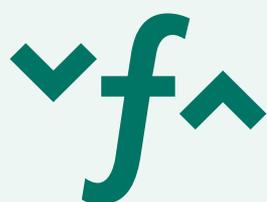


Summary

› annual report 2018

‘Extraordinary was also that on November 1st the VFN announced it would adjust its Code of Conduct as of May 1st 2019. The adjustment was realised in pleasant cooperation with a number of important stakeholders such as the AFM (supervisor).’

Guus Alfrink, Chairman VFN



Vereniging van
Financieringsondernemingen in
Nederland



› Preface

Development

Dear members, associate members and readers of the VFN annual report 2018. 2018 was an eventful (Iustrum) year for the VFN, culminating in our 90th anniversary! The 18th Iustrum of the VFN was celebrated on November 1st in the National Military Museum in Soest, with among other things a presentation of the Nibud study on consumer behaviour and a presentation by the Ministry of Finance on behaviour and policy in financial markets.

Extraordinary was also that on November 1st the VFN announced it would adjust its Code of Conduct as of May 1st 2019. The adjustment was realised in pleasant cooperation with a number of important stakeholders such as the AFM (supervisor). With the changes in the Code of Conduct consumers are further supported to borrow responsibly. The new Code of Conduct focuses on the so called 'Lock-Up' problem (consumers who are no longer able to transfer to another provider with their revolving credit; for example, through more stringent borrowing standards or changes in personal situation). As you can see after 90 years the VFN is still highly ambitious in working on a healthy consumer credit market. We closely follow the developments on laws, regulations and modern technologies and adapt to them.

This is also shown in the various VFN activities that took place this year. On March 13th, the year started with a business lunch on 'Blockchain and smart contracts for consumer credit'. A development that couldn't have been foreseen when the 'Association of Directors of Finance Companies in the Netherlands' (the predecessor of the VFN) was established in 1928. But also the business lunch of June 5th (on PSD II) and for example the VFN fraud prevention event (on innovation and the new banking) were related to technological developments.

Regarding legislation and regulations, several developments took place this year. The BKR (Credit Registration Agency) published the Handreiking Belangenafweging, a guideline that prescribes how requests by consumers to remove their data from the CKI (Central Credit Information system) can be assessed by lenders based on a balancing of interests. The AFM (supervisor) announced it would be stricter in supervising the duty of verification and collection agencies turned out not to be subject to a license obligation after all. The VFN responded to several consultations in 2018, such as the Wwft (Anti-Money Laundering and Anti-Terrorist Financing Act) Implementation Decree 2018 consultation, the consultation on the Decree on funding of financial supervision 2019 and the consultation on Remuneration Measures in the Financial Sector. The VFN also participated in various discussions on the integration of the borrowing standards for consumer and mortgage credit, the design of financing options for energy-saving measures, the revision of the Pifi (Protocol on preventing fraud with regard to Financial Institutions) and the process that must fulfil the objective of the Dutch Government to address consumer detriment in the collections market and to set up a collections register. An important development in 2018 was also

the entering into force of the GDPR (General Data Protection Regulation). As a result, the VFN has reviewed its privacy policy and is also up-to-date in that regard.

The market developed positively in 2018. The newly provided Consumer Credit and outstandings by VFN members showed an increase of 6.8% and 3.3% in 2018 and the Dutch economy grew by 2.6% according to the CPB (Netherlands Bureau for Economic Policy Analysis). Insight into market developments was offered in 2018 with the VFN financing barometer, with the issuance of quarterly reports and by displaying various market figures on the VFN website. The Nibud study on consumer behaviour that was funded by the VFN also provided market insights. As did the research into the consumer credit market published by the Ministry of Finance in September 2018.

As you might know, 2018 was my last year as chairman of the VFN. During the general meeting I will say goodbye with a heavy heart. I would like to thank you very much for the pleasant cooperation in recent years. I am confident that my successor and the new Board will look after the interests of the consumer credit market well in the coming years and that they will continue to work on keeping the consumer credit market healthy.

Sincerely,

Guus Alfrink

chairman VFN



➤ Local Developments

VFN responds to consultation on Decree on financial supervision 2019

On March 9th, 2018, the VFN responded to the consultation on the Decree on funding of financial supervision 2019. The Decree distributes the costs of the ongoing supervision to various categories (for instance consumer credit) based on a full pass-through to the sector. Based on 3 factors, the AFM (supervisor) has made a distinction of the supervision efforts per category and a new distribution has taken place. For the supervision category credit providers, the redistribution implies an increase in the percentage from 2.2% to 4.8%. The conclusion of the VFN is that this doubling is mainly caused by the actual supervision costs in the years 2014, 2015 and 2016 (the first factor). However, according to the VFN, the choices (and costs) made by the AFM in these years are not representative of the costs that will be incurred in the coming years. The VFN therefore sees no reason for a percentage doubling of supervisory costs for providers of credit and considers it undesirable (partly in view of the assumption of predictability and stability of costs).

VFN responds to consultation on Decree on Implementation of Wwft (Anti-Money Laundering and Anti-Terrorist Financing Act) 2018

On February 27th 2018, the VFN responded to the Wwft Implementation Decree 2018. The Implementing Decree gives further details on the concepts PEP (politically exposed Persons) and UBO (Ultimate Beneficial Owner). In its response, the VFN indicates that there is unclarity in the market regarding the UBOs to be found in the case of a trust office foundation. The VFN would like to see more clarity / further elaboration in the Implementing Decree. In addition, the VFN notes that the fall-back option of appointing senior management staff as UBO can lead to ambiguities in practice. In this context, the VFN would like to emphasize the importance of practicality. A (more) objective criterion for determining who qualifies as 'pseudo-UBO' could be considered in this case.

Debt collection agencies are not subject to licensing

On July 23rd 2018, the Regulation amending the Exemption Regulation Wft was published in the Government Gazette. According to the Minister of Finance, the Exemption Regulations have been adjusted, "because in practice there was a lack of clarity about whether granting a payment of an existing debt falls within the scope of the Financial Supervision Act (Wft) and whether it was therefore subject to a license obligation". Granting deferral of payment free of charge is now exempt from the Wft.

Remuneration measures for the financial sector

On August 30th 2018, the VFN responded to the Consultation on remuneration measures for the financial sector. In order to strengthen the banking sector and prevent the taxpayer from paying for losses of failing banks, the government is considering three measures concerning fixed remuneration:

1. The extension of claw back (a recovery obligation of (part of) the fixed remuneration of directors of systemically important banks (and insurers) in state support).
2. A mandatory holding period of shares and similar instruments in fixed remuneration.
3. A compulsory anchoring in the remuneration policy of the way in which remuneration relates to the social function of the company and the duty to account for it.

With regard to the extension of claw back, the VFN argues for a limitation to board members and day-to-day policymakers of financial institutions that enjoy state support and a maximum period of 5 years after payment.

With regard to holding shares, the VFN advocates a limitation to board members and day-to-day policymakers of financial institutions that enjoy state support and financial institutions that are 'too big to fail' and a maximum period of 3 years. The VFN has indicated that it is not in favour of the third measure, also from the point of view of effectiveness and efficiency.

On September 20th 2018, the VFN participated in the roundtable meeting on the financial sector remuneration measures organized by the Ministry of Finance, which followed the consultation. On October 22nd 2018 the Dutch House of Representatives was informed about the outcome of the social consultation on the three statutory remuneration measures.

In the letter, the Minister states that "Many stakeholders have indicated that the first measure I am considering, an obligation to recover part of the fixed remuneration of directors of systemically important banks (or insurers) in case of state support, in their opinion comes across European legal objections. In view of this, I see reason to ask the Raad van State (Council of State) for information about the European legal sustainability of such a claw back measure".

Financial sector agenda (Ministry of Finance)

On December 17th 2018, Minister Hoekstra of Finance informed the Dutch House of Representatives on the Financial Sector Agenda. The announced measures with regard to the consumer credit market are:

- a. to develop an alternative to the current credit warning;
- b. to tackle payday loans through an advertising ban or other legal options for consumer protection;
- c. to consider the need for additional steps for mail-order credit in the spring of 2019; and
- d. to see whether additional competences of the AFM are required with regard to revolving credit at the point of sale'.

Earlier, the Ministry of Finance and the AFM have indicated that they want to find an alternative to the credit warning phrase 'Let op, geld lenen kost geld!', in cooperation with the sector (including the VFN).

To further shape the desired behavioural and cultural change in the financial sector, the Minister intends to further tighten the rules for remuneration policy. To this end, he has announced the following measures:

- *"Introducing a legal obligation to hold, among other things, shares in the fixed remuneration component.*
- *Introducing a legal obligation to account for and be accountable for the relationship between remuneration and social function.*
- *Investigate the legal possibilities to introduce a legal obligation to recover part of the fixed remuneration of bank managers in the case of state support; request information about this from the Raad van State (Council of State).*
- *Introducing a tightening of the possibility of deviating from the bonus ceiling for non-collective agreement staff."*

The VFN responded to the consultation and participated in the round table meeting on remuneration measures in the financial sector that preceded this.

Outcome Research on Consumer Credit Market (Ministry of Finance)

In September 2018, the Minister of Finance informed the Dutch House of Representatives on the results of the research on the Consumer Credit Market. The new policy objectives have been made known in the letter. These concern:

1. Within the borrowing environment, consumers are not nudged by providers in the direction of a higher borrowing amount and / or a longer duration.
2. Borrowing for consumer spending is not self-evident; providers do not picture this as being the case.
3. The borrowing environment is set up by providers in such a way that consumers realize that they enter into a credit with a repayment obligation and (interest) costs.

After publication of the letter, the changed policy objectives have been endorsed by the VFN.

The Ministry of Finance and the AFM (supervisor), in cooperation with the sector, are looking for an alternative to the credit warning phrase 'Please note! Borrowing money, costs money'. Previous research has shown that the warning sentence has little or no influence on the choices the consumer makes. The VFN has been invited to contribute to the behavioural science experiments of the AFM to achieve the policy objectives.

VFN adapts Code of Conduct

On November 1st 2018, the VFN issued a press release in which it announced that it would amend its Code of Conduct for consumer credit with effect from May 1st 2019 in order to promote responsible borrowing. With the changes in the Code of Conduct the consumer is further supported to borrow responsibly. In particular, the adjustments focus on revolving credits. During the duration of the revolving credit, the consumer credit provider will regularly check whether the outstanding credit is still in line with the financial situation of the consumer. If this is no longer the case, solutions will be sought in consultation with the consumer. The duration of new revolving credits will be limited to a maximum of fifteen years. The new Code of Conduct focusses on the so-called 'Lock-Up' problem. Consumers who are no longer able to transfer to another provider with their revolving credit (for example, through more stringent borrowing standards or changes in personal situation) will receive extra protection. The amendments to the Code of Conduct were made at the request of the AFM (supervisor).

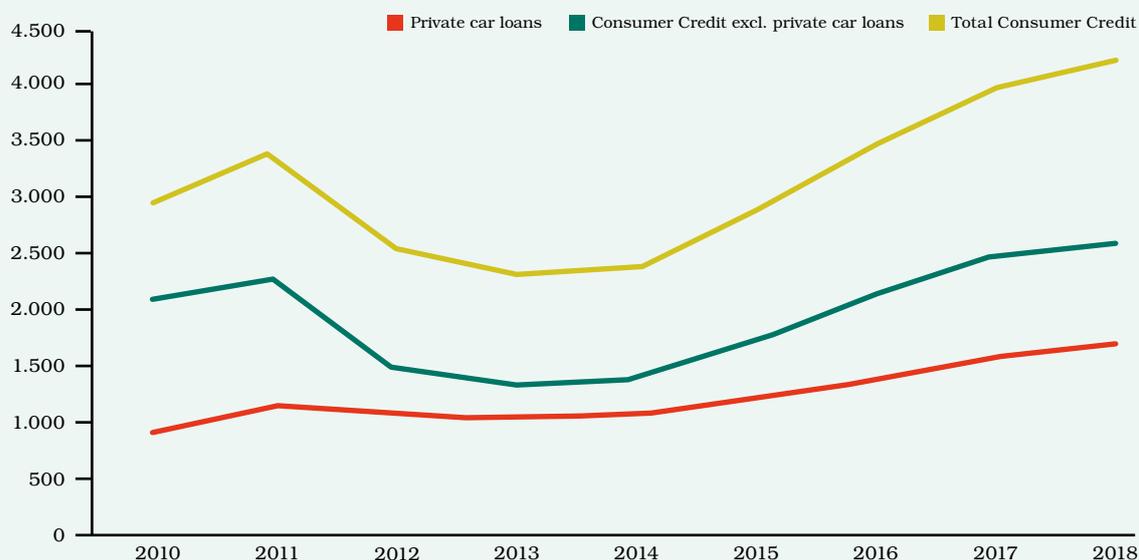
➤ Market figures

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

In 2018 VFN members provided 6,8% more new credit for consumers compared to 2017. Car Finance showed a growth of 8,3%. Consumer credit for other spending purposes showed 5,9% growth.

Newly provided Consumer Credit by VFN members in Eur mio

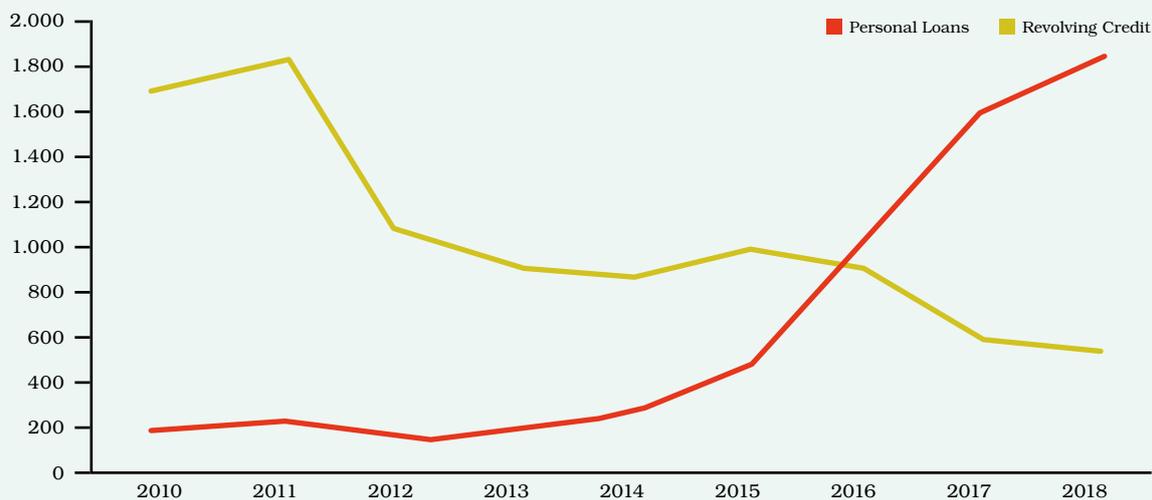
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Consumer Credit excl. private car loans	2.091	2.253	1.475	1.312	1.352	1.663	2.090	2.388	2.528
Private car loans	847	1.106	1.073	995	1.000	1.177	1.337	1.531	1.659
Total Consumer Credit	2.938	3.359	2.548	2.307	2.352	2.840	3.427	3.919	4.187



The share of Personal Loans in new credit has sharply increased in the last years. This trend continued in 2018. The amount of new Personal Loans in 2018 increased by 14,8%. The amount of new Revolving Credit decreased (-16,5%). The share of Personal Loans in new credit increased to a level of 77%.

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

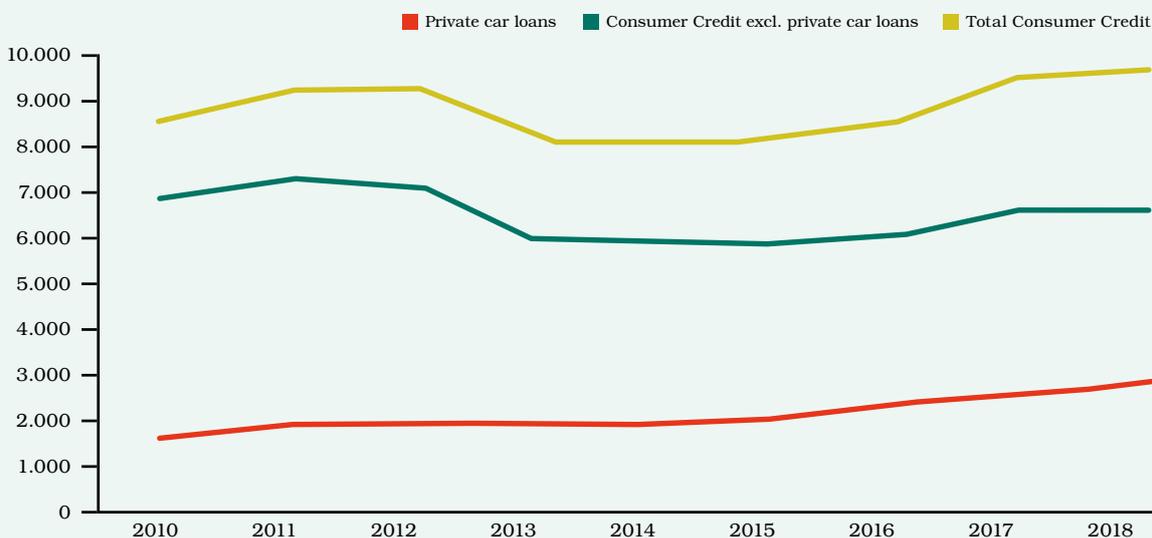
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Personal Loans	266	320	244	279	362	562	1.061	1.642	1.885
Revolving Credit	1.719	1.845	1.127	969	938	1.041	958	678	566



The VFN members' outstandings in consumer credit increased (+3,3%) to a level of € 9,6 bn in 2018. Both outstandings in Car Finance (+11.2%) and the other consumer credit categories (+0,2%) showed growth.

Total VFN members' outstanding Consumer Credit in Eur mio

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Consumer Credit excl. private car loans	6.879	7.272	7.206	6.187	6.079	6.082	6.158	6.663	6.675
Private car loans	1.675	1.921	1.969	1.929	1.932	2.094	2.300	2.636	2.931
Total Consumer Credit	8.554	9.193	9.175	8.116	8.011	8.176	8.458	9.299	9.606



In 2018, VFN members provided more (+13,5%) new Commercial Credit. The outstandings also increased (+17,0%) to a level of € 1,2 bn.

Total VFN members' outstanding and new Commercial Credit in Eur mio

Commercial Credit	2010	2011	2012	2013	2014	2015	2016	2017	2018
Outstandings	472	575	536	539	544	612	804	1.052	1.231
New Credit	212	294	279	270	298	364	512	571	648

