International Card Services

International Card Services B.V.

Annual Report

For the year ending on
31 December 2023

International Card Services

Content

In this report, we look back over the financial performance of International Card Services B.V. (ICS) in 2023 and consider future developments, in 2024 and beyond. We describe how we create value for our stakeholders, not just as a bank and payment services provider, but also from the perspective of an employer and our role in society. We describe our purpose, vision and mission, our strategy, our activities, and our financial and non-financial results for 2023, in accordance with legal requirements.

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Introduction

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1.1 FOREWORD CEO

It is with mixed feelings that I look back on my first year as CEO of ICS. It was a difficult and financially disappointing year. We ended with a negative financial result, mainly due to a one-off write-off for variable interest compensation. In spite of our results I am pleased with our loyal customer base with increasing card usage and our good customer service, which resulted in a high Net Promoter Score (NPS).

GOVERNANCE

2023 was a turbulent year in terms of governance. There were several unexpected changes in both the Supervisory Board and Board of Directors.

Ms. Jane Lobbrecht joined the Supervisory Board as from March 1st. On March 15th I was appointed as CEO, followed by the appointment of Ms. Martine Zwiers as CRO on May 1st. Ms. Corinne Weeda-Hoogstad left ICS with Mr. Jacob Ketelaar replacing her on an interim basis as CFO as from November 20th. I would like to thank ABN AMRO for their temporary support to the Management Board.

At the end of 2023 we started to change our organizational design, which aims to improve ownership and clear accountability. It was decided to strengthen the Board of Directors, by creating a new board position: Chief Products, Solutions & Control (PS&C). This position will focus mainly on taking better control in the area of product, policy and process and creates a clear separation between operations & policies.

Following his announcement in 2023 to step down, Mr. Jan Speksnijder resigned from the Supervisory Board as from March 1st 2024.

FINANCIAL

We reported a net result of -€20 million for 2023, as against -€27 million in 2022. The loss was caused mainly by a one-off reservation of €42 million for variable interest compensation to a number of our customers.

Underlying, our revenues increased due to higher spend on travel and entertainment. The rise in online purchases also led to increased credit card usage. Overall card spending increased 11% compared to 2022 to €9.6 billion. The average transaction amount remained the same. The number of cards grew by 1% to 2.689 million in 2023.

As in previous years and as part of the ICS strategy, we continue to see a decline in our lending income on the Spread Payment Facility (SPF) product. The outstanding interest-bearing loan amount fell to €198 million (2022: €246 million), a decrease of 19%. The winding down of SPF was partly counterbalanced by the higher revenues from card spending.

Our operational costs were lower than 2022. This was caused by a strong focus on cost control, although the costs related to AML/TF remain high. Despite of the negative result our capital buffer is more than adequate.

STRATEGY

We made some slight adjustments in the medium-term strategy 2023-2026. We focus on strengthening our foundation, maintaining our customer base and becoming and remaining more and more in control. We stay committed to keep our costs in control so we are able to strengthening our IT landscape to offer improvements to our customers the coming years.

CUSTOMER CONTACT

To gain more insight into our performance in this area, we measure our NPS score annually. It shows every year that we have a huge customer base which is very satisfied with our service. We maintained an excellent NPS score of 25, an increase from previous year (2022: 23). This growth was specifically reflected in the commercial domain. This overall growth has provided us with the motivation to do even better in the year to come.

Another confirmation of our good customer service was given via the nomination for customer-friendliest bank of 2023. A poll was held by research firm MarketResponse in which customers express their preferences. Unfortunately, we did not become a category winner, but we are proud to compete in the highest echelons.

ICS won the poll for the website of the year. This is the largest online public prize awarded annually to the best and most popular websites in the Netherlands. ICS won the 2023 award for the most popular website in the ‘Financial’ category. The nominated websites and apps were judged by the public on issues such as content, design and recommendation intent.

COMMERCIAL

On 28 February 2023, we introduced the new ICS Brand to our customers – a complex operation that was carried out with great precision. After more than 35 years, it was time to update both our logo and the design of all our expressions. At ICS, we believe that our cardholders deserve something special. That is why our customers get benefits with their credit cards, such as discounts on holiday bookings. This is known as ICS Specials since 2023.

ICS TEAM

Last but not least I would like to express my strong appreciation to all ICS employees. Only with them and their positive attitude towards customers, we can work together on the many changes towards a brighter future. Once again, I would like to thank each and every one of you.

David Minderhoud
CEO International Card Services BV

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Report of the Supervisory Board

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The Supervisory Board is pleased to present the ICS Annual Report and Financial Statements for 2023, as prepared by the Board of Directors. The past year has again been a very challenging year. Legislative and IT developments remain big challenges. The Supervisory Board has monitored these developments closely with the new Board of Directors. The financial results for 2023 were again disappointing mainly due to the reservation for the variable interest compensation scheme. Despite this substantial setback, we are happy to see improvement in the underlying results. Both the numbers of cardholders, transactions and transaction amounts give hope for the near future. So, the Supervisory Board is satisfied with the efforts made by the new Board of Directors and employees of ICS to deal with the difficult circumstances. The Supervisory Board sees ICS slowly becoming more in control, but also knows there are still many challenges ahead.

2.1 COMPOSITION OF THE SUPERVISORY BOARD

At the end of 2023 the Supervisory Board consists of four members. Ms. J.E. Lobbrecht succeeded Ms. G. van Berne in March 2023. An overview of the current members of the Supervisory Board can be found in Section 7.2.

Members of the Supervisory Board act in accordance with the interests and continuity of ICS, considering 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.

The responsibilities and duties of the Supervisory Board are laid down in the Supervisory Board regulations and are described in Section 7.4 “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 six regular meetings over the past year. Besides this, the Supervisory Board had several additional meetings. The sharpened strategy, the financial results, the monitoring of several regulatory programs (variable interest compensation scheme) and the IT renewal were discussed with the Board of Directors at these meetings. The Supervisory Board is pleased with the progress the new Board of Directors made with this wide range of topics, although substantial IT change challenges remain. The Supervisory Board also reviewed various HR matters, such as the Employee Engagement Survey.

In 2023 there were various management and supervisory board changes, as mentioned in the foreword of the CEO. The Supervisory Board was closely involved in these changes.

The Supervisory Board as well as the Board of Directors have been in close contact with the ICS Employee Council, the shareholders, and other relevant external stakeholders.

2.3 AUDIT AND RISK COMMITTEE

The Supervisory Board has one regular committee, the Audit and Risk Committee. The responsibilities of the Audit and Risk 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 Audit and Risk Committee is also responsible for monitoring the follow-up of audit findings related to, for instance, anti-money laundering, credit collections and IT controls. In case of the AML/CFT (Anti-Money Laundering / Combating the Financing of Terrorism) controls, the Audit and Risk Committee spent a considerable amount of time in 2023 discussing the course of the AML/CFT program. The Audit and Risk Committee also discussed extensively the new developments related to the variable interest compensation scheme, including the financial impact.

2.4 CORPORATE GOVERNANCE

For more information on the composition of the Supervisory Board and its duties and responsibilities, see Section 7.4.

2.5 ADVICE TO THE SHAREHOLDERS' MEETING

The Supervisory Board is grateful to the Board of Directors of ICS for its cooperation in the past year. ICS has made a renewed start on getting a better grip on the organization, cost control, control mechanisms and making the organization more efficient. The Board of Directors of ICS must act and react carefully to threats and opportunities so that ICS can retain its position as a future-proof, customer focused and financially healthy organization.

The Supervisory Board wishes to thank ICS and its employees for their constant efforts to serve their customers over the past year and for the results they have achieved. The Supervisory Board recommends that the General Meeting approves the Annual Report and Financial Statements for 2023 and discharges from liability the members of the Board of Directors for their leadership and the members of the Supervisory Board for their supervision.

Diemen, The Netherlands, 24 May 2024

Supervisory Board

International Card Services B.V.

SUPERVISORY BOARD

Mr. J.G. ter Avest, Chair
Ms. M.L.C. Jacobs-Kemps, member
Ms. J.E. Lobbrecht, member

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Report of the Statutory Board of Directors

3.1 ICS BUSINESS MODEL

ICS products can be divided into two major areas: payments and credit. To avoid cross-subsidisation, we choose to make a clear distinction between our payment services and credit products. The two areas have separate processes and policies for areas such as acceptance, monitoring and collections.

PAYMENTS

Our core payments proposition is a charge card that enables customers to complete transactions within their card limit and offers them the flexibility of a 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.

We deliver mass-customised card payment solutions to large customer segments. This service is covered by the Dutch Deposit Guarantee Scheme (DGS). The business model for our payment product line is volume-driven, whereby transaction-related fees (such as interchange and FX fees) and annual fees are the major revenue components.

CONSUMER CARDS

Most of our cards are issued to consumers. In this segment we issue cards both under our ICS label in the Netherlands and in Germany and under private labels with our co-brand partners. Our partners include banks, private banks, road assistance associations and more. We are also partnering increasingly with companies that offer unique benefits to our customers via affiliate partnerships.

ICS credit cards offer a fast, safe and convenient payment experience, as well as many other benefits such as at least 180 days purchase insurance and delivery guarantee.

COMMERCIAL CARDS

The ICS payments proposition for commercial customers helps companies focus on their business. Naturally, it offers the same secure, convenient and fast payment methods provided to retail customers. Our cards help companies – from SMEs to corporates – improve their cash flow management, by increasing the predictability and manageability of their cash flow and simplifies their invoicing. ICS issues commercial cards under its own brand as well as with partners such as banks.

CONSUMER CREDIT

ICS is a niche player in the Dutch consumer credit market, operating also 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 manage our credit risk, to ensure that our products are in our customers' best interests and to comply with all rules and regulations. 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. Whilst the SPF product was already discontinued in 2021 for new applications, we have taken the decision to start closing all current SPFs in the course of 2024.

VARIABLE INTEREST RATE COMPENSATION

In 2022, ICS incorporated compound interest (interest on interest) following the Appeals Board of the Dutch Financial Services Complaints Authority (Kifid). ICS also extended the compensation scheme by including the SPF. As a result, the provision increased by €38.3 million and the remaining provision at 31 December 2022 totalled €45.2 million. In 2023 ICS refined the scope of the SPF by creating a product specific calculation methodology including acquired SPF portfolios in preparation of the execution. As a result of the scoping refinement and adjusted calculation methodology, the provision increased by €42 million including operational expenses, of which €8.4 million has been used. Therefore, the remaining provision at 31 December 2023 totalled €78.8 million.

3.2 STRATEGY

We are aware that the payment ecosystem is evolving rapidly: new technologies are making transactions easier but these need to go hand in hand with enhanced security, compliance and ease of use. Convenience, speed and simplicity are important if safety can be guaranteed. Besides ‘safety’ and ‘security’, ICS has therefore added ‘ease of use’ to its brand values. We want to offer our customers and partners relevant, reliable, easy to use and secure payment products and services. Among other things, this translates into a renewed focus on further digitalisation of customer journeys.

CREATING A SOLID FOUNDATION

In 2023, we worked hard to make our company futureproof by focusing on compliance with legislation and regulations, as well as on IT renewal. We will continue to do so in 2024 and beyond, creating a solid foundation by means of a flexible yet robust issuing and processing platform, as well as a way of working that is efficient, customer centric and compliant by design. Increased digitalisation together with a streamlined organisational design with clear ownership will enable us to respond more rapidly to market opportunities and changing customer expectations.

3.3 CUSTOMER AND DEVELOPMENTS

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

3.3.1 CUSTOMER INTEREST AND BEHAVIOUR

The activities and services provided by ICS focus on the creation of sustainable value for our customers. Where applicable and necessary, 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 and to customer trust in ICS and in the financial sector as a whole, and it increases customer loyalty. It also binds our numerous partners to our Company.

CUSTOMER INTEREST

Our efforts are focused on customers' needs, and – most importantly – on what is beneficial to them and appropriate to their financial situation. This influences not only ICS's strategy, policy and processes but also the attitude and behaviour of our staff, which is a vital component of our corporate culture. This commitment is shown in various ways: through special attention to financially vulnerable customers, for instance.

CUSTOMER BEHAVIOUR

2023 was the first full year since 2019 without the influence of COVID-19 lockdowns. We saw both travel-related and retail spending coming back at pre-COVID levels, partly supported of course by substantial inflation. Nonetheless, the total number of transactions rose as well, indicating a more active use of our cards by our customers. Even online transactions – which already increased substantially during the pandemic – increased further, confirming the irreversible shift in shopping behaviour.

CUSTOMER SATISFACTION

The success of ICS depends largely on the quality of our products and services and on the loyalty of our customers. A customer-centric experience, together with quality awareness among our staff, has been and will continue to be a pillar of our strategy and business operations.

ICS uses the Net Promoter Score (NPS) to measure customer satisfaction and experience. Our NPS, our various collaborations with co-branders, and our internal customer satisfaction scores enabled us once again to secure high ratings in the year under review. The perennial goal for ICS is to exceed our customers' expectations. As part of its strategy, ICS aims to have a NPS of at least +18.

The annual NPS for 2023 was +25, weighted according to turnover distribution: consumer 86% / commercial 14%. In-depth analysis provides us with insights into key factors for increasing customer satisfaction and experience within the boundaries of our products and services.

3.3.2 FURTHER DIGITALISATION

In 2023, we continued to digitise the payment and customer processes. For example, we introduced Apple Pay, and the digital Identification & Verification process has been further optimised. Working with our partners, including Visa and Mastercard, we will further shape the flexibility and versatility of our products and processes that today's customers require.

3.3.3 REGULATORY ENVIRONMENT

Regulatory compliance remains a key priority in the ICS strategy.

ICS continues to focus on its duty of care to ensure its products are in line with customer needs and interests. This includes activities such as revising and monitoring credit limits and re-assessing the borrowing capacity of our customers, as well as an analysis of regulatory developments such as the review of the European Consumer Credit Directive (CCD2), a proposal for a new Payment Services and Electronic Money Services Directive (PSD3), the AI Act and the EU Accessibility Act. Although some of these regulations are still in the consultation phase or need to be transposed into national legislation, these regulatory developments might place a considerable burden on staff and IT capacity.

EBA published guidelines on loan origination and monitoring (EBA LO&M) in 2020. The guidelines have been in effect since 30 June 2021. ICS has integrated majority of the EBA guidelines into internal policies and processes.

Laws and regulations can be complex, and subject to change and interpretation by a regulator. Continuous compliance with applicable laws and regulations is important to ICS. In 2022, ICS completed an extensive remediation programme on customer due diligence and ID&V involving close to 2.6 million customers. Although ICS performed a Change Risk Acceptance (CRA) on the new ID&V process prior to the remediation programme, ICS did not carry out a Data Protection Impact Assessment (DPIA). The Dutch Data Protection Authority (Autoriteit Persoonsgegevens/AP) concluded that this is a breach of article 35 GDPR. This resulted in a fine of EUR 150,000 in December 2023, which was paid in January 2024. The AP agreed with ICS that there was no processing of data about vulnerable data subjects.

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 2023 and 2022.

(in millions of euros, unless stated otherwise)

	2023	2022
Net result	(20)	(27)
Operating income	135	146
Operating expense	(158)	(181)
Impairments	(3)	(2)
Cost-to-Income-ratio (CIR)	117.2%	123.7%
Turnover	9,574	8,658
# of card transactions	118	106
Portfolio	730	686
# cards in circulation*	2,689	2,653

* In thousands

The net result was -€20 million in 2023 (2022: -€27 million).

In 2023 ICS released €0.4 million for the Wwft remediation provision and €0.3 million for the Wwft reassessment provision in the operating expenses. In 2022 €7.2 million was recognised as an operating expense for the Wwft remediation provision and €4.9 million for the Wwft reassessment provision.

During Q4 2023, ICS added €42 million to the provision for variable interest compensation, mainly because of scope refinement of the SPF by creating a product specific calculation methodology including acquired SPF portfolios in preparation of the execution, which is to commence in 2024. As a result of the scoping refinement and adjusted calculation methodology, €40.9 million was recognised in net interest income and €1.1 million was recognised as an additional operating expense. In 2022, ICS extended the variable interest compensation scheme by including the SPF product and compound interest (interest on interest). This resulted in an additional provision of €23.2 million for interest compensation recognised in net interest income and an additional provision of €15.2 million for operational expenses.

Operating income decreased by €11 million to €135 million in 2023 (2022: €146 million), mainly due to:

- A decrease in net interest income of €34 million, due to the additional provision for variable interest compensation, higher funding expenses and a lower credit portfolio (-/-21%).
- Higher net fee and commission income of €22 million due to a higher turnover (+11%) and a higher transaction volume (+11%).

Operating expenses decreased by €23 million to €158 million in 2023 (2022: €181 million), mainly due to:

- A decrease of €27 million in operational expenses due to the provision for variable interest compensation and the Wwft remediation and reassessment provisions.
- An increase of €4 million in personnel expenses, mainly due to the salary increase under the Collective Labour Agreement (CLA).

As a result of the lower operating expenses (-13%), partly offset by a lower operating income (-8%), the cost-to-income ratio decreased from 123.7% to 117.2%.

3.4.2 FINANCIAL POSITION

The following table presents the key financials for the years 2023 and 2022.

(In thousands of euros)

	31 December 2023	31 December 2022
Assets		
Cash and balances at central banks	205,141	228,394
Loans and advances banks	655,835	668,702
Loans and advances customers	729,880	685,721
Financial investments	20,382	33,813
Other	45,198	38,002
Total assets	**1,656,437**	**1,654,631**
Liabilities		
Due to banks	859,690	903,051
Due to customers	382,524	391,541
Provisions	78,813	50,832
Other	128,585	82,484
Total liabilities	**1,449,612**	**1,427,908**
Equity		
Share capital	45	45
Other reserves	226,678	253,642
Result for the year	(19,900)	(26,964)
Total equity	**206,824**	**226,724**
Total liabilities and equity	**1,656,437**	**1,654,631**

Total assets increased by almost €2 million in 2023, amounting to €1,656 million (2022: €1,655 million). This increase was due to the following movements:

- Loans and advances customers totalled €730 million at year-end 2023, €44 million higher than in the previous year (2022: €686 million). The interest-bearing part of the portfolio (including revolving loans) decreased by €48 million, which was offset by an increase of €92 million in the non-interest-bearing part of the portfolio.
- Cash and balances at central banks decreased by €23 million to €205 million (2022: €228 million) due to a lower balance with central banks that relate to deposits for LCR requirements.
- Investments decreased by €13.4 million, mainly due to the sale of the Visa Inc A shares.
- Loans and advances banks totalled €656 million at year-end 2023, €13 million lower than in the previous year (2022: €669 million) due to lower interest-bearing deposits, partly offset by a higher balance on current accounts with banks.
- Other assets increased by €7 million to €45 million (2022: €38 million). The main cause is that current company tax assets increased by €6 million to €15 million (2022: €9 million) due to the negative result of ICS and higher accrued other income for rebates.

Total liabilities (excluding equity) increased by €22 million in 2023, amounting to €1,450 million (2022: €1,428 million). This increase was due to the following movements:

- Due to banks totalled €860 million at year-end 2023, €43 million lower than in the previous year (2022: €903 million). The total principal amount of the outstanding loans was lower at year-end 2023 because the interest-bearing part of the portfolio (including revolving loans), which is mentioned above, was lower than at year-end 2022.
- Due to customers totalled €383 million at year-end, €9 million lower than in the preceding year (2022: €392 million). This decrease is mainly due to lower time deposits.
- Provisions totalled €79 million at year-end, €28 million higher than in the preceding year (2022: €51 million). This increase is predominantly due to the provision for variable interest compensation and the Wwft remediation and reassessment provisions.
- Other liabilities totalled €128 million at year-end 2023, €46 million higher than in the previous year (2022: €82 million). This decrease is mainly due to higher accounts payable and sundry creditors, which include amounts to be settled with Visa and Mastercard.

Total equity decreased by €20 million to €206.8 million (2022: €226.7 million), representing the loss for the year 2023. No dividend was distributed in 2023 in accordance with the decision of the Board of Directors.

At 31 December 2023, the Liquidity Coverage Ratio (LCR) was 146.3% and the Net Stable Funding Ratio (NSFR) was 168%. The Total Capital Ratio (20.1%) and the Leverage Ratio (8.7%) were also well above the regulatory requirements.

3.5 SECURITY AND FRAUD PREVENTION

The payment system and IT infrastructure are the foundation for ICS in terms of 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 crime. Over 30 years, we have a proven track record of maintaining safety for credit card payments. ICS believes that it has the obligation to communicate openly and transparently on how it is acting to prevent and combat financial crime and how it safeguards that customers, merchants and other parties involved can apply to contribute to this effort.

For instance, our company has managed to take down phishing sites, with an average of 190 phishing websites being shut down every month. Twenty-nine police reports were filed in 2023 (twenty-six in 2022), resulting in several arrests and pending investigations.

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 the case of external data breaches that impact our customers' card information. We contact the merchant to prevent further damage. Although we are proud of this result, the last two years have shown a shift in the type of fraud from the more conventional merchants to crypto merchants or money transfers through merchants. This shift has impacted our recovery rate because the loss is irreversible once such transactions are authorised. We are constantly working to improve this process.

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. As a large financial services provider, we also see it as our social responsibility to share this knowledge and expertise to promote safe payment transactions. We work with other organisations to prevent fraud and financial crime, mainly through our participation in the Electronic Crimes Task Force, located in Driebergen, in partnership with the National Police.

3.6 HUMAN RESOURCES

For ICS, the year 2023 was all about change. For example, new team agreements regarding hybrid working were made (post-COVID). New team agreements were implemented to promote team building, cooperation, and commitment to each other.

In Q2, a new CEO and a new CRO were appointed. The initial challenges included filling vacancies in the MT ICS and setting up an efficient organizational structure.

At the beginning of 2023, ICS started an initiative called “Open Up” which served as an invitation to open up to each other and encourage different ways of thinking and of doing things. It is important that we continuously improve our Open-Up strategy in order to improve our knowledge, support system and communication.

During the monthly “Open at the table” sessions with all managers, the focus is on discussions about leadership, culture and collaboration. These sessions are also used to discuss the barriers to leadership, culture and collaboration. The employees are central to the “Ask-Me-Anything” sessions: they are informed monthly about the implementation of the strategy, and questions are answered.

3.6.1 ORGANISATIONAL CULTURE

The agility of ICS and its employees has been called upon for a long time. Continuous change is something that can no longer be ignored. This demands a lot from the ICS organisation, the leaders and certainly also from the individual employee. In 2023, engagement circles and reflection dialogues were introduced to collect feedback, learn from each other, and reflect in time of continuous acceleration. Moments of reflection will also be important in 2024.

An open culture is important. ICS aspires to be an organisation in which employees from diverse backgrounds feel welcome and safe, can be themselves and are given the space and recognition they need. It is important to speak up, for instance regarding ideas and suggestions for improvement, risks which have been identified into work, concerns, and dilemmas that employees experience or when values of ICS are at stake. To create and improve that open and safe working environment ICS has invested in tools like Speak Up. In April 2023 the last group of ICS managers completed the Speak Up training. In addition, Speak Up ambassadors have been educated and trained.

3.6.2 EMPLOYEE EXPERIENCE

ICS aims to provide all the employees with the best people experience. As part of this, we carry out the employee engagement survey to identify what employees think is going well at ICS and where we can make improvements.ICS employees feel the team is there for them and that they feel treated with respect and dignity. Employees are satisfied with hybrid working, which enables them to be more productive. Employees are satisfied with the collaboration within their team. For 2024 the main challenges are continuing to communicate clearly, increasing visibility of senior management, and improving collaboration across teams.

TOGETHER & BETTER

A personal bank in the digital age and a rapidly changing world offers opportunities to move forward. Together & Better facilitates the continuous dialogue between employee, manager and colleagues in order to get the best out of each other.

Employees are responsible for their own development and performance. Progress is determined by means of a joint dialogue on personal objectives and team objectives, on contribution to realising the strategy, on personal development and long-term employability, and on what is going well and what could be improved. Employees regularly ask for future-oriented feedback that focuses more on looking forward than looking backwards. Therefore, performance management and the Together& Better dialogue is an important instrument in realising our strategy.

The sweet spot is where the organisation and colleagues regularly discuss the agreed objectives and their progress. It makes colleagues feel relevant, valued, and responsible for their contribution. In 2023 we organised workshops (Performance Boost) to train consistent performance dialogues.

LEARNING AND DEVELOPMENT

It is important that employees complete and keep up to date with the mandatory courses. Alongside the mandatory training courses, working on personal development is of great importance. There are a lot of learning opportunities on offer, so employees decide themselves which expertise and competencies they want to develop so that they can perform with energy and a high level of motivation, both now and in the future. Employees discuss development objectives with their line manager and/or team and record these objectives in their Together & Better form.

Next to training on hard and soft skills there is focus on the physical well-being of our employees by offering e-learning options, supporting them as they work from home, and improving their personal well-being.

3.7 OPERATIONAL DEVELOPMENTS

3.7.1 CUSTOMER RESEARCH

ICS works to protect its customers and businesses and their financial data through secure payment transactions. As a financial institution, it is our responsibility to combat and prevent money laundering and the financing of terrorism. ICS accepts this responsibility fully and takes its gatekeeper role within the financial sector very seriously. Security and fraud prevention are a key priority and ICS works closely with external stakeholders, including regulators, governments, other banks and law enforcement, where necessary and appropriate.

Building on the work carried out in the past and in dialogue with the DNB, customer due diligence (CDD) procedures have been intensified. ICS has committed itself to a remediation programme, the guiding principle of which is to update all the identification evidence we have of our customers and perform a risk based CDD assessment of all our customers. ICS initiated the Remediation programme in 2019, which concluded in December 2022. In 2022 ICS started the Wwft Continuation Plan to implement AML processes into the business as usual.

The execution of the ICS Wwft Continuation Plan is ongoing with the highest priority. As of 2023, ICS has completed all Continuation Plan milestones, except for the Event Driven Review (EDR) and Periodic Review (PR) backlogs in control and the effectiveness of Transaction Monitoring. ICS submitted an extension request to DNB and received a positive confirmation from DNB about the extension, but also a warning that further extensions will not be granted. Full commitment is now on final delivery.

The EDR and PR backlogs for consumer and commercial clients need to be permanently in control per 30 June 2024, so all the necessary and required actions will be carried out. The TM Effectiveness program needs to be finalized per 31 December 2024. These milestones are part of the Group Wide Recovery program of ABN AMRO, which appear challenging for ICS and will be closely monitored.

3.7.2 OTHER DEVELOPMENTS

ICS is constantly developing and improving its systems and procedures to serve its customers. These operational developments do not always affect the way we deal directly with our customers, but they always impact improvements that ultimately benefit the customer. Ongoing operational strategies and trend-driven improvements to rules for fraud detection, transaction monitoring and customer filtering are good examples of this.

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Risk Management

ICS is committed to being a well-capitalised bank with sufficient liquidity, focusing on delivering sustainable value to its stakeholders. ICS is committed to a sound risk/reward profile and an overall moderate risk profile. ICS continually 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 the organisation. Risk management policies, tools and procedures and an organisational structure have been adopted to ensure that key risks are identified, assessed, mitigated, monitored and reported. All risk activities are aligned with ABN AMRO.

ICS has recognised the risks associated with the COVID-19 pandemic in 2021 and 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 several scenarios are analysed. ICS continues to monitor external developments, such as the current war in Ukraine and the impact of the related sanctions.

4.1 RISK TAXONOMY

ICS's 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 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 and defined. Risk taxonomy describes how the materiality assessment is performed in terms of both the financial and non-financial impact. The financial impact is assessed based on capital or the net profit impact. The non-financial impact is determined in terms of reputational consequences and/or non-compliance with rules and regulations.

The following main risk types are identified by ICS (see Note 9.34):

Financial Risk

- Credit Risk
- Business Risk
- Market Risk
- Sustainability Risk
- Liquidity Risk

Non-Financial Risk

- HR Risk
- Information Risk
- Fraud Risk
- Behavioural Risk
- Change Risk
- Compliance Risk
- Model Risk
- Data Risk
- Legal Risk
- Tax Risk
- Outsourcing & physical Security Risk

4.2 RISK APPETITE

Risk appetite refers to the level of risk ICS is prepared to accept in its pursuit of value. ICS's risk appetite is aligned with ABN AMRO's corporate strategy, resulting in an overall moderate risk profile.

The risk appetite considers all identified risk types within the risk taxonomy. The Risk Appetite Statement is reviewed annually and approved by the Entity Enterprise Risk Committee (EERC). Key risk indicators, including checkpoints and limits are implemented to monitor, and manage risk exposures effectively. Adherence to the risk appetite is evaluated quarterly via the EERC.

4.3 RISK CULTURE

Risk culture is an important building block in ICS's enterprise risk management framework.

Our risk culture includes key elements important for effective risk management. We encourage a widespread understanding of the importance of risk and active participation in risk mitigation efforts. This includes open communication at all organizational levels on risk issues; individual and team accountability for risk management; integration of risk assessment results into decision-making processes; and strong leadership support that promotes and sustains a risk-aware environment.

4.4 RISK GOVERNANCE

ICS has an internal risk governance charter and control framework. The Risk Governance Charter describes the risk management organisation and the structure, composition and mandates of committees, including the relations with ABN AMRO.

The Risk Governance 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. Cross-border entities such as ICS Germany are, for governance reasons, aligned with the relevant local country management structure and with the risk management organisation at country level.

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 risks and events. It also implements the risk framework and is responsible for monitoring internal controls.

The second line of defence, represented by the risk management organization, oversees the risk management framework within which the first line operates. It supports the organization by facilitating the identification, assessment, and response to risks across all organizational domains. Additionally, it formulates risk management policies, conducts compliance assessments to validate internal controls' effectiveness, and monitors risk indicators and trends for early detection of emerging risks and potential issues. Regular communication of risk insights ad-hoc and via risk reports to senior management and stakeholders ensures informed and risk-aware decision-making processes.

This organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Board of Directors.

The third line of defence consists of the internal audit function, which is responsible for risk assurance. The Internal Audit department independently evaluates the effectiveness of first and second-line risk governance, risk management and control processes, and makes recommendations on any improvements that may be necessary.

4.5 RISK COMMITTEES

The Board of Directors is responsible for the balanced assessment of ICS's commercial interests and the risks to be taken within the boundaries of the risk appetite. The Board of Directors has mandated two risk committees for risk decisions, further supported by sub-committees and the two circles mentioned below.

THE ASSET AND LIABILITY COMMITTEE (ALCO)

The ALCO manages capital, liquidity and other balance sheet-related matters, including funding, recovery and resolution and specific regulatory reporting requirements. This also encompasses 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 EERC and the Board of Directors on these developments. The ALCO meets once a month to specify the liquidity and capital management goals for the coming period. The most important agenda items are the past month's liquidity, funding and capital ratios, and a detailed forecast of these ratios for the coming months. Other agenda points are updates on the different models used within ICS and upcoming regulatory changes and related impact assessments. Every year we perform a capital plan and capital stress test, which are discussed by the ALCO.

THE ENTITY ENTERPRISE RISK COMMITTEE (EERC)

The EERC has been tasked by the Board of Directors of ICS and the Group Risk Committee of ABN AMRO to monitor, assess and manage the risk profile of ICS within its approved risk appetite. The EERC is responsible for reviewing and monitoring the development of risk management and compliance with regulations and policies and informs the Board of Directors of its activities. The EERC:

- discusses and pro-actively acts upon risk matters and passes on issues to the relevant committee at central level
- discusses and approves the annual Entity Risk Appetite Statement
- discusses and approves the quarterly ERM Report, including Financial and Non-Financial Risks, and monitors the performance against RAS on a quarterly basis and (if necessary) initiates actions when a risk type exceeds its limit
- approves new local risk policies and local risk policy reviews and amendments
- pre-approves product approvals and reviews the Product Programme
- steers and monitors the timely implementation of risk strategies and risk policies
- is mandated by the Board of Directors to approve and decide compliance-related matters
- monitors the operational risk exposure
- has the mandate to pre-approve high or critical risks as described in the Non-Financial Risk Framework.

The EERC monitors four sub-committees and two circles, reporting to the EERC.

THE ENTITY PRODUCT APPROVAL AND REVIEW COMMITTEE (EPAC)

The Entity Product Approval and Review Committee (EPAC)) is a sub-committee of the Enterprise Risk Committee. The purpose of the committee is to support the EERC in fulfilling its oversight responsibility related to Programme Lending, including provisions.

THE WWFT CIRCLE

The purpose of the Wwft circle is to guarantee an unambiguous methodology and ensure full control of Wwft risks for business as usual and remediation through a uniform method and quality in line with the Global Standards of ABN AMRO. The circle also aims to safeguard the ICS licence to operate and comply with laws and regulations. This operational committee manages, monitors, reports and, if necessary, develops Wwft-related guidance within ICS.

THE DUTY OF CARE CIRCLE

The main objective of the Duty of Care Circle is to shift from reactive 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 (except for Wwft) within ICS.

THE CLIENT ACCEPTANCE AND REVIEW COMMITTEE (CARC)

The Client Acceptance and Review Committee (CARC) is responsible for taking decisions related to customer acceptance and review. Currently, there is a CARC for New Client Take On (NCTO), business as usual and remediation. The CARC facilitates adequate decision-making with regard to customer acceptance, and periodic and event-driven reviews and remediation. It ensures laws and regulations, such as internal policy guidelines, are followed by AAB and ICS.

ICS CLOUD APPROVAL BOARD

The local Cloud Approval Board (CAB) is the gatekeeper for ICS decision-making on Cloud initiatives. The purpose of the Cloud Approval Board is to comply with the ‘EBA Guidelines on outsourcing arrangements. To keep control over our environment (e.g. from a legal, compliance, security, operational and financial point of view), the CAB ensures that all necessary measures are in place before go-live of a Cloud environment. It also ensures that the Cloud solution and service management are integrated into existing IT ‘Run and Change’ processes.

4.6 RISK MEASUREMENT

ICS is required to comply with the capital requirements of a bank license holder. ICS uses risk models to quantify the risks designated in the risk taxonomy. The models for credit, market, operational and liquidity risks are widely suitable for the determination of risk levels. The models support day-to-day decision-making and periodically monitoring and reporting on developments in ICS's 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. Regulatory approval is always required for new models and models that change materially due to redevelopment.

ABN AMRO's modelling department develops models in close cooperation with ICS. In principle, this modelling department reviews the models at least every three years, or earlier if there is a marked deterioration in performance of the model or if there is a marked change in the risk profile of the portfolio to which the model relates. A model review includes back-testing against historical data and, where relevant, benchmarking the calibration of the models with external studies or data.

The independent model risk management department of ABN AMRO validates ICS's internal models. 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.

REGULATORY CAPITAL

Under the Basel Framework, as implemented in European legislation (CRD V and CRR 2), banks are required to hold capital to cover the financial risks they may face. As an intermediate step in determining the minimum level of capital, banks need to calculate risk-weighted assets (RWA) for the three major risk types (credit, operational and market risk). The Standardized approach for RWA calculation is being applied within ICS.

The capital requirements are expressed as a percentage (set by the regulators) of the RWA. Under Pillar 1, banks are required to hold a regulatory fixed percentage of RWA in capital. Under Pillar 2, supervisors impose a bank-specific percentage of RWA in addition to the Pillar 1 requirement.

Regulatory capital and the risk measurement approach are discussed in Notes 9.33 and 9.34.

In addition, ICS holds an additional buffer that serves as a cushion for other risk types (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 and the Capital Stress Test. The additional buffer will be reassessed based on the aforementioned developments and improvements in 2024. 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 of euros)

	2023	2022
Regulatory Capital		
Equity IFRS	206,824	226,724
Adjustments	(4,057)	(15,450)
Common Equity Tier 1 Capital	202,768	211,274
Total Tier 1 Capital	**202,768**	**211,274**
Risk weighted assets		
Credit Risk	764,777	712,382
Operational Risk	221,496	265,352
Market Risk	20,382	33,813
Total risk-weighted assets scope	**1,006,655**	**1,011,547**
Capital ratios		
CET1 Ratio	20.1%	20.9%
Total Capital Ratio	20.1%	20.9%

Regulatory capital consists of CET 1 capital, which comprises, share capital and retained earnings. 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/or additional capital deductions pursuant to Article 3 of the CRR.

ECONOMIC CAPITAL

As of 2023, ICS does not calculate economic capital (EC) under its own banking license due to multiple reasons as approved in local ALCO in December 2022. Article 108 of the CRD states that ICS is not required to calculate its own EC because of its subsidiary status within ABN AMRO. Since 2022, ICS no longer reports a solo ICLAAP and therefore a Pillar 2 requirement is not received in the group's SREP letter.

EC is calculated for ICS at group level. However, this does not constrain other metrics like RWA or TCR.

A brief explanation of what the Economic Capital is from a group perspective is given below. For Pillar 2, we calculate EC in addition to regulatory required capital. EC covers all risk types in our risk taxonomy for which capital is deemed to be the mitigating instrument to cover unexpected losses and is used as the key metric for internal risk measurement and management. It is the amount of capital we reserve in order to achieve a sufficient level of protection against large, unexpected losses that could result from extreme market conditions or events. Internal models are used to calculate EC at a 99.95% confidence level and a one-year time horizon. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible cases. The confidence level is linked to the bank's target credit rating and aligned with the definition of total available financial resources (total AFR). In addition, the ratio of core AFR versus EC is monitored. Core AFR is the amount of capital that is available to cover losses on a continuity-based approach, excluding AT1, Tier 2 and senior non-preferred instruments. EC is aggregated for all risk types (without applying inter-risk diversification, in order to determine the total EC at ICS level and to support capital adequacy assessment, capital allocation, ex-post performance measurement and risk appetite setting, such as industry concentration risk limits.

EC is not calculated specifically for ICS, but through consolidation at the 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 within the bank. These events could be systemic, such as multi-year macroeconomic stress, or specific to ICS and could relate to capital or liquidity.

EC QUALITY ASSESSMENT

The EC models described above form the core of the Internal Capital Adequacy Assessment Process (ICAAP). In order to monitor and secure the quality of the EC framework and its outcome in terms of capital adequacy, an EC Quality Assessment (ECQA) is performed every year as part of the ICAAP. For each main risk type, the calculated EC figure is evaluated in terms of risk coverage and responsiveness to internal and external developments such as in the areas of regulation and data quality. If considered necessary, an additional capital buffer (‘EC add-on’) is taken to cover any identified shortfalls in the EC.

CAPITAL PERFORMANCE

RWA and EC are also used to evaluate capital performance at the business level. Both ex-ante and ex-post performance are evaluated in terms of risk-adjusted return on equity (RAROE) with a risk-adjusted return on risk-adjusted capital (RARORAC) limit to safeguard sufficient risk-sensitivity. EC is used as an ingredient in RARORAC, whereas RWA is used in RAROE.

LIQUIDITY COVERAGE RATIO REQUIREMENT

The regulatory requirement at 31 December 2023 for the LCR is 100%. For prudential reasons, ICS maintains a higher ratio than this. The LCR at 31 December 2023 was 146.3%. The LCR is monitored daily as part of the Daily Dashboard. The LCR and the required buffer are discussed at least once a month at the ALCO meeting. The composition of the buffer remained stable in 2023, with the exception of one breach during summer. The liquidity crises committee addressed this issue swiftly as it occurred due to an unscheduled loan repayment and was not due to underlying liquidity issues. After this breach, daily LCR procedures and controls have been strengthened, and the strategic range of 110%-120% has been extended to increase the buffer.

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. In 2023, 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 2024 and beyond in accordance with the ICS funding strategy (as aligned with ABN AMRO).

ICS has a conservative approach to liquidity management. Liquidity limits are in place to ensure adequate liquidity. ICS also complies with the liquidity requirements of the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). At year-end 2023, the LCR was 146.3% and the NSFR was 168% (2022: 178.6%). The regulatory requirement at 31 December 2023 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

Interest-bearing facilities are steadily decreasing, posing a business risk for ICS. To mitigate this impact, ICS plans to introduce new products and place more focus on fee-driven business models.

The current environment of increased funding rates has a negative impact on the profitability and is therefore being monitored closely.

The impact of the high inflation on the repayment capacity of our customers is currently expected to be moderate.

Other external events, such as cyber risks, the invasion of Ukraine by Russia and instability in the Middle East, are also being monitored closely. The ongoing challenge remains the limited capacity for change and the constraints within the labour market. The Risk Management team monitors external developments and trends for early detection of emerging risks and potential issues impacting the business in a timely manner and ensures appropriate measures are taken. These insights are regularly shared with the ICS management team and discussed in the Entity Enterprise Risk Committee (EERC).

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Regulatory Developments

5.1 UPDATE ON REGULATORY DEVELOPMENTS ORIGINATING IN PREVIOUS YEARS

EU BANKING RULES (BASEL III/IV)

In late 2021, the European Commission proposed a review of EU banking rules – the Capital Requirements Regulation and the Capital Requirements Directive. This package finalises the implementation of Basel III (including the finalisation of Basel III, also known as Basel IV) taking into account the specific features of the EU banking sector. Apart from ensuring EU banks will become more resilient to potential future economic shocks, the new rules also aim to support the transition to a more sustainable economy and ensure sound management of EU banks. The legislative procedures needed to reach agreement on the changes to the EU banking rules are nearing the final stages, while the new rules (including transitional arrangements) are expected to be implemented as from 2025.

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCE OF TERRORISM (AML/CFT)

The European Commission has presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism rules. The proposals are aimed at, among other things, introducing new rules in the areas of customer due diligence, beneficial ownership, national supervisors' powers and financial intelligence units in the EU Member States, as well as transfers of crypto assets and the establishment of a new EU supervisory authority.

The proposals are still pending in the trialogue phase. One of the main discussion points is the sharing of personal data for AML/CFT purposes in relation to 'suspicious transactions'. In the Netherlands, the sharing of personal data for AML/CFT purposes (for the outsourcing of transaction monitoring) is also one of the main discussion points in relation to a bill with amendments to Dutch AML legislation (Wet plan van aanpak witwassen). At present the bill is deemed controversial and will not be debated until a new parliament has been installed.

SCHREMS II

In July 2020, the Court of Justice of the European Union ruled that the transfer of personal data outside the European Economic Area (EEA) may require additional technical measures to provide adequate protection of personal data (the Schrems II judgment). As a result of this judgment, ICS needs to assess and monitor its data transfers outside the EEA to verify whether additional technical and/or contractual measures are required. In some cases, if the required protection of personal data cannot be provided, we may be required to discontinue the data transfer and the related service, platform or application.

On 10 July 2023, the European Commission adopted an ‘adequacy decision’ for the EU-US Data Privacy Framework, concluding that the US ensures an adequate level of protection for personal data transferred from the EU to US companies participating in the EU-US Data Privacy Framework. This decision follows the US’s signature of an Executive Order on ‘Enhancing Safeguards for United States Signals Intelligence Activities’, introducing new binding safeguards to address points raised by the Schrems II judgement. The expectation is that this will facilitate access by parties from the US to personal data in line with the GDPR.

EBA GUIDELINES ON LOAN ORIGINATION AND MONITORING

In 2020, the EBA published its guidelines on loan origination and monitoring. The guidelines, applicable since 30 June 2021, 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 borrower’s 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.

GENERAL DATA PROTECTION REGULATION (GDPR)

The General Data Protection Regulation (GDPR) is not uniform throughout the EU. Some important aspects of the GDPR have been left to Member States to further legislate. In the Netherlands, a bill to amend the current act implementing certain aspects of the GDPR has been presented to the Dutch parliament. One of the relevant amendments for the sector envisaged in this draft is that the Financial Supervision Act will provide for a ground that brings automated decisions in the context of transaction monitoring for fraud prevention in line with GDPR requirements. Another relevant amendment is that in order to be able to rely on the exception for using biometric identification procedures (for example, to protect access to services), such use must be necessary in the context of a general public interest. Despite this extra requirement, it seems that the sector may be able to rely on this exception in the context of identification and verification, which will be necessary to comply with AML legislation in the context of fully online onboarding processes. The adoption of the bill has been delayed.

The European Commission is currently evaluating the application of the GDPR. A report is expected to be published in 2024.

THE DIGITAL OPERATIONAL RESILIENCE ACT (DORA)

The Digital Operational Resilience Act (DORA) -that became effective 16 January 2023- is an EU Regulation which seeks to strengthen the digital operational resilience for financial entities and must be complied with by 17 January 2025. All financial institutions in the European Union are required to implement an ICT risk management framework, enabling them to achieve a high level of digital operational resilience to withstand and recover from all types of IT-related disruptions and threats.
The requirements are the same for all EU Member States.

5.2 SUSTAINABLE FINANCE

EU TAXONOMY OF SUSTAINABLE ACTIVITIES

The EU Taxonomy Regulation entails a classification system establishing a list of activities considered environmentally sustainable. The system is meant to be used by companies, investors and policymakers in their sustainability reporting in order to prevent greenwashing and help companies become more climate-friendly. The EU Taxonomy Regulation covers six environmental objectives. All six have been published (climate change mitigation and adaptation, criteria for sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems). Moreover, on 1 January 2023, the delegated act to include nuclear energy and gas in the EU taxonomy came into force.

EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) came into force. As part of the European Green Deal and the Sustainable Finance Agenda, the CSRD was introduced to strengthen the existing rules for sustainability reporting. It further builds on the Non-Financial Reporting Directive (NFRD) and introduces more detailed reporting requirements on a company's risks and opportunities arising from social and environmental issues, as well as on the impact of the company's activities on people and the environment. In addition to the more detailed disclosure requirements, the CSRD requires companies to obtain assurance on the sustainability information they report. The new legislation will apply to all large companies and all listed companies, but application will take place in four stages. The first stage applies to companies already subject to NFRD (i.e. large public-interest companies with more than 500 employees), such as ICS. This means that ICS will have to apply the CSRD for the first time in 2024.

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Outlook 2024

In the coming year, ICS will follow the formulated medium-term strategy (2023-2026). Purpose, mission, and vision will be maintained and form the starting point for our actions. However, we will put the growth ambitions in the Western European payments market announced last year on hold for the time being. The focus will be on retaining our customer base, growing our commercial volume, being compliant and cost control. Five major themes will occupy the organisation in 2024.

MONEY LAUNDERING AND TERRORIST FINANCING ACT (WWFT)

There will be a continued focus on complying with all requirements under the laws and regulations. After all, it is a basic prerequisite for conducting banking business. ICS naturally makes its contribution to protecting the integrity of the financial system.

SPREAD PAYMENTS COMPENSATION SCHEME

In March 2021, the Kifid (Financial Services Complaints Tribunal) ruled that ABN AMRO did not always follow market interest rates closely enough for all customers when calculating variable interest rates on certain consumer credit products. ABN AMRO subsequently reached an agreement with the Consumers' Association to compensate the overpaid interest. The ICS product 'Doorlopend Krediet' was part of that agreement.

In June 2022, ICS determined that for the Spread Payments Facility agreements concluded prior to March 2011, the variable interest rate did not closely follow the market interest rate. Consequently, for this product, any overpaid interest will also be compensated according to the agreement with the Consumer' Association (Consumentenbond). In February 2024, ICS started compensating customers with a Spread Payment Facility where market interest rates have not been followed closely enough in the past. Eligible customers will receive letters containing a personalised compensation proposal.

By 2023, ICS had already completed the compensation for customers with revolving credit (Doorlopend Krediet). The compensation for customers with Spread Payments Facility is expected to continue throughout 2024. As former customers can also continue to apply for compensation, it is expected that there will still be some roll-out to 2025.

DISCONTINUATION OF SPREAD PAYMENTS FACILITY (SPF)

Until early 2021, customers could take out the SPF as an additional service on credit cards. The number of SPF users has now declined sharply, and ICS is phasing out the portfolio completely. The main reason for this is to prevent a customer from having long-term payment obligations.

Support within and outside ICS for such revolving credit products has steadily declined in recent years. The SPF is now no longer in line with society's view of credit and customer requirements, nor does it suit us. ICS has therefore decided to phase out the current SPF portfolio altogether. This decision was made and implemented in 2021.

Since then, ICS has no longer actively offered the SPF to new customers. Partly because of this, the number of customers with a SPF has declined in recent years to around 3% of our 2.6 million customers. The SPF will end on 1 October 2024, but customers can keep the credit card under certain conditions.

WIND-DOWN OF GERMAN INTERESTS

A wind-down of our interests in the German market will take place in 2024. The Düsseldorf branch will eventually be closed, and we will part with our German cardholders. The limited scale (around 70,000 cards) is the main reason for this. It requires a lot of investment to remain compliant with the specific German laws and regulations.

RESTRUCTURING / ORGANISATIONAL DESIGN

A restructuring plan was announced at the end of 2023 to better align ICS's organisation with its strategic objectives. The outcome of plateau 1 (Director level) is now known. The vacant positions will be filled in early 2024. Proposals for plateaus 2 (management level) and 3 (all staff) will follow in 2024. Close consultation with the Workers Council will ultimately decide on the restructuring plans that will also have personnel implications.

STABLE FINANCIAL BASIS

Our strong liquidity, adequate solvency position and the support and confidence of our parent organisation, ABN AMRO Bank N.V., gives us additional confidence and assurance for the future.

GEOPOLITICAL TRENDS

Despite the positive economic developments, we remain deeply concerned about the events in Ukraine, Israel and Palestine and are deeply saddened by the loss of so many innocent lives. The situation also brings economic uncertainty. We are focused on managing the impact on our customers and ICS, as well as the associated risks.

All in all, with no further unforeseen setbacks and an ongoing favourable market development, we expect to return to a slightly positive result for 2024.

6.1 OUR MARKET IS CHANGING RAPIDLY

Change is the name of the game in our industry too. New companies are helping to carry out financial transactions in new ways. Their smart technologies make transferring payments quick and easy. However, many of these companies are start-ups that like to experiment and use data for purposes their customers may not be aware of. The question of whether this is safe is becoming increasingly urgent. ICS keeps up with developments, but always focuses on payment security. Our customers must be able to trust us completely.

6.2 VISION AND MISSION

Our objective, vision and mission are central. We believe they will set us apart from other companies: a solid reason for people to choose us over our competitors. In 2023, we refined our ideas, which are presented below. We are aware that security and ease of payment must go hand in hand in these times. ICS's goal is to unburden its customers when it comes to payments. Both security and ease of payment are part of this and a prerequisite for offering our customers 'worry-free payments everywhere'. In this way, we contribute to a safer society and increase trust in our financial institutions.

OUR HIGHER GOAL

Carefree payments.

OUR VIEW OF THE WORLD OF PAYMENTS (VISION)

We are aware that the payment ecosystem is evolving rapidly. The emergence of new players and new technologies are making transactions easier, but this must be accompanied by enhanced security, compliance and ease of use.

WHAT WE STAND FOR (MISSION)

We offer our customers and partners relevant, sustainable and secure payment products.

6.3 FOCUS ON OUR OWN STRENGTH

ICS has been a reliable and secure credit card company in the Netherlands for more than 35 years. In the coming year, we will focus on that reliability and security of our existing products. Our customers rightly count on us in this respect. That means we must have our house in order and want to avoid the type of unforeseen setbacks that occurred in recent years. We also look closely at the cost/income ratios of our products.

In short, we will continue to do what we do best. Without plunging into all kinds of new developments with a lot of energy and investment. That certainly does not mean we are sitting still.
Take the introduction of Apple Pay in 2023, for example. We will continue to provide our customers with more and more payment convenience and extras.

6.4 BUILDING FROM A SOLID FOUNDATION

ICS continues to work hard on its foundations. Complying with laws and regulations is our first requirement. Being and remaining compliant is top priority. Only from a solid foundation can we start thinking about new propositions, later in this strategic period.

We work in line with our brand values reliability, security and convenience, to offer our customers more added value.

6.5 CHALLENGES

In 2024, ICS again faces several major challenges. The most important thing is to manage and successfully complete the themes mentioned in the Outlook 2024. In that respect we will certainly keep duty of care and customer interests firmly in mind.

Remaining compliant will always be paramount at ICS. In line with all requested efforts, we aim to comply with all laws and regulations. Against a complex economic background, we also have a commercial ambition to fulfil.

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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 three statutory directors.

ICS achieved its target of 50% gender diversity on the Supervisory Board in 2022. When vacancies arise, ICS gives due consideration to gender diversity requirements in its search for suitable new members who fit the profile.

One member of the ICS Supervisory Board is a senior manager at our shareholder, ABN AMRO Bank N.V.

7.2 MANAGEMENT ON 31 DECEMBER 2023
STATUTORY BOARD OF DIRECTORS

Mr M.M.W. Koot, Chief Executive Officer (resigned with effect from 1 January 2023)

Mrs C. Weeda-Hoogstad, Chief Financial Officer (resigned with effect from 1 January 2024)

Mr R.P.A.de Jong, Chief Risk Officer (resigned with effect from 1 February 2023)

Mr. D.M. Minderhoud, Chief Executive Officer (with effect from 15 March 2023)

Mrs M. A. Zwiers, Chief Risk Officer (with effect from 1 May 2023)

Mr. J. Ketelaar, Chief Financial Officer a.i. (with effect from 20 November 2023)

SUPERVISORY BOARD

Mr. J.G. ter Avest, Chair

Mr. J. Speksnijder (resigned with effect on 1 March 2024)

Ms. M.L.C. Jacobs-Kemps

Ms. J.E. Lobbrecht (with effect from 1 March 2023)

The Supervisory Board has one committee.

AUDIT & RISK COMMITTEE

Ms. J.E. Lobbrecht, Chair

Mr. J. Speksnijder (resigned with effect on 1 March 2024)

Ms. M.L.C. Jacobs-Kemps

7.3 STATUTORY BOARD OF DIRECTORS

For the performance of its duties, the Statutory Board of Directors is accountable to the Supervisory Board and the shareholder. 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, by broadening and deepening their knowledge where necessary. Topics that have been discussed here include client integrity, sustainability, consumer behaviour, digital assets and artificial intelligence, model risk management, legal regulation and macro-economic trends.

A representation of the Statutory Board of Directors meets with the ICS Works Council monthly.

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 Audit and Risk Committee. At least two members of the Supervisory Board are members of this Committee.

The members of the Supervisory Board also participate in ABN AMRO's lifelong learning programme, similar to the Statutory Board of Directors.

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

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, to approve the 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 Audit Director of ABN AMRO Group Audit and the Risk and Audit Committee of ICS.

7.6.3 REMUNERATION POLICY

We follow 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 prevailing guidelines and legislation. This includes additional mid-term and long-term requirements for identified staff regarding variable compensation, including a claw-back agreement.

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 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, shareholders, and society in general, are therefore essential.

7.7.2 THIRD-PARTY INTEGRITY

The 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 must be performed before ICS enters into any contractual or business relationship. If the risk assessment indicates that entering into a contract with a third-party exposes ICS to bribery or corruption risk, further due diligence checks will be conducted. Due diligence checks 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 for instituting adequate measures and controls to each 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 aim to comply with 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 required to sign the Banker's Oath. All staff members are also required to undergo employee integrity screening before working for ICS and, if deemed necessary, on a regular basis. All staff members are also subject to mandatory training to recognise red flags for bribery or corruption and to make appropriate decisions. As a rule, all ongoing or potential 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 for any reason this is not advisable, 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.

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 that is 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. ICS has implemented strong customer authentication for logging in to 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 3.5 'Security and Fraud Prevention').

7.9 SOCIAL, ENVIRONMENTAL RISKS AND HUMAN RIGHTS

In its role as a service provider, ICS recognises that it may be exposed to environmental, social and ethical (ESE) risks through the direct activities of its customers, vendors or employees. 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. A focal area within this framework is managing human rights risks in line with the UN guiding principles for business and human rights.

ICS has opened discussions on these topics with its employees, with a view to implementing practical measures and solutions relating to social and environmental risks.

International
Card
Services

Annual Financial Statements 2023

International Card Services

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8.1 COMPANY INCOME STATEMENT

(In thousands of euros)

	Note	2023	2022
Income			
Interest income calculated using the effective interest rate method		3,383	9,076
Interest expense calculated using the effective interest rate method		(32,711)	(4,267)
Net interest income	9.7	**(29,328)**	**(4,809)**
Fee and commission income		191,009	174,070
Fee and commission expenses		(32,750)	(38,122)
Net fee and commission income	9.8	**158,259**	**135,948**
Dividend and other operating income	9.9	5,797	5,533
Operating income		**134,729**	**146,290**
Expenses			
Personnel expenses	9.10	(60,192)	(56,456)
General and administrative expenses	9.11	(83,977)	(110,796)
Depreciation of tangible assets	9.18	(549)	(566)
Amortisation of intangible assets	9.21	(178)	(384)
Rebilling expenses	9.12	(13,035)	(12,705)
Operating expenses		**(157,931)**	**(180,907)**
Impairment charges on loans and other receivables	9.13	(3,477)	(1,868)
Total expenses		**(161,408)**	**(182,775)**
Result before tax		**(26,679)**	**(36,485)**
Income tax benefit	9.14	6,780	9,521
Result for the year		**(19,900)**	**(26,964)**

The accounting policies and Notes on pages 80 to 175 form part of these financial statements and should be read in conjunction with them.

8.2 COMPANY STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)

	Note	2023	2022
Profit/(loss) for the year	8.1	**(19,900)**	**(26,964)**
Comprehensive income (and losses)		**(19,900)**	**(26,964)**
Attributable to:			
Equity holders of ICS B.V.		(19,900)	(26,964)
Comprehensive income (and losses)		**(19,900)**	**(26,964)**
Number of issued ordinary shares at the end of the period		454	454
Basic earnings per ordinary share		(44)	(59)
Comprehensive earnings per ordinary share		(44)	(59)

The accounting policies and Notes on pages 80 to 175 form part of these financial statements and should be read in conjunction with them.

8.3 COMPANY STATEMENT OF FINANCIAL POSITION

(In thousands of euros)

	Note	31 December 2023	31 December 2022
Assets			
Cash and balances at central banks	9.15	205,141	228,394
Loans and advances banks	9.16	655,835	668,702
Loans and advances customers	9.17	729,880	685,721
Financial investments	9.20	20,382	33,813
Current company tax assets	9.22	15,034	9,315
Property and equipment	9.18	972	1,060
Intangible assets	9.21	666	845
Deferred company tax assets	9.23	75	69
Other assets	9.19	28,449	26,713
Total assets		**1,656,437**	**1,654,631**
Liabilities			
Due to banks	9.25	859,690	903,051
Due to customers	9.24	382,524	391,541
Provisions	9.27	78,813	50,832
Deferred company tax liabilities	9.23	1,158	1,193
Other liabilities	9.26	127,427	81,291
Total liabilities		**1,449,612**	**1,427,908**
Equity			
Share capital	8.4	45	45
Other reserves	8.4	226,678	253,642
Result for the year	8.1/8.4	(19,900)	(26,964)
Total equity	8.4	**206,824**	**226,724**
Total liabilities and equity		**1,656,437**	**1,654,631**

The accounting policies and Notes on pages 80 to 175 form part of these financial statements and should be read in conjunction with them.

8.4 COMPANY STATEMENT OF CHANGES IN EQUITY

(In thousands of euros)

	Note	Share capital	Retained Earnings	Result current year	Total
Balance at 1 January 2022		**45**	**282,377**	**(28,734)**	**253,688**
Addition to retained earnings		-	(28,734)	28,734	-
Net result of the year	8.1	-	-	(26,964)	(26,964)
Balance at 31 December 2022		**45**	**253,642**	**(26,964)**	**226,724**
Balance at 1 January 2023		**45**	**253,642**	**(26,964)**	**226,724**
Addition to retained earnings		-	(26,964)	26,964	-
Net result of the year	8.1	-	-	(19,900)	(19,900)
Balance at 31 December 2023		**45**	**226,679**	**(19,900)**	**206,824**

Last year's net loss was deducted from retained earnings in an amount of €27.0 million.
No dividend was paid to the owner of ICS, the parent company ABN AMRO Bank N.V., in 2023 and 2022.
There are 454 authorised shares with a par value €100. All shares are issued and fully paid up.

8.5 COMPANY STATEMENT OF CASH FLOWS

(In thousands of euros)

	Note	2023	2022
Cash flows from operating activities			
Operating profit before taxation	8.1	(26,679)	(36,485)
Depreciation and amortisation	9.18/9.21	727	951
Provisions and impairment losses	9.17/9.27	50,855	60,144
Adjustment for investment income	9.9/9.20	(5,796)	(5,406)
Adjustments on non-cash items included in profit		45,786	55,688
Changes in operating assets and liabilities			
Loans to banks	9.16	(1,255)	(391)
Loans to customers	9.17	(53,682)	(46,639)
Other assets	9.19	406	(702)
Due to banks	9.25	(43,361)	(81,506)
Due to customers	9.24	(9,017)	(10,900)
Other liabilities	9.26	43,268	16,598
Net changes in all other operational assets and liabilities	9.18/9.26	(12,576)	(17,951)
Changes in operational assets and liabilities		**(76,216)**	**(141,492)**
Dividend received from equity investments		238	409
Income taxes paid	9.14/9.22/9.23	1,019	9,557
Net cash generated by operating activities		**(55,852)**	**(112,322)**

(In thousands of euros)

	Note	2023	2022
Cash flows from investing activities			
Purchases of fixed assets	9.18	(450)	(474)
Proceeds from sales of financial investments		18,988	-
Cash flows from investing activities		**18,538**	**(474)**
Cash flows from financing activities			
Financing lease liabilities	9.26	(60)	(61)
Cash flows from financing activities		**(60)**	**(61)**
Change in cash and cash equivalents		**(37,374)**	**(112,857)**
Cash and cash equivalents at 1 January	9.15/9.16	896,680	1,009,538
Cash and cash equivalents at period end	**9.15/9.16**	**859,306**	**896,680**
Cash and cash balances at central banks	9.15	205,141	228,394
Loans and advances - Banks*	9.16	654,165	668,287
Total cash and cash equivalents		**859,306**	**896,680**

* Loans and advances banks with an original maturity of less than three months are included in loans and advances banks. Accrued interest of €1.7 million (2022: €0.4 million) is excluded.

Supplementary disclosure of operating cash flow information			
Interest paid	8.1	(32,711)	(4,267)
Interest received	8.1	3,383	9,076
Dividend received from investments	9.9	238	409

The accounting policies and Notes on pages 80 to 175 form part of these financial statements and should be read in conjunction with them.

International
Card
Services

Notes to the 2023 annual financial statements

9.1 CORPORATE INFORMATION

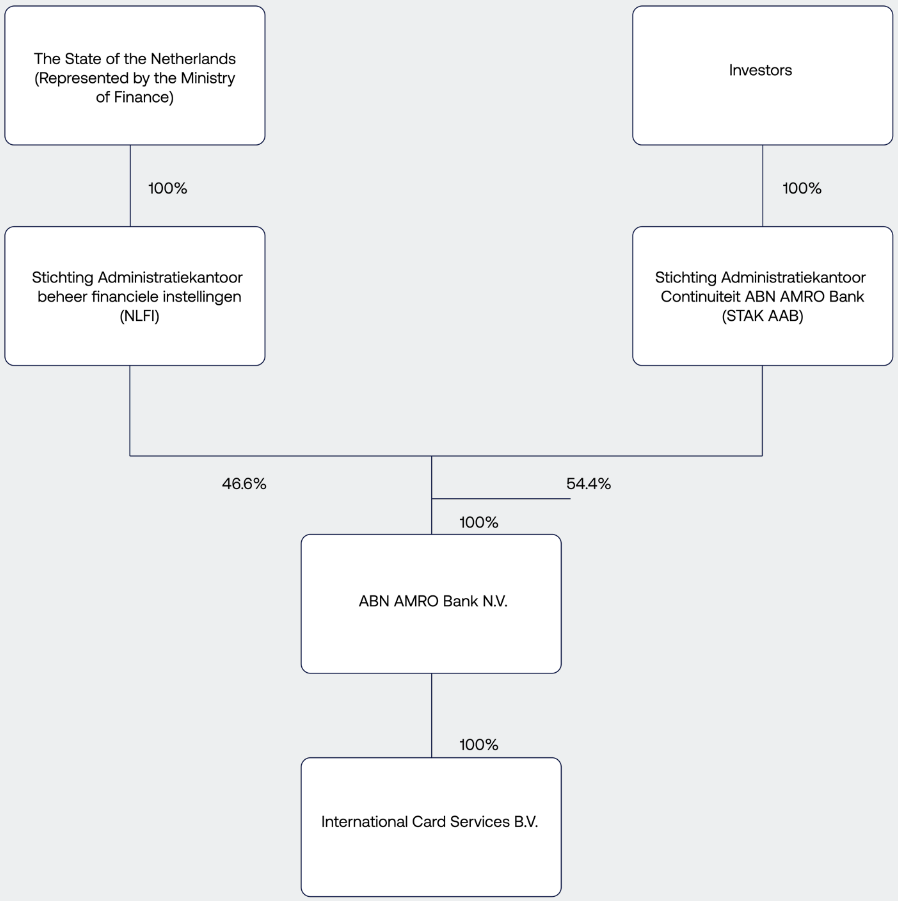
International Card Services B.V. (‘ICS’, ‘ICS Netherlands’ or ‘the Company’), together with its branch in Düsseldorf, Germany, offers card services primarily in the Netherlands and Germany. ICS issues, promotes, administers and processes Visa and Mastercard credit cards.

ICS is a limited liability company with registered office address at Wisselwerking 58, 1112 XP Diemen, The Netherlands, and is registered at the Netherlands Chamber of Commerce, in the Amsterdam trade register under no. 33.200.596. It is a wholly owned subsidiary of ABN AMRO Bank N.V. Its current structure is shown in the figure below.

The financial statements for the year ending 31 December 2023 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 24 May 2024.

LEGAL STRUCTURE

The German branch ('ICS Germany'), of which the office is registered in Düsseldorf, Germany, is ICS's only branch. Our shareholder is ABN AMRO Bank N.V.



9.2 ACCOUNTING POLICIES

This section describes ICS's material 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, where applicable.

BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities designated as measured at fair value through profit or loss, not held in a 'hold to collect' business model and debt instruments that do not meet the Solely Payments of Principal and Interest (SPPI) test.

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

The financial Statements are prepared on a going concern basis.

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 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

IFRS 17 - INSURANCE CONTRACTS

The new accounting standard for insurance contracts, IFRS 17, took effect on 1 January 2023. ICS assessed credit cards and similar products that include insurance coverage. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. ICS determined that insurance risk associated with an individual customer has not been assessed in setting the price of the contracts. Also, ICS is the policyholder of the credit insurances it has taken out and acts as an agent for other insurances (e.g. travel and purchase protection insurances) and therefore these insurance contracts are not in scope of IFRS17.

AMENDMENTS TO EXISTING STANDARDS

Besides IFRS 17, the following amendments to existing standards by the International Accounting Standards Board were endorsed by the EU and came into effect for the reporting period beginning on 1 January 2023:

- Amendments to IAS1 Disclosure of accounting policies
- Amendments to IAS 8 Definition of accounting estimate
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules.

The impact of these amendments on the financial statements are insignificant and have no effect on this statutory annual report of ICS.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The International Accounting Standards Board issued the following amendments to existing standards; these amendments are or will be endorsed by the EU. The amendments will become effective for the reporting period beginning on or after 1 January 2024. ICS does not adopt these amendments. The amended standards are:

- IAS 1 Classification of liabilities as current or non-current;
- IFRS 16 Lease liability in a sale and lease back;
- IAS 7 and IFRS 7 Supplier finance arrangements; and
- IAS 21 Lack of exchangeability.

The expected impact of these changes on the financial statements of ICS is insignificant.

9.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of ICS's financial statements requires management to exercise its judgement in the process of applying ICS's 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 for 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 Notes:

• Fair value of financial instruments	Note 9.6
• Impairments on loans advances – customers (IFRS 9)	Note 9.17
• Investments	Note 9.20
• Deferred tax assets	Note 9.23
• Provisions	Note 9.27

9.5 MATERIAL ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The financial statements are stated in euros, which is ICS's functional and reporting currency.

ICS applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at period-end exchange rates. Exchange gains and losses on such balances are recognised in the income statement.

FINANCIAL ASSETS AND LIABILITIES

The classification of financial instruments at initial recognition depends on their contractual terms (SPPI) and the business model (either hold to collect, hold to collect and sell, or another business model for managing the instruments.

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.

Three 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 can 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.

- he ‘hold to collect and sell’ business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a 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 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. Debt 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 (EIR) method. 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 for which the cash flows do not meet the SPPI requirements. For these instruments, the changes in the fair value are directly recognised in the income statement.
- FVOCI – Financial instruments measured at FVOCI are debt instruments which are held in a hold to collect and sell business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI. This is not applicable at ICS.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities at initial recognition are recognised at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Under IFRS 9, financial liabilities are as subsequently classified at amortised cost by ICS.

STATEMENT OF CASHFLOWS

For the purpose of the cash flow statement, cash and balances at central banks include 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 flows, 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 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's 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's base rate and other fee income/expenses 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, which is the date on which 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 when substantially all risk and rewards are transferred. In general, 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.

Financial liabilities are derecognised when 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 amortised cost and the consideration paid is recognised in the income statement.

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, management applies, where appropriate, 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 and model valuation adjustments for any known limitations. We believe our fair value estimates are adequate.

FAIR VALUE HIERACHY

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 based directly or indirectly 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.

(In thousands of euros)

31 December 2023	Carrying amount	Level 1: Quoted market prices in active markets	Level 2: Valuation techniques observable inputs	Level 3: Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	205,141	205,141	-	-	205,141
Loans to banks	655,835	-	655,835	-	655,835
Loans to customers	729,880	-	-	729,880	729,880
Financial investments	20,382	-	20,382	-	20,382
Total financial assets	**1,611,239**	**205,141**	**676,218**	**729,880**	**1,611,239**
Liabilities					
Due to banks	859,690	-	859,690	-	859,690
Due to customers	382,524	-	382,524	-	382,524
Total financial liabilities	**1,242,214**	**-**	**1,242,214**	**-**	**1,242,214**

31 December 2022	Carrying amount	Level 1: Quoted market prices in active markets	Level 2: Valuation techniques observable inputs	Level 3: Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	228,394	228,394	-	-	228,394
Loans to banks	668,702	-	668,702	-	668,702
Loans to customers	685,721	-	-	685,721	685,721
Financial investments	33,813	-	33,813	-	33,813
Total financial assets	**1,616,630**	**228,394**	**702,515**	**685,721**	**1,616,630**
Liabilities					
Due to banks	903,051	-	903,051	-	903,051
Due to customers	391,541	-	391,541	-	391,541
Total financial liabilities	**1,294,592**	**-**	**1,294,592**	**-**	**1,294,592**

TRANSFERS BETWEEN LEVELS 1, 2 AND 3

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

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

FINANCIAL INVESTMENTS

The equity instruments actively traded on public stock exchanges are valued using readily available quoted prices and therefore classified as level 1. In the case of 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 CARRIES AT FAIR VALUE

The methods and significant assumptions described above are applied to estimate the fair values of 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 these instruments have a short-term nature, prices from an active market are available and no fair value adjustments are made to the carrying amounts.

LOANS AND ADVANCES - BANKS AND CUSTOMERS

The loans and advances banks and customers are classified as level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The loans and advances banks and customers for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2.

DUE TO BANKS AND CUSTOMERS

Amounts due to banks and customers are classified as level 3 on the basis that unobservable inputs significantly influence their approximated fair values. The financial instruments for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2.

9.7 NET INTEREST INCOME

ACCOUNTING POLICY FOR 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 (EIR) method. The calculation takes into account all of the contractual terms of the financial instrument, such as prepayment options, and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

The breakdown of interest income and expenses by type of product for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Interest income		
Loans to banks	22,089	3,707
Loans to customers - revolving loans	168	1,040
Loans to customers - credit cards	(18,874)	2,477
Negative interest on interest bearing liabilities	-	1,851
	3,383	9,076
Interest expenses		
Due to banks	(30,552)	(3,142)
Due to customers	(2,158)	-
Other liabilities	-	-
Negative interest on interest bearing assets	-	(1,124)
	(32,711)	(4,267)
Net interest income	**(29,328)**	**4,809**

In 2023, net interest income decreased from €5 million to -€29 million. Funding charges (included in Due to banks) were higher due to the increase in interest rates during 2023. This was offset by higher interest on current accounts, deposits and balances with central banks. Furthermore, an additional provision of €40.9 million for variable interest compensation was recognised in interest income (2022: €23.2 million). Also, ICS's interest-bearing loan portfolio decreased by 19% (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 into account 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 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Fee and commission income		
Payment services	111,177	98,875
Service fees	79,442	74,680
Insurance fees	391	515
	191,009	174,070
Fee and commission expenses		
Payment services	(25,804)	(30,549)
Service fees	(2,608)	(2,565)
Insurance fees	(4,337)	(3,703)
Other service fees	-	(1,306)
	(32,750)	(38,122)
Net fee and commission income	**158,259**	**135,948**

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 relate to banking costs.

ICS is the policyholder of the credit insurances it has taken out and pays insurance fee expenses to cover against credit risk. Furthermore, ICS acts as an agent for cardholder insurances (e.g. cardholder insurances for purchase protection and travel insurances) and does not control these insurance services. For these insurances ICS pays insurance fee expenses to insurance companies.

Also, ICS arranges insurances (for the insurance company) that give a protection against payment in arrears (for the applicant of the insurances). Insurance fee income is received by ICS for participating in the collective insurance (ICS is policyholder) and because service costs in this process are made. ICS cardholders with a Spread Payment Facility product could apply for such an insurance against payment in arrears.

Other service fee expenses relate to gift cards issued for retention of clients.

Higher fees and commission income was driven by increased turnover due to higher transaction volumes than last year. As stated 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 of euros)

2023	Fees Point-in-Time	Fees Over Time	Total
Fees categorised as			
Payment services	111,177	-	111,177
Service fees	16,063	63,379	79,442
Insurance fees	391	-	391
	127,630	**63,379**	**191,009**

(In thousands of euros)

2022	Fees Point-in-Time	Fees Over Time	Total
Fees categorised as			
Payment services	98,875	-	98,875
Service fees	14,084	60,596	74,680
Insurance fees	515	-	515
	113,475	**60,596**	**174,070**

9.9 DIVENDS AND OTHER OPERATING INCOME

ACCOUNTING POLICY FOR DIVIDENDS AND OTHER OPERATING INCOME

Investments are held at fair value through profit and loss. Income related to these positions includes realised or unrealised gains and losses arising from changes in the fair value, and dividends received from investments. Dividend income from non-trading equity investments is recognised when entitlement is established. Realised and unrealised gains or losses are recognised in the income statement (IFRS 9).

Dividends, realised or unrealised gains from revaluation and other operating income for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Dividend income	238	409
Gain on sale investment	1,411	-
Realised or unrealised gains	4,148	4,995
Other income	-	129
Total dividend and other operating income	**5,797**	**5,533**

Unrealised gains were €4 million in 2023 (2022: €5 million). This amount consists of unrealised gains from ICS's C and A Share in Visa Inc. (see Note 9.20). In 2022, a part of the Visa Inc. C Share portfolio became convertible to Visa Inc. A Shares, and for these shares there was no sale restriction, which resulted in higher unrealised gains. In 2023, all Visa Inc. A Shares were sold, which resulted in a gain of €1.4 million mainly due to a favourable Visa A Share price. Dividend income consists mainly of ICS's C and A Share in Visa Inc.

9.10 PERSONNEL EXPENSES

ACCOUNTING POLICY FOR PERSONNEL EXPENSES

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

On 1 January 2021, ICS transferred the employership to ABN AMRO. Since then, ABN AMRO charges the cost of internal and external staff to ICS on a monthly basis including the expenses for the defined contribution plan and social security charges.

Personnel expenses for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Salaries and wages	43,059	40,468
Social security charges	5,968	5,701
Defined contribution plan expenses	8,934	8,176
Other	2,230	2,111
Total personnel expenses	**60,192**	**56,456**

The increased personnel expenses of €3.7 million was due mainly to the CLA and performance increases in combination with a higher internal FTE count than in the previous year.

Costs included in personnel expenses, permanent staff at 31 December 2023:

- International Card Services B.V. (Netherlands): 597 FTEs (2022: 565 FTEs).
- International Card Services B.V. (Germany): 11 FTEs (2022: 11 FTEs).

9.11 GENERAL AND ADMINISTRATIVE EXPENSES

ACCOUNTING POLICY FOR GENERAL AND ADMINISTRATIVE EXPENSES

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

General and administrative expenses for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Marketing and public relations costs	3,761	4,325
Information technology costs	32,296	38,822
Post and telephone	4,624	4,302
Agency staff, contractor, and consultancy expenses	33,778	25,384
Provisions	443	27,293
Fraud losses	3,395	2,964
Other	5,681	7,706
Total general and administrative expenses	**83,977**	**110,796**

The overall general and administrative expenses decreased by €26.8 million to €84 million in 2023 (2022: €110.8 million). In 2023, ICS recognised an additional €1.1 million as an operational expense for carrying out the variable interest compensation scheme (2022: €15.2 million). For the Wwft remediation and reassessment provisions there was a release of €0.7 million in 2023 (2022: €12.1 million addition).
The information technology costs decreased by €6.5 million, due mainly to the decision to stop the Aurora programme in the fourth quarter of 2022.

In 2023, more external employees were charged directly to the profit and loss statement than in 2022. Therefore, the agency staff and contractor expenses increased by €5.2 million.

The consultancy expenses increased by €3.2 million due to multiple extensive consultancy projects regarding IT renewal and risk related assignments.

- International Card Services B.V. (Netherlands): 269 external FTEs (2022: 294 external FTEs):
- International Card Services B.V. (Germany): 1 external FTEs (2022: 0 external FTEs).

The specification of the provision expenses is as follows:

(In thousands of euros)

	Note	2023	2022
Legal	9.27	41,333	50,456
Other	9.27	(2)	-
Total provisions		**41,331**	**50,456**

The legal provision mainly consists of the provision for variable interest compensation (see Note 9.27). Note that the interest compensation part of this provision of €40.9 million (2022: €23.2 million) was recognised in net interest income (see Note 9.7) and not in General and Administrative expenses.

The specification of fees paid to EY is as follows:

(In thousands of euros)

	2023	2022
Financial statement audit fees	573	526
Audit related fees	173	161
Total auditor's fee	**746**	**687**

Total fees paid to EY are included under Agency staff and consultancy costs and amount to €746 thousand (2022: €687 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 concerning ICS for the purpose of the ABN AMRO Bank N.V. Group Audit.

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 for the period during which services are provided.

Rebilling expenses for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	2023	2022
Rebilling	13,035	12,705
Total rebilling expenses	**13,035**	**12,705**

Rebilling expenses are charges from ABN AMRO, mainly for housing services, ALM/Treasury overhead, legal, compliance, internal audit and personnel & business banking personnel. The rebilling expenses were slightly higher than in 2022.

9.13 IMPAIRMENT CHARGES ON LOANS AND ADVANCES - CUSTOMERS

ACCOUNTING POLICY FOR IMPAIRMENT CHARGES ON LOANS AND ADVANCES - CUSTOMERS

For the accounting policies, see Credit Risk Note 9.34

Impairment charges on loans and advances to customers for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Note	2023	2022
Impairments charges on:			
Loans to customers	9.17	3,477	1,868
Total impairment charges on loans		3,477	1,868

In December 2023, ICS applied a negative management overlay of €1.7 million on the credit provision (2022: €5 million), which was partly offset by a decrease in the provision of €1.8 million. Besides this, the net credit losses were slightly higher. Consequently, the impairment charges were €1.6 million higher than in the previous year.

9.14 INCOME TAX EXPENSE

ACCOUNTING POLICY FOR INCOME TAX EXPENSES, TAX ASSETS AND LIABILITIES

Income tax expense consists of current and deferred tax. 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 if the fiscal unity were not to exist. All the members of the fiscal unity are jointly 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 previous years are measured at the amount expected to be recovered from, or paid to, the parent company. The parent company makes payments to 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 is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

All temporary differences are recognised as tax expenses in the income statement, except for temporary differences due to investments, which are recognised through profit and loss.

Income tax expenses in the income statement for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Note	2023	2022
Current tax expense			
Current tax expense on year under review		(6,721)	(9,205)
Adjustment for current tax of previous years		(18)	(113)
		(6,738)	(9,318)
Deferred tax expense	9.23		
Deferred taxes arising from current period		(41)	(203)
Total tax expense		**(6,780)**	**(9,521)**
Effective tax rate		25.4%	26.1%
Nominal tax rate Netherlands		25.80%	25.80%
Nominal tax rate Germany		31.23%	31.23%

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

(In thousands of euros)

	Note	2023	2022
(Profit)/loss before taxation Netherlands		26,816	36,577
(Profit)/loss before taxation Germany		(136)	(92)
Expected income tax expense/(benefit)		**(6,876)**	**(9,408)**
Increase (decrease) in taxes resulting from:			
Adjustments for current tax of prior years		(18)	(113)
Bank tax		75	-
Non-deductible expenses		39	-
Total increase (decrease)		**96**	**(113)**
Actual income tax expenses/(benefit)		**(6,780)**	**(9,521)**

ICS has an effective tax rate that is above the Pillar Two minimum tax rate of 15%. Since the Pillar Two legislation was not yet effective in 2023, there is no further impact on the disclosures of ICS in 2023.

ICS reports negative tax expenses in 2023 due to the negative result.

9.15 CASH AND BALANCES AT CENTRAL BANKS

Cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand balances with central banks in countries in which ICS is present. Mandatory reserve deposits are disclosed in Note 9.16 Loans and advances banks.

Cash on hand and balances at central banks for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Average Interest rate	31 December 2023	31 December 2022
Balances with central banks	3.40%	205,141	228,394
Balance at the end of the period		**205,141**	**228,394**

Balances with central banks consist of balances other than mandatory reserve deposits and are readily convertible into 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 loans and advances customers, are held in a 'hold to collect' business model. Loans and advances for which the contractual cash flows are solely payments of principal and interest (SPPI) are measured at amortised cost, i.e. fair value at initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset, and are presented less any allowance for impairment.

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.

Loans and advances to banks for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Average interest rate 2023	31 December 2023	31 December 2022
Current accounts – credit institutions	2.75%	249,384	235,925
Interest bearing deposits	1.93%	402,720	428,865
Mandatory reserve deposits with central banks	0.00%	3,732	3,912
Balance at the end of the period		**655,835**	**668,702**

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

Interest-bearing deposits are placed at 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 one-month term and a monthly variable interest rate.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. The ECB determines the minimum cash reserve requirements and prescribes how this amount should be calculated during pre-defined reserve periods. During these periods, the balances are available for use by ICS. ICS manages and monitors deposits to ensure it meets the minimum reserve requirements for the period.

9.17 LOANS AND ADVANCES CUSTOMERS

ACCOUNTING POLICY FOR LOANS AND ADVANCES BANKS - 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 2023 and 31 December 2022 are specified in the following table:

(In thousands of euros)

	Average interest rate 2023	Year of maturity	31 December 2023	31 December 2022
Consumer				
Revolving loans	4.09%	2026	3,042	7,540
Credit card – current accounts	0.00%	2024	462,970	387,466
Credit card – interest bearing	9.57%	2029	193,366	236,121
Allowance for impairment losses			(13,333)	(13,484)
			646,045	**617,643**
Commercial				
Loans to financial institutions			195	195
Credit card – current accounts	0.00%	2024	82,830	66,240
Credit card – interest bearing	9.31%	2029	2,021	2,431
Allowance for impairment losses			(1,211)	(788)
			83,835	68,078
Balance at the end of the period			**729,880**	**685,721**

Outstanding amounts to consumer and commercial loans specified by stage.

31 December 2023

(In thousands of euros)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Balance at 1 January 2023	**591,044**	**15,459**	**24,625**	**631,127**
Transfer to stage 1	4,439	(4,393)	(46)	-
Transfer to stage 2	(9,016)	9,181	(165)	-
Transfer to stage 3	(11,674)	(2,182)	13,855	-
Addition drawdowns and partial repayments	45,303	(2,627)	(5,619)	37,057
Write offs	-	-	(8,807)	(8,807)
Balance at 31 December 2023	**620,096**	**15,438**	**23,844**	**659,378**
Commercial loans				
Balance at 1 January 2023	**68,797**	**39**	**29**	**68,866**
Transfer to stage 1	26	(23)	(3)	-
Transfer to stage 2	(49)	49	-	-
Transfer to stage 3	(96)	-	96	-
Addition drawdowns and partial repayments	16,211	(19)	433	16,625
Write offs	-	-	(445)	(445)
Balance at 31 December 2023	**84,888**	**47**	**110**	**85,046**
Balance at the end of the period	**704,985**	**15,485**	**23,954**	**744,424**

31 December 2022

(In thousands of euros)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Balance at 1 January 2022	**563,901**	**20,094**	**31,865**	**615,859**
Transfer to stage 1	3,706	(3,694)	(11)	-
Transfer to stage 2	(10,464)	10,650	(186)	-
Transfer to stage 3	(11,413)	(1,758)	13,172	-
Addition drawdowns and partial repayments	45,315	(9,833)	(10,076)	25,406
Write offs	-	-	(10,138)	(10,138)
Balance at 31 December 2022	**591,044**	**15,459**	**24,625**	**631,127**
Commercial loans				
Balance at 1 January 2022	**47,900**	**419**	**43**	**48,363**
Transfer to stage 1	273	(273)	-	-
Transfer to stage 2	(37)	37	-	-
Transfer to stage 3	(22)	(9)	31	-
Addition drawdowns and partial repayments	20,683	(135)	685	21,233
Write offs	-	-	(730)	(730)
Balance at 31 December 2022	**68,797**	**39**	**29**	**68,866**
Balance at the end of the period	**659,842**	**15,498**	**24,654**	**699,994**

The loan portfolio (consumer and commercial) is greater than in the previous year due to more customer spending.

CONSUMER LOANS

Consumer loans and advances relate to 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. 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 more information.

PAST DUE

The following table shows the days past due.

(In thousands of euros)

	Carrying amount		Days past due					
	Gross	Assets not classified as impaired	<=30 days	30 days & <= 60 days	>60 days & <= 90 days	Above 90 days	Total past due but not impaired	Past due ratio
Loans to customers								**31 December 2023**
Consumer loans	659,378	635,534	17,999	1,113	2,286	1,495	22,893	3.6%
Commercial loans	85,046	84,935	572	-	13	-	584	0.7%
	744,424	720,470	18,571	1,113	2,298	1,495	23,487	3.3%
Loans to customers								**31 December 2022**
Consumer loans	631,127	606,503	15,653	1,114	1,940	1,564	20,272	3.3%
Commercial loans	68,866	68,873	348	-	2	6	357	0.5%
	699,994	675,340	16,002	1,114	1,943	1,571	20,629	3.1%

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

(In thousands of euros)

	Outstanding			Provision			
	Performing	Non-Performing	Total	Performing	Non-Performing	Total	Coverage and impaired ratio
31 December 2023							
Overview of Consumer loans and advances in stage							
Stage 1	620,096	-	620,096	4,185	-	4,185	0.7%
Stage 2	15,438	-	15,438	1,107	-	1,107	7.2%
Stage 3	-	23,844	23,844	-	8,041	8,041	33.7%
	635,534	**23,844**	**659,378**	**5,292**	**8,041**	**13,333**	**2.0%**
Overview of Commercial loans and advances in stage							
Stage 1	84,888	-	84,888	1,170	-	1,170	1.4%
Stage 2	47	-	47	26	-	26	54.8%
Stage 3	-	110	110	-	15	15	14.0%
	84,935	110	85,046	1,196	15	1,211	1.4%
Total	**720,470**	**23,954**	**744,424**	**6,488**	**8,056**	**14,544**	**2.0%**

(In thousands of euros)

	Outstanding			Provision			
	Performing	Non-Performing	Total	Performing	Non-Performing	Total	Coverage and impaired ratio
31 December 2022							
Overview of Consumer loans and advances in stage							
Stage 1	591,044	-	591,044	2,694	-	2,694	0.5%
Stage 2	15,459	-	15,459	1,160	-	1,160	7.5%
Stage 3	-	24,625	24,625	-	9,630	9,630	39.1%
	606,503	**24,625**	**631,127**	**3,854**	**9,630**	**13,484**	**2.1%**
Overview of Commercial loans and advances in stage							
Stage 1	68,797	-	68,797	765	-	765	1.1%
Stage 2	39	-	39	16	-	16	40.6%
Stage 3	-	29	29	-	6	6	21.6%
	68,837	**29**	**68,866**	**781**	**6**	**788**	**1.1%**
Total	**675,340**	**24,654**	**699,994**	**4,636**	**9,636**	**14,272**	**2.0%**

Due to an active credit management department and a strict onboarding policy for new cardholders,
ICS has 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 9.5. For information on our credit management, see Note 9.34.

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

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Impairments allowance for Consumer loans and advances per stage 2023				
Balance at 1 January 2023	**2,694**	**1,160**	**9,630**	**13,484**
Transfers to stage 1	253	(407)	(27)	(181)
Transfers to stage 2	(49)	49	(94)	(94)
Transfers to stage 3	(74)	(346)	10,171	9,751
Remeasurements[1]	(183)	639	(3,622)	(3,166)
Changes in risk parameters	1,545	12	805	2,362
Write-offs	-	-	(8,807)	(8,807)
Unwind discount/unearned interest accrued	-	-	(14)	(14)
Balance at 31 December 2023	**4,185**	**1,107**	**8,041**	**13,333**

[1] Remeasurements represent the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Impairments allowance for Consumer loans and advances for each stage 2022				
Balance at 1 January 2022	**1,396**	**333**	**13,532**	**15,262**
Transfers to stage 1	77	(140)	(13)	(76)
Transfers to stage 2	(31)	723	(130)	562
Transfers to stage 3	(31)	(57)	4,964	4,876
Remeasurements[1]	1,283	300	1,424	3,007
Write-offs	-	-	(10,138)	(10,138)
Unwind discount/unearned interest accrued	-	-	(9)	(9)
Balance at 31 December 2022	**2,694**	**1,160**	**9,630**	**13,484**

[1] Remeasurements represent the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

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

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Impairments allowance for commercial loans and advances per stage 2023				
Balance at 1 January 2023	**765**	**16**	**6**	**788**
Transfers to stage 1	11	(8)	(1)	1
Transfers to stage 2	(1)	8	(1)	6
Transfers to stage 3	(4)	(3)	56	49
Remeasurements[1]	(443)	11	397	(35)
Changes in risk parameters	841	2	4	847
Write-offs	-	-	(445)	(445)
Unwind discount/unearned interest accrued	-	-	-	-
Balance at 31 December 2023	**1,170**	**26**	**15**	**1,211**

[1] Remeasurements represent the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Impairments allowance for commercial loans for each stage 2022				
Balance at 1 January 2022	**153**	**14**	**23**	**190**
Transfers to stage 1	10	(10)	-	-
Transfers to stage 2	-	6	-	6
Transfers to stage 3	-	-	3	2
Remeasurements[1]	603	6	710	1,320
Write-offs	-	-	(730)	(730)
Balance at 31 December 2022	**765**	**16**	**6**	**788**

[1] Remeasurements represent the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

FORBORNE ASSETS

For more information on forbearance, see Note 9.34.

Forbearance occurs when a customer is in, or potentially faces, financial difficulties and ICS makes concessions to that customer, with the intention of returning the customer to a healthy financial situation.

Forborne assets are therefore assets for which forbearance measures have been taken. The table below shows an overview of forborne assets classified by type of forbearance measure and broken down into performing and non-performing assets.

(In thousands of euros)

	Total gross carrying amount	Performing assets			Total performing forborne assets	Non-performing assets			Total performing forborne assets	Total forborne assets	Forbearance ratio (%)
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
31 December 2023											
Consumer loans	659,378	6,510	-	-	6,510	2,651	-	-	2,651	9,161	1.4%
Commercial loans	85,046	-	-	-	-	-	-	-	-	-	0.0%
Total loans	**744,424**	**6,510**	**-**	**-**	**6,510**	**2,651**	**-**	**-**	**2,651**	**9,161**	**1.2%**
31 December 2022											
Consumer loans	631,127	6,074	-	-	6,074	3,070	-	-	3,070	9,144	1.4%
Commercial loans	68,866	-	-	-	-	-	-	-	-	-	0.0%
Total loans	**699,994**	**6,074**	**-**	**-**	**6,074**	**3,070**	**-**	**-**	**3,070**	**9,144**	**1.3%**

9.18 PROPERTY AND EQUIPMENT

ACCOUNTING POLICY FOR PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any impairment amount. At each balance sheet date, an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if they 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 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 incurred expenses.

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

- Hardware: four years
- Right of Use Assets: five years

At each reporting date, ICS reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss under depreciation and amortisation expenses. Impairment losses are reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

ACCOUNTING POLICY FOR LEASES

ICS measures leases in accordance with IFRS 16 Leases by recording right of use assets and lease liabilities. Assets and liabilities arising from leases in which ICS acts as lessee are initially measured 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, ICS's incremental borrowing rate is used.

The right of use 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 or low value assets are recognised on a straight-line basis in the income statement.

Property and equipment and the right of use assets for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Hardware	Right of Use Assets	Total
Balance at 1 January 2022	**922**	**209**	**1,131**
Additions	482	13	495
Disposals	–	–	–
Depreciation	(513)	(53)	(566)
Balance at 31 December 2022	**890**	**170**	**1,060**
Balance at 1 January 2023	**890**	**170**	**1,060**
Additions	450	11	461
Disposals	–	–	–
Depreciation	(492)	(57)	(549)
Balance at 31 December 2023	**848**	**124**	**972**
Cost at the end of the period	6,810	276	7,086
Cumulative depreciation at the end of the period	(5,962)	(152)	(6,113)

In 2023 hardware increased due to the acquisition of PCs, laptops and other related hardware. However, the balance at year-end is lower due to a higher depreciation. Right of use assets relate to the rental of the building and parking lots by ICS Germany.

9.19 OTHER ASSETS

Other assets for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	31 December 2023	31 December 2022
Accrued other income	21,903	19,242
Prepaid expenses	4,934	5,452
Other receivables	505	509
Other current assets	1,108	1,510
Balance at the end of the period	**28,449**	**26,713**

Accrued other income relates to partners Visa, Mastercard and co-branders. In 2023, accrued other income was higher than in 2022, mainly due to higher rebates.

Prepaid expenses were lower at year-end, predominantly due to a lower amount of prepaid ICT expenses.

Other current assets relate mainly to the administrative processing of the settlements with Visa and Mastercard.

9.20 FINANCIAL INVESTMENTS

ACCOUNTING POLICY FOR FINANCIAL INVESTMENTS

Financial investments include instruments measured at fair value through profit or loss (FVTPL).

Investments for the years ended 31 December 2023 and 31 December 2022 are specified in the following table:

(In thousands of euros)

Investments	Ownership	31 December 2023	31 December 2022
• Shares Visa Inc.	<1%	20,368	33,800
• Shares Visa Belgium	<1%	15	13
• Wireless Interactive & NFC Accelerator 2013 B.V. (WIN B.V.)	10%	0	0
Balance at the end of the period		**20,382**	**33,813**

Unrealised gains/(losses) of equity instruments measured at FVTPL	Fair value	Historical value	Gross unrealised gains/ (losses)
Balance at 31 December			
2022	33,813	17,029	16,784
2023	20,383	17,029	3,354
Change in fair value in investment			**(13,430)**

(In thousands of euros)

Breakdown Fair value	VISA Inc.	VISA Belgium	WIN B.V.	Total
Balance at 1 January	**33,800**	**13**	**-**	**33,813**
Sale	(18,988)	-	-	(18,988)
Revaluation[1]	5,556	2	-	5,558
Balance at the end of the period	**20,368**	**15**	**-**	**20,382**

[1]The revaluation is explained and disclosed in note 9.9 Dividend and other operating income.

As mentioned in Note 9.9 the Visa Inc. A Share portfolio was sold in 2023 and the proceeds of the sale amounted to €18.9 million. On 31 December 2023, the value of the Visa Share portfolio was €20.4 million (2022: €33.8 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's 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 its cost can be reliably measured. Amortisation is calculated each month on a straight-line basis over the estimated useful life 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 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	31 December 2023	31 December 2022
Balance at 1 January	**845**	**1,229**
Amortisation expenses	(178)	(384)
Balance at the end of the period	**666**	**845**
Cost at the end of the period	11,864	11,864
Cumulative amortisation as at the end of the period	(11,198)	(11,020)

At 31 December 2023, intangible assets consisted of the Paysquare credit card portfolio of €666 thousand (31 December 2022: €845 thousand), which was 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 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	Total
Balance at 31 December 2023	
Assets	15,034
Liabilities	-
Total	**15,034**
Balance at 31 December 2022	
Assets	9,315
Liabilities	-
Total	**9,315**

ICS reported a higher current tax receivable due to the negative result in 2023.

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 expenses or statement of comprehensive income.

(In thousands of euros)

	Total
Balance at 31 December 2023	
Assets	75
Liabilities	(1,158)
Total	**(1,083)**
Balance at 31 December 2022	
Assets	69
Liabilities	(1,193)
Total	**(1,124)**

(In thousands of euros)

Specification deferred tax assets	Movement	Total
Balance at 1 January 2022		**43**
Property, plant and equipment	P&L	26
Balance at 31 December 2022		**69**
Property, plant and equipment	P&L	6
Balance at 31 December 2023		**75**
Gross deferred tax assets at the end of the period		75
Net deferred tax assets at the end of the period		**75**

(In thousands of euros)

Specification deferred tax liabilities	Movement	Total
Balance at 1 January 2022		**(1,370)**
Other intangible assets	P&L	99
Other	P&L	78
Balance at 31 December 2022		**(1,193)**
Other intangible assets	P&L	96
Other		(61)
Balance at 31 December 2023		**(1,158)**

In 2023, the total increase in deferred tax assets was €6 thousand and the total decrease in the deferred tax liabilities was €35 thousand. Therefore, the total decrease in net deferred tax liabilities was €41 thousand.

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

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 coupons, fees and expenses to present the effective interest rate of the instrument.

Due to customers for the years ended 31 December 2023 and 31 December 2022 is specified in the following table.

(In thousands of euros)

	Average interest rate 2023	Year of Maturity	31 December 2023	31 December 2022
Demand deposits	0.56%	On demand	341,488	344,327
Time deposits	0.54%	1-3 months	41,036	47,214
Balance at the end of the period			**382,524**	**391,541**

Demand deposits include customer balances on both consumer and commercial credit cards.
The commercial deposits which contain €41 million of collateral (2022: €47 million) are classified as time deposits and the term period in which the customer can withdraw their posted collateral is between 1 and 3 months.

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 2023 and 31 December 2022 is specified in the following table.

(In thousands of euros)

	Average interest rate 2023	Year of maturity	31 December 2023	31 December 2022
Demand deposits	3.41%	2024	859,690	903,051
Balance at the end of the period			**859,690**	**903,051**

Funding is obtained from ABN AMRO Bank by means of cash loans (time deposits). Time deposits are based on a mix of variable interest rates on a 1- to 3-month base and a 3-year base. The interest rates increased in 2023.

9.26 OTHER LIABILTIES

Other liabilities for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	31 December 2023	31 December 2022
Accrued fees and charges	34,294	31,937
Accounts payable and sundry creditors	93,002	49,174
Lease liabilities	131	180
Balance at the end of the period	**127,427**	**81,291**

Accounts payable and sundry creditors were €43.8 million higher than in 2022 and consist mainly of amounts to be settled with Visa and Mastercard.

Accrued fees and charges increased by €2.4 million, mainly due to higher deferred income regarding annual fees.

LEASE LIABILITIES

The maturity table for the undiscounted lease liabilities relating to the rental contract of ICS Germany's office building is shown below:

(In thousands of euros)

Lease liabilities	31 December 2023	31 December 2022
Maturity analysis - contractual undiscounted cash flows		
Less than one year	-	-
One to five years	131	180
More than five years	-	-
Total undiscounted cash flow	**131**	**180**

9.27 PROVISIONS

ACCOUNTING POLICY FOR PROVISIONS

A provision is recognised in the balance sheet when ICS has a legal or constructive obligation 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 that 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.

Expected credit loss allowances of loan commitments are recognised as provisions under IFRS 9.

Provisions for the years ended 31 December 2023 and 31 December 2022 are specified in the following table.

(In thousands of euros)

	31 December 2023	31 December 2022
Provision for legal matters	78,813	50,830
Provision other	-	2
Balance at the end of period	**78,813**	**50,832**

(In thousands of euros)

	Legal	Other	Total
Balance at 1 January 2022	**22,096**	**1,802**	**23,898**
Additions	52,361	-	52,361
Withdrawals	(21,722)	(1,800)	(23,522)
Release of unused provisions	(1,904)	-	(1,904)
Balance at 31 December 2022	**50,830**	**2**	**50,832**
Balance 1 January 2023	**50,830**	**2**	**50,832**
Additions	41,999	-	41,999
Withdrawals	(13,350)	-	(13,350)
Release of unused provisions	(667)	(2)	(668)
Balance at 31 December 2023	**78,813**	**0**	**78,813**

LEGAL PROVISION

The legal provision as at 31 December 2023 consists of the following provisions:

VARIABLE INTEREST RATES FOR CONSUMER LOANS

In March 2021, the Kifid Appeals Committee confirmed a ruling by the Kifid Disputes Committee about recalculating the variable interest charged to a specific client on a revolving credit offered by ABN AMRO. In short, Kifid ruled that ABN AMRO should have followed the market rate when establishing the variable interest rate for certain revolving consumer credits. On 5 September 2021, ABN AMRO agreed on a compensation scheme with the Dutch Consumers Association (Consumentenbond Claimservice) under which excess interest paid will be compensated. ICS is a subsidiary of ABN AMRO and falls under this scheme, so it follows the ABN AMRO policy in this respect.

In 2022, ICS extended the compensation scheme by including the Spread Payments Facility (SPF) portfolio. In Q3 2022, following an ABN AMRO ruling in August 2022 by the Kifid Appeals Committee, ICS amended the compensation scheme to include compound interest (interest on interest). At 31 December 2022, the provision totalled €45.2 million.

In 2023 ICS refined the scope of the SPF by creating a product specific calculation methodology including acquired SPF portfolios in preparation of the execution. As a result of the scoping refinement and adjusted calculation methodology, €40.9 million was added to the provision for interest compensation and an additional €1.1 million for operational expenses. In 2023, €8.4 million of the provision was used. Therefore, the total provision at 31 December 2023 amounted to €78.8 million.

It is unclear what the exact scope and application of the Kifid ruling is and whether the ruling will have a knock-on effect on other products with variable interest rates, beyond the range of products covered by the compensation scheme. ICS cannot give a reliable estimate of the (potentially substantial) financial risk of these contingent liabilities not provided for.

AML REMEDIATION PROGRAMME

Banks are considered gatekeepers of the financial system, which is a responsibility that ICS takes very seriously. ICS invests significant resources to fulfil its role as a gatekeeper in general, and specifically in combatting financial crime. We work closely with regulators, governments, other banks and other authorities.

At 31 December 2022, the Wwft remediation and reassessment provisions totalled €0.9 million and €4.8 million, respectively. In Q2 2023, ICS finalised the remediation of the outstanding commercial portfolio. As a result, €0.5 million of the remediation provision was used and the remaining provision of €0.4 million was released in December 2023.
All outstanding files subject to reassessment were finalised in 2023 as well. Consequently, €4.5 million of this provision was used and €0.3 million was released. However, to account for expenses not yet invoiced to ICS, the remaining reassessment provision as at 31 December 2023 amounted to €0.03 million.

OTHER

The fraud provision of ICS Germany was fully released as at 31 December 2023.

9.28 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows a breakdown of assets and liabilities, analysed according to when they are expected to be recovered or settled.

(In thousands of euros)

	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	205,141	-	-	-	-	205,141
Loans and advances banks	247,713	408,122	-	-	-	655,835
Loans and advances customers	564,270	9,207	13,811	27,622	114,969	729,880
Financial investments	-	-	-	-	20,382	20,382
Property and equipment	-	-	-	-	972	972
Intangible assets	-	-	-	-	666	666
Current company tax assets	-	-	-	-	15,034	15,034
Deferred company tax assets	-	-	-	-	75	75
Other assets	1,450	26,839	5	-	156	28,449
Total assets	**1,018,574**	**444,168**	**13,816**	**27,622**	**152,256**	**1,656,437**
Liabilities						
Due to banks	108,840	217,262	180,144	70,689	282,755	859,690
Due to customers	341,488	41,036	-	-	-	382,524
Provisions	-	-	-	-	78,813	78,813
Current company tax liabilities	-	-	-	-	-	-
Deferred company tax liabilities	-	-	-	-	1,158	1,158
Other liabilities	92,399	9,176	25,104	-	749	127,427
Total liabilities	**542,726**	**267,473**	**205,248**	**70,689**	**363,475**	**1,449,612**
Net	**475,848**	**176,695**	**(191,432)**	**(43,066)**	**(211,220)**	**206,824**

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's liabilities by submitting a declaration in favour of ICS. ABN AMRO Bank N.V. finances all ICS activities at 31 December 2023 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 of euros)

	2023	2022
Income statement		
Interest income	13,311	4,999
Interest expense	(30,551)	(3,412)
Rebilling	(13,035)	(12,705)
Fee and commission expense	(2,552)	(2,338)
Balance sheet (at the end of the period)		
Due from banks	650,897	662,071
Other assets	-	-
Due to banks	(859,690)	(903,051)
Other liabilities	(3,851)	(737)

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.AMRO Bank N.V. (excluding the tax position as allocated by ABN AMRO Bank N.V.).

(In thousands of euros)

	2023	2022
Short-term employee benefits	707	1,113
Pension-related contributions	168	87
Total	**876**	**1,200**

During the year ending 31 December 2023 the Statutory Board of Directors had three statutory directors (CEO, CFO and CRO).

ICS does not operate a share incentive scheme. Accordingly, there were no options granted to the Statutory Board of Directors in 2023 or 2022. ICS's 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. The total remuneration of the members of the Supervisory Board of ICS was €105 thousand in 2023 (2022: €92 thousand).

9.31 COMMITMENT AND CONTINGENT LIABILITIES

OFF-BALANCE SHEET OBLIGATIONS

The undrawn amount of limits issued to cardholders in 2023 amounted to €6.7 billion (2022: €6.7 billion). This amount includes ICS Netherlands and ICS Germany. The undrawn limits are revocable at ICS's discretion.

ICS also has multiple (IT-related) contracts. The total financial obligation amounts to €126 million:

- Less than 1 year — €73 million (2022: €32 million)
- Between 1 and 5 years — €53 million (2022: €11 million)

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations, the existence of which will be confirmed only by uncertain future events, and current obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet, they are, however, disclosed if an outflow of economic resources is not more likely than not or if an outflow of economic resources is more likely than not, but cannot be reliably estimated.

ICS is involved in some discussions and proceedings in the ordinary course of business. In presenting the Annual Financial Statements, management estimates the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not.

In the case of ICS, there are two contingent liabilities regarding the duty of care and execution of the Wwft Continuation Plan:

Duty of care matters: No assurance can be given that legal proceedings will not be instigated or that no claims will be made in this regard.

The execution of the ICS Wwft Continuation Plan is ongoing with the highest priority. ICS has completed all Continuation Plan milestones in 2023, except for the EDR and PR backlogs in control and Transaction Monitoring Effectiveness. ICS submitted an extension to DNB and received a positive confirmation from DNB about the extension but also a warning that further extensions will not be granted. Full commitment is now on final delivery.

The EDR and PR backlogs for consumer and commercial clients need to be permanently in control per 30 June 2024, so all the necessary and required actions will be carried out. The TM Effectiveness program needs to be finalized per 31 December 2024. These milestones are part of the Group Wide Recovery program of ABN AMRO, which appear challenging for ICS and will be closely monitored.

The consequences, of above-mentioned cases, could be substantial for ICS and potentially affect its reputation, results of operations, financial condition and prospects. However, this is not considered likely.

9.32 LICENCES

ICS uses the following licences:

- International Card Services B.V. is a principal member of Visa International.
- International Card Services B.V. is a 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 relating 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, DNB (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 DNB in supervising ICS.

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

Ratio:	**31 December 2023**	**Regulatory requirement**
Total capital ratio	20.1%	10.5%
Leverage ratio	8.7%	3.0%

Ratio:	**31 December 2023**	**Regulatory requirement**
Total capital ratio	20.9%	10.5%
Leverage ratio	9.1%	3.0%

CAPITAL MANAGEMENT

The primary objectives of ICS's 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 it 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

CREDIT RISK

DEFINITION

Credit risk is the risk that the value and/or the earnings of ICS decline due to uncertainty regarding a 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 aforesaid outstanding balances due from loans and advances plus unused credit facilities.

Credit risk management within ICS is governed by the ICS-wide credit risk policy and further detailed in underlying specific standards, which are aligned with the ICS and ABN AMRO Bank strategy. Credit risk management is the responsibility of the first and second lines of defence. The primary responsibility for intake, managing and monitoring credit risk lies with the business as the first line of defence. The first line defines the limits for credit risk, in consultation with the second line. The second line of defence has a permanent and ongoing responsibility to monitor whether the type and level of credit risk exposures are within the limits of the bank's and business lines' risk appetite. The first and second lines of defence are subject to review by Group Audit.

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 by the number of accounts > 90 days past due, bankruptcy, payment arrangements or (early) charge-offs, within 12 months after application, compared with the total approval applications on a quarterly basis for consumer customers. The bad rate is also used for the commercial portfolio. This commercial bad rate is measured by the number of accounts > 30 days past due, bankruptcy or (early) charge-offs, within 12 months after approval, compared with the total number of approved new customers in the same quarter of that previous year. The Bank has aligned its definition of credit impaired assets under IFRS 9 to the European Banking Authority (EBA) definition of non-performing exposures (NPE).

EXPECTED LOSS/EXPOSURE AT DEFAULT AND 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.

FORBEARANCE

Forbearance is the process of making concessions to customers who are or will soon be experiencing financial difficulty, with the intention of bringing them back within their payment capacity. A forborne asset is any contract that has been entered into with a counterparty who is in or about to face financial difficulty and has been refinanced or modified under terms and conditions that we would not have accepted if the counterparty had been financially healthy.

Forbearance measures can be applied to contracts that are still performing. A forborne contract will cease to qualify as forborne only when all the following conditions are met:

- The contract is considered to be performing
- A minimum probation period of at least two years has passed since the last forbearance measure ends and/or the date from which the forborne contract was considered to be performing (whichever is later)
- The counterparty does not have any contract, within the credit agreement, which is more than 10 days past due in the last 12 months and more than 30 days past due in the last 24 months of the probation period.

If the forborne contract is non-performing at the time of the forbearance measure, a mandatory cure period of at least one year applies to the contract before it is returned to performing status. The cure period starts when the default triggers ceased to apply or, if the contract was already non-performing, when the last forbearance measure was taken.

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. 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 past due and < 90 days past threshold and stage 3 is > 90 days past threshold. A default is deemed to have occurred when:

- the counterparty is past due by more than 90 days on any material financial credit obligation to ICS (more than €100 and 1% of the on-balance sheet exposure on the credit facility); or
- ICS considers the borrower to be unlikely to meet its contractual obligations (unlikely to pay or UTP).

To determine unlikeliness to pay, ICS has specified both mandatory default triggers (always resulting in the assignment of a default status, whereby no additional expert judgment is allowed) and judgmental triggers.

ACCOUNTING MEASUREMENT

In December 2021, ICS implemented a new IFRS9 provisioning model as developed by ABN AMRO Group. This model was calibrated on more recent portfolio composition and customer default/loss behaviour and should better predict losses than the old model. However, during the period that the model was developed, ICS (and ABN AMRO) switched to the new definition of default required by the EBA as from 2020. When sufficient data is available based on the new definition of default, ICS will backtest the model regularly to ensure that its performance adequately reflects ICS's credit loss experience.

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.

STAGE TRIGGERS OF STAGES 1, 2 AND 3

We use quantitative 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 that determines whether a financial instrument is transferred from stage 1 to stage 2 is the deterioration of the 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.

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 when one of the default triggers occurs: 90 days past due on an amount exceeding EUR 100 and 1% of the exposure of the credit facility, or an unlikely to pay trigger (e.g. bankruptcy, material fraud or the need to take a full or partial write-off).

DEFAULT TRIGGER

A default is considered to have occurred when one of the default triggers has occurred. The customer will then be transferred directly to stage 3.

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 the following calculation method for credit loss allowances: Collective 12-month ECL (stage 1) and lifetime ECL (LECL) for (stages 2 and 3) financial instruments that have similar credit risk characteristics are clustered in portfolios and are collectively assessed for impairment.

ICS has introduced 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.

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 2023: baseline 60%, up 15%, down 25%). These three scenarios – a baseline (or most likely) scenario, a negative scenario and a positive scenario – and their weightings are reviewed quarterly and adjusted if necessary.

MACROECONOMIC SCENARIOS AND ECL SENSITIVITY

In 2023, ABN AMRO Group economists lowered their GDP forecasts to reflect the slowness of the Eurozone. The forecast of the employment rate in the Netherlands is below the rate that had been predicted a year ago, where labour hoarding and strong public demand for labour are the main drivers. Purchasing power has been hit by inflation, however inflation continues to show a downward trend, with an average of 3.1% expected in 2024. Mortgage interest rates are putting pressure on house prices; however, due to the tight labour market, changes in housing preferences, the lack of new construction and the tightened mortgage regulations, ABN AMRO's group economics have increased the forecast for the Dutch housing market to 2.5% in 2024.

The scenarios used to calculate the expected credit loss (ECL) at 31 December 2023 and 31 December 2022 can be seen in the tables below.

MACROECONOMIC SCENARIOS IN 2023

(In thousands of euros)

Scenario	Weight	Macroeconomic variable	2024	2025	2026	2027	Unweighted ECL[4]	Weighted ECL[4]
Positive	15%	Real GDP Netherlands[1]	2.0%	2.0%	1.4%	1.2%	15,828	
		Unemployment[2]	3.7%	3.6%	3.5%	3.6%		
		House price index[3]	4.5%	2.0%	1.5%	2.5%		
Baseline	60%	Real GDP Netherlands	0.6%	1.1%	1.3%	1.2%	14,094	14,544
		Unemployment	4.1%	4.0%	4.0%	4.1%		
		House price index	2.5%	0.5%	1.5%	2.0%		
Negative	25%	Real GDP Netherlands	-1.0%	1.0%	1.6%	1.4%	14,853	
		Unemployment	6.1%	5.6%	5.3%	5.1%		
		House price index	-7.5%	-5.0%	1.3%	2.1%		

1 Real GDP Netherlands, % change year-on-year.

2 Unemployment Netherlands, % of labour force.

3 House price index Netherlands – average % change year-on-year

4 Weighted and unweighted ECL are inclusive of all collective impairments

MACROECONOMIC SCENARIOS IN 2022

(In thousands of euros)

Scenario	Weight	Macroeconomic variable	2023	2024	2025	2026	Unweighted ECL[4]	Weighted ECL[4]
Positive	5%	Real GDP Netherlands[1]	2.8%	2.6%	2.3%	1.6%	14,507	
		Unemployment[2]	3.9%	3.8%	3.7%	3.6%		
		House price index[3]	1.0%	0.0%	1.0%	2.0%		
Baseline	60%	Real GDP Netherlands	0.5%	1.2%	1.6%	1.4%	14,252	14,272
		Unemployment	4.3%	4.2%	4.0%	4.0%		
		House price index	-2.5%	-2.5%	-2.0%	1.0%		
Negative	35%	Real GDP Netherlands	-1.8%	-0.4%	1.3%	1.8%	14,273	
		Unemployment	5.0%	4.9%	4.7%	4.7%		
		House price index	-8.0%	-12.0%	-11.0%	0.0%		

1 Real GDP Netherlands, % change year-on-year.

2 Unemployment Netherlands, % of labour force.

3 House price index Netherlands – average % change year-on-year

4 Weighted and unweighted ECL are inclusive of all collective impairments

PAYMENT ARRANGEMENT/PLANS

ICS measures its active customers continuously 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 before an arrears occurs (by e-mail, SMS, etc.) and 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 actual and potential financial difficulties by offering a payment arrangement.

If a customer does not qualify for a payment arrangement, a payment plan is offered when that customer is expected to be more than 90 days past due. Under a payment plan, a customer can repay the total amount in arrears within an average of four years, but up to a maximum of eight years. The solution offered ensures that the customer continues to repay sufficiently and can pay the outstanding claim within a reasonable period of time. In this way, ICS contributes to preventing an irrevocable situation and gives the customer a view of a debt-free future within a reasonable period of time. 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 (€14.5 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 or other collateral for stage 3 loans and advances.

CREDIT RISK MEASUREMENTS

The models used to measure and manage credit risk are purely statistical and employ both quantitative and qualitative risk drivers. All models are subject to the bank's model risk management framework. They undergo initial validation by the independent model validation function before their first use, and annually thereafter. Independent validation is also required when a model undergoes a material change.

MAXIMUM CREDIT RISK EXPOSURE

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

(In thousands of euros)

	31 December 2023	31 December 2022
Assets		
Balances at central banks	205,141	232,305
Loans to banks	655,835	664,790
Loans to customers	729,880	685,721
Investments	20,383	33,813
Other Assets	28,449	26,713
Total assets	**1,639,688**	**1,643,343**
Off balance sheet		
Commitments and undrawn limits	6,688,043	6,706,063
Total off-balance sheet	**6,688,043**	**6,706,063**
Total credit risk exposure	**8,327,731**	**8,349,406**

CREDIT RISK MITIGATION

To reduce credit risk on commercial loans and advances, ICS approves and issues limit requests based on either (external) credit insurance, or cash collateral or guarantees. The credit insurance covers 90% of the balance at default, with a minimum outstanding amount of €450. Very limited collateral is received for consumer loans and advances.

CREDIT APPROVAL

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.

CREDIT MONITORING

Monitoring activities are designed to safeguard ICS's 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 assets and liabilities that are short-term or carry a variable interest rate. ICS mitigates 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 interest rate charged must be 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.

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 arises through the banking (non-trading) book positions.

MARKET RISK APPETITE

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 consists 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's assets and liabilities are matched to the extent that it is possible for ICS to take management actions wherever divergence is detected. Consequently, no capital charge is accounted for directly 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 banking book is related to holding strategic financial investments (Visa Inc. preferred class C shares) which are denominated in US dollars. There is, therefore, a foreign exchange risk associated with this investment (see Note 9.20). The ALM department of ABN AMRO is responsible for managing FX risk associated with 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's 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 diminishes 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 at legal limits.

In 2023, the Dutch Government adjusted the maximum interest rate charged to 14%. However, ICS has not adjusted the maximum interest rate and still charges 10%.

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

(In thousands of euros)

	Notes	Average interest 2023	Maturity	Rate
Current accounts - credit institutions	9.16	2.75%	On demand	Variable
Interest bearing deposits - credit institutions	9.16	1.99%	1 month	Variable
Credit card interest bearing - customers	9.17	9.57%	2029	Fixed
Credit card interest bearing - commercial	9.17	9.31%	2029	Fixed
Revolving loans - consumers	9.17	4.09%	2026	Variable
Time deposits - credit institutions - short-term	9.25	3.41%	1-3 months	Variable
Demand deposits - customers	9.24	0.56%	On demand	Variable
Time deposits - customers	9.24	0.54%	1-3 months	Variable

MARKET RISK SENSITIVITY ANALYSES

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

(In thousands of euros)

	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	(1,356)	-	1,356	-	-	-	-	-	-	-	-	-
Foreign Exchange	-	-	-	-	153	-	(150)	-	-	-	-	-
Other price	-	-	-	-	-	-	-	-	453	-	(453)	-

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 banking book related to holding strategic financial investments (Visa Inc. preferred class C shares) that are denominated 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. There are two types of liquidity risk:

- Funding 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. Eventually, this can affect the bank's daily operations or its financial condition.
- Market liquidity risk is the risk that ICS cannot sell an asset in a timely manner at a reasonable market price due to insufficient market depth (insufficient supply and demand) or market disruption. Market liquidity risk includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to liquidate assets in periods of stress.

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's 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 ICS can meet regulatory requirements and 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 meet its daily liquidity obligations and withstand periods of liquidity stress affecting funding. The liquidity position is monitored on a daily basis.

LIQUIDITY RISK APPETITE

Liquidity risk tolerance for ICS is regularly reviewed and approved by the Asset and Liability Committee (ALCO) and through the Entity Enterprise Risk Committee (EERC), in accordance with the Local Risk Appetite Statement (LRAS). The LRAS articulates ICS's appetite for liquidity risk and tolerances as deemed appropriate to the nature, scale and complexity of ICS's operations. The LRAS is aligned with the ABN AMRO Bank-wide Risk Appetite Statement and the ABN AMRO Business Line Risk Appetite Statements (BRAS) and is consistent with the overall moderate risk profile of ABN AMRO. The LRAS of ICS was approved in 2023 by the ERC and 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%
Daily LCR	Limit ≤ 105%; checkpoint ≤ 110%
Buffer Remaining After Stress (BRAS)	Limit < 100mln EUR; checkpoint <230mln EUR
Net Stable Funding Ratio	Limit ≤ 100%; checkpoint ≤ 108%

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. The Liquidity Contingency Team is formed 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 aims to provide a cushion for the organisation if the markets, or ICS in particular, come under severe stress. The buffer acts in 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 being required to generate additional funds and during which it can 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%; the same applies to the NSFR under Basel III/CRD IV.

NET STABLE FUNDING RATIO

ICS was compliant with the liquidity requirements of the Net Stable Funding Ratio (100%) during 2023. NSFR monitoring involves the monthly calculation of the ratio, a forecast NSFR (horizon of three 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 a 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's main source of funding. In September 2018, ICS entered into an open-ended Facility Agreement (FA) limited to €1.62 billion. The facility was revised in 2021 to €1.055 billion. In 2022 and 2023, the facility was reviewed on a yearly basis and ICS concluded that, although the facility was deemed to be sufficiently large to cover potential growth and/or stress situations, it was not so large that ICS had to pay too much for unused facility. ICS does not obtain funding from any other banks, which is in accordance with the 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 funding from ABN AMRO cannot be negated by ICS. For the purpose of mitigation, ICS monitors the credit rating of ABN AMRO on a monthly basis.

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

- 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's dividend policy takes into account issues such as current and pending regulatory capital requirements, its risk profile, growth in commercial activities and market factors. The dividend distribution policy is determined in accordance with ICS's moderate risk profile and regulatory changes.

CONTRACTUAL 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 monitor our liquidity position and the resulting risks closely.

Based on the analysis at 31 December 2023, the contractual maturity are forecast to generate positive cumulative net cash flows, which supports the conclusion that ICS's funding and liquidity structure is adequate.

MATURITY BASED ON CONTRACTUAL UNDISCOUNTED CASH FLOWS

The table below provides a breakdown of the above liquidity profile of the financial liabilities of ICS at year-end 2023.

(In thousands of euros)

Maturity based on contractual undiscounted cash flows 2023	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Assets								
Cash and balances at central banks	205,141	-	-	-	-	-	-	205,141
Loans and advances banks	247,713	-	408,122	-	-	-	-	655,835
Loans and advances customers	730	563,540	9,207	41,434	114,969	-	-	729,880
Investments	-	-	-	-	-	-	20,382	20,382
Other assets	633	817	26,822	129	16,797	-	-	45,198
Total assets	**454,217**	**564,357**	**444,151**	**41,563**	**131,766**	**-**	**20,382**	**1,656,437**
Liabilities								
Due to banks	209	108,631	217,262	250,833	282,755	-	-	859,690
Due to customers	341,488	-	41,036	-	-	-	-	382,524
Other liabilities	3,851	88,548	9,176	25,104	80,720	-	-	207,398
Shareholders' equity	-	-	-	-	-	-	206,824	206,824
Total equity and liabilities	**345,548**	**197,178**	**267,473**	**275,937**	**363,475**	**-**	**206,824**	**1,656,437**

(In thousands of euros)

Maturity based on contractual undiscounted cash flows 2022	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Assets								
Cash and balances at central banks	228,394	-	-	-	-	-	-	228,394
Loans and advances banks	235,510	-	433,192	-	-	-	-	668,702
Loans and advances customers	547	459,488	11,496	51,734	162,457	-	-	685,721
Investments	-	-	-	-	-	-	33,813	33,813
Other assets	2,073	1,734	24,690	174	9,331	-	-	38,002
Total assets	**470,434**	**461,222**	**465,467**	**51,908**	**171,788**	**-**	**33,813**	**1,654,631**
Liabilities								
Due to banks	181	112,389	224,777	255,956	309,748	-	-	903,051
Due to customers	344,327	-	47,214	-	-	-	-	391,541
Other liabilities	21,794	48,339	9,990	53,194	-	-	-	133,316
Shareholders' equity	-	-	-	-	-	-	226,724	226,724
Total equity and liabilities	**366,301**	**160,727**	**281,981**	**309,150**	**309,748**	**-**	**226,724**	**1,654,631**

GOING CONCERN MANAGEMENT

The most important metrics for going-concern risk management and the management of the day-to-day liquidity position within specified limits are:

- Stress testing: in monthly and ad hoc stress tests, we evaluate the impact of cash inflows and outflows under plausible stress scenarios. Market-wide as well as bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. Firstly, it helps us to review our risk framework, i.e. the liquidity buffer size, risk appetite and risk limits. Secondly, it enables us to identify ways to reduce outflows in times of crisis.
- Liquidity Coverage Ratio (LCR): the objective of the LCR is to assess the short-term resilience of the liquidity position by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days.
- Survival period: this is the period during which the liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and customers withdraw a material proportion of their deposits.
- Net Stable Funding Ratio (NSFR): the objective of this ratio is to assess resilience over a longer time horizon. The NSFR requires banks to hold sufficient stable funding to cover the duration of their long-term assets on an ongoing basis.

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 given below.

COMPLIANCE AND CONDUCT RISK

ICS aims to comply with the relevant legislation and regulations and considers reasonable expectations on the part of society. Products offered by ICS are acceptable only if they are in customers' interests, comply with relevant legislation and regulations (in both wording and spirit), are transparent and do not contravene the purpose of regulations.

ICS manages compliance and conduct risk by identifying the key risk and monitoring the key risk indicators. A process for periodic assessment of the risks and review of the measures is in place.

INFORMATION SECURITY RISK

Customers depend on the performance and security of information from ICS's information systems and communication channels, such as the website and app. Accordingly, ICS has 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 general standards, i.e. ISO 27001 (standard for information security), PCI DSS, CobIT and NIST. This results in regular first and second line monitoring and reporting of these controls. ICS has established a department that specialises in IT information security risk to further control these risks (Corporate Information Security Office (CISO ICS)).

The ICS Operational Control Framework also covers IT outsourcing risk. ICS has established a specialised procurement department that supports the business during procurement and contracting processes. The level and performance of the outsourced services are monitored and regularly discussed and evaluated with suppliers.

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. The gross fraud percentage has been lower for several consecutive years and around 75% of gross fraud losses are ultimately recovered. 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's 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 in the Dutch financial sector and its providers, and on ISO 22301. The BCM practices include IT disaster recovery tests to reduce the organisation's IT risk.

OPERATIONAL RISK MITIGATION

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

RISK EVENT MANAGEMENT

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

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 a 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 SELF-ASSESSMENT (RSA)

ICS has a Risk Self-Assessment (RSA) 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 are paramount in achieving ICS's business objectives. The results are discussed within the MT.

MONITORING CONTROL AND TESTING

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

BUSINESS RISK

Business risk refers to the risk that earnings may decline and/or vary from forecasts due to uncertainties over 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.

A restructuring plan was announced at the end of 2023 to better align ICS's organisation with its strategic objectives. The outcome of plateau 1 (Director level) is now known. The vacant positions will be filled in early 2024. Proposals for plateaus 2 (management level) and 3 (employees) will follow in 2024. Close consultation with the Workers Council will ultimately decide on the restructuring plans that will also have personnel implications.

9.36 PROFIT APPROPRIATION

In 2023, ICS reported a loss of €19.9 million. The loss is charged to ICS's shareholders' equity.

9.37 APPROVAL OF ANNUAL FINANCIAL STATEMENTS BY BOARD OF DIRECTORS

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Board of Directors state that to the best of their knowledge:

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ICS B.V.
- the Board of Directors report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2023 financial year of ICS B.V. in its Annual Financial Statements
- the Board of Directors report describes the material risks faced by ICS B.V.

Diemen, 24 May 2024.

For the Board of Directors

- Mr D.M. Minderhoud, Chief Executive Officer
- Ms M. A. Zwiers, Chief Risk Officer
- Mr J. Ketelaar, Chief Financial Officer a.i.

For the Supervisory Board
- Mr J.G. ter Avest, Chair
- Ms M.L.C. Jacobs-Kemps
- Ms J.E. Lobbrecht

Other information

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10.1 STATUTORY RIGHTS FOR PROFIT APPROPRIATION

Profit appropriation is at the discretion of the General Meeting of Shareholders, subject to solvency requirements. In 2023, ICS reported a loss of €19.9 million.

10.2 DEFINITIONS OF IMPORTANT TERMS

- AAB or ABN AMRO Bank
  Refers to ABN AMRO Bank N.V. and its consolidated subsidiaries.
- 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 solely to International Card Services B.V. (excluding branches) based in Diemen, The Netherlands.
- WIN B.V.
  Refers to Wireless Interactive & NFC Accelerator 2013 B.V., a 10% minority interest of ICS, based in Amsterdam, The Netherlands.

International
Card
Services

Independent auditor’s report

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2023 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the annual financial statements 2023 (hereinafter: the financial statements) of International Card Services B.V. (hereinafter: ICS or the company) based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ICS as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial ReportingStandards as adopted in the European Union (EU-IFRSs) 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 2023
- The following statements for 2023: the company income statement, the company statements of comprehensive income, changes in equity and cash flows
- The notes comprising material accounting policy information 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 thefinancial 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-opdracht-en (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulationsin 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.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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 revolving loans, which are an integral part of its operational activities. We paid specific attention in our audit to a number of areas driven by the operations of ICS and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud 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.

Materiality

Materiality	€3.1 million (2022: €3.7 million).
Benchmark applied	1.5% of total equity as at 31 December 2023 (2022: 1.5% of total equity).
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. We determined materiality consistently with the previous financial year.

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 €155 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, forensics, compliance, income tax, credit risk modelling and for evaluating the valuation of Visa Inc. C-shares.

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 we 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. 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.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the statutory board of directors' process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section 7.7, “Prevention of corruption, bribery, fraud and cybercrime” of the annual report and the section “Fraud Risk” in 9.34, “Risk management” in the notes to the financial statements for the statutory board of directors (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

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. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non - compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 9.4, "Critical accounting estimates and judgments" to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

As described in our key audit matter related to impairment allowances for loans and advances to customers, we specifically considered whether the judgments and assumptions in the determination of this allowance indicate a management bias that may represent a risk of material misstatement due to fraud.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. We considered among other things (un)realized gains from revaluations of the company's C-share in Visa Inc., as disclosed in note 9.20 to the financial statements. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk, also specifically considering whether the judgments and assumptions in the determination of fair value indicate a management bias that may represent a risk of material misstatement due to fraud.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulationsthat have a direct effect on the determination of material amounts and disclosures in the financial statements.
Furthermore, 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 statutory board of directors, reading minutes, inspection of ICS’ systematic integrity risk analysis (SIRA), 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 with the help of our own specialists, whether ICS has an adequate process in place to evaluate the impact of non -compliance for its activities and financial reporting and, where relevant, whether 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 matter on provisions and contingent liabilities and related disclosures.

Our audit response related to going concern
As disclosed in Note 9.2 in section "Basis of preparation" to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the statutory board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the statutory board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the statutory board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with the regulatory solvency and liquidity requirements. 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.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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.

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, the nature of our key audit matters did not change.

Estimation of impairment allowances for loans and advances to customers	
Risk	Loans and advances to customers are measured at amortized cost, less any allowance for impairment. The allowance for impairment losses represents the company's best estimate of expected credit losses calculated in accordance with IFRS 9, "Financial Instruments". As disclosed in Note 9.17 of the financial statements, at 31 December 2023, the loans and advances to customers amounted to €729.9 million (2022: €685.7 million) with an associated allowance for impairment losses amounting to €14.5 million (2022: €14.3 million). Related credit risk disclosures are included in note 9.34, "Risk management". ICS's assessment of significant increase in credit risk, correct stage classification and the determination of the allowance for impairment losses 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. Given the materiality of the loans and advances to customers of ICS, the complex accounting requirements with respect to calculating allowances for expected credit losses, the subjectivity involved in the judgments made and the inherent risk of management override, we considered this to be a key audit matter.

Estimation of impairment allowances for loans and advances to customers	
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of ICS's accounting policies related to expected credit losses in accordance with IFRS 9. We also obtained an understanding of the impairment allowance process, evaluated the design and tested operating effectiveness of internal controls in respect of expected credit loss calculations. We performed substantive procedures, including the reconciliation of the data used in the allowance calculations and disclosures to source systems. We challenged, supported by our credit risk modeling specialists, the model-based assumptions underlying the impairment identification and quantification, and including ICS' model development and validation processes outsourced to ABN AMRO Bank N.V. We performed substantive and analytical procedures over impairment and verified the stage classification with the underlying documentation to verify whether the impairment is correctly provided as per the approved model. We assessed the back testing procedures performed by management which compares modelled predictions to actual results. To assess the estimation uncertainty inherent in the calculations, we independently developed our estimates for a sample of models. Finally, we evaluated the adequacy of the related disclosures.
Key observations	Based on our procedures performed we consider the estimation of and disclosures on the impairment allowance for loans and advances as a whole to be reasonable and in compliance with EU-IFRSs.

Estimation of other provisions and contingent liabilities and related disclosures	
Risk	In accordance with IAS 37, "Provisions, contingent liabilities and contingent assets", ICS provides for liabilities related to, among others, legal and compliance matters. As disclosed in Note 9.27 of the financial statements, ICS recognized as at 31 December 2023 a legal provision for compensation of variable interest of €78.8 million (2022: €45.2 million). The legal provision for anti-money laundering and terrorist financing legislation remediation related to the Dutch Act on the prevention of money laundering and financing of terrorism (Wwft) wounded down in 2023 (31 December 2022: €5.6 million), with no obligation remaining. In Note 9.31 the commitments and contingent liabilities are disclosed. The estimation process in relation to provisions and contingent liabilities is inherently complex following the nature of the business and the heightened regulatory scrutiny. This specifically impacts the determination of whether outflows of resources are probable and can be reliably estimated and the appropriateness of assumptions and judgments used in the estimation of the provisions and disclosure of contingent liabilities. Therefore, we consider this a key audit matter.
Our audit approach	We evaluated ICS's accounting policies related to provisions and contingent liabilities in accordance with IAS 37, and whether assumptions and the methods for making estimates are appropriate and have been applied consistently. We also obtained an understa nding of the internal controls and the legal and regulatory framework of the company. For material provisions we challenged the provisioning methodology and tested the underlying data and assumptions used. Specifically, for the provision related to the variable interest client compensation scheme we performed test of details to underlying data and evaluated the assumptions and judgments made by the company. We also performed test of details on the Wwft-remediation provision and confirmed the progress of the number of files considered remediated.

Estimation of other provisions and contingent liabilities and related disclosures	
Our audit approach	We examined the relevant internal reports, minutes of the statutory board of directors and supervisory board meetings, as well as regulatory and legal correspondence to assess developments. We performed follow-up procedures to examine the company's assessment of the impact on the financial statements. We obtained legal letters from external counsel and, where appropriate, involved compliance specialists. Finally, we evaluated whether the disclosures provided on the other provisions and contingent liabilities with regard to restructuring, legal and compliance matters are in accordance with EU-IFRS. In particular, we assessed whether they adequately convey the degree of estimation uncertainty and the range of possible outcomes.
Key observations	Based on our procedures performed we consider the other provisions and contingent liabilities and related disclosures to be reasonable and in accordance with EU-IFRSs.

Reliability and continuity of the IT environment	
Risk	The activities and financial reporting of ICS are highly dependent on the reliability and continuity of the IT environment. Effective IT general controls with respect to change management, logical access, infrastructure and operations, support the integrity and continuity of the electronic data processing as well as the operating effectiveness of the automated controls. As described in Note 9.34, "Risk Management", the IT environment and the IT organization of ICS continues to be strengthened. There is a risk that the IT general controls may not always operate as intended and, as a result, internal controls are ineffective. Therefore, we identified the reliability and continuity of the IT environment to be a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of IT general controls, as well as application controls over data processing, data feeds and interfaces where relevant for the financial reporting. We performed additional substantive procedures on access management, cyber security and segregation of duties for the related IT systems. We also assessed the possible impact of changes in IT during the year resulting from the internal transformation activities and remedial measures on the operating effectiveness of IT general controls and the automated controls. Where applicable, we tested controls related third-party service providers.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued IT environment relevant for our audit of the financial statements.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

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 for the management report and the other 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 statutory 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 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 REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the statutory board of directors and the supervisory board for the financial statements

The statutory board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the statutory board of directors is responsible for such internal control as the statutory 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 statutory board of directors is responsible for assessing the company's ability to continue as a going concern.

Based on the financial reporting framework mentioned, the statutory board of directors should prepare the financial statements using the going concern basis of accounting unless the statutory board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The statutory board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company'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 Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory 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

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 and 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

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Amsterdam, 24 May 2024

Ernst & Young Accountants LLP

signed by Q. Tsar