



International
Card
Services

International Card Services B.V. Annual Report



For the year ending on 31 December 2021



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This is an abridged, unaudited annual report. Our complete annual report can be found elsewhere on this site.



ICS profile

Our purpose is clear: *carefree payments everywhere*. We believe that we have to offer our customers and partners relevant, reliable 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.



Customers

We have been issuing Mastercard and Visa credit cards in the Netherlands for more than 34 years. With around 2.6 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 consumers and commercial clients. 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.

We are a fully licensed banking institution and a principal member of Visa and Mastercard.



**Maurice Koot,
Chief
Executive
Officer**



How do you look back on 2021?

'In 2021, the impact of the COVID-19 virus was again very much evident in society. The pandemic demanded a lot from organisations and employees and resulted in financial loss during the year for ICS. We suffered from the collapse of the travel and entertainment industry. In addition, we invested a lot (20%) in repair programmes as a result of new legislation and regulations. And some 30% of our investments went into renewing our technological environment. In view of our strong position and the fact that we are partly owned by the government, we did not apply for NOW support (Emergency Measures to Bridge Employment). Above all, we have shown great flexibility and perseverance in coping with the restrictive measures for a long period.'





I am proud to mention the introduction of the ICS GO Card.



What was the highlight of the past year for you?

What I am proud of is that we have created something new in so many areas. To begin with, the opinion and appreciation of our customers is of the utmost importance to us. Once again, our annual customer satisfaction survey showed that our NPS (+24) was well above the market average. I am pleased that we have been able to maintain our service levels despite the difficult conditions arising from the COVID-19 pandemic. These results support us in our efforts to further improve our services.

Is ICS on track with its transformation?

In 2021, we strengthened our commercial strategy. I would like to specifically mention our new partnership with Booking.com, as a result of which our customers receive a 4% discount. A second initiative I am proud to mention is the introduction of the ICS GO Card. This is a card that offers 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 insufficient funds are available. This is an excellent example of an inclusive financial product that is appropriate in today's world.





Service

High levels of customer satisfaction



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 than 150 currencies



Partners

ICS issues credit cards in cooperation with 19 co-branding partners



Safety

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



90 Million

In 2021, ICS processed 90 million transactions

Infographic



2.6 Million

Around 2.6 million credit cards in circulation



1.000

Around 1.000 in- and external employees



Contactless

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





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 2021, 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.

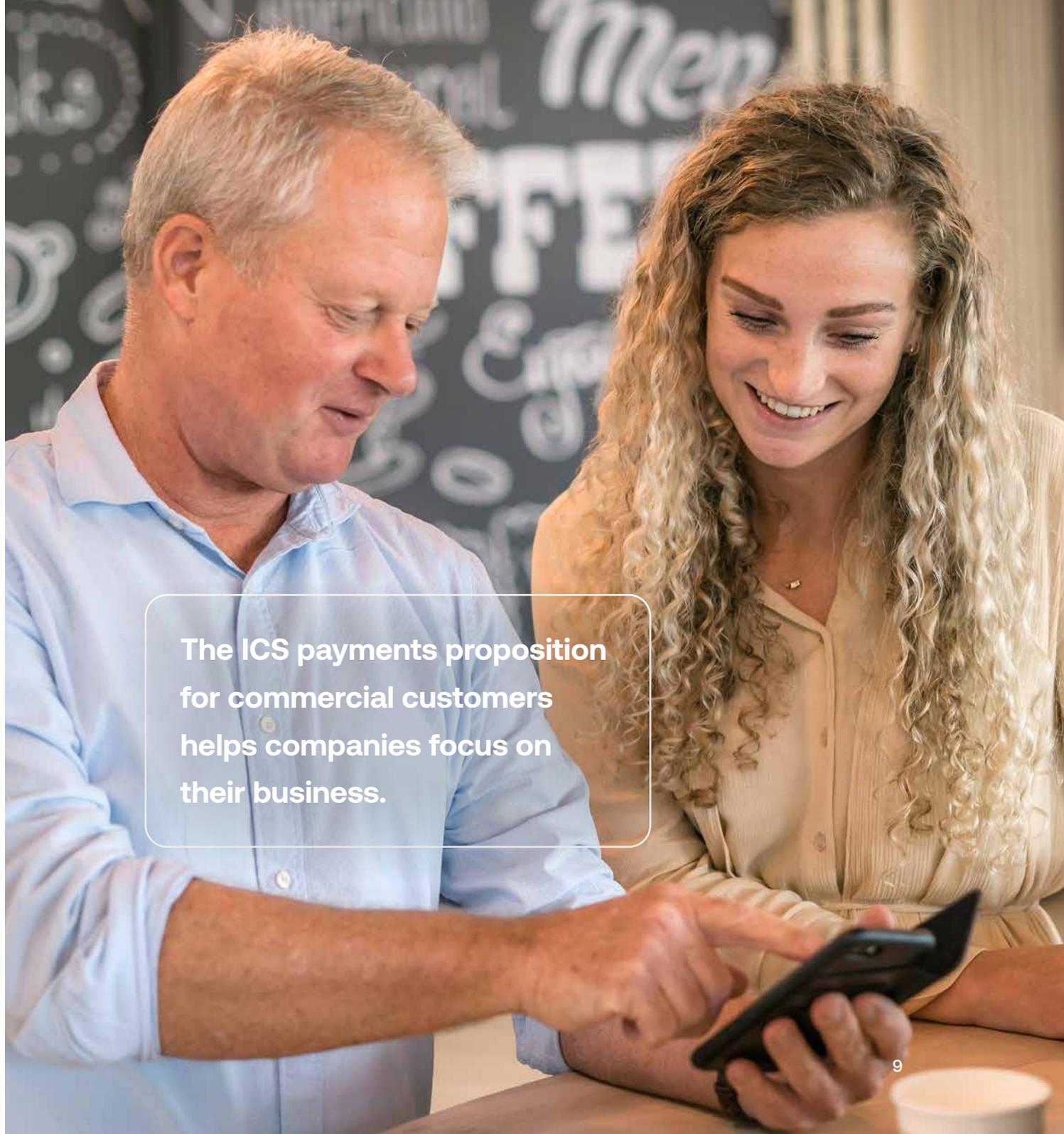


Payments

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.



**The ICS payments proposition
for commercial customers
helps companies focus on
their business.**

An aerial photograph of a city, likely Amsterdam, showing a wide river with a barge, various buildings, and a prominent tall tower with a spherical top. The sky is clear and blue.

In the Netherlands and in Germany

Consumer cards

Most of our cards are issued to consumers. In this segment we also issue cards under our own labels (both in the Netherlands and in Germany), as well as 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 in the event that an e-commerce order does not arrive or the wrong item is delivered.

Consumer credit

ICS is a leading, specialised 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 aim to both manage our credit risk and ensure that our products are in our customers' best interests. Responsible credit provision and debt prevention are our guiding principles in this respect. ICS has therefore introduced several measures to prevent customers from getting into arrears in the first place and to resolve arrears more quickly.



Financial results

The table on the next page presents the key financials for the years 2021 and 2020.



(In millions of euros, unless stated otherwise)

	2021	2021*	2020	2020*
Net result	(29)	(14)	2	9
Operating income	133	139	162	161
Operating expense	(167)	(153)	(154)	(144)
Impairments	(4)	(4)	(4)	(4)
Cost-to-income-ratio (CIR)	125.8%	110.1%	95.1%	89.5%
Turnover	6,451	6,451	5,664	5,664
# card transactions	90	90	85	85
Portfolio	649	649	652	652
# in circulation**	2,646	2,646	2,890	2,890

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

** In thousands

'The net result'



One-off items were recognised in both years.

€10.8 million

An additional Wwft provision of € 10.8 million for the CDD remediation programme was recognised as an operating expense in 2021.

Also, due to the verdict of the Kifid regarding variable interest on revolving credits, a provision of

€ 6.3 Million
for interest compensation

was recognised in net interest income (NII) and a provision of



€ 3.1 Million

for operational expenses

was recognised as an operating expense in 2021.



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, it has managed to take down phishing sites, with around 250 counterfeit websites being shut down every month thanks to ICS – the same number as in 2020. Twenty-four police reports were also filed in 2021 (21 in 2020), resulting in several arrests.

One of our greatest responsibilities is to protect our customers and businesses and their financial data through safe payment transactions. ICS monitors payments made with our cards on a 24/7 basis. If the fraud detection system identifies potentially suspect transactions, we contact the cardholder immediately. In addition, we take immediate action in 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, 2021 saw 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.

See also fraud video's





Employee experience

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

Employees can develop and prepare for the new ICS by means of re-skilling and upskilling.

Rewarding and Caring for our Employees' interests

Terms of employment

At the start of 2021, ICS transferred the employership to ABN AMRO Bank. In addition to future-proof HR tools, policies and processes, we offer our employees all the terms and conditions of ABN AMRO Bank, as well as the bank's social plan. No restructuring leading to employee redundancy occurred in 2021.

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.

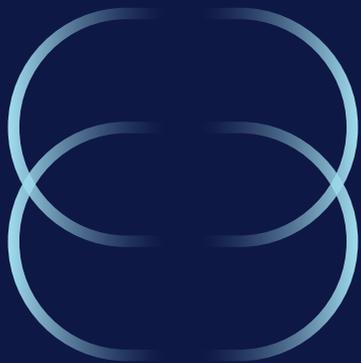
During the summer, a new working concept was rolled out: hybrid working. The most suitable workplace will be chosen depending on the activity concerned. This new working concept will support a more flexible way of working. Even after COVID-19, we anticipate employees will no longer work from the office five days a week. With its current working environment, ICS can fully support this new concept.

Personal and professional development

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 upskilling.

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.

Over the course of the year, ICS introduced ABN AMRO Bank's New Job Model framework. The new job profiles based on skills and responsibilities are described more generically, making it easier to compare the profile with other job profiles and to increase the employability of employees.



Outlook 2022

In 2021, we created a solid basis for our further transformation into a modern payment service provider. Matters related to laws and regulations are up to date and incorporated into the regular processes. This allows more room for new developments and propositions. In addition, in terms of COVID-19 expectations, 2022 looks better than the previous year. If this forecast continues and we return wholly or partly to the old normal, credit card transactions will almost certainly pick up again.



International
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Our strategic focus remains on renewing our organisation. Based on our refined vision, mission and purpose, we are working on the structure of the organisation (organisational design), the technical infrastructure, further digitalisation and increasing our marketing efforts. In doing so, our focus is on providing maximum added value for our customers. Our renewed customer service will remain at an excellent level.

We are also investigating other ways of increasing the number of credit card payments. In 2022, we will enter into more partnerships and collaborations to make the Card even more attractive for our customers. We will also come up with new propositions and extensions of the ICS GO Card.

We are aware that the payment ecosystem is rapidly evolving; with the emergence of new technologies making transactions easier, this must be accompanied by enhanced security, compliance and ease of use. Convenience, speed and simplicity are important,

as long as safety is guaranteed. Therefore ICS is adding 'ease of use' to its brand values, alongside 'safety' and 'security'. Working on our brand is also one of the focus points in 2022.

ICS, as the payment service provider that enables its customers to make carefree payments everywhere, will emerge stronger and stronger in 2022, thanks to our motivated staff, their entrepreneurial spirit and the easing of COVID-19 restrictions. As a result, we foresee an improvement in our financial results.

Current events in Ukraine are developing very fast. We are extremely concerned about this conflict, which represents a direct assault on the principles of democracy and freedom at a scale we have not experienced in Europe since the end of the Second World War. We are greatly saddened by the loss of so many innocent lives. The situation also brings economic uncertainty. We are focused on managing the implications for our clients and ICS, as well as the accompanying risks.



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.