

INSOLVENCY REPORT

Insolvency Report No. **34** by the Bankruptcy Trustees of

DSB Bank N.V.

31 January 2017

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

- As at 31 December 2016, the total amount of DSB Bank's lending was approximately €3.4 billion, of which approximately €1.4 billion was in the form of securitised loans.
- The special long-term loan facility stood at €610 million as at 31 December 2016 (position as at 30 September 2016: €700 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.
- 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. 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. The website www.dsbcompensatie.nl will be taken offline at the end of January 2017.
- Hitherto it has been the practice to publish a Public Report each quarter. As from today's date, the publication frequency will be reduced to twice a year. If warranted by circumstances, an extra Public Report will be produced.
- The Financial Report for 2016 will be published in April 2017 at the latest.
- The next Public Report after that will be posted on the website at the end of October 2017 and the one after that at the end of March 2018.

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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 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 0 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 remaining 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 four 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	: 1 November 2016 to 31 January 2017

Introductory remarks

This is the thirty-fourth public insolvency report by the Bankruptcy Trustees. The report covers the period from 1 November 2016 to 31 January 2017 and contains financial information on the period up to 31 December 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 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 page 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 0 of this public report.

2.5. Insurance

DSB Bank has 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. Some of the rented space (48 m²) will be returned to Messrs Scholtens in 2017.

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 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.

3.1. Continuation of activities

DSB Bank staff have been mainly involved in managing the loan portfolio, in the various remaining activities connected with the winding-up operation and a number of support duties, in archiving such things as the duty of care cases relating to the Scheme and in managing 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.

3.2. 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. The members of this staff representative body, as well as the other staff, 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 0 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. The Bankruptcy Trustees expect the insolvency proceedings in relation to DSB Beheer to be brought to a close before long, when the second (and final) distribution list, which is due to be filed with the court shortly, is declared binding.

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 in 2017.

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 December 2016, DSB Bank had approximately 67,000 loans to its 50,000 customers outstanding, totalling approximately €3.4 billion (multiple loans to the same borrower in some cases). A proportion of these loans, amounting to almost €1.4 billion, has been securitised.

13,000 (26%) of the 50,000 customers are customers with a first mortgage. The remaining 37,000 customers (74%) have a personal loan (consumer credit), a second mortgage or an outstanding debt.

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. 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. The Disputes Committee and the Special Circumstances Committee have completed their work. The support and interest group foundations Stichting Steunfonds Probleemhypotheeken and Stichting Belangen Rechtsbijstandverzekeren DSB have already been wound

up. The third interest group organisation with which the Bankruptcy Trustees agreed the Scheme, Stichting Platform Aandelenlease (PAL), continues to exist, as it also has activities not involving DSB Bank. The website www.dsbcompensatie.nl will go offline at the end of January 2017.

For a final statement of all applications for the Scheme, see Annex 2 to the thirty-third public report.

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. Submission of complaints

See www.fingus.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 December 2016 and (ii) the income and expenditure of DSB Bank during the fourth 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 31 December 2016, DSB Bank could borrow a maximum of €1.08 billion; existing borrowing under the facility, as at 31 December 2016, stood at €610 million (position as at 30 September 2016: €700 million).

6.3. Servicing

In December 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.

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 yield 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 Fingus can be found on the website www.fingus.nl.

The interest rates applied by Fingus are grouped on the basis of risk (outstanding balance in relation to the value of the security). The number of groups is due to be increased from three to five later this year, resulting in a scale of interest rates that match individual customer situations more closely than is currently the case. The Fingus interest rates are in line with those of other players in the market.

Fingus has decided to introduce a new 'interest rate structure' in preference to interest rate averaging. The decision takes into consideration that 47% of the customers with a first mortgage will already have had the benefit of an interest rate reset since 2009 (year of DSB Bank insolvency) and 66% of the 13,000 customers with a first mortgage will be receiving a revised interest rate offer in the years 2017 and 2018. Interest rate averaging is less attractive to this group of customers when seen against the background of charges and penalties and changes in the terms and conditions, such as penalty conditions, in connection with interest rate averaging.

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 the previous public report, published on 31 October 2016, it was mentioned among other things that Messrs Scheringa and Van Goor were 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. The details of this arrangement are currently being finalised.

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 21 December 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.

8.4. Remaining claim-validation proceedings against the Bankruptcy Trustees

There are no longer any claim validation proceedings. 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 29th (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 Finqus. The Bankruptcy Trustees and Finqus also provide information via the websites <http://finqus.nl/>, www.dsbbank.nl, www.dsbcompensatie.nl and 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 for portfolio management 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 551.1 hours in the period 1 October 2016 to 31 December 2016 on the liquidation of DSB Bank. PwC spent approximately 45 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, as well as other matters;
- An efficient office organisation for the estate;
- Proper monitoring of outsourced services.

9.7. Publication of the next report

The next periodical public report will be published at the end of October 2017. April 2017 will see the publication of the Financial Report for 2016.

Wognum, 31 January 2017

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 31 December 2016 and of the Income and Expenditure during the fourth quarter of 2016

ANNEX 1 TO THE PUBLIC REPORT OF 31 DECEMBER 2016

Cash flow statement

Explanation

Each quarter, a cash flow statement is published as an annex to the Public Report. The cash flow statement shows all receipts and expenditures occurring on the bank accounts of the DSB Bank estate during the insolvency proceedings in the preceding quarter. A proportion of the revenues and expenses relating to the period ending 31 December 2017 will not result in cash flows until after that date. Where VAT is applicable, the amounts disclosed in this statement include VAT. The majority of the expenditures relating to operating and administrative expenses include VAT.

The total of the above cash flows is as follows:

	Total movements 19/10/09-30/09/2016	Q4 2016	Total movements 19/10/09- 31/12/2016
Opening balance of cash	13,461,096		13,461,096
Add: Total receipts from management and sale of assets	5,838,435,813	164,192,770	6,002,628,583
Less: Total expenditures relating to onward payments, repayments and non-operating expenditures	-6,327,751,995	-67,100,721	-6,394,852,716
Less: Total expenditures relating to operating and administrative expenses	-225,719,108	-3,105,501	-228,824,609
Add: Total estate financing	718,657,788	-89,677,525	628,980,263
Total cash movements	3,622,499	4,309,022	7,931,521
Closing balance of cash	17,083,595		21,392,617

Presented on the next page is a detailed cash flow statement.

Cash flow statement for the period 19/10/09 to 31/12/2016

(See previous page for explanatory notes.)

	Total movements 19/10/09- 30/09/2016	Q4 2016	Total movements 19/10/09- 31/12/2016
Opening balance of cash	13,461,096		13,461,096
<i>Receipts from management and sale of assets</i>			
Interest and repayments, loans	4,789,757,581	147,714,291	4,937,471,872
Settlement of interest-rate swaps	213,644,653	11,105,918	224,750,571
Results on disposal of rights/shares/coupons	4,959,566	0	4,959,566
Servicing fee	19,200,435	0	19,200,435
Refund received from ING	2,400,747	0	2,400,747
Coupon interest on notes	36,691,938	225,185	36,917,123
Received from former directors	1,030,000	0	1,030,000
Redemption of notes	286,975,360	5,146,966	292,122,326
Refunds received in connection with restructuring	4,131,538	0	4,131,538
Received from DSB Beheer and DSB Ficoholding	66,699,728	410	66,700,138
Interest and repayments, CreaHypo Fin/Silver Finance	346,455,525	0	346,455,525
Interest and repayments, Memid	8,122,260	0	8,122,260
Sale proceeds	23,988,179	0	23,988,179
Sale of stake in Tadas	13,085,250	0	13,085,250
Commission	4,522,828	0	4,522,828
Other income	16,770,224	0	16,770,224
Total receipts	5,838,435,813	164,192,770	6,002,628,583
<i>Expenditures</i>			
Onward payments, repayments and non-operating expenditures			
SPVs sweep / redemption of pledgees	2,407,398,777	60,444,866	2,467,843,643
Settlement of interest-rate swaps	68,729,854	2,663,249	71,393,102
Interest payable on the special long-term loan facility	66,340,066	3,671,536	70,011,602
Repayment of loan from ECB/DNB	795,000,000	0	795,000,000
Loan to DSB Ficoholding	13,000,000	0	13,000,000
ATM/EPOS transaction payments following insolvency	6,695,488	0	6,695,488
Settlement of HWS complaints	828,801	0	828,801
Customer payments not owing after bankruptcy	16,726,274	639	16,726,913
Settlement of current accounts	6,888,474	0	6,888,474
Payment of capital to subsidiary	9,000,000	0	9,000,000
Interest on savings-type bank mortgage loans	1,868,560	26,540	1,895,100
Other expenses	5,902,213	42,262	5,944,475
Payments to creditors	2,929,373,489	251,631	2,929,625,119
<i>Subtotal</i>	6,327,751,995	67,100,721	6,394,852,716
Operating and administrative expenses			
Staff costs	67,255,760	361,560	67,617,320
Temporary staff / management services	59,168,264	766,753	59,935,017
Bankruptcy Trustees / Houthoff Buruma/other advisers	54,270,934	538,200	54,809,134
Servicing fee paid	13,503,646	1,079,592	14,583,238
Premises costs	5,666,404	29,383	5,695,787
Security costs	736,152	0	736,152
Insurance costs	2,308,953	0	2,308,953
TNT	3,751,030	2,214	3,753,243
ICT costs	5,714,267	184,547	5,898,814
Other operating expenses	13,343,697	143,253	13,486,949
<i>Subtotal</i>	225,719,108	3,105,501	228,824,609
Total expenditures	6,553,471,103	70,206,222	6,623,677,325
<i>Estate financing</i>			
Drawings on special long-term loan facility	2,971,000,000	0	2,971,000,000
Repayment of special long-term loan facility	-2,271,322,475	-89,677,525	-2,361,000,000
DSB Beheer current-account facility	18,980,263	0	18,980,263
Tadas Verzekeringen current-account facility	0	0	0
Estate financing	718,657,788	-89,677,525	628,980,263
Movement in cash		4,309,022	
Closing balance of cash	17,083,595		21,392,617

Analysis of the item Bankruptcy Trustees / Houthoff / other advisers:

	Total movements 19/10/09- 30/09/2016	Q4 2016	Total movements 19/10/09- 31/12/2016
Bankruptcy Trustees / Houthoff	34,506,179	421,398	34,927,576
Other advisers	19,764,756	116,802	19,881,558
	<hr/> 54,270,934	<hr/> 538,200	<hr/> 54,809,134

As at 31 December 2016, an amount of €34,927,576 (including VAT) had been paid to the Bankruptcy Trustees and Houthoff Buruma in respect of the period 19 October 2009 up to the end of September 2016. As at 31 December, the statements of hours worked in the months October 2016 to December 2016 were awaiting approval by the supervisory judge and thus had not yet been paid.