International Card Services B.V.
Annual Report 2020

For the year ended on
31 December 2020

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1. INTRODUCTION

1.1. ICS Profile

This is the ICS 2020 annual report. In this report, we look back on the financial performance of ICS in 2020 and at future (expected) developments in 2021 and further on.

ICS stands for secure payment services. The payment organisation has been responsible for issuing Mastercard and Visa credit cards in the Netherlands for more than 30 years. With around 3 million credit cards issued, ICS is the market leader in the Netherlands. ICS serves both retail consumers and customers in the business market. ICS also offers other forms of credit in addition to credit cards.

ICS has been a 100%-owned subsidiary of ABN AMRO Bank N.V. since 2010. The main office is located in the Netherlands and there is a branch office in Germany. The payment organisation issues its own credit cards such as Visa World Card and Mastercard and credit cards in cooperation with partners such as retailers, banks and interest groups. For example, ICS issues the ABN AMRO Credit Card, the ANWB Credit Card and the Bijenkorf Card.

ICS sees that, while financial transactions are being processed faster and more easily, the security and reliability of payments will also become a challenge for many competitors. Our objective is to ensure that our customers can pay securely anywhere at any time. Our ambition is to be the most trustworthy and safest payment service provider in the Netherlands.

ICS excels in fraud prevention and we monitor our customers' payment security 24/7. The quality of our customer service is not only certified and award-winning, our customers also value ICS as a partner they can always count on. They recommend ICS more frequently than other financial institutions. We are trustworthy and safe. Given the changes in society and our sector, ICS is striving to contribute to a safer society and increased trust in financial institutions. No matter what happens in the world, we want to make sure our customers can always make their payments with confidence, now and in the future.

1.2. 2020 in brief

2020 was dominated by the Covid-19 outbreak, but many initiatives to implement our strategy and serve our clients have still been achieved. Although the impact on payment volumes was considerable, we were able to limit the damage through cost-consciousness, client focus and activating our card holders. Meanwhile, we have used 2020 to work hard on our corporate transformation and sustainability, including relocation to the sustainable building #58.

The impact on payments was considerable as traditional credit card payments came under severe pressure in 2020 in certain segments. The hospitality and travel sectors were hit especially hard by the pandemic, and these are major areas in which customers use their credit cards.

We did see more online purchases during the year, but this was not enough to compensate for the decline in other segments. As a result, the number of transactions decreased to 85 million, a fall of 22% compared to the previous year. Cardholder turnover fell by 33% to € 5.7 billion.

In line with the expected market trend, the ICS credit portfolio decreased by 26% to € 366 million compared to € 492 million at the end of 2019. This led to ICS increasing its focus on providing compliant and financially sound credit. Covid-19 made the strategic choice to focus even more strongly on the execution of our strategy even harder, yet we still managed to achieve this. We expect to see a further decrease in the portfolio, partly resulting from reducing customer demand and changes in the product offering in 2021, partly due to the decision to no longer offer a Spread Payments Facility (SPF) to new customers. The fact that we were there for our customers in 2020 is shown, for example, by the payment pause that we offered both to our business and retail customers to help them in these difficult times. Hundreds of customers made use of this. We are pleased that we were able to do something to relieve the financial pressure for them. There was also severe pressure at Chargeback.

Many customers asked for their money back for cancelled trips. Here, too, we aimed to provide clarity and, where possible, to achieve a refund for our customers.

All the initiatives were reflected in the annual NPS score. Our customers rewarded us with a high, increased NPS rating.

We continued to encourage online spending via credit cards, and various marketing campaigns were conducted in 2020 in order to activate our customers. Our radio and social media campaigns were particularly effective in boosting insured payment with the Card. The typical advantages of paying by credit card for a delivery guarantee, insurance and fraud-proofing were extensively discussed.

ICS continued to invest significant resources in aligning with the most recent legislative and regulatory requirements in 2020. Mass media marketing campaigns were also conducted to prepare existing customers for the remediation process. But the card base has also gradually declined due to more stringent laws and regulations that rightly require customers to be (re)identified. This process has led to a decline in the number of cardholders. Customer accounts that do not meet the requirements set by ICS are proactively closed.

ICS also has committed itself to a programme to speed up remediation action in relation to Customer Due Diligence (CDD), and this has been shared with the Dutch Central Bank. For the second year in a row, we continue to work on the remediation programme, which was fully up and running for our consumer clients in 2020.

This is all part of the strategic picture of investing in the future, working on a regulatorily sound and future-proof ICS that is reinventing itself to ultimately be the safest and most trustworthy payment service provider.

1.3. CEO's message

2020 will go down in history as a very special year. Like everyone else, our organisation was hit hard by the consequences of the Covid-19 virus on society. I was positively surprised by how ICS and its employees dealt with this disruptive development.

While focussing on customer service and the implementation of our strategy, we have set changes in motion to make us a future-proof organisation. Based on our clear vision and mission, we have made clear choices. ICS wants to be the safest and most trustworthy payment service provider in order to distinguish itself from the ever-growing number of payment companies. Our customers appreciate our preventive approach and our fraud rates are relatively low. The results of these choices and the direction we have taken became visible in many areas in 2020.

The roll-out of the modern workplace at the beginning of the year enabled us to adapt quickly. Some of our colleagues were able to adapt to working from home immediately with the new Office 365 environment, which created sufficient space for our Operations colleagues to work safely at the new sustainable office in Diemen.

The flexible attitude shown by everyone quickly made new ways of cooperation possible.

As in previous years, the focus in 2020 was on increasing customer safety and updating processes in the field of legislation and regulation. For example, ICS is well on its way to re-identifying all of our 3 million or so customers to verify the information in our customer files. Major steps have been taken this year and around 600,000 files have already been completed. A process that will continue until early 2022.

In all new developments, ICS works according to the core principle of 'compliant by design'. Everything that is built and developed immediately complies with the applicable laws and regulations. In 2020, we worked hard to increase compliance awareness, including the roll-out of the Code of Conduct for all employees. At the end of 2020, a Compliance Awareness Scan was carried out to ensure that all employees within ICS are sufficiently aware of the risks of money laundering and terrorist financing in the performance of their work.

We also achieved good results on the core principle of security in 2020. In the area of Transaction Monitoring a total of 30,679 alerts were handled, 730 of which were forwarded to the Financial Intelligence Unit.For the safety of our customers, we also remain active in the field of anti-fraud.

For example, our anti-fraud team blocked an average of four fraudulent websites per day in 2020 to prevent abuse.

Building on our new and future-proof organisation, the Aurora programme is well underway, for example. We are busy setting up a completely new and fully up-to-date organisation to serve customers better. Although safe payments are very important, we are well aware that our customers want an easy payment process. Paying safely anywhere and at any time with a single click is becoming more and more the norm. The Aurora programme will serve its first Commercial customers in 2021.

The opinion of our customers has always been of utmost importance to us. Although our NPS score is already above the market average, we again managed to substantially increase our score for both our retail and business customers in 2020. We are incredibly proud of this. We will of course continue to work on improving our services further and we are doing so with our Aurora programme.

I much appreciate the support and trust we receive for this programme from our parent organisation ABN AMRO Bank N.V., which enables us to reinvent ourselves and improve our customer service further. I would like to mention two more aspects within the framework of our cooperation. The first is the cooperation that has come about in the field of employment conditions. Effective from 1 January 2021 ABN AMRO Bank N.V is now the employer of ICS.

ICS remains a private limited company but benefits from the economies of scale that ABN AMRO Bank N.V. has to offer in this respect.

Secondly, I would like to mention the relocation operation that we managed to complete together. In November 2020, ICS relocated to a future proof, environmentally friendly building across the street. Not the biggest step geographically speaking, but the impact of the move during the pandemic was incredible. Especially since most of my colleagues were not even able to admire the new building 'in the flesh'.

Just as visible as the new building, our existing intranet was replaced by a modern version in 2020. A true social intranet with room for interpersonal communication, interaction and new possibilities such as blogs, vlogs, videos, animations, etc. It is an example of our rapidly changing culture, in which the Agile way of working has been adopted, ensuring a more agile ICS that can anticipate customer needs more rapidly. In terms of personnel, the Board welcomed one new colleague. Glenn MacDonald was appointed Chief Commercial Officer (CCO) on 1 May 2020.

Finally, a few of the figures that you will find in this report. In financial terms, 2020 was not a successful year. The reason is obvious. The travel, hotel and hospitality industry were hit hard by the pandemic and so was ICS. The financial value of transactions executed fell by 22%.

Some compensation for this came from online shopping. Various marketing campaigns were used to stimulate card use.

All things considered, 2020 was not a top year in financial terms, but there was so much more that strengthened my opinion that ICS has a bright future. Most importantly, we have been able to stay focused on the strategy that we set out whilst providing an even better service to our customers.

Always prioritising compliance with legislation and regulations, working extremely hard on changes and continuing with business as usual. This is our path to becoming the most trustworthy and secure payment service provider. Future-proof, reinvented and a perfect customer experience.

Our flexibility, creativity and drive for innovation were the stand-out features this year. ICS is brimming with initiatives and, along with all our colleagues, we are pushing hard for a sustainable future.

Diemen, the Netherlands, 21 May 2021

Maurice Koot, CEO ICS

800
Around **800 employees**

2.9 Million
2.9 million credit cards in circulation

Service
High levels of customer **satisfaction**

AFM
The Dutch Authority for the Financial Markets (AFM) supervises the conduct of the entire financial market sector, among which ICS

DNB
ICS has been granted a **banking licence by DNB**

85 Million
In 2020, ICS processed more than **85 million transactions**

20 Partners
ICS issues credit cards in co-operation **with 20 co-branding partners**

46 Million
You can pay with an ICS credit card at more than **46 million locations**, in more than **150 currencies**

Savings
Customers receive **interest** when their **positive balance** totals more than € 500

Benefits
Worldwide payment **convenience**, **chargeback** and **purchase insurance**

Contactless
Contactless payments via more than **2,5 Million** of our credit cards and via several types of wearables

Safety
24/7 customer security monitoring. Close co-operation with regulators, government, other **financial instutions** and **law enforcement**

2. REPORT OF THE SUPERVISORY BOARD

The Supervisory Board is pleased to present the ICS Annual Report and Financial Statements for 2020, as prepared by the Board of Directors. The past year has been a challenging one, given both internal and external developments. The Supervisory Board is satisfied with the results ICS has achieved, given the special circumstances of 2020. Regarding the impact of Covid-19, we refer to the report of the Board of Directors. The Supervisory Board is monitoring developments closely together with the Board of Directors.

2.1. Composition of the Supervisory Board

Since August 2018, the Supervisory Board has consisted of four members. An overview of the members of the Supervisory Board in 2020 is included in Section 7.3 Supervisory Board. Members of the Supervisory Board act in accordance with the interests and continuity of ICS, taking account of the relevant interests of the company's stakeholders. Given its current composition, the Supervisory Board is of the opinion that it has the required knowledge, expertise and experience to perform its supervisory duties adequately in relation to ICS. It combines both general knowledge and experience of financial institutions, as well as specific knowledge of consumer credit, for example. John Smeets has stepped down from the Supervisory Board, and his dedication and contribution over a period of many years is much appreciated. Gwen van Berne has succeeded him as member. With her broad experience, she adds valuable expertise to the existing Board.

The responsibilities and duties of the Supervisory Board are laid down in the Supervisory Board regulations and are described in Section 7.3 Supervisory Board. These regulations supplement the responsibilities and duties assigned to the Supervisory Board by Dutch law and by the ICS Articles of Association.

2.2. Supervisory Board meetings

In accordance with Supervisory Board regulations, the Supervisory Board held four regular meetings in the past year. Several additional meetings also took place, at which the impact of Covid-19 and the effects on long-term strategy were discussed. The Supervisory Board also carried out the annual evaluation of its own performance. The Supervisory Board was also in close contact with the Board of Directors and relevant stakeholders such as the supervisory authorities and the ICS Works Council on a variety of subjects, the most important of which are discussed below.

The Supervisory Board has been closely involved in the selection process for a new member of the Board of Directors. We are pleased that Glenn MacDonald has been appointed as a statutory member of the Board. The Supervisory Board followed the execution of the ICS business strategy closely, keeping itself regularly informed on the development of the new business strategy. Specifically, the Board discussed the new (IT) environment called Aurora in depth.

We believe that the combination of an agile way of working, a healthy payment business, a responsible credit business and an inspired workforce will contribute to the future of ICS and its current and future customers.

2.3. Risk & audit committee

The Supervisory Board has one regular committee, namely the Risk & Audit Committee. All members of the Supervisory Board are members of this Committee. The responsibilities of the Risk & Audit Committee include assessing all matters relating to the principles of valuation and determination of results, internal control, financial reporting functions, internal audits, external audits, risk assessments and compliance with regulations. The Risk & Audit Committee is also responsible for monitoring the follow-up of audit findings, related to the redress scheme for customer compensation and anti-money laundering and IT controls, for example. Specifically, AML/TF project efforts have been discussed in depth on a regular basis. The Board also ran a permanent education session on this subject.
The Supervisory Board also closely monitors the various discussions with the DNB, AFM, AP and ACM.

2.4. Corporate governance

For more information on the composition of the Supervisory Board and its duties and responsibilities, see Section 7.3.

2.5. Advice to the shareholders meeting

Over the past year, the Supervisory Board has appreciated the open, transparent communication between and cooperation with the Board of Directors of ICS and ICS as a whole. If ICS carries through its business strategy and continues to anticipate and react to threats and opportunities in its current manner, we are in no doubt that ICS can look forward to the future with confidence.
The Supervisory Board wishes to thank ICS and its employees for their constant efforts to serve their customers over the past year, for the results they have achieved and for dealing with the Covid-19 pandemic. The Supervisory Board recommends to the General Meeting to adopt the Annual Report and Financial Statements for 2020 and to discharge from liability the members of the Management Team for their leadership and the members of the Supervisory Board for their supervision.

Diemen, the Netherlands, May 21, 2021
Supervisory Board
International Card Services B.V.

Supervisory Board
Mr. J.G. ter Avest, Chair
Ms. E.E. Kostelijk, Member,
Mr. J. Speksnijder, Member,
Ms. G. van Berne, Member

3. REPORT OF THE STATUTORY BOARD OF DIRECTORS

3.1 ICS Business Model

The key to ICS business strategy is that we choose to apply a clear separation between our Payments customer groups and Credit products. We have established separate business units (grids) for Consumer, Commercial and Credit in order to avoid cross-subsidisation. In order to achieve the separation between Payments and Credit, we have developed separate processes and policies for acceptance, monitoring and collections. ICS will extend its portfolio management to include preventive monitoring and potential default risk management. We see this as an integral part of both our credit risk management and our duty of care to our customers.

PAYMENTS

Our core Payments proposition is a charge card that allows customers to complete transactions within their card limit and offers them the flexibility of limited deferral of payment of up to 21 days. ICS facilitates a broad spectrum of payment services, covering credit, mobile, point-of-sale and online. The business model for our Payments product line is volume- driven. We deliver mass customised payment solutions to large customer segments. This service is covered by the (Dutch) Deposit Guarantee Scheme (DGS).

With our Payments proposition for commercial customers, ICS helps companies focus on their business. Naturally, it offers the same secure, convenient and fast payment methods as provided to retail customers. This helps companies improve their cash flow management by increasing the predictability and manageability of their cash flow and simplifies their invoicing.

CONSUMER CREDIT

ICS is a specialised niche player in the Dutch consumer credit market, operating in the German credit market through a branch in Germany. Customers can have a credit facility in addition to their credit card, allowing them to make repayments in instalments ('Spread Payment Facility' or SPF). We aim to both manage our credit risk and ensure that our products are in our customers' best interests. Responsible credit provision and debt prevention are our guiding principles in this respect. ICS has therefore introduced several measures to prevent customers from getting into arrears in the first place and to resolve arrears more quickly.

3.2 Strategy

More and more payment service providers are entering the market. Fintech, high-tech and novelty sometimes seem to be more important than what really matters: that payments are secure. Convenience, speed and simplicity are of course also important to us. But we believe innovation is only possible when safety is guaranteed. We want to be the safest and most trustworthy payment service provider. This is the reason for our strategic choice to focus strongly on innovation (Aurora).

But this constitutes a dilemma, certainly at a time of Covid-19 and declining revenues. The choice between change risk and business risk is more difficult. In the interests of the future and our customers, we have continuously prioritised compliance with legislation and regulations, working extremely hard on innovation and continuing with business as usual. This is our path to becoming the most trustworthy and secure payment service provider. Future-proof, reinvented and a perfect customer experience.

We will broaden and strengthen the security of our payments further in the coming years. In this way, we will continue to distinguish ourselves from an ever-increasing group of payment companies.

FOUNDATION

Over the coming year, we will work hard to make our company future-proof, bringing in new technology and meeting the expectations of regulators at an accelerated pace. We are also reinventing the way our customers experience contacts with us. New technology will give them better contact options and ease of payment.

CREDIT CARD BENEFITS

ICS credit cards offer fast, safe and convenient payment. But there are many other benefits as well. All purchases are insured for at least 180 days, for instance. And the delivery guarantee is also important, especially in this online era, for when a product on order does not arrive or if the wrong item is delivered. Other extras include the option of repayment in instalments and a fun savings program.

SAFETY OF PAYMENTS

ICS is naturally strong on safety, but we want to differentiate ourselves even more from all other payment companies. Our payment service involves much more than just credit cards. Over the coming period, we will develop new products with an emphasis on safety, redesign our processes and optimise our customer contacts. In this way, we intend to strengthen our market position in a rapidly changing payments world. As a result of this, payment safety will always be the first priority with ICS payment methods.

DIGITALISATION AND AGILITY

ICS responds to changes by carrying out regular strategy reviews and maintaining an efficient and flexible organisation, furthered by increased digitalisation and the adoption of agile work processes. This enables us to respond rapidly to market opportunities and changing customer expectations, in the field of contactless and mobile payment systems, for example. In 2019, we implemented our new and improved business strategy. It describes our goal to become the most trustworthy and secure payment service provider.
The medium-term business strategy for ICS can best be outlined by three principal building blocks:

PAYMENT PRODUCT AT ITS BEST

ICS helps shape the future of card payments by delivering customer-centric products and features such as the completely revised Consumer apps. We are also making our Commercial Card portfolio an even more appropriate proposition for small and medium-sized enterprises (SMEs).

EFFICIENT AND AGILE

Today's dynamic and competitive (financial) landscape requires us to be agile and flexible, respond swiftly to market developments and digitalise manual processes as far as possible. ICS is committed to a blend of personal contact and digital services with a trustworthy product that offers convenience and exceeds customer expectations.

FINANCIALLY SOUND AND FUTURE-PROOF

In order to remain a major player in the (Dutch) payment market and secure our future, it is vital that we continue to be financially sound. We stress the importance of being cost-conscious and efficient, both to offset the decline in credit volumes and to fund investments for improving systems, processes, products and people.

3.3 STRATEGIC DEVELOPMENTS

Within an ever-changing financial sector, three areas are particularly important priorities for ICS: customer interest & behaviour, digitalisation & innovation and the regulatory environment. We have reached several milestones within these priorities, reflecting the progress achieved by ICS.

3.3.1 CUSTOMER INTEREST AND BEHAVIOUR

The activities and services provided by ICS are focused on the creation of sustainable value for our customers. Where applicable and necessary and with regard for customers' interests, we adapt our products and services to the changing environment and consumer behaviour. Customer centricity is important, since it contributes to the fair treatment of customers, customer trust in ICS (and the financial sector as a whole) and also increases customer loyalty.

We are conscious of our duty of care. Our customers must be able to make an informed choice to purchase our products and services. After all, the interests of the customer are central to ICS.

Covid-19 had a big impact on society as a whole and therefore on ICS as well. The shift to online shopping accelerated tremendously, meaning that ICS focused on the use of the Credit Card for all e-commerce transactions. This involved more than just marketing efforts to make our clients aware of the possibilities of the card: all the Consumer apps have been completely renewed. From the bottom up, our clients can now experience a faster, better-looking and more stable app. Our customers are now also able to log in to our portal environment with the app. This makes for a more secure way of logging in and managing customer credit cards in the portal. This year was also very important for our CDD Remediation programme.

Big steps were taken to improve our data quality further and get to know our clients even better. This will continue in 2021. ICS did not just focus on existing clients, we also added a new co-brander to our portfolio. Knab customers can now apply for a branded Knab ICS Credit Card for both Consumer and Commercial.

ICS uses the Net Promotor Score (NPS) to measure customer satisfaction and experience. The annual NPS for 2020 was +22, even better than the score of +16 in 2019. The +22 score is a weighted average (85% Consumer and 15% Commercial based on 12 months' expenditure).

3.3.2 Digitalisation & innovation

Digitalisation & Innovation has had a big influence on ICS activities and results. We are investing heavily in the modernisation of our (IT) landscape. Our Innovation & Technology department is contributing to this complete transformation. Working with our partners, including Visa and Mastercard, we are shaping the flexibility and versatility that modern-day customers require. Besides that, we are running several projects with an innovation perspective to enhance our customer experience and become more cost-efficient.

3.3.3 Regulatory environment

Regulatory compliance is a key priority in the ICS strategy. ICS is in the process of implementing adjustments following the implementation of the fourth Anti-Money Laundering Directive (AML IV) and the fifth Anti-Money Laundering Directive (AML V). In this context, ICS has also committed itself to accelerating its Customer Due Diligence (CDD) activities, through an extensive remediation programme, for example. Involving close to 3 million customers, the programme is expected to be completed in 2022. The above changes to legislation and regulations are discussed in greater detail in Section 5 Regulatory Environment.

With regard to Duty of Care legislation, ICS implemented measures to comply with NVB guidelines for locked-up, including credit monitoring and updated its acceptance criteria for consumer credit based on the most recently available guidelines. Furthermore, in cooperation with our shareholder ABN AMRO, ICS also reviewed its product approval and review process (PAR), currently being applied across its full product portfolio. ICS also adopted a number of initiatives to enhance its late collection process, taking client interests into account.

Continuous compliance with other applicable laws and regulations, including -but not limited to- GDPR and interchange fees, is also important to ICS. But these laws and regulations can be complex, and subject to change and interpretation by regulators. ICS is currently in discussion and subject of investigation by the Autoriteit Consument en Markt (ACM) about the remuneration of a co-brander, and also with the Autoriteit Persoonsgegevens (AP) in relation to the interpretation and application of the GDPR regulation.

The outcome of these investigations is uncertain due to the legal debate. For further information on developments in the regulatory environment, please refer to section 5.

3.4. Financial developments

3.4.1 Financial results

The following table presents the key financials for the years 2019 and 2020.

(in millions, €, unless otherwise stated)	2020	adjusted 2020*	2019	adjusted 2019*
Net profit	2	9	65	62
Operating income	162	161	232	222
Operating expense	(154)	(144)	(141)	(135)
Impairments	(4)	(4)	(4)	(4)
Cost-to-income-ratio (CIR)	95.1%	89.5%	60.7%	60.8%
Turnover	5,664	5,664	8,428	8,428
# of card transactions	85	85	108	108
Portfolio	652	652	976	976
# cards in circulation**	2,890	2,890	3,045	3,045

* Adjusted for one-off item WWFT and Redress scheme

** In thousands

Net profit was € 2 million in 2020, a decrease of 96% compared to 2019 (€ 65 million). One-off items were recognised in both years.

An additional Wwft provision of € 9.3 million for the CDD remediation programme was recognised as an operating expense in 2020.

€294 thousand was released from the total provision related to the legal matter Redress scheme to operating income in 2020.

Excluding the addition to the Wwft provision and the release of the provision related to the Redress scheme, net profit in 2020 was € 9 million, and therefore € 53 million lower than the adjusted result for 2019.

Operating income decreased by € 70 million to € 162 million in 2020 (2019: € 232 million), mainly due to:

- lower net fee and commission income of € 38 million due to lower consumer turnover (-33%) and lower transaction volume (-22%);
- lower interest income of € 28 million, due to a lower SPF portfolio (-/-20%) and to the adjustment of the maximum interest on loans from 14% to 10% by the government on 14 August 2020.

Operating expense increased with € 13 million to € 154 million in 2020 (2019: € 141 million), mainly due to:

- an increase of € 10 million in ICT expenses for a new IT platform and landscape;

- an increase of € 4 million in rebilling expenses mainly due to a higher rebilling for ALM overheads (€ 2 million) and a higher rebilling for Legal & Compliance personnel (€ 1 million). ICS also relocated in 2020, which led to additional rebilling expenses for housing services and building services (€ 1 million)

As a result of a lower operating income and higher operating expenses, the cost-to-income ratio increased from 60.7% to 95.1%. The adjusted cost-to-income ratio rose from 60.8% in 2019 to 89.5% in 2020.

3.4.2 Financial position

Total assets amounted to € 1.7 billion in 2020 (2019: € 2 billion). Balances at credit institutions and the ICS portfolio have decreased compared to 2019. The total portfolio was € 652 million at year-end 2020, a decrease of € 324 million compared to 2019 because of Covid-19, which had an impact on the use of credit cards by our customers.

Total equity increased with € 2 million, representing the profit for the year. No dividend was distributed in 2020.

Total liabilities (excluding equity) decreased by € 297 million to € 1.4 billion in 2020 (2019: € 1.7 billion), mainly due to lower funding needs because of the reduction in the consumer loans and advances portfolio.
At 31 December 2020, the LCR was 121.5% and the NSFR was 164%. The Total Capital Ratio (24.2%) and the Leverage Ratio 11.4%) were also well above the regulatory requirements.

3.5 Business developments

3.5.1 Customer satisfaction

The success of ICS largely depends on the quality of our products and services and the loyalty this creates among our customers. A customer-centric experience in combination with quality awareness by our staff have been and will continue to be pillars of our strategy and business operations.

Through both the NPS for ICS and our various collaborations with co-branders, as well as our internal customer satisfaction scores, we were again awarded high ratings in the year under review. The goal for ICS is always to exceed our customers' expectations. As part of our strategy, ICS aims to have a NPS of +18. The annual NPS for 2020 came to +22, surpassing our score in 2019 (+16). The +22 score is a weighted average (85% Consumer and 15% Commercial based on 12 months' expenditure). In-depth analysis provides us with insights into key factors for increasing customer satisfaction and experience within the boundaries of our products and services.

3.5.2 Customer interests

ICS puts customers and their needs and interests first. Our efforts are focused on customers' needs, and – most importantly – on what is beneficial to them and appropriate for their financial situation. This not only influences ICS strategy, policy and processes, but also the attitudes and behaviour of our staff as a vital component of our corporate culture.

This commitment is shown in various ways, in relation to our customer base in general and through special attention to financially vulnerable customers. We made the conditions for accepting new customers more stringent during the past year, for example. We increased the frequency of monitoring existing customers to enable us to identify indications that give cause for concern, such as late payment. We discuss some of these measures in more detail below.

3.5.2.1 Duty of care ('zorginstrument')

In 2020, ICS strengthened its monitoring of revolving credits. Clients who use their credit intensively are subject to a reassessment to check that the loan granted is still in line with their borrowing capacity. This is an important theme for ICS, and ICS will consistently focus on fulfilling our duty of care to vulnerable customers during 2021.

3.5.2.2 Security and fraud prevention

The payment system and IT infrastructure are the foundation for ICS for ensuring that our customers can use their credit cards for fast, simple and safe payments. Laws and regulations are the context within which ICS works in relation to preventing and combating (financial) criminal activity. Over 30 years, we have a proven track record of maintaining safety for credit card payments. ICS sees it as an obligation to communicate openly and transparently about the successes it achieves in preventing and combating criminal financial activity and about the safeguards that customers, merchants and other involved parties can apply to contribute to this effort.

This has resulted in taking down phishing sites for example, with around 250 deceitful websites being shut down every month thanks to ICS. 21 police reports were also filed in 2020, resulting in several arrests.

One of our greatest responsibilities is to protect our customers and businesses and their financial data through safe payment transactions. ICS monitors payments made with our cards on a 24/7 basis. If the fraud detection system identifies potentially suspect transactions, we contact the cardholder immediately. In addition, we take immediate action in case of external data breaches that impact our customers' card information. When customers do become victims of (online) criminals, ICS manages to recover over 80% of the initial loss, preventing even more losses to customers via future transactions.

The safety of our credit cards is the result of a joint effort by ICS, our customers, merchants, acquirers and other private and public organisations. ICS doesn't just have great knowledge and expertise in this field. As a large financial service provider, we also see it as a social responsibility to share this knowledge and expertise to promote safe payment transactions.

We work with other organisations to prevent fraud and financial crime. ICS is also the main sponsor of the Wim van Doorn Award, committed to honouring persons or organisations who have contributed to the prevention of fraud through cooperation and innovative measures. Unfortunately, the event scheduled to take place on 4 November had to be postponed to a date yet to be determined due to Covid-19.

3.6 Human resources

ICS is undergoing a major transformation that started in 2019. In addition to all the technological changes, much attention is being paid to our employees, in the form of employee development, strategic workforce management and employee experience. Over the past year, the next steps have been taken with the implementation of Agile working. This way of working requires a different kind of professional interaction. Culture, leadership and the work environment are important themes associated with this. We have devoted much attention to these topics with specific projects. 2020 was a year in which we experienced a totally new situation due to Covid-19. Most of our staff were not allowed to work in the office anymore. Working from home, online meetings and less personal contact with colleagues caused work pressure, and a different kind of collaboration was required. Employees in our operations departments had to keep working in the office to maintain contact with our customers. A focus on health and safety was a first priority for this group and action was taken.

For management as well, it was more difficult to coach and support our employees. We paid much attention to communication in order to keep our employees engaged. We introduced online 'ask-me-anything' sessions and weekly e-mail updates from our CEO, for example.

The employee engagement survey showed that our employees saw these issues as important. Overall, we achieved a slight improvement in our average score on employee engagement.

3.6.1 Organisational culture

Working with our employees, we are building a company that is able to adapt to the rapid changes in our environment. In this ever-changing environment, ICS is increasingly adopting the agile way of working. This flexibility helps us to realise our organisational goals and adjust more quickly when necessary. Our organisational culture is linked to the agile way of working, as we believe that our employees are the key to a successful customer experience (CX).

3.6.2 Employee experience

Creating a positive customer experience is pivotal to the success of any organisation. By putting our employees first and creating an organisation that is fun to work for, customers experience good service. Strong employee engagement in an organisation leads to improved productivity, profitability, customer satisfaction and employee retention.

The employee experience is the sum of all the interactions an employee has with the organisation. This includes everything from the organisational culture and leadership to the use of technology and the physical working environment. In order to achieve this, ICS has adjusted the employee experience mindset within its strategy and culture. We have taken the first steps in optimising the employee journey by working with our employees and stakeholders and in collaboration with various departments within ICS.

ICS has a number of projects for optimising the employee journey in the following three areas:

- Terms of employment
- Working environment & tools
- Personal and professional development

In order to monitor our employee experience properly, employee satisfaction is measured on a structural basis. Subjects that require extra attention, such as work pressure or cooperation with other teams, are determined on a quarterly basis.

3.6.3 Rewarding and Caring For our Employees' interests

3.6.3.1 Terms of employment

In recent years, ICS has brought its remuneration policy increasingly in line with ABN AMRO bank.

This year, it was decided to make ABN AMRO our employer with effect from 1 January 2021. We see the following benefits:

- Future-proof HR tools, services and terms of employment can be offered to our employees;

- Better career opportunities because mobility within ABN AMRO becomes more attractive and accessible with no undesirable effects, such as the loss of years of service in an individual transfer;

- Equality for the position of ABN AMRO subsidiaries within Retail Banking (all subsidiaries except ICS currently fall under the ABN AMRO collective labour agreement);

- And not insignificantly, we can ensure improved compliance with government and regulatory guidelines.

To guide this transition, we worked in close cooperation with the Labour Unions, the Workers Council and ICS and ABN AMRO colleagues. The basic principle was that employees will receive an equal package of employment conditions in 2021. Activities will remain entirely within ICS and hierarchical reporting lines are unchanged. We are convinced that this change makes us an even more attractive employer, supporting further professionalisation and transformation.

3.6.3.2 Working environment & tooling

With the aim of supporting our culture and strengthening the position of ICS, we have rolled out Office365 and provided many employees with a laptop. The new working environment and toolset have enabled our employees to work independently of place and time. We have seen that the technical environment helps our employees to work more flexibly and autonomously. This was a key requirement for continuing business operations as normally as possible, especially during the Covid-19 situation.

There was also a physical move to our new office location #58, where we rolled out a new working concept known as Yello. This new working concept will support a more flexible way of working. Even after Covid-19, we foresee that employees will no longer work from the office five days a week. The most suitable workplace will be chosen depending on the activity concerned. With its current working environment & tooling, ICS can now fully support this development.

3.6.3.3 Social plan

The Social Plan agreed in 2019 continued to apply this year, and no changes were made. No reorganisations leading to employee redundancy occurred in 2020.

3.6.3.4 Personal and professional development

We continued to focus on the personal and professional development of our employees throughout the year. We had already started to reshape our ‘Future Fit’ training and development platform in 2019, and new digital tools and e-learning options were added in 2020. This was well-received by employees due to the Covid-19 situation. Classroom training was cancelled, and this digital channel offered employees plenty of opportunities to follow relevant courses and continue their personal development. Alongside technical and hard skills training, we paid attention to the physical wellbeing of our employees by offering e-learning options to help people get used to working from home, plus podcasts and even online yoga.

On top of all of the above, we introduced tech learning lines to our employees. These technical courses will accompany the new organisation. The development of new skills and competences is key. Employees are being informed about new career options and related roles. Information sessions have been organised, and four development paths introduced. On completion of the training, employees will be able to work in the new organisation, where new skills will be required.

3.7 Operational developments

3.7.1 Customer due diligence

ICS strives to protect its customers and businesses and their financial data through safe payment transactions.

As a financial institution, we also have an important responsibility to combat and prevent money laundering and the financing of terrorism. ICS feels this responsibility deeply and takes its responsibility as a gatekeeper within the financial sector very seriously. Security and fraud prevention have central priority, and ICS works closely with external stakeholders, including regulators, governments, other banks and law enforcement where necessary and applicable. Building on the work that has been done in the past and taking account of existing shortcomings and input from the Dutch Central Bank, Customer Due Diligence (CDD) procedures have been intensified. ICS has committed itself to a remediation programme to speed up related initiatives. The starting point of the plan is safety, meaning that we will update all the identification evidence we hold for our customers. Starting with a small population of our portfolio in 2019, we continued with a more automated process in 2020, confirming the identity of around 600,000 Consumer customers and 7,000 Commercial customers. The programme will continue in 2021. The timelines for the remediation programme agreed with DNB are very challenging.

ICS is committed to fulfilling its responsibility by following through on its anti-money laundering programme. But experience and time have shown that efforts in this area will never reach a conclusion. External threats and subsequent demands from society,lawmakers and ourselves will continue to challenge our organisation’s efforts at vigilance.

As a result, ICS will continue to strengthen its systems and procedures to minimise potential risks for our organisation, our customers and other stakeholders.

3.7.2 Other developments

ICS is continuously developing and improving its systems and procedures in order to serve its customers. These operational developments do not always affect how we interact with our customers directly, but they always have an impact on improvements that benefit the customer in the end. Ongoing operational strategies and trend-driven improvements to fraud detection rules, transaction monitoring and customer filtering are a good example of this. 2020 was a year dominated by Covid-19, with less air and other travel and therefore less fraud. This led to a reduction in fraud. The chargeback department had a very busy year processing all Covid-related disputes. Some small improvements were also made to the effectiveness of the fraud-related chargeback process.

4. RISK MANAGEMENT

4 Risk Management

ICS is committed to being a well-capitalised bank with sufficient liquidity that focuses on delivering sustainable value to its stakeholders. ICS is committed to a sound risk/reward profile and an overall moderate risk profile. ICS continuously carries out thorough evaluations of the long-term risk and return implications of its operations.

ICS has adopted an Enterprise Risk Management framework to create a uniform risk governance structure throughout ICS. Risk management policies and procedures and an organisational structure have been adopted to ensure that key risks are identified, assessed, mitigated, monitored and reported.

ICS recognised the risks related to the Covid-19 pandemic in 2020. The Business Continuity Plan contains a pandemic scenario to enable an appropriate and swift response to the crisis. Risk assessments, based on the risk taxonomy, are performed in which a number of scenarios are analysed. ICS continues to closely monitor developments due to Covid-19.

Measures to protect our employees and the continuity of ICS have been taken. ICS is also meeting its social responsibility towards customers hit by the COVID-19 pandemic by offering payment holiday solutions. Finally, the impact of Covid-19 on the financial position is monitored closely and plans to reduce costs are implemented.

4.1. Risk Taxonomy

ICS' risk taxonomy is the classification of risks into risk types to which ICS is, or could be, exposed. The taxonomy is reviewed and updated once a year to ensure that all material risks are identified, defined and included in the risk governance framework. The taxonomy creates a common risk vocabulary, provides a checklist of types of risk for use in risk assessments, and assists in ensuring that all material financial and non-financial risks are managed and that the requisite roles and responsibilities are identified.
The following main risk types are identified by ICS (see Note 9.34):

- Credit risk
- Market risk
- Liquidity risk
- Operational/ Non-Financial risk
- Business risk

4.2. Risk Appetite

Risk appetite refers to the magnitude of the risk ICS is prepared to accept in its pursuit of value. ICS' risk appetite is aligned with ABN AMRO's corporate strategy, which results in an overall moderate risk profile.
The risk appetites take all identified risk types in the risk taxonomy into account and are reviewed annually and approved by the Enterprise Risk Committee (ERC). The elements of the (Strategic) risk appetite is incorporated into the Enterprise Risk Management Report and discussed every

quarter in the ERC. Each risk appetite statement consist of one or more quantitative and/or qualitative indicators, referred to as key risk indicators (KRI), A limit and check-point is set for every KRI and also monitored every quarter.

4.3. Risk Culture

Risk culture is an important building block in ICS' Enterprise Risk Management framework. Risk knowledge is disseminated in risk training courses, and risk awareness is embedded by means of the specification of risk standards and procedures and the assignment of clear unambiguous roles and responsibilities. To ensure further alignment with ABN AMRO and the quality of the (mandatory) e-learning courses, ICS connected to the ABN AMRO online training platform in 2020.

4.4. Risk Governance

ICS implemented an internal risk governance charter and control framework. The Risk Charter describes the risk management organization, the committee's structure, their composition and mandates.
The Risk Charter provides the framework for risk management decision making within ICS, to ensure decisions are taken through a valid approval process and considering the interests of the ICS stakeholders. The Risk Charter sets out the roles and responsibilities of each committee and first and second line of defence staff. The Risk Charter is aligned with the policies of ABN AMRO. Besides the risk committees, a Wwft Circle was created to operationally manage and monitor Wwft-related risks and a Duty of Care Circle has been formed to create and maintain integrated oversight on Duty of Care related topics. Both Circles report to the ERC.

The Three Lines of Defence model ensures that sound risk governance is embedded throughout the organisation.

The First Line of Defence has ownership of risks and is responsible for identifying, assessing, responding to, monitoring and reporting of risks and events. It also implements the Risk Framework and is responsible for the monitoring of controls.

The Second Line of Defence controls risk and is responsible for bank-wide policy setting, designing and maintaining the Risk Framework, testing the effectiveness of controls and overseeing risk exposure. It supports the first line in applying the framework and challenges the monitoring performed.

The Third Line of Defence consists of the internal audit function, which is responsible for risk assurance. The Internal Audit Department evaluates the effectiveness of risk governance, risk management and control processes of the first and second line and makes recommendations on improvements that may be necessary.

4.5. Risk Committees

The Board of Directors is responsible for the balanced assessment of ICS' commercial interests and the risks to be taken within the boundaries of the risk appetite. The Board of Directors mandates four risk committees for risk decisions, further supported by the two Circles mentioned above.

THE SUBSIDIARY ENTERPRISE RISK COMMITTEE (ERC)

The ERC has been tasked by the Board of Directors with assessing and managing the risk profile of ICS. The ERC is responsible for reviewing and monitoring the development of risk management and compliance policies and informs the Board of Directors of its activities.

THE ASSET AND LIABLITY COMMITTEE (ALCO)

The ALCO manages capital and liquidity, impairments, and other balance sheet related matters (including Funding, Recovery & Resolution and specific Regulatory Reporting requirements. This includes developing and maintaining sound capital and liquidity management practices to ensure adequate levels of capital and liquidity to withstand a range of stress events. The ALCO monitors the development of the balance sheet and advises the Board of Directors on these developments.

The ALCO meets once a month to specify the liquidity management goals for the coming period. ICS has implemented an Internal Liquidity Adequacy Assessment Process (ILAAP) to assess its liquidity position. The performance and quality of the ILAAP are monitored on a yearly basis.

ICS' Capital Management ensures that the capital adequacy requirements are met and that sufficient capital is available to support the strategy. ICS has implemented an Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital position. The performance and quality of the ICAAP are monitored on a yearly basis.

LOCAL PRODUCT APPROVAL & REVIEW COMMITTEE (PAC)

The Product Approval & Review Committee (PAC, previously the Program Lending Committee) is a sub-committee of the Enterprise Risk Committee. The purpose of the committee is to support the ERC in fulfilling its oversight responsibility related to Program Lending.

THE DESIGN AUTHORITY COMMITTEE (DA)

The ICS Design Authority has a gatekeeper role within ICS in respect of architecture, IT security and infrastructure maintenance and control. The Design Authority provides (binding) advice to the various grids and teams in order to achieve the best and most controllable solutions for ICS in these areas. The DA is mandated by the ERC to ensure adherence to the ICS framework in regards of IT Risk/Security, Architecture and IT Infrastructure (Run Support), among others. The DA is being renamed Architecture Review Board.

THE WWFT CIRCLE

The purpose of the Wwft circle is guaranteeing an unambiguous methodology and ensuring integral control of Wwft risks at ICS. This operational committee manages, monitors, reports and if necessary, escalates Wwft-related matters within ICS.

THE DUTY OF CARE CIRCLE

The main objective of the Duty of Care circle is to shift from re-active monitoring to pro-active monitoring and steering of the relevant ICS Duty of Care themes. Like the Wwft Circle, this is an operational committee that aims to monitor and safeguard Duty of Care related risks in a structured and consolidated manner (with the exception of WwfT) within ICS.

4.6. RISK MEASUREMENT

ICS uses risk models to quantify the risks designated in the risk taxonomy. The models for credit, market, operational and liquidity risks are widely used and suitable for the determination of risk levels. The models support day-to-day decision-making and the periodic monitoring and reporting on developments in ICS' portfolio and activities.
New models require approval before being implemented and used. Internal approval for the use (or continued use) of a model is obtained from the ABN AMRO Methodology Acceptance Group (MAG), a sub-committee of the Group Risk Committee. When required, external approval is obtained from the regulator.

The independent model risk management department of ABN AMRO validates the internal models of ICS. The model risk management framework, which includes model validation standards and procedures, ensures that models are validated independently. Model data, methodology, performance and implementation are checked according to these standards and reviewed against internal and regulatory requirements.

Under the Basel framework, banks are required to hold capital to cover the financial risks they may face. For Pillar 1, the capital requirement is based on the aggregated risk-weighted assets (RWA) for the three major risk types (credit, operational and market risk). The capital requirements are expressed as a percentage (set by the regulators) of the RWA. Under Pillar 2, supervisors impose a bank-specific percentage of RWA in addition to the Pillar 1 requirement.

REGULATORY CAPITAL

Regulatory capital and the risk measurement approach are discussed in Note 9.33 and 9.34.
ICS moreover holds an additional buffer that serves as a cushion for other risk types (i.e., business risk, remaining interest-rate risk in the banking book and intersecting risks) and as an extra safeguard for the development and full implementation of all the risk mitigation measures required from a capital perspective.

The measures include the further development and improvement of the Capital Plan, the Capital Stress Test and local Economic Capital standards. The additional buffer will be reassessed on the basis of the aforementioned developments and improvements in 2021. The modifications will include further specification and could result in an increase or a decrease in the additional buffer.

For regulatory capital reporting, ICS adopted the standardised approach in 2020 for solo reporting purposes.

(in thousands, €)

	2020	2019
Regulatory capital		
Equity IFRS	282,321	280,023
Adjustments	(3,933)	(144)
Common equity Tier 1 capital	278,387	186,089
Total tier capital	**278,387**	**186,089**
Risk-weighted assets		
Credit risk	815,724	661,141
Operational risk	307,258	281,150
Market risk	25,879	47,418
Total risk-weighted assets scope	**1,148,861**	**989,709**
Capital ratios		
CET1 ratio	24,2%	18.8%
Total capital ratio	24,2%	18.8%

Regulatory capital consists of CET 1 capital, which comprises share capital, retained earnings including current year profit and unrealised gains and losses less accrued dividends. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Bank of International Settlements. Adjustments include unaudited profit, other intangible assets, value adjustments due to requirements for prudent valuation, adjustments for insignificant holdings in financial sector entities, IRB provision shortfall and additional capital deductions due to article 3 of the CRR.

In early 2020, ICS was requested by the European Central Bank (ECB) to provide proof of regulatory approval to report under the advanced internal ratings-based (A-IRB) for solo purposes. An investigation showed that ABN AMRO had received approval in 2015 to report ICS' figures under the A-IRB approach for consolidated purposes only. ICS had not been given approval, nor had it requested to report under the A-IRB approach for solo purposes. As per September 2020, ICS accordingly reports under the STD approach. This development leads to the above figures being in accordance with the STD approach for 2020 and in accordance with the A-IRB approach for 2019. ICS is developing a business case in cooperation with ABN AMRO as part of the future model landscape to determine the possible and preferred regulatory approach going forward.

ECONOMIC CAPITAL

Economic capital is not calculated specifically for ICS, but through consolidation at ABN AMRO Bank level (including ABN AMRO Bank diversification factors). ICS uses stress testing as an important risk management instrument. Stress testing assists us in identifying our risks and vulnerabilities and consequently promotes risk awareness throughout ICS. This testing is also intended to safeguard business continuity by means of proactive management and the review of potential future scenarios. Our stress testing takes account of the effect of plausible, but improbable, material events and developments on the bank. These events could be systemic (e.g., multi-year macroeconomic stress) or specific to ICS and could relate to capital or liquidity.

LIQUIDITY COVERAGE RATIO REQUIREMENT

The regulatory requirement at 31 December 2020 for the LCR is 100%. For prudential reasons, ICS maintains a higher ratio than this. The LCR at 31 December 2020 was 121.5%. The LCR is monitored daily as part of the Daily Dashboard. The LCR and the required buffer are discussed at least on a monthly basis in the ALCO meeting. The composition remained overall stable in 2020, around the upper limit of the strategic range of 110% – 120%.

LIQUIDITY STRESS TESTING

ICS has implemented and embedded risk governance and processes to ensure that liquidity risk is managed consistently and within the set risk appetite boundaries. Stress testing is an essential tool in this process. ICS assesses liquidity stress for four scenarios based on three risk drivers and two severity levels. The liquidity stress scenarios are developed in accordance with the stress testing and scenario analysis policy. The stress test showed that ICS can survive a protracted period of severe stress, as the Buffer Remaining After Stress (BRAS) was adequate. It also demonstrated that funding under normal and adverse stress situations was adequate. This adequate liquidity position is expected to be maintained in 2020 and beyond in accordance with the funding strategy of ICS (as aligned with ABN AMRO).

ICS has a conservative approach to liquidity management. Liquidity limits are in place to ensure adequate liquidity. ICS also already complies with the future liquidity requirements of the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). At year-end 2020, the LCR was 121.5.% and the NSFR was 164.1% (2019: 132.6%). The regulatory requirement at 31 December 2020 for the LCR and NSFR was 100%. These figures show that there is a significant surplus on liquidity and both ratios are well above the limits set in the risk appetite statement, with both LCR and NSFR at 100%.

The required liquidity buffer of ICS is to a large extent predictable as a result of the stable business model. The seasonal effect is recurring and an adequate buffer can therefore be anticipated in time. The maturity calendars show a solid cash flow in the short term.

4.7 Outlook

The current Covid-19 outbreak is having a negative impact on the global economy and ICS financial position and results. More specifically, we expect in 2021 continuing impact on our profit and loss due to lower credit card turnover, fewer instruments measured at fair value and possible higher expected credit losses. ICS is closely monitoring the financial impact due to the Covid-19. Notwithstanding the financial impact in 2020, ICS has assessed that it continues to have adequate liquidity and capital resources.

ICS has activated the Business Continuity Team for the pandemic scenario in the Business Continuity Plan. This teams monitors the impact and the developments on the business and ensure appropriate measures are taken. This is also discussed within ICS' Management Team and the Enterprise Risk Committee (ERC). ICS is also meeting its social responsibility by offering solutions to our customers in need.

5. REGULATORY ENVIRONMENT

5.1 EBA guidelines on loan origination and monitoring

In May 2020, the EBA published its Guidelines on loan origination and monitoring, after a consultation in Q2 2019. The guidelines i) specify internal governance arrangements for the granting and monitoring of credit facilities throughout their lifecycle, ii) clarify the credit decision-making process including the use of automated models, building on the requirements of the EBA Guidelines on internal governance and iii) set requirements for assessing the borrowers' creditworthiness together with the handling of information and data for the purposes of such assessments. In these requirements, the guidelines bring together the EBA's prudential and consumer protection objectives. The guidelines need to be integrated into ICS's internal policies and processes and will apply from 30 June 2021.

5.2 Impact of covid-19 on the regulatory environment

Covid-19 impacted the regulatory environment of ICS. New regulations were adopted and existing regulations were amended, mainly to support lending and safeguarding clients' interests affected by Covid-19, while maintaining the bank's liquidity and solvency requirements. To focus on these Covid-19 regulatory measures, some other implementation deadlines and requirements were postponed.

PAYMENT HOLIDAYS AND GOVERNMENT GUARANTEED LOANS

To reduce the negative economic impact of Covid-19, measures regarding payment holidays on loans and advances were implemented in the beginning of 2020. Because various forms of these moratoria were adopted in different Member States, the European Banking Authority (EBA) published Guidelines on treatment of public and private moratoria in light of Covid-19 measures in April 2020. ICS offered clients a deferral of interest and principal payments on loans and advances between March and August 2020.

SREP AND ECB/DNB SUPERVISION

The ECB postponed verification of compliance with qualitative Supervisory Review and Evaluation Process (SREP) measures by six months. The ECB/DNB supervision on ICS increasingly focused on sound credit risk management regarding credit quality of the portfolios (e.g. which (sub)sectors and clients are more vulnerable), the expected impact of the payment holiday measures and the operational capacity of banks.

5.3 Revised eba guidelines on internal governance and suitabiliy

In July 2020, the European Banking Authority (EBA) launched a public consultation to revise its Guidelines on internal governance. Simultaneously, EBA and the ESMA launched a public consultation to revise their Joint Guidelines on suitability. These revisions take into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) and the Investment Firms Directive (IFD) in relation to credit institutions' sound and effective governance arrangements. The amendments mainly focus on i) mitigating money laundering and financing of terrorism risks, ii) mitigating Environmental, Social and Governance (ESG) risks and iii) gender equality and diversity. It is expected that the Revised Guidelines (as may be amended in view of the current consultation) enter into force on 26 June 2021.

5.4 Update on regulatory developments originating in previous years

ANTI-MONEY LAUNDERING REGULATIONS

The Act implementing the EU directive amending Anti-Money Laundering Directives 5 (also referred to as AMLD5) entered into force in May 2020. In addition, in October 2020, the European Commission added new countries to the list of high-risk third countries which have strategic deficiencies in their AML/CFT regimes that pose significant threats to the financial system of the Union (e.g. Botswana, Cambodia, Ghana and Panama).

Furthermore, the Dutch cabinet approved the bill on the action plan for combating money laundering (Wet plan van aanpak witwassen). After the advice of the Council of State (Raad van State) the bill will be introduced to the House of Representatives (Tweede Kamer).

BANKING REFORM PACKAGE

In order to implement the CRD V as part of the Banking Reform Package, in 2020 the Ministry of Finance published consultations in 2020 on various implementing acts, degrees and ministerial regulations. The most comprehensive of these was the Implementation Act on Capital Requirements 2020 (Implementatiewet kapitaalvereisten 2020), implementing the amendments required in the Act on Financial Supervision (Wet op het financieel toezicht). Most articles of the Implementation Act entered into force on 29 December 2020. After consultations in Q4 2019, the Single Resolution Board (SRB) published its 'Expectations for banks' in April 2020 regarding the amended Bank Recovery and Resolution Directive (BRRD2). This document sets out the capabilities that the SRB expects banks to demonstrate in order to show that they are resolvable.

BREXIT

The UK left the EU on 31 January 2020 and the transition period ended on 31 December 2020. The UK and EU have agreed a trade and cooperation agreement which (provisionally) entered into force on 1 January 2021. The agreement contains a free trade agreement, a partnership for citizens' security and a horizontal agreement on governance. In addition, the UK and EU are seeking to agree a memorandum of understanding establishing a framework for regulatory cooperation regarding financial services by 31 March 2021.

FINALISATION OF BASEL III REFORMS (BASEL IV):

Due to Covid-19, the Basel Committee on Banking Supervision announced that the implementation deadline of the Basel IV framework is extended by one year to 1 January 2023.

DEFINITION OF DEFAULT

To increase consistency across countries and banks, the ECB and EBA have adopted new detailed standards on how banks need to classify credit defaults for prudential purposes. The deadline for implementation was 31 December 2020, with DoD-compliant reporting starting as of 1 January 2021. ICS has implemented the new DoD regulation as of Q2 2020.

6. OUTLOOK 2021

Obviously, we will continue to deal with the effects of Covid-19 in 2021. The coming year is expected to bring a little more relief, especially in some sectors in which credit card payments traditionally take place. However, we will also focus on other possibilities to increase the number of credit card payments. These include more partnerships, substantial marketing efforts and attractive new propositions.

Our strategic focus remains on renewing our organisation. We will continue to work on Aurora with all our might in 2021. We see technical innovation and further digitalisation as necessary conditions for our customers, which have become even more important due to the impact of Covid-19 on our business. Customer service will remain at an excellent level, as the NPS score in 2020 showed, but step by step we will continue to improve customer convenience and freedom of choice. The initial results will become visible in 2021.

Moreover, making ICS future-proof is at the top of our agenda. This means maximum compliance with current and new legislation and regulations and adding significant value for our customers. In 2021 we will implement new EBA guidelines on loan originating and monitoring and we will renew the identification of a large part of our portfolio. All our activities contribute to our strategy, mission and vision to remain our clear compass. As a payment service provider, we want to be the safest and most trustworthy market player. Whatever happens in the world, we will ensure that our customers have access to the safest payment options, now and in the future. Due to our motivated employees, we are sure that 2021 will be a successful year, although we do not expect to achieve a positive financial result. Because of our strong liquidity and solvency position and the support and confidence of our parent organisation ABN AMRO Bank N.V., we believe we are ready for this endeavour.

6.1 Our market is changing rapidly

Change is also the name of the game in our line of business. New companies are helping to make financial transactions in new ways. Their smart technologies make transferring payments fast and easy. However, many of these businesses are start-ups keen on experimentation and use data for purposes their customers may not be aware of. The question of whether this is really secure is becoming more urgent. ICS keeps pace with developments, but always focuses on security of payment. Our customers must be able to trust us completely.

6.2 Vision and mission

Our new vision and mission are central to our efforts. We believe that these will make us stand out from other companies: a solid reason for people to choose us over our competitors. And in this way we help create a safer and more secure society and increase trust in our financial institutions.

OUR VIEW OF THE WORLD OF PAYMENTS (VISION)

As financial transactions are becoming easier and more efficient all the time, safety, security and reliability are increasingly under pressure.

WHAT WE REPRESENT (MISSION)

No matter what happens in the world, we make sure our customers have access to the most secure payment options, now and in the future.

6.3 Slowely widening our playing field

As the most secure and trustworthy payment service provider, we offer one service: payments. Security is what drives us. Our playing field is slowly widening from credit card issuer and lender to payment service provider. Of course, credit cards will remain an important product, but they will serve as the basis for new propositions. We also plan to introduce entirely new forms of payment and offer a modular product portfolio. Customers will soon be able to choose how they want to make their payment products more secure from our range of products and services to their personal needs. They will always have access to information on the nature and use of these products and details of what they contain. Credit will also continue to play a role in our future. But most of all, we will provide credit so that our customers can decide when to pay immediately or at some point in the future.

We are also working hard on new propositions and new partnerships. This will allow us to seize new opportunities that our new playing field, new technologies and new regulations will offer us.

6.4 Changing stepwise

Our first step is to lay the foundation for a future-proof ICS. This means we have to meet the new requirements of regulators and the market, and we have to offer our customers more added value. Next, we will reinvent and redesign the customer experience. Our customers are becoming increasingly in control. They can manage their own affairs with a minimum of effort, based on maximum transparency of the products they use. The second stage is that we will do everything necessary to become the most secure and trustworthy payment company in the Netherlands. We will sink our teeth into those areas where we can really make a difference: safety and reliability, always and everywhere. This requires us to systematically lower our costs, so that we can invest more and more in renewing our product propositions and processes in accordance with our strategic direction.

6.5 Challenges

In 2021, ICS will again face several major challenges. We will continue with assessing the customer's identity, combatting fraud, and reducing risks for our customers. Next to these, other issues are of great importance to underline our new mission and positioning.

For example, we intend to complete the CDD Remediation programme, in which we verify our entire customer base. In addition, we experience a continuous challenge to manage our strategic changes in a regulatory environment that requires more and more. Naturally, we want to remain compliant with all laws and regulations, but we also have a commercial ambition to fulfill in economic difficult circumstances.

Finally, Covid-19 has confirmed even more that we must look for new business models and that the Aurora program is a necessary step in accomplishing that ambition. securely fit.

7. GOVERNANCE

7.1 Structure and management

ICS is a limited liability company and a wholly owned subsidiary of ABN AMRO Bank N.V. ICS has its registered office in the Netherlands, with a branch in Germany.

The ICS Board of Directors has four statutory directors. In line with our gender diversity objectives, we aim to achieve an equal distribution of men and women across the Supervisory Board, the Statutory Board of Directors and Management. One member of the ICS Supervisory Board is a senior manager at our shareholder, ABN AMRO Bank N.V. One member, the Chair, is engaged by ABN AMRO Bank N.V. as an external adviser.

7.2 Management at 31 december 2020

STATUTORY BOARD OF DIRECTORS

Mr M.M.W. Koot, Chief Executive Officer
Mr G. Mac Donald, Chief Commercial Officer (appointed 1 October 2020)
Mrs C. Weeda-Hoogstad, Chief Financial Officer
Mr R.P.A.de Jong, Chief Risk Officer

SUPERVISORY BOARD

Mr J.G. ter Avest, Chair
Ms E.E. Kostelijk
Mr J. Speksnijder
Ms G. van Berne, appointed 1 September 2020

7.3 Statutory Board of Directors

The Statutory Board of Directors is accountable to the Supervisory Board and the shareholder for the performance of its duties. The Board's responsibilities and duties are laid down in Dutch law, the ICS Articles of Association and the regulations governing the Statutory Board of Directors.

The members of the Statutory Board of Directors participate in ABN AMRO's lifelong learning programme. This programme is designed to keep members' expertise up to date, broadening and deepening their knowledge where necessary.

The Statutory Board of Directors meets with the ICS Works Council on a monthly basis. There has been one change to the membership of the Statutory Board of Directors in 2020 since our last Annual Report. Mr Glenn MacDonald was appointed as Statutory Member of the Board in October.

Mrs Petra Vernooij, Director Customer & Business Solutions, stepped down as a statutory board member on 1 May 2020.

7.4 Supervisory Board

Members of the Supervisory Board act in accordance with the interests and continuity of ICS, taking account of the relevant interests of the company's stakeholders. The responsibilities and duties of the Supervisory Board are laid down in the Supervisory Board regulations. These regulations supplement the responsibilities and duties assigned to the Supervisory Board by Dutch law and by the ICS Articles of Association.

The Supervisory Board has set up one regular committee, the Risk & Audit Committee. All members of the Supervisory Board are members of this Committee.

The Supervisory Board meets at least four times a year and carries out annual evaluations of its performance and the performance of its members.

Mr J.M.A.J. Smeets stepped down as a member of the Supervisory Board in 2020. Ms G. van Berne was appointed as a new member on 1 September 2020.

7.5 Shareholder

All shares in International Card Services B.V. are held by ABN AMRO Bank N.V.

An Annual General Meeting is held at least once a year in May for the adoption of the Annual Financial Statements.

7.6 ICS Corporate Governance

ICS is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Integrity, transparency and accountability are key elements of ICS Corporate Governance.

These elements ensure the implementation and appropriate performance of the controls and supervision required for effective risk management, compliance with regulations and accurate and complete disclosure of information to the shareholder.

7.6.1 Banker’s Oath

All ICS staff, members of the Statutory Board of Directors and members of the Supervisory Board have signed the declaration of moral and ethical conduct (the “Banker’s Oath”), as required by Dutch law. ICS adheres to the content and purpose of the Banker’s Oath.

7.6.2 Internal audit department

The ICS Internal Audit Department reports to the CEO of ICS and has a reporting line to the Senior Audit Manager of ABN AMRO Group Audit and the Risk & Audit Committee.

7.6.3 Remuneration policy

We employ a prudent, controlled and sustainable remuneration policy, with an explicit focus on long-term interests and on our strategy, moderate risk appetite, objectives and values. The ICS remuneration policy is based on the latest applicable guidance and legislation. This includes additional mid- and long-term requirements for identified staff with regard to variable compensation, including a claw-back arrangement.
For more information see Note 9.30, Compensation of Key Management Personnel.

7.7 Prevention of corruption, bribery, fraud and cybercrime

7.7.1 Corruption and bribery

One of the key risks for ICS is that of becoming involved in, or a vehicle for criminal activities such as money laundering, bribery and corruption. The products and services offered by ICS could potentially be attractive to those wishing to use the financial services industry and financial systems for criminal purposes. Trustworthy relations between ICS and our stakeholders, including customers, employees, suppliers and shareholders and society in general, are therefore essential.

7.7.2 Third-party integrity

The ICS Third-Party Anti-Bribery and Corruption Risk Policy provides principles for due diligence and measures to mitigate the risk of third parties exposing ICS to association with corrupt practices or acts of bribery. A risk assessment has to be performed before ICS enters any contractual or business relationship. If the outcome of the risk assessment is that entering into a contract with a third party exposes ICS to bribery or corruption risk, further due diligence will be conducted. Due diligence may include reference checks, direct interrogative enquiries, interviews with relevant staff and desk research. As a risk-mitigation measure, ICS will usually delegate responsibility for assessing risks of bribery and corruption and institute adequate measures and controls to each third party with which it maintains a business relationship.

7.7.3 Customer integrity

To ensure that ICS remains a trustworthy and compliant financial institution, we adhere to the relevant laws and our own policies such as the Global Standards for Customer Due Diligence for natural persons, the Global Standards for Customer Due Diligence for business customers, the Customer Acceptance and Anti-Money Laundering Policy and the Sanctions Policy. ICS also observes the rules laid down by Mastercard, Visa and ABN AMRO Bank.

7.7.4 Organisational and employee integrity

To ensure employee integrity, all staff members are obliged to sign the Banker’s Oath. All staff members are also required to undergo employee integrity screening before working for ICS, and on a regular basis where deemed necessary. All staff members are also subject to mandatory training for recognising red flags for bribery or corruption and making appropriate decisions. As a rule, all actual or suspected incidents, irregularities or breaches involving potential bribery or corruption or breaches of the GDPR must be reported immediately. Employees are encouraged to discuss any such issue with their manager first if possible. If this is undesirable for any reason, they should make use of the organisation’s whistle-blowing channels.

7.8 Fraud and cybercrime

ICS is committed to providing secure payment transactions. Our information security framework defines management and staff responsibilities and sets out security directives applying to ICS, our vendors and third parties with which we exchange information. The ICS fraud risk management department systematically monitors customer transactions 24/7 in order to detect fraudulent transactions, raise awareness and mitigate fraud risks. ICS raises awareness among customers and employees on how to recognise potential cybercrime, such as phishing e-mails, for instance.

In recognition of the importance of continuous protection of our customers and the organisation's information and data, we have established a structured approach to information security designed to ensure the confidentiality, integrity and availability of information. As part of this approach, we constantly monitor cybercrime threats, adapting our defences where necessary. Last year, ICS implemented strong customer authentication for the login on its Web Portals and for all its 3D Secure transactions, in order to strengthen security and comply with PSD2 regulations.

ICS also accepts its responsibilities as a large financial service provider. We work with other organisations to prevent fraud and financial crime. ICS is also the main sponsor of the Wim van Doorn Award, committed to honouring persons or organisations that have contributed to the prevention of fraud through cooperation and innovative measures (see Section 3.6.7, Security and Fraud prevention).

7.9 Social & environmental risks and human rights

In our role as a service provider, ICS recognises that it may be exposed to environmental, social and ethical (ESE) risks through the direct activities of our customers. We aim to minimise any adverse social and environmental impact of our activities and those of our customers and suppliers. To manage these sustainability risks, ICS supports and acts in accordance with ABN AMRO's sustainability risk policy framework. The management of human rights risks in line with the UN guiding principles for business and human rights is a focal area within this framework.
ICS opened discussions of these topics with its employees for the implementation of practical measures and solutions relating to social and environmental risks in 2019.

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8. FINANCIAL STATEMENTS 2020

8.1 Company income statement

(in thousand, €,)

	Note	2020	2019
Income			
Interest income calculated using the effective interest method		59,982	87,172
Interest expense calculated using the effective interest method		(3,175)	(2,844)
Net interest income	**9,7**	**56,806**	**84,328**
Fee and commission income		127,662	174,934
Fee and commission expenses		(35,538)	(44,510)
Net fee and commission income	**9.8**	**92,124**	**130,424**
Dividend and other operating income	9.9	12,745	16,952
Operating income		**161,675**	**231,704**
Expenses			
Personnel expenses	9.10	(44,447)	(42,039)
General and administrative expenses	9.11	(101,401)	(94,483)
Depreciation of tangible assets	9.18	(1,735)	(2,193)
Amortisation of intangible assets	9.21	(370)	(468)
Rebilling expenses	9.12	(5,857)	(1,575)
Operating expenses		**(153,812)**	**(140,758)**
Impairment charges on loans and other receivables	9.13	(4,145)	(4,683)
Total expenses		**(157,957)**	**(145,441)**

	Note	2020	2019
Profit before tax		**3,719**	**86,263**
Income tax expenses	9.14	(1,420)	(21,084)
Profit for the year		**2,298**	**65,179**

The accounting policies and Notes on pages 59 to 140 form part of, and should be read in conjunction with, these financial statements.

8.2 Company statement of comprehensive income

	Note	2020	2019
Profit for the year	8.1	**2,298**	**65,179**
Items to be reclassified to the income statement			
Unrealised gains/(losses) on investments	9.19	-	-
Unrealised gains/(losses) on Investments - deferred tax	9.23	-	-
Items reclassified to the income statement			
Realised gains/(losses) on investments	*9.19*	-	-
Realised gains/(losses) on investments - deferred tax	*9.23*	-	-
Comprehensive income (and losses)		**2,298**	**65,179**

	Note	2020	2019
Attributable to:			
Equity holders of ICS B.V.		2,298	65,179
Comprehensive income (and losses)		**2,298**	**65,179**
Number of issued ordinary shares at end of period		454	454
Basic earnings per ordinary share		5	144
Comprehensive earnings per ordinary share		5	144

The accounting policies and Notes on pages 59 to 116 form part of, and should be read in conjunction with, these financial statements.

8.3 Company statement of financial position
Before appropriation of results:

(in thousand, €,)

	Note	2020	2019
Assets			
Cash and balances at central banks	9.15	231,863	233,691
Loans to banks	9.16	732,692	685,066
Loans to customers	9.17	651,886	976,340
Other assets	9.19	45,651	29,643
Investments	9.20	25,879	47,418
Property and equipment	9.18	2,627	10,543
Intangible assets	9.21	1,452	1,822
Deferred company tax assets	9.23	109	1,825
Total assets		**1,692,159**	**1,986,348**
Liabilities			
Due to customers	9.24	348,411	312,330
Due to banks	9.25	968,623	1,206,443
Other liabilities	9.26	50,608	107,993
Current company tax liabilities	9.22	299	29,189
Deferred company tax liabilities	9.23	1,536	2,748
Provisions	9.27	40,361	47,623
Total liabilities		**1,409,838**	**1,706,326**

	Note	2020	2019
Equity			
Share capital	8.4	45	45
Other reserves	8.4	279,977	214,798
Result for the year	8.1/8.4	2,298	65,179
Unrealised gains and losses securities	8.4	-	-
Total equity	**8.4**	**282,321**	**280,022**
Total liabilities and equity		**1,692,159**	**1,986,348**

The accounting policies and Notes on pages 64 to 116 form part of, and should be read in conjunction with, these financial statements.

INTERNATIONAL CARD SERVICES

8.4 Company statement of changes in equity

(in thousand, €,)	Note	Share capital	Other reserves	Result current year	Total
Balance at 1 January 2019		**45**	**249,841**	**54.958**	**304.844**
Addition to other reserves		-	54,958	(54,958)	-
Net income of the year	8.1	-	-	65,179	65,179
Paid out dividend		-	(90,000)	-	-
Balance at 31 December 2019		**45**	**214,799**	**65.179**	**280,023**
Balance 1 January 2020		**45**	**214,79**	**65,179**	**280,023**
Addition to other reserves		-	65,179	(65,179)	-
Net income of the year	8.1	-	-	2,298	2,298
Paid out dividend	8.5	-	-	-	-
Balance at 31 December 2020		**45**	**279,978**	**2,298**	**282,321**

Last year's net profit was added to the other reserves in an amount of € 65 million.
No dividend was paid to the owners of ICS, the parent company ABN AMRO Bank N.V., in 2020.
The number of shares authorised are 454 with a par value € 100. All shares are issued and fully paid up.

8.5 Company statement of cash flow

(in thousand, €,)

		2020	2019
Cash flows from operating activities			
Operating profit before taxation	8.1	3,719	86,263
Depreciation and amortisation	9.18/9.21	2,106	2,661
Provisions and impairment losses	9.17/9.27	24,083	11,944
Adjustments on non-cash items included in profit		26,189	14,605
Adjustment for investment income	9.9/9.19	(12,153)	(15,821)
Changes in operating assets and liabilities			
Loans to banks	9.16	(41,362)	(10,667)
Loans to customers	9.17	328,010	90,726
Other assets	9.19	16,008	(39,150)
Due to banks	9.25	(237,820)	(14,751)
Due to customers	9.24	36,081	20,541
Other liabilities	9.26	(57,385)	28,052
Net changes in all other operational assets and liabilities	9.18/9.26	(26,587)	(31,567)
Changes in operational assets and liabilities		**16,945**	**43,184**
Income taxes paid	9.14/9.19/9.22/9.23	(29,806)	-
Net cash generated by operating activities		**4,893**	**128,230**

		2020	2019
Cash flows from investing activities			
Investments in financial assets measured at FVTPL	9.20	55	208
Purchases of fixed assets	9.18	(513)	(1,682)
Cash flows from investing activities		**(457)**	**(1,474)**
Cash flows from financing activities			
Dividends paid to shareholders	8.4	-	(90,000)
Financing Lease liabilities	9.26	-	266
Cash flows from financing activities		**-**	**(89,774)**
Change in cash and cash equivalents		**4,436**	**36,983**
Cash and cash equivalents at 1 January	9.15/9.16	617,716	580,734
Cash and cash equivalents at period end	9.15/9.16	622,151	617,716

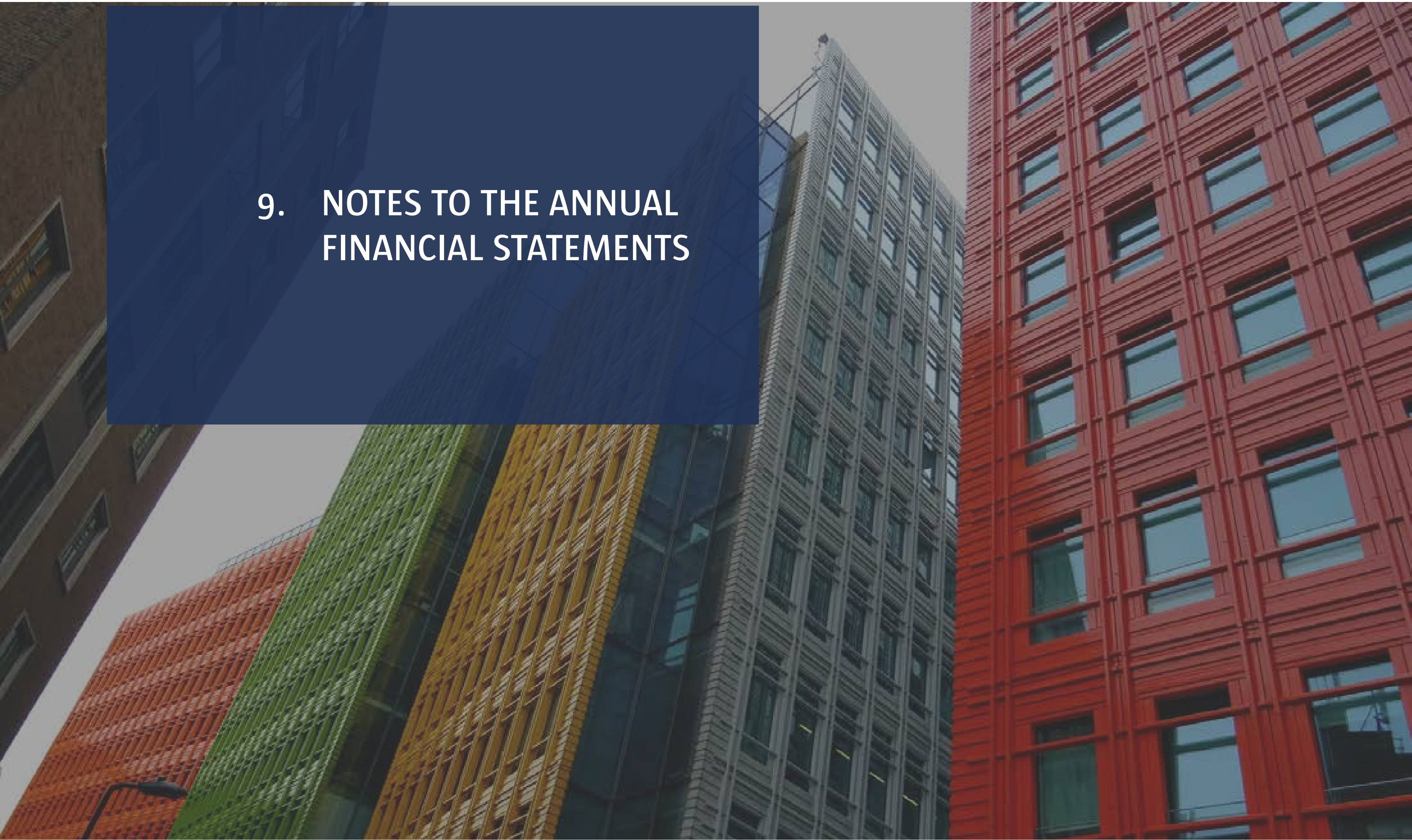
The accounting policies and Notes on pages 64 to 140 form part of, and should be read in conjunction with, these financial statements.

		2020	2019
Cash and cash at central banks	9.15	231,863	233,692
Loans to banks (1)	9.16	390,288	384,024
Total cash and cash equivalents		**622,151**	**617,716**

(1) Loans to banks with an original maturity of less than 3 months are included in loans to banks

Supplementary disclosure of operating cash flow information			
Interest paid	8.1	(3,175)	(2,844)
Interest received	8.1	59,982	87,172
Dividend received from investments	9.20	55	208

9. NOTES TO THE ANNUAL FINANCIAL STATEMENTS



9.1 Corporate Information

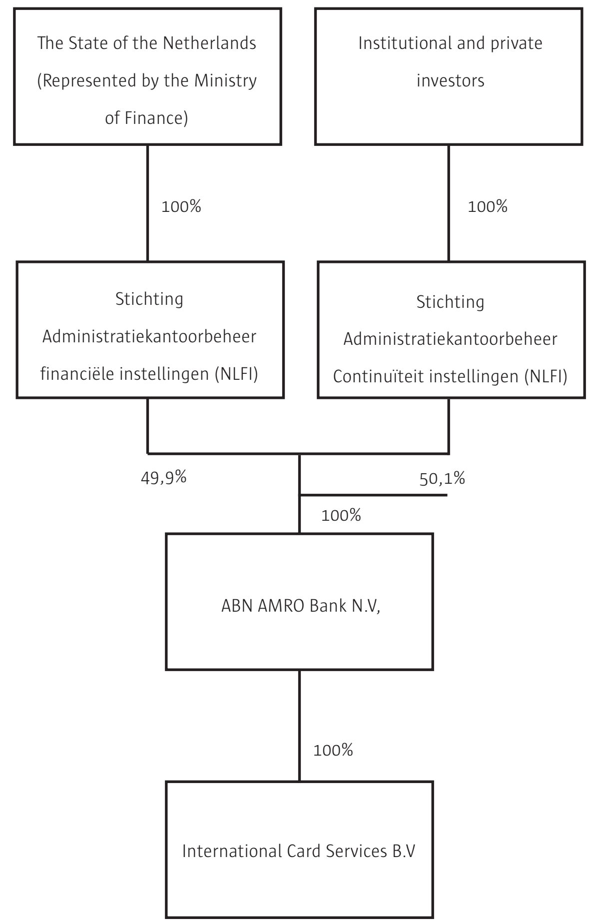
International Card Services B.V. (“ICS”, “ICS Netherlands” or “the Company”), together with its branch in Düsseldorf, Germany, offers card services primarily in the Netherlands and Germany. ICS is engaged in issuing, promoting, administering and processing Visa and Mastercard credit cards. Furthermore, ICS offers its customers various financial services such as insurance and revolving loans, which are an integral part of its operational activities.

ICS is a limited liability company located in the Netherlands at Wisselwerking 58, 1112 XP Diemen, registered at the Chamber of Commerce, trade register Amsterdam No. 33.200.596 and a 100%-owned subsidiary of ABN AMRO Bank N.V. Its current structure is shown in the figure below.

The financial statements for the year ending on 31 December 2020 are prepared by the Statutory Board of Directors and authorised for issue in accordance with a resolution by the Supervisory Board and the Statutory Board of Directors on 18 May 2021.

LEGAL STRUCTURE

The German branch (“ICS Germany”), of which the office is registered in Düsseldorf, Germany, is ICS’ only branch. Our shareholder is ABN AMRO Bank N.V. There were no changes in the legal structure in 2020.



9.2 Accounting policies

This section describes ICS’ significant accounting policies and critical accounting estimates or judgements relating to the Annual Financial Statements. If an accounting policy or critical accounting estimate relates to a specific note, it is included within the relevant note.

STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS. Assets are measured against the accounting methods prescribed by the applicable standard.

Financial investments are measured at fair value and movements/ mutations are, in accordance with IFRS, reported in profit or loss;

Other financial assets (including loans and advances and receivables) and liabilities are measured at amortised cost less any impairment, if applicable;

Non-financial assets and liabilities are generally stated at historical cost.

Management has considered the consequences of Covid-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon ICS’s ability to continue as a going concern. The impact of Covid-19 on future performance and, therefore, on the measurement of assets, mainly loans and advances, is significant and therefore requires disclosure in the financial statements, but management has determined that these events and conditions do not create a material uncertainty that casts significant doubt upon the entity’s ability to continue as a going concern. Therefore, the Annual Financial Statements continue to be prepared on the going concern basis.

The financial statements are presented in euros, which is ICS’ reporting currency, rounded to the nearest thousand (unless stated otherwise).

PRESENTATION OF FINANCIAL STATEMENTS

ICS presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 9.28.
Netting is not applied, as financial assets and financial liabilities are reported gross in the statement of financial position.

9.3 Changes in accounting policies

New following standards have been endorsed by the EU and became effective for the reporting period beginning 1 January 2020.

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

DEFINITION OF MATERIAL (AMENDMENTS TO IAS 1 AND IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments, which became effective on 1 January 2020, revise the definition of material and align the definition across other IFRS publications such as IFRS Standards and IFRIC Interpretations. These amendments do not have an impact on ICS's financial statements.

REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting. The Conceptual Framework provides guidance for developing consistent accounting policies and assistance in understanding the standards.The changes in the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework came into effect on 1 January 2020. These amendments do not have an impact on ICS's financial statements.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED

The following new or revised standards and amendments have been issued by the IASB but have not yet been endorsed by the European Union and are therefore not open for early adoption. Note that only amendments to IFRS that are relevant for ICS are discussed below.

Amendments to IAS 1 –
Presentation of Financial Statements

The amendment to IAS 1 determining whether a liability should be classified as current or non-current has not yet been endorsed. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is to be applied retrospectively. ICS does not expect that the amendments will have an impact on ICS's financial statements.

9.4 Critical accounting judgements, estimates and assumptions

The preparation of ICS' financial statements requires management to exercise its judgement in the process of applying ICS' accounting policies and to make estimates and assumptions concerning the future. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions. Accounting policies for the most significant areas requiring management judgement and/or estimates that affect reported amounts and disclosures are made in the following sections:

Fair value of financial instruments Note 9.6
Impairments on loans advances – customers Note 9.17
Impairment of FVTPL investments Note 9.20
Deferred tax assets Note 9.23
Provisions Note 9.27

9.5 Summary of significant accounting policies

Foreign currency translation

The financial statements are stated in euros, which is ICS' functional and presentational currency. Transactions in foreign currencies are translated into euros.

Foreign exchange differences arising on translation are recognised in the income statement, except for those non-monetary items whose fair value change is recorded as a component of equity.

FINANCIAL ASSETS AND LIABILITIES

The classification of financial assets and liabilities on initial recognition depends on their purpose and characteristics and management's intention when acquiring them (IFRS 9).

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

ICS classifies financial assets based on the business model in which they are held in accordance with IFRS 9.

The business model is determined at portfolio level. Portfolios are based on how ICS manages financial assets in order to achieve a particular business objective.

The business model assessment is based on the level of sales, risk management, performance evaluation and management compensation. Derecognition is used as a condition to determine whether a transaction results in a sale.

Two business models are distinguished:

• The 'hold to collect' business model, in which cash flows are generated primarily by collecting contractual cash flows until the maturity of the financial instrument. Sales may occur, as long as they are incidental, infrequent and insignificant. The assessment of the frequency and significance of sales is determined for each underlying portfolio. Sales that result from increases in the credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model.

• 'Other' business models not meeting the criteria of the business model mentioned above, for example models in which financial assets are managed with the objective of generating cash flows from sales (trading book), are managed on a fair value basis. Under these business models, the financial assets are measured at fair value through profit and loss (FVTPL).

After the business model has been determined, the contractual cash flows of financial assets are assessed. Debt instruments may be classified at amortised cost only when the contractual cash flows are solely payments of principal and interest (SPPI). Contractual cash flows that are SPPI are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest elements. Instruments that do not meet the SPPI requirements are mandatorily measured at FVTPL. Financial assets are assessed in their entirety, including any embedded derivatives not separated from the host contract.

Based on the business model determined and the SPPI assessment, the following measurement categories are identified under IFRS 9:

• Amortised cost – Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recognised in the income statement. Financial instruments measured at amortised cost are presented net of credit loss allowances in the Statement of financial position.

• FVTPL – Financial instruments measured at FVTPL include instruments whose cash flows do not meet the SPPI requirements. For these instruments, direct recognition of changes in the fair value in the income statement is mandatory.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities are classified as liabilities held for trading, and other liabilities. Their measurement and recognition in the income statement depends on the classification of the financial liabilities. The following group is identified:

• Other financial liabilities include financial liabilities that are neither held for trading nor designated ‘at fair value through profit or loss. These are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recognised in the income statement.

Other liabilities include due to banks, due to customers and other borrowings.

STATEMENT OF CASH FLOW

For the purpose of the cash flow statement, cash and balances at central banks comprise cash in hand, freely available balances with central banks and other banks, and net credit balances on current accounts with other banks with less than three months’ maturity from the date of acquisition. The statement of cash flow, based on the indirect method of calculating operating cash flows, gives details of the sources of cash and cash equivalents becoming available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are classified as cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and advances and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities comprise acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rate at the date of the cash flows.

THE EFFECTIVE INTEREST RATE METHOD

The Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if ICS revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest income' for financial assets and 'Interest expenses' for financial liabilities.

ICS' EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and advances and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by its nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to ICS' base rate and other fee income/expense that are integral parts of the instrument.

RECOGNITION AND DERECOGNITION

Loans and advances to customers are recognised when they are acquired or funded by ICS and derecognised when settled. Due to customer deposits are recognised when the cash is deposited with ICS. Other financial assets and liabilities are initially recognised on the trade date, being the date that ICS becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when ICS loses control and the ability to obtain benefits from the contractual rights that comprise the asset in question. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Generally, a 10% difference in the net present value of the cash flows between the initial and modified contract (payment arrangement) is accounted for on derecognition. Financial assets are also derecognised if ICS has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

Financial liabilities are derecognised when the obligation under the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms qualitatively and quantitatively (a 10% difference in the present value of the cash flows) is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is recognised in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

An Expected Loss Model is applied to on-balance sheet financial assets accounted for at amortised cost and fair value through profit and loss (FVTPL) such as loans, receivables, as well as off-balance sheet items such as commitments and certain financial guarantees, and undrawn committed revolving credit facilities.

9.6 Fair value of Financial instruments

Accounting policy for fair value of financial instruments
Fair value is defined as the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments that are actively traded and for which quoted market prices or market parameters are readily available is determined in a highly objective manner. However, if observable market prices and parameters are not available, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. Where inputs to the valuation of a new transaction cannot be reliably determined, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are recognised as profit or loss or in equity.

In order to determine a trustworthy fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. Judgements and estimates to determine the fair value include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. We believe our fair value estimates are adequate.

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FAIR VALUE HIERARCHY

In order to show how fair values have been derived, financial instruments are classified based on valuation techniques, as summarised below:

ICS analyses the fair value of financial instruments according to the three categories described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using a valuation technique where at least one input having a significant effect on the instrument's valuation is not based on observable market data. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

ICS recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which-the change occurred. The following table presents the valuation methods used in determining the fair value of financial instruments.

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(in thousand, €,) 31 December 2020	Carrying amount	Quoted market prices in active markets	Valuation techniques observable inputs	Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	231,863	231,863	-	-	231,863
Loans to banks	732,692	-	-	732,692	732,692
Loans to customers	651,886	-	-	651,886	651,886
Investments	25,879	-	25,879		25,879
Total financial assets	**1,642,320**	**231,863**	**25,879**	**1,384,578**	**1,642,320**
Liabilities					
Due to banks	968,623	-	-	968,623	968,623
Due to customers	348,411	-	-	348,411	732,692
Total financial liabilities	**1,317,034**	**-**	**-**	**1,317,034**	**1,642,320**
31 December 2019					
Assets					
Cash and balances at central banks	233,692	233,692	-	-	233,692
Loans to banks	685,066	-	-	685,066	685,066
Loans to customers	976,340	-	-	976,340	976,340
Investments	47,418	-	47,418		47,418
Total financial assets	**1,942,516**	**233,692**	**47,418**	**1,661,406**	**1,942,516**
Liabilities					
Due to banks	1,206,443	-	-	1,206,443	1,206,443
Due to customers	312,330	-	-	312,330	312,330
Total financial liabilities	**1,518,773**	**-**	**-**	**1,518,773**	**1,518,773**

TRANSFERS BETWEEN LEVELS 1, 2 AND 3

There were no material transfers between levels 1,2 and or 3 during the year.

Fair value of financial instruments carried at fair value

EQUITY INSTRUMENTS

The equity instruments actively traded on public stock exchanges are valued using readily available quoted prices and therefore classified as Level 1. For equity instruments for which no active liquid market exists, a valuation model based on similar equity instruments for which market prices do exist is used. These instruments are classified as Level 2.

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The methods and significant assumptions described above are applied to estimate the fair values for financial instruments carried at amortised cost. These fair values are calculated for disclosure purposes only.

CASH AND BALANCES AT CENTRAL BANKS

Cash and balances at central banks are classified as Level 1, as an active market is available for these assets and no fair value adjustments are made to the carrying amounts.

LOANS AND ADVANCES – BANKS AND CUSTOMERS

The fair values of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the reporting date are assumed to be a reasonable approximation of their carrying amounts, which are net of impairment.

DUE TO BANKS AND CUSTOMERS

The fair value of demand deposits (included under Due to customers) with no specific maturity is assumed to be the amount payable on demand at the reporting date and therefore a reasonable approximation of their carrying amounts. The carrying amounts of items due to banks maturing within a period of less than 3 months or with no contractual maturity are assumed to be a reasonable approximation of their fair value. Amounts in time deposits with a maturity of three years may vary monthly, depending on ICS' funding needs.

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9.7 Net interest income

Interest income and expense on financial instruments are recognised in the income statement on an accrual basis using the effective interest rate method, except for those financial instruments measured at fair value through profit or loss. The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs directly attributable to the instrument and are an integral part of the EIR (Effective Interest Rate), but not future credit losses. ICS also holds financial assets and liabilities with negative interest rates. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received for liabilities with negative interest yield is classified as interest income.

Net fee and commission income for the years ended 31 December 2019 and 2020 are specified in the following table.

The breakdown of interest income and expense by type of product for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

.	**Notes**	**2020**	**2019**
Interest income			
Other receivables	9.19	-	-
Loans to banks	9.16	3,190	3,712
Loans to customers - revolving loans	9.17	1,465	2,005
Loans to customers - credit cards	9.17	51,782	78,138
Negative interest		3,545	3,317
		59,982	87,172
Interest expenses			
Due to banks	9.25	(0)	-
Due to customers	9.24	(182)	(364)
Other liabilities	9.26	(60)	(118)
Negative interest on on interest-bearing liabilities		(2,934)	(2,362)
		(3,175)	(2,844)
Net interest income		**56,806**	**84,328**

In 2020 net interest income decreased from € 84 million to € 57 million. This decrease is mainly due to lower interest income received from loans to customers – credit cards. On 14 August 2020, the government decided to adjust the maximum interest on loans from 14% to 10%. Also, ICS' interest-bearing loan portfolio decreased by an amount of € 127 million (see Note 9.17).

9.8 Net fee and commission income

Accounting policy for net fee and commission income
ICS applies IFRS 15 when recognising revenue from contracts with customers, all of which is included in net fee and commission income. After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled in exchange for providing promised services to customers. The transaction price is allocated to each performance obligation. Revenue is measured at the fair value of the consideration received, taking account of discounts and rebates. The amount of revenue recognised is discounted to the present value of the consideration due if payment extends beyond normal credit terms. Revenue is recognised when a promised service is provided to the customer. Fees and commissions are recognised as either:

Point-in-time (payment services, insurance fees and part of service fees): the fee is a reward for a service provided at a moment in time; or

Over time (amortised) (part of service fees): the fee relates to services on an ongoing basis.

Net fee and commission income for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

Fee and commission income	**2020**	**2019**
Payment services	56,910	101,232
Service fees	69,575	72,210
Insurance fees	1,177	1,492
	127,662	**174,934**
Fee and commission expenses		
Payment services	(27,438)	(37,185)
Service fees	(2,432)	(2,516)
Insurance fees	(5,092)	(4,563)
Other service fees	(577)	(246)
	(35,538)	**(44,510)**
Net fee and commission income	**92,124**	**130,424**

Payment services refer directly to credit card turnover. Payment service income includes interchange generated by credit card and charge card transactions. Payment service expenses include charges from Visa, Mastercard and other third parties. Service fee income includes annual fees and processing fees. Service fee expenses refer to banking costs. Insurance fees relate mainly to cardholder insurances. Other service fee expenses relate to ICS' undrawn amount of the funding agreement with ABN AMRO Bank N.V.

Lower fees and commission were driven by decreased consumer turnover due to lower transactions volume, mainly because of Covid-19. As mentioned in the accounting standards ICS classifies the fees as 'point-in-time' or 'over time'. Payment services and insurance fees are point-in-time fees. Service fees are classified partly as point-in-time (processing fees) and partly as over time (annual fees). For a breakdown see the table below.

(in thousands, €)

2020

Fee's split in	Fees Point-in-Time	Fees Over Time	Total
Payment services	56,910	-	56,910
Service fees	10,691	58,884	69,575
Insurance fees	1,177	-	1,177
	127,662	**58,884**	**127,662**

(in thousands, €)

2019

Fee's split in	Fees Point-in-Time	Fees Over Time	Total
Payment services	101,232	-	101,232
Service fees	11,264	60,946	72,209
Insurance fees	1,492	-	1,492
	113,988	**60,946**	**174,934**

9.9 Dividend, Sales of investments and other operating income

Accounting policy for dividend, sales of investments and other operating income.
Investments are held at fair value through profit and loss. Income related to these positions includes realised gains and losses arising from changes in the fair value, dividends received from investments and related funding costs. Dividend income from investments is recognised when entitlement is established. Realised and unrealised gains or losses are recognised in the income statement (IFRS 9).

(in thousands, €)

	2020	2019
Dividend income	297	297
Gain on sale investment	-	-
(Un)realised gains	12,094	16,059
Other Income	354	594
Total dividend and other operating income	**12,745**	**16,952**

The unrealised gains are € 12.1 million in 2020 (2019: €16.1 million). This amount consists of unrealised gains from ICS' share in Visa Inc. (see Note 9.20). Dividend income consists mainly out of ICS's share in Visa Inc.

On 31 December 2019, the net value of the portfolio of Visa Inc. C-Shares was € 47.4 million. During 2020 half of the Visa Inc. C-Share portfolio became convertible to Visa Inc. A-Shares, since the conversion factor of the Visa Inc. C-Shares to Visa Inc. A-Shares was reduced by 50%. For Visa Inc. A Shares there is no sale restriction, which has led to an increase in the net value of the total Visa Inc. Share portfolio. Also, during the year 2020 there was an increase in the Visa Inc. stock price.

The Visa Inc. A-Share portfolio was sold on 28 December 2020 and the proceeds of the sale were € 33.7 million. On 31 December 2020, the value of the Visa Inc. C-Share portfolio was € 25.9 million (2019: € 47.4 million, see Note 9.20 Investments) and the total increase in (un)realised gains was € 12.1 million, when also considering the sale proceeds.

In 2020 ICS decided to sell the “Sky Box” in the Johan Cruijf Arena. This amount is recognised in Other Income.

9.10 Personnel expenses

ACCOUNTING POLICY FOR PERSONNEL EXPENSES

Salaries and wages, social security charges and other salary-related costs are recognised in the period in which the employees provide the services to which the payments relate.

ICS sponsors pension schemes in the Netherlands, all of which classify as defined contribution schemes. The beneficiaries of the schemes are in the Netherlands. ICS pays an annual contribution into the pension scheme according to a fixed method. The obligations for contributions to defined contribution schemes are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Actuarial and investment risk are for the account of the participants in the scheme.

Personnel expenses for the years ended 31 December 2019 and 2020 are specified in the following table.

The unrealised gains are € 12.1 million in 2020 (2019: €16.1 million). This amount consists of unrealised gains from ICS' share in Visa Inc. (see Note 9.20). Dividend income consists mainly out of ICS's share in Visa Inc.

(in thousands, €)

	2020	2019
Salaries and wages	297	297
Social security charges	-	-
Defined contribution schemes expenses	12,094	16,059
Other	354	594
Total personnel expenses	**12,745**	**16,952**

Salaries and wages were higher in 2020 due to an increase in the number of FTEs from 433 to 516 in 2020. ICS replaced external FTEs with internal FTEs.

Costs included in personnel expenses, permanent staff at 31 December 2020:

International Card Services B.V. (Netherlands):
505 FTE (2019: 421 FTE);

International Card Services B.V. (Germany):
11 FTE (2019: 12 FTE).

9.11 General and administrative expenses

ACCOUNTING POLICY FOR GENERAL AND ADMINISTRATIVE EXPENSES

Costs are recognised in the period in which services are provided and to which the payment relates. General and administrative expenses for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)	2020	2019
Marketing and public relations costs	3,808	3,912
Information technology costs	36,489	26,719
Post and telephone	4,585	4,427
Agency, staff and consultancy costs	31,416	35,831
Provisions	9,593	12,537
Fraud losses	1,683	4,067
Other	13,827	6,990
Total General and administrative expenses	**101,401**	**94,483**

The overall general and administrative expenses increased with € 6.9 million to € 101.4 million in 2020 (2019 € 94.5 million).

The information technology costs increased with € 9.8 million and mainly relates to the Aurora program which started in 2019. See for more information our strategy paragraph in chapter 3.3.

Agency, staff and consultancy costs decreased with € 4.4 million in 2020. ICS started to employ more internal FTEs which led to a decrease in external FTEs.

International Card Services B.V. (Netherlands):
283 FTE (2019: 358 FTE);

International Card Services B.V. (Germany):
0 FTE (2019: 0 FTE).

A specification of the provision expenses is as follows:

(in thousands, €)	Note	2020	2019
Legal	9.27	9,047	8,075
Other	9.27	546	4,462
Total provisions		**9,593**	**12,537**

The legal provision mainly consists of the remediation program € 9.0 million (see Note 9.27)

The specification of fees paid to EY is as follows:.

(in thousands, €)	2020	2019
Financial statements audit fees	457	393
Audit-related fees	58	36
Total auditor's fee	**514**	**429**

Total fees paid to EY are included under Agency staff and consultancy costs and amount to € 514 thousand (2019: € 429 thousand). Audit-related fees consist of other services related to the audit of the prudential reporting statements to DNB. The external auditor also performs audit procedures related to ICS for the purpose of the group audit of ABN AMRO Bank N.V. The fees for these procedures are borne by ABN AMRO Bank N.V. and are therefore not included.

The external auditor does not provide tax advisory services or other non-audit services.

9.12 Rebilling expenses

ACCOUNTING POLICY FOR REBILLING EXPENSES

Costs are recognised in the period in which services are provided and to which the payment relates.

Rebilling expenses for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)	2020	2019
Rebilling	5,857	1,572
Total Rebilling expenses	**5,857**	**1,572**

Rebilling expenses relate to Group charges of our parent for IT, corporate insurance, and management costs.

The number of services from ABN AMRO increased in 2020, mainly due to a higher rebilling for ALM overhead, and Legal & Compliance personnel. Also, in 2020 ICS relocated which has led to additional rebilling expenses for housing services and building services.

9.13 Impairment charges on loans and advances – customers

For the accounting policies, see accounting policies Note 9.2 and our Credit Risk Note 9.34

Impairment charges on loans to customers for the years ended 31 December is specified in the following table.

(in thousands, €)

	Note	2020	2019
Impairments charges on:			
Loans to customers	9.17 / 9.27	4,145	4,683
Total impairment charges on loans		**4,145**	**4,683**

9.14 Income tax expense

Accounting policy for income tax expenses, current and deferred tax assets and liabilities ICS applies IAS 12 Income taxes in accounting for taxes on income. ICS forms part of a fiscal unity with ABN AMRO Bank N.V. for corporate income tax purposes. Consequently, ICS receives a tax allocation from the parent company. Tax is allocated by ABN AMRO Bank in such a manner that tax in the ICS financial statements reflects the situation as if the fiscal unity did not exist. All the members of the fiscal unity arejointly and severally liable for the corporate income tax liabilities of the fiscal unity. ICS has a branch in Germany and files separate tax returns for its activities in Germany.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the parent company. The parent company settles with the tax authorities. The tax rates and tax laws used to allocate or compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where ICS operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

All temporary differences are recognised as tax expense in the income statement, except for temporary differences due to investments, which are recognised in the statement of comprehensive income.

Income tax expenses in the income statement for the years ended 31 December are specified in the following table.

(in thousands, €)

	Note	2020	2019
Current tax expense			
Current tax expense on year under review		279	21,336
Adjustment for current tax of prior years		638	2,120
		916	23,457
Deferred tax expense	9.23		
Deferred taxes arising from current period		436	241
Deferred taxes arising from write-down (or reversal) of deferred tax assets		-	-
Deferred taxes arising from changes in tax rates		(189)	(597)
Previously unrecognised tax losses, tax credits		256	(2,016)
		504	(2,373)
Total tax expense		**1,420**	**21,084**
Effective tax rate		61.8%	32.3%

	2020	2019
Nominal tax rate Netherlands	25.00%	25.00%
Nominal tax rate Germany	31.23%	31.23%

For more information on the deferred taxes arising from write-down (or reversal) of deferred tax assets, see Notes 9.22/ 9.23.

The following table shows the reconciliation between expected and actual income tax.

(in thousands, €)

	2020	2019
(Profit)/loss before tax	(3.719)	(86,263)
Applicable tax rate	25.00%	25.00%
Expected income tax expense	930	21,566
Increase (decrease) in taxes resulting from:		
Disallowed operating and administrative expenses		-
Disallowed bank tax		-
Previously unrecognised tax losses and temporary differences		(1,797)
Write-down and reversal of write-down of deferred tax assets		-
Tax rate changes	189	(597)
Adjustments for current tax of prior years	200	2,120
Tax exempt income	(1)	(208)
Tax rate differential branch offices	103	-
Total increase (decrease)	**490**	**(482)**
Actual income tax expenses	**1,420**	**21,084**

In 2020 the actual income tax expense was higher than the expected income tax expense mainly due to a non-reclaimable withholding tax.

9.15 Cash at hand and balances at central banks

Cash at hand and balances at central banks are held at amortised cost. This item includes cash in hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in Note 9.16.

(in thousands, €)

	Average interest rate 2020	31 December 2020	31 December 2019
Cash at hand	0.00%	-	-
Balances with central bank	-0.51%	231,863	233,692
Balance at end of period		**231,863**	**233,692**

Balances with central banks consist of balances other than mandatory reserve deposits and are readily convertible in cash. The balances relate to deposits for LCR requirements as set out by the Dutch Central Bank (see Note 9.34).

9.16 Loans and advances – banks

Accounting policy for loans and advances – banks and customers

Loans and advances – banks and customers are held at amortised cost using the EIR methodology, less allowance for impairment, i.e., fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to present the effective interest rate of the asset. ICS therefore recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised, the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. In the cash flow statement, amounts due from banks on demand or with an original maturity of three months or less are included in ‘Cash and cash equivalents.

Loans and advances to banks for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	Average Interest Rate 2020	31 December 2020	31 December 2019
Current accounts - credit institutions	-0.41%	390,288	384,024
Interest-bearing deposits	0.97%	342,403	301,042
Balance at end of period		**732,692**	**685,066**

Current accounts – credit institutions relate to balances on current accounts with banks. These resources are freely available to ICS to perform payments for its services and activities.

Interest-bearing deposits are issued to ABN AMRO Bank N.V. In cooperation with its Asset and Liability Management department, the average customer savings (both consumer and commercial, see Note 9.24) are placed in deposits. Interest-bearing deposits are based on a 1-month term and a fixed interest rate.

9.17 Loans and advances – customers

Accounting policy for loans and advances – customers

The accounting policy for loans and advances – customers is included in ‘Loans and advances – banks’, see Note 9.16.

Loans and advances - customers for the years ended 31 December 2019 and 2020 are specified in the following table

(in thousands, €)

	Average interest Rate 2020	Year of maturity	31 December 2020	31 December 2019
Consumer				
Revolving loans	8.36%	indefinite	15,080	20,760
Credit card - current accounts	0.00%	no maturity	251,097	409,058
Credit card - interest-bearing	11.81%	indefinite	364,193	483,334
Allowance for impairment loss			(12,618)	(16,148)
			617,752	897,004
Commercial				
Loans to financial institutions - Interest-bearing	0.00%	no maturity	157	128
Credit card - current accounts	0.00%	no maturity	32,350	75,363
Credit card - interest-bearing	12.67%	indefinite	1,708	3,952
Allowance for impairment losses			(81)	(107)
			34,134	79,336
Balance at end of period			**651,886**	**976,340**

Outstanding amounts to consumer and commercial loans specified by stage.

(in thousands, €)

Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Consumer loans				
Balance at 1 January 2020	834,520	43,557	35,076	913,152
Transfer to stage 1	10,193	(10,168)	(25)	(0)
Transfer to stage 2	(12,013)	12,015	(3)	0
Transfer to stage 3	-	(128)	128	-
Addition drawdowns and partial repayments	(267,749)	(25,141)	26,832	(266,058)
Originated or purchased	871	-	-	871
Matured or sold	-	-	-	-
Write offs	-	-	(17,594)	(17,594)
Other movements	-	-	-	-
Balance at 31 December 2020	565,821	20,136	44,413	630,370
Commercial loans				
Balance at 1 January 2020	78,372	1,014	57	79,443
Transfer to stage 1	289	(285)	(3)	0
Transfer to stage 2	(275)	303	(28)	0
Transfer to stage 3	-	-	-	-
Addition drawdowns and partial repayments	(44,761)	(698)	852	(44,606)
Originated or purchased	35	-	-	35
Matured or sold	-	-	-	-
Write offs	-	-	(657)	(657)
Other movements	-	-	-	-
Balance at 31 December 2020	**33,660**	**334**	**221**	**34,215**
Balance at the end of period	**599,481**	**20,470**	**44,634**	**664,585**

The loan portfolio (consumer and commercial) has decreased significantly compared to 2019 mainly due to the impact of the Covid-19 pandemic.

CONSUMER LOANS

Consumer loans and advances concerns outstanding interest-bearing and non-interest-bearing amounts on credit cards and charge cards and revolving loans.

COMMERCIAL LOANS

Loans and advances to financial institutions are contributions made to the Single Resolution Board for the European Single Resolution Fund. These contributions are interest-bearing and revocable with a maturity of 1-7 days. Credit cards include all outstanding amounts on commercial credit cards.

IMPAIRMENTS

Accounting policy for impairments of loans and advances – customers

ICS has recognised loss allowances based on the expected credit loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements apply to financial assets measured at amortised cost, loan commitments and financial guarantee contracts. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration. See the Credit Risk paragraph in Note 9.34 Risk Management for detailed information.

PAST DUE

The following table shows the days past due.

(in thousands, €)

	Carrying amount	
	Gross	Assets not classified as impaired
Loans to customers		
Consumer loans	630,370	585,957
Commercial loans	34,215	33,994
	664,585	619,951

Loans to customers		
Consumer loans	913,152	878,077
Commercial loans	79,443	79,386
	992,595	957,463

LOANS AND ADVANCES AND IMPAIRMENTS PRESENTED BY STAGE, PERFORMING OR NON-PERFORMING

(in thousands, €)	Outstanding Performing	Non-performing	Total	Performing	Provision Non-Performing	Total	Coverage Ratio
Overview of Consumer Loans and advances by stage							
Stage 1	565,821	-	565,821	4,773	-	4,773	0,8%
Stage 2	20,136	-	20,136	1,246	-	1,246	6,2%
Stage 3	-	44,413	44,413	-	6,599	6,599	14,9%
	585,957	**44,413**	**630,370**	**6,019**	**6,599**	**12,618**	**2,0%**
Overview of Commercial Loans and advances by stage							
Stage 1	33,660	-	33,660	60	-	60	0,2%
Stage 2	334	-	334	4	-	4	1,3%
Stage 3	-	221	221	-	17	17	7,6%
	33,994	221	34,215	64	17	81	0,2%
	619,951	**44,634**	**664,585**	**6,083**	**6,616**	**12,699**	**1,9%**

Due to an active credit management department and a strict on-boarding policy for new cardholders ICS has a low coverage in stage 1. Performing loans and advances have a maximum of 90 days past due (stage 1 and 2). Non-Performing loans are impaired loans (stage 3).

IMPAIRMENTS BREAKDOWN

For details of IFRS 9, see Note 9.4 Critical accounting judgements, estimates and assumptions. For information on our credit management, see Note 9.34.

(in thousands, €)

Impairments allowance for Consumer per stage 2020

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	5,734	2,428	7,987	16,148
Originated or purchased	23	-	-	23
Transfers to stage 1	46	(45)	(0)	(0)
Transfers to stage 2	(785)	785	-	-
Transfers to stage 3	-	(86)	86	-
Write-off	-	-	(1,533)	(1,533)
Recoveries	-	-	-	-
Unearned interest accrued	-	-	60	60
Remeasurements	(244)	(1,836)	-	(2,080)
Balance at 31 December 2020	**4,773**	**1,246**	**6,599**	**12,618**

(in thousands, €)

Impairments allowance for Consumer per stage 2019

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	7,958	2,049	8,425	18,432
Originated or purchased	8	-	-	8
Transfers to stage 1	94	(94)	-	-
Transfers to stage 2	(1,436)	1,440	(4)	-
Transfers to stage 3	(49)	(1,486)	1,535	-
Write-off	-	-	(2,124)	(2,124)
Recoveries	-	-	-	-
Unearned interest accrued	-	-	155	155
Remeasurements	(841)	519	-	(322)
Balance at 31 December 2019	**5,734**	**2,428**	**7,987**	**16,148**

The following table shows the changes in the impairments to commercial loans and advances.

(in thousands, €)

Impairments allowance for Commercial per stage 2020

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	88	10	10	107
Originated or purchased	0	-	-	-
Transfers to stage 1	0	(0)	(0)	(0)
Transfers to stage 2	(3)	4	(1)	(0)
Transfers to stage 3	-	-	-	-
Write-off	-	-	(657)	(657)
Recoveries	-	-	-	-
Unwind discount/Unearned interest accrued	-	-	5	5
Remeasurements	(26)	(9)	660	625
Balance at 31 December 2020	**60**	**4**	**17**	**81**

(in thousands, €)

Impairments allowance for Commercial per stage 2019

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	106	11	9	126
Originated or purchased	-	-	-	-
Transfers to stage 1	-	(1)	-	-
Transfers to stage 2	(7)	7	-	-
Transfers to stage 3	(1)	-	-	
Write-off	-	-	(541)	(541)
Recoveries	-	-	-	-
Unwind discount/Unearned interest accrued	-	-	1	1
Remeasurements	(11)	(7)	539	521
Balance at 31 December 2019	**88**	**10**	**10**	**107**

FORBORNE ASSETS

Forbearance occurs when a client has, or potentially has, financial difficulties and ICS makes concessions to that client, with the intention to bring the client back to a healthy financial situation.
Forborne assets are therefore assets for which forbearance measures have been taken. Below table shows an overview of forborne assets classified by type of forbearance measure and broken down into performing and non-performing assets.

(in thousands, €)

Performing assets

	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total performing forborne assets
Consumer loans	630.370	2.271	-	-	2.271
Commercial loans	34.215	119	-	-	119
Total loans	**664.585**	**2.390**	**-**	**-**	**2.390**

Non-performing assets

		Temporary modification	Permanent modification	Refinancing	Total non-performing forborne assets
		-	-	-	-
		-	-	-	-
		-	-	-	-
Total loans		-	-	-	-

9.18 Property and equipment

ACCOUNTING POLICY FOR PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. In the carrying amount of property and equipment, ICS recognises the cost of replacing part of an asset when that cost is incurred if it is probable that the future economic benefits relating to with the item will flow to the company and the cost of the item can be reliably determined. All other costs are recognised in the income statement as an incurred expense.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ICS generally uses the following useful lives in calculating depreciation:

- Computer hardware: 4 years;
- Other furniture and fittings: 5 years;
- Installations (durable): 10 years.

ACCOUNTING POLICY FOR LEASES

ICS measures leases applying IFRS 16 Assets and liabilities arising from leases in which the bank acts as lessee initially at cost. Cost is the amount of the initial lease liability, adjusted for upfront lease payments, received incentives and initial direct costs. The lease liability is measured by discounting all future lease payables at the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be determined, the bank's incremental borrowing rate is used.

The lease asset is subsequently depreciated over the period of the lease using the straight-line method and adjusted for any remeasurement of the lease liability. The lease liability is subsequently adjusted to reflect the interest on the lease liability, the lease payments made and any remeasurements or lease modifications. Expenses associated with short-term leases are recognised on a straight-line basis in the income statement.

Assets subject to operating leases are recognised at cost in property and equipment. Income from both operating and financial leases is recognised on a straight-line basis over the lease term.

Property and equipment and the right of use for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	Furniture & mechanical equipment	Hardware	Right of use assets	Total
Balance at 1 January 2019	**1,486**	**390**	**8,441**	**10,317**
Additions	405	1,276	737	2,419
Depreciation	(369)	(315)	(1,509)	(2,193)
Balance at 31 December 2019	**1,522**	**1,351**	**7,669**	**10,543**
Balance at 1 January 2020	**1,522**	**1,351**	**7,669**	**10,543**
Additions	14	499	153	666
Disposals	(1,189)	(209)	(5,447)	(6,846)
Depreciation	(347)	(460)	(928)	(1,735)
Balance at 31 December 2020	**-**	**1,181**	**1,446**	**2,627**
Cost as at end of period	1,273	5,725	2,186	9,184
Cumulative depreciation at end of period	(1,273)	(4,545)	(739)	(6,557)

Due to the relocation of ICS almost all right of use assets (building & parking lots) and the corresponding lease liabilities are derecognised. In addition, the furniture is fully depreciated. As of 2020 ICS transferred / sold the right of use assets and the furniture, and ICS is charged by the parent company for these services, which are part of the rebilling expenses. These services are provided at arm's length (see also Note 9.12 rebilling expenses).

9.19 Other assets

Other assets for the years ended 31 December 2019 and 2020 are specified in the following table.

	31 December 2020	31 December 2019
Accrued other income	2,534	16,335
Prepaid expenses	9,255	9,489
Other receivables	6,390	934
Other current assets	27,473	2,885
Balance at end of period at end of period	**45,651**	**29,643**

Accrued other income relates to partners Visa, Mastercard and co-branders. In 2019 accrued other income was higher because the settlement of processing fee income with the parent company had not taken place in that year.
Other receivables mainly contain receivables from co-branders which are settled in 2021.

Other current assets mainly relate to the sale of the Visa Inc. A-shares and to the administrative processing of the settlements with Visa and Mastercard which are settled in January 2021. The Visa Inc A-shares were sold on 28 December 2020 but settled in January 2021 in euros.

9.20 Investments

Accounting policy for investments

The accounting standard and the accounting policy for investments changed on 1 January 2018. Financial investments include instruments measured at fair value through profit or loss (FVTPL).

Accounting policy for financial instruments measured at fair value through profit and loss

Financial investments do not meet the SPPI requirements because the contractual cash flows are not solely payments of principal and interest. Financial investments are therefore mandatorily measured at FVTPL.

Investments for the years ended 31 December 2019 and 2020 are specified in the following table:

(in thousands, €)

Investments	**Ownership**	**31 December 2020**	**31 December 2019**
- Shares Visa Inc.	<1%	25,870	47,407
- Shares Visa Belgium	<1%	9	11
- Wireless Interactive & NFC Accelerator 2013 B.V.	10%	-	-
Balance at end of period		**25,879**	**47,418**

(Un)realised gains/(losses)	**Fair Value**	**Historical value**	**Gross (un)realised gains/(losses)**
Balance at 31 December			
2019	47,418	17,029	30,389
2020	25,879	17,029	8,850
Change in fair value in investment			**(21,539)**

Breakdown Fair Value	VISA Inc.	VISA Belgium	WIN B.V.	Total
Balance at 1 January	**47,407**	**11**	**-**	**47,418**
Sale	(33,696)	-	-	**(33,696)**
Revaluations	12,160	(2)	55	**12,213**
Received dividend	-	-	(55)	**(55)**
Balance at the end of period	**25,870**	**9**	**-**	**25,879**

As mentioned in Note 9.9 the Visa Inc. A-Share portfolio was sold on 28 December 2020 and the proceeds of the sale were € 33.7 million. On 31 December 2020, the value of the Visa Inc. C-Share portfolio was € 25.9 million (2019: € 47.4 million).

9.21 Intangible assets

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

Intangible assets include separately identifiable items arising from acquisition of customer relationships and similar items. ICS' intangible assets relate to acquired credit card portfolios. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairments if, and only if, the asset generates future economic benefits and if its cost can be reliably measured. Amortisation is calculated each month on a straight-line basis over the estimated useful lives of the portfolios. ICS estimates 15-20 years as the useful life when calculating amortisation. Amortisation rates, the residual value and the useful life of intangible assets are reviewed at each year-end to take account of any change in circumstances. Intangible assets for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	31 December 2020	31 December 2019
Balance at 1 January	**1,822**	**2,290**
Amortisation expenses	(370)	(468)
Balance at end of period	**1,452**	**1,822**
Cost as at the end of period	11,864	11,864
Cumulative amortisation as at the end of period	(10,412)	(10,042)

Intangible assets consist of the credit card portfolios ING (31 December: € 74 thousand) and Paysquare (€ 1,378 thousand) which were acquired in the past.

9.22 Current company tax assets and liabilities

Accounting policy for current tax assets and liabilities

The accounting policy for current tax assets and liabilities is included in 'Income tax expenses', see Note 9.14.

Current company tax assets and liabilities for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	Total
Balance at 31 December 2019	
Assets	
Liabilities	(29,189)
Total	(29,189)
Balance at 31 December 2020	
Assets	-
Liabilities	(299)
Total	**(299)**

The tax liability relates to the taxes to be paid on income realised in the respective years.

The current tax payable in 2020 was lower compared to 2019 due to a lower profit for the year. Also, the net deferred tax asset position has resulted in a decline of € 0.5 million in 2020 (see note 9.23 deferred company tax assets and liabilities).

9.23 Deferred company tax assets and liabilities

ACCOUNTING POLICY FOR DEFERRED TAX ASSETS AND LIABILITIES

The accounting policy for deferred tax assets and liabilities is included in 'Income tax expenses' (see Note 9.14).
The following table shows deferred tax recorded in the statement of financial position and changes recorded in the income statement as tax expense or statement of comprehensive income.

(in thousands, €)

	Total
Balance as 31 December 2019	
Assets	1,826
Liabilities	(2,748)
Total	(922)
Balance as 31 December 2020	
Assets	109
Liabilities	(1,536)
Total	**(1,427)**

Specification deferred tax assets	Movement		Total
Balance at 1 January 2019			**118**
Property, plant and equipment	P&L		(37)
Other intangible assets	P&L		-
Deferred income and accrued expenses	P&L		-
Provisions	P&L		6
Other Liabilities	P&L		1,739
Balance at 31 December 2019			**1,826**
Property, plant and equipment	P&L	P&L	(5)
Other intangible assets	P&L	P&L	-
Provisions	P&L	P&L	(27)
Tax loss carry forward	P&L	P&L	-
Other Liabilities	P&L		(1,685)
Balance at 31 December 2020			**109**
Gross deferred tax assets as at the end of period			471
Cumulative write down as at the end of period			(361)
Deferred tax assets as at the end of period			**109**

Specification deferred tax liabilities	Movement	Total
Balance at 1 January 2019		**(3,414)**
Investments	P&L	2,016
Property, plant and equipment	P&L	(1,415)
Other intangible assets	P&L	(29)
Accrued income and deferred charges	P&L	-
Other	P&L	94
Balance at 31 December 2019		**(2,748)**
Investments	P&L	-
Property, plant and equipment	P&L	1,360
Other intangible assets	P&L	(76)
Accrued income and deferred charges	P&L	(72)
Other		-
Balance at 31 December 2020		**(1,536)**

The total decrease of the deferred tax assets was € 1.7 million in 2020 and the total decrease of the deferred tax liabilities was € 1.2 million in 2020. Therefore, the total decrease in the net deferred tax assets was EUR 0.5 million. At the start of 2020, ICS had a position regarding the right of use assets for buildings and the parking lots in the Netherlands, which resulted in a deferred tax liability position. On the other side, and at the start of 2020, ICS had lease liabilities in this regard, which resulted in a deferred tax assets position. The agreement to use these buildings and the related liabilities ended during 2020, and ICS has relocated. ICS makes use of housing and related services at this new location and is rebilled by the parent company for these services (see Note 9.12 rebilling expenses).

The decrease in the deferred tax asset is visible in the amount of € 1.7 million and is specified under other liabilities. The decrease in the deferred tax liabilities is also visible in the amount of € 1.4 million recognised under property, plant and equipment. Furthermore, there was a decrease of € 0.2 million in the net deferred tax assets.

The Dutch deferred tax assets do not relate to Dutch carry forward losses. ICS is part of the fiscal unity of its parent company.

Tax losses do not expire under current German tax legislation and the position is settled directly with the German tax authorities. However, under IAS 12 a deferred tax asset should be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be offset.

Critical accounting judgements, estimates and assumptions

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be offset. Although tax losses can be offset indefinitely in Germany, judgement is required to determine the amount of deferred tax assets to be recognised, based on the probable timing and level of future taxable profits, together with future tax-planning strategies.

9.24 Due to customers

ACCOUNTING POLICY FOR DUE TO BANKS AND CUSTOMERS

Amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to present the effective interest rate of the instrument.

Due to customers for the years ended 31 December 2019 and 2020 is specified in the following table.

(in thousands, €)

	Average interest rate 2020	Year of maturity	31 December 2020	31 December 2019
Demand deposits	0,06%	on demand	302,301	266.908
Time deposits	0,01%	1–3 months	46,111	45.422
Balance at the end of period			**348,411**	**312,330**

Demand deposits due to customers include customer balances on both consumer and commercial credit cards. In 2020 the commercial deposits which contain € 46 million of collateral (2019: € 45 million) are classified as time deposits instead of demand deposits, because the term in which the client can withdraw their posted collateral is roughly between 1 and 3 months. Therefore, this collateral cannot be classified as a demand deposit.

9.25 Due to banks

ACCOUNTING POLICY FOR DUE TO BANKS

The accounting policy for due to banks is included in ‘Due to customers’ (see Note 9.24).
Due to banks for the years ended 31 December 2019 and 2020 is specified in the following table.

(in thousands,€)

	Average interest rate 2020	Year of maturity	31 December 2020	31 December 2019
Time deposits - credit institutions - short-term	-0.43%	2020	567,154	702,170
Time deposits - credit institutions - long term	-0.20%	2022	401,078	503,891
Other deposits - credit institutions - short-term	0.00%	on demand	390	382
Demand deposits - credit institutions	0.00%	on demand	-	-
Balance at the end of period			**968,623**	**1,206,443**

Funding is obtained from ABN AMRO Bank by means of cash loans (time deposits). Time deposits are based on a mix of fixed

9.26 Other liabilities

Other liabilities for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	31 December 2020	31 December 2019
Accrued fees and charges	26,038	26,597
Accounts payable and sundry creditors	23,180	72,172
Lease liabilities	1,389	9,224
Balance at the end of period	50,608	107,993

Accounts payable and sundry creditors include amounts to be settled with Visa and Mastercard and have decreased by € 49 million compared to 2019. At year-end 2019 there was a backlog and as a result the settled amounts were not yet processed in the accounts, leading to a high outstanding balance of accounts payable. Lease liabilities decreased significantly mainly due to the relocation of ICS, which resulted in the derecognition of the right of use assets (buildings & parking lots) and the corresponding lease liabilities.

LEASE LIABILITIES

The maturity table for the undiscounted lease liabilities is shown below:

(in thousands, €)

Lease liabilities Maturity analysis	**31 December 2020**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	233
One to five years	489
More than five years	783
Total undiscounted cash flow	**1,506**

9.27 Provisions

ACCOUNTING POLICY FOR PROVISIONS

A provision is recognised in the balance sheet when ICS has a present obligation (legal or constructive) as a result of a past event, and it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a trustworthy estimate can be made of the amount of the obligation. When the effect of the time value of money is material, ICS determines the level of provision by discounting the expected future cash flows at a pre-tax rate reflecting current market rates and, where appropriate, the risks specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ICS has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for.

Provisions for the years ended 31 December 2019 and 2020 are specified in the following table.

(in thousands, €)

	31 December 2020	**31 December 2019**
Provision for expected credit loss on loan commitments and guarantees	3,835	3,627
Provision for legal matters	25,461	32,520
Provision restructuring staff	8,946	8,946
Provision jubilee	691	781
Provision holiday rights	1,309	971
Provision other	119	778
Balance at the end of period	**40,361**	**47,623**

ICS VISA MasterCard INTERNATIONAL CARD SERVICES

(in thousands, €)

	Consumer loans	Legal	Restructuring	Jubilee	Holiday rights	Other	Total
Balance at 1 January 2019	3,999	55,290	22.865	999	971	209	84,333
Additions	616	8,075	-	24	-	3,822	12,537
Withdrawals	(988)	(19,145)	(13,919)	(242)	-	(3,253)	(37,547)
Release of unused provisions	-	(11,700)	-	-	-	-	(11,700)
Balance at 31 December 2019	3,627	32.520	8,946	781	971	778	47,623
Balance 1 January 2020	3,627	32,520	8,946	781	971	778	47.623
Additions	208	9,341	-	-	338	-	9.887
Withdrawals	-	(16,105)	-	(90)	-	(660)	(16,855)
Release of unused provisions	-	(294)	-	-	-	-	(294)
Balance at 31 December 2020	3,835	25,462	8,946	691	1,309	118	40,361

PROVISION EXPECTED CREDIT LOSS ON LOAN COMMITMENTS AND FINANCIAL GUARANTEES

ICS formed a provision for loan commitments and financial guarantees. At year-end, this provision amounted to € 3.8 million (2019 € 3.6 million).

RESTRUCTURING PROVISION

This provision amounted to € 8.9 million at 31 December 2020. ICS will complete its restructuring in 2023 when a new IT platform will be in place.

JUBILEE AND HOLIDAY PROVISIONS

The jubilee provision is formed to compensate for expected future jubilee payments to staff.
The provision for holiday entitlements is formed for holiday entitlements and holiday allowances accrued.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

ICS is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome. ICS does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, ICS takes account of a number of factors including legal advice, the stage of each case and historical evidence from similar incidents. Significant judgement is required to arrive at these estimates. Provisions for litigation are based on best estimates available at year-end.

9.28 Maturity analysis of assets and liabilities

(in thousands, €)

	Up to 1 month	Between 1 - 3 months	Between 3 - 6 months	Between 6 - 12 months	More than 1 year	Total
Assets						
Cash and balances at central banks	231.863	-	-	-	-	231.863
Loans to banks	390.295	342.397	-	-	-	732.692
Loans to customers	305.426	18.264	27.396	54.791	246.009	651.886
Investments	(0)	-	-	-	25.879	25.879
Property and equipment	192	-	724	-	1.711	2.627
Intangible assets	0	-	-	-	1.452	1.452
Deferred company tax assets	(0)	-	-	-	109	109
Other assets	33.229	11.979	-	-	443	45.651
Total assets	**961.004**	**372.640**	**28.120**	**54.791**	**275.603**	**1.692.159**
Liabilities						
Due to banks	110.588	221.565	268.679	73.558	294.233	968.623
Due to customers	302.300	46.111	-	-	-	348.411
Current company tax liabilities	(0)	21	-	-	278	299
Deferred company tax liabilities	-	-	-	-	1.536	1.536
Provisions	-	-	-	-	40.361	40.361
Other liabilities	18.674	5.222	21.745	-	4.967	50.608
Total liabilities	**431.562**	**272.919**	**290.424**	**73.558**	**341.375**	**1.409.838**
Net	**529.442**	**99.721**	**(262.304)**	**(18.767)**	**(65.772)**	**282.321**

9.29 Related parties

Parties related to ICS B.V. with significant influence include STAK NLFI (the Dutch State), STAK AAG, ABN AMRO Bank N.V., the Statutory Board of Directors and the Supervisory Board. ICS has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

Based on article 403 of the Dutch Civil Code, ABN AMRO Bank N.V. is liable for ICS' liabilities, by depositing a declaration in favour of ICS. ABN AMRO Bank N.V. finances all activities of ICS at 31 December 2020 at arm's length.

The following table specifies the reconciliation of transactions and positions between ICS and ABN AMRO Bank N.V. (excluding the tax position as allocated by ABN AMRO Bank N.V.).

(in thousands, €)

	2020	2019
Income statement		
Interest income	6,736	7,028
Interest expense	(1,600)	(1,289)
Rebilling	(5,858)	(1,572)
Fee and commission expense	(2,822)	(2,573)
Balance sheet (at end of period)		
Due from banks	702,699	681,560
Other assets	-	-
Due to banks	(968,622)	(1.206,443)
Other liabilities	-	(60)

9.30 Compensation of key management personnel

STATUTORY BOARD OF DIRECTORS

Key management personnel are those individuals who have authority and responsibility for planning and exercising power to control the activities of ICS and its employees directly or indirectly. ICS considers the members of the Statutory Board of Directors to be key management personnel for the purposes of IAS 24 Related Party Disclosures. The following table provides a breakdown of the remuneration.

(in thousands, €)

	2020	2019
Short-term employee benefits	911	771
Post-employment pension (defined contribution)	47	70
Total	**958**	**841**

In the year ended on 31 December 2020, the Statutory Board of Directors consisted of four statutory directors (CEO, CFO, CRO and CCO).

ICS does not operate a share incentive scheme. Accordingly, there were no options granted to the Statutory Board of Directors either in 2020 or 2019. ICS' statutory board members are not granted any form of variable compensation.

Supervisory Board

One member is employed by ABN AMRO Bank N.V. but is not remunerated for acting as a Supervisory Board member.
The other members are remunerated by ICS.

9.31 Commitment and contingent liabilities

OFF-BALANCE SHEET OBLIGATIONS

The undrawn amount of limits issued to cardholders in 2020 amounted to € 7.4 billion (2019: € 7.6 billion). This amount includes ICS Netherlands and ICS Germany. The undrawn limits are revocable at ICS' discretion. ICS also has multiple (IT-related) contracts. The total financial obligation amounts to € 42 million, € 18 million of which expires within one year.

The total contingent liabilities can be specified as follows:

• Less than one year	€ 18 million
• Between one and five years	€ 24 million
• More than five years	€ - million

OFF-BALANCE SHEET RIGHTS

Bank guarantees provided by ABN AMRO Bank N.V. amounted to € 0.2 million in 2020 (2019: € 0.4 million). These guarantees relate to the lease agreements.

VARIABLE INTEREST RATE COMPLAINTS FOR CONSUMER LOANS

The alternative dispute resolution body Kifid has given rulings on contractual terms that give credit providers the unconditional right to change the variable interest rate of loans provided to consumers (spread payments and revolving credit). In short, Kifid ruled that if the contractualterm does not specify the grounds for changing the interest rate, the customer may expect the only relevant circumstances that can play a role in changing the interest rate to be market developments. As a result, the difference between the contractual rate and the average market rate is set at the moment the contract is entered into. From then on, the contractual rate should follow movements of the average market rate. In order to establish whether the credit provider followed market developments, Kifid compares the course of the contractual interest rate with certain average interest rates published by Statistics Netherlands and the Dutch Central Bank. In the event of deviations, it could lead to a possible repayment of the difference by the credit provider.

ICS has received similar complaints from customers. At this stage, ICS considers the potential outflow resulting from these Kifid complaints not material. ICS notes that its parent company ABN AMRO has engaged in exploratory talks with the Dutch consumers' association (Consumentenbond Claimservice) on this matter in which certain ICS products will be addressed. In addition, ICS notes that its parent company ABN AMRO does not agree with the current rulings of Kifid on this matter and therefore considers taking several complaints cases to the civil courts. ICS cannot give a reliable estimate of the (potentially substantial) total financial risk of the contingent liabilities because it is unclear what the exact scope of the verdict is and whether the verdict will have a certain knock-on effect on any other ICS offering.

AUTORITEIT CONSUMENT EN MARKT (ACM)

ACM is currently conducting investigations regarding the fees paid out between issuers (amongst others ICS) and co-branders. ACM suspects the fees paid out by ICS to violate articles 4 and/or 5 of the interchange fee regulation (EU) 2015/751. ICS has a different view and challenges this suspicion. The outcome is uncertain and might be finally assessed by the European Court of Justice, since this concerns European legislation.

AUTORITEIT PERSOONSGEGEVENS (AP)

AP is currently conducting an investigation regarding the process related to the execution of a Data Protection Impact Assessment, pursuant to article 35 of the Algemene Verordening Gegevensbescherming (AVG) and related rules and regulation. While ICS believes it has provided sound and supporting documentation to AP, the outcome of such investigation remains uncertain at this stage.

9.32 Licenses

ICS uses the following licenses:
International Card Services B.V. is Principal Member of Visa International.
International Card Services B.V. is Principal Member of Mastercard.
International Card Services B.V. has a full general banking licence (Financial Supervision Act).
No obligations other than periodic reporting and capital adequacy related to the licences exist. With regard to the banking licence, ICS is required to pay contributions to a fund of the Dutch Deposit Guarantee Scheme. If the fund is insufficient, the remaining costs will be apportioned among the banks in line with the present system. With effect from 1 October 2012, banks are required to pay bank tax. ICS is also required to contribute to the Single Resolution Fund.

9.33 Capital

ICS maintains an actively managed capital base to cover risks inherent in its business and meets the capital adequacy requirements of the local banking supervisor, the Dutch Central Bank. The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Dutch Central Bank in supervising ICS.

ICS complied fully with all its externally imposed capital requirements in the reporting period.

CAPITAL MANAGEMENT

The primary objectives of ICS' capital management policy are to ensure that ICS complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios to support its business and to maximise shareholder value. ICS manages and adjusts its capital structure according to changes in economic conditions and the risk characteristics of its activities.

To maintain or adjust its capital structure, ICS may adjust the amount of dividend paid to its shareholder, return capital to its shareholder or raise capital from its shareholder to cover a deficit.

No changes have been made to the objectives, policies, and processes from the previous years, apart from updating the Capital Management Policy to align this more closely with ABN AMRO's policy framework. Other objectives, policies and processes are subject to constant review by the Management Team.

9.34 Risk management, funding and capital management

CREDIT RISK

DEFINITION

Credit risk is the risk that the value and/or the earnings of ICS may decline due to uncertainty regarding the counterparty's ability or willingness to repay a loan or meet the terms of a contractual obligation. The potential maximum exposure to credit risk that ICS faces consists of the aforementioned outstanding balances due from customers plus unused credit facilities.

CREDIT RISK APPETITE

QUALITY OF NEW PRODUCTION

The quality of new production could be an indication of a potential shift in the quality of the total credit portfolio. This is measured by means of the bad rate. This rate is measured 12 months after application (charge cards, revolving credit (advances) and credit cards with spread payment facilities (SPF), and the account is checked for being in default (> 90 days past due, bankruptcy or fraud), on a quarterly basis.

EXPECTED LOSS/EXPOSURE AT DEFAULT & CREDIT RISK-WEIGHTED ASSETS

ICS monitors the quality of its credit portfolio by means of the level of expected loss and unexpected losses to the exposure at the moment of default. This ratio is forward-looking (IFRS 9) and through-the-cycle. The total amount of exposure to credit risk is additionally monitored by keeping track of the risk-weighted assets for credit risk.

RANGE OF PD DETERIORATION THRESHOLDS

If the LPD deterioration of an exposure is above a predefined threshold or the lifetime PD is significantly deteriorated, the exposure is transferred to stage 2 and impairment allowances equal to the lifetime expected credit loss are recognised. If the LPD deterioration subsequently reduces and falls below the threshold, the client is transferred back to stage 1. When determining the thresholds, ICS distinguishes between consumer loans and corporate loans.

Portfolio	Threshold
Consumer loans – credit cards	3.17
Corporate loans – credit cards	3.17

PAST DUE AND CREDIT LOSS ALLOWANCE

Loans at risk are primarily exposures for which there are signs indicating that the counterparty may become credit-impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and days-in-arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans.

PAST DUE

A financial asset is past due if a counterparty fails to make a payment on the contractual due date if the counterparty has exceeded an agreed limit or has a payment plan. ICS starts counting days past due from the first day that a counterparty is past due on any financial obligation.

ICS has different past due buckets for different stages. In general, stage 1 is ≤ 30 days past due, stage 2 is > 30 and < 90 days past due and stage 3 is > 90 days past due. A counterparty that is more than 90 days past due is in default.

INTERNATIONAL CARD SERVICES

ACCOUNTING MEASUREMENT

ICS recognises loss allowances based on the expected credit loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements apply to financial assets measured at amortised cost, loan commitments and financial guarantee contracts. These financial instruments are divided into three groups, depending on the stage of credit quality

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Performing (initial recognition)	**Credit risk deteriorated** (Assets with significant increase in credit risk sing initial recognition)	**Default - Impaired** (Credit impaired assets)
Recognition of ECL		
12 month ECL	Lifetime ECL	Lifetime ECL
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (gross carrying amount less loss allowancd)

STAGE TRIGGERS OF STAGES 1, 2 AND 3

We use quantitative and qualitative stage triggers to determine whether a financial instrument should be classified as stage 1, stage 2 or stage 3.

QUANTITATIVE STAGE TRIGGER

The key quantitative metric determining whether a financial instrument is transferred from stage 1 to stage 2 is the deterioration of the lifetime probability of default (LPD) from the date of origination to the reporting date, based on internal data.

The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on the credit risk drivers, such as days past due and the expected future developments in the economy, for example employment opportunities or financial crisis.

QUALITATIVE STAGE TRIGGERS

ICS transfers a financial instrument from stage 1 to stage 2 when the instrument is more than 30 days past due.

A transfer to stage 3 will always be the result of the default of a financial instrument. A default is considered to have occurred when one of the default triggers (bankruptcy or fraud) occurs. In addition, 90 days past due is used as a backstop for default. ICS has no other material qualitative stage triggers.

DEFAULT TRIGGER

A default is considered to have occurred when one of the default triggers (more than 90 days past due, bankruptcy or fraud) has occurred. The customer will then be directly transferred to stage 3. Furthermore, ICS does not modify loan conditions.

CALCULATION METHOD

The amount of expected credit loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on- and off-balance sheet exposures. ICS applies a distinction between two types of calculation methods for credit loss allowances:

- Collective 12-month ECL (stage 1) and LECL for (stage 2 and 3) financial instruments that have similar credit risk characteristics are clustered in portfolios and are collectively assessed for impairment. A collective impairment calculation approach, based on individual parameters, is also applied for exposures of less than € 3 million.

- ICS has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the collective 12-month ECL and LECL for these financial instruments. Whereas the credit loss allowance for these assets is determined collectively, the stage for each individual financial instrument is determined separately.

LIFETIME EXPECTED CREDIT LOSS

ICS defines the lifetime of credit as the maximum contractual period over which ICS is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

For all contracts, no end date is specified or amounts may be contractually withdrawn by the lender at short notice. In these cases, ICS uses behavioural maturity models that rely on historical customer behaviour, given that the exposure to credit losses may extend beyond the contractual period.

FORWARD-LOOKING INFORMATION

Three different scenarios for future economic developments are incorporated into the IFRS 9 expected credit loss calculation and risk stage determination in a probability-weighted manner (at 31 December 2020: baseline 50%, up 10%, down 40%). These scenarios are developed at least quarterly and reviewed at each reporting date. The 28 macroeconomic variables (including GDP, unemployment rate, housing price index, oil price and 3-month Euribor) are forecasted and used for the expected credit loss calculation and selected for each specific portfolio separately. The variables we use are based on statistical relevance and expert judgement. ICS has aligned its forward-looking scenarios with those used in the budgeting process. Specific forecasts of macroeconomic variables are made for two to three years, while subsequent periods gradually align to the long-term average.

MACROECONOMIC SCENARIOS AND SENSITIVITY

Over the past four quarters macroeconomic scenarios and sensitivity forecasts have been impacted by a less positive economic outlook, specifically owing to the Covid-19 pandemic, changes in the expectations regarding Brexit, the escalation of the trade war and the fact that interest rates will remain low for a lengthy period. ABN AMRO Group Economics accordingly adjusted its forecasts to reflect this less positive outlook during 2020. The weights in the scenario, which are reviewed quarterly, changed to 10%, 50% and 40% in the positive, baseline and negative scenarios respectively at the end of the year.

MACROECONOMIC SCENARIOS IN 2020

Scenario	Weight	Macroeconomic variable	2021	2022	2023	2024
Positive	10%	Real GDP Netherlands1	4.4%	4.3%	2.0%	1.7%
		Unemployment2	6.2%	6.2%	5.6%	4.8%
		House price index3	5.0%	3.0%	2.0%	3.0%
Baseline	50%	Real GDP Netherlands	3.0%	3.6%	2.3%	1.8%
		Unemployment	6.4%	7.9%	6.9%	6.1%
		House price index	0.0%	0.0%	2.0%	3.0%
Negative	40%	Real GDP Netherlands	0.7%	3.0%	1.0%	1.4%
		Unemployment	6.8%	8.4%	7.8%	6.8%
		House price index	3.0%	-5.0%	0.0%	3.0%

1 Real GDP Netherlands, % change year-on-year.
2 Unemployment Netherlands, % of labour force.
3 House price index Netherlands – average % change year-on-year

PAYMENT ARRANGEMENTS

ICS continuously measures its active customers in terms of ‘delayed’ payments. This methodology is used for all active customers. An obligation is considered ‘past due’ if a payment of interest or principal is more than one day late. ICS aims to help its customers as soon as they are past due by communicating (by e-mail, SMS, letter or outbound call) to remind them of their payment obligations. In its contact with the customer, ICS aims to solve (potential) financial difficulties by offering a payment arrangement. A payment arrangement is offered when a customer is 90 days past due. When a customer is 90 days past due, ICS will contact them to offer a payment arrangement. Under a payment arrangement, a customer has to pay a lower monthly amount for a longer repayment period. The customer relationship will be terminated once the customer has repaid the total outstanding balance. Payment arrangements currently offered do not result in loan modifications.

WRITE-OFF

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance, specifically if:

- the likelihood of debt repayment falls below a certain point (e.g. in the event of bankruptcy or a cash flow shortfall); or

- the financial asset reaches a certain stage of delinquency (e.g. if agreed terms are no longer complied with or the borrower has left ICS). Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment charges on loans and advances in the income statement. Within ICS, loans are written off after 385 days in arrears.

RECOVERY

When a loan is written off against the provision as mentioned, ICS has a special recovery process in place. ICS will always try to recover the amount that has been written off. This process may take years. The amount mentioned in Note 9.17 Impairments breakdown (€ 12.7 million) is still subject to activity in the recovery process.

(CASH) COLLATERAL

ICS has an integrated credit approval process for new customers. New customers not approved in this process still have an opportunity to obtain a credit facility.These commercial customers must deposit money in a blocked ICS account. The amount of the deposit is the maximum facility that can be used for the cardholder(s). ICS has no credit risk for these cardholders, for details of these deposits, see Note 9.24.

ICS has no (cash) collateral for stage 3 loans and advances.

CREDIT RISK MEASUREMENT

Until August 2020 the risk profile of the portfolio was categorised through application of the internal risk model that classified customers by their probability of default rating. The probability of default (PD) is the likelihood that a counterparty will default within a one-year time horizon and is expressed in an internal uniform counterparty rating (UCR), ranging from 1 to 8. A PD percentage was also attached to each UCR.

The internal rating only applied to customers in the main portfolio in the Netherlands, because information regarding the probability of default in such detail is not available for the Standardised (STD) Approach portfolios, German portfolio and the corporate (commercial) loans.
In early 2020, ICS was requested by the European Central Bank (ECB) to provide proof of regulatory approval to report under the advanced internal ratings-based (A-IRB) for solo purposes.

An investigation showed that ABN AMRO had received approval to report ICS' figures under the A-IRB approach for consolidated purposes only. ICS had not been given approval nor had it explicitly requested to report under the A-IRB approach for solo purposes. As per September 2020, ICS accordingly reports its total portfolio under the STD approach and applies the CRR risk weights to its exposures.

MAXIMUM CREDIT RISK EXPOSURE

The table below reflects ICS' maximum exposure to credit risk.

(in thousands, €)

	31 December 2020	31 December 2019
Assets		
Balances at central banks	231,863	233,692
Loans to banks	732,692	685,066
Loans to customers	651,886	976,340
Other Assets	45,651	-
Investments	25,879	47,418
Total assets	**1,687,971**	**1,942,516**
Liabilities		
Commitments and undrawn limits	7,426,411	7,550,059
Total liabilities and commitments	**7,426,411**	**7,550,059**
Total credit risk exposure	**9,114,382**	**9,492,575**

CREDIT RISK MITIGATION

ICS assesses credit risk applications on qualitative and quantitative aspects in detail before approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, information about the obligor and a financial and non-financial analysis. Credit decisions are based on independent assessment. The extent and limitations of the approval mandate of authorised persons and/or committees depends on the authority delegated to them.

To reduce credit risk on commercial loans and advances, ICS approves and issues limit requests based on either (external) credit insurance or collateral. The credit insurance covers 90% of the balance at default. Very limited collateral is received for consumer loans and advances.

CREDIT MONITORING

Monitoring activities are designed to safeguard ICS' positions in relation to all risks associated with the counterparty or portfolio. Monitoring allows ICS to identify any development in the counterparties or portfolio's position that might trigger an increase in its risk profile at an early stage. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral.

MARKET RISK DEFINITION

Market risk for ICS consists of the risk of movements in market variables, such as interest rates, stock prices and foreign exchange rates. Market risk either arises through positions in trading books or through the banking (non-trading) book positions.

MARKET RISK APPETITE

ICS has no appetite for risk in the trading book. ICS does not trade and has no intention to trade and is therefore not exposed to trading book-related risk. ICS has a low appetite for market risk in its banking book.

INTEREST-RATE RISK BANKING BOOK

For ICS, the main risk of the assets and liabilities in the banking book consist of interest-rate risk related to its credit portfolio. Interest-rate risk in the banking book is to a large extent transferred to the ABN AMRO Bank Asset and Liability Management (ALM) department via the funds transfer pricing framework. In this framework, ICS' assets and liabilities are matched to the extent that it is possible for ICS to take management actions in case divergence is detected. Consequently, no capital charge is directly accounted for in the Interest Rate Risk Banking Book (IRRBB), but an additional buffer is in place.

FOREIGN EXCHANGE RISK

ICS operates only within the European Union and therefore has limited foreign exchange (FX) risk exposure. Clearing and settlement of financial positions is performed on a daily basis in euros. Speculative positions are prohibited by policy and therefore not held. ICS has no disposal of derivative financial instruments. FX risk in the banking book is related to cardholder transactions. FX rates in the banking book are however settled with cardholders without any FX risk for ICS. FX risk in the trading book is related to holding strategic financial investments (Visa Inc. preferred class C shares) which are denoted in US dollars. There is therefore foreign exchange risk with respect to this investment (see Note 9.20). The ALM department of ABN AMRO is responsible for managing FX risk in relation to the capital adequacy positions.

MARKET RISK MEASUREMENT

ICS uses the standardised approach to calculate the capital charge for market risk. Interest-rate risk is the risk of losses in the economic value of equity or ICS' net interest income due to unfavourable yield curve developments.
Interest-rate risk arises from holding assets that have a longer average behavioural maturity than the liabilities. The overall objective of interest-rate risk management is to protect and stabilise current and future earnings as well as the economic value of equity. Interest-rate risk on the outstanding financial assets and liabilities is not hedged, as interest-rate risk at ICS is limited because most financial assets and liabilities are short-term or carry a variable interest rate. ICS covers most of its interest-rate risk by including a stipulation in its general terms and conditions that interest rates on credit advances on credit cards may be adjusted in line with developments in the capital market. Interest chargeable to customers is capped by legal limits. Since 1 January 2015, this rate has been 14%. In august 2020 the Dutch Government decided that the maximum charged interest rate will be decreased to 10%.
Time deposits relating to consumer credit due to ABN AMRO Bank N.V. have a fixed rate on a one-month basis.
Time deposits due from credit institutions are related to outstanding consumer savings. These deposits have a fixed rate on a one-month basis.

The following table provides more details concerning the most significant interest-bearing financial assets and liabilities.

	Notes	Average interest 2020	Maturity	Rate
Current accounts - credit institutions	9.15	-0,41%	Indefinite	Variable
Interest bearing deposits - credit institutions	9.15	0,97%	1 month	Fixed
Credit card interest bearing - customers	9.16	11,81%	Indefinite	Variable
Revolving loans - consumers	9.16	8,36%	Indefinite	Variable
Loans to financial institutions - Interest bearing	9.16	0,00%	1-7 days	Fixed
Time deposits - credit institutions - short term	9.25	-0,43%	1-3 months	Fixed
Time deposits - credit institutions - long term	9.25	-0,20%	3 years	Fixed
Demand deposits - customers	9.24	0,06%	Indefinite	Variable
Time deposits - customers	9.24	0,01%	1-3 months	Variable

MARKET RISK SENSITIVITY ANALYSES

The table below reflects ICS' sensitivity to the aforementioned market risks.

(in thousands, €)

	Interest rate risk				Foreign exchange risk				Other price risk			
	+100bp of IR		-100bp of IR		+1%		-1%		+3%	-3%		
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Interest result	1.456	-	(1.456)	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	198	-	-	(192)	-	-	-	-
Other price	-	-	-	-	-	-	-	-	582	-	(599)	-

The following assumptions apply:

- For interest rate risk a parallel market interest rate shift of 100 base points (bp) is assumed.
- For foreign exchange risk a currency shift of 1% is assumed.
- For other price risk (Visa Inc.) the stock market moves by 3%

MARKET RISK MITIGATION

As stated above, interest-rate risk in the banking book is mitigated by transferring this risk to the ABN AMRO ALM department via the funds transfer pricing framework. The risk related to FX rates in the banking book is also mitigated by means of settlements with cardholders without any FX risk for ICS. The FX risk in the trading book related to holding strategic financial investments (Visa Inc. preferred class C shares) which are denoted in US dollars, is not specifically managed or mitigated and the residual risk is identified as an accepted risk.

LIQUIDITY RISK DEFINITION

Liquidity risk is the risk that actual and potential payments cannot be met on a timely basis, or only at excessive costs. Liquidity risk is the risk of not being able to accommodate both expected and unexpected current and future cash outflows and collateral needs because insufficient cash is available.

LIQUIDITY RISK MANAGEMENT FRAMEWORK

Liquidity risk management is integrated into the Enterprise Risk Management (ERM) framework of ICS. Liquidity risk is identified as a main risk category for ICS. ICS also has a liquidity risk management framework in place that helps maintain a moderate risk profile and safeguards ICS' reputation from a liquidity perspective in line with ABN AMRO's moderate liquidity risk appetite, and as a result of its strategic position oriented towards credit card activities. This framework ensures that the bank can meet its payment obligations at reasonable cost even under severely adverse conditions. ICS has formulated a set of liquidity risk metrics and limits to manage its liquidity position and ensure compliance with regulatory requirements at all times. A primary objective of the ICS liquidity risk management framework is to ensure that ICS is able to address its daily liquidity obligations and withstand a period of liquidity stress affecting funding.

LIQUIDITY RISK APPETITE

Liquidity risk tolerance for ICS is regularly reviewed and approved by the Asset and Liability Committee (ALCO) and through the Enterprise Risk Committee (ERC) in accordance with the Local Risk Appetite Statement (LRAS). The LRAS articulates ICS' appetite for liquidity risk and tolerances as deemed appropriate to the nature, scale and complexity of ICS' operations. The LRAS is aligned with the ABN AMRO Bank-wide Risk Appetite Statement and the Business line Risk Appetite Statements (BRAS) of ABN AMRO and is consistent with the overall moderate risk profile of ABN AMRO. The LRAS of ICS was approved in 2019 by the ERC and the Business Risk Committee Retail of ABN AMRO. The internally approved Key Risk Indicators (KRIs) that are applicable and used for liquidity risk management purposes are:

Liquidity Coverage Ratio (Delegated Act)	Limit ≤ 105%; checkpoint ≤ 110%
Net Stable Funding Ratio	Limit ≤ 100%; checkpoint ≤ 105%

CONTINGENCY PLANNING

ICS has a Contingency Funding Plan (CFP) in place. The CFP provides a set of strategies for addressing potential liquidity shortfalls in emergency situations.In addition, the CFP describes the various roles and responsibilities, contact details of members of the Liquidity Contingency Team (LCT), including delegates, and describes the decision-making process. he Liquidity Contingency Team is established and will become active in a liquidity contingency situation. ICS has defined several indicators to enable identification of a contingency situation at an early stage based on the daily monitoring of early warning indicators.

LIQUIDITY BUFFER MANAGEMENT

Liquidity buffer management is aimed at providing a cushion for the organisation if the markets or ICS in particular come under severe stress. The buffer acts as a counterbalancing capacity in stress situations to compensate for unforeseen cash outflows or reduced cash inflows during a specific time period in order to meet obligations on a timely basis. The liquidity buffer(s) consist of deposits at the Dutch Central Bank (DNB). The survival period and the related liquidity buffer do not supersede or replace other measures taken to manage the net funding gap and funding sources. The survival period is therefore only intended to be the period during which ICS can continue operating without needing to generate additional funds and continue to meet all its payments due under the assumed stress scenarios. ICS manages the liquidity buffer to be able to survive for a minimum of 30 days during a significant stress scenario. ICS also challenges the buffer during the local liquidity stress test by means of various stress scenarios in which ICS aims for a survival period of 12 months under severe market conditions.

LIQUIDITY RATIOS

The Basel III framework includes two liquidity ratios: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with stable sources of funding on an ongoing basis. The regulatory minimum requirement for the LCR is 100% and is 100% for the NSFR under Basel III/CRD IV. The LCR remained above 100% during 2020.

NET STABLE FUNDING RATIO

ICS was compliant with the liquidity requirements of the Net Stable Funding Ratio (100%) during 2020. NSFR monitoring involves monthly calculation of the ratio, a forecast NSFR (horizon of 3 months and a forecast until the end of the year) and a monthly analysis of the variations. The required liquidity buffer of ICS is to a large extent predictable as result of its stable business model. The seasonal effect is recurring and for that reason an adequate buffer can be anticipated in time.

FUNDING

ABN AMRO Bank N.V. is ICS' main source of funding. In September 2018, ICS entered into an open-ended Facility Agreement (FA) limited to € 1.62 billion (2019 € 1.62 billion). During 2020, ICS submitted a request to reduce this intercompany funding facility. The revision of the facility limit was completed in 2021. ICS does not obtain funding from any other banks, which is in accordance with ABN AMRO Group policy.

The concentration of funding of the loan book could be a potential risk to ICS but is an integral part of the central funding model of ABN AMRO. This dependence on the funding from ABN AMRO cannot be negated by ICS. For the purpose of mitigation, ICS monitors the credit rating of ABN AMRO on a daily basis.

ICS' funding strategy aims to optimise funding sources in order to maintain the targeted funding position. ICS' funding plan is periodically calibrated taking into account local needs as well as local constraints. The funding strategy is implemented taking account of the following guidelines:

- Long- and short-term funding; defining the optimum balance between long- and short-term funding.
- Setting the framework for the maturity profile.

DIVIDEND POLICY

ICS' dividend policy takes account of issues such as current and pending regulatory capital requirements, its risk profile, growth in commercial activities and market factors. The dividend distribution is set in the light of ICS' moderate risk profile and regulatory changes.

CONTRACTUAL AND BEHAVIOURAL MATURITY CALENDAR

The maturity mismatch between loans and funding requires liquidity risk management. We consider maturity transformation an integral part of our business model, which is why we closely monitor our liquidity position and the resulting risks.

The reporting department reports a contractual and behavioural maturity calendar to the ALCO on a monthly basis, in order to assess and monitor the current and possible future liquidity position. This calendar takes account of the maturity structure of the various relevant assets and liabilities in the statement of financial position. The main goals of the contractual and behavioural maturity calendar are to:

- Provide insight into behavioural liquidity maturity mismatches;
- Improve management of funding needs;
- Use cash flow information to determine the volume of the liquidity buffer.

Based on the analysis at 31 December 2020, both the contractual and behavioural maturity are forecast to generate positive cumulative net cash flows, which supports the conclusion that ICS' funding and liquidity structure is adequate.

MATURITY BASED ON CONTRACTUAL UNDISCOUNTED CASHFLOWS

The table below provides a breakdown of the above liquidity profile of the financial liabilities of ICS at year-end 2020.

(in thousands, €)

Maturity based on contractual undiscounted cash flows 2020

	On Demand	Up to one month	Between one and three months	Between three months and one year	Between one and 5 year	More than five years	Not determined	Total
Liabilities								
Due to customers	302,301	-	46,111	-	-	-	-	348,411
Due to banks	-	110,587	221,565	342,237	294,233	-	-	968,623
Other liabilities	4,559	18,606	5,222	21,813	408	-	-	50,608
Shareholders' equity	-	-	-	-	-	-	282,321	282,321
Total Equity and liabilities	**306,860**	**129,193**	**272,898**	**364,050**	**294,641**	**-**	**282,321**	**1,649,963**

OPERATIONAL RISK

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, persons and systems or from external events. The risk management department monitors operational risks. The significant areas of operational risk for ICS are:

COMPLIANCE & CONDUCT RISK

ICS aims to comply with the relevant legislation and regulations and takes account of reasonable expectations on the part of society. Products offered by the bank are acceptable solely if they meet customer interests, comply with relevant legislation and regulations (in both wording and spirit), are transparent and do not contravene the intention of regulations.

ICS manages compliance and conduct risk by monitoring key risk indicators and auditing control measures.

INFORMATION SECURITY RISK

Customers depend on the appropriate performance and security of information from ICS' information systems. ICS has accordingly adopted a structured information security approach that provides assurance with respect to the confidentiality, integrity and availability of information.

In order to mitigate IT information security risks, ICS has designed an Operational Control Framework in line with the ISO27001 standard for information security. his results in regular 1st and 2nd line monitoring and reporting of these controls. ICS established a department that specialises in IT information security risk to further control these risks (Information Risk & Security).

The ISO27001 standard and the ICS control framework also cover IT outsourcing risk. ICS has established a specialised procurement department that supports the business in the procurement and contracting process. The Risk department and the procurement department moreover initiated a project to further establish the use of risk assessments for (cloud) outsourcing projects in 2017.

FRAUD RISK

The Fraud Risk Management department is responsible for the prevention and detection of credit card fraud (involving, for example, web account takeovers, internet fraud and phishing). Card Not Present fraud (online fraud) is expected to continue to be the biggest fraud risk category in the near future. ICS ultimately recovered 84.2% of gross fraud losses in 2020 (76.4% in 2019). ICS continues to focus on reducing operational losses related to fraud.

BUSINESS CONTINUITY RISK

ICS safeguards its stakeholders' interests and the organisation's reputation, brand and value-added activities. ICS' Business Continuity Management (BCM) provides assurances for resilience in the form of the response given by the Crisis Management Team (CMT) in the event of threats. The ICS BCM Policy and Standards are based on the Principles for BCM requirements for the Dutch financial sector and its providers and the ISO22301 standard. The BCM practices include IT disaster recovery tests to reduce the IT risk of the organisation.

OPERATIONAL RISK MITIGATION

ICS has an operational risk management framework in place. This framework relates to the following operational risks and risk management activities.

RISK EVENT MANAGEMENT

ICS seeks to minimise the risk of unforeseen operational failures within our business and in our suppliers and service providers. ICS has a Risk Event Management (REM) process in place to record, track and monitor operational failures. High-impact events will be discussed in the Enterprise Risk Committee as well.

BUSINESS CONTINUITY MANAGEMENT

ICS has implemented Business Continuity Management (BCM) to ensure that ICS is able to continue to manage its business and operations under adverse conditions.

STRATEGIC RISK ASSESSMENT

ICS has implemented a Strategic Risk Assessment (SRA) process in order to assess the risk associated with set strategic objectives in conjunction with related mitigating measures. The SRA is intended for a strategic/tactical level with a time horizon of one year as step-up for the subsequent years, which is often documented in a strategy/business plan covering change and business-as-usual objectives.

CHANGE RISK ASSESSMENT

ICS has implemented a Change Risk Assessment (CRA) process in order to assess risk associated to significant changes arising from proposals for new or changed products, processes, activities, systems/IT and organisational structures.

RISK CONTROL SELF-ASSESSMENT (RCSA)

ICS has a Risk and Control Self-Assessment (RCSA) process in place to identify, assess, and mitigate operational risks. Identification of risks, the assessment of the probability and impact of occurrence and the determination of controls to mitigate risks to acceptable levels is paramount in achieving ICS' business objectives.

MONITORING CONTROL & TESTING

Monitoring Control & Testing is a periodic process that focuses on key controls and requires demonstrable evidence on the operational effectiveness of these key controls as identified in the RCSA process. Identified weaknesses must be remedied in accordance with the obligatory action plan. The outcomes of MC&T are used as input for the RCSA process.

BUSINESS RISK

Business risk refers to the risk that earnings may decline and/or vary from forecasts due to uncertainties in relation to income or the expenses incurred in generating income. ICS monitors its cost-to-income ratio.

9.35 Post-balance sheet Events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

9.36 Profit appropriation

The reported annual profit amounts to € 2.3 million. Management Team decided to add the total profit of 2020 to the other reserve.

9.37 approval of annual financial statements by Supervisory Board

The Supervisory Board approved these Financial Statements on 21 May 2021. The Annual Financial Statements will be adopted by the General Meeting of Shareholders.

For the Managing Board

M.M.W. Koot
C. Weeda-Hoogstad
R.P.A. de Jong
G.K. Mac Donald

For the Supervisory Board

J.G. ter Avest
E.E. Kostelijk
J. Speksnijder
G. van Berne

10. OTHER INFORMATION

INTERNATIONAL CARD SERVICES

10.1 Statutory rights for profit appropriation

Profit appropriation is at the discretion of the General Meeting of Shareholders, subject to solvency requirements.

10.2 Definitions of important terms

• AACF
Refers to ABN AMRO Consumer Finance B.V., a former subsidiary of ABN AMRO Group.

• AAB or ABN AMRO Bank
Refers to ABN AMRO Bank N.V. and its consolidated subsidiaries. Sole shareholder of AAB.

• ICS or the Company
Refers to International Card Services B.V. including its branches and participations. Based in Diemen, the Netherlands.

• ICS Germany
Refers to the German branch of International Card Services B.V. based in Düsseldorf, Germany.
ICS Netherlands

• Refers to solely to International Card Services B.V. (branches not included) based in Diemen, the Netherlands.
WIN

• Refers to Wireless Interactive & NFC Accelerator 2013 B.V., a 10% minority interest of ICS based in Amsterdam, the Netherlands.

10. OTHER INFORMATION

10.3 Approval Supervisory board

The Supervisory Board approved these Annual Financial Statement on 18 may 2021. The Annual Financial Statement will be adopted by the General Meeting of Shareholders.

For the Managing Board:
Ms C.M. Dumas
Mr S.L. van der Bijl
Mr. J.P. Kolk

For the Supervisory Board:
Mr. J.G. ter Avest
Ms. L.M.R. Vanbockrijck
Mr. D. Reitsma
Mr. P.J. Scholten

11. INDEPENDENT AUDITORS REPORT

To: the shareholder and supervisory board of International Card Services B.V.

Report on the audit of the financial statements 2020 included in the annual report

OUR OPINION

We have audited the financial statements 2020 of International Card Services B.V. (hereinafter: ''ICS''), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ICS as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The company statement of financial position as at 31 December 2020
- The following statements for 2020: the company income statement, the company statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of ICS in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

OUR UNDERSTANDING OF THE BUSINESS

ICS offers card services primarily in the Netherlands and Germany. ICS is engaged in issuing, promoting, administering and processing Visa and Mastercard credit cards. Furthermore, ICS offers its customers various financial services such as insurance and revolving loans, which are integral part of its operational activities. We paid specific attention in our audit to a number of areas driven by ICS its operations and our risk assessment. We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In 2020 we were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality	€4.2 million (2019: €4.1 million)
Benchmark applied	1.5% of total equity (2019: 5% of profit before taxation (excluding one-off related to the addition to the provision for legal matters)
Explanation	Based on our professional judgment, a benchmark of 1.5% of total equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of ICS. Last year's materiality was based on profit before taxation, excluding the one-off result relating to the provision for legal matters. Due to the financial performance of ICS in 2020, we considered profit before taxation no longer to be an appropriate benchmark. The benchmark of 1.5% of total equity provides a similar materiality (amount) as in previous years.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. We agreed with the supervisory board that misstatements in excess of €212 thousand which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

TEAMING AND USE OF SPECIALISTS

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the banking industry. We included specialists in the areas of IT audit, , income taxes and modelling specialist

Our focus on fraud and non-compliance with laws and regulations

OUR RESPONSIBILITY

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for ICS that may have a material effect on the financial statements.

OUR AUDIT RESPONSE RELATED TO FRAUD RISKS

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the ICS' internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and risk management) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, supply chain challenges, and possible bias on the part of the board of directors that may represent a risk of material misstatement related to accounting estimates.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for bias on the part of the board of directors in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 9.4 to the financial statements. We have also used data analysis to identify and address high-risk journal entries. Our audit procedures to address the assessed fraud risks did not result in a specific key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to possible bias on the part of the board of directors related to accounting estimates in the description of our audit approach for the key audit matter on impairment allowances for loans and advances customers.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

OUR AUDIT RESPONSE RELATED TO RISKS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether ICS has a process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, ICS implemented remediation plans. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We make reference to the key audit matters on provisions for legal claims and compliance matters and on the investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism.

GOING CONCERN

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the board of directors' use of the going concern basis of accounting. The board of directors made a specific assessment of ICS' ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with the board of directors exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by the board of directors to make the assessment, bias on the part of the board of directors that could represent a risk, the impact of current events (including the COVID-19 pandemic) and conditions have on ICS' operations and forecasted cash flows, with a focus on whether ICS will have sufficient liquidity to continue to meet its obligations as they fall due. We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ICS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause a company to cease to continue as a going concern.

GENERAL AUDIT PROCEDURES

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison with previous year, our key audit matters did not change.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT ALLOWANCES FOR LOANS TO CUSTOMERS RISK

At 31 December 2020, the loans to customers amounted to € 651.9 million with an associated allowance for impairment loss amounting to € 12.7 million.

ICS's assessment of significant increase in credit risk, correct stage classification and the determination of the loan impairment allowance is part of the risk estimation process, and requires significant management judgment. Key judgments include the measurement of (deteriorated) credit risks and defaulted loans and advances, modelling assumptions used to build the models that calculate the expected credit losses per stage, assumptions used to estimate the impact of multiple economic scenarios and post model management adjustments.

As the loans to customers and the associated allowance for impairment loss are material to ICS's financial position and result and due to the high estimation uncertainty on the loan impairment allowance, we consider this a key audit matter for our audit.

The provision for loan losses for lending is disclosed in note 9.17 Loans and advances - customers of the annual financial statements. Related credit risk disclosures are included in note 9.34 Risk management.

OUR AUDIT APPROACH

We have evaluated the design and tested operating effectiveness of the controls within the collection and risk management processes, including monitoring of arrears and the period end estimation process for determining impairment allowances including the governance over the collective provisioning.

We challenged, supported by our specialists, the model based assumptions underlying the impairment identification and quantification including the impact of Covid-19 and including ICS' model development and validation processes outsourced to ABN AMRO Bank N.V. We performed substantive and analytical procedures over data, models, impairment calculation and management overlays.

Finally, we evaluated whether the disclosures are accurate and in compliance with EU-IFRS requirements.

KEY OBSERVATIONS

Based on our procedures performed, we consider the allowance for impairment loss reasonable.

INFORMATION TECHNOLOGY RISK

ICS is dependent on their IT infrastructure for the continuity and reliability of their business processes including financial reporting. This also includes the outsourced IT infrastructure. ICS continuously makes investments to further improve the IT environment and IT systems.

Additional IT challenges such as increasing data granularity in financial and regulatory reporting requirements urge for high quality data and an adequate IT environment. We therefore consider this as a key audit matter.

Please refer to the operational risk section in note 9.34 Risk Management, Funding and Capital Management.

OUR AUDIT APPROACH

We evaluated the reliability and continuity of electronic data processing to the extent necessary within the scope of the audit of the financial statements. In addition, our audit procedures consisted of assessing the developments in the IT infrastructure and analyzing the impact on the IT organization.

We obtained an understanding of the IT organization and developments in the IT infrastructure to analyze the impact on the ICS' processes.

We tested the IT general controls related to logical access and change management and application controls relied upon for financial reporting and embedded in ICS' key processes. In some areas we performed additional procedures on access management and related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from Covid-19, ongoing internal restructuring initiatives or from external factors such as reporting requirements.

KEY OBSERVATIONS

For the purpose of our audit of the financial statements we found the reliability and continuity of the information technology adequate.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report, consisting of the report of the statutory board of directors, risk management and outlook 2021
- The report of the supervisory board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Introduction, Regulatory environment and Governance

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS ENGAGEMENT

We were engaged by the Supervisory Board as auditor of ICS on 24 January 2017, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the board of directors and the supervisory board for the financial statements
The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the

financial statements that are free from material misstatement, whether due to fraud or error. As part of the preparation of the financial statements, the board of directors is responsible for assessing ICS's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate ICS or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on ICS's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing ICS's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

COMMUNICATION

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the risk & audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters:
those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 21 May 2021

Ernst & Young Accountants LLP

Signed by P.J.A.J. Nijssen