Transparency and Disclosure Report 2019

Pillar III

adyen

Contents

Concise risk statement

The Adyen DNA

We are a technology company redefining payments. We work together with over 1,182 people spread across 22 offices around the world. To us, "winning is more important than ego" – we value people for their skills and what they bring to the company, not for their titles. We work with cross-functional teams and empower them to make their own decisions. We call these workstreams. We think function beats form, and our effort toward our goal of helping our merchants grow is singular.

Description of Business Activities

The Adyen platform integrates the full payments stack (gateway, risk management, processing and acquiring) with a common back-end infrastructure for authorizing payments across its merchants' sales channels as well as offering feature-rich APIs. This integrated platform allows for the delivery of products and services on a global scale with local capabilities, directly connecting merchants to Visa, Mastercard and many other payment methods, and across sales channels, including its merchants' online, mobile and POS channels, while providing a high level of reliability, security, performance and data insights. During 2019 Adyen maintained consolidation in the many payment processing options, and with the roll out of Sales Day Payout and introduction of new products such as Adyen Issuing, it keeps searching for ways to improve services provided to its merchants.

Risk management

Adyen recognizes that risks are associated with achieving its strategy and business objectives. Managing these risks[1] is an essential part of doing business. Adyen has adopted a uniform and systematic company-wide approach for managing risks. Adyen's integral risk management framework is based on the Enterprise Risk Management (ERM) model as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2017.

Capital

The capital requirements comprise credit risk, operational risk and market risk. Adyen uses the Standardized Approach for each category of risk to determine its capital requirements. Resulting from Adyen's business model, operational risk is the largest risk category. Because of the day of settlement, cash on the balance sheet was higher than average, resulting in higher risk weighted assets. The total risk exposure amount at 31 December 2019 was EUR 1.57 billion.

The capital requirements need to be covered by sufficient own funds. Adyen's own funds consist fully of CET1 capital, which was EUR 745 million at 31 December 2019. This resulted in a CET1 capital ratio of 47.6%.

Leverage

Adyen's leverage ratio is 29%, which is above the non-binding requirement of 3%.

Liquidity coverage ratio

The liquidity coverage ratio of Adyen was 5,459% at the end of 2019, well above the regulated threshold of 100%.

Declaration Management Board

The Management Board of Adyen declares that the risk management arrangements of Adyen are adequate with regards to Adyen's risk profile and strategy.

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1 Art. 435(1)(e)(f) CRR.

Introduction

This document presents the consolidated Transparency and Disclosure Report 2019 (Pillar III report) of Adyen N.V. (Adyen) as per 31 December 2019.[2]

As a less significant institution[3] based in the European Union, Adyen operates under the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR). 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 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 each category of risk to determine its 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 Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Internal governance and institution-wide control assessment

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. Adyen discloses this information by means of this Pillar III report. The Pillar III disclosures are based on capital requirements in Pillar I with reference date 31 December 2019.

The content of this pillar III report meets all the requirements laid down in CRR and corresponding delegated regulations and guidelines.

Unless stated otherwise, all amounts in the report are in thousands of euros.

Scope of consolidation

As an EU parent institution, Adyen N.V. is required to publish a consolidated Pillar III report. Adyen reports its prudential requirements both on a consolidated as well as on a stand-alone basis. Its subsidiaries are only included in its consolidated reporting. Adyen's prudential scope of consolidation does not deviate from its IFRS scope of consolidation. Adyen N.V. is a licensed Credit Institution by De Nederlandsche Bank (the Dutch Central Bank) and registered in the Netherlands under the company number 34259528. The Credit Institution license includes the ability to provide cross-border services in the EEA. Adyen N.V. directly or indirectly owns 100% of the shares of, and therefore controls all entities included in the consolidated financial statements.

Adyen has operations in the Netherlands, Brazil, Singapore, UK, Canada, Australia, South Korea, Hong Kong, Mexico, China, New Zealand, Malaysia, India, Japan and the United States, with branches in Germany, France and Sweden and representative offices in Belgium, Italy and Spain. The address of the Adyen N.V. registered office is Simon Carmiggeltstraat 6 -50, 5th floor, 1011DJ Amsterdam, the Netherlands. Table 1 provides an overview of all branches of Adyen N.V. and subsidiaries of Adyen International B.V.[4]

2 Art. 436(a) CRR.
3 Art. 441 CRR.
4 Art. 436(b) CRR.

Table 1: Overview of Adyen's branches and subsidiaries

Adyen N.V. - Branches

Name	Branch location
Adyen N.V., German branch	Berlin, Germany
Adyen France	Paris, France
Adyen Nordic Bank Fillial	Stockholm, Sweden

Adyen N.V. – Representative offices

Name	Branch location
Adyen N.V., Belgian Representative Office	Brussels, Belgium
Adyen N.V., Italian Representative Office	Rome, Italy
Adyen N.V., Spain Representative Office	Madrid, Spain

Adyen International B.V. - Subsidiaries

Name	Legal Seat	Direct and indirect ownership percentage
Adyen Inc.	San Francisco, CA, USA	100%
Adyen Services Inc.	Dover, DE, USA	100%
Adyen Nevada Inc.	Las Vegas, NV, USA	100%
Adyen do Brasil Ltda	São Paulo, Brazil	100%
Adyen Singapore PTE. LTD.	Singapore, Singapore	100%
Adyen UK Limited	London, United Kingdom	100%
Adyen Hong Kong Limited	Hong Kong, Hong Kong SAR	100%
Adyen Australia PTY Limited	Sydney, Australia	100%
Adyen Canada Ltd.	Saint John, Canada	100%
Adyen Korea Chusik Hoesa	Seoul, Republic of Korea	100%
Adyen Mexico, S.A. de C.V.	Mexico City, Mexico	100%
Adyen (China) Software Technology Co. Ltd.	Shanghai, China	100%
Adyen New Zealand Ltd.	Auckland, New Zealand	100%
Adyen Malaysia Sdn. Bhd	Kuala Lumpur, Malaysia	100%
Adyen GmbH	Berlin, Germany	100%
Adyen India Technology Services Private Limited	New Delhi, India	100%
Adyen Japan K.K.	Tokyo, Japan	100%

In table 2, the disclosures within this Pillar III report are linked to the respective provisions of Part Eight CRR.

Table 2: Mapping table Articles to document

Article	Subject	Reference	Page	Annexes
Article 435	Risk management objectives and policies	Concise risk statement Risk management framework and strategy	p. 3 p. 8	
Article 436	Scope of application	Scope of consolidation	p. 4	
Article 437	Own funds	Capital	p. 22	Capital instruments main features template
Article 438	Capital requirements	Capital requirements Internal capital adequacy assessment process	p. 13 p. 19	
Article 439	Exposure to counterparty credit risk	Not applicable		
Article 440	Capital buffers	Capital buffers	p. 18	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
Article 441	Indicators of global systemic importance	Not applicable		
Article 442	Credit risk adjustments	Credit risk adjustment	p. 13	
Article 443	Unencumbered assets	Not applicable		
Article 444	Use of ECAI's	Use of External Credit Assessment Institutions	p. 13	
Article 445	Exposure to market risk	Market risk	p. 16	
Article 446	Operational risk	Operational risk	p. 16	
Article 447	Exposures in equities not included in the trading book	Equities in the banking book	p. 14	
Article 448	Exposure to interest rate risk on positions not	Interest rate risk in the banking book	p. 19	

	included in the trading book			
Article 449	Exposure to securitization positions	Not applicable		
Article 450	Remuneration policy	Remuneration policy	p. 20	
Article 451	Leverage	Leverage	p. 18	CRR Leverage ratio - Disclosure Template (Quantitative) CRR Leverage ratio – Disclosure Template (Qualitative)
Article 452	Use of the IRB approach to credit risk	Not applicable		
Article 453	Use of credit risk mitigation techniques	Not applicable		
Article 454	Use of the advanced measurement approaches to operational risk	Not applicable		
Article 455	Use of internal market risk models	Not applicable		

Risk management framework and strategy

Adyen recognizes that risks are associated with achieving its strategy and business objectives. Managing these risks is an essential part of doing business. This chapter describes Adyen's uniform and systematic company-wide approach for managing risks. In addition, it lays down Adyen's risk governance, which sets the tone for, reinforces the importance of, and establishes oversight responsibilities for risk management.

Risk management objectives and policies

Adyen's integral risk management framework[5] is based on the Enterprise Risk Management (ERM) model as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2017. The integral risk management framework structures the risk management activities within Adyen with a view of identifying, assessing, managing, monitoring and reporting risks in a uniform manner.

Three lines of defence

In line with the European Banking Authority (EBA) Guidelines on Internal Governance, Adyen has adopted the three-lines-of-defence model, which reflects the segregation between operations (first line management), the risk management and compliance functions (second line), and the independent internal audit function (third line). The first line management designs, implements, executes and monitors the control activities to manage performance and the risks taken to achieve Adyen's objectives. The second line risk and compliance functions provide guidance on risk management requirements, and independently evaluate adherence to defined standards. The third line internal audit function provides independent assurance on the effectiveness of risk management, including control activities, by performing audits. The head of internal audit reports directly to the chairman of the Audit Committee and has a dotted line (for day-to-day operations) to the CEO.

During 2019, the second and third-line functions have continued to add resources in line with the overall growth of the organization. Adyen has strengthened the second line by appointing a Chief Legal and Compliance Officer to the Management Board per January 1, 2020.

Strategy and objective setting

Risk management, strategy and objective-setting work together in the strategic-planning process. Operational objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk. Adyen's risk appetite is established and aligned with its strategy.

Risk appetite

Adyen has translated its view on risk appetite into risk appetite statements, which set the overall tone for Adyen's approach to risk taking. The risk appetite statements for 2019 were approved by the Management Board and Supervisory Board. Adyen's overall risk appetite is best reflected in the fact that it wants to build an ethical and sustainable business, accepts that its growth strategy may consume some amounts of capital investing in assets, people and processes, and that it accepts that competition could increase as it seeks to increase market share, thereby potentially reducing growth opportunities.

Risk assessment and control activities

Adyen performs a top-down company-wide risk assessment on an annual basis or in more frequent intervals, which includes the identification of key risks that could potentially affect its strategy and business objectives. The purpose hereof is to assess how big the risks are, both individually and collectively, in order to focus attention on the most important threats and opportunities. Based on EBA guidelines, the key risks are categorized as follows:

- Strategic and business risk
- Operational risk
- Financial risk (including credit risk, market risk, liquidity and funding risk)

5 Art. 435(1) CRR.

Reputational risk is not categorized separately as Adyen considers it a risk that can arise from all other risk categories. For a more detailed description of the company-wide risks as identified and assessed by Adyen, refer to the Section "Risk Factors" within the Annual Report 2019. To ensure Adyen pro-actively considers integrity risks that may affect its business, especially as Adyen's business continues to evolve, it annually performs a systematic integrity risk analysis (SIRA).

Adyen continues to strive towards a strong commitment to risk management. Therefore, it has established a control environment that provides an appropriate foundation for achieving the company's objectives and effectively mitigating risks. Control activities are the policies and procedures that help ensure risks are mitigated and Adyen's objectives are achieved. Adyen uses COSO's internal control model as a reference for its design, implementation and evaluation of control activities as part of a system of internal control.

Review and revision

By reviewing its performance, Adyen evaluates how well the risk management components are functioning over time. The Risk Committee plays a key role in supporting the Management Board with overseeing the effectiveness of Adyen's risk management. It carries out this role by monitoring Adyen's risk profile against the risk appetite, which is an ongoing and iterative process. Any material risk limit breach that places Adyen at risk of exceeding its risk appetite and, in particular, of putting at risk Adyen's financial health, is escalated promptly to the Management Board. Combinations of ongoing and separate evaluations are used to determine if the components of internal control are present and functioning effectively. The ongoing evaluations are built into Adyen's business processes and provide timely information. The separate evaluations, including independent management testing, are conducted periodically and may vary in scope and frequency depending on the risks and effectiveness of the ongoing evaluations. Any identified deficiencies are discussed within the Risk Committee and reported to the Management Board along with relevant findings, recommendations and remediation plans.[6]

Governance arrangements

Adyen's governance sets the tone, reinforces the importance of, and establishes oversight responsibilities for risk management. Adyen has established a governance which is consistent with the size, complexity and risk profile of the company. Adyen's governance[7] is reflected in certain internal rules and regulations, including the Articles of Association (statuten), the Management Board By-Laws, the Supervisory Board By-Laws and the Terms of reference of our Supervisory Board committees.

Board composition and directorships

Adyen maintains a two-tier board structure consisting of a Management Board and a Supervisory Board. The Management Board is responsible for the day-to-day management, which includes, among other things, formulating Adyen's strategy and policies and setting and achieving Adyen's objectives. The Supervisory Board supervises and advises the Management Board. Each board is accountable to the General Meeting for the performance of its duties.

Management Board

Adyen's Management Board is composed of the following six members.

Pieter Willem van der Does is the CEO of Adyen and has been a member of the Management Board since 2007. He spent over 15 years working in the payments industry. Before co-founding Adyen in 2006, Mr. van der Does was CCO at Bibit (a pioneering international payment service provider, acquired by the Royal Bank of Scotland in 2004). Mr. Van der Does also serves as a Supervisory Board member of Écart Invest B.V.

Arnout Diederik Schuijff is the CTO of Adyen and has been a member of the Management Board since 2007. He is considered a leading expert in the architecture of advanced payment technology solutions. After co-founding and being responsible for creating the technology behind Bibit, Mr. Schuijff co-founded Adyen together with Mr. van der Does.

Roelant Prins is the CCO of Adyen and has been a member of the Management Board since 2009. Mr. Prins is responsible for the commercial activities of Adyen. After starting his career as a consultant, he moved to the online payments industry early 2000. Throughout the years, Mr. Prins has held various international management roles in sales and business development for companies providing payment solutions to international e-commerce businesses.

Ingo Jeroen Uytdehaage is the CFO of Adyen and has been a member of the Management Board since 2011. He has earned his MBA in accounting and finance from Maastricht University and studied supply chain management and organizational behavior at the Aarhus Business School in Denmark. Additionally, Mr. Uytdehaage obtained his CPA at

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6 Art. 435(2)(e) CRR.
7 Art. 435(2) CRR.

the Vrije Universiteit in Amsterdam. Prior to joining Adyen, Mr. Uytdehaage was a Finance Director at KPN. Currently, he also serves as non-executive director on the board of TransferWise Ltd. and as chairman on the board of photography museum Foam in Amsterdam.

Samuel Graeme Halse is the General Manager of Adyen and has been a member of the Management Board since 2015. After starting his career as a commercial lawyer in New Zealand, he moved to the online payment industry in 2010. Mr. Halse has built substantial experience in payments and has worked with many leading global e-commerce companies, assisting them with their international payments rollout and optimization of payment processes. In the course of 2020, Mr. Halse will be moving back to New Zealand. This gives sufficient time for Mr. Halse to assist with Mr. Zaki's transition into the COO role.

Kamran Zaki has been appointed as the COO of Adyen and a member of the Management Board per January 1, 2020. Mr. Zaki will be responsible for the operations to customers that make use of Adyen's platform. Previously, Mr. Zaki was the President of Adyen North America since 2014, and in this capacity, Kamran oversaw all North American operations, including sales, marketing, product development and customer support. Prior to Adyen, Kamran was the Head of Global Payments at Netflix where he helped expanding the Netflix streaming service. Previously, Kamran spent seven years at PayPal. During his tenure there, he headed up payments teams across Europe, North America and Emerging Markets (i.e. LatAm, Middle East and Africa).

Mariëtte Swart has been appointed as the CLCO of Adyen and a member of the Management Board per January 1, 2020. Before joining the board, Mrs. Swart served as Adyen's General Counsel and Company Secretary since 2015. She has built the legal team from the ground up, ensuring that the legal function effectively supports the business at a strategic and operational level. Prior to Adyen, Mariëtte worked at an international law firm where she gained a vast experience in global financial services, helping companies with products in payments, debt and equity solutions, M&A and financial markets.

Joannes Gerardus Wijn is the CSRO of Adyen and has been member of the Management Board since 2017. Mr. Wijn has vast experience in global financial services, supporting companies with their payment products, debt and equity products, M&A activities and access to financial markets. Before joining Adyen, Mr. Wijn served as a member of the Management Board of ABN AMRO. In addition, Mr. Wijn was State Secretary for Finance and Minister for Economic Affairs within the Dutch government. Mr. Wijn also serves as a Supervisory Board member of Royal Schiphol Group. After three successful years at Adyen, Joop Wijn will leave the company and the board, as of May 31, 2020.

Supervisory Board

The Supervisory Board supervises the conduct and policies of the Management Board and the general course of affairs of Adyen and its business. The Supervisory Board also provides advice to the Management Board. In performing their duties, the members of the Supervisory Board are required to be guided by the interests of Adyen which includes the interests of the business connected with it. These interests are driven by Adyen's focus on long-term value creation and the way in which this is implemented in Adyen's strategy and culture.

Adyen's Supervisory Board is composed of the following four members.

Piero Overmars serves as a member of the Management Board of Randstad Beheer B.V., and as a member of the Supervisory Boards of AMC Academic Medical Center and Dura Vermeer Groep N.V. Previously, he served as Chairman of the Supervisory Boards of Nutreco and SNS Reaal and as President of the Nyenrode Foundation, following an extensive career at ABN Amro that culminated in a Board Member position. Mr. Overmars holds an MBA from Nyenrode Business University.

Delfin Rueda Arroyo serves as CFO and member of the Executive Board and Management Board of NN Group. Previously, he was CFO and member of the Management Board of ING Insurance, following an extensive career at Andersen Consulting, UBS, JP Morgan and Atradius. Mr. Rueda holds a degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid (Spain). He also holds an MBA from the Wharton School, University of Pennsylvania (USA).

Joep. van Beurden is CEO and member of the Executive Board of Kendrion. Previously, he served as CEO of CSR Plc. (UK) and NexWave Inc. (France), following a career at Royal Dutch Shell, McKinsey, Philips and Canesta Inc. Mr. van Beurden holds a degree in Applied Physics from Twente University of Technology (Netherlands).

Pamela Ann Joseph was appointed as a member of the Supervisory Board for a four-year term at the Annual General Meeting of 21 May 2019. Pamela Joseph is CEO and member of the Management Board of Clearent, and holds a non-executive position in the Boards of Paychex, Transunion and Spelman College. Previously, she served U.S. Bank corp. Payment Services as a Vice-Chairman, and prior to that Elavon as President and COO. She started her career at Wells Fargo Bank and VISA International. She holds a degree in Business Administration from the University of Illinois (USA).

Board recruitment and diversity policy

The Articles of Association provide that the Management Board shall consist of two or more members and that the Supervisory Board determines the exact number (more than two) of Managing Directors after consultation with the Management Board.

The General Meeting appoints Managing Directors upon a nomination by the Supervisory Board in accordance with the Articles of Association. The Supervisory Board shall make one or more nominations to the General Meeting in case a Managing Director is to be appointed.

In the event that the Supervisory Board has made a nomination, the resolution of the General Meeting to appoint such nominee shall be adopted by an absolute majority of the votes cast. A resolution of the General Meeting to appoint a Managing Director other than in accordance with a nomination of the Supervisory Board, but in accordance with the agenda for such General Meeting, shall require a majority of two thirds of the votes cast representing more than half of the Company's issued share capital. However, the General Meeting may at its discretion appoint a Managing Director other than upon the nomination of the Supervisory Board, provided that a proposal to appoint such other person has been put on the agenda of the relevant General Meeting.

Adyen is a licensed credit institution, which means that any appointment of a Managing Director must be approved by DNB. In connection with its approval procedure, DNB will test the proposed new Managing Director on integrity (betrouwbaarheid) and suitability (geschiktheid).

Best practice provision 2.1.5 of the Dutch Corporate Governance Code, provides that the Supervisory Board should draw up a diversity policy for the composition of the Management Board and Supervisory Board. The policy should address the concrete targets relating to diversity. Adyen deviates from best practice provision 2.1.5 as no concrete targets were set on diversity. The Supervisory Board has, with taking the Parliament's adoption of the SER's guideline on Supervisory Board composition into account, started the search for a fifth female Supervisory Director and is looking forward to enhance diversity even more within Adyen

Risk management committees

The Management Board has instituted three committees to support with its risk management oversight: the Compliance Committee, the Merchant Risk Committee, and the Risk Committee. The Compliance Committee monitors Adyen's integrity and compliance risks, the Merchant Risk Committee monitors the merchants' potential liability (MPL) risk and the Risk Committee monitors the overall risk profile.

The Risk Committee and the Compliance Committee report to the Management Board at least quarterly their observations, recommendations and deliberations on findings regarding compliance, risk management and internal control. The Risk Committee held six meetings during 2019. The Management Board reviews reports from control assessments made on the operating effectiveness of systems and controls, acts on recommendations from the Risk and Compliance Committees and decides on corrective actions. The Management Board reports to the Audit Committee on the effectiveness of Adyen's risk management and internal control systems during the quarterly Audit Committee meetings.

Disclosures on Pillar I

Within the CRR and CRD IV framework, Pillar I lays down the absolute minimum capital requirements in order to cover the financial risks institutions face. These risks are credit, market and operational risk. This chapter describes the capital requirements of Adyen, based on these three major risk categories.

Capital

For regulatory purposes, capital[8] is defined as own funds, which can be subdivided in Common Equity Tier 1, Additional Tier 1 and Tier 2. Adyen solely has Common Equity Tier 1 capital.

Own funds

Common Equity Tier 1 capital comprises IFRS equity after taking into account prudential filters and deductions. Table 3 provides a reconciliation of own funds with IFRS capital.[9] Annex I, describes the main features of this Common Equity Tier 1 capital.

Table 3 Reconciliation between IFRS equity and own funds (in EUR '000)

	31-Dec-19	
IFRS equity	868,321	
Of which: common shares		*179,296*
Of which: paid up capital		*301*
Of which: retained earnings		*559.494*
Of which: other reserves		*129,230*
Adjustments due to prudential filters and deductions	(122,846)	
Intangible assets		*(7,640)*
DTA that rely on future profitability and do not arise from temporary differences		*(61,725)*
Warrant reserve		*(53,401)*
Prudent valuation		*(80)*
Total Common Equity Tier 1 Capital[10]	**745,475**	

Prudential filters and deductions

Prudential filters and deductions remove or reduce certain elements from Adyen's own funds that are considered not to be eligible to absorb losses. The amounts related to these prudential filters and deductions are shown in Table 3.

Adyen applies the following prudential filter to its Common Equity Tier 1 capital:

- Additional value adjustments due to the requirements for prudent valuation

Institutions are required to calculate an additional value adjustment in order to adjust the fair value to a prudent value for all assets measured at fair value.[11] The additional value adjustment must be deducted from Common Equity Tier 1 capital. Adyen has two financial instruments on the balance sheet that are measured at fair value, and subject to an additional value adjustment, which are VISA shares and a derivative financial liability. As previously disclosed in the 2018 report, part of the derivative financial liability was prospectively de-recognized and the new equity instruments recognized at fair value in equity as warrant reserve. The first two tranches of the derivative liability resulting from a merchant contract are reclassified from derivative liability to warrant reserve in equity for the amount of EUR 53,401.
In addition, Adyen applies the following deductions to its Common Equity Tier 1 capital:

- Intangible assets other than goodwill
- Deferred tax assets that rely on future profitability and do not are from temporary differences
- Warrant reserve

8 Art. 437(1) CRR.
9 Annex I comprises the relevant rows of the 'Own funds disclosure template' as laid down in ITS (EU) 1423/2013.
10 No restrictions ex. art. 437(e) CRR were applied to the calculation of own funds.
11 Art. 34 and 105 CRR.

Capital requirements

Adyen uses standardized approaches to determine how much capital it is required to have for credit, market and operational risk. Resulting from Adyen's business model, capital requirements for operational risk are the highest.

Credit risk

Credit risk can origin from the risk that a counterparty will not settle the full value of an obligation — neither when it becomes due, nor thereafter. Adyen is and will continue to be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of merchants and other financial institutions, in particular in relation to receivables from financial institutions regarding settled payment transactions, and cash and cash- equivalents held at financial institutions. In addition, Adyen has credit risk on certain contract assets and from offering merchants a pre-financing service, which it refers to as Sales Day Payout.

Adyen has no derivatives or securities financing transactions, nor positions in securitizations. Adyen does not apply credit risk mitigation techniques.

In order to calculate its own funds requirement for credit risk, Adyen applies the standardized approach. Adyen's total risk-weighted exposure for credit risk is EUR 610,691 resulting in an own funds requirement for credit risk of EUR 48,855.[12]

Credit risk adjustments

Adyen considers an exposure to be past due if it has been due for more than one day and considers an exposure in default and impaired when either or both of the following have taken place:[13]

- The counterparty is past due more than 90 days
- The counterparty is considered unlikely to pay, for example due to bankruptcy or other factors

Adyen assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, Adyen applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets.[14]

At reference date, Adyen has no exposures in default. This is for the majority driven by a combination of low credit risk, resulting from high credit quality ratings, and the short-term nature of financial instruments in scope. Therefore, Adyen does not make use of specific credit risk adjustments.

Use of External Credit Assessment Institutions

Adyen applies ratings from External Credit Assessment Institutions[15] (ECAIs) to determine the risk weight of an exposure. With respect to its rated exposures, Adyen by default uses Moody's whenever it has a rating available. Only in the case that no rating of Moody's is available, Adyen uses a rating provided by Fitch. Adyen therefore does not cherry-pick its ratings. In order to determine the risk weight of an exposure, a rating is converted into the corresponding credit quality step based on the standard association as published by the EBA.[16] Exposures to unrated exposures are by default 100% risk weighted, in line with CRR Art. 122(2). Unrated institutions are risk weighted in accordance with CRR Art. 121.

12 Art. 438(c) CRR.
13 Art. 442(a) CRR.
14 Art. 442(b) CRR.
15 Art. 444 CRR.
16 ITS (EU) 2018/634.

Adyen uses ECAIs in order to determine the risk-weight of exposures belonging to the following three exposure classes:

- Central governments or central banks
- Institutions
- Corporates

Equities in the banking book

Adyen's exposure to equities in the banking book[17] arises from a holding of convertible preferred Visa shares. Adyen obtained these shares as the result of its previous holding in Visa Europe, which subsequently was acquired by Visa Inc., and resulted, amongst others, in Adyen being issued shares of Visa Inc. as consideration for the acquisition.

The Visa shares are stated at fair value for EUR 44.1 million, which is based on the fair value of Visa Inc. common stock multiplied by an initial conversion rate of preferred stock into common stock. These shares have no stated maturity and carry the right to receive discretionary dividend payments. Over 2019, Adyen gained EUR 13.7 million on non-trading financial assets mandatorily at fair value through profit or loss, which were recognized in the income statement. Due to a restriction on transfer, the Visa shares cannot be freely traded.

As per 31 December 2019, the total exposure value of equities in the banking book amounted to EUR 44.1 million, resulting in an own funds requirement of EUR 3.5 million.

Credit portfolio

As per 31 December 2019, Adyen's total exposures amounted to EUR 2,601,333 resulting in total risk-weighted exposures of EUR 610,691. The majority of Adyen's exposures have a short-term duration, with residual maturities of days. Exposures relating to equities are perpetual.[18]

The following tables provide an overview of Adyen's exposures.

Table 4 Exposures by exposure class (in EUR '000)

Exposure Class	**Average exposures**	**Total exposures**	**Total risk-weighted exposures**
Standardized Approach			
- Central governments or central banks	894,259	1,141,544	5,168
- Corporates	289,942	221,451	190,722
- Institutions	858,929	1,029,474	205,937
- Equities	42,274	44,088	44,088
- Other	161,454	164,776	164,776
Total	**2,246,856**	**2,601,333**	**610,691**

Table 4 shows the average amount of exposures over 2019, the total amount of exposures as per 31 December 2019 and the total amount of risk-weighted exposures broken down by exposure class.[19]

Table 5 Exposures by risk weight (in EUR '000)

Risk weight	0%	10%	20%	50%	100%	150%	1250%
Exposure value	1,089,859	51,685	1,043,849	38,375	377,565	0	0

In Table 5, the distribution of exposures across different risk weights is shown.

17 Art. 447 CRR.
18 Art. 442(f) CRR.
19 Art. 442(c) CRR.

Table 6 Exposure by country (in EUR '000)

Exposure Class	**NL**	**GB**	**DE**	**BE**	**ES**	**FR**	**US**	**BR**	**Others**	***Total***	**%**
Standardised Approach											
- Central governments or central banks	1,011,089	5,825	0	0	0	0	70,328	52,143	2,159	1,141,544	43.88%
- Institutions	257,391	138,046	80,720	14,859	51,172	20,098	331,968	106,793	28,427	1,029,474	40,73%
- Corporates	46,015	26,654	720	11,631	1,838	321	102,990	0	31,282	221,451	39.57%
- Equities	0	0	0	0	0	0	44,088	0	0	44,088	8.51%
- Other	164,776	0	0	0	0	0	0	0	0	164,776	1.69%
Total exposure value	**1,479,271**	**170,525**	**81,440**	**26,490**	**53,010**	**20,419**	**549,374**	**158,936**	**61,868**	**2,601,333**	**100%**
Total %	56.87%	6.56%	3.13%	1.02%	2.04%	0.78%	21.12%	6.11%	2.38%	100%	

Additionally, Table 6 provides a geographical breakdown of Adyen's total exposures to credit risk separately for each exposure class.[20]

20 Art. 442(c-e) CRR.

Market risk

Market risk[21] comprises equity risk, interest rate risk, foreign-exchange risk and commodities risk. Adyen does not hold trading book items and has no commodity positions, therefore it is solely exposed to foreign-exchange risk resulting from its international operations.

Adyen applies the standardized approach in order to calculate its own funds requirements for market risk. Adyen's total risk exposure amount for market risk is EUR 293,780 resulting in an own funds requirement of EUR 23,502.[22]

Foreign-exchange risk

The strengthening or weakening of the euro impacts the translation of Adyen's net revenues generated from its international operations that are denominated in foreign currencies, into the euro. Additionally, in connection with providing its services in multiple currencies, Adyen generally sets its foreign-exchange rates once per day. Adyen may face financial exposure as a result of fluctuations in foreign-exchange rates between the times that Adyen sets them. Given that Adyen also holds some merchants' and own funds in non-euro currencies, its financial results are affected by the translation of these non-euro currencies into euro. While Adyen has measures in place intended to manage its foreign-exchange risk, namely natural hedges and spot trades for any net open positions, no assurance can be given that fluctuations in foreign-exchange rates will nevertheless have a significant impact on Adyen's results of operations. Adyen is exposed to foreign-exchange risk on its assets and liabilities denominated in currencies other than the functional currency, including certain contract assets, its holding of Visa shares and the assets and liabilities of its subsidiaries. The majority of these assets through which Adyen is exposed to foreign currency risk are denominated in US dollar.

Operational risk

Adyen recognizes that operational risks[23] are associated with achieving its business objectives. Operational risk concerns the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Adyen has therefore implemented an internal control framework that is designed to manage the risks effectively and efficiently and to provide reasonable assurance that objectives can be met.

Merchants' potential liability for shopper chargebacks

When shoppers claim that a merchant has not performed, the issuing banks can file chargebacks. Adyen seeks to offset such chargebacks with the payouts to the merchants, but may not be able to succeed in full. While Adyen has implemented risk mitigation, including withholding funds from the payouts to its merchants, based on assumptions and estimates that Adyen believes are reasonable to cover such eventualities, the measures, including the withheld funds, may not be sufficient.

Availability of products and services

Adyen's systems and those of its third-party service providers, including data center facilities and communication networks, have experienced service interruptions and may experience significant service interruptions in the future. Frequent or persistent interruptions in Adyen's services could cause current or potential merchants to believe that its systems are unreliable, leading them to switch to a competitor or to avoid Adyen's products and services, and could permanently harm Adyen's reputation and brand. Moreover, to the extent that any system failure or similar event results in damages to Adyen's merchants or their business partners, these merchants or partners could seek significant compensation or contractual penalties from Adyen for their losses, which, even if unsuccessful, could likely be time-consuming and costly for Adyen to address and divert management attention. Furthermore, frequent or persistent interruptions could lead to regulatory scrutiny, significant fines and penalties, and/or mandatory and costly changes to its business practices, and could ultimately cause Adyen to lose existing regulatory licenses or prevent or delay Adyen from obtaining additional regulatory licenses that Adyen needs to expand its business.

Information security

Adyen and its merchants, partners and others who use its services, obtain and process a large amount of sensitive data. Adyen's and its partners' IT systems may be vulnerable to physical and electronic breaches, computer viruses and other attacks by cyber-criminals, internet fraudsters, employees or others, which could lead to, amongst other things, a leakage of merchants' data, damage related to incursions, destruction of documents, inability or delays in processing transactions and unauthorized transactions. Any real or perceived privacy breaches or improper use of, disclosure of, or access to such data could harm Adyen's reputation as a trusted brand in the handling and protection of this data.

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21 Art. 445 CRR.
22 Art. 438(e) CRR.
23 Art. 446 CRR.

Although Adyen carries cyber liability insurance that Adyen believes to be reasonable to cover such eventualities, such insurance may not be sufficient to cover all potential losses.

Data privacy
Adyen is subject to complex and evolving Dutch, European and other jurisdiction's laws, rules, regulations, orders and directives (referred to as "privacy laws") relating to the collection, use, retention, security, processing and transfer of personally identifiable information about its merchants, their shoppers, third parties and others and their transactions in the countries where Adyen operates. Much of the personal data that Adyen processes, especially financial information, is regulated by multiple privacy laws and, in some cases, the privacy laws of multiple jurisdictions. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among Adyen and its subsidiaries. Any failure, or perceived failure, by Adyen to comply with its privacy policies or with any applicable privacy laws in one or more jurisdictions could result in proceedings or actions against Adyen by governmental entities or others, including class action privacy litigation in certain jurisdictions, significant fines, penalties, judgments and reputational damage.

Entrepreneurial culture
Adyen's entrepreneurial culture has been one of the primary drivers of its historical growth. As Adyen grows, it may not be able to maintain its entrepreneurial company culture, which fosters innovation and talent. If Adyen does not successfully manage its growth, and is not able to differentiate its business from those of its competitors, drive value for and retain merchants, or effectively align its resources with its goals and objectives, Adyen may not be able to compete effectively against its competitors, leading to declining growth and revenues.

Talent
Adyen's future performance depends substantially on the continued services of key talent and its ability to attract, retain, and motivate such talent. The loss of the services of any of Adyen's key talent or Adyen's inability to attract highly qualified key talent may adversely affect its operations.

Integrity
Integrity risk is the risk of non-ethical behavior of management and employees and non-ethical behavior of third parties (merchants, suppliers, advisers) that can be attributed to Adyen, or in which Adyen plays a punishable role. There is quite some overlap with conduct risk: the current or prospective risk of losses arising from inappropriate supply of financial services including cases of willful or negligent misconduct. Misconduct generally refers to violations of law, regulations, internal policies, and market expectations of ethical business conduct. If Adyen (or a third party it does business with) fails to comply with laws and regulations, or market expectations of ethical business conduct, supervisory authorities may initiate legal and regulatory proceedings against Adyen. Integrity risk includes the regulatory compliance risk factor as described in the 2018 report.

Although Adyen has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti-corruption and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering or corruption, including actions by Adyen's employees, agents, merchants, third-party suppliers or other related persons for which Adyen might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, criminal penalties and reputational consequences.

Intellectual property rights
As substantially all of Adyen's intellectual property is developed in-house, the protection of such intellectual property, including Adyen's platforms, trademarks, copyrights, domain names, trade dress, and trade secrets, is important to the success of its business. Adyen seeks to protect its intellectual property rights by relying on applicable laws and regulations, as well as a variety of administrative procedures. Adyen's intellectual property rights may be contested, circumvented, or found unenforceable or invalid, and Adyen may not be able to prevent third-parties from infringing, diluting, or otherwise violating them. Any failure to adequately protect or enforce Adyen's intellectual property rights, or significant costs incurred in doing so, could diminish the value of its intangible assets.

As the number of products in the technology and payments industries increases and the functionality of these products further overlaps, Adyen may become increasingly subject to intellectual property infringement and other claims. The ultimate outcome of any allegation is often uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention, and require Adyen to, among other things, stop providing transaction processing and other payment-related services or redesign, stop selling its products or services, pay substantial amounts to satisfy judgments or settle claims or lawsuits, pay substantial royalty or licensing fees, or satisfy indemnification obligations that Adyen has with certain parties with whom Adyen has commercial relationships.

Tax
Social tolerance for tax avoidance is decreasing and international developments have led to the introduction of stricter regulations around tax avoidance. Adyen has a low risk appetite to be involved in activities aimed at evasion or avoidance of tax regulations by itself or third parties through the provision of its services. The determination of Adyen's worldwide provision for income taxes, value-added taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Adyen's determination of its tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on Adyen's business and the ultimate tax outcome may differ from the amounts recorded in its financial statements.

Basic indicator approach
Adyen applies the basic indicator approach in order to calculate its own funds requirements for operational risk. Under the basic indicator approach, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicator. Where the relevant indicator refers to the sum of several elements within the profit and loss statement of the institution.

Adyen's total risk exposure amount for operational risk is EUR 661,400 resulting in an own funds requirement of EUR 52,912.[24]

Table 7 shows the build-up of the relevant indicator over the last three years.

Table 7: relevant indicator (in EUR '000)

Build-up relevant indicator				
31-12-17	31-12-18	31-12-19	Relevant indicator	Own funds requirement
218,043	**347,814**	**492,383**	**352,746**	**52,912**

Capital buffers
In addition to a Pillar I and Pillar II requirement, Adyen is subject to the countercyclical buffer[25] requirement.

Geographical distribution of credit risk
Resulting from its international operations, Adyen has exposures to counterparties in several countries. The geographical distribution of Adyen's credit exposures relevant for the calculation of the countercyclical capital buffer are shown in Annex II.

As can be concluded from Table 8 below, the institution-specific countercyclical capital buffer for Adyen is 0.00%.

Table 8: Countercyclical buffer (in EUR '000)

Row	Institution-specific countercyclical capital buffer	31-Dec-19
010	Total risk exposure amount	1,565,871
020	**Institution specific countercyclical capital buffer rate**	**0.00%**
030	Institution specific countercyclical capital buffer requirement	0

Leverage
Leverage means the relative size of an institution's assets and off-balance sheet obligations as compared to the institution's own funds.

Leverage ratio
The leverage ratio[26] is a monitoring tool used to assess the risk of excessive leverage within institutions. It is defined as Tier 1 capital divided by a non-risk-based measure of the on- and off-balance sheet items. By restricting the build-up of leverage, the leverage ratio aims to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy.

24 Art. 438(f) CRR.
25 Art. 440 CRR.
26 Art. 451 CRR.

The Banking Package introduces a binding 3% leverage ratio as a pillar 1 requirement. In the CRR the leverage ratio is currently solely a reporting and disclosure requirement. The 3% leverage ratio requirement will be applicable from 24 months after the entry into force (28 June 2021).

As per 31 December 2019 Adyen had a leverage ratio of 29%. Annex III provides detailed information on both the reconciliation between total assets as published in the financial statements and the total exposure measure, and processes used to manage the risk of excessive leverage.

Disclosures on Pillar II

Pillar II sets out mandatory processes for institutions and supervisors to fulfill capital adequacy and liquidity adequacy requirements. Adyen combines the assessment of these requirements within its ICLAAP. This chapter describes Adyen's ICLAAP and specifically addresses interest rate risk in the banking book.

Internal capital adequacy assessment process

Adyen has designed, implemented, maintains and monitors internal risk management and control systems to identify and manage risks associated with its strategy and activities.
Adyen uses stress testing to understand the impact of stress events on its overall risk profile. The stress scenarios are based on exceptional but plausible events with an adequate degree of severity. Stress testing is performed in accordance with EBA guidelines on stress testing. The results from stress tests are also used as an input for fine-tuning Adyen's risk appetite, risk capacity and risk limits as a feedback mechanism. In 2019 Adyen's Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP[27]) showed that Adyen has a high financial shock absorption capacity and adequate levels of capital and liquidity.

Interest rate risk in the banking book

Interest rate risk on financial instruments included in the banking book[28] could arise from adverse movements in underlying interest rates. Although significant liabilities towards the merchants are present, these liabilities are non-interest bearing and are settled at short notice.

Adyen is exposed to interest rate risk in the banking book in relation to its High-Quality Liquid Assets (HQLA): cash held at central banks and government bonds. However, cash balances of Adyen are not significantly exposed to interest rate risk due to the fact that cash is used to settle the current liabilities towards the merchants at short notice. The nominal values of the bonds held-to-maturity are minimal as compared to the overall financial instruments balance, are short-term in nature and are held-to-maturity leading to minimal interest rate risk. As a result of the nature of the products on the Adyen balance sheet the remaining interest rate risk is considered to be minimal.

27 Art. 438(a) CRR.
28 Art. 448 CRR.

Remuneration policy

Adyen remuneration policy

The remuneration policy of Adyen has been published on the company's website. There has been no change in the remuneration policy in 2019. As a result of the implementation of the Shareholder Rights Directive II in Dutch legislation as of December 1, 2019, it will be proposed in the General Meeting of Shareholders of May 26, 2020 to adjust the remuneration policy to the new legislation.

Remuneration principles

The objective of Adyen's remuneration policy is to ensure that we recruit and retain the best talent worldwide. Adyen's remuneration policy is rooted in the Adyen Formula and is in full compliance with all relevant international and local legislation and regulations.

Our remuneration policy has the Adyen Formula at heart. The Adyen Formula consists of eight points on how we are successful to create long-term value for our merchants.

Our remuneration policy is consistent with, and promotes, sound and effective risk management and has always been aligned with our strategy to create long-term value for our merchants. As such, our remuneration policy does not contain incentives that exclusively benefit staff members themselves.

By retaining the remuneration principles set out in our remuneration policy, the remuneration is consistent with and promotes sound and effective risk management. As such, these remuneration principles also allow remuneration to contribute to long-term value creation and to discourage improper risk-taking.

Remuneration package

The size of a remuneration package is based on the scope of responsibilities, the employee's experience and performance, and the local market circumstances, which may differ from country to country.

A remuneration package may consist of a base salary, share-related remuneration, pension entitlements and other emoluments. For certain employees a remuneration package may also include variable income.

Adyen has the right pay mix in place to mitigate short-term orientation and contribute to the long-term performance of the company. This is specifically achieved by awarding staff members, including the Management Board, with (long-term) share-related remuneration. The purpose of the share-based payments is to put staff members in a financial ownership-like position where shares are concerned and for them to obtain an economic interest in the pursuit of Adyen's long-term objectives such as sustainable growth, development, profitability and financial success of Adyen.

Variable remuneration

Adyen observes the laws and regulations applicable to the company, which includes the remuneration regulations as provided in the Act on Remuneration policy Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*) and the EBA Guidelines on Sound Remuneration Policies (EBA Guidelines) (the Remuneration Regulations). Adyen's remuneration policy is in line with the Remuneration Regulations.

Certain employees may be rewarded with variable remuneration. Variable remuneration, if awarded, will at all times not exceed the fixed to variable remuneration ratios as provided in the Remuneration Regulations. In accordance with the Remuneration Regulations, variable remuneration will be subject to hold back and claw back instruments. In the financial year 2019, no variable remuneration has been adjusted or clawed back in accordance with these instruments.

In the financial year 2019, Adyen has not rewarded any variable remuneration to the members of the Management Board or any other identified staff. Adyen does not award variable remuneration to the Supervisory Directors.

Identified staff

In 2019 there were 21 employees (2018: 18) identified as "Identified Staff" (staff that is considered to have a material impact on the risk profile of Adyen). None of these employees was entitled to a performance related bonus in 2019. As such Adyen avoids short-term incentives and focus for all staff that is considered to have a material impact on our business, including the Managing Directors, thereby contributing to the long-term performance and value creation of the company.

Table 9 provides an overview of remuneration awarded to identified staff over 2019, split into fixed and variable remuneration.

Table 9: quantitative information on remuneration (in EUR '000)

	Senior management	All other	Total
Number of beneficiaries	10	11	21
Fixed remuneration			
Cash based	2,934	2,080	5,014
Instrument based	-	-	-
Variable remuneration			
Cash	-	-	-
Shares	-	-	-
Share-linked instruments	-	-	-
Other types	-	-	-
Ratio (variable to fixed)	-	-	-

Total annual remuneration

In 2019 there were nil employees to whom total annual remuneration (Including employer pension contributions and any severance payments made) of EUR 1 million or more was awarded.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consist of four (4) Supervisory Directors as determined by the Supervisory Board. The current remuneration policy and remuneration of the Managing Directors was adopted at the shareholder meeting on April 17, 2018.

Remuneration for the Management Board

The remuneration policy that applies to the Managing Directors is in line with the remuneration policy that applies to all staff. Adyen's Management Board remuneration is consistent with and promotes a sound and effective risk management and has always been aligned with Adyen's strategy to create long-term value for its merchants. As such, the remuneration policy does not contain incentives that exclusively benefit Managing Directors themselves.

As of 2018 and in line with (i) the Act on Remuneration Policies in Financial Enterprises (Wet beloningsbeleid financiële ondernemingen), and (ii) the Guidelines on Remuneration Policies and Practices as formally adopted on 10 December 2010 by the Committee of European Banking Supervisors, Adyen does not award variable remuneration to the Managing Directors.

The remuneration of the Managing Directors is determined by the Supervisory Board with due observance of the remuneration policy as adopted by the General Meeting.

The Managing Directors do provide the Nomination and Remuneration Committee with their views with regard to the amount and structure of their own remuneration. In 2019 base salaries of the Managing Directors were increased with 8%, in line with the average salary increase of a staff member.

The Management Board's remuneration is compared to AEX companies. The Management Board remuneration is below the median of the benchmark. This discrepancy is accepted for the current Managing Directors. To attract future Managing Directors, the remuneration package for new Managing Directors may be adjusted to the market.

In line with the revised Dutch Corporate Governance Code, Adyen performed a scenario analysis and back-test on Management Board remuneration. All scenarios resulted in the same outcome as the remuneration of the Managing Directors is not linked to variable remuneration elements. The internal ratio of the Managing Directors' remuneration and that of a representative reference group was determined. For this ratio, Adyen deems most relevant the total direct compensation of the CEO compared to the average total direct compensation of all Adyen employees worldwide. For the CEO a ratio of 7:1 applies (2018: 7:1). For the other Managing Directors, a ratio of 5:1 applies (2018: 6:1).

Annexes

Annex I Own funds

Capital instruments main features template as derived from ITS (EU) 1423/2013.[29]

See: Attachment *19 Adyen Pillar III Templates 17-3-2020.xls* (Tab: Shares)

Annex II Countercyclical capital buffer

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer template as derived from RTS (EU) 2015/1555.[30]

See: Attachment *19 Adyen Pillar III Templates 17-3-2020.xls* (Tab: CCyB1 (2))

Annex III Leverage

CRR leverage ratio – Disclosure template (quantitative) as derived from ITS (EU) 2016/200.[31]

See: Attachment *19 Adyen Pillar III Templates 17-3-2020.xls* (Tab: Leverage1)

CRR leverage ratio – Disclosure template (qualitative) as derived from ITS (EU) 2016/200.[32]

See: Attachment *19 Adyen Pillar III Templates 17-3-2020.xls* (Tab: Leverage2)

29 Art. 437(1)(b) CRR.
30 Art. 440(1)(a) CRR.
31 Art. 451(1)(a-c) CRR.
32 Art. 451(1)(d&e) CRR.

Annex I Own funds

Capital instruments main features template as derived from ITS (EU) 1423/2013.[33]

		Ordinary shares
1	Issuer	Adyen N.V.
2	Unique identifier	NL0012969182
3	Governing law(s) of the instrument	The shares are governed by the laws of the Netherlands
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Consolidated
7	Instrument type	CET1 as published in the EBA list (art. 26(3))
8	Amount recognised in regulatory capital	80,000,000
9	Nominal amount of instrument	0.01
9a	Issue price	240
9b	Redemption price	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	13 June 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subseqeuent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary - no dividend pushers, dividend stoppers or ACSM
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rates	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable

33 Art. 437(1)(b) CRR.

29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-dowm, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation	Subordinated to all claims
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant feature	Not applicable

Annex II Countercyclical capital buffer

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer template as derived from RTS (EU) 2015/1555.[34]

	General Credit exposures	Own funds requirements		Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value for SA	of which: General credit exposures	Total		
(AT) Republic of Austria	501,269.76	40,101.58	40,101.58	0.00	
(AU) Australia	9,301,488.80	744,119.10	744,119.10	0.02	
(BE) Kingdom of Belgium	11,630,929.77	466,350.12	466,350.12	0.01	
(CN) People's Republic of China	5,302,276.16	424,182.09	424,182.09	0.01	
(DE) Federal Republic of Germany	720,290.16	57,623.21	57,623.21	0.00	
(ES) Kingdom of Spain	1,838,175.53	147,054.04	147,054.04	0.00	
(FI) Republic of Finland	20,494.42	1,639.55	1,639.55	0.00	
(FR) French Republic	321,026.65	25,682.13	25,682.13	0.00	
(GB) Great Britain and Northern Ireland	24,653,671.03	1,190,189.96	1,190,189.96	0.04	
(HK) Hong Kong	230,863.05	18,469.04	18,469.04	0.00	
(ID) Republic of Indonesia	500,398.88	40,031.91	40,031.91	0.00	
(IE) Ireland	1,371,225.00	109,698.00	109,698.00	0.00	
(JP) Japan	1,473,346.84	117,867.75	117,867.75	0.00	
(KR) Korea, Republic of	129,431.17	10,354.49	10,354.49	0.00	
(MY) Malaysia	869,252.54	69,540.20	69,540.20	0.00	
(NL) Kingdom of Netherlands	217,963,189.67	17,437,055.17	17,437,055.17	0.54	
(PH) Republic of the Phillipines	15,632.47	1,250.60	1,250.60	0.00	
(PL) Republic of Poland	145,334.39	11,626.75	11,626.75	0.00	
(PT) Portuguese Republic	149,543.50	11,963.48	11,963.48	0.00	
(RU) Russian Federation	98,082.48	7,846.60	7,846.60	0.00	
(SE) Kingdom of Sweden	10,100,071.17	808,005.69	808,005.69	0.02	
(SG) Republic of Singapore	2,755,265.09	220,421.21	220,421.21	0.01	
(SK) Slovak Repuplik	7,356.47	588.52	588.52	0.00	
(TR) Republic of Turkey	311,218.68	24,897.49	24,897.49	0.00	
(US) United States of America	144,809,222.35	10,491,806.15	10,491,806.15	0.32	
	435,219,056.03	32,478,364.86	32,478,364.86	1.00	

34 Art. 440(1)(a) CRR.

Annex III Leverage

CRR leverage ratio – Disclosure template (quantitative) as derived from ITS (EU) 2016/200.[35]

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		**Applicable Amount**
1	Total assets as per published financial statements	2,608,974
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (SFTs)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	
7	Other adjustment	-69,365
8	**Leverage ratio total exposure measure**	**2,539,609**

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,608,974
2	(Asset amounts deducted in determining Tier 1 capital)	-69,365
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,539,609**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	

35 Art. 451(1)(a-c) CRR.

7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivatives exposures (sum of lines 4 to 10)**	
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
12a	Gross SFT assets (with no recognition of netting)	
12b	Adjustments for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposure measure		
20	**Tier 1 capital**	745,475
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**2,539,609**
Leverage Ratio		
22	**Leverage Ratio**	**29.35%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

CRR leverage ratio – Disclosure template (qualitative) as derived from ITS (EU) 2016/200.36

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,539,609
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	2,539,609
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	1,028,135
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
EU-7	Institutions	1,081,159
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	
EU-10	Corporate	221,451
EU-11	Exposures in default	
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	208,864

36 Art. 451(1)(d&e) CRR.