

# INSOLVENCY REPORT

Insolvency Report No. **38** by the Bankruptcy Trustees of

**DSB Bank N.V.**

**30 April 2019**

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*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](http://www.dsbbank.nl). The trustees in the bankruptcy of DSB Bank (**Bankruptcy Trustees**) use this website to publish other information on the case and the progress of the insolvency proceedings.*

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## **MAIN POINTS OF THIS REPORT**

- Finqus B.V. (**Finqus**), the entire share capital of which is held by DSB Bank, got off to a good start in 2018. The Bankruptcy Trustees are in regular contact with the management of Finqus, not least in their capacity as members of the Finqus supervisory board. In its capacity as shareholder of Finqus, DSB Bank formally adopted the 2018 financial statements of Finqus on 15 April 2019, see **Annex 1** to this public report.
- The 2018 Financial Report of DSB Bank will be published on the DSB Bank website around 9 May 2019.
- As at 31 March 2019, the claims of unsecured and subordinated creditors still totalled €974 million; there are 255 creditors.
- The remainder of the special long-term loan facility was repaid in March 2019 (balance of the special long-term loan facility as at 30 September 2018: €120 million). DSB Bank does, however, continue to have a special long-term loan facility available to it.
- In addition to discussing current operations, the Bankruptcy Trustees are making preparations together with the Finqus managing board and advisers for the possible sale of the remaining assets. Any such disposal is not envisaged before 2020.
- The next periodical public report will be published at the end of October 2019. If warranted by circumstances, an extra Public Report will be produced.

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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
1st distribution	June 2011	15%	100%
2nd distribution	December 2011	4%	-
3rd distribution	June 2012	4%	-
4th distribution	December 2012	4%	-
5th distribution	June 2013	4%	-
6th distribution	December 2013	4%	-
7th distribution	June 2014	4%	
8th distribution	December 2014	35%	
	<b>Total</b>	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. They will therefore be unable ever to lodge a claim for payment of interest. This also applies to the 21 banks that have accepted the Bankruptcy Trustees' Offer made at the end of 2017. For further details of these matters, see section 7.6 of this public report.

On the basis of current projections, the Bankruptcy Trustees believe that, with the repayment of the special long-term loan facility and in the absence of any change in policy, it will in due course 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 at least until 2020. See also section 4.1 of this public report.

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 non-verifiable accrued interest owed to the creditors. This generally concerns the interest calculated on the amounts owed to the creditors since the date of insolvency.

Details of company	: <b>DSB Bank N.V.</b>
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	: W.F. Korthals Altes (District Court for Noord-Holland, Amsterdam branch)
Reporting period	: 1 November 2018 to 30 April 2019

**Introductory remarks:**

This is the thirty-eighth public insolvency report by the Bankruptcy Trustees. The report covers the period from 1 November 2018 to 30 April 2019 and contains financial information on the period up to 31 March 2019. This report should be read in conjunction with the previously published public reports. All the reports, together with the Financial Reports for the years 2009-2017 can be found on the website [www.dsbbank.nl](http://www.dsbbank.nl). The Financial Report for 2018 is due to be published shortly – also on this website.

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.

In conducting their activities, apart from the use of employees of DSB Bank and freelance professionals in Wognum, the Bankruptcy Trustees make use of the advisory and other services of Houthoff Coöperatief U.A. (**Houthoff**) and of 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

For details of the corporate structure of which DSB Bank currently forms part, the Bankruptcy Trustees refer readers to **Annex 1** to the 36th public report.

### 2.2. Legal proceedings

There are currently no ongoing proceedings involving customers who filed opt-outs.

Incidentally, DSB Bank also continued regularly to mount debt-recovery proceedings, which generally led to judgements in absentia in the bank's favour. In view of the transaction which took place on 1 January 2018, proceedings of this kind are now undertaken by Finqus.

### 2.3. Individual cases brought before the courts since the insolvency

On 19 October 2018, KBC took the Bankruptcy Trustees to court in connection with a loan facility made available to DSB Beheer by KBC in 2006. DSB Beheer was declared insolvent on 21 October 2009. It was not possible to pay the full amount of KBC's claim as part of the settlement of the insolvency of DSB Beheer. KBC has an outstanding claim of almost €9 million, plus interest and costs. KBC believes it has a claim on DSB Bank in respect of this remaining amount. The Bankruptcy Trustees have challenged KBC's assertions and have not allowed for the alleged claim in the insolvency of DSB Bank.

In the summons, KBC argues that the Bankruptcy Trustees should have continued the liability proceedings which the Bankruptcy Trustees (in conjunction with three stakeholder organisations of existing and former DSB Bank customers) – partly in the interests of KBC as a DSB Beheer creditor – mounted against De Nederlandsche Bank N.V. (**DNB**). The Bankruptcy Trustees believe the case to be without merit and are challenging it. In the ongoing proceedings, the court will first rule on KBC's demand to have the documentation relating to the case against DNB made available to it. The Bankruptcy Trustees are challenging this demand.

KBC has also let it be known that it also intends, in separate proceedings, to bring the status of the claim it filed in the insolvency of DSB Bank before the courts.

For an overview of the remaining claim-validation proceedings, see Section 7.4 of this public report.

2.4. Insurance

See the 36th public report.

2.5. Rents

See the 36th public report.

**3. Staff**

3.1. Employees

See the 36th public report.

3.2. Continuation of activities

DSB Bank has entered into a service agreement with Finqus for the performance of administrative activities and credit management activities relating to the securitised portfolio. It is envisaged that this service will continue to be provided at least into 2020.

**4. Assets & outlook**

4.1. General

Details of the assets are to be found in the 2018 Financial Report. The amount of the assets has continued to decline in 2019, mainly as a result of repayments. The 2018 Financial Report is due to be published shortly.

In the hypothetical situation of the activities being discontinued as at year-end 2018 and DSB Bank's assets and liabilities being settled in accordance with the figures presented in the 2018 Financial Report, DSB Bank would be able to repay in full the special long-term loan facility, amounting to €55 million, the amount owed to unsecured creditors (rounded figure of €887 million) and the amount owed to subordinated creditors (rounded figure of €87 million). And after settling these accounts, a surplus of €367 million would remain. If the insolvency of DSB Bank were brought to a close in this way, around €351 million of the interest claims of the unsecured creditors and €16 million of the interest claims of the subordinated creditors could also be paid. The Bankruptcy Trustees do not envisage disposal of the loan portfolio and final settlement of the insolvency any earlier than in 2020.

In short, as the winding-up operation continues, it is expected that DSB Bank will be able to repay the outstanding claims of all unsecured and subordinated creditors. Moreover, it is expected to be possible for a proportion of the interest claims accrued during the insolvency proceedings also to be paid on completion of the winding-up operation. The amount of the interest claims that can be paid will depend on many factors, including market factors.

4.2. Registered property

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

4.3. Investments in subsidiaries, associates and joint ventures

See the previous public reports. DSB Bank has a wholly-owned subsidiary in DSB International B.V. This company is no longer carrying on any activities and a start was made in 2017 with the necessary winding-up operations.

**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 and to the 2018 Financial Report that is due to be published shortly.

On 1 January 2018, DSB Bank transferred its own portfolio, together with the management of the securitised loan portfolio, to Finqus. The purchase price for the loan assets and related receivables amounted to €1,512 million. Regular repayments are made on the loan of €1,325 million that DSB Bank granted to Finqus in order to facilitate this transfer. As of today's date, the remaining amount of this loan stands at €1,079 million.

As at 31 March 2019, Finqus is managing a loan portfolio amounting to approximately €2.5 billion. A proportion of these loans, amounting to almost €1.0 billion, has been securitised. The lending portfolio as at 31 March 2019 comprises approximately 40,000 customers who together have approximately 49,000 separate loans (some borrowers have more than one loan).

Approximately 10,300 (26%) of the 40,000 customers are customers with a first mortgage. The remaining 29,700 customers (74%) have a personal loan (consumer credit), a second mortgage or an outstanding debt.

5.2. Submission of complaints

The complaints procedure can be found on the Finqus website ([www.finqus.nl](http://www.finqus.nl)). Customers of DSB Bank and Finqus can file complaints online. Finqus has been affiliated to KiFiD since 1 January 2018. Customers who are dissatisfied with their treatment by Finqus are able to complain to KiFiD.

## **6. Bank finances/collateral security held**

### **6.1. Financial statements**

**Annex 2** 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 March 2019 and (ii) the income and expenditure of DSB Bank during the fourth quarter of 2018 and the first quarter of 2019.

### **6.2. Credit facilities**

DSB bank contracted a special long-term loan facility with a number of banks in 2010. The banks providing the facility are currently ING Bank N.V., Coöperatieve Rabobank U.A. and ABN AMRO Bank N.V. The facility was extended in January 2018 by means of an addendum expiring on 27 December 2019. Under the facility, on supplementary terms, it is possible to draw down loans with maturities of up to one year. As at the end of March 2019, this facility was not being used.

### **6.3. Servicing**

Early in 2018, the contract with Quion relating to the primary servicing was extended up to the end of June 2023. The special servicing of the first and second mortgages and the primary servicing of new outstanding debts have been transferred to Novalink (up to the end of May 2021). The special servicing of consumer credit and the primary servicing of personal loans called in and existing outstanding debts have been transferred to Vesting Finance (up to the end of May 2021).

### **6.4. Outsourcing of ICT**

See the 30th and 36th public reports. All existing contracts relating to ICT were transferred to Finqus with effect from 1 January 2018.

### **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).

### **6.6. Lease contracts**

DSB Bank no longer has any lease contracts – see the 36th public report.

## 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 generate considerable income for the estate. This income will, however, diminish over the coming years. Where DSB Bank has an interest-rate risk as a consequence, that risk has been largely hedged.

The interest rate risk on the bank's own portfolio has increased because of the many interest rate changes that there have been in the first mortgages and the decision of the customers concerned to fix their interest rates for an extended period. In order to hedge the increasing interest rate risk on repricing dates beyond 2020, as at 31 March 2019 a total of €800 million in interest rate swaps had been contracted with Rabobank (40%), ING Bank (40%) and ABN AMRO (20%) (as at 30 September 2018: €740 million). The interest rate risk on the first mortgages with repricing dates from 2021 onwards has accordingly been hedged. The existing contractual relationship with the banks referred to means that the interest rate hedging continues to be contracted by DSB Bank and has not been transferred to Finqus.

## 6.8. Interest-rate policy

The policy on interest rates and penalties since adopted by Finqus can be found on the website [www.finqus.nl](http://www.finqus.nl).

The interest rates currently applied by Finqus are based on risk rate groupings (loan-to-value ratios). The interest rates are in line with those of other players in the market.

Finqus has decided for the time being not to prioritise interest rate averaging. For the reasons behind this decision, see the 35th public report.

## 7. **Creditors/payables**

### 7.1. 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. Chapel 2003-I B.V. withdrew from the Creditors' Committee on 24 January 2019. The supervisory judge is expected to appoint another creditor as member of this committee.

Meetings with the Committee were held on 24 January 2019 and 17 April 2019 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.

7.2. Assignment of allowed claims

See the 31<sup>st</sup> public report.

7.3. 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.

7.4. 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, KBC, that is asserting a claim on DSB Bank of almost €9 million, plus interest and costs. This claim is contested by the Bankruptcy Trustees.

7.5. 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.

7.6. Offer 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 in its capacity 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 to make other claims on DSB Bank or third parties. To date, over 99% 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.

As part of an arrangement with the financial parties with subordinated claims, in mid-2017 94% of the principal was paid on condition that they waived the right to interest and to make other claims. The amount of the principal was €32,085,000.00.

At the end of 2017, the Bankruptcy Trustees, with the approval of the banks providing the special long-term loan facility and the agreement of DNB, made the same offer to the other banks that had contributed to the DGS in connection with DSB Bank that had been made in 2015 and 2016 to the other creditors (payment of the outstanding amount of the claim in the insolvency subject to waiving of interest claims). DNB cleared the implementation of this offer. In all, 21 banks accepted this offer and payments totalling €29.6 million were made (outstanding principal of unsecured claims amounting to €26.9 million and €2.7 million in respect of subordinated claims). Subsequent to this, DNB, in its capacity as administrator of the DGS, formally and irrevocably waived all claims on DSB Bank to receive income resulting from the DGS covering DSB Bank in relation to unsecured claims, the original amount of which was €103.3 million, and to subordinated claims originally amounting to €2.6 million. As at 31 March 2018, the total amount of the outstanding unsecured and subordinated claims by creditors was €974 million and there were still 255 individual creditors.

## **8. Other**

### **8.1. Finqus BV**

See section 9.1 of the 36th public report for the establishment of Finqus and the transaction between DSB Bank and Finqus. Finqus got off to a good start in 2018. The Bankruptcy Trustees are in regular contact with the management of Finqus, not least in their capacity as members of the Finqus supervisory board. Mr D. Stolp has been appointed chairman of the supervisory board, having been nominated by the Creditors' Committee.

### **8.2. Tax matters**

24 July 2017 saw the signing of the settlement agreement between the estates of DSB Beheer and DSB Bank on the one hand and the Dutch Tax & Customs Administration on the other covering such matters as the settlement of the corporation tax position of DSB Beheer and DSB Bank. The Bankruptcy Trustees do not expect there to be any corporation tax liability for either DSB Bank or Finqus in the years ahead.

### **8.3. AFM and DNB**

The Bankruptcy Trustees have regular meetings with the AFM and also with DNB to discuss current issues. Finqus has been under the supervision of the AFM since 1 January 2018.

### **8.4. Provision of information**

DSB Bank customers and, with effect from 1 January 2018, customers of Finqus, are notified in writing as far as possible regarding relevant decisions. The

Bankruptcy Trustees, DSB Bank and Finqus also provide information via the websites <http://finqus.nl/>, [www.dsbbank.nl](http://www.dsbbank.nl) and [www.aanbod.dsb.nl](http://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 Finqus via Quion, the company now responsible for servicing the loan portfolio. The Quion customer contact centre acts on behalf of Finqus. The contact telephone number is +31 (0)10 2422200. Customers with personal loans that are more than 12 months in arrears should get in touch with the organisations to which the Bankruptcy Trustees have entrusted the management of the receivables concerned. For the appropriate contact details, see the website [www.finqus.nl](http://www.finqus.nl).

#### 8.5. Activities and time spent

The activities involved in the administration of DSB Bank and in portfolio management are performed by Finqus (see section 3.1).

The Bankruptcy Trustees have also engaged various parties to provide support with the liquidation process, including Houthoff (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 have together spent approximately 420 hours in the period 1 October 2018 to 31 March 2019 on the liquidation of DSB Bank. On 1 January 2018, the contract with Houthoff was transferred by the Bankruptcy Trustees, with the permission of the supervisory judge, to Finqus as part of the transfer and management of the loan portfolio. With effect from 1 January 2018, only the hours spent and the outlays on the part of the Bankruptcy Trustees are presented to the supervisory judge. In the period 1 October 2018 to 31 March 2019, the Bankruptcy Trustees spent a total of approximately 170 hours on the insolvency of DSB Bank, including their activities as member of the Finqus supervisory board.

#### 8.6. Timetable for the settlement of the liquidation

Depending on the advice of the Creditors' Committee and the decision of the supervisory judge, final settlement involving disposal of the assets may take place in 2020 or later. It may also be decided to continue the run-off of the loan portfolio for a few more years.

#### 8.7. 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:

- Overseeing the management of the loan portfolio by Finqus;
- General supervision of Finqus, including the way in which it complies with its financial arrangements with DSB Bank; and
- Optimisation of Finqus and all of its activities in preparation for the disposal of all or parts of the loan portfolio.

8.8. Publication of the next report

The next periodical public report will be published at the end of October 2019.

Wognum, 30 April 2019

R.J. Schimmelpenninck

Bankruptcy Trustee

B.F.M. Knüppe

Bankruptcy Trustee

**Annexes:**

Annex 1: 2018 Financial Statements of Finqus B.V.

Annex 2: Summary of the Income and Expenditure of DSB Bank from the Date of the Insolvency up to 31 March 2019 and of the Income and Expenditure during the fourth quarter of 2018 and the first quarter of 2019.