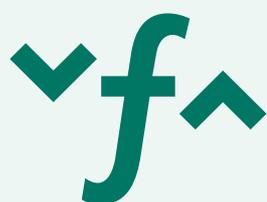


Summary

› annual report 2016

‘In 2017 the VFN will
invest in cooperation and
good external relations’

Guus Alfrink, Chairman VFN



Vereniging van
Financieringsondernemingen in
Nederland



Preview

Growth

In last year's annual report I noted that the prospects for further growth in the market were positive. In the meantime this growth has been observed in many areas and is rapidly extending. GDP is growing, consumer confidence is growing and consumption is growing. The VFN is also growing. This growth is reflected in membership and lending. Compared to 2015, the newly provided consumer credit by VFN members increased by 21%. Noteworthy is also that in 2016 more new consumer credit was provided in the form of personal loans than in the form of revolving credit; a turning point. Total VFN members' outstanding consumer credit increased by 3%. Also commercial credit by VFN members keeps increasing. In 2016, the newly granted commercial credit increased by 41% compared to 2015. Total VFN members' outstanding commercial credit increased by 31%. In addition, the VFN in the past year also grew in figurative terms. We started 2017 with a new logo, a new communications strategy, and a new website.

Last year we witnessed many developments in the field of legislation. The VFN responded to consultations on the law on Transparency on monitoring of financial markets, on the law on Implementation of the fourth anti-money laundering directive and on the Effectiveness and desired degree of FSA (Wft) protection for freelancers and SMEs. In addition, the general duty of care (zorgplicht) was evaluated. This year, the commission ban (provisieverbod) will be evaluated and the Ministry of Finance will empower the supervisor (AFM) on introducing an advertising ban on risky financial products.

We also witnessed a lot of changes on supervision. The VFN published a press release called 'no more 0% loans for purchasing cars', which was drafted in cooperation with the supervisor. With this press release the AFM-survey on Car Financing was completed. In 2016 the exemption from the FSA (Wft) for telecom providers that sell mobile phones on instalment came to an end. Purchasing a mobile phone on instalment is being seen as a form of credit. The AFM will start to monitor telecom providers on compliance with the Act on Financial Supervision (Wft). In 2016 the AFM also announced (in the guidance on consumers and collection processes) that collection agencies that mediate credit or provide credit are subject to licensing. In 2017 the AFM will apply the ban on advertising for financial products. The AFM wants certain investment products, but also payday loans and "loans with a longer maturity with a very high interest rate" under the ban. The VFN will also cooperate with the AFM during the joint survey on lending behaviour of consumers, which will be conducted by NIBUD and will be presented during the 90-years anniversary of the VFN in 2018.

Last year, the VFN has taken its responsibility when it comes to a sound lending market and the prevention of excessive loans. In the beginning of 2016, a process started that has to lead to the delivery of a new comprehensive code of conduct for consumer and mortgage credit. VFN, NVB, AFM and NIBUD discuss how the still widely differing criteria for granting consumer and mortgage loans can be harmonized. The objective is to compose an integrated standard that fully complies with the Act on Financial Supervision (Wft), which protects consumers against excessive borrowing.

As indicated, the VFN in 2016 was keen to cooperate and uphold good external relations. Stakeholder management was appointed as one of the important goals during the 2016 general assembly. The quarterly distribution of market insights among our external relations is also to be seen in this context. In 2017 the VFN will invest in cooperation and good external relations.

2016 was also characteristic for its many VFN events, that as always managed to combine the useful and pleasant with each other. The (network)events, business lunches, annual golf day and Young Talent meetings were very successful!

Of course it is nice that growth is everywhere to be seen, but in times when things go well, it is important that we continue to take our responsibility. So we remain fully committed to a sound lending market, preventing excessive borrowing and the possibility for consumers to make a well-informed choice. That you can rely on!

Guus Alfrink

chairman VFN



➤ Local Developments

Survey on Car Financing

The AFM started to conduct this survey in 2014. With the investigation, the supervisor formed an opinion on product development processes and specific products offered by car finance. The VFN discussed the findings on specific product types with the AFM.

With captive members, the VFN discussed in which way the findings of the AFM could be met. Starting point was that a wide range of car finance products had to stay available to consumers. The discussions with the industry led to a proposal to the AFM to make certain adaptations. The AFM then offered the VFN the opportunity to issue a press release. On August 31st 2016, the VFN press release 'no more 0% loans for purchasing cars' was published. The press release expresses the agreement that 0% loans for the purchase of a car will no longer be provided to consumers. With this statement, there was no need for the AFM to publish a report and / or press release. With the publication of the VFN press release, the survey on Car Financing was completed. After one year an evaluation regarding the implementation of the agreement will be conducted.

New comprehensive code of conduct for consumer and mortgage loans

In the beginning of 2016, the process that has to lead to the delivery of a new comprehensive code of conduct for consumer and mortgage credit, started. VFN, NVB, AFM and NIBUD discuss how the still widely differing criteria for granting consumer and mortgage loans can be harmonized. The objective is an integrated standard that fully complies with the Act on Financial Supervision (Wft), which protects consumers against excessive borrowing. Additional objectives are to reduce complexity and achieve consistency by involving elements that are still not clearly included in the codes of conduct, such as the financing of the costs of acquiring a house and DUO debts (student loans).

Telecom Sector remains subject to the Act on Financial Supervision (Wft) and will be supervised accordingly by the supervisor (AFM).

On April 13th 2016, the Minister of Finance informed the Dutch Parliament on the termination of the dialogue with the telecom sector on a possible code of conduct. The dialogue did not result in a code of conduct that could lead to a permanent exemption from the rules of lending in the Act on Financial Supervision (Wft). Previously the Supreme Court stated that telephone subscriptions with a "free" device qualify as a credit agreement. That marked the end of the temporary exemption.

Because the FSA (Wft) therefore continues to apply, compliance by telecom providers will be monitored by the AFM. Mobile phones on instalment are to be seen as a form of credit and will be supervised accordingly by the AFM. From January 1st 2017, the phrase "Attention! Borrowing money costs money" has to be mentioned in advertisements of telecom providers. Also cost of credit should be mentioned separately from that moment on. From May 1st 2017, telephone loans will have to be registered with BKR (Office of Credit Registration). The AFM will also monitor that from that day onwards, a check will be conducted on whether consumers are able to fulfil their repayment obligations (incl. an investigation on registration at BKR) on credit on mobile phones.

Responsibilities of credit providers for late payments and collection processes

On October 4th 2016, the AFM invited stakeholders to discuss the responsibilities of credit providers for late payments and collection processes. During the discussion, the AFM outlined the then proposed collection guidance. In addition to the VFN, the NVB, NVI, NVVK and ACM also took part in this meeting.

The VFN highlighted the importance of tailored solutions. The guidelines should not provide detailed and specified collection strategies, but rather emphasize the importance of strategies that are most effective in certain situations. Credit providers have a chain responsibility when collection activities are being outsourced.

The VFN also highlighted broader issues that can be addressed in case of late payments. Research has shown that usually multiple creditors are involved in cases of problematic debts. Protection of debtors and ensuring the seizure-free rate demand a comprehensive approach; for example by debt counselling. Finally, it is important that the guidance recognizes that data exchange is often complicated by the strict requirements from privacy laws.

On November 14th 2016, the AFM published the guidance on consumers and collection processes (leidraad Consumenten en Incassotrajecten). The guidance among other things shows that collection agencies that mediate credit or provide credit are subject to licensing. Creating a new payment plan with borrowers by Collection agencies also qualifies as mediation and is therefore an activity that is subject to licensing. The main elements of the guideline:

- Clarity on responsibilities of credit providers
- Preventing late payments has priority
- No collection fees on late payments
- Responsibilities of credit providers do not stop when collection activities are being outsourced to collection agencies
- Reselling of receivables and loans should be the exception

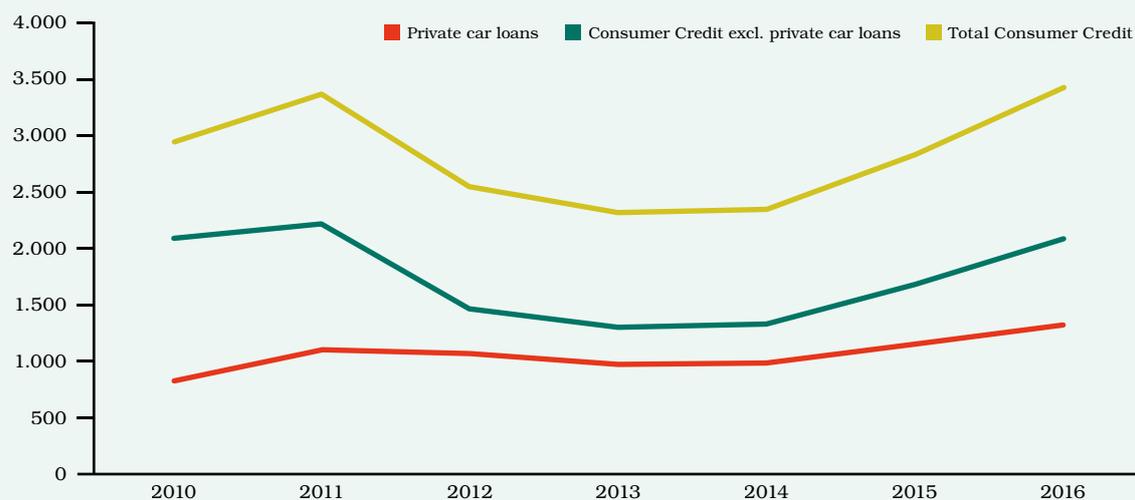
➤ Market figures

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

In 2015 the growth in newly granted consumer credit accelerated after slight recovery in 2014. In 2016 this trend continues. VFN members provided 21% more new credit for consumers compared to 2015. Car Finance showed a growth of 14%. Consumer credit for other spending purposes showed an even larger growth (+26%).

Newly provided Consumer Credit by VFN members in Eur mio

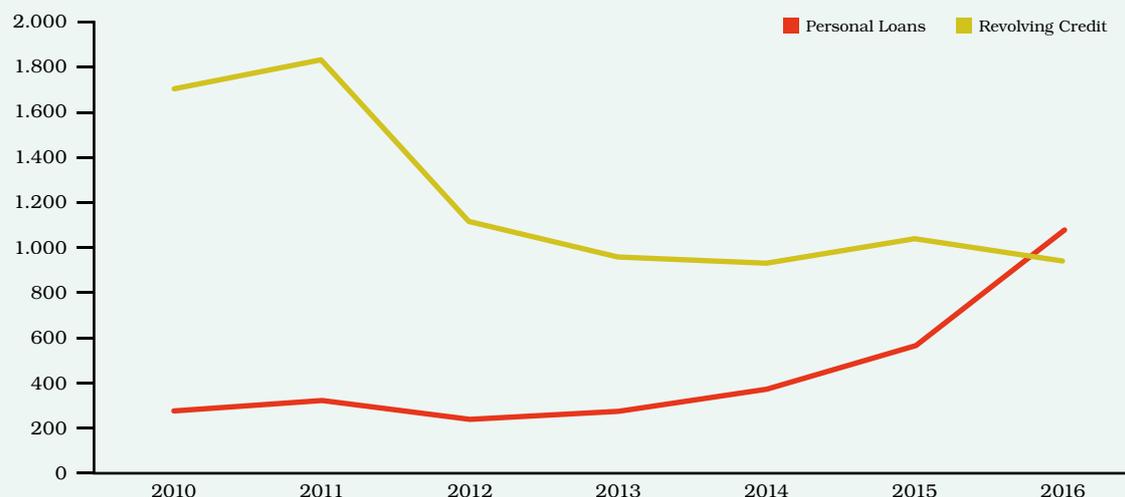
	2010	2011	2012	2013	2014	2015	2016
Consumer Credit excl. private car loans	2.091	2.253	1.475	1.312	1.352	1.663	2.090
Private car loans	847	1.106	1.073	995	1.000	1.177	1.337
Total Consumer Credit	2.938	3.359	2.548	2.307	2.352	2.840	3.427



The share of Personal Loans in new credit increased in the last years. This trend continued in 2016. The amount of new Personal Loans in 2016 increased by 89%. The amount of new Revolving Credit decreased (-8%). The share of Personal Loans in new credit increased to a level of 53%.

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

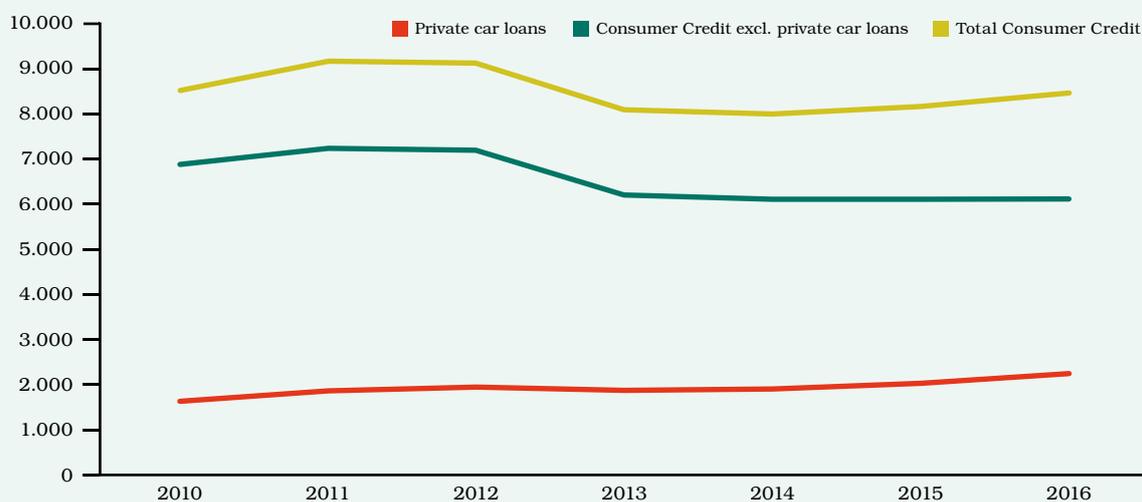
	2010	2011	2012	2013	2014	2015	2016
Personal Loans	266	320	244	279	362	562	1.061
Revolving Credit	1.719	1.845	1.127	969	938	1.041	958



The VFN members' outstandings in consumer credit increased (+3%) to a level of € 8,5 bn in 2016. The increase was mainly driven by outstandings in Car Finance (+10%). The outstandings in the other consumer credit categories increased by 1%.

Total VFN members' outstanding Consumer Credit in Eur mio

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



In 2016, VFN members provided more (+41%) new Commercial Credit. The outstandings also increased (+31%) to a level of € 804 mn.

Total VFN members' outstanding Commercial Credit in Eur mio

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

