INTERNATIONAL CARD SERVICES

International Card Services B.V.
Annual Report 2019

For the year ended on

31 December 2019

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1. INTRODUCTION

1.1. ICS Profile

This is the annual report of 2019 of ICS. In this report we look back on the financial performance of ICS in 2019.

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

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

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

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

1.2. 2019 In brief

Despite signs of slowing economic growth towards the end of the year, transactions and turnover continued to increase in 2019, with growing retail and online sales. ICS again processed a record number of transactions amounting to € 108 million, a 9% increase compared with the previous year. Turnover increased by 7% to € 8.428 million.

In line with the expected trend, the credit portfolio of ICS decreased by 15% to € 508 million compared to € 595 million at the end of 2018, following an increased focus on providing financially sound credit by ICS.

The increase in card use is also a positive development. Our customers are using their credit cards more actively. Increasing interest in events such as Black Friday, Sinterklaas and Christmas have boosted card use. The upcoming cooperation with a new co-brander is also having a positive effect in 2020 in the form of a substantial addition to our customer base.

ICS invested significant resources in aligning with the most recent legislative and regulatory requirements in 2019, to some extent at the expense of marketing campaigns for new customers. But the card base has also gradually declined due to more stringent laws and regulations that rightly require customers to be (re) identified. This process has led to a decline in the number of card-holders. Customer accounts that do not meet the requirements set by ICS are proactively closed. New campaigns for 2020 will focus on customer retention and recruitment.

ICS puts the customer's interests first. In the past, we have identified issues that could have been detrimental to certain groups of customers. We have set up and implemented a recovery program for this purpose. The customers concerned have been compensated and remediation measures have been taken.

ICS also has committed itself to a program to speed up remediation actions in relation to Customer Due Diligence (CDD), and this has been shared with the Dutch Central Bank. In 2018, we formed a provision of € 30 million for the incremental external costs involved. A recalculation was made in 2019, resulting in an addition of € 8 million to the remediation provision.

1.3. CEO's Message

The change that we initiated in 2018 in order to become a future-proof organisation was accelerated in 2019 and is now visible in many areas. We have taken important steps and achieved significant milestones in this regard. At the start of the year, we expressed our vision for the future in our strategy. We have made clear choices in this regard. ICS aims to become the safest and most reliable payment service provider in order to distinguish itself from the ever-increasing number of payment companies.

The opinion of our customers is of the utmost importance to us and although our NPS score is already higher than the market average, we managed to further increase our score in 2019. Our private and business customers once again gave us better ratings. Besides this achievement we also realised our commercial targets for 2019. But of course, we continue to work on further improvement.

There was much emphasis on increasing customer safety and updating processes relating to legislation and regulations in the past year. For example, many activities relating to anti-money laundering and the prevention of financing of terrorism (the 'Wwft') were developed and intensified. This is in line with the program shared with DNB at the start of 2019. The mission of ICS is to be the most reliable and safest payment service provider. Therefore we continue to do what we are good at: executing payments, fighting fraud, combating money laundering and preventing terrorist financing. All the milestones planned for 2019 in this respect have been achieved.

It is also good news that our many years of expertise in the field of cybercrime and the fight against fraud are once again proving their worth. More and more forms of (online) fraud are being addressed so that fraud has been limited to an acceptable level.

In the coming year, we will continue with the re-identification of all of our more than 3 million customers, to verify the information in our client files. This is a process that will last three years in total. In combination with our expertise in the fight against fraud, we intend to achieve ‘best in class’ performance in this respect. This is in the interests of our customers, ourselves and society.

2019 was also the year of PSD2. The two main objectives of this European directive are to make a closed system ‘open banking’ and to combat fraud. The fight against fraud is based mainly on Strong Customer Authentication (SCA). ICS has worked hard on complying with PSD2, and all the requirements were fully met by the end of 2019.

The agile way of working is increasingly being implemented internally, meaning that we are able to meet the changing demands of the environment more quickly. Innovation and employee autonomy are central.

As a result of our newly defined strategy there were many initiatives relating to the further development of our culture and encouraging an open dialogue. We discussed important topics and the future of ICS in various sessions and meetings. Sharing and living the strategy together is very valuable to me.

In terms of staff, the Management Team (the same as the Board of Directors) was enriched with three new colleagues. Rogier de Jong was appointed Chief Risk Officer on 1 March. And from 1 June, Corinne Weeda-Hoogstad has strengthened ICS as Chief Financial Officer. Her appointment returns the Management Team to full strength. After the departure of Madeleen Rothuizen as HR director was announced, we were able to welcome Marieke Schut to this position on 1 November. I very much regret to note that, Petra Vernooij, Director Customer & Business Solutions, will leave ICS in the first half of 2020 after nearly 5 years of service.

ICS has started the Aurora program as part of our strategy and in order to optimally serve our customers in the future. Renewing the existing IT landscape will lead to a future-proof, reliable and even more secure ICS. New propositions, technology and resources will improve customers experience and, agility and will reduce our cost base. The first results of this will become visible in 2020.

Despite the Covid-19 crisis that erupted in the spring of 2020, I have confidence in the future of ICS. The Covid-19 outbreak is negatively impacting the global economy and ICS’ financial position and results. More specifically an impact is expected on credit card turnover, instruments measured at fair value and expected credit losses. Our initial estimates show that ICS has adequate liquidity and capital resources.

Strengthened by the united response to the crisis by all ICS - colleagues and in the knowledge that have a strong liquidity and solvency position, our new future has just begun and I look forward with confidence based on our capacities, our drive to innovate and the willpower of all our colleagues.

Diemen, the Netherlands, May 29, 2020

Maurice Koot, CEO ICS

870 Around **870 employees**	**3 Million** More than **3 million credit cards** in circulation	**Service** **High levels** of customer **satisfaction**	**AFM** **The Dutch Authority for the Financial Markets (AFM)** supervises the conduct of the entire financial market sector, among which ICS
DNB ICS has been granted a **banking licence by DNB**	**108 Million** In 2019, ICS processed more than **108 million transactions**	**19 Partners** ICS issues credit cards in co-operation **with 19 co-branding partners**	**46 Million** You can pay with an ICS credit card at more than **46 million locations**, in more than **150 currencies**
Savings Customers receive **interest** when their **positive balance** totals more than € 500	**Benefits** Worldwide payment **convenience**, **chargeback** and **purchase insurance**	**Contactless** Contactless payments via more than **2,5 Million** of our credit cards and via several types of wearables	**Safety** **24/7 customer security monitoring**. Close co-operation with regulators, government, other **financial instutions** and **law enforcement**

2. REPORT OF THE SUPERVISORY BOARD

The Supervisory Board is pleased to present the ICS Annual Report and Financial Statements for 2019, as prepared by the Management Board. The past year has been an important year for ICS, with both internal and external challenges. The Supervisory Board is satisfied with the results ICS has achieved.

Regarding the impact of Covid-19, we refer to the report of the Board of Directors. The Supervisory Board is monitoring developments closely together with the Board of Directors.

2.1. Composition of the Supervisory Board

Since August 2018, the Supervisory Board has consisted of four members. An overview of the members of the Supervisory Board in May 2020 is included in Section 7.3 Supervisory Board.

Members of the Supervisory Board act in accordance with the interests and continuity of ICS, taking account of the relevant interests of the company's stakeholders. Given its current composition, the Supervisory Board is of the opinion that it comprises the required knowledge, expertise and experience to adequately perform its supervisory duties in relation to ICS. It combines both general knowledge and experience of financial institutions, as well as specific knowledge of consumer credit, for example.

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

2.2. Supervisory Board Meetings

In accordance with the Supervisory Board regulations, the Supervisory Board held four regular meetings in the past year. Three additional meetings also took place at which the organisational changes, the long-term strategy and the business model were discussed. The Supervisory Board also carried out the annual evaluation of its own performance.

Additionally, the Supervisory Board was in close contact with ICS, its Board of Directors and relevant stakeholders such as the supervisory authorities, on a variety of subjects, the most important of which are discussed below.

The Supervisory Board has been closely involved in the selection process for the new members of the Board of Directors, as well as the selection process of a new HR director. We are pleased that Rogier de Jong and Corinne Weeda-Hoogstad have been appointed as statutory members of the Board.

The Supervisory Board closely followed the execution of the standing ICS business strategy and also kept itself regularly informed on the development of the new business strategy. We believe that the combination of an agile way of working, a healthy payment business, a responsible credit business and an inspired workforce will contribute to the future of ICS and its current and future customers. In addition to close contact with the Board of Directors, the Supervisory Board is also in regular contact with the ICS Works Council on this subject. This will continue in 2020.

In addition to its regular meetings, the Supervisory Board held additional meetings on safeguarding society from the threats of money laundering and the financing of terrorism. In its role as a gatekeeper of the financial services industry, ICS has committed to further strengthening and enhancing its CDD and remediation activities. This has been translated into a 'Wwft program'.

2.3. Risk & Audit Committee

The Supervisory Board has one regular committee, namely the Risk & Audit Committee. All members of the Supervisory Board are members of this Committee. The responsibilities of the Risk & Audit Committee include assessing all matters relating to the principles of valuation and determination of results, internal control, the financial reporting functions, the internal audit, the external audit, risk assessments and compliance with regulations. The Risk & Audit Committee is also responsible for monitoring the follow-up of audit findings, for example, related to the redress scheme for customer compensation and anti-money laundering and IT controls.

The Supervisory Board also monitors the various conversations held with the DNB, AFM and ACM.

2.4. Corporate Governance

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

2.5. Advice to the Shareholders Meeting

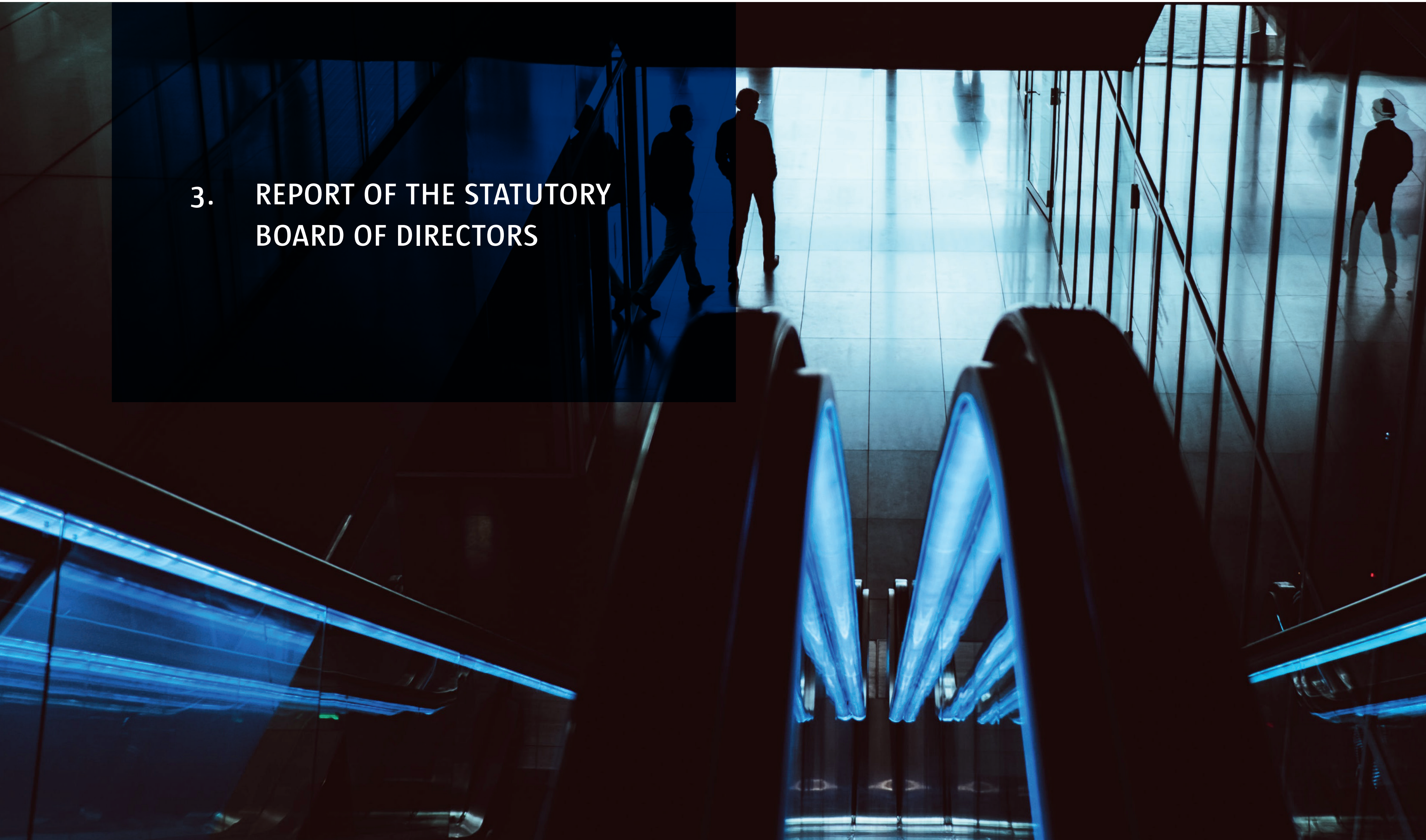
Over the past year, the Supervisory Board has appreciated the open, transparent communication between and cooperation with the Board of Directors of ICS and ICS as a whole. If ICS carries through its business strategy and continues to anticipate and react to threats and opportunities in its current manner, we are convinced that ICS can look forward to the future with confidence.

The Supervisory Board wishes to thank ICS and its employees for their continuous efforts and activities to serve their customers over the past year, and the results they have achieved. The Supervisory Board recommends to the General Meeting to adopt the Annual Report and Financial Statements for 2019 and to discharge from liability the members of the Management Team for their leadership and the members of the Supervisory Board for their supervision.

Diemen, the Netherlands, May 29, 2020

Supervisory Board
International Card Services B.V.

3. REPORT OF THE STATUTORY BOARD OF DIRECTORS



3.1. ICS Business Model

Key to ICS' business strategy is that we choose to apply a clear separation between our Payment customer groups and Credit products. We have established separate grids for consumer and commercial as well as credits in order to avoid cross-subsidisation. To implement the separation between Payments and Credit, we have developed separate processes and policies for acceptance, management and collections. ICS will extend its portfolio management to include preventive monitoring and managing potential default risk. We see this as an integral part of both our credit risk management and our duty of care to our customers.

PAYMENTS

Our core Payments proposition is a charge card that allows customers to complete transactions within their card limit and offers them the flexibility of a limited deferred payment up to 21 days. ICS facilitates a broad spectrum of payment services, covering credit, pre-paid, mobile, point-of-sale and online. The business model for our Payments product line is volume driven. We deliver mass customised payment solutions to large customer segments with consumer-driven innovations such as contactless payment with wearables. As a value-added service, we offer our customers interest on savings on their positive card balance. This service is covered by the (Dutch) Deposit Guarantee Scheme (DGS).

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

CONSUMER CREDIT

ICS is a specialised niche player in the Dutch consumer credit market and operates in the German credit market through a branch in Germany. We also operate revolving credit lines, mostly of less than € 5.000 that offer our customers short-term flexible credit for consumer purchases. Some of our customers have a credit facility in addition to their credit card, allowing them to repay in instalments ('Spread Payment Facility' or SPF). We aim to both manage our credit risk and ensure our products are in our customers' best interest. Responsible credit provision and prevention of debt are our guiding principles in this respect. ICS has therefore introduced several measures to prevent customers from getting into arrears in the first place and to resolve arrears more quickly. We have accordingly significantly reduced the SPF refund in 2019.

3.2. Strategy

More and more payment service providers are entering the market. Fintech, high-tech, novelty sometimes seems to be more important than what really matters: that payments are secure.

Convenience, speed and simplicity are of course also important to us. But we believe innovation is only possible when safety is guaranteed. We want to be the safest and most reliable payment service provider. We will further broaden and strengthen the security of our payments in the coming years. In this way we will continue to distinguish ourselves from the ever-increasing group of payment companies.

Foundation

In the coming year, we will work hard to make our company future-proof, by bringing in new technology and meeting the expectations of regulators at an accelerated pace. And we are reinventing the way our customers experience contact with us. For example, by putting the customer more in control.

Credit card benefits

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

Safety of payments

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

Digitalisation and agility

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

PAYMENT PRODUCT AT ITS BEST

ICS helps shape the future of card payments by introducing customer-centric innovations such as contactless payment with wearables, cooperating with several smart watch manufacturers. Moreover, we are making our Commercial Card portfolio an even more relevant proposition for small and medium-sized enterprises (SMEs).

RESPONSIBLE CREDIT

In addition to our focus on responsible lending, we have improved our credit terms from the consumer’s point of view. We have for instance significantly reduced the repayment period (SPF refund) in 2019. This will automatically lead to more responsible lending in our portfolio in the coming years.

EFFICIENT AND AGILE

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

FINANCIALLY SOUND AND FUTURE-PROOF

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

3.3. Strategic Developments

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

3.3.1. Customers Interest and Behaviour

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

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

So, building on efforts undertaken in previous years, ICS has made several important changes. We introduced 'soft blocking' after 30 days in arrears and abolished the 2% penalty for customers who missed their first two due dates. This means that customers in arrears are not faced with further increases of payments due. Since implementation, we have seen the number of SPF customers in arrears decrease. ICS also introduced the 'Zorg-instrument', which gives a new perspective to a specific group of customers with persistent payment problems.

ICS uses the Net Promotor Score (NPS) to measure customer satisfaction and experience. The annual NPS of 2019 was +16, surpassing the score of +15 in 2018. The score of +16 is a weighted average (85% Consumer and 15% Commercial based on 12 months' expenditure).

The number of complaints as a percentage of the number of customer contacts declined slightly in 2019 compared to 2018. ICS continuously invests in improving its processes, a policy which again proved its worth in 2019.

3.3.2. Digitalisation & Innovation

Digitalisation & innovation has both internal and external impact on the activities and results of ICS. Internally, the further expansion of the Innovation & Technology Department contributes to the agile way in which colleagues work and collaborate to achieve the goals of ICS. We have started a complete transformation of our

(IT) landscape together with our partners. ICS is convinced that cooperation with external partners, including Visa and Mastercard, is essential to enable the flexibility and versatility modern-day customers require and to become more cost-efficient.

3.3.3. Regulatory Environment

PSD II was implemented in the Netherlands in the second half of February 2019 and the Regulatory Technical Standards regarding strong customer authentication and secure communication came into force in September 2019. ICS has fully implemented the applicable measures.

ICS is in the process of implementing adjustments following the implementation of the fourth Anti-Money Laundering Directive (AML IV) and in anticipation of the fifth Anti-Money Laundering Directive (AML V). In this context, ICS has also committed itself to accelerating its Customer Due Diligence (CDD) activities, for example through an extensive remediation program. This program which will involve approaching 3 million customers, is expected to be completed in 2022. The aforementioned changes in legislation and regulations are discussed in greater detail in Section 5 Regulatory environment.

Also continuous compliance with other applicable laws and regulations is important to ICS, including those related to interchange fees. These laws and regulations can however be complex and subject to change and interpretation by regulators, ICS is currently in discussion with the Consumer and Market Authority (ACM) about the fee structure of a co-brander.

3.4. Financial Developments

3.4.1. Financial Results

The following table presents the key financials for the years 2018 and 2019.

(in millions, €, unless otherwise stated)

	2019	adjusted 2019*	2018	adjusted 2018*
Net profit	65	62	55	79
Operating income	232	222	221	221
Operating expense	(141)	(135)	(150)	(120)
Impairments	(4)	(4)	(7)	(7)
Cost-to-income-ratio (CIR)	60,7%	60,8%	67,8%	52,6%
Turnover	8.428	8.428	7.875	7.875
# of card transactions***	108	108	99	99
Portfolio***	976	976	1.065	1.065
# cards in circulation***	3.045	3.045	3.063	3.063

* Adjusted for one-off item Wwft.

** 2018 ICS figures are adjusted, VISA C-share was seen as a one-off item, as of 2019 this is business as usual and no longer a one-off item.

*** In thousands.

Net profit was € 65 million in 2019, an increase of 18% compared to 2018 (€ 55 million). Significant one-off items were recognised in both years.

An additional Wwft provision of € 8 million for the CDD remediation program was recognised as an operating expense in 2019. A Wwft provision of € 30 million was formed in 2018.

The total provision related to the legal matter Redress scheme was recalculated in 2019, leading to a release of € 10 million in interest income and a release of € 2 million in the operating expense.

Excluding the addition to the Wwft provision and the release of the provision related to the Redress scheme, net profit in 2019 was € 62 million, and therefore € 17 million lower than the adjusted result for 2018.

Operating income increased by € 11 million to € 232 million in 2019 (2018: € 221 million), due mainly to:

- a higher unrealised gain on the Visa Inc. shares and other income of € 10 million;
- a one-off release from the Redress scheme of € 10 million;
- higher net fee and commission income of € 6 million due to higher consumer turnover (+7%) and higher transactions volume (+9%);
- lower interest income of € 13 million, due to a lower GBF portfolio (-/-16%).

Operating expense decreased by € 9 million to € 141 million in 2019 (2018: € 150 million), due mainly to:

- a one-off item regarding the Wwft provision for the CDD remediation program, which led to a € 22 million reduction in expenses;
- a one-off item regarding the redress scheme, which led to lower operating expenses due to a release of € 2 million;
- a decrease of € 4 million in personnel expenses for internal staff. The restructuring and reorganisation within ICS led to a reduction in internal FTEs;
- an increase of € 15 million in agency expenses and expenses for temporarily staff, since more external staff were hired in 2019;
- an increase of € 4 million in consultancy expenses.

As a result of a higher operating income and lower operating expenses, the cost-to-income ratio declined from 67.8% to 60.7%. The adjusted cost-to-income ratio deteriorated from 52.6% in 2018 to 60.8% in 2019. Loan impairments decreased by € 3 million compared to 2018 mainly due to a reduced GBF portfolio.

3.4.2. Financial position

Total assets amounted to € 2 billion, unchanged on 2018. Balances at credit institutions and ICS' portfolio have decreased compared to 2018. The total portfolio was € 976 million at year-end 2019, a slight decrease of € 1 million compared with 2018. The main reason is a reduction in our consumer credit portfolio, due to a very critical stance by ICS with respect to granting customers a credit facility.

Total equity was € 280 million, € 25 million lower than in 2018 due to a € 90 million dividend distributed in 2019.

Total liabilities (excluding equity) increased by € 47 million to € 1.75 billion in 2019. The increase is mainly due to lower funding requirements for a reduced consumer loans and advances portfolio, partially offset by an increase in amounts due to customers.

At 31 December 2019, the LCR was 105,4% and the NSFR 133%. The Total Capital Ratio (19%) and the Leverage Ratio (10%) were also well above the regulatory requirements (for more information, see Notes 9.33 and 9.34).

3.5. Business Developments

3.5.1. Customer Satisfaction

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

Through both the NPS for ICS and our various collaborations with co-branders, as well as our internal customer satisfaction scores, we were again awarded with high ratings in the year under review. The goal for ICS is to continually exceed our customers' expectations. As part of our strategy, this has been coupled to an NPS of +18. The annual NPS of 2019 has ended at +16,surpassing our score in 2018 (+15). The score of +16 is a weighted average (85% Consumer and 15% Commercial based on 12 months' expenditure). In-depth analysis provides us with insights into key factors to increase customer satisfaction and experience within the boundaries of our products and services.

3.5.2. Customer Interests

ICS puts the customer and the customer's needs and interests first. Our efforts are focused on the customer's needs, as well as – and above all – on what is beneficial to the customer and what is appropriate totheir financial situation. This not only influences the strategy, policy and processes of ICS, but also the attitudes and behaviour of our staff as a vital component of our corporate culture.

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

3.5.2.1. Duty of Care ('zorginstrument')

In 2019, ICS strengthened its monitoring of revolving credits. Clients who use their credit intensively are subject to a revision to check that the loan granted still meets their borrowing capacity. This is an important theme for ICS, and ICS will consistently focus on fulfilling our duty of care for vulnerable customers during 2020.

In addition, ICS will monitor and safeguard, all the issues relating to the duty of care in a structured and consolidated manner via a duty of care circle. This will ensure that ICS embeds extra attention to the duty of care the relevant parts of its organisation and lead to a permanent improvement. ICS introduced the 'Zorginstrument' in the autumn of 2018. Under this initiative, arrangements are made with customers who have continuing payment issues. Based on strict principles, a feasible repayment scheme within a reasonable period is agreed with these customers. Most customers with payment issues were reassessed in 2019, and many of them were eligible for the 'Zorginstrument'.

3.5.2.2. Redress Scheme

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. In 2016, ICS developed a redress scheme that provides remedial measures for the customers affected. This scheme includes financial compensation for specific customers.

In 2019, ICS continued the redress scheme that was initiated in 2017. At the end of 2019, all customers involved had been contacted, with only a marginal (< 3%) number of customers left in scope. Most of these customers were offered individual action plans, due to the complicated nature of these cases (e.g. revolving credits, deceased customers). ICS remains committed to full implementation of the redress scheme and providing redress to every customer rightfully entitled to compensation.

3.5.2.3. Security and Fraud Prevention

The payment system and our IT infrastructure form the foundation for ICS to ensure that our customers can use their credit cards for fast, simple and safe payments. Laws and regulations are the context within which ICS works in relation to preventing and combating (financial) criminal activity. After 30 years, we have a proven track record of maintaining safety in payments via credit cards. ICS sees it as an obligation to communicate openly and transparently on the successes it achieves in preventing and combating criminal financial activity and on the safeguards that customers, merchants and other parties involved can apply to contribute to this effort. For example, this results in taking down phishing sites, with around 300 deceitful websites being eliminated on a monthly basis thanks to ICS. 23 reports were made to the police in 2019.

One of our greatest responsibilities is to protect our customers and businesses as well as their financial data through safe payment transactions. ICS monitors payments that are made with our cards on a 24/7 basis. If the fraud detection system identifies potentially suspect transactions, we contact the cardholder immediately. In addition, we take immediate action in case of external data breaches that impact our customers' card information. When customers do become victims of (online) criminals, ICS manages to recoup over 75% of the initial damage, preventing even more damage to customers via future transactions.

The safety of our credit cards is the result of a joint effort by ICS, together with our customers, merchants, acquirers and other private and public organisations. Not only does ICS have great knowledge and expertise in this field, as a large financial service provider we also see it as a social responsibility to share this knowledge and expertise to further promote safe payment transactions. We work together with other organisations to prevent fraud and financial crime. ICS also is the main sponsor of the Wim van Doorn

Award, committed to honouring persons or organisations that have contributed to the prevention of fraud through cooperation and innovative measures.

3.6. Human Resources

The world around ICS is all about consumer demand, new competitors and a fast-changing technological environment. The environment in which ICS operates is thus continuously changing. ICS continued to evolve in line with this dynamic world in 2019. Important steps were taken in this respect, for example through further optimising our organisational structure, culture and working environment. To optimally support our strategic direction, the HR strategy focused on a number of priorities that contribute to our new strategy and culture. To explain the new strategy to the organisations deep-dive sessions were organised with all employees. The employee engagement survey reflected that these sessions were valued well and employees understood the strategy better. Overall, we improved our average score on employee engagement slightly (3% compared to 2018).

3.6.1. Organisational Culture

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

3.6.2. Employee Experience

Creating a positive customer experience is pivotal to the success of an organisation. By putting our employees first and creating an organisation that is fun to work for, customers experience good service. Strong employee engagement in an organisation leads to improved productivity, profitability, customer satisfaction, and employee retention. The employee experience is the sum of all the interactions an employee has with the organisation. This include everything from the organisational culture and leadership to the use of technology and the physical working environment. To achieve this, ICS has adjusted the employee experience mindset within its strategy and culture. We have taken the first steps in optimising the employee journey by working together with our employees and stakeholders and in collaboration with various departments within ICS.

ICS has started a number of projects to optimise the employee journey in the following three areas:

- Changing the terms of employment
- Working environment & tooling
- Personal and professional development.

3.6.3. Rewarding and Caring For our Employees' Interests

3.6.3.1. Terms of Employement

To maintain an attractive profile as an employer, we strive to offer modern and attractive terms of employment. ICS has thus further developed its remuneration policy in cooperation with ABN AMRO. We have formulated a new strategy, mission and vision. The new philosophy and practices better reflect the desired culture.

As a responsible employer, ICS believes that the personal and professional development of its employees is an important issue. The transformation of the Performance Management System into a more dialogue-based system contributes to our new culture. ICS accordingly decided to end the variable remuneration benefit which was based on the results of the Performance Management System.

With its new strategy and culture, ICS aims to offer a benefit package that is more a 'cafeteria model' and less performance driven. The compensation for ending the variable remuneration is based on a cafeteria model entitlement.

3.6.3.2. Working Environment & Tooling

To enable our culture and to strengthen the position of ICS, our working environment and tooling for our employees must be suited to a modern and innovative organisation. We acted in anticipation of a potential integration within ABN AMRO and chose to apply the same working concept. All the preparations to adjust to the new way of working were completed in 2019. We believe that a new physical and technical environment helps our employees to work more flexibly and autonomously.

3.6.3.3. Social Plan

The organisational structure was further optimised in 2019, after ICS started to change its organisational structure in the last quarter of 2018.

As a good employer, ICS believes it is important to mitigate the consequences of this development and has accordingly formulated a Social Plan. The major features of the Plan are personal development, employability and mobility. ICS is making every effort to facilitate and support its employees in these areas.

Our goal is to minimise forced dismissals, focusing on supporting work-to-work transactions, either within ICS or externally, and to maximise the chance of optimal (out) placement of our employees. 99 employees have opted to leave voluntarily and 9 employees have left due to redundancy.

We have evaluated the application of the Social Plan with the unions on several occasions during 2019.

3.6.3.4. Personal and Professional Development

Against the background of this further transition, we continued to focus on the personal and professional development of our employees. We started to reinvent our training and development platform 'Future Fit' in 2019. There was significant demand for the various courses and the platform has been evaluated through dialogue with our employees. The training offer is primarily designed to strengthen our regulatory obligations with respect to combating money laundering and the financing of terrorism. The training offered is moreover more aligned to ICS and its employees. Offering training that will further their personal and professional development will enhance their overall performance at ICS.

3.7. Operational Developments

3.7.1. Customer Due Diligence

ICS strives to protect its customers and businesses as well as their financial data through safe payment transactions. Moreover, as a financial institution we have an important responsibility in combating and preventing money laundering and the financing of terrorism. ICS feels this responsibility intrinsically and takes its responsibility as gatekeeper within the financial sector very seriously. Security and fraud prevention occupy a central place, and ICS works closely with external stakeholders, including regulators, governments, other banks and law enforcement where necessary and applicable.

Building on the work that has been done in the past and taking into account existing shortcomings and input from the Dutch Central Bank, Customer Due Diligence (CDD) procedures have been intensified. ICS has committed itself to a remediation program to speed up remediation actions. This program was submitted to the Dutch Central Bank in January 2019 and was approved in March 2019. The starting point of the plan is safety, which for us means that we will update all the identification evidence we hold for our customers. As a follow-up, we started our remediation program in the spring of 2019. The first customers have therefore been re-identified. According to agreement with the DNB, we had to complete the customer survey and risk classification for the so-called “Prio 1” customers before 1 November. Prio 1 customers are customers who have an increased risk based on, for example, unusual transactions from transaction monitoring. This involved around 8.800 Consumer customers and 660 Commercial customers. This program will continue in 2020. The timelines, for the remediation program, agreed with DNB are very challenging.

ICS is committed to fulfil its responsibility by following through on its anti-money laundering program. However, experience and time have shown that efforts in this area will never reach a conclusion. External threats and subsequent demands from society, lawmakers and ourselves will continue to challenge the vigilance of our organisation. As a result, ICS will continue to strengthen its systems and procedures to minimise potential risks for our organisation, our customers and other stakeholders.

3.7.2. Other Developments

ICS is continuously developing and improving its systems and procedures to serve its customers. These operational developments do not always impact how we interact with our customers directly but ultimately, they always concern improvements that benefit the customer. A good example of this is the improvements in fraud rules in relation to online fraud detection and transaction monitoring and customer filtering. In 2019, ICS adjusted its procedures for the further introduction of 3D Secure, which ensures safe and reliable online payments. We also improved internal transfer procedures between our collection departments for customers in arrears. Finally, we prepared for the further improvement of our acceptance procedures, with an application score card and behavioural scoring.

4. RISK MANAGEMENT

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

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

ICS implemented its decision to separate the Chief Financial Officer and Chief Risk Officer functions in the Management Team in 2019.

ICS recognises the risks related to the COVID-19 pandemic in 2020. The Business Continuity Plan contains a pandemic scenario to enable an appropriate and swift response to this crisis. It is too early to quantify the impact of the COVID-19 outbreak for 2020 at this point in time. Risk assessments, based on the risk taxonomy, are performed where a number of scenario's are analysed. ICS is closely monitoring the developments as a result of COVID-19. Measures to protect our employees and the continuity of ICS have been taken. Furthermore, ICS is meeting its social responsibility towards customers hit by the COVID-19 pandemic by offering payment holiday solutions. Finally, the impact on the financial position is monitored closely and plans to reduce costs are likely to be implemented.

4.1. Risk Taxonomy

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

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

4.2. Risk Appetite

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

The risk appetites take all identified risk types in the risk taxonomy into account and are reviewed annually and approved by the Enterprise Risk Committee.

4.3. Risk Culture

Risk culture is an important building block in ICS' Enterprise Risk Management framework. Risk knowledge is disseminated in risk training courses, and risk awareness is embedded by means of the specification of risk standards and procedures and the assignment of clear unambiguous roles and responsibilities. Courses are open to and designed for all ICS employees and are of particular importance given the changes related to the reorganisation. To improve the general level of expertise, we have added two more courses to the compulsory curriculum for our staff.

4.4. Risk Governance

ICS has adopted the Three Lines of Defence model to ensure that sound risk governance is embedded throughout the organisation.

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

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

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

4.5. Risk Committees

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

The Board of Directors is assisted by four risk committees in its risk decision-making.

THE ENTERPRISE RISK COMMITTEE (ERC)

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

THE ASSET AND LIABLITY COMMITTEE (ALCO)

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

LIQUIDITY MANAGEMENT

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

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. The performance and quality of the ICAAP are monitored on a yearly basis.

PRODUCT APPROVAL & REVIEW COMMITTEE (PAC)

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

THE DESIGN AUTHORITY COMMITTEE (DA)

ICS introduced a new sub-committee of the Enterprise Risk Committee in 2019. The ICS Design Authority has a gatekeeper role within ICS in respect of architecture, IT security and infrastructure maintenance and control. The Design Authority provides (binding) advice to the various grids and teams in order to achieve the best and most controllable solutions for ICS in these areas. The DA is mandated by the ERC to ensure adherence to the ICS framework in regards of IT Risk/Security, Architecture and IT Infrastructure (Run Support), among others.

4.6. Risk Measurement

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

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

REGULATORY CAPITAL

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

ICS moreover holds an additional buffer that serves as a cushion for other risk types (i.e. business risk, remaining interest-rate risk in the banking book and intersecting risks) and as an extra safeguard for the development and full implementation of all the risk mitigation measures required from a capital perspective. The measures include the further development and improvement of the Capital Plan, the Capital Stress Test and local Economic Capital standards. The additional buffer will be reassessed on the basis of the aforementioned developments and improvements in 2020. The modifications will include further specification and could result in an increase or a decrease in the additional buffer.

ECONOMIC CAPITAL

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

4.7. Outlook

The current Covid-19 outbreak is having a negative impact on the global economy and ICS financial position and results. More specifically, we expect this to impact our profit and loss due to lower credit card turnover, fewer instruments measured at fair value and higher expected credit losses. ICS is currently monitoring the financial impact due to the Covid-19 outbreak closely. Our first estimates indicate that ICS has adequate liquidity and capital resources.

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

5. REGULATORY ENVIRONMENT

5.1. Basel Committee Proposal

On 7 December 2017, the Basel Committee of Banking Supervisors (BCBS) announced an agreement on the completion of the global regulatory reforms of banking supervision following the financial crisis, known as the Basel III agreement (also referred to in the market as Basel III). In line with the initial BCBS proposals, the final Basel III standard limits the use of internal models in calculating the required capital to be set aside for unexpected losses in credit, market and operational risk. On the one hand, this is achieved by constraining the use of internal credit risk models to exposure classes for which more (default) data is available. As a result, advanced internal models can only be applied to retail, small corporate and specialised lending exposures and are subject to tighter modelling constraints. On the other hand, this is achieved by flooring the outcome of capital requirements based on internal models to 72.5% of the outcome based on standardised approaches. At the same time, the final Basel III standard was completed with a revised standardised approach for calculating credit risk-related capital requirements, a revised CVA risk framework, a single risk-sensitive standardised approach for calculating operational risk capital requirements and a revised leverage ratio framework.

The process of transposing the Basel III reforms (Basel IV standards) into EU legislation is underway. The Commission launched a public consultation on the impact of implementing Basel IV in October 2019.

5.2. Retail Financial Services

The Green Paper on retail financial services 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 further integration of EU markets for retail financial products and further proliferation of cross-border financial services. In March 2017, the European Commission published its Action Plan for retail financial services. The focus for 2019 and the coming years was to be on increasing consumer trust and empowering consumers when purchasing services at home or from other Member States, the reduction of legal and regulatory obstacles affecting businesses when providing financial services abroad and supporting the development of an innovative digital world which can overcome some of the existing barriers to the Single Market.

5.3. Consumers Buying Financial Services Through Digital Channels

Digitalisation, financial innovation and the role of FinTechs remained at the top of the agendas of national and EU legislators and supervisors in 2018, following an invitation by the European Commission to market parties to respond to its FinTech consultation, as part of its Action Plan for retail financial services.

The European Banking Authority (EBA) launched a detailed consultation on FinTech in August 2017. The EBA subsequently published its FinTech Roadmap in March 2018, setting out the priorities for further work on financial innovation and establishing the FinTech

Knowledge Hub. The Roadmap also described the EBA's next steps and indicative milestones for 2018/2019 in light of the stakeholder feedback received and in alignment with the Commission.

On 23 October 2019, the European Banking Authority (EBA) published its Opinion addressed to the EU Commission with recommendations ensuring that disclosure requirements in EU law take account of the increasing use of digital marketing channels for financial services and the resultant issues potentially affecting consumers. The recommendations relate primarily to the scope and consistency of disclosure rules, the timing of disclosure, the presentation format and accessibility of information. In addition, they cover advertisements, pre-contractual information, rights of withdrawal, complaints handling and post-sale information.

For consumers to make informed decisions about their financial products and services, they need to have access to high-quality information provided at the appropriate time, via suitable means, and with an explanation of the features and costs throughout the lifetime of the service.

In the EU, the relevant requirements for the marketing of services that are bought at a distance are set out in the Distance Marketing of Financial Services Directive (2002/65/EC, DMFSD). The European Commission is currently evaluating the effectiveness of this Directive. The Opinion is intended to provide input for the Commission's evaluation, by offering recommendations for amending the Directive so as to ensure that it takes account of the increasing use of digital marketing channels and the resultant issues that potentially arise for consumers.

ICS will closely monitor the developments regarding the Opinion and Directive mentioned above.

5.4. Other

Many initiatives to integrate European financial markets have resulted in a substantial number of proposals for implementing measures under European legislation. These include PSD II, AMLD IV and AMLD V.

PSD II

One of the main objectives of PSD II is to create a level playing field for payment service providers (including new players). Under PSD II, payment service users give access to accounts to third parties (payment initiation service providers and account information service providers), potentially giving these parties a larger role in the payment system. The other main objective of PSD II is to enhance consumer protection and to improve the security of payment services by introducing Strong Customer Authentication (SCA) and secure communication. PSD II was finally implemented by the Dutch government on 19 February 2019. ICS had already started incorporating the implementation of PSD II in its workflows and systems at that time. The Regulatory Technical Standards ("RTS") by the EBA implementing SCA became effective in September 2019. ICS started the roll out of these PSDII RTS requirements on 29 October 2019.

AML IV AND V

The fourth EU anti-money laundering directive (“AMLD IV”) was implemented in Dutch national legislation in 2018.

Meanwhile, in the light of the Panama Papers revelations and in direct response to the then recent terrorist attacks in Europe in July 2016, the European Commission proposed further European anti-money laundering and prevention of terrorism financing legislation: AMLD V. This directive came into effect on 9 July 2018 and introduced, among other things, a UBO register.

Regarding the implementation of AMLD IV within the organisation, ICS will continue training its staff accordingly and thus will ensure the necessary compliance awareness level throughout its organisation.

EBA GUIDELINES ON OUTSOURCING

New EBA Guidelines on outsourcing arrangements entered into force on 1 October 2019. The guidelines replace existing EBA Recommendations on outsourcing to cloud service providers (2017). The new guidelines aim to ensure that financial institutions and payment institutions retain control over their activities, where these activities are performed by a third-party service provider. The guidelines will apply to ICS’ outsourcings ‘entered into, reviewed or amended’ after 30 September 2019. Banks are also expected to review and amend their existing outsourcing arrangements to ensure compliance at first renewal or, at the latest, 31 December 2021.

6. OUTLOOK 2020

Our strategy, which describes ICS' direction in the coming years, was presented internally in April 2019. Over the past 30 years, we have become the market leader in the issuance of credit cards. For a stable future, we need to take account of developments in a turbulent payments world, which will certainly not stand still in 2020.

Our mission is to be the most reliable and safest payment service provider. Whatever happens in the world, we ensure that our customers have access to the most secure payment options, now and in the future. This is our compass.

As in 2019, we will devote a great deal of energy to making ICS future-proof in 2020. This means maximum alignment with applicable laws and regulations and significantly adding value for our customers. In addition, we will increasingly put the customer in charge of their affairs. They need to be able to optimally manage their own product portfolios. For ICS, the basic conditions are convenience and maximum transparency. We will do this based on new technology, new propositions, a new customer approach, improved working methods and most of all with motivated employees.

The current Covid-19 outbreak is negatively affecting the global economy and ICS' financial position and results. More specifically, we expect this to impact credit card turnover, instruments measured at fair value and expected credit losses. ICS is currently monitoring the financial impact due to the Covid-19 outbreak closely. Our first estimates indicates that ICS has an adequate liquidity and solvency position.

6.1. Our market is Changing Rapidly

These days, developments and innovations in the payments market are following each other at lightning speed. New companies are offering smart technologies that make payments faster and easier. Many start-ups are experimenting and using data for purposes that the consumer is not always aware of. ICS keeps pace with developments, but always focuses on secure payment. Our customers must be able to trust us completely.

6.2. Vision and Mission

While we are aware that financial transactions are becoming easier and more efficient, we also see that safety, security and reliability are coming under increasing pressure. With this vision, our mission is to be the most reliable and safest payment provider. No matter what happens in the world, we ensure that our customers have access to the most secure payment options, now and in the future.

6.3. New Focus

In the near future, we will continue to offer payments as a service. This offers a broader perspective for new propositions than credit cards alone. ICS will always be the most reliable and safest payment service provider. After all, safety is what drives us.

With new forms of payment built from a modular product portfolio, we plan to offer customers many choices. We will do this in a transparent way so that customers always have insight into what our various products involve for them.

6.4. Change in Two Steps

As in 2019, we will invest a lot of energy and resources in making ICS future-proof in 2020. This means alignment with applicable laws and regulations and significantly adding value for our customers. In addition, we will increasingly put the customer in charge of their affairs. They need to be able to optimally manage their own product portfolios. For ICS, the basic conditions are convenience and transparency.

In phase two we will do everything necessary to become the most secure payment service provider. This will be the DNA of ICS. Whatever happens and wherever they are in the world, our customers pay in the safest way. All matters that do not contribute directly to this will be given lower priority.

6.5. Challenges

We see three major challenges in relation to our new mission and positioning. Firstly, determining the identity of the ‘other party’. Is a person actually who they say they are? Our data will help us to achieve ‘verified by ICS’ assurance.

In the future, more and more transactions will take place between parties. These payments will be processed faster, and also automatically. This will make it more difficult for consumers to keep control of their payments. With its data, analysis of payment patterns and the fight against fraud, ICS can act as a security buffer.

Finally, transferring money to third parties always entails a certain risk. Is the product delivered? Is the product satisfactory? We can reduce this risk for our customers. ICS will function as an additional layer with an existing network of payment services. As a kind of firewall to offer our customers maximum security.

Like so many companies, one of our challenges in 2020 will be to mitigate the effects of the Covid-19 crisis. It is obvious that there will be consequences. The current Covid-19 outbreak is negatively affecting the global economy and ICS’ financial position and results. More specifically, we expect this to impact credit card turnover, instruments measured at fair value and expected credit losses. ICS is currently monitoring the financial impact due to the Covid-19 outbreak closely. Our first estimates indicates that ICS has adequate liquidity and capital resources.

7. GOVERNANCE

7.1. Structure and Management

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

Pursuant to our gender diversity ambition, we aim to achieve an equal distribution of men and women in the Supervisory Board, the Statutory Board of Directors and the Management Team. Two members of ICS' Supervisory Board are senior managers at our shareholder, ABN AMRO Bank N.V. One member, the chair, is engaged by ABN AMRO Bank N.V. as an external adviser.

7.2. Management at 31 december 2019

STATUTORY BOARD OF DIRECTORS

Mr. M.M.W. Koot, Chief Executive Officer (CEO)
Mrs. P. Vernooij, Director Customer & Business Solutions (appointed 8 January 2019, steps down on 1 May 2020)
Mrs. C. Weeda-Hoogstad, Chief Financial Officer (appointed 1 September 2019)
Mr. R.P.A.de Jong, Chief Risk Officer (appointed 5 August 2019)

SUPERVISORY BOARD

Mr J.G. ter Avest, Chair
Ms. E.E. Kostelijk, Member appointed
Mr. J.M.A.J. Smeets, Member appointed
Mr. J. Speksnijder, Member

7.3. Statutory Board of Directors

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

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

The Statutory Board of Directors meets with the ICS Works Council on a bi-monthly basis.

There have been two changes in the membership of the Statutory Board of Directors in 2019 since our last Annual Report. Mr. Rogier de Jong (CRO) and Mrs. Corinne Weeda-Hoogstad (CFO) were appointed as Statutory Members of the Board in August 2019 and September 2019 respectively.

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

7.4. Supervisory Board

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

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

The Supervisory Board meets at least four times a year and carries out annual evaluations of its performance and the performance of its members. Three additional meetings were held in 2019. In 2020, Mr. J.M.A.J. Smeets will step down as a member of the Supervisory Board and will be succeeded.

7.5. Shareholder

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

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

7.6. ICS' Corporate Governance

ICS is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

Integrity, transparency and accountability are key elements of ICS' Corporate Governance. These elements ensure the implementation and appropriate performance of the controls and supervision required for effective risk management, compliance with regulations and accurate and complete disclosure of information to the shareholder.

7.6.1. Banker's oath

All ICS staff, 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 Dutch law. ICS adheres to the content and purpose of the Banker's Oath.

7.6.2. Internal audit department

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

7.6.3. Remuneration policy

We 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 values. The remuneration policy of ICS is based on the latest applicable guidance and legislation. This includes additional mid- and long-term requirements for identified staff with regard to variable compensation, including a claw-back arrangement.

For more information see Note 9.30, Compensation of key management personnel.

7.7. Prevention of Corruption, Bribery, Fraud and Cybercrime

7.7.1. Corruption and bribery

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

7.7.2. Third-party integrity

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

7.7.3. Customer integrity

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

7.7.4. Organisational and employee integrity

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

7.8. Fraud and Cybercrime

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

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

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

7.9. Social & Environmental Risks and Human Rights

In our role as a lender, ICS recognises that it may be exposed to environmental, social and ethical (ESE) risks through the direct activities of our customers. We aim to minimise the adverse social and environmental impact of our activities and those of our customers and suppliers. To manage these sustainability risks, ICS supports and acts in accordance with ABN AMRO's sustainability risk policy framework. Management of human rights risks in line with the UN guiding principles on business and human rights is a focus area within this framework.

ICS started to discuss these topics with its employees to implement practical measures and solutions relating to social and environmental risks in 2019.

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8. FINANCIAL STATEMENTS 2019

8.1. Company Income Statement

(in thousands, €)

	Note	2019	2018
Income			
Interest income calculated using the effective interest method		87.172	92.098
Interest expense calculated using the effective interest method		(2.844)	(2.344)
Net interest income	9.7	**84.328**	**89.754**
Fee and commission income		174.934	165.087
Fee and commission expenses		(44.510)	(40.381)
Net fee and commission income	9.8	**130.424**	**124.706**
Dividend and other operating income	9.9	16.952	6.704
Operating income		**231.704**	**221.164**
Expenses			
Personnel expenses	9.10	(42.039)	(46.007)
General and administrative expenses	9.11	(94.483)	(101.714)
Depreciation of tangible assets	9.20	(2.193)	(773)
Amortisation of intangible assets	9.21	(468)	(632)
Rebilling expenses	9.12	(1.575)	(880)
Operating expenses		**(140.758)**	**(150.006)**
Impairment charges on loans and other receivables	9.13	(4.683)	(7.302)
Total expenses		**(145.441)**	**(157.308)**
Profit before tax		**86.263**	**63.856**
Income tax expenses	9.14	(21.084)	(8.898)
Profit for the year		**65.179**	**54.958**

The accounting policies and Notes on pages 53 to 126 form part of, and should be read in conjunction with, these financial statements.

8.2. Company Statement of Comprehensive Income

(in thousands, €)

	Note	2019	2018
Profit for the year	8.1	**65.179**	**54.958**
Items that will be reclassified to the income statement			
Unrealised gains/(losses) on investments	9.19	-	-
Unrealised gains/(losses) on Investmentsdeferred tax	9.23	-	-
		-	-
Items reclassified to the income statement			
Realised gains/(losses) on investments	9.19	-	-
Realised gains/(losses) on investments - deferred tax	9.23	-	-
		-	-
Comprehensive income (and losses)		**65.179**	**54.958**
Attributable to:			
Equity holders of ICS B.V.		65.179	54.958
Comprehensive income (and losses)		**65.179**	**54.958**
Number of issued ordinary shares at end of period		454	454
Basic earnings per ordinary share		144	121
Comprehensive earnings per ordinary share		144	121

The accounting policies and Notes on pages 53 to 126 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 2019	31 December 2018
Assets			
Cash and balances at central banks	9.15	233.691	227.010
Loans to banks	9.16	685.066	644.099
Loans to customers	9.17	976.340	1.064.763
Other assets	9.18	29.643	30.703
Investments	9.19	47.418	31.567
Property and equipment	9.20	10.543	1.876
Right to use assets	9.20	-	-
Intangible assets	9.21	1.822	2.290
Deferred company tax assets	9.23	1.825	118
Total assets		**1.986.348**	**2.002.426**
Liabilities			
Due to customers	9.24	312.330	291.790
Due to banks	9.25	1.206.443	1.221.193
Other liabilities	9.26	107.993	91.120
Current company tax liabilities	9.22	29.189	5.732
Deferred company tax liabilities	9.23	2.748	3.414
Provisions	9.27	47.623	84.333
Total liabilities		**1.706.326**	**1.697.582**

(in thousands, €)

	Note	31 December 2019	31 December 2018
Equity			
Share capital	8.4	45	45
Other reserves	8.4	214.798	249.841
Result for the year	8.1/8.4	65.179	54.958
Unrealised gains and losses securities	8.4	-	-
Total equity	**8.4**	**280.022**	**304.844**
Total liabilities and equity		**1.986.348**	**2.002.426**

The accounting policies and Notes on pages 53 to 126 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	Total
Balance at 1 January 2018		**45**	**264.088**	**109.753**	**373.886**
Addition to other reserves		-	109.753	(109.753)	-
Net income of the year	8.1	-	-	54.958	-
Paid out dividend		-	(124.000)	-	(124.000)
Balance at 31 December 2018		**45**	**249.841**	**54.958**	**304.844**
Balance 1 January 2019		**45**	**249.841**	**54.958**	**304.844**
Addition to other reserves		-	54.958	(54.958)	-
Net income of the year	8.1	-	-	65.179	65.179
Paid out dividend	8.5	-	(90.000)	-	(90.000)
Balance at 31 December 2019		**45**	**214.799**	**65.179**	**280.023**

Last year's net profit was added to the other reserves for an amount of € 55 million. A dividend payment to the owners of the parent company, ABN AMRO Bank N.V., impacted equity with a total amount of € 90 million.

The number of shares authorised are 454 with a par value € 100. All shares are issued and fully paid up.

8.5. Company Statement of Cash Flows

(in thousands, €)

		2019	2018
Cash flows from operating activities			
Operating profit before taxation	8.1	86.263	63.856
Depreciation and amortisation	9.20/9.21	2.661	1.402
Provisions and impairments losses	9.17/9.27	11.944	47.716
Taxation			
Adjustments on non-cash items included in profit		14.605	49.118
Adjustment for investment income	9.9/9.19	(15.821)	(6.476)
Changes in operating assets and liabilities			
Loans to banks	9.16	(10.667)	(14.883)
Loans to customers	9.17	90.726	81.640
Other assets	9.19	(39.150)	13.907
Due to banks	9.25	(14.751)	(233.871)
Due to customers	9.24	20.541	6.725
Other liabilities	9.26	28.052	(11.229)
Net changes in all other operational assets and liabilities	9.18/9.26	(31.567)	(55.351)
Changes in operational assets and liabilities		**43.184**	**(213.062)**
Income taxes paid	9.14/9.19/9.22/9.23	0	(37.479)
Net cash generated by operating activities		**128.230**	**(144.043)**

Cash flows from investing activities			
Investments in financial measured at FVTPL	9.20	208	-
Purchases of fixed assets	9.20	(1.682)	(225)
Cash flows from investing activities		**(1.474)**	**(225)**
Cash flows from financing activities			
Dividends paid to shareholders	8.4	(90.000)	(124.000)
Financing Lease liabilities	9.26	226	
Cash flows from financing activities		**(89.774)**	**(124.000)**
Change in cash and cash equivalents		**36.983**	**(268.268)**
Cash and cash equivalents at 1 January	9.15/9.16	580.734	849.004
Cash and cash equivalents at 31 December	9.15/9.16	617.716	580.734

The accounting policies and Notes on pages 53 to 126 form part of, and should be read in conjunction with, these financial statements.

(in thousands, €)

		2019	**2018**
Cash and cash at central banks	9.15	233.692	227.010
Loans to banks (1)	9.16	384.024	353.724
Total Cash and cash equivalents		**617.716**	**580.734**

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

Supplementary disclosure of operating cash flow information

Interest paid	8.1	(2.844)	(2.126)
Interest received	8.1	87.172	62.140
Dividend received from investments	9.9	208	229

9. NOTES TO ANNUAL FINANCIAL STATEMENTS

9.1. Corporate Information

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

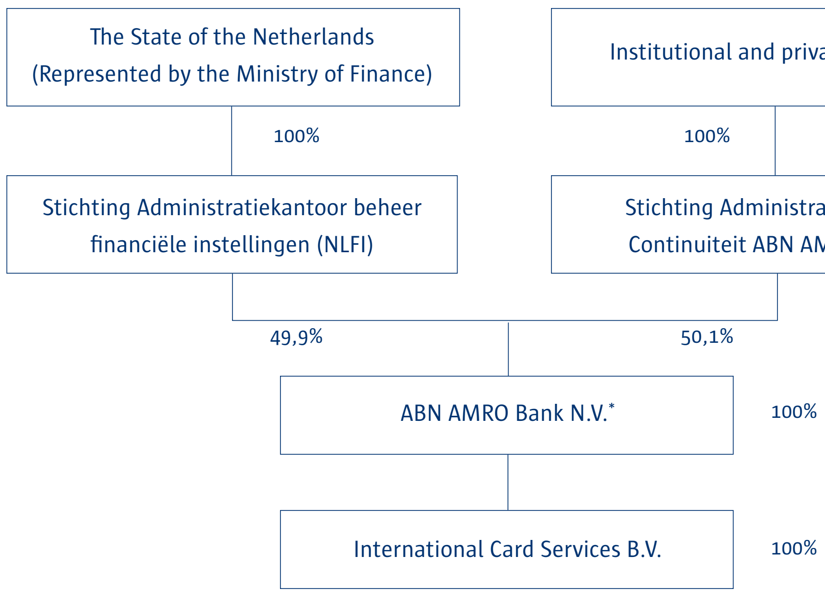
ICS is a limited liability company located in the Netherlands at Wisselwerking 32, 1112 XP Diemen, registered at the Chamber of Commerce, trade register Amsterdam No. 33.200.596 and a 100%-owned subsidiary of ABN AMRO Bank N.V. Its current structure is shown in the figure below.

The financial statements for the year ending on 31 December 2019 are prepared by the Statutory Board of Directors and authorised for issue in accordance with a resolution by the Supervisory Board and the Statutory Board of Directors on 29 May 2019.

BRANCHES

The German branch (“ICS Germany”), of which the office is registered in Düsseldorf, Germany, is ICS’ only branch. There was a change in the legal structure of our shareholder in 2019, when ABN AMRO Group N.V. merged into ABN AMRO Bank N.V.. This had no consequences for ICS.

Legal structure and ownership
as on 31 December 2019



* In 2019 ABN AMRO Group N.V. and ABN AMRO Bank N.V. merged.

9.2. Accounting Policies

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

- Financial investments are measured at fair value and movements/mutations are, in accordance with IFRS 9, reported in profit or loss;
- Other financial assets (including loans and advances and receivables) and liabilities are measured at amortised cost less any impairment, if applicable;
- Non-financial assets and liabilities are generally stated at historical cost.

ICS' management is not aware of any material uncertainties that may cast significant doubt on ICS' ability to continue as a going concern. Therefore, the Annual Financial Statements are prepared under the going concern assumption. The financial statements are presented in euros, which is ICS' reporting currency, rounded to the nearest thousand (unless stated otherwise).

PRESENTATION OF FINANCIAL STATEMENTS

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

9.3. Changes in Accounting Policies

New EU endorsed standards came into effect in 2019. The following standards were adopted:

IFRS 16 LEASES

ICS has applied IFRS 16 Leases with effect from 1 January 2019 using the modified retrospective transition method, and prior year comparative figures are therefore not restated.

LESSEE ACCOUNTING

For lessee accounting, IFRS 16 removes the distinction between 'operating' and 'financial' leases. All leases are recognised on balance as a right of use (ROU) asset and lease liability. As a lessee, ICS enters into various lease contracts, mainly for office buildings and cars which ICS leases for its own use. Under IAS 17, ICS did not enter into any financial leases as a lessee. When accounting for the contracts as a lessee, ICS separates non-lease components from lease components. Upon initial recognition, the lease liability is measured by discounting all future lease payables at the incremental borrowing rate. This rate reflects the rate of interest ICS would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a value similar to that of the ROU asset in a similar economic environment. Upon transition, the remaining lease term is used when applying the incremental borrowing rate. The ROU asset is initially measured at cost, which reflects the amount of the initial lease liability, adjusted for upfront lease payments, received incentives and initial direct costs.

Subsequently, the lease asset is depreciated over the period of the lease using the straight-line method and adjusted for any remeasurement of the lease liability. The lease liability is subsequently increased to reflect the interest on the lease liability and decreased for the lease payments made. Lease modifications could result in remeasurements of the lease liability. Such remeasurements could occur when there is a change in future variable lease payments, if there is a change in the bank's estimate of the amount payable under a residual value guarantee, or when ICS changes its assessment regarding purchase, extension or termination options. Remeasurements also result in an adjustment to the ROU asset or are recorded in the income statement if the ROU asset has been reduced to zero. Lease modifications where both the scope and price increase proportionally are accounted for as separate leases.

Expenses related to short-term leases with a lease term of less than 12 months and leases of low value are recognised on a straight-line basis in the income statement, as permitted by the standard. ROU assets are presented as part of property and equipment, while the lease liabilities are presented as part of other liabilities. Depreciation of the ROU assets are presented in the depreciation and amortisation of tangible and intangible assets line item of the income statement, and the interest on lease liabilities is included in interest expense.

The transition to IFRS 16 resulted in an increase in assets and liabilities of EUR 10.7 million on 1 January 2019. The impact on equity is not material, as ICS chose to apply the practical expedient that allows it to measure the ROU asset as equal to the lease liability.

Impact of transition to IFRS 16

As permitted by the standard, ICS used the following practical expedients upon transition, on a lease-by-lease basis, that are available under the chosen implementation approach:

- Calculation of the ROU assets at the date of initial application at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments;

- Application of the recognition exemption for leases ending within 12 months at initial application;
- Reliance on the previous assessment of whether leases are onerous in accordance with IAS 37 as an alternative to performing an impairment review;
- Use of hindsight in determining the lease term if contractual options to extend or terminate the lease exist;
- ROU assets are expensed in the line item depreciation and interest.

The table below explains the difference between the operating lease commitments on 31 December 2018 when applying IAS 17 and the lease liabilities recognised resulting from the initial application of IFRS 16 on 1 January 2019.

IAS 17 – IFRS 16 transition table

€ x 1,000	1 January 2019
Future minimum lease payments under non-cancellable contracts at 31 December (IAS 17)	11.144
Discounting effect using the average incremental borrowing rate of 1.2%	(3.440)
Adjustments resulting from a different treatment of extension and termination options	737
Lease liabilities at 1 January 2019 (IFRS 16)	**8.441**

Refer to Note 9.18 Property and equipment for the disclosure on ROU assets and Note 9.26 Other liabilities for the lease liabilities.

AMENDMENTS TO IFRS 9 FINANCIAL INSTRUMENTS

The IASB issued amendments to IFRS 9, Prepayment Features with Negative Compensation, which became effective on 1 January 2019. These amendments allow instruments with symmetrical prepayment options to be measured at amortised cost or at fair value through other comprehensive income. As ICS does not hold financial instruments with these features, these amendments have no impact.

AMENDMENTS TO IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In October 2017, the IASB issued amendments to IAS 28 that became effective on 1 January 2019. The amendments state that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. The implementation of these amendments has no impact on ICS.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED

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

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments, which will be effective for reporting periods starting on or after 1 January 2020, revise the definition of material and align this definition across other IFRS publications such as IFRS Standards and IFRIC Interpretations. ICS is currently assessing the impact of these amendments.

9.4. Critical accounting Judgements, Estimates and Assumptions

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

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

9.5. Summary of Significant Accounting Policies

FOREIGN CURRENCY TRANSLATION

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

Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange on 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 on the date of recognition.

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

FINANCIAL ASSETS AND LIABILITIES

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

For accounting policies that have been materially changed, see 'Classification and measurement of financial assets (applicable before 1 January 2019).

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Under IFRS 9, ICS classifies financial assets based on the business model in which they are held. The business model is determined at portfolio level. Portfolios are based on how ICS manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation and management compensation. Derecognition is used as a condition to determine whether a transaction results in a sale.

Two business models are distinguished:

- The 'hold to collect' business model, in which cash flows are generated primarily by collecting contractual cash flows until the maturity of the financial instrument. Sales may occur, as long as they are incidental, infrequent and insignificant. The assessment of the frequency and significance of sales is determined for each underlying portfolio. Sales that result from increases in the credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model.
- 'Other' business models not meeting the criteria of the business model mentioned above, for example models in which financial assets are managed with the objective of generating cash flows from sales (trading book), are managed on a fair value basis. Under these business models, the financial assets are measured at fair value true profit and loss (FVTPL).

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

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

- Amortised cost – Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recognised in the income statement. Financial instruments measured at amortised cost are presented net of credit loss allowances in the Statement of financial position.
- FVTPL – Financial instruments measured at FVTPL include instruments whose cash flows do not meet the SPPI requirements. For these instruments, direct recognition of changes in the fair value in the income statement is mandatory.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

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

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

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

STATEMENT OF CASH FLOW

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

THE EFFECTIVE INTEREST RATE METHOD

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

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

RECOGNITION AND DERECOGNITION

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

9.6. Fair Value of Financial Instruments

Accounting policy for fair value of financial instruments

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

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

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

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

In order to determine a 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. Judgements and estimates to determine the fair value include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. We believe our fair value estimates are adequate.

FAIR VALUE HIERARCHY

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

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

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

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

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

ICS recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The following table presents the valuation methods used in determining the fair value of financial instruments.

(in thousands, €)

31 December 2019	Carrying amount	Quoted market prices in active markets	Valuation techniques observable inputs	Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	233.692	233.692	-	-	233.692
Loans to banks	685.066	-	-	685.066	685.066
Loans to customers	976.340	-	-	976.340	976.340
Investments	47.418	-	47.418	-	47.418
Total Financial assets	**1.942.516**	**233.692**	**47.418**	**1.661.406**	**1.942.516**
Liabilities					
Due to banks	1.206.443	-	-	1.206.443	1.206.443
Due to customers	312.330	-	-	312.330	312.330
Total Financial liabilities	**1.518.773**	**-**	**-**	**1.518.773**	**1.518.773**
31 December 2018					
Assets					
Cash and balances at central banks	227.010	227.010	-	-	227.010
Loans to banks	644.099	-	-	644.099	644.099
Loans to customers	1.064.763	-	-	1.064.763	1.064.763
Investments	31.567	-	31.567	-	31.567
Total Financial assets	**1.967.439**	**227.010**	**31.567**	**1.708.862**	**1.967.439**
Liabilities					
Due to banks	1.221.193	-	-	1.221.193	1.221.193
Due to customers	291.790	-	-	291.790	291.790
Total Financial liabilities	**1.512.983**	**-**	**-**	**1.512.983**	**1.512.983**

TRANSFERS BETWEEN LEVELS 1, 2 AND 3

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

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

EQUITY INSTRUMENTS

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

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

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

CASH AND BALANCES AT CENTRAL BANKS

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

LOANS AND ADVANCES – BANKS AND CUSTOMERS

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

DUE TO BANKS AND CUSTOMERS

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

9.7. Net Interest Income

Accounting policy for net interest income

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

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

(in thousands, €)

	Notes	2019	2018
Interest income			
Other receivables	9.19	-	241
Loans to banks	9.16	3.712	4.773
Loans to customers - revolving loans	9.17	2.005	2.709
Loans to customers - credit cards	9.17	78.138	81.975
Negative interest on interest-bearing liabilities		3.317	2.400
		87.172	92.098
Interest expenses			
Due to banks	9.25	-	(50)
Due to customers	9.24	(364)	(668)
Other liabilities	9.26	(118)	-
Negative interest on interest-bearing assets		(2.362)	(1.626)
		(2.844)	(2.344)
Net interest income		**84.328**	**89.754**

To compensate customers for issues in its credit portfolio, ICS provisioned for undue interest payments. ICS completed this project in 2019 and compensated all the clients concerned. This resulted in a release of € 10 million in 2019 in the line item Loans to customers – credit cards. Excluding this item, interest income in 2019 was lower due to a lower average interest-bearing portfolio.

9.8. Net Fee and Commission Income

Accounting policy for net fee and commission income

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

Revenue is recognised when a promised service is provided to the customer. Fees and commissions are recognised as either:

- Point-in-time (payment services, insurance fees and part of service fees): the fee is a reward for a service provided at a moment in time; or
- Over time (amortised) (part of service fees): the fee relates to services on an ongoing basis.

Net fee and commission income for the years ended 31 December 2018 and 2019 are specified in the following table.

(in thousands, €)	2019	2018
Fee and commission income		
Payment services	101.232	97.331
Service fees	72.210	66.041
Insurance fees	1.492	1.715
	174.934	165.087
Fee and commission expenses		
Payment services	(37.185)	(32.242)
Service fees	(2.516)	(2.386)
Insurance fees	(4.563)	(5.370)
Other service fees	(246)	(383)
	(44.510)	(40.381)
Net fee and commission income	**130.424**	**124.706**

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

Higher fees and commission were driven by increased consumer turnover due to higher transactions volume. As mentioned in the accounting standard ICS classifies the fees as ‘point-in-time’ or ‘over time’. Payment services and insurance fees are point-in-time fees. Service fees are classified partly as point-in-time (processing fees) and partly as over time (annual fees). For a breakdown see the table below.

(in thousands, €)

	2019		
Fee’s split in	**Fees Point-in-Time**	**Fees Over Time**	**Total**
Payment services	101.232	-	101.232
Service fees	11.264	60.946	72.209
Insurance fees	1.492	-	1.492
	113.988	**60.946**	**174.934**

(in thousands, €)

	2018		
Fee’s split in	**Fees Point-in-Time**	**Fees Over Time**	**Total**
Payment services	97.332	-	97.332
Service fees	10.387	55.654	66.041
Insurance fees	1.715	-	1.715
	109.433	**55.654**	**165.087**

9.9. Dividend, Sales of Investments and other Operating Income

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

Dividend, sales of investments and other operating income for the years ended 31 December 2018 and 2019 are specified in the following table.

(in thousands, €)

	2019	2018
Dividend income	299	229
Gain on sale investment	-	-
(Un)realised gains	16.059	6.475
Other Income	594	-
Total dividend and other operating income	**16.952**	**6.704**

Dividend income reflects the year's dividend payments received on ICS' shares in Visa Inc. See also Note 9.20.

The unrealised gains increased by € 9.6 million to € 16.1 million in 2019 (2018: € 6.5 million). These unrealised gains consist of € 15.9 from ICS' share in Visa Inc and € 0.2 from the revaluation of WIN B.V.

The amount on other income mainly consists of the exit fee of € 0.4 million received from a co-brander on termination of the contract.

9.10. Personnel Expenses

Accounting policy for personnel expenses

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

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

Personnel expenses for the years ended 31 December 2018 and 2019 are specified in the following table.

(in thousands, €)	2019	2018
Salaries and wages	28.421	32.262
Social security charges	4.702	5.332
Defined contribution schemes expenses	6.979	6.653
Other	1.937	1.760
Total personnel expenses	**42.039**	**46.007**

Salaries and wages are lower due to the reorganisation, which started in 2018 and will be completed by the end of 2023.
The following FTEs were employed by ICS at 31 December 2019:

Costs included in personnel expenses, permanent staff:
- International Card Services B.V. (Netherlands): 421 FTE (2018: 464 FTE);
- International Card Services B.V. (Germany): 12 FTE (2018: 13 FTE).

Costs included in General and administrative expense, temporary staff:
- International Card Services B.V. (Netherlands): 358 FTE (2018: 137 FTE);
- International Card Services B.V. (Germany): 0 FTE (2018: 0 FTE).

9.11. General and Administrative Expenses

Accounting policy for general and administrative expenses
Costs are recognised in the period in which services are provided and to which the payment relates. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

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

(in thousands, €)

	2019	2018
Housing	-	1.622
Marketing and public relations costs	3.912	7.126
Information technology costs	26.719	26.144
Post and telephone	4.427	4.067
Agency, staff and consultancy costs	35.831	15.663
Provisions	12.537	30.272
Fraud losses	4.067	3.809
Other	6.990	13.011
Total General and administrative expenses	**94.483**	**101.714**

Due to the implementation of IFRS16, housing expenses are no longer reported in general and administrative expenses. See note 9.3 for the change in accounting policies.

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

A specification of the provision expenses is as follows:

(in thousands, €)

	Note	2019	2018
Litigation	9.27	8.075	30.272
Other	9.27	4.462	-
Total provisions		**12.537**	**30.272**

The specification of fees paid to EY is as follows:

(in thousands, €)

	2019	2018
Financial statement audit fees	393	331
Audit related fees	36	46
Total auditor's fee	**429**	**376**

Total fees paid to EY are included under Agency staff and consultancy costs and amount to € 429 thousand (2018: € 376 thousand). Audit-related fees consist of other assurance services related to the audit of the prudential reporting statements to DNB. The external auditor also performs audit procedures related to ICS for the purpose of the group audit of ABN AMRO Bank N.V. The fees for these procedures are borne by ABN AMRO Bank N.V. and are therefore not included.
The external auditor does not provide tax advisory services or other non-audit services.

9.12. Rebilling Expenses

Accounting policy for rebilling expenses
Costs are recognised in the period in which services are provided and to which the payment relates.

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

(in thousands, €)	2019	2018
Rebilling	1.572	884
Total Rebilling expense	**1.572**	**884**

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

The number of services from ABN AMRO increased in 2019, mainly in relation to Risk, Audit and Compliance services. ICS outsourced its compliance and legal activities to the shareholder in 2019.

9.13. Impairment Charges on Loans and Advances - Customers

Accounting policy for impairment charges on loans and advances – customers
For the accounting policies, see accounting policies Note 9.2 and our Credit Risk Note 9.34.

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

(in thousands, €)

	Note	2019	2018
Impairments charges on:			
Loans to customers	9.17/9.27	4.683	7.302
Total impairment charges on loans		**4.683**	**7.302**

9.14. Income Tax Expenses

Accounting policy for income tax expenses, current and deferred tax assets and liabilities

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

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

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

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

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

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

(in thousands, €)

	Note	2019	2018
Current tax expense			
Current tax expense on year under review		21.336	15.926
Adjustment for current tax of prior years		2.120	(6.966)
		23.457	8.960
Deferred tax expense	**9.23**		
Deferred taxes arising from current period		241	(168)
Deferred taxes arising from write-down (or reversal) of deferred tax assets		-	107
Deferred taxes arising from changes in tax rates		(597)	-
		(2.373)	(61)
Total tax expense		**21.084**	**8.899**
Effective tax rate		32,3%	13,9%

	2019	2018
Nominal tax rate Netherlands	25,00%	25,00%
Nominal tax rate Germany	31,23%	31.23%

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

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

(in thousands, €)	2019	2018
(Profit)/loss before tax	(86.263)	(63.856)
Applicable tax rate	25,0%	25,0%
Expected income tax expense	**21.566**	**15.965**
Increase (decrease) in taxes resulting from:		
Disallowed operating and administrative expenses	-	-
Disallowed bank tax	-	-
Previously unrecognised tax losses and temporary differences	(1.797)	(208)
Write-down and reversal of write-down of deferred tax assets	-	107
Tax rate changes	(597)	-
Adjustments for current tax of prior years	2.120	(6.966)
Tax exempt income	(208)	
Total increase (decrease)	**(482)**	**(7.067)**
Actual income tax expenses	**21.084**	**8.898**

Tax-exempt income relates to our investment in WIN B.V. Win B.V. is a participation. The result on this participation is not subject to tax.

Previously unrecognised tax losses and temporary differences relates mainly to the implementation of IFRS 16.

Tax rate changes relates to changes in tax rates in the near future.

9.15. Cash at Hand and Balances at Central Banks

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

Cash in hand and balances at central banks for the years ended 31 December 2018 and 2019 are specified in the following table.

(in thousands, €)

	Average Interest Rate 2019	31 December 2019	31 December 2018
Cash at hand	0,00%	-	-
Balances with central bank	-0,42%	233.692	227.010
Balance at the end of period		**233.692**	**227.010**

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

9.16. Loans and Advances - Banks

Accounting policy for loans and advances – banks and customers
Loans and advances – banks and customers are held at amortised cost using the EIR methodology, less allowance for impairment, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to present the effective interest rate of the asset. ICS therefore recognises interest income using a rate of return that represents the best estimate of a onstant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges). If expectations are revised, the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income.

In the cash flow statement, amounts due from banks on demand or with an original maturity of three months or less are included in 'Cash and cash equivalents.

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

(in thousands, €)

	Average Interest Rate 2019	31 December 2019	31 December 2018
Current accounts - credit institutions	-0,40%	384.024	353.724
Interest bearing deposits	1,24%	301.042	290.375
Balance at the end of period		**685.066**	**644.099**

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

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

9.17. Loans and Advances - Customers

Accounting policy for loans and advances – customers
The accounting policy for loans and advances – customers is included in 'Loans and advances – banks', see Note 9.18.

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

(in thousands, €)

	Average interest rate 2019	Year of maturity	31 December 2019	31 December 2018
Consumer				
Revolving loans	8,57%	indefinite	20.760	27.910
Credit card - current accounts	0,00%	no maturity	409.058	407.529
Credit card - interest-bearing	14,87%	indefinite	483.334	563.649
Allowance for impairment losses			(16.148)	(18.432)
			897.004	980.656
Commercial				
Loans and advances to financial institutions - Interest-bearing	0,00%	no maturity	128	93
Credit card - current accounts	0,00%	no maturity	75.363	80.322
Credit card - interest bearing	12,65%	indefinite	3.952	3.818
Allowance for impairment losses			(107)	(126)
			79.336	84.107
Balance at the end of period			**976.340**	**1.064.763**

Outstanding amounts to credit cards specified by stage.

(in thousands, €)				
Cross carrying amount				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Consumer credit cards				
Balance at 1 January 2019	**924.838**	**34.614**	**39.638**	**999.091**
Transfers to stage 1	7.954	(7.984)	30	0
Transfers to stage 2	(3.934)	3.941	(7)	(0)
Transfers to stage 3	4.796	934	(5.729)	-
Addition drawdowns and partial repayments	(98.958)	12.018	18.470	(68.470)
Originated or purchased	-	-	-	-
Matured or sold	-	-	-	-
Write-offs	-	-	(17.327)	(17.327)
Other movements	(176)	34	-	(142)
Balance at 31 December 2019	**834.520**	**43.557**	**35.076**	**913.152**
Commercial credit cards				
Balance at 1 January 2019	**83.347**	**705**	**88**	**84.140**
Transfers to stage 1	611	(594)	(17)	0
Transfers to stage 2	(275)	274	1	0
Transfers to stage 3	8	25	(33)	-
Addition drawdowns and partial repayments	(5.376)	603	559	(4.214)
Originated or purchased	-	-	-	-
Matured or sold	-	-	-	-
Write-offs	-	-	(541)	(541)
Other movements	58	-	-	58
Balance at 31 December 2019	**78.372**	**1.014**	**57**	**79.443**
Balance at end of period	**912.892**	**44.570**	**35.133**	**992.595**

CONSUMERS

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

COMMERCIAL

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

IMPAIRMENTS

Accounting policy for impairments of loans and advances – customers

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

PAST DUE

The following table shows the days past due.

(in thousands, €)

	Carrying amount		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 2019**	
Consumer loans	913.152	878.077	23.288	9.575	4.459	37.322	4,3%
Commercial loans	79.443	79.386	655	155	30	800	1,0%
	992.595	**957.463**	**23.943**	**9.690**	**4.489**	**38.122**	**4,0%**
Loans to customers						**31 December 2018**	
Consumer loans	999.088	901.700	39.240	12.644	5.868	57.752	6,4%
Commercial loans	84.233	83.440	565	51	89	705	0,8%
	1.083.321	**985.140**	**39.805**	**12.695**	**5.957**	**58.457**	**7,0%**

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

(in thousands, €)

Overview of Consumer loans and advances in stage

	Outstanding			Provision			
	Performing	Non-Performing	Total	Performing	Non-Performing	Total	Coverage & Impaired Ratio
Overview of Consumer loans and advances by stage							
Stage 1	834.520	-	**834.520**	5.734	-	**5.734**	0,7%
Stage 2	43.557	-	**43.557**	2.428	-	**2.428**	5,6%
Stage 3	-	35.076	**35.076**	-	7.986	**7.986**	22,8%
	878.077	**35.076**	**913.153**	**8.162**	**7.986**	**16.148**	1,8%
Overview of Commercial loans and advances by stage							
Stage 1	78.372	-	**78.372**	88	-	**88**	0,1%
Stage 2	1.014	-	**1.014**	10	-	**10**	1,0%
Stage 3	-	57	**57**	-	9	**9**	15,8%
	79.386	**57**	**79.443**	**98**	**9**	**107**	0,1%
	957.463	**35.133**	**992.596**	**8.260**	**7.995**	**16.255**	7,0%

Due to an active credit management department and a strict on-boarding policy for new cardholders we have a low coverage and impaired ratio in stage 1. A significant change in the outstanding amounts will not lead to a significant change in our provision. A 100 million change in our outstanding in stage 1 leads to an increase of a provision of 1 million.

Performing loans and advances have a maximum of 90 days past due. Non-Performing loans and advances are more than 90 days past due, for which the customer has committed fraud or has gone bankrupt.

IMPAIRMENTS BREAKDOWN

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

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

(in thousands, €)

Impairments allowance for Consumer per stage 2019	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	**7.958**	**2.049**	**8.425**	**18.432**
Orginated or purchased	8	-	-	8
Transfers to stage 1	94	(94)	-	-
Transfers to stage 2	(1.436)	1.440	(4)	-
Transfers to stage 3	(49)	(1.486)	1.535	-
Write-off	-	-	(2.124)	(2.124)
Recoveries	-	-	-	-
Unearned interest accrued	-	-	155	155
Remeasurements	(841)	519	-	(322)
Balance at 31 December 2019	**5.734**	**2.428**	**7.987**	**16.148**

(in thousands, €)

Impairments allowance for Consumer per stage 2018	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	**8.680**	**2.538**	**8.546**	**19.764**
Transfers to stage 1	175	(46)	5	134
Transfers to stage 2	(805)	237	3	(565)
Transfers to stage 3	(92)	(680)	559	(213)
Write-off	-	-	(688)	(688)
Recoveries	-	-	-	-
Balance at 31 December 2018	**7.958**	**2.049**	**8.425**	**18.432**

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

(in thousands, €)

Impairments allowance for Commercial per stage 2019

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

Impairments allowance for Commercial per stage 2018

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	**101**	**12**	**14**	**127**
Transfers to stage 1	1	-	-	1
Transfers to stage 2	2	(2)	6	6
Transfers to stage 3	2	1	(3)	-
Write-off	-	-	(8)	(8)
Balance at 31 December 2018	**106**	**11**	**9**	**126**

9.18. Property and Equipment

Accounting policy for property and equipment

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

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

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

Accounting policy for leases

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

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

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

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

(in thousands, €)

	Furniture & Mechanical equipment	Hardware	Right of use assets	Total
Balance at 1 January 2018	**1.690**	**737**	**-**	**2.427**
Additions	145	77	-	222
Depreciation	(349)	(424)	-	(773)
Balance at 31 December 2018	**1.486**	**390**	**-**	**1.876**
Balance at 1 January 2019	**1.486**	**390**	**8.441**	**10.317**
Additions	405	1.276	737	2.419
Depreciation	(369)	(315)	(1.509)	(2.193)
Balance at 31 December 2019	**1.522**	**1.351**	**7.669**	**10.543**
Cost as at the end of period	3.547	5.811	9.179	18.537
Cumulative depreciation at end of period	(2.025)	(4.460)	(1.509)	(7.994)

Right of use assets includes € 6.7 million related to the lease of buildings and € 1 million related to leasing of cars.

9.19. Other Assets

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

(in thousands, €)

	31 December 2019	31 December 2018
Accrued other income	16.335	19.925
Prepaid expenses	9.489	7.792
Other receivables	934	1.364
Other current assets	2.885	1.622
Balance at the end of period	**29.643**	**30.703**

Accrued other income relates to partners Visa, Mastercard and the Visa Inc. deferred cash consideration (see for details). Other current assets relate to administrative processing of the settlements with Visa and Mastercard which are settled in January 2020.

9.20. Investments

Accounting policy for investments

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

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

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

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

(in thousands, €)

Investments	**Ownership**	**31 December 2019**	**31 December 2018**
- Shares Visa Inc.	<1%	47.407	31.336
- Shares Visa Belgium	<1%	11	231
- Wireless Interactive & NFC Accelerator 2013 B.V.	10%	-	-
Balance at the end of period		**47.418**	**31.567**

Unrealised gains/(losses)	**Fair Value**	**Historical value**	**Gross unrealised gains/(losses)**
Balance at 31 December			
2018	31.567	17.029	14.538
2019	47.418	17.029	30.389
Change in fair value in investments			15.851
Realised gains/(losses) income statement	-	208	208
Unrealised gains/(losses) of current period			**16.059**

Breakdown of Fair Value	**VISA Inc.**	**VISA Belgium**	**WIN B.V.**	**Total**
Balance at 1 January	**31.336**	**231**	**-**	**31.567**
Acquisition(s)	-	-	-	-
Revaluations	16.071	(220)	208	16.059
Received dividend	-	-	(208)	(208)
Balance at end of period	**47.407**	**11**	**-**	**47.418**

9.21. Intangible Assets

Accounting policy for intangible assets

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

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

(in thousands, €)

	31 December 2019	31 December 2018
Balance at 1 January	2.290	2.922
Amortisation expenses	(468)	(632)
Balance at the end of period	**1.822**	**2.290**
Cost as at the end of period	11.864	11.864
Cumulative amortisation as at the end of period	(10.042)	(9.574)

Intangible assets consist of credit card portfolios acquired in the past.

9.22. Current Company Tax Assets and Liabilities

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

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

(in thousands, €)

	Total
Balance as 31 December 2018	
Assets	-
Liabilities	(5.732)
Total	**(5.732)**
Balance as 31 December 2019	
Assets	2.880
Liabilities	(29.189)
Total	**(26.309)**

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

Due to cumulative losses in Germany, this applies only to the activities in the Netherlands.

9.23. Deferred Company Tax Assets and Liabilities

Accounting policy for deferred tax assets and liabilities

The accounting policy for deferred tax assets and liabilities is included in 'Income tax expenses' (see Note 9.14).

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the income statement as tax expense or statement of comprehensive income.

(in thousands, €)	Total
Balance as 31 December 2018	
Assets	118
Liabilities	(3.414)
Total	**(3.296)**
Balance as 31 December 2019	
Assets	1.826
Liabilities	(2.748)
Total	**(922)**

Specification of deferred tax assets adj	Movement	Total
Balance at 1 January 2019		107
Property, plant and equipment	P&L	(19)
Other intangible asset	P&L	-
Deferred income and accrued expenses	P&L	-
Provisions	P&L	8
Tax loss carryforward	P&L	-

Balance at 31 December 2018		**118**
Property, plant and equipment	P&L	-
Other intangible assets	P&L	-
Provisions	P&L	-
Tax loss carryforward	P&L	-
Other	P&L	
Balance at 31 December 2019		**118**
Gross deferred tax assets at end of period		2.880
Cumulative write down at end of period		(1.054)
Net deferred tax assets as at the end of period		**1.826**

Specification deferred tax liabilities	**Movement**	**Total**
Balance at 1 January 2018		**3.504**
Investments	OCI	-
Other intangible assets	P&L	120
Accrued income and deferred charges	P&L	-
Other	P&L	(210)
Balance at 31 December 2018		**3.414**
Investments	P&L	-
Other intangible assets	P&L	-
Accrued income and deferred charges	P&L	-
Other assets	P&L	-
Balance at 31 December 2019		**3.414**

The decline in tax assets due to carry forward losses relates to activities in Germany. Total carry forward losses at 31 December 2019 were € 0.4 million. The oldest forward loss originated in 2015. The tax losses do not expire under current German tax legislation and the position is settled directly with the German tax authorities. However, under IAS 12 a deferred tax asset should be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. An analysis carried out in 2017 showed that the probability of future taxable profit had declined significantly, justifying the write-off of the deferred tax asset.

The remaining deferred tax assets and all deferred tax liabilities relate to the Dutch activities and are settled with the parent company. The Dutch deferred tax assets do not relate to Dutch carry forward losses. ICS is part of the fiscal unity of its parent company.

Critical accounting judgements, estimates and assumptions

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

9.24. Due to Customers

Accounting policy for due to banks and customers

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

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

(in thousands, €)

	Average interest rate 2019	Year of maturity	31 December 2019	31 December 2018
Demand deposits	0,12%	on demand	312.330	291.790
Balance at the end of period			**312.330**	**291.790**

Demand deposits due to customers include customer balances on both consumer and commercial credit cards. The commercial deposits contain € 47 million of collateral (2018: € 39 million).

9.25. Due to Banks

Accounting policy for due to banks
The accounting policy for due to banks is included in 'Due to customers' (see Note 9.24).

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

(in thousands,€)

	Average interest rate 2019	Year of maturity	31 December 2019	31 December 2018
Time deposits - credit institutions - Short-term	-0,45%	2019	702.170	610.673
Time deposits - credit institutions - Long term	-0,06%	2021	503.891	610.370
Other deposits - credit institutions - Short-term	0,00%	on demand	382	150
Demand deposits - credit institutions	0,00%	on demand	-	-
Balance at the end of period			**1.206.443**	**1.221.193**

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

9.26. Other Liabilities

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

(in thousands, €)	31 December 2019	31 December 2018
Accrued fees and charges	26.597	35.698
Accounts payable and sundry creditors	72.172	55.422
Lease liabilities	9.224	-
Balance at end of period	**107.993**	**91.120**

Accounts payable and sundry creditors include amounts to be settled with Visa and Mastercard due to a backlog at year-end, as a result of which the settled amounts were not yet processed in the accounts. This has led to an increase in accounts payable.

Lease liabilities

ICS has adopted IFRS 16 with effect from 1 January 2019. The opening balance and the statement of changes of the lease liabilities at 31 December 2019 is shown below.

(in thousands, €)	
Lease liabilities	**31 December 2019**
Balance at 1 January	
Adoption IFRS 16	8.441
Additions	922
Withdrawal	(139)
Balance at 31 December 2019	**9.224**

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

(in thousands, €)

Lease liabilities Maturity analysis	**31 December 2019**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	-
One to five years	2.829
More than five years	7.079
Total Undiscounted cash flow	**9.908**

9.27. Provisions

Accounting policy for provisions

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

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

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

(in thousands, €)

	31 December 2019	31 December 2018
Provision for Expected credit loss on loan commitments and guarantees	3.627	3.999
Provision for legal matters	35.520	55.290
Provision restructuring staff	8.946	22.865
Provision jubilee	781	999
Provision holiday rights	971	971
Provision other	778	209
Balance at end of period	**47.623**	**84.333**

ICS VISA MasterCard
INTERNATIONAL CARD SERVICES

(in thousands, €)

	Expected Credit loss	Co-branders	Legal	Restructuring	Jubilee	Holiday rights	Other	Total
Balance at 1 January 2018	**3.926**	**432**	**74.230**	**23.918**	**941**	**1.088**	**176**	**104.711**
Additions	73	-	30.272	-	-	-	-	**30.345**
Withdrawals	-	(432)	(49.212)	(1.053)	58	(117)	33	**(50.732)**
Release of unused provisions	-	-	-	-	-	-	-	**-**
Balance at 31 December 2018	**3.999**	**-**	**55.290**	**22.865**	**999**	**971**	**209**	**84.333**
Balance at 31 December 2019	**3.999**	**-**	**55.290**	**22.865**	**999**	**971**	**209**	**84.333**
Additions	616	-	8,075	-	24	-	3.822	**12.537**
Withdrawals	(988)	-	(19.145)	(13.919)	(242)	-	(3.253)	**(37.547)**
Release of unused provisions	-	-	(11.700)	-	-	-	-	**(11.700)**
Balance at 31 December 2019	**3.627**	**-**	**32.520**	**8.946**	**781**	**971**	**778**	**47.623**

PROVISION EXPECTED CREDIT LOSS ON LOAN COMMITMENTS AND FINANCIAL GUARANTEES

ICS formed a provision for loan commitments and financial guarantees. At year-end this provision amounted to € 3.6 million (2018 € 4.0 million).

PROVISION LEGAL

The Legal provision consists of two provisions, namely ‘Wwft’ and ‘Redress scheme’.

Banks are considered gatekeepers of the financial system, which is a responsibility that ABN AMRO takes very seriously. ICS invests significant resources to fulfil its role as a gatekeeper in general and specifically in combating financial crime. We work closely with regulators, governments, other banks and other authorities. As a result of internal review and the latest supervisory findings, ICS has decided to accelerate its Customer Due Diligence (CDD) program in order to comply with anti-money laundering and terrorist financing legislation. ICS has developed several remediation programs, also in order to accelerate the implementation of remediation actions. Among other things, the amounts provided are based on the total number of files, the time needed to review each file and the percentage of files that will be reviewed using external resources. The total provision for this CDD program at 31 December 2019 amounted to € 30 million.

In 2019, ICS analysed and evaluated its redress scheme for issues related to granting loans in excess of its customers’ borrowing capacities and has paid out a sum of € 19.1 million in compensation. This program was close to completion at 31 December 2019, leading to a release of € 11.7 million. The resulting provision at 31 December 2019 is € 2.5 million, and can be separated into two components: € 0.4 million for compensating clients and € 2 million for operational costs for execution of the revision policy.

RESTRUCTURING PROVISION

ICS withdrew € 13.9 from the restructuring provision in 2019. This pr vision amounted to € 89 million at 31 December 2019. ICS will complete its restructuring in 2023 when a new IT platform will be in place.

JUBILEE AND HOLIDAY PROVISIONS

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

Critical accounting judgements, estimates and assumptions

ICS is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome. ICS does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, ICS takes account of a number of factors including legal advice, the stage of each case and historical evidence from similar incidents. Significant judgement is required to arrive at these estimates. Provisions for litigation are based on best estimates available at year-end.

9.28. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed 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	233.692	-	233.692
Loans to banks	685.066	-	685.066
Loans to customers	631.660	344.680	976.340
Investments	-	47.418	47.418
Property and equipment	6.590	3.953	10.543
Intangible assets	-	1.822	1.822
Deferred company tax assets	-	1.825	1.825
Other assets	29.142	501	29.643
Total asset	**1.586.150**	**400.199**	**1.986.349**
Liabilities			
Due to banks	807.258	399.185	1.206.443
Due to customers	312.330	-	312.330
Current company tax liabilities	8.225	20.964	29.189
Deferred company tax liabilities	-	2.748	2.748
Provisions	-	47.623	47.623
Other liabilities	100.318	7.675	107.993
Total liabilities	**1.228.131**	**478.195**	**1.706.326**
Net	**358.019**	**(77.996)**	**280.023**

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 favour of ICS. Furthermore, ABN AMRO Bank N.V. finances all activities of ICS at 31 December 2019 at arm's length.

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

(in thousands, €)	2019	2018
Income statement		
Interest income	7.028	7.174
Interest expense	-	-
Rebilling	(1.572)	(884)
Other operating expenses	(3.862)	(3.310)
Balance sheet (as per end of period)		
Due from banks	681.560	639.866
Other assets	-	-
Due to banks	(1.206.443)	(1.221.193)
Other liabilities	(60)	(73)

ICS VISA MasterCard INTERNATIONAL CARD SERVICES

9.30. Compensation of the Key Management Personnel

STATUTORY BOARD OF DIRECTORS

Key management personnel are those individuals who have 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 provides a breakdown of the remuneration.

(in thousands, €)

	2019	2018
Short-term employee benefits	771	646
Post-employment pension (defined contribution)	70	130
Total	**841**	**776**

In the year ended on 31 December 2019, the Statutory Board of Directors consisted of four statutory directors (CEO, CFO, CRO and Chief C&BS).

ICS does not operate a share incentive scheme. Accordingly, there were no options granted to the Statutory Board of Directors either in 2019 or 2018. ICS' statutory board members are not granted any form of variable compensation.

SUPERVISORY BOARD

Two members are employed by ABN AMRO Bank N.V. but are not remunerated for acting as Supervisory Board members. One member is paid directly by ICS. The chair of the Supervisory Board is engaged by ABN AMRO Bank N.V. as an external adviser and is paid by ABN AMRO Bank N.V.

9.31. Commitment and Contingent Liabilities

OFF-BALANCE SHEET OBLIGATIONS

The undrawn amount of limits issued to cardholders in 2019 amounted to € 7.6 billion (2018: € 7.6 billion). This amount includes ICS Netherlands and ICS Germany. The undrawn limits are revocable at ICS' discretion.

Furthermore, ICS has multiple (IT-related) contracts. The total financial obligation amounts to € 62 million, € 23 million of which expires within one year.

The total contingent liabilities can be specified as follows:

- Less than one year € 23 million
- Between one and five years € 39 million
- More than five years € - million

Following the implementation of IFRS 16 on 1 January 2019, the lease commitments have been recognised in the balance sheet.

OFF-BALANCE SHEET RIGHTS

Bank guarantees provided by ABN AMRO Bank N.V. amounted to € 0.4 million in 2019 (2018: € 0.6 million). These guarantees relate to the lease agreements.

9.32. Licenses

ICS uses the following licenses:

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

No obligations other than periodic reporting and capital adequacy related to the licences exist. With regard to the banking licence, ICS is required to pay contributions to a fund of the Dutch Deposit Guarantee Scheme. If the fund is insufficient, the remaining costs will be apportioned among the banks in line with the present system. With effect from 1 October 2012, banks are required to pay bank tax. ICS is also required to contribute to the Single Resolution Fund.

9.33. Capital

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

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

CAPITAL MANAGEMENT

The primary objectives of ICS' capital management policy is 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 maximise shareholder value.

ICS manages and adjusts its capital structure according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust its capital structure, ICS may adjust the amount of dividend paid to its shareholder, return capital to its shareholder or raise capital from its shareholder to cover a deficit.

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

REGULATORY CAPITAL

(in thousands, €)

	2019	2018
Regulatory Capital		
Equity IFRS	280.023	304.844
Adjustments	(93.934)	(46.911)
Common Equity Tier 1 Capital	186.089	257.933
Total Tier Capital	**186.089**	**257.933**
Risk weighted assets		
Credit Risk	661.141	714.620
Operational Risk	281.150	306.572
Market Risk	47.418	31.567
Total Risk weighted assets scope	**989.709**	**1.052.759**
Capital ratios		
CET1 Ratio	18,8%	24,5%
Total Capital Ratio	18,8%	24,5%

Regulatory capital consists of CET 1 capital, which comprises share capital, retained earnings including current year profit and unrealised gains and losses less accrued dividends. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Bank of International Settlements. Adjustments include unaudited profit, reversal of unrealised gains, IRB Provision Shortfall and an adjustment for insignificant holdings in financial sector entities. The above figures are based on the advanced internal rating-based approach (A-IRB). However, there have been discussions with ABN AMRO BANK N.V. and the European Central Bank (ECB) regarding the application of this approach. ICS is currently assessing the various alternatives in consultation with ABN AMRO BANK N.V.. Depending on the outcome of these discussions in the coming period, ICS will determine whether to report its capital figures on the basis of A-IRB or the standardised approach (SA) as of June 2020.

9.34. Risk Management, Funding and Capital Management

CREDIT RISK

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

CREDIT RISK APPETITE

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

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

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

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

PAST DUE AND CREDIT LOSS ALLOWANCE

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

PAST DUE

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

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

ACCOUNTING MEASUREMENT

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

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Change in credit quality since initial recognition

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

STAGE TRIGGERS OF STAGES 1, 2 AND 3

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

Quantitative stage trigger

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

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

Qualitative stage triggers

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

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

Default trigger

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

Calculation method

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

- Collective 12-month ECL (stage 1) and LECL for (stage 2 and 3) financial instruments that have similar credit risk characteristics are clustered in portfolios and are collectively assessed for impairment. A collective impairment calculation approach, based on individual parameters, is also applied for exposures of less than € 3 million.
- ICS has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the collective 12-month ECL and LECL for these financial instruments. Whereas the credit loss allowance for these assets is determined collectively, the stage for each individual financial instrument is determined separately.

Lifetime expected credit loss

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

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

Forward-looking information

Three different scenarios for future economic developments are incorporated into the IFRS 9 expected credit loss calculation and risk stage determination in a probability-weighted manner (at 31 December 2019: baseline 60%, up 15%, down 25%). These scenarios are developed at least quarterly and reviewed at each reporting date. The 28 macroeconomic variables (including GDP, unemployment rate, housing price index, oil price and 3-month Euribor) are forecasted and used for the expected credit loss calculation and selected for each specific portfolio separately. The variables we use are based on statistical relevance and expert judgement. ICS has aligned its forward-looking scenarios with those used in the budgeting process. Specific forecasts of macroeconomic variables are made for two to three years, while subsequent periods gradually align to the long-term average.

Macroeconomic scenarios and sensitivity

Over the past four quarters macroeconomic scenarios and sensitivity forecasts have been impacted by a less positive economic outlook, specifically owing to changes in the expectations regarding Brexit, the escalation of the trade war and the fact that interest rates will remain low for a lengthy period. ABN AMRO Group Economics accordingly adjusted its forecasts to reflect this less positive outlook during 2019. The weights in the scenario, which are reviewed quarterly, remained at 60%, 25% and 15% in the base, negative and positive scenarios respectively throughout the year.

MACROECONOMIC SCENARIOS IN 2019

Scenario	Weight	Macroeconomic variable	2019	2020	2021	2022	2023
Positive	15%	Real GDP Netherlands[1]	1,8%	3,2%	3,5%	3,2%	2,8%
		Unemployment[2]	3,4%	3,0%	3,0%	2,9%	2,9%
		House price index[3]	7,1%	9,7%	9,6%	7,3%	5,0%
Baseline	60%	Real GDP Netherlands	1,7%	0,9%	1,2%	1,6%	1,6%
		Unemployment	3,4%	3,7%	4,0%	4,1%	4,1%
		House price index	6,8%	4,0%	3,0%	3,0%	3,0%
Negative	25%	Real GDP Netherlands	1,5%	-0,5%	0,0%	0,2%	0,8%
		Unemployment	3,5%	4,7%	6,0%	6,5%	6,8%
		House price index	6,6%	2,9%	-1,0%	-4,5%	-3,3%

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

2 Unemployment Netherlands, % of labour force

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

Payment arrangements

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

Write-off

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

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

Recovery

When a loan is written off against the provision as mentioned, ICS has a special recovery process in place. ICS will always try to recover the amount that has been written off. This process may take years. The amount mentioned in Note 9.17 Impairments breakdown (€ 16.3 million) is still subject to activity in the recovery process.

(Cash) Collateral

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

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

CREDIT RISK MEASUREMENT

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

The internal ratings can be mapped to equivalent Standard & Poor's rating categories as listed below (at 31 December 2019). The rating applies only to customers in the main portfolio in the Netherlands, because information regarding the probability of default in such detail is not available for the SA portfolios mentioned above.

MAXIMUM CREDIT RISK EXPOSURE

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

(in thousands, €)

	31 December 2019	31 December 2018
Assets		
Balances at central banks	233.692	227.010
Loans to banks	685.066	644.099
Loans to customers	976.340	1.064.763
Other Assets	-	30.703
Investments	47.418	31.567
Total Assets	**1.942.516**	**1.998.142**
Liabilities		
Commitments and undrawn limits	7.550.059	7.569.479
Total liabilities and commitments	**7.550.059**	**7.569.479**
Total credit risk exposure	**9.492.575**	**9.567.621**

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
   - 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 decisions are based on independent assessment. The extent and limitations of the approval mandate of authorised persons and/or committees depends on the authority delegated to them.

To reduce credit risk on commercial loans and advances, ICS approves and issues limit requests based on either (external) credit insurance or collateral. At year-end 2019, 92.6% of the total commercial limit issued was secured by credit insurance. For the remainder, 5.8% of the limit issued was fully secured with collateral and 1.6% of the limit issued forms a risk for ICS. The credit insurance covers 90% of the balance at default. Very limited collateral is received for consumer loans and advances.

CREDIT MONITORING

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

MARKET RISK

DEFINITION

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

MARKET RISK APPETITE

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

INTEREST-RATE RISK BANKING BOOK

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

FOREIGN EXCHANGE RISK

ICS operates only within the European Union and therefore has limited foreign exchange (FX) risk exposure. Clearing and settlement of financial positions is performed on a daily basis in euros. Speculative positions are prohibited by policy and therefore not held. ICS has no disposal of derivative financial instruments. FX risk in the banking book is related to cardholder transactions. FX rates in the banking book are however settled with cardholders without any FX risk for ICS. FX risk in the trading book is related to holding strategic financial investments (Visa Inc. preferred class C shares) which are denoted in US dollars. There is therefore foreign exchange risk with respect to this investment (see Note 9.20). The ALM department of ABN AMRO is responsible for managing FX risk in relation to the capital adequacy positions. An increase (or decrease) of 1% (1.13 at year-end 2019 versus 1.15 at year-end 2018) in the euro-dollar exchange rate would result in a € 0.4 million change in reported value of the total fair value through profit and loss.

MARKET RISK MEASUREMENT

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

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

	Notes	Average interest 2019	Maturity	Rate
Current accounts - credit institutions	9.15	-0,40%	Indefinite	Variable
Interest-bearing deposits - credit institutions	9.15	1,24%	1 month	Fixed
Credit card interest bearing - customers	9.16	14,87%	Indefinite	Variable
Revolving loans - consumers	9.16	8,57%	Indefinite	Variable
Loans to financial institutions - Interest-bearing	9.16	0,00%	1-7 days	Fixed
Time deposits - credit institutions - short term	9.25	-0,45%	1-3 months	Fixed
Time deposits - credit institutions - long term	9.25	0,06%	3 years	Fixed
Demand deposits - customers	9.24	0,12%	Indefinite	Variable

MARKET RISK SENSITIVITY ANALYSES

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

(in thousands, €)

	Interest rate risk				Foreign exchange risk				Other price risk			
	+100bp of IR		-100bp of IR		+1%		-1%		+3%		-3%	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Interest result	828	-	(828)	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	363	-	(363)	-	-	-	-	-
Other price	-	-	-	-	-	-	-	-	1.067	-	(1.099)	-

The following assumptions apply:

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

MARKET RISK MITIGATION

As stated above, interest-rate risk in the banking book is mitigated by transferring this risk to the ABN AMRO ALM department via the funds transfer pricing framework.

The risk related to FX rates in the banking book is also mitigated by means of settlements with cardholders without any FX risk for ICS. The FX risk in the trading book related to holding strategic financial investments (Visa Inc. preferred class C shares) which are denoted in US dollars, is not specifically managed or mitigated and the residual risk is identified as an accepted risk.

LIQUIDITY RISK

DEFINITION

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

LIQUIDITY RISK MANAGEMENT FRAMEWORK

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

LIQUIDITY RISK APPETITE

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

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

CONTINGENCY PLANNING

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

LIQUIDITY BUFFER MANAGEMENT

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

LIQUIDITY RATIOS

The Basel III framework includes two liquidity ratios: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with stable sources of funding on an ongoing basis. The regulatory minimum requirement for the LCR is 100% and is 100% for the NSFR under Basel III/CRD IV. The LCR remained above 100% during 2019. Action was taken to restructure the funding in Q1 2016 to increase the NSFR ratio to the minimum requirement levels. The NSFR has subsequently remained above 100% since Q1 2016 until the reporting date.

LIQUIDITY COVERAGE RATIO REQUIREMENT

The regulatory requirement at 31 December 2019 for the LCR is 100%. For prudential reasons, ICS maintains a higher ratio than this. The LCR at 31 December 2019 was 105.4%. The LCR is monitored daily as part of the Daily Dashboard. The LCR and the required buffer are discussed at least on a monthly basis in the ALCO meeting. The composition remained stable in 2019, and ICS maintained a strategic range of 110 – 120% with the exception of February (108.7%, due to an outdated reference table) and December (105.4%, due to a technical error).

NET STABLE FUNDING RATIO

ICS was compliant with the liquidity requirements of the Net Stable Funding Ratio (100%) at year-end 2019. NSFR monitoring involves monthly calculation of the ratio, a forecast NSFR (horizon of 3 months and a forecast until the end of the year) and a monthly analysis of the variations. The required liquidity buffer of ICS is to a large extent predictable as result of its stable business model. The seasonal effect is recurring and for that reason an adequate buffer can be anticipated in time.

LIQUIDITY STRESS TESTING

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

ICS has a conservative approach to liquidity management. Liquidity limits are in place to ensure adequate liquidity. ICS also already complies with the future liquidity requirements of the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). At year-end 2019, the LCR was 105.4% and the NSFR was 132,6% (2018: 130%). The regulatory requirement at 31 December 2019 for the LCR and NSFR was 100%. These figures show that there is a significant surplus on liquidity and both ratios are well above the limits set in the risk appetite statement, with both LCR and NSFR at 100%.

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

FUNDING

ABN AMRO Bank N.V. is ICS’ main source of funding. In September 2018, ICS entered into an open-ended Facility Agreement (FA) limited to € 1,62 billion (2018 € 1,62 billion). ICS does not expect to obtain funding from any other banks.

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

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

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

DIVIDEND POLICY

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

CONTRACTUAL AND BEHAVIOURAL MATURITY CALENDAR

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

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

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

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

Based on the analysis at 31 December 2019, both the contractual and behavioural maturity are forecast to generate positive cumulative net cash flows, which supports the conclusion that ICS' funding and liquidity structure is adequate.

MATURITY BASED ON CONTRACTUAL UNDISCOUNTED CASHFLOWS

The table below provides a breakdown of the above liquidity profile of the financial liabilities of ICS at year-end 2019.

(in thousands, €)

Matuity based on contractual undiscounted cash flows 2019

	On Demand	Up to one month	Between one three months	Between three and one year	Between one and 5 year	More than 5 years	Not deter-mined	Total
Liabilities								
Due to customers	312.330	-	-	-	-	-	-	312.330
Due to banks	-	169.061	338.503	29.694	399.185	-	-	1.206.443
Other liabilities	7.675	101.706	5.596	30.303	-	-	-	145.280
Shareholders equity	-	-	-	-	-	-	280.022	280.022
Total equity and liabilities	**320.006**	**270.766**	**344.099**	**329.997**	**399.185**	**-**	**280.022**	**1.944.075**

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

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

INFORMATION SECURITY RISK

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

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

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

FRAUD RISK

The Fraud Risk Management department is responsible for the prevention and detection of credit card fraud (involving, for example, web account takeovers, internet fraud and phishing). Card Not Present fraud (online fraud) is expected to continue to be the biggest fraud risk category in the near future. ICS ultimately recovered 76.4% of gross fraud losses in 2019 (76.5% in 2018). ICS continues to focus on reducing operational losses related to fraud.

BUSINESS CONTINUITY RISK

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

OPERATIONAL RISK MITIGATION

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

RISK EVENT MANAGEMENT

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

BUSINESS CONTINUITY MANAGEMENT

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

STRATEGIC RISK ASSESSMENT

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

CHANGE RISK ASSESSMENT

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

RISK CONTROL SELF-ASSESSMENT (RCSA)

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

MONITORING CONTROL & TESTING

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

BUSINESS RISK

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

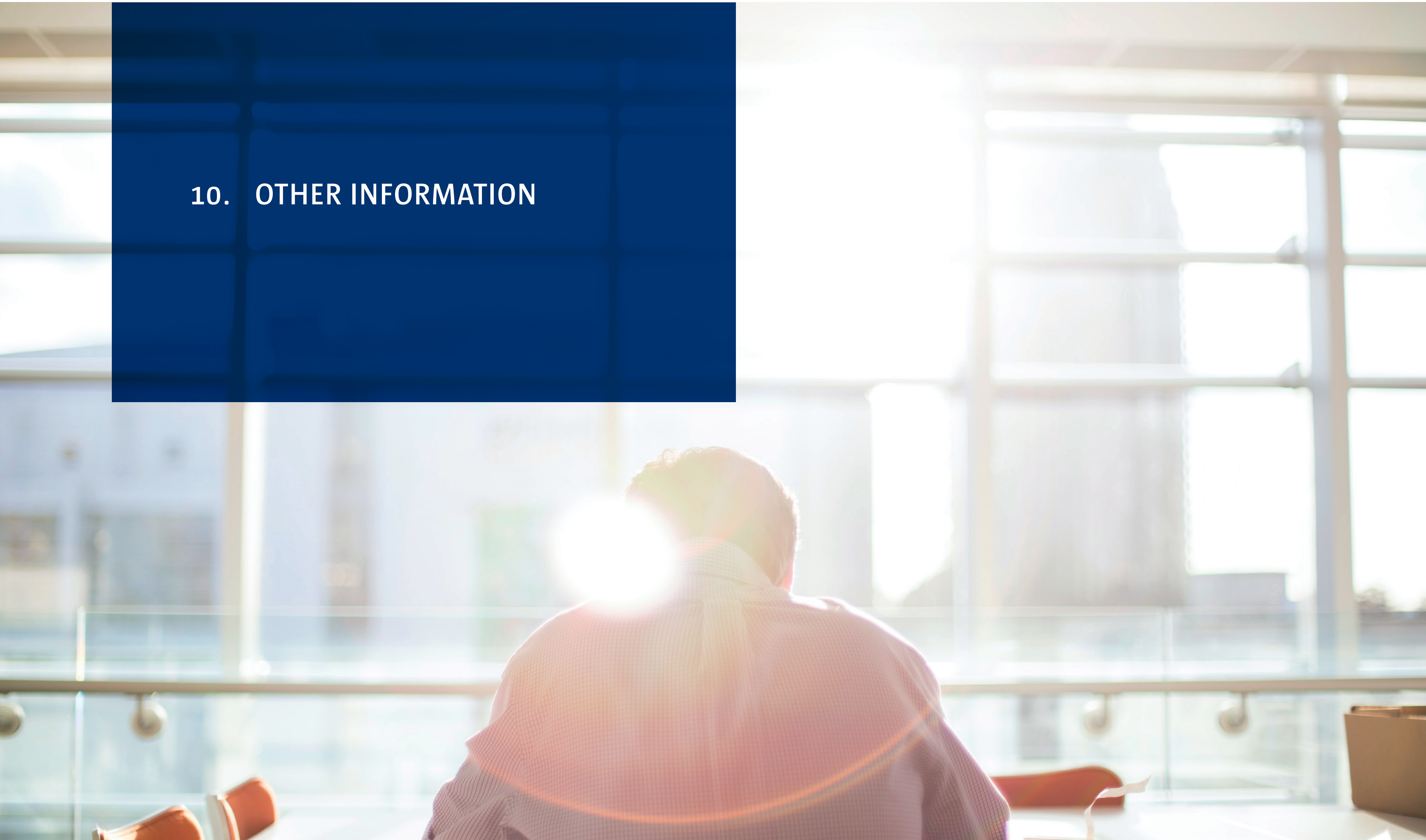
9.35. Post-Balance Sheet Events

The current Covid-19 outbreak is impacting the global economy and ICS' financial position and results. More specifically there is an impact on credit card turnover, instruments measured at fair value and expected credit losses. ICS is currently monitoring the financial impact due to the Covid-19 outbreak (on its cardholders) closely. ICS is offering cardholders the opportunity to opt for a 'payment holiday'. During a payment holiday loan repayments and interest are suspended for a period of three months. ICS has estimated the impact of this repayment holiday at around € 15 million in 2020.

9.36. Profit Appropriation

The reported annual profit amounts to € 65.2 million. Management Team decided to add the total profit of 2019 to the other reserve.

10. OTHER INFORMATION



10.1. Statutory Rights for Profit Appropriation

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

10.2. Definitions of Important Terms

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

11. INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of International Card Services B.V. (hereafter: ''ICS''), based in Diemen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ICS as at 31 December 2019, and of its result and its cash flows for 2019 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 2019.
- The following statements for 2019: 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 ICS in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty. ICS is confronted with this uncertainty as well, which is disclosed in the Management report section Outlook 2020 (page 21), and in the disclosure about events after the reporting period (section 9.35 post-balance sheet events). We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Our audit approach

Our understanding of the business

ICS issues its own credit cards and credit cards in cooperation with partners such as retailers, banks and interest groups. We paid specific attention in our audit to a number of areas driven by ICS its operations and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality	€ 4.1 million (2018: € 4.7 million)
Benchmark applied	5% of profit before taxation (excluding one-off related to the addition to the Provision for legal matters).
Explanation	Based on our professional judgment, a benchmark of 5% of profit before taxation is an appropriate quantitative indicator of materiality. The profit before taxation best reflects the financial performance of ICS.

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 € 205 thousand which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

ICS VISA MasterCard INTERNATIONAL CARD SERVICES

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

Our responsibility

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

Our audit response related to fraud risks

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

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

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 9.4 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

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

Our audit response related to risks of non-compliance with laws and regulations

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

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We make reference to the key audit matters on provisions for legal claims and compliance matters and on the investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider 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. Refer to the Emphasis of matter paragraph.

Teaming and use of specialists

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

General audit procedures

Our audit further included among others:

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

Our key audit matters

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

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

IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES CUSTOMERS

RISK	OUR AUDIT APPROACH	KEY OBSERVATIONS
At 31 December 2019, the loans and advances customers amounted to € 976.3 million with an associated loan impairment allowance for loans and advances customers amounting to € 16.3 million. The bank's assessment of significant increase in credit risk, correct stage classification and the determination of the loan impairment allowance is part of the risk estimation process, and requires significant management judgment. Key judgments include the measurement of (deteriorated) credit risks and defaulted loans and advances, modelling assumptions used to build the models that calculate the ECL per stage, assumptions used to estimate the impact of multiple economic scenarios and post model management adjustments. As the loans and advances customers and the associated loan impairment allowance are material to the bank's balance sheet and income statement and due to the high estimation uncertainty on the loan impairment allowance, we consider this a key audit matter for our audit. The provision for loan losses for lending is disclosed in note 9.17 Loans and advances - customers of the annual financial statements. Related credit risk disclosures are included in note 9.34 Risk management.	We have assessed and tested the design and operating effectiveness of the controls within the collection and risk management processes, including monitoring of arrears and the period end estimation process for determining impairment allowances including the governance over the collective provisioning. We challenged, supported by our specialists, the model based assumptions underlying the impairment identification and quantification including estimates of recoveries on foreclosed clients and including the Company's model development and validation processes outsourced to ABN AMRO Bank N.V. We performed substantive and analytical procedures over data, models, impairment calculation and management overlays. Finally, we assessed whether the disclosures are accurate and in compliance with EU-IFRS requirements.	Based on our procedures performed, we consider the loan impairment allowances reasonable.

PROVISIONS FOR CONDUCT AND REGULATORY MATTERS - REFER TO NOTE 9.27 (PROVISIONS)

RISK	OUR AUDIT APPROACH	KEY OBSERVATIONS
At 31 December 2019, the legal provision covering conduct and regulatory matters amounts to € 32.5 million. The continued increased regulatory findings gives rise to a high level of judgment in determining appropriate provisions and disclosures. ICS has to comply with applicable laws and regulations, including those in relation to client acceptance and payment transactions. An amount of € 30 million is provided for in relation to the Know Your Client (KYC) and remediation programs. This part of the legal provision is a liability of uncertain timing or amount and requires considerable judgment of the bank. Due to this high level of judgment and the significant amounts involved, we consider this part of the provision a key audit matter. The critical accounting estimates and judgments and provision amounts are disclosed in note 9.4 Critical accounting judgments, estimates and assumptions and note 9.27 Provisions.	For the provisions recognized we assessed whether these provisions are reasonable and meet the ICS' accounting policies and other legal and regulatory requirements. We challenged the underlying assumptions and tested the data used. We have obtained an understanding of the entity level controls and the legal and regulatory framework of the bank. We inquired with the Management, Legal and Compliance representatives of ICS to understand and discuss existing and potentially new constructive and legal obligations, and regulatory matters. We examined the relevant regulatory and legal correspondence to assess developments in regulatory findings and observations. We periodically met with the executive board members to understand the significant and potential obligations and challenged their views based on our audit procedures performed, knowledge of the bank and changes in the regulatory environment. We read the minutes of the supervisory board and statutory board of directors. Furthermore, we obtained legal letters from external lawyers to understand regulatory and legal matters. In line with auditing standard 250, we performed an analysis of the shortcomings as identified by the Dutch Central Bank in the KYC process and transaction monitoring process and the remediation thereon. We examined the level of provisioning, performed test of details and assessed the assumptions and judgments made by the bank. Especially in the area of being compliant to the Anti-Money Laundering and Counter Terrorism Financing Act, we involved our internal specialists. Possible outcomes were considered by us for material provisions to independently assess the reasonableness of the judgment applied by the bank. Finally, we assessed the completeness and accuracy of the disclosures related to provisions and whether these disclosures are in compliance with EU-IFRS requirements.	Based on our procedures performed we consider the provisions to be reasonable. The disclosure on provisions is considered adequate and appropriate and meets the requirements under EU-IFRS. We highlighted the following to the Audit Committee: • The Customer Due Diligence provision remains sensitive to key assumptions of which the most significant is estimated remediation time spent per file. Management's estimate was within our range of outcomes based on the current information available. • We note that the required enhancement programs receive continuous attention from Executive Board, Audit Committee and Supervisory Board. • We are satisfied that the legal and other provisions are easonable.

INFORMATION TECHNOLOGY

RISK	OUR AUDIT APPROACH	KEY OBSERVATIONS
ICS is dependent on their IT infrastructure for the continuity and reliability of their business processes including financial reporting, this also includes the outsourced IT infrastructure. ICS continuously makes investments to further improve the IT environment and IT systems. 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 Risk Management, Funding and Capital Management.	We obtained an understanding of the IT organization and developments in the IT infrastructure to analyse the impact on the bank's processes. We tested the IT general controls related to logical access and change management and application controls relied upon for financial reporting and embedded in ICS' key processes. In some areas we performed additional procedures on access management and related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or from external factors such as reporting requirements. We assessed the reliability and continuity of electronic data processing to the extent necessary within the scope of the audit of the financial statements. In addition, our audit procedures consisted of assessing the developments in the IT infrastructure and analysing the impact on the IT organization.	For the audit of the financial statements we found the reliability and continuity of the information technology acceptable.

Report on other information included in the annual report

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

- The management board's report.
- Other information as required by 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 substantially 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 management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we have audited prudential reporting to the Dutch Central Bank as required by Dutch Law.

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 ICS'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 ICS 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 ICS's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Communication

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

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

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

Amsterdam, May 29, 2020
Ernst & Young Accountants LLP

P.J.A.J. Nijssen