

summary | annual report 2014

‘New products and distribution channels need to fulfill consumer needs in a responsible manner’

vfn vereniging van
financieringsondernemingen
in Nederland

THE GENERAL MACROECONOMIC figures, the signals from our members, and the VFN Consumer Credit Barometer indicate market stabilization in 2014. Now it is time to think ahead and focus on further recovery. The VFN is committed to represent the consumer credit market in the Netherlands.

As in other markets, the consumer credit industry clearly perceives changing consumer needs. New concepts such as crowdfunding and private lease emerge as alternatives to consumers. New products and distribution channels need to fulfill consumer needs in a responsible manner. Of course, a level playing field is at stake.

The VFN worked on dialogue and coordination on these themes within and outside the organization. For example, the VFN has again drawn attention to the problems of structural overdraft facilities on current accounts. Moreover, on the communication with the Financial Authority, the VFN has raised the importance for transparency of costs and freedom of choice for consumers.

With the introduction of simpler and more transparent language, this year the VFN members actively contributed to clear and understandable information, in order to enable consumers to make deliberate loan choices.

In the past year, the VFN shared in many cases its views and ideas with ministries, parliament and other government bodies. This involved cooperation among various committees and industry organizations, while at European level the VFN worked together with Eurofinas.

Through the website, Twitter, and personal communication with policymakers the VFN established its position in media and politics.

Having been allowed to be the VFN chairman for the past four years it is now time to step aside, I will resign at the general assembly in April 2015. Looking back, I see a stronger and more prosperous VFN, for which I would like to deeply thank my fellow board members and the secretariat.

The association enhanced its platform function. Following on previous joint acquisition of market information, the association has successfully partnered with training institute Lindenhaeghe this year. Now VFN members can take advantage of an attractive educational offering in order to prepare their advisors for Financial Supervision Act (Wft) diplomas. For non-advising employees, special trainings have been developed so that they can also fulfill their professional competences.

Another remarkable development is the growth of the association. The number of members has steadily been increased in recent years, and the important change in the statutes makes crowd funding platforms and peer-to-peer lenders able to join the VFN. Meanwhile, the first crowd funders became VFN member. Also, many associate members have joined the association. At the close of this year, the VFN counted a record number of 34 associates.

Since this year, associates also take part in working groups. There is a growing number of events and these attract more attendees. Since this year, the VFN offers young talents a platform where they can learn from each other and other professionals.

Observing this growth and collaboration, I look forward with confidence to a healthy association in a recovering market.

In short, I thank you all for the cooperation, our market is on the threshold of many changes. Disruption knocks on the door and only those players who embrace change and give real meaning to Customer Focus, will be able to look forward to a bright future. I will not only follow this with interest but actively and permanently remain involved. I wish you and the VFN all the best!

— KEES DROPPERT, CHAIRMAN VFN



LAW ON SUPERVISION COSTS

The Dutch parliament has approved the act on funding of financial supervision (Wbft). This means that the public contribution for the costs of supervision on the financial markets by the financial authorities will be abolished. Imposed fines are considered as revenue for the state treasury, rather than returns to the financial sector.

The VFN has suggested to prevent cost raising effects for consumers and stressed the importance of cost control mechanisms. The budget process should be explicitly based on the statutory task of the supervisory authorities. The parliament decided that supervision costs may, in principle, only rise with inflation, except for extraordinary circumstances.

PROFESSIONAL COMPETENCE QUALIFICATIONS

On 1 January 2014, the regulatory changes on competency qualifications became effective. This means that all financial advisory staff, including point of sale employees, will need to have legal advisory diplomas. Non-advising employees have to be professionally competent, but do not need the legal advisory diplomas. Together with educational institute Lindenhaeghe, the VFN has developed special diplomas for non-advising employees.

BANKERS' OATH

On 19 November 2014, the act on financial markets was adopted. Consequently, the bankers' oath has become mandatory for a very large group of employees of financial institutions.

This group not only includes policymakers, supervisory boards, and employees that could materially affect the risk profile of the company, but also applies to all employees with substantial customer contact (both advisory and informing personnel).

OVERDRAFT FACILITIES

The Minister of Finance and the Parliament concluded from research that from the perspective of competition, there is no reason to modify the regulations concerning overdraft facilities.

The provision of information may still be further improved. In the Netherlands, the interest rate is maximized by law; by 1 January 2015, the maximum credit has been lowered from 15% to 14%. In case of overdraft facilities, the VFN believes that the actual problem is the lack of a proper relationship between the duration of the loan and the goods for which the loan is used. Therefore, the VFN has proposed to limit the provision of overdrafts to one net monthly salary of consumers.

DECISIONS EXTERNAL COMPLAIN BODIES

On 31 January 2014, the Appeals Committee of Kifid has determined that credit providers may involve several factors in the implementation of floating interest rate changes. The committee abandoned an assumed obligatory link to an external interest rate (e.g. Euribor).

On 14 June 2014, the Supreme Court decided that consumers concluding a phone contract with a "free" cell phone, are protected by the laws and regulations relating to instalment buying and consumer credit.

NEW DEVELOPMENTS

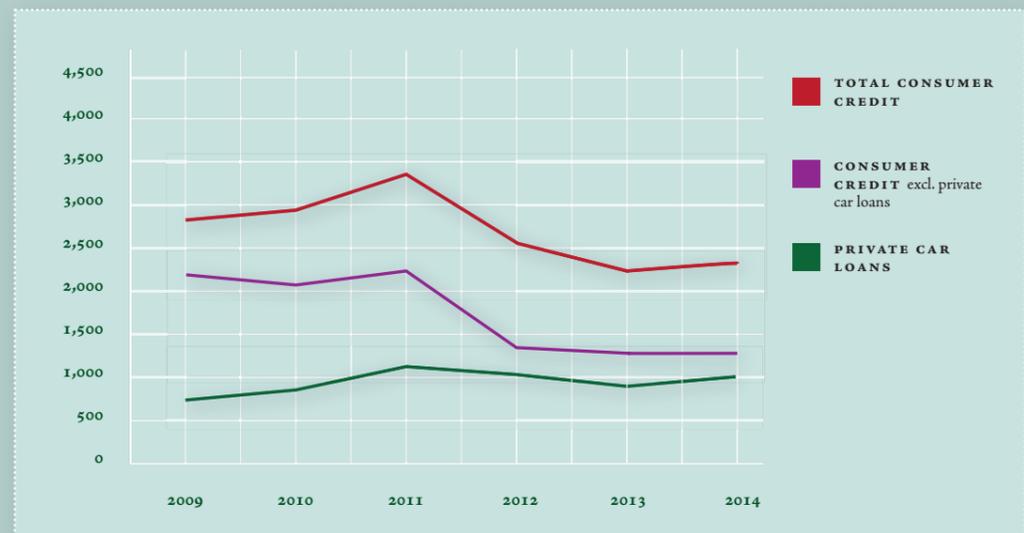
The Dutch government and supervisory authorities are observing new innovative concepts such as private lease and crowd funding, and are exploring the needs and possibilities for new legislation in this respect. The VFN shared its opinion on the importance of responsible lending and a level playing field. The VFN also stressed the importance of compliance with consumer credit regulations in case of government supported lending programmes.

Market Figures

The VFN members provide annual insight into the development of their granted credit and outstanding credit. After years of downward trend, in 2014 the granted consumer credit experienced an increase of 2,0% compared to the previous year. There was slightly more credit granted on private cars (+ 0.5%). The other granted consumer credit showed a growth of 3,0%.

Provided Consumer Credit by VFN members

| figures in Eur mio | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Consumer Credit <i>excl. private car loans</i> | 2,135 | 2,091 | 2,253 | 1,475 | 1,312 | 1,352 |
| Private car loans | 735 | 847 | 1,106 | 1,073 | 995 | 1,000 |
| Total Consumer Credit | 2,870 | 2,938 | 3,359 | 2,548 | 2,307 | 2,352 |

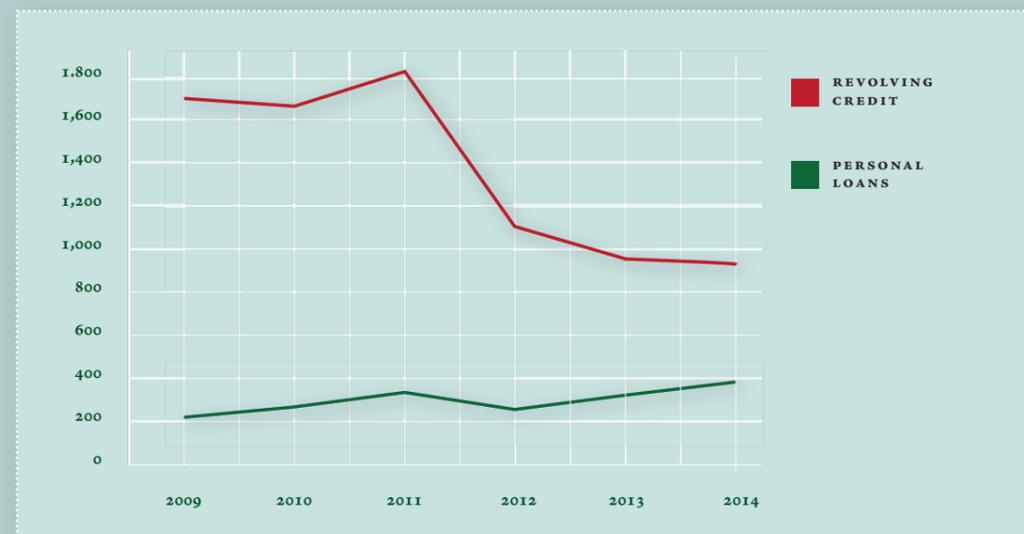


SHARE PERSONAL LOAN RISES

VFN members increasingly provide Personal Loans. In 2014, this trend has accelerated. This year, VFN members provided 29.7% more Personal Loans than in 2013. Revolving Credits are provided less and less, although the sharp decline has slowed. In 2014 VFN members provided 3.2% less revolving credit than in 2013.

By VFN members provided Personal Loans and Revolving Credit

| figures in Eur mio | 2011 | 2012 | 2013 | 2014 |
|--------------------|-------|-------|------|------|
| | 320 | 244 | 279 | 362 |
| | 1,845 | 1,127 | 969 | 938 |



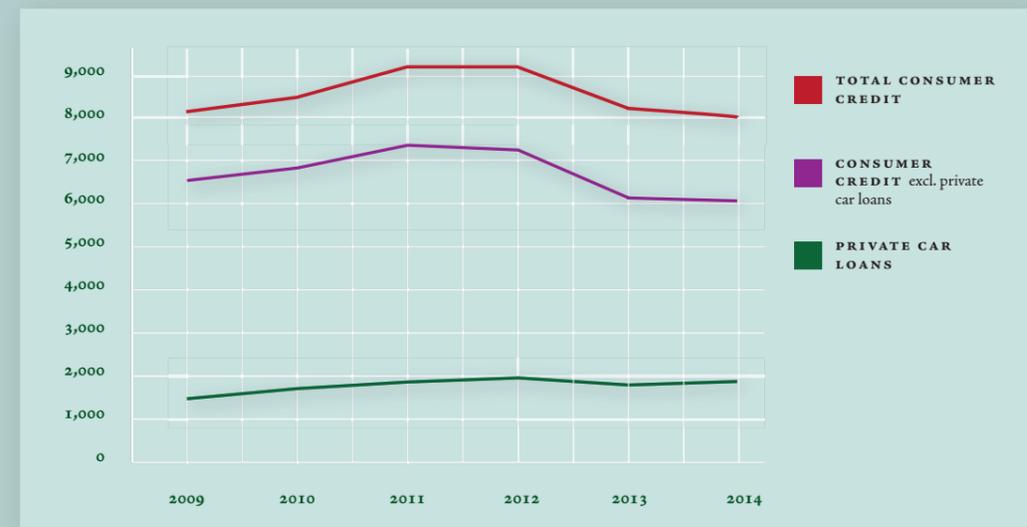
Total VFN members' Granted Personal Loans and Revolving Credit

TOTAL VFN MEMBERS' OUTSTANDING

In 2014, total VFN members' Consumer Credit outstanding slightly decreased, compared to 2013 (-1.3%). The outstanding of Consumer Credit exclusive private car loans fell slightly (-1.7%). The outstanding of private car loans remained virtually unchanged (+ 0.2%).

Total VFN members' outstanding Consumer Credit

| figures in Eur mio | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Consumer Credit <i>excl. private car loans</i> | 6,524 | 6,879 | 7,272 | 7,206 | 6,187 | 6,079 |
| Private car loans | 1,536 | 1,675 | 1,921 | 1,969 | 1,929 | 1,932 |
| Total Consumer Credit | 8,060 | 8,554 | 9,193 | 9,175 | 8,116 | 8,011 |



Total VFN members' outstanding Consumer Credit

COMMERCIAL CREDIT

Several VFN members provide commercial credit. In 2014, together they provided 10.4% more commercial credit than in 2013. The outstanding balance rose slightly this year by 0.9%.

