional distribution of 35% to the unsecured creditors:

1. Hitherto it has been the policy of the Administrators not to sell the Dutch loan portfolio but to allow it to run off. The income which the loan portfolio has generated together with the proceeds from the sale of other assets has allowed distributions to be made. Following an initial distribution of 15% in June 2011, the Administrators have been able to distribute 8% each year. To date, the Administrators have paid out around 39% to unsecured creditors. The amount which can be paid out each year is, however, expected to fall to 4% because of a gradual decline in the cash flow from the loan portfolio. On that basis, it will be almost 10 years before the unsecured creditors have received the full amount due to them.
2. Based on current projections, the Administrators expect that, when the unsecured creditors have been paid, it will also be possible to settle the claims of the subordinated creditors if the present policy of allowing the loan portfolio to run off is continued.
3. If, on the other hand, the loan portfolio were to be sold at this stage, that would result in a book loss. Although this would mean that the unsecured creditors would receive a substantial pay-out sooner than in the run-off scenario, payment in full for the unsecured creditors would not be possible and the subordinated creditors would not have the prospect of any payment at all. Nevertheless, many unsecured creditors are urging disposal in order to receive payment on their outstanding claims at an earlier date.
4. If the unsecured creditors, and even the subordinated claims, are paid over the longer time horizon, it will also be possible to pay any remaining balance on the interest owed to creditors. The effect of the 35% distribution is that the amount of interest payable to unsecured creditors in the future will be considerably reduced.
5. The interest rate payable on the estate credit facility will be lower than under the old arrangement (1.25 percentage points above Euribor instead of a rate of 1.75–2.25 points above Euribor).
6. The high level of the distribution this year does, however, mean that the estate credit facility will have to be repaid out of the cash flow over the next five years and that therefore it is expected that it will not be possible to make any further percentage distributions to creditors in that period. Moreover, the interest payable on the estate credit facility will mean that the creditors, on the basis of existing projections, will have to wait about 12 months longer before they are paid in full than would have been the case without an increase in the estate credit facility and the distribution of 35% now.
7. The Administrators take the view that the benefits outlined above outweigh the drawbacks and therefore, with the authorisation of the supervisory

judge and approval of the DSB Bank creditors' committee, have renewed the special long-term loan facility and increased the amount.

3. Distribution of 35%

With the approval of the creditors' committee and the authorisation of the supervisory judge, the Administrators will be making a distribution of 35% on the allowed unsecured claims in this insolvency before Christmas 2014 (the eighth distribution to be made so far), bringing the total amount paid out to 74%. Unsecured creditors who have been added to the list of allowed creditors for the first time and have so far not received any payment at all, including DSB Bank customers due for compensation under the Scheme and who no longer have any outstanding loans with DSB Bank, will receive 74% in a lump sum.

4. Disposal of Waard Leven, Waard Schade and Tadas

As pledgee of the shares of Waard Leven B.V. ('**Waard Leven**') and Waard Schade B.V. ('**Waard Schade**') and as shareholder of Tadas Verzekeringen B.V. ('**Tadas**'), DSB Bank agreed the sale of these entities, subject to a number of conditions – including approval by De Nederlandsche Bank N.V. ('**DNB**') and the authorisation of the supervisory judge – to the UK listed insurance company Chesnara plc on 3 December 2014. The sale will raise a total of approximately €70 million for DSB Bank. All activities are to continue unchanged. All the Tadas staff keep their jobs and the transaction, naturally, does not alter anything as far as the policyholders of Waard Leven and Waard Schade are concerned.

In view of the need to clear the transaction with DNB beforehand, delivery of the shares and payment of the purchase price are not expected to occur before the start of Q2 2015.

5. Court case against DNB

On 5 November 2013, a court case was brought against DNB by the Administrators together with three organisations representing DSB Bank customers, namely Vereniging DSBspaarder.nl, Vereniging DSBdepositos.nl and Stichting Belangen Rechtsbijstandverzekerden DSB. DNB presented its statement of defence on 16 April 2014, challenging all aspects of the claims filed against it. On 25 June 2014, the District Court in Amsterdam gave an interim judgement. This interim judgement (Annex 4 to the 22nd public report) ruled among other things that the case would be heard by the bench of the District Court on Tuesday, 16 December 2014, at 9:30 (with possible continuation on Friday, 19 December 2014, at 9:30). The purpose of this public session is to provide information and to explore an amicable settlement.

6. Next public report

The next periodical public report (the 25th) is expected to be published at the end of January 2015.

Wognum, 5 December 2014

R.J. Schimmelpenninck

Administrator

B.F.M. Knüppe

Administrator