

Transparency and Disclosure Report H1 2023

Pillar III Report
Adyen N.V.

Introduction

This document presents the consolidated Transparency and Disclosure Report (Pillar III report) for H1 2023 of Adyen N.V. (Adyen) as per 30 June 2023.

As a 'less significant institution' based in the European Union, Adyen operates under the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR), including the recent amendments to this framework as documented in CRR II and CRD V. This framework is based on a three-pillars concept:

- Pillar I – Minimum capital requirements
- Pillar II – Supervisory review
- Pillar III – Market disclosures

In Pillar I, the capital requirements are calculated on the basis of standard components of three categories of risk that an institution faces: credit risk, market risk and operational risk. These capital requirements need to be covered by sufficient own funds. Adyen uses the standardized approach for credit and market risk categories, and the Basic Indicator Approach for operational risk to determine its minimum regulatory capital requirements.

In Pillar II, the supervisor reviews the viability of Adyen and its ability to meet the reporting requirements. This Supervisory Review and Evaluation Process (SREP) comprises four components:

- Business Model Assessment (BMA)
- Internal governance and institution-wide control assessment
- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)

As Pillar II inherently implies supervisory judgment, it is a more principle-based standard that addresses institution-specific risks and details capitalization against these risks. The capital requirements from Pillar II should be proportionate to the risk profile of Adyen, and as such also reflect the volatility to risks under adverse and changing business conditions.

The Pillar III disclosure framework seeks to promote market discipline through regulatory disclosure requirements. Pursuant to Part Eight of the CRR, Adyen is required to publicly disclose information regarding, amongst others, its risk profile, risk management and capital adequacy on an annual basis. Adyen discloses this information by means of the year-end Pillar III report (see "Transparency and Disclosure - Pillar III" for 2022¹). Per CRR Article 433 c (1) (b), Adyen is required to publish its key metrics on a semi-annual basis, which are disclosed in this H1 2023 Pillar III report with a reference date of 30 June 2023.

The content of this Pillar III report meets all the requirements laid down in CRR and corresponding delegated regulations and guidelines. This report has not been audited by Adyen's external auditor.

¹ Transparency and Disclosure Report 2022 Pillar III Report

Key metrics

Capital

In Pillar I, Adyen uses the standardized approach for credit and market risk categories, and the Basic Indicator Approach for operational risk to determine its minimum regulatory capital requirements. Resulting from Adyen's business model, operational risk is the largest risk category in terms of risk weighted assets. The total risk exposure amount at 30 June 2023 was EUR 3,742 million.

The capital requirements need to be covered by sufficient own funds. Adyen's own funds consist fully of CET1 capital, which was EUR 2,301 million at 30 June 2023. This resulted in a CET1 capital ratio of 61.5%. Subject to approval from De Nederlandsche Bank (DNB), Adyen may include its H1 2023 interim net profit to CET1 capital, which would result in a CET1 capital of EUR 2,583 million and a CET1 ratio of 69.0%. At the publication date of this document, approval has not yet been granted, but is expected over the course of Q3 2023.

Leverage Ratio (LR)

Adyen's leverage ratio was 30.5% as at 30 June 2023, which is well above the requirement of 3%.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio of Adyen was 2,176% as at 30 June 2023, well above the regulatory threshold of 100%.

Net Stable Funding Ratio (NSFR)

As at 30 June 2023 Adyen's NSFR was 283%, well above the regulatory threshold of 100%.

Annexes

Please note all annexes are denoted in EUR amounts, unless stated otherwise.

Annex KM 1 – Key metrics²

Template EU KM1

Key metrics template

		a	b	c
		30-Jun-23	31-Dec-22	30-Jun-22
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	2,300,894,945	1,972,191,130	1,683,820,112
2	Tier 1 capital	2,300,894,945	1,972,191,130	1,683,820,112
3	Total capital	2,300,894,945	1,972,191,130	1,683,820,112
Risk-weighted exposure amounts				
4	Total risk exposure amount	3,742,018,069	3,422,114,039	2,852,492,633
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	61.49 %	57.63 %	59.03 %
6	Tier 1 ratio (%)	61.49 %	57.63 %	59.03 %
7	Total capital ratio (%)	61.49 %	57.63 %	59.03 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.50 %	4.50 %	7.20 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.00 %	2.60 %	4.05 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.60 %	3.40 %	5.40 %
EU 7d	Total SREP own funds requirements (%)	11.50 %	12.50 %	15.20 %
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	— %	— %	— %
9	Institution specific countercyclical capital buffer (%)	0.77 %	0.05 %	0.01 %
EU 9a	Systemic risk buffer (%)	— %	— %	— %
10	Global Systemically Important Institution buffer (%)	— %	— %	— %
EU 10a	Other Systemically Important Institution buffer (%)	— %	— %	— %
11	Combined buffer requirement (%)	3.27 %	2.55 %	2.51 %
EU 11a	Overall capital requirements (%)	14.77 %	15.05 %	17.71 %
12	CET1 available after meeting the total SREP own funds requirements (%)	46.72 %	42.58 %	41.32 %
Leverage ratio				
13	Total exposure measure	7,543,808,883	7,509,698,409	6,555,904,166
14	Leverage ratio (%)	30.50 %	26.26 %	25.68 %
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0%	0%	0%
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%	3%

² As per 18 July 2022 DNB and Adyen agreed a new calculation method for the LCR ratio on the basis of the application of Article 26 LCR DA. Adyen reports its LCR on the basis of this revised calculation from July 2022 onwards.

Template EU KM1
Key metrics template

		a	b	c
		30-Jun-23	31-Dec-22	30-Jun-22
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	0%	0%	0%
EU 14e	Overall leverage ratio requirement (%)	3%	3%	3%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value)*	2,744,211,353	2,532,534,559	1,998,484,154
EU 16a	Cash outflows - Total weighted value	504,435,176	489,699,888	352,835,680
EU 16b	Cash inflows - Total weighted value	1,009,601,090	893,556,640	737,877,083
16	Total net cash outflows (adjusted value)	126,108,794	122,424,972	88,208,920
17	Liquidity coverage ratio (%)	2,176 %	2,069 %	2,266 %
Net Stable Funding Ratio				
18	Total available stable funding	3,000,744,566	2,651,784,071	2,241,581,943
19	Total required stable funding	1,061,557,627	968,913,862	984,227,680
20	NSFR ratio (%)	283 %	274 %	228 %

*Please note that quarter-end numbers are reported here.