

INSOLVENCY REPORT

Insolvency Report no. 26 by the Administrators of

DSB Bank N.V.

30 April 2015

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

MAIN POINTS OF THIS REPORT

- On 29 April 2015 – yesterday – the Amsterdam District Court delivered its verdict in the case brought against De Nederlandsche Bank N.V. ('**DNB**') by the Administrators in conjunction with three stakeholder organisations of existing and former customers with claims against DSB Bank. The court's decision has been published on www.rechtspraak.nl. The court threw out all claims against DNB. The Administrators are studying the judgement and, together with the stakeholder organisations, are considering the possibility of mounting an appeal.
- On 27 March 2015, the Administrators placed the 2014 Financial Report on the website www.dsbbank.nl. DSB Bank posted a profit of €132 million in 2014, in which €83 million in respect of interest for creditors was not recognised as an expense since it cannot be paid during the insolvency. A total of approximately €1,440 million was distributed to unsecured creditors in 2014, bringing the total distributions to unsecured creditors to more than €2.8 billion (74 per cent of the claims, which total €3.8 billion).
- The Administrators contracted a special short-term loan facility in order to be able to make a distribution of 35 per cent in December 2014. The balance of the special short-term loan facility currently stands at €1,265 million (position as at 31 January 2015: €1,320 million). This special short-term loan is to be repaid out of cash flow over the years 2015–2020. Beyond then, it will be possible for DSB Bank to resume distributions to unsecured creditors.
- As at the end of March 2015, the total amount of DSB Bank's loans was €4.2 billion, of which €2.5 billion was on the bank's own books and €1.7 billion was in the form of securitised loans.
- The Administrators estimate that the total amount of compensation payable to existing and former customers who have or will have applied for inclusion in the compensation scheme (the '**Scheme**') between the date of insolvency and 8

November 2015 (therefore including claims in respect of dereliction of the duty of care) will be in excess of €314 million.

- On 4 November 2014, the Amsterdam Court of Appeal (the '**Court**') declared the Scheme which the Administrators, three stakeholder organisations ('**Stakeholder Organisations**') and nine insurance companies (together: the '**Applicants**') had agreed as part of the Heads of Agreement ('**AoH**') to be binding under the Collective Mass Claims Settlement Act ('**WCAM**'). Further information can be found on www.dsbcompensatie.nl, the joint website of the Administrators and the Stakeholder Organisations.
- The Decision means that existing and former customers of DSB Bank have until 8 May 2015 to indicate that they do not wish to be bound by the Scheme ('**opt out**'). Additionally, existing and former customers have until 8 November 2015 to apply for compensation under the Scheme ('**opt in**').
- Between the date on which the Scheme was declared binding and 26 April 2015, almost 35,000 existing and former customers registered with the Administrators for compensation and 283 submitted completed opt-out forms.
- Implementation of the Scheme is progressing smoothly. More than 17,000 claims from existing and former customers have now been settled with payment of compensation for insurance mis-selling. The first compensation payments for excessive lending have now also been awarded.
- Settlement of the outstanding claims under the AoH, the precursor of the present Scheme is currently being finalised. Moreover, work continues on the award of extra compensation to existing and former customers who have already accepted the terms of the AoH but now qualify for the improvements in compensation awarded by the Court.
- 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, to the UK listed insurance company Chesnara plc on 3 December 2014. Almost all the conditions have now been satisfied. The total proceeds for DSB Bank will be approximately €70 million. It is expected that delivery of the shares and payment of the purchase price will be possible in May 2015.

- **Prospects for creditors:**

To date, the Administrators have made the following interim distributions to unsecured creditors:

	Month	distributed to unsecured creditors	distributed to preferential creditors
1 st distribution	June 2011	15%	100%
2 nd distribution	December 2011	4%	-
3 rd distribution	June 2012	4%	-
4 th distribution	December 2012	4%	-
5 th distribution	June 2013	4%	-
6 th distribution	December 2013	4%	-
7 th distribution	June 2014	4%	-
8 th distribution	December 2014	35%	-
	Total	74%	-

Although there was a large eighth distribution of 35% in December 2014, distribution to creditors of further additional percentages is not expected to be possible during the next five years because the special short-term loan facility must be repaid over that period out of cash flow.

The Administrators do, however, believe it to be possible, based on existing projections, for the claims of the unsecured creditors and those of the subordinated creditors to be paid in full in the long term, provided the current policy relating to winding-up of the loan portfolio can be continued for at least five years.

If, in the longer term, all creditors have been paid in full, any remaining balance could be paid out towards the interest claims of the creditors. This concerns the interest calculated on the creditors' claims as from the date of insolvency.

Details of company	DSB Bank N.V.
Insolvency case number	: F13 / 09 / 798
Decision date	: Emergency ruling: 12 October 2009 Insolvency: 19 October 2009
Administrators	: R.J. Schimmelpenninck and B.F.M. Knüppe
Supervisory judge	: M.J.E. Geradts (Noord-Holland District Court, Amsterdam branch)
Reporting period	: 30 January 2015 to 30 April 2015

Introductory remarks

This is the twenty-sixth public insolvency report by the Administrators. The report covers the period from 30 January 2015 to 30 April 2015 and contains financial information on the period up to 31 March 2015. This report should be read in conjunction with the previously published public reports. All the reports, together with the Financial Reports for the years 2009-2014 can be found on the website www.dsbbank.nl.

The insolvency of DSB Bank is legally complex. In this report, the Administrators give a simplified account of the current state of affairs in accordance with the generally accepted standards for insolvency reporting in the Netherlands. The Administrators emphasise that the information in this report is subject to closer examination. It may prove necessary to amend the information given at a later stage. It is accordingly not yet possible to make any statement concerning the completeness or accuracy of the information contained in this report.

No rights may be derived from this insolvency report and/or any subsequent reports. Nothing in this report should be interpreted as acknowledging liability or waiving any rights.

An (unofficial) English translation of this twenty-sixth report will again be published on the above website. Reliance can only be placed on the Dutch text.

In conducting their activities, the Administrators make use of the advisory and other services of Houthoff Buruma Coöperatief U.A. ('**Houthoff Buruma**'), PricewaterhouseCoopers Advisory N.V. ('**PwC**') and various other law firms and advisers .

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0. **General information for creditors of DSB Bank**

As regards the position of creditors and customers of DSB Bank with savings accounts, current accounts or deposit accounts whose claims qualified as not subordinated by virtue of the amounts owed to them, reference is made to the DSB Bank website (www.dsbbank.nl) and to previous public reports.

1. **Introduction**

Principal activities in the most recent reporting period

For the principal activities of the Administrators in the most recent reporting period, see the first two pages of this public report.

2. **Current situation**

2.1. Management and organisation

See the first public report. For details of the structure of DSB Group, particular reference is made to the two organisation charts appended as Annex 1 to the first public report.

2.2. Balance sheet total on the date of the insolvency

See the first public report, in particular Annex 2.

2.3. Legal proceedings

Having regard to the appeal against the court decision of 11 January 2012, the Administrators refer to the nineteenth public report. It will not be possible to proceed with the appeal until after the end of the opt-out period.

As regards the cases in which DSB Bank was claimant as at the date of insolvency and no counterclaim has been submitted, the desirability of pursuing the claims is being examined on an ad hoc basis. The cases where DSB Bank is defendant have been suspended in connection with the insolvency and/or the opt out-period.

Incidentally, DSB Bank also continues to mount debt recovery proceedings on a regular basis, which generally lead to judgements in absentia in the bank's favour.

2.4. Individual cases brought before the courts since the insolvency

There are no more cases pending in which the Administrators have been sued since the date of the insolvency. For an overview of the remaining claim validation proceedings see Section 8.4 of this public report.

2.5. Insurance

See also the second public report Where necessary, existing insurance policies have been cancelled or amended, for example in connection with the disposal of property and other assets or termination of leases.

2.6. Rents

Premises rented from group entities

See the twenty-fourth public report.

Premises rented from third parties

See the twenty-fifth public report.

Premises leased to third parties

See the twelfth public report.

3. Staff

3.1. Employees

There are currently 39 people (32.7 FTEs) employed by DSB Bank, excluding the 23 Tadas staff. The insolvent entity also employs the services of 36 freelance professionals (approximately 27 FTEs).

To the Administrators' knowledge, most of the former employees of DSB Group have now found new jobs or become self-employed.

3.2. Provisional continuation of activities

DSB Bank staff have recently been mainly involved in implementing the Scheme, in managing the loan portfolio, in specific activities connected with the winding-up operation and in a number of support duties. It continues to be the Administrators' policy to notify the staff at the earliest possible stage concerning the expectations regarding the rundown of the activities concerned.

3.3. Works Council

In view of the reduction in the number of staff, the Works Council will be retained for the time being as the body representing the staff. The Administrators will be keeping the Works Council regularly informed of and involved in important matters.

4. Assets

4.1. General

For a general overview of the assets of DSB Bank at the time the bank was declared insolvent, see Annex 2 to the first public report. For the current position, see Annex 1 to the fifth public report. To supplement these statements, the Administrators have the following comments.

4.2. Mortgages

See the previous public reports. See also 0 concerning the transfer of the servicing of the loan portfolio to Quion.

4.3. Registered property

See the previous public reports.

4.4. Other assets

The remaining business equipment etc. is being used in connection with the winding-up operations.

4.5. Claim on DSB Ficoholding and on DSB Beheer

See the twenty-fifth public report.

4.6. Investments in subsidiaries, associates and joint ventures

For a list of DSB Bank's various (former) subsidiaries, associates and joint ventures, see Annex 1 to the first public report. For financial information relating to these entities, the Administrators make reference to Annex 2 to the first public report. The Administrators have the following specific remarks concerning the individual subsidiaries, associates and joint ventures of DSB Bank.

Sale of Waard Leven, Waard Schade and Tadas

As pledgee of the shares of Waard Leven and Waard Schade and as shareholder of Tadas, DSB Bank agreed the sale of these entities, subject to a number of conditions to the UK listed insurance company Chesnara plc on 3 December 2014. Almost all the conditions have now been satisfied. The total proceeds for DSB Bank will be approximately €70 million. It is expected that delivery of the shares and payment of the purchase price will be possible in May 2015.

DSB International B.V.

This company is the subholding company between DSB Bank and the entity now in charge of the Belgian loan portfolio. The shares of this entity were recently sold to a Belgian company. Proceeds from the sale are not material. DSB International B.V. will be wound up in 2015.

The recent receipts totalling in excess of €8 million mean that all Belgian aspects of the mortgage portfolio have now been settled.

4.7. Domain names

The Administrators will be concluding the disposal of the domain name portfolio in the months ahead.

5. Debtors / receivables and duty of care

5.1. General

For a general overview of the receivables position of DSB Bank at the time of the insolvency, reference is made to Annex 2 to the first public report. An update is provided on pages 14 and 15 of the 2013 Financial Report.

As at the end of March 2015, DSB Bank had approximately 82,000 loans to customers outstanding, totalling approximately €4,2 billion (multiple loans to the same borrower in some cases). A proportion of these loans, amounting to over €1.7 billion, has been securitised.

5.2. The WCAM and the Scheme

WCAM decision

The Court gave its Decision in the WCAM case on 4 November 2014. In November 2014, around 335,000 existing and former DSB Bank customers received a letter explaining the implications of the Scheme having been declared binding. Additionally, the declaration of the binding nature of the agreement was announced in advertisements placed in three national newspapers on Saturday, 8 November 2014.

Between the date on which the Scheme was declared binding and 26 April 2015, almost 35,000 existing and former customers registered for the Scheme. During that period, the website www.dsbcompensatie.nl had almost 100,000 different visitors.

For details of the progress with the processing of these new applications in the period up to 26 April 2015, see the appended factsheet (**Annex 2**), from which can be seen, amongst other things, that more than 17,000 claims from existing and former customers have now been settled with payment of compensation for insurance mis-selling. The first compensation payments for excessive lending have now also been awarded.

Opt-outs

In the period up to 26 April 2015, 283 existing and former customers of DSB Bank had submitted opt-outs. However, the impression is that many of them are not contemplating legal action against DSB Bank or the Insurers but merely wish to put on record that they do not wish their files to be closed. The Administrators plan to look at this issue in greater detail after the end of the opt-out period in May 2015.

Settlement of the AoH claims

The option open to customers to apply for inclusion in the Scheme under the terms of the AoH was terminated on 4 November 2014 by the declaration that the Scheme was binding. Settlement of the outstanding claims predating 4 November 2014 is progressing smoothly. The same applies to the award of extra compensation to existing and former customers who have already accepted the terms of the AoH but now qualify for the improvements in compensation awarded by the Court.

Absolutely unnecessary payment protection insurance

In practice, it has been found that hardly any existing and former customers of DSB Bank qualify for this part of the Scheme.

Case reviews, objections and appeals

In response to requests from customers for reassessment of the compensation offers they have received, claims are reconsidered on the basis of new facts without initiating legal proceedings. It is also possible for customers to lodge objections with the Administrators regarding the offers they have received. Beyond that, there is also the possibility of bringing an appeal before the Disputes Committee or the Exceptional Circumstances Committee. There are currently no appeals before the Disputes Committee and just one appeal being examined by the Exceptional Circumstances Committee. The decisions of the two committees can be found on www.dsbcompensatie.nl. The annual report for 2014 produced by the Committees has also been published on this website.

Costs of the Scheme

The total costs of the Scheme to the DSB Bank depend in part on the number of customers applying for inclusion in the Scheme. Based on the applications received, a reasonably exact calculation can be made of the amount of compensation involved in respect of mis-selling. In the case of excessive lending compensation, the amount of compensation depends on various factors, such as the personal incomes of the customers on at least two means-testing dates and the extent to which customers have submitted the documentation on which the calculations are based.

The Administrators estimate – see also page 30 of the 2014 Financial Report – that the total amount of compensation payable to existing and former customers who have or will have applied for inclusion in the Scheme between the date of insolvency and 8 November 2015 (therefore including claims in respect of dereliction of the duty of care) will be in excess of €314 million. This figure therefore includes the debt structuring where duty of care is at issue and the improvements to the AoH compensation now that the amended WCAM agreement has been declared binding by the Court.

The Administrators plan to include a comprehensive financial summary of all the compensation payments made in the twenty-ninth public report due to be published on 29 January 2016. Details will also be disclosed on that occasion concerning the amount of the associated operating expenses over the years.

Reference is also made to the attached graph showing the average monthly amounts and numbers of processed claims for mis-selling and excessive lending over the period 2012–March 2015 (**Annex 3**).

Insurers

The cooperation with the affected insurers is proceeding smoothly. For further information, reference is made to the eleventh public report.

5.3. Settlement of other complaints

A small proportion of the complaints concern questions not related to duty of care. These complaints are being dealt with on an individual basis.

5.4. Set-off

Under the general terms and conditions of DSB Bank, customers do not have a right to set off an amount receivable from DSB Bank against the amount they owe to DSB Bank. The Administrators have nevertheless previously agreed that, in those cases where it can be established that a customer's losses are due to dereliction of the duty of care vis-a-vis that customer, whether as a result of a court ruling or an out-of-court settlement, the consequent loss may be set off against the existing amount of that customer's indebtedness to DSB Bank.

5.5. Application for the Compensation Scheme and submission of other complaints

See www.dsbbank.nl and www.dsbcompensatie.nl.

6. Bank finances / collateral security held

6.1. Financial statements

Annex 1 to this public report contains a summary of (i) the income and expenditure of DSB Bank from the date of the insolvency up to the end of June

2015 and (ii) the income and expenditure of DSB Bank during the third quarter of 2015.

6.2. Credit facilities

For a summary of the credit facilities and the associated collateral security provided, reference is made to Annex 2 to the first public report.

For the reasons mentioned in the twenty-fourth, interim public report making possible an additional distribution of 35% to unsecured creditors, DSB Bank extended the special long-term loan facility, initially for a period of three years, simultaneously increasing the amount so that DSB Bank can borrow up to a maximum of €1.4 billion from ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and ABN AMRO Bank N.V. The involvement of three other banks in the special long-term loan facility has been ended. The present drawings under this facility amount to €1,265 million (position as at 31 January 2015: €1,320 million).

6.3. Servicing

With respect to the outsourcing of a specific part of the servicing of the consumer credit portfolio, DSB Bank is in negotiations with two parties regarding the necessary preparations for effecting a transfer of this part of the portfolio from Quion. The servicing by Quion is being suitably monitored by DSB Bank and regular meetings are held to discuss improvements where necessary.

6.4. Outsourcing of ICT

The service agreement with SLTN was signed on 5 March 2015. All the necessary preparations are currently being made to facilitate a controlled transfer of the service activities to SLTN. Transfer is planned for 1 September this year.

6.5. Securitisation programmes

The key figures relating to the underlying loan portfolios connected with the individual securitisation programmes are supplied to the SPVs. This information forms part of the periodical reports sent by the SPVs to the holders of the notes issued by them (noteholders).

The Administrators also hold regular meetings with the SPVs and provide information to the rating agencies and noteholders in conference calls organised by the SPVs.

In January 2012, the Administrators wrote to the SPVs to advise that they were prepared to make distributions relating to the claims of the SPVs connected with debt restructuring measures affecting securitised loans. Since then, this offer has

been extended to claims of the SPVs connected with duty-of-care compensation payments that have been set against securitised loans. Four SPVs are taking advantage of this offer.

6.6. Lease contracts

DSB Bank still has six vehicles on operating leases.

6.7. Hedges

Agreement has now been reached regarding the submitted invoices for all the interest rate swap contracts predating the insolvency. In a number of cases, interest rate contracts have been reinstated with DSB Bank. These contracts are expected to produce significant gains for the insolvent entity in the years ahead. Where DSB Bank has an interest rate risk as a consequence, that risk has been largely hedged.

6.8. Interest rate policy

The policy on interest rates and penalties adopted by the Administrators can be found on the website www.dsbbank.nl.

7. Lawfulness

7.1. Investigation into the causes of the insolvency

The report on the 'Inquiry into the causes of the insolvency of DSB Bank N.V.' was published on 19 June 2012 as an annex to the thirteenth public report. The DSB Beheer B.V. inquiry report was published simultaneously. Both reports can be found on www.dsbbank.nl. The Administrators are discussing possible follow-up actions with both the Creditors' Committee and the supervisory judge.

7.2. Liability of DNB

A court case was brought against DNB on 5 November 2013 by the Administrators together with three organisations representing DSB Bank customers, viz. Vereniging DSBspaarder.nl, Vereniging DSBdepositos.nl and Stichting Belangen Rechtsbijstandverzekerden DSB. Amongst other things, a judgement of the court was sought to the effect that DNB acted unlawfully vis-à-vis DSB Bank and/or its creditors.

On 29 April 2015 – yesterday – the Amsterdam District Court delivered its verdict in this case. The court's decision has been published on www.rechtspraak.nl. The court threw out all claims against DNB. The Administrators are studying the judgement and, together with the stakeholder organisations, are considering the possibility of mounting an appeal.

8. Creditors / payables

8.1. Creditors' Committee

In the recent reporting period, the Creditors' Committee was made up of Chapel 2003-I B.V., ING Bank N.V. and Mrs T. de Graaf. A meeting with the Committee was held on 25 March 2015 during the reporting period. Meetings are held to discuss the developments surrounding the winding-up operation. Where necessary, contact is maintained by telephone and email in the interim. Requests for advice on proposed decisions are made by the Administrators to the Creditors' Committee as and when required by law. The Creditors Committee has appointed lawyers to look into the legal aspects on behalf of the Committee. The Administrators are also in regular contact with this legal team.

- 8.2. There have been a total of 333 cases of assignment relating to 333 unsecured claims (one claim has been the subject of two separate assignments), representing a face value of approximately €12.9 million.

8.3. Meetings of creditors pursuant to Section 178 of the Insolvency Act (FW)

There will be no further meetings pursuant to Section 178 of the Insolvency Act (FW) in the short term. By far the majority of the 'new' creditors have claims under the WCAM agreement, which, pursuant to Section 110, subsection 3, and Section 179 of the Insolvency Act do not have to be formally validated. Additionally, all new creditors will be paid an interest-free advance equal to the amount of the distributions they have missed so that they do not have to wait for their money unnecessarily.

8.4. Remaining claim validation proceedings against the Administrators

There are currently five claim validation proceedings awaiting a decision. In relation to these claim validation proceedings, the Administrators have the following comments:

Dereliction of the duty of care and/or unlawful action on the part of DSB Bank

Two customers accuse DSB Bank of failure in its duty of care. In addition, one of these creditors accuses DSB Bank of unlawful seizure. Both these cases are on the case list pending the end of the WCAM opt-out period, when they will be taken forward for examination as to their merit.

Pensions

The pension claims made by Mr and Mrs Scheringa, amounting to €8.8 million and €1 million, respectively, were contested at the meeting of creditors on 29 November 2012. The cases have been struck off *ex officio* by the competent judge but can be reinstated at any time for further proceedings.

8.5. Liabilities of the insolvent entity

In view of the position of the insolvent entity, the Administrators continue to pay amounts agreed by them as being owed by the insolvent entity as quickly as possible.

9. Other

9.1. Tax Matters

See Section 9.1 of the ninth public report.

9.2. Netherlands Authority for the Financial Markets ('AFM') and DNB

The Administrators have regular meetings with the AFM and also with DNB to discuss current issues.

9.3. Provision of information

DSB Bank customers are notified in writing regarding relevant decisions by the Administrators or actions which they should take. The Administrators also provide information on the websites www.dsbbank.nl and www.dsbcompensatie.nl.

All questions relating to the outstanding loans (such as repayment, early repayment, arrears, changes of address and interest rates) should be addressed to Quion, which took over the servicing of the loan portfolio from DSB Bank on 20 June 2013. The number to call for Quion's customer contact centre is 010 242 22 00.

For questions relating to the Scheme / WCAM mass claim settlement, customers can email curatoren@dsbbank.nl or telephone the DSB Bank call centre. The call centre is open from 08:30 to 17:30 on business days on tel. 088 372 30 00 (local call rate).

9.4. Activities and time spent

The activities involved in the administration of DSB Bank and the implementation of the Scheme are carried on by 39 DSB Bank employees and 36 freelance professionals (see Section 3).

The Administrators have also engaged various parties to provide support with the liquidation process, including Houthoff Buruma (legal and tax consultancy) and PwC (accountancy, tax consultancy and IT-related services) as well as various other outside specialists.

The Administrators along with the legal and tax consultants of Houthoff Buruma have together spent approximately 1,133 hours on the insolvency of DSB Bank

in the period 1 January 2015–31 March 2015. PwC spent approximately 113 hours on the insolvency of DSB Bank in the reporting period.

9.5. Timetable for the settlement of the liquidation

In any event, the liquidation process will continue to require intensive activities during 2015. The final winding-up operations will then undoubtedly take a considerable number of years to come, albeit involving work of diminishing intensity.

9.6. Plan of approach

In the next reporting period, too, the Administrators and the organisation of the insolvent entity will continue to work methodically on the settlement of the liquidation. The Administrators will be focusing on:

- The management of the loan portfolio;
- The correct implementation of the Scheme;
- An efficient office organisation for the insolvent entity;
- Proper monitoring of outsourced services.

9.7. Publication of the next report

The next periodical public report is expected to be published at the end of July 2015.

Wognum, 30 April 2015

R.J. Schimmelpenninck

B.F.M. Knüppe

Administrator

Administrator

Annexes:

Annex 1: Summary of the income and expenditure of DSB Bank from the date of the insolvency up to 31 March 2015 and of the income and expenditure during the first quarter of 2015.

Annex 2: Factsheet on the WCAM Scheme as at 26 April 2015.

Annex 3: Graph showing average amounts and numbers of mis-selling compensation and excessive lending claims.