

INSOLVENCY REPORT

Insolvency Report No. 40 by the Bankruptcy Trustees of

DSB Bank N.V.

30 April 2020

*The public insolvency reports of DSB Bank N.V. (**DSB Bank**) are published online on the website 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.*

MAIN POINTS OF THIS REPORT

- DSB Bank is the owner of all Finqus B.V. (**Finqus**) shares. The Bankruptcy Trustees are in regular contact with the management and staff of Finqus, not least in their capacity as members of the Finqus supervisory board. In its capacity as shareholder of Finqus, DSB Bank adopted the 2019 financial statements of Finqus on the 23 April 2020 and they will be published today on the DSB Bank website.
- The DSB Bank Financial Report for 2019 will shortly be published on the website as well.
- As at 31 March 2020, the claims of unsecured and subordinated creditors still totalled €838 million; there are still 255 creditors.
- In December 2019, DSB Bank made a distribution of 4% to unsecured creditors (the ninth such distribution), involving a total of €136.5 million.
- In addition to discussing current operations, the Bankruptcy Trustees are making preparations together with the Finqus management and staff and advisers for the possible sale of the remaining assets (principally the loan portfolio). The Bankruptcy Trustees have previously reported that the possible sale of the remaining assets might take place in the course of 2020/21. The Bankruptcy Trustees are currently considering whether this timetable needs to be revised in connection with the possible impact that COVID-19 might have on the loan portfolio and on the state of the market.
- As part of the continuing insolvency settlement operations, the Bankruptcy Trustees repurchased loan portfolios sold to Chapel 2003 and Chapel 2007 by DSB Bank prior to the insolvency. In the same way as DSB Bank's proprietary loan portfolio at the beginning of 2018, these loan portfolios have now been transferred to Finqus, making Finqus now the owner of all the second mortgages and consumer credit loans granted by DSB Bank.
- At the end of December 2019, DSB Bank obtained a further extension of the special long-term loan facility by one year. The facility was used over a period of a few days in February 2020 to finance the repurchase of the loan portfolio from

Chapel 2003. In April 2020, the facility was again called upon for a few days to finance the repurchase of the loan portfolio from Chapel 2007. As at 30 April 2020, no use was being made of the special long-term loan facility.

- The next periodical public report will be published on Friday 30 October 2020. 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%	-
9th distribution	December 2019	4%	-
	Total	78%	100%

In the period 2015–2017, the Bankruptcy Trustees made the Offer to almost all creditors. The creditors who accepted the Offer 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 the 39th public report.

On the basis of current projections, the Bankruptcy Trustees believe that, 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. 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	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	: Ms A.E. de Vos (Noord-Holland District Court, Amsterdam Bench)
Reporting period	: 1 November 2019 to 30 April 2020

Introductory remarks:

This is the fortieth public insolvency report by the Bankruptcy Trustees. The report covers the period from 1 November 2019 to 30 April 2020 and contains financial information on the period up to 31 March 2020. This report should be read in conjunction with the previously published public reports. All the reports, together with the Financial Reports for the years 2009-2018, can be found on the website www.dsbbank.nl. The 2019 Financial Report is also shortly due to be published on the 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.

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, in addition to the use of employees of Finqus 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, including PwC.

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 pages 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

Since 1 January 2018, debt collection proceedings have been the responsibility of Finqus.

In one current case, the borrower brought a claim against the estate, alleging that the Bankruptcy Trustees unlawfully repossessed a mortgaged home. The borrower's claim was rejected in the court of the first instance and the claim of the Bankruptcy Trustees upheld. After appealing this decision, however, the borrower has won the case. The court has yet to decide the amount of the borrower's losses.

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 current proceedings, the court has ruled that the Bankruptcy Trustees should submit the case file relating to the proceedings against DNB in the present case since it may be

important in deciding the outcome. The verbal consideration of the KBC claim by the Amsterdam District Court is scheduled for 25 September 2020.

KBC also asserts its position as creditor in the insolvency of DSB Bank by virtue of DSB Bank's involvement relating to the credit facility provided by KBC to DSB Beheer dating from 2006. The Bankruptcy Trustees have also contested that claim. This claim was referred by the court for claim validation proceedings, in which, on 8 April 2020, KBC argued its case in a statement of claim. The Bankruptcy Trustees are shortly due to contest the claim more specifically as part of the claim validation proceedings.

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 up to the end of 2021.

4. Assets & outlook

4.1. General

The amount of the assets continued to decline in 2020, mainly as a result of repayments. In the hypothetical situation of the activities being wound up as at year-end 2019, with settlement of DSB Bank's assets and liabilities at the amounts presented in the shortly to be published 2019 Financial Report, DSB Bank would be able to meet both the entire amount owed to unsecured creditors (€751 million in round figures) and the entire amount owed to subordinated creditors (€87 million in round figures), leaving a surplus of €443 million. If the insolvency proceedings were brought to an end in this way, DSB Bank would be obliged to use this amount to meet a portion of the interest claims of the unsecured creditors and subordinated creditors as part of the final winding-up of the company.

The Bankruptcy Trustees mentioned in the 39th public report that they envisaged disposal of the loan portfolio and final settlement of the insolvency in the course of 2020/2021. The Bankruptcy Trustees are currently considering whether this timetable needs to be revised in connection with the possible impact of COVID-19 on the loan portfolio and on the state of the market.

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. In addition to a 100% interest in Finqus, DSB Bank has a 100% interest in DSB International B.V. This company is no longer trading and a start was made in 2017 with the necessary activities for winding it up. Unfortunately, these activities are taking longer than expected. The Bankruptcy Trustees are engaged in preparing a settlement plan for completing the liquidation of DSB International B.V. as soon as possible.

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.

On 1 January 2018, DSB Bank transferred its own loan 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 at 31 March 2020, the remaining amount of this loan stands at €987.5 million.

As part of the preparations for a possible sale of the remaining assets, DSB Bank has repurchased the second mortgage and consumer credit loan portfolios sold by DSB Bank to Chapel 2003 and Chapel 2007 prior to the insolvency. The Chapel 2003 loan portfolio was repurchased on 17 February 2020, involving the exercise of a clean-up call option. The Chapel 2007 loan portfolio was repurchased on 17 April 2020 by means of an offer for the loans that was accepted by the issuer. Prior to making the Chapel 2007 offer, DSB Bank had already acquired subordinated class G notes issued by Chapel 2007. As part of the Chapel 2007 offer, all notes issued by Chapel 2007, apart from the

subordinated class G notes, were repaid in full out of the purchase price paid to Chapel 2007 by DSB Bank. Like the proprietary loan portfolio at the beginning of 2018, these loan portfolios were subsequently transferred to Finqus, making Finqus now owner of all second mortgages and consumer credit loans granted by DSB Bank. The Chapel 2007 repurchase is not reflected in the figures as at 31 March 2020, since the operation did not take place until April 2020.

As at 31 March 2020, Finqus is managing a loan portfolio amounting to approximately €2.1 billion. A proportion of these loans, amounting to €0.6 billion (after Chapel 2007 repurchase), has been securitised. The loan portfolio as at 31 March 2020 comprises approximately 33,300 customers who together have approximately 43,000 separate loans (some borrowers have more than one loan).

Approximately 9,400 (28%) of the 33,300 customers are customers with a first mortgage. The remaining 23,900 customers (72%) 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.finquus.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.

5.3. COVID-19

The implications of the COVID 19 crisis are not entirely clear at present. The continuity of the business processes and operations is adequately assured at both DSB Bank and Finqus as well as at their service providers. Finqus will be enabling its borrowers to match interest and repayment obligations to their ability to pay where possible. As things stand, Finqus will not be needing to avail itself of the government support measures. Although the crisis is bound to affect the future results as payment arrears mount and credit losses increase, the continuity of Finqus is not in jeopardy.

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 March 2020 and (ii) the income and expenditure of DSB Bank during the fourth quarter of 2019 and the first quarter of 2020.

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 December 2019 by means of an addendum expiring on 27 December 2020. Under the facility, on supplementary terms, it is possible to draw down loans with maturities of up to one year. In connection with the repurchase of securitised loan portfolios in Chapel 2003 and Chapel 2007, the facility was drawn on for a few days to finance the purchase price, with subsequent repayment out of the proceeds from the notes in Chapel 2003 and Chapel 2007 held by DSB Bank. As at 30 April 2020, no use was being made of the special long-term loan facility.

6.3. Servicing

See the 38th public report.

6.4. Outsourcing of ICT

See the 38th 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**). As a consequence of the transaction in February 2020 between Chapel 2003 and DSB Bank/Finqus and that in April 2020 involving Chapel 2007, only three securitisation programmes remain.

6.6. 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 produced considerable income for the estate but the revenues are declining in connection with the decrease and repurchase of the securitised loan portfolios and as a result of higher interest charges. Where DSB Bank has an interest-rate risk as a consequence, that risk has been largely hedged.

Since mid-2017, a large part of the interest rate risk on the proprietary loan portfolio has also been hedged by DSB Bank by means of interest rate swaps. The nominal value of these swap contracts as at 30 April 2020 was €870 million, including €70 million in respect of interest rate swaps that up to the end of 2019 were linked to the interest rate risk on the Chapel 2003 and Chapel 2007 loan portfolios.

DSB Bank has not contracted any additional interest rate swaps in 2020.

6.7. Interest-rate policy

With effect from 1 April 2020, Finqus has had a revised penalty policy. Customers whose loans are covered by this change in policy have been notified accordingly by Finqus in writing. The policy on interest rates and penalties adopted by Finqus can be found on the website www.finqus.nl.

The interest rates 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.

7. Creditors/payables

7.1. Creditors' Committee

The Creditors' Committee is currently made up of ING Bank N.V., Coöperatieve Rabobank U.A and de Volksbank N.V.

Meetings with the Committee were held on 18 December 2019 and 5 March 2020 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 31st public report.

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

A meeting pursuant to Section 178 of the Insolvency Act took place on 24 October 2019. The meeting considered those claims that had not been allowed in previous meetings for considering claims.

One submitted claim was contested by the Bankruptcy Trustees, see section 7.4 of this public report.

7.4. Remaining claim validation proceedings against the Bankruptcy Trustees

At the meeting of creditors, the claim from one creditor, KBC, amounting to almost €9 million, plus interest and costs, was contested by the Bankruptcy Trustees. This claim has been set aside for claim validation proceedings by the court – see section 2.3 of this public report.

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

See the 39th public report.

7.7. Current positions and distributions

December 2019 saw the ninth distribution, of 4%, made to unsecured creditors, involving a total of €136.5 million. As at 31 March 2020, the total amount of the outstanding unsecured and subordinated claims by creditors was €838 million and there were still 255 individual creditors.

8. Other

8.1. Tax matters

See the 39th public report.

8.2. 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.

8.3. Provision of information

DSB Bank customers – 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 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 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.

8.4. 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 of the 36th public report.).

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 1410 hours in the period 1 October 2019 to 31 March 2020 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 for salary calculation purposes. In the period 1 October 2019 to 31 March 2020, the Bankruptcy Trustees spent a total of approximately 275 hours on the insolvency of DSB Bank, including their activities as member of the Finqus supervisory board.

8.5. Timetable for the settlement of the liquidation

The Bankruptcy Trustees reported in the 39th public report that they envisaged settlement by disposal of the assets in the course of 2020/2021 so that final settlement of the liquidation could take place in 2021. The Bankruptcy Trustees are currently considering whether this timetable needs to be revised in connection with the possible impact that COVID-19 might have on the loan portfolio and on the state of the market.

8.6. Plan of approach

In the next reporting period, too, the Bankruptcy Trustees and the Finqus 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;
- Optimisation of Finqus and all of its activities in preparation for the disposal of all or parts of the loan portfolio; and
- Preparation of the DSB Bank estate for disposal of the loan portfolio (or parts thereof).

8.7. Publication of the next report

The next periodical public report will be published on 30 October 2020.

Wognum, 30 April 2020

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 March 2020 and of the Income and Expenditure during the fourth quarter of 2019 and the first quarter of 2020.