ICS INTERNATIONAL CARD SERVICES

International Card Services Annual Report

for the year ended

31 December 2016

Content

1. Report of the Statutory Board of Directors

International Card Services (ICS) is the leading Dutch credit card issuer in terms of the number of cards issued. We are dedicated to offering our customers payment and credit products at the best service levels, a mission we have fulfilled for more than 25 years. Our cards offer our customers a secure, convenient payment method all over the world and supplementary insurance to cover contingencies. Three million ICS cards are currently in circulation, which have either been issued directly or in collaboration with co-branded partners.

ICS has two primary product lines: Payments and Consumer credit. Our core Payments proposition is a charge card that allows customers to complete transactions within their card limit and offers them the flexibility of a limited deferred payment of 21 days. ICS facilitates a broad spectrum of payment services which includes credit, pre-paid, mobile, Point Of Sale and online. ICS is a specialised niche player in the Dutch Consumer credit market. We operate relatively small revolving credit lines that offer our customers short-term flexible credit for consumer purchases.

The purchasing behaviour of Dutch consumers is changing and consumers are increasingly purchasing online. In 2016, the total number of online purchases once again increased sharply as compared to the previous year. A growing part of these purchases are made by credit card, a trend that is expected to continue.

The economic recovery continued in 2016. The number of credit card transactions that ICS processed increased to 81 million in 2016 (+11% from the previous year) and turnover increased by 6% to €7 billion (+ €371 million).

The ICS credit portfolio, in line with the general market trend, shrank during the year under review. This trend is expected to continue. ICS' policy is to grant responsible credit to its customers.

1.1. Changing financial sector

Digitalisation is imposing increasingly stringent requirements on the ICT platforms of all organisations, in particular on financial institutions. ICS, in its role as payments enabler, also notices the effects of these changes. Flexibility and versatility – or omni-channel, the ability of a customer to be in constant contact with a company through multiple channels at the same time – is key. The consumer's expectations play a decisive role in both the changes in the financial sector and the pace at which these changes take place. This has consequences for the manner in which ICS provides its services. For this reason the management has focused, since its appointment in 2015, on the creation of sustainable value for its customers by adapting its products and services to accommodate the changing environment and consumer expectations, always with due regard for the customers' interests.

1.2. Compensation plan

In 2015, ICS identified certain past issues related to the granting of credit to customers that had resulted in certain customers being granted loans above their borrowing capacity. This was reported to the Dutch Authority for the Financial Markets (AFM). In 2016, ICS drafted a redress scheme that addresses remedial measures for the customers who were affected. This scheme includes financial compensation for specific customers. Measures have also been, and are being, implemented to prevent a recurrence.

1.3. Key financials

The following table presents the key financials for the years 2014, 2015 and 2016.

(in millions, €, except for CIR, # of transactions)

	2014	2015	2016
Net profit	85	94	104
Operating income	253	264	281
Operating expense	(122)	(127)	(130)
Impairments	(19)	(18)	(11)
Cost-to-income-ration (CIR)	48,4%	48,2%	46,4%
Turnover	6.325	6.603	6.974
# of card transactions	71	73	81
Portfolio	1.400	1.298	1.235

1.3.1. Financial results

In 2016, net profit was €104 million, an increase of €10 million (11%) in comparison with 2015. Significant one-off items were recognized in both years.

2016 was positively impacted by a considerable gain from the sale of ICS' interest in Visa Europe Ltd. (€101 million), which was partly offset by a provision of €63 million formed to cover the financial impact of the aforementioned compensation plan.

2015 was positively impacted by the sale of our stake in European Merchant Services (EMS) to ABN AMRO (€22 million).

After adjustment for these one-off items, net profit in 2016 was €77 million, €5 million (or 7%) higher than in 2015.

Operating income increased due to the positive net impact of the aforementioned one-off items. In 2016, adjusted operating income decreased by €12 million from 2015, largely due to a decline in the credit portfolio that had a negative impact on net interest income. This was partly compensated by the slightly higher net fees and commission that were largely due to the increase in consumer turnover (+6%) resulting from growing consumer confidence and the increased willingness to buy.

Operating expenses increased due to the formation of the provision for the compensation plan. In 2016, adjusted operating expenses decreased by €13 million from the previous year, largely due to the decline in marketing expenses and the positive adjustment of a provision.

As a result, the cost-to-income ratio improved to 46.4% and the adjusted cost-to-income ratio improved from 52.5% in 2015 to 50.2% in 2016.

The smaller credit portfolio, in combination with the lower credit losses and Probability of Default (PD), resulted in a significant reduction of loan impairments and an improvement in the quality of the portfolio.

The tax burden has remained unchanged.

1.3.2. Financial position

Total assets were €2.4 billion, an increase of €100 million as compared to 2015. This growth is due to the need to maintain a higher liquidity buffer within the scope of the Basel III framework (liquidity risk requirements).

ICS' portfolio, excluding provisions, has decreased since 2014. The total portfolio was €1.2 billion at year-end 2016, a decrease of €64 million as compared to 2015.

Total equity was €373 million, €29 million lower than in 2015. This decline was due to the combined effect of the 2015 profit appropriation and a dividend payment.
At 31 December 2016 the LCR was 112% and the NSFR 137%. The Total Capital Ratio (13.8%) and the Leverage Ratio (6.5%)

are also well above the regulatory requirements. ICS is already compliant with the future liquidity requirements for the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

1.4. Structure and management

ICS, a limited liability company, is a wholly-owned subsidiary of ABN AMRO Bank N.V. with its registered office in the Netherlands. ICS also has a branch in Germany. ICS' Board of Directors has two statutory directors, the CEO, Gijs Wildeboer, and the CRFO, Vincent Bouwens.

Pursuant to its diversity ambition, ICS intends to appoint women to at least 40% of the seats on the Supervisory Board, Statutory Board of Directors and the management team. Although this ambition has yet to be fulfilled for the Statutory Board of Directors, currently comprising two male members, the percentage of women in the management team is increasing and ICS remains committed to its gender diversity ambition at all levels in future.

The members of ICS' Supervisory Board are senior managers at our shareholder, ABN AMRO Bank N.V.

1.5. Outlook

The world around us and the financial sector in particular, is changing at a continually accelerating pace. Shifts in consumer behavior, technology and legislation all give cause to the need for a new and improved business strategy.

ICS anticipates changes by carrying out regular strategy reviews and by maintaining an efficient and flexible organization. This is furthered by means including increased digitalization and the adoption of agile work processes. This enables us to rapidly accommodate market opportunities and changing customer expectations, for example in the field of contactless and mobile payment systems.

The strategic plan 2016 – 2018 addresses the continued focus on customer's interests, versatility in the provision of payment methods, the use of mobile devices and the development of the next generation of means of payment pursuant to the Payment Service Directive 2 (PSD2).

The majority of investments and innovations are made in ICT, whereby ICS focuses on further improving its services, efficiency, compliance and risk management. The strategic plan is based on the presumption that the number of credit card transactions will continue to increase, in part due to the favorable economic climate in the Netherlands and the trend of an increasing number of online purchases. A growing part of these purchases are made by credit card.

1.6. Achieving more together

Together with our staff and our stakeholders, we are building an ICS that is ready for the future. We strive to both balance the interests of our stakeholders and offer them more: improved services, good employment practices, a healthy result and a contribution to society. We are fulfilling this ambition by working together with organizations in the public and private sectors, whereby we jointly deploy resources, knowledge and competences in achieving objectives of societal relevance.

ICS, a financially-sound company that has been successful in its business for more than 25 years, is committed to achieve more together by taking that extra step with each other, and with our customers and partners. We at ICS look forward to the future with confidence.

Diemen, 22 May 2017
Drs. Gijs Wildeboer
Drs. Vincent Bouwens

2. Risk management

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

ICS has adopted an Enterprise Risk Management framework to create a uniform risk governance structure throughout ICS. Risk management policies and procedures and an organizational structure have been adopted to ensure that key risks are (1) identified, (2) assessed, (3) mitigated, (4) monitored and (5) reported.

2.1. Risk profile

The risk profile is an evaluation of our willingness to take risks, as well as the threats to which ICS is exposed. The risk profile defines the risk level that ICS is prepared to accept. The risk profile is periodically re-assessed and reviewed to accommodate changes in market conditions and in our activities.

2.2. Risk taxonomy

ICS' risk taxonomy is the classification of risks into risk types to which ICS is, or could be, exposed. The taxonomy is reviewed and updated once a year to ensure that all material risks are identified, defined included in the risk governance framework. The taxonomy creates a common risk vocabulary, provides a checklist of types of risks for use in risk assessments, and assists in assuring that all material risks are managed and that the requisite roles and responsibilities are identified.

2.3. Risk appetite

Risk appetite refers to the magnitude of the risk ICS is prepared to accept in its pursuit of value. ICS' risk appetite is aligned with ABN AMRO's corporate strategy, which results in an overall moderate risk profile. The risk appetite takes account of all identified risk types of the risk taxonomy of relevance to ICS:

- Credit risk (Note 9.34.1.)
- Market risk (Note 9.34.2.)
- Liquidity risk (Note 9.34.3.)
- Operational risk (Note 9.34.4.)
- Business risk (Note 9.34.5.), and
- Other risks (Note 9.34.6.).

The risk appetite is reviewed annually and approved by the Statutory Board of Directors and relevant ICS committees.

2.4. Risk culture

ICS' risk culture pivots on the importance of and attention to risk management. This risk culture is an important building block in ICS' Enterprise Risk Management framework. Risk knowledge is disseminated in risk training courses, and risk awareness is embedded by means of the specification of risk standards and procedures and the assignment of clear unambiguous roles and responsibilities.

2.5. Risk governance

ICS has adopted the Three Lines of Defense model to provide assurances for sound risk governance.
The **First Line of Defense** consists of ownership, responsibility and accountability for assessing, controlling and mitigating risks, as well as the assignment of basic control and risk management responsibilities.

The **Second Line of Defense** consists of risk and control officers who are responsible for laying down risk frameworks, rules, monitoring and reporting on performance, risk management and risk control. They also ensure that the First Line assumes its risk ownership.

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

2.6. Risk committees

The Statutory Board of Directors is responsible for the balanced assessment of ICS' commercial interests and the risks to be taken within the boundaries of the risk appetite.

The Board is assisted by three risk committees in its risk decision-making.

2.7. The Compliance & Risk Committee (CRC)

The CRC has been mandated by the Statutory Board of Directors to reach decisions on Compliance & Risk issues. The CRC is responsible for reviewing and monitoring the development of risk management and compliance policies and informs the Statutory Board of Directors on its activities.

2.7.1. The Balance Sheet Monitoring committee (BSM)

The BSM monitors liquidity and capital developments in the balance sheet and advises the CRC and Statutory Board of Directors on these developments.

LIQUIDITY MANAGEMENT

The BSM meets once a month to specify the liquidity management goals for the coming period. ICS has implemented an Internal Liquidity Adequacy Assessment Process (ILAAP) to assess its liquidity position.

CAPITAL MANAGEMENT

ICS' Capital management ensures that the capital adequacy requirements are met and that sufficient capital is available to support the strategy. ICS has implemented an Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital position.

2.7.2. Provisioning and Credit Risk Committee

The Provisioning and Credit Risk Committee monitors, reviews and validates the allocation of credit provisions and impairment of credit.

2.8. Risk measurement

ICS uses risk models to quantify the risk for most risk types in the risk taxonomy. The models for credit, market, operational and liquidity are widely used and suitable for the determination of risk levels. The models support day-to-day decision-making and the periodic monitoring and reporting on developments in ICS' portfolio and activities.

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

ICS holds an additional buffer that serves as a cushion for other risk types (i.e. business risk, remaining Interest Rate Risk of the Banking Book and Intersecting Risks) and as an extra safeguard for the development and full implementation of all the risk mitigation measures required from a capital perspective. The measures include the further development and improvement of the Capital Plan, the Capital Stress Test and local Economic Capital standards. The additional buffer will be reassessed on the basis of the aforementioned developments and improvements in 2017. The modifications will include a further specification and could result in an increase or a decrease in the additional buffer.

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

More information on risk management is enclosed in Note 9.34.

2.9. Outlook

The forecasts indicate that adequate liquidity and capital positions will be maintained in 2017 and in the following years. ICS expects that it will be compliant with future regulatory capital and liquidity requirements.

3. Corporate Governance

3.1. Supervisory Board

Members of the Supervisory Board do not receive remuneration and act in accordance with the interests and continuity of ICS, whereby they take 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, namely the Risk & Audit Committee. All members of the Supervisory Board are members of this Committee.

The Supervisory Board meets at least four times a year and carries out annual evaluations of its performance and the performance of its members. In 2016 the Supervisory Board met 5 times. Additionaly the Risk & Audit Committee met several times.

An overview of the members of the Supervisory Board at 31 December 2016 is enclosed in Section 7 "Management".

3.2. Statutory Board of Directors

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

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

The Statutory Board of Directors meets with ICS' works council bi-monthly.

In 2016, there were no changes in the membership of the Statutory Board of Directors.

3.3. Shareholder

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

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

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

3.4.1. Dutch Banking Code

ICS applies the principles of the Banking Code.

An explanation of the manner in which ICS, as subsidiary of ABN AMRO, complies with the Dutch Banking Code is published on with the Dutch Banking Code is published on: https://www.abnamro.com/en/about-abnamro/our-company/corporate-governance/corporate-governance-codes/index.html

3.4.2. Banker's Oath

All ICS staff and the members of the Statutory Board of Directors and the members of the Supervisory Board have signed the declaration of moral and ethical conduct (the "Banker's Oath") as required by law.

3.4.3. Internal Audit Department

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

3.4.4. Remuneration policy

We conduct a prudent, controlled and sustainable remuneration policy that has an explicit focus on long-term interests and on our strategy, limited risk appetite, objectives and our values. For more information please see Note 9.30.1.

4. Regulatory environment

4.1. Introduction
In 2016, a number of European legislation measures were enacted in relation to the Banking Union and the European Single Market which included the Payment Services Directive 2 (PSD2) and the fourth Anti-Money Laundering Directive (AMLD IV).

4.2. Retail financial services
The Green Paper on retail financial services (a consultation by the European Commission closed in March 2016) sets the course for the future of the cross-border provision of retail financial products. This Green Paper identifies digitalisation and fintechs as key enablers for the further integration of the EU markets for retail financial products and the further proliferation of cross-border financial services. Another key enabler, which requires immediate regulatory attention, is the introduction of a standardised EU electronic identity.

This can further ICS' product and services developments that increase customer experience. The European Commission will publish its Action Plan for retail financial services in 2017. ICS' response during the consultation round was submitted via the Association of Credit Card Issuers Europe, ACCIE.

4.3. Focus on digitalisation and financial innovation
Digitalisation, financial innovation and the role of fintechs were at the top of the agendas of national and EU legislators and supervisors in 2016. The European Central Bank recently announced that it will focus on fintech issues in its ongoing supervision. The joint EU supervisory authorities identified automated advice as a key focus area in relation to retail financial products. In addition, the national legislator proposed the implementation of rules governing automated advice for retail financial products. These rules may enter into force in 2017.

In 2016, the European Parliament also adopted a resolution on the desired regulatory approach to virtual currencies such as Bitcoin and the associated distributed ledger technology (Blockchain), and the European Banking Authority issued a consultation paper on big data and the use of consumer data. These regulatory developments may result in more specific guidance in 2017.

4.4. Other developments
The wish to integrate European financial markets has resulted in a substantial number of proposals. These include PSD2 and AMLD IV.

A legislative proposal for the act implementing PSD2 was published in 2016. One of the main objectives of PSD2 is to create a level playing field for payment service providers (including new players). Under PSD2, third parties gain access to accounts via what are referred to as payment initiation service providers and account information service providers, as a result of which these parties may play a greater role in the payment system.

A legislative proposal for the act implementing AMLD IV was also published in 2016. At the same time, the European Commission submitted a proposal for a number of specific amendments to AMLD IV. AMLD IV requires financial institutions to implement more stringent monitoring of indicators of money laundering and terrorism financing, and to tighten up new client intake and the know-your-client requirements. Some changes foreseen in AMLD IV have a moderate to substantial impact on our operational processes.

4.5. Outlook
The integration of European financial markets will continue in 2017, on the further publication of proposals for the implementation of European rules and regulations (such as PSD2 and AMLD IV).

In addition, the European Commission will propose an Action Plan for retail financial services which is intended to break down the national barriers that prevent consumers from obtaining the best value, choice and price, and which also impede them from benefiting from new financial technologies. The European Commission will also provide for follow-up on the call for evidence on the cumulative impact of financial legislation.

In 2017, the national legislator will continue the work on the revision of the Financial Supervision Act **(Wet op het Financieel Toezicht)**, which will also accommodate financial innovations and other European developments.

5. Human Resources

5.1. HR strategy

The world around ICS is in a strong state of flux and the pace of the changes is accelerating. ICS is confronted with the challenge of accommodating this changing world, a challenge that can be met only with a responsible, flexible and efficient organization.

In 2016, ICS was faced with the resultant need to review its organizational structure, a review in which the ‘structure follows strategy’ principle was leading. The resultant restructuring of roles, tasks, responsibilities and human capital involved all levels of the organization, including the Management Team and employees. A restructuring staff provision was formed in 2016. ICS’ restructuring will ultimately promote the creation of a sustainable, future-proof and agile organization.

At present, we need to assist our staff to enable them to become familiar with the changes and the new strategy, endorse them and then act accordingly. This will result in an organization that is ready for the future and possesses the necessary in-house competences, knowledge, skills, flexibility and energy.

For this reason, the HR department was transformed into a strategic business player in 2016: setting up the HR Centre of Expertise and appointing dedicated HR Business Partners has further improved our ability to accommodate the future needs of the organization.

5.2. HR strategic spearheads

We enable our staff to take control of their careers and, as a result, enhance the flexibility of the organization. This is based on the following strategic spearheads, which are supported by a variety of programs:

5.2.1. Empowerment

In today’s agile working world staff need to be empowered with self-management to enable them to assume the responsibility for excelling in various forms of cooperation.

5.2.2. Leadership

Leaders look from the outside in, give confidence, create ties, set an example and focus on the development of flexible staff.

5.2.3. Cooperation

Cooperation across organizational boundaries needs to become second nature throughout the organization.

5.2.4. Sustainable deployment

ICS assists its staff in adopting a flexible approach to their professional future. The HR policy is focused on vitality, involvement and the further development of competences, skills and knowledge.

5.3. DNA 2.0

ICS has reviewed and detailed its culture and core values in the ”DNA 2.0” corporate culture program. This is laid down in our “achieving more together” manifesto, which pivots on ‘openness’ and ‘working in co-creation’. These are applicable in our organization and in our contacts with our broad range of stakeholders, including, but not limited to, our customers and business partners.

For the achievement of this objective, ICS has specified four values: **open, surprising, dedicated** and **entrepreneurial.** These values jointly form a combination of the strength and potency that we will convey in the future.

6. Customer centricity

6.1. Compensation plan

In 2015, ICS identified certain past issues related to the granting of credit to customers that had resulted in certain customers being granted loans above their borrowing capacity. This was reported to the AFM. We drafted a redress scheme that addresses remedial measures for the customers who were affected. This includes financial compensation for specific customers. We began the rollout of the redress scheme in Q2 2017, and expect to complete the process by the end of 2018.

In addition to the remedial measures, ICS has implemented measures to prevent a recurrence. We, as a financial services provider, take our care of duty seriously: our business now pivots on serving the customer's interest. For example, during the past year the conditions attached to the acceptance of new customers have been made more stringent. In addition, the monitoring frequency of existing customers has been increased to enable us to identify indications of a specific customer's financial situation that give cause for concern, such as late payment.

6.2. Customer satisfaction

Our organization's success is largely dependent on the loyalty of our customers and, consequently, on the quality of the products and services that we offer. This means that our staff's involvement with our customers and focus on quality is essential. For this reason, our continual endeavors to achieve an excellent customer experience in combination with the staff's quality awareness have both been pillars of our strategy and business operations for many years.

The quality of our services was once again awarded a high rating in the year under review. The customer satisfaction survey conducted amongst private customers in June 2016 once again demonstrated that most of these customers are satisfied with the quality of our services. The average customer service rating stabilized at 8.1. on a scale of 1 to 10.

6.3. The Customer's Interest

In 2016, as an element of its strategy, ICS shifted the focus on the customer and the customer's needs and interests. With this shift in focus, the company's efforts are not only placed on the customer's needs, but also – and above all – on what is beneficial to the customer and what is compatible with the customer's financial situation. This in turn gives shape to a permanent change of conduct within ICS, not only in terms of the strategy, policy and processes, but also in terms of the intrinsic attitudes and behavior of the staff. The achievement of this objective is furthered by the formulation of the **ICS Customer Interest at the Centre Compass,** which lays down seven principles that give direction to and serve as a guide for the development of proposals for improvements and new initiatives.

6.4. Continual Improvement

ICS' Continual Improvement program has been adopted to integrate both the **ICS Customer Interest at the Centre Compass** and the identification of improvements in the day-to-day operations.

The Continual Improvement program enables staff to learn how to make use of customer feedback and the principles of the **ICS Customer Interest at the Centre Compass** in adopting a structured approach to working on improvements. The methodology is based on the Lean and Six Sigma methodology.

In 2016, ICS set up a Knowledge Centre with trained specialists to guide the implementation of the Continual Improvement program. In 2017, ICS intends to expand the number of experts and to continue the integration of the Continual Improvement program in the day-to-day operations, with the ultimate objective of further increasing the focus on the interests of the client.

7. Management

Members of the Boards at 31 December 2016

Supervisory Board

Mr F. Woelders, Chairman

Ms C.M. Dumas, Member

Mr J.M.A.J. Smeets, Member

Statutory Board of Directors

Mr G. Wildeboer, Chief Executive Officer (CEO)

Mr J.C.V.M. Bouwens, Chief Risk & Finance Officer (CRFO)

8. Company financial statements

8.1. Company income statement

(in thousands, €)

	Note	2016	2015
Income			
Interest income		74.158	132.097
Interest expenses		(5.159)	(3.388)
Net interest income	**9.7.**	**68.999**	**128.709**
Fee and commission income		150.310	148.234
Fee and commission expenses		(40.542)	(42.880)
Net fee and commission income	**9.8.**	**109.768**	**105.354**
Dividend and other operating income	9.9.	102.446	30.375
Operating income		**281.213**	**264.438**
Expenses			
Personnel expenses	9.10.	(43.520)	(41.437)
General and administrative expenses	9.11.	(84.270)	(73.041)
Depreciation of tangible assets	9.20.	(814)	(933)
Amortization of intangible assets	9.21.	(578)	(1.051)
Rebilling expenses	9.12.	(1.063)	(10.718)
Operating expenses		**(130.245)**	**(127.180)**
Impairment changes on loans	9.13.	(10.712)	(17.716)
Total expenses		**(140.957)**	**(144.896)**
Profit before tax		**140.256**	**119.542**
Income tax expenses	9.14.	(36.222)	(26.023)
Profit for the year		**104.034**	**93.519**

The accounting policies and Notes on pages 31 to 70 form part of, and should be read in conjunction with, these financial statements.

8.2. Company statement of comprehensive income

(in thousands, € - except number of shares)

	Note	2016	2015
Profit for the year		**104.034**	**93.519**
Revaluation from investments	9.19.	(96.185)	125.606
Revaluation from investments - deferred tax	9.23.	24.046	(31.401)
		(72.139)	94.205
Comprehensive income (and losses)		**31.895**	**187.724**
Attributable to:			
Equity holders of ICS B.V.		31.895	187.724
Comprehensive income (and losses)		**31.895**	**187.724**

The accounting policies and Notes on pages 31 to 70 form part of, and should be read in conjunction with, these financial statements.

8.3. Company statement of financial position

Before appropriation of results:

(in thousands, €)

	Note	31 December 2016	31 December 2015
Assets			
Cash and balances at central banks	9.15.	211.404	119.994
Loans to banks	9.16.	767.708	627.846
Loans to customers	9.17.	1.217.358	1.278.498
Other assets	9.18.	34.285	43.020
Investments	9.19.	121.404	200.560
Property and equipment	9.20.	1.261	1.816
Intangible assets	9.21.	4.479	5.058
Deferred company tax assets	9.23.	1.285	1.130
Total assets		**2.359.184**	**2.277.922**
Liabilities			
Due to customers	9.24.	249.133	240.955
Due to banks	9.25.	1.532.972	1.498.730
Other liabilities	9.26.	74.185	55.659
Current company tax liabilities	9.22.	35.545	23.056
Deferred company tax liabilities	9.23.	24.653	48.312
Provisions	9.27.	69.676	9.565
Total liabilities		**1.986.164**	**1.876.277**
Equity			
Share capital		45	45
Other reserves		200.945	230.946
Result current year		104.034	30.519
Available-for-sale reserve		67.996	140.135
Total equity	**8.4.**	**373.020**	**401.645**
Total liabilities and equity		**2.359.184**	**2.277.922**

The accounting policies and Notes on pages 31 to 70 form part of, and should be read in conjunction with, these financial statements.

8.4. Company statement of changes in equity

(in thousands, €)

	Note	Share capital	Other reserves	Result current year	Availablef or-sale reserve	Total
Balance at 1 January 2015		**45**	**245.262**	**21.084**	**45.930**	**312.321**
Addition to other reserves		-	21.084	(21.084)	-	-
Net income of the year	8.1.	-	-	93.519	-	93.519
Paid out dividend	8.5.	-	(21.084)	(63.000)	-	(84.084)
Capital restructuring (cash payout)	8.5.	-	(14.316)	-	-	(14.316)
Changes in available-for-sale reserve		-	-	-	94.205	94.205
Balance at 31 December 2015		**45**	**230.946**	**30.519**	**140.135**	**401.645**
Addition to other reserves		-	30.519	(30.519)	-	-
Net income of the year	8.1.	-	-	104.034	-	104.034
Paid out dividend	8.5.	-	(60.520)	-	-	(60.520)
Changes in available-for-sale reserve	9.19.	-	-	-	(72.139)	(72.139)
Balance at 31 December 2016		**45**	**200.945**	**104.034**	**67.996**	**373.020**

The accounting policies and Notes on pages 31 to 70 form part of, and should be read in conjunction with, these financial statements.

8.5. Company statement of cash flows

(in thousands, €)

	Note	2016	2015
Cash flows from operating activities			
Operating profit before taxation	8.1.	140.256	119.542
Income of equity associates and partnerships	9.9.	-	(2.454)
Depreciation and amortisation	9.20./9.21.	1.392	1.983
Changes in impairments	9.17.	84.603	30.775
Adjustments on non-cash items included in profit		**85.996**	**30.304**
Changes in operating assets and liabilities			
Due from banks	9.16.	163.995	32.282
Due from customers	9.17.	36.726	72.240
Other assets	9.18.	13.955	(9.140)
Due to customers	9.24.	8.179	32.095
Due to banks	9.25.	34.241	104.460
Net changes in all other operational assets and liabilities	9.18./9.26.	13.230	(69.709)
Changes in operational assets and liabilities		270.327	162.228
Income taxes paid	9.22.	(23.501)	(24.003)
Net cash generated by operating activities		**473.077**	**288.071**
Cash flows from investing activities			
Investments in financial assets available–for-sale	9.19.	(17.029)	15.426
Purchases of fixed assets	9.20.	(258)	(836)
Purchases of other intangible assets	9.21.	-	-
Acquired cash and cash equivalents		-	-
Cash flows from investing activities		**(17.286)**	**14.590**
Cash flows from financing activities			
Dividends paid to shareholders	8.4.	(60.520)	(98.400)
Cash flows from financing activities		(60.520)	(98.400)
Change in cash and cash equivalents		**395.271**	**204.261**
Cash and cash equivalents at 1 January		343.657	139.396
Cash and cash equivalents at period end		**738.928**	**343.657**
Supplementary disclosure of operating cash flow information			
Interest paid	9.7.	5.159	3.297
Interest received	9.7.	74.158	132.006
Dividend received from investments	9.9.	1.079	591

(in thousands, €)

	Note	2016	2015
Cash and cash at central banks	9.15.	211.404	119.994
Loans to banks (1)	9.16.	527.524	223.663
Total cash and cash equivalents		**738.928**	**343.657**

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

The accounting policies and Notes on pages 31 to 70 form part of, and should be read in conjunction with, these financial statements.

9. Notes to the financial statements

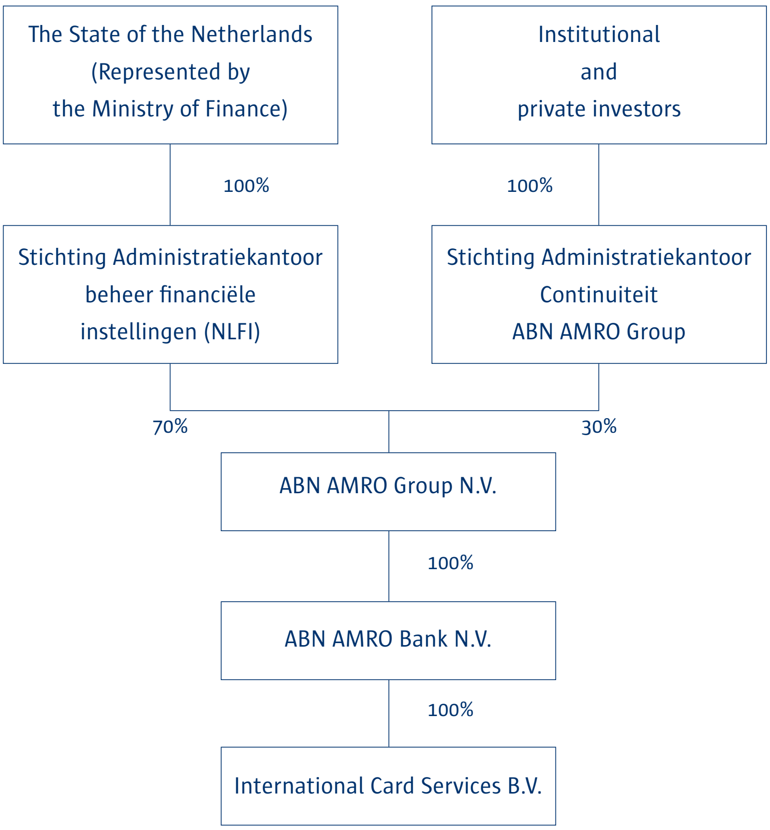
9.1. Corporate information

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

ICS is a limited liability company domiciled in the Netherlands seated at Wisselwerking 32, 1112 XP Diemen, registered at the Chamber of Commerce, trade register Amsterdam No. 33.200.596 and a 100%-subsidiary of ABN AMRO Bank N.V. The current structure is shown in the following graphic.

Legal structure and ownership

As of 31 December 2016



The financial statements for the year ended 31 December 2016 were prepared by the Statutory Board of Directors and authorized for issue in accordance with a resolution by the Supervisory Board and the Statutory Board of Directors on May 22, 2017.

9.1.1. Branches

The German branch ("ICS Germany"), of which the office is registered in Düsseldorf, Germany, is ICS' only branch.

9.2. Basis of preparation

The financial statements have been prepared on the basis of a mixed valuation model as follows:

- Available-for-sale financial assets are measured at fair value;
- Other financial assets (including loans and receivables) and liabilities are measured at amortized cost less any impairment, if applicable;
- Non-financial assets and liabilities are generally stated at historical cost;

The financial statements are presented in Euro rounded to the nearest thousand (unless otherwise stated).

9.3. Statement of compliance

The financial statements have been 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.

9.4. Presentation of financial statements

ICS presents its statement of financial position in order of liquidity.

Netting is not applicable, financial assets and financial liabilities are reported gross in the statement of financial position.

9.5. Summary of significant accounting policies

9.5.1. Foreign currency translation

The financial statements are stated in Euro, which is the functional and presentation currency of ICS.

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of recognition.

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

9.5.2. Financial instruments – initial recognition and subsequent measurement

DATE OF RECOGNITION

Loans and advances to customers are recognized when they are acquired or funded by ICS. ICS recognizes due to customer balances when funds reach its accounts at ICS. Other financial assets and liabilities are initially recognized on the trade date, i.e., the date that ICS becomes a party to the contractual provisions of the instrument.

INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them.

Classification of financial assets

The measurement and income recognition depends on the classification of the financial assets. The following two groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan. These are initially measured at fair value (including transaction costs) and subsequently measured at amortized cost using the effective interest method, with the periodic amortization recorded in the income statement;
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables. They are initially measured at fair value with subsequent changes recognized in other comprehensive income.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.
Other financial liabilities include financial liabilities that are

neither held for trading nor designated 'at fair value through profit or loss'.

Statement of cash flows

For the purposes of the cash flow statement, cash and balances at central banks comprise of cash on hand, freely available balances with central banks and other banks, 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 source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analyzed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of 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 arisen from foreign currency transactions are translated into euros using the exchange rates 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 amortized cost of the financial asset or financial liability is adjusted if ICS revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest income' for financial assets and 'Interest expenses' for financial liabilities.

DE-RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are generally derecognized when ICS loses control and rights to receive benefits over the contractual rights that comprise that asset. This occurs when a loan receivable is repaid or written-off, or substantially all risk and rewards are transferred.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the income statement.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability.

DETERMINATION OF FAIR VALUE

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

Fair value of financial instruments carried at fair value

The 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.

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is high objectivity in the determination of the fair value. However, when observable market prices and parameters do not exist, management judgment is necessary to estimate fair value.

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

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. We believe our estimates of the fair value are adequate.

Fair value of financial instruments not carried at fair value

The following methods and significant assumptions have been applied to estimate the fair values for the disclosures of financial instruments carried at amortized cost:

- The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the reporting date are assumed to equals their carrying amounts. The fair value estimate of these financial instruments does not reflect changes in credit quality, as the impact of credit risk is already recognized separately through the deduction of the allowances for credit losses from the carrying amount. The fair value of fixed-rate loans carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;
- The fair value of demand deposits (included under Due to customers) with no specific maturity is assumed to be the amount payable on demand at the reporting date;
- The fair value of the other loans to customers and loans to banks is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The carrying amount equals the fair value.

9.5.3. Cash and balances at central banks

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

9.5.4. Loans to banks and loans to customers

Loans to banks and loans and loans to customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, ICS recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of the loan, hence, recognizing the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

9.5.5. Financial investments

Available-for-sale investments comprises of equity investments, which are held at fair value with unrealized gains and losses recognized directly in Other Comprehensive Income (OCI), net of applicable taxes.

Equity investments held without significant (20%) influence which are not held for trading or not designated at fair value through profit or loss are classified as available-for-sale.

9.5.6. Impairment of financial assets

ICS assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loans at risk are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimize monitoring and review of these loans.

FORBEARANCE OF LOANS TO CUSTOMERS

It is often more beneficial, for ICS, as well as for the client, to restructure the loans rather than to recover the loans. The contracts of such clients may be modified at non-commercial terms to avoid foreclosure. The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as 'forbearance'.

ICS considers a forborne asset to be a contract under which the counterparty experiences (or is about to face) financial difficulty and for which the terms and conditions of the contract have been modified or the contract has been refinanced by ICS due to these financial difficulties on such terms that ICS would not have agreed to (concession) if the counterparty had been financially healthy.

The rationale behind forbearance is that we show leniency towards the counterparty by agreeing on modified terms that would not have been agreed if the client had not been in financial difficulty. The objective is to give the counterparty the time and financial flexibility to solve its financial problems, in the expectation that the counterparty in due course will be able to fulfil its financial obligations and, by doing so, to maintain a sustainable relationship between ICS and the counterparty.

Forbearance measures can be applied to a contract that has defaulted on its obligations as well as to a contract that is still performing. A contract that is in the process of being recovered and for which the client relationship will be discontinued is not considered forborne, irrespective of the application of restructuring measures or a previous forborne status.

A forborne asset will only cease to qualify as forborne once all of the following conditions are met:

- the contract is considered performing;
- a minimum probation period of two years has passed from the date the forborne contract was considered performing;
- regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- the counterparty does not have any contract that is more than 30 days past due at the end of the probation period.

If a forbearance measure is applied to a performing client, the client stays forborne for at least two years. If a forbearance measure is applied to a non-performing client, the client stays forborne for at least three years. During this period, the asset will continue to be reported as forborne.

PAST DUE OF LOANS TO CUSTOMERS

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

When counterparty's loan is past due or exceeds its credit limit, all loans and receivables in the related credit arrangement with this counterparty are considered past due.Impairment of loans to customers. Triggers for impairment include, but are not limited to, events such as significant financial difficulty, likeliness that the client will enter bankruptcy or financial reorganization, negative equity, regular payment problems, improper use of credit lines and legal action by other creditors.

ICS distinguishes two types of impairment losses:

- Collective impairment losses for individual not significant exposures: Assets with similar credit risk characteristics are clustered in portfolios. The assets in the portfolios are collectively assessed for impairment. In general, when payments (interest or principal) are 90 days past due, the loan is identified as impaired. The impairment assessment is based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience and portfolio trends;
- Incurred but not (yet) identified (IBNI): IBNI impairment losses are recognized for credit exposures in the performing consumer and commercial portfolio, as well as the undrawn consumer portfolio. The impairment losses have incurred but still have to be identified at the balance sheet date. Specific or collective impairment assessment has therefore not yet taken place. All financial assets that are not yet assessed for impairment are included in the IBNI impairment loss calculation. All related off-balance items such as credit commitments are also included.

WRITE OFF OF LOANS TO CUSTOMERS

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance. 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 the income statement.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

Impairments recognized in the income statement for an investment in an equity instrument classified as available-for-sale are not reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence includes:

- A 'significant' or 'prolonged' decline in the fair value of the investment below its cost, or
- Other information about the issuer that may negatively affect an equity issuer's performance.

ICS treats 'significant' generally as 30% and 'prolonged' generally as greater than twelve months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement, is removed from equity and recognized in impairment losses on financial investments in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

9.5.7. Property and equipment

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

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

- Computer hardware: 4 years;
- Other furniture and equipment: 5-10 years.

9.5.8. Intangible assets

Intangible assets include separately identifiable items arising from acquisition of customer relationships and similar items. ICS' intangible assets relate to acquired credit card portfolios. Intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses if, and only if, it generates future economic benefits and if the cost of the asset can be measured reliably. Amortization is monthly calculated, on a straight-line basis over the estimated useful lives of the portfolios. ICS uses 15-20 years as useful life in calculating depreciation. Amortization rates, the residual value and the useful life of intangible assets are reviewed at each year-end to take into account any change in circumstances.

9.5.9. Due to banks and due to customers

Amounts due to banks and customers are held at amortized cost. That is, fair value at initial recognition adjusted for repayment and amortization of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

9.5.10. Provisions

Provisions are recognized when ICS has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable 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 cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

9.5.11. Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to ICS and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

NET INTEREST INCOME

Interest income and interest expenses are recognized on an accrual basis in the income statement for all interest-bearing instruments, using the effective interest method.

NET FEE AND COMMISSION INCOME

Fees and commissions are recognized as the services are provided. The following fee types are identified:

- Service fees are recognized on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognized based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized upon completion of the underlying transaction. Commission revenue is recognized when the performance obligation is complete.

DIVIDEND AND OTHER OPERATING INCOME

Trading positions are held at fair value and income related to those positions includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances and dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognized when entitlement is established. Dividend and other investment income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact the value of our trading liabilities.

PERSONNEL EXPENSES

Salaries and wages, social security charges and other salary related costs are recognized over the period in which the employees provide the services to which the payments relate. ICS sponsors pension schemes in the Netherlands. All schemes classify as defined contribution plans. The beneficiaries of the plans are in the Netherlands. Determined by a fixed method, ICS pays annual contributions towards the pension scheme. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Actuarial and investment risk are for the account of the participants in the plan.

GENERAL AND ADMINISTRATIVE EXPENSES

Costs are recognized in the period in which services were provided and to which the payment relates. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

9.5.12. Taxes

CURRENT TAX

ICS form part of a fiscal unity with ABN AMRO Bank N.V. for corporate income tax purposes. As a consequence, ICS receives a tax allocation from the parent company. Tax is allocated by ABN AMRO Bank in such matter that tax in the ICS financial statements reflect the situation if the fiscal unity did not exist. All the members of the fiscal unity become 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 prior years are measured at the amount expected to be recovered from, or paid to, the parent company. The parent company settles with the taxation 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 recognized directly in equity is recognized in equity and not in the statement of profit or loss. 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

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

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

9.5.13. Changes in accounting policies

In 2016 ICS adopted the following amendments to IFRS: IAS 1 Presentation of Financial Statements: Disclosure Initiative. This amendment is part of the Disclosure Initiative of the IASB. The amendments to IAS 1 are a further clarification of concepts such as aggregation, materiality, and understand ability and comparability of information.

Annual improvements to IFRSs 2012-2014 Cycle. This cycle of improvements contains amendments to four standards.

None of the mentioned amendments resulted in classification changes.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new or revised standards and amendments have been issued by the IASB, but are not yet effective. These standards will be implemented by ICS. Note that only the alterations which are relevant to ICS, are discussed below.

IFRS 9

In July 2014 the IASB issued IFRS 9 as the standard for financial instruments accounting to replace IAS 39. IFRS 9 Financial Instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 applies to ICS from 1 January 2018 onwards. IFRS 9 introduces regulation for Classification and measurement, Impairment and Hedge accounting and disclosure. Both on group and local level considerable effort was put into interpreting and implementing IFRS 9. It has been assessed that the impact of implementing IFRS 9 arises from some significant changes to the impairment model. In IFRS9 the “incurred loss” model is replaced by the “expected loss” model, resulting in credit risk losses to be recognized earlier and forward-looking information to be incorporated in the loss calculation. This difference in approach will result in higher loan loss impairments and corresponding lower equity. ICS plans to analyze its financial impact of the new standard in 2017, however, based on a first assessment performed it is expected that the (capital) impact to be significant.

IFRS 15

Revenue from contracts with customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. IFRS 15 Revenue recognition was endorsed by the EU in September 2016. It is effective for annual periods beginning on or after 1 January 2018. ICS is currently assessing the impact of the new standard.

IAS 7

Statement of Cash Flows: Disclosure Initiative. The objective of the amendment is to improve the information on the financing of activities to improve the user’s insight in the liquidity of an entity. IAS 7 is not yet endorsed by the EU. It is to become effective for annual periods beginning on or after 1 January 2017. The amendments will have very little impact on ICS’ financial statements.

IFRS 16

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 Leases is not yet endorsed by the EU. IFRS 16 replaces IAS 17 Leases and removes the distinction between ‘Operational’ and ‘Financial’ lease for lessees. The requirements for lessor accounting remain largely unchanged. ICS is currently assessing the impact of the new standard.

IAS 12

Income taxes: Recognition of Deferred Tax Assets for Unrealized losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. IAS 12 is not yet endorsed by the EU. These amendments are to become effective for periods beginning on or after 1 January 2017. ICS holds hardly any unrealized losses therefore the financial impact of this standard will be negligible.

9.6. Significant accounting judgments, estimates and assumptions

The preparation of ICS' financial statements requires management to exercise its judgment in the process of applying accounting policies and to make estimates and assumptions concerning the future. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates and assumptions. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are discussed below with respect to judgments/estimates involved.

9.6.1. Going concern

ICS' management is not aware of any material uncertainties that may cast significant doubt on the ICS' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis (please see Note 9.29.).

9.6.2. Fair value hierarchy

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. This only applies to the available-for-sale investments. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value (please see Note 9.5.2.). ICS analyses financial instruments held at fair value in the three categories described below.

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

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

Level 3 financial instruments are those valued using a valuation technique where at least one input, which has 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 recognizes transfers between levels of the fair value hierarchy as 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, €)

31 December 2016	Carrying value	Quoted market prices in active markets	Valuation techniques observable inputs	Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	211.404	-	211.404	-	211.404
Loans to banks	767.708	-	-	767.708	767.708
Loans to customers	1.217.358	-	-	1.217.358	1.217.358
Investments	121.404	102.713	18.691	-	121.404
Total Financial assets	**2.317.874**	**102.713**	**230.095**	**1.985.066**	**2.317.874**
Liabilities					
Due to banks	1.532.972	-	-	1.532.972	1.532.972
Due to customers	249.133	-	-	249.133	249.133
Total Financial liabilities	**1.782.105**	**-**	**-**	**1.782.105**	**1.782.105**
31 December 2015					
Assets					
Cash and balances at central banks	119.994	-	119.994	-	119.994
Loans to banks	627.846	-	-	627.846	627.846
Loans to customers	1.278.498	-	-	1.278.498	1.278.498
Investments	200.560	98.912	101.649	-	200.560
Total Financial assets	**2.226.898**	**98.912**	**221.643**	**1.906.344**	**2.226.898**
Liabilities					
Due to banks	1.498.730	-	-	1.498.730	1.498.730
Due to customers	240.955	-	-	240.955	240.955
Total Financial liabilities	**1.739.685**	**-**	**-**	**1.739.685**	**1.739.685**

9.6.3. Effective Interest Rate method (EIR)

ICS' EIR methodology, as explained in Note 9.5.2 recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognizes 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 nature, requires an element of judgment regarding the expected behavior and life-cycle of the instruments, as well expected changes to ICS' base rate and other fee income/expense that are integral parts of the instrument.

9.6.4. Impairment losses on loans to customers

ICS reviews its loans to customers at each reporting date to assess whether an impairment loss should be recorded in the income statement.

ICS' impairment methodology for assets carried at amortized cost results in the recording of provisions for:

- Collective impairment of individually not significant exposures
- Incurred but not yet identified losses (IBNI)

The detailed approach for each category is further explained in Note 9.5.6. All categories include an element of management's judgment, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

Additionally, judgments around the inputs and calibration of the collective and IBNI models include the criteria for the identification of smaller homogenous portfolios, the effect of concentrations of risks and economic data (including levels of unemployment, repayment trends, collateral values such as real estate prices indices for residential mortgages, country risk and the performance of different individual groups, and bankruptcy trends), and for determination of the emergence period. The methodology and assumptions are reviewed regularly in the context of actual loss experience.

9.6.5. Impairment of available-for-sale investments

ICS reviews its available-for-sale investments at each reporting date to assess whether they should be impaired as explained in Note 9.5.6. This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is 'significant' or 'prolonged' requires judgment.

In making this judgment, ICS evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

9.6.6. Provisions and other contingent liabilities

When ICS can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, ICS records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when ICS has the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, ICS does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, ICS takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates. For further details on provisions and other contingencies please see Notes 9.27. and 9.31.

9.7. Net Interest income

The breakdown of Interest income and expenses by type of product for the years ended 31 December is specified in the following table.

(in thousands, €)

	2016	2015
Interest income		
Due from banks	5.504	6.076
Due from customer - revolving loans	3.912	4.224
Due from customer - credit cards	62.714	121.020
Negative interest on interest bearing liabilities	2.028	777
	74.158	**132.097**
Interest expenses		
Due to banks	(2.072)	(92)
Due to customers	(1.663)	(2.739)
Other liabilities	(599)	(418)
Negative interest on interest bearing assets	(825)	(139)
	(5.159)	**(3.388)**
Net Interest Income	**68.999**	**128.709**

To compensate customers for issues in its credit portfolio, ICS provided for undue interest payments. Due from customer – credit cards, part of interest income 2016, holds a compensation for these undue payments to the amount of €46.8 million (please see Note 9.27.).

9.8. Net fee and commission income

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

(in thousands, €)

	2016	2015
Fee and commission income		
Payment services	86.591	87.403
Service fees	60.711	56.521
Insurance fees	3.008	4.310
	150.310	**148.234**
Fee and commission expenses		
Payment services	(32.161)	(35.683)
Service fees	(2.409)	(2.021)
Insurance fees	(5.972)	(5.176)
	(40.542)	**(42.880)**
Net fee and commission income	**109.768**	**105.354**

Payment services refer directly to credit card turnover. Payment service income includes interchange generated by credit card transactions. Payment service expenses include charges from Visa, MasterCard and other third parties. Service fee income includes annual fees and processing fees. Service expenses refer to banking costs. Insurance fees relate mainly to cardholder insurances.

9.9. Dividend and other operating income

Dividend and other operating income for the years ended 31 December is specified in the following table.

(in thousands, €)

	2016	2015
Dividend income	1.079	591
Gain(s) on sale investment	101.336	27.330
Other	31	2.454
Total results from financial transactions	**102.446**	**30.375**

Dividend income reflects the year's dividend payments received.

In 2016 Visa Inc. executed a share buyback program. To settle the value of the Visa Europe Ltd. shares ICS received an initial- and a deferred cash payment as well as Visa C Series Preference shares (please see Note 9.18.). The gain reflects the net result.

In 2015 EMS shares were sold. The gain reflects the net result.

9.10. Personnel expenses

Personnel expenses for the years ended 31 December is specified in the following table.

(in thousands, €)

	2016	2015
Salaries and wages	31.031	31.087
Social security charges	4.781	4.697
Defined contribution plans expenses	3.870	3.873
Other	3.838	1.780
Total personnel expenses	**43.520**	**41.437**

Other 2016 includes the costs for a staff restructuring provision to the amount of €2.4 million (please see Note 9.27.).

As at 31 December 2016 the following FTEs were employed by ICS:

- International Card Services B.V. (Netherlands) employed 523 FTE (2015: 534 FTE).
- International Card Services B.V. (Germany) employed 13 FTE (2015: 12 FTE).

9.11. General and administrative expenses

General and administrative expenses for the years ended 31 December is specified in the following table.

(in thousands, €)

	2016	2015
Housing	1.119	1.480
Marketing and public relations costs	9.686	16.428
Information technology costs	21.968	23.101
Post and telephone	5.546	6.599
Agency staff and consultancy costs	16.493	7.816
Provisions	12.872	(553)
Fraud losses	3.884	4.345
Other	12.702	13.825
Total General and administrative expenses	**84.270**	**73.041**

Agency staff and consultancy costs includes the costs for temporary staff (please see Note 9.10) and several strategic programs.

A specification of the provision expenses is as follows:

(in thousands, €)

	Note	2016	2015
Litigation	9.26.	16.300	-
Co-branders	9.26.	(3.170)	(553)
Other		(258)	-
Total provisions		**12.872**	**(553)**

In 2016 provisions are formed to compensate certain customers for issues in the credit portfolio. These provisions are split in undue interest payments (please see Note 9.7.) and incremental operational cost. The amount of €16.3 million relates to the estimated costs for the (additional) operational effort and a penalty for non-compliance with laws and regulatory responsibilities.

The co-branders line relates to the sale of the EMS interest in 2015. The release is due to unused provisions. For more details on provisions please see Note 9.27.

Fees paid to EY are included under Agency staff and consultancy costs and amount to €145 thousand (2015: KPMG €30 thousand).

9.12. Rebilling expenses

Rebilling expenses for the years ended 31 December is specified in the following table.

(in thousands, €)

	2016	2015
Rebilling	1.063	10.718
Total Rebilling expenses	**1.063**	**10.718**

Rebilling expenses relate to group charges for IT, corporate insurance and management costs.

9.13. Impairment changes on loans

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

(in thousands, €)

	Note	2016	2015
Change in impairments on:			
Due from banks		-	(80)
Due from customers	9.17./9.27.	10.712	17.796
Total impairment changes on loans		**10.712**	**17.716**

Please see Notes 9.17. and 9.27. for more details on the impairment due to customers.

9.14. Income tax expenses

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

(in thousands, €)

	2016	2015
Current tax expense		
Current tax charge on year under review	35.835	23.248
Adjustment for current tax of prior years	155	(8)
	35.990	**23.240**
Deferred tax expense		
Deferred taxes arising from current period	232	(421)
Deferred taxes arising from write-down (or reversal) of deferred tax asset	-	3.373
Previously unrecognized tax losses, tax credits	-	(169)
	232	2.783
Total tax expense	**36.222**	**26.023**
Effective tax rate	25,8%	21,8%

	2016	2015
Nominal tax rate Netherlands	25,00%	25,00%
Nominal tax rate Germany	29,65%	29,72%

The difference (2015) between the nominal tax rate and the effective tax rate is mainly caused by EMS, which result is exempt for ICS' tax expenses.

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

(in thousands, €)

	2016	2015
Result before taxation (profit)/loss	(140.256)	(119.542)
Applicable tax rate	25,0%	25,0%
Expected income tax expense	**35.064**	**29.886**
Increase (decrease) in taxes resulting from:		
Tax exempt income	-	(6.050)
Disallowed operating and administrative expenses	1.000	-
Disallowed bank tax	42	-
Previously unrecognized tax losses and temporary differences	-	(169)
Write-down and reversal of write-down of deferred tax assets	-	3.373
Tax rate differential branch offices	(39)	(1.009)
Adjustments for current tax of prior years	155	(8)
Total increase (decrease)	**1.158**	**(3.863)**
Actual income tax expenses	**36.222**	**26.023**

9.15. Cash and balances at central banks

Cash and balances at central banks for the years ended 31 December is specified in the following table.

(in thousands, €)

	Average Interest Rate 2016	31 December 2016	31 December 2015
Cash at hand	0,00%	4	14
Balances with central bank	-0,37%	211.400	119.980
Balance at the end of period		**211.404**	**119.994**

Balances with central bank relate to mandatory depositary requirements as set out by the Dutch Central Bank and are not available for use in the ICS' day–to–day operations.

9.16. Loans to banks

Loans to banks for the years ended 31 December is specified in the following table.

(in thousands, €)

	Average Interest Rate 2016	31 December 2016	31 December 2015
Current accounts - credit institutions	0,00%	527.524	223.663
Current accounts - other	0,00%	-	3
Interest bearing deposits		240.184	404.180
- originated from customer savings	2,24%	240.184	239.865
- not originated from customer savings	0,02%	-	164.315
Balance at the end of period		**767.708**	**627.846**

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

Interest bearing deposits are issued to ABN AMRO Bank N.V.. In cooperation with their department Asset and Liability Management the average customer savings (both consumer and commercial, please see Note 9.24.) and funds which are not customer related (for 31 December 2015) are placed in deposits. The interest bearing deposits related to customers is based on a 1 month term and a fixed interest rate. The interest bearing deposits not related customers (2015) were based on variable month terms (6 months till 15 months) and a fixed interest rate.

9.17. Loans to customers

Loans to customers for the years ended 31 December is specified in the following table.

(in thousands, €)

	Average Interest Rate 2016	year of maturity	31 December 2016	31 December 2015
Consumer				
Revolving loans	8,75%	indefinite	41.331	47.877
Credit card - current accounts	0,00%	2017	324.867	286.463
Credit card - interest bearing	13,20%	indefinite	771.825	865.967
Allowance for impairment losses			(17.105)	(19.202)
			1.120.918	**1.181.105**
Commercial				
Loans to governments and financial institutions - Interest bearing	0,00%	2017	13	-
Credit card - current accounts	0,00%	2017	91.444	91.577
Credit card - interest bearing	13,20%	indefinite	5.272	6.574
Allowance for impairment losses			(289)	(758)
			96.440	97.393
Balance at the end of period			**1.217.358**	**1.278.498**

Loans to customers are differentiated in Consumer and Commercial loans.

9.17.1. Consumers

Consumer loans contain outstanding amounts both interest bearing and non-interest bearing on credit card and revolving loans.

9.17.2. Commercial

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

9.17.3. Impairments

FORBEARANCE

The following table provides an overview on the forborne assets. Accounting policies for forbearance are described in Note 9.5.6.

(in thousands, €)

		Performing assets		Non-performing assets			
	Gross carrying amount	Modifications in terms & conditions	Refinancing	Modifications in terms & conditions	Refinancing	Total forborne assets	Forbearance ratio
Loans to customers						**31 December 2016**	
Consumer loans	1.138.023	15.729	-	40	-	15.769	1,39%
Loans to customers						**31 December 2015**	
Consumer loans	1.200.307	15.836	-	56	-	15.892	1,32%

PAST DUE AND IMPAIRED LOANS

The following table shows the changes in the impairments to consumer and commercial loans. Accounting policies for impaired loans are described in Note 9.5.6

(in thousands, €)

		Carrying amount		Days past due			
	Gross	Assets not classified as impaired	<=30 days	>30 days & <=60 days	>60 days & <=90 days	Total past due but not impaired	Past due ratio
Loans to customers						**31 December 2016**	
Consumer loans	1.138.023	1.117.569	62.419	16.417	5.722	84.558	7,6%
Commercial loans	96.716	96.591	670	186	105	961	1,0%
	1.234.739	**1.214.160**	**63.089**	**16.603**	**5.827**	**85.519**	**7,0%**
Loans to customers						**31 December 2015**	
Consumer loans	1.200.307	1.180.268	82.681	23.599	7.620	113.900	9,7%
Commercial loans	98.151	97.111	534	96	22	652	0,7%
	1.298.458	**1.277.379**	**83.215**	**23.695**	**7.642**	**114.552**	**9,0%**

(in thousands)

Overview			2016			2015
	Consumer	Commercial	Total	Consumer	Commercial	Total
IBNI	3.912	175	4.087	4.857	351	5.208
LLR	13.193	114	13.307	14.345	407	14.752
Total	**17.105**	**289**	**17.394**	**19.202**	**758**	**19.960**

Breakdown IBNI			2016			2015
	Consumer	Commercial	Total	Consumer	Commercial	Total
Balance at 1 January	4.857	351	5.208	6.624	32	6.656
Change in IBNI	(945)	(176)	(1.121)	(1.767)	319	(1.448)
Balance at the end of period	**3.912**	**175**	**4.087**	**4.857**	**351**	**5.208**

Loans identified as impaired			2016			2015
	Consumer	Commercial	Total	Consumer	Commercial	Total
Total impaired outstanding balance	**20.454**	**125**	**20.579**	**20.039**	**1.040**	**21.079**

Breakdown LLR			2016			2015
	Consumer	Commercial	Total	Consumer	Commercial	Total
Balance at 1 January	14.345	407	14.752	13.581	235	13.816
Transfer between portfolios	-	-	-	(500)	500	-
Use of redemption fee	-	-	-	-	(500)	(500)
Unearned interest	(42)	-	(42)	(23)	1	(22)
Addition	11.567	795	12.362	16.481	409	16.890
Write off	(25.715)	(1.268)	(26.983)	(28.197)	(842)	(29.039)
Recoveries	13.038	180	13.218	12.933	700	13.633
Other changes	-	-	-	70	(96)	(26)
Balance at the end of period	**13.193**	**114**	**13.307**	**14.345**	**407**	**14.752**

For more details on the mutation in IBNI related to the undrawn amount of the credit commitments to cardholders, please see Note 9.27.

9.18. Other assets

Other assets for the years ended 31 December is specified in the following table.

(in thousands, €)

	31 December 2016	31 December 2015
Accrued other income	16.152	11.306
Prepaid expenses	9.180	8.806
Other receivables	4.352	6.046
Other current assets	4.601	16.862
Balance at the end of period	**34.285**	**43.020**

Accrued income relates to co-branders and the Visa Inc. deferred cash consideration. The other receivables mainly relate to contractual agreements with ABN AMRO Bank N.V. with regards to the sale of EMS.

9.19. Investments

Investments for the years ended 31 December is specified in the following table:

(in thousands, €)

Investments Available-for-sale	Ownership	31 December 2016	31 December 2015
- Shares Visa Inc.	<1%	121.400	98.911
- Shares Visa Europe Ltd.	0%	-	101.649
- Shares Visa Belgium	<1%	4	-
- Wireless Interactive & NFC Accelerator 2013 B.V.	10%	-	-
Balance at the end of period		**121.404**	**200.560**

Unrealized gains/(losses) Available-for-sale	Fair Value	Historical value	Gross unrealized gains/(losses)
Balance at 31 December			
2015	200.560	13.713	186.847
2016	121.404	30.742	90.662
Unrealized gains/(losses) of current period			**(96.185)**

Breakdown Available-for-sale	VISA	Inc. Visa Europe Ltd.	VISA Belgium	WIN B.V.	Total
Balance at 1 January	**98.911**	**101.649**	**-**	**-**	**200.560**
Acquisition(s)	17.029	-	-	-	17.029
Revaluations	5.460	(1.597)	4	-	3.867
Derecognition due to sale	-	(100.052)	-	-	(100.052)
Balance at the end of period	**121.400**	**0**	**4**	**-**	**121.404**

In 2016 Visa Inc. executed a buyback program for its Visa Europe Ltd. shares, resulting in a cash settlement and the issue of convertible preference shares. For these shares three restrictions apply:

1 Conversion into ordinary shares may take up to twelve years after deal closure. The number of preference shares to be converted per tranche will be determined by Visa Inc..
2 For these shares only trading between other holders of preference shares is allowed. This restriction applies for the full lifetime of the preference shares.
3 The conversion rate may be adjusted by Visa Inc..

To adjust the value for these restrictions a discount rate of 4% is taken into account.

Wireless Interactive & NFC Accelerator 2013 B.V. (WIN) is a 10% interest. Acquisition was in 2013 and immediately impaired because expectations were that WIN will not be profitable in the near future.

9.20. Property and equipment

Property and equipment for the years ended 31 December is specified in the following table.

(in thousands, €)

	Furniture & Mechanical equipment	Hardware	Total
Balance at 1 January 2015	**368**	**1.547**	**1.915**
Additions	154	681	835
Depreciation	(179)	(755)	(934)
Balance at 31 December 2015	**343**	**1.473**	**1.816**
Additions	49	210	259
Depreciation	(141)	(673)	(814)
Balance at 31 December 2016	**251**	**1.010**	**1.261**
Cost as at the end of period	1.325	4.138	5.463
Cumulative depreciation as at the end of period	(1.074)	(3.128)	(4.202)

9.21. Intangible assets

Intangible assets for the years ended 31 December is specified in the following table.

(in thousands, €)

	31 December 2016	31 December 2015
Balance at 1 January	**5.058**	**6.108**
Amortization expenses	(578)	(1.050)
Balance at the end of period	**4.479**	**5.058**
Cost as at the end of period	11.864	11.864
Cumulative amortization as at the end of period	(7.385)	(6.807)

Intangible assets relate to acquired credit card portfolios.

9.22. Current company tax assets and liabilities

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

(in thousands, €)

	Total
Balance as 31 December 2015	
Assets	-
Liabilities	(23.056)
Total	**(23.056)**
Balance as 31 December 2016	
Assets	-
Liabilities	(35.545)
Total	**(35.545)**

The tax liability relates to the accrual for taxes to be paid on income realized in the respective years. Due to cumulative losses in Germany, this is only applicable for the Dutch activities.

9.23. Deferred company tax assets and liabilities

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the income statement as tax expense or statement of comprehensive income (please see Note 9.5.12.):

(in thousands, €)

	Total
Balance as 31 December 2015	
Assets	1.130
Liabilities	(48.312)
Total	**(47.182)**
Balance as 31 December 2016	
Assets	1.285
Liabilities	(24.653)
Total	**(23.368)**

Specification deferred tax assets	Movements through	Total
Balance at 1 January 2015		**3.661**
Property, plant and equipment	Income statement	24
Other intangible assets	Income statement	8
Deferred income and accrued expenses	Income statement	(3.290)
Provisions	Income statement	(20)
Tax loss carryforward	Income statement	747
Balance at 31 December 2015		**1.130**
Property, plant and equipment	Income statement	(22)
Other intangible assets	Income statement	(8)
Provisions	Income statement	(13)
Tax loss carryforward	Income statement	198
Balance at 31 December 2016		**1.285**
Gross assets as at the end of period		1.285
Cumulative write-down as at the end of period		-

Specification deferred tax liabilities	Movements through	Total
Balance at 1 January 2015		**11.770**
Investments	Statement of comprehensive income	31.401
Other intangible assets	Income statement	42
Accrued income and deferred charges	Income statement	296
Other	Income statement	(86)
Balance at 31 December 2015		**48.312**
Investments	Statement of comprehensive income	(24.046)
Other intangible assets	Income statement	144
Accrued income and deferred charges	Income statement	243
Balance at 31 December 2016		**24.653**

Tax assets due to carry forward losses relate to Germany. The total carry forward losses are €4.2 million per 31 December 2016, generating the deferred tax asset of €1.1 million. The oldest forward loss originated in 2010. The tax losses do not expire under current German tax legislation. This position is settled directly with the German tax authorities.

The remaining deferred tax assets and all deferred tax liabilities relate to the Dutch activities and are settled with the parent company.

9.24. Due to customers

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

(in thousands, €)

	Average Interest Rate 2016	Year of maturity	31 December 2016	31 December 2015
Demand deposits	0,69%	on demand	249.133	240.955
Balance at the end of period			**249.133**	**240.955**

Demand deposits due to customers include customer balances on both consumer and commercial credit cards. The commercial deposits contain €28 million of collaterals.

9.25. Due to banks

Due to banks for the years ended 31 December is specified in the following table.

(in thousands, €)

	Average Interest Rate 2016	Year of maturity	31 December 2016	31 December 2015
Time deposits - credit institutions - short-term	-0,26%	2017	678.602	1.467.438
Time deposits - credit institutions - long term	0,23%	2019	823.077	-
Other deposits - credit institutions - Short-term	0,00%	on demand	31.292	31.292
Demand deposits - credit institutions	0,00%	on demand	1	-
Balance at the end of period			**1.532.972**	**1.498.730**

Funding is obtained from ABN AMRO Bank by means of cash loans (time deposits). Time deposits are based on a mix of fixed interest rate on a 1-3 month base and 3 years base.

9.26. Other liabilities

Other liabilities for the years ended 31 December is specified in the following table.

(in thousands, €)

	31 December 2016	31 December 2015
Accrued fees and charges	28.395	23.090
Accounts payable and sundry creditors	45.790	32.569
Balance at the end of period	**74.185**	**55.659**

9.27. Provisions

Provisions for the years ended 31 December is specified in the following table.

(in thousands, €)

	31 December 2016	31 December 2015
Provisions for undrawn amount	3.178	3.707
Provisions for co-branders	929	4.394
Provisions for litigation	63.100	200
Provisions restructuring staff	1.340	-
Provisions jubilee	884	960
Provisions other	245	304
Balance at the end of period	**69.676**	**9.565**

(in thousands, €)

	Undrawn amount	Cobranders	Litigation	Restructuring	Jubilee	Other	Total
Balance at 1 January 2015	**1.291**	**-**	**-**	**-**	**849**	**393**	**2.533**
Increase of provisions	2.416	5.000	200	-	111	-	**7.727**
Release of provisions	-	(606)	-	-	-	-	**(606)**
Reversal of unused provisions	-	-	-	-		(89)	**(89)**
Balance at 31 December 2015	**3.707**	**4.394**	**200**	**-**	**960**	**304**	**9.565**
Increase of provisions	-	-	63.100	2.371	46	-	**65.517**
Release of provisions	(529)	(295)	(200)	(1.028)	-	-	**(2.053)**
Reversal of unused provisions	-	(3.170)	-	(3)	(122)	(58)	**(3.354)**
Balance at 31 December 2016	**3.178**	**929**	**63.100**	**1.340**	**884**	**246**	**69.676**

Provisions for undrawn amounts relate to the undrawn amount of the limit commitments to consumer cardholders. The release is included in the impairments (please see Note 9.13. and 9.5.6.).

Co-branders provisions relate to the sale of EMS in 2015, for ICS to honor existing agreements with co-branders, specifically on processing fee expenses. In 2016 part of the provision was reversed (please see Note 9.11.).

Litigation provisions arise out of issues in the credit lending portfolio. Certain customers have been provided with a loan above their lending capacity. To compensate its affected customers, ICS drafted a redress scheme program. The provisions cover financial compensation for specific customers, estimated costs for the (additional) operational effort to run the program and a penalty for non-compliance with laws and regulatory responsibilities (please see Note 9.7. and 9.11.). The program commences early 2017 and is expected to finish by the end of 2018.

The restructuring provision is formed for a reorganization of ICS' operations, including staff. The program started in 2016 and is expected to reach completion by the end of 2017.

The jubilee provision is formed to compensate for expected future jubilee payments to staff.

9.28. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

(in thousands, €)

	Within 12 months	After 12 months	Total
Assets			
Cash and balances at central banks	211.404	-	211.404
Loans to banks	767.708	-	767.708
Loans to customers	652.314	565.044	1.217.358
Investments	-	121.404	121.404
Property and equipment	315	946	1.261
Intangible assets	869	3.610	4.479
Deferred company tax assets		1.285	1.285
Other assets	34.285	-	34.285
Total assets	**1.666.895**	**692.289**	**2.359.184**
Liabilities			
Due to banks	913.638	619.334	1.532.972
Due to customers	249.133	-	249.133
Current company tax liabilities	35.545	-	35.545
Deferred company tax liabilities		24.653	24.653
Provisions	34.886	34.790	69.676
Other liabilities	74.185		74.185
Total liabilities	**1.307.387**	**678.777**	**1.986.164**
Net	**359.508**	**13.512**	**373.020**

9.29. Related parties

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

Based on article 403 of the Dutch Civil Code, ABN AMRO Bank N.V. is liable for ICS' liabilities, by depositing a declaration in favor of ICS. Furthermore ABN AMRO Bank N.V. finances all activities of ICS at 31 December 2016 at arm's length.

The following table specifies the reconciliation of transactions and position between ICS and ABN AMRO Bank N.V. (excluding the tax position as allocated by ABN AMRO Bank N.V. as disclosed in note 9.5.12.).

(in thousands, €)

	2016	**2015**
	Total	Total
Income statement		
Interest income	7.533	6.335
Interest expense	(2.671)	-
Rebilling	(1.063)	(10.718)
Other operating expenses	(2.110)	(3.343)
Balance sheet (as per end of period)		
Due from banks	763.158	613.874
Other assets	3.000	5.000
Due to banks	(1.532.971)	(1.498.729)
Other liabilities	(337)	(661)

9.30 Compensation of the key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of ICS and its employees. 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 specifies a breakdown of the remuneration.

(in thousands, €)

	2016	**2015**
Short-term employee benefits	910	1.392
Post-employment pension (defined contribution)	43	131
Total	**953**	**1.522**

For the year ending 31 December 2016 the Statutory Board of Directors consists of two statutory directors. As per 31 December 2015 the Statutory Board of Directors consisted of four statutory directors.

ICS does not operate a share incentive scheme. Accordingly, there were no options granted to the Statutory Board of Directors either in 2016 or 2015.

9.30.1. Remuneration policy

We conduct a prudent, controlled and sustainable remuneration policy that has an explicit focus on long-term interests and on our strategy, limited risk appetite, objectives and our values.

ICS carries out periodic evaluations of its remuneration policy. In view of the need for all members of the Supervisory Board to be continually aware of their remuneration responsibilities, instead of appointing a Remuneration Committee the Supervisory Board regularly discusses this issue during its meetings.

For ICS' Statutory Board of Directors different remuneration policies are applicable. The CEO is employed by ABN AMRO, the CRFO is employed by ICS. Accordingly their remuneration is in line with respectively ABN AMRO's or ICS' remuneration policy. In 2016 the remuneration of the Statutory Board of Directors remained, aside from the CAO increase, unchanged and basically comprises a base salary, a pension contribution and a mobility arrangement/lease car.

Pursuant to ABN AMRO's Global Reward Policy, our board members may not be granted any form of variable compensation. Although general and specific targets are being part of their appraisal, the members did not receive any variable compensation in 2016. Members of the Supervisory Board do not receive remuneration.

9.31. Commitment and contingent liabilities

9.31.1. Off balance obligations

The undrawn amount of limits issued to cardholders in 2016 amounted to €7.9 billion (2015: €7.9 billion). This amount includes ICS Netherlands and ICS Germany. The open to buy limits are revocable at ICS' discretion.

ICS has entered into a lease agreement for its office. This lease has a remaining life span of 3 years with a renewal option. The total lease obligation amounts to €2.8 million of which €0.9 million expires within one year.

Furthermore ICS has multiple (IT related) contracts. The total financial obligation amounts to €5.8 million of which €3.3 million expires within one year.

The total contingent liabilities can be specified as follows:

- Less than one year €7.9 billion
- Between one and five years €4.5 million
- More than five years nil

9.31.2. Off balance rights

Received bank guarantees from ABN AMRO Bank N.V. amounted to €0.4 million in 2016 (2015: €0.4 million). These guarantees relate to the rental agreement.

9.32. Licenses

ICS uses the following licenses:

- International Card Services B.V. is Principal Member of Visa International.
- International Card Services B.V. is Principal Member of Mastercard.
- International Card Services B.V. has a full general banking license (Act on Financial Supervision).

No obligations other than periodic reporting and capital adequacy related to the licenses exist. With regards to the banking license 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. As of 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 the business and is meeting the capital adequacy requirements of the local banking supervisor, Dutch Central Bank. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Dutch Central Bank in supervising ICS.

ICS has complied in full with all its externally imposed capital requirements over the reported period.

9.33.1. Capital management

The primary objectives of ICS' capital management policy are to ensure that ICS complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

ICS manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, ICS may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

9.33.2. Regulatory Capital

(in thousands, €)

	2016	2015
Regulatory Capital		
Equity IFRS	373.020	401.645
Adjustments	(207.115)	(171.857)
Common Equity Tier 1 Capital	**165.905**	**229.788**
Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Total Tier Capital	**165.905**	**229.788**
Risk weighted assets		
Credit Risk	718.987	844.567
Operational Risk	361.745	316.679
Market Risk	121.404	-
Individual scope	1.202.136	1.161.247
Adjustments to Consolidated scope	95.327	323.908
Consolidated scope	**1.297.463**	**1.485.155**
Capital ratios		
Individual CET1 Ratio (1)	13,8%	19,8%
Individual Total Capital Ratio (1)	13,8%	19,8%
Consolidated CET1 Ratio	12,8%	15,5%
Consolidated Total Capital Ratio	12,8%	15,5%

Regulatory capital consists of CET 1 capital, which comprises share capital, retained earnings including current year profit and unrealized gains and losses available-for-sale less accrued dividends. Certain adjustments are made to IFRS–based results and reserves, as prescribed by the Dutch Central Bank. Adjustments include unaudited profit, reversal of unrealized gain, IRB Provision Shortfall and an adjustments for insignificant holdings in financial sector entities.

9.34. Risk management, funding and capital management

9.34.1. Credit risk

DEFINITION

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from ICS' receivables from customers and investment securities. ICS' exposure to credit risk consists mainly of the outstanding balances of its customer base. The potential maximum exposure to credit risk that ICS faces amounts to aforementioned outstanding balances due from customers plus unused credit facilities

CREDIT RISK APPETITE

Bad rate new loans

The quality of the new production is an indication for potential shift in the quality of the total credit portfolio. Measured 12 months after application (payment cards, revolving credit (DK) and spread payment Facilities (GBF)) the account is checked for being in default (> 90 days past due), on a monthly basis.

Costs of risk

ICS monitors the quality of credit assets by the level of impairment charges normalized to the size of the total lending portfolio (i.e. the cost of risk). The cost of risk is a main driver of (future) earnings and, therefore capital generation and erosion are a key component in determining the credit risk quality of the lending portfolio. The cost of risk is calculated as annualized impairment charges/average carrying amount and is assumed to move around the long term average credit losses (ICS 1.41% 3 years average).

ICS' exposure to credit risk is largely diversified; the total portfolio is constituted by a large number of clients that bear modest balances. A concentration of credit risk is only present regarding the geographic distribution of outstanding claims, as most of the outstanding balances are originated in the Netherlands.

The credit risk of the portfolio is managed by the credit cycle department. In all possible stages of the account lifecycle (credit granting, credit review, early collections and impairment) sets of policies and procedures apply to try to ensure an optimal allocation of credit risk on an account level.

CREDIT RISK MEASUREMENT

As of 1 January 2008, ICS applies Basel II advanced methodology (AIRBA) for estimating its credit risk. Designated and yearly calibrated statistical models are applied to estimate the default probability (PD), exposure at default (EAD) and loss given default (LGD) on both account and consolidated level and are component in all stages of the credit risk management process.

Part of the portfolio is originating from a migration of the former AACF-card systems. These exposures are exempted from the IRB-methodology and are thus reported under standardized approach (SA) as the time span for which performance information is available is insufficient for the development of compliant IRB models.

For the impaired portfolio the LGD is calculated on a bucket level and based upon a long term average of flow through rates with a conservative deduction for recoveries after write off.

The risk profile of the portfolio can be categorized through application of the internal risk model that classifies customers by their probability of default rating. This distribution can be rated on the Standard & Poor rating categories as listed below (as at 31 December 2016). The rating only applies to customers within the main portfolio in the Netherlands, because information regarding the probability of default in such detail is not available for the German portfolio, nor is it available for the SA-portfolio mentioned above.

	Neither Past due nor impaired					Sub total	Past Due	Impaired	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-		CCC+/C-	D	
Main portfolio	3.342	130.894	294.335	340.247	155.473	924.291	20.487	17.936	**962.714**
Unrated portfolio						204.350	65.032	2.643	**272.025**
						1.128.641	85.519	20.579	**1.234.739**

MAXIMUM CREDIT RISK EXPOSURE

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

(in thousands, €)

	31 December 2016	31 December 2015
Assets		
Balances at central banks	211.400	119.980
Loans to banks	767.708	627.846
Loans to customers	1.217.358	1.278.498
Total assets	**2.196.466**	**2.026.324**
Liabilities		
Commitments and undrawn limits	7.867.725	7.872.804
Total liabilities	**7.867.725**	**7.872.804**
Total credit risk exposure	**10.064.191**	**9.899.128**

CREDIT RISK MITIGATION

ICS has implemented a credit risk management framework to manage and mitigate credit risk. Mitigating activities are embedded in processes of the credit cycle of ICS which can be divided into:

1 Credit approval phase; and
- Product planning
- Credit acquisition

2 Credit monitoring phase
- Account maintenance
- Collections
- Loan loss provision and write off

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 decision is based on independent assessment. The extent and limitations of the approval mandate of authorized persons and/or committees is dependent on the authority delegated to them.

To reduce credit risk on commercial loans ICS approves and issues limits requests based on either (external) credit insurance or collateral. Per year end 2016, 95% of the total commercial limit issued is secured by credit insurance. For the remainder, 3% of the limit issued is fully secured with collateral and 2% of the limit issued is at risk of ICS. The credit insurance covers for 90% of the balance at default. For the consumer loans, very limited collateral is received.

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 at an early stage any development in the counterparty's or portfolio's position that might trigger an increase in its risk profile. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral.

9.34.2. Market risk

DEFINITION

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

MARKET RISK APPETITE

ICS does not, nor has the intention to trade and therefore no trading book related risk is applicable to the company. ICS has no appetite for risk in the trading book. 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 (credit spread risk) related to its credit portfolio. Interest rate risk in the banking book is transferred to the ABN AMRO BANK Asset and Liability Management (ALM) department via the funds transfer pricing framework. Consequently, no capital charge is directly accounted for the Interest Rate Risk Banking Book (IRRBB), but an additional buffer is in place.

FOREIGN EXCHANGE RISK

ICS is only active within the European Union and has therefor limited foreign exchange (FX) risk. Clearing and settlement of financial positions is done on a daily basis in Euro. By policy, speculative positions are prohibited and therefore not held. ICS has no disposal of derivate financial instruments. FX risk in the banking book is related to transactions of Cardholders. However, FX rates in the banking book are settled with cardholders without any FX risk for ICS. FX risk in the trading book is related to holding strategic financial investments (Visa Inc. shares) which are denoted in US Dollar and therefore foreign exchange risk concerning this investment does exist (please see Note 9.33.). The ALM department of ABN AMRO is responsible for managing the FX risk in relation to the capital adequacy positions. An increase (or decrease) of 1% in the (euro-dollar) exchange rate results in an €1.2 million change in reported value of the total available-for-sale investment through the OCI (please see Note 9.34.2.).

MARKET RISK MEASUREMENT

ICS uses the standardized approach to calculate the capital charge for market risk. Interest rate risk is the risk of losses in the economic value of equity or the ICS' net interest income due to unfavorable yield curve developments. Interest rate risk arises from holding assets that have a longer average behavioral maturity than the liabilities. The overall objective of interest rate risk management is to protect and stabilize current and future earnings as well as the economic value of equity. Interest rate risks on the outstanding financial assets and liabilities will not be hedged, because interest rate risks at ICS are limited as most financial assets and liabilities are short-term or with a variable interest rate. ICS covers most of its interest rate risk by including a stipulation in its general terms and conditions that interest percentages with regard to credit advanced on credit cards can be adjusted, depending on developments in the capital market. Interest chargeable to customers is capped by legal boundaries. From 1 January 2015 this rate has been 14%. Time deposits in reference to consumer credit due to ABN AMRO Bank N.V. have a fixed rate on a one month base. Time deposits due from credit institutions are related to outstanding consumer savings. These deposits have a fixed rate on a one month base.

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

	Note	Average interest rate 2016	Maturity	Rate
Current accounts - credit institutions	9.16.	0,00%	On demand	Variable
Interest bearing deposits - credit institutions	9.16.		-	-
originates from customer savings		2,24%	1 month	Fixed
not originated from customer savings		0,02%	6 - 15 months	Fixed
Credit card interest bearing - coustomers	9.17.	13,20%	Indefinite	Variable
Revolving loans - consumers	9.17.	8,75%	Indefinite	Variable
Loans to financial institutions - Interest bearing	9.17.	0,00%	1-7 days	Fixed
Time deposits - credit institutions - short term	9.25.	-0,26%	1-3 months	Fixed
Time deposits - credit institutions - long term	9.25.	0,23%	3 years	Fixed
Demand deposits - customers	9.24.	0,69%	On demand	Variable

MARKET RISK SENSITIVITY ANALYSES

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

(in thousands, €)

	Interest rate risk				Foreign exchange risk			
	+100bp of IR		-100bp of IR		+1%		-1%	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Interest result	2.655	-	(2.655)	-	-	-	-	-
Foreign exchange	-	-	-	-	-	920	-	(901)

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.

MARKET RISK MITIGATION

As per the elaboration 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.
Also, the risk related to FX rates in the banking book is mitigated by means of settlements with cardholders without any FX risk for ICS. FX risk in the trading book is related to holding strategic financial investments (Visa shares) which are denoted in US Dollar, is not specifically managed or mitigated and the residual risk is identified as an accepted risk.

9.34.3. 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. ICS 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.

LIQUDITY 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. Furthermore, ICS has a liquidity risk management framework in place that helps maintain a moderate risk profile and safeguards ICS' reputation from a liquidity perspective in line with ABN AMRO's moderate liquidity risk appetite, and as a result of its strategic position oriented towards credit card activities. This framework ensures that even under severe adverse conditions the bank can meet its payment obligations at reasonable cost. 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. By maintaining a long-term maturity profile and holding a solid liquidity buffer, ICS maintains a prudent liquidity profile.

A primary objective of the ICS liquidity risk management framework is to ensure that ICS is in a position to address its daily liquidity obligations and withstand a period of liquidity stress affecting funding.

LIQUIDITY RISK APPETITE

Liquidity risk tolerance for ICS is regularly reviewed and approved by the Balance Sheet Monitoring Committee (BSMC) and through the Compliance and Risk Committee (CRC) as per the Local Risk Appetite Statement (LRAS). The LRAS articulates ICS' appetite for liquidity risk and tolerances, which is deemed appropriate to the nature, scale and complexity of ICS' operations. The LRAS is aligned with the ABN AMRO Bank wide risk appetite statement and the Business line Risk Appetite Statements (BRAS) of ABN AMRO and is consistent with the overall moderate risk profile of ABN AMRO. The LRAS of ICS has been approved in 2016 by the CRC and the Statutory Board of Directors, Supervisory Board and the Business Risk Committee Retail of ABN AMRO. The internally approved Key Risk Indicators (KRI's) that are applicable and used for liquidity risk management purposes are:

Liquidity Coverage Ratio (Delegated Act)	Limit ≤ 105%; checkpoint ≤110%
Net Stable Funding Ratio (inscope for 2018)	Limit ≤ n/a; checkpoint ≤100%

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 established and will come into force in a liquidity contingency situation. ICS defined several indicators to enable identification of a contingency situation at an early stage based on the daily monitoring of early warning indicators.

LIQUIDITY BUFFER MANAGEMENT

Liquidity buffer management is aimed at providing a cushion for the organization if severe stress hits the markets or hits ICS in particular. The buffer acts as a counterbalancing capacity in situations of stress to compensate for unforeseen cash outflows or reduced cash inflows during a specific time period in order to meet obligations timely. The liquidity buffer(s) consist of deposits at the DNB. The size of the liquidity buffer is determined taking into account the funding gap under stress conditions over the "survival period".
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, and ICS' focus remains on surviving well beyond the Buffer Remaining After Stress (BRAS) stress period. Therefore, the "survival period" is only intended to be the period during which ICS can continue operating without needing to generate additional funds and still meet all its payments due under the assumed stress scenarios. ICS manages the liquidity buffer to be able to survive a minimum of 30 days during a significant stress scenario. Furthermore, ICS challenges the buffer during the local liquidity stress test by means of a more severe stress

scenario during 3 months. ICS aims for a survival period of 12 months under these severe market conditions.

LIQUIDITY RATIOS

The Basel III framework includes two liquidity ratios: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio. 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. Regulatory minimum requirements for both the LCR and NSFR will be 100% under Basel III/CRD IV, both with effect from 2018 and 2019. The LCR remained above 100% during 2016. To increase the NSFR ratio to the minimum requirement levels, action was taken to restructure the funding in Q1 2016, after which the NSFR remained above 100% for the remainder of 2016.

Liquidity Coverage Ratio requirement

The regulatory requirement as per 31 December 2016 for the LCR is 80% and there is no regulatory requirement on the NSFR as per that date (100% as per 2018). For conservative reasons ICS maintains a higher ratio. The NSFR as per 31 December 2016 is 137%. The LCR is monitored on a daily basis as part of the Daily Dashboard. The LCR and the required buffer are discussed at least on a monthly basis in the BSM meeting. In 2016 the composition remained stable. The regulatory LCR requirement for ICS will increase to 100% as of January 2017. However, no significant changes to the composition or the size of the liquidity buffer are expected in 2017 as ICS already has a strategic range of 110 – 115%.

Net Stable Funding Ratio

As per ultimo December 2016, ICS is already compliant with the upcoming liquidity requirements of the Net Sable Funding Ratio which is effective as per January 2018 (100%). NSFR monitoring involves a monthly production of the ratio, a forecasted NSFR (horizon of 3 months and a forecast till the end of the year) and a monthly analysis of the variations. The required liquidity buffer of ICS is to a large extent predictable as result of its stable business model. The seasonal effect is recurring and for that reason an adequate buffer can be anticipated in time. The NSFR requirements are not yet effective, but based on current information available ICS is compliant with the future requirement.

LIQUIDITY STRESS TESTING

ICS 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 six scenario's based on three risk drivers and two severity levels. The liquidity stress scenarios are developed in accordance with the group stress testing and scenario analysis policy. The stress test evidences that ICS can survive a protracted period of severe stress, as there is adequate Buffer Remaining After Stress (BRAS). It is also demonstrated that funding under normal and adverse stress situation is adequate. This adequate liquidity position is foreseen to be maintained in 2017 and beyond as per the funding strategy of ICS (as aligned with ABN AMRO).

ICS has a conservative approach to liquidity management. Liquidity limits are in place to ensure adequate liquidity. ICS also is already compliant with future liquidity requirements Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). As per ultimo December 2016 the LCR is 112% and the NSFR 137%. The regulatory requirement as per December 31, 2016 for the LCR is 80% (100% as per January 2017) and there is no regulatory requirement on the NSFR as per that date (100% as per 2018). 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, LCR 105% and NSFR 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 for that reason an adequate buffer can be anticipated in time. The NSFR requirements are not yet effective, but based on current information available, ICS is compliant with the future requirement. The maturity calendars show a solid cash flow on the short term.

FUNDING

ABN AMRO Bank N.V. is ICS' main source of funding. In November 2016 ICS entered into an open ended Facility

Agreement (FA) limited at €1.85 billion. ICS is expected not to obtain funding from any other banks.

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

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

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

CONTRACTUAL AND BEHAVIOURAL MATURITY CALENDAR

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

On a monthly basis the reporting department reports a contractual and behavioural maturity calendar to the BSM, in order to assess and monitor the current and possible future liquidity position. Aforementioned calendar takes into account the maturity structure of the various relevant assets and liabilities on the statement of financial position.

The main goals of contractual and behavioural maturity calendar are to:

- Create insights into behavioral liquidity maturity mismatches;
- Improve management of funding needs;
- Use cash-flow information to determine volume of liquidity buffer.

Based on the analysis as per 31 December 2016 both the contractual and behavioural maturity are forecasted to generate positive cumulative net cash flows, which supports the conclusion that ICS funding and liquidity structure is adequate.

9.34.4. 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. Significant areas of operational risk for ICS are:

COMPLIANCE & CONDUCT RISK

ICS intends to comply with the relevant legislation and regulations and takes into account society's reasonable expectations. Products offered by the bank are acceptable solely when they meet client interests, comply with the relevant legislation and regulations - both in wording and spirit -, are transparent and do not contravene the purport of the regulations.

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

INFORMATION SECURITY RISK

Customers are dependent on the appropriate performance and security of information from ICS' information systems. For this reason, ICS has adopted a structured information security approach that provides assurances for the confidentiality, integrity and availability of information.

In order to mitigate IT Information Security risks, ICS complies with the ISO27001 standard for Information Security. The controls in ISO27001 are implemented in ICS's Operational Control Framework. This results in regular 1st and 2nd line monitoring and reporting of these controls. In 2016 ICS established a department that specializes itself in IT information security risk to further control these risks (Information Risk & Security).

The ISO27001 standard, and the ICS control framework, also cover IT outsourcing risk. In 2016 ICS has established a specialized procurement department that supports the business in the procurement and contracting process. Furthermore, in 2017 the risk department together with the procurement department started a project to further establish the use of risk assessments for (cloud) outsourcing projects.

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). It is expected that "Card Not Present" fraud (online fraud) remains the biggest risk category related to fraud in the near future. ICS ultimately recovers 75.2% of gross fraud losses in 2016 (65% in 2015). ICS remains focussed on reducing operational losses related to fraud. The fraud department continuously improves and changes its tactics in order to reduce fraud losses.

BUSINESS CONTINUITY RISK

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

OPERATIONAL RISK MITIGATION

ICS has an operational risk management framework in place. This framework ensures that operational risks are managed and mitigated by means of several risk management activities, such as:

Risk Event Management

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

Information security

In order to mitigate IT information security risks, ICS complies with the ISO27001 standard for information security. In 2016 ICS established a department that specializes itself in IT information security risk to further control these risks (Information Risk & Security).

Business Continuity Management

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

Strategic Risk Assessment

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

Change Risk Assessment

ICS 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 organizational structures.

Risk Control Self-Assessment (RCSA)

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

Monitoring Control & Testing

Monitoring Control & Testing is a periodic process that focuses on key controls and requires demonstrable evidence on the operational effectiveness of these key controls which have been identified in the RCSA process. Identified weakness must be remediated as per the action plan which is required to be made. The outcomes of MC&T are used as input for the RCSA process.

9.34.5. Business risk

Business risk refers to the risk that earnings decline and/or depart from the forecasts due to uncertainties about income or the expenses incurred in generating income. ICS monitors its cost-to-income ratio and the Return on Equity.

9.34.6. Other risks

Other risks identified in the risk taxonomy are of relevance to ICS, but are not of material significance. These other risks are covered by means of a buffer for unquantified risks in the ICAAP.

9.35. Events after reporting date

There have been no significant events after the reporting date that requires disclosure in these financial statements.

9.36. Profit appropriation

The reported annual profit amounts to €104.034.000. In order to maintain the aimed capital ratio ICS proposes to add €64.043.000 to the Other reserve. The remainder, €40.000.000 will be paid out as a dividend. The proposed dividend 2016 will be €88.106 per share.

10. Other

10.1. Statutory rights for profit appropriation

Profit appropriation is at discretion of the General Meeting of Shareholders, although appropriation will occur to meet with solvency requirements.

10.2. Definitions of important terms

- AAB or ABN AMRO Bank
  Refers to ABN AMRO Bank N.V. and its consolidated subsidiaries. Sole shareholder of ICS since 1 July 2010.
- AACF
  Refers to ABN AMRO Consumer Finance B.V. a former subsidiary of ABN AMRO Group.
- AAG or ABN AMRO Group
  Refers to ABN AMRO Group N.V. and its consolidated subsidiaries. Sole shareholder of AAB.
- EMS
  Refers to European Merchants Services B.V., a minority interest of ICS until 31 August 2015. Based in Amsterdam, the Netherlands.
- ICS or the Company
  Refers to International Card Services B.V. including its branches and participations. Based in Diemen, the Netherlands.
- ICS Belgium
  Refers to the former Belgian branch of International Card Services B.V. based in Diegem, Belgium.
- ICS Germany
  Refers to the German branch of International Card Services B.V. based in Düsseldorf, Germany.
- ICS Netherlands
  Refers to solely to International Card Services B.V. (branches not included) based in Diemen, the Netherlands.
- WIN
  Refers to Wireless Interactive & NFC Accelerator 2013 B.V., a 10% minority interest of ICS based in Amsterdam, the Netherlands.Independent auditor's report

11. Independent auditor's report

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Independent auditor's report

To: the shareholders and supervisory board of International Card Services BV

Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of International Card Services BV, based in Diemen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of International Card Services BV as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2016
- The following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

We are independent of International Card Services BV in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence)' and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€ 7 million
Benchmark applied	5% of profit before taxation
Explanation	Based on our professional judgment, a benchmark of 5% of profit before taxation is an appropriate quantitative indicator of materiality. The profit before taxation best reflects the financial performance of International Card Services BV.

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We have also taken misstatements into account 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 € 350.000, 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.

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.

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

Risk	Our audit approach
Loan loss provisioning The appropriateness of the loan impairment allowances for loans and receivables requires judgment of management. Impairment losses are incurred if there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the loans and receivables that can be reliably estimated. The identification of impairment and the determination of the recoverable amount are part of the estimation process at ICS including, amongst others, the assessment of objective evidence for impairment, the financial condition of the counterparty and the expected future cash flows. The use of different modelling techniques and assumptions could lead to different estimates of impairment charges on loans and receivables. Furthermore, associated risk management disclosures are complex and dependent on high quality data. As the loans and receivables represent the majority of ICS's balance sheet and given the related estimation uncertainty on impairment charges, we consider this a key audit matter. Please refer to the Significant accounting judgments, estimates and assumptions section in note 9.6 to the financial statements and note 9.17 Loans to customers.	We assessed and tested the design and operating effectiveness of the controls within the loan origination and credit card processes, risk management processes, including monitoring of arrears and the period end estimation process for determining impairment allowances. We challenged the model based assumptions underlying the impairment identification and quantification including forecasts of future cash flows and estimates of recovery on default. For loan impairment allowances calculated on a collective basis we tested, supported by our specialists, the underlying models including the Company's model approval and validation process including the elements outsourced to ABN AMRO Bank NV. Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the requirements included in EU-IFRS.

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Risk	Our audit approach
Information technology ICS is dependent on the IT infrastructure for the continuity and reliability of their business processes including financial reporting. ICS continuously makes investments to further improve the IT environment and IT systems. The role of financial disclosures is important to stakeholders and increasing data granularity in financial reporting and regulatory reporting requirements urge for high quality data and an adequate IT environment. We therefore consider this as a key audit matter. Please refer to the operational risk management section in note 9.34.	We tested the IT general controls related to logical access and change management and application controls relied upon for financial reporting and embedded in ICS's key processes. In some areas we performed additional procedures on access management and related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or from external factors such as reporting requirements. We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. In addition, our audit procedures consisted of assessing the developments in the IT infrastructure and analyzing the impact on the IT organization.

Report on other information included in the annual report

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

- The report of the Statutory Board of Directors, including specific sections on risk management, corporate governance, regulatory environment, human resources and customer centricity
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

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

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

Management is responsible for the preparation of the other information, including the report of the Statutory Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to 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 International Card Services BV on 24 January 2017, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

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Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 assignment 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 have detected all material errors and fraud.

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. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 management.

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- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- 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.

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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 22 May 2017

Ernst & Young Accountants LLP

signed by P.J.A.J. Nijssen

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