



EUROPEAN BANKING AUTHORITY

2013

ANNUAL ACCOUNTS

CERTIFICATION LETTER FROM THE EBA ACCOUNTING OFFICER

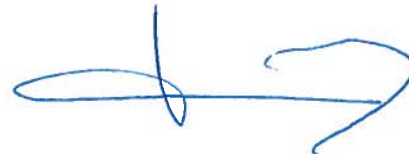
The Annual Accounts of the European Banking Authority for the year 2013 have been prepared in accordance with the Financial Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council applicable to the general budget of the European Union and the accounting rules adopted by the European Commission's Accounting Officer, which are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the Annual Accounts of the Authority in accordance with Article 68 of the Financial Regulation.

I have obtained from the Authorising Officer, who guaranteed its reliability, all the information necessary for the production of the accounts that show the Authority's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the Authority in all material aspects.

Done in London, on 30 April 2014.



Yves Lecoanet
Accounting Officer

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1. GENERAL INFORMATION

EUROPEAN BANKING AUTHORITY

The European Banking Authority ('the EBA' or 'the Authority') is an independent EU Authority established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010, as amended by Regulation (EU) No 1022/2013 of the European Parliament and of the Council of 22 October 2013.

The EBA was established and started its operations as of 1 January 2011, and in addition to its new mandates, it took over all existing and ongoing tasks and responsibilities from the Committee of European Banking Supervisors (CEBS).

The EBA has a broad mandate including, but not limited to, preventing regulatory arbitrage, guaranteeing a level playing field in regulation, strengthening international supervisory coordination, promoting supervisory convergence, enhancing consumer protection and providing advice to the EU institutions in the areas of banking, payments and e-money regulation as well as on issues related to corporate governance, auditing and financial reporting.

As an integral part of the European System of Financial Supervisors (ESFS), the EBA works in close cooperation with its sister authorities, the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) in the Joint Committee, and with the European Systemic Risks Board (ESRB).

FUNDING

The EBA is financed from Union funds (40%) and through contributions from Member States (60%) made in accordance with the weighting of votes set out in Article 3(3) of the Protocol (No 36) on transnational transitions (recital 68 of the EBA Regulation).

AUTHORITY STRUCTURE

The European Banking Authority (EBA) is governed by its Board of Supervisors and a Management Board. The Board of Supervisors is responsible for taking the main decisions relating to the EBA's mandate and giving guidance on the work of the EBA. The Management Board takes decisions relating to the EBA's operations and the execution of its annual work programme.

The Authority is represented by the Chairperson who is responsible for preparing the work of the Board of Supervisors and chairs its meetings as well as those of the Management Board. The Chairperson's term of office is five years and it may be extended once.

The Executive Director is in charge of the implementation of the annual work programme of the EBA under the guidance of the Board of Supervisors and under the control of the Management Board. The Executive Director's term of office is five years and it may be extended once.

The EBA is organised in three departments (Oversight, Regulation, Operations) and two units (Policy Analysis and Coordination, Consumer Protection). It works together with experts from national authorities within a number of working groups and task forces to carry out its tasks.

The annual work programme, published on the EBA's website every year, describes the objectives and specific tasks to be carried by the clusters and units of the EBA.

2. FINANCIAL STATEMENTS

2.1 Balance sheet

ASSETS	Note	31.12.2013	31.12.2012
NON-CURRENT ASSETS			
<i>Intangible fixed assets</i>	3.2.1		
Computer software		1 231 737	28 186
<i>Tangible fixed assets</i>	3.2.1		
Computer hardware		190 283	89 220
Furniture		183 931	71 255
Other fixture and fittings		1 302 483	346 388
Total		2 908 434	535 049
CURRENT ASSETS			
Current receivables	3.3.1	1 325 331	172 537
Sundry receivables	3.3.2	125 621	19 264
Prepaid expenses	3.3.3	704 305	291 924
Cash and cash equivalents	3.3.4	6 091 340	8 945 787
Total		8 246 597	9 429 512
TOTAL ASSETS		11 155 031	9 964 561
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for risks and charges	3.4	2 576 631	1 403 155
Total		2 576 631	1 403 155
CURRENT LIABILITIES			
Current payables	3.5	1 300 183	2 824 557
Sundry payables	3.6	95 926	29 070
EU entities	3.7	3 631 354	1 153 066
Total		5 027 463	4 006 693
TOTAL LIABILITIES		7 604 094	5 409 848
NET ASSETS			
Accumulated surplus/(deficit)		4 554 713	653 704
Economic outturn for the year: profit/(loss)		(1 003 776)	3 901 009
TOTAL NET ASSETS		3 550 937	4 554 713

2.2 Statements of financial performance

	Note	2013	2012
OPERATING REVENUE	3.8		
Contribution from the Member States		13 056 163	11 045 491
Contribution from EFTA countries		376 338	296 513
EU contribution		8 926 142	6 461 476
Foreign currency conversion gains		703 659	268 686
Other administrative revenue		571	72 318
TOTAL OPERATING REVENUE		23 062 873	18 144 484
OPERATING EXPENSES	3.9		
Staff expenses	3.9.1	12 182 252	8 979 990
Building and related expenses	3.9.2	1 932 416	1 230 740
Other expenses	3.9.3	8 781 953	3 459 456
Depreciation	3.9.4	760 381	214 415
Foreign currency conversion losses		406 580	352 004
TOTAL OPERATING EXPENSES		24 063 582	14 236 605
SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		(1 000 709)	3 907 879
NON-OPERATING REVENUES (EXPENSES)	3.10		
Financial expenses		(3 067)	(6 870)
SURPLUS/(DEFICIT) FROM NON-OPERATING ACTIVITIES		(3 067)	(6 870)
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES		(1 003 776)	3 901 009
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS		-	-
ECONOMIC RESULT FOR THE YEAR		(1 003 776)	3 901 009

2.3 Cash flow statements

	2013	2012
CASH FLOW FROM ORDINARY ACTIVITIES		
Surplus/(deficit) from ordinary activities	(1 003 776)	3 901 009
Operating activities		
Depreciation of tangible fixed assets	760 381	173 736
Increase/(decrease) in provisions for risks and liabilities	635 476	598 839
(Increase)/decrease in short-term receivables	(1 671 532)	(39 928)
Increase/(decrease) in accounts payable	(1 553 459)	540 984
Increase/(decrease) in liabilities related to consolidated EU Entities	2 478 288	(2 482 970)
Net cash flow from operating activities	(354 622)	2 691 670
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(2 499 825)	(123 906)
Net cash flow from investing activities	(2 499 825)	(123 906)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2 854 447)	2 567 764
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8 945 787	6 378 023
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6 091 340	8 945 787

2.4 Statement of changes in net assets

	Accumulated surplus	Net deficit for the period	Total net assets
Balance as of 31 December 2012	4 554 713		4 554 713
Economic result of the year		(1 003 776)	(1 003 776)
Balance as of 31 December 2013	4 554 713	(1 003 776)	3 550 937

3. NOTES TO FINANCIAL STATEMENTS

3.1 Summary of significant accounting policies

The Annual Accounts of the European Banking Authority (the 'Authority') comprise the financial statements and the reports on the implementation of the budget.

The financial statements show all charges and income for the financial year, based on accrual accounting rules which comply with the EU Accounting Rules, and are designed to establish the financial position in the form of a balance sheet as at 31 December. Specifically, the principles applied in drawing up the financial statements are:

- going concern basis
- prudence
- consistent accounting methods
- comparability of information
- materiality
- no netting
- reality over appearance
- accrual-based accounting

The budgetary accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.

Basis of preparation

Functional and reporting currency

The euro is the functional and reporting currency of the Authority and amounts shown in the financial statements are presented in euros (EUR) unless indicated otherwise. Any slight differences versus the actual balances are due to rounding.

Currency and basis for conversion

All foreign currency transactions are recorded using the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of financial performance.

Exchange rates used for the preparation of the accounts are as follows:

EUR 1 in GBP	2013	2012
Year-end exchange rate	0.833700	0.816100
Average exchange rate	0.849000	0.812415

Use of estimates

In accordance with IPSAS and other generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to, amounts for provisions, accounts receivables, accrued income and charges, contingent assets and liabilities, and degree of impairment of intangible assets and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Non-current assets

Non-current assets correspond to the fixed assets received from the Committee of European Banking Supervisors on 1 January 2011 and to the acquisitions made in 2011, 2012 and 2013.

Internally generated fixed assets relate to the development cost incurred for projects that have been authorised by the Management Board with an asset value higher than EUR 250 000.

Fixed assets are registered at cost and depreciated using the straight-line method according to the following schedule:

Type of asset	Useful life (years)	Annual depreciation rate
Hardware and software	4	25%
Telecommunications and audio-video equipment	4	25%
Other fixture and fittings	10	10%
Movable furniture	10	10%

Other fixtures and fittings that cannot be reused when offices are relocated are depreciated for the period from the acquisition date until 25 December 2014, the end date of the lease contract of the offices.

Leases

Lease of intangible assets where the Authority has substantially all the risks and rewards of ownership are classified as financial leases. There are no items to be reported under this category.

Leases where the lessor retains a significant portion of the risks and rewards inherent in the ownership are classified as operating leases. Payments made under operating leases are charged to the Statement of financial performance for the portion accrued during the financial year. This is the case for rent paid.

Receivables

All receivables are indicated at the original amount less write-down for impairment where there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

If any, the amount of write-down is charged to the Statement of financial performance.

Cash and cash equivalents

Cash includes only cash in hand as there are no other cash equivalents or liquid investments to be reported. Currently, the Authority works with only one bank.

Payables

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies are delivered and accepted by the Authority.

Accrued expenses

In accordance with EU Accounting Rule 10 supplemented by paragraph 19 of IPSAS 19 (Provisions, contingent liabilities and contingent assets) accruals recognise the amounts to be paid for goods or services that have been received or supplied but which have not yet been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). The accruals are determined based on estimates received from the authorising officer as a result of the analysis of the budget amounts carried to the next year. These accruals are reported under current liabilities-current payables.

Revenue

The EBA's revenue consists of the contribution received from National Supervisory Authorities in the Member States and third-country observers (60%) and the contribution received from the EU (40%).

Pursuant to Article 19.5 of the EBA Financial Regulation, the EU contribution constitutes a balancing contribution in the budget of the Authority. As a result, it is recognised as revenue in the amount necessary to cover budget expenditure. The difference between the amount actually received and the contribution has to be returned to the European Commission and booked as a liability.

Contributions from the National Supervisory Authorities are recognised as revenue when these resources are approved together with the budget by the Board of Supervisors.

Expenditure

Expenses arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the Authority. They are valued at original invoice cost. At year end, incurred eligible expenses already due to the beneficiaries but not yet reported are estimated and recorded as accrued expenses.

Contingent assets and liabilities

In line with EU Accounting Rule 10, the term 'contingent' is used for liabilities and assets that are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Employee benefits

The staff of the Authority are entitled to pension rights according to the pension scheme as defined in the Staff Regulations of the European Communities. The corresponding pension benefits are managed and paid by the European Commission. In compliance with Article 83a of the Staff Regulations, the contribution needed to fund the scheme is financed by the General Budget of the European Community and no employer contribution is paid by the Authority. As a result of this, no pension liability is recognised in the balance sheet of the Authority.

3.2 Non-current assets

Non-current assets are fixed assets used and controlled by the Authority and are composed of tangible, intangible and other non-current assets.

3.2.1 Tangible and intangible fixed assets

Intangible fixed assets 2013		Computer software	Total
Gross carrying amounts 01.01.2013	+	28 186	28 186
Additions	+	1 258 551	1 258 551
Disposals	-	-	-
Gross carrying amounts 31.12.2013		1 286 737	1 286 737
Accumulated amortisation and impairment 01.01.2013	-	-	-
Depreciation	-	(55 000)	(55 000)
Write-back of depreciation	+	-	-
Disposals	+	-	-
Accumulated amortisation and impairment 31.12.2013		(55 000)	(55 000)
Net carrying amounts as at 31.12.2013		1 231 737	1 231 737

Intangible fixed assets relate to internally generated software and computer software licences.

Internally generated software corresponds to development costs incurred in the implementation of two projects completed in December 2013:

- The first release of the European Supervisory Platform system, consisting in building and upgrading the reporting capacity of the Authority, previously held by Banque de France. The cost is recognised as a fixed asset and amounts to EUR 698 692.
- The Credit Institutions Register project, which provides a central database for information from National Supervisory Authorities on all authorised financial credit institutions. The cost is recognised as a fixed asset and amounts to EUR 359 791.

Tangible fixed assets include mainly furniture, fixtures and IT equipment.

Tangible fixed assets 2013		Plant and equipment	Computer hardware	Furniture	Other fixtures and fittings	Tangible fixed assets under construction	Total
Gross carrying amounts 01.01.2013	+	-	158 482	251 435	1 960 592	50 292	2 420 802
Additions	+	7 182	166 983	166 608	1 534 442	-	1 875 215
Disposals	-	-	(5 350)	-	-	-	(5 350)
Transfer between headings	(+/-)	-	-	-	50 292	(50 292)	-
Other changes	(+/-)	-	-	-	-	-	-
Gross carrying amounts 31.12.2013		7 182	320 116	418 044	3 545 326	-	4 290 667
Accumulated amortisation and impairment 01.01.2013	-	-	(69 262)	(180 180)	(1 664 496)	-	(1 913 939)
Depreciation	-	(224)	(65 366)	(33 536)	(585 305)	-	(684 431)
Write-back of depreciation	+	-	-	-	-	-	-
Disposals	+	-	4 796	-	-	-	4 796
Impairment	-	-	-	(20 396)	-	-	(20 396)
Write-back of impairment	+	-	-	-	-	-	-
Transfer between headings	(+/-)	-	-	-	-	-	-
Other changes	(+/-)	-	-	-	-	-	-
Accumulated amortisation and impairment 31.12.2013		(224)	(129 833)	(234 113)	(2 249 801)	-	(2 613 970)
Net carrying amounts as at 31.12.2013		6 958	190 283	183 931	1 295 525	-	1 676 697

Additions in other fixtures and fittings include the fitting out of the new offices in Tower 42 and 30 Old Broad Street contracted in 2013 for an amount of EUR 847 615.

They also include EUR 538 000 for the cost of returning the offices to their original state at the termination of the lease as requested by the contract. The counterpart is recorded as a short-term provision (see Note 3.4).

3.3 Current assets

3.3.1 Current receivables

Current receivables	31.12.2013	31.12.2012
VAT recoverable	1 325 331	172 537
Total	1 325 331	172 537

The recoverable VAT relates to payments to suppliers made during the year 2013 and still to be refunded by UK Authorities.

3.3.2 Sundry receivables

Sundry receivables	31.12.2013	31.12.2012
Pension contribution to be recovered from the Commission	89 384	-
Landlord contribution for fitting out work	20 669	-
Amount to be recovered from the City of London	-	14 443
Amounts to be recovered from staff	15 568	4 821
Total	125 621	19 264

3.3.3 Prepaid expenses

	31.12.2013	31.12.2012
Rent expenses	449 016	236 439
Prepaid business rates	3 946	3 010
Other prepaid expenses	251 343	52 476
Total	704 305	291 924

Other prepaid expenses relate to insurance, IT maintenance, and subscriptions to publications.

3.3.4 Cash and cash equivalents

Cash	31.12.2013	31.12.2012
Citigroup (GBP Account)	214 189	903 530
Citigroup (EUR Account)	5 877 151	8 042 257
Total	6 091 340	8 945 787

3.4 Provisions for risks and charges

	31.12.2013	31.12.2012
Salary adjustment disputed by the Council	1 692 631	918 815
Cost of returning offices to their original state	884 000	346 000
CEBS open invoices to be settled	-	138 340
Total	2 576 631	1 403 155

On 19 November 2013, the Court of Justice of the European Union issued its ruling on the case of the 2011 salary adjustment (1.7%). It required the European Commission to submit to the European Parliament and the Council new proposals which take into account the serious and sudden deterioration in the economic and social situation identified by the Council in 2011. Subsequently, and in the aftermath of a new proposal by the Commission, a final agreement was reached between the European Parliament, the Council and the European Commission, resulting in no increase for 2011 and 0.8% adjustment for 2012 (date of effect 1 July 2012).

The provision at 31 December 2013 reflects this agreement. It covers the period from 1 July 2011 to 31 December 2013 and takes into account the indexation for the cost of living in Belgium (EUR 97 682), the effect of the correction coefficient for the United Kingdom (EUR 770 788) and the impact of the exchange rate with the British Pound (EUR 824 161).

The 2013 salary adjustment, which did not include a salary indexation for the cost of living and only reflected the impact of the new coefficient and the new exchange rate adopted by the European Parliament and the Council, was paid in February 2014 and amounted to approximately EUR 530 000.

The lease contract for the premises includes the obligation for the EBA to return the offices to their original state. An amount of EUR 538 000 was added as at 31 December 2013 to include the cost of returning the additional office space in Tower 42 and 30 Old Broad Street to its original condition.

The liabilities inherited from CEBS included accrued charges for services rendered from April 2009 to September 2010, the invoices for which had not been received by 31 December 2012. The liability towards the supplier was confirmed and the payment was made in 2013.

3.5 Current payables

Current Payables	31.12.2013	31.12.2012
Payables to suppliers	64	254 613
Payables to Member States	-	1 606 194
Accrued charges: untaken annual leaves	391 211	270 989
Accrued charges: other	783 613	691 686
Accrued charges: European institutions	125 295	1 075
Total	1 300 183	2 824 557

Accrued charges correspond to invoices to be received at 31 December 2013 for services rendered in 2013.

3.6 Sundry payables

	31.12.2013	31.12.2012
Sundry payables	95 926	29 070
Total	95 926	29 070

The amount as at 31 December 2013 relates essentially to tangible and intangible fixed assets received but not yet invoiced at the closing date.

3.7 Payables to EU entities

Payables to EU entities	31.12.2013	31.12.2012
Contribution to repay to the European Commission	3 608 718	1 100 062
Other payables to the European Commission	22 636	53 004
Total	3 631 354	1 153 066

The contribution to repay to the European Commission corresponds to the budgetary result for the financial year 2013 which was determined on a modified cash basis. The detailed calculation is presented in the Budget result (Note 4.2).

The EBA is financed by Union funds (40%) and contributions from Member States (60%) in accordance with the weighting votes set out in Article 3(3) of the Protocol (No 36) on transnational transitions (recital 68 of the EBA Regulation). According to Articles 19.5 and 20.1 of the EBA Financial Regulation, the Union contribution paid to the Authority constitutes for its budget a balancing contribution which is accounted for as pre-financing. If the balance of the budget result account is positive, it is to be repaid to the Commission up to the amount of the Union contribution paid during the year.

The EBA has therefore allocated 100% of the surplus to the European Commission.

This is still an issue subject to discussion, as Member States consider that 60% of the surplus should be refunded to them. However, it is assumed that the solution found for the 2011 and 2012 surpluses, which is the deduction of the surplus from the budget contributions of year N+2 will continue to apply, resulting in the reimbursement to the national authorities for the part corresponding to their contribution.

3.8 Operating revenue

The Authority's 2013 revenue comes from the following sources:

Operating revenue	2013	2012
Contribution from Member States	13 056 163	11 045 491
Contribution from EFTA countries	376 338	296 513
EU contribution	8 926 142	6 461 476
Foreign currency conversion gains	703 659	268 686
Other administrative revenue	571	72 318
Total	23 062 873	18 144 484

The 2013 expected budget contributions amounted to EUR 25 967 360 split between the EU (40%) and the Member States and Observers (60%).

The contribution actually paid in 2013 by the Directorate-General for Internal Market amounted to EUR 12 534 860 including the re-imbursment of the Member States' and Observers' share (EUR 2 147 916) in the 2011 Budgetary surplus of EUR 3 579 861.

In accordance with Article 20.1 of the Financial Regulation, the unused part of this contribution, which corresponds to EUR 3 608 718 in the 2013 Budget result (see note 4.2), has to be reimbursed to the European Commission. The difference of EUR 8 926 142 is recognised as operating revenue.

3.9 Operating expenses

3.9.1 Staff expenses

Staff expenses	2013	2012
Salaries and related allowances	11 927 816	8 804 212
Social security	254 436	175 778
Total	12 182 252	8 979 990

3.9.2 Building and related expenses

Building and related expenses	2013	2012
Rent	1 177 365	770 674
Related expenses	755 051	460 066
Total	1 932 416	1 230 740

3.9.3 Other expenses

Other expenses	2013	2012
Office supplies	235 812	172 579
Publicity and Legal	9 089	19 301
Recruitment	70 506	46 605
Training	123 884	51 122
Travel	39 428	36 057
Experts and related expenditure	1 339 733	682 212
IT support cost	638 802	334 378
Other services	681 627	451 635
Operational activities	5 643 072	1 665 567
Total	8 781 953	3 459 456

Operational activities include IT expenses, the amount of which increased from EUR 700 975 in 2012 to EUR 4 234 287 in 2013, as a result of the implementation of the IT infrastructure capabilities previously provided by Banque de France (EUR 1 600 000) as well as the non-capitalised cost related to the implementation of the European Supervisory Platform projects (EUR 434 190) and the Credit Institution Register (EUR 92 113).

The operational activities increase is also driven by the cost of travel for the operational staff rising from EUR 641 531 in 2012 to EUR 921 612 in 2013 and translation cost rising from EUR 318 927 to EUR 442 805.

3.9.4 Fixed asset related expenses

	2013	2012
Depreciation of tangible fixed assets	467 017	153 415
Depreciation of intangible fixed assets	55 294	-
Amortisation of the offices re-instatement cost	238 070	61 000
Total	760 381	214 415

3.10 Non-operating revenue (expenses)

Non-operating revenue	2013	2012
Non-operating revenue	-	-
Total	-	-
Non-operating expense		
Bank charges	(2 745)	(2 470)
Interest expense on late payment of charges	(322)	(4 400)
Total	(3 067)	(6 870)
Total Non-operating activities Net	(3 067)	(6 870)

3.11 Contingent liabilities

Payments for operating lease commitments still to be made at 31 December 2013 for the period up to 25 December 2014, the end date of the lease contracts, amount to EUR 1 356 010.

The contractual payments are scheduled as follows:

Description	Charges still to be paid			
	<1year	1-5 years	>5 years	Total charges to be paid
Operating lease: Tower 42 and 30 Old Broad Street	1 356 010	-	-	1 356 010

Other contingent liabilities include the part of the budgetary commitments which have not been recognised in expenses as at 31 December 2013.

Budgetary commitments	2013	2012
Commitments carried forward to year N+1	3 876 565	6 547 808
Less expenses already recognised in year N	(893 392)	(1 398 988)
Net budgetary commitments as at 31.12.N	2 983 173	5 148 821

3.12 Related party disclosure

Highest grades description	Grade	Number of persons of this grade
Chairperson	AD 15	1
Executive Director	AD 14	1

The remuneration equivalent to the grades of the key management personnel in the table can be found in the Official Journal L338/1 of 22 December 2010.

3.13 Events after the balance sheet date

At the publication of the accounts, no material issue came to the attention of the accounting officer of the Authority or were reported to him that would require separate disclosure under this section. The Annual Accounts and related notes were prepared using the most available information and this is reflected in the information presented above.

4. BUDGET IMPLEMENTATION REPORTS

(Articles 92(b) and 97 of the EBA Financial Regulation)

4.1 Introduction to budget management

4.1.1. Budgetary principles (summary)

The establishment and implementation of the Authority's budget shall comply with the principles of unity and budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as provided for in the Authority's Financial Regulation.

- *Principle of unity and budget accuracy*

The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Authority's activities. No revenue shall be collected and no expenditure effected unless booked to a line in the budget. An appropriation must not be entered in the budget if it is not for an item of expenditure considered necessary. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget.

- *Principle of annuality*

The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December, inclusive. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

- *Principle of equilibrium*

The Authority's budget revenue and payment appropriations must be in balance. Commitment appropriations may not exceed the amount of the voted budget, plus own revenue and any other revenue. The Authority may not raise loans.

- *Principle of unit of account*

The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.

- *Principle of universality*

Total revenue shall cover all expenditure. All revenue and expenditure shall be entered in full without any adjustment against each other.

- *Principle of specification*

The appropriations in their entirety shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items. The Executive Director may authorise transfers from one article to another within each chapter.

- *Principle of sound financial management*

Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.

The principle of economy requires that the resources used by the Authority for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency is concerned with the best relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

- *Principle of transparency*

The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency. The budget, as finally adopted, shall be published in the Official Journal of the European Communities and amending budgets shall be published in an appropriate way within two months of their adoption.

4.1.2. Types of appropriations

The Authority makes use of non-differentiated appropriations for both its administrative (Title I & II) and operational expenditure (Title III).

4.1.3. Description of the budget accounts

Following the provisions of the Financial Rules of the Authority, the budget accounts shall provide a detailed record of the budget implementation and shall record all budget revenue and expenditure operations (voted appropriations, commitments and payments of the financial year, entitlements established).

The content of the budget accounts, also called budget lines, is adopted annually by the Board of Supervisors, taking into account the general budgetary nomenclature and the Authority's rules on the structure and presentation of the statement of expenditure.

Title I budget lines are related to staff expenditure: salaries and allowances of the staff members working for the Authority and all other entitlements such as removal expenditures, installation costs. Title I also includes recruitment costs incurred by the Authority. Interim, training, staff perquisites and administrative mission costs are incorporated also under Title I.

Title II budget lines relate to all buildings, equipment and miscellaneous operating administrative expenditure.

Title III budget lines provide for the implementation of all the activities carried out in the frame of the missions and tasks assigned to the Authority by its founding Regulation. The accounts under this Title are grouped per operational activity group and sub-divided into the main activities performed in each area such as organisation of meetings, training, coordination missions, supervisory activities, etc.

4.2 Budget result for the financial year

		2013	2012
REVENUE			
Balancing Commission contribution	+	8 955 000	7 561 538
Surplus from 2011	+	3 579 860	0
Fee income	+	-	0
Contributions from National Supervisory Authorities		13 056 162	11 045 491
Contributions from Observers		376 338	296 513
Other income	+	13 642	295 651
TOTAL REVENUE (a)		25 981 002	19 199 193
EXPENDITURE			
<i>Title I: Staff</i>			
Payments	-	12 985 781	8 953 661
Appropriations carried over	-	249 850	206 048
<i>Title II: Administrative expenditure</i>			
Payments	-	3 675 753	2 029 498
Appropriations carried over	-	2 034 511	1 643 935
<i>Title III: Operating expenditure</i>			
Payments	-	2 901 001	849 375
Appropriations carried over	-	1 651 203	4 697 825
TOTAL EXPENDITURE* (b)		23 498 099	18 380 342
BUDGET RESULT FOR THE FINANCIAL YEAR (a-b)		2 482 903	818 851
Cancellation of unused payment appropriations carried over from previous year	+	828 736	364 530
Adjustment for carry-over from the previous year of appropriations available at 31 December arising from assigned revenue	+	-	-
Exchange differences for the year (gain +/- loss -)	+/-	297 079	(83 318)
BALANCE OF THE BUDGET RESULT ACCOUNT FOR THE FINANCIAL YEAR		3 608 718	1 100 063
Balance year N-1	+/-	1 100 062	3 579 861
Positive balance from year N-1 reimbursed in year N to the Commission	-	(1 100 062)	(3 579 861)
Result used for determining amounts in general accounting		3 608 718	1 100 063
Commission contribution: Authority registers accrued revenue and Commission accrued expense		8 926 142	6 461 476
Pre-financing remaining open to be reimbursed by the Authority to Commission in year N+1		3 608 718	1 100 062
* including non-automatic carry-over of EUR 60 000.			
Not included in the budget result:			
Interest generated by 31.12.N on the Commission balancing contribution funds and to be reimbursed to the Commission (liability)	+	22 636	53 004

4.3 Implementation of the budget for the financial year 2013

REVENUE		EXPENDITURE												
Source of revenue	Revenue entered in the final budget for the financial year	Revenue received *	Allocation of expenditure	Final budget appropriations						Appropriations carried forward from previous financial year				
				entered	committed	paid	carried forward	cancelled	entered	committed	paid	cancelled		
EU contribution (40%)	10 386 944	12 534 860	Title I Staff	15 277 408	13 236 632	12 985 781	250 850	2 040 776	203 890	151 321	151 321	52 569		
Members State and Observer contributions (60%)	15 580 416	13 432 500	Title II Administrative	5 748 289	5 650 265	3 675 753	1 974 511	98 025	1 641 115	1 375 560	1 375 560	265 556		
Other revenue	-	13 642	Title III Operational	4 941 663	4 552 204	2 901 001	1 651 203	389 459	4 700 645	4 192 191	4 192 191	508 454		
TOTAL	25 967 360	25 981 002	TOTAL	25 967 360	23 439 100	19 562 535	3 876 565	2 528 260	6 545 650	5 719 071	5 719 071	826 579		

* Revenue received from the European Commission includes the Member States' and Observers' share in the 2011 budgetary surplus in the amount of EUR 2 147 916. The budget contribution received from the Member States and Observers was reduced by the same amount.

** Any discrepancies in totals are due to the effects of rounding

4.4 Reconciliation of the budget result versus the economic result

In order to reconcile the budget result to the economic result for the period, differences between budget accounting and accrual accounting need to be taken into account. These differences can be attributed to timing or permanent differences. The most significant of these are the following:

- In budget accounting, capital expenditures are recorded as current year expenses. In accrual accounting these types of expenditures are capitalised and depreciated over the useful life span of the assets.
- In budget accounting, revenue is required to cover all committed expenditures at 31 December. In accrual accounting, revenue and expenses only include amounts corresponding to the financial year. The difference is treated as deferred revenue or accrued expenses in accrual accounting.
- In budget accounting, revenues are expressed on a cash basis and consist of cash received until 31 December of that year. In accrual accounting, revenue is measured at the fair value of the consideration received or receivable (see accounting policy).

			2013	2012
	Economic result for the year (positive for surplus and negative for deficit)	+/-	(1 003 776)	3 901 009
Adjustment for accrual items (items not in the budget result but included in the economic result)				
A	Adjustments for accrual cut-off (reversal 31.12.N-1)	-	(1 699 972)	(764 123)
B	Adjustments for accrual cut-off (cut-off 31.12.N)	+	1 300 119	962 675
C	Amount from liaison account with the Commission booked in the economic outturn account	-	-	-
D	Unpaid invoices at year end but booked in charges (class 6)	+	-	-
E	Depreciation of intangible and tangible assets (1)	+	763 907	214 415
F	Provisions (1)	+	773 816	598 839
G	Value reductions (1)	+	-	-
H	Recovery orders issued in in class 7 and not yet cashed	-	-	-
la	Pre-financing given in the previous year and cleared in the year	+	-	-
lb	Pre-financing received in the previous year and cleared in the year	-	-	-
J	Payments made from carry-over of payment appropriations	+	5 719 072	1 253 283
	Adjustments for deferred charges (reversal 31.12.N-1)		55 485	-
	Adjustments for deferred charges (cut-off 31.12.N)		(255 289)	-
K	Other *)	+/-	35 591	(126 380)
Adjustment for budgetary items (items included in the budget result but not in the economic result)				
M	Asset acquisitions (less unpaid amounts)	-	(2 595 766)	(152 091)
N	New pre-financing paid in the year and remaining open as at 31.12.	-	-	-
O	New pre-financing received in the year and remaining open as at 31.12.	+	3 608 718	1 100 062
P	Budgetary recovery orders issued in a previous year and cashed in the year	+	13 642	295 651
Q	Budgetary recovery orders issued on balance sheet accounts (not 7 or 6 accounts) and cashed	+	-	-
R	Capital payments on financial leasing (they are budgetary payments but not in the economic result)	-	-	-
S	Payment appropriations carried over to N+1	-	(3 935 564)	(6 547 808)
T	Cancellation of unused carried over payment appropriations from previous year	+	828 736	364 530
U	Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	-	-
V	Payments for pensions (budgetary payments booked against provisions)	-	-	-
W	Payments for stocks of leave and supplementary hours (budgetary payments booked against provisions)	-	-	-
X	Other **)	+/-	-	-
	Total		3 608 718	1 100 062
	Budget result for the year		3 608 718	1 100 062

4.5 Budgetary transfers

Chapter	Initial budget appropriations (a)	Transfers 2013 (b)	Final budget appropriations (a) + (b)
11 - Staff in active employment	13 913 008	23 590	13 936 598
12 - Expenditure relating to staff management and recruitment	1 029 200	-47 500	981 700
13 - Mission expenses, travel and incidental expenses	43 500	-2 000	41 500
14 - Socio-medical infrastructure	59 200	-16 090	43 110
16 - Training	200 000	37 000	237 000
17 - Representation expenses, receptions and events	32 500	5 000	37 500
Total Title I	15 277 408	-	15 277 408
20 - Rental of building and associated costs	3 024 000	-387 537	2 636 463
21 - Information and communication technology	609 000	274 414	883 414
22 - Movable property and associated costs	549 500	823 043	1 372 543
23 - Current administrative expenditure	317 550	-62 312	255 238
24 - Postage and telecommunications	210 000	-47 910	162 090
25 - Information and publishing	400 000	-300 155	99 845
26 - Meeting expenses	498 800	-160 103	338 697
Total Title II	5 608 850	139 439	5 748 289
31 - Common supervisory culture: training for national supervisors and staff exchanges and secondments	1 485 000	63 500	1 548 500
32 - Collection of information, developing and maintenance of a central European database	2 454 300	416 061	2 870 361
33 - Data exchange system and Solutions	1 141 802	-619 000	522 802
Total Title III	5 081 102	-139 439	4 941 663
TOTAL TITLES (I+II+III)	25 967 360	-	25 967 360

None of the budgetary transfers carried out during 2013 exceeded the limit of 10% referred to in Article 27 of the EBA Financial Regulation.

4.6 Budgetary execution in 2013

Title	Voted budget 2013 after transfers (1)	Commitments		Payments		Carried Forward (4) = (2)-(3)	% (4)/(2)
		Committed (2)	% (2)/(1)	Paid (3)	% (3)/(1)		
I: Staff expenditure	15 277 408	13 236 632	86.6%	12 985 781	85.0%	250 850	1.9%
II: Administrative expenditure	5 748 289	5 650 265	98.3%	3 675 753	63.9%	1 974 511	34.9%
III: Operational expenditure	4 941 663	4 552 204	92.1%	2 901 001	58.7%	1 651 203	36.3%
TOTAL	25 967 360	23 439 100	90.3%	19 562 535	75.3%	3 876 565	16.5%

At the end of 2013, the EBA had a budget execution rate of 90.3% for commitments and 75.3% for payments.

In Title I, despite the fact that the recruitment plan was fully achieved, the commitment rate was negatively impacted by the non-payment of the salary adjustments for 2011/2012 proposed by the Commission, disputed by the Council and finally rejected by the European Court of Justice on 19 November 2013. The provision made in the financial statements as at 31 December 2013, on the basis of the final agreement reached by the European Parliament, the Council and the European Commission, amounts to EUR 1 692 631, i.e. 11% of Title I or 6.5% of the overall EBA budget.

In Title II, while 98% of the 2013 appropriations were used, the payment execution rate of 64% was significantly lower. This relates to commitments made in the last quarter of the year for which invoices will be provided in 2014, especially related to the budget lines for IT, Communication and Office Management.

In Title III, the commitment execution rate was 92% although the payment execution rate was significantly lower at 59%. This is because a number of large IT contracts that were initially signed at the end of 2012 came up for renewal at the end of 2013. The payments will be made in 2014, when the services are delivered.

The report on the detailed implementation of the budget by chapter is shown in Note 4.9.

4.7 Carry-forward to 2014

Title	Carried forward from 2013 to 2014
I: Staff expenditure	250 850
II: Administrative expenditure	1 974 511
III: Operational expenditure	1 651 203
TOTAL	3 876 565

The total amount of commitment and corresponding payment appropriations to be carried forward to 2014 is EUR 3 876 565. This represents 16.5% of funds committed in 2013, a significant decrease on the corresponding figure for the previous year (35.6%).

Of this amount, EUR 893 392 is to cover payment for goods and services that were delivered in 2013 but for which no invoice has been received.

The remaining amount was essentially due to the planned procurement of IT infrastructure in Title II and IT interim and other services in Title III. The contracts were initially signed in December 2012, following approval of the new IT strategy, and came up for renewal in December 2013.

A more detailed overview of the amounts to be carried forward per budgetary chapter can be found in Note 4.9.

4.8 Budgetary execution in 2013 on carry-forward from 2012

Title	Appropriations (1)	Paid (2)	% (2)/(1)	Appropriations cancelled (1)-(2)
I: Staff expenditure	203 890	151 321	74.2%	52 569
II: Administrative expenditure	1 641 115	1 375 560	83.8%	265 556
III: Operational expenditure	4 700 645	4 192 191	89.2%	508 454
TOTAL	6 545 650	5 719 071	87.4%	826 579

The shortfall in Title I was driven by an over-estimation of the training requirements for the first few months of 2013. The shortfall in Title II was due to an over-estimation of refurbishment costs (EUR 168 000), telecommunication charges (EUR 56 000) and software purchase and maintenance (EUR 31 000).

In Title III, certain IT services could not be provided as a result of the delay encountered in obtaining the approval of the ITS (Implementing Technical Standards) reporting framework (EUR 168 000) and in implementing the IT infrastructure project (EUR 289 000).

4.9 Detailed budget implementation 2013 by chapter

Chapter	Final appropriation after transfers (1)	Committed amount (2)	% committed (2/1)	Paid (3)	% paid (3/1)	Carried forward (4) = (2)-(3)	% carried forward (4)/(2)
11 - Staff in active employment	13 936 598	12 254 543	87.9%	12 253 543	87.9%	1 000	0.0%
12 - Expenditure relating to staff management and recruitment	981 700	675 923	68.9%	589 756	60.1%	86 167	12.7%
13 - Mission expenses, travel and incidental expenses	41 500	35 400	85.3%	28 540	68.8%	6 860	19.4%
14 - Socio-medical infrastructure	43 110	28 603	66.3%	20 382	47.3%	8 221	28.7%
16 - Training	237 000	218 595	92.2%	71 514	30.2%	147 080	67.3%
17 - Representation expenses, receptions and events	37 500	23 567	86.6%	22 045	58.8%	1 522	6.5%
Total Title I	15 277 408	13 236 632	86.6%	12 985 781	85.0%	250 850	1.9%
20 - Rental of building and associated costs	2 636 463	2 626 463	99.6%	2 408 923	91.4%	217 539	8.3%
21 - Information and communication technology	883 414	881 385	99.8%	605 466	68.5%	275 919	31.3%
22 - Movable property and associated costs	1 372 543	1 365 656	99.5%	52 807	3.8%	1 312 849	96.1%
23 - Current administrative expenditure	255 238	188 468	73.8%	154 628	60.6%	33 841	18.0%
24 - Postage and telecommunications	162 090	162 076	100.0%	124 485	76.8%	37 590	23.2%
25 - Information and publishing	99 845	99 013	99.2%	97 437	97.6%	1 576	1.6%
26 - Meeting expenses	338 697	327 204	96.6%	232 007	68.5%	95 196	29.1%
Total Title II	5 748 289	5 650 265	98.3%	3 675 753	63.9%	1 974 511	34.9%
31 - Common supervisory culture: training for national supervisors and staff exchanges and secondments	1 548 500	1 524 055	98.4%	1 283 042	82.9%	241 013	15.8%
32 - Collection of information, developing and maintenance of a central European database	2 870 361	2 509 307	87.4%	1 190 702	41.5%	1 318 604	52.5%
33 - Data exchange system and solutions	522 802	518 842	195.5%	427 257	81.7%	91 585	17.7%
Total Title III	4 941 663	4 552 204	92.1%	2 901 001	58.7%	1 651 203	36.3%
Total Titles (I + II + III)	25 967 360	23 439 100	90.3%	19 562 535	75.3%	3 876 565	16.5%

5. FINANCIAL SYSTEMS AND MANAGEMENT

Since June 2011, the EBA has been using the accounting systems provided by the European Commission, which include ABAC Workflow for budgetary accounting, ABAC Accounting for financial reporting and ABAC Assets for the management of fixed assets.

These systems have been validated by the Accounting officer in compliance with Article 50.1(e) of the EBA Financial Regulation. This was done in December 2012 on the basis of work carried out by an independent accounting firm covering the systems, the financial circuits and a review of the accounting schemes.

Following a recommendation from the independent accounting firm, a simplified workflow was introduced for mission transactions lower than EUR 1 000, with a view to increasing efficiency, while taking account of the limited risk associated with those transactions.

A full physical inventory was performed in the third quarter of 2013, covering all the assets received from the Committee of European Banking Supervisors as well as new acquisitions made in 2011, 2012 and the first half of 2013. No material discrepancies were identified.

As a result of the implementation of the new IT strategy adopted in December 2012, several significant IT projects were implemented during 2013, some of which lead to the recognition of internally generated fixed assets. A procedure has been drafted to identify and collect the information necessary to correctly account for the cost of the projects. In particular, a manual process has been implemented to capture the time spent on the various projects on time-sheets.

In terms of organisation, a Head of Finance and Procurement and an additional financial officer were recruited in December 2013. Their tasks include consolidating and improving on the work already done in the area of financial monitoring and controls, and preparing the implementation of activity-based budgeting and management.

Following the publication by the European Commission of the Framework Financial Regulation for the bodies referred to in Article 108 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council, the European Banking Authority prepared new financial rules aligned with the Framework Financial Regulation. The new EBA Financial Regulation was adopted by the Management Board on 23 December 2013 for entry into force on 1 January 2014.