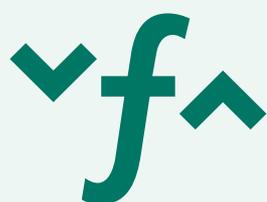


Summary

› annual report 2017

‘In the past year, the VFN frequently cooperated with various external stakeholders, with conversations in good conditions, constructive contributions and broadly supported results.’

Guus Alfrink, Chairman VFN



Vereniging van
Financieringsondernemingen in
Nederland



› Preface

Responsibility

Dear members, associate members and readers of the VFN annual report 2017. The theme of VFN's last year's annual report was growth. I then indicated that it is important that the VFN continues to take responsibility in times of growth. Within the past year, the VFN has done so with complete conviction.

The new communication strategy, which I presented during the kick-off of the year on January 24th, expresses this responsibility. The new communication theme 'kredietinzicht' applies both to responsible granting of credit and to provide insight (information and transparency). In this context, the VFN started issuing quarterly reports in 2017, which provide the latest market information at a glance to internal and external relations.

The VFN also took responsibility in the field of professional competence within the past year. In 2017, the VFN and educational institute Lindenhaeghe have compiled new e-learnings and PE-modules for non-advising sales staff. Accordingly, these employees are again fully informed on the latest legislation and regulations. In the context of responsible lending, the new lending standards came into effect on June 1st, after consultation with the NVB (Dutch Banking Association) and the AFM (supervisor). In addition, the VFN entered into discussions with the AFM about the so called lock up cases (cases in which it is impossible for consumers to switch providers). At the same time, various parties are still working hard on an integral Code of Conduct for Consumer Credit / Mortgage Credit.

With regard to legislation and regulations, particular developments took place as well this year. Collection agencies that mediate in credit or offer credit were required to apply for a license and the AFM has started to monitor compliance with the Wft (FSA) with regard to mobile phones on instalment (telephone credit). The VFN also responded to various consultations with regard to legislation and regulations, such as the Implementation Act on the General Data Protection Regulation and on the Act and the Decree on the Implementation of the Insurance Directive.

In the past year, the VFN frequently cooperated with various external stakeholders, with conversations in good conditions, constructive contributions and broadly supported results. With our members we frequently cooperated in various working groups and in organizing various events such as the 'toogdag', the golfevent, the fraud prevention event, the business lunches and the YoungTalent events. As an association we remain dependent on our members for our knowledge and possibilities. We would like to thank everyone for the fruitful cooperation, and all help, advice, and contributions in any form whatsoever.

I myself have experienced the last year as particularly exciting. It was an eventful year with a market in motion and many changes. When I draw up the balance, I think we stand well as a sector. Lending is increasing and the sector considers customer interests to be of paramount importance. With relatively new and rapidly growing products such as private lease, new needs and wishes of consumers are also being met.

The coming year will again offer challenges, such as the implementation of the GDPR, PSDII and the way to a good code of conduct for outstanding credit. You can be sure the VFN will take its responsibility again in 2018, when the VFN celebrates its 90th anniversary as an authority on consumer credit!

Guus Alfrink

chairman VFN



➤ Local Developments

Implementation Act on the insurance distribution directive

The Act on the implementation of the insurance distribution directive was submitted for consultation by the Ministry of Finance on December 23th 2016. The IDD (Insurance Distribution Directive) was published on February 2nd 2016. EU Member States must comply with the directive by February 23th 2018 at the latest.

On January 30th 2017, the VFN responded to the consultation on the Act on the Implementation of the Insurance Distribution Directive. In its response, the VFN states that the deployed implementation creates a 'hybrid' form of service that is in between execution only and advice. According to the VFN, the Explanatory Memorandum should state explicitly that no changes are intended in the Dutch advice rules. The VFN also responds to the exemption regulation in its reaction and emphasizes the importance of limiting additional obligations for activities that were previously exempted. The VFN also notes that a reassessment of the Product Development & Review process does not seem necessary. This can be stated accordingly in the final Explanatory Memorandum. With regard to the Product Development Process, the VFN emphasizes that the intermediary (who is not also a provider) has no further obligations with respect to the Product Development Process on the basis of the Directive. Finally, the VFN responds in its reaction to the requirements with regard to professional competence. The implementation of the professional competence requirements on the basis of the Directive will later take effect in the BGfo (legislation on a lower level). The VFN would like to leave the professional competence requirements unchanged, as they are now included in the BGfo. Dutch financial companies have recently had to make a lot of effort to comply with the professional competence provisions, and additional obligations are therefore undesirable.

Implementation Act General Data Protection Regulation

The implementing act General Data Protection Regulation was submitted for consultation by the Ministry of Security and Justice on December 9th 2016. The GDPR (General Data Protection Regulation) was published on May 4th 2016 and will enter into force on May 25th 2018.

On January 19th 2017, the VFN responded to the consultation on the Implementing Act on the General Data Protection Regulation. The VFN is in favour of the legal facilitation of a wide use of the social security number by financial companies. The VFN also argues for additional clarity regarding the possible continuation of credit scoring and behavioural scoring in Article 38 and / or in the Explanatory Memorandum. In addition, the VFN emphasizes the importance of consistency of activities in the field of processing personal data that are (formally and informally) requested on the basis of financial supervision and the regulation. Finally, the VFN argues for the inclusion of a provision that allows the processing of biometric data.

The Implementation Act was sent to Dutch Parliament on December 13th. The legislative proposal does not fulfil the broad use of the social security number. With regard to behavioural scoring, additional clarity is provided in the Explanatory Memorandum. Behavioural scoring is for example permitted for the treatment of payment arrears, if the person concerned has agreed to this when entering into the agreement. If actually necessary it is also possible for the private sector, to use automated decision-making without human intervention in the fulfilment of legal obligations (such as the duty of care). With regard to supervisory activities of various supervisors, the Explanatory Memorandum stresses the importance of coordinating supervisory activities. Article 29 of the Implementation Act provides an exception to the prohibition on processing biometric data *"if the processing is necessary for authentication or security purposes"*.

AFM supervises advertising messages for mobile phones on installments

Mobile phones on installment are seen as a form of credit and are supervised accordingly. From January 1st 2017, the AFM will ensure that the warning phrase *"Attention! Borrowing money costs money"* is mentioned in advertising messages by telecom providers. The credit table and the cost of the credit must also be mentioned separately from that moment on. From May 1st, telephone credits will also be registered with the Dutch Bureau of credit Registration (BKR). Since then, the AFM has ensured that a creditworthiness assessment is taken for telephone credits (including BKR check).

Evaluation commission ban

The commission ban was evaluated in 2017. The ban, which has been in force since January 1st 2013, must contribute to a cultural change in the financial sector, with a focus on customer-oriented advice. With the introduction of the ban on commission, there were concerns about the consequences for the accessibility of advice for consumers. Another point of concern was the level playing field between intermediaries and providers. To ensure a level playing field, additional policy was introduced, including the introduction of the standard service document. Consumer credit is excluded from the commission ban. This exception followed on the prohibition to charge the consumer a compensation directly in order to prevent 'hit-and-run' practices in the consumer credit market. In the case of consumer credit, it is on the other hand a provision commandment that only allows a continuous commission from provider to intermediary and only if the consumer meets his payment obligations. On January 23th 2018, the results of the evaluation of the commission ban were sent to Dutch Parliament. The most important findings are:

1. *"The commission ban is effective"*. The quality of advice has improved and intermediaries are no longer driven by financial incentives of the provider.
2. Advice remains accessible under the commission ban, although the costs for advice are underestimated. Consumers are more willing to pay the costs if the advisers get the chance to explain their added value.
3. When choosing a service provider, consumers are mainly guided by advice from friends and acquaintances and by information via the internet. Service providers and the different forms of service are often barely being compared and consumers are often not well informed on the quality of service. The service document only plays a limited role.

The evaluation does not point to the desirability of reconsidering the consumer credit exception of the prohibition. Minister of Finance Hoekstra sees no reason in the evaluation to question the ban on commission. However, a number of topics, such as the facilitation of comparison / appropriate choices by consumers and the post-contractual duty of care, qualify for potential follow-up steps. These topics will be discussed with stakeholders. The Minister has announced that Dutch Parliament will be informed before the summer of 2018 about the outcome of these conversations and any concrete follow-up steps.

Situations that require extra sector attention

In 2017 frequent meetings were held with the supervisor (AFM) concerning the so called lock up cases (cases in which it is impossible for consumers to switch providers due to stricter standards) and the possibilities to include provisions in the VFN code of conduct. On June 26th the VFN took part in a roundtable meeting with the AFM about the lock up problem. In addition to the VFN, the NVB (Dutch banking association) and various banks and financing providers were present.

Revision of Act on funding on Financial Supervision (Wbft)

On August 14th 2017, the VFN responded to the consultation on the Revision of the Act on Financial Supervision (Wbft). The Wbft regulates funding, and budget and accountability of the Dutch supervisors (AFM and DNB). With regard to funding, the costs are fully passed on to the sector. In order to make the Wbft more flexible, the elaboration of the reimbursement of costs will be determined in lower regulation within the new structure. For the VFN, it is important that the methodology promotes efficiency. In addition, the VFN is of the opinion that - taken in mind that the costs are fully passed on to the sector - revenues from fines above € 2.5 million should also benefit the sector and not the State.



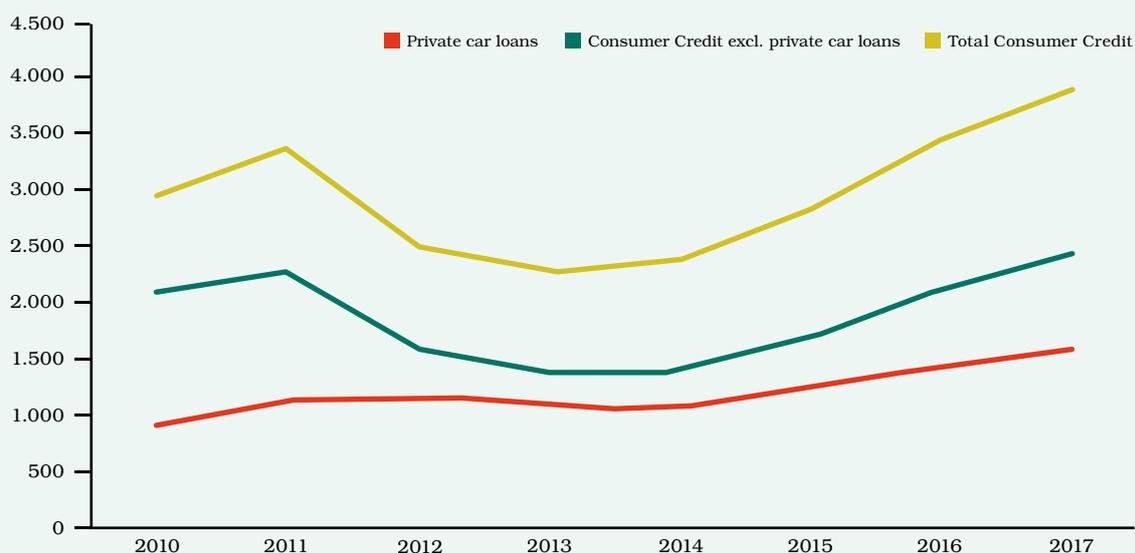
Market figures

The VFN members provide annual insight into the development of the newly granted consumer and commercial credit and receivables.

In 2017 VFN members provided 14% more new credit for consumers compared to 2016. Car Finance showed a growth of 15%. Consumer credit for other spending purposes showed 14% growth.

Newly provided Consumer Credit by VFN members in Eur mio

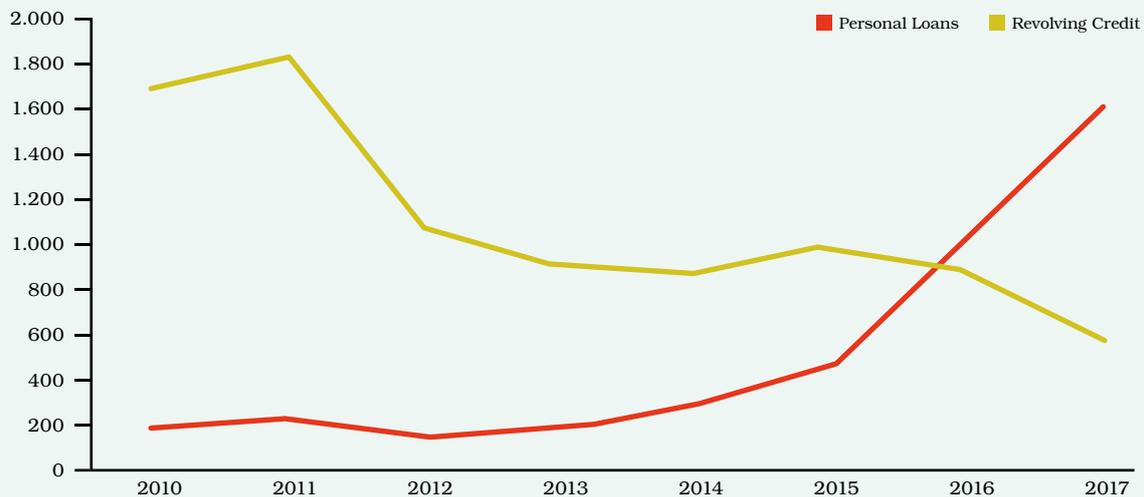
	2010	2011	2012	2013	2014	2015	2016	2017
Consumer Credit excl. private car loans	2.091	2.253	1.475	1.312	1.352	1.663	2.090	2.388
Private car loans	847	1.106	1.073	995	1.000	1.177	1.337	1.531
Total Consumer Credit	2.938	3.359	2.548	2.307	2.352	2.840	3.427	3.919



The share of Personal Loans in new credit has sharply increased in the last years. This trend continued in 2017. The amount of new Personal Loans in 2017 increased by 55%. The amount of new Revolving Credit decreased (-29%). The share of Personal Loans in new credit increased to a level of 71%.

Personal Loans and Revolving Credit provided by VFN members in Eur mio

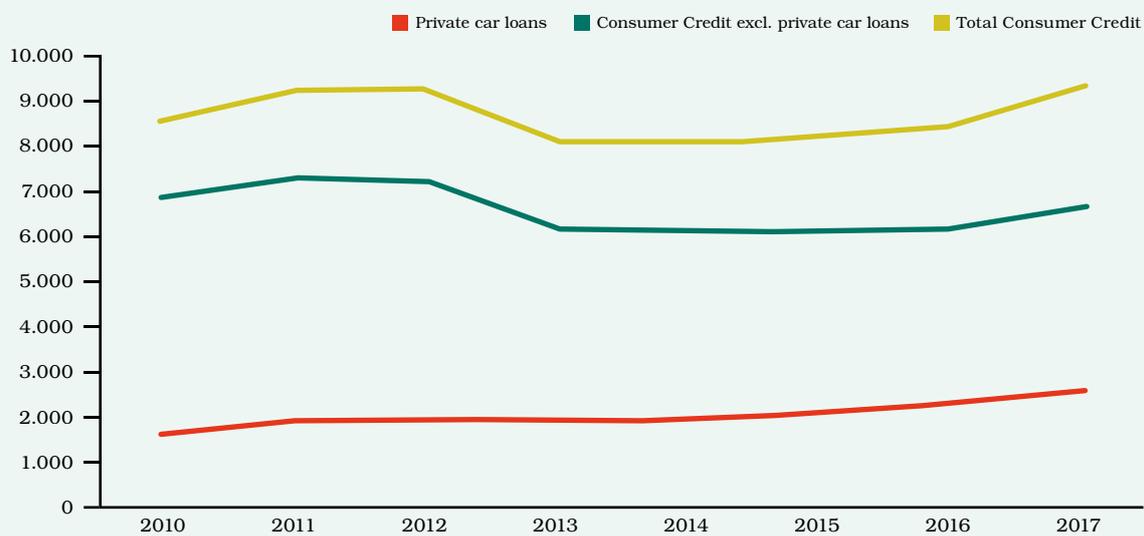
	2010	2011	2012	2013	2014	2015	2016	2017
Personal Loans	266	320	244	279	362	562	1.061	1.642
Revolving Credit	1.719	1.845	1.127	969	938	1.041	958	678



The VFN members' outstandings in consumer credit increased (+10%) to a level of € 9,3 bn in 2016. Both outstandings in Car Finance (+15%) and the other consumer credit categories (+8%) showed growth.

Total VFN members' outstanding Consumer Credit in Eur mio

	2010	2011	2012	2013	2014	2015	2016	2017
Consumer Credit excl. private car loans	6.879	7.272	7.206	6.187	6.079	6.082	6.158	6.663
Private car loans	1.675	1.921	1.969	1.929	1.932	2.094	2.300	2.636
Total Consumer Credit	8.554	9.193	9.175	8.116	8.011	8.176	8.458	9.299



In 2017, VFN members provided more (+12%) new Commercial Credit. The outstandings also increased (+31%) to a level of € 1,05 bn.

Total VFN members' outstanding Commercial Credit in Eur mio

Commercial Credit	2010	2011	2012	2013	2014	2015	2016	2017
Outstandings	472	575	536	539	544	612	804	1.052
New Credit	212	294	279	270	298	364	512	571

