

INSOLVENCY REPORT

Insolvency Report No. 33 by the Bankruptcy Trustees of

DSB Bank N.V.

31 October 2016

*The public insolvency reports of DSB Bank N.V. also trading under the name Finqus (**DSB Bank**) are published online on the website www.dsbbank.nl. The trustees in the bankruptcy of DSB Bank (**Bankruptcy Trustees**) will also be using this website in the future to publish other information on the case and the progress of the insolvency proceedings.*

MAIN POINTS OF THIS REPORT

- The management of the loan portfolio is the most important remaining duty of the Bankruptcy Trustees. In the interests of further normalisation of relations with the borrowers of the remaining loans, DSB Bank has adopted the trading name Finqus with effect from June 2016. The new name has now been successfully implemented. The new Finqus website can be found on www.finquus.nl. The new logo used on the letterhead and the website, for instance, is shown below.

The logo for Finqus, featuring the word "finqus" in a lowercase, sans-serif font. The letters "fi" are in blue, "nq" are in grey, and "us" are in green.

- As at 30 September 2016, the total amount of DSB Bank's lending was approximately €3.6 billion, of which approximately €1.5 billion was in the form of securitised loans. The special long-term loan facility stood at €700 million as at 30 September 2016 (position as at 30 June 2016: €865 million). This special long-term loan is to be repaid out of cash flow in the years ahead. Only after that will it be possible for DSB Bank to resume distributions to the remaining unsecured creditors.
- On 4 December 2015, the Bankruptcy Trustees made an offer to nearly all creditors to pay in full their allowed claims (the **Offer**). For the justification for making the Offer, see the 29th (interim) public report of 5 December 2015. Both ordinary creditors (with the exception of the Nederlandsche Bank (**DNB**), which as administrator of the deposit guarantee scheme (**DGS**) has the largest amount owed) and subordinated deposit holders were able to receive 100% of their claims less the percentage that had already been paid out. A condition of the Offer was that creditors waive the right to interest and the right to make other claims on DSB Bank or third parties. To date, about 98.5% of the total number of creditors have

accepted the Offer. Of the total amount of the outstanding unsecured claims under the insolvency, around 99.8% concerns DGS-related claims filed by DNB. The Bankruptcy Trustees have now closed the option to accept the Offer. See also www.aanbod.dsb.nl.

- Under the terms of the Mass Compensation Scheme for Customers with Duty of Care Claims (the **Scheme**), existing and former customers of DSB Bank had until 8 November 2015 to apply for payment under the Scheme. Considerable numbers of existing and former customers applied for inclusion, particularly in the final weeks before the Scheme closed. Settlement of the applications for insurance mis-selling compensation and for compensation related to excessive lending has now been completed. This brings to an end all the duty-of-care issues encountered by the Bankruptcy Trustees at the Time of the Insolvency.
- Part of the portfolio of interest-only mortgages and savings mortgages was transferred to Waard Leven N.V., a former sister company of DSB Bank, on 31 August 2016. See section 6.3 for further details.
- The Bankruptcy Trustees report on the progress of the investigation into the causes of the collapse in section 7.

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PROSPECTS FOR CREDITORS

To date, the Bankruptcy Trustees 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%	100%

Additionally, the Bankruptcy Trustees have now made the Offer to almost all creditors. The creditors who have accepted the Offer have received payment in full of their allowed claims and so waived all rights to payment of interest or to bring any other claims against DSB Bank or third parties. For further details of the Offer, see section 8.6 of this public report.

In the context of the eighth distribution of 35% in December 2014, it should be borne in mind that the special long-term loan raised for the purpose has to be repaid out of *cash flow* over a period of approximately five years as from 2015. Accordingly, it is not expected to be possible to distribute any further percentages to the creditors before 2020.

On the basis of current projections, the Bankruptcy Trustees believe that in due course it will be possible to pay in full the amounts owed both to remaining unsecured creditors and to subordinated creditors, provided the existing policy as regards winding up the loan portfolio (*run-off scenario*) continues to be pursued for at least five years.

If, in the longer term, all the creditors have been paid in full, it should be possible to use any remaining balance to make payments in respect of the accrued interest owed to the creditors. This generally concerns the interest calculated on the amounts owed to the creditors since the date of insolvency. Existing and former customers with a claim on DSB Bank under the Scheme will not be able to claim payment of interest until a later date.

DETAILS OF DSB BANK

Details of company	DSB Bank N.V.
Insolvency case number	: F13 / 09 / 798
Decision date	: Emergency ruling 12 October 2009 Insolvency 19 October 2009
Bankruptcy Trustees	: R.J. Schimmelpenninck and B.F.M. Knüppe
Supervisory judge	: M.J.E. Geradts (District Court for Noord-Holland, Amsterdam branch)
Reporting period	: 29 July 2016 to 31 October 2016

Introductory remarks

This is the thirty-third public insolvency report by the Bankruptcy Trustees. The report covers the period from 29 July 2016 to 31 October 2016 and contains financial information on the period up to 30 September 2016. This report should be read in conjunction with the previously published public reports. All the reports, together with the Financial Reports for the years 2009-2015 can be found on the website www.dsbbank.nl.

The insolvency of DSB Bank is legally complex. In this report, the Bankruptcy Trustees give a simplified account of the current state of affairs in accordance with the generally accepted standards for insolvency reporting in the Netherlands. The Bankruptcy Trustees 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.

This (unofficial) English translation of this thirty-third report will also be published on the above website. Reliance can only be placed on the Dutch text.

In conducting their activities, apart from the use of employees of DSB Bank and freelance professionals in Wognum and Emmeloord, the Bankruptcy Trustees 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.

1. Introduction

1.1. Principal activities in the recent reporting period

For the principal activities of the Bankruptcy Trustees 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 corporate 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

In a limited number of cases, a valid opt-out was submitted in a timely manner. The desirability of pursuing these cases is being examined. With regard to those cases in which DSB Bank appears as defendant and no opt-out has been submitted, the claimants are now bound by the settlement under the Scheme.

Incidentally, DSB Bank also continues regularly to mount debt-recovery proceedings, 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 Bankruptcy Trustees have been summoned 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

Following the cancellation of the buildings insurance and other policies, DSB Bank now has only professional indemnity and public liability insurance and contents insurance policies in force.

2.6. Rents

Premises rented from group entities

DSB Bank no longer rents any premises from group entities.

Premises rented from third parties

See the twenty-eighth and thirty-first public reports. DSB is still renting 727 m² from Messrs Scholtens in Wognum.

Premises leased to third parties

DSB Bank no longer leases any premises to third parties.

3. Staff

3.1. Employees

There are currently 21 people (16.3 FTEs) employed by DSB Bank. The estate (partly in connection with the implementation of the Scheme and the Offer) also employs the services of 17 freelance professionals (representing an average of 10.2 FTEs), and approximately 5 external staff (representing an average of 3.7 FTEs) manning the customer contact centre.

3.2. Continuation of activities

DSB Bank staff have been mainly involved in managing the loan portfolio, in specific activities connected with the winding-up operation and a number of support duties, in archiving the duty of care cases relating to the Scheme and the Offer. It continues to be the Bankruptcy Trustees' policy to notify the staff at the earliest possible stage concerning the expectations regarding the rundown of the activities concerned. After this quarter, a limited rundown of temporary staff hired from outside as well as staff at the customer contact centre and staff on the payroll can be expected.

3.3. Employee representation

In view of the reduction in the number of staff, the Works Council has been dissolved and reformed as an informal body representing the staff. This staff representative body will be kept regularly informed and/or involved by the Bankruptcy Trustees regarding 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 Bankruptcy Trustees have the following comments.

4.2. Mortgages

See the previous public reports. See also Section 6.3 concerning the transfer of the servicing of the loan portfolio to Quion and two other service organisations for a specific part of the loan portfolio.

4.3. Registered property

See the previous public reports. DSB Bank no longer has any registered property.

4.4. Other assets

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

4.5. Claim on DSB Beheer and on DSB Ficoholding B.V.

Reference is made to the twenty-eighth public report.

4.6. Investments in subsidiaries, associates and joint ventures

See the previous public reports. DSB Bank holds 100% of the share capital of DSB International B.V. This company is no longer trading and will be wound up.

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 2015 Financial Report.

As at the end of September 2016, DSB Bank had approximately 70,000 loans to customers outstanding, totalling approximately €3.6 billion (multiple loans to the same borrower in some cases). A proportion of these loans, amounting to almost €1.5 billion, has been securitised.

5.2. The Scheme

See the thirty-first public report. Under the terms of the Mass Compensation Scheme for Customers with Duty of Care Claims (the Scheme), existing and former customers of DSB Bank had until 8 November 2015 to apply for payment under the Scheme. Considerable numbers of existing and former customers applied for inclusion, particularly in the final weeks before the Scheme closed. Settlement of the applications for insurance mis-selling compensation and compensation related to excessive lending has now been completed. This brings

to an end all the duty of care issues encountered by the Bankruptcy Trustees at the Time of the Insolvency.

See the appended factsheet for a final statement of all the applications made under the Scheme (**Annex 2**).

5.3. Settlement of other complaints

A relatively small number of complaints concerns 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 Bankruptcy Trustees have nevertheless previously agreed that, in those cases where it can be established that a customer's losses are caused by dereliction of the duty of care vis-à-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. Submission of other complaints

See www.dsbbank.nl and www.finqus.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 September 2016 and (ii) the income and expenditure of DSB Bank during the third quarter of 2016.

6.2. Credit facilities

DSB bank has contracted a special long-term loan facility with ING Bank N.V., Coöperatieve Rabobank U.A. and ABN AMRO Bank N.V. As at 30 September 2016, DSB Bank can borrow a maximum of €1.12 billion; existing borrowing under the facility, as at 30 September 2016, stands at €700 million (position as at 30 June 2016: €865 million).

6.3. Servicing

In September 2016, the most recent transfer was made in respect of debt collection on the consumer-credit loan portfolio containing accounts more than 12 months in arrears.

There continues to be intensive consultation regarding the servicing of the loan portfolio by Quion.

Part of the portfolio of interest-only mortgages and savings mortgages was transferred to Waard Leven N.V., a former sister company of DSB Bank, on 31 August 2016, with beneficial ownership backdated to 31 March 2016. The transaction concerns that part of the portfolio of interest-only and savings mortgages corresponding to the associated savings and life insurance policies already on the books of Waard Leven N.V. Servicing of this portfolio will continue to be performed by Quion via Finqus as before.

6.4. Outsourcing of ICT

See the thirtieth public report.

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 Bankruptcy Trustees provide information to the SPVs, rating agencies and noteholders on a regular basis.

All the SPVs have since accepted the Offer. See the thirty-first public report for further details.

6.6. Lease contracts

DSB Bank is still operating one leased vehicle.

6.7. Hedges

Agreement was reached in 2012 and 2013 regarding the invoices submitted 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 have to date yielded considerable income for the estate, but this income will fall 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 Bankruptcy Trustees can be found on the website www.fingus.nl.

7. Lawfulness

7.1. Investigation into the causes of the insolvency

The report, 'Inquiry into the Causes of the Insolvency of DSB Bank N.V.' was published on 19 June 2013 as an annex to the thirteenth public report. The inquiry report by DSB Beheer B.V. was published at the same time. Both reports can be found on www.dsbbank.nl.

In negotiations with the individuals concerned, final settlements have been reached with Messrs D. Scheringa (former chairman of the Executive Board of DSB Bank) and H.P.A.J. van Goor (former member of the Executive Board and Chief Operating Officer (COO) of DSB Bank) – without attributing any liability and without admission of liability on their part.

The settlement with Mr Scheringa provides for (i) the lifting of the seizure orders placed by the Bankruptcy Trustees on the property owned by Mr Scheringa following payment by Mr Scheringa of €1 million to the estates of DSB Bank and DSB Beheer, (ii) Mr Scheringa's waiver of the remaining amount of his (allowed) claim on DSB Bank amounting to €574,727 and (iii) the withdrawal by Mr and Mrs Scheringa of the (contested) claims which they had made on DSB Bank, totalling almost €10 million.

The settlement with Mr Van Goor provides for Mr Van Goor's waiver of the remaining amount of his (allowed) claim on DSB Bank amounting to €271,389.

Additionally, Messrs Scheringa and Van Goor are to arrange for the residual value of the insurance policy covering the DSB Bank Executive Board and Supervisory Board members to accrue to the DSB Bank estate.

Given the findings of the published Inquiry Report and based on further analysis and investigation, the Bankruptcy Trustees are not aware of any evidence of liability on the part of other members of the Executive Board or the members of the Supervisory Board, so there are no grounds for proceeding against the aforementioned officers.

8. Creditors / payables

8.1. Creditors' Committee

During the reporting period, the Committee was made up of Chapel 2003-I B.V., ING Bank N.V. and Coöperatieve Rabobank U.A.

A meeting with the Committee was held on 28 September 2016 during the reporting period. Meetings of the Creditors' Committee 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 Bankruptcy Trustees to the Committee as and when required by law. The Committee has engaged lawyers to study the legal issues more closely. The Bankruptcy Trustees are also in regular contact with this legal team.

8.2. Assignment of allowed claims

See the thirty-first public report.

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) for the time being. The vast majority of the 'new' creditors have claims under the Scheme which, pursuant to Section 110, subsection 3, and Section 179 of the Insolvency Act do not have to be formally validated. In addition to an interest-free advance equal in amount to the distributions they have missed, new creditors also qualified for the Offer made by the Bankruptcy Trustees.

8.4. Remaining claim-validation proceedings against the Bankruptcy Trustees

The two claim validation proceedings brought by Mr and Mrs Scheringa, amounting to €8.8 million and €1 million, respectively, which were contested by the Bankruptcy Trustees at the meeting of creditors held on 29 November 2012, have been dropped as part of the final settlement that was reached with Mr Scheringa. See section 7.1 of this report. As previously mentioned, there is still the question of a creditor that is asserting a claim in excess of €10 million on DSB Bank. This claim is contested by the Bankruptcy Trustees. Discussions are ongoing concerning whether, and if so how, to proceed.

8.5. Liabilities of the estate

In view of the position of the estate, the Bankruptcy Trustees continue to pay amounts agreed by them as being owed by the estate as quickly as possible.

8.6. The Offer made by the Bankruptcy Trustees to creditors

On 4 December 2015, the Bankruptcy Trustees made an offer to nearly all creditors to pay in full their allowed claims (the **Offer**). For the justification for making the Offer, see the twenty-ninth (interim) public report of 5 December 2015. Both ordinary creditors (with the exception of DNB, which as administrator of the DGS has the largest amount owed) and subordinated deposit holders were able to receive 100% of their claims less the percentage that had already been paid out. A condition of the Offer was that creditors waive the right to interest and the right to make other claims on DSB Bank or third parties. To date, about 98.5% of the total number of creditors have accepted the Offer. Of the total amount of the outstanding unsecured claims under the insolvency, around 99.8% concerns DGS-related claims filed by DNB. The Bankruptcy Trustees have now closed the option to accept the Offer.

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 Bankruptcy Trustees 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 as far as possible regarding relevant decisions by the Bankruptcy Trustees or actions which they should take. The Bankruptcy Trustees also provide information via the websites <http://finqus.nl/>, www.dsbbank.nl, www.dsbcompensatie.nl, www.aanbod.dsb.nl.

Questions relating to outstanding loans (such as repayment, early repayment, arrears, changes of address and interest rates) should be addressed to Quion, the company now responsible for servicing DSB Bank's loan portfolio. The number to call for Quion's customer contact centre is +31 10 242 22 00. Customers with personal loans that are more than 12 months in arrears should get in touch with the organisation to which the Bankruptcy Trustees have entrusted the management of the receivables concerned.

9.4. Activities and time spent

The activities involved in the administration of DSB Bank and the implementation of the Scheme and the Offer are carried on by 21 DSB Bank employees and 17 freelance professionals (see Section 3.1).

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

The Bankruptcy Trustees and the legal and tax consultants of Houthoff Buruma have together spent approximately 914 hours in the period 1 July 2016 to 30 September 2016 on the liquidation of DSB Bank. PwC spent approximately 243.9 hours on the insolvency of DSB Bank in the reporting period.

9.5. Timetable for the settlement of the liquidation

Owing to the run-off of the loan portfolio, the winding-up operations will undoubtedly take several more years, albeit involving work of decreasing intensity.

9.6. Plan of approach

In the next reporting period, too, the Bankruptcy Trustees and the organisation of the estate will continue to work on the settlement of the liquidation using a project-based approach. The Bankruptcy Trustees will be focusing on:

- The management of the loan portfolio;
- The proper execution of all aspects of archiving the Scheme and the Offer;
- An efficient office organisation for the estate;
- 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 January 2017.

Wognum, 31 October 2016

R.J. Schimmelpenninck

Bankruptcy trustee

B.F.M. Knüppe

Bankruptcy trustee

Annexes:

Annex 1: Summary of the Income and Expenditure of DSB Bank from the Date of the Insolvency up to 30 September 2016 and of the Income and Expenditure during the third quarter of 2016

Annex 2: Factsheet on the WCAM Scheme as at 31 October 2016