

# INSOLVENCY REPORT

Insolvency Report No. **41** by the Bankruptcy Trustees of

**DSB Bank N.V.**

**30 October 2020**

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*The public insolvency reports of DSB Bank N.V. (**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**

- The DSB Bank Financial Report for 2019 dated 14 May 2020 was published on the DSB Bank website in the preceding reporting period.
- As at 30 September 2020, the claims of unsecured and subordinated creditors still totalled €838 million; there are still 255 creditors.
- In addition to discussing current operations, the Bankruptcy Trustees are making preparations together with the management and staff of subsidiary Finqus B.V. (**Finqus**) and advisers for the sale of the remaining assets (principally the loan portfolio), possibly within the next 12 months. Depending on the route preferred by the various stakeholders and other considerations, we shall be working either towards selling the shares of Finqus or towards Finqus first selling the loan portfolio, followed by liquidation of Finqus. On 2 June 2020, the Bankruptcy Trustees reported that the timetable had been put back temporarily in connection with the COVID-19 pandemic. After careful consideration, the Bankruptcy Trustees announced on 17 August 2020 that it was deemed opportune to proceed with the proposed sale of the loan portfolio. The impact of COVID-19 on the loan portfolio and the state of the market will continue to be closely monitored in the forthcoming period, leading to the amendment of the planned timetable as necessary. As part of the preparations for the possible sale of the loan portfolio, DSB Bank, in October 2020, appointed PwC as sales advisor.
- As part of the preparations for disposing of the loan portfolio, DSB Bank has repurchased loan portfolios that had already been sold by DSB Bank to Chapel 2003-1 B.V. (**Chapel 2003**), Chapel 2007 B.V. (**Chapel 2007**) and Monastery 2004-I B.V. (**Monastery 2004**) prior to the insolvency. Additionally, in October 2020, DSB Bank has made an offer to repurchase the loan portfolio of Monastery 2006-I B.V. (**Monastery 2006**) on 17 November 2020. Following the repurchase, the notes issued by Monastery 2006 will be redeemed in their entirety. As was also the case following the repurchase of the loan portfolios from the previously mentioned SPVs, the Monastery 2006 portfolio will be promptly transferred to Finqus.

- DSB Bank has at its disposal a special long-term loan facility. As at 30 October 2020, no use was being made of the special long-term loan facility. In connection with the repurchase of the Monastery 2006 loan portfolio, the facility will be drawn on temporarily, commencing mid-November 2020.
- The next periodical public report will be published on Friday 30 April 2021. If warranted by circumstances, an extra public report will be released.

**CONTENTS:**

|                                                  |           |
|--------------------------------------------------|-----------|
| <b>PROSPECTS FOR CREDITORS</b>                   | <b>4</b>  |
| <b>1. INTRODUCTION</b>                           | <b>6</b>  |
| <b>2. CURRENT SITUATION</b>                      | <b>6</b>  |
| <b>3. STAFF</b>                                  |           |
| <b>4. ASSETS &amp; OUTLOOK</b>                   | <b>7</b>  |
| <b>5. DEBTORS/RECEIVABLES AND DUTY OF CARE</b>   | <b>8</b>  |
| <b>6. BANK FINANCES/COLLATERAL SECURITY HELD</b> | <b>10</b> |
| <b>7. CREDITORS/PAYABLES</b>                     | <b>11</b> |
| <b>8. OTHER</b>                                  | <b>12</b> |

**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%                                 | -                                     |
|                  | <b>Total</b>  | <b>78%</b>                         | <b>100%</b>                           |

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 39<sup>th</sup> 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 due course all creditors have been paid in full, any balance remaining on the final winding-up of DSB Bank will be made available to the various creditors with non-verifiable claims to payment of interest. This generally concerns the interest 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<br>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 May 2020 to 30 October 2020                                    |

**Introductory remarks:**

This is the forty-first public insolvency report by the Bankruptcy Trustees. The report covers the period from 1 May 2020 to 30 October 2020 and contains financial information on the period up to 30 September 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 2009-2019, can be found on the website [www.dsbbank.nl](http://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.

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 won the case. The court had yet to decide the amount of the loss allegedly incurred by the borrower. Having obtained the approval of the Creditors' Committee and with the permission of the supervisory judge, the Bankruptcy Trustees reached an out-of-court settlement with this borrower. The case has now been closed.

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

Ongoing are both a case against the estate (**Estate Case**) and a claim validation case (**Claim Validation Case**) brought by KBC Bank N.V. Nederland (**KBC**) in which KBC believes on various grounds that it has a valid claim to one and the same amount. This concerns a residual amount owing of almost €9 million, plus interest and costs, relating to a loan from KBC to DSB Beheer B.V. which was not repaid following the final liquidation of the latter company. See also, for example, section 2.3 of the previous public report.

The verbal consideration of the Estate Case was heard in the Amsterdam District Court on 25 September 2020. The claim in this case was based on the assertion that the Bankruptcy Trustees should have taken the case alleging liability brought against DNB to appeal – not least in the interests of KBC as a creditor of DSB Beheer B.V. KBC's position was that said case had been strong and success would have meant that DSB Beheer, too, as shareholder (indirectly) of DSB Bank would have received a liquidation payout, which would have benefited DSB Beheer's creditors. The court ruled that KBC should be allowed to submit a

document, by 11 November 2020, to which the Bankruptcy Trustees would then have six weeks in which to respond.

For administrative reasons, the Estate Case has since been combined by the court with the Claim Validation Case brought against DSB Bank by KBC. Verbal consideration of the Claim Validation Case will take place on 19 April 2021. The court then plans to deliver its verdict on both cases simultaneously (early June 2021).

### 3. Staff

#### 3.1. 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.

### 4. Assets & outlook

#### 4.1. General

The loan portfolio has continued to shrink in 2020, largely as a result of repayments, which have been higher in 2020 than in preceding years. The bank's proprietary loan portfolio has, however, grown, following repurchase of securitised loans. This is clearly seen in the following analysis:

| <b>2020 loan portfolio – year to September 2020</b>         |                    |            |              |
|-------------------------------------------------------------|--------------------|------------|--------------|
| <i>Amounts x € million</i>                                  | <i>Proprietary</i> | <i>SPV</i> | <i>Total</i> |
| <i>Opening balance</i>                                      | 1,324              | 900        | 2,224        |
| <i>Less: bad debts</i>                                      | 10 -               | 4 -        | 14 -         |
| <i>Less: repayment instalments (cash)</i>                   | 193 -              | 105 -      | 298 -        |
| <i>Repurchase of Chapel 2003/Chapel 2007/Monastery 2004</i> | 333                | 333 -      | 0            |
| <i>Balance at 30 Sept.</i>                                  | 1,455              | 457        | 1,912        |

The prospects for creditors remain unchanged since the previous public report. The Bankruptcy Trustees expect it to be possible after disposal of the loan portfolios for the remaining creditors to receive their validated claims, leaving a surplus for payment of interest.

#### 4.2. Disposal process

The Bankruptcy Trustees mentioned in the 39<sup>th</sup> public report that they envisaged disposal of the loan portfolio and final settlement of the insolvency in the course of 2020/2021. In the 40<sup>th</sup> public report, the Bankruptcy Trustees were considering whether this timetable needed to be revised in connection with the possible impact of COVID-19 on the loan portfolio and on the state of the market. On 2 June 2020, the Bankruptcy Trustees reported that the timetable had been put back temporarily in connection with the COVID-19 pandemic, and expressed their readiness to repurchase certain mortgage-backed notes. After careful consideration, without actually having repurchased any mortgage-backed notes, the Bankruptcy Trustees announced on 17 August 2020 that it was deemed opportune to proceed with the possible sale of the loan portfolio. Disposal is expected to take place within the next 12 months. Depending on the route preferred by the various stakeholders and other considerations, we shall be working either towards selling the shares of Finqus or towards Finqus first selling the loan portfolio, followed by liquidation of Finqus. As part of the preparations for the aforementioned disposal scenarios, DSB Bank, in October 2020, appointed PwC as sales advisor. The Bankruptcy Trustees will be releasing further information on the disposal process and the organisation thereof at a later date, as and when necessary. New developments surrounding the impact of COVID-19 on the loan portfolio and the state of the market will continue to be closely monitored, which may impact the envisaged timing for a 2021 disposal and final settlement of the insolvency.

#### 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. A start was made in 2017 with the 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 very shortly.

### 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 2019 Financial Report. This Financial Report was published on the DSB Bank website in the preceding reporting period.

#### 5.2. Settlement of the SPVs

As part of the preparations for a sale of the remaining assets, DSB Bank has repurchased the loan portfolios sold by DSB Bank to Chapel 2003, Chapel 2007



and Monastery 2004 prior to the insolvency. The Monastery 2004 loan portfolio was repurchased on 17 September 2020 by means of an offer for the loans that was accepted by the issuer. Prior to making the Monastery 2004 offer, DSB Bank had already acquired subordinated class G notes issued by Monastery 2004. As part of the Monastery 2004 offer, all notes issued by Monastery 2004, apart from the subordinated class F and G notes, were repaid in full out of the purchase price paid to Monastery 2004 by DSB Bank. DSB Bank has made an offer, in October 2020, to repurchase the loan portfolio of Monastery 2006, on the basis of which the notes issued by Monastery 2006 will be redeemed in their entirety in November 2020.

### 5.3. Management and size of loan portfolio

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. Additionally, in 2020, DSB Bank has granted further loans to Finqus for financing the sale and transfer of the Chapel 2003, Chapel 2007 and Monastery 2004 loan portfolios to Finqus. As at 30 September 2020, the remaining amount of this loan stands at €1,056.5 million.

As with the proprietary loan portfolio at the start of 2018, these loan portfolios will be transferred by DSB Bank to Finqus, following their repurchase from the various SPVs.

As at 30 September 2020, Finqus is managing a loan portfolio amounting to approximately €1.9 billion. A proportion of these loans, currently amounting to €0.5 billion, has been securitised. The loan portfolio as at 30 September 2020 comprises approximately 30,000 customers who together have approximately 40,000 separate loans (some borrowers have more than one loan).

Approximately 8,700 (29%) of the 30,000 customers have a first mortgage. The remaining 21,300 customers (71%) have a personal loan (consumer credit), a second mortgage or an outstanding debt.

### 5.4. Submission of complaints

The complaints procedure can be found on the Finqus website ([www.finquus.nl](http://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.

### 5.5. COVID-19

The continuity of the business processes and operations is assured at both DSB Bank and Finqus, as well as at their service providers, despite COVID-19. Customers with questions, facing payment problems or already in payment difficulties as a result of COVID-19 are able to get in touch with the service providers. Although the consequences of the COVID-19 crisis are still not entirely clear, the number of reports from customers experiencing the impact of COVID-19 has risen only marginally since June 2020. The continuity of Finqus is moreover not at the slightest risk.

## 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 2020 and (ii) the income and expenditure of DSB Bank during the second and third quarters of 2020.

### 6.2. Credit facilities

DSB bank contracted a special long-term loan facility with a number of banks in 2010. At the present time, the banks concerned are ING Bank N.V., Coöperatieve Rabobank U.A. and ABN AMRO Bank N.V. Under the facility, on supplementary terms, it is possible to draw down loans with maturities of up to one year. As at 30 October 2020, no use was being made of the special long-term loan facility. In connection with the repurchase of the Monastery 2006 loan portfolio, the facility will be drawn on temporarily, commencing mid-November 2020.

### 6.3. Securitisation programmes

As a consequence of the transactions in February, April and September 2020 in turn between Chapel 2003, Chapel 2007, Monastery 2004 and DSB Bank/Finqus, only two securitisation programmes remain. See also section 5.2 of this public report. Additionally, DSB Bank has made an offer, in October 2020, to repurchase the loan portfolio of Monastery 2006, making it possible for the notes issued by Monastery 2006 to be redeemed in their entirety in November 2020.

### 6.4. Hedges

DSB Bank has hedged the interest rate risk on the securitised and proprietary loan portfolios by means of interest rate swaps covering the fixed-rate mortgages with repricing dates longer than three years ahead.

An increase in the amount of mortgage repayments observed from May 2020 onwards made possible the early cancellation of an interest rate swap contract

with a notional value of €25 million maturing June 2027 on 30 October 2020. The cancellation costs amount to approximately €2 million, attributable to the decline in capital market interest rates since the inception of this interest rate swap in June 2017.

Following the cancellation of this interest rate swap, the total notional value of the interest rate swaps as at 30 October 2020 was €1,280 million, of which €605 million has a time to maturity of longer than five years.

#### 6.5. Interest-rate policy

The policy on interest rates and penalties adopted by Finqus can be found on the website [www.finquus.nl](http://www.finquus.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. See the 40th public report.

## 7. **Creditors/payables**

### 7.1. Creditors' Committee

De Volksbank N.V. ceased to be a member of the Creditors' Committee on 1 October 2020. The supervisory judge has since appointed ABN AMRO N.V. as new member of the Creditors' Committee. The Creditors' Committee is therefore currently made up of ING Bank N.V., Coöperatieve Rabobank U.A and ABN AMRO N.V.

Meetings with the Committee were held on 14 May 2020, 22 July 2020 and 30 September 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. Meetings of creditors pursuant to Section 178 of the Insolvency Act (FW)

One submitted claim was contested by the Bankruptcy Trustees, see section 7.3 of this public report.

### 7.3. Remaining claim validation proceedings against the Bankruptcy Trustees

KBC's Claim Validation Case claim has now been combined with the Estate Case for administrative reasons – see note in section 2.3 of this public report.

7.4. Liabilities of the estate

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

7.5. 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](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.finquus.nl](http://www.finquus.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 as sales advisor) and various other outside specialists.

The Bankruptcy Trustees and the legal and tax consultants of Houthoff have together spent approximately 1285 hours in the period 1 April 2020 to 30 September 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 April 2020 to 30 September 2020, the Bankruptcy Trustees spent a total of approximately 205 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

See section 4.2 of this public report. The possible final disposal is expected in the coming 12 months. As part of the preparations for the possible sale of the loan portfolio, DSB Bank appointed PwC as consultants on the disposal.

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 the Finqus shares and/or all or parts of the loan portfolio; and
- Preparation of the DSB Bank estate for disposal of the Finqus shares and/or all or disposal by Finqus of the loan portfolio (or parts thereof).

8.7. Publication of the next report

The next periodical public report will be published on 30 April 2021.

Wognum, 30 October 2020

R.J. Schimmelpenninck

B.F.M. Knüppe

Bankruptcy Trustee

Bankruptcy Trustee

**Annexes:**

Annex 1: Summary of the Income and Expenditure of DSB Bank from the Date of the Insolvency up to 30 September 2020 and of the Income and Expenditure during the second and third quarters of 2020.