International Card Services

International Card Services B.V.

Annual Report

For the year ending on
31 December 2022

International Card Services

Content

In this report, we look back over the financial performance of International Card Services B.V. (ICS) in 2022 and consider future developments, in 2023 and beyond. We describe how we create value for our stakeholders, not just as a bank and payment services provider, but also from the perspective of an employer and our role in society. We describe our purpose, vision and mission, our strategy, our activities and our financial and non-financial results for 2022, in accordance with legal requirements.

International Card Services

Content

Content

Content

Introduction

1.1 ICS Profile

Our purpose is clear: carefree payments everywhere. We believe that we have to offer our customers and partners relevant, trustworthy and secure payment products and services to create value now and in the future. In addition, our core values - courage, insight and collaboration - are the foundation of our purpose. In a European context, ICS is a card issuer and attaches great importance to entrepreneurship, as volatile market conditions so demand.

We act with our customers in mind; we want to make payments as carefree as possible for them.

Courage

It takes courage to speak out, but that is what is needed to enable us to move forward and improve. We act with our customers in mind; we want to make payments as carefree as possible for them. Getting things done requires ownership and responsibility. With these qualities, and thinking in terms of opportunities, we can sustain continuous improvement.

Insight

We make fact-based decisions to offer customers a suitable solution based on their needs. We ask each other for help and feedback, which means reflecting on our own actions. Transparency is essential and we proactively communicate our considerations and share results to determine the best solution for our customers.

Collaboration

It is vital that we connect in a variety of ways with society, our customers and stakeholders, and ourselves. We listen to each other and show interest in others, regardless of their status, background or opinion. We rely on each other's expertise to achieve success for our stakeholders. It makes us stronger and ensures that we can fulfil our purpose.

Customers

We have been issuing Mastercard and Visa credit cards in the Netherlands for more than 35 years. With almost 2.7 million credit cards currently being used by customers, ICS is the market leader in the Netherlands and a significant player in Germany. We serve both consumer and commercial markets. We also offer financial services other than credit cards.

Dutch company with a branch in Germany

ICS has been a 100%-owned subsidiary of ABN AMRO Bank N.V. since 2010. Our main office is in the Netherlands, but we also have a branch office in Germany. We are a fully licensed banking institution and a principal member of Visa and Mastercard. ICS issues its own credit cards, such as Visa World Card and Mastercard, as well as co-branded credit cards in association with retailers, banks and interest groups. For example, ICS issues the ABN AMRO Credit Card, the ANWB Credit Card and the World Wildlife Fund Card.

Vision and mission

We are aware that the payment ecosystem is evolving rapidly. The emergence of new players and new technologies are making transactions easier, but this must be accompanied by enhanced security, compliance and ease of use. Our mission is to offer our customers and partners relevant, reliable and secure payment products and services to create value now and in the future.

Strategy

ICS is a company in change. We realise that new technologies are making payment transactions easier. Speed and ease of payment are crucial if the transaction is secure; our purpose is carefree payments everywhere. To achieve our strategic goals, we have refined our new medium-term strategy (2023 – 2026) from three to six pillars:

Existing products

We add new (self-service) functionalities and features to current products. We up- and cross sell and increase promotion and distribution to current customer segments. Moreover, we will enter new markets with adapted products to optimise revenues. This is how we will build our customer base in the coming years and increase engagement with our existing customers.

New products

We will broaden our product offering by introducing new Pay Later solutions, entering new product/market segments (e.g., mobility) and offering current banking capabilities. In this way, we strengthen our brand relevance, create new revenues, and reduce the cost per card.

People

We strengthen (leadership) skills and knowledge for both employees and managers. We improve inter-departmental cooperation to enhance employee engagement and increase cooperation.

Learning organisation

We increase our learning and adaptive capacity. We strengthen our lean and agile way of working. Process efficiency will be improved using Business Process Management (BPM) and interactive dashboards. In this way, we enhance seamless customer service based on customer feedback, improve execution power and encourage fact-based decision-making.

Stakeholders

We manage our stakeholders more proactively and execute the main regulatory themes in order to control the risks. In this way, we ensure that we maintain our licence to operate and continue to work on customer focus.

Future-proof organisation

In proper consultation with ABN AMRO, it was decided to stop Aurora mid 2022 because it turned out to be too complex and ambitious. In 2023, we will consider how to follow up by investigating the best solution for IT.

New credit and mobility products are part of our strategy for the coming years.

1.2 Foreword CEO

As predicted to some extent in the previous annual report, 2022 has been another turbulent year. The year began with continued onerous COVID-19 measures and mandatory working from home. After these measures were relaxed, we were faced with the invasion of Ukraine by Russia. Economic conditions were affected considerably. There were energy shortages, inflation and rising interest rates. Many people struggled financially as a result.

Board changes

2022 was also a year that saw several board changes. It was also decided to bring back the statutory positions to three instead of four. The CCO role was transferred to a Director's position (as member of the Management Team).

Capable replacements were quickly found. CCO Glenn Mac Donald was succeeded by David Compier as of Director Customer and Business Solutions, CEO Maurice Koot was succeeded as from 15 March 2023 by David Minderhoud (former CEO of Alfam, a subsidiary of ABN AMRO) and Martine Zwiers, also from ABN AMRO, was appointed as CRO with effect from 1 May 2023. The vacancies of CEO and CRO were filled ad interim by CFO Corinne Weeda-Hoogstad.

The Supervisory Board was again completed with two appointments following the departure of Erica Kostelijk and Gwen van Berne. They are succeeded by Mel Jacobs-Kemps and Jane Lobbrecht with the respective focus areas of IT and Audit and Risk.

Financial

In summary, we would describe the results for 2022 as loss-making and fragile. We see recovery in the use of our cards compared to 2021 (card spending +34%). Furthermore, the number of cards - despite Remediation and further implementation and embedding of the Wwft - remained stable (+0.25%).

In contrast, our operating costs and one-off costs have risen sharply. Most significant one-off was the addition to the Kifid compensation scheme due to the increase of the number of clients involved and the enhancement of the calculation method. This as a result of our commitment to continuously monitor our duty of care obligations. The financial impact is €38.3 million in 2022.

We continue to steer towards new revenues and cost control. In recent years, a significant part of our income has been structurally lost. In 2022, we have seen a substantial decline in credit outstanding and, with it, our income from credit. New sources of income remain important. New credit and mobility products are part of our strategy for the coming years.

In summary, we see a negative result for 2022 of -€27 million (2021: -€29 million).

Strategy

At the end of 2022, we presented a new medium-term strategy (2023-2026). Via six Ask-me-Anything sessions, all employees were strongly involved in this strategy to ensure proper anchoring within the organisation. More substantive information on the strategy can be found in section 3.2 of this annual report.

Customer contact

By nature, we consider customer service extremely important. We therefore measure the so-called NPS score annually: it has been among the highest in the financial market for many years. Over 2022, the NPS score was again excellent, though slightly lower than in the previous year (2022: 23, 2021: 24). It only gives us more motivation to do even better in the coming year.

For instance, we introduced our chatbot at the end of 2022. The obvious aim of this is to serve our customers even better and enable them to perform simple actions such as reporting changes themselves. A lot was also achieved in the app field. The year target of app activations was exceeded by a wide margin and the ICS business app was renewed to offer customers more convenience and overview.

Commercial

In commercial terms, we can describe the 2022 financial year as particularly active. At the beginning of 2022, our co-brander De Bijenkorf unfortunately discontinued the Bijenkorf Card. To retain affected customers as much as possible we made them a good offer in the form of the ICS Mastercard Gold. With a particularly successful campaign, in 2022 we were able to retain 85% of our Bijenkorf customers with this offer.

In addition, both ANWB and ABN AMRO added the ICS Go Card to their product range. This has resulted in tens of thousands of new users who may switch to one of our other Cards in the future. And as further success: the ICS Go Card was lauded as an innovation at a large-scale Marketing Event and the ICS website was crowned website of the year 2022 in the financial sector.

PR-wise, we are proud of the introduction of our ICS Credit Card Facts. Many media outlets picked up our posts. With our new episodes of Fraud Fighters, we warned about fraudsters and their scamming methods. Finally, we rose in the Management Team rankings of entrepreneurs, resulting in an interview in the management magazine Sprout.

New partners

Traditionally, ICS works closely with its partners and co-brands. In 2022, we welcomed as a partner the new initiative Whoppah. In April 2022, Fleetcor became our newest co-branded mobility partner with which we launched our first product (the Travelcard) in 2023. This is a sector where we see many opportunities. Signs of this are also the increasing possibilities to check in on public transport with your credit card. We also deepened the existing partnership with Samsung.

> In short, 2022 was a year of many positive and negative events.

Employees

Via the aforesaid Ask-me-Anything sessions, we paid extra attention to the new strategy. This was something wanted by our employees, as evidenced by the Employee Engagement Survey we conducted. A new employee initiative was the establishment of 'ICS university' in which relevant market developments are explained by experts from our own ranks for all interested colleagues. For example, the first 'university' covered the upcoming introduction of the debit card.

Information Technology

In mid-2022, an analysis was conducted regarding the status of IT. With proper consultation with ABN AMRO, it was then decided to stop Aurora, the IT transformation. The Aurora programme turned out to have been very ambitious and ended up ultimately too complex. In 2023, we will consider how to follow up with the IT renewal.

In short, 2022 was a year of many positive and negative events. It pleases me to observe how, despite all the changes, our employees continue to have a very positive attitude towards ICS and are committed to a bright future. Many thanks for that.

David Minderhoud CEO

1.3 Infographic

2.7 Million
2.7 million credit cards in circulation

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

Partners
ICS issues credit cards in cooperation with **17 co-branding partners**

Guarantee
Customers are covered by the deposit guarantee scheme up to **100.000 euro**

1.000
Around **1.000** in- and external **employees**

Service
High **levels of** customer **satisfaction**

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

106 Million
In 2022, ICS processed **106 million transactions**

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

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

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

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

Report of the Supervisory Board

The Supervisory Board is pleased to present the ICS Annual Report and Financial Statements for 2022, as prepared by the Board of Directors. The past year has again been a very challenging year. From a commercial perspective we noted a slight recovery. Legislative and IT developments remain big challenges. The Supervisory Board has monitored these developments closely with the Board of Directors. The financial results for 2022 were disappointing but the Supervisory Board is satisfied with the efforts made by the Board of Directors and employees of ICS to deal with the difficult circumstances. The Supervisory Board is confident that gradual recovery will put ICS in a better position.

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

2.1 Composition of the Supervisory board

At the end of 2022 the Supervisory Board consists of three members. In September 2022, Ms M.L.C. Jacobs-Kemps, succeeded Ms E.E. Kostelijk, who stepped down due to a new assignment within ABN AMRO at the end of 2021. Ms M.L.C. Jacobs-Kemps is CIO of Wealth Management & Corporate Banking within ABN AMRO and has great affinity and expertise in large change projects and IT. At the end of October 2022 Ms G. van Berne stepped down due to another new assignment. In March 2023, Ms J.E. Lobbrecht was appointed as her successor. An experienced senior manager with an affinity for the world of payment services. Ms Lobbrecht previously worked at Triodos Bank and ING. An overview of the current members of the Supervisory Board can be found in Section 7.2. The Supervisory Board would like to thank Ms E.E. Kostelijk and Ms G. van Berne for their valuable contribution during the assignment period.

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

The responsibilities and duties of the Supervisory Board are laid down in the Supervisory Board regulations and are described in Section 7.4 “Supervisory Board”. These regulations supplement the responsibilities and duties assigned to the Supervisory Board by Dutch law and by the ICS Articles of Association.

2.2 Supervisory Board meetings

In accordance with Supervisory Board regulations, the Supervisory Board held six regular meetings over the past year. The revised strategy, the financial results and specific the Kifid compensation scheme, and the progress made in terms of the business strategy and of stopping the Aurora programme were discussed with the Board of Directors at these meetings. The Supervisory

Board is pleased with the revised strategy and endorsed the main pillars in this strategy. In the second part of 2022 the IT programme had to be stopped because of insufficient results. The Supervisory Board supported this decision. ICS is reflecting on the best way forward. The Supervisory Board also reviewed various HR matters, such as the Employee Engagement Survey, Talent Management and Succession Planning.

At the end of December 2022, the CEO of ICS, Mr. M.M.W. Koot decided to step down. The Supervisory Board thanks him for his efforts during his assignment. Also, CCO Glenn Mac Donald decided to leave and after closing of the year in February 2023, the CRO, Mr. R.P.A. de Jong, accepted a new role within another financial institution and stepped down. We would also like to thank them for all their efforts during their assignment. CFO Corinne Weeda-Hoogstad temporarily filled the vacant CEO and CRO roles.

The Supervisory Board has been in close contact with the shareholder to fulfil both roles in the best possible way. Mr. Minderhoud, an experienced senior manager of ABN AMRO, was appointed as new CEO as from March 2023. As a replacement of the CRO, Martine Zwiers joined ICS in May 2023.

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

2.3 Risk and Audit Committee

The Supervisory Board has one regular committee, the Risk and Audit Committee. All members of the Supervisory Board are members of this committee. The responsibilities of the Risk and Audit Committee include assessing all matters relating to the principles of valuation and determination of results, internal control, financial reporting functions, internal audits, external audits, risk assessments and compliance with regulations. The Risk and Audit Committee is also responsible for monitoring the follow-up of audit findings related to, for instance, anti-money laundering, credit collections and IT controls. In case of the AML/CFT (Anti-Money Laundering/ Combating the Financing of Terrorism) controls, the Risk and Audit Committee spent a considerable amount of time in 2022 discussing the course of the AML/ CFT programme. At the end of 2022 ICS succeeded in complying with the periodic deliverables agreed with DNB, such as assigning a risk rating to all customers. The Risk and Audit Committee also discussed extensively the new developments related to the Kifid compensation scheme, including the financial impact. The Risk and Audit Committee will continue to monitor closely a.o. the progress of the AML/CFT programme and the Kifid compensation scheme in 2023.

2.4 Corporate governance

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

The coming year will again be very challenging.

2.5 Advice to the shareholders' meeting

The Supervisory Board is grateful to the Board of Directors of ICS for its cooperation in the past year. The coming year will again be very challenging. The Board of Directors of ICS has to act and react carefully to threats and opportunities so that ICS can regain its position as a financially healthy organisation.

The Supervisory Board wishes to thank ICS and its employees for their constant efforts to serve their customers over the past year and for the results they have achieved. The Supervisory Board recommends that the General Meeting approves the Annual Report and Financial Statements for 2022 and discharges from liability the members of the Board of Directors for their leadership and the members of the Supervisory Board for their supervision.

Diemen, The Netherlands, 31 May 2023
Supervisory Board
International Card Services B.V.

Supervisory Board

Mr J.G. ter Avest, Chair
Mr J. Speksnijder, member
Ms M.L.C. Jacobs-Kemps, member
Ms J.E. Lobbrecht, member (as from 1 March 2023)

Report of the Statutory Board of Directors

We are also partnering increasingly with affiliate companies that offer unique benefits to our customers.

3.1 ICS business model

ICS products can be divided into two major areas: payments and credit. To avoid cross-subsidisation, we choose to make a clear distinction between our payment services and credit products. Both areas have separate processes and policies for acceptance, monitoring and collections. In 2022, ICS extended its portfolio management to include preventive monitoring and potential default risk management. We see this as an integral part of both our credit risk management and our duty of care to our customers.

Payments

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

Commercial cards

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

Consumer cards

Most of our cards are issued to consumers. In this segment we also issue cards under our ICS label (both in the Netherlands and in Germany), as well as private labels with our co-brand partners. Our partners include banks, private banks, road assistance associations and retailers. We are also partnering increasingly with affiliate companies that offer unique benefits to our customers. ICS credit cards offer fast, safe and convenient payment. But there are many other benefits as well. All purchases are insured for at least 180 days, for instance. The delivery guarantee is important too, particularly if an e-commerce order does not arrive or the wrong item is delivered.

Consumer credit

ICS is a niche player in the Dutch consumer credit market, operating also in the German credit market through a branch in Germany. Customers can have a credit facility in addition to their credit card, allowing them to make repayments in instalments ('Spread Payment Facility' or SPF). This product was discontinued in 2021 for new applications. We are currently working on a new consumer credit proposition that better suits customers' new needs and expectations. However, introducing a socially appropriate credit offering is difficult given all the commotion around BNPL products. We aim to both manage our credit risk and ensure that our products are in our customers' best interests and follow all rules and regulations. Responsible credit provision and debt prevention are our guiding principles in this respect. ICS has therefore introduced several measures to prevent customers from getting into arrears in the first place and to resolve arrears more quickly.

Variable interest rate

At 31 December 2021 the provision for variable interest compensation and the cost incurred in carrying out the scheme regarding revolving consumer credit with floating interest rates totalled €9 million. In 2022, the Appeals Board of the Dutch Financial Services Complaints Authority (Kifid) ruled that clients with interest rates that were not sufficiently aligned with market rates should also be compensated for compound interest (interest on interest). Also, ICS extended the compensation scheme by including the Spready Payment Facility product. As a result, the provision increased by €38.3 million, of which €2.1 million has been used in 2022, while the remaining provision at 31 December 2022 totalled €45.2 million.

3.2 Strategy

More and more payment service providers are entering the market. Fintech companies are offering competitive services and products, to the same target customers. Focusing on the customer experience for consumers, in combination with a positive contribution to sales of physical and online retailers, has led to substantial market share gains by such players over recent years.

We are aware that the payment ecosystem is evolving rapidly: new technologies are making transactions easier but these need to go hand in hand with enhanced security, compliance and ease of use. Convenience, speed and simplicity are important, as long as safety is guaranteed. ICS is therefore adding 'ease of use' to its brand values, alongside 'safety' and 'security'.

To make us stand out from other payment companies, we want to offer our customers and partners relevant, reliable, easy to use and secure payment products and services. We will reinvent ourselves, whilst also prioritising compliance with legislation and regulations, and continuing with business as usual.

Creating a solid foundation

In 2022, we worked hard to make our Company future-proof by bringing in new technologies and meeting the expectations of regulators more quickly. We will continue to do so in 2023 and beyond, creating a solid foundation by means of a flexible yet robust issuing and processing platform, as well as a way of working that is, efficient, customer centric, and compliant by design. Increased digitalisation and the adoption of agile work processes will enable us to respond rapidly to market opportunities and changing customer expectations.

We improve inter-departmental cooperation to enhance employee engagement and increase cooperation.

The medium-term business strategy for ICS can best be outlined by the six principal building blocks as mentioned above in the strategy chapter.

Existing products

We add new (self-service) functionalities and features to current products. We up- and cross sell and increase promotion and distribution to current customer segments. Moreover, we will enter new markets with adapted products to optimize revenues. This is how we will build our customer base in the coming years and increase engagement with our existing customers.

New products

We broaden our product offering by introducing new Pay Later solutions, entering new product/market segments (e.g., mobility) and offering current banking capabilities. In this way, we strengthen our brand relevance, create new revenues, and reduce the cost per card.

People

We strengthen (leadership) skills and knowledge for both employees and managers. We improve inter-departmental cooperation to enhance employee engagement and increase cooperation.

Learning organisation

We increase our learning and adaptive capacity. We strengthen our lean and agile way of working. Business Process Management (BPM) and interactive dashboards are used to improve process efficiency. In this way, we enhance seamless customer service based on customer feedback, improve execution power and encourage fact-based decision-making.

Stakeholders

We manage our stakeholders more proactively and execute the main regulatory themes in order to control the risks. In this way, we ensure that we maintain our licence to operate and continue to work on customer focus.

Future-proof organisation

In proper consultation with ABN AMRO, the decision was taken in mid-2022 to stop Aurora because it had turned out to be too complex and ambitious to achieve the desired results faster. In 2023, we will investigate the best solution for IT.

Prevention of money laundering and financing of terrorism (Wwft) act

Payment security, combating fraud and money laundering, and the financing of terrorism have absolute priority at ICS. Pursuant to the legislation and regulations on preventing and combating money laundering and terrorist financing (the Wwft Act), financial institutions must identify all their customers and record their details. As a financial service provider, we have a gatekeeper's role in this, which we take very seriously. This also fits in with our mission. We want to be the safest and most reliable payment service provider.

Through its remediation programme, ICS has approached nearly all its customers to identify themselves (again), to check the data known to ICS and to update it where necessary. ICS has identified a last group of 72 clients who will complete the remediation programme and receive their risk rating by 30 June 2023, according to the updated agreement with DNB.

3.3 Customers and developments

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

3.3.1 Customer interest and behaviour

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

Customer interest

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

This commitment is shown in various ways, in relation to our customer base in general and through special attention to financially vulnerable customers. We again made the conditions for accepting new customers more stringent during the past year.

Customer behaviour

2022 began with a lockdown due to COVID-19. Naturally, this had adverse consequences for the credit card and ICS, since people were travelling less and going out less. On the other hand, there were more online transactions for which the credit card was widely used. Thankfully, we left COVID-19 behind after the spring and credit card transactions and spending steadily increased as the year progressed. By the end of 2022, we were already seeing more transactions than before the COVID-19 outbreak in 2019.

Although ICS started working on a new credit proposition back in 2021, we have learned that this journey is difficult. This is mainly also due to social developments around the Buy Now Pay Later product. There is a lot of unrest around consumers getting into financial trouble because of Buy Now Pay Later products. Partly because of this, we do not expect to launch a new credit product at short notice.

ICS uses the Net Promoter Score (NPS) to measure customer satisfaction and experience.

Customer satisfaction

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

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

The annual NPS for 2022 was +23, weighted according to turnover distribution: consumer 86% / commercial 14%. In-depth analysis provides us with insights into key factors for increasing customer satisfaction and experience within the boundaries of our products and services.

3.3.2 Digitalisation and innovation

Digitalisation and innovation have had a big influence on ICS activities and results. We are investing heavily in the modernisation of our IT landscape. Our Innovation and Technology department is contributing to this complete transformation. Working with our partners, including Visa and Mastercard, we are shaping the flexibility and versatility that today's customers require. In addition, we have implemented several projects with an innovation perspective to enhance our customer experience and become more cost-efficient. Below are two examples of successful new initiatives:

ICS GO Card

In 2021, we launched the ICS GO Card. This card has all the features of a credit card – it can be used for car rental, hotel reservations and e-commerce, for example – but does not allow the user to spend if sufficient funds are not available. It is ideal for customers who do not qualify for a 'standard' credit card or people that want full control. The target audience is primarily in the 18-35 age group, which also requires a 'new to ICS' marketing approach. We will continue to invest in expanding the user base of the GO Card in 2023, both via our own channels and via our partners. In 2022 we expanded our number of GO Cards by nearly 20.000 cards, mainly by offering the card through our co-branders ANWB and ABN AMRO.

Affiliate partnerships

Cardholders benefit from additional advantages with their card. In 2021, we made efforts to take those benefits to the next level by implementing an affiliate partnership with Booking.com. This partnership enables us to offer year-round cardholder benefits for travel, whilst generating an additional revenue stream for ICS. In 2022 we added various partners to serve as a hub for new merchants, enabling ICS to quickly add multiple A-list brands and offer our cardholders interesting deals. In 2023 we will bring this to a next level by adding experiences and entertainment, beneficial to our cardholders and to ICS.

3.3.3 Regulatory environment

Regulatory compliance remains a key priority in the ICS strategy.

In the context of the implementation of the fourth Anti-Money Laundering Directive (AML IV) and the fifth Anti-Money Laundering Directive (AML V), ICS has committed itself to accelerating its customer due diligence (CDD) activities through an extensive remediation programme involving close to 2.7 million customers, the programme was ended in 2022. A new program started thereafter to implement AML processes into the business as usual. The continuation programme aims to reassess clients and finalize the last 72 clients brought from the remediation programme.

EBA published Guidelines on loan origination and monitoring in 2020. The guidelines have been in effect since 30 June 2021. ICS is integrating the EBA Guidelines into internal policies and processes and expects to complete this process in 2023.

Furthermore, ICS, continues to focus on its duty of care to ensure its products are in line with customer needs and interests. This includes activities such as revising and monitoring credit limits and re-assessing the borrowing capacity of our customers, as well as analysis of regulatory developments, such as the review of the European Consumer Credit Directive (CCD 2). While CCD 2 is still in the consultation phase, ICS notes that developments such as CCD 2 and EBA LO&M place additional requirements on the existing operating model of ICS, including both its products and processes which partially depend on the applicability of proportionality.

Moreover, ICS is progressing on its plan to bring all its credit risk models in line with regulations. Adequate measures have been taken to address shortcomings in the meantime.

Continuous compliance with other applicable laws and regulations is important to ICS. These laws and regulations can be complex, and subject to change and interpretation by regulators. ICS has been subject of investigation by and involved in discussions and court proceedings with the Authority for Consumers and Markets (ACM), about the remuneration of a co-brander. The District Court and Supreme Court have ruled that ICS complies with interchange fees regulations.

For further information on developments in the regulatory environment, please refer to section 5, and section 9.33.

Besides this, a Wwft reassessment provision was recognised as an operating expense of €4.9 million.

3.4 Financial developments

3.4.1 Financial results

The following table presents the key financials for the years 2022 and 2021.

(In millions of euros, unless stated otherwise)

	2022	2022*	2021	2021*
Net result	(27)	10	(29)	(14)
Operating income	146	169	133	139
Operating expense	(181)	(154)	(167)	(153)
Impairments	(2)	(2)	(4)	(4)
Cost-to-income-ratio (CIR)	123.7%	90.7%	125.8%	110.1%
Turnover	8,658	8,658	6,451	6,451
# of card transactions	106	106	90	90
Portfolio	686	686	649	649
# cards in circulation**	2,653	2,653	2,646	2,646

* Adjusted for one-off items Wwft remediation provision and Kifid provision
** In thousands

The net result was -€27 million in 2022 (2021: -€29 million). One-off items for Wwft and Kifid compensation were recognised in both years.

An additional Wwft provision of €7.2 million for the CDD remediation programme was recognised as an operating expense in 2022. Besides this, a Wwft reassessment provision was recognised as an operating expense of €4.9 million. In 2021 an additional Wwft provision of €10.8 million was recognised as an operating expense. In 2022, ICS extended the Kifid compensation scheme by including the SPF product and interest on interest. This resulted in an additional provision of €23.2 million for interest compensation recognised in net interest income (NII) and an additional provision of €15.2 million for operational expenses. In 2021, ICS initially recognised €6.3 million for interest compensation on revolving credits in NII and €3.1 million as an operating expense.

Excluding the one-off items identified above, net profit in 2022 was €10 million, therefore €24 million higher than the adjusted result for 2021.

Operating income increased by €13 million to €146 million in 2022 (2021: €133 million) mainly due to:

- Higher net fee and commission income of €35 million due to a higher turnover (+34%) and a higher transaction volume (+18%).
- Higher 'other' income of €2 million, due mainly to a favourable revaluation of the Visa Inc. Shares portfolio and the conversion of a part of the Visa Inc. C-share portfolio to Visa Inc. A-shares. For Visa Inc. A-Shares there is no sale restriction, resulting in an increase in the net value of the total Visa Inc. Share portfolio.
- Lower net interest income of €24 million, due mainly to the additional provision for interest compensations regarding Kifid and a lower credit portfolio (-/-18%).

Operating expenses increased by €14 million to €181 million in 2022 (2021: €167 million), due mainly to:

- An increase of €12 million in operational expenses regarding the Kifid provision.
- An increase of €4 million in personnel expenses, due mainly to an increase in internal FTE of 4% and the new Collective Labour Agreement (CLA).
- An increase of €1 million in rebilling expenses due to higher ALM/Treasury expenses and rebilling to ICS Germany for Compliance, Legal and Risk services.
- A decrease of €4 million in G&A expenses. IT expenses are €8 million lower, due mainly to stopping the Aurora programme. Agency and contractors' expenses are €3 million higher due to an increase in external FTEs and fraud losses increased by €1 million due to phishing, Web Account Takeovers and higher cardholder expenditure.

As a result of a higher operating income (+10%), partly offset by higher operating expenses (+8%), the cost-to-income ratio decreased from 125.8% to 123.7%. Excluding the one-off items, the cost-to-income ratio decreased from 110.1% in 2021 to 90.7% in 2022.

3.4.2 Financial position

Total assets decreased by €75 million in 2022, amounting to €1.7 billion (2021: €1.7 billion). This movement was due mainly to a decrease in loans and advances to banks to €665 million (2021: €789 million). Loans to customers totalled €686 million at year-end 2022, €37 million higher than in the previous year (2021: €649 million). The interest-bearing part of the portfolio (including revolving loans) decreased by €52 million, which was offset by an increase of €88 million in the non-interest-bearing part of the portfolio.

Total liabilities (excluding equity) decreased by €48 million to €1.4 billion in 2022 (2021: €1.5 billion), mainly as a result of lower loans due to banks, which is partly offset by a higher Kifid provision compared to last year.

We work with other organisations to prevent fraud and financial crime.

Total equity decreased by €27 million to €226.7 million (2021: €253.7 million), representing the loss for the year. No dividend was distributed in 2022.

At 31 December 2022, the Liquidity Coverage Ratio (LCR) was 110.4% and the Net Stable Funding Ratio (NSFR) was 178.6%. The Total Capital Ratio (20.9%) and the Leverage Ratio (9.1%) were also well above the regulatory requirements.

3.5 Security and fraud prevention

The payment system and IT infrastructure are the foundation for ICS in terms of ensuring that our customers can use their credit cards for fast, simple and safe payments. Laws and regulations are the context within which ICS works in relation to preventing and combating financial crime. Over 30 years, we have a proven track record of maintaining safety for credit card payments. ICS believes that it has the obligation to communicate openly and transparently on how it has managed to prevent and combat financial crime and the safeguards that customers, merchants and other parties involved can apply to contribute to this effort.

For instance, our company has managed to take down phishing sites, with an average of 280 phishing websites being shut down every month thanks to ICS – an even higher number than in 2021. Twenty-nine police reports were also filed in 2022 (24 in 2021), resulting in several arrests and pending investigations.

One of our greatest responsibilities is to protect our customers and businesses and their financial data through safe payment transactions. ICS monitors payments made with our cards on a 24/7 basis. If the fraud detection system identifies potentially suspect transactions, we contact the cardholder immediately. In addition, we take immediate action in the case of external data breaches that impact our customers' card information. When customers do become victims of financial crime, ICS manages to recover almost 70% of the initial loss, preventing even more losses to customers via future transactions. Although we are proud of this result, the last two years have shown a shift in the type of fraud from the more conventional merchants to crypto merchants or money transfers through merchants. This shift has impacted our recovery rate because the loss is irreversible once such transactions are authorised. We are constantly working to improve this process.

The safety of our credit cards is the result of a joint effort by ICS, our customers, merchants, acquirers, and other private and public organisations. As a large financial services provider, we also see it as a social responsibility to share this knowledge and expertise to promote safe payment transactions. We work with other organisations to prevent fraud and financial crime. ICS is also the main sponsor of the Wim van Doorn Award, committed to honouring persons or organisations that have contributed to the prevention of fraud through cooperation and innovative measures. As a result of the COVID-19 pandemic, the event that was supposed to take place in 2021 was rescheduled and took place on 6 April 2022. The next event is planned to take place on 5 April 2023.

3.6 Human resources

At the start of 2021, ICS transferred the employer ship to ABN AMRO Bank. In addition to future-proof HR tools, policies and processes, we offer all the terms and conditions of ABN AMRO Bank to our employees. An advantage is the enormous offer on Learning & Development; there are many free (online) courses and masterclasses and, employees can decide to use their personal development budget for education.

ICS is undergoing a major transformation that started in 2019. In addition to all the technological changes, much attention is being paid to our employees, in the form of employee and leadership development, strategic workforce management and defining cultural values. Over the past year, further steps have been taken in this transformation by designing a new organisational structure which supports our strategic objectives better and more effectively. This new structure was implemented on 1 January 2022. During 2022, we have been reflecting on the new structure and we have come to the conclusion that a refinement is needed. This will be done in the next year.

Our employees had a difficult time in 2021 due to the ongoing COVID-19 pandemic. Working from home, online meetings and less personal contact with colleagues caused work pressure. Fortunately, the circumstances improved in 2022 and COVID-19 measures could be relaxed at the start of Q2, when employees could return to the office and start hybrid working. This new working concept had already been rolled out in 2021, but in 2022 we were able to really experience this new way of working. Employees were encouraged to choose the most suitable workplace, depending on the activity concerned.

There were workshops in the teams about hybrid working to start the dialogue on how to adapt to the new situation as a team.

3.6.1 Organisational culture

Together with our employees, we are building a company that can adapt to the rapid changes in our environment. This requires a growth mindset. We are open to new possibilities; employees are challenged to learn, and we encourage them to give and ask for feedback. This is also reflected in our company values, insight, courage and collaboration.

We have refined our strategy and in September we started to communicate about this in leadership town halls and in the ask-me-anything sessions, which were hosted by a professional host. Leaders and employees both gave a lot of positive feedback for this new approach to communication.

3.6.2 Employee experience

Creating a positive customer experience is pivotal to the success of any organisation. Putting our employees

To promote the retention of Young Talent, a Young Potential Programme was launched in September 2022, in cooperation with Inspira.

first and creating an organisation that is fun to work for ensures that 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 between employee and organisation. This includes 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 in its strategy and culture, in our refined "People Pillar". We will continue to invest in our leaders who play a crucial role in executing our strategy and inspiring our employees to contribute to achieving our goals.

To promote the retention of Young Talent, a Young Potential Programme was launched in September 2022, in cooperation with Inspira. Eight Young Potentials have been selected for this programme with a year's duration. They each have a mentor from the leadership team, who will guide them in their learning journey.

In October 2022, the bank and the unions reached agreement on a new, two-year collective labour agreement (CLA). Under this new CLA we will continue to invest in the development of our employees and enable them to adapt to the changes faced by ICS.

In addition to the Employee Engagement Survey in September, we sent out two small Employee Engagement Surveys. Employees indicated in the Employee Engagement Survey that they were very satisfied with their direct supervisor and their own team. They also stated, however, that collaboration between departments could be further improved. Also, the visibility of senior management needs attention. Results of the employee Engagement Surveys have been discussed within the teams; improvements are defined together and put into action plans.

3.6.3 Rewarding and caring for our employees' interests

3.6.3.1 Terms of employment

In October 2022 a fair number of external contracts have been terminated due to the decision to stop Aurora. No further restructuring leading to employee redundancy occurred in 2022.

3.6.3.2 Working environment and tooling

With the move to the new office location at the end of 2020, a new working environment was set up, supported by technical facilities. We noted that the technical environment helps our employees to work more flexibly and autonomously. This was a key requirement for continuing business operations as normally as possible, especially during the COVID-19 situation.

During the summer of 2021, a new working concept had been rolled out: hybrid working. However, due to the COVID-19 measures, this new working concept could not be experienced fully until April 2022.

3.6.3.3 Personal and professional development

As in previous years we have continued to focus on the personal and professional development of our employees throughout the year. Employees have access to ABN AMRO's learning platform, which has greatly expanded the range of various training and development options.

The transformation in which ICS finds itself requires employees to grow in line with new technologies and market developments. Employees can develop and prepare for the new ICS by means of re-skilling and up-skilling.

Alongside technical and hard skills training, our focus was on the physical well-being of our employees by offering e-learning options, supporting them as they work from home and improving their personal well-being.

3.7 Operational developments

3.7.1 Customer research

ICS works to protect its customers and businesses and their financial data through secure payment transactions. As a financial institution, it is our responsibility to combat and prevent money laundering and the financing of terrorism. ICS accepts this responsibility fully and takes its gatekeeper role within the financial sector very seriously. Security and fraud prevention are a key priority and ICS works closely with external stakeholders, including regulators, governments, other banks and law enforcement, where necessary and appropriate. Building on the work carried out in the past and in dialogue with the DNB, customer due diligence (CDD) procedures have been intensified. ICS has committed itself to a remediation programme, the guiding principle of which is to update all the identification evidence we have of our customers and perform a risk based CDD assessment of all our customers. We started this Remediation programme in 2019 and ended in December 2022. A new program started thereafter to implement AML processes into the business as usual. The continuation programme aims to reassess clients and finalize the last 72 clients brought from the remediation programme.

ICS is committed to fulfilling its responsibility by implementing its CDD and anti-money laundering programme. But experience and time have shown that efforts in this area will never come to an end. External threats and the resulting demands from society, legislators and ourselves will continue to challenge our organisation's vigilance. As a result, ICS will continue to strengthen its systems and procedures to minimise potential risks to its organisation, customers and other stakeholders.

3.7.2 Other developments

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

Risk Management

The financial impact is assessed based on capital or the net profit impact.

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

ICS has recognised the risks associated with the COVID-19 pandemic in 2021 and 2020. The Business Continuity Plan contains a pandemic scenario to enable an appropriate and swift response to the crisis. Risk assessments based on the risk taxonomy are performed, in which several scenarios are analysed.

ICS continues to closely monitor developments resulting from the COVID-19 crisis. Measures to protect our employees and the continuity of ICS have been taken. In addition, ICS continues to monitor other developments, such as the current war in Ukraine and the impact of the related sanctions.

4.1 Risk taxonomy

ICS's risk taxonomy is the classification of risks into risk types to which ICS is, or could be, exposed. The taxonomy is reviewed and updated once a year to ensure that all material risks are identified, defined and included in the risk governance framework. The taxonomy creates common risk vocabulary, provides a checklist of types of risk for use in risk assessments, and assists in ensuring that all material financial and non-financial risks are managed and that the requisite roles and responsibilities are identified and defined. Risk taxonomy describes how the materiality assessment is performed both in terms of the financial and non-financial impact. The financial impact is assessed based on capital or the net profit impact. The non-financial impact is determined in terms of reputational consequences and/or non-compliance with rules and regulations.

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

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

4.2 Risk appetite

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

The risk appetites take account of all identified risk types in the risk taxonomy. The main risk types comprise various sub-risk types. The Risk Appetite Statement is set for both the main and sub-risk types and is reviewed annually and approved by the Entity Enterprise Risk Committee (EERC). The elements of the risk appetites are incorporated into the Enterprise Risk Management Report and discussed every quarter. Each risk appetite statement consists of one or more quantitative and/or qualitative indicators, referred to as key risk indicators (KRI), a limit and checkpoint set for every KRI. This is also monitored every quarter.

4.3 Risk culture

Risk culture is an important building block in ICS's Enterprise Risk Management framework. Risk knowledge is disseminated in risk training courses, and risk awareness is embedded by specifying risk standards and procedures and assigning clear, unambiguous roles and responsibilities. To ensure further alignment with ABN AMRO and the quality of the mandatory or voluntary e-learning courses, ICS has been connected to the ABN AMRO online training platform since 2020.

4.4 Risk governance

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

The Risk Governance Charter provides the framework for risk management decision-making within ICS, to ensure decisions are taken through a valid approval process and considering the interests of the ICS stakeholders. Cross-border entities such as ICS Germany are, for governance reasons, aligned with the relevant local country management structure and with the risk management organisation at country level.

The three lines of defence model ensures that sound risk governance is embedded throughout the organisation. The first line of defence has ownership of risks and is responsible for identifying, assessing, responding to, monitoring and reporting risks and events. It also implements the risk framework and is responsible for monitoring internal controls.

The second line of defence is the risk management, legal and compliance organisation that is responsible for setting the risk framework in which the first line must operate. It tests the effectiveness of internal controls and oversees risk and risk exposure. It supports the first line in applying the framework and standards, and challenges the monitoring performed. This Risk Management organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Board of Directors.

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

Every year we perform a capital plan and capital stress test, which are discussed by the ALCO.

4.5 Risk committees

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

The Asset and Liability Committee (ALCO)

The ALCO manages capital and liquidity, impairments and other balance sheet-related matters, including funding, recovery and resolution and specific regulatory reporting requirements. This also encompasses developing and maintaining sound capital and liquidity management practices to ensure adequate levels of capital and liquidity to withstand a range of stress events.

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

The Entity Enterprise Risk Committee (EERC)

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

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

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

The Entity Product Approval and Review Committee (EPAC)

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

The Wwft Circle

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

The Duty of Care Circle

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

The Client Acceptance and Review Committee (CARC)

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

The ICS Architecture Review Board (ARB)

The ICS Architecture Review Board (ARB) has a gatekeeper role within ICS in respect of architecture, (IT) security and infrastructure maintenance and control. The Architecture Review Board 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 goal of the ARB is to guarantee that changes in the IT landscape do not violate guidelines or jeopardise the continuity and business of ICS.

The ICS Cloud Approval Board (CAB)

The local Cloud Approval Board (CAB) is the gatekeeper for ICS decision-making on Cloud initiatives. The purpose of the Cloud Approval Board is to comply with the “EBA Guidelines on outsourcing arrangements”. To keep control

New models require approval before being implemented and used.

over our environment (e.g. from a legal, compliance, security, operational and financial point of view), the CAB ensures that all necessary measures are in place before go-live of a Cloud environment. It also ensures that the Cloud solution and service management are integrated into existing IT “Run and Change” processes.

4.6 Risk measurement

ICS is required to comply with the capital requirements of a bank license holder. ICS uses risk models to quantify the risks designated in the risk taxonomy. The models for credit, market, operational and liquidity risks are widely suitable for the determination of risk levels. The models support day-to-day decision-making and periodically monitoring and reporting on developments in ICS's portfolio and activities. New models require approval before being implemented and used. Internal approval for the use (or continued use) of a model is obtained from the ABN AMRO Methodology Acceptance Group (MAG), a sub-committee of the Group Risk Committee. When required, external approval is obtained from the regulator. Regulatory approval is always required for new models and models that change materially due to redevelopment.

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

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

Regulatory capital

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

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

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

In addition, ICS holds an additional buffer that serves as a cushion for other risk types (business risk, remaining interest-rate risk in the banking book and intersecting risks) and as an extra safeguard for the development and full implementation of all the risk mitigation measures required from a capital perspective. The measures include the further development and improvement of the Capital Plan, the Capital Stress Test and local Economic Capital standards. The additional buffer will be reassessed on the basis of the aforesaid developments and improvements in 2023. The modifications will include further specification and could result in an increase or a decrease in the additional buffer.

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

(In thousands of euros)

	2022	2021
Regulatory capital		
Equity IFRS	226,724	253,688
Adjustments	(15,450)	(5,045)
Common Equity Tier 1 capital	211,274	248,643
Total Tier capital	**211,274**	**248,643**
Risk weighted assets		
Credit risk	712,382	722,014
Operational risk	265,352	296,515
Market risk	33,813	28,816
Total risk-weighted assets scope	**1,011,547**	**1,047,345**
Capital ratios		
CET1 ratio	20.9%	23.7%
Total capital ratio	20.9%	23.7%

ICS uses stress testing as an important risk management instrument.

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

ICS reports RWA under the STD approach. ICS is developing a business case in cooperation with ABN AMRO as part of the future model landscape to determine the possible and preferred regulatory capital approach.

Economic Capital

For Pillar 2, we calculate economic capital (EC) in addition to regulatory required capital. Economic capital covers all risk types in our risk taxonomy for which capital is deemed to be the mitigating instrument to cover unexpected losses and is used as the key metric for internal risk measurement and management. It is the amount of capital we reserve in order to achieve a sufficient level of protection against large, unexpected losses that could result from extreme market conditions or events. Internal models are used to calculate EC at a 99.95% confidence level and a one-year time horizon.

This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible cases. The confidence level is linked to the bank's target credit rating and aligned with the definition of total available financial resources (total AFR). In addition, the ratio of core AFR versus EC is monitored. Core AFR is the amount of capital that is available to cover losses on a continuity-based approach, excluding AT1, Tier 2 and senior non-preferred instruments. EC is aggregated for all risk types (without applying inter-risk diversification, so as to determine the total EC at the ICS level and to support capital adequacy assessment, capital allocation, ex-post performance measurement and risk appetite setting, such as industry concentration risk limits.

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

EC quality assessment

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

Capital performance

RWA and EC are also used to evaluate capital performance at the business level, as well as at transactional level in loan-pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction. Both ex-ante and ex-post performance are evaluated in terms of risk-adjusted return on equity (RAROE) with a risk-adjusted return on risk-adjusted capital (RARORAC) limit to safeguard sufficient risk-sensitivity. EC is used as an ingredient in RARORAC, whereas RWA is used in RAROE.

Liquidity Coverage Ratio requirement

The regulatory requirement at 31 December 2021 for the LCR is 100%. For prudential reasons, ICS maintains a higher ratio than this. The LCR at 31 December 2022 was 110.4%. 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 at the ALCO meeting. The composition of the buffer remained stable in 2022, around the upper limit of the strategic range of 110% – 120%.

Liquidity stress testing

ICS has implemented and embedded risk governance and processes to ensure that liquidity risk is managed consistently and within the set risk appetite boundaries. Stress testing is an essential tool in this process. ICS assesses liquidity stress for four scenarios based on three risk drivers and two severity levels. The liquidity stress scenarios are developed in accordance with the stress testing and scenario analysis policy. In 2021, 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 2022 and beyond in accordance with the ICS funding strategy (as aligned with ABN AMRO).

ICS has a conservative approach to liquidity management. Liquidity limits are in place to ensure adequate liquidity. ICS also already complies with the future liquidity requirements of the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). At year-end 2022, the LCR was 110.4.% and the NSFR was

The required liquidity buffer of ICS is, to a large extent, predictable, as a result of the stable business model.

178.6% (2021: 187.4%). The regulatory requirement at 31 December 2022 for the LCR and NSFR was 100%. These figures show that there is a significant surplus on liquidity and both ratios are well above the limits set in the risk appetite statement, with both LCR and NSFR at 100%.

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

4.7 Outlook

Interest-bearing facilities are steadily reducing, which entails business risk for ICS. ICS seeks to mitigate this impact by introducing new products and more focus on fee driving business.

The current environment of increasing funding rates will have an impact on the balance sheet and with that the profitability and are therefore being monitored closely. The impact of the high inflation on the repayment capacity of our customers is currently expected to be moderate.

Other external events, such as inflation, the invasion by Russia of Ukraine and cyber risk, are also being closely monitored. The lack of change capacity and constraints in the labour market continues to be an issue.

The Risk Management team monitors these impacts and developments on the business in a timely manner and ensures appropriate measures are taken. This is also discussed within the ICS Management Team and the Entity Enterprise Risk Committee (EERC).

International Card Services

Regulatory environment

It is uncertain what the outcome of the public and political discussions will be and how this will affect the bill.

5.1 Update on regulatory developments originating in previous years

EU banking rules (Basel III/IV)

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

Anti-money laundering and countering the finance of terrorism

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

On 21 October 2022, the Dutch Minister of Finance submitted a bill with amendments to Dutch AML legislation (Wet plan van aanpak witwassen) for discussion in parliament. The bill comprises four main amendments, the most important being the creation of a legal provision allowing banks to jointly monitor their retail customers' transactions involving more than EUR 100. In addition, under the AML legislation institutions will be required to share data on high-risk customers. There will also be a ban for traders on cash payments for goods of over EUR 3,000. The bill is the subject of a public debate on the privacy of retail customers. It is uncertain what the outcome of the public and political discussions will be and how this will affect the bill.

Schrems II

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

EBA Guidelines on loan origination and monitoring

In 2020, the EBA published its Guidelines on loan origination and monitoring. The guidelines, applicable since 30 June 2021, i) specify internal governance arrangements for the granting and monitoring of credit facilities throughout their lifecycle, ii) clarify the credit decision-making process including the use of automated models, building on the requirements of the EBA Guidelines on internal governance and iii) set requirements for assessing the borrower's creditworthiness together with the handling of information and data for the purposes of such assessments. In these requirements, the guidelines bring together the EBA's prudential and consumer protection objectives. ICS expects to complete integration of the guidelines in its policies and processes in 2023.

General Data Protection Regulation (GDPR)

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

5.2 Sustainable finance

EU taxonomy of sustainable activities

The EU Taxonomy Regulation entails a classification system establishing a list of activities considered environmentally sustainable. The system is meant to be used by companies, investors and policymakers in their sustainability reporting in order to prevent greenwashing and help companies become more climate friendly. The EU Taxonomy Regulation covers six environmental objectives. Two of these have already been published (climate change mitigation and adaptation). The remaining four were expected in 2022, but their publication has been postponed and is now expected to be published in 2023. On 1 January 2023, the Climate Compensated Delegated Act (CCDA) to include nuclear energy and gas in the EU taxonomy entered into force.

EU Corporate Sustainability Reporting Directive

On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. As part of the European Green Deal and the Sustainable Finance Agenda, the CSRD was introduced to strengthen the

The purpose of the package is to boost innovation in the financial sectors and expand consumer choice.

existing rules for sustainability reporting. It further builds on the Non-Financial Reporting Directive (NFRD) and introduces more detailed reporting requirements on a company's risks and opportunities arising from social and environmental issues, as well as on the impact of the company's activities on people and the environment. In addition to the more detailed disclosure requirements, the CSRD requires companies to obtain assurance on the sustainability information they report. The new legislation will apply to all large companies and all listed companies, but application will take place in four stages. The first stage applies to companies already subject to NFRD (i.e., large public-interest companies with more than 500 employees), such as ICS. This means that ICS will have to apply the CSRD for the first time in its 2024 Annual Report.

5.3 Other

EU Digital Finance Package

In 2021, a new EU Digital Finance Package was adopted, including separate digital finance and retail payments strategies. Further proposals were made on legislation covering crypto assets and digital resilience. The purpose of the package is to boost innovation in the financial sectors and expand consumer choice. As part of its Digital Finance Strategy, the EU is introducing a Digital Operational Resilience Act (DORA); this is designed to strengthen banks' management of cyber security risks and is expected to come into force in 2025. In addition, the EU will put forward proposals in 2022 for a new Open Finance Directive, building on its previous Payment Services Directive (PSD2).

International Card Services

Outlook 2023

Change is also the name of the game in our line of business.

ICS has developed a new midterm strategy (2023-2026) for the coming years. The purpose, vision and mission formulated in 2022 will be maintained in the coming years and will be the starting point for our actions. In 2023, we will therefore work hard to grow by deploying our USPs in the Western European payments market. In doing so, we strive for continuous improvements leading to higher quality, more efficiency and faster time-to-market.

Regarding the Wwft, almost all customers received a risk rating. The last 72 clients will receive their risk rating in 2023. Also the imbedding of Wwft in our regular processes will have our focus in 2023 according to the updated agreement regarding the catch-up programme with DNB. From then ICS is up to date with regard to laws and regulations and the Wwft activities have been incorporated into the regular processes.

Increasingly expensive basic necessities (such as groceries and energy) may start to impinge on typical credit card spending (travel, hospitality and entertainment). Our strategic focus remains on renewing our organisation, but as indicated, we are also strengthening our commercial activities in 2023. Internally, we are working hard to become a 'learning and future proof' organisation. We enable employees to enjoy working for ICS, with opportunities to learn and develop. We also strengthen performance management to achieve the right results at individual and team level.

Specific attention will of course be paid in 2023 to the IT renewal. We will take the time to examine our wishes, requirements, suppliers and technical possibilities more closely and we will consider how to follow up on the selection process.

Finally, the set up and execution of the Kifid compensation scheme will have an impact on our organization related to required business and IT capacity. Our strong liquidity and solvency position and the support and confidence of our parent organisation, ABN AMRO Bank N.V., give us additional confidence and security. We remain deeply concerned by the events in Ukraine and are deeply saddened by the loss of so many innocent lives. The situation also brings economic uncertainty. We are focused on managing the impact on our customers and ICS, as well as the associated risks.

6.1 Our market is changing rapidly

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

6.2 Vision and mission

Our purpose, vision and mission are central to our efforts. We believe that they will make us stand out from other companies: a solid reason for people to choose us over our competitors. In 2021, we sharpened our thoughts, which are reflected below. We are aware that security and ease of payment must go hand in hand in these times.

The ultimate goal of ICS is to unburden its customers with respect to payments. Both security and ease of payment are part of this and a prerequisite for being able to offer our customers 'carefree payments everywhere'. In this way, we help create a safer and more secure society and increase trust in our financial institutions.

PURPOSE **Our higher aim**	Carefree payments everywhere.
VISION **Our view of the world of payments**	The payment ecosystem is evolving rapidly: the emergence of new players and new technologies is making transactions easier, but this must be accompanied by enhanced security, compliance and ease of use.
MISSION **What we represent**	We offer our customers and partners relevant, reliable and secure payment products and services for creating value now and in the future.

> In addition, we face the ongoing challenge of managing our strategic changes in an increasingly stringent regulatory environment.

6.3 Slowly widening our playing field

As the most secure and trustworthy credit card company security is what drives us. In the upcoming period we will try to slowly widen our playing field from credit card issuer and lender to payment service provider. Credit cards will, of course, remain an important product, but they will serve as the basis for new propositions.

Credit will continue to play a role in the future. However, developing a responsible product is currently quite socially sensitive. Current Buy Now Pay Later products seem to tempt consumers a little too easily, resulting in financial probleMs And that is not the way ICS operates.

6.4 Changing step by step

ICS continues to work hard on its foundations. Complying with laws and regulations is our first requirement. Despite all the associated costs, we continue to actively pursue cost control to make ICS a profitable organisation again.

We work in line with our brand values: trustworthiness, security and convenience in order to offer more added value to our customers. Credit and Fleetcor (Travelcard) are tentative steps towards new propositions but are still difficult in some respects.

Making a profit on our core credit card product and cost control will ultimately enable ICS to invest more in new avenues in line with the desired strategic direction.

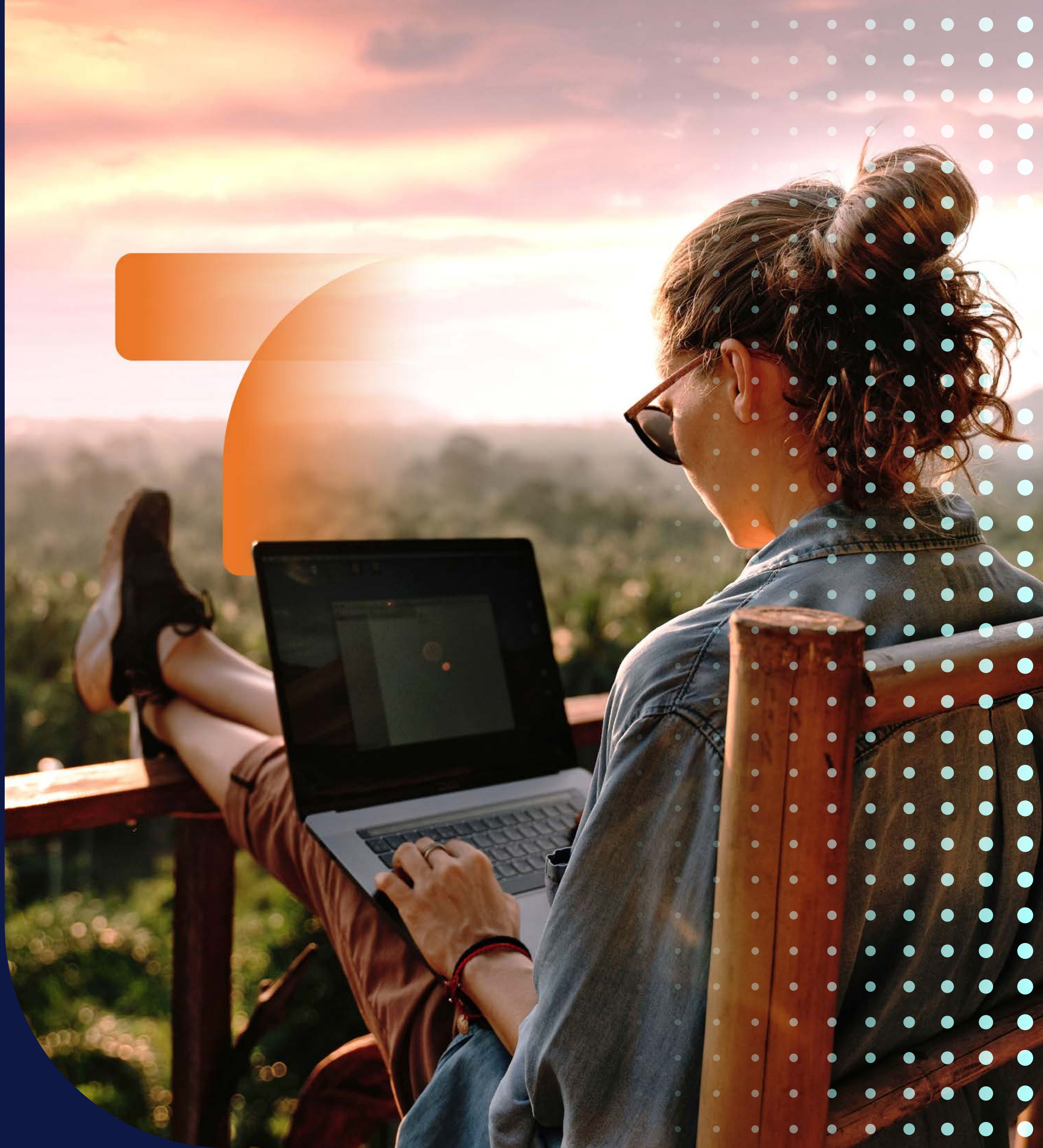
6.5 Challenges

In 2023, ICS will again face several major challenges. We will continue assessing customers' identity, combatting fraud and reducing risks for our customers. There are also other issues of great importance in underlining our mission and positioning.

In addition, we face the ongoing challenge of managing our strategic changes in an increasingly stringent regulatory environment. Naturally, we want to remain compliant with all laws and regulations, but we also have a commercial ambition to fulfil against a complex economic backdrop.

Finally, COVID-19 seems to receded, but other more economic complexities have taken its place. What will be particularly important is how ICS manages to develop itself against a background of hefty cost controls and how consumer behaviour will evolve against the backdrop of rising inflation.

Governance



ICS achieved its target of 50% gender diversity on the Supervisory Board in 2022.

7.1 Structure and management

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

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

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

7.2 Management at 31 December 2022

Statutory Board of Directors

Mr M.M.W. Koot, Chief Executive Officer
(resigned as of 1 January 2023)
Ms C. Weeda-Hoogstad, Chief Financial Officer
Mr R.P.A.de Jong, Chief Risk Officer
(resigned as of 1 February 2023)
Mr D.M. Minderhoud, Chief Executive Officer
(as of 15 March 2023)
Ms M. Zwiers, Chief Risk Officer
(as of 1 May 2023)

Supervisory Board

Mr J.G. ter Avest, Chair
Mr J. Speksnijder
Ms M.L.C. Jacobs-Kemps
Ms J.E. Lobbrecht (as from 1 March 2023)

7.3 Statutory Board of Directors

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

The members of the Statutory Board of Directors participate in ABN AMRO's lifelong learning programme. This programme is designed to keep members' expertise up to date, by broadening and deepening their knowledge where necessary. Topics that have been discussed here include client integrity, sustainability, consumer behaviour, digital assets and artificial intelligence, model risk management, legal regulation and macro-economic trends.

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

7.4 Supervisory Board

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

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

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

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

7.5 Shareholder

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

An Annual General Meeting is held at least once a year, in May, to approve the Financial Statements.

7.6 ICS Corporate Governance

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

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

7.6.1 Banker's Oath

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

7.6.2 Internal Audit Department

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

7.6.3 Remuneration policy

We follow a prudent, controlled, and sustainable remuneration policy, with an explicit focus on long-term interests and on our strategy, moderate risk appetite, objectives and values. The ICS remuneration policy is based on the prevailing guidelines and legislation. This includes additional mid-term and long-term requirements for identified staff regarding variable compensation, including a claw-back agreement.

For more information see Note 9.30, Compensation of Key Management Personnel.

All staff members are also subject to mandatory training to recognise red flags for bribery or corruption and to make appropriate decisions.

7.7 Prevention of corruption, bribery, fraud and cybercrime

7.7.1 Corruption and bribery

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

7.7.2 Third-Party integrity

The 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 must be performed before ICS enters into any contractual or business relationship. If the risk assessment indicates that entering into a contract with a third-party exposes ICS to bribery or corruption risk, further due diligence checks will be conducted. Due diligence checks may include reference checks, direct interrogative enquiries, interviews with relevant staff, and desk research. As a risk mitigation measure, ICS will usually delegate responsibility for assessing risks of bribery and corruption and for instituting adequate measures and controls to each party with which it maintains a business relationship.

7.7.3 Customer integrity

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

7.7.4 Organisational and employee integrity

To ensure employee integrity, all staff members are required to sign the Banker’s Oath. All staff members are also required to undergo employee integrity screening before working for ICS and, if deemed necessary, on a regular basis. All staff members are also subject to mandatory training to recognise red flags for bribery or corruption and to make appropriate decisions. As a rule, all ongoing or potential incidents, irregularities or breaches involving potential bribery or corruption or breaches of the GDPR must be reported immediately. Employees are encouraged to discuss any such issue with their manager first, if possible. If for any reason this is not advisable, they should make use of the organisation’s whistle-blowing channels.

7.8 Fraud and cybercrime

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

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

ICS also accepts its responsibilities as a large financial service provider. We work with other organisations to prevent fraud and financial crime. ICS is also the main sponsor of the Wim van Doorn Award, committed to honouring persons or organisations that have contributed to the prevention of fraud through cooperation and innovative measures (see Section 3.5 "Security and Fraud Prevention").

7.9 Social and environmental risks and human rights

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

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

International
Card
Services

Annual Financial Statements 2022

International Card Services

Content

International Card Services

Content

8.1 Company income statement

(In thousands of euros)

	Note	2022	2021
Income			
Interest income		9,076	38,192
Interest expense		(4,267)	(8,941)
Net interest income	**9.7**	**4,809**	**29,252**
Fee and commission income		174,070	136,364
Fee and commission expenses		(38,122)	(35,907)
Net fee and commission income	**9.8**	**135,948**	**100,457**
Dividend and other operating income	9.9	5,533	3,151
Operating income		**146,290**	**132,860**
Expenses			
Personnel expenses	9.10	(56,456)	(52,121)
General and administrative expenses	9.11	(110,796)	(102,601)
Depreciation of tangible assets	9.18	(566)	(580)
Amortisation of intangible assets	9.21	(384)	(223)
Rebilling expenses	9.12	(12,705)	(11,551)
Operating expenses		**(180,907)**	**(167,076)**
Impairment charges on loans and other receivables	9.13	(1,868)	(4,014)
Total expenses		**(182,775)**	**(171,090)**
Profit/(loss) before tax		**(36,485)**	**(38,230)**
Income tax expenses	9.14	9,521	9,496
Profit/(loss) for the year		**(26,964)**	**(28,734)**

The accounting policies and Notes on pages 65 to 141 form part of, and should be read in conjunction with, these financial statements.

8.2 Company statement of comprehensive income

(In thousands of euros)

	Note	2022	2021
Profit/(loss) for the year	**8.1**	**(26,964)**	**(28,734)**
Comprehensive income (and losses)		**(26,964)**	**(28,734)**
Attributable to:			
Equity holders of ICS B.V.		(26,964)	(28,734)
Comprehensive income (and losses)		**(26,964)**	**(28,734)**
Number of issued ordinary shares at the end of period		454	454
Basic earnings per ordinary share		(59)	(63)
Comprehensive earnings per ordinary share		(59)	(63)

The accounting policies and Notes on pages 65 to 141 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 of euros)

	Note	31 December 2022	31 December 2021
Assets			
Cash and balances at central banks	9.15	232,305	220,604
Loans and advances banks	9.16	664,790	788,958
Loans and advances customers	9.17	685,721	648,770
Investments	9.20	33,813	28,816
Property and equipment	9.18	1,060	1,131
Intangible assets	9.21	845	1,229
Current company tax assets	9.22	9,315	9,553
Deferred company tax assets	9.23	69	43
Other assets	9.19	26,713	30,983
Total assets		**1,654,631**	**1,730,087**
Liabilities			
Due to banks	9.25	903,051	984,557
Due to customers	9.24	391,541	402,441
Provisions	9.27	50,832	23,898
Current company tax liabilities	9.22	-	-
Deferred company tax liabilities	9.23	1,193	1,370
Other liabilities	9.26	81,291	64,133
Total liabilities		**1,427,908**	**1,476,399**
Equity			
Share capital	8.4	45	45
Other reserves	8.4	253,642	282,377
Result for the year	8.1/8.4	(26,964)	(28,734)
Total equity	**8.4**	**226,724**	**253,688**
Total liabilities and equity		**1,654,631**	**1,730,087**

The accounting policies and Notes on pages 65 to 141 form part of, and should be read in conjunction with, these financial statements.

8.4 Company statement of changes in equity

(In thousands of euros)

	Note	Share capital	Other reserves	Result current year	Total
Balance at 1 January 2021		**45**	**279,977**	**2,298**	**282,321**
Addition to other reserves		-	2,298	(2,298)	-
Net income of the year	8.1	-	-	(28,734)	(28,734)
Other changes		-	101	-	101
Balance at 31 December 2021		**45**	**282,377**	**(28,734)**	**253,688**
Balance 1 January 2022		**45**	**282,377**	**(28,734)**	**253,688**
Addition to other reserves		-	(28,734)	28,734	-
Net loss of the year	8.1	-	-	(26,964)	(26,964)
Other changes		-	-	-	-
Balance at 31 December 2022		**45**	**253,642**	**(26,964)**	**226,724**

Last year’s net loss was deducted from other reserves in an amount of €28.7 million.
No dividend was paid to the owner of ICS, the parent company ABN AMRO Bank N.V., in 2022 and 2021.
There are 454 authorised shares with a par value €100. All shares are issued and fully paid up.

8.5 Company statement of cash flow

(In thousands of euros)

		2022	2021
Cash flows from operating activities			
Operating profit/(loss) before taxation	8.1	(36,485)	(38,230)
Depreciation and amortisation	9.18/9.21	951	803
Provisions and impairment losses	9.17/9.27	60,144	34,389
Other non-cash adjustments		-	380
Adjustments on non-cash items included in profit		61,094	35,571
Adjustment for investment income	9.9/9.20	(5,406)	(3,133)
Changes in operating assets and liabilities			
Loans to banks	9.16	(391)	(18)
Loans to customers	9.17	(46,639)	(13,652)
Other assets	9.19	(702)	32,544
Due to banks	9.25	(81,506)	15,934
Due to customers	9.24	(10,900)	54,030
Other liabilities	9.26	16,598	15,703
Impact of reorganisations *		-	(11,147)
Net changes in all other operational assets and liabilities	**9.18/9.26**	**(17,951)**	**(41,726)**
Changes in operational assets and liabilities		(141,492)	51,668
Dividend received from associates and private equity investments	9.9	409	206
Income taxes received/(paid)	9.14/9.22/9.23	9,557	(456)
Net cash generated by operating activities		**(112,322)**	**45,626**

* Along with the transfer of the employership to ABN AMRO, ICS has also transferred cash related to the restructuring provision to ABN AMRO in 2021.

		2022	2021
Cash flows from investing activities			
Purchases of fixed assets	9.18	(474)	(160)
Cash flows from investing activities		**(474)**	**(160)**
Cash flows from financing activities			
Financing Lease liabilities	9.26	(61)	(476)
Cash flows from financing activities		**(61)**	**(476)**
Change in cash and cash equivalents		**(112,857)**	**44,990**
Cash and cash equivalents at 1 January	9.15/9.16	1,009,538	964,549
Cash and cash equivalents at period end	9.15/9.16	896,680	1,009,538

		2022	2021
Cash and cash balances at central banks	9.15	232,305	220,604
Loans and advances - Banks *	9.16	664,375	788,934
Total cash and cash equivalents		**896,680**	**1,009,538**

* Loans and advances banks with an original maturity of less than three months are included in loans and advances banks. Accrued interest of €415 thousand (2021: €24 thousand) is excluded.

Supplementary disclosure of operating cash flow information			
Interest paid	8.1	(4,267)	(8,941)
Interest received	8.1	9,076	38,192
Dividend received from investments	9.9	409	206

The accounting policies and Notes on pages 65 to 141 form part of, and should be read in conjunction with, these financial statements.

International Card Services

Notes to the Annual Financial Statements 2022

ICS issues, promotes, administers and processes Visa and Mastercard credit cards.

9.1 Corporate information

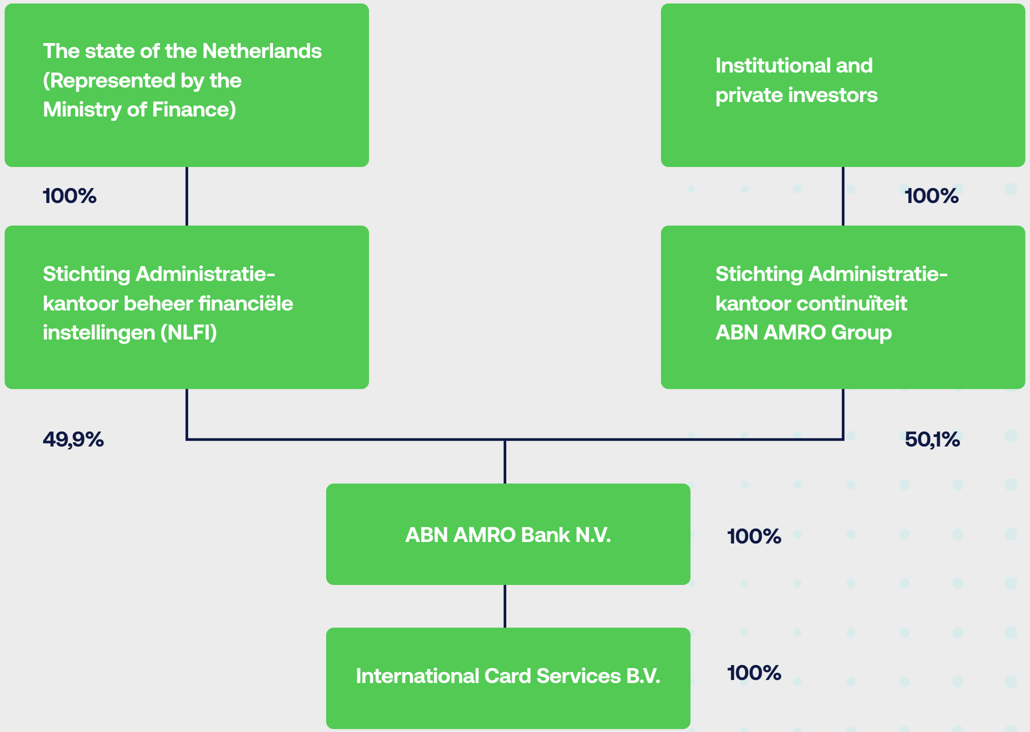
International Card Services B.V. (“ICS”, “ICS Netherlands” or “the Company”), together with its branch in Düsseldorf, Germany, offers card services primarily in the Netherlands and Germany. ICS issues, promotes, administers and processes Visa and Mastercard credit cards. Furthermore, ICS offers its customers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

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

The financial statements for the year ending 31 December 2022 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 31 May 2023.

Legal structure

The German branch (“ICS Germany”), of which the office is registered in Düsseldorf, Germany, is ICS’s only branch. Our shareholder is ABN AMRO Bank N.V. There were no changes in the legal structure in 2022.



9.2 Accounting policies

This section describes ICS's 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, where applicable.

Basis of preparation

The financial statements have been prepared in accordance with IFRS by the European Union (EU IFRS). The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities designated as measured at fair value through profit or loss, not held in a 'hold to collect' business model and debt instruments that do not meet the Solely Payments of Principal and Interest (SPPI) test. The financial statements are presented in euros, which is ICS's reporting currency, rounded off to the nearest thousand (unless stated otherwise).

ICS's management is not aware of any material uncertainties that may cast significant doubt on ICS's ability to continue as going concern. Therefore, the Annual Financial Statements continue to be prepared on the going concern basis.

Presentetion 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

The following amendments to existing standards by the International Accounting Standards Board were endorsed by the EU and became effective for the reporting period beginning 1 January 2023:

- Amendments to IAS1 Disclosure of accounting policies;
- Amendments to IAS 8 Definition of accounting estimate;
- Amendments to IAS12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IFRS 17 Insurance contracts. In June 2020 the IASB published amendments to IFRS17 including a scope exclusion for credit card contracts. ICS is currently assessing the impact of IFRS 17.

These changes in accounting policies do not have an effect on this statutory annual report of ICS.

Foreign currency balances of monetary items are translated into euros at period-end exchange rates.

New standards, amendments and interpretations not yet endorsed

The International Accounting Standards Board issued the following amendments to existing standards, which are not yet endorsed by the EU.

- IAS 1 Classification of liabilities as current or non-current;
- IFRS 16 Lease liability in a sale and lease back.

These amendments are expected to become effective for the reporting period beginning 1 January 2024 and therefore not open to early adoption. The expected impact of these changes on the financial statements is insignificant.

9.4 Critical accounting judgements, estimates and assumptions

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

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

9.5 Summary of significant accounting policies

Foreign currency translation

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

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

Foreign exchange differences arising on translation are recognised in the income statement.

Financial assets and liabilities

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

Classification and measurement of financial assets

ICS classifies financial assets based on the business model in which they are held in accordance with IFRS 9. The business model is determined at portfolio level. Portfolios are based on how ICS manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation and management compensation.

Three business models are distinguished:

- The 'hold to collect' business model, in which cash flows are generated primarily by collecting contractual cash flows until the maturity of the financial instrument. Sales 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;
- The 'hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a hold-to-collect business model;
- 'Other' business models not meeting the criteria of the business model mentioned above, for example models in which financial assets are managed with the objective of generating cash flows from sales (trading book), are managed on a fair value basis. Under these business models, the financial assets are measured at fair value through profit and loss (FVTPL).

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

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

- Amortised cost – Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate (EIR) method, 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.
- Debt FVTPL – Debt instruments measured at debt FVTPL include instruments for which the 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.

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.

- FVOCI – Financial instruments measured at FVOCI are debt instruments which are held in a ‘hold to collect and sell’ business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI. This is not applicable for ICS.

Classification and measurement of financial liabilities

Financial liabilities, at initial recognition, are recognised at its fair value minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Under IFRS 9, financial liabilities are as subsequently classified at amortised cost by ICS.

Statement of cash flow

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

The Effective Interest Rate method

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

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

Recognition and derecognition

Loans and advances to customers are recognised when they are acquired or funded by ICS and derecognised when settled. Due to customer deposits are recognised when the cash is deposited with ICS. Other financial assets and liabilities are initially recognised on the trade date, which is the date 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. In general, a 10% difference in the net present value of the cash flows between the initial and modified contract (payment arrangement) is accounted for on derecognition. Financial assets are also derecognised if ICS has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee.

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 except for the equity instrument measured at FVTOCI as recycling to income statement is not allowed for the equity instrument measured at FVTOCI.

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

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.

Subsequent changes in fair value as calculated by the valuation model are recognised as profit or loss or in equity.

9.6 Fair value of financial instruments

Accounting policy for fair value of financial instruments

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

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

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

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

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

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 of euros)

31 December 2022	Carrying amount	Level 1: Quoted market prices in active markets	Level 2: Valuation techniques observable inputs	Level 3: Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	232,305	232,305	-	-	232,305
Loans to banks	664,790	-	-	664,790	664,790
Loans to customers	685,721	-	-	685,721	685,721
Investments	33,813	-	33,813	-	33,813
Total financial assets	**1,616,630**	**232,305**	**33,813**	**1,350,512**	**1,616,630**
Liabilities					
Due to banks	903,051	-	-	903,051	903,051
Due to customers	391,541	-	-	391,541	391,541
Total financial liabilities	**1,294,592**	**-**	**-**	**1,294,592**	1,294,592

(In thousands of euros)

31 December 2021	Carrying amount	Level 1: Quoted market prices in active markets	Level 2: Valuation techniques observable inputs	Level 3: Valuation techniques significant unobservable inputs	Total fair value
Assets					
Cash and balances at central banks	220,604	220,604	-	-	220,604
Loans and advances - Banks	788,958	-	-	778,958	788,958
Loans and advances - Customers	648,770	-	-	648,770	648,770
Investments	28,816	-	28,816	-	28,816
Total financial assets	**1,687,148**	**220,604**	**28,816**	**1,437,728**	**1,687,148**
Liabilities					
Due to banks	984,557	-	-	984,557	984,557
Due to customers	402,441	-	-	402,441	402,441
Total financial liabilities	**1,386,998**	**-**	**-**	**1,386,998**	**1,386,998**

The equity instruments actively traded on public stock exchanges are valued using readily available quoted prices and therefore classified as level 1.

Transfers between levels 1, 2 and 3

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

Fair value of financial instruments carried at fair value

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 one month and one year 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 three months or with no contractual maturity are assumed to be a reasonable approximation of their fair value.

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 expenses. Interest received for liabilities with negative interest yield is classified as interest income.

The breakdown of interest income and expenses by type of product for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Notes	2022	2021
Interest income			
Loans to banks		3,707	2,504
Loans to customers - revolving loans		1,040	1,078
Loans to customers - credit cards		2,477	31,451
Negative interest on interest bearing liabilities		1,851	3,159
		9,076	38,192
Interest expenses			
Due to banks		(3,142)	(0)
Due to customers		(0)	(16)
Other liabilities		(0)	(6,272)
Negative interest on interest bearing assets		(1,124)	(2,652)
		(4,267)	(8,941)
Net interest income		**4,809**	**29,252**

In 2022, net interest income decreased from €38 million to €9 million. In 2021, Kifid ruled against ABN AMRO regarding variables interest on revolving credits. In 2022, ICS extended the Kifid compensation scheme by including the SPF product and interest on interest. As a result, an additional provision of €23.2 million for interest compensation was recognised in addition to the €6.3 million for revolving credits in 2021. Also, ICS's interest-bearing loan portfolio decreased by 18% (see Note 9.17). In addition, due to higher and positive interest rates funding expenses were higher than in the previous year.

9.8 Net fee and commission income

Accounting policy for net fee and commission income

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

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

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

Net fee and commission income for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	2022	2021
Fee and commission income		
Payment services	98,875	61,741
Service fees	74,680	73,676
Insurance fees	515	947
	174,070	136,364
Fee and commission expenses		
Payment services	(30,549)	(29,052)
Service fees	(2,565)	(2,432)
Insurance fees	(3,703)	(4,135)
Other service fees	(1,306)	(288)
	(38,122)	(35,907)
Net fee and commission income	**135,948**	**100,457**

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 income relates mainly to received insurance premiums from ICS cardholders with a SPF product. Insurance fees expenses relate mainly to cardholder insurances for purchase protection and travel insurances paid by ICS to insurance companies. Other service fee expenses relate to ICS's undrawn amount of the funding agreement with ABN AMRO Bank N.V. and gift cards issued for retention of clients.

Higher fees and commission income was driven by increased turnover due to higher transaction volumes than last year. As stated in the accounting standards, ICS classifies the fees as 'point-in-time' or 'over time'. Payment services and insurance fees are point-in-time fees. Service fees are classified partly as point-in-time (processing fees) and partly as over time (annual fees). For a breakdown see the table below.

(In thousands of euros)

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

(In thousands of euros)

2021			
Fees split in	**Fees Point-in-Time**	**Fees Over Time**	**Total**
Payment services	61,741	-	61,741
Service fees	12,176	61,500	73,676
Insurance fees	947	-	947
	74,864	**61,500**	**136,364**

9.9 Dividends and other operating income

Accounting policy for dividends, and other operating income

Investments are held at fair value through profit and loss. Income related to these positions includes (un)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).

Dividends, (un)realised gains from revaluation and other operating income for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	2022	2021
Dividend income	409	206
(Un)realised gains	4,995	2,944
Other income	129	1
Total dividend and other operating income	**5,533**	**3,151**

Unrealised gains were €5 million in 2022 (2021: €2.9 million). This amount consists of unrealised gains from ICS's C- and A-share in Visa Inc. (see Note 9.20). In 2022, a part of the Visa Inc. C-Share portfolio became convertible to Visa Inc. A-Shares, and for these Shares there was no sale restriction, which resulted in higher unrealised gains. Dividend income consists mainly of ICS's C- and A-share in Visa Inc.

9.10 Personnel expenses

Accounting policy for personnel expenses

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

On 1 January 2021, ICS transferred the employer ship to ABN AMRO. Since then, ABN AMRO charges the cost of internal and external staff to ICS on a monthly basis including the expenses for defined contribution plan. Personnel expenses for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	2022	2021
Salaries and wages	40,468	37,333[1]
Social security charges	5,701	4,599
Defined contribution plans expenses	8,176	7,862
Other	2,111	2,327[1]
Total personnel expenses	**56,456**	**52,121**

1 The comparative figures for 'salaries and wages' (2021: 38,865) and 'other' (2021: 794) are adjusted due to a reclass of other staff expenses from 'salaries and wages' to 'other'.

The increase in salaries and wages of €3.1 million was due mainly to the 4% increase under the new CLA in combination with a higher FTE count than in the previous year.
Social security charges increased due to the renewed CLA and higher FTE numbers.
Costs included in personnel expenses, permanent staff at 31 December 2022:

- International Card Services B.V. (Netherlands): 565 FTEs (2021: 544 FTEs).
- International Card Services B.V. (Germany): 11 FTEs (2021: 11 FTEs).

9.11 General and administrative expenses

Accounting policy for general and administrative expenses

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

General and administrative expenses for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)	2022	2021
Marketing and public relations costs	4,325	3,582
Information technology costs	38,822	46,434
Post and telephone	4,302	4,463
Agency, staff and consultancy costs	25,384	22,891
Provisions	27,293	15,539
Fraud losses	2,964	2,120
Other	7,706	7,573
Total General and administrative expenses	**110,796**	**102,601**

The overall general and administrative expenses increased by €8.2 million to €110.8 million in 2022 (2021: €102.6 million).

In 2022, ICS extended the Kifid compensation scheme by including the SPF product and interest on interest. As a result, an additional provision of €15.2 million for operational expenses was recognised in addition to the €3.1 million in 2021. The information technology costs decreased by €7.6 million, due mainly to the decision to stop Aurora.

The number of external FTEs decreased, but mainly FTEs for the Wwft remediation programme. The costs of these FTEs were considered within the Wwft remediation provision. However, due to an increase in external capacity charged to the profit and loss statement, Agency, staff and consultancy costs increased by €2.5 million in 2022.

- International Card Services B.V. (Netherlands): 294 external FTEs (2021: 504 external FTEs);
- International Card Services B.V. (Germany): 0 external FTEs (2021: 0 external FTEs).

The specification of the provision expenses is as follows:

(In thousands of euros)

	Note	2022	2021
Legal	9.27	50,456	20,119
Other	9.27	-	1,684
Total provisions		**50,456**	**21,802**

The legal provision consists mainly of the Wwft remediation programme and the Kifid provision (see Note 9.27). Note that the interest compensation part of the Kifid provision of €23.2 million (2021: €6.3 million) was recognised in net interest income (see Note 9.7) and not in General and Administrative expenses.

The specification of fees paid to EY is as follows:

(In thousands of euros)

	2022	2021
Financial statement audit fees	526	504
Audit related fees	161	79
Total auditor’s fee	**687**	**583**

Total fees paid to EY are included under Agency staff and consultancy costs and amount to €687 thousand (2021: €583 thousand). Audit-related fees consist of other services related to the audit of the prudential reporting statements to DNB. The external auditor also performs audit procedures concerning ICS for the purpose of the ABN AMRO Bank N.V. Group Audit.

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

9.12 Rebilling expenses

Accounting policy for rebilling expenses

Costs are recognised for the period during which services are provided.

Rebilling expenses for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	2022	2021
Rebilling	12,705	11,551
Total Rebilling expenses	**12,705**	**11,551**

Rebilling expenses are charges from ABN AMRO, mainly for housing services, ALM overheads and management, legal, compliance and internal audit personnel. The rebilling expenses were greater than in 2021 due to higher ALM/Treasury expenses and rebilling from ABN AMRO to ICS Germany for Compliance, Legal and Risk Services.

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 9.5 and our Credit Risk Note 9.34

Impairment charges on Loans and advances to customers for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Note	2022	2021
Impairments charges on:			
Loans to customers	9.17	1,868	4.014
Total impairment charges on loans		**1,868**	**4,014**

In December 2022 ICS applied a negative management overlay of €5 million on the credit provision, which was partly offset by an increase in the provision due to less favourable macro-economic variables. Consequently, the impairment charges were €2.1 million lower than in the previous year.

9.14 Income tax expense

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

ICS applies IAS 12 Income taxes in accounting for taxes on income. ICS forms part of a fiscal unity with ABN AMRO Bank N.V. for corporate income tax purposes. Consequently, ICS receives a tax allocation from the parent company. Tax is allocated by ABN AMRO Bank in such a manner that tax in the ICS financial statements reflects the situation as if the fiscal unity did not exist. All the members of the fiscal unity 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 makes payments to the tax authorities. The tax rates and tax laws used to allocate or compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where ICS operates and generates taxable income.

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

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Income tax expenses in the income statement for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Note	2022	2021
Current tax expense			
Current tax expense on year under review		(9,205)	(9,494)
Adjustment for current tax of prior years		(113)	97
		(9,318)	(9,396)
Deferred tax expense	9.23		
Deferred taxes arising from current period		(203)	(20)
Deferred taxes arising from changes in tax rates		-	(320)
Previously unrecognised tax losses, tax credits		-	240
		(203)	(100)
Total tax expense		**(9,521)**	**(9,496)**
Effective tax rate		26.1%	33.0%

	2022	2021
Nominal tax rate Netherlands	25.80%	25.00%
Nominal tax rate Germany	31.23%	31.23%

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

(In thousands of euros)

	2022	2021
(Profit)/loss before taxation Netherlands	36,577	38,938
(Profit)/loss before taxation Germany	(92)	(707)
Expected income tax expense	**(9,408)**	**(9,514)**
Increase (decrease) in taxes resulting from:		
Previously unrecognised tax losses and temporary differences	-	(121)
Tax rate changes	-	41
Adjustments for current tax of prior years	(113)	97
Total increase (decrease)	**(113)**	**18**
Actual income tax expenses	**(9,521)**	**(9,496)**

ICS reports negative tax expenses in 2022 due to the negative result.

9.15 Cash on hand and balances at central banks

Cash on 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 is present. Mandatory reserve deposits are disclosed in Note 9.16.

Cash on hand and balances at central banks for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Average interest rate 2022	31 December 2022	31 December 2021
Balances with central bank	-0.11%	232,305	220,604
Balance at the end of period		**232,305**	**220,604**

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

9.16 Loans and advances banks

Accounting policy for loans and advances - banks and customers

Loans and advances – banks and customers are held at amortised cost using the EIR methodology, less any allowance for impairment, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupons, fees and expenses to present the effective interest rate of the asset.

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 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Average Interest Rate 2022	31 December 2022	31 December 2021
Current accounts - credit institutions	-0.12%	235,925	406,610
Interest bearing deposits	0.76%	428,865	382,348
Balance at the end of period		**664,790**	**788,958**

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

9.17 Loans and advances customers

Accounting policy for loans and advances - customers

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

Loans and advances - customers for the years ended 31 December 2022 and 31 December 2021 are specified in the following table:

(In thousands of euros)

	Average interest rate 2022	Year of maturity	31 December 2022	31 December 2021
Consumer				
Revolving loans	4.62%	indefinite	7,540	11,285
Credit card - current accounts	0.00%	2023	387,466	319,659
Credit card - interest bearing	9.61%	indefinite	236,121	284,915
Allowance for impairment losses			(13,484)	(15,262)
			617,643	600,598
Commercial				
Loans to financial institutions - Interest bearing	0.00%	2023	195	195
Credit card - current accounts	0.00%	2023	66,240	46,221
Credit card - interest bearing	9.23%	indefinite	2,431	1,947
Allowance for impairment losses			(788)	(190)
			68,078	48,172
Balance at the end of period			**685,721**	**648,770**

Outstanding amounts to consumer and commercial loans specified by stage.

31 December 2022

(In thousands of euros)

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

31 December 2021

(In thousands of euros)

Gross Carrying amount	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Balance at 1 January 2021	**565,821**	**20,136**	**44,413**	**630,370**
Transfer to stage 1	10,200	(10,192)	(8)	-
Transfer to stage 2	(12,261)	12,263	(2)	-
Transfer to stage 3	-	(120)	120	-
Addition drawdowns and partial repayments	(655)	(1,993)	740	(1,908)
Originated or purchased	796	-	-	796
Write offs	-	-	(13,399)	(13,399)
Other movements	-	-	-	-
Balance at 31 December 2021	**563,901**	**20,094**	**31,865**	**615,859**
Commercial loans				
Balance at 1 January 2021	**33,660**	**334**	**221**	**34,215**
Transfer to stage 1	489	(450)	(39)	-
Transfer to stage 2	(388)	388	-	-
Transfer to stage 3	-	-	-	-
Addition drawdowns and partial repayments	14,099	147	477	14,723
Originated or purchased	41	-	-	41
Write offs	-	-	(616)	(616)
Other movements	-	-	-	-
Balance at 31 December 2021	**47,900**	**419**	**43**	**48,363**
Balance at the end of period	**611,801**	**20,513**	**31,908**	**664,222**

The loan portfolio (consumer and commercial) has increased compared to the previous year due to more customer spending.

Consumer loans

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

Commercial loans

Loans and advances to financial institutions are contributions made to the Single Resolution Board for the European Single Resolution Fund. These contributions are interest-bearing and revocable with a maturity of one to seven 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 more information.

Past due

The following table shows the days past due.

(In thousands of euros)

	Carrying amount		Days past due					
	Gross	Assets not classified as impaired	≤ 30 days	>30 days & ≤ 60 days	>60 days & ≤ 90 days	>90 days	Total past due but not impaired	Past due ratio
Loans to customers				**31 December 2022**				
Consumer loans	631,127	606,503	15,653	1,114	1,940	1,564	20,272	3.3%
Commercial loans	68,866	68,837	348	-	2	6	357	0.5%
	699,994	675,340	6,002	1,114	1,943	1,571	20,629	3.1%
Loans to customers				**31 December 2021**				
Consumer loans	615,859	583,995	11,440	4,037	1,758	-	17,235	3.0%
Commercial loans	48,363	48,319	148	24	-	-	172	0.4%
	664,222	632,314	11,588	4,061	1,758	-	17,406	2.8%

Loans and advances and impairments presented by stage, performing or non-performing

31 December 2022

(In thousands of euros)

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

31 December 2021

(In thousands of euros)

	Outstanding			Provision			
	Performing	Non-performing	Total	Performing	Non-performing	Total	Coverage and Impaired Ratio
Overview of Consumer Loans and advances in stage							
Stage 1	563,901	-	563,901	1,396	-	1,396	0.2%
Stage 2	20,094	-	20,094	333	-	333	1.7%
Stage 3	-	31,865	31,865	-	13,532	13,532	42.5%
	583,995	**31,865**	**615,859**	**1,730**	**13,532**	**15,262**	**2.5%**
Overview of Commercial Loans and advances in stage							
Stage 1	47,900	-	47,900	153	-	153	0.3%
Stage 2	419	-	419	14	-	14	3.3%
Stage 3	-	43	43	-	23	23	53.8%
	48,319	**43**	**48,363**	**167**	**23**	**190**	**0.4%**
Total	**632,314**	**31,908**	**664,222**	**1,897**	**13,555**	**15,452**	**2.3%**

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

Impairments breakdown

For details of IFRS 9, see Note 9.5. For information on our credit management, see Note 9.34.

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

Impairments allowance for Consumer loans and advances for each stage 2022

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**1,396**	**333**	**13,532**	**15,262**
Transfers to stage 1	77	(140)	(13)	(76)
Transfers to stage 2	(31)	723	(130)	562
Transfers to stage 3	(31)	(57)	4,964	4,876
Write-off	-	-	(10,138)	(10,138)
Unwind discount/Unearned interest accrued	-	-	(9)	(9)
Remeasurements	1,283	300	1,424	3,007
Balance at 31 December 2022	**2,694**	**1,160**	**9,630**	**13,484**

Impairments allowance for consumer loans and advances for each stage 2021

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**4,773**	**1,246**	**6,599**	**12,618**
Transfers to stage 1	688	(807)	(31)	(150)
Transfers to stage 2	(54)	275	(88)	133
Transfers to stage 3	(112)	(590)	176	(526)
Write-off	-	-	(13,399)	(13,399)
Unwind discount/Unearned interest accrued	-	-	(11)	(11)
Remeasurements	(2,295)	641	25,288	23,633
Matured or sold	(1,603)	(432)	(5,002)	(7,036)
Balance at 31 December 2021	**1,396**	**333**	**13,532**	**15,262**

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

Impairments allowance for Commercial loans for each stage 2022

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**153**	**14**	**23**	**190**
Transfers to stage 1	10	(10)	-	-
Transfers to stage 2	-	6	-	6
Transfers to stage 3	-	-	3	2
Write-off	-	-	(730)	(730)
Remeasurements	603	6	710	1,320
Balance at 31 December 2022	**765**	**16**	**6**	**788**

Impairments allowance for commercial loans and advances for each stage 2021

(In thousands of euros)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**60**	**4**	**17**	**81**
Transfers to stage 1	1	(3)	-	(2)
Transfers to stage 2	-	5	(1)	4
Transfers to stage 3	-	-	2	2
Write-off	-	-	(616)	(616)
Remeasurements	109	10	633	752
Matured or sold	(16)	(2)	(11)	(29)
Balance at 31 December 2021	**153**	**14**	**23**	**190**

Forborne assets

For more information on forbearance, see Note 9.34.

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

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

(In thousands of euros)

		Performing assets				Non-performing assets			
2022	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total performing forborne assets	Temporary modification	Permanent modification	Refinancing	Total non-performing forborne assets
Consumer loans	631,127	6,074	-	-	6,074	3,070	-	-	3,070
Commercial loans	68,866	-	-	-	-	-	-	-	-
Total loans	**699,994**	**6,074**	**-**	**-**	**6,074**	**3,070**	**-**	**-**	**3,070**

(In thousands of euros)

		Performing assets				Non-performing assets			
2021	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total performing forborne assets	Temporary modification	Permanent modification	Refinancing	Total non-performing forborne assets
Consumer loans	615,859	4,817	-	-	4,817	-	-	-	-
Commercial loans	48,363	-	-	-	-	-	-	-	-
Total loans	**664,222**	**4,817**	**-**	**-**	**4,817**	**-**	**-**	**-**	**-**

9.18 Property and equipment

Accounting policy for property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment amount. At each balance sheet date, an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if 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 the item will flow to the company and the cost of the item can be reliably determined. All other costs are recognised in the income statement as incurred expenses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful 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:

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

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss under depreciation and amortisation expenses.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense.

Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Accounting policy for leases

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

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

Property and equipment and the right of use assets for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Hardware	Right of Use Assets	Total
Balance at 1 January 2021	**1,181**	**1,446**	**2,627**
Additions	160	251	411
Disposals	-	(1,327)	(1,327)
Depreciation	(419)	(161)	(580)
Balance at 31 December 2021	**922**	**209**	**1,131**
Balance at 1 January 2022	**922**	**209**	**1,131**
Additions	482	13	495
Depreciation	(513)	(53)	566)
Balance at 31 December 2022	**890**	**170**	**1,060**
Cost as at the end of period	6,360	265	6,625
Cumulative depreciation as at the end of period	(5,470)	(95)	(5,565)

In 2022 hardware increased due to the acquisition of PCs, laptops and other related hardware.

9.19 Other assets

Other assets for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	31 December 2022	31 December 2021
Accrued other income	19,242	20,347
Prepaid expenses	5,452	9,317
Other receivables	509	292
Other current assets	1,510	1,026
Balance at the end of period	**26,713**	**30,983**

Accrued other income relates to partners Visa, Mastercard and co-branders. In 2022, accrued other income was lower than in 2021, because the processing fee income related to cardholders of the parent company was lower. The settlement of this processing fee income related to 2022 takes place in 2023.

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

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

9.20 Investments

Accounting policy for investments

The accounting standard and the accounting policy for investments changed on 1 January 2018 due to the adoption of IFRS9. Financial investments include instruments measured at fair value through profit or loss (FVTPL).

Investments for the years ended 31 December 2022 and 31 December 2021 are specified in the following table:

(In thousands of euros)

Investments	Ownership	31 December 2022	31 December 2021
• Shares Visa Inc.	<1%	33,800	28,805
• Shares Visa Belgium	<1%	13	11
• Wireless Interactive & NFC Accelerator 2013 B.V. (WIN B.V.)	10%	-	-
Balance at the end of period		**33,813**	**28,816**

Unrealised gains/(losses) of equity instruments measured at FVTPL	Fair Value	Historical value	Gross unrealised gains/ (losses)
Balance at 31 December			
2021	28,816	17,029	11,787
2022	33,813	17,029	16,784
Change in fair value in investment			**4,997**

Breakdown Fair Value	VISA Inc.	VISA Belgium	WIN B.V.	Total
Balance at 1 January 2022	**28,805**	**11**	**-**	**28,816**
Revaluations	4,995	2	-	4,997
Balance at the end of period 2022	**33,800**	**13**	**-**	**33,813**

At 1 January 2022 ICS held Visa Inc. C-Shares which were valued at €28.8 million. In 2022, a part of the Visa Inc. C-Share portfolio became convertible to Visa Inc. A-Shares. These A-shares have a higher value because there is no sale restriction. Consequently, unrealised gains increased.

Furthermore, the foreign exchange rate movements were favourable in 2022.

At 31 December 2022, the value of the Visa Inc. C- and A-share portfolio increased to €33.8 million.

9.21 Intangible assets

Accounting policy for intangible assets

Intangible assets include separately identifiable items arising from acquisition of customer relationships and similar iteMs ICS's intangible assets relate to acquired credit card portfolios. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairments if, and only if, the asset generates future economic benefits and 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 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	31 December 2022	31 December 2021
Balance at 1 January	**1,229**	**1,452**
Amortisation expenses	(384)	(223)
Balance at the end of period	**845**	**1,229**
Cost as at the end of period	11,864	11,864
Cumulative amortisation as at the end of period	(11,020)	(10,636)

At 31 December 2022, intangible assets consisted of the Paysquare credit card portfolio of €845 thousand (31 December 2021: €1,177 thousand), which was acquired in the past.

The ING credit card portfolio was €52 thousand at 31 December 2021 and was fully amortised in 2022.

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 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	Total
Balance as 31 December 2022	
Assets	9,315
Liabilities	-
Total	**9,315**
Balance as 31 December 2021	
Assets	9,553
Liabilities	-
Total	**9,553**

ICS reported a current tax receivable due to the negative result in 2022.

9.23 Deferred company tax assets and liabilities

Accounting policy for deferred tax assets and liabilities

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

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

(In thousands of euros)

	Total
Balance as 31 December 2022	
Assets	69
Liabilities	(1,193)
Total	**(1,124)**
Balance as 31 December 2021	
Assets	43
Liabilities	(1,370)
Total	**(1,327)**

Specification deferred tax assets	Movement	Total
Balance at 1 January 2021		**109**
Property, plant and equipment	P&L	18
Provisions	P&L	(29)
Other liabilities	P&L	(55)
Balance at 31 December 2021		**43**
Property, plant and equipment	P&L	26
Balance at 31 December 2022		**69**
Gross deferred tax assets as at the end of period		69
Net deferred tax assets as at the end of period		**69**

Specification deferred tax liabilities	Movement	Total
Balance at 1 January 2021		**(1,536)**
Property, plant and equipment	P&L	55
Other intangible assets	P&L	42
Other	P&L	68
Balance at 31 December 2021		**(1,370)**
Other intangible assets	P&L	99
Other	P&L	78
Balance at 31 December 2022		**(1,193)**

The total increase in deferred tax assets was €26 thousand and the total decrease in the deferred tax liabilities was €177 thousand in 2022. Therefore, the total decrease in net deferred tax liabilities was €151 thousand.

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

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

9.24 Due to customers

Accounting policy for due to banks and customers

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

Due to customers for the years ended 31 December 2022 and 31 December 2021 is specified in the following table.

(In thousands of euros)

	Average interest rate 2022	Year of maturity	31 December 2022	31 December 2021
Demand deposits	0.00%	on demand	344,327	354,432
Time deposits	0.00%	1-3 months	47,214	48,009
Balance at the end of period			**391,541**	**402,411**

Demand deposits include customer balances on both consumer and commercial credit cards.

The commercial deposits which contain €47 million of collateral (2021: €48 million) are classified as time deposits and the term period in which the customer can withdraw their posted collateral is between 1 and 3 months.

9.25 Due to banks

Accounting policy for due to banks

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

Due to banks for the years ended 31 December 2022 and 31 December 2021 is specified in the following table.

(In thousands of euros)

	Average interest rate 2022	Year of maturity	31 December 2022	31 December 2021
Time deposits - credit institutions - Short-term	0.12%	2023	650,370	675,931
Time deposits - credit institutions - Long term	0.19%	2025	252,681	308,261
Other deposits - credit institutions - Short-term	0.00%	On demand	-	365
Balance at the end of period			**903,051**	**984,557**

Funding is obtained from ABN AMRO Bank by means of cash loans (time deposits). Time deposits are based on a mix of variable and fixed interest rates on a 1- to 3-month base and a 3-year base. The interest rates have increased in 2022.

At 31 December 2021 there was a liability for interest expenses on a current account, but at 31 December 2022 there was a receivable for interest income which is included in Note 9.16 Loans and advances Banks.

9.26 Other liabilities

Other liabilities for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	31 December 2022	31 December 2021
Accrued fees and charges	31,937	33,424
Accounts payable and sundry creditors	49,174	30,482
Lease liabilities	180	227
Balance at the end of period	**81,291**	**64,133**

Accrued fees and charges decreased by €1.5 million, which is due mainly to lower accrued ICT expenses.

Accounts payable and sundry creditors include amounts to be settled with Visa and Mastercard and were €18.7 million more than in 2021.

Lease liabilities

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

(In thousands of euros)

Lease liabilities	31 December 2022	31 December 2021
Maturity analysis - contractual undiscounted cash flows		
Less than one year	-	-
One to five years	180	227
More than five years	-	-
Total Undiscounted cash flow	**180**	**227**

9.27 Provisions

Accounting policy for provisions

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

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

Provisions for the years ended 31 December 2022 and 31 December 2021 are specified in the following table.

(In thousands of euros)

	31 December 2022	31 December 2021
Provision for legal matters	50,830	22,096
Provision other	2	1,802
Balance at the end of period	**50,832**	**23,898**

(In thousands of euros)

	Consumer loans	Legal	Restructuring	Jubilee	Holiday rights	Other	Total
Balance at 1 January 2021	**3,835**	**25,462**	**8,946**	**691**	**1,309**	**118**	**40,361**
Additions	-	20,119	-	-	-	1,800	21,919
Withdrawals	-	(23,484)	-	-	-	(0)	(23,484)
Release of unused provisions	(3,835)	-	(8,946)	(691)	(1,309)	(116)	(14,897)
Balance at 31 December 2021	**-**	**22,096**	**-**	**-**	**-**	**1,802**	**23,898**
Balance 1 January 2022	**-**	**22,096**	**-**	**-**	**-**	**1,802**	**23,898**
Additions	-	52,361	-	-	-	-	52,361
Withdrawals	-	(21,722)	-	-	-	(1,800)	(23,522)
Release of unused provisions	-	(1,904)	-	-	-	-	(1,904)
Balance at 31 December 2022	**-**	**50,830**	**-**	**-**	**-**	**2**	**50,832**

Legal provision

The legal provision as of 31 December 2022 consists of the following provisions, 'Wwft remediation', 'Wwft reassessment', and 'Kifid'.

Banks are considered gatekeepers of the financial system, which is a responsibility that ICS takes very seriously. ICS invests significant resources to fulfil its role as a gatekeeper in general and specifically in 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 accelerated its Customer Due Diligence (CDD) programme in order to comply with anti-money laundering and terrorist financing legislation. ICS has developed several remediation programmes, again to accelerate the implementation of remediation actions. The amounts provided are based, inter alia, 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 Wwft Remediation provision at 31 December 2022 amounted to €0.9 million. In 2022, ICS added €7.2 million to the provision (2021: €10.8 million) and utilised €19.3 million in 2022 (2021: €22 million). Due to the reassessment of certain files ICS recorded in 2022 a Wwft reassessment provision of €4.9 million of which €0.1 million was utilised.

In March 2021, the Kifid Appeals Committee confirmed a ruling by the Kifid Disputes Committee on recalculating the variable interest charged to a specific client on a revolving credit offered by ABN AMRO. In short, Kifid ruled that ABN AMRO should have followed the market rate when establishing the variable interest rate for certain revolving consumer credits. On 5 September 2021 ABN AMRO agreed on a compensation scheme with the Dutch Consumers Association (Consumentenbond Claimservice) under which excess interest paid will be compensated. ICS is a subsidiary of ABN AMRO and falls under this scheme, so it follows the ABN AMRO policy in this respect. In 2022, ICS extended the compensation scheme by including part of its Spread Payments Facility (SPF) portfolio. In Q3 2022, following an ABN AMRO ruling in August 2022 by the Kifid Appeals Committee, ICS amended the compensation scheme to include interest on interest.

ICS provisioned around €47.7 million for the interest to be compensated and the costs incurred in carrying out the scheme. To date €2.5 million of this provision has been used, while the remaining provision at 31 December 2022 totalled €45.2 million.

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

At 31 December 2022, the remaining part of the 'Redress Scheme' provision of €0.1 million was fully utilised.

Restructuring, jubilee and holiday provision

Due to the transfer of the employer ship of ICS to ABN AMRO, the restructuring, jubilee and holiday provisions were transferred to ABN AMRO in 2021.

Other

At 31 December 2022, the Wwft CDD provision to meet certain objectives regarding triggers (e.g. Event Driven and Periodic Review) was fully utilised.

9.28 Maturity analysis of assets and liabilities

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

(In thousands of euros)

	Up to 1 month	Between 1-3 months	Between 3-6 months	Between 6-12 months	More than 1 year	Total
Assets						
Cash and balances at central banks	232,305	-	-	-	-	232,305
Loans to banks	235,510	429,281	-	-	-	664,790
Loans to customers	474,307	11,496	17,245	34,489	148,185	685,721
Investments	-	-	-	-	33,813	33,813
Property and equipment	4	-	170	-	886	1,060
Intangible assets	-	-	-	-	845	845
Current company tax assets	-	(17)	-	-	9,331	9,315
Deferred company tax assets	-	-	-	-	69	69
Other assets	1,730	24,706	5	-	273	26,713
Total assets	**943,855**	**465,467**	**17,419**	**34,489**	**193,402**	**1,654,631**
Liabilities						
Due to banks	112,569	224,777	178,519	77,437	309,748	903,051
Due to customers	344,327	47,214	-	-	-	391,541
Current company tax liabilities	-	-	-	-	-	-
Deferred company tax liabilities	-	-	-	-	1,193	1,193
Provisions	-	-	-	-	50,832	50,832
Other liabilities	48,339	9,990	22,127	-	836	81,291
Total liabilities	**505,235**	**281,981**	**200,646**	**77,437**	**362,609**	**1,427,908**
Net	**438,621**	**183,485**	**(183,227)**	**(42,948)**	**(169,207)**	**226,724**

9.29 Related parties

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

Based on Article 403 of the Dutch Civil Code, ABN AMRO Bank N.V. is liable for ICS's liabilities, by submitting a declaration in favour of ICS. ABN AMRO Bank N.V. finances all ICS activities at 31 December 2022 at arm's length.

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

(In thousands of euros)

	2022	2021
Income statement		
Interest income	4,999	5,662
Interest expense	(3,412)	(1,466)
Rebilling	(12,705)	(11,551)
Fee and commission expense	(2,338)	(2,478)
Salaries and wages	(40,468)	(37,333)
Social security	(5,701)	(4,599)
Defined contribution plans expenses	(8,176)	(7,862)
Balance sheet (as per end of period)		
Due from banks	662,071	784,236
Due to banks	(903,051)	(984,557)
Other liabilities	(737)	22

9.30 Compensation of key management personnel

Statutory board of directors

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

(In thousands of euros)

	2022	2021
Short-term employee benefits	1,113	1,172
Post-employment pension (defined contribution)	87	91
Total	**1,200**	**1,263**

During the year ending 31 December 2022 the Statutory Board of Directors had three statutory directors (CEO, CFO and CRO).

ICS does not operate a share incentive scheme. Accordingly, there were no options granted to the Statutory Board of Directors in 2022 or 2021. ICS's Statutory Board members are not granted any form of variable compensation.

Supervisory Board

One member is employed by ABN AMRO Bank N.V. but is not remunerated for acting as a Supervisory Board member. The other members are remunerated by ICS. The total remuneration of the members of the Supervisory Board of ICS was €92 thousand in 2022 (2021: €90 thousand).

With effect from 1 October 2012, banks are required to pay bank tax.

9.31 Commitments and contingent liabilities

Off-balance sheet obligations

The undrawn amount of limits issued to cardholders in 2022 amounted to €6.7 billion (2021: €6.9 billion). This amount includes ICS Netherlands and ICS Germany. The undrawn limits are revocable at ICS's discretion.
ICS also has multiple (IT-related) contracts. The total financial obligation amounts to €43 million.
The total (IT-related) contingent liabilities can be specified as follows:

- Less than 1 year €32 million (2021: €17 million)
- Between 1 and 5 years €11 million (2021: €27 million)

Contingent liabilities

Contingent liabilities are possible obligations, the existence of which will be confirmed only by uncertain future events, and current obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but disclosed if the likelihood of an outflow of economic resources is not more likely than not or if the likelihood of an outflow of economic resources is more likely than not, however cannot be reliably estimated.
In the case of ICS, there are some contingent liabilities regarding the Dutch Data Protection Authority (Dutch DPA) and duty of care:

- Dutch DPA: currently, the Dutch DPA is investigating the process related to the execution of a Data Protection Impact Assessment, pursuant to Article 35 of the General Data Protection Regulation (GDPR) and related rules and regulation. While ICS believes it has provided sound and supporting documentation to Dutch DPA, the outcome of such investigation remains uncertain at this stage. However, it is not probable that a fine will be received.
- Duty of care matters: a number of proceedings have been initiated against ICS for alleged breach of its duty of care in credit regulation standards. There can be no assurance that additional proceedings will not be instigated or that amounts demanded in claims brought to date will not rise. The consequences could be substantial for ICS and potentially affect its reputation, results of operations, financial condition and prospects. However, this is considered not probable.

9.32 Licences

ICS uses the following licences:

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

No obligations other than periodic reporting and capital adequacy 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 DNB (Dutch Central Bank). The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by DNB in supervising ICS.

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

Ratio:	31 December 2022	Regulatory requirement
Total capital ratio	20.9%	10.5%
Leverage ratio	9.1%	3.0%

Capital management

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

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

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

9.34 Risk management

Credit risk

Definition

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

Credit risk management within ICS is governed by the ICS-wide credit risk policy and further detailed in underlying specific standards, which are aligned with the ICS and ABN AMRO Bank strategy. Credit risk management is the responsibility of the first and second lines of defence. The primary responsibility for intake, managing and monitoring credit risk lies with the business

Forbearance measures can be applied to contracts that are still performing.

as the first line of defence. The first line defines the limits for credit risk, in consultation with the second line. The second line of defence has a permanent and ongoing responsibility to monitor whether the type and level of credit risk exposures are within the limits of the bank's and business lines' risk appetite. The first and second lines of defence are subject to review by Group Audit.

Credit risk appetite

Quality of new production

The quality of new production could be an indication of a potential shift in the quality of the total credit portfolio. This is measured by means of the bad rate. This rate is measured by the number of accounts in default (> 90 days past due, bankruptcy or fraud), within 12 months after application, compared to the total approval applications on a quarterly basis for consumer customers. For the commercial portfolio, the bad rate is also used. This commercial bad rate is measured by the number of accounts in default (> 90 days past due, bankruptcy or fraud), within 12 months after approval, compared to the total number of approved new customers in the same quarter of that previous year. The Bank has aligned its definition of credit impaired assets under IFRS 9 to the European Banking Authority (EBA) definition of non-performing exposures (NPE).

Expected loss/exposure at default and credit risk-weighted assets

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

Forbearance

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

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

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

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

Past due and credit loss allowance

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

Past due

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

ICS has different past due buckets for different stages. In general, stage 1 is ≤ 30 days past due, stage 2 is > 30 and < 90 days past due and stage 3 is > 90 days past threshold. A default is deemed to have occurred when:

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

To determine unlikeliness to pay, ICS has specified both mandatory default triggers (always resulting in the assignment of a default status, whereby no additional expert judgment is allowed) and judgmental triggers (requiring an assessment by credit risk managers to determine whether the UTP indications should result in a default classification).

Accounting measurement

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

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

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

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 (gross carrying amount less loss allowance)

Stage triggers of stages 1, 2 and 3

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

Quantitative stage trigger

The key quantitative metric determining whether a financial instrument is transferred from stage 1 to stage 2 is the deterioration of the LPD from the date of origination to the reporting date, based on internal data. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on the credit risk drivers, such as days past due and the expected future developments in the economy, for example employment opportunities or financial crisis.

ICS transfers a financial instrument from stage 1 to stage 2 when the instrument is more than 30 days past due. A transfer to stage 3 will always be the result of the default of a financial instrument. A default is considered when one of the default triggers occurs: 90 days past due on an amount exceeding EUR 100 and 1% of the exposure of the credit facility, or an unlikely to pay trigger (e.g. bankruptcy, material fraud or the need to take a (partial) write off).

Default trigger

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

Calculation method

The amount of expected credit loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on- and off-balance sheet exposures. ICS applies the following calculation method for credit loss allowances: Collective 12-month ECL (stage 1) and lifetime ECL (LECL) for (stages 2 and 3) financial instruments that have similar credit risk characteristics are clustered in portfolios and are collectively assessed for impairment.

ICS has introduced models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the collective 12-month ECL and LECL for these financial instruments.

Forward-looking information

Three different scenarios for future economic developments are incorporated into the IFRS 9 expected credit loss calculation and risk stage determination in a probability-weighted manner (at 31 December 2022: baseline 60%, up 5%, down 35%). These three scenarios -a baseline (or most likely) scenario, a negative scenario and a positive scenario- and their weightings are reviewed quarterly and adjusted if necessary.

Macroeconomic scenarios and sensitivity

ABN AMRO Group economists have adjusted the 2022 forecasts to reflect the negative impacts of the ongoing war in Ukraine. Also, it is expected that the Eurozone and the Netherlands will go into recession as a result of the energy crisis. Furthermore, inflation leads to lower real income and impacts spending, while energy prices and supply shortages are obstructing the industry. However, central banks are taking measures to counter inflation. The decline in house prices is expected to continue as a result of the increasing mortgage rates. Climate and environmental risks are also considered in the projected macroeconomic indicators.

Climate and environmental risks are also considered in the projected macroeconomic indicators.

Macroeconomic scenarios in 2022

(In thousands of euros)

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

1 Real GDP Netherlands, % change year-on-year.
2 Unemployment Netherlands, % of labour force.
3 House price index Netherlands – average % change year-on-year
4 Weighted and unweighted ECL are including all collective impairments

Macroeconomic scenarios in 2021

(In thousands of euros)

Scenario	Weight	Macroeconomic variable	2023	2024	2025	2026	Unweighted ECL[4]	Weighted ECL[4]
Positive	10%	Real GDP	4.5%	2.9%	2.5%	1.6%		
		Netherlands[1]	2.7%	2.3%	2.3%	2.2%	19,385	
		Unemployment[2]	12.5%	5.0%	3.5%	3.0%		
		House price index[3]						
Baseline	60%	Real GDP	3.8%	2.4%	2.0%	1.4%		
		Netherlands	3.1%	2.8%	2.8%	2.8%	19,130	19,162
		Unemployment	10.0%	4.0%	3.0%	3.0%		
		House price index						
Negative	30%	Real GDP	2.7%	0.7%	2.3%	1.6%		
		Netherlands	4.0%	4.2%	3.4%	3.2%	19,152	
		Unemployment	0.0%	-7.5%	-10.0%	-2.5%		
		House price index						

1 Real GDP Netherlands, % change year-on-year.
2 Unemployment Netherlands, % of labour force.
3 House price index Netherlands – average % change year-on-year
4 Weighted and unweighted ECL are including all collective impairments

Payment arrangements/plans

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 before an arrears occurs (by e-mail, SMS, etc) as well 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 plan is offered when a customer is expected to be more than 90 days past due and does not qualify for a payment arrangement.

Under a payment plan, a customer can either repay the total amount in arrears within on average 4 years with a maximum of 8 years. The solution offered ensures that the customer continues to repay sufficiently and can pay the outstanding claim within a reasonable period of time. In this way, ICS contributes to preventing an irrevocable situation and gives the customer a view of

ICS has an integrated credit approval process for new customers.

a debt-free future within a reasonable period of time. The customer relationship will be terminated once the customer has repaid the total outstanding balance. Payment arrangements currently offered do not result in loan modifications.

Write-off

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

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

Recovery

When a loan is written off against the provision as mentioned, ICS has a special recovery process in place. ICS will always try to recover the amount that has been written off. This process may take years. The amount mentioned in Note 9.17 Impairments breakdown (€15.5 million) is still subject to activity in the recovery process.

(Cash) Collateral

ICS has an integrated credit approval process for new customers. New customers not approved in this process still have an opportunity to obtain a credit facility. These commercial customers must deposit money in a blocked ICS account. The amount of the deposit is the maximum facility that can be used for the cardholder(s). ICS has no credit risk for these cardholders. For details of these deposits, see Note 9.24. ICS has no (cash) collateral for stage 3 loans and advances.

Credit risk measurement

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

Maximum credit risk exposure

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

(In thousands of euros)

	31 December 2022	31 December 2021
Assets		
Balances at central banks	232,305	220,604
Loans to banks	664,790	788,958
Loans to customers	685,721	648,770
Investments	33,813	28,816
Other Assets	26,713	30,983
Total assets	**1,643,343**	**1,718,130**
Off balance sheet		
Commitments and undrawn limits	6,706,063	6,869,526
Total off balance sheet	**6,706,063**	**6,869,526**
Total credit risk exposure	**8,349,406**	**8,587,656**

Credit risk mitigation

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

Credit approval

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

ICS operates only within the European Union and therefore has limited foreign exchange (FX) risk exposure.

Credit monitoring

Monitoring activities are designed to safeguard ICS's positions in relation to all risks associated with the counterparty or portfolio. Monitoring allows ICS to identify any development in the counterparties' or portfolio's position that might trigger an increase in its risk profile at an early stage. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral assets and liabilities are short-term or carry a variable interest rate. ICS hedges most of its interest-rate risk by including a stipulation in its general terms and conditions that interest rates on credit advances on credit cards may be adjusted in line with developments in the capital market. Interest chargeable to customers is capped by legal limits.

Since 1 January 2015, this rate has been 14%. In August 2020, the Dutch Government decided that the maximum interest rate charged must be 10%. Time deposits relating to consumer credit due to ABN AMRO Bank N.V. have a fixed rate on a one-month basis. Time deposits due from credit institutions are related to outstanding consumer savings. These deposits have a fixed rate on a one-month basis.

Market risk

Definition

Market risk for ICS consists of the risk of movements in market variables, such as interest rates, stock prices and foreign exchange rates. Market risk 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; it 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 consists of interest-rate risk related to its credit portfolio. Interest-rate risk in the banking book is, to a large extent, transferred to the ABN AMRO Bank Asset and Liability Management (ALM) department via the funds transfer pricing framework. In this framework, ICS's assets and liabilities are matched to the extent that it is possible for ICS to take management actions 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 denominated in US Dollars. There is, therefore, a foreign exchange risk associated with this investment (see Note 9.20). The ALM department of ABN AMRO is responsible for managing FX risk associated with capital adequacy positions.

Market risk measurement

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

In August 2020, the Dutch Government adjusted the maximum interest rate charged to 10%. Time deposits relating to consumer credit due to ABN AMRO Bank N.V. have a fixed rate on a one-month basis. Time deposits due from credit institutions are related to outstanding consumer savings. These deposits have a fixed rate on a one-month basis.

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

(In thousands of euros)

	Notes	Average interest 2022	Maturity	Rate
Current accounts - credit institutions	9.16	-0.12%	Indefinite	Variable
Interest bearing deposits - credit institutions	9.16	0.76%	1 month	Variable
Credit card interest bearing - customers	9.17	9.61%	Indefinite	Variable
Credit card interest bearing - commercial	9.17	9.23%	Indefinite	Variable
Revolving loans - consumers	9.17	4.62%	Indefinite	Variable
Loans to financial institutions - Interest bearing	9.17	0.00%	1-7 days	Fixed
Time deposits - credit institutions - short term	9.25	0.12%	1-3 months	Variable
Time deposits - credit institutions - long term	9.25	0.19%	3 years	Fixed
Demand deposits - customers	9.24	0.00%	On demand	Variable
Time deposits - customers	9.24	0.00%	1-3 months	Variable

Market risk sensitivity analyses

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

(In thousands of euros)

	Interest rate risk				Foreign exchange risk				Other price risk			
	+100bp of IR		-100bp of IR		+1%		-1%		+3%		-3%	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Interest result	(1,123)	-	1,123	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	253	-	(249)	-	-	-	-	-
Other price	-	-	-	-	-	-	-	-	752	-	(752)	-

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%.

Liquidity risk management is integrated into the Enterprise Risk Management (ERM) framework of ICS.

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 denominated in US Dollars, is not specifically managed or mitigated and the residual risk is identified as an accepted risk.

Liquidity risk

Definition

Liquidity risk is the risk that actual and potential payments cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk:

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

Liquidity risk management framework

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

Liquidity risk appetite

Liquidity risk tolerance for ICS is regularly reviewed and approved by the Asset and Liability Committee (ALCO) and through the Entity Enterprise Risk Committee (EERC), in accordance with the Local Risk Appetite Statement (LRAS). The LRAS articulates ICS's appetite for liquidity risk and tolerances as deemed appropriate to the nature, scale and complexity of ICS's operations. The LRAS is aligned with the ABN AMRO Bank-wide Risk Appetite Statement and the 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 2022 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%
Daily LCR	Limit ≤ 105%; checkpoint ≤ 110%
Buffer Remaining After Stress (BRAS)	Limit < 100mln EUR; checkpoint: <230mln EUR
Net Stable Funding Ratio	Limit ≤ 100%; checkpoint ≤ 108%

Contingency planning

ICS has a Contingency Funding Plan (CFP) in place. The CFP provides a set of strategies for addressing potential liquidity shortfalls in emergency situations. In addition, the CFP describes the various roles and responsibilities, contact details of members of the Liquidity Contingency Team (LCT), including delegates, and describes the decision-making process. The Liquidity Contingency Team is formed and will become active in a liquidity contingency situation. ICS has defined several indicators to enable identification of a contingency situation at an early stage based on the daily monitoring of early warning indicators. The LCT is tested at least annually with a dry-run. The LCT has been tested and approved in 2022, with no specific remarks.

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

Liquidity ratios

The Basel III framework includes two liquidity ratios: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

ICS's funding strategy aims to optimise funding sources in order to maintain the targeted funding position.

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 100% for the NSFR under Basel III/CRD IV. The LCR remained well above 100% during 2022.

Net Stable Funding Ratio

ICS was compliant with the liquidity requirements of the Net Stable Funding Ratio (100%) during 2022. NSFR monitoring involves the monthly calculation of the ratio, a forecast NSFR (horizon of three months and a forecast until the end of the year) and a monthly analysis of the variations. The required liquidity buffer of ICS is, to a large extent, predictable as result of its stable business model. The seasonal effect is recurring and for that reason an adequate buffer can be anticipated in time.

Funding

ABN AMRO Bank N.V. is ICS's main source of funding. In September 2018, ICS entered into an open-ended Facility Agreement (FA) limited to €1.62 billion. The facility had been revised in 2021 to €1.055 billion. In 2022, the facility was reviewed and ICS concluded that although the facility was deemed to be sufficiently large to cover potential growth and/or stress situations, it was not too large that ICS had to pay too much for unused facility. ICS does not obtain funding from any other banks, which is in accordance with the ABN AMRO Group policy.

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

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

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

Dividend policy

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

Contractual 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 submits 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 into account 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 2022, both the contractual and behavioural maturity are forecast to generate positive cumulative net cash flows, which supports the conclusion that ICS's funding and liquidity structure is adequate.

Maturity based on contractual undiscounted cash flows

The table below provides a breakdown of the above liquidity profile of the financial liabilities of ICS at year-end 2022.

Maturity based on contractual undiscounted cash flows 2022

(In thousands of euros)

	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Assets								
Cash and balances at central banks	232,305	-	-	-	-	-	-	232,305
Loans and advances banks	235,510	-	429,281	-	-	-	-	664,790
Loans and advances customers	547	459,488	11,496	51,734	162,457	-	-	685,721
Investments	-	-	-	-	-	-	33,813	33,813
Other Assets	2,073	1,734	24,690	174	9,331	-	-	38,002
Total Assets	**470,434**	**461,222**	**465,467**	**51,908**	**171,788**	**-**	**33,813**	**1,654,631**

Maturity based on contractual undiscounted cash flows 2022

(In thousands of euros)

	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Liabilities								
Due to customers	344,327	-	47,214	-	-	-	-	391,541
Due to banks	181	112,389	224,777	255,956	309,748	-	-	903,051
Other liabilities	21,794	48,339	9,990	53,194	-	-	-	133,316
Shareholders' equity	-	-	-	-	-	-	226,724	226,724
Total Equity and liabilities	**366,301**	**160,727**	**281,981**	**309,150**	**309,748**	**-**	**226,724**	**1,654,631**

Maturity based on contractual undiscounted cash flows 2021

(In thousands of euros)

	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Assets								
Cash and balances at central banks	220,604	-	-	-	-	-	-	220,604
Loans and advances banks	406,634	-	382,324	-	-	-	-	788,958
Loans and advances customers	680	365,836	14,359	64,615	203,281	-	-	648,770
Investments	-	-	-	-	-	-	28,816	28,816
Other Assets	2,462	927	29,764	209	9,577	-	-	42,939
Total Assets	**630,380**	**366,763**	**426,446**	**64,824**	**212,858**	**-**	**28,816**	**1,730,087**

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, persons and systems or from external events.

Maturity based on contractual undiscounted cash flows 2021

(In thousands of euros)

	On Demand	Up to 1 month	Between 1-3 months	Between 3 months and 1 year	Between 1-5 years	More than 5 years	Not determined	Total
Due to customers	354,432	-	48,009	-	-	-	-	402,441
Due to banks	-	109,010	218,385	337,626	319,535	-	-	984,557
Other liabilities	1,567	28,912	12,249	21,405	-	-	-	64,133
Shareholders' equity	-	-	-	-	-	-	253,688	253,688
Total Equity and liabilities	**355,999**	**137,922**	**278,644**	**359,031**	**319,535**	**-**	**253,688**	**1,704,819**

In managing these risks, a clear distinction is made between going concern and contingency risk management.

Going-concern management

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

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

Operational risk

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

Compliance and conduct risk

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

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

Information security risk

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

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

Fraud risk

The Fraud Risk Management department is responsible for the prevention and detection of credit card fraud (involving, for example, web account takeovers, Internet fraud and phishing). Card Not Present fraud (online fraud) is expected to continue to be the biggest fraud risk category in the near future. The gross fraud percentage has been lower for several consecutive years and around 75% of gross fraud losses are ultimately recovered. ICS continues to focus on reducing operational losses related to fraud.

Business continuity risk

ICS safeguards its stakeholders' interests and the organisation's reputation, brand and value-added activities. ICS's Business Continuity Management (BCM) provides assurances for resilience in the form of the response given by the Crisis Management Team (CMT) in the event of threats. The ICS BCM Policy and Standards are based on the Principles for BCM requirements for the Dutch financial sector and its providers and ISO 22301. The BCM practices include IT disaster recovery tests to reduce the organisation's IT risk.

ICS has a Risk Self-Assessment (RSA) process in place to identify, assess and mitigate operational risks.

Operational Risk Mitigation

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

Risk Event Management

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

Strategic Risk Assessment

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

Change Risk Assessment

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

Risk Self-Assessment (RSA)

ICS has a Risk Self-Assessment (RSA) process in place to identify, assess and mitigate operational risks. Identification of risks, the assessment of the probability and impact of occurrence and the determination of controls to mitigate risks to acceptable levels is paramount in achieving ICS's business objectives. The results are discussed within the MT.

Monitoring Control and Testing

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

Business risk

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

9.35 Post-balance sheet events

Bankruptcy Silicon Valley Bank and takeover Credit Suisse

Recently, the Silicon Valley Bank (SVB) in the United States of America went bankrupt and Credit Suisse was taken over by UBS. ICS has assessed the direct and indirect impact of these developments on ICS and its customers. The conclusion of the analysis is that no material impact is expected because ICS has no exposures towards SVB and Credit Suisse.

There are no further post-balance sheet events.

9.36 Profit appropriation

In 2022, ICS reported a loss of €27 million. The loss is charged to ICS's shareholders' equity.

9.37 Approval of annual financial statements by Board of directors

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

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ICS B.V.;
- the Board of Directors report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2022 financial year of ICS B.V. in its Annual Financial Statements;
- the Board of Directors report describes the material risks with which ICS B.V. is faced.

Diemen, 31 May 2023.

For the Board of Directors

- Mr D.M. Minderhoud, Chief Executive Officer
- Ms M. Zwiers, Chief Risk Officer
- Ms C. Weeda-Hoogstad, Chief Financial Officer

For the Supervisory Board

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

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. In 2022, ICS reported a loss of €27 million.

10.2 Definitions of important terms

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

Independent auditor's report

Independent auditor's report

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

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the annual financial statements 2022 (hereinafter: the financial statements) of International Card Services B.V., based in Amsterdam, the Netherlands.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of International Card Services B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The company statement of financial position as at 31 December 2022
- The following statements for 2022: the company income statement, the company statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

We are independent of International Card Services B.V. (hereinafter: ICS or the company) 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.

Information in support of our opinion

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

Our understanding of the business

ICS offers card services primarily in the Netherlands and Germany. ICS is engaged in issuing, promoting, administering and processing Visa and Mastercard credit cards. Furthermore, ICS offers its customers various financial services such as insurance and revolving loans, which are an integral part of its operational activities. We paid specific attention in our audit to a number of areas driven by the operations of ICS and our risk assessment.

Materiality

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

€3.7 million (2021: €3.8 million)

Benchmark applied

1.5% of total equity (2021: 1.5% of total equity)

Explanation

Based on our professional judgment, a benchmark of 1.5% of total equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of ICS. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €190 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the banking industry. We included specialists in the areas of IT audit, forensics, compliance, income tax and credit risk modelling and for evaluating the valuation of Visa Inc. C-shares.

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

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

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

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

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

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

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

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

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

We did not identify a risk of fraud in revenue recognition.

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

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

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

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the statutory board of directors, inspection of ICS' systematic integrity risk analysis (SIRA), enquiries of relevant executives, internal audit, legal and compliance, 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, particularly relating to indications for any shortcomings in relation to compliance with the Dutch Act on the prevention of money laundering and financing of terrorism. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed with the help of our own specialists, whether ICS has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether ICS implemented remediation plans. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We make reference to the key audit matter on provisions and contingent liabilities and related disclosures.

Our audit response related to going concern

As disclosed in Note 9.2 “Basis of preparation” to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the statutory board of directors made a specific assessment of ICS' ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the statutory board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the statutory board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on ICS' ability to continue as a going concern and whether the company will continue to comply with the regulatory solvency and liquidity requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

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

In comparison with previous year, the nature of our key audit matters did not change.

	Estimation of impairment allowances for loans and advances to customers
Risk	Loans and advances to customers are measured at amortized cost, less any allowance for impairment. The allowance for impairment losses represents the company's best estimate of expected credit losses calculated in accordance with IFRS 9 "Financial Instruments". At 31 December 2022, the loans and advances to customers amounted to €685.7 million with an associated allowance for impairment losses amounting to €14.3 million. ICS's assessment of significant increase in credit risk, correct stage classification and the determination of the allowance for impairment losses is part of the risk estimation process, and requires significant management judgment. Key judgments include the measurement of (deteriorated) credit risks and defaulted loans and advances, modelling assumptions used to build the models that calculate the expected credit losses per stage, assumptions used to estimate the impact of multiple economic scenarios and post model management adjustments. Given the materiality of the loans and advances to customers of ICS, the complex accounting requirements with respect to calculating allowances for expected credit losses, the subjectivity involved in the judgments made and the inherent risk of management override, we considered this to be a key audit matter. The provision for loan losses for lending is disclosed in Note 9.17 "Loans and advances – customers" of the financial statements. Related credit risk disclosures are included in Note 9.34 "Risk management".

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

	Estimation of other provisions and contingent liabilities and related disclosures
Risk	In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", ICS provides for liabilities related to, among others, legal and compliance matters. As disclosed in Note 9.27 of the financial statements, ICS recognized as at 31 December 2022 legal provisions, including the provisions for compensation of variable interest and anti-money laundering and terrorist financing legislation remediation related to the Dutch Act on the prevention of money laundering and financing of terrorism (Wwft), of €45.2 million and €5.6 million respectively. In Note 9.31 the commitments and contingent liabilities are disclosed. The estimation process in relation to provisions and contingent liabilities is inherently complex following the nature of the business and the heightened regulatory scrutiny. This specifically impacts the determination of whether outflows of resources are probable and can be reliably estimated and the appropriateness of assumptions and judgments used in the estimation of the provisions and disclosure of contingent liabilities. Therefore, we consider this a key udit matter.
Our audit approach	We evaluated ICS's accounting policies related to provisions and contingent liabilities in accordance with IAS 37, and whether assumptions and the methods for making estimates are appropriate and have been applied consistently. We also obtained an understanding of the internal controls and the legal and regulatory framework of the company. For material provisions we challenged the provisioning methodology and tested the underlying data and assumptions used. Specifically, for the provision related to the variable interest client compensation scheme we performed test of details to underlying data and assessed the assumptions and judgments made by the company. We also performed test of details on the Wwft-remediation provision and assessed the progress of the number of files considered remediated.

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

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

Report on other information included in the annual report

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

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

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

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

The statutory board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of the statutory board of directors and the supervisory board for the financial statements. The statutory board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the statutory board of directors is responsible for such internal control as the statutory board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the risk and audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 31 May 2023

Ernst & Young Accountants LLP
Signed by Q. Tsar